

Course of Digital Management Consulting

Overview on Digital Management Consulting

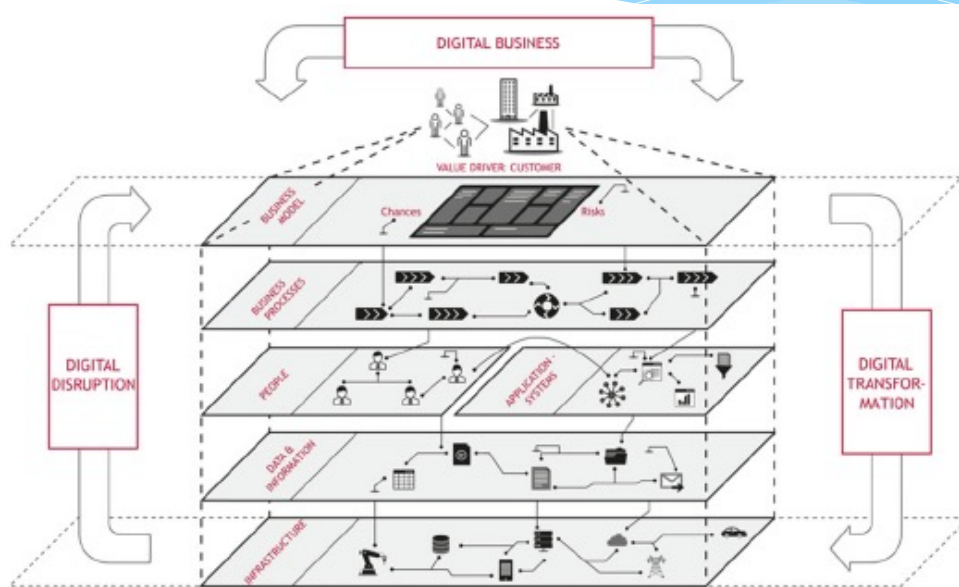
Prof. Corrado Cerruti

Agenda

- Digital Transformation overview;
- Knowledge Management in a MC firm;
- Disruption in Management Consulting;
- Emerging digital business models.

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.

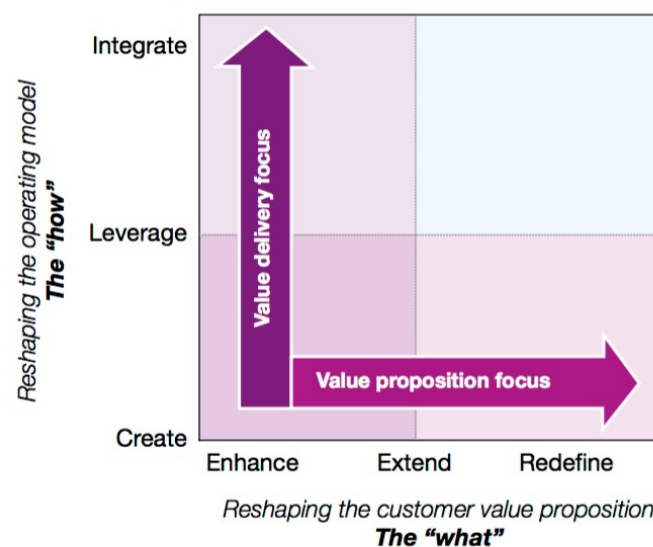


Source: Nils Urbach and Maximilian Röglinger, Digitalization cases, 2019

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






Digital technologies are redefining many of the underlying principles of strategy and changing the rules by which companies must operate in order to succeed.

Digital technologies are affecting five major domains



Source: Rogers D.L., The digital transformation playbook, Columbia Business School Publishing, 2016

Digital Transformation

DOMAINS	STRATEGIC THEMES	KEY CONCEPTS
 CUSTOMERS	<i>Harness customer networks</i>	<ul style="list-style-type: none"> • reinvented marketing funnel • path to purchase • core behaviors of customer networks
 COMPETITION	<i>Build platforms, not just products</i>	<ul style="list-style-type: none"> • platform business models • (in)direct network effects • (dis)intermediation • competitive value trains
 DATA	<i>Turn data into assets</i>	<ul style="list-style-type: none"> • templates of data value • drivers of big data • data-driven decision making
 INNOVATION	<i>Innovate by rapid experimentation</i>	<ul style="list-style-type: none"> • divergent experimentation • convergent experimentation • minimum viable prototype • paths to scaling up
 VALUE	<i>Adapt your value proposition</i>	<ul style="list-style-type: none"> • concepts of market value • paths out of a declining market • steps to value prop evolution

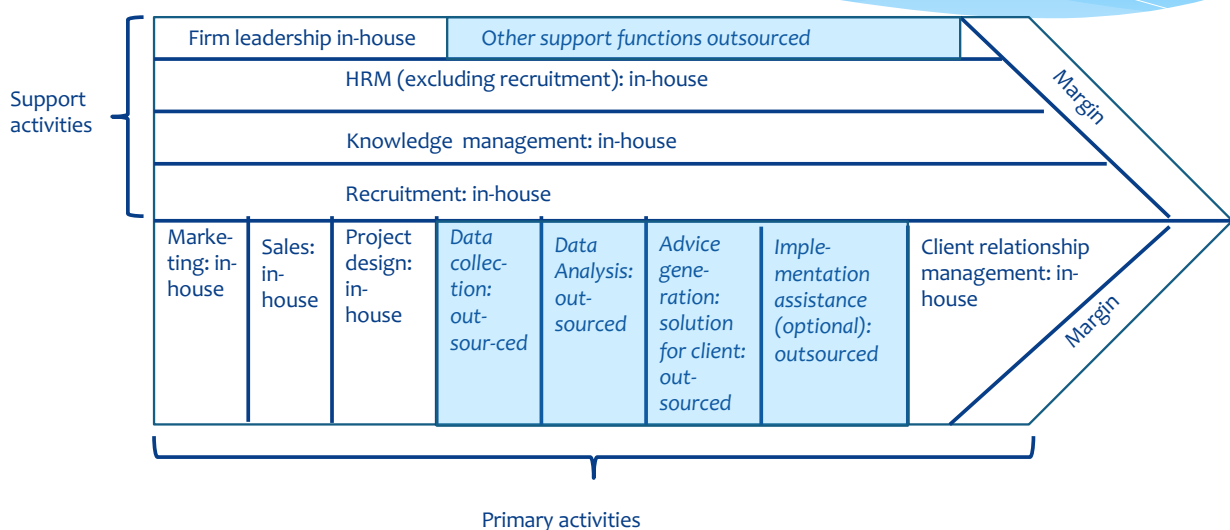
Source: Rogers D.L., The digital transformation playbook, Columbia Business School Publishing, 2016

Knowledge Mgmt strategies in a MC firm

Leveraging systems (mainly IT)	CODIFICATION Provide high-quality, reliable, and fast information-systems implementation by reusing codified knowledge.	Competitive Strategy	PERSONALIZATION Provide creative, analytically rigorous advice on high-level strategic problems by channeling individual expertise.	Leveraging people and relationships
	REUSE ECONOMICS: Invest once in a knowledge asset; reuse it many times. Use large teams with a high ratio of associates to partners. Focus on generating large overall revenues.		EXPERT ECONOMICS: Charge high fees for highly customized solutions to unique problems. Use small teams with a low ratio of associates to partners. Focus on maintaining high profit margins.	
	PEOPLE-TO-DOCUMENTS: Develop an electronic document system that codifies, stores, disseminates, and allows reuse of knowledge.	Economic Model		
	Invest heavily in IT; the goal is to connect people with reusable codified knowledge.	Knowledge Management Strategy	PERSON-TO-PERSON: Develop networks for linking people so that tacit knowledge can be shared.	
	Human Resources Hire new college graduates who are well suited to the reuse of knowledge and the implementation of solutions. Train people in groups and through computer-based distance learning. Reward people for using and contributing to document databases.	Information Technology	Invest moderately in IT; the goal is to facilitate conversations and the exchange of tacit knowledge.	

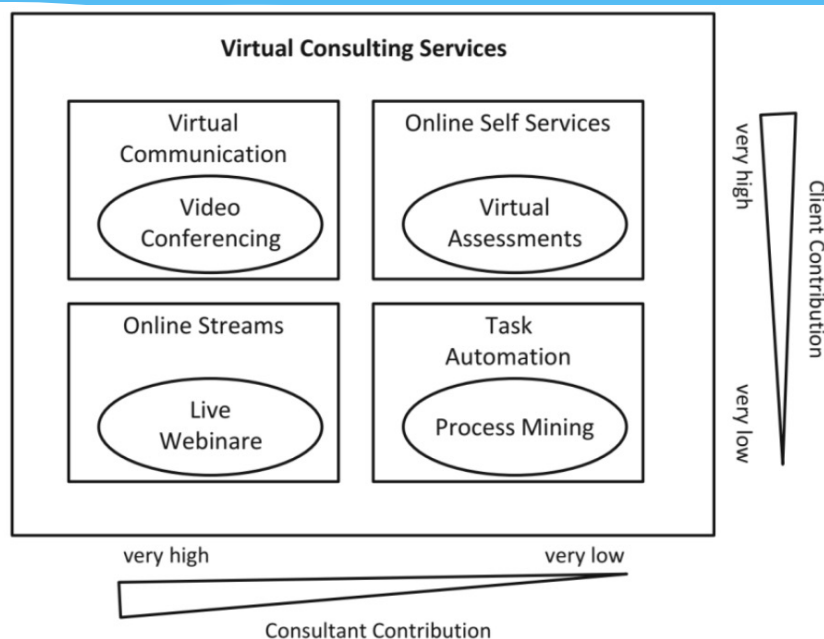
M. T. Hansen, N. Nohria, T. Tierney. "What is your strategy for managing knowledge?" – *Harvard Business Review*, March-April 1999

Disaggregation of the 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.

Alternative approaches to leverage on new digital technologies



Source: Volker (Eds.) (2018) Digital Transformation of the Consulting Industry

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.

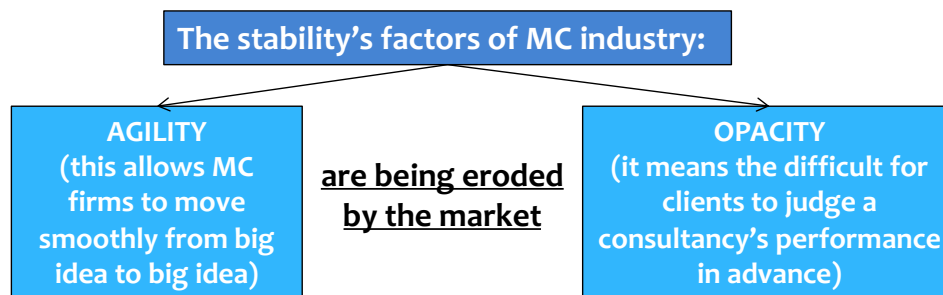
Consultancies are shifting from integrated solution shops to modular providers, which specialize in supplying one specific link in the value chain.

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

THE CHALLENGE

The same forces that disrupted industries such as steel and publishing are starting to re-shape the consulting industry, with profound implications for its future.

THE ANALYSIS

Established firms have traditionally relied on opacity and agility to maintain their industry leadership, but those two advantages are disappearing in the increasingly transparent and sophisticated business environment.

THE FUTURE

Now those firms are starting to rethink their own service models and even to experiment with new models that could prove disruptive to the core business.

1.

Are you formally tracking the evolution of your clients' needs and how well you continue to serve them? Has it recently become harder to win clients and to satisfy them? Are you losing your small clients or your large ones?

2.

Are you being forced downstream in the proposal process with established clients, responding to rather than shaping requirements? Are clients having their procurement departments vet your proposals or monitor your progress?

3.

Are you competing against new rivals for business, even with established clients? Are these rivals increasingly specialized?

4.

Are your clients asking that you partner with nontraditional advisers or use their work products? Are these advisers leveraging automation, databases, and other technical assets?

5.

Are you revising your business model in order to manage smaller projects at acceptable profit? Is this activity looked down on in your firm?

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

Disruption in the Consulting industry

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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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

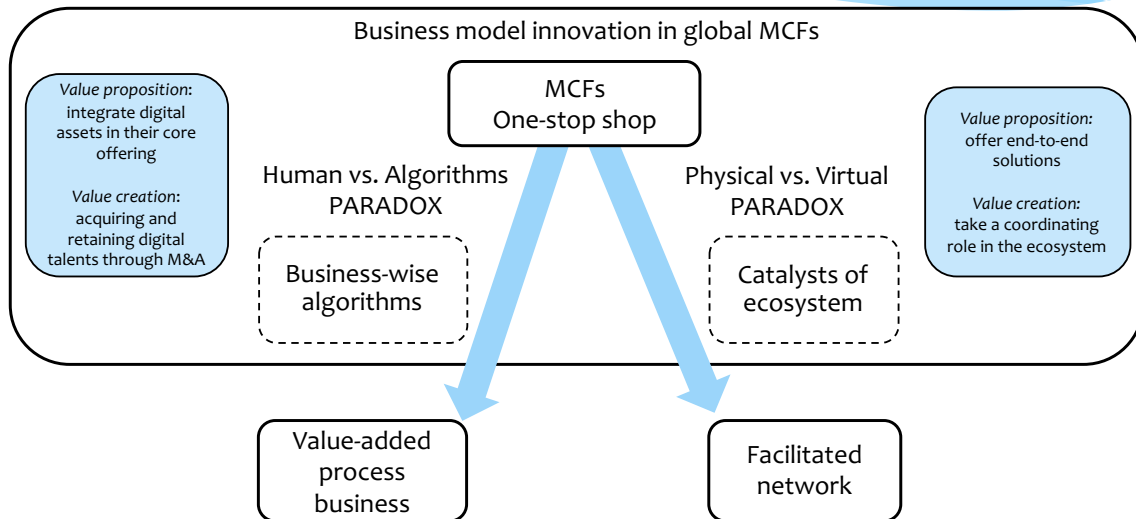
Accenture, Deloitte (both moving toward solution shop)

FACILITATED NETWORK

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

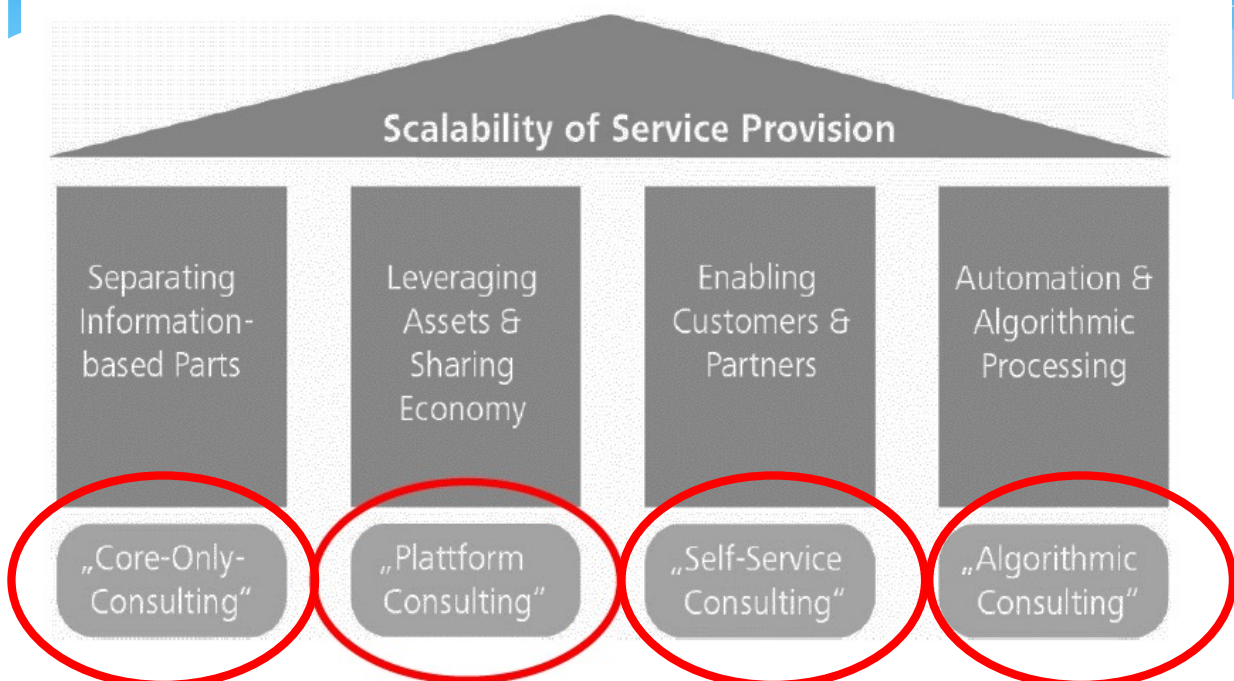
EXAMPLES
OpenIDEO, CEB, Gerson Lehrman Group, Eden McCallum, BTG

New MC business models driven by digital technologies



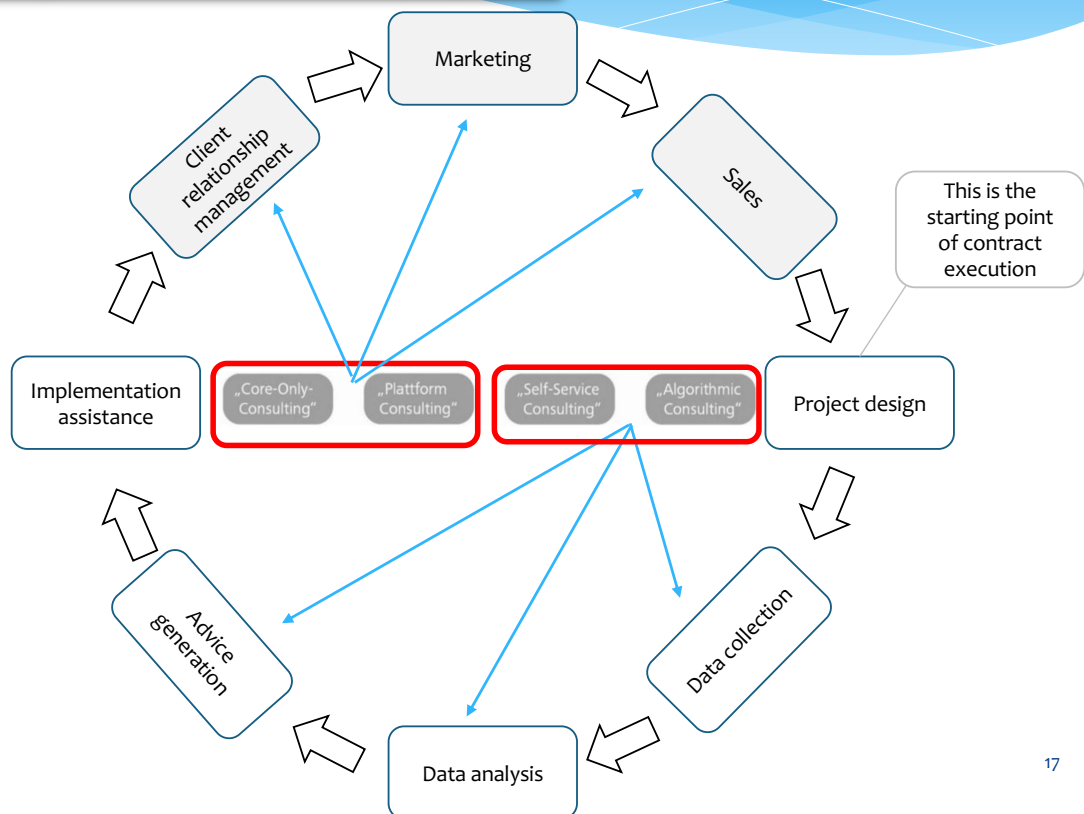
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Alternative approaches to new digital business models for MC firms



Source: adapted from Werth & Greff, 2018

The management consultancy cycle



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/>