

Trends in Strategic Consulting in the Face of Globalization

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1. Management Consulting and New Corporate Trends

Making the right decisions and making them quickly is a major challenge facing managers and entrepreneurs today. The value of strategic consulting is in supporting this process, especially when it becomes necessary to respond to unexpected technological discontinuity or rapid market changes. To create real value, the consultant must be precise and creative, formulating methods and analytical tools to address the problem, proposing innovative solutions, forming opinions, taking responsibility for the implementation of the recommendation and sharing the conviction in the outcome. Strategic consulting is important when a change in direction is required, when we have to turn the page and when an unbiased opinion and outlook can help make this change in a decisive and determined way. The consultant has to become involved in the process at more than the superficial level: a hands-on approach and willingness to assume the risk that is entailed with any change is vital. While this presents obvious challenges, it is also what ensures the consultant's job is consistently interesting and rewarding.

2. How Working Methods are Changing in Companies

In recent years, the competitive context in which companies operate has changed with increasing globalization which continues to have an impact. In this environment, it is essential that companies are able to make on-the-spot analyses and choices. The *market-driven* company, with a superior ability to understand the markets and attract and retain its high-value customers, must take account of:

- the stepping up of competitive pressure, caused by the deregulation of many sectors and the gradual integration of the markets;
- the growing power of the consumer who is looking for more opportunities to choose, greater support, and more information. Consumer impact on

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- companies decisions now extends beyond the simple characteristics of the product to encompass 'softer' issues such as the environment, for example;
- the rapid spread of new IT and telecoms technologies, which have had an impact on redesigning internal processes and creating, and supporting new business models;
 - the increased activity on the part of investors, particularly private equity funds, which are emerging as industrial conglomerates, aspiring to excellent results and aiming for the *best in class* performance in the sectors in which they operate. They are often a catalyst of innovation and enable many businesses to achieve their target growth rates;
 - the emergence of more flexible and 'fragmented' business models (made possible by the opening of markets and technological innovations) which enable greater speed and efficiency. Successful examples of these new models include the 'fast fashion' of Zara or H&M, low-cost airlines such as Ryanair and EasyJet, or popular furniture stores such as IKEA;
 - the increase in management's professional skills, due partly to new talent with diverse international experience and partly to the world of strategic consulting joining the large international groups;
 - an acceleration of the processes of internationalization and globalization – not only development of new markets, but a shift in the 'growth engine' of the world economy toward emerging 'tiger' economies, which have seen an increase in their buying power and basic production and their capabilities in terms of innovation and technology. In this context, the business model of large companies has evolved while medium-sized businesses are rethinking production localization, outsourcing strategy, supply chain management, and talent recruitment, development and retention.

These events have led to changes in industrial dynamics and resulted in more complex management structures. As a result, they demand more sensitive 'antennae' to sense, and understand signs of weakness and anticipate market trends that expose businesses to rapidly intensifying competition, especially from new operators in new geographical areas. Some industrial groups have embraced the global challenge, well aware that in Italy – as in the rest of Europe – their competitive advantage can no longer be based solely on production factors. Many have already taken decisive steps toward achieving growth, branching out beyond the domestic market to make inroads into the wider European market, and increasingly, focusing on the growth potential of emerging markets such as China, India, Latin America and Eastern Europe. By contrast, they have concentrated investment in the home countries on process and product innovation, supply chain upgrades and increased marketing and brand development.

In this context, strategic consulting companies have an even more important role to play, because they can contribute a constant stimulus towards change and the search for excellence, contributing to building evolved market scenarios and identifying the relevant implications for the company. They can offer customers a more holistic perspective that looks beyond the short term concerns that beleaguer entrepreneurs and managers, especially those of listed companies. They can also make it easier to take advantage of the opportunities represented by the global

market-place, not only as a new buying and sourcing market, but also as a vibrant market of ideas, skills and talents.

3. How the Demand for Strategic Consulting is Changing

The arena in which companies are competing is changing, time-scales for deciding and taking action are becoming more aggressive and the profile of the average consumer is changing. As a result, the demand for consulting, and the profile of the ideal consultant, are also both changing. Customers need professionals, who act like entrepreneurs in terms of their involvement in projects and are more capable of moving beyond the immediate problem, leading not only to solutions, but rapid-fire solutions, in any market. Consultants are asked to transform themselves, altering their role as necessary throughout the relationship with the client – at certain times acting as straightforward consultants advising on basic strategic decisions, sometimes acting as partners in handling an acquisition in an emerging country, whilst at other times acting as operating consultants, who support management in implementing change or cost reduction plans, with a view to cultivating a long-term relationship. Faster, more ideas-driven, more concrete, and more deeply integrated at all levels with the client, consultants must maintain a strong relationship with the CEO and with top management, acting as the needle on the balance to manage change effectively.

Ensuring Speed, in Addition to Efficacy. Today, businesses are constantly checking the direction taken, adjusting the path to reach the objective and testing their position in the markets in which they operate, while avoiding over-complicating the strategic planning process. The window for taking decisions is narrowing– customers increasingly demand rapid and decisive actions and the classic distinction between diagnostics, definition, and execution of recommendations is giving way to more integrated approaches in which the consultant maps out complete solutions and anticipates trends in the sector. Until a few years ago, the job of the consultant was based largely on knowledge and process transfer (knowledge acquired from largely Anglo-Saxon managerial experience) and using benchmark analysis to evaluate and assess the competition. Today, the role has been broadly taken in-house by most large, and some medium size companies whilst the traditional informational contribution expected of a consultant has shifted to results, especially short-term results, and consultants are expected to back-up what they say.

□ *The Feaco 2007 Survey confirmed that the ability to reach the objectives set by top management is 'the most valuable aspect' of the partnership with a strategic consulting company.*

Using IT Technologies to Support Strategies. Critical information skills, which support and facilitate the process of achieving strategic objectives, have become key success factors. These include *web based* strategies, which are growing in importance for setting internal processes and for customer relationship management (CRM). The approach to CRM is also crucial in dealing with

consumers who are increasingly aware, and capable, of evaluating and comparing the quality of the product or the service acquired. A clear CRM plan, that takes into consideration the processes, IT systems and commercial objectives to ensure correct alignment of investment to the strategy of the business, can offer a key competitive edge. The financial services sector is one of the clearest examples of transformation accelerated by the spread of ICT technologies. This is demonstrated by the growing success of internet banking and the influence of new technologies in traditional banking processes – in product development and services, in building and maintaining relationships with customers and in the management of risks and legislative standards.

Possessing Global Capabilities, Perspectives and Talents. There is a growing need for internationalization, the ability to incorporate innovation and ideas from around the globe, while further developing the experiences coming out of emerging markets. In this new context, it is no longer possible to transfer complete models and solutions typical of mature markets to growing markets, although this was the standard used by American-inspired firms for many years. Today, the specific nature of the solution, and the innovative element identified for an emerging nation, increasingly represent interesting and significant stimuli for European economies and for more mature markets in general.

□ *In the telecommunications area, for example, countries such as South Korea and, for some specific segments, China, have emerged as examples of global best practice in the wireless telephony and VAS sectors*

□ *India holds the greatest potential in the luxury goods sector and many experts believe India is vying to become the original manufacturer of top-of-the-line products. Indeed, India can count on unique skills, knowledge and expertise, respect for its creativity and a generally positive image in the western world.*

To take advantage of the opportunities in new markets effectively, consulting firms must rely on experts in training and international culture who foster the work of mixed teams and establish a recruitment plan which includes the superior Indian and Chinese business schools, such as CEIBS of Shanghai, for example. This ability must be supplemented by top management and the dissemination of truly global expertise, which is not proportional to the number of offices distributed worldwide, but depends on the ability to foster and critically interpret, and share, the learning acquired.

Supporting the Challenge of the Medium-Sized Businesses. The new global dimension of competition has caused many businesses, which used to focus exclusively to the domestic market, to reassess their business model and call upon the assistance of a consultant. These are generally businesses with limited management bandwidth, without the necessary professional experience to manage the evolution of a business model of this magnitude in such tight timescales. Strategic consulting can guide them toward the most appropriate choices – such

as delocalization, redesign of procurement systems, choice of international partners – speeding up the process, supporting them locally and partnering with them in the search for talented managers who understand how to handle the newly configured company.

Capturing Innovation. Innovation is critical for companies that operate in more mature markets. In company innovation and creativity is not rooted in an ability to revitalize so much as in the ability to implement a clear and precise process to foster that creativity. Strategic consulting can support this ‘virtuous circle’ dynamic and highlight the potential for partnerships, and collaborations, with research units and centers of excellence, in order to build a network of relationships driven by the spirit of innovation, which is a critical success factor.

Ultimately, all the skills required of a consultant today would be worthless without full client involvement. Client involvement is impossible unless the client is considered truly relevant, central, and essential by the consulting company. The rule of thumb for the company in selecting a consultant should be to ensure that the consultant views him as a ‘strategic’ entity. This perception is a vital factor for the success of any partnership.

4. How the Strategic Consulting Market is Structured

The trends outlined above have led to an evolution in the strategic consulting sector. As in other sectors, strategic consulting has witnessed the gradual disappearance of local players to make way for large, consolidated operators, capable of competing in expanding markets, with a commensurate level of service and a greater variety in the products and services offered. Moreover, it is important to note the numerous crossover acquisitions, national and international, involving strategic consulting companies and stakeholders in the IT world. The success of these initiatives depended largely on execution – while the integration from IT to the world of consulting has been complex and, in many cases, less than satisfactory, by contrast the extension of the strategic consulting offer to the world of IT services and consulting has proven more successful, likely because it reshapes the methods that businesses use to solve problems.

In our view, the strategic consulting market is evolving into four key models:

- Multinational firms, with a wide network of offices, coordinated by large international practices and with skills in all sectors. These structures incur large investments in expertise and know-how, but tend to offer relatively inflexible solutions. Paradoxically, the extension of the network and the spread of offices can become a limitation to the service, making it difficult to achieve an approach that is integrated and consistent with the philosophy of the client.
- International firms, with sector specialists and organized as ‘professional boutiques’, which aim to differentiate themselves in terms of creativity and a results-driven approach. This is a flexible model, which resembles the model used by the large professional firms fifty years ago, but reinforced by the intensive use of new technologies and a greater

orientation towards developing an entrepreneurial approach among its managers.

- Companies from 'contiguous' market segments (IT, investment banking) that attempt to expand their area of expertise, by leveraging the customer base built up in the sector of origin and setting up in-house strategic consulting units.
- Small local companies that use an approach based on leveraging their founders' personal contacts and networks, rather than investing significantly in skills and technology. To reinforce their position in the market, they form coalitions of companies that differ by specialization, or by geographical presence, which come together under the 'umbrella' brand.

Value Partners has built its market position and growth by building a selective geographical presence and by leveraging the entrepreneurial skills and qualities of its professionals. It has invested well, and consistently, in IT and internet technologies to deliver an integrated service to its customers. Conceived in 1993 by its fifteen founders, today, Value Partners employs 3,000 professionals working in 14 offices in ten countries.

We have adopted a flexible model of development that hinges specifically on the quality and motivation of our consultants. We are aware that the real asset in this business is, and will remain, our people and our success depends on our ability to attract, and retain, the very best professionals. Our challenge in the future will be to consistently attract new talent from the international market by giving them the opportunity to use their skills and entrepreneurial spirit to grow with their company.