

Consulting Domains – Trends and Challenges



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Consulting Domains – Trends & Challenges. The study of Consulting Domains, their trends and challenges was aimed at understanding how the consulting industry works, how the practices are organized and more specifically consolidate the domain wise trends.



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For this purpose, a two phased study was conducted. In the phase 1, a secondary research of the top 15 global consulting firms (as per the Vault Guide to Consulting 2008) as well as some top Indian consulting firms was carried out. The 7 domains which are presented in this article are a result of this thorough study of various domains as well as the industries these firms cater to. The domains that were shortlisted for the study included:

1. **HR and Organization**
2. **Marketing and sales**
3. **Strategy and Corporate Restructuring**
4. **Operations**
5. **Risk**
6. **Finance**
7. **IT and ITES**

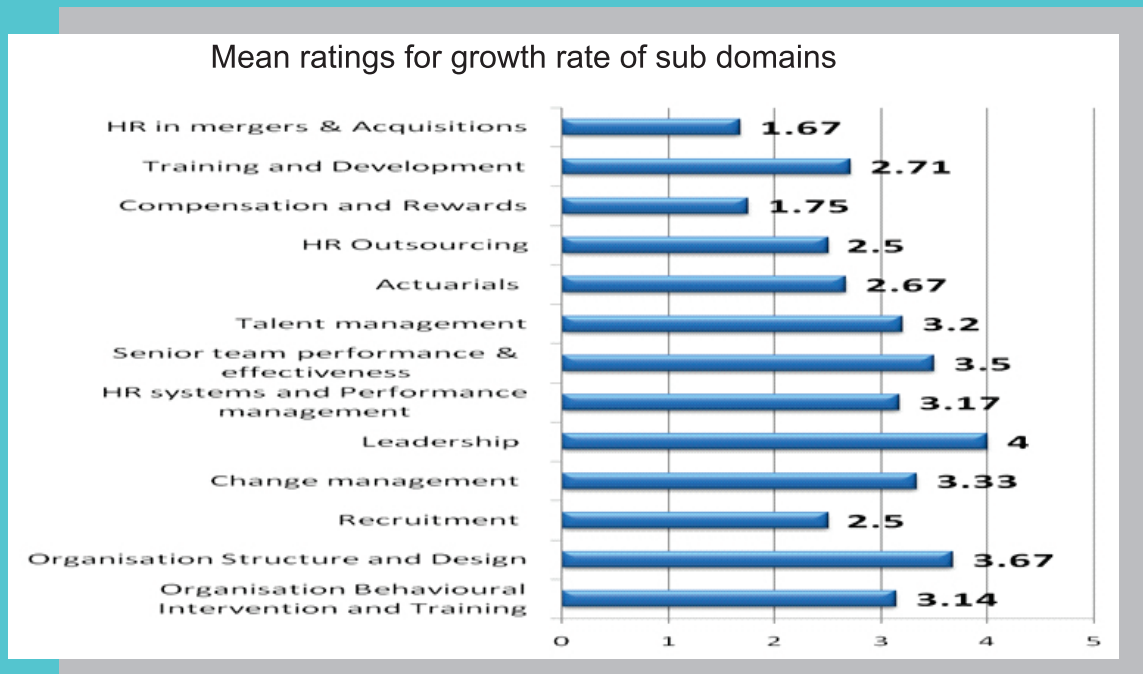
Based on the above classification of domains, a framework was obtained for the study of challenges and trends in consulting space. This constituted the second phase of study mainly carried out through primary research. The 2nd phase of the study included a detailed interview with an industry expert in each domain as well as an online survey to get the broader picture across the industry. Ahead, we dwell into the findings of the research done above:





1.0 HR AND ORGANIZATION

The growth rate for the different sub domains under HR are as follows:



According to Mr. Harry Walder, some of the sub domains that presently contribute significantly to revenue included the services for finding right people for the right job, getting right members for the board, Payroll, compensation and computer sourcing, Organizational study, Acquisition and merger integration – structure design and people role, Talent management and mapping and Organizational models and design.

On the other hand the future would see sub domains like Restructuring – having a relook at HR practices, Outsourcing, Acquisition and mergers, Talent management, Independent board member selection and Training and development, experiencing high growth rates with the first 3 likely to show growth rates of 20% each.

A major issue facing organizations today is attrition rates. According to Mr. Walder, “Attrition issues are quite important today, especially in top management, because it hurts the organization more when a senior and more responsible person leaves the organization. For this purpose, it becomes important to motivate the top management and define broader role challenges for them.”

Talking about the new services that are seen in the HR consulting domain, Mr. Walder mentioned that Outsourcing programs were catching up fast as also administrative programs – especially for MNC's. At the same time, the practices which are no longer in use in HR consulting domain are manpower utilization, redundancies and optimization.

TRENDS IN THE HR DOMAIN

- Mentoring to refine, develop and map skills of employees as well as to improve clarity.
- Flexible work timings and job sharing depends on the company's philosophy and methodology. Company will determine the pros and cons of each option before implementing them along with proper supervisory control.
- Leadership development is also being done along with alignment of people performance with business goals to resolve the collective needs of the organization like conflict, interpersonal and functional resolution.
- There is also an increased use of technology for communication in HR. This takes the form of intranet, e-mails and Webcasts.
- Intellectual capital and compensation management is done by setting a benchmark for the people and rewarding accordingly in an objective manner.
- Recognition, brand values represented by work culture, learning and growth opportunities play important role in employee satisfaction. These are being given adequate focus to ensure employee satisfaction.



CHALLENGES IN THE HR DOMAIN

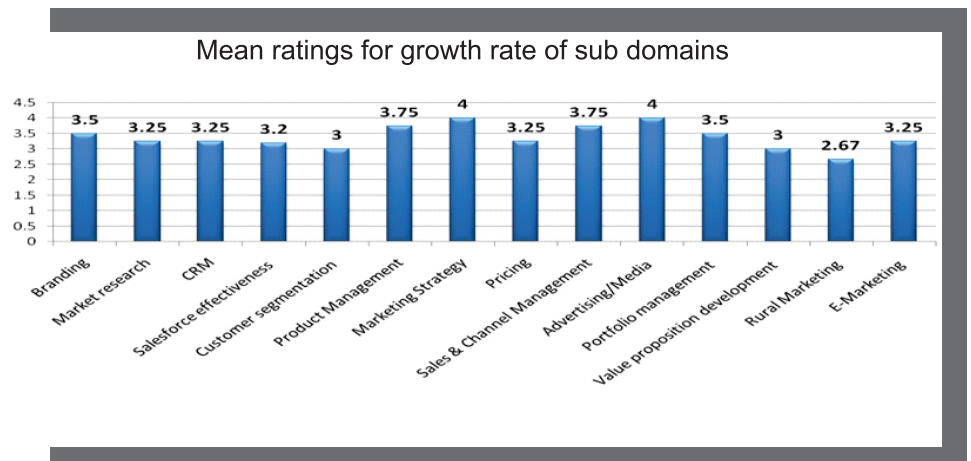
Challenges faced by consultants according to Mr. Walder are that of specialized services sought and the need for adequate staffing and support to cater to the specific needs of the clients. Also, for international firms, the costing has to be done at the Indian levels and hence the exact cost of the services offered is not easy to determine. While looking at the practical aspects, many consultants could get carried away by the theoretical aspects while offering their services. Hence, the practicality of the solutions needs to be tested.

The MNC clients need to select consultants at a global level. Many times, the Indian counterparts may not get the choice of consultants since it is decided by the parent firm. The client needs to clarify and crystallize the services required in the organization and explain it adequately well to the consultants and be in constant touch to ensure solutions beneficial to the organization. The consultants have to work in a team and yet in line with the thinking of the clients at the given time.

FUTURE TRENDS SEEN IN THE HR DOMAIN

According to Mr. Walder, "Lean organizations will be prevalent in the future. More focus will be on how to make the business more efficient. There would be more importance of vision, mission and values to the organization as also Leadership development, mentoring and coaching. Along with these, the future would see HR services in acquisitions and integrations and focus on cost efficiency."

Growth rate of the different sub domains of marketing would include:



According to Mr. Jagdeep Kapoor, MD and Chairman of Samsika, the most upcoming trends are in the sub domains of logistics, sales training, franchising, recruitment/replacement in sales and service industry, communication in the form of telecommunication, internet as also website designing. The main reason that these services would be big is that these provide 'continuous revenue'. This would be unlike the branding assignment which gives onetime revenue. "All these industries will be huge and would contribute significantly over the next 5 to 7 years", said Mr. Kapoor. "The revenue size of each of these industries would be approximately 5000 to 7000 crores", he added.

Trends seen in the marketing and sales domain according to Mr. Jagdeep Kapoor:

- Internet marketing will take time to pick up in India and may become huge over the next 10 years. This is because internet penetration as of now is very low in India.
- As for CRM, it is observed that many softwares and databases are in use by the organizations, but the implementation is not carried out properly. As a result of this generalized approach, there is lack of focus and there is not much value gained by the organizations by use of CRM. There would be need for specialized trained personnel who can accordingly make optimum and proper use of this technology.



GROWTH AREAS

Mr. Kapoor was of the view that the one major growth area would be in the space of market research, majorly 'qualitative'. The main reason for this is that qualitative market research is very specialized and hence many a times it gives a deeper insight into the problem rather than the quantitative method. There would also be a need for specialized training for the purpose of qualitative research and to conduct it successfully.

DECLINING AREAS IN MARKETING

According to Mr. Jagdeep Kapoor, Advertising has lost its charm in the domain of Marketing. The revenue has declined significantly in advertising from 15% to 2%. The major reason for this decline is that most of the advertising firms have diversified their offerings to include Public Relations, Event management as also market research. As a result, they have lost their focus on their main product offering i.e., advertising and hence, suffered.

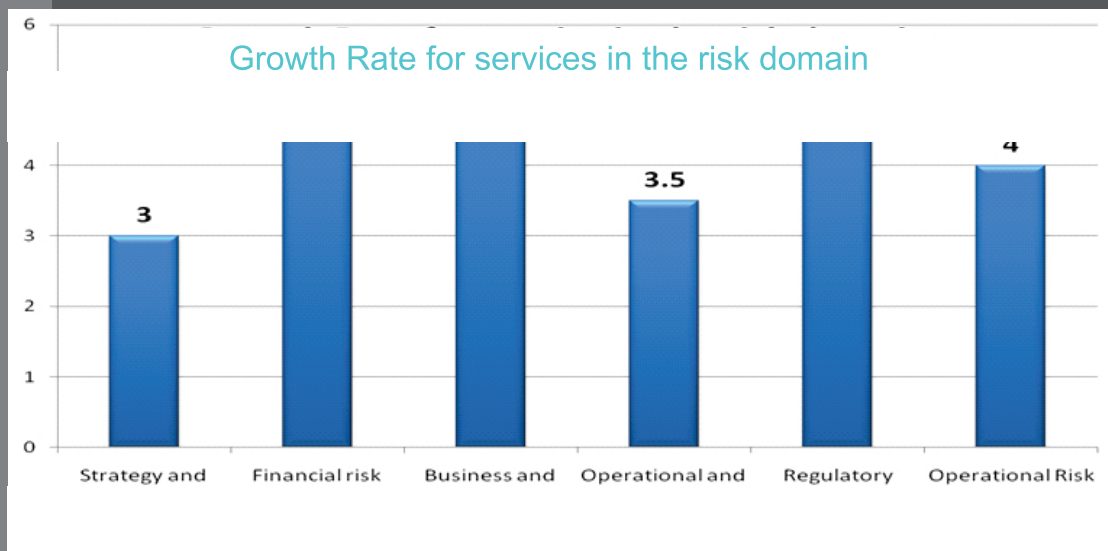
CHALLENGES

Challenges faced would be engaging personnel and training them to use software and databases enabling effective targeting. Another challenge is that while using e-marketing and internet marketing, technology and internet penetration to more houses in India is essential. Not many households in India have access to the internet and hence the organization needs to objectively determine what results the e-marketing or internet marketing initiative would gain. Marketers also need to understand the Indian individual market and provide them what they need. According to Mr. Kapoor, "It is important to make sure that the products that are launched are required and will be used. Only 5% of the products launched in the market are successful. It is imperative to understand the Indian individual market and provide what they need." In addition, many International models are now used in Indian markets. Introduction of the international successful models will pose its own challenges since India is a unique market in itself with the various cultural diversity and environment. These models cannot be exactly replicated in the Indian scenario.



3.0 RISK

The risk domain would see growth rate of the sub domains as mentioned below:



While talking about risk as a consulting domain, Mr. Hemal Shah, Associate director- Risk Advisory services of Ernst and Young, said "It is not a capability or a discipline which needs to be done as a routine. It is in fact an element that needs to be ingrained and accepted into the organization's culture." According to Mr. Shah, risk is specific and different according to the different sectors and hence the trends in the domain cannot be generalized.

GROWTH OF RISK

When asked about the growth areas within risk, Mr. Shah said, "Within risk, there is segregation as strategy risk, financial risk, operational risk and business risk. However, in terms of growth rate, these services cannot be segregated with respect to the revenues or growth rate since the market dynamics keep changing. As a result, relevance of the services offered keep changing. At a point in time, financial risk could gain more importance because of the economic and financial environment and at other times, operational risk could be more important. The overall growth rate for all the functions within risk could be approximated within 30 to 40%."

TRENDS SEEN IN RISK DOMAIN

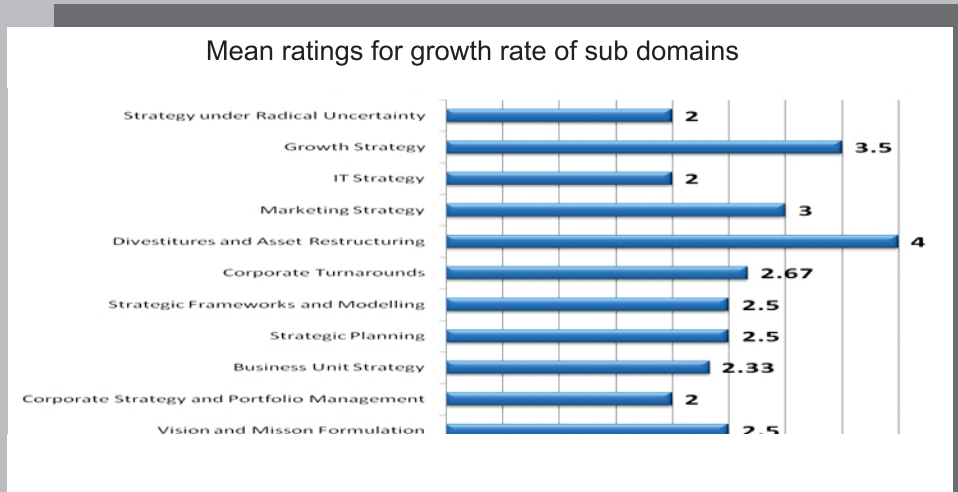
Mr. Hemal Shah firmly asserts that risk has only upside to grow. Over time, it has come to be accepted as a discipline and a function. Mr. Shah states that it is just a matter of time before risk is accepted as a part of organizational culture and is inbuilt within the company. Many companies are recognizing the need to be competent by taking calculated risks and are hence building up capabilities for risk management practice. However, it is the implementation of these capabilities and the policies that are of utmost importance. Within the domain of financial risk, Mr. Shah mentioned about Basel II regulations and that the key aspects that are present in financial services are maturity and liquidity. Especially in the financial domain, risk compliance and management is regulatory driven. The companies practice it because it is required of them.

CHALLENGES FACED BY THE RISK CONSULTING DOMAIN

- One of the major challenges is implementation of the practices, more specifically 'sustainable' implementation. The consulting companies need to be sure that the policies will result in control of risk in the long run.
- Risk should be considered as an entity which is intertwined with the entire business processes. Risk needs to be linked to other organizational functions viz. Balanced Score card, business performance, strategic goals, etc.
- The consultants face the challenge of having the proper technical knowhow and experience to cater to the clients requests of implementing the risk practices. Mr. Hemal Shah states, "Technical knowhow and implementation expertise would be of utmost experience. One example of this is the financial services which would continue to require implementation experience – there is a shortage of it in this area."

STRATEGY

Sub domains under strategy that would grow are depicted in the diagram below:



Speaking about strategy as a domain, Mr. Anil Naik said, "In strategy, consultants need to have knowledge and expertise, particular to the industries they cater to. A consultant will invariably approach the association or confederation of electrical engineering companies and offer solutions which are specific to the electrical engineering sector." This would be because each sector and each industry will have a unique way in which it operates and the solutions cannot be standardized or applied uniformly across all industries.

Mr. Naik expressed that in the Indian scenario, the majority of the companies are in the form of SMEs and hence the main service which is catching up is the developing of the business design for them. Mr. Naik said, "The consultants here can offer to develop a sustainable business plan by understanding the existing challenges in the market and more importantly by predicting and analyzing the future trends." This is primarily the role of consultant and it is one service which has already experienced growth in the range of around 15 to 20%.

Another change that has taken place is that the consultants are now understanding the entire business and its implications, future trends and accordingly providing everything right from a business design, vision, mission, and all operational and business strategy to the companies as a complete package.



If the top services is taken into account, taking into view the holistic nature of services offered, the sequence of offerings that consultants are now giving are:

1. Developing an external strategy for the organization
2. Assessment of the present organization in light of challenges that would be posed by the external strategy.
3. Identify the areas of improvement.
4. Offer solutions to the company and help them in implementation.
5. Monitoring to ensure that the solutions offered are giving the desired results.

There are a few services that have been discontinued from the offerings of the consulting firms too. One of them is evaluation of performance. The accounting approach of looking at strategy is now changing and consultants are looking at long terms growth strategies and not just short term profit getting strategies

CORPORATE RESTRUCTURING AS A STRATEGY

Mr. Naik maintained that corporate restructuring when coupled with adequate study of the external market acts as a powerful means for success to the organization. Hence, even during downturns, companies should look forward to buying out weaker companies and consequently add to their asset base. Mr Naik also mentioned that in strategy the consultants need to focus on external conditions and innovation so as to exploit the market condition. Research and development according to him should be a latter part. Once innovation is decided, then R and D efforts forms a part of internal strategy to the organization. As Mr. Naik cited, "There are 3 most important things that any organization should do to succeed viz, anticipate, innovate and excel."

CHALLENGES FACED BY STRATEGY CONSULTING DOMAIN

The major challenge faced by the strategy domain would include the inculcation and the development of the knowledge base of the consultants. The consultants need to continuously upgrade their knowledge regarding the ongoing situations in industry and the marketplace and merge the knowledge properly for success.





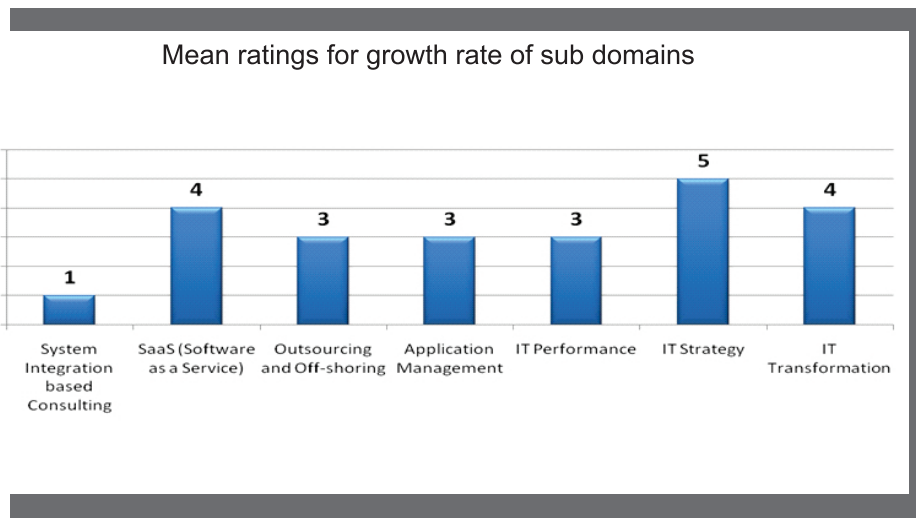
Another challenge is the globalised scenario that now the Indian consultants have to work under. The Indian enterprises are now exposed to a wider arena and hence, they need to understand and establish competition against a wider global angle. The entire structure of strategy consulting is dependent on the anticipation of future trends and then developing strategies accordingly.

FUTURE TRENDS

The future is more about globalization according to Mr. Anil Naik. Hence, a consultant needs to be able to handle foreign markets and identify opportunities in every situation.

The consultants would also need to identify the fast changing mindset of the consumers. The consumers would be more and more spoiled for choice in the solutions and products being provided to them and the consultants need to accordingly tailor their solutions to organizations.

IT and ITES is a growing sector and the sub domains which would contribute to growth would be:



Commenting on outsourcing in the IT space, Mr.Vivek Mehta, a Senior principal at TCS, said, "Outsourcing has emerged in a big way especially in the retail technology space. Most of the big players like Wal-Mart, Best-Buy and Walgreen have already outsourced it."

Regarding the upcoming practice of sale and leasing of data center services to small clients by IT giants like IBM, Mr. Vivek Mehta believed that while rental of hardware is catching up fast in medium and small sized Indian IT companies but as far as leasing of Data Centers is concerned, people in India are still apprehensive about it mainly due to security issues. However, he maintained that services like Data warehousing and Analytics are growing in the Indian Scenario.

When asked about the current slowdown and whether it would lead to a structural change in the Revenue model of Indian IT/ITES companies, Mr. Vivek Mehta said, "I personally believe that change in revenue model, from Man-hour format to Value delivery basis will be short-lived and very soon we'll witness the transition of Indian service providers into knowledge and Judgmental based collaborators from a conventional delivery based vendors."





With regards to pricing, Mr. Mehta said that at present, organizations would look only at consolidation of IT operations for a better price value proposition

Mr. Vivek Mehta said that at TCS, there was always a fresh view on the top and mid level management practices. Also, in order to consolidate the strong presence of TCS in the consulting and strategic advisory space, TCS has started giving emphasis to upcoming service models especially SaaS. (Software as a Service).

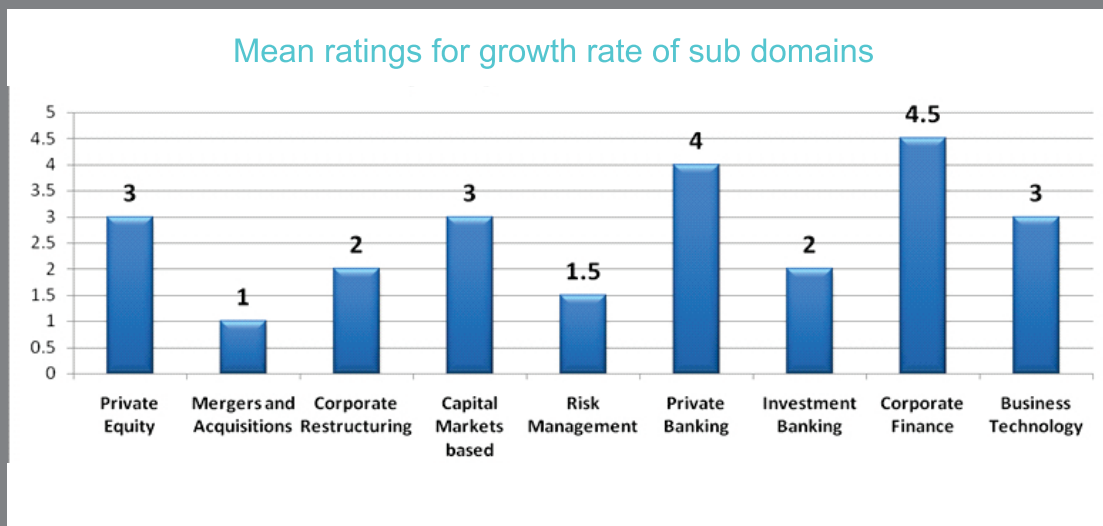
Mr. Mehta believes that the Small and Medium Business (SMB) level clients will be the ones who would be important in the IT space in India. Mr. Mehta says, "Right now me and my team are focusing on SMB level clients. We strongly feel that these players will be the key drivers of revenue growth in the coming future in an emerging economy like India." This is mainly because these SMB clients are currently burdened with the choice of hardware to make to propel their business. This is definitely not their core competency and this is where the IT companies step in.

Mr. Mehta believes that the companies need to focus not just on SaaS but also on IT as a whole and accept it as a service for the players. The IT companies need to work collaboratively with the clients. As Mr. Mehta himself puts it, "We want to be the partners in their growth story."



5.0 FINANCE

In the Finance domain, the growth rate for the different sub-domains was recorded as follows:



The trends in the finance domain with respect to the new services added were primarily management audit, statutory compliance support, knowledge management and financial restructuring. Tax practice and accounting services were discontinued from the offerings of Finance domain.

In the near future, a large chunk of the financial consulting business would flow in the form of corporate restructuring. Some respondents also felt that it is a prudent idea to divest under-performing businesses rather than spending the next economic cycle in reconstructing them. They believed that the downturn has changed many industries fundamentally, and once-strong businesses may emerge from the crisis in a weaker competitive position leading to more consulting business in terms of distress sale or corporate turnarounds. A large majority of companies are lacking a road-map to capitalize on the upturn thus depending heavily on consulting firms in this respect. Risk is a matter which every business had to deal with and companies will require better Risk management and contingency planning consulting to deal with future uncertainties.

Apart from these trends, a few other trends were mentioned by the respondents in the finance domain:

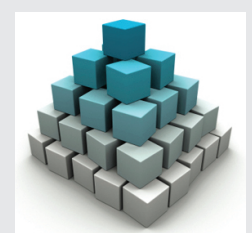
1. Strategic support for the MSME segment.
2. Cost optimization exercises.
3. Statutory compliance authentication.
4. Need for participation from the generation of investment idea to better design the capital structure for the client.
5. Switching of sources of long term capital.

The challenges that are currently faced by the Finance domain would include:

1. RBI and other regulatory hurdles.
2. Database of investors and borrowers are not available freely.
3. Unregistered intermediaries' role and services are not adequately paid for.
4. Most of the consultants presume that the assignment is concluded the moment the loan is sanctioned/ disbursed. They should make it a point to sail with the company and ensure that their credibility is not affected. In turn they would also be guiding the company in its initial years of Journey.
5. Getting the private equity funds to invest in the Indian real estate and hospitality sector at the right valuations.
6. As always, there will be a continual strive for cheaper cost of capital for clients by tapping newer sources of funds and products.

The future trends that would be seen in the finance domain would include:

1. Internet based data of borrowers and Investors will rise considerably.
2. Finance consulting would be a guiding force to the management in ensuring financial discipline coupled with strategic support for the sustained growth of an organization.
3. There would be acquisitions of semi-constructed / non-productive assets at lower valuations and turning them round to productive assets that enhance the bottom-line.
4. Investors are getting more selective in their investment therefore non-descript companies and first generation entrepreneurs would find it difficult to raise funds from capital market route. Disproportionate valuations would also be tested.



7.0 OPERATIONS

As per the respondents a few trends would be seen in the operations domain. Large manufacturing firms would move towards a globally integrated business model. IT organizations at the same time would spend on collaborative decision environments. Latest technologies adopted by the organizations would be for business value addition rather than just technological innovation. Trends like green/reverse supply chain would emerge fast for operational efficiency, to fulfill corporate social responsibility and achieve greater environmental compliance. Supply chain in the future would be demand driven rather than on forecast and would be competent to respond to demand fluctuations. Importance is also on the need for efficient collaboration between all partners in the value chain.

According to respondents, the new services offered under the operations domain in the last 2 years include Occupational safety and climate change; and Industrial engineering has been discontinued. The challenge faced by the operations domain would be that the Indian organizations are still not appreciating the importance of modern management tools particularly MSMEs. The future trend would include increasing the role of visibility, IT and lean manufacturing services.



ANEETA MADHOK, PhD, CMC, GPHR DIRECTOR



Dr. Aneeta Madhok, is Director at Open Spaces Consulting in Mumbai, India. A global professional, HR systems expert, people person, creative thinker & writer, much sought after speaker, academician of repute, behavioral scientist and experienced trainer.

She has served the Management Consulting Profession as President of Institute of Management Consultants of India and is currently Chairperson of the Executive Committee (2009-2011) the International Council of Management Consulting Institutes which she undertakes in an honorary capacity.

Dr. Madhok is a recipient of the British Chevening Scholarship from the U.K. Foreign & Commonwealth Office. She has received the

award for Best Faculty in Management from Bombay Management Association as well as NMIMS University. Her area of experience & expertise are in Human Resource & Organizational Development (with special acumen in Performance Management Systems, Behavioural Skills Training, Personnel Assessment, HRD Systems Design and Improvement) with proven success stories having provided various multinational, large & small enterprises with an innovative insights and solutions. Dr. Madhok is a Certified Management Consultant and a Master Trainer for the Global Professional in Human Resources (GPHR) Certification for the Society for Human Resources Management (SHRM). She is an accredited user of the Myers Briggs instrument of the Consulting Psychologists Press, and the DISC based assessment system of Thomas International.

Dr. Madhok qualified with an honors degree in Psychology from Delhi University and MBA in HRD from XLRI, Jamshedpur, and also has a PhD in Managerial Leadership from Punjab University in Chandigarh India. Her corporate career in India spanned over 12 years with the DCM Group's SRF Limited and FMCG major Marico and has worked in academics from 1993 to 2007 with NMIMS University as Dean of their School of Business and with SP Jain Center of Management as Dean, Center for Human Resources.

She draws upon ancient wisdom from India to throw light on modern day situations with clarity and conviction. Her approach has always been to create integrative and inclusive, holistic frameworks and perspectives for the work that she does. She is keenly interested in the ways that individuals integrate themselves with organizations and group dynamics in teams. In her research, teaching and consulting, Dr. Madhok looks for opportunities to translate management practice into theory and vice versa.

Dr. Madhok has consulted to the International Labour Organisation and has interacted in several national and international professional forums. She holds life membership of the Indian Society for Training and Development, Bombay Management Association, and National HRD Network. Dr. Madhok is also a fellow of IMCI and Sumedhas - Academy for the Human Context. International memberships include Society for Human Resources Management, USA and Dubai Human Resources Forum



O P E N S P A C E S

Corporate Strategy and Human Resources is the key to building businesses that are vibrant, competitive and well integrated. Sustaining and growing businesses that endure over the long term and delight in the short term is one of the biggest challenges faced by companies in today's context. Open Spaces Consulting has been set up by management professionals to meet the needs of companies today for transforming organisations and meeting these challenges.

At Open Spaces we believe that People and Strategy come first in any business. Almost all business issues can be worked with at these two levels. Success comes from building perspectives that move the organization forward and up the evolutionary path and also comes through implementing solutions to problems that arise in the normal course of business. There is a role to be played by external consultants who bring an objective point of view, in the facilitation of such perspectives and solutions. We see ourselves as partners with our clients in their growth and development

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