

Business Consulting Services Digital Transformation



FastTrack Insights



We are entering a new era of consulting activity: the field is no longer the silo of the selected few, value-for-money solutions are favored over billing-hour projects, and digital transformation and technology evolvments promise to shake an industry that seemed to be immune to change.

Digital and Cloud technology have enabled the development of dynamic and scalable solutions by small enterprises with a low cost of failure. As a result, new entrants with a greater level of domain expertise have the opportunity to develop solutions that threaten legacy models with greater agility, lower cost of delivery, and greater flexibility to address changing market conditions. In some cases, we have seen entirely new business models emerge as a result. Larger enterprises are increasingly leveraging outside service vendors to help them navigate this technology shift.

At the same time, demands for better consumer engagement are putting incremental pressure on large enterprises, whereas customers are increasingly demanding enhanced experiences. The elevated competition is driving demand for greater efficiency as many incumbents are forced to compete on price and service. In a study from McKinsey, over 50% of respondents expect digital investment to contribute >15% of growth over the next several years. Mobile computing, omni-channel distribution, and limitations of legacy models remain examples of drivers for elevated demand¹.

Mobile accessibility is increasingly rewarded. Evolving consumer expectations for intuitive, “consumerized” and mobile-first experiences, growing security concerns and demand for data analytics are driving demand for greater mobile and digital expertise. Many enterprises need to manage dated legacy infrastructure that was not developed with mobile in mind as a primary means of service delivery. This can result in inconsistent or unreliable client-facing experiences.

Growing demand for more flexible delivery models. Increased mobile penetration and adoption of online consumption are changing delivery models with greater adoption of omni-channel and ship to store technology. Incumbent competitors will increasingly need to invest in new technology to maintain share.

In this context, moving through the market landscape, securing gains, and mitigating risks become concerns of utmost importance for firms and investors, alike. At the same time, dilemmas arise: which opportunities are worth our while and which are the ones that simply pay lip-service to innovative agendas?

What comes next: New opportunities in the Consulting Sector and Areas of Growth

Areas of Growth

- Technology enabled change | Digital Transformation
- Blockchain
- Performance-based billing
- Gig economy and collaboration
- Automation of Services
- Social Media Adoption | Marketing for Consulting
- Multi-Sourcing

1. Morgan Stanley (2017). Ahead of the Curve: The Strategy and Consulting Businesses.
Retrieved from http://linkback.morganstanley.com/web/sendlink/webapp/f/ghfhbegg-3psp-g00a-b436-005056013501?store=0&d=UwBSZXNIYXJjaF9NUwBIZyUwMjBIYy04MjdjLTExZTctOTewNi0xZmZkMTBjMDFjYzc%3D&user=dgnrri07xtbhq-10&_gda_=1631561949_42212e3467ab50e9cac083b1a0fe9928

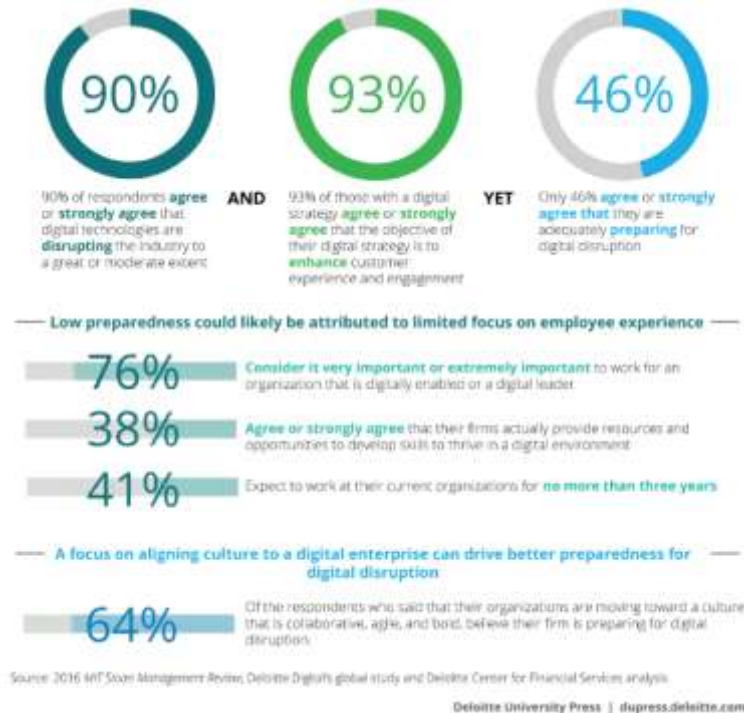


Figure 1: Marrying the customer and employee experience is instrumental in firms' preparedness for digital disruption. Deloitte (n.d.). Digital transformation in financial services. Retrieved July 19, 2019, from <https://www2.deloitte.com/insights/us/en/industry/financial-services/digital-transformation-in-financial-services.html>

Opportunities and Areas of Growth in the Consulting Sector: Technology enabled change | Digital Transformation

"A bold risk culture is positively related to better preparedness for digital disruption and higher employee retention."



■ Bold ■ Cautious ■ Neutral

Note: When characterizing an organization's risk appetite on a scale of 1 to 5, we have classified a rating of 1 and 2 as cautious, 3 as neutral, and 4 and 5 as bold.

Source: 2016 MIT Sloan Management Review and Deloitte Digital's global study and Deloitte Center for Financial Services analysis.

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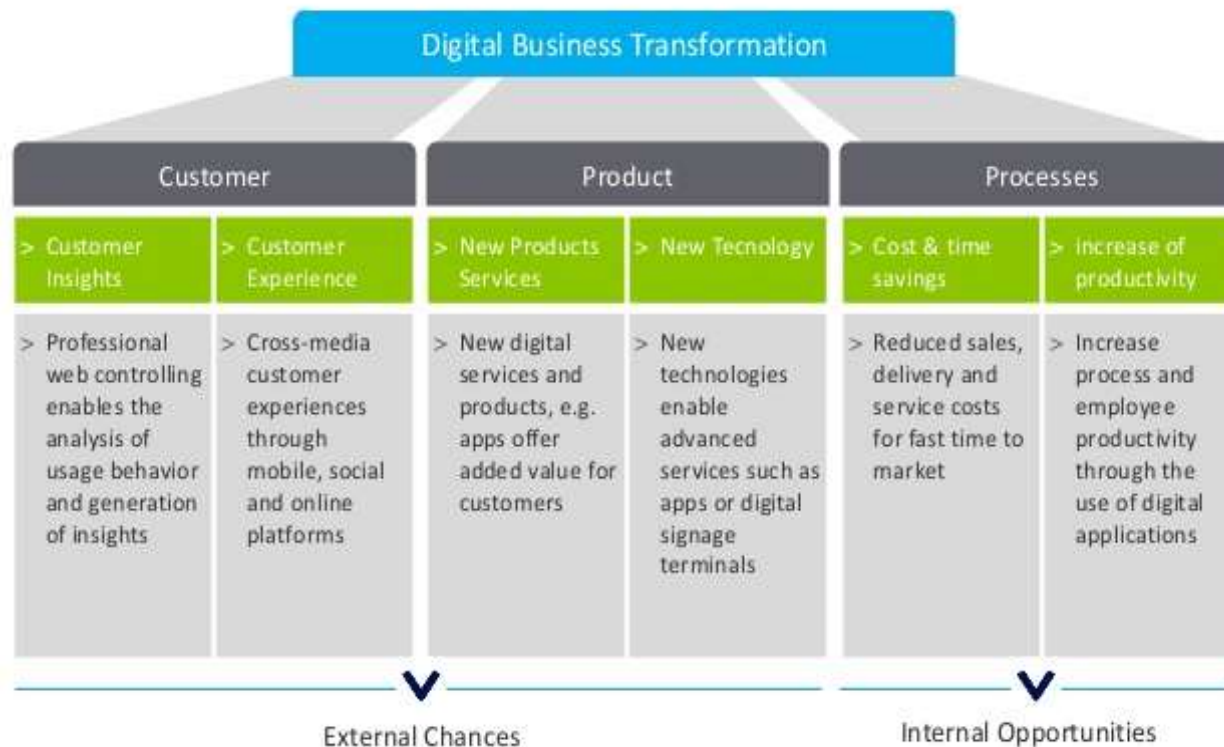
Figure 2: Risk culture and its relation to digital transformation. Deloitte (n.d.). Digital transformation in financial services. Retrieved July 19, 2019, from <https://www2.deloitte.com/insights/us/en/industry/financial-services/digital-transformation-in-financial-services.html>

Digital Transformation can:

- improve efficiency and productivity;
- encourage innovation;
- make communication and teamwork easier;
- improve working conditions;
- create new contact channels with customers;
- lead to better decision-making².

2. Dominguez, A. (2018, June 12). Digitization of business: 8 advantages of the digital transformation. Retrieved July 19, 2019, from <https://ehorus.com/digitalization-of-business/>

Opportunities and advantages of digital transformation



source: TWT Consulting

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Opportunities and Areas of Growth in the Consulting Sector: Technology enabled change | Digital Transformation

Digital Transformation can dramatically increase the performance and the operations of consulting firms- it can, on this basis, affect both the internal processes and the services offered.

For instance, KPMG's Watson is able to go through lengthy documents to confirm their legal compliance and validity—a feature that enables the company to speed up its delivery times and boost the accuracy of findings. At the same time, it gives employees the freedom to get involved in new projects, or take up more meaningful tasks.

CRM software enables better relation building, as the accumulated data provide valuable information that improves retention rates, while data-analytics can shed light on several patterns that might go unnoticed.

Figure 3: Opportunities and advantages of digital Transformation. Wiedemann, F. (2017, March 23). Introduction E-Business & Digital Transformation. Retrieved August 7, 2019, from <https://www.slideshare.net/frankwiedemann395/introduction-ebusiness-digital-transformation-73555367>

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Opportunities and Areas of Growth in the Consulting Sector:

Social Media Adoption | Marketing for Consulting

The study found that a large proportion of management consultancy decision makers consider marketing superfluous or not worth investing in, even though it has been proven in other industries to garner great results. For example, only 13% of the management consultancy firm respondents invested more than £20,000 per annum in marketing. But the most disconcerting results stem from the discovery that a staggering 53% (down only 6% from last year) don't invest any budget, and 15% are not using any digital marketing, at all.

Another major problem for consultants is that they appear to be utilizing the wrong channels. Despite a shift towards the acceptance of digital marketing methods in consultancy firms, it's clear from the lack of return they see, that they don't know which channels are best for them and are still in 'trial and error' phases.⁸

Communication channels aside, certain approaches to marketing have the potential to change the consultants' perceptions regarding its usefulness. Performance-based marketing, for instance, evolves around online campaigns that give the ability to measure everything from brand reach to conversion rate down to a single ad and, therefore, give companies the privilege of mitigating the risk associated with high marketing budgets.

Last but not least, content marketing has come to stay, as a top marketing choice. As consultancies offer services based on knowledge and expertise, content marketing helps disseminate knowledge, builds a reputation for the firm, and creates credibility. As such, blogs, webinars, white papers, and case studies can attract customers and establish a firm as a reliable service provider.



Figure 6: Tune. (2019, April 29). Blog – TUNE. Retrieved August 7, 2019, from <https://allperformancemarketing.com/2019/04/05/blog-tune/>



Figure 7: Cision (n.d.). Global Cloud-Based Communications and PR Solutions Leader. Retrieved August 7, 2019, from <https://www.cision.com/us/resources/tip-sheets/2018-the-ultimate-list-of-content-marketing-statistics/>

8. Andrade G., (2019). Four Consulting Trends That Can Benefit Your Company.

Retrieved July 19, 2019, from <https://www.graphite.com/blog/four-consulting-trends-that-can-benefit-your-company/JOURNAL>

Opportunities and Areas of Growth in the Consulting Sector: Multi-Sourcing and Gig Economy

With business needs becoming increasingly complex and sophisticated, it is becoming increasingly difficult for companies to get all the services and expertise they need from a single consulting firm.

The days of firms having in-house capabilities to handle every client need are largely over, so they're now partnering with outside specialists and boutique consultancies to offer a full spectrum of services.⁹

Additionally, consulting clients are increasingly asking multiple firms to team up and work together to ensure the client can cover larger projects and niche areas of expertise.

As a result, a disruptive model called "crowdsourcing" has emerged in the consulting industry. In this model, an online network of firms and freelancers come together to provide solutions to a client.

It's a way for firms of all sizes to fill knowledge and skill gaps while partnering with other firms and independent consultants to deliver the full range of services their clients need.⁸



PwC's Talent Exchange Platform, for instance, is a high-end consulting app and marketplace, but with a twist, as it essentially is the firm's new flex staffing program. Consultants, in this framework, apply for high-demand roles in quality control, salesforce administration, and other analytical positions.

Then PwC's HR team sends compatible projects to them to claim. According to the leader of PwC US Advisory, Miles Everson, the company ultimately intends to have about 10 percent of their workforce participate as flex consultants.



9. Andrade G., (2019).Four Consulting Trends That Can Benefit Your Company.
Retrieved July 19, 2019, from <https://www.graphite.com/blog/four-consulting-trends-that-can-benefit-your-company/JOURNAL>

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Sources of Competitive Advantage

Automation. By replacing people time with automated processes you can dramatically reduce costs. The primary challenge is that automation spreads so rapidly that you can only sustain an automation advantage by continuously improving your technology.

Services integration. By analyzing their business process and identifying all the inputs needed, firms can develop the capability to control those inputs and integrate them within their internal operations as a cost-saving technique. For instance, if a firm spends a lot on software, a go-to solution would be to establish a Software Development Department.

Service level. An advantage can be gained by providing a very different level of service to your target audience. That service level might be greater, as with a premium service offering, or much lower, as with a self-service approach. In either case, the specific service level must be valued by a significant segment of your target audience if it is to provide an advantage.

Culture. A firm's culture can be the source of a competitive advantage if two conditions are met. Firstly, the culture must provide an actual benefit — it must be something that clients recognize and appreciate. Secondly, the culture must be acknowledged, promoted, and marketed in order to reap fruit.¹²

Designing a Competitive Strategy

12. Martinuzzi B., (n.d.). Reputation Risk: How to Help Mitigate Damage to Your Brand. (n.d.). Retrieved July 19, 2019, from <https://www.americanexpress.com/en-us/business/trends-and-insights/articles/reputation-risk-how-to-help-mitigate-damage-to-your-brand/>

Geography served. Local, regional, national or international? Today, technology has broken down geographic barriers and buyers are becoming increasingly comfortable hiring firms around the country and even overseas. Low-cost communications and real-time video have made remote work practical for many professionals, and firms have many more options for building practices unbound to a single location. This democratization of work opens up greatly expanded opportunities. But, it unleashes a tidal wave of new competition, too.

Role served. By focusing on the needs of a single role within a corporate structure you can offer services that are better suited to your audience's needs. Much like an industry focus, specializing in a role gives a perceived "specialist's advantage".

Performance. Just as specializing in a specific role can be a source of competitive advantage, so can focusing on solving a particular business problem.

Business model. Developing a new business model is a great way for a professional services firm to gain a competitive advantage.

Talent approach. Some firms take a distinct, identifiable approach to the way they recruit and manage talent. By finding ways to attract and nurture their staff, firms can create considerable long-term gains.¹³

13. Frederiksen, L. (2019, July 31). Competitive Strategy for Professional Services. Retrieved August 7, 2019, from <https://hingemarketing.com/blog/story/competitive-strategy-for-professional-services>



Figure 10: Brand Strategy. Bartolacci G., (2018). 6 QUESTIONS TO ASK TO IMPROVE YOUR BRAND STRATEGY. Retrieved August 7, 2019, from <http://lookaheadstayahead.com/brand-strategy/>



Figure 11. Which Market Should You Target?. Bennet R., (2018). What Market Should You Target? and What You Need To Know About Niche Markets Retrieved August 7, 2019, from <https://launchitspot.com/2018/08/30/what-market-should-you-target-and-what-you-need-to-know-about-niche-markets/>

Designing a Competitive Strategy

Securing Competitive Advantage

- **Cost Leadership Strategy.** Companies may place themselves ahead of the pack by offering attractive pricing. Wal-Mart and Amazon are two companies that have risen to the forefront by utilizing this strategy. While this is effective for companies, low pricing is seldom a desirable method for individuals.
- **Adaptability Competitive Advantage.** As markets, economies, and other factors change in this increasingly unstable and unpredictable environment, companies that can adapt have a distinct advantage. Typically this includes smaller or trendy companies, however, even Apple has successfully negotiated the waves of change.
- **The Information Advantage.** Almost all the other strategies benefit from excellent information. The definition of competitive advantage is the skills needed to outpace your rivals. Most of those come through knowledge and information. Successful companies seek the latest in technology, strategies, and data.
- **Operational Effectiveness Strategy.** Some companies just do what they do better than anyone else. FedEx started out with an innovative strategy. But, they maintained their leadership — even after dozens of other companies jumped into the overnight shipping business — by doing it very well. For individuals, this may mean creating systems for operations or new ways to analyze data. When you do what you do very well, you gain a competitive advantage over those doing it the longer and slower way.¹⁴
- **Customized solutions:** end-to-end, tailored solutions and follow-up consultations are the main source of new work and reputation building for consultants, as it drives loyalty and delivers value. Furthermore, companies that prioritize their customers' experience generate 60% higher profits than their competitors¹⁵.
- **AI employment:** Artificial intelligence, has the potential to disrupt many facets of the professional services industry. Using machines for complex tasks can reduce time allocated on mundane tasks, and, instead, allows to focus on implementation processes and relation-building. Additionally, AI can lead to more effective diagnosis, which, consequently, increases the customers' satisfaction and the retention rates.
- **Involvement in execution and implementation:** the democratisation of knowledge has set new standards for consultants: since everyone is now capable of getting informed about the latest trends, consultants need to focus their attention on detecting problems that may have gone unnoticed, assisting the implementation of projects, and delivering added value through their work.

14. Andrade G., (2019). Four Consulting Trends That Can Benefit Your Company.

Retrieved July 19, 2019, from <https://www.graphite.com/blog/four-consulting-trends-that-can-benefit-your-company/JOURNAL>

15. Chen, M., & Dinh, D. (2019, March 21). Customer experience Archives - Page 3 of 4. Retrieved August 7, 2019, from <https://www.woveon.com/tag/customer-experience/page/3/>

Minimizing Risk

Developing a comprehensive risk mitigation plan is essential for any business. The unexpected can strike at any time, and if an interruption to production or sales occur, your business might even create domino risks. Coming up with a plan that covers all eventualities is time-consuming, but it is time well invested, since it prevents major future losses.

What is Risk Mitigation?

Risk mitigation is defined as taking steps to reduce adverse effects. There are four types of risk mitigation strategies that hold unique to Business Continuity and Disaster Recovery. It's important to develop a strategy that closely relates to and matches your company's profile.¹⁸

Risk Acceptance

Risk acceptance does not reduce any effects, however, it is still considered a strategy. This strategy is a common option when the cost of other risk management options, such as avoidance or limitation, may outweigh the cost of the risk itself. A company that doesn't want to spend a lot of money on avoiding risks that do not have a high possibility of occurring will use the risk acceptance strategy.

Risk Avoidance

Risk avoidance is the opposite of risk acceptance. It is the action that avoids any exposure to the risk whatsoever. It's important to note that risk avoidance is usually the most expensive of all risk mitigation options.

Risk Limitation

Risk limitation is the most common risk management strategy used by businesses. This strategy limits a company's exposure by taking some action. It is a strategy employing a bit of risk acceptance along with a bit of risk avoidance or an average of both. An example of risk limitation would be a company accepting that a disk drive may fail and avoiding a long period of failure by having backups.

Risk Transference

Risk transference is the involvement of handing risk off to a willing third party. For example, numerous companies outsource certain operations such as customer service, payroll services, etc. This can be beneficial for a company if a transferred risk is not a core competency of that company.¹⁹

Risk Prevention:

1. Identify the potential risks and their sources;
2. Analyze the kinds of consequences these risks can lead to;
3. Rank these risks in terms of gravity and evaluate their potential effects to your company;
4. Map out a plan to combat these risks and have contingencies;
5. Monitor potential risks and review action plans.

18. Mitre (n.d.). Risk Mitigation Planning, Implementation, and Progress Monitoring. Retrieved August 7, 2019, from <https://www.mitre.org/publications/systems-engineering-guide/acquisition-systems-engineering/risk-management/risk-mitigation-planning-implementation-and-progress-monitoring>

19. Martinuzzi B., (n.d.). Reputation Risk: How to Help Mitigate Damage to Your Brand. (n.d.). Retrieved July 19, 2019, from <https://www.americanexpress.com/en-us/business/trends-and-insights/articles/reputation-risk-how-to-help-mitigate-damage-to-your-brand/>

Concluding Thoughts

The sector is defined by four main patterns:

- Digital disruptions favor SME's, as the latter showcase agility and expertise; at the same time, larger firms are trying to catch up by acquiring vendors and emerging competitors;
- Consumer engagement has become the cornerstone of any enterprise success, and it is enhanced by mobile computing, and omni-channel distribution and presence. Marketing received a renewed attention in the sector—despite being often overlooked in the past, firms now realize that the competitive environment creates the need to invest in building a brand name and promoting services;
- Digital transformation is the point of reference of any effort to transform legacy models and showcase a competitive advantage in the market; automation and smart data are expected to yield significant gains for the sector, as the new tools minimize the time consultants have to spend on arduous tasks. At the same time, new challenges emerge: cybersecurity and compliance are the basic sources of concern;
- Consultants' work is compensated with approaches that favor their services' results rather than the process. As such, project-based fees are launched and consultants are expected to assist their clients from start to finish, in order to deliver the best outcome possible.

"I firmly believe that the marketplace we're in is undergoing its own transformation. [...] That opens up an opportunity for the next chapter of the relationship between us and our clients. The foundation of this new phase is exploring how we cooperate together while making bets and investments, and while taking on risks and opportunities together. This model makes our relationship much more of a business partnership than a transaction. And that brings me back to my emphasis on trust: How do we bring that business-partnership conversation to the marketplace in a context that our clients put their trust in us over the long haul?"

Agile mentality	Talent management	Multi-sourcing consulting models	Partnerships with firms outside consulting
Crowdsourced consulting delivery	Value-adding services	Deep industry & client insights	Performance-based pricing

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Unit No: OneJLT-06-112, One JLT, Plot No: DMCC-EZ1-1AB,
Jumeirah Lakes Towers, Dubai, UAE
vleginsky@arbitralis.com
info@goldmeritdmcc.com
www.goldmeritdmcc.com