

Welcome to the latest views and perspectives shaping the agentic economy and the bioeconomy.

INSIDE

Why McKinsey's Model Belongs to the Past.

Why the age of external benchmarking is over, and why the only lasting edge now is a company's ability to learn from itself faster than anyone else can copy.



The Death of Classical Consulting. AI killed benchmarking. Compounder's Law builds self-learning systems that never need McKinsey again.

- By Dr. Daniel M. Böhi and Raanan Shenhav

In recent discussions we had with CEOs, a similar question pops up: "Should we double down on our consultants or move to something new?" The underlying question isn't just about choices. It's about paradigms. For more than half a century, McKinsey, BCG, or Bain have shaped the mental

architecture of corporate decision-making. Their spreadsheets, benchmarks, and frameworks have guided boardrooms through crises, turnarounds, and transformations. They built an empire on the promise that they alone could decode complexity, identify best practices, and deliver performance uplift. Their business model was based on external benchmarking, episodic transformation, and premium one-off insights-as-service.

That model worked perfectly until the world became self-learning. Even the consulting industry is coming to realize that, as Accenture's CEO ordered 11,000+ employees to "reskill or exit."

We are entering what economists and technologists now call the *agentic economy*: a world where value creation increasingly depends on autonomous, continuously adapting systems rather than episodic, human-led interventions. In such a world, information is no longer scarce, benchmarks are no longer proprietary, and "best practice" has become a public commodity. When every CEO can summon the collective knowledge of McKinsey's archives through an AI interface, the question is no longer *who knows what to do*, but *who can keep improving faster than others can copy*.

This is precisely where **Compounder's Law** departs from the consulting orthodoxy. McKinsey, BCG, and Bain still operate as *exogenous systems*, bringing in external data, comparing you to your peers, and recommending discrete "levers" to pull: cut costs, reprice, restructure, and digitize. The interventions are often effective, but their impact tends to decay quickly over time. Once the consultants leave, momentum dissipates; the company reverts to its old state, only marginally improved. The model produces an *impact once*. Those of us who have worked with classical consultants have all witnessed this phenomenon repeatedly.

Compounder's Law, by contrast, operates as an *endogenous system*: it turns improvement itself into a permanent capability. Rather than importing intelligence, it builds feedback loops that generate it. Where traditional consulting focuses on optimization, Compounder's Law focuses on compounding, how each performance gain can be reinvested by rule into the next cycle to accelerate learning, shorten the refresh half-life, and build momentum that becomes self-sustaining.

From Levers to Loops

This difference may sound semantic, but it's structural. McKinsey talks in terms of levers; we speak in terms of loops. A lever is something you pull once to achieve a finite effect—a cost program, a pricing initiative, an organizational redesign. A loop is a living mechanism: a self-reinforcing process that learns, improves, and compounds.

Take customer churn. A traditional consulting firm benchmarks churn rates, maps causes, and prescribes a set of best practices to reduce them, an intervention.

Compounder's Law creates a **loop**: data from every customer interaction feeds into model retraining, which refines personalization, in turn reducing churn, and generating better data for the next round. Each cycle accelerates the next. The gain doesn't end; it compounds. That's the essence of *endogenous advantage*: learning faster than competitors can imitate. The company becomes its own source of truth. Each iteration makes it harder to catch up, not because it knows more, but because it learns faster.

It's crucial to clarify how Compounder's Law stands apart from existing concepts, such as the flywheel effect, traditional capability-building theories, and market-based theories, to explain its advantages. While all these ideas recognize the value of cumulative effort, Compounder's Law makes the compounding mechanism explicit and measurable, offering a distinct paradigm for strategists and leaders.

The End of Benchmark Capitalism

The consulting industry thrived because information was scarce and asymmetric.

Consultants were brokers of insight. They traversed industries, collected data from hundreds of clients, and monetized it through benchmarking: *here's how your EBITDA compares; here's what the top-quartile looks like*. That was once invaluable. But in the agentic world—where AI can compare your cost structure to every public and private dataset in seconds—benchmarks are no longer scarce. They're ambient.

Once insight becomes abundant, the old model collapses. If every firm has access to the same best practice, no firm has an advantage. Competitive edge shifts from what you know to how fast you can learn and reinvest. From "we know" to "we changed". That's where Compounder's Law lives. It treats internal data not as a by-product of operations but as the fuel for self-optimization. The company's proprietary learning system becomes its very moat.

Reinvestment by Rule

In most organizations, performance gains are often lost because they're not reinvested systematically. Consultants deliver a slide deck of initiatives; finance absorbs the savings; leadership moves on. Momentum dies quietly.

Compounder's Law introduces a simple but radical concept: reinvestment by rule. For every loop, a fixed share of the gain—whether it be cost savings, time saved, or margin improvement—is automatically reinvested in the capability that created it. Ten percent of churn reduction fuels the development of new personalization tools, and twenty percent of yield

improvement funds automation and frontline training. The system becomes self-financing. Nothing leaks.

This isn't budgeting; it's physics. The loop feeds itself. Over time, these reinvestments shorten what we call the **Loop-Refresh Half-Life (LHR)**, the time it takes for an improvement to decay if left unrefreshed, and increase the **Compound Advantage Rate (CAR)**, the slope at which performance compounds. It is an advantage, not a state of being.

The Human Engine of Compounding

Traditional consulting tends to treat people as executors of change; *Compounder's Law* treats them as the source of the energy behind it. It integrates Psychological Capital (hope, efficacy, resilience, optimism) as a measurable variable that accelerates loop velocity. When teams believe in their capacity to influence outcomes and see proof of progress each cycle, their speed of learning and adaptation increases. This isn't culture as soft talk; it's human capital as kinetic force. PsyCap turns belief into measurable performance energy.

From Consulting to Education

Perhaps the most profound shift is philosophical. McKinsey, BCG, and Bain sell answers; *Compounder's Law* teaches systems. They consult; we educate.

Our goal is not to create a dependency, but to instill autonomy, enabling organizations to think, learn, and adapt independently. It's the difference between prescribing medicine and teaching physiology.

In this sense, *Compounder's Law* belongs as much in the classroom as in the boardroom. It transforms strategy from a consulting service into an organizational education platform: a continuous cycle of sensing, learning, adapting, and reinvesting. Once installed, the system continues to improve long after the teacher leaves.

Why the Consulting Model Cannot Survive

None of this is an attack on McKinsey or BCG; it's simply evolution. Their model was designed for a world of information scarcity and hierarchical management. Our world is now one of information abundance and agentic systems. In such an environment, the arbitrage on knowledge—the idea that you can sell insight because others don't have it—vanishes. When generative AI can replicate most consulting analyses at marginal cost, the only remaining source of advantage is **internal learning speed**. That's not consulting. That's compounding. Consultants optimized levers; we design systems that learn. They delivered results once; we built mechanisms that provide them continuously. They extract data; we generate it. They compare you to others; we make you incomparable.

The Future Belongs to Systems That Learn

The question every CEO should now ask is not “Which consulting firm should I hire?” but “Which systems in my company learn, and how fast?” Because in a world where data is ubiquitous, the only actual scarcity is the capacity to turn experience into momentum. That's what Compounder's Law institutionalizes: the physics of compounding advantage.

McKinsey will still have clients; Bain will still write reports. But their model belongs to a world of episodic intervention. The future belongs to systems that learn by doing—and never stop learning.

In the old world, you bought advice. In the new one, you build intelligence. That's the quiet revolution underway in every forward-looking boardroom: from *consulting* to *compounding*, from *projects* to *loops*, from *optimization* to *momentum*. And once a company experiences what it feels like to compound its own advantage, it will never again pay someone else to tell it what “best practice” looks like.

McKinsey sells external intelligence. Compounder's Law builds internal intelligence that compounds. That's not just a different framework. It's a different era.

Connect with us. We sit in Zürich, Switzerland, just a coffee away from sharing more information and exploring how “The Compounder's Law” can transform and accelerate your business and leadership.

To find out more about “The Compounder's Law”: Böhi, Daniel and Shenhav, Raanan (2025): Compounder's Law: Engineering Competitive Advantage with Endogenous Loops and Psychological Capital;
https://www.researchgate.net/publication/395442105_Practitioner_Manuscript.

Get in touch!

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