

# Consulting Fundamentals

## Week 1: Introduction in Consulting

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### Why study consulting?

- Better preparation and training of consultants is required because of
  - Explosive **growth** of the consulting industry
  - **Controversy** surrounding the quality of consulting
  - **Scandals** and **questionable ethics** reported in press
- There is a **scarcity** of academic course offerings teaching related skills
- Consulting courses can enhance **self-efficacy** of students in applying the technical skills and knowledge from your current and prior studies

### How do we study consulting?

A multi-level approach to understanding consulting

- **Phenomenon** – ‘Does consulting add value to firms?’
- **Consulting Industry** – ‘What is the structure of the consulting industry?’
- **Consulting Firms** – ‘What is typical business model of a consulting firm?’
- **Consultant’s Role** – ‘What do consultants do?’
- **Consulting Projects** – ‘How do consultants execute their projects?’

### The Origins of Consultancy

- Variant forms of **efficiency consulting** emerged during the interwar period (1918 - 1945) and after WWII (post 1945)
  - Based on the principles of **‘Scientific Management’** → workflow → individual component → make each component effective = workforce
  - **‘Management consultants’** were engineers
- Companies, prompted by government, sought to **increase productivity** and **reduce labour cost**
  - **Recover the costs** of war
  - **Integration of unskilled workers** into the workforce
- Historical records suggest that consulting as a business activity originated in the US (Cleveland) in the late 19th Century
  - Charles Eugene Bedaux (1886 - 1944) founded the first successful management consulting firm
- **Bedaux System**
  - Time and motion measurement system to enable payment by results
  - Compared to other systems, the Bedaux system was credited for being more flexible and broad-based (used for general management and technical cost-accounting purposes)

### Decline & Reinvention of Efficiency Consulting

After reaching new heights during the 1960s, efficiency consultants saw their numerical importance and public visibility erode because:

- Demand for scientific management services was saturated.
- Backlash arose as managers and workers attitudes against the method grew negative.
- Change in production methods
- Increase of executives with different backgrounds
- Growth of large multi-product corporations in the US economy
- Need for more advice on issues on organisation (i.e. M-form), strategy and IT
- Efficiency consultancies disappeared but efficiency based consulting didn’t (i.e. existing of scientific management)
  - Efficiency - cost reduction, operation management consulting
- Diversified into selling operational efficiency methodologies
- Big corporation came around in the 1960s and things are changing
- Labor force, skill worker
- Human rights are changing → holistic view in consulting

- Computer and internet become the new era of technology
- Service management (more people study in accounting, financing, marketing)

### Case study: McKinsey and the Globalisation of Consultancy

#### What was Marvin Bower's rationale for wanting to expand McKinsey internationally?

- U.S. based competitors had developed international businesses
- Clients needed to think globally and understand more than America
- Transform national firm into international firm
- Rapid growth of American multinational investment
- A worldwide shortage of U.S. dollars → encourage U.S. corporations to establish factories in EU → to buy American products
- Helps secure the firm's survival and longevity
  1. Enlarge client base (local + international client base)
  2. Offer the prospects of lucrative new sources of income
  3. Create opportunities for talented people
- Yearned for American management know-how

#### What were the market-based factors that underpinned McKinsey's success in expanding globally?

- Europe was successful
- Making contract with local players (not market based factors)
- Shortage US dollar
- At first, one-firm approach → the same and consistent physical office space, dress-code and appearance and format of reports and other documents be uniform
  1. To minimise the distractions and deviations the client is likely to take
  2. Increase confidence from clients and CEO.
  3. Build identity
- Recruiting MBAs from Top Rank Business school (Harvard) → focus on young, relatively malleable individuals
- Consultants were rewarded on the basis of their performance and were also motivated by promotion from consultant to principal and partner.
- Up or not policy for associates → whose performances were reviewed annually
- Expand large contacts with local elites in foreign countries in order to develop a domestic client base

#### Scholars have often described consultants as being transmitters of business techniques. Does the case study support this?

New ideas and concepts developed at Harvard Business School and other consultancies leading American business schools were regularly diffused to practitioners by McKinsey and other consultancies.

- McKinsey formalised its own contribution to management knowledge by launching the McKinsey Quarterly
- McKinsey Quarterly presents the firm's innovative work on management theory to business leaders worldwide

#### For the consulting industry, what lessons can be drawn from the history of McKinsey & Company?

- One-firm: not only in term of attitude and philosophy but of legal entity
- Local network: McKinsey go to Europe and build that network
- Consulting is very good at helping client **with their problems but not their own problems**. But McKinsey took time to plan for their success
- Some American consultants sought to apply scientific management in Europe. Bedaux usually giving a minority share in local consultancies to close associates. The role of American consultancies was subsequently eroded by local spin-offs established by former employees
- The adoption of M-form to manage multiproduct firms
- CHANGE
- Premium on pleasing the client
- Quality of its work as the staff expands

## Week 2: Theoretical and Empirical Perspectives of Consulting

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### Defining Consulting

#### What is Consulting? Some definitional challenges

- The scope of consultancy is very broad
- The 'typical' consultant **does not exist**
  - Ambiguous boundary of consultancy services
  - Clients engage consultants for diverse reasons
    - Specialise knowledge
    - To ensure problem and solution
    - Internal consultant is cheaper than outside consultants
  - Consultants possess varying skills and abilities
- Definitional tensions
  - **Nature** - advice only vs advice + implementation
  - **Scope of services** - specialists vs generalists
  - **Scope of client sectors** - single sector vs multi-sector
  - **Geography** - local vs global
- The role, value and effects of consultancy is widely debated and contested in the academic literature and popular press.

### Definitions

#### 1. General, not helpful

"...any form of providing help on the content, process, or structure of a task or series of tasks, where the consultant is not actually responsible for doing the task itself but is helping those who are" (Steel, 1975)

#### 2. Trade on knowledge

"Management consultancy is the creation of value for organisations, through the application of knowledge, techniques and assets, to improve performance. This is achieved through the rendering of objective and independent advice and/or the implementation of business solutions."  
-- Management Consultancies Association

#### 3. Generalist

"Management consulting is an advisory service contracted for and provided to organisations by specially trained and qualified persons who assist, in an objective and independent manner, the client organisation to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions"  
(Greiner & Metzger, 1975)

#### 4. No matter where you are in the organisation

"You are consulting any time you are trying to change or improve a situation but have no direct control over the implementation...  
Most people in staff roles in organisations are really consultants even if they don't officially call themselves consultants" (Block, 2000)

- Problem: sometimes we feel that it's not our responsibilities to do or solve that problem.

#### 5. **USEFUL (from textbook)**

"..a knowledge-intensive service which independent business professionals provide to managers of client organisations, and consists of objective advice on management's decisions regarding the solutions to the client organisation's problems and opportunities [narrow definition], and may, in some cases, also consist of assistance with the management's tasks regarding the implementation of these solutions [broad definition]." (Baiij, 2014)

- Independent = consultants don't attach to the org they work for.

## Types of Definitions

Different definitions emphasize different aspects of consultancy:

1. Recommendation and implementation
2. Objectivity and independence
3. Support decision making - make better decision
4. Change implementation
5. Any form of help

**Do we really need a definition of management consultancy? Why should we care about a definition?**

1. To understand your work (individual's benefit)
2. You can market it (explain what you are doing)
3. Define the scope of the job that you do (what you are about, what work you can provide)

## MGMT90148 Working Definition

"The professional practice of logical, systematic and evidence-based problem solving to address client issues and concerns"

**Roles of Management Consultants:** Formal vs Informal

What are clients seeking?

- Expertise
- Acknowledging
- Confirming diagnosis
- External point of view
- Change management process
- Corporate strategy

What are clients **NOT** seeking?

- Don't want to hear they are not in the right path
- Don't want to be blamed
- Don't want to hear the opposite view
- Don't want to lose focus on their original value

## Theoretical Perspective of Consulting: 2 approaches

### 1. Functional Perspective

Provides a highly practical standpoint. The role of the consultant is to improve or secure the effectiveness of the host client. The client is seen as being 'in charge'.

- You see what you get
- A functionalist perspective derived from transaction cost economics and advocated by consultants themselves is that:
  - Consultants help commodify and disseminate knowledge to their clients.
  - Transactional evaluation - compare the cost of production of service (i.e. internal) with cost of buying the resource externally (i.e. consultants)
  - Knowledge assets and services are up-to-date
- Reasons that consultants exist from a functional perspective are:
  - Provide skills and expertise absent within the firm
  - Fill in for managers (e.g. substitutes and secondments) - not common
  - Have an objective perspective as outsiders
  - Provide access to methodologies (i.e. codification into best practice)
  - Provide original thinking (i.e. leadership is practice--oriented research)
  - Validate internal decision (i.e. legitimizing)
- Functionalist view of consultants:
  - Perform their role/function and discharge their responsibilities to improve the performance of an organisation

- They apply approaches and provide independent advice that create value for their clients and help them achieve their goals.

## 2. Critical Perspective

Consultants are perceived as the dominating party in the relationship. Consulting projects are not exclusively founded upon economic reasoning but are tied to organisational politics.

- The critical perspective tends to challenge the functionalist role of consultants.
- A stream of research that questions (criticize):
  - The knowledge that management consultants claim - how much knowledge they have
  - What management consultants claim to do with that knowledge
  - The claimed results of management consultants - what they can actually deliver
  - Problem: how they actually measure the result
- The **critical perspective** examines the role of consultants through a social, political and cultural lens.
  - I.e. How do consulting services affect the public agenda?
  - Some nature of the business may harm social or environment such as cigarette, beer
  - To choose to consult or not is depended on each firm.
- Proponents of the critical perspective:
  - Consultants are the controlling party
  - Fool naive clients through rhetoric and impression management
  - 'Fraudsters' and master of manipulative discourse
  - Lack formal knowledge base
- Consultants are advocated of management trends
  - When implemented - decrease jobs and deteriorate firm performance

### Consultants as Innovators or Legitimizers?

- From a sociological perspective, the dominant conceptualisations of the role of management consultants:
  - Consultants as innovators (bringing new knowledge)
  - Consultants as legitimizers (legitimizing existing knowledge)
- Innovator--Legitim�izer dichotomy is overly simplistic
  - Knowledge flows are complex and dynamic
  - Consultants work as a combination of the two

### Are there any practical implications of being aware of these perspectives of consultancy (critical perspectives)?

- The critical perspective helps to handle client better
- Consultants want to be as a profession
- Change way you interact with client
- Clients challenge consultants
- Better communication between both parties

### Empirical Perspectives of Consulting

1. How do we measure the impacts of consultancy on organisational performance?
2. How should we interpret the reported benefits of consultancy on organisational performance?
3. How should consultancy services be priced?

### Determining the Causal Effects of Consultancy

- There has been little systematic evidence to support the causal link between consultancy and firm performance
  - Growth in demand for consultancy ≠ value add for clients
  - Most evaluations studies have been conducted by the consulting industry itself
- The academic inquiry of consulting as a phenomenon has been limited by 4 methodological issues:
  - Difficulties in isolating the effect
  - Difficulties in defining and determining value (intangible value i.e. knowledge)
  - Lack of comparison (i.e. control group)
  - Biases: people have some thinking in their mind → consultants are very expensive, love and hard work

- Spend money on
  - New technologies
  - Skill training development
  - Restructuring
  - Market communication (i.e. ad)

### Consultancy and Client Firm Value

- A study found that 'hiring a consultant may increase a company's value'.
- Assumptions:
  - Stock price - expected future net cash flows to the stockholder. (stock price will go up)
  - Expected stock price - capital asset pricing model produces an accurate prediction
- Affect:
  - Capital structure
  - Politics
  - Currency
  - Business payback
  - Disaster
- Before market consulting firm come to the business → nothing 100% that stock price goes up because of market consulting firm

### Why would stock prices change?

#### Stock Market Reactions

- Stock market reactions to hiring announcements was not related to the consultant's brand name reputation (i.e. limited reputational spillover benefits in partnering relationships)
- Overall, most client firms that publicly announced the hiring of management consultants experienced a rise in their market value
- Stock market reaction tended to be higher for client firms that had the highest profitability levels

### Bain & Company: Results-Oriented Consulting? - different philosophy from another big corporation

Bain was founded on the premise that consultants should **deliver results**, not reports, to their clients.

- Developed a business model that tries to live up to founding principle
- Developed a stock - price index of its clients in the early 1980s to track a hypothetical portfolio of its clients' stock against the market
- Data is audited by PricewaterhouseCoopers and the index is published on the company's website.

#### Risk sharing

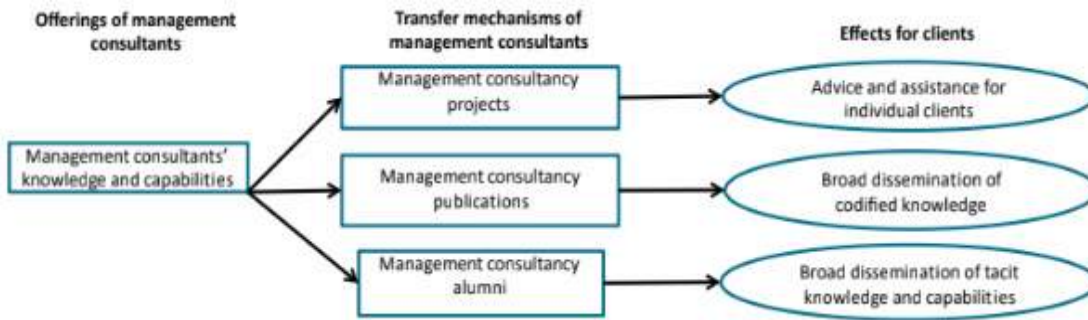
- Co-invest alongside private equity clients in buy recommendations on deals aligns firm's interest with those of the client.
- May offer satisfaction guarantees - put a portion of fees at risk, tied to the client's realisation of tangible results.

### Functionalist View of Effects

- The overtly desired results of consultancy projects differ depending the consultancy field.
- **Operations consulting** - improvement of client's **operational efficiency and effectiveness**
- **Organisation and strategy** - improvement of client's **organisational efficiency, effectiveness, business portfolio and competitiveness.**
- **Information technology** - improvement of the **efficiency and effectiveness of the client's information systems and processes.**

### Micro and Macro Effect Mechanisms

- **Knowledge** is a central to consultancy service provisions.
  - Disseminate, apply, extract, structure and apply new and existing knowledge at the client and industry level.
- Consultants' **knowledge and capabilities** are mediated through three transfer mechanisms



### External vs Internal Consultancy

- Arguments for & against
- Risk elements

## Week 3: Consulting Operation Models & Engagement Lifecycles

### Business Operating Models

- A business model describes the rationale of how an organisation creates, delivers and captures value.
  - **9 Building Blocks:** Customer segments, Value propositions, Channels, Customer relationship, Revenue streams, Key resources, Key activities, Key partners, Cost structures.
- There are many different business models of consulting firms which determine:
  - What type of clients the firm will attract
  - What the consultants' jobs will look like
  - How the consultancy makes money
  - How the firm is structured
  - How project is executed

### Hybrid vs Pure Consultancies

- **Hybrids** have added consulting to their existing business **as additional sources of revenue**
  - Ability to cross-sell advisory services to clients
  - Audit firms are now the fastest growing segment, outpacing all other conventional service lines
  - I.e. Deloitte have knowledge and expertise, IBM
- **Pure** consultancies focus solely on **consulting work**

Strategy boutiques	Marakon OC&C Moritor I.E.K.	BCG Bain McKinsey Roland Berger Strategy&	Global strategy firms
Operations boutiques	Cakleigh Stroud WCI	DTT Accenture IBM Cap Gemini	Global operations IT firms

- Tend to include the oldest and most respected firms and retain partnership models
- Tend to be smaller than hybrids and are very dependent on the economy as they don't have back-up business to support them in a downturn
- Pure consultancies have diminished in size and number of the years

#### ➤ Segmentation of 'Pure' Consultancies

There are different types of consulting companies specialising in different technical disciplines

- **Generalist firm:** structured around **industry and/ or function practices.**
  - Offers many services (bigger firm)
  - Diversity of work and revenue streams
  - Process a core set of analytical and communication skills and have an ability to learn quickly
  - Generalist consultancies can be redeployed into many different roles
- **Boutique (niche):** structured around **in-depth expertise and knowledge** of either specific functions or industry. (Niche → in-depth expertise of the specific function)
  - Tend to be smaller and employ fewer but more experienced or specialised consultants

- Specialise in one or two service areas or industries
  - Are an attractive takeover target for larger consultancies
- **Large firms**
  - Strong focus on relationships with C-suite executives
  - Monopoly over large projects that generate large revenues (e.g. IT implementation, outsourcing)
  - May have challenges with talent retention, competing for the 'right space' and resisting commodification
  - Advantage: competitive strength, reputation value
  - Disadvantage: expensive, managing people
- **Small firms** (narrow expertise/ knowledge)
  - Smaller workforce but may have more experienced or specialised consultants
  - Specialise in one or two primary service areas
  - Attractive takeover targets for larger consultancies

### Small vs Large Consultancies

Industry is highly fragmented (i.e. small firms and sole practitioners)

- In Australia, the industry's major players account for less than 20% of industry revenue
- In the UK and US, small/ medium sized firms make up ~98% of consultancies and employ around 78% of all consultants

**Body-Shopping** is when a consultancy company sells 'bodies' into clients to work as contractors. → send 'team' out to work

- Quick and easy revenue stream
- Profit margins on body-shopping are lower → you have to do a great volume
- Consultant typically performs operational work
- Very common in the IT consultancy segment → send out IT staff

Pure consultancies tend to avoid this type of work

- Not advisory work
- Doesn't provide strategic advantage
- Short-term secondment engagement

### Internal Consultancy

- Internal consultants are teams of individuals who **are employed by an organisation** to perform consultancy services in it.
  - These units serve managers in their own organisation
  - Used when there is a frequent need for consultancy support
  - Financial sense to develop internal capability (i.e. high level training)
  - These internal consultancies may also work for external clients (e.g. Motorola, ANZ, Toyota)
- In-house strategy and consulting groups are growing in popularity and winning business from traditional firms.
  - BCG was founded as the Management and Consultancy Division of the Boston Safe Deposit and Trust Company.
  - E.g. Cisco, Google, Samsung, Siemens, Disney, Volkswagen, The University of Melbourne
  - Multinational firms who have many expertise
- **Advantages** of internal consulting over external firms:
  - Less cost → cheaper than outsource, not losing anything
  - Have insight knowledge and information and understand what company try to achieve
  - Know the strength of the firm → what kind of resource that you have in the firm, what you should develop
  - Sensitive information → some confidential
  - Reduce the risk of conflict
  - Flexibility in the work

### Internal vs External Consultancy Considerations

- Whether organisations should source advisory services internally or externally is based on:
  - Production rationale - knowledge, capabilities, reputation and cost
  - Governance rationale - client-specification of knowledge, uncertainty about consultant performance/ behaviour and the frequency of consultancy projects
- External consultancy may carry risks
  - Clients **dependence** on consultants



- Industry sectors becoming **isomorphic**
- Knowledge **spill-overs** from the client to competitors

## EMC<sup>2</sup> Corporate Consulting Group (where information lives a US multinational company)

Setting up a successful internal consulting team - 9 success factors:

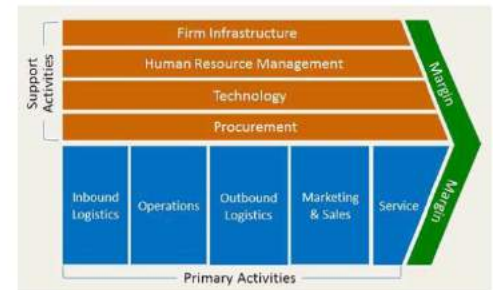
1. Set objectives and size - reasonable
2. Win on merit - looking for the ability → good communication skill, relationship management, analytical skill, problem-solving skill, expertise and knowledge
3. Self-fund
4. Work on discrete projects - work some boundary of the projects
5. Exceed client expectations - 'always'
6. Attract top talent
7. Be scrappy - resourceful
8. Acknowledge what you can't do
9. Measure success - specific measurement technique, measure all above stuff
  - Business impact, customer satisfaction, utilisation, spend on external firms

## Engagement Lifecycle

### Porter's (1985) Value Chain Framework

**Value Creation** is about delivering products and/ or services that provide superior benefits to customers and other stakeholders

- **Value creation** can occur anywhere along an organisation's value chain
- **Value chain** = activities and operations in an organisation which, in combination create a product/ service that has value for stakeholders.



### A Consultancy Firm Value Chain

1. Firm leadership & other support functions  
i.e. organisation change and development
2. HRM (excluding recruitment)
3. Knowledge management  
Very strategic and give you a competitive advantage
4. Recruitment  
Specific to bring in the talents  
i.e. McKinsey gets all MBA Harvard Business School (3-4 each year)
  - Young intern → 3 years of working → it's very pressure, not work-life balance
  - Old → get many experiences



Why isn't recruitment considered a primary activity?

- It's not revenue generating activities and hard to prove ROI
- Company can resource
- Not strategic

### The Value Chain and Competitive Advantage

- Consultancy firms primarily compete on intangibles:
  - Reputation, relationships, knowledge and consultancy staff
  - **Quality of work** = Firm's knowledge + staff
- Knowledge alone is not a likely source of sustainable competitive advantage for a consultancy firm. Unlike, the pharmaceutical industry, Intellectual Property (IP) rights are rare in the consultancy industry.
- Nowadays, need more knowledge to create innovative
- How you can gain the competitive advantage - the company need to choose only one strategy, otherwise you might stuck in the middle

Competitive Advantage	Cost leadership	Differentiation	
Customer value proposition value that we give to customer	Operational excellence	Customer intimacy customer relationship management	i.e. McKinsey Product leadership (Thought leadership)
Most relevant primary value activities	Efficiency of: <ul style="list-style-type: none"> <li>project design</li> <li>data collection</li> <li>data analysis</li> <li>advice generation</li> <li>implementation</li> </ul>	<ul style="list-style-type: none"> <li>marketing</li> <li>sales</li> <li>customer relationship management</li> </ul>	Creativity of: <ul style="list-style-type: none"> <li>project design</li> <li>data collection</li> <li>data analysis</li> <li>advice generation</li> <li>implementation</li> </ul>
Most relevant support activities	Knowledge management: <u>re-using codified knowledge</u>	Knowledge management: <u>re-using tacit knowledge</u> - more difficult to manage - tacit knowledge: deeper level of knowledge that come from experience, practice, experiment	Recruitment of creative talent want to be more creative & innovative

### Case Study: Outsourcing the consultancy's activities (Textbook P.237)

**1. Is PowerPoint production a primary or a support activity of OV&A? Provide arguments for your answer.**

It is support activities cos it doesn't earn direct paid

Porter definitions:

- Primary activities: 'activities involved in the physical creation of the product...'
- Secondary activities: 'support the primary activities...'

**2. What are the advantages for OV&A and what are the disadvantages of outsourcing the PowerPoint production to an offshore supplier? Explain your answer.**

**Advantage**

- Cost saving - cheaper
- They are more focus on the major competencies part of the company

**Disadvantage**

- Communication - difficulties of cross-culture between Aus and India, time different
- Less control of quality - some different opinions
- Risk of confidential information of client - information safety
- Different in environment

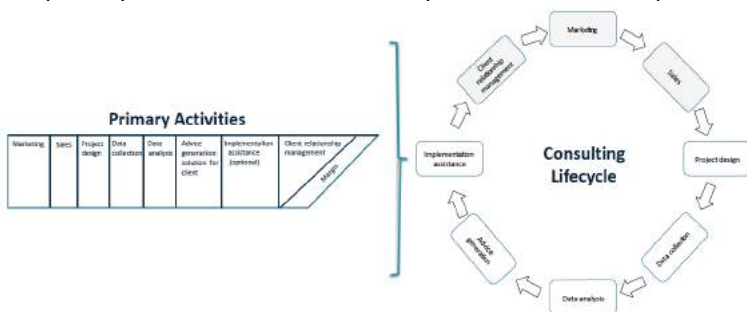
**3. What would you advise Olsen to do with the suggestion to outsource PowerPoint production to an offshore supplier?**

Provide arguments for your answer.

- Cost reduction strategy
- Virtual workplace
- Hire interns to do the PWP section for free
- Let the PWP team to have flexible time working from home

**Primary Activities as a Cycle**

The primary activities in the consultancy literature are conceptualised as a cycle of activities.



## Client Relationship Management

- Cultivate lasting relationships with existing clients:
  - A source of competitive advantage
  - More cost effective than pursuing new clients
- Customer relationship management activities
  - Post-implementation evaluation → make sure they are in the right track
  - Follow-up visits to identify new selling opportunities
  - Provision of free advice (e.g. return visits, thought leadership, seminars)
  - Entertainment
- New business development is also required
  - Risk diversification
  - Strategic reasons (e.g. market share, profitability)

## Marketing

- **Marketing strategy**
  - 'Pull marketing' for prospective clients
  - 'Push marketing' for existing clients
- **Marketing channels and techniques**
  - Passive marketing (i.e. people, website, advertising, office building, publications) to create brand and desired image
  - Networking by senior consultants at various events (i.e. industry associations, conferences, social events)
  - Create awareness among clients and prospects of consultancy firm's offerings and create opportunities for contact with target audience
- **Accenture's Advertising Campaign**
  - Accenture uses every brand touch point including print, social media, airports, outdoors and broadcast advertising.

## Sales

- Sales is about selling a consultancy project to an existing or prospective client.
- Typically undertaken by senior consultancy staff (i.e. Partners)
- Selling to **existing clients**
  - Identify opportunities for new work beyond the scope of current project
  - Follow-up visits to identify new selling opportunities
  - Information advantage over competitors
- Selling to **new clients**
  - Conduct research to identify clients in need of assistance
  - Referrals, direct marketing and selling, cold-calling
- Responding to Request for Proposals (RFPs)
  - Preparing Proposals
- Setting Price Points - Setting consultancy fees

## Project design

- A resource plan will be developed based on the project design activities:
  - How many consultants?
  - What is the knowledge and skills required?
  - How long are the consultants required for?
- The staff resource plan will be the primary input in preparing the project budget and determining the project cost.
- Consultants will design the project based on their understanding of the client or prospect's problem or opportunity:
  - **Objectives:** the aim and deliverables of the project
  - **Scope Definition:** what is included in the project and what is not?
  - **Performance criteria:** how to evaluate the project research?
  - **Approach:** select the appropriate methods and techniques to achieve the objectives
  - **Schedule:** plan a schedule of all required activities of the project

## Data Collection

- Data is a critical input for the analysis process
  - Data needs are derived from the intended analyses
  - 'GIGO' (Garbage in Garbage out) - Data quality is integral
  - Don't boil the ocean - decide what to do with the data before collecting the data → go to the scope
- Data sources
  - Desk research - available data from the company/ clients, literature review, IBIS, SWOT, PESTEL
  - Field research - face-to-face, meeting with clients, focus group, interview, in customer's org
- Data types
  - Qualitative data - interview, focus group, observation, formal/ informal (get rich data at the end)
  - Quantitative data - hard figure, measurable i.e. surveys

## Data Analysis

- The purpose of data analysis is to generate useful and interesting findings:
  - Mere descriptions and summaries of the data are not insightful
  - Avoid 'borrowing the client's watch'
  - Usefulness of findings - relationships between data variables to
    - Identify causality and its directionality
    - Predict the future
- Analysing relationships
  - Compare variables (e.g. revenues, costs, investments, productivity and quality) - ratios and benchmarking
  - Correlate variables (e.g. management frameworks such as BCG matrix, 7-s framework, value chain analysis)

## Primary Activities: Advice Generation

- Consultants generate advice for clients to support decision making to solve problems or seize opportunities
  - Requires robust analytics and creativity
  - Relevancy
  - Credibility
  - Reducing uncertainty
- Using a hypothesis-based approach
  - A scientific approach to advice generation
  - Synthesise findings from test results of individual hypotheses
  - Draw conclusions on the decisions that the client should take

## Implementation Assistance

- Consultancy primarily involves advertising and assisting clients with resolving problems or seizing opportunities
  - Bridging knowledge gaps to achieve desired performance goals
- Although the responsibility for implementation ultimately sits with the client, consultants may be called on to support implementation
  - Uncommon for pure consultancy firms (e.g. BCG, LEK, Bain)
  - Occasional for hybrid consultancy firms (e.g. KPMG, PWC, Deloitte)
  - Common for IT consultancy firms (e.g. Accenture, SMS, IBM)

## Week 4: Managing Client-Consultant Relationships

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### The Nature of Client-Consultant Relationships

‘The act of taking on the client’s problem, seeking to resolve it and present solutions to the client’s satisfaction lies at the heart of consultant occupational identity and in many respects constitutes how ‘good consulting’ is defined.’

Client-consultant relationships are central to the nature of consulting:

- Pre-1970s → consultants as suppliers to clients
- Post-1970s → fluid relationships contingent on a high degree of mutual trust. (clients want to trust in consultants)

### The Multifaceted Role of Consulting

Clients seek more than just a ‘solution’ from consulting services and the role of consultants is multifaceted:

1. Provision of information
2. Provision of specialist knowledge → expertise
3. Provision of new perspectives → different way of looking at the problems
4. Provision of support for internal arguments
5. Provision of support for gaining critical resources (resources = hour, financial, technology)
6. Facilitating organisational change → consultants should bring some changes to the org

### Success Factors of Consulting Engagements

The factors that lead to **favourable project outcomes** include:

- Competence
- Emphasis on client results vs consultant deliverables → measure & demonstrate the results
- Clear and well communicated expectations and outcomes
- Visible executive support
- Adaptation to client readiness
- Investment up front in learning the clients environment → seeing the case through client’s eyes
- Defined in terms of incremental successes → set the plan and methodology
- Real partnership with consultants
- Inclusion of consultants through the implementation phase
- Can maintain relationship quickly and sustainability

### Developing Client Relationships

A **primary goal** of relationship building is to **create opportunities** to demonstrate that you have something to contribute. Before you can help someone, you need to **understand what’s on their mind**. You must create situations where they will tell you more about their issues, concerns and needs. → give them the opportunity to speak, to gain some insight information

Tactics to **create value** and **enhance the experience** for your clients:

1. Involve client more in the process
2. Keep client informed on what’s going to happen, when and why → clear & understandable
3. Make reports and presentations more useful, easier to pass on
4. Coach client in how to use what we deliver → not just drop the report to them, but also coach them
5. Make meetings more useful to client → don’t push your expertise at them but persuade them
6. Learn to persuade, not assert
7. Facilitate client executives’ ability to act on the advice provided

Your conduct and approach in client relationship development will depend on how you perceive the nature of your interactions with your client.

- Transaction - not strategic e.g. IT, tax and auditing
- Relationship - long-term

## Case study: When Consultants & Clients Clash

### 1. What was Statler Group engaged to do?

- To merge both companies' policies

#### Did Royce Kellogg consider the project to be complex one?

- No, he thinks that it is nothing to worry about → easy job

### 2. What was Royce Kellogg's initial perception of Barlow and Roussos?

- They are inexperienced → even Barlow has 6 years experience, she still has no experiences in merging companies.
- They cause more problems than they solve.
- Too young → don't respect

#### Did this perception change over time?

- The perception about Barlow and Roussos doesn't change at all

### 3. What concerns were staff conveying to Royce Kellogg after they had spoken to the consultants?

- Staff were concerned about whose policy would get adopted because it impacted their employment.
- Royce should have communicated to staff → the importance of the work

### 4. Is the business relationship between the Statler Group and Kellogg-Champion Securities a lost cause? How should the consultants - and the client - handle the status meeting?

- Senior partner from Statler needs to be involved but it has to be gentle introduction/ diplomatic → can't assert, persuade
- They could wipe the slate clean and you are not charged for work done before and restart again. Mergers are time sensitive and should not be delayed lest the deals falls apart.
- Should not sent the junior consultants to meet directly 1:1 with clients.

## Power Structures & Sources

### Sources of Power

#### 1. Transactional Perspective

Asymmetry in transactional power between clients and consultants arises from:

- Relative size of client and consultants
- Buying power of the client
- Supply alternatives of consulting services
- Competency of the client
- Perception factors

**Positional Power**  
"Power that comes  
from a person's roles,  
title or position"  
(i.e. CEO's position)



**Personal Power**  
"Power attributed to  
someone who has traits  
admired by people"  
(charisma, smart offer)

#### 2. Political Perspective

Power can be defined as an individual's ability to exercise influence over decisions or outcomes.

- What kind of power do consultants have in client's decision-making processes?
- What sources of power do consultants draw on to influence client decisions and outcomes?

### Critical Research on Client-Consultant Relationships

- Knowledge and power are closely related  
The balance of power between client and consultant does not feature in functional models of consulting.
- **Critical research** on client-consultant relationships:
  - Emerge as a reaction to more prescriptive and practitioner-oriented approaches
  - Concerned with issues of power and control in C-C relationships
  - Questions the automatic assumptions about the functional intent of consultancy
  - Issues of power asymmetry and dependency
  - Possible conflict in client-consultant relationships arise
- Perspectives of client-consultant relationships in the 2 dominant streams of literature.

	Functionalist perspective: Client as buyer	Critical perspective: Client as victim
Why use consultants?	<ul style="list-style-type: none"> <li>• Knowledge or resource deficiencies</li> <li>• Independent judgment</li> </ul>	<ul style="list-style-type: none"> <li>• Cognitive and socio-psychological needs emerging from the characteristics of the managerial task.</li> </ul>
Nature of the client	<ul style="list-style-type: none"> <li>• Competent buyers who hires and fires</li> <li>• Critical evaluators of consulting advice</li> </ul>	<ul style="list-style-type: none"> <li>• Naïve, anguished victim of consultant's persuasive strategies.</li> </ul>
Nature of the consultant	<ul style="list-style-type: none"> <li>• Provider of a knowledge-based service at the client's request</li> </ul>	<ul style="list-style-type: none"> <li>• Manipulator of symbols in order to create impressions of value.</li> </ul>
Nature of the client-consultant relationship	<ul style="list-style-type: none"> <li>• Contractual, arm's length relationship with the client in control</li> </ul>	<ul style="list-style-type: none"> <li>• Exploitative relationships with the consultant in control.</li> </ul>

## Psychodynamics & Trust

### Normative Views of Client-Consultant Relationships

- Based on 'expert models' of consultancies:
  - Consulting is not merely about expert diagnosis and treatment
  - Ideas are not simply produced by consultants and consumed by clients
- The expert perspective of consulting ignores the human factors in client-consultant exchanges:
  - Engagements are carried out within webs of relations between the consultant and client (i.e. firm stakeholders, client stakeholders, project team)
  - Understanding psycho-emotional factors in client-consultant exchanges is important in developing client relationships

### Client-Consultant Psychological Contracts

- **Psychological Contracts (PC):**  
'There is an unwritten set of expectations operating at all times between every member of an organisation and the various managers and others in that organisation.'
- PC are formed at the very beginning of client-consultant relationships. → since the 1st brief meeting
  - **Transactional contract (Explicit)**  
Technical competence to deliver agreed outcomes
  - **Relational contract (Implicit)**  
Professional contributions + personal style

### Psychological Expectations Matter

- **Psychological Expectations (PE)** impact upon **the success of the client-consultant relationship** as perceived by consultants.
- Consultants seek to meet the PE of clients to:
  - Secure additional future work
  - Gain a competitive edge
  - Achieve self-satisfaction as an indicator of a job well done → clearly to develop relationship based on trust
- PE also presented some ethical dilemmas for consultants which lead to opportunities being turned down.

### Implicit Expectations

- Implicit expectations are:
  - **Unwritten** → not explicitly written into a contract
  - **Unspoken** → not really expressed by the client
- Consultants adept at managing implicit expectations are more likely to:
  - Gain a **competitive advantage** over those who merely meet technical requirements of consulting assignments.
  - Secure further engagements and referrals.
- **Common assumption** that technical competence is a prerequisite **for engagement success**.
  - **Functionalist perspectives** tend to ignore the differentiating factors that ensure engagement with the client.
  - How do we define engagement success? (i.e. technical quality of output? Ongoing work?)
- 2 broad categories of implicit expectations:
  1. **Professional contributions**

## 2. Personal style

- Implicit expectations will vary depending on the client's individual traits and beliefs.

### The Nature of Client - Consultant Interaction

- 3 separate and contrasting viewpoints framing these relationships:
  1. **Expert model** - Provides significant insights into client-consultant interactions in the case of routine problems when the client knows exactly what they are doing when they hire consultants.
  2. **Social learning model** - Provides valuable insights into the client-consultant relationship when dealing with complex and/ or innovative problems and issues.
  3. **Critical model** - Contributes to a better understanding of the symbolic and persuasive side of client-consultant interactions.

	Expert Model	Social Learning Model	Critical Model
<i>Metaphors</i>	Consultant as seller of expertise	Consultant as helper, reflective practitioner	Consultant as impression manager, storyteller
<i>Nature of Consulting</i>	Solving client problems through knowledge transfer	Assisting clients to help solve their own problems	Creating the impression that clients are buying something of value
<i>Nature of Knowledge</i>	Consulting knowledge is objective	Consulting knowledge is constructed and contextualised	Consulting knowledge is ambiguous
<i>Knowledge Asymmetry</i>	Consultant knowledge solves problems	Consultant and client knowledge solves problems	Clients have difficult evaluating consultants' knowledge
<i>Nature of Interaction</i>	Transfer of knowledge from expert to client	Joint learning process <i>**learning is key element</i>	Consultants creating impressions
<i>Power Relations</i>	Client dependent on knowledge of expert	Power sharing	Consultants as powerful and persuasive

- Knowledge as a strategic asset for management consultancy firms and that knowledge management is a way to capitalise and extract value from that knowledge.
- Various definitions of KM, reflecting a number of themes
  - Knowledge sharing and dissemination
  - KM as source of competitive advantage and business results
  - KM as business process - knowledge capture, codification, transfer, dissemination
  - KM as source of organisational learning

### Knowledge as Possession vs Knowledge as Socially Embedded

- **Knowledge as possession** → learning together and continue develop the knowledge and solutions  
Knowledge is viewed as an objective commodity that can be easily defined and moved from one place to another
- **Knowledge as socially embedded** → focuses on the tacit and socially embedded (people side) of knowledge

## Week 6: Structured Problem Solving

### The Nature of Problem Solving in Consulting

'Are consultants in search of the sharpest needle in a haystack or a needle sharp enough to sew with?'

- Constrain
  - Cost
  - Time consuming
  - Information

'Is it important to have the perfect solution or the right solution for the situation?'

- There is no exact right answer or perfect solution in consulting depend on information you have at that time.
- May not be a perfect solution/ most ideal

McKinsey defines problem solving as 'Finding the optimal solution to a given business opportunity or challenge'

Why don't need to be perfect solution?

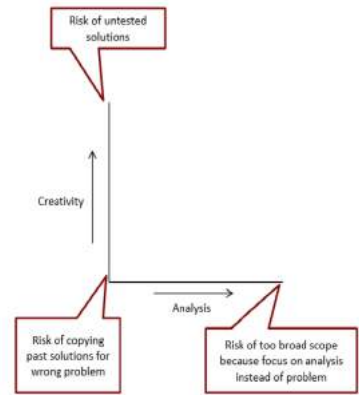
- Infrastructure implement



- Budget/ resource
- Perfect solution may not fit in the org

### Approaches to Problem Solving

- **Guessing** - an intuitive approach based on gut feeling and creativity but lacks analysis or testing.
- **Analysing** - relies only on analysis and is driven solely by frameworks, instead of the problem or creativity.
- **Experience** - solution is based on the problem solver's experience of the 'same' problem before → see the problem before and know what the answer is



### Purposed of Structured Problem Solving

1. **Understand and articulate** the client problem that the project will solve
2. **Decompose** the problem into key issues to analyse and hypotheses to test
3. Think **creativity** about the solution - about innovative and value-adding ways to solve the client problem

### Strengths

- Planning
- Time intensive
- Focus on the actual problem than guessing, analysing and experiencing

### Weaknesses

- Focus on approach than the solutions
- Risk of following the step-by-step process (if there's mistake, need to go back and revisited the hypothesis again)

## What is Structured Problem-Solving?

Consists of **problem diagnosing and solution development**

- **Systematic** and **methodical** approach
- Helps **breakdown** complex (*make it easier*) and/ or ambiguous problems → look at the entire org
- It is **iterative** (*make change*), focused, **fact-based** (*use evidence to solve the problem - 1 solution can affect other parts*) and logical (*to convince clients as well*)

Adapted from the **hypothesis testing** procedures of science

- Identification of the **most promising** causes/ solutions early in the process → main issue of why they have this problem
- **Prioritisation** of the causes/ solutions → select main issues to start
- **Validation** or **refutation** through the use of **data** → let's test, might not that issue, try to test other issues
- Openness to disconfirming data

## What is a Hypothesis?

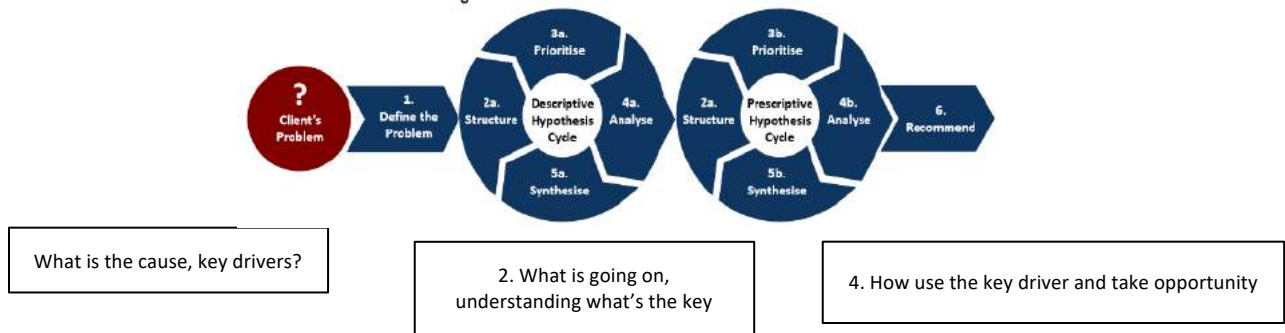
- The **best educated guess** of the answer to a given problem informed by:
  - Experiences
  - Background information
  - Preliminary data analysis (i.e. expiry date, cooking time)
  - Previous studies
  - Looking more data
- Not based solely on opinion → should base on evidence/ the best educated guess
- Used to **guide** information gathering and analysis
- **Constantly reviewed** and **improved** as they are tested and new insights are uncovered

## Structured Problem Solving - Terms/ Methodology

- **Synonyms** for structured problem solving:
  - Hypothesis based approach
  - **Issue-based problem solving**

- Issue tree analysis
- Hypothesis driven thinking
- **Different consulting firms** have different structured problem solving methodologies (but the 3 purposes are the main theme common for every company)
  - Read widely and acquaint yourselves with various methodologies
  - However, the greatest learning will come from **applying** and **practicing** the methodology
  - The best way is **practice** to solve problem

### The steps in a structured problem solving methodology



### Identifying the Client's Problem

'If I had an hour to solve a problem and my life depended on the solution, I would spend the first 55 minutes determining the *PROPER QUESTION TO ASK*, for once I know the proper question, *I COULD SOLVE THE PROBLEM IN LESS THAN FIVE MINUTES*'

- Fully understand the client's problem and start asking the right question. It's easy to solve problem (research → test hypothesis)
  - Use 90% to find the problem and only 10% to find the solutions
- What are some of the reasons the client might have it wrong?

- Clients want to see results and want to move on to the solution step
- Clients see only the visible causes (top of iceberg)
- Clients see inside the box → we need to provide the different perspective to them
- Clients want to see the symptoms
- Their perception might not gonna be the true perception
- Delivery the wrong information
- Too close the problem, they might not gonna see the problem

Clients sometimes need our help to identify the right problem to solve:

- Hidden assumptions/ issues
- Expertise and experience
- Objectivity/ independence of varying client motivations/ opinions
- Remember we work for the org not just individuals

### STEP 1: Define the Problem

'We must **work with** the client to develop a **shared understanding** of the **true nature and scope** of the problem'

- Once we agree on the problem, we need to **define the problem** so that everyone involved is clear up front on:
  - What we are trying to solve → main problem
  - What success will look like → objective, desired outcome
  - What is in scope
- Your problem should be expressed as a **problem question** to help sharpen your thinking about the problem
- A **framing template** can help define the problem

Problem Question	
Focuses the work and ensures that findings can be acted on. The more specific the question, the better, provided that it is not so narrow that the "wrong" problem is addressed. Following SMART principles will ensure a robust problem question	
<small>situation - what's happen outside/ inside</small> <b>1. Background / Context</b>	<small>complication - what's the problem question</small> <b>2. Success Criteria</b>
<small>who will be the most impact from our solution</small> <b>3. Stakeholders</b>	<small>Trigger</small> <b>4. Constraints / limitations</b>
<small>5. Scope who will be involved</small> <b>5. Scope</b>	
Includes what will and will not be included in the study. Critical to set expectations and avoid any scope creep	

### Descriptive Hypothesis (Problem-Based)

- **Key question:** 'Why does the **opportunity** or **issue** exist?'
- **Key focus:** To determine the **key drivers** of an opportunity or the **root causes** of an issue
- Starts with a proposition about **how things are** and then seeks to **test it** with real world information and/ or data
- **Focus on what's going on**, not focus on the solution yet

### Prescriptive Hypothesis (Solution-Based)

- **Key question:** 'How should the problem be **solved**?'
- **Key focus:** To find **solutions** in order to make a **recommendation** for an issue/ opportunity
- Starts with **proposed solutions** to a problem and then **tests it** for feasibility and effectiveness
- We always use Marketing Mix (4P) but we don't communicate to clients in that way.

### STEP 2a & 2b: Structure the Problem/ Solutions

- Seasoned consultants have a repertoire of **experiences** to inform their initial development of hypotheses
- In the absence of practical experience:
  - Conduct exploratory research (e.g. internal, industry, case studies)
  - Refer to management theory/ frameworks (e.g. 4Ps, five forces, SWOT)
  - Structured brainstorming (e.g. war-gaming)
- Remember this is an **iterative process** and your initial hypotheses will change.

#### 'Chunking' up the Problem - The Issue Tree

- **Deconstruct** the overall key question into **smaller components** of key issues/ hypotheses in order to conduct **analysis**.
- **The Issue Tree** is a problem solving tool that enables this
  - Critical and usually **time consuming step** used early in the process
  - Builds common understanding
  - Focuses efforts
    - No time is wasted
    - No essential issues ignored
  - Problem decomposition is continued until the question are specific enough for analysis
- **Remember: "Structure before data"**

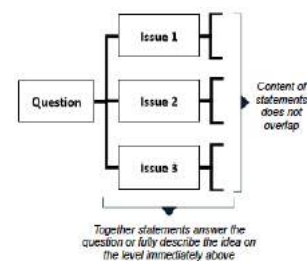
#### The Issue Tree: MECE

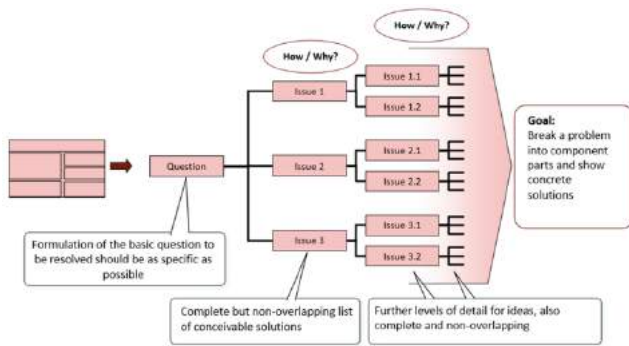
##### Mutually Exclusive (ME)

- Ensures there are **no overlapping** branches/ themes/ topics/ issues (e.g. revenue & cost)
- Exclusiveness forces you to look at each option which leads to a deeper understanding of the issues

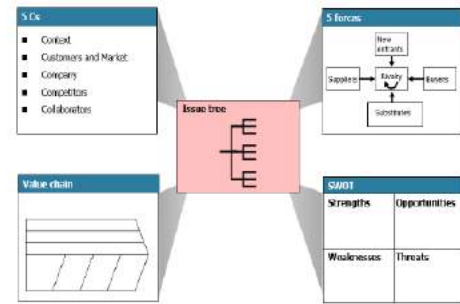
##### Collectively Exhaustive (CE)

- Ensures a comprehensive collection without leaving alternatives
- Exhaustive means that **all possible options have been considered**





Issue 1.1 and 2.1 can be overlapped but 1.1 and 1.2 cannot



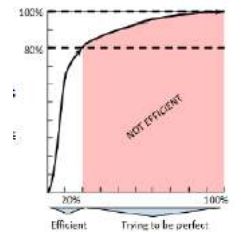
## Using Management Frameworks

### STEP 3a & 3b: Prioritise

- The issue tree is a complete list of issues/ hypotheses that can be researched/ analysed to address a specific problem.
- **Prioritisation** is required because of **limited resources and time constraints**.
- **Pareto Principle** is applied to prioritise and focus research/ analysis efforts:
  - A small number of causes drives the vast majority of the results
  - I.e. 20% of causes drives 80% of results

#### Methods to Prioritise

- Effective prioritisation enables teams to focus on key issues that drive the greatest impact and therefore **contribute most** to solving the problem.
- A common prioritisation tool is the **2x2 matrix** which is **impact** and another axis can be urgency, corporate goals, ease, costs, time
- **Other potential ways** to prioritise:
  - Industry benchmarks
  - Qualitative input from client
  - Available resources
  - Past and initial research



### STEP 4a & 4b: Analyse

- If your issue tree has been constructed effectively:
  - Analysis should be guided by your **hypotheses**.
  - The problem should be decomposed until you have **specific inquiry questions** (i.e. information/ data request)
- Once you collect your data, you analyse in order to **validate** or **refute** the hypotheses
- There is **no universal** analysis technique - Analysis is **finding patterns** and **relationships** in order to address a particular problem.
  - Correlation
  - Causation
  - Categorisation (esp. for qualitative information)

#### Types of Data and Analysis

- **Primary:** Data **collected by consultants themselves** for a specific purpose
  - E.g. use case studies of the same company that we work for the same purpose
- **Secondary:** Data **collected by someone else** for some other purpose
- **Quantitative:** Information that can be measured and is in number format
  - Graphically analyse data (i.e. numerical vs categorical)
  - Use data visualisation to convey findings to reduce complexity and enhance comprehensibility
- **Qualitative:** Information that cannot be measured
  - Useful for generating and prioritising hypotheses and corroborating findings
  - Data can be converted into numbers and subsequently used in quantitative analysis

## STEP 5a & 5b: Synthesise

This is all about the "so what?" question.

- Most difficult and most **valuable**
- Not about just your findings. But the **implications** of your findings and what this means for the key problem question
- About actionable insights

**How?**

1. **Combine** and look holistically or patterns
2. **Structure** into governing thoughts or insights
3. **Check** - ensure insights are meaningful, supported, specific and ACTIONABLE
4. **Story-tell** - insights should tell a powerful story that underpins the recommendations

## STEP 6: Recommendation

- The **collective insights** from your descriptive and prescriptive hypotheses should culminate in recommendations.
- When formulating your recommendations, consider:
  - The project aim, problem definition and scope
  - The clients perspective - the best recommendations are **co-created**
  - Clients **resources** and **timelines**
- To have a chance of being **implemented**, recommendations need to be:
  - SMART
  - Meaningful → related to that problem
  - Agreed
  - Understood in light of **limitations** and **challenges**

**Good vs Great Problem Solvers**

- View the problem and solution effectively from multiple perspective
  - Customer vs competitor vs future trends vs outside the industry
- Look for **connections, patterns** and **relationships**
  - Sequence, cause and effect, priority
  - Groupings
  - Similar concepts that can be leveraged from other situations/ case studies
- **Dig deep** to find the heart of the problem and real insights
- Think **ahead** and **holistically**
  - Challenge
  - Stress-test → various option that might happen in the future

AND most importantly...COLLABORATE! (working together as a team)

## **Week 7: Structured Communication**

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Consultants use communication in order to convince clients to accept and adopt proposed solutions.

PROBLEM → ANALYSIS → INSIGHTS → RECOMMENDATIONS → DELIVERABLE (report to clients)

In order to convince clients, consultants need to communicate:

- **Results** of our research and analysis → what/ why we are thinking
- The **recommendations** (and the support **insights** and **conclusions**) → teach the clients how we got the solutions
- The **rationale** for not selecting alternatives → why are we doing this & why not doing that because change is very hard to get anyone to do

- A **report** that becomes an integral part of the client's decision-making process → go to a lot of people (both inside & outside) the company

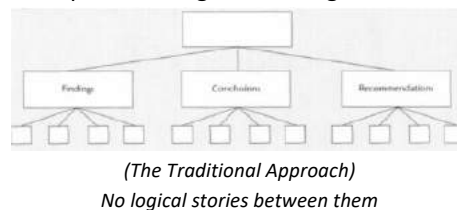
Communications need to be highly effective and delivered using a story or theme.

- **Tailored** to client circumstances and objectives → so it is meaningful and specific to that client
- Clearly **understood** → and make sense
- **Educational** → educate clients about the problem and solution, in regard to the desired outcome
- Targeted to a **wider audience**
- **Action** and **decision** oriented → and support decision makers, tell them clearly what they should do
- **Simple, precise** and to **the point** → different from the academic writing, simplicity don't use complicated language
- **Believable** and therefore is supported with compelling evidence and logic
- **Concise** → less slides

This can be achieved if its intertwined in a **compelling story** or a **cohesive theme**.

However, traditional approaches to communication in consulting have lacked a logical or meaningful theme.

- Traditional Reports are normally structured as 'Findings', 'Conclusions' and 'Recommendations'.
- Why is this not a good recipe for communication?
  - No logical interconnection between each topic → all separate section, no link provider
  - Need to link up conclusions to findings
  - Description or summary of the stages/ sections of analysis
  - By presenting each 'major section', you are forcing a separation between the three.
  - This destroys the natural development of logical thinking



Consultants need to tell logical stories, not just communicate facts and figures. Need to be carefully planned out and structured

- Clients are interested in the **insight** or the '**so what**' of your findings - intertwining these in a story will have impact.
- People **connect** with stories:
  - A client often reads your report because they have to
  - An effective storyline engages the client and makes it more meaningful & memorable
  - Helps client acceptance

*(clients will see the logic behind ideas, the relationships between ideas, inherent insight and therefore the real message.)*

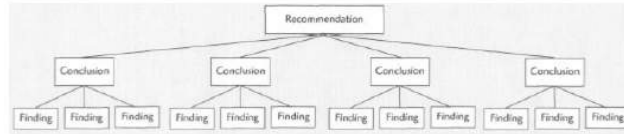
- **A logical structure enables a cohesive and compelling story**
  - Makes the message **precise, intended** and **convincing**
  - Enables you to fix gaps in thinking
  - Creates **logical connections** and brings the reader along the journey
  - Provides **clarity** to the reader without more "work"
- Storylines complement structured problem solving and issue trees
  - Developing hypotheses/ sub areas into a storyline enables logic and precise language
- A **structured presentation** can be the difference between:
  - Confusion and clarity
  - Analysis and impact → helping client make the right decision to solve their problem
  - Lackluster agreement and real motivation for change (implemented)

The **Pyramid or Minto Approach** helps structure flow of logic and communication in consulting.

- Every written document should be structured to form a **pyramid of ideas**.
- Easier to **understand** logic if ideas are **organised** as a pyramid under a single key point/ message.

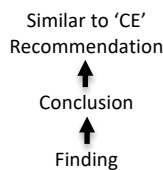
- The mind automatically sorts into such groupings
- **Memory** can be stretched by chunking information → into relevant or related groups
- Helps readers group **related ideas** as the author intended
- Provides **guidance** for logic in writing, problem solving, thinking and presentation.
  - Helps create a **structure** → identifies your major ideas and organises minor ideas to support them (e.g. issue tree)
  - Creates **efficiency** → and decreases document length

Ideas are grouped into a logical pyramid hierarchy and the thinking behind the relationship is shown.



(The Pyramid Approach)  
Show logical connection

1. Communication of findings is always top down.
2. Ideas at any level in the pyramid must always be summaries of related ideas grouped below them. (e.g. the conclusion is the summary based on the finding)
3. Ideas in each grouping must always be the same kind of ideas.
4. Ideas in each grouping must always be logically ordered (e.g. Chronologically, Structurally, Comparatively) → both vertical and horizontal way



**Vertical Relationship or Logic**

- Ideas at any level in the pyramid must always be summaries of the ideas grouped below them
- Ideas with support always have at least two supporting points
- Supporting points must be necessary and sufficient to logically "prove" the summary point

**Horizontal Relationship or Logic**

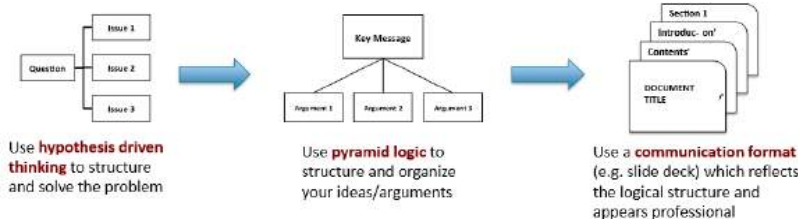
- Ideas in each grouping must be the same type of idea or follow the same logic
- Ideas should be grouped with similar ideas and each grouping of ideas should be distinct
- Each grouping of ideas should be comprehensive

Similar to 'ME'  
Going across the pyramid →

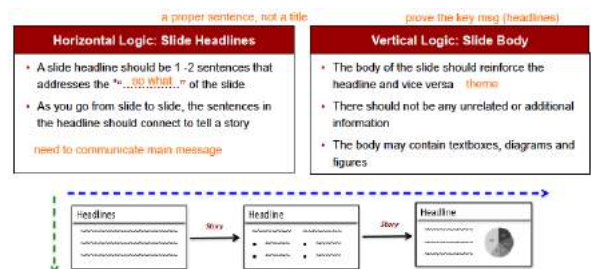
The aim of PPTs in consulting is to NOT show what the consultants have done, **BUT SHOW** what the client should do and why

The slide deck report is one of the key client deliverables and can be structured using pyramid logic.

- Consulting firms have their own report templates and style guides.
- Need to be a complete standalone report, as opposed to content-light
- Important to consider how the **"analysis"** and **"thinking"**



process relates to the **"writing"** process



Using Horizontal and Vertical Logic in slides ensures your communications are structured

It is crucial to use horizontal logic when creating a slide deck report → good test for logic and save time for the audience (could read only the slide titles). Otherwise, thought patterns will be **interrupted** and audiences will **stop following** your presentation.

This can be **achieved by creating a strong storyboard** for:

- **Synthesise:** forces you to synthesise and identify insights/ themes
- **Visualise:** helps visualise the report structure and map the sequence of slides
- **Plan:** helps work planning

- Help communicate hypotheses and direction with your team
- Help plan analysis/ market research by revealing data elements needed to convincingly test your hypotheses
- Divide responsibility for chapters or individual slides
- Prepares you to **move fast**

**A storyboard should be created early in the project using a more holistic thinking process**

- **When** should you storyboard?
  - As early as possible
  - Is iterative and can be a messy process
  - It may take 1-3 days but will save your time
- **How** should you storyboard?
  - Start with the end in mind
  - Think about the bigger picture
  - Develop a flow and structure
  - Create a story in each section
  - Reduce repetition, better organise the information
- There is no perfect way to structure the report

**Techniques to help storyboard find what works for you**

Technique	Description	Advantages
<b>Create mini slides</b>	<ul style="list-style-type: none"> <li>● Divide a sheet of paper or whiteboard into 4, 6 or 8 or use post-it notes</li> <li>● Sketch out slides (titles and content)</li> </ul>	<ul style="list-style-type: none"> <li>● Lends itself to group discussion</li> <li>● Clear on slide content</li> </ul>
<b>Excel</b>	<ul style="list-style-type: none"> <li>● Create columns for slide title, sub-title, content description and take-away boxes</li> </ul>	<ul style="list-style-type: none"> <li>● Edit and iterate without being hard to erase</li> <li>● Easy to test slide title flow since all on one page</li> </ul>
<b>Executive Summary</b>	<ul style="list-style-type: none"> <li>● Write a mini executive summary</li> </ul>	<ul style="list-style-type: none"> <li>● Forces you to think about what is truly important</li> <li>● Don't get bogged down in details but concentrate on argument flow</li> </ul>
<b>Conference Table</b>	<ul style="list-style-type: none"> <li>● Use individual pieces of paper</li> <li>● Put into grouping/ story flow and make changes</li> </ul>	<ul style="list-style-type: none"> <li>● A hands on way to practice pyramid logic</li> <li>● Lends itself to group discussion</li> </ul>

**A strong storyboard based on SCQA is also imperative for an effective executive summary.**

- **Situation:** facts of the past
- **Complication:** creates the tension that triggers the question and indicates that change is required
- **Question:** what the reader should want to know
- **Answer (resolution):** the next level of thinking

What are the **merits** of this approach?

1. Easy to read
2. Has the entire thinking and key message summarised on one slide.

In addition to Horizontal Logic, the body of each slide in a powerpoint report needs to show Vertical Logic.

**The Headline or Title** - 1-2 sentences that addresses the key implication of the slide. Keep it short and simple.

**The Body**

- Displays the data/ support for the title
- Everything in the body should reinforce the headline and vice-versa
- Covers no more and no less scope than the title-sentence (only relevant data)
- Fact-based and sufficiently supports the headline
- Only one message per slide and each slide should have a function or purpose (have only one key message per slide)



- May contain text boxes with bullet-points, diagrams and figures

There are **3 key types of content** slides to help **develop a supporting story**

### 1. Writing (text box)

- Conveys specific facts/ideas
- Organises large amounts of information
- Each bullet point needs to be a proper sentence

### 2. Diagrams/ Flow Chart

- Conveys cause/effect, sequential relationships between observations
- Explains conceptual ideas
- 2x2 matrix, scatter plot, bubble charts
- A great tool for illustrating relationships
  - Allows reader to see at a glance how parts of a whole work together
  - Use diagrams to reinforce and not replace your key points
  - All diagrams should be accompanied with an explanation → diagram alone is not sufficient

### 3. Graphs

- Summarises or draws attention to numerical data
- Explains trends in underlying data
- Bar, pie, column, waterfall charts

#### Checklist: Diagrams and Graphs

- The selected graph should be as simple as possible to convey the message
- Axis labels should all be horizontal to enable easy reading
- Zeros should be omitted from axis scales and legends
- No more than one decimal point of details should be presented in graphs
- Colours or shadings can be used to emphasise points of interest and increase the effectiveness of the graphic
- The same colour scheme or shading should be used for every diagram
- Avoid distortion (in scales, graphics, bars, axis length etc.)
- Ensure graphs/ exhibits have titles, labels, legends and a source

**TIP:** It helps to draw out the slide on paper first - don't immediately go into PPT when you don't have a clear conceptual vision of how the slide will be designed

#### Checklist: Diagrams and Formatting

- Ensure font styles and sizes are used consistently
  - Headline should be Arial, min size 24 and boldfaced
  - Body should be Arial size 10
- Everything is properly aligned
- For bulleted lists, indent any line wraps
- For multi-tiered bullets, use different, use different symbols for different tiered bullets
- Use a consistent colour scheme
- Use callout boxes if you need to embellish your slide with additional commentary
- Avoid visual clutter and eliminate excess data
- Ensure hyperlinked buttons link to the correct pages

#### Checklist: Content and Grammar

- Run spell check on your presentation
- Re-read all the headlines to see if it tells a cohesive, logical story
- If you can't think of a **meaningful 'so what'** for your slide, ask yourself to do I really need this slide?
- Try to use words like **us, we, our** to build intimacy with your audience

- Write the point of view from your client or audience → ideally you would want your clients to be able to hand off your presentation to his/ her boss without having to make any change
- Use consistent punctuation
- Make sure your numbers are correct
- State all your assumptions and data sources

## Week 8: Managing Change as Consultants

### Nature of Organisational Change

- A **perceptible difference** between 2 successive points in time
- Change is a **critical aspect** of every business
  - Internal drivers: CEO changes, senior management leaving
  - External drivers: PESTLE, change in trend, regulations
- **Planned vs Unplanned** (Timing of Change)
  - Planned: got time to plan it
  - Unplanned: emergency
- **Evolutionary vs Revolutionary** (Scope of Change)
  - Evolutionary: happen slowly e.g. launch new product
  - Revolutionary: change completely e.g. new business model
- **Imposed vs Participatory**
  - Imposed: change from top-down, employees don't get involvement
  - Participatory: across the business, employees involved e.g. recruit new employees, capability, new structure
  - Why would not have participatory change? → Time constraint, capability

### What could make an organisation change?

1. Regulation
2. Changing CEOs
3. Disrupted technology
4. Designing a new type of system (tech)

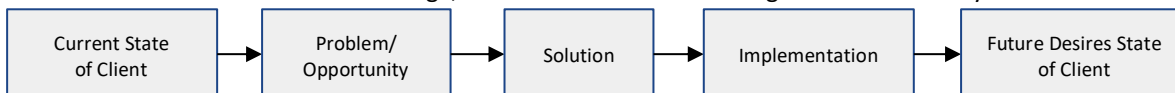
### McKinsey 7-S framework - Subject of Change

- Change is hard: you can't change only 1 thing, you have to think as a whole.
- Change 1 thing can affect any other aspects



### Change and Management Consulting

- Without the client's need for change, there is **no reason** for management consultancy



We don't get involved  
(clients follow the solutions that we recommended)  
- expensive, company might hire others to do.  
- we can put the strategy to help implementation.  
- If they fail on this implementation, we fail too.

- Managing change is a **foundation skill** for all types of consulting - that's why the client comes to consult us.
- Some **related know-how** that a consultant must have for success in any project
  1. Communication
  2. Risk management

3. Project management
4. Negotiation skill
5. Persuasion skill (with empathy)
6. Holistic approach - understand big picture and the impact
7. Culture of the company (culture conscious)
8. Reasons, story of their success
9. Patience
10. Emotional intelligence (EQ)
11. Empathy, listen

#### Consultants Role During Implementation

1. **The Rhetorician:** Consultant has a **limited role**
2. **The Expert:** Consultant provides **specific expertise**
3. **The Doctor:** consultant **diagnoses** the client's readiness for change, **designs** a change plan and **implements** the plan
4. **The Facilitator:** Consultant **enables** and **facilitates** the process of implementation

**“Change Management** is designed to help **ensure the effective transition of an organisation** and its **people** from the **current state** to **future states**, and in so doing **support the realization of business benefits”**

- Result of dissatisfaction with the present and the requirement to develop a vision for a better alternative
- Essential to develop strategies to implement change, including countering and responding to resistance

**What it is not?** - An event, HRM, purely qualitative, soft and fuzzy, easy to do well

#### Change Management Consulting

- Clients may engage a consultant to deliver a **change management project**:
  - Support the project sponsor to achieve desired transformation
  - Bring about the **change** at the individual, team and organisation level
- **Business triggers** to seek consultants to help with **CM activities** include: → why would they hire?
  - Integrating departments post-acquisition
  - Adopting shared services, outsourced or off-shored operating models e.g. change business model
  - Implementing new technology systems
  - Redesigning processes e.g. supply chain, manufacturing, sales
  - A restructure/ culture change
- **Overt reasons vs covert reasons**
  - Overt - specific goal, logical reasons
  - Covert - to help dealing with their own personal agenda (personal issues)

#### Importance of CM

- Potential **risks** of no CM/ having poor CM
  - Changes required to support recommended strategy are not achieved
  - Transformation takes too long or costs too much
  - Supporting systems, processes, structure don't deliver expected results or business benefits
  - Loss of employee trust, morale and motivation or high turnover → big important
  - Operations performance measures / targets are not achieved
  - Restructuring or M& A doesn't achieve expected business benefits
- Poor communication, poor change management, and resistance to change result in approx. 70% of all change initiatives **fail** because
  - Lack of resources
  - Limited timing
  - The activities/ steps required are missed
  - Hard to implement in the reality
  - Need patience, long term result

- Resistance

## Resistance to Change

### Organisation

#### Why do org resist change?

- Risk of losing success
- Built on stability and established routine
- Designed to be good at their current business
- **IMPORTANTLY, org is made up of individuals who resist change**

### Individuals

- **Rational resistances** to change
  - May not be good/ benefit for you
  - Demotivated - need to put effort & time take step to change
- **Irrational resistances** to change
  - Habit
  - Some people don't want to change/ surprise → uncertainty

### Employees

- Change management is ultimately concerned with **2 sets** of people
  1. Those who **affect change**
  2. Those who are **affected by change**
- Therefore, **multiple perspectives** to consider
  - Good news vs Bad news
  - Resistance may vary
  - Which perspective can be most important?

*People do things for **THEIR** reasons not for yours*
- Change is often resisted because of failures in the way it is introduced and managed
  - Failure to **explain the need**
  - Failure to provide information
  - Failure to **consult**, negotiate and offer support and training
  - Lack of **involvement** in the process
  - Failure to **build trust** and sense of security → to show EQ
  - Poor employee relations → consider the relationship between top and down level

## Managing People: Lewin's 3-Step Change Model - old model but useful, need to consider all 3 steps

### 1. Unfreezing

- **Anxiety** or **dissatisfaction** exists
- Requires effort to **overcome pressures** of both individual resistance and group conformity

### 2. Moving

- **Identification** or testing of the proposed change and **internalisation**
- Requires effort to **involve employees**

### 3. Refreezing

- Person concerned **verifies** change through experience
- Requires effort in creating a supportive environment and reinforcing required behaviour

## Overcoming and Using Resistance to Change

1. Boost awareness → what the change is, what gonna happen
2. Return to purpose → why we need to change
3. Change the change → insightful feedback → negotiate
4. Build participation and engagement → (worry list, ideal list)
  - ask employees - what they worry about

- what is their idea to manage change (needle sharp)

5. Complete the past → acknowledge history - show that they can trust you

## What role does organisational culture play in change management and how can you be conscious of it when managing change?

### Organisational Culture

“The pattern of basic assumptions that a given group has invested, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems”

- Culture comprises of **values** and **basic assumptions** that operate at a deeper level (under the surface level)
- Culture operates **pre-conscious** below our conscious awareness, but we are able to recognise it if we try



### Culture Sensitivity and Change Management

- In CM, being **culture conscious** is as important as a concern for the specific technical problem
- Consultants must ensure their behaviours **don't clash** with the client-organisation's culture by
  - Genuine interest in the meaning of culture
  - Awareness of factors that influence different understandings/ interpretations of contexts
  - Read and discuss cultural issues specific to your client
- Consultants must be self aware of own culture (Developing cultural awareness)
  - Prior **limited exposure** to different cultures
  - Personality and value system **moulded** by work and social culture
  - Consultants are often unaware of their **cultural biases** and **preferences** that influence their understanding of other cultures

### Assessing and Exploring Cultural Dimensions - depends on the accessibility of cultural dimensions

- **Artifacts** are **culture symbols** (e.g. stories, traditions, physical settings, mission/ value statements, slogans)
- **Formal practices** are **sanctioned norms** (e.g. policy/ procedural manuals. Organisation charts, HR activities, dress code (has to be matching))
- **Informal practices** are **unsanctioned norms** (e.g. interaction styles, time orientation (15 mins early to set up), respect, which rules to follow/ ignore)
- **Values and assumptions** are the **social principles, goals and standards** held (e.g. judgments on what is right/ wrong, value statements, values in use)

How can we explore the above?

- See what's going on with mindful
- Read up some documents
- Think about advertising/ communication
- Ask people who work there

### Consultants Operating in Client Cultures

Consultant's **behaviours** that **influence interpersonal relations** with the client

- How to dress - don't wear competitors' brand
- How to deal with people - make them feel comfortable e.g. when and how to start discussing business
- Punctuality
- Written and/ or oral communication with the client - keep everything very formal/informal, learn how to match it
- Formal and informal relations

- Display or restraint of emotions - understand emotion of your client e.g. talking about personal life
- What language and terms to use

“When in Rome do as the Romans do?” Do you agree?

- Respect the culture
- Being authentic otherwise you will destroy the trust
- Also keep your own culture (they know who you are)

## How do you develop a change management strategy?

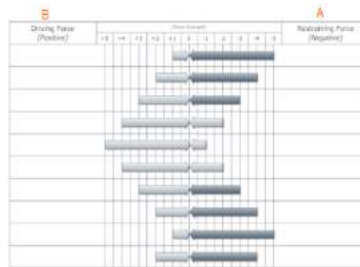
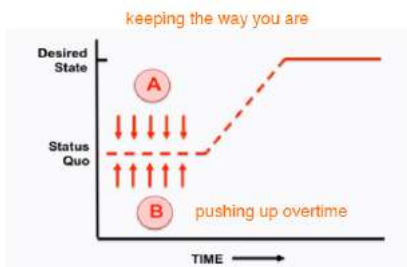
### Creating a Case for Change

- Rapid dramatic change is less likely to occur unless it can be shown that a **crisis is imminent**
  - Communication must be sufficiently **strong** to **awaken** the ‘organisation’ to change - build habit
  - Consultants need to **educate the sponsor** regarding the big picture realities of the situation
- The ‘**bad news**’ message should be **accompanied** by the ‘**good news**’

**Propensity to Change: Force Field Analysis** is used to identify the **factors** that will **aid** change and those that could **hinder** it

**A. Restraining forces** restrain change (negative)

**B. Driving forces** drive change (positive)



- It is the **strength** of the forces that will determine whether change will occur, not the number of factors
- If restraining forces are stronger than the driving forces, then **sustainable change won't occur**

### Developing a Change Strategy

- A change strategy is a carefully thought through approach to
  - Involvement: how and when they will involve others in a process of change
  - The degree and discretion that they will give to people at successive stages in the process of change
- **Purpose** of the change strategy:
  - Capture an **executive view** of the change program → overview and concise
  - Create **common language** about how the successful change will be achieved
  - Highlight risks to success and the approach to addressing those risks
- Getting the change **accepted, understood and communicated** by **key stakeholders** is critical
  - Very clear and concise

**Stakeholder Analysis and Engagement** - you can't understand them if you not talk to them



## Kotter's 8-step Plan to Implement Change

1. Establish a sense of urgency
2. Form a coalition - getting people involve, friends and allies have a coalition
3. Create a new vision - clear strategy
4. Communicate the vision - create common language, easily transfer in the org
5. Empower others by removing barriers
6. Create and reward short-term 'wins'
7. Consolidate, reassess and adjust - they might be other trends that might impact
8. Reinforce the change - keep adding on

## Week 9: Strategy Consulting

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STRATEGY is the the plan/ guide **direction** and **scope** of an organisation over the 5-10 years **long term**, which achieves **advantage** in a changing external analysis **environment** through its configuration of internal analysis **resources** and **competencies** with the aim of fulfilling profit/ shared prices **stakeholder expectations**

Strategy is complex, and need to consider forces and factors from:

1. Outside the Firm - forces in the external environment
2. Inside the Firm - distinctive capabilities and resource allocations

Strategy begins with **goals** which are also informed by the above

- Goals also inform based on what's going on outside/ inside the firm

### The Role of Consultants in Strategy Consulting

- Strategy consultants deal with **strategic issues** that are **distinct from specialists**
- Strategy consulting roles include:
  - Analysing, prioritising and generating
  - Synthesising findings and identifying insights
  - Advising on **goals** and future direction
  - Promoting and facilitating strategic **decisions and change**
  - Transferring knowledge
  - Ultimately support management

### The Nature of Strategy Engagements

- **Business triggers** for using strategy consultants include
  - Decline in performance/ underperformance i.e. sales, profit, market share
  - Near crisis point i.e. massive employee turnover, economy crisis
  - Unclear long-term vision
- What do clients who engage consultants want to know?
  - Strategic option? Which has the most impact?
  - Implementation - why? When? How? Where? Who?
- Strategy engagements are long-term, multifunctional and interdisciplinary and primarily concerned with
  1. Strategic Positioning: creating a value proposition that differs from competitors
  2. Strategic Planning: insights and conclusion in support of a particular LT strategy (giving them direction)

### Competitive Advantage

'If everyone can do it, it is difficult to create and capture value from it.' (unique, different enough to create value)

- The ultimate purpose of strategy engagements is to help clients identify, enhance and create competitive advantage → create value that better than competitors to clients
- Competitive advantage is
  - A key dimension of survival and success
  - Long lasting
  - An inherent capacity to sustain superior long term performance

### Challenges in Strategy Consulting

- Strategy consulting addresses critical issues of a **company's direction and leadership**
  - Easily perceived as criticisms
  - Risk of rejection of recommendations
  - Experienced consultants place great emphasis on choosing the right style
  - Change management is even more important → change manager is a key aspect in consulting management
- Strategy consultants typically favour a **participative approach** to enhance buy in of senior management

## External Analysis

### Customer/ Consumer Analysis

'A business has no higher requirement than that to create customers'

- Analysis of external factors generally begins with a study of **customers**
- Customers can be segmented into groups of common features
  - **Market segmentation** could be by **demographics** (age, gender, location, income) or **psychographics** (behaviour, lifestyle)
  - Further analysis can be conducted i.e. needs, price sensitivity, accessibility, loyalty
- Type of customer **research methods** exist
  - Consumer surveys (online, face to face)
  - Focus groups - understand how customer think, great insight, group think
  - Sales and usage - understand consumer behaviour
  - Trend analysis and secondary research - not just what they are doing now but also what they can do in the future
  - Qualitative method
  - Big data
  - NPS (net promoter score)

**Trend Analysis (enablers of change): PESTLE** - Political, Economic, Social, Technology, Legal, Environmental

### Industry and Competitor Analysis

- A strategy consultant seeks to help a client **cope, respond** and have an **advantage to competition**
  - Competition occurs within distinctive industry structures
  - It is a key to understand the structure of an industry, now and in the future
- The **Porter breakthrough**
  - The Five Forces framework has shaped a generation of a academic research and practice
  - Identified similarities between industries that drive competition and profitability

### Porter's Five Forces Framework

- Five competitive forces determine the **long-term profit potential** of an industry
- Allows a strategist to
  - Size up any industry → estimate how big the industry is
  - Reveal the drivers of an industry's profitability → what actually driving the value in the industry
  - Anticipate industry changes in competitors and profitability
  - Assess the attractiveness of an industry

#### 1. Potential Entrants (Barriers to Entry)

- Economies of scale, capital requirements, incumbency advantages, restrictive government policy, access to distribution channels, incumbent retaliation



## 2. Bargaining Power of Suppliers

- few/ dominant suppliers, lack of substitutes, lack of dependency on the industry, differentiated products, switching costs

## 3. Bargaining Power of Buyers

- Switching costs, undifferentiated products, customers earn low profits, information asymmetry, buyers are concentrated

## 4. Threat of Substitute Products or Services

- 'Closeness' of substitutes, products/services with improving price-performance trade-off relative to present industry products

## 5. Industry Competitors (Intensity of Rivalry)

- Price competition, advertising battles, increasing consumer warranties or service, new product introductions

### Five Forces and the Relationship to Profitability

**'The real point of competition is not to beat your rivals. It's to earn profits'**

- Business competition is about **the struggle for profits** and who gets to **capture the value** an industry creates
- Although competition is complex and multidimensional, the math of profitability is simple: **PROFITS = PRICE - COST**
- Porter reminds us to stay focused on the **ultimate goal** and on its two components - **price (revenue) and cost (expenses)**

### Assessing the Five Forces

Configuration and relative strength of the forces determine the industry's profit because of the impact of price and costs

<u>THE FORCE</u>	<u>IMPACT</u>	<u>WHY</u>
IF threat of entry	↑ Profitability ↓	<i>because</i> revenue will decrease (they can steal your market share)
IF supplier power	↑ Profitability ↓	<i>because</i> they can increase price --> then cost increase
IF buyer power	↑ Profitability ↓	<i>because</i> demand rises --> they will demand for lower price --> revenue decreases
IF substitutes	↑ Profitability ↓	<i>because</i> revenue will decrease (they steal market share)
IF rivalry	↑ Profitability ↓	<i>because</i> revenue decreases (Margretta, 2011)

### The response options for new entrant and intense rivalry

New Entrants	BP of Suppliers	BP of Buyers	Substitutes	Rivalry
<ul style="list-style-type: none"> <li>- Bolstering &amp; combative strategy</li> <li>- Blocking supplier</li> <li>- M&amp;A</li> <li>- Double down on your competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use standard instead of proprietary products.</li> <li>▪ Secure multiple sources.</li> <li>▪ Encourage mutual dependence</li> </ul>	<ul style="list-style-type: none"> <li>▪ Build customer loyalty.</li> <li>▪ "Lock in" customers to increase switching costs.</li> <li>▪ Differentiate the product.</li> <li>▪ Target customer segments that are less sensitive to price.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cannibalize the business before others do.</li> <li>▪ Target consumers of substitutes with new product offerings.</li> </ul>	<ul style="list-style-type: none"> <li>- Consolidate industry &amp; buy out competitors</li> <li>- looking at new trends &amp; innovations marketing mix</li> <li>- look for white spaces</li> <li>- differentiation</li> </ul>

## Internal Analysis

### Evaluating Strategic Positioning Using SWOT

- Provides basic direction for structuring strategic analysis and assessing competitive positions
  - **Strengths: capabilities** that enable you to perform well and need to be leveraged



- **Weaknesses:** characteristics that **prohibit** you from performing well and need to be addressed
- **Opportunities:** trends, forces, events and ideas that you can **capitalize** on → help you grow and take profit
- **Threats:** possible events or forces outside your control that you need to plan for and **mitigate**

### Internal Assessment: Strengths and Weaknesses

#### 1. Core Competencies

- Company's **expertise** or **skills** in the key areas that **directly** produce **superior performance**
- What are you **'uniquely'** good at and that customers **'value'**?
- Benchmark to assess the **relative power** of your core competencies

#### 2. Financial Condition

- New strategy could be **costly** to implement
- Look at
  - Cash flows
  - Access to outside capital
  - Other scheduled capital spending plans
  - Hurdle (return) rate of new projects
  - Financial performance

#### 3. Management and Culture (week 8)

- Is the company change-ready?

### Applying the Framework: Key Questions

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ What advantages does the client have?</li> <li>▪ What does the client do well?</li> <li>▪ What relevant resources does the client have access to?</li> </ul>	<ul style="list-style-type: none"> <li>▪ What could the client improve?</li> <li>▪ What does the client do poorly?</li> <li>▪ What should the client avoid?</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ What are the promising opportunities facing the client currently?</li> <li>▪ What are the interesting trends that the client should be aware of?</li> </ul>	<ul style="list-style-type: none"> <li>▪ What obstacles does the client face?</li> <li>▪ What is the competition/market doing?</li> <li>▪ Is changing technology threatening the client's organisation position?</li> <li>▪ Could any weakness threaten the business?</li> </ul>

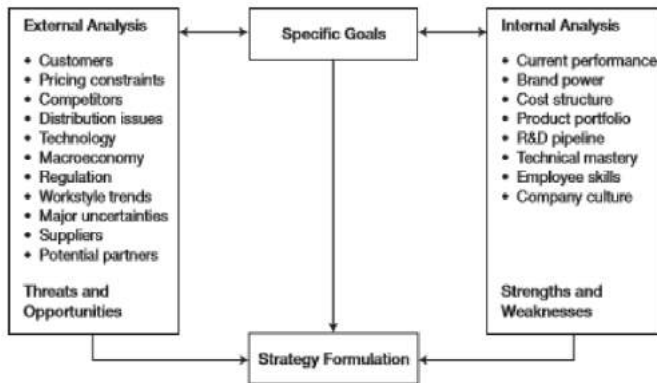
### Key Factors

Strengths <small>core competencies</small>	Weaknesses
<ul style="list-style-type: none"> <li>▪ Technological skills</li> <li>▪ Leading brands</li> <li>▪ Customer loyalty/relationships</li> <li>▪ Production quality</li> <li>▪ Scale</li> <li>▪ Management</li> <li>▪ Specialty equipment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of specific skills</li> <li>▪ Low brand awareness</li> <li>▪ Poor distribution channels</li> <li>▪ Product/service faults</li> <li>▪ Lack of critical mass</li> <li>▪ Lack of guaranteed supply inputs</li> <li>▪ Poor product development track record</li> </ul>
Opportunities	Threats <small>could be opp. for your competitors</small>
<ul style="list-style-type: none"> <li>▪ Changing consumer tastes</li> <li>▪ Free-trade agreements</li> <li>▪ Changes in the law</li> <li>▪ New distribution channels</li> </ul>	<ul style="list-style-type: none"> <li>▪ Changing customer tastes</li> <li>▪ Closing of some geographic markets</li> <li>▪ Exchange rate issues</li> <li>▪ Competitor technology</li> </ul>

### Aiding Strategy Creation

	Opportunities	Threats
Strength	<ul style="list-style-type: none"> <li>▪ <b>S-O strategies</b></li> <li>– Perception of opportunities using the strengths</li> <li>– Expansions/Investments</li> <li>– Use of trends via existing resources</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>S-T strategies</b></li> <li>– Leverage strengths to neutralize or reduce environmental threats</li> <li>– Use of relationships to influence environmental conditions</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>▪ <b>W-O strategies</b></li> <li>– Reduction of company weaknesses to use opportunities</li> <li>– For example, reduction of own bureaucracy (weakness) to be more responsive and use market opportunities</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>W-T strategies</b></li> <li>– Reduce weaknesses to mitigate threats</li> <li>– Disinvestment strategies</li> </ul>

### Develop Strategies



## Recommending a Strategy

- After analysing the **environment** and **internal capabilities**, consultants need to advise on
  - Industry's characteristics, Key success factors, and how client is positioned relative to competitors
  - The opportunities and **alternative** available to client → discipline with trade-offs
- Recommendations need to consider timelines and the real capabilities of the client's resources
  - People - management team, technical and production team
  - Assets - manufacturing plants, relationship, contract, goodwill, property, branding
  - Values and expectations - the clients, stakeholders, organisation
  - Strategic fit - positioning, direction

## Generic Strategies for Competitive Advantage

- **Competitive advantage** requires doing something either different to, or better than competitors in the market
- **2 basic types:** Low-cost advantage, Differentiated advantage
- **3 generic strategies**

### 1. Differentiation Strategy

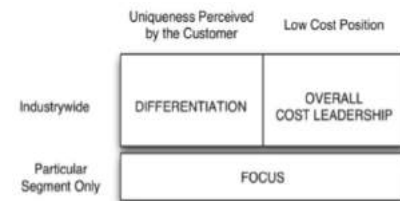
- The client is using this strategy to produce products or service different from those of its rivals and competitors
  - Make **unique** products and services → so alternatives are not considered
  - Develop a clear '**unique selling proposition**' → to meet customer needs completely
- The **aim** is to ensure that **competitors** are **unable to compete** for this particular market segment
- Basis of differentiation: product quality, product reliability, product innovation, product range, service levels, features, brand name, image, distribution channels
- I.e. Apple

### 2. Cost Leadership Strategy

- Using this if they are attempting to operate a low-cost operation whereby benefits are either shown in
  - High profit margins (due to lower expenditure)
  - Higher market share (due to lower prices)
- **Low-cost strategy** does not mean that **low prices** are necessary to be changed
- Organisations transition from a differentiation to cost leadership strategy because their product is no longer to compete and cannot differentiate
- Basis of low cost: no-frills product, simple product design, inexpensive location for operations, process innovations, purchasing low-priced assets

### 3. Focus/ Niche Strategy

- A **focus strategy** rests on the choice of a **narrow** competitive scope within an industry i.e. Dell (focus on everyone)
  - An industry segment or group of segments
  - Tailored strategy serving them to the exclusion of others
- 2 variants



1. **Cost focus** - seeks a cost advantage in its target segment (cost leadership in niche market) i.e. Aldi, Daiso
  2. **Differentiation focus** - seeks differentiation in its target segment i.e. Hipster brand on the luxury market (narrow customer segment)
- Basis of focus: narrow product line, narrow customer segment, narrow geographic segment, focused functional capability

### Increased Importance of Business Design

- **Market rules** are changing - shorter PLCs, intense competition and globalisation
- **Business models** picked are becoming more important and should include 5 elements
  1. Customer Selection
  2. Unique Value Proposition
  3. Value Capture
  4. Strategic Control
  5. Scope
- Business models that are better suited to **changing conditions** will capture growing shares of profit

## Week 10: Operations Consulting

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### Perceptions of Operation Consulting

‘Many people think operations consulting is only concerned with **technical matters, machinery and engineering.**’

- This assumption is a long way from reality. Not just about the above
- It was the traditional term of consulting

### Operations Management (OM)

- OM involves the **management of systems and processes** (i.e. a set of activities) that **create value** in the form of good and/or services → ‘The management of how we get things done’
- How is **value created**?
  - OM is delivery-focused, ensuring an organisation successfully turns **input** to **output** in an efficient manner
  - Commonly known **objectives of OM** are cost, quality, speed and flexibility of production
  - OM can be measured

<b>INPUTS</b>	→	<b>TRANSFORMATION</b>	→	<b>OUTPUTS</b>
<ul style="list-style-type: none"> <li>- ingredients</li> <li>- raw materials</li> <li>- people</li> <li>- electricity</li> </ul>		<ul style="list-style-type: none"> <li>- systems</li> <li>- processes</li> <li>- increase any ‘touchpoint’ that the customer should have</li> </ul>		<ul style="list-style-type: none"> <li>- products</li> <li>- services</li> <li>- services that include in product i.e. warranty</li> </ul>

### Operations Consulting (OC)

- OC deals with assisting clients in **improving systems and practices** and **developing operations strategies** that affect production, delivery and after service of a good/service
  - About improving an operation’s **efficiency** and **effectiveness**
  - **Operations strategies** can include: product leadership, operational excellence, customer intimacy/service
- OCs can play **a significant role in the formulation and implementation** of a company’s overall strategy
  - Particularly important when operations and/or logistical efficiency is a source of **competitive advantage**
- OM is underpinned OC

### The Operations Consulting Industry

- **Multi-service Operation Consultants** - Work across the entire value chain i.e. Accenture

- **Specialised Operation Consultants** - Working in specific industry (focus on one thing) i.e. accounting, HR, IT, management, supply chain
- **Independent Operation Consultants**
  - More specialise, have small network of clients (own network) → work solo
  - May not be one of the parts of a consultant
  - Can be one that branched out
- **Internal Consulting Groups** - Big firms → in-house specialists (have many sections for clients)

### The Nature of OC Engagements

#### Business triggers for using OCs:

- Market/profit pressure to reduce costs by reengineering core processes and eliminating non-core processes → be more cost effective
- **Globalisation** requiring the setup of operations
- Competition creating the need for real-time information → to react to the information quickly
- **\*\***When executives are faced with major investment decision(s) → expanding your distribution outlet
- Inefficient performance due to poor **condition** of various parts in the **value chain** → how to minimise cost
- **\*\***When management believes it is not getting the maximum effectiveness from the organisation's productive capability → reduce unessential steps

#### Five Ps of OM represent interrelated areas that OC engagements **address** and **recommend on**

- **Plants:** the **facilities** that produce the products/services
  - adding/locating new plants/sites, expanding, layout or refocusing existing plants and service
- **Parts:** raw materials and/or components
  - Decision about Make vs Buy, vendor selection, inventories, service supplies
- **Processes:** used to **create** goods and services
  - Could be any process that underpin business
  - Purchasing, technology evaluation, process improvement/ re-engineering, after-market services, innovation
- **People:** human resources/ capital
  - Culture, learning curve analysis, employee service standards, training and quality improvement
- **Planning and Control Systems:** scheduling of work and managing **capacity**
  - How many people do we need in one time to maximise capacity and profit
  - Supply chain management, shop floor control, warehousing, distribution, call centres, workforces scheduling

#### And for services OM:

- **Customer:** product and **experience** provided to the customer
  - Technology by which service is carried out, service provider, quality of service performance determined by customer, quality of work vs quality of service, back-office support function
  - OM consultant needs to understand customer behaviour

#### The Value Add of OCs

- Most commonly known objectives of OM are cost, speed, quality and flexibility/customer focus
- The value of operational consulting can therefore be **measurable** against these objectives
- **Speed:** time to market for new product/services, response time to orders from internal or external customers, production and distribution lead times → making the process more efficient & effective

Driving Force	Consultants Contributions
<ul style="list-style-type: none"> <li>▪ Fast-changing customer expectations</li> <li>▪ Accelerated technological change</li> <li>▪ Intense competition</li> <li>▪ Shrinking product life cycle</li> <li>▪ Reduced contribution margins</li> </ul>	<ul style="list-style-type: none"> <li>• Shorter development cycles</li> <li>• Better targeted products</li> <li>• Accelerated capital rotation</li> <li>• Reorganization of processes</li> <li>• Instigate continuous improvement</li> </ul>

- **Quality:** defined by measurable target specifications (e.g. product performance) → minimum standard

Driving Force	Consultant Contribution
<ul style="list-style-type: none"> <li>▪ Exploding product variety</li> <li>▪ Sophisticated discerning customers</li> <li>▪ Increasing complexity of process technology</li> <li>▪ Environmental concerns</li> </ul>	<ul style="list-style-type: none"> <li>• Promote creativity</li> <li>• Improve production <small>better innovation leaded to better quality</small></li> <li>• Tap and develop knowledge of all staff</li> <li>• Develop cross-functional problem-solving</li> <li>• Focus on value add</li> </ul>

- **Flexibility/ Customer focus: responsiveness** to customisation requests and ability to meet the increasing expectations of segments of customers

Driving Force	Consultant Contribution
<ul style="list-style-type: none"> <li>▪ Customer expects to be treated as individual</li> <li>▪ Intense competition</li> <li>▪ Crowded/saturated markets</li> </ul>	<ul style="list-style-type: none"> <li>• Define quality in terms of customer <small>define what the customer actually want</small></li> <li>• Streamline supply chains inside/outside the company.</li> </ul>

### Challenges in OC

- **Measurability** - Need **quick** results and is more easily measurable
- **Data Complexity** - Working with data across different time periods with different **systems** and units of measure
- **Worker Resistance and Change Management**
  - Changing procedures on how work is done
  - Difficulty in obtaining data, putting in the infrastructure and senior management commitment
- **Supply Chains**, often **global** now
- **Consumer Behaviour**

### Deciding on an OC approach

- **Process or Product Focus?**
  - Focus on certain products (vertical line) or processes (horizontal line)?
  - E.g. reducing lead time (process), increasing contribution margin (product/ process)
- **Technical or Change Management?**
  - Technical focus on the problem
  - CM need to modify thing to implement
  - OC need balance of those two
  - If focus on actual problem, might miss out if the change can be implemented
  - Failure of consulting projects can often be attributed to an imbalance between technical expertise and the skills required to lead change processes
- **Revitalisation or Incremental Improvements?**
  - Modernisation of operations to achieve 'quantum leaps'?
  - Continuous and incremental improvement ('Kaizen')?

### Key Concepts in OM

- **Total Quality Management (TQM)** - dependent on management who will implement improvement approaches i.e. Six Sigma, 5 steps of OM
- **Supply Chain Management** - how to move goods and services as quickly as possible across the broad **chain** from supplier to customer
- **Lean Operations** - stemming from JIT and TQM and a view to eliminate waste and improve productivity
- **Theory of Consultants**
  - Prioritization and managing through both required and unnecessary bottlenecks in a 5 steps process
  - Understand the process where you might have constraints (bottlenecks)
- **Focused Operations**
  - Operations process should be chosen to fit market conditions for the product
  - First looking at external

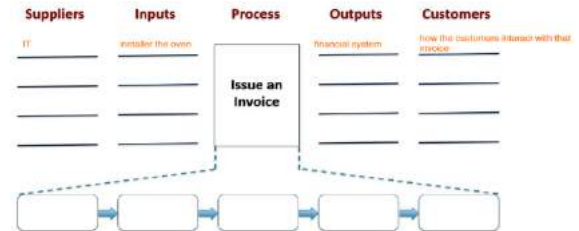
- Very focus on the market what would give them the optimise solution
- **Mass Customisation**
  - Achieving higher **margins** from custom products with standardise production
  - Everything is mass produce but allow customised for consumer at the end. They might extra charge for any customisation
  - I.e. Volkswagen or car company, computer

## Key Frameworks and Techniques in OM

### 1. Process Analysis

#### 1.1 SIPOC Analysis/ Diagram

- SIPOC diagram helps to clarify the core process
  - Supplier, Input, Process, Outputs, Customers
  - Usually performed at the start of the project as a 'high level process mapping exercise'
- Useful for
  - Providing an upfront structure for discussing a complex process before a flowchart
  - Establishing metric for each input and output



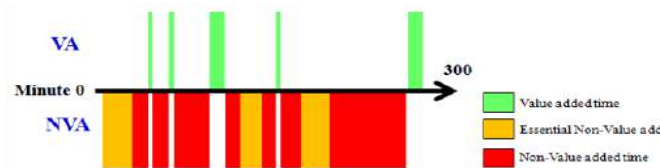
#### 1.2 Process Flow Chart/ Process Mapping

- Process maps help bring clarity to complex processes and to highlight **value-add activities** and **non-value add activities**
- It becomes very **complex** very quickly
- Useful to have different levels within the map i.e. create a hierarchy - level 1 (general) and level 2 (detailed)
- The standard process mapping symbols are



#### 1.3 Time Value Map

- It demonstrates graphically the **proportion** of time that is spent adding value
  - **Value-add:** an activity that the consumer **pays** for willingly because it seems truly necessary to meet the consumer's need
  - **Non-value add** (i.e. waste): an activity that takes up time, **resources** or space but does not add value to the service or product (e.g. sign-offs, redundant or repeated processes)
  - **Essential non-value add:** an activity that may not be value creating but is required for **business** reasons (e.g. planning, budgeting, auditing)
- Consultants need to advice how to get rid of/ minimise of the waste

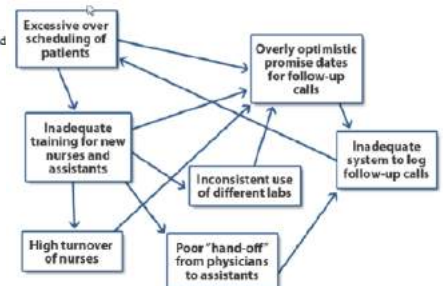


### 2. Root Cause Analysis

#### 2.1 Interrelationship

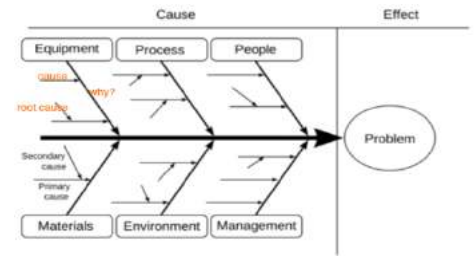
##### Diagrams

- It permits systematic identification, analysis and classification of cause-and-effect relationships
- Identifies key categories within textual data
- Enable teams to focus on key drivers or outcomes to determine effective solutions
- Brainstorm → come up with many ideas → do the diagrams
- Show the relationship of number of different ideas



## 2.2 Ishikawa Diagrams (a.k.a fishbone diagrams)

- It is used during **brainstorming** to identify root causes
- There are many different versions of the diagram with different branch names
- No right or wrong branches just those that are appropriate to your project
- Key thing - continue ask 'why' and keep thinking as far as possible
- It is similar to issue tree → break down the problem into each findings & investigation
- Use framework to analyse → break down the problem into each cause



## 2.3 5 Whys

- It is a simple but effective technique to investigate a specific failure/ issues to find root cause of a problem



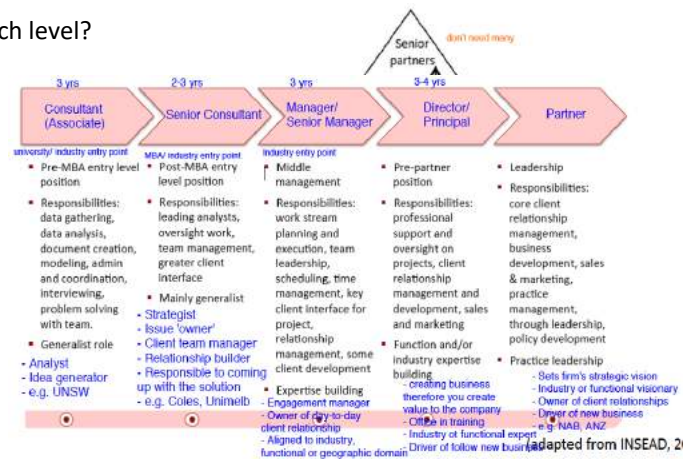
# Week 11: Career Management in Consulting

## Vocational Appeal of Consulting (why consulting?)

- **Learning Opportunities**
  - The ability to learn a phenomenal
  - 1st thing why people want to work in consulting field
  - Cross-industry, cross-function and global experience
  - On-the-job (client, project, team are the biggest source of learning) and structured learning (got different type of projects, gain opportunities to learn) → everyday is not the same
- **Superior Earnings** (\$80,000 p.a. for junior)
  - Higher starting salaries/ bonuses
  - Fast and structured promotions
  - Career springboard → shape your career, average time in consulting career 2-3 years
- **Status**
  - Working with top management/ organisations
- **Other Perks**
  - Massive amount of variety of works, travel package
  - Exposure amazing event
  - Ability to make different (proud of the things you helped client done)

## The Pyramid Structure: 'Up or Out'

- **Up or Out policy**
  - High turnover & survival of the fittest
- **Balancing the hierarchy** - how many people need in each level?
  - Strategy of the consultancy
  - Expected promotions/ council-out cases
  - Project pipeline
- **Career progressions**
  - 50% upward promotion (50% up 50% out)
  - Approx. every 2-4 years
  - Multiple metrics





## Typical Consulting Career Structure

A strategy consultant's role varies across projects and industries and evolves over the course of their career.

### What it takes to succeed?

- Intellectual curiosity
- Passion for client success
- Apprenticeship model
- High performance
- Resilience

## Job Application Process

**The Ideal Recruit** (6 areas desired quality of the consultants)

1. Intellectual Abilities
2. Personality
3. Education
4. Ambition and Energy
5. Experience
6. Inter-personal Interaction Qualities

### The Recruitment Process

- Critical for consulting firms
  - Knowledge-intensive sector
  - High turnover
  - Prefer promoting internally for senior roles
- **Difficult** to assess relevant experience/ skills by CV and discussion alone
- **6 Success Factors in Application Process**
  1. **Structured thinking:** the ability to think in a clear and organised way
  2. **Business judgment:** demonstrate good judgment of business and strategic issues and awareness of business media
  3. **Communication:** strong written and oral communication skills
  4. **Personal impact:** interpersonal, influencing and leadership skills
  5. **Team skills:** ability to **cooperate** with other people within project settings
  6. **Drive and motivation:** demonstrate **resilience**, drive and focus in pursuit to goals

### Stage 1: Pre-Interview

- Consulting firms receive thousands of applications each year and **<5% of applicants** progress to the interview rounds
- Initial screening (~ 45 seconds) is typically based on (your application needs to be gold)
  - The qualifications and experience of the applicant
  - The quality of cover letters and resumes
- Submitted applications **must be focused and structured**
  - Build a positive impression
  - Enables recruiter to quickly find the required information
- Your application should present your **value proposition** in a professional manner (what make you different and worth for hiring)
- **General guidance**
  - **Customise** your application to the specific firm/ role
  - Keep your application and resume design **simple and professional**
  - **Proofread** and then proofread again
  - Send your files in a **PDF format**

### Stage 2: Aptitude Test

- Some firms may test applicants via a written test



- Tests usually consists of multiple choice questions
- May test a range of skills - **spatial**, logical, numeric, comprehension (similar to GMAT)
- Some firms may not allow you to use electronic devices when performing calculations

**Stage 3: Case Interviews** - the part that differentiate consulting from other job recruitment

- The **purpose** of case interviews is to test
  - Problem solving skills/ ability
  - Effective communication/ presentation
  - How a person performs under pressure
- **Problem solving skills** include
  - Business judgment, quantitative skills, **creativity**, logical reasoning, ability to structure analysis
- 3 types of cases (all could be done in one session)
  - 1. Business case**
    - A business case can cover all practice areas
      - Change management, corporate strategy, SCM, customer strategy and marketing, IT, M&A, performance improvement
    - Example:
 

A Middle Eastern company would like to launch a chocolate covered date into the German retail market. Outline what your approach would be in order to advise the client how they would enter the new market.
  - 2. Estimation case**
    - A market sizing case is used to test the interviewees **logical** reasoning and quantitative skills:
      - **Estimate** a quantity of some sort
      - Apply a logical and structured approach
      - Apply some mental maths to get to a reasonable answer
    - Example:
 

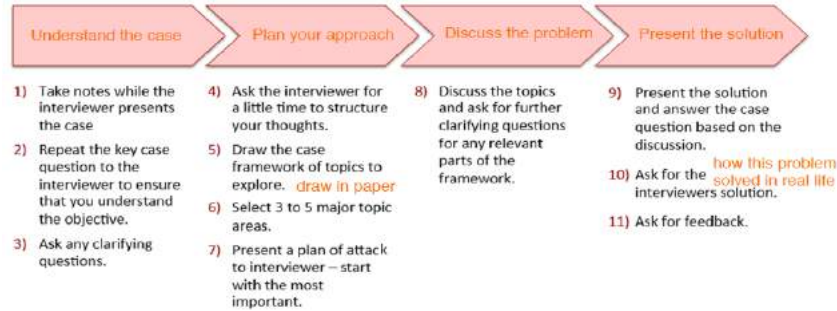
Estimate the market for light bulbs in Australia
  - 3. Brainteasers**
    - Brainteasers questions are hard to predict and define
      - Rarely the sole case type in an interview
      - Used to determine **poise**, ability to think on one's feet and problem solving
    - Example 1: What is unusual about the following words: revive, banana, grammar, voodoo, assess, potato, dresser, uneven?
      - If you put the 1st letter at the end of the word, it will be the same word when you read backward.
    - Example 2: Put a coin into an empty bottle and insert a cork into the neck. How can you remove the coin without removing the cork or breaking the bottle?
      - Push the cork into the bottle, then you can remove the coin
- Interviewees are presented with a business problem on an industry or firm level
  - Takes about 25 minutes, has limited data which is provided if asked for
  - Approach to solution is more important (how do you break down your thinking)
  - Need to structure the problem first and then develop and test hypotheses using the facts extracted from the interviewer

**Preparing for Case Interviews**

- Case interview preparation requires weeks of daily practice to learn to apply all necessary concepts in real interview situations
- Preparation may involve:
  1. Researching **framework** that may help solve various business problems
    - **Frameworks** are helpful for the problem-solving process:
      - Allow quick diagnostic of the case problem
      - However, refrain from **force-fitting** business framework - don't try to force framework with the problem if it doesn't make sense

- Combine frameworks with your common sense
- Key **analysis areas** where you need a framework
  - Company analysis, market analysis, strategic options, M&As, pricing, revenue growth, cost reduction
- Some key drivers or areas of investigation of each following topic
  - Revenue -- price, volume
  - Cost -- fixed, variable
  - Competition -- market share, 5 forces
  - Customers -- 4P, CRM, STP

2. Practicing your **approach** to example case interviews which may be available online/ books



3. Practicing **mental maths**

- During the case interview, you will need to rely on **mental maths**
  - Market sizing estimations, case calculations or brain teasers
- **Practice** the following
  - Additions, subtractions, multiplication and division on paper and mentally
  - Percentage arithmetic, fraction arithmetic, currency conversion
  - Reading charts, graphs and tables
  - You should be able to do calculations like  $17 \times 22$ ,  $229 + 128$ ,  $450/25$  without using paper

4. Presenting out aloud and role-playing with friends or family

**Exercise: Estimate the market for light bulbs in Australia**

Develop a case framework

- What is the key question? Anything you want to clarify?
- Identify the major topics that may be relevant to the case
- Within the major topics, what are the key areas/ drivers you would want to investigate?

Clarification questions

- What type of light bulbs?
- Residential or commercial demand?
- Market volume (quantity of light bulbs sold)
- Market value (price of each light bulbs)
- Consumption
- Time period

Checklist of clarification

- Meaning of market → value  
→ volume
- Light bulb definition - business, commercial, domestic, public, external
- Types of actual bulb - tube lighting, small bulbs for machines, halogen light etc.

Advanced considerations

- Redundant bulbs (energy efficient laws requiring replacement of old)
- New homes
- Rate of divorce/ increase in single households

Checklist of variables to estimate

- Domestic population
- No. of people per house
- No. of rooms per house
- No. of light bulbs per room
- Lifespan of bulb
- Replacement market vs new market
- Average price per bulb

### Communication Skills

- It is one of the more important success factors for consultants
  - Demonstrate that you are a true communicator (verbal and non-verbal)
  - **Smile** no matter how the interview goes and who the interview is
  - Display **confidence** (i.e. gestures, posture, eye contact)
  - appropriate/ professional dress

### Case Interviews: Final Tips

- **Communication:**
  - Explain your **thought process** when presenting your plan
  - Make **hypothesis** when asking question/ requesting information
  - Go beyond verbal communication and be **engaging**
- **Notes**
  - Write legibly, angle it such that the interviewer can see your work
  - circle/ box **insights** for use in your recommendations
- **Maths**
  - Draw (complex) math out clearly (especially for market sizing)
  - Explain any **assumptions** (be reasonable)

### Fit Interviews

- It will be conducted together or separate from the case interviews
- An opportunity to **project** 'consultant' during the interview
- When describing yourself, focus on the **set of skills** that the firm wants
- When describing your fit, focus on what the firm considers to be their **unique factors**. But be **genuine** - your chance to check the right company for you
- Think about the **culture** associated with the firm

### Enhance Your Hiring Chance

Sought after qualities	Key indicator	Success tactics
Intellectual abilities	Problem solving in the case interview	- Prepare for case interviews (practicing & out loud) - Learn structured problem solving
Interpersonal interaction qualities	(case) Interview: interaction with the interviewer	- Build conversation and trust (building a rapport with them) - Be assertive but friendly
Personality	(case) Interview	- Remain calm & confident even if stressed
Ambition and energy	Appearance and behaviour	- Be energetic
Education	Analytical training	- Emphasise the analytical components of your education
Experience	Relevant industry and functional experience	- Emphasise extracurricular activities

### The Apprenticeship Model

- On-the-job practical learning from colleague

and clients

- Learning by **doing**
- Learning by **observing** (\*big part)
- **Structured training** is another development mechanism
  - Internal offerings
  - Training delivered by senior staff
- **Informal and formal social support**

- Mentors - help guiding your career
- Buddies

#### Example: Training and Development at BCG

- **Training & Development** - Initial training depends on MBA vs non-traditional degree hires
- **Technical Content** - MBA-type curriculum: accounting, strategy, economics, finance, organisational behaviour
- **Soft Skills content** - Consulting and client communication skills
- **Organisation** -BCG history, values and expectations

#### Performance Reviews and Appraisals

- All consultancy staff are subjected to **periodic performance appraisals**
  - A **structured process** based on specific **criteria**
  - Consideration of cumulative **project evaluations**
  - Discussion of developmental opportunities
- If done correctly, there should be **no surprises** in the appraisal

#### Contemporary Issues 1: Work Demands

- **Stress and Burnout**
  - Consultancy pays more but also demands more
  - 60 hours/ week on average is not unusual
  - Travel demands
  - **Pressure** from client expectations and internal up-or-out policy
- **Unpredictability**
  - High tolerance to **ambiguity**
  - Limited work-life balance with little **control**-considered an 'extreme' job
- **Turnover**
  - Involuntary - professional misconduct, unethical behaviour up-or-out policy
  - Voluntary - lifestyle change, career transition, entrepreneurial pursuit

#### Contemporary Issues 2: Gender Diversity

- **Women in the hierarchy**
  - Gender balance at **entry** level vs higher ranks ('glass ceiling')
  - Higher drop outs with progression
- **Discriminatory effects of up-or-out policy**
  - Challenge of balancing motherhood and consultancy
- **Masculine stereotypes**
  - Consultant stereotypes based on masculine characteristics traditionally
  - Male dominance in senior management of clients

#### Contemporary Issues 3: Professional Identity

- Observe **role models**: Skills and style (take some from your role models and think how you want to perceive in your career)
- Experiment with '**possible selves**': Chameleon vs true-to-self
- Adapt self to role and role to self
- Develop effective and **authentic** identity

## Week 12: Professional Issues and Ethics

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Why should **society** be concerned about **professional ethics** in consulting?

- Increased **business demand** for consulting services
- Consultancies can have a huge **impact**
- Consultants come from **varied** backgrounds with varied experience and expertise
- **Anyone** can call themselves a management or business consultant

- Increasing number of corporate **scandals** - society should care about ethic cos of massive impact
- **Covert** nature of the profession

## Dual Ethical Issues - Client vs Consultants

Poufelt (1997) identifies 7 frequently experiences ethical dilemmas among clients and consultants

1. Best solution vs Maximum **income**
  - They still need to make an income
  - In consulting, we keep thinking and try to do better and better
2. Client's budget vs **Optimal** approach
3. Client's **interest** vs Professional effort
4. Client's needs vs Organisation needs
  - Client can be who hire you or CEO
  - Can have conflicts between these 2 (which one we should select)
5. **Confidentially** vs Being impaired
6. Keeping a distance vs **Proximity**
  - When you have more proximity, you have more insight
  - Get close enough and understand them
  - Building long term relationship
7. Full knowledge vs incomplete knowledge

### Client-Consultant Relationships

- 2 primary reasons for engaging consultants were
  1. Insufficient in-house expertise
  2. Independent and objective advice
- Clients are in a position of **dependence** and **vulnerability**
- Consultants have **inherent duties** to their clients
  - Putting the client's interest first
  - Truly **benefiting** the client
  - Consultant's own interest must not take precedence over the client's (challenge)

### Principles for Ethical Consulting

- Do not harm to your client
- Maintain **confidentiality** unless the law requires otherwise
- Do not create client **dependence** on you
- Anticipate and avoid conflicts of interest - you must have to say 'no' to other clients who conflict with your current clients
- Do not act in the official capacity as an **advocate** for your client
- Do not go beyond your own **expertise** - really hard to say 'we can't do something' but you need to
- Do not skip the **discovery** phase of consulting

## Enforcement of Ethical Practice in Consulting

The industry has attempted to address ethical issues through **professional organisations**

- Lack of **common** body of knowledge
- Professional rules as guidelines but fail to address contemporary ethical issues
- Membership is not compulsory
- No real enforcement or consequences

### Example: IMC in Australia

In 2008, IMC Australia adopted a Code of Ethics:

- Develop realistic and practical solutions to client problems
- Act in the client's best interest at all time
- Render impartial, factually-based, independent advice
- Accept only those client engagements they are qualified to perform

- Agree with the client in advance on the basis for their professional fees
- Safeguard confidential information

Members must:

- Sign a pledge to abide by the Institute's Code of Ethics
- Voluntarily adhere to the Code

There is however a lack of widespread empirical support on the effectiveness of code of ethics

- Code of ethics appear to have minimal impact on the values and behaviours of consultants

### Class Discussion Questions (Pre-reading)

- **What costs and benefits may affect management consultants?**

Costs

- They might lose up valuable people
- Take away element of creativity

Benefits

- Give them credibility
- Get an extra qualification behind your name
- Cut out the competitors cos of fragmented

- **Who benefits from accreditation? Identity the stakeholders that benefit the most?**

Client makes benefit from this, understanding what they gonna get from consultancy. clients don't know how to differentiate, what they can ask the consultants. however, you must balance the credibility.

- **Would top-tier consulting houses like BCG, McKinsey and Bain be supportive of initiatives to certify practicing management consultants?**

Beneficial than other consultancies

### Are clients satisfied?

Forbes Insight & North Highlight 2014 survey of 169 senior executives found:

- **Prima Facie: 'Unprecedented levels of satisfaction'**
  - 92% reported success
  - 62% reported that benefits of the project equated the expected outcome
  - 30% reported benefits significantly exceeded their expectations
- So, it's about **servicing client expectation**
- The best measure is if they come back to us

## Disruptive forces and emerging trends affecting the consulting industry

### The Changing Consulting Landscape

Consulting is on the **cusp of disruption**

- New competitors with new and non-traditional business models
- Established consultancies ignore new players or flee to **high-margin** activities
- Service providers who were barely able to achieve acceptable quality levels are now good enough for middle markets
  - Cos clients now have their own internal groups
  - Clients hire ex-consultants, more educated employees
- The position of longtime leaders is being undermined often causing a 'flip' to a new basis of competition
  - No longer dominate in the market

### Is Consulting becoming increasingly commoditised?

All factors do not effective in all consultancy and all projects

1. Change clients needs
2. Consultant's influence
3. Competition
4. Nature of engagements

<p><b>I</b> Change Client Needs?</p> <ul style="list-style-type: none"> <li>• Are you formally tracking the evolution of your clients' needs and how well you continue to serve them?</li> <li>• Has it become harder to win clients and to satisfy them?</li> <li>• Are you losing your small clients or your large ones?</li> </ul>	<p><b>II</b> Consultant's Influence</p> <ul style="list-style-type: none"> <li>• Are you being forced downstream in the proposal process with established clients responding rather than shaping requirements?</li> <li>• Are clients having their procurement departments vet your proposals or monitor your progress?</li> </ul>	<p><b>III</b> Competition</p> <ul style="list-style-type: none"> <li>• Are you competing against new rivals for business, even with established clients?</li> <li>• Are these rivals increasingly specialized?</li> </ul>	<p><b>IV</b> Nature of Engagements</p> <ul style="list-style-type: none"> <li>• Are your clients asking that you partner with nontraditional advisers or use their work products?</li> <li>• Are these advisers leveraging automation, databases, and other technical assets?</li> </ul>	<p><b>V</b> Business Models</p> <ul style="list-style-type: none"> <li>• Are you revising your business model in order to manage smaller projects at acceptable profit?</li> <li>• Is this activity looked down on in your firm?</li> </ul> <p><i>you have to change how to make sure you can make profit</i></p>
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## 5. Business models

### Trends in the Consulting Industry

- **Volume** of consulting activity
  - Vulnerable to **economic cycles** and **volatility**
  - Consulting viewed as **discretionary expenditure**
  - **Centralised** and **standardised procurement** of consulting services - i.e. empowered procurement departments
  - **Cost-oriented** purchasing decisions - many consulting firms get more educated staff and have ability to assess more information. So, the gap between big & small firms is not big as before
- Clients are building **internal consulting capability**
  - Companies are hiring senior-level engaged for **non-strategic work** and engagement may be geared more to managing tasks rather than designing the solution

### The Implications of Disruption

Christensen et al. (2013) argues that **disruption will have 4 implications** on the consulting industry

1. A consolidation of market players
2. Future success will lie with firms who have relationships with smaller clients
3. Blurring of traditional boundaries
4. Increasing focus on hard analytics and technology - not only soft skills

### Case in Point: McKinsey Solutions

- In 2007, McKinsey & Company initiated a series of business model innovations to reshape client engagement
- McKinsey solutions
  - Software and technology-based analytics and tools that can be embedded at a client
  - Providing ongoing engagement outside the traditional project-based model
  - The first time McKinsey has unbundled its offerings and focused so heavily on hard knowledge assets
  - Designed to hedge against potential disruption