

**LECTURE 2:
CONSULTANCY IN NATURE,
PROBLEM SOLVING TOOLS AND
ANALYTICAL TECHNIQUES**

MARCH 2020

1. WHAT WE MEAN BY CONSULTANCY

The Management Consultant Association defines management consulting as: *“The creation of value for organisations, through improved performance, achieved by providing objective advice and implementing business solutions.”*

“Consulting involves individuals, whether self-employed or employed, individually or collectively using their knowledge, experience and analytical and/or problem-solving skills to add value into a wide variety of organisations, and therefore to the UK economy as a whole, within a framework of appropriate and relevant professional standards, disciplines and ethics.” (Institute of Consulting)

CONSULTING is about helping an organisation get from A to B...

... perhaps without knowing at the outset where A is, where B is, the appetite for the journey or your role in it.

Give a man a fish and you feed him for the day. Teach a man to fish and you can charge a consulting fee.



MANAGEMENT CONSULTING BUSINESS

- Management Consulting Market to Reach \$295 Billion by 2020,
- RALEIGH, North Carolina, Oct. 23, 2019 /PRNewswire/ -- The global management consulting industry is expected to continue growing at a rate of 4-5 percent, according to Beroe Inc., a procurement intelligence firm. Within management consulting, Operations Consulting holds the largest market share of 28.4 percent and is growing at a rate of 3-4 percent, followed by Financial Advisory with market size of 28 percent and growth of 4-5 percent.
- The market in North America is estimated to be worth \$109 billion and is growing at a rate of 3-4 percent annually, followed by Europe, estimated at \$107 billion, with an annual growth rate of 3-4 percent. The Middle East market, valued at \$3 billion, is the fastest-growing, with an annual growth rate of 9-11 percent, followed by the APAC, valued at \$44 billion, growing at 6-7 percent annually.



BUSINESS CONSULTANT



BUSINESS CONSULTING

KEY TRENDS IN 2020 FOR CONSULTING

Patty Wood (2019), Key Trends in 2020 for the Consulting Industry, InfoDesk.

The consulting industry may experience various operational and technological trends in the year 2020. Some of these trends are affecting other industries, such as keeping up with the pace of new technology, but consulting also has some of its own unique issues. As consultancy firms face more aggressive competition from new players entering the field (e.g. freelancers, crowdsourcing), they are being further burdened by the demand for greater levels of expertise at lower, criteria-based prices. These emerging consultancy trends in greater depth, including their suspected causes and expected outcomes as we move into 2020.

- 1) Newer players like freelancers and crowdsourcing are increasingly entering the field and are gaining traction.
- 2) Demand for consultants to have a wide breadth of knowledge.
- 3) Collaboration among different professional services firms is becoming more commonplace.
- 4) Value-based performance is being demanded.
- 5) Billing and pricing models are changing.

CONSULTING SERVICES PURPOSES

Additional
goals

8. Improve organizational effectiveness

7. Facilitate client learning

6. Build consensus and commitment

Traditional
purposes

5. Assist implementation

4. Provide recommendations

3. Conduct diagnosis that may redefine problem

2. Provide solution to given problem

1. Provide requested information

COMPETENCE FRAMEWORK

© Institute of Consulting



1. Client Focus
2. Building and Sustaining Relationships
3. Applying Expertise and Knowledge
4. Achieving Sustainable Results
5. Market Capability and Knowledge

2. PERSPECTIVES HELPFUL TO CONSULTANTS

Strategy Based
Consulting

Problem Based
Consulting



Top consulting firms by revenue (2016) Strategy Consulting



What is Strategy?

...is the creation of a unique and valuable position, involving a different set of activities (few needs of many customers or broad needs of a few)



...requires you to make trade-offs in competing — to choose what not to do.

...involves creating 'fit' among a company's activities.

STRATEGY

.... *is derived from the military, and studies of generalship*

.... *a pattern or plan that integrates an organisation's major goals, policies and action sequences into a cohesive whole*

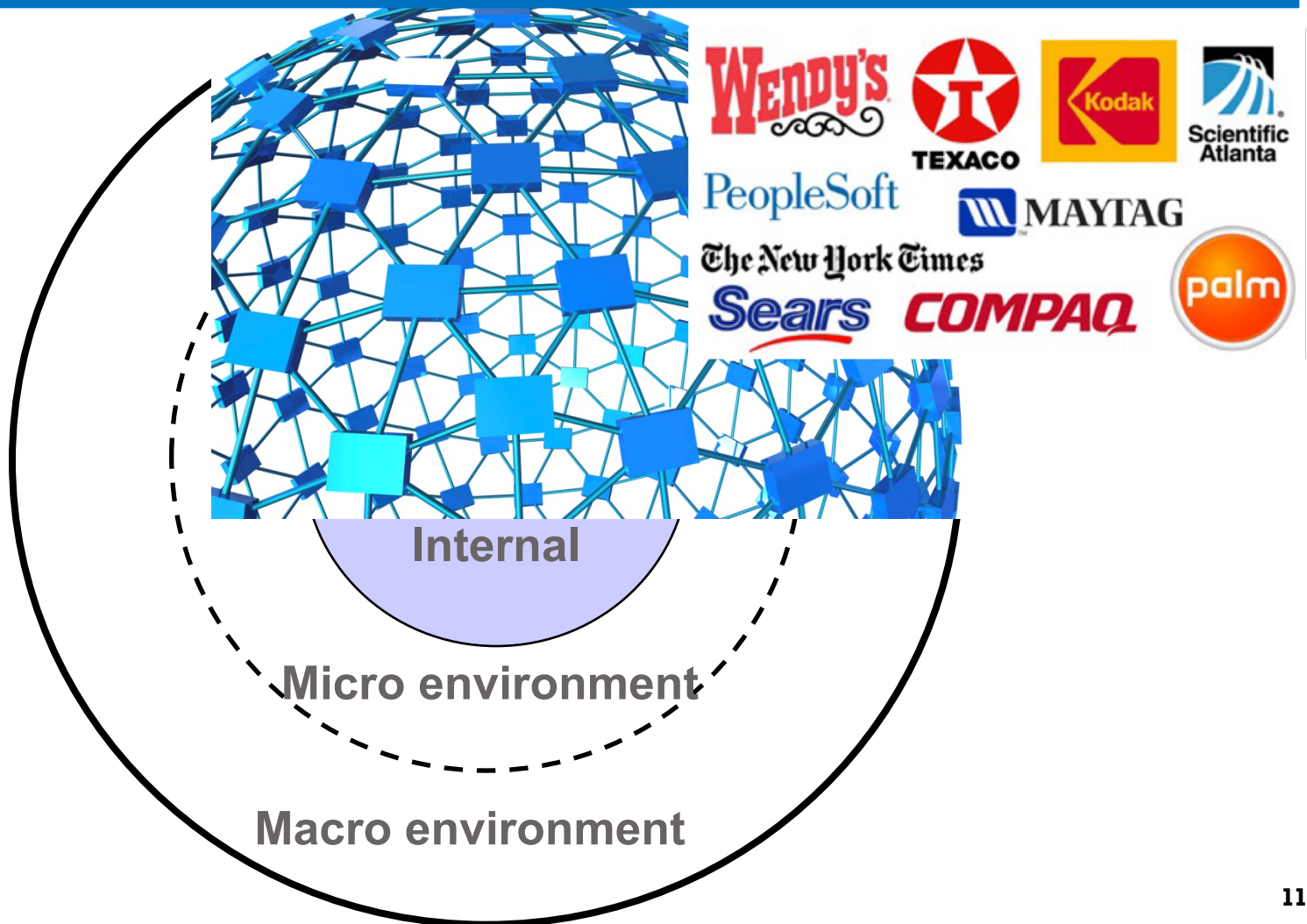
James B Quinn

.... *is to do with the matching of the activities of the organisation to the environment in which it operates*

Gerry Johnson & Kevan Scholes

THE ORGANISATIONAL CONTEXT IN GOLBIZATION AND DISRUPTIVE TECHNOLOGY

Joseph A. Schumpeter (1942), Capital, Socialism and Democracy, Harper & Brothers.

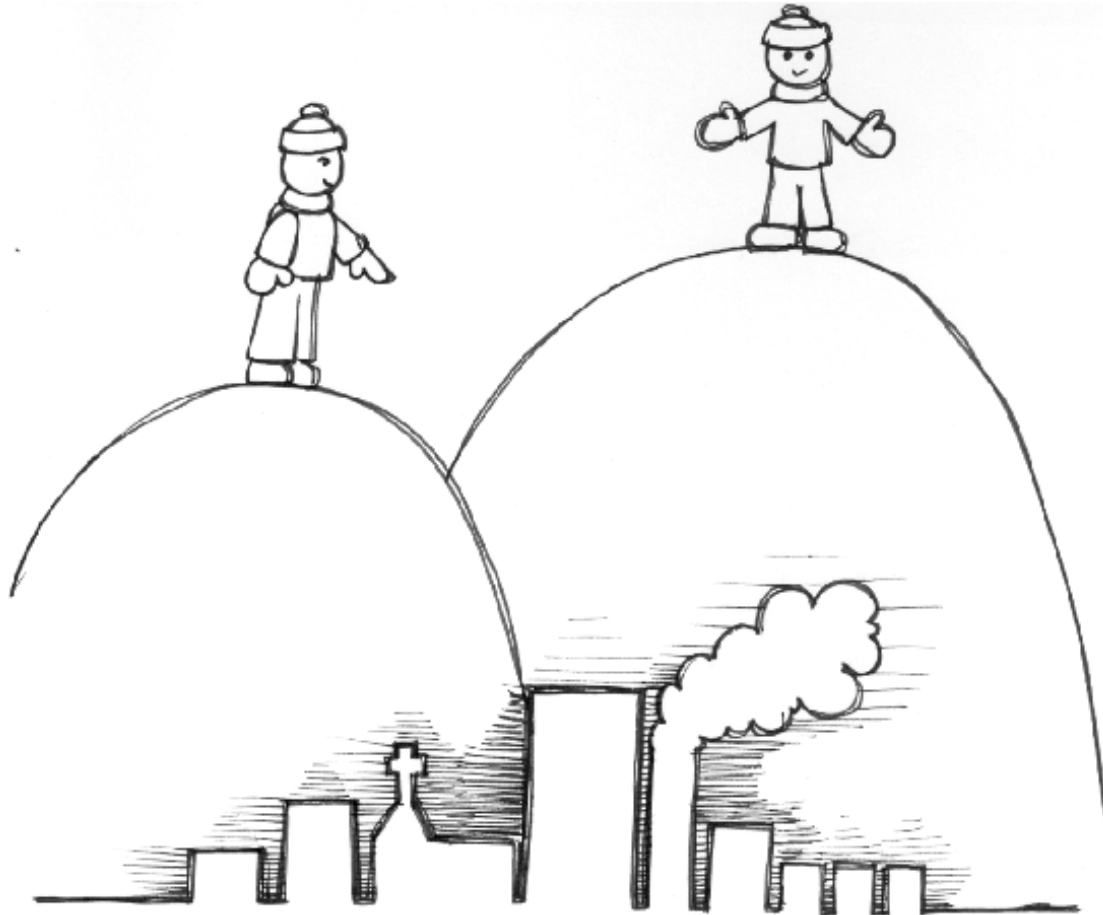


CHANGING ROLE OF CONSULTANT

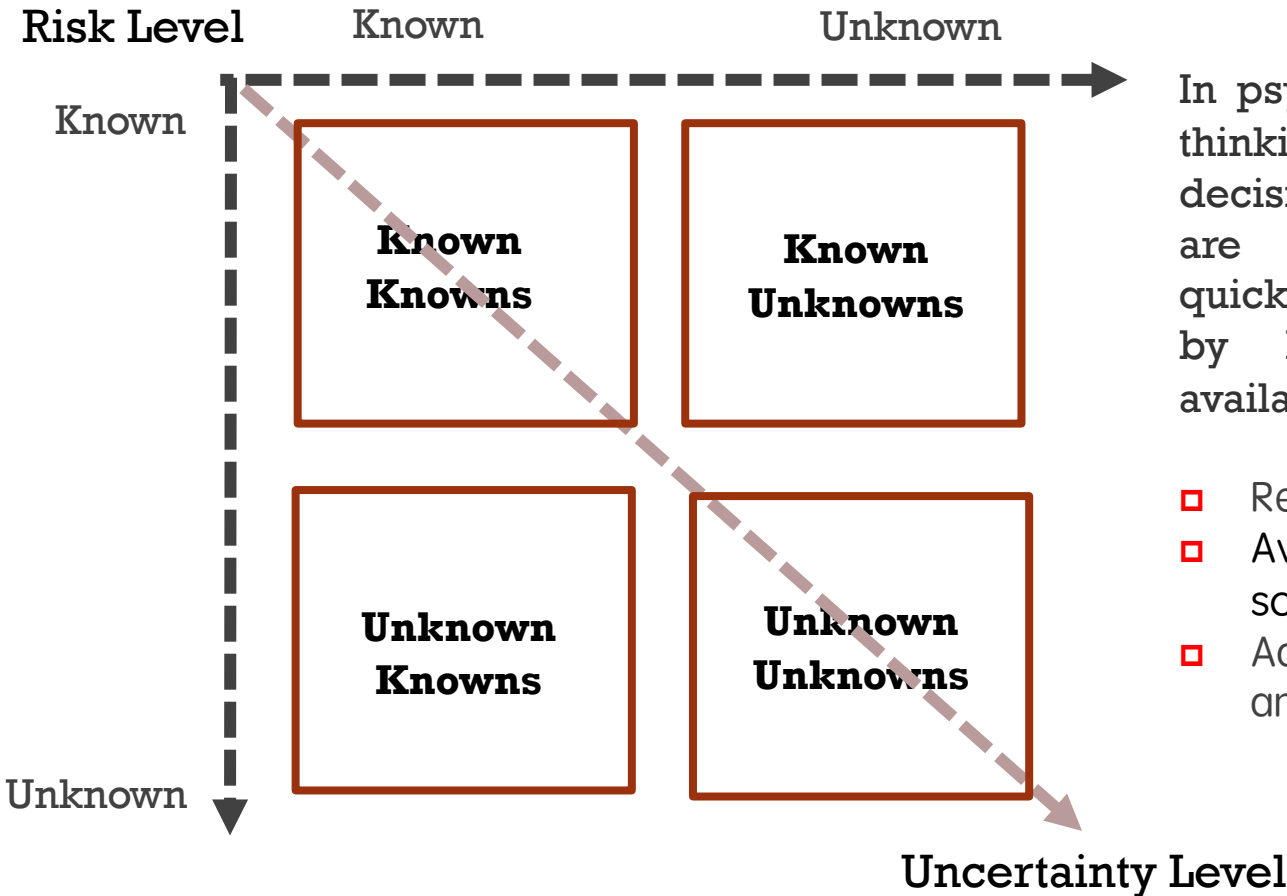
Consulting style: A consultant and others in helping roles:

1. Objective observer
2. Process counsellor
3. Fact finder
4. Identifier of alternatives and linker to resources
5. Joint problem solver
6. Trainer/educator
7. Information specialist
8. Advocate

CHALLENGE 1: 'HILLTOPS'



CHALLENGE 2: UNKNOWN UNKNOWN



In psychology, heuristics are thinking strategies that guide decisions and judgments that are made quickly. These quick judgments are fueled by learned and readily available information.

- Representativeness
- Availability of instances or scenarios
- Adjustment from an anchor

Source: Amos Tversky and Daniel Kahneman (1974), *Judgement under Uncertainty: Heuristics and Biases*, Science, Vol. 185.

CHALLENGE 3: CULTURAL WEB

“Culture eats strategy for breakfast”

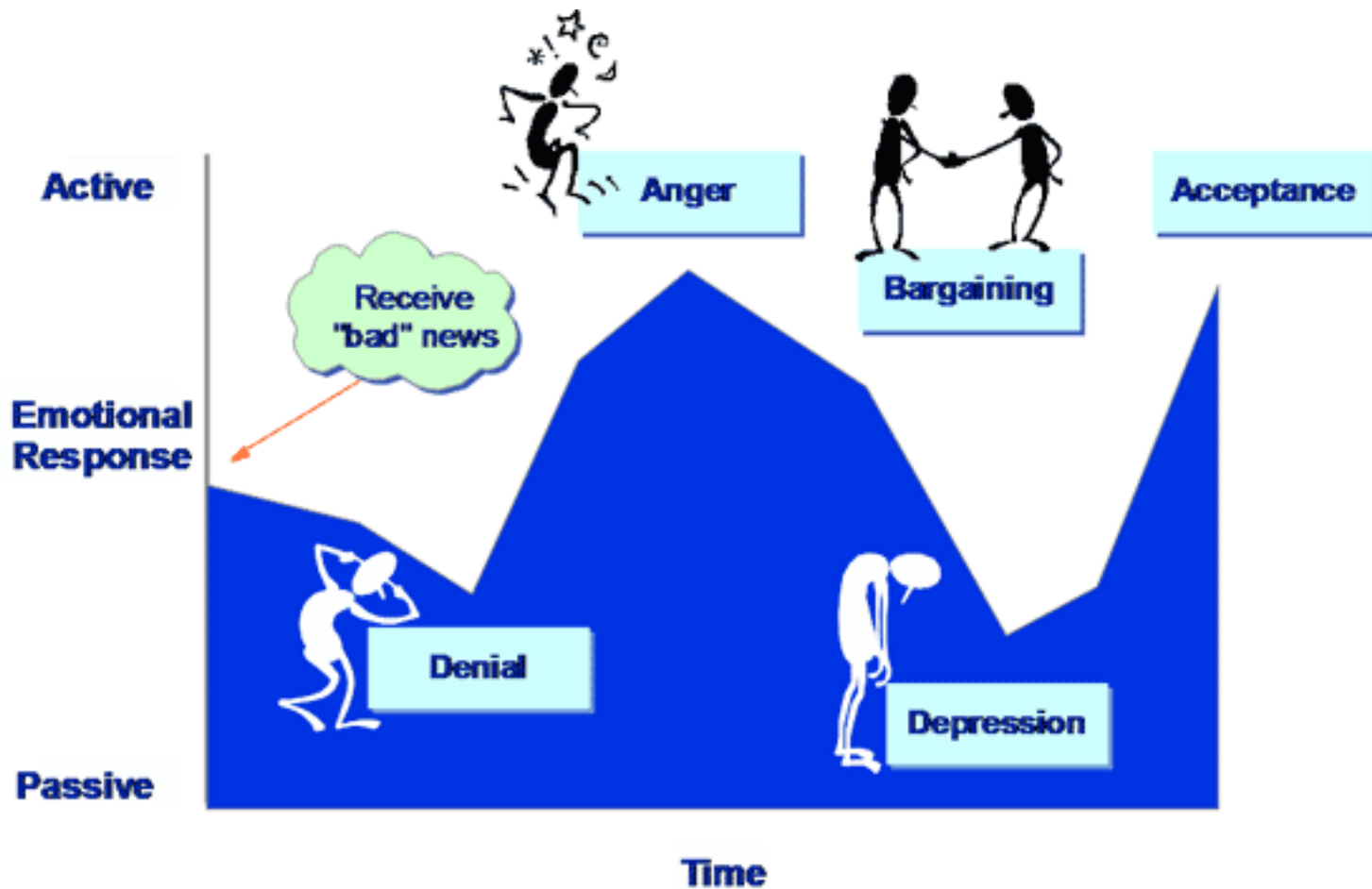
Peter Drucker



In a very practical sense: No matter what business strategy or strategic plan you try to implement with your team, its success and efficacy are going to be held back by the people implementing the plan if the culture does not support it.

CHALLENGE 4: RESISTANCE TO CHANGE

Kubler-Ross DABDA Model



3. ANALYTICAL FRAMEWORKS AND TECHNIQUES



GUIDANCE



- Start with the client — deliverables, process, perspective
- Pull together secondary data asap
- Primary data follows
- Facilitate external perspective/bring something new
- Share understanding during process
- Keep eyes on 'triangle'... and keep in touch

Make your client look good

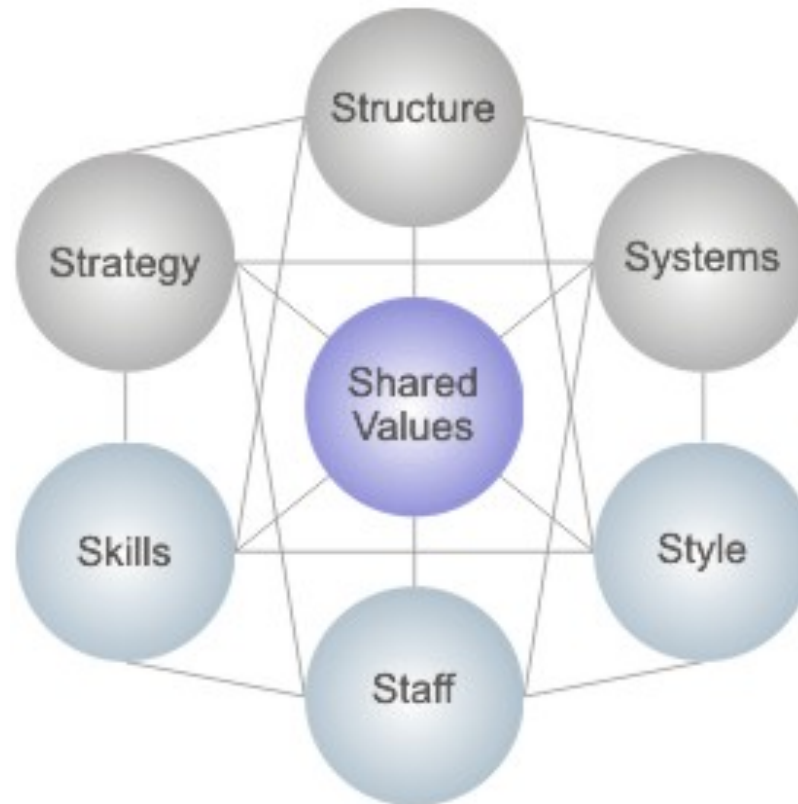
Expect to over deliver

Invoice promptly

Seek formal feedback quickly

Note, but take a light touch with, follow-up opportunities

3.1 MCKINSEY 7S



Helpful when looking at organisational alignment

3.2 CHANGE MODELS

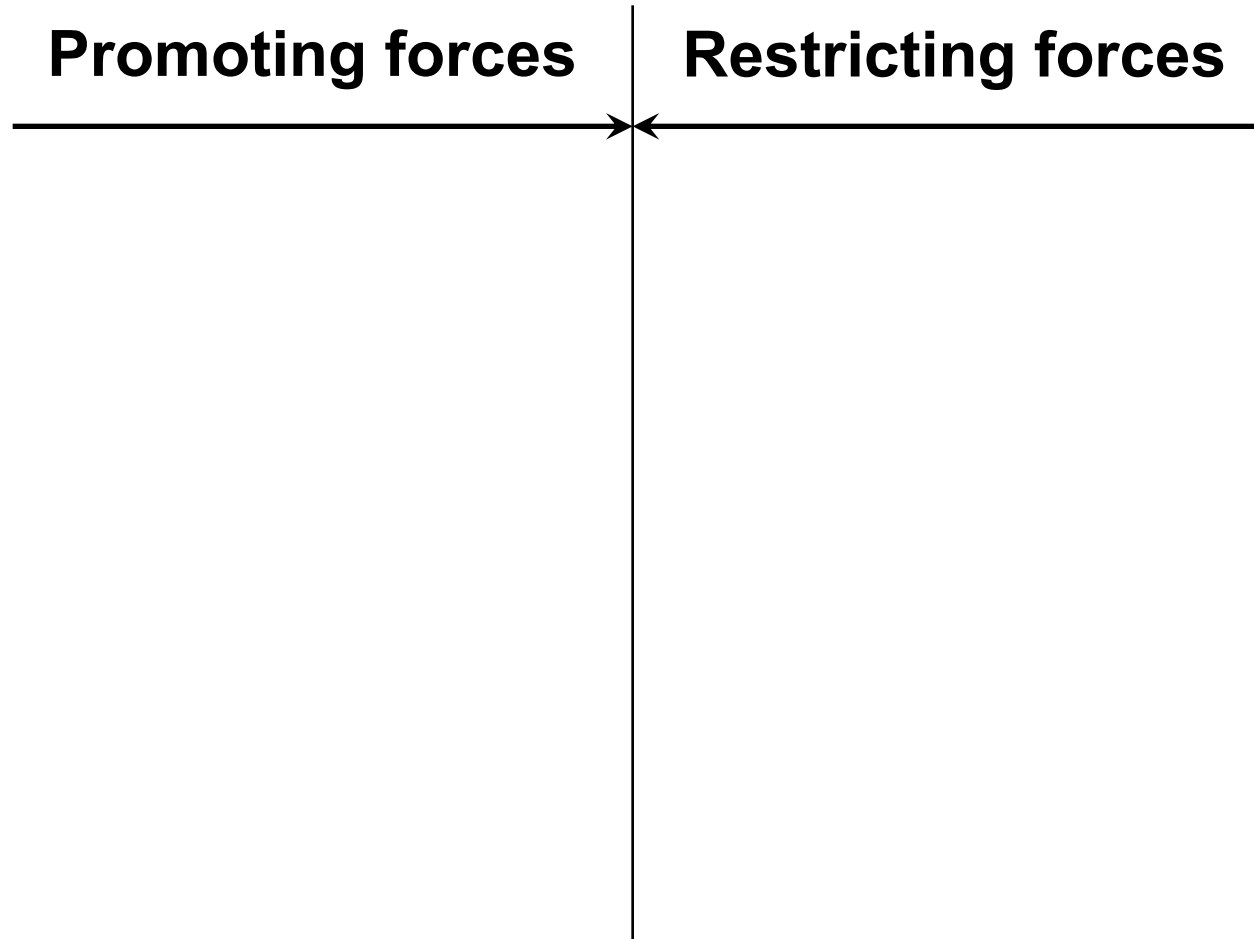


One of the cornerstone models for understanding organizational change was developed by Kurt Lewin back in the 1940s, and still holds true today.

$B=F(P, E)$ His model is known as Unfreeze — Change — Refreeze, which refers to the three-stage process of change that he describes. Kurt Lewin (1890-1947), a German-born American social psychologist, explained organizational change using the analogy of changing the shape of a block of ice.



FORCE FIELD ANALYSIS

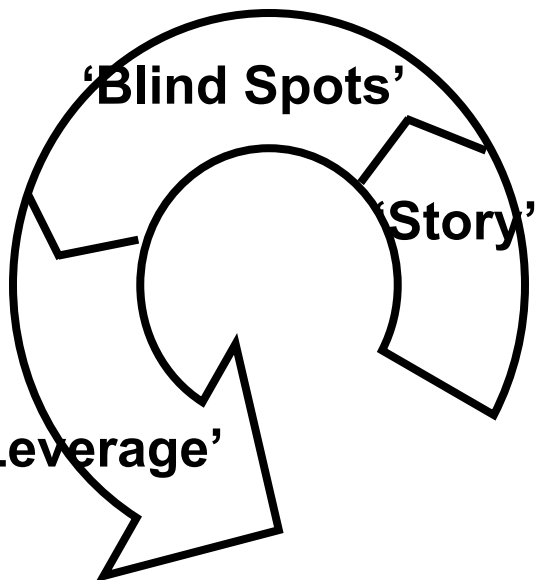


Helpful when planning pragmatic change

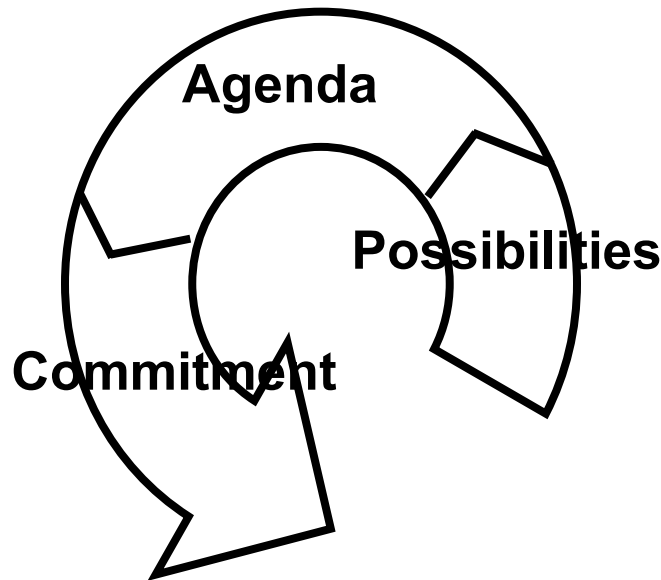
3.3 GERRY EGAN'S 'MODEL B' FOR INNOVATION AND CHANGE

How to Change - Stages

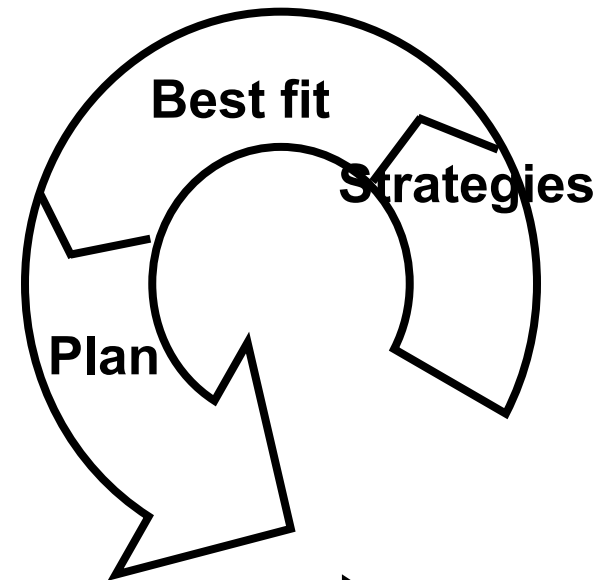
1. Present



2. Preferred



3. Getting there



Actions leading to positive outcomes

3.4 STAKEHOLDER MAPPING

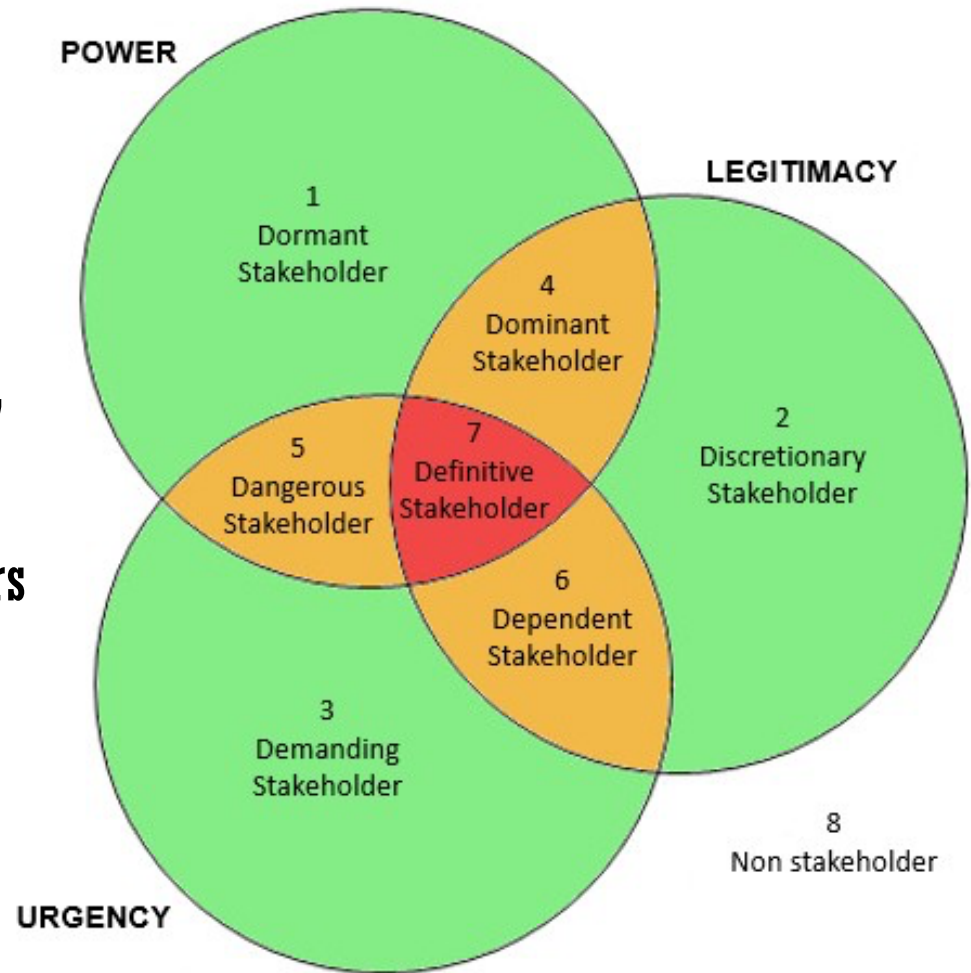
JOHNSON, G AND SCHOLES, K (1999), *EXPLORING CORPORATE STRATEGY*, 5TH EDITION, PRENTICE HALL.

Helpful when shaping perception research and change

	Low interest	High interest
High power		
Low power		

Stakeholder Salience:

1. The Stakeholders' Power to influence the firm
2. Legitimacy of the stakeholders' relationships with the firm
3. The urgency of the stakeholders claim on the firm.



Stakeholder Salience is a very useful addition to Stakeholder Theory. In addition to providing a model to help identify 'who and what counts' it can explain some stakeholder behaviour. For example people who have an issue that is urgent to them, but don't have any power or legitimacy are demanding. Those with power and legitimacy are dominant the team will report to them and defer to their direction.

3.5 ANSOFF MATRIX

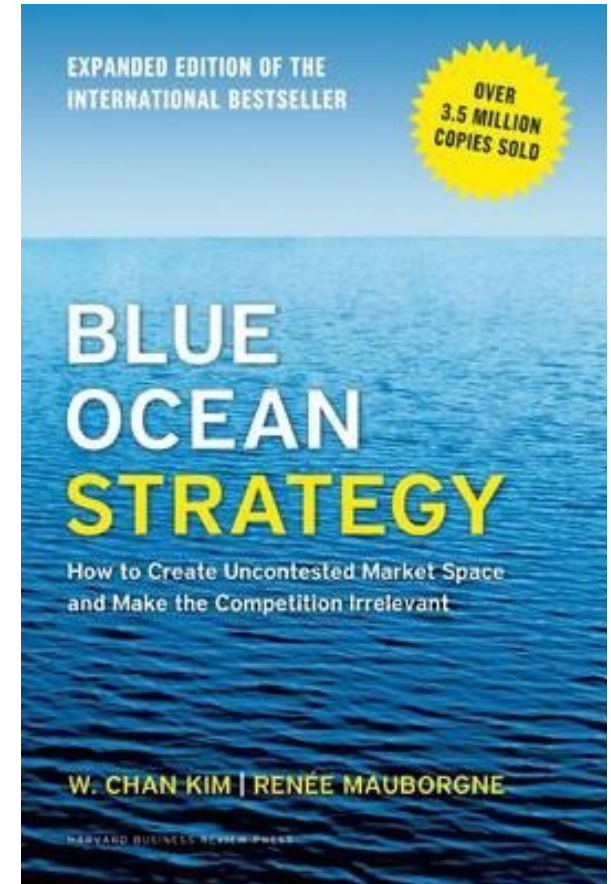
ANSOFF, H. I. (1957). STRATEGIES FOR DIVERSIFICATION. *HARVARD BUSINESS REVIEW*. (VOL. 35 ISSUE 5, SEP/OCT). P113-124

	Existing products	New products
Existing markets	Penetration	Product development
New markets	Market development	Diversification

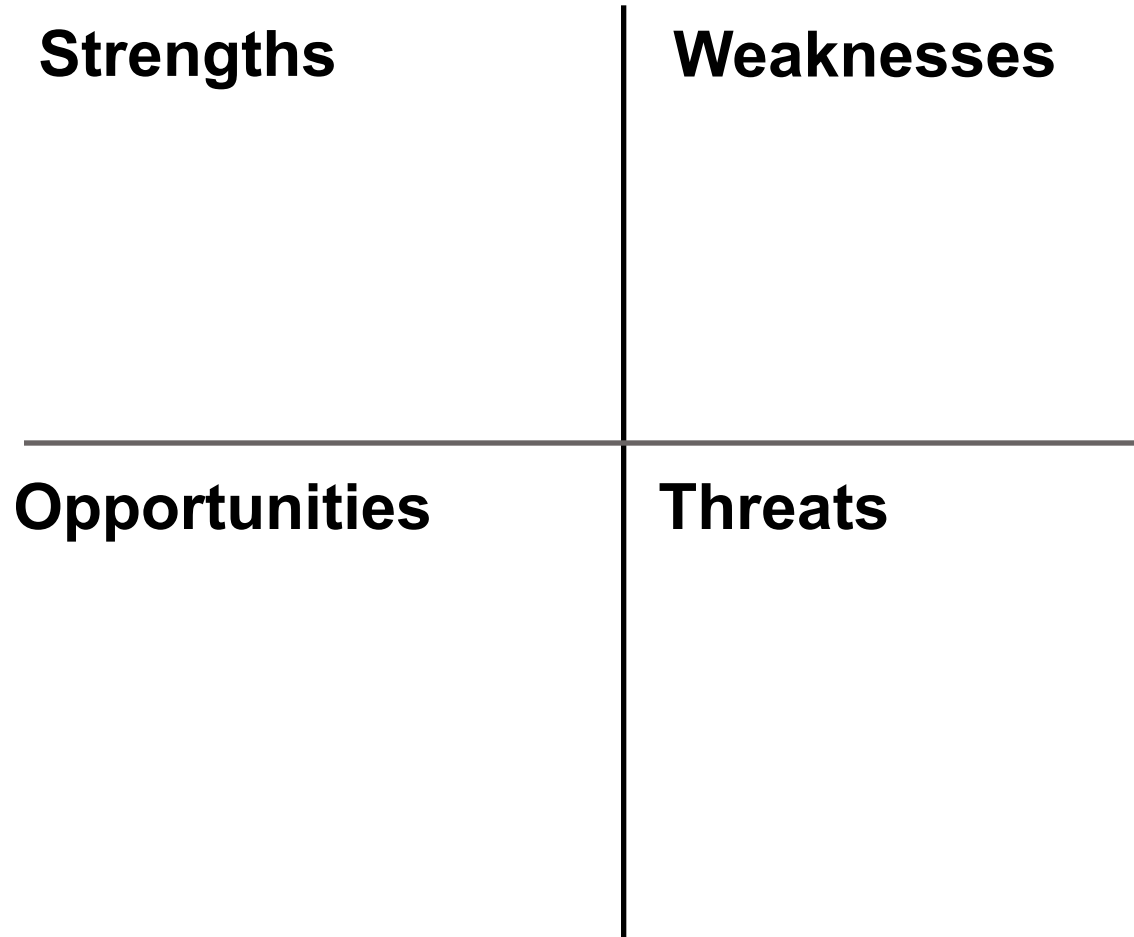
Helpful as a basis to discuss strategic options

3.6 BLUE OCEAN STRATEGY

Helpful when looking at business models and positioning in new boundary. The authors assert that these strategic moves create a leap in value for the company, its buyers, and its employees while unlocking new demand and making the competition irrelevant. The book presents analytical frameworks and tools to foster an organization's ability to systematically create and capture "blue oceans"—unexplored new market areas.



3.7 SWOT ANALYSIS



Helpful to summarise a situation analysis

3.8 PESTEL macro environmental forces

POLITICAL	ECONOMIC
SOCIAL	TECHNOLOGY
ENVIRONMENT	REGULATORY/ LEGAL

Helpful as a basis for organisational design (fit for environment), horizon scanning, scenario planning,

3.9 BCG Growth Share Matrix

The growth share matrix was created in 1968 by BCG's founder, Bruce Henderson. At the height of its success, the growth share matrix was used by about half of all Fortune 500 companies. The growth share matrix was built on the logic that market leadership results in sustainable superior returns. Ultimately, the market leader obtains a self-reinforcing cost advantage that competitors find difficult to replicate. These high growth rates then signal which markets have the most growth potential.

Low Growth, High Share. Companies should milk these “cash cows” for cash to reinvest.

High Growth, High Share. Companies should significantly invest in these “stars” as they have high future potential.

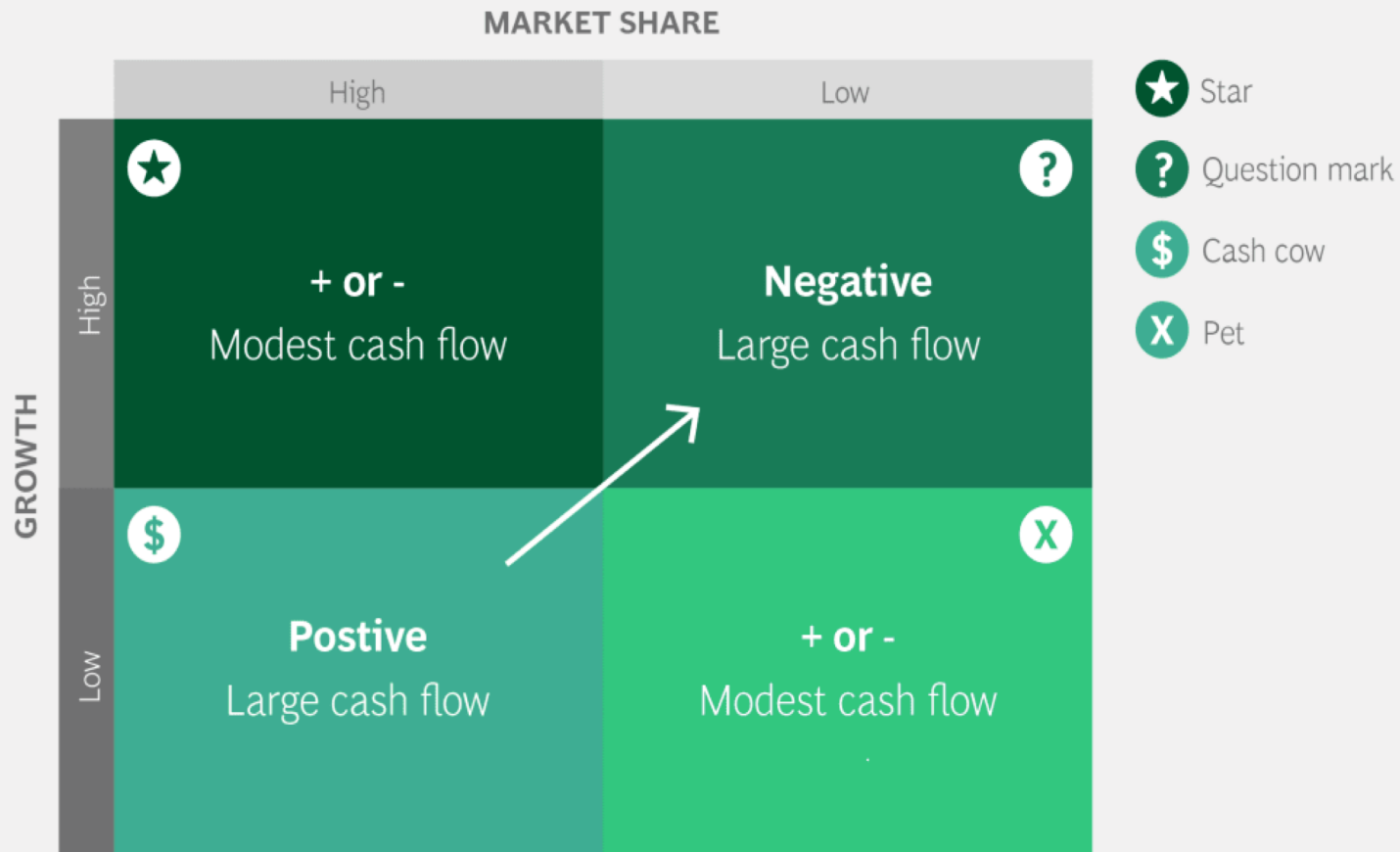
High Growth, Low Share. Companies should invest in or discard these “question marks,” depending on their chances of becoming stars.

Low Share, Low Growth. Companies should liquidate, divest, or reposition these “pets.”

Product value depends entirely on whether or not a company is able to obtain a leading share of its market before growth slows. All products will eventually become either cash cows or pets. Pets are unnecessary; they are evidence of failure to either obtain a leadership position or to get out and cut the losses.

BCG Growth Share Matrix

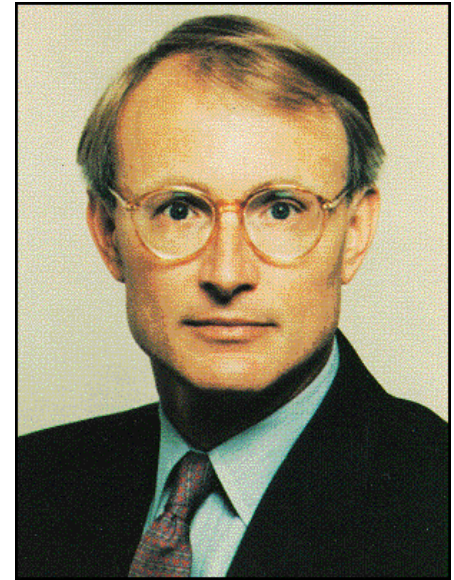
BCG's Growth Share Matrix: Optimum Cash Flow



3.10 Porter's Five Forces

Michael E. Porter (1975), *How competitive forces shape strategy?* Harvard Business Review, December 2015 issue.

- Rivalry amongst those in the industry
- Bargaining power of suppliers
- Bargaining power of buyers
- Threat of new entrants
- Threat of substitute products or services
- Bargaining power of buyers



Helpful when looking at competitive positioning, segmentation approaches, customer needs and perception

3.11 Disruptive Innovation Strategy

Clayton M. Christensen, Michael E. Raynor and Rory McDonald (2015), *What is disruptive innovation?* Harvard Business Review, December 2015 issue.

The Disruptive Innovation Model

This diagram contrasts *product performance trajectories* (the red lines showing how products or services improve over time) with *customer demand trajectories* (the blue lines showing customers' willingness to pay for performance). As incumbent companies introduce higher-quality products or services (upper red line) to satisfy the high end of the market (where profitability is highest), they overshoot the needs of low-end customers and many mainstream customers. This leaves an opening for entrants to find footholds in the less-profitable segments that incumbents are neglecting. Entrants on a disruptive trajectory (lower red line) improve the performance of their offerings and move upmarket (where profitability is highest for them, too) and challenge the dominance of the incumbents.

