



Course of Management of Innovation

Management Consulting and Innovation

Prof. Corrado Cerruti

Management Consulting ...

THE PLACE OF MANAGEMENT COUNSEL IN BUSINESS

BY JOEL DEAN

UNHERALDED, almost unnoticed, professional management counsel has become an important institution in our business world. It has evolved as one aspect of the development of the social sciences, and more particularly of the application of scientific methods to business problems. Its development has been stimulated by a growing appreciation of the need for professional training and by recognition of the universality of certain business principles.

structure of this new profession? Under what conditions should the executive consider engaging an outsider? How can he best assure the success of a consulting engagement? What results can he expect? What are the effects of the consultants' work on the economic system?

Information needed to answer these questions is difficult to obtain, since systematic impartial investigations of this profession have not, to the writer's knowledge, been made heretofore. The

Management Consulting ...

Arthur N. Turner

Consulting
is more than
giving advice

*By building on a hierarchy of goals,
consultants and
managers can work
toward mutual interests*

Harvard Business Review, 1982

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Definition

Management consulting is defined as:

- an independent professional advisory service assisting managers and organizations
- to achieve organizational purposes and objectives
- by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes
(Kubr, 2002: 10)

Management consulting includes a mix of:

- Advisory
- Support to implementation

A Management consulting firm/consultant qualifies with respect to:

- specific topics/tools
- specific industries

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Roles of MC in client perspective

Role	Description
Expert	Provide knowledge to solve problem defined by client
Doctor	Identify and solve problem for client
Facilitator	Provide process which client can use to identify and solve a problem
Hired hand	Provide temporary capacity for client, not related to specific client problem
Legitimitor	Provide legitimacy to a client's solution which other stakeholders oppose
Political weapon	Provide arguments for client's position in a political fight
Scapegoat	Take blame for a client's solution that is not in the interest of other stakeholders

Service lines and client industries

Client sectors	Strategy	Performance improvement	Private equity*	Customer strategy & marketing	Organization	Mergers & acquisitions	Information technology	Results delivery**	Corporate renewal
Industrial goods & services									
Airlines & transportation									
Financial services									
Metals & mining									
Private equity									
Social & public sector									
Telecommunications									
Consumer products									
Healthcare									
Media									
Oil & gas									
Retail									
Technology									
Social & public sector									
Telecommunications									

Matrix of service lines and client sectors

Clients interact with the MC based on the expertise of the company (its partners) in each box of the matrix.

The young consultant after a few projects specializes in a few box of the matrix to build up his/her expertise.

Service lines - Definitions

Strategy

- Corporate and business planning, business modelling, market analysis and strategy
- Valuation, M&A planning, advisory in major financial transactions M&A, IPO, Restructuring, etc.
- Governance of major company wide transformation/restructuring programs.

Operations:

- Consulting on organizational development.
- Consulting on company supply chain, including manufacturing, R&D, product development, procurement and logistics.
- Business process reengineering of major operational processes.

Sales and Marketing:

- Customer insight and relationship management
- Sales and channel management
- Product portfolio management and branding
- Digital marketing

Finance and Risk Management:

- Development of planning, budgeting and performance management models
- Optimization of finance and administration departments
- Analysis, measurement and optimisation of enterprise risks (credit, market, operational, environmental, quality, etc.)
- Support in addressing regulatory requirements and in developing compliance management

People and Change:

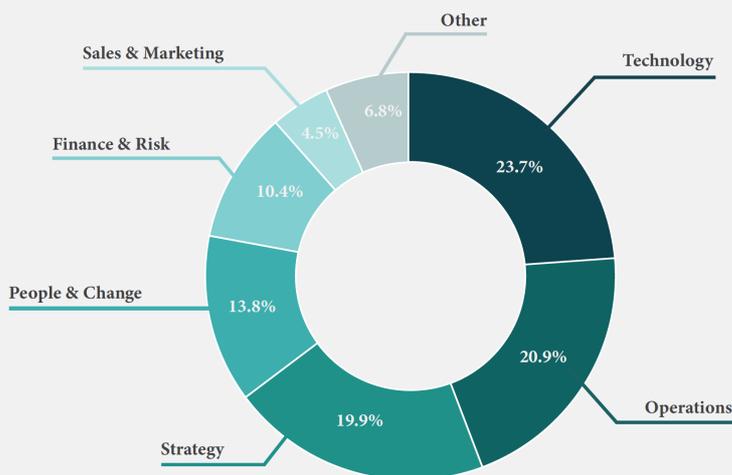
- Consult to HR department
- Support in change management program

Technology

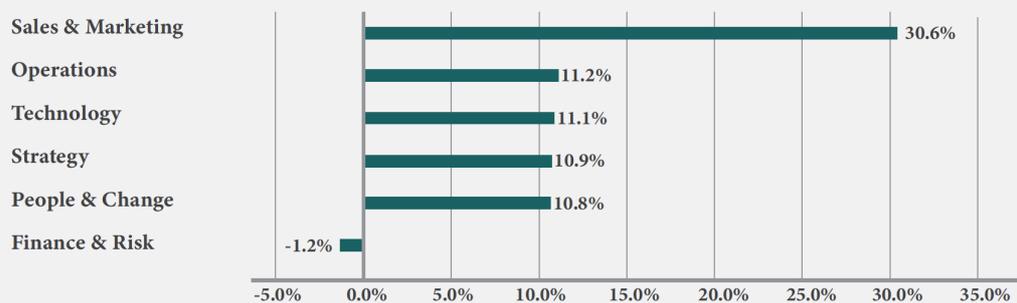
- IT strategy and organization; Technology and application architecture
- Data Centre technology and operations; IT Network and security
- Use of new technologies for business

Assessing the Management Consulting industry

MC turnover market share by Service Lines (European panel 2021)



Source: FEACO-Tor Vergata "Management Consulting in Europe" January 2023



Consumer and Industrial Products:

- Consumer goods: food and beverage, automobiles, personal & household goods;
- Industrial goods: construction and materials, general industrials, aerospace and defence,
- Pharmaceutical & biotech
- Technology hardware and equipment

Financial Services:

- Banks, insurance, real estate
- Other investment and finance services

Telecoms and Media:

- Telecommunications
- Broadcasting, entertainment, publishing

Energy and Utilities:

Oil & gas, utilities
Chemical and basic resources

Other Services:

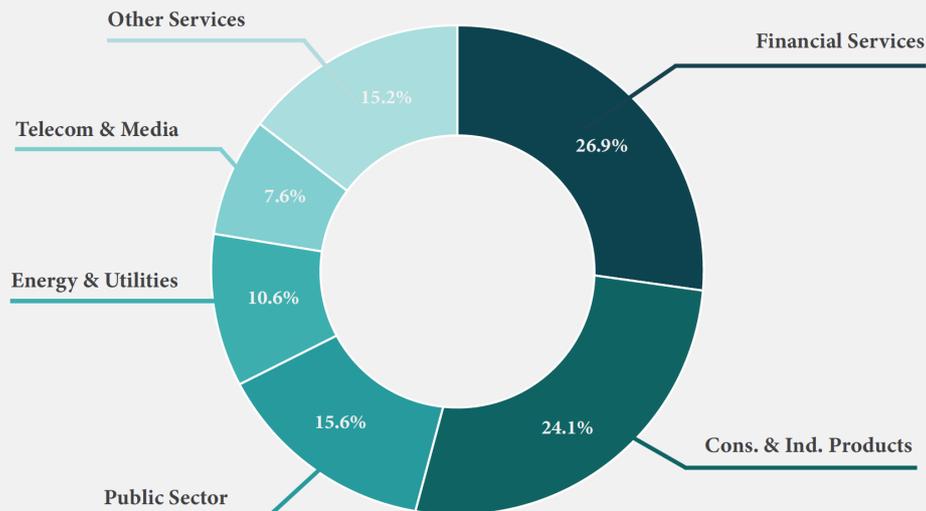
- Retail, travel & leisure
- Private health care services
- Software and computer services, business services

Public Sector:

- Central government
- Local/ regional government
- Supranational institutions (EU, WB, EIB, etc.)
- Public health care

Assessing the Management Consulting industry

MC turnover market share by Client Industries (2021)

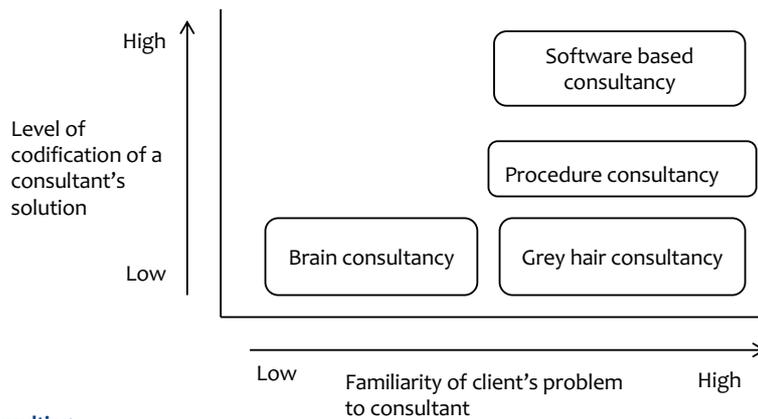


Source: FEACO-Tor Vergata
"Management Consulting in Europe" January 2023



4 types of MC

1. **Brain Consultancy:** solving new client problems requires large effort. Consultants have to invent the wheel. They have to be smart and creative to come up with new solutions.
2. **Grey hair consultancy:** Consultants may exploit their experience to solve client problems. It is appropriate for client problems that have been solved before.
3. **Procedure Consultancy:** Procedures take the form of methods, tools and techniques. If consultants can codify their knowledge in procedures, they no longer have to rely on experienced, grey hair consultancy.
4. **Software-based consultancy:** MC may attempt to codify their knowledge into software (e.g. analytics software to diagnose client problems).



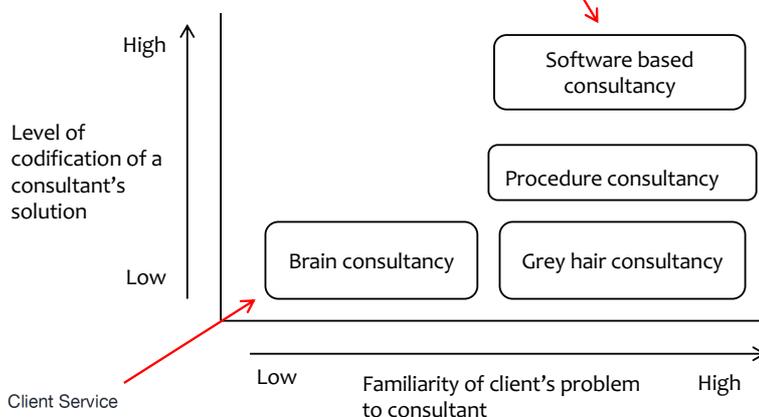
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McKinsey Solutions – Innovative services combining McKinsey expertise with data, analytics, and tools

McKinsey Solutions



Client Service

The key to our client service is our seamless integration of deep industry and functional expertise with tools and capabilities to support execution and make change happen—on a global scale.

Industry Practices

There is no substitute for knowing an industry inside and out. Organizations need to track competitive dynamics, regulatory changes, and advances in technology to emerge and thrive in their sector. Our consultants draw upon years of direct, first-hand experience as well as deep industry knowledge to secure our clients' success.

- Advanced Electronics
- Aerospace & Defense
- Automotive & Assembly
- Chemicals
- Consumer Packaged Goods
- Electric Power & Natural Gas
- Financial Services
- Healthcare Systems & Services
- High-Tech
- Metals & Mining
- Oil & Gas
- Paper & Forest Products
- Pharmaceuticals & Medical Products
- Private Equity & Principal Investors
- Public Sector
- Retail

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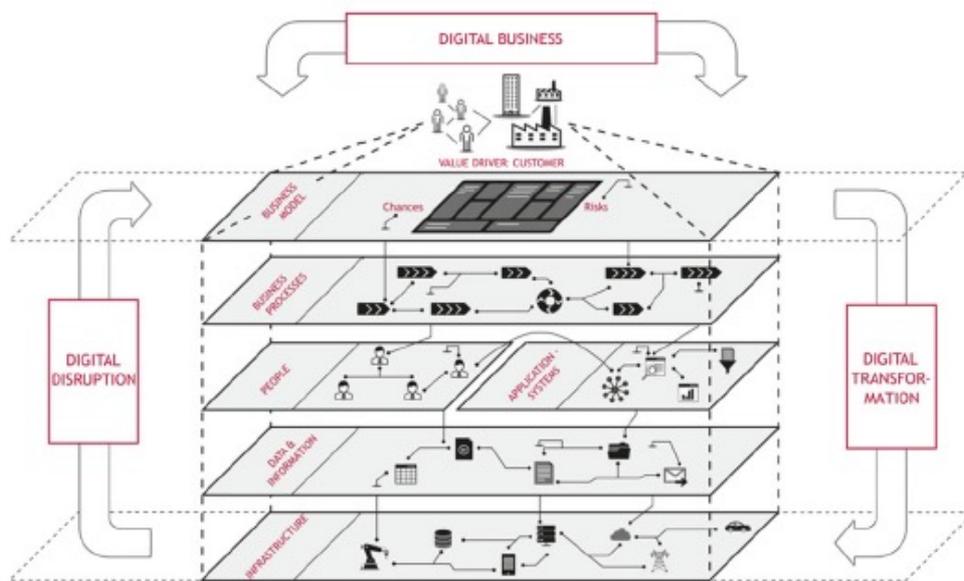
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BCG main contributions to the foundations of management knowledge

Digital Transformation

Digital Transformation can be described as the impact on the society (and on the companies and their relationships with the customers) of digitalization.

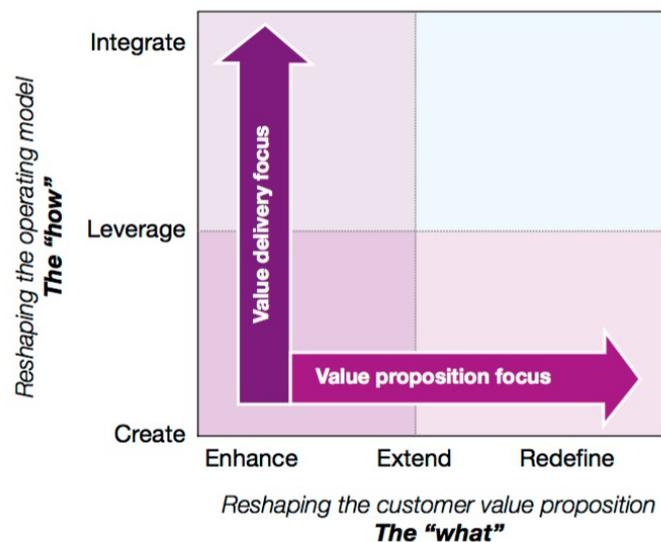


Source: Nils Urbach and Maximilian Röglinger, Digitalization cases, 2019

Digital Transformation: what & how

- Reconfiguring the customer value proposition (**what** is being offered)
- Reshaping the operating model (**how** it is delivered).

Elements of digital transformation

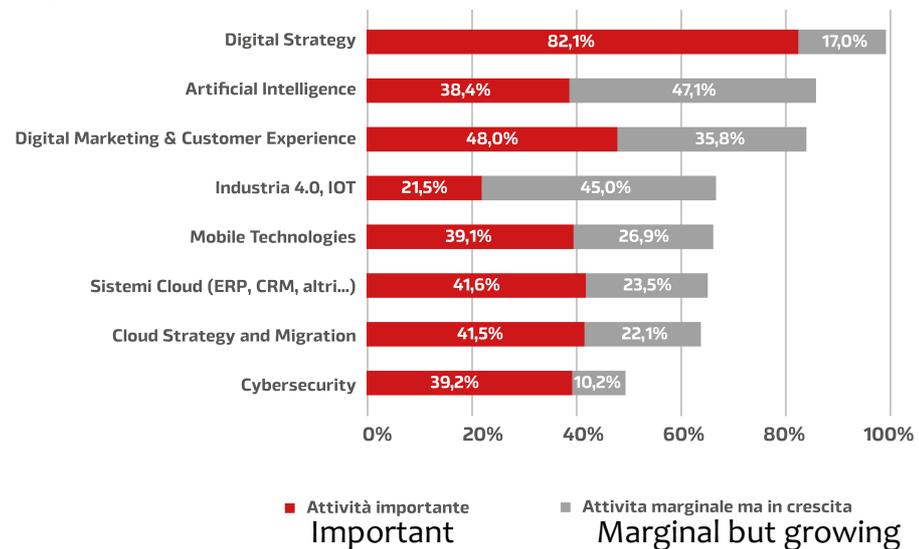


Source: IBM Institute for Business Value analysis.

Digital transformation related consultancy

Digital transformation related consultancy presents roughly 1/3 of the overall Italian consulting market.

70% of the the digital transformation projects (in value) is managed by large consulting companies



Source: Assoconsult Annual Report 2021/22

Disruption in the Consulting industry

At traditional strategy-consulting firms, the share of work that is classic strategy is now about 20%—down from 60% to 70% some 30 years ago.

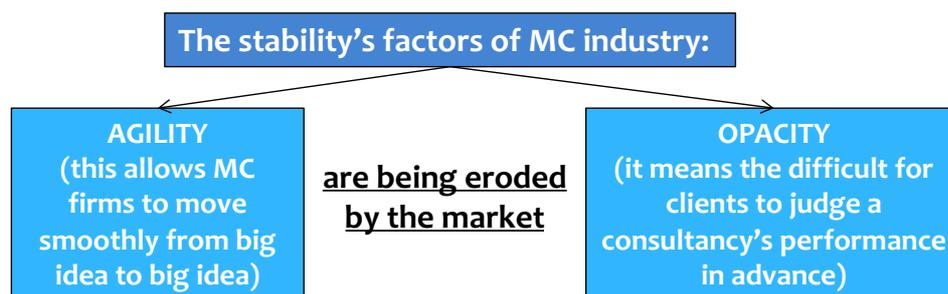
Consultancies are shifting from integrated solution shops to modular providers, which specialize in supplying one specific link in the value chain.

Source: Christensen et al., Consulting on the cusp of disruption, Harvard Business Review, Oct. 2013

Disruption in the Consulting industry

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 recommend 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.



Source: Christensen et al., Consulting on the cusp of disruption, Harvard Business Review, Oct. 2013

Disruption in the Consulting industry: alternative business models

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)

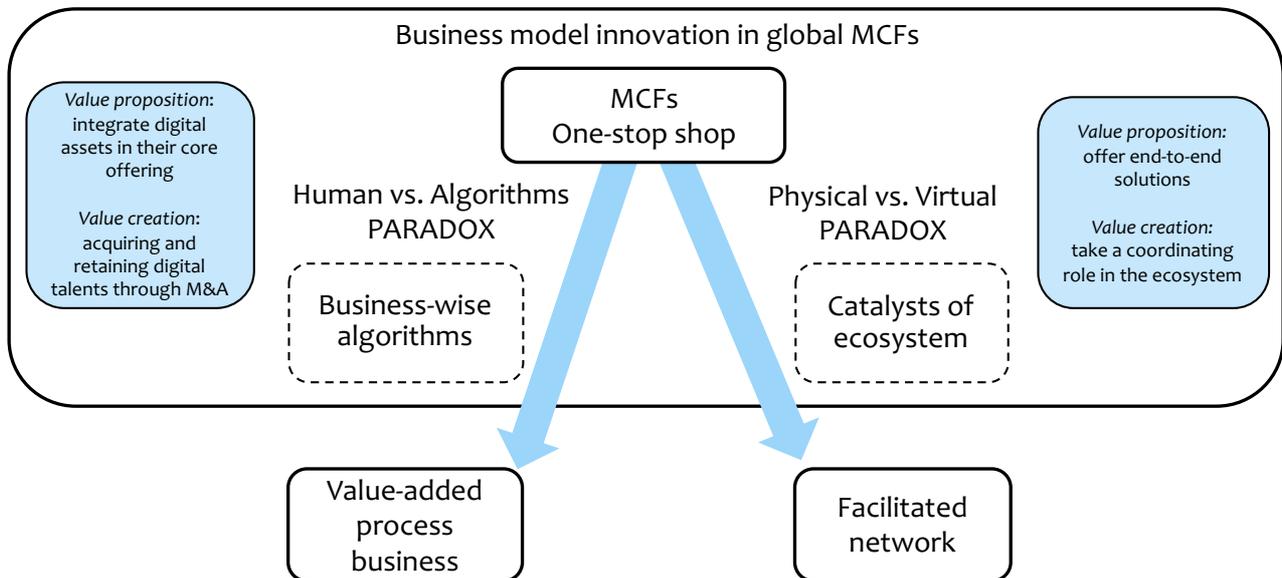
FACILITATED NETWORK

- 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

Source: Christensen et al., Consulting on the cusp of disruption, Harvard Business Review, Oct. 2013

New MC business models IT enabled



Source: Business model innovation and digital transformation in global management consulting firms, 2021²¹

AI impact on MC activities

(according to ChatGPT – May 2023 – 12 version)

AI has the potential to significantly impact MC industry in several ways:

1. Data analysis and insights
2. Automation of repetitive tasks
3. Enhanced decision-making support
4. Expertise augmentation
5. Client interaction and engagement
6. Industry-specific applications

Overall, AI has the potential to augment and transform the management consulting industry, enabling consultants to provide more data-driven insights, improve decision-making, and deliver enhanced value to their clients.

However, it's important to note that while AI can bring numerous benefits, there are also considerations and challenges. These include ethical implications, data privacy concerns, potential job displacement, and the need for human judgment and creativity in problem-solving.

The “Big Four” & AI

(not only in consulting)

All four firms have implemented AI solutions in a variety of areas, such as audit, tax, and advisory services, as well as other areas such as supply chain management, risk management, and human resources.



All four firms have reported improvements in accuracy, efficiency and effectiveness of their tasks, and their overall performance.

All four firms attempt to gain a clear understanding of the specific problems that can be solved by AI implementations.

All four firms have invested in the development of AI utility for their futures

Source: Amin Abolhassani, MScBA Thesis on Artificial Intelligence in MC - the Case of “The Big Four”

Examples of AI used by the “Big Four”

Deloitte has established Deloitte AI Institute

Connecting enterprises through perspectives and analysis to the entire AI ecosystem

<https://www2.deloitte.com/us/en/pages/deloitte-analytics/articles/advancing-human-ai-collaboration.html>

KPMG has developed several AI-based systems, such as KPMG Ignite

KPMG Ignite is a powerful blend of platform, portfolio and people designed to accelerate your artificial intelligence (AI) efforts.

<https://advisory-marketing.us.kpmg.com/speed/ai-ignite.html>

EY Has developed several AI-based systems, such as EY Canvas

Our global audit analytics platform allows analytics to be embedded into every significant aspect of the audit

https://www.ey.com/en_gl/audit/technology/helix

PwC has developed several AI-based systems, such as: DataRobot, PwC GL.ai or PwC Halo:

Reimagining your audit experience with Halo

<https://www.pwc.com/mu/en/services/assurance/risk-assurance/tech-assurance/general-ledger-audit.html>

Examples of disruptors in MC

GLG Professional Services as consulting platform
<https://glg.it/professional-services-firms/>

Business Talent Group as consulting platform
<https://businesstalentgroup.com>

Wikistrat – (expert) crowdsourced consultancy
<https://www.wikistrat.com/>

IBM/Myinvenio for process mining
<https://www.my-invenio.com>

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

SAP Analytic Cloud
<https://www.sap.com/uk/products/cloud-analytics.html>

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

Inspirient for Advanced Analytics/AI
<https://www.inspirient.com/>

Quantumblack for Advanced Analytics/AI (McKinsey)
<https://www.quantumblack.com/>