

Course of Management Consulting

The value chain of the Management Consultancy firm

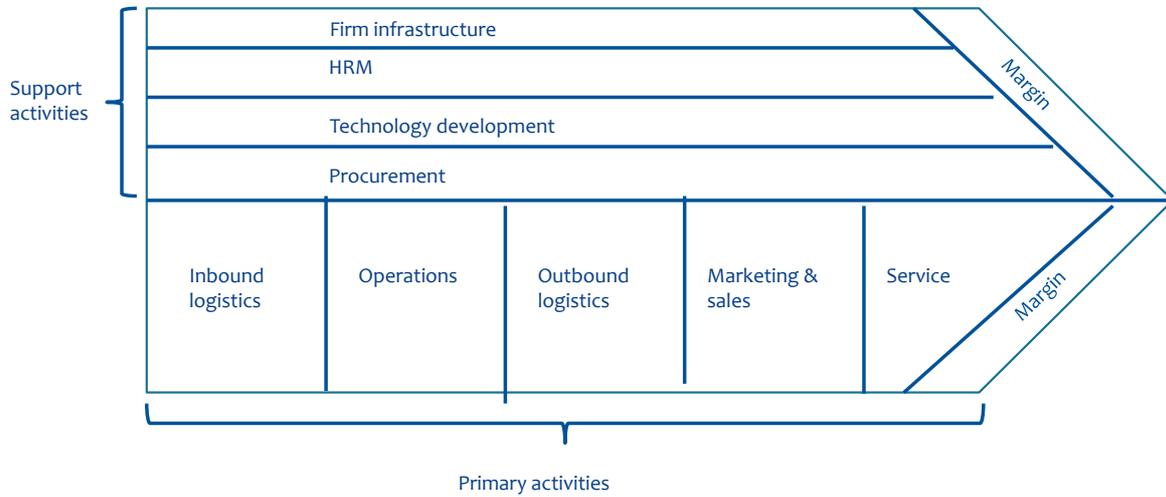
Professor Corrado Cerruti

Academic Year 2017/2018

Agenda

- Porter's value chain;
- Management consulting firm value chain;
- Linkages between activities;
- Competitive advantage and value activities
- Disruption in Management Consulting

Porter's value chain



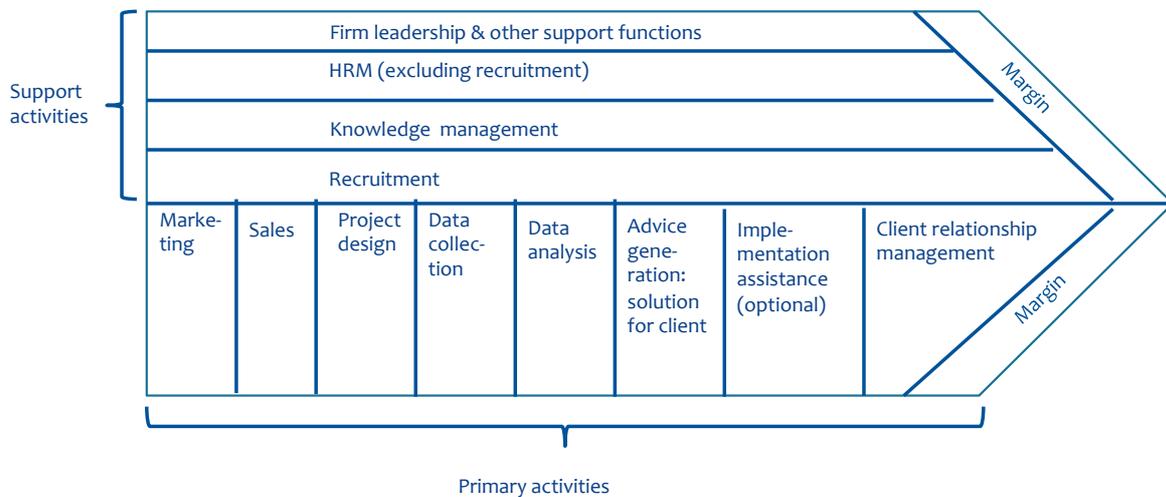
Source: Porter (1985)

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Management consulting firm value chain



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Main differences

	Porter's value chain	MC value chain
Operation-Sales sequence	First produces and then sells	First sells and then delivers
Operations	Delivers products	Delivers a service
Distribution	Presence of inbound and outbound logistics	Lack of inbound and outbound logistics
R&D	Is about physical products	Is about knowledge
Procurement	It has a big role	It has a small role

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Primary activities

MKTG	SALES	PROJECT DESIGN	DATA COLLECTION	DATA ANALYSIS	ADVICE GENERATION	IMPLEMENTATION	CRM
TARGET AUDIENCE	SELLING TO EXISTING CLIENTS	PLANNING ACTIVITY AND APPROACH	DESK AND FIELD RESEARCH	ORGANIZING THE DATA	ANALYSIS AND CREATIVITY	ASSISTING CLIENTS MGMT	PROJECT EVALUATION
MKTG TECHNIQUES (networking; communicating; ads & promotion)	APPROACHING PROSPECTIVE CLIENTS	RESOURCES		ANALYSING RELATIONSHIPS	TAKING CARE OF THE UNCERTAINTY		CHECKING RESULTS
	MEETING THE PROSPECTIVE CLIENT			PREDICTING THE FUTURE			FOLLOW-UP VISITS
				CHECKING ANALYSIS QUALITY			

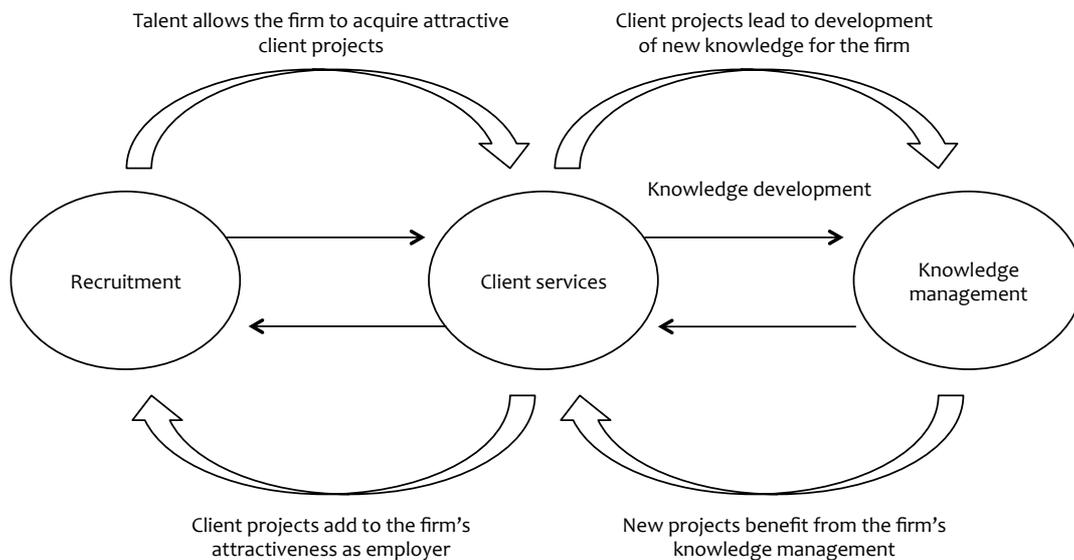
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Support activities

RECRUITING	KNOWLEDGE MGMT	HR MGMT	OTHER SUPPORT ACTIVITIES
MKTG & SCREENING	CODIFICATION STRATEGY	DEVELOPING TALENT	MANAGING ICT, LEGAL, GRAPHICS, LEADERSHIP FUNCTIONS
INTERVIEWING	PERSONALIZATION STRATEGY	EVALUATING PERFORMANCES	
	EXPLORING KNOWLEDGE (from client projects or internal studies)	MANAGING THE ALUMNI NETWORK	
	STORING AND DISTRIBUTING KNOWLEDGE		

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Linkages between activities

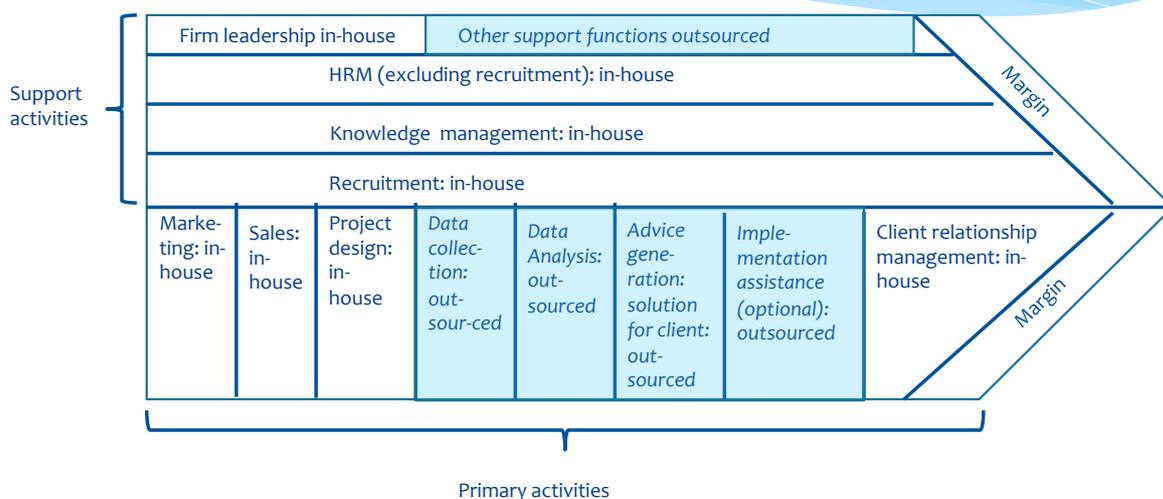


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Competitive advantage and value activities

COMPETITIVE ADVANTAGE	COST LEADERSHIP	DIFFERENTIATION	
Customer value proposition	Operational excellence	Customer intimacy	Product leadership (Thought leadership)
Most relevant primary value activities	Efficiency of: <ul style="list-style-type: none"> project design data collection data analysis advice generation implementation 	<ul style="list-style-type: none"> marketing sales customer relationship management 	Creativity of: <ul style="list-style-type: none"> project design data collection data analysis advice generation implementation
Most relevant support activities	Knowledge management: re-using codified knowledge	Knowledge management: re-using tacit knowledge	Recruitment of creative talent

Disaggregation of value chain

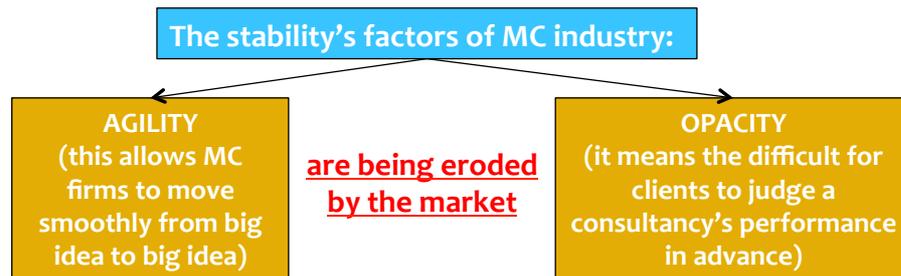


Because of some drivers (e.g. Client sophistication; Development in ICT) it is possible to build partial value chain by **outsourcing** and by **offshoring**. The main consequences are: growth of competition and transparency in consulting offerings and fees.

Consulting on the Cusp of Disruption*

MC's fundamental **business model** has not changed in more 100 years. It has always involved sending smart outsiders into organizations for a finite period of time and asking them to reccomend solutions for the most difficult problems confronting their clients.

Now, the **same forces** that disrupted so many businesses are starting to reshape the world of consulting. Early signs of this pattern in consulting industry include *increasingly sophisticated competitors* with **nontraditional business models** that are gaining acceptance. However, we are still early in the story of consulting's disruption.

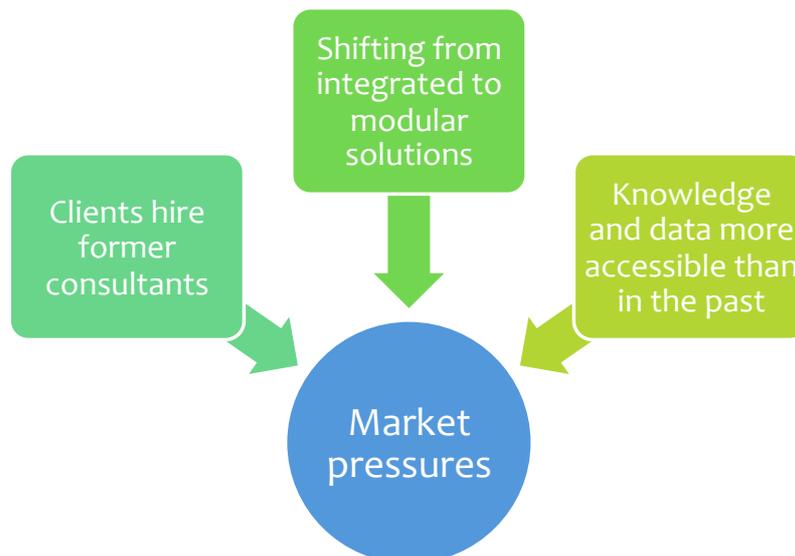


<http://solutions.mckinsey.com/index/> <http://glg.it> <http://narrativescience.com>

* M. Christensen, D. Wang, D. Van Bever. "Consulting on the Cusp of Disruption" – *Harvard Business Review*, October 2013
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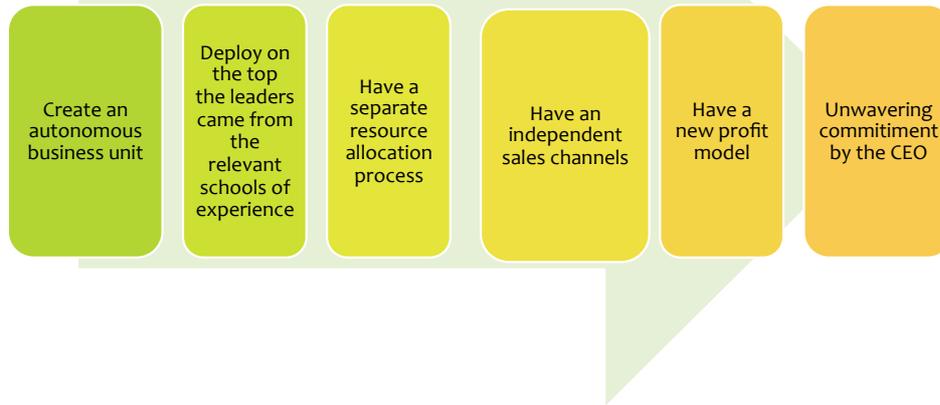
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Consulting on the Cusp of Disruption – Market pressures



Consulting on the Cusp of Disruption – A checklist for self-disruption

No challenge is more difficult for a market leader **facing disruption** than to turn and fight back to disrupt itself before an upstart competitor does. All was developed and acquired for its initial success become *sea anchors* when it attempts to change course. Let's explain **6 elements to success in self-disruption**:



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Consulting on the Cusp of Disruption - Consequence of industry disruption

Solutions featuring greater *predictive technology* and *automation* will only get better with time. What's more, **data analytics and big data** radically level the playing field of any industry in which opacity is high.

The **big data company** can automatically evaluate vast amounts of data, identify stastically relevant insights, and present them through an animated briefing, rendering the junior analyst role obsolete. These companies, most of them are startups, lack the brand reputation of the incumbents and are as partners to them.

This disruption is creating **new business models**, challenging the incumbents, especially those who are not willing or capable to change!



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Consulting on the Cusp of Disruption – The development of new business models

More traditional

SOLUTION SHOP

- Structured to diagnose and solve problems whose scope is undefined
- Delivers value primarily through consultants' judgment rather than through repeatable processes
- Customers pay high prices in the form of fee-for-service

EXAMPLES
McKinsey, Bain, BCG, IDEO

VALUE-ADDED PROCESS BUSINESS

- Structured to address problems of defined scope with standard processes
- Processes are usually repeatable and controllable
- Customers pay for output only

EXAMPLES
Motista, Salesforce.com, McKinsey Solutions

Accenture, Deloitte (both moving toward solution shop)

More innovative

FACILITATED NETWORK

- Structured to enable the exchange of products and services
- Customers pay fees to the network, which in turn pays the service provider

EXAMPLES
OpenIDEO, CEB, Gerson Lehrman Group, Eden McCallum, BTG

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The disruptors ... examples to be looked at

McKinsey Solutions

<https://www.mckinsey.com/solutions>

GLG Professional Services

<https://glg.it/professional-services-firms/>

Business Talent Group

<https://businesstalentgroup.com>

But also

Salesforce for CRM

<https://www.salesforce.com/?ir=1>

<https://www.salesforce.com/services/advisory-services/overview/>

Myinvenio for process mining

<https://www.my-invenio.com>

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