

Course of Digital Management Consulting

Overview on Management Consulting

Prof. Corrado Cerruti

Agenda

- Definitions of MC;
- Roles of MC;
- Reasons for hiring MC and effects;
- Internal VS External MC;
- Key drivers of management consulting demand;
- MC industry's dimensions;
- Types of MC companies.

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

Harvard Business Review, 1938

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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:

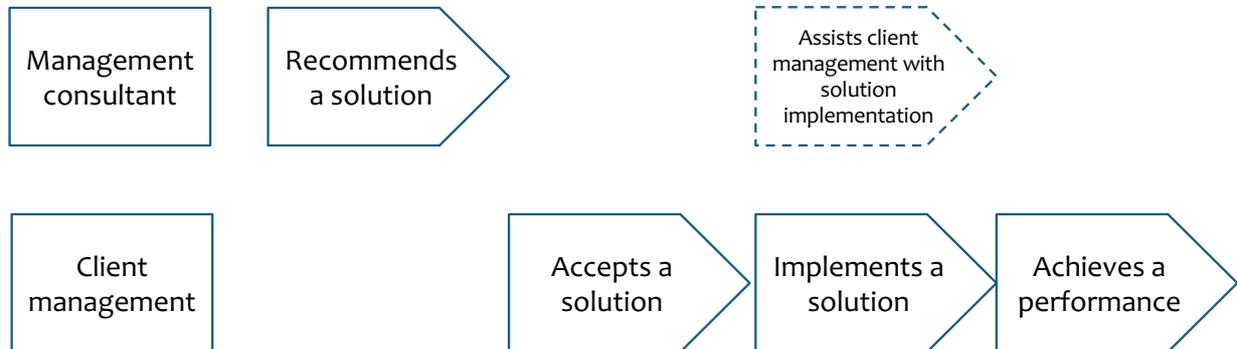
- specific topics/tools
- specific industries

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Definitions of MC

	No assistance with implementation	Assistance with managerial tasks regarding implementation	Assistance with non-managerial tasks regarding implementation
Advice on management decision	Management consultancy (narrow definition)	Management consultancy (broad definition)	Business consultancy
No advice on management decision		Business services	Business services

From advice to client performance: the chain



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

Reasons for hiring MC and effects

Offerings of management consultants	Hiring reason	Primary effects sought by client
Management consultants' knowledge and capabilities	Knowledge providing	Improve performance (effectiveness and efficiency of client organization)
	Problem solving	Improve performance (effectiveness and efficiency of client organization)
	Management auditing	Improve economics and reduce risks for client organization
	Capacity (non-differentiated)	Relief for internal resource constraints of client organization
	Decision validation	Legitimacy to overcome opposition against decision <ul style="list-style-type: none"> • Benefit for client organization • Benefit for factions or individuals within client organization
Management consultants' reputation	Win political fight	Arguments to win political fight <ul style="list-style-type: none"> • Benefit for client organization (macro-politics) • Benefit for factions or individuals within client organization (micro-politics)
	Scapegoat	No blame for client management or individuals within client organization

Course of Management Consulting

Prof. Corrado Cerruti

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.

Assessing the Management Consulting industry

COUNTRY	MC turnover annual trend				MC turnover CAGR (2020-22)
	2020	2021	2022 (prel.)	2023 (exp.)	
Austria	-8.4%	10.0%	13.6%	n.a	4.6%
Denmark	-1.1%	16.3%	13.6%	n.a	9.3%
France	-5.0%	11.5%	11.5%	n.a	5.7%
Germany	-4.4%	10.3%	10.5%	n.a	5.2%
Greece	8.5%	19.6%	17.5%	14.9%	15.1%
Hungary	4.8%	0.0%	5.7%	2.7%	3.5%
Italy	-4.2%	10.9%	11.4%	6.5%	5.8%
Romania	15.2%	-2.6%	-4.4%	0.0%	2.4%
Slovenia	4.0%	9.8%	6.2%	7.1%	6.6%
Spain	-5.0%	8.0%	7.0%	3.0%	3.2%
UK	10.6%	15.2%	20.0%	20.0%	15.2%
European panel*	-1.1%	11.2%	12.2%	10.2%	7.4%

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

Assessing the Management Consulting industry

COUNTRY	MC turnover CAGR (2020-22)	GDP CAGR (2020-22)	Differences between MC turnover and GDP CAGR (2020-22)
Austria	4.6%	2.3%	2.3%
Denmark	9.3%	3.9%	5.4%
France	5.7%	1.7%	4.0%
Germany	5.2%	1.8%	3.4%
Greece	15.1%	1.6%	13.5%
Hungary	3.5%	3.4%	0.1%
Italy	5.8%	1.0%	4.8%
Romania	2.4%	4.3%	-1.9%
Slovenia	6.6%	4.5%	2.1%
Spain	3.2%	0.4%	2.8%
UK	15.2%	-0.1%	15.3%
European panel*	7.4%	1.3%	6.1%

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

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:

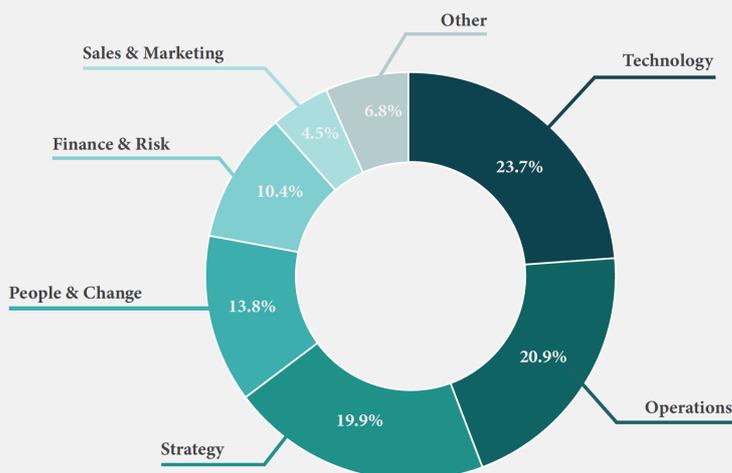
- Consult to HR department
- Support in change management program

Technology

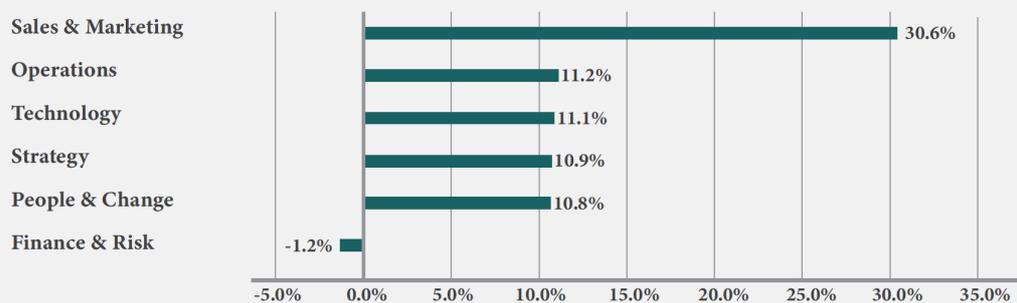
- IT strategy and organization; Technology and application architecture
- Data Centre technology and operations; IT Network and security
- Use of new technologies for business

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:

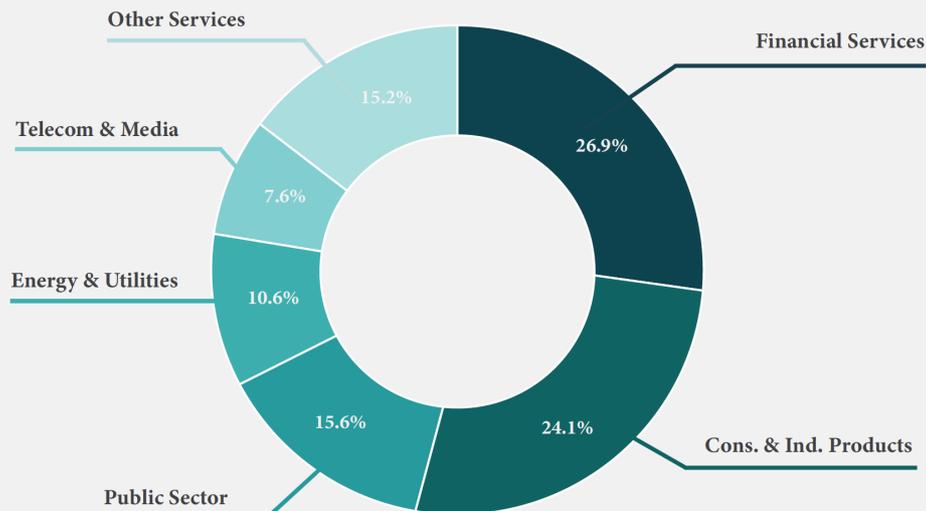
- Retail, travel & leisure
- Private health care services
- Software and computer services, business services

Public Sector:

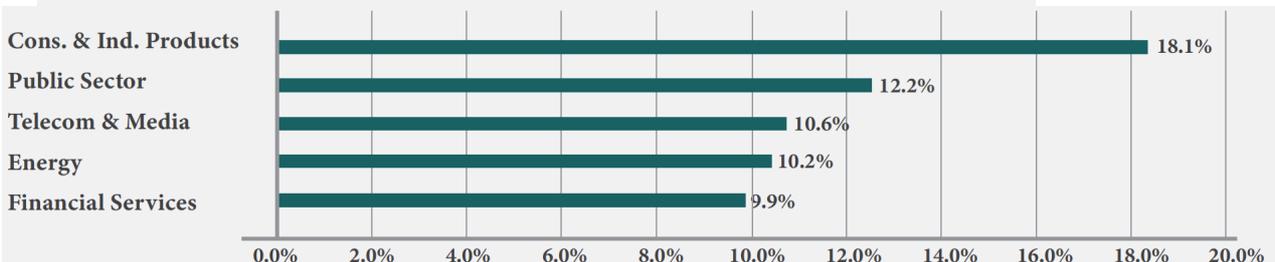
- Central government
- Local/ regional government
- Supranational institutions (EU, WB, EIB, etc.)
- Public health care

Assessing the Management Consulting industry

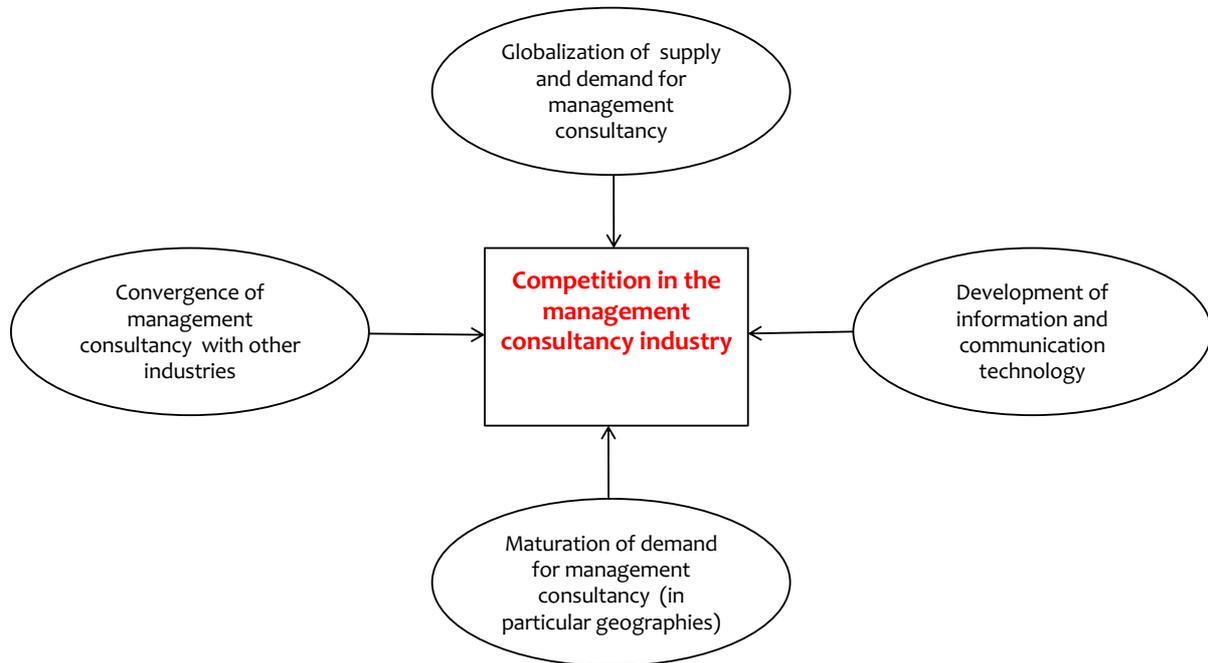
MC turnover market share by Client Industries (2021)



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

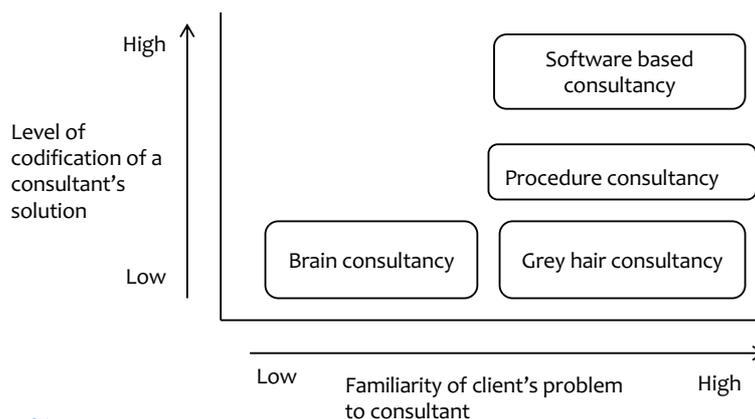


4 key development impacting competition



4 types of MC

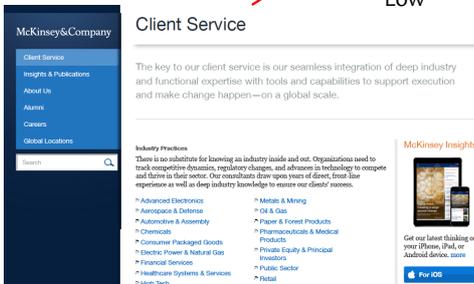
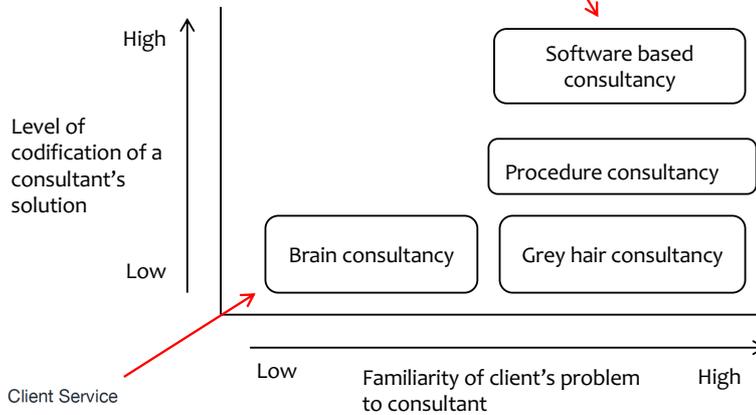
1. **Brain Consultancy:** solving new client problems requires large effort. Consultants have to invent the wheel. They have to be smart and creative to come up with new solutions.
2. **Grey hair consultancy:** Consultants may exploit their experience to solve client problems. It is appropriate for client 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).



Where McKinsey is competing

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

McKinsey Solutions



Internal VS External MC

Area	Differences	Implications
Knowledge	Internal consultants will generally focus on one organization.	Internal consultants will have better client understanding, which may benefit in particular expert consultation on implementation and process consultation.
	External consultants will generally work for a broader group of clients, which may span different sectors.	External consultants will have broader, more varied knowledge and skills, which may benefit expert consultation and doctor consultation that requires new-to-the-client knowledge and skills.
Relation to client	Internal consultants are subject to the client's hierarchy, whereas external consultants operate at arms' length.	External consultants are more suited to provide impartial, independent consultancy. However, external consultants may also better be used as political ally and scapegoat.
Reputation	Internal consultants may develop an internal reputation but not a public reputation. External consultants may develop a strong public reputation.	If external consultants have a strong public reputation, they may be used as legitimators.
Cost	Internal consultants generally have lower fees than external consultants.	Internal consultants' cost advantage may in particular be decisive if clients need hired hands and large-scale, long-term consultation on implementation.