

Digital, Transformed?

Emerging Trends Programme





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Executive summary



In the past, many clients saw digital as an optional consideration. That's now changed dramatically—even more so since the onset of the pandemic. Now, digital is seen as absolutely essential for both front and back-office transformation. It's a mandatory element of the customer engagement and experience strategy for any organisation; and likewise, businesses understand that it can be a vital catalyst and accelerant for operational improvement. Digital transformation is understood by clients to be one of the most effective ways of leapfrogging the competition, and that's driving huge demand for consultants who are able to offer advice and compelling propositions to deliver tangible results.

Kumar Parakala, GHD Digital



I'm of the view that the last 25 years of digital transformation should be seen as investment years. Industry, globally, was trying to figure out how to fully take advantage of the opportunities created by this new world. The result was a lot of failures—overwhelmingly more failures than successes, in fact, interspersed with just a few spectacular successes. But all of those failures represented an investment in human and institutional knowledge about what works and what doesn't work. Now, we're moving into a period of harvesting, as businesses and individual consumers start to reap the benefits of the technologies we've invented and everything we, as a society, have learned about how to use them.

Chan Suh, Prophet

It is impossible to tell the story of the evolution of the consulting industry over the past decade without acknowledging the central role played by digital transformation—a theme that has, arguably, done more than any other to shape the priorities of clients over this period. While the pace of digitisation has not been the same everywhere, it is difficult to find a sector or a market where clients are not acutely aware of the way in which the digital age has reshaped the priorities of their customers and their employees. Likewise, businesses have seen, in industry after industry—from retail to transportation, from media to telecoms—the way in which established market dynamics can be upended virtually overnight by the rise of digitally native competitors, whose disruptive business models take full advantage of the possibilities opened up by new technologies and new ways of thinking.

While digital transformation was undeniably a board-level priority prior to 2020, the COVID crisis has added a new degree of urgency and immediacy to these concerns. Many businesses had no choice but to dramatically speed up the digitisation of their workforces and their development of digital products and services, just to keep operating through the pandemic. Aside from accelerating the pace of transformation, the pandemic has also had a profound effect on the way in which digital is framed and contextualised. It has opened leaders' eyes to just how much institutional change can be accomplished within a relatively limited span of time—and forced them to raise their expectations for what their businesses are capable of achieving.

So, it's not surprising that consulting firms have sought to capitalise on their clients' interest in digital transformation by making digital services a key investment priority. Over the past ten years, we've seen firms of every stripe go out of their way to build



Methodology

Unless otherwise noted, the data in this report comes from a study of buyers of consulting services conducted in April 2021. This study consisted of a survey of 150 US-based senior executives, all of whom had personal experience buying consulting services within the last two years; 47% of them had worked with consultants in the last three months. All respondents in this study worked in organisations with 500 or more employees, and all currently occupied a Head of Department role or higher within their organisations. Further details about their employers and their roles within their organisations are shown in Fig. 0.2, Fig. 0.3 and Fig. 0.4.

Where necessary, we have also drawn on data from our global data model, a bottom-up model of the professional services industry that we use to size the industry. This model covers over 80 countries, and includes detailed data on almost 1,600 firms, as well as higher-level estimates for a further 400,000. Additionally, we have at certain points calibrated data against our annual Client Perception Study, in which we ask thousands of clients around the world about their views on firms that they have worked with or have considered working with. Except where noted, the data that we have used in this report refers specifically to the US market.

To better understand the ways in which consulting firms are facilitating the digital transformation of their clients, we also conducted a series of interviews with digital leaders in the professional services industry. A full list of contributors is available at the back of this report.

A selection of these conversations have been made available to subscribers of our Emerging Trends programme as an accompanying interview series. You can read transcripts of these interviews—and access interactive data visualisations and other additional pieces of content—by going to the [Emerging Trends platform](#) on the Source Global Research website. If you do not have access to this platform, please contact your account manager.



Figure 0.2

Respondents by sector

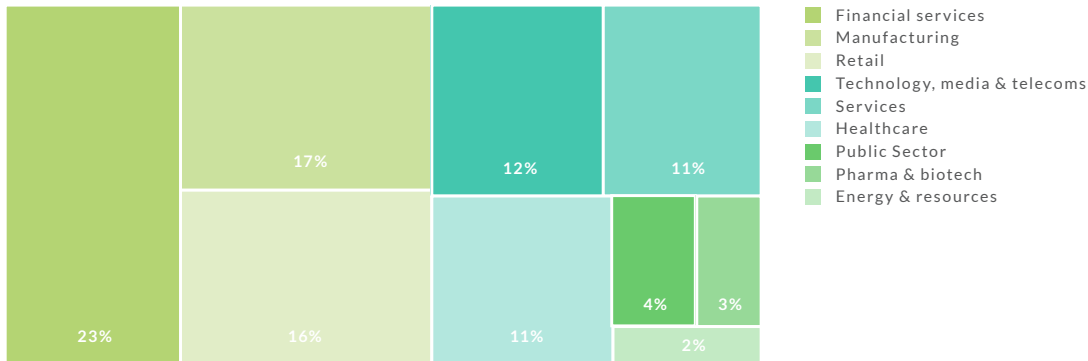


Figure 0.3

Size of clients' organisations in our sample by revenue

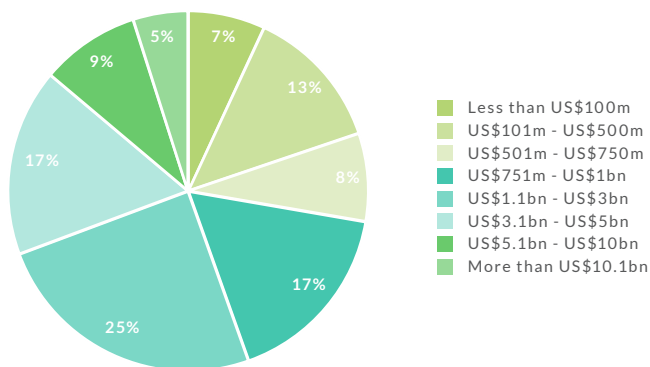
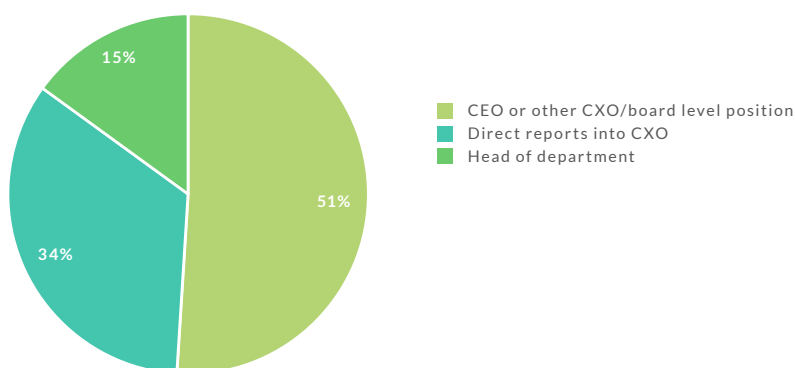


Figure 0.4

Sample distribution by job role





Section 1: What does “digital transformation” mean to clients?

In this section...

- While there are many different interpretations of “digital transformation”, the average client today feels that they have a strong understanding of the term and what it means in the context of their business.
- As digital becomes ever more pervasive, some consulting firms have questioned whether it’s still a term that they should be using—and whether there’s still a need for dedicated digital practices and digital offerings. We’re not there yet, but we may soon reach the point where it no longer makes sense to frame clients’ needs in terms of digital transformation.
- Clients have embraced a less linear way of thinking about digital transformation. The assumption that you have to invest in foundational digital infrastructure before moving onto higher level questions about digitising the front and back offices has been replaced by a “work with what you’ve got” approach.
- The experience of COVID has generated a lot of interest in how digital transformation can help to facilitate business resilience. But it’s also made clients a lot more ambitious than they used to be. It’s opened leaders’ eyes to the extent to which their organisations can reinvent themselves even within a limited timespan.



I would define digital transformation as business transformation brought about by technology. The transformation part needs to come first, not the technology part. You can't let the technology drive things; you can't focus on technology for technology's sake. Instead, technology needs to be understood as the catalyst for business change. COVID-19 has accelerated digital transformation by at least 5-7 years, with technology now becoming core to all business transformation initiatives, challenging traditional models and assumptions of every business.

Kuma Parakala, GHD Digital



Digital, in my view, isn't about humans or technology; it's about the amalgamation of the two. It's about how you marry human behaviours with technological advancements. I think that those of us working in digital transformation need to start paying as much attention to what happens 'with' the technology as 'in' the technology. Given where we are on the adoption curve right now, it's no longer possible to use technology itself as a differentiator; instead, the focus must shift to what you do with that technology.

Chan Suh, Prophet



Digital can mean many different things to different people. Personally, I think the simplest way to understand digital is to look at it as the intersection point when humans and technology meet each other. Digital transformation, therefore, is about how you bridge the human and the technology divide to drive step-change within an organisation, with the aim of creating long-term, sustained outcomes. That means that consultants working in this space need to have a strong understanding of both the human experience component and the technology component.

Jenny Koehler, PwC



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Section 2: What is the role for consulting firms in facilitating digital transformation?

In this section...

- Clients—even those with the most sophisticated internal digital capabilities—generally understand the vital role that consultants can play in enabling and accelerating digital transformation.
- There is particular demand for consultants who are able to bring a global and cross-sector perspective to the table, and who can help expose clients to digital trends and innovations they would not otherwise have visibility of.
- The commercialisation of data is the single most pressing digital challenge facing clients today, so consultants ought to make this a central pillar of their broader digital offerings.
- As clients' digital capabilities and broader approach to transformation continue to mature, there will be less need for narrow digital services that operate in isolation from each other. Instead, clients will be looking to consultants to provide ongoing strategic and programme management support, and to help them oversee complex and multi-layered portfolios of digital initiatives.



Transformation work must be results-driven. Sometimes, you'll have consultants come into an organisation and spend their time measuring everything and reporting to the client on all the ways their digital maturity has progressed. But who really cares about that as a goal? If a transformation has been truly effective, then you shouldn't need to be told that things are transformed; you should be able to see it for yourself in the impact on results and business outcomes.

Chan Suh, Prophet



In many industries, there's a significant gulf between the aspirations that clients have for digital transformation, and the reality on the ground. A lot of clients want to immediately make the jump to being a fully digital organisation; but that often isn't practical in reality. Part of the role of consultants, therefore, is to help clients prioritise their digital investment, and to make sure that they're going about it in a way that balances ambition and practicality.

Danielle Phaneuf, PwC



I'm increasingly seeing—especially at the CEO level—a pull for a more strategic and joined-up dialogue about the role of digital. One CEO recently asked me, 'How much revenue uplift could we achieve if we started making better use of consumer insights across all of our various business functions?'. Another asked me what digital capabilities they would need to improve their time to market; someone else came to me because they were interested in exploring new revenue streams and delivering new experiences that might have nothing to do with their core offerings. As a consulting firm, it's impossible to answer these types of high-level, strategic questions unless you're willing to break down the digital siloes within your own organisation.

Suraj Ramaprasad, Teneo



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Section 3: How can your firm best position itself to win digital work?

In this section...

- The competitive landscape of digital transformation work has become an increasingly ambiguous one, as consulting firms butt heads against a wider variety of competitors—including big tech.
- The ability to combine technical expertise with strategic thinking and project management capabilities means that consulting firms still have a competitive advantage in this increasingly crowded field, and they will need to lean on that advantage in order to carve out a distinct niche for themselves.
- The quality of a firm's digital ecosystem has become the single most important factor clients look at when trying to select a transformation partner. Consulting firms ought to be more vocal about their alliance partnerships, and their ability to use them to create value for clients.
- A firm's own level of digital maturity can play a major role in determining credibility with clients. The pandemic has accelerated the digital transformation of the consulting industry, and created a unique opportunity for consultants to use their personal experiences to build empathy with clients facing their own digital challenges.



If firms want to expand their footprint in the digital transformation market over the next few years, they will need to focus on developing the quality of their leadership. If you look at the senior managers and leaders within a typical consulting firm, those people have often been so busy working on client delivery that they've had hardly any time to train themselves and make sure that their understanding of the digital landscape stays current. Often, people in professional services firms fall into a trap of believing they know everything; but that's very far from the truth. Consultants need to continue learning and evolving over the entirety of their careers, and firms need to be proactive in making sure that their leaders fully understand that.

Kumar Parakala, GHD Digital



Clarity of brand is increasingly important for consulting firms, particularly when it comes to digital transformation work. I think that in the past, firms' propositions have occasionally blurred together a bit in the minds of clients—but that's not good enough anymore. Now, if you want to win work in this space, you need to find a way to differentiate yourself, whether that's through the capabilities and the sector knowledge you have access to, the ecosystem you've built, or the thought leadership you're putting out.

Danielle Phaneuf, PwC



We believe empathy building is one of the core skills for consultants working on digital transformation. Even when you're working on back-office focused initiatives, you have to remember that, at the end of the day, the processes and solutions you're building are going to be used and maintained by humans. Making a transformation stick comes down to your ability to understand the needs of users, and how people are going to be interacting with your technology stack.

Greg Picarelli, EY



Contributors

We are extremely grateful to all the people we spoke to for making this report possible. Below is a list of the individuals who have contributed (excluding those consultants and clients who wished to remain anonymous).

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A co-Founder and Managing Director of Source, Fiona is one of the world's leading commentators on the management consulting industry. Since founding Source in 2008, she has been bringing this expertise to bear on our clients' most pressing strategic projects and business issues.

Fiona has published a dozen books on consulting topics, including two for The Economist: Business Consulting: A Guide to How it Works and How to Make it Work and Buying Professional Services.

She has more than 20 years' experience as a management consultant, working primarily in the areas of marketing and strategy. She was previously in charge of strategic planning for EY in the UK and has worked in the consulting practice of PwC. Fiona also has a PhD in 17th century French art and lives in hope that it will be of practical use in business someday.

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Ed regularly speaks about the consulting market to leadership teams around the world, has lectured at Columbia University (New York), Imperial College (London), and Vrije Universiteit (Amsterdam), and he is regularly quoted by media including the Wall Street Journal, the Washington Post, the Financial Times, Bloomberg, and the trade press. Prior to joining Source in 2008, Ed spent seven years in various marketing roles for Sony Europe.

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Programme schedule for 2021

| Reports 2021 | | Market Trends Programme | Client Perception Studies | Emerging Trends Programme |
|--------------|-----------|---|---|---------------------------|
| Q1 | January | Forecasts for 2021 US GCC UK Nordics Canada | UK US | |
| | February | | Germany Financial Services | |
| | March | | Healthcare & Pharma GCC France | Buying and Selling |
| Q2 | April | France DACH Australia China Southern Europe South America Benelux South East Asia India Japan Eastern Europe & Russia | Nordics Energy & Resources Technology, Media & Telecoms | |
| | May | | China Japan | Digital, Transformed? |
| | June | | | |
| Q3 | July | Africa Energy & Resources Financial Services | | |
| | August | | Perceptions of Risk Firms Perceptions of Tax Firms | Investing for Growth |
| | September | | Perceptions of Audit Firms | |
| Q4 | October | The Global Tax Advisory Market The Global Risk & Cybersecurity Services Market Healthcare & Pharma Technology, Media & Telecoms Consumer Products & Retail Planning for Growth in 2022 | | Building a Trusted Brand |
| | November | | | |
| | December | | | |

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