

Virtualisation: What is in it for Management Consultants?

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Introduction

The recognition that COVID-19 has been a disruption in working for many industries, Management Consulting included, can open a different view about the next steps to take for aligning clients' expectations with different Value propositions.

The working definition of virtualisation used in the research is that it is the opposite of face-to-face interaction. The shift from a face-to-face process to virtualisation is called the "process of virtualisation" (Overby, 2008).

Market trends and technology

While the technology now looks to develop incrementally and expand, the management consulting industry is already in the disruption process.

Christiansen¹ already introduced the concept of disruption for management consulting brought by technology in 2013 with a shift from bespoke to commodities, also required by the clients, through technology development.

Nissen in 2018² highlighted the fact that technology would shape consultancy and clients as well with the increased use of web channels to find information about consultancies, a trend towards looking for more modular services.

A Deltek research in 2018³ discovered that clients' trends consider consulting under the concept of Value-based performance, but with no fees increments. They expect to get high-value (personalised) services using technology.

In the convention of FEACO in 2019⁴, Christensen predictions were confirmed: Increased disruption from new competition, new service models and sophisticated clients' knowledge and technology creating significant opportunities and challenges for the growth of independent consultants and small firms.

Professor Simon Haslam' article⁵ in January 2021 further clarified the current situation: *"People are expecting an eventual bounce back in terms of market size, but not a full regression to the face-to-face delivery approach [...]. The road ahead will favour consulting firms and individuals capable of virtual work on complex/ intimate client issues."*

In our research, fourteen interviewees out of eighteen believed that from the disruption brought by COVID'19, the technology of virtualisation drives the next steps for being competitive, following clients' demand trends, while only four did not recognise virtualisation as innovation, referring to it as only a temporary trend or forced by COVID-19.

¹ Christensen, C., Wang, D. & Van Bever, D., 2013. Consulting on the Cusp of Disruption. Harvard business review, 91(10), pp. 106-114.

² Nissen, V., 2018. Digital Transformation of the Consulting Industry: Extending the Traditional Delivery Model. New York: Springer.

³ Deltek research 2018 <https://info.deltek.com/ProfessionalServicesTrends2018>

⁴ <https://www.openside.group/beyond-cusp-disruption-consulting/>

⁵ Professor Simon Haslam CMC, Management Consulting: The Road Ahead, 2021, Management Consulting Journal, 6 retrieved from <https://www.managers.org.uk/wp-content/uploads/2021/01/IC-Journal-V6-Jan-2021.pdf>

Business models: the starting point

The first step highlighted by several academic and business authors is to work on the Business models to consider both the virtualisation of the services and the new clients' demand.

The expected scope of creating or revising a Business Model in this context should be to develop more services with a high degree of innovation that, with technology, allows to migrate to gradual, incremental innovative steps, what is called the "process of virtualisation"⁶. And this is not a one-off process.

An investigation in 2019⁷ among consultancies' preferences for being competitive shows the elements to be considered to build a new Business Model in consulting:

Highest and lowest scoring elements of business models

Highest scoring		Lowest scoring	
Specialization on service	3.7	One time income	1.5
Specialization on market segment	3.7	Hourly fee	1.5
Fast impact in client	3.6	Subscription	1.5
Co-development of non-financial benefits	3.5	Client contact	1.4
Collaboration other consultancies	3.4	Physically present	1.3

Specialised service. Market segment (niche), rapid intervention capability are the critical points to create a "unique offer" to stay out of the crowd.

Following the above research, Professor Simon Haslam and other several authors who talked about BM in consulting two main Business models can be hypothesised ⁸:

1. Traditional consultancy and Client demand for capacity.
2. Specialist area -Client demand for modularity and High expertise

The traditional consulting filling a demand for capacity is likely to present a Value proposition based on reduced costs (travelling) with semi or full automation of virtual tools and availability and support remotely for training, coaching and advisory.

On the side of specialism including Modular services and or High specialised services, the value proposition is likely to be based on reduced costs, training and coaching and advisory as in the traditional consulting, however with the difference in proposing flexibility with modularity and same high specialised services as before COVID-19 **but remotely**.

⁶ Overby, E., 2008. Process Virtualization Theory and the Impact of Information Technology. Organization Science, 19(2), p. 277-291.

⁷ <https://www.consultancy.uk/news/23120/three-new-business-models-in-the-consulting-industry>

⁸ See Appendix for further details

Another relevant component of the BMs is the Revenue streams and pricing: For traditional consulting, T&M project with a daily or hourly rate, there could have the risk to see a request for reduced fees: the reasons are related that they are considered commodities, where virtualisation is seen as a mean to have more efficiency but nothing of unique that can justify a premium price.

As for being recognised as specialists, many consulting firms looking forward to working remotely, are creating virtual consultancy platforms⁹. The scope and the challenge are to demonstrate they can offer high-impact services (USP) as it was face-to-face or with a physical presence, removing travelling costs (about -30%) but keeping professional fees as it was before COVID-19. This approach is called Assets Based Consulting¹⁰

Clients are also looking for modular services, and in the end, niches are the most favourite realities to be successful. This is expected to satisfy the requirement of agility: the current client's markets conditions require either specialists for short term or contingency professionals.¹¹

There are other pricing strategies, (e.g. Fixed price, pay-as-you-go) which have not been investigated yet within the Business models and virtualisation. However, it must be remembered that the considerations made above for classic and specialised consulting with virtualisation showed above need always to be considered for other particular forms of Business models.

⁹ **Virtual consulting platforms:** platforms where consultants are virtual utilising both Virtual communications applications and virtual collaboration tools such as project management, teams management, brainstorming, strategy, innovation.

Online business consulting platform: websites who create platforms as marketplace for independent consultants and industry experts placing them for online consulting with a matching service with clients.

¹⁰ Nissen, V., 2018. Digital Transformation of the Consulting Industry: Extending the Traditional Delivery Model. New York: Springer

Forrester (2016) The future of consulting through 2020. research report, 11 Feb 2016

¹¹ Professor Simon Haslam CMC, Management Consulting: The Road Ahead, 2021, Management Consulting Journal, 6 retrieved from <https://www.managers.org.uk/wp-content/uploads/2021/01/IC-Journal-V6-Jan-2021.pdf>

Consulting and virtual communication applications and tools

A simple mapping of virtual services and the usage of online/virtual

Virtual services	Virtual communications application and tools.
Virtual training	<p>Virtual classroom software Zoom, Skype for simple training activities.</p> <p>Virtual platforms combination of video conferencing, collaboration and participation, and assessment features. both in real-time and through playback</p>
Virtual coaching	<p>Zoom, Skype (for simple coaching activities)</p> <p>Online coaching platforms: Programs, software, online solutions, Psychometric tests integrated, planning, etcetera.</p>
Remote consulting (Virtual advisory and collaboration tools)	<p>Software or platforms for:</p> <p>Maturity analysis (e.g., supply chain, innovation, organisational culture. Organizational Change)</p> <p>Analysis (e.g., supply chain, Innovation readiness, Organisational culture, Change assessment, Financial data, process analysis and reengineering)</p> <p>Frameworks building (e.g., innovation, services, and product portfolio)</p> <p>Strategy: (e.g., Change Management, Corporate and business strategy, marketing Organisational culture strategy,</p>
Virtual Delivery	e.g., Project management and team management, Planning and scheduling, Reports (e.g. Microsoft Teams, Trello, ClickUp, MeisterTask, Asana)
Virtual brainstorming and problem solving	<p>Real-time collaborative documents (e.g. Google Drive, Dropbox, Onedrive), digital whiteboards (e.g. Miro, Groupboard), decision-making tools,(e.g. airfocus, FlowForma, Process automation, group consensus and interactive online dot-voting, (e.g. Doodle)</p>

Virtualisation: what are the benefits for Consultants and Clients? And the risks?

Virtualisation related to Market for consultant and procurement for clients presents similar opportunities. More clients from anywhere and whenever, for consultants; from clients' side, better procurement opportunities to select from anywhere and whenever.

Virtualisation should bring to the consultants' efficiency, agility and flexibility, making services from a financial point of view also less costly and adding the elimination of travelling costs.

On the clients' side, the expectations would be to pay less for the services (including the travelling costs) and get through technology a more rapid response and more working speed.

A common expectation is, in any case, time and resources optimisations, and as a consequence of this, both parties can be integrated with the consulting process to make it seamless as much as it is possible due to the nature of the project, the client structure and skills.

Managing projects presents mostly similar benefits: Real-time monitoring activities, faster planning, responses, risks and issue management, more rapid communications for both parties. The difference sits in that clients have better control of consultancy activities, which can increase trust and improve reputation due to more transparency from Consultants.

Every innovation brings with itself risks. From research and opinions, the principal risks can be defined in:

- A Weaker client-consultant-relationships for physical distance
- Communication, coordination, and cooperation difficulties
- IT-security and data safety problems

It looks like that the first two risks are related to the engagement challenges using virtualisation, With the first one, depending on the physical distance.

However, a recent publication has highlighted that for a company where physical distance is part of its organisational structure; it is not the main factor creating the Virtual distance; thus, this requires diverse ways of managing communications ¹² and building and maintaining trust¹³

Additional data from our qualitative research

Besides, to establish pricing policies to be competitive without reducing the value proposition, in the qualitative research for the Dissertation, the participants have highlighted that there are other two essential benefits:

- **Optimise the activity:**
 - o Being able to schedule more services with different clients: The research shows that 2-3 hours of consulting, advisory coaching, training is the

¹² [Click here for a summary of the publication](#)

¹³ Results of Dissertation research with your contribution to the Survey

maximum level of tolerance for the client. In general, activities are fragmented with significant flexibility for client and consultant.

- Marketing activity plannable: blogs, posts, webinars, LinkedIn activity, 1st contact with a target or a client
- **Relationship creation and engagement**
 - Promote open relationships with new targets to create a link and introduce the consultant with the first "analysis" of the target (pain points, situation, objectives).
 - Stay connected: many of them allow after the first conversation another one or two brief free chats for 20-30 minutes for consultation (new targets) or information upgrades (existing clients).

Summary

Since 2013 the disruption of Managing consulting has been announced due to the technology development; 2018-2021 has confirmed that the gap in the client's perceived value between commodities and personalised or specialised services has increased.

It appears that virtualisation is taken for granted in the future as an ability with new skills to remain competitive in addition to the specialisation criteria and agility, which makes the difference in the professional fees.

The increased clients' virtualisation skills make the client more knowledgeable and independent to use the web for researching consulting partners and asking for flexibility, modularity, and high specialisation.

This situation requires actions from the Consultants such as:

- to check the current value proposition and decide if to follow the commodities approach or the specialist one following the muting clients' demand.
- adjust or change the business models to deliver virtual services.
- define the Unique Selling Proposition and examine the technological requirements of virtualisation to adapt to the business models and complete the transition, including experimentation and feedback from the clients' communications.
- mastering new ways of building and maintaining trust in a virtual environment are critical to engaging clients in the virtual environment.

Thank you again for your participation to the survey.

Kind Regards

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Traditional consultancy and Client demand for increasing capacity.

<p>Key partners Software suppliers Hardware suppliers</p>	<p>Key activities</p> <ul style="list-style-type: none"> • <i>Current services</i>-virtualization analysis • <i>Ideas for different services</i> • Virtualisation analysis • Feasibility for consulting and clients • Assess profitability. • Experiment with customers 	<p>Value proposition</p> <ul style="list-style-type: none"> • Reduced costs with semi-automation or virtual tools • Availability and support remotely for Training and coaching, advisory. 	<p>Customer relationships</p> <ul style="list-style-type: none"> • Co-creation • Virtual engagement (trust in virtualisation) 	<p>Customer segment</p> <ul style="list-style-type: none"> • it depends on the nature of the consulting: existing and/or new. • clients that need increasing capacity
	<p>Key resources</p> <ul style="list-style-type: none"> • Experience • Problem solving • Process analysis • Client collaboration 		<p>Channels</p> <ul style="list-style-type: none"> • Remote consulting • Hybrid Consulting 	
<p>Cost structure</p> <ul style="list-style-type: none"> • Independent consultant remuneration • Contractors Software fees 		<p>Revenue streams</p> <p>Consulting fees with: T & M project or if assistance or daily or hourly rate but with a risk of expected reduced fees commodities Fixed price (less risk for client more for consultants)</p>		

¹⁴ Business Model Canvas: nine business model building blocks, Osterwalder, Pigneur & al. 2010

Specialist area -Client demand for modularity and/or High expertise

(including Assets Based Consulting).

In red the elements specific for the specialist area.

<p>Key partners</p> <p>Software suppliers</p> <p>Hardware suppliers</p> <p>Platform suppliers</p>	<p>Key activities</p> <ul style="list-style-type: none"> • Current services-virtualization analysis • Ideas for different services • Modularity of new or existing services • Virtualisation and modularity analysis • Feasibility for consulting and clients • Assess profitability. • Experiment with customers 	<p>Value proposition</p> <ul style="list-style-type: none"> • Reduced costs • Specialists same activities as before COVID-19 but remotely • High Availability and support • Modularity • Training and coaching, advisory 	<p>Customer relationships</p> <ul style="list-style-type: none"> • Co-creation • Highly committed experts • Virtual engagement (trust in virtualisation) 	<p>Customer segment</p> <ul style="list-style-type: none"> • it depends on the nature of the consulting: existing and/or new. • those that need only a part of the expertise if modular with agility • Clients with critical issues to solve
	<p>Key resources</p> <ul style="list-style-type: none"> • Experience • Problem solving • Process analysis and reengineering • Agility delivery methods • Client collaboration 		<p>Channels</p> <ul style="list-style-type: none"> • Remote consulting 	
<p>Cost structure</p> <ul style="list-style-type: none"> • Independent consultant remuneration • Contractors • Platform fees 		<p>Revenue streams</p> <p>Consulting fees with: T & M project or modularity and daily or hourly rate (less risk of expected reduced fees; personalised + remote = F2F)</p>		