

Evolution of Management Consulting in Italy

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Abstract

The role of management consulting in Italy has progressively changed during the last two decades, as did the requirements from the clients.

Until the eighties Italian firms did not have in-house capabilities to define a full fledged corporate strategy. Entrepreneurs needed to be supported and guided by experts. Those experts were mainly consultants.

Nowadays, with markets changing at breathtaking pace and with easier access to knowledge and information, Italian firms have on average become more sophisticated.

Hence, what is often asked to management consultants is to support the implementation of a strategy already internally defined.

Keywords: Management Consulting; Consulting; Management Consulting in Italy; Consultants' Competencies ; Global Markets

1. Role of Management Consulting in Italy

The role of management consulting in Italy has progressively changed during the last two decades, as did the requirements from the clients.

With a bit of oversimplification, it can be said that until the eighties Italian firms did not have in-house capabilities to define a full fledged corporate strategy. Entrepreneurs needed to be supported and guided by experts. Those experts were mainly consultants, who most of the time were asked to define and set a coherent strategic plan.

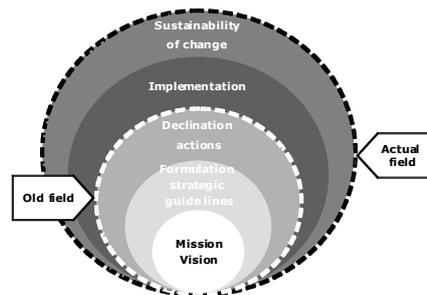
Nowadays, with markets changing at breathtaking pace and with easier access to knowledge and information, Italian firms have on average become more sophisticated and able to define a corporate strategy by themselves. Hence, what is often asked to management consultants is to support the implementation of a strategy already internally defined.

The scope of management consulting has therefore grown wider: from providing a "theoretically-sound" strategy, leaving the client with the task of put it into practice (mostly with mixed results), to developing a "implementation-oriented" strategy,

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thought and designed at the same time with the steps to make it real and effective. Consultants are required to foster and manage the change, focusing on identifying what should be changed (processes, competencies) in order to get the full potential from the strategy defined (Figure 1).

Figure 1: *Evolution of the Intervention Field of the Italian Management Consulting*



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To fulfil these tasks, outstanding relational and diplomatic abilities are required, in addition to solid analytical skills: often consultants have to deal with strategic choices heavily sponsored by part of the management, coherent and sound at first but that reveals potential flaws in the end. It is a delicate task to persuade managers to quit an option that might mean for them prestige and power.

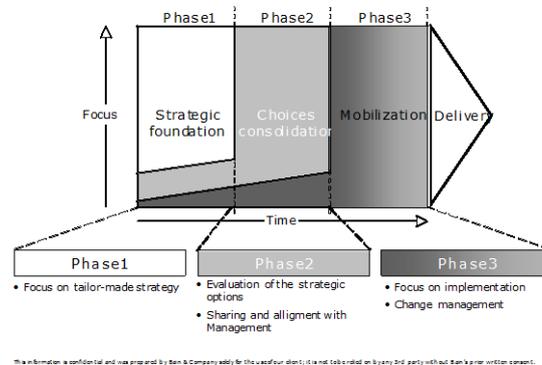
In a market environment where firms have become more sophisticated, the real competitive advantage resides not only in having a better strategy, but in being able to implement it, taking into account the organizational and process-related impacts. For instance, it is now widely accepted that the basis for a “good strategy” is the “re-thinking” of the whole value-chain; defining the actions for that (extension, in/out-sourcing, integration, value redistribution etc.) is difficult, but realizing it is by far a more complex task.

Indeed, it is exactly this task that consultants are asked to face: the ability to “design solutions” is a necessary but not sufficient condition; the consultant is evaluated also on his ability to create in and for the client organization the conditions to have an effective implementation of the choices made (people’s ability, processes, culture) and foster the effective spread of know-how in the client organization.

A typical strategic engagement is therefore structured on three phases (Figure 2):

1. assess the strategy defined by the client management (*Strategy Foundation*);
2. break down the strategy into a set of strategic choices, with the support of the top management (*Choices Consolidation*);
3. activate the whole organization to implement the choices made (*Mobilization*).

Figure 2: *The 3 Phases of the Verify and Implementation's Process of the Strategy.*



As far as the first two phases are concerned, Bain has developed a framework called “Profit From The Core” (PFTC). PFTC is based on the evidence that the long term success of a firm depends on having a clear definition of the core business and focusing resources on that.

Incidentally, many of the internally developed strategies lack this focus, and deploy resources to a bunch of unrelated initiatives that, on the long run, might undermine the solidity of the firm itself.

Sometimes instead corporate strategies have a too narrow view of what core business is, with the risk of losing opportunities in adjacent markets or not being able to adapt to the new market trends.

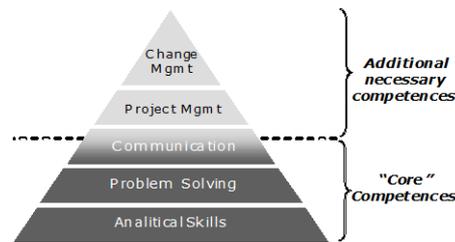
Within PFTC framework, Bain, together with the management, defines a coherent path to strengthen the firm’s core business, identifies possible adjacent areas to enter, and finally sets the relative strategic choices, in terms of products, markets, commercial and operational initiatives etc.

But the critical issues are in the third phase, where competencies of Project Management and Change Management are heavily needed. Consultants have to set up a detailed action plan, manage the internal communication of the strategy and define a governance and monitoring models for the internal working groups, in order to give management a quick grasp on the situation.

2. Evolution on the Competencies Required by Consultants

Following the changed priorities of management consulting, also the capabilities of consultants need to evolve consequently: the “classic” expertise in analytical tasks and problem solving, necessary to create innovative strategies, has to be integrated by a solid know-how in project management, ability in understanding and managing group dynamic, and capabilities to withstand and mediate the contrasting pressures coming from different part of the organization (Figure 3).

Figure 3: *Evolution of the Competence Required by Consultants*



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These skills are what clients increasingly identify as the real added value of management consulting: different from the internal resources, consultants can break the “barriers” between functions and departments, and breaking consolidated processes and behaviours is fundamental to realize the required changes.

But changes are possible only if accepted and “blessed” by the key people of the firm; hence consultants have to use their abilities of mediation, communication and networking with resources to create a positive momentum for the changes (Figure 4).

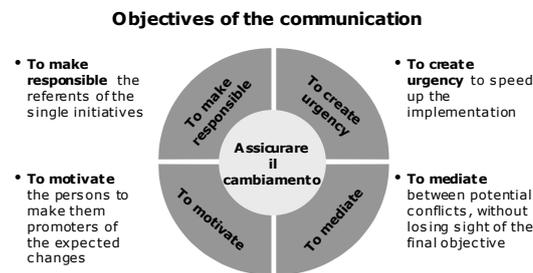
The image of consultants producing just theoretical solutions completely detached by the reality of the firm has changed into the image of a “hands-on” consultant, working side by side with client resources in order to define the activities to be done, deadlines and potential bottlenecks, but also to involve and motivate people, in order to minimize the natural resistance to organizational change.

This of course does not substitute but integrate the competencies expected from a consultant, among which the ability to provide an “outside-in” perspective: consultants are required to tell the client what market trends and expectations are, taken from his experience and objective view of the sector, that is very difficult to develop from inside the firm.

Nowadays this perspective is indeed one of the fundamental requirements, as “customer satisfaction” has become one of the typical “mantras” of corporate managers, striving for customer retention, his fidelization and his potential role as business promoter. This is true not only in the traditional areas of consumer goods industry, but also in areas traditionally not so sensitive on customer satisfaction, such as public services.

Of course, the change in the set of competencies required by management consulting is a complex process: usually a consultant is a person with an outstanding academic background, able to work many hours a day keeping high focus on his tasks; it is possible that his ego might be boosted a little bit too much; but this would possibly impair engagements where the key success factor is the ability to motivate and involve others and mobilize the firm towards the realization of the planned changes.

Figure 4: *Role of the Communication in a Change Management Process*



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3. Evolution on the Competencies Required by Consultants

Bain & Company has since long started to align towards the new requirements of the clients. For instance, as we strongly believe our mission is getting results to the client, we introduced pricing schemes based on success fees, defining with the client objectives beforehand and being paid for the objectives really achieved.

But, above all, we have been changing the profile of our consulting force, giving a high value to experience. On this regard, our actions can be divided into four areas:

- **Recruiting:** we recruit people not only among the most brilliant students of the best business schools, but also among people more senior and who have already had significant experience in industry or consulting.
- **People growth:** we have planned formal moments of training, knowledge sharing and people exchange between projects of different fields, in order to make people grow and develop the “toolkit” needed by a modern management consultant.
- **Working methodology:** our typical working methodology is having teams working constantly at clients’ premises, well integrated with their internal resources. This gives our people a strong exposure to firms internal environment, helping people to quickly understand their internal dynamics.
- **Retention:** our consultants have on average longer and more solid carriers compared to other consulting firms, so that we can maintain the experience level necessary for the change management challenger required by the clients.

Finally, we have tried to align our corporate values to the concept of “real value for the client”: for instance, a case team might change its members, or even its leader whenever new issues or unexpected criticalities occurred. In order to do that without creating tensions among people, we need to have an extremely united internal environment.

Therefore, our resources evaluation method has evolved. In the overall evaluation of consultants’ performance, the ability to being a team player, to foster both internal cohesion and customer loyalty is increasingly important; again, being

“just” a great problem solver is no more considered enough, by neither the clients nor our compensation system.

For the next years we expect that consulting firms will be increasingly specialized: some firms, among which Bain & Company, will be focusing on the whole “strategy activation” cycle (definition, implementation and control); other will be focusing on the efficiency of ICT-related processes.

As a conclusion, management consulting will be increasingly judged on its ability to make value-creation processes real. On this regard, it is clear how Bain & Company, the leading management consulting firm in Italy, has set a new market standard that all the other consulting firms will have to take into account.

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