

MANAGEMENT CONSULTING JOURNAL



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WELCOME TO THIS ISSUE OF THE MANAGEMENT CONSULTING JOURNAL.

Welcome to the new issue of the Management Consulting Journal. There is a strong AI theme to this issue and we are delighted to include two papers written by post graduate students deemed worthy of 'distinction' grade at their Business School. Going forward we aim to publish more distinction level assignment papers from post graduate courses on consulting skills.

Also in this volume is John Tibble's illumination of the 'Chartered Management Consultant' qualification. Its inclusion in the Journal provides a connection between practice around this latest step in consulting competence/accreditation, and the consulting research/academic community.

We welcome Onno Bouwmeester and Lucia Noury to the MCJ editorial board. And thanks to Jeremy Webster, who has stood down from the editorial board. Jeremy played a key role through our inception and launch.

Finally, we have updated our authors guidelines (see managementconsultingjournal.com) to hopefully make it more straight forward for authors of full papers and shorter articles. We continue to seek insightful, logically written insights into management consulting sector and consulting practice, that are based on robust foundations. Thanks to everyone involved for their support.

Professor Simon Haslam
Founding Editor

THE NATIONAL CONSULTING INDEX 2023

Simon Haslam, Alan Blackman, & Claire Carey

ABSTRACT

The National Consulting Index (NCI) determines the strength of a national management consulting sector relative to other countries. It was first created in 2017 following research and analysis conducted at the International Council of Management Consulting Institutes (ICMCI). This paper provides an update to the NCI project and estimates the size of the management consulting sectors for several countries around the world. The paper also offers qualitative insight from some countries about the trends and dynamics of their management consulting industries.

INTRODUCTION

The National Consulting Index (NCI) determines the strength of a national management consulting sector (MCS) relative to other countries. It was first created in 2017 following research and analysis conducted by a team at the International Council of Management Consulting Institutes (ICMCI)¹. This 2023 project aims to refine and strengthen the computational model for estimating an NCI, to update earlier work to estimate the size of the MCS in each country for which data are available, and to use the data to learn more about the trends and characteristics of the national consulting market for each country represented by an ICMCI Member Institutes. The goal is to produce the world's most authoritative summary of the size and characteristics of the management consulting industry.

This paper provides an update on the NCI project and offers estimates of the MCS for many countries worldwide. The paper first outlines the project method and the derivation of the NCI. The results of the NCI research are shown in two parts. The first part shows the financial estimates (US\$m) of the MCS for the countries covered by the research. The second part reports insights from the ICMCI Member Institutes

in some countries. The paper concludes with a reflection on the NCI project and its implications for future research.

PROJECT METHOD

The National Consulting Index (NCI) determines the strength of a national management consulting sector (MCS) relative to other countries. It does this by creating a mathematically derived relationship between a range of data points that correlate with the size of the country's MCS. To do this, reference data for a range of countries where the MCS was already known was used, allowing the testing of a variety of variables via regression analysis, which ultimately led to the creation of the NCI equation. This reference data was for 2022 (the most recent full year for which data are available). The reference data was provided by Source Global Research (SGR)².

It is well recognised that the size of a country's MCS varies in proportion to the size of that country's economy (GDP). The global average is that a country's MCS is 0.275% of GDP (the global management consulting market is valued at \$286bn in 2022, compared to a global GDP of \$104,000bn). The NCI seeks to illuminate the factors that can show why a national MCS is proportionally higher in some countries than others. **Figure 1** (below) shows MCS as a percentage of GDP for fourteen reference countries (y-axis) against GDP (x-axis). The data show that MCS is a more substantial component of the economy in some countries, though there is no obvious pattern that could explain it. The NCI project aims to provide a data-based method of making sense of this variation and, hence, a means of estimating the size of national MCS using the appropriate data points.



Data for 14 reference countries

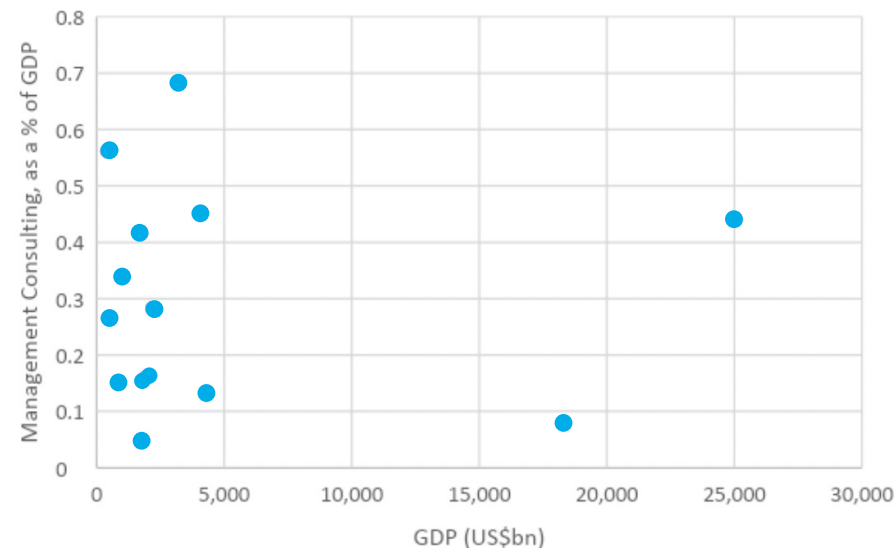


Figure 1: MCS as a percentage of GDP for fourteen reference countries (y-axis) against GDP (x-axis)

The method used to determine the NCI formula involves the following steps:

1. Acquire national consulting market size data on fourteen countries as a benchmark from Source Global Research (SGR). These countries were chosen to provide a size, geographical, and cultural spread (see **Table 1**).

Country	MCS estimate US\$m
USA	110,009
UK	21,882
Germany	18,144
China	14,647
Australia	7,175

Canada	6,219
Japan	5,626
Netherlands	3,346
Italy	3,236
Brazil	2,993
Singapore	2,377
Turkey	1,284
Austria	1,241
South Korea	809

Table 1: Adjusted SGR data showing 2022 MCS values for the fourteen reference countries

¹ For the background to this research project see Haslam S, Bodenstern R, and Abdel Jaber T, (2020) ICMCI National Consulting Index; estimating the size of management consulting markets around the world, Management Consulting Journal volume 3.1
² <https://www.sourceglobalresearch.com>

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2. Undertake a review of available literature, including the previous NCI analyses, to identify economic and socio-cultural measures that might relate to national management consulting activity. The variables used in the analysis included Hofstede's Individualism-Collectivism score (HIDV), the Index of Economic Freedom (IEF), the V-Dem Electoral Freedom Index (VDem), the National Gross Domestic Product (GDP), and the National GDP per head of population (GDPpc). Other variables were considered but rejected as they were not global in their coverage or were dated³.

3. Use data around these variables for the fourteen reference countries to test correlations by linear regression modelling. SGR MCS data⁴ was used as the dependent variable, and the other correlated variables as independent variables.

4. Identify the best regression model to use as the NCI formula for estimating the size of national management consulting markets (MCS).

Analysis showed the NCI equation to be:

$$\text{LnMCS} = -6.614 + \text{HIDV} * 0.028 + \text{IEF} * 0.057 + \text{VDem} * -1.755 + \text{LnGDP} * 0.995$$

$$+ \text{LnGDPpc} * -0.365^5$$

$$\text{Regression result} = R^2 = .927, F(5,8) = 20.22, p = <.001$$

5. Use the resulting NCI formula to estimate the national market size for management consulting in other countries (beyond the fourteen reference countries). Where a country could not provide the data around the NCI variables (HIDV, IEF, VDem, GDPpc), the MCS was estimated as a 0.275% proportion of GDP.

The MCS size calculations were then sent to each ICMCI Member Institute with an invitation to indicate their agreement or otherwise with the MCS size estimate for their country and for commentary that could explain any variations and identify and explain market trends. The quantitative data provided by ICMCI Member Institutes is shown in Table 2 (below).

A limitation of the regression thus far is that the number of datasets used as the dependent variable is too few for a stable prediction model. Therefore, to improve the reliability of the NCI formula, the number of datasets purchased will be increased to 25, the minimum number recommended (Tabachnick & Fidell, 1996⁶).

Project Results and Discussion

The results section is split into two parts. The first reports quantitative data from the NCI project, and the second gives additional qualitative insight into various national consulting sectors

QUANTITATIVE RESULTS

The 2023 NCI project has provided estimates of the financial value of national management consulting markets by three methods. The three methods are 1) using the reference data from Source Global Research - SGR (this is the most robust of the three methods of determining MCS); 2) by NCI calculation (the NCI equation is based on SGR reference data, and this is the second most robust method of determining MCS); and 3) approximating MCS as a proportion of national GDP (this is the least robust and is useful where data needed for the NCI calculation are not present for that country). Table 2 (below) shows the MCS estimate (US\$m) and which of the three methods (SGR, NCI or GDP) was used for the estimate. Where IMCs provided their views/data on their

national MCS, they are shown in the IMC data column. One column shows the national GDP (US\$bn) for those countries in the analysis, this is used to determine the NCI score for each country – this is the proportion of a country's GDP that is management consulting sector.

The higher the NCI score the stronger, relative to the local economy, is that country's management consulting sector.

These data represent the most comprehensive publicly available estimate of the management consulting sectors worldwide.

Country	MCS estimate US\$m	MCS source	IMC data	GDP US\$bn2022	NCI
USA	110,009	SGR	329,000 ⁷	25,035	0.0044
UK	21,882	SGR	17,811 ⁸	3,198	0.0068
Germany	18,144	SGR	46,051 ⁹	4,031	0.0045
China	14,647	SGR	12,474 ¹⁰	18,321	0.0010
India	9,764	NCI		3,486	0.0028
Australia	7,175	SGR		1,724	0.0042
Canada	6,219	SGR		2,200	0.0028
Japan	5,626	SGR		4,300	0.0013
Netherlands	3,346	SGR	1,465 ¹¹	990	0.0034
Italy	3,236	SGR		1,997	0.0016
Saudi Arabia	3,047	GDP		1,108	0.0028
Russian Fed	3,046	NCI	1,876 ¹²	2,133	0.0014
Iran	3,007	NCI	1,000 ¹³	1,973	0.0015
Brazil	2,993	SGR		1,894	0.0016
Switzerland	2,634	NCI		807	0.0033
Singapore	2,377	SGR		423	0.0056
Chinese Taipei	2,277	GDP		828	0.0028
Sweden	1,682	NCI		603	0.0028

3 This project is indebted to the efforts of Reema Nasser and Khuzaima Zaghlawan for data sourcing and to ICMCI Board members Robert Bodenstern and Tamara Abdel-Jaber for their guidance.

4 SGR data is based on medium and large consulting enterprises. To account for the full MCS, including the 'long tail' of small and micro consulting enterprises, a 25% increase on MCS figures supplied by SGR was factored in.

5 Due to a significant positive skew in the national data purchased across countries, the natural log (Ln) of GDP and GDPpc data were used in the regression.

6 Tabachnick, B. G., & Fidell, L. S. (1996). Using Multivariate Statistics. Harper Collins.

THE NATIONAL CONSULTING INDEX 2023 (CONTINUED)

Country	MCS estimate US\$m	MCS source	IMC data	GDP US\$bn2022	NCI
Thailand	1,621	NCI		534	0.0030
Ireland	1,568	NCI		520	0.0030
UAE	1,386	GDP		504	0.0028
Egypt	1,290	GDP		469	0.0028
Turkey	1,284	SGR		853	0.0015
Austria	1,241	SGR		468	0.0027
New Zealand	1,111	NCI		243	0.0046
Denmark	1,062	GDP		387	0.0027
Pakistan	1,029	GDP		376	0.0027
Hong Kong	1,013	GDP		368	0.0028
Philippines	955	NCI		401	0.0024
South Africa	864	NCI		411	0.0021
South Korea	809	SGR		1,734	0.0005
Israel	741	NCI		527	0.0014
Bangladesh	726	NCI		460	0.0016
Finland	723	NCI		281	0.0026
Nigeria	635	NCI		504	0.0013
Hungary	598	NCI		184	0.0033
Kazakhstan	416	NCI		224	0.0019
Dominican Rep.	309	GDP		112	0.0028
Romania	302	NCI	769 ¹⁴	300	0.0010

Algeria	259	NCI		187	0.0014
Bulgaria	143	NCI		85	0.0017
Jordan	131	NCI		48	0.0027
Serbia	128	NCI		63	0.0020
Cyprus	106	NCI		27	0.0039
Zimbabwe	105	GDP		38	0.0028
Croatia	78	NCI		69	0.0011
Trinidad & Tobago	77	GDP		29	0.0027
Haiti	55	GDP		20	0.0028
West Bank & Gaza	51	GDP		19	0.0027
Jamaica	44	GDP		16	0.0028
Mongolia	33	GDP		16	0.0021
Guyana	41	GDP		15	0.0027
Moldova	38	GDP		14	0.0027
The Bahamas	35	GDP		13	0.0027
Rwanda	33	GDP		12	0.0028
Kosovo	25	GDP		9	0.0028
Armenia	21	NCI		18	0.0012
North Macedonia	20	NCI		14	0.0014
Barbados	15	GDP		6	0.0025

Table 2: 2022 MCS values and NCI scores for various countries around the world

7 IMC USA estimate

8 Estimate based on MCA (Management Consultants' Association)

9 Note - [Germany] value given in euros. Conversion made using data from <https://www.exchangerates.org.uk/EUR-USD-spot-exchange-rates-history-2022>

10 According to committee survey. Note - Value range was given (¥80-100B | \$11088-13860m. The mean value was listed for simplicity.

11 Note - [Dutch] value given in euros. Conversion made using data from <https://www.exchangerates.org.uk/EUR-USD-spot-exchange-rates-history-2022.html>12 Note - [Russian] value given in rubles. Conversion made using data from <https://www.exchangerates.org.uk/RUB-USD-spot-exchange-rates-history-2022.html>

13 Estimate includes considerations from other industries incl. mining, oil and gas, petrochemicals, food, & healthcare

14 According to 2021-2022 study

THE NATIONAL CONSULTING INDEX 2023 (CONTINUED)

QUALITATIVE INSIGHT

In addition to the MCS estimates generated through the NCI project, the IMCs in various countries offered qualitative feedback. They were asked to respond to the following questions:

What are the main trends and prospects for management consultancy in 2023? For example, do you expect the market to grow, stay static, or decline over the year? What sectors and subjects in consulting are growing?

The responses received are shown below in alphabetical order of country.

China – “In 2023, it is expected that the demand for digital transformation will increase, while the demand for management consulting in a single traditional field will decrease. Overall, the scale of China’s management consulting market is basically unchanged compared to 2022.”

Cyprus – “The management consulting will grow during 2023 despite the economic hardships and the high inflation due to the Ukrainian War. There is a growing interest for cyber security and certifications to ISO 27001. Furthermore, the sector of health is expected to rise as new hospitals are being built and public and private hospitals, clinics, and labs are interested in accreditation. Financial consulting has always been very strong but is expected to stabilise”.

Germany – “For 2023, we assume a further growth of 12%. Above-average growth will be seen in the consulting areas of sustainability and CSR, employer branding, restructuring consulting, IT data protection & data security, and corporate finance”.

Iran – “Based on the reports and trends, the growth of the consulting industry in 2023 will stay static as in the previous year. It is progressing and growing in the field of technology and artificial intelligence”.

Netherlands – “The demand for services from management consultancy firms is increasing, mainly due to the expansion of consultancy services and the filling of staff shortages at clients. For example, almost half of the consultants were brought in to fill a staff shortage. Turnover in the sector is therefore highly sensitive to economic cycles and reacts quickly to improving or deteriorating economic conditions.

Due to their many assignments with different clients, large consultancy firms are often better able to adapt to changing market conditions. For example, for self-employed people who often work as interim managers or interim professionals, deterioration often means cancellation of assignments and loss of turnover.

The demand for consultancy services has changed in recent years due to digital transformation processes of clients. New entrants such as accountants and IT consultancy firms are increasing competition. Rabobank expects parties to increasingly specialize in order to provide added value. Promising areas are sustainability and data. We expect the industry to grow by 5% in 2023”.

Philippines – “The management consultancy market in the Philippines is expected to grow in 2023. The growth will be driven by a number of factors, including: the continued economic growth of the Philippines; the increasing demand for digitization and automation in businesses; the growing need for businesses to improve their efficiency and productivity; the increasing focus on sustainability and ESG (environmental, social, and governance) compliance.

Some of the sectors that are expected to see the most growth in management consultancy in 2023 include: financial services; technology; healthcare; manufacturing; and retail. Some of the subjects in consulting that are expected to grow in 2023 include: digital transformation; operational improvement; risk management; strategy development; ESG compliance. Additional trends that are expected to impact the management

consultancy market in the Philippines in 2023: the increasing use of artificial intelligence and machine learning in consulting; the 8 growing demand for agile and iterative consulting approaches; and the increasing focus on sustainability and ESG compliance”.

Romania – “We expect the management consulting market to grow during 2023 and 2024 because there will be new EU Funds for 2021-2027 period. New calls will be launched in the next period. And we also have the PNRR plan with other funds that we have to use in a short period of time. So there will be new available funds for different projects”.

Russia – “Growth of IT consulting; increased demand for services related to strategic planning, organisational development, and professional assessment services. Continued contributions from financial consulting, tax, and legal services”.

CONCLUSION

The National Consulting Index is an ongoing project supported by the ICMCI. The intention is to further refine the project methodology in 2024 and continue to build a worldwide picture of the management consulting industry, both in terms of value quantification and the trends and characteristics various countries are experiencing.

For more information on the NCI project, contact the ICMCI or the authors directly.



MANAGEMENT CONSULTING IN THE ARTIFICIAL INTELLIGENCE – LLM ERA

Sai Krishnan Mohan

ABSTRACT

Management Consulting is one of the oldest and most well-established professional services across the world. Consultants have developed subject matter expertise and competency in a variety of areas such as General and Strategic Management, Financial Management, Marketing & Distribution Management, e-Business, Operations Management, Human Resource Management, Knowledge Management, Enterprise Performance Management, Business Transformation, Quality Management, and Information Technology. Information Technology as a discipline has evolved rapidly in the last three decades with software development paradigms and the advancement in artificial intelligence (AI) and machine learning (ML) technologies. The space of AI & ML technologies is rapidly evolving, impacting the way insights are arrived at, how decisions are taken, organization models, and organization structures. This article explores the challenges, new opportunities and potential changes to the ways of working for management consultants given the developments in AI, particularly with large language models.

INTRODUCTION

Modern management consulting is believed to have started in the 1890's with firms such as Arthur D Little and Stone & Webster (McKenna 1995) with corporate spending on management consulting increasing to the extent that AT&T and other organizations spending more on management consulting services compared to corporate research & development. Along with management consulting, the field of data and analytics has also been undergoing rapid evolution through the late 1900s and early 2000s. The arrival of the internet, IT, and globalization expanded the data volume and production of information at a competitive rate, resulting in a data explosion in the 2000s as per Shabana and Dr. Sharma's article in the Journal of Applied Sciences and Computations (Shabana & Sharma 2019). In this article, the author focuses on

the impact of the advancements in Artificial Intelligence (AI) and particularly Large Language Models (LLM) on the profession of management consulting.

EVOLUTION OF DATA SCIENCE & AI

Productivity in Data Science Projects

Data Science as a discipline has evolved considerably over the last few decades. At the turn of the 20th century, data science projects borrowed extensively from software application development projects in terms of methodology.

Steps for requirements development, design of application features, and validation were adopted for data science projects. Data scientists applied the application feature development concepts to create data features that would best meet the needs of the analytic model, such as in predicting the modeled outcome variables. Custom-built/hand-crafted analytic models were then enabled through tools such as H2O.ai and Auto ML, which took away the need for humans to go through the grind of model selection, model training/tuning, and validation. H2O.ai asked humans to specify the amount of compute, memory, and time to be used to solve the problem; H2O.ai and Auto ML applied multiple different modeling approaches, presented results of each, and recommended the best performing analytic model given a comparison of standard test parameters. The task of result interpretation from model output is then left to humans (Figure 1).

The advent of large language models took productivity a level further, eliminating the need for coding, feature selection, and feature engineering by pre-training analytic models on a large corpus of data already available (public domain). Leading organizations in the AI space, such as Microsoft, Facebook, and Google, got into the action with LLMs soon enough – with Microsoft investing in OpenAI, which had developed Generative AI based (GPT) technologies to create ChatGPT, Facebook creating and open-sourcing Lambda and Google which developed the Bard offering by using Lambda.

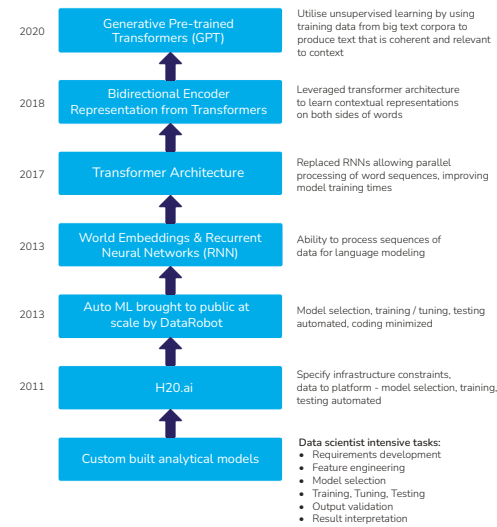


Figure 1: Evolution of analytic model development

ChatGPT has captured the imagination of the public at large. Generative AI reached over 100 million users in two months after the ChatGPT launch, while in comparison, smartphones took two years to get 100 million users after the launch of the iPhone in 2007 (Southern 2023). There have been varied reactions to ChatGPT. Jena McGregor, in an article with Forbes (McGregor 2023) titled 'ChatGPT starts changing work, non-linear career paths and Dilbert gets shown the door' stated that "It may be too early to know if the bots are coming for your job, but it's clear they're going to impact how you work."

In an interview with India Today, Manny Maceda, Bain & Company's worldwide managing partner, described the advancement in AI as an industrial revolution for knowledge work, with clients needing to rethink their business architectures. The article (Sharma 2023) further states that ChatGPT poses a risk to content writing, management consulting, and low-level coding jobs.

Given all the excitement with ChatGPT and Bard, there are also significant challenges. LLMs are known to hallucinate in abstractive summarization, generative question answering, and general data generation. In the article titled 'Artificial Hallucinations in ChatGPT: Implications in Scientific Writing' on PubMed Central (Alkaissi & McFarlane 2023), the authors state that despite ChatGPT's ability to produce convincing scientific articles, the material it produces is a mixture of facts and wholly false information. This raises questions regarding the reliability and accuracy of utilising extensive language models, like ChatGPT, in academic writing.

Cognitive biases influence and negatively impact AI design, such as in the examples of AI being used for shortlisting candidates for recruitment, excluding candidates from a particular gender in Amazon, as suggested by Mujtaba and Mahapatra (Mujtaba & Mahapatra 2019). Mujtaba and Mahapatra point out that the analyst's bias is transferred to analytical models through feature selection and feature engineering. Such examples work against the values of inclusiveness and diversity that organizations seek to uphold. As per the article titled 'Ethics of AI-Enabled Recruiting and Selection: A Review and Research Agenda' (Rahmat et al. 2023), there may be a gap between business ethics and actual AI recruiting applications which needs to be closed through theoretical and empirical research.

Difficulty in identifying potential errors or biases due to difficulties in interpreting the inner workings of LLMs is also called out by Jansen, Jung, and Salminen in the article 'Employing large language models in survey research' (Jansen et al. 2023).

Apart from these, data privacy, residency, and protection implications of training LLMs based on data available on the internet is a topic currently discussed by regulators and enterprises.

DATA PRIVACY & RESIDENCY

The definition of data residency (Day 2019) is "Storage of personal information within a region

MANAGEMENT CONSULTING IN THE ARTIFICIAL INTELLIGENCE – LLM ERA (CONTINUED)

where data is processed per laws, customs and expectations of that region (country/economic boundary)." According to the IAPP (IAPP 2023), you can decide how your personal information is gathered and used.

Government enforcement, class action lawsuits, financial penalties, and liabilities, reputational damage, and loss of customer and business partner confidence could be the organisational risks of failing to handle these components (IAPP 2023). So companies need to get data security and regulatory compliance right.

Data Security

DAMA defines data security as "the planning, development, and execution of security policies and procedures to provide proper authentication, authorization, access and auditing of data and information assets."

A roadmap for controls, rules, systems, and processes that protect data from diverse threats can be used to develop data security (de Groot 2022). Preventing data loss, preventing unauthorised access, ensuring data is safe and not destroyed, and ensuring the organisation and its reputation are protected, as well as the data assets, are some of the concerns that need to be addressed.

Data compliance (Risk Optics 2023) is the collection of procedures to ensure sensitive data is gathered, arranged, and handled to enable organisations to comply with their internal business rules and legal and governmental requirements. The scope of data compliance typically includes privacy and security.

Exponential growth and data – the need for governance

By 2025, global data is expected to increase by 61%, from 33 zettabytes to 175 zettabytes (Reinsel et al. 2018), according to IDC. The management of company data flows between systems and business divisions while maintaining an alignment between data and business is significantly hampered by this expansion.

The following are some of the seven security and risk management trends that Gartner highlighted for 2019 (Gartner 2019):

1. How crucial it is for leaders in security and risk management to communicate risk appetite and security issues to company decision-makers.
2. The establishment of security operations centers equipped with threat detection and reaction tools.
3. Frameworks for data security governance are used to categorise data assets and put data security procedures in place.

Therefore, a vital component of the whole data governance system is data security and compliance.

Data Management Challenges

Data Governance defines the operational parameters for Data Management, which may include policies, roles and stakeholders, standards, references, valuation techniques, and expectations for operational teams.

Data Governance and Strategy

One of the top strategic priorities for organisations (Profisee Group 2023) is data governance, which is significant for several reasons.

- Developing a Data Management Plan
- Utilising metadata
- Defining ownership and stewardship
- Ensuring data quality
- Maximising data use

Data governance is concerned with how information is gathered and managed inside an organisation. The focus of data management strategies was the integration of data strategy with business goals, establishing the value of expertly managed data, and delegating data management duties to specialised people.

Managing heterogeneous and scattered data throughout the life cycle is a typical difficulty for businesses; only then can the data governance

boundaries be watched over and managed. Additionally, industry-specific data risk and compliance standards may exist. Beyond storage and routine administration, there is a critical need for automating and responsibly managing data, including tagging, categorising, safeguarding, and preserving it. If humans mainly handle data management, it is expensive. Automation and data intelligence benefit enterprise data management capabilities (Raisch & Krakowski 2021).

Data Protection

Most nations have laws relating to data protection, and various agencies may be in charge of enforcing them. For instance, there would be huge differences in how data security applies to cable television, video privacy, children's information, and motor vehicle registration.

State-specific laws, such as the Driver's Privacy Protection Act (DPPA) of 1994, the Children's Online Privacy Protection Act (COPPA), and the Video Privacy Protection Act (VPPA), are now in place in the USA (Pittman et al. 2023).

Sections 43A and 72A [Mozota 2010] of the IT Act 2000 in India (Indian Information Technology Act 2000) provide compensation standards if personal data is improperly disclosed. The AADHAR Act (Unique Identification Authority of India 2016) protects confidentiality agreements and the use of personal data by any sector of the economy, among other things. Additionally, the right to privacy is acknowledged in Article 21 of the Indian Constitution as a part of the rights to life and individual liberty.

In recognition that almost all digital activities undertaken by individuals involve some sort of data transaction, the Government of India passed the digital personal data protection act, 2023 (Ministry of Law and Justice – Government of India 2023).

Data Residency vs. Sovereignty vs. Localization

It is crucial to differentiate between the terms as mentioned earlier. There are three degrees of a single concept about how data privacy affects

cross-border flows; for instance, GDPR law reaches far beyond geographical boundaries to give people more control over how firms use their data.

Data Residency is the term used to describe a set of regulations, compliance requirements, or policy considerations, including cross-border laws, relating to the geographic location of data storage like tax information and health records.

Data Sovereignty is the term used to describe how a country's geography and laws safeguard data. This is critical since 'data subjects' will have varying privacy and security protections based on their data center / hosting site. (For example, email or personal or business data archives). In addition to defining national rights and obligations, data sovereignty also defines stakeholder rights of access to data (such as government, corporate, person, affinity group, and social media data).



MANAGEMENT CONSULTING IN THE ARTIFICIAL INTELLIGENCE – LLM ERA (CONTINUED)

The term 'data localization' is becoming more widely accepted because the complete data life cycle is maintained within a single geographic border. It is the narrowest definition solely based on legal duties. As any transaction would require audit, validation, or verification, it is used primarily when creating and keeping personal data for audit and traceability. Several nations are developing data localisation and privacy laws. While the GDPR's data protection principles provided a foundation for the majority of them, there are regional variations.

DATA PRIVACY PRINCIPLES

The GDPR and similar laws provide guidelines for the ethical processing of personal data. For instance, if we take a look at the UK GDPR and the UK ICO (Information Commissioner's Office), which cites a 2016 EU regulation in article 5(1) that reflects seven crucial principles, we can see how EU nations use these principles to determine fundamental policies and guidelines on data privacy. The guiding principles are accountability, accuracy, integrity, confidentiality (security), purpose restriction, data minimization, storage restriction, lawfulness, fairness, and transparency. To address concerns about data privacy, boards might use these principles to establish a wide framework for enterprise governance.

AI'S VALUE CREATION ACROSS FUNCTIONS

Despite the previously mentioned challenges, AI is creating value across functions in activities required to automate tasks, consolidate, and synthesize information.

As per Michael Porter, the competitive advantage of the enterprise depends on how activities are organized and performed (Mozota 2010). Porter considered enterprise activity to create value on three levels: primary, support, and activities supporting the value chain of the industry [Mozota 2010]. Primary value creation activities are considered core to the value creation process

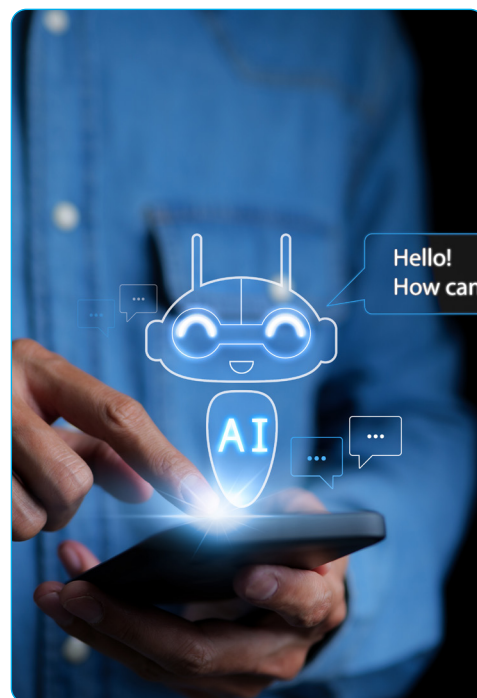
and include product / engineering package design and tasks such as marketing, production, delivery, and customer service.

Support activities include tasks including purchased materials, technology, resources (human and otherwise), and company infrastructure. Activities connecting the enterprise with suppliers and distributors are considered supportive of the value chain of the industry (Mozota 2010).

Based on this framework, AI-enabled value can be categorized as follows.

ENABLING 'PRIMARY' VALUE CREATION THROUGH AI

AI use cases from marketing, sales, production and operations are illustrated inline below.



Activites	Use Cases
Marketing & Sales	<ul style="list-style-type: none"> • Generation of social media and technical sales content (Schweidel et al. 2023). • Helping potential clients choose products and services (Ameen et al. 2020). • Analysis of customer feedback (Lee et al. 2022). • Flagging risks to sales KPIs and recommending the subsequent best actions (Kashyap 2017).
Production	Identification of production errors, anomalies, and defects from images to provide rationale (Yang et al. 2020).
Business Operations	<ul style="list-style-type: none"> • Streamlining customer support through process automation and agent productivity increase (Ng et al. 2021) • Customer support chatbot to resolve questions about products, including generating sales opportunities (Patel, 2020). • Review documentation, including contracts and service agreements, and highlight relevant risks and conflicts with rationale (Bravo 2021).

ENABLING VALUE CREATION IN SUPPORTING ACTIVITIES THROUGH AI

AI use cases from information technology enablement, risk management & and legal and human resource management perspectives are illustrated below (McKinsey, 2022).

Activites	Use Cases
Information Technology Enablement	<ul style="list-style-type: none"> • Generation of social media and technical sales content • Product/user guide creation, helping potential clients choose products and services. • Analysis of customer feedback. • Flagging risks to sales KPIs and recommending the subsequent best actions.
Operation, Risk Management & Legal	Identification of production errors, anomalies, and defects from images to provide rationale.
Human Resource Development	<ul style="list-style-type: none"> • Streamlining customer support through process automation and agent productivity increase. • Customer support chatbot to resolve questions about products, including generating sales opportunities. • Review documentation, including contracts, service agreements, and codes, and highlight risks and conflicts where relevant with rationale.

MANAGEMENT CONSULTING IN THE ARTIFICIAL INTELLIGENCE – LLM ERA (CONTINUED)

IMPLICATIONS FOR MANAGEMENT CONSULTANTS

ILO's framework for management consulting delivery by Milan Kubr (Kubr 2002) recognized the following competency areas (illustrated in Figure 2).

Figure 2: Competency areas in Management Consulting, ILO

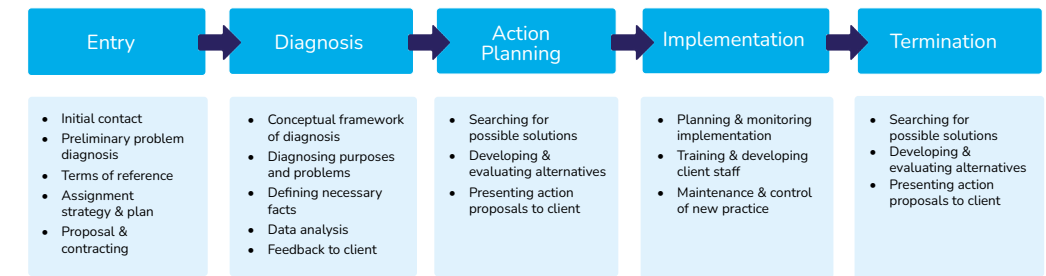


Management Consulting - A guide to the profession: Milan Kubr



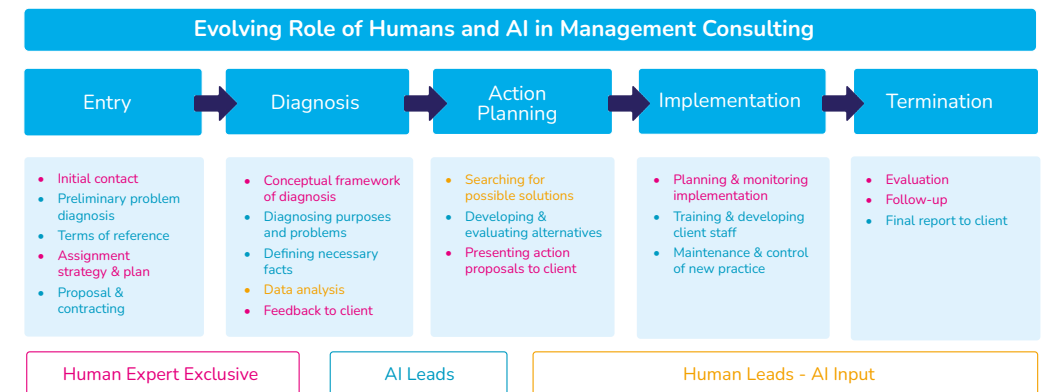
The AI use cases mentioned earlier are able to add considerable value in areas such as Operations Management and Human Resource Management. As mentioned by Kubr, the management consulting process consists of the phases and steps illustrated in Figure 3.

Figure 3: Steps in Management Consulting, ILO



AI can help marketers comprehend the activities, signs, and behaviour of their customers (Haleem et al. 2022). Marketers may therefore be enabled to quickly and effectively target the proper approach to the right person. Given the capabilities of AI, especially since the advent of LLM and technologies built on it such as GPT, and Bard, the author envisions management consultants utilizing AI in the process of management consulting, as shown in figure 4. Management Consulting is regarded as a people business (Aharoni 1997).

Figure 4: The evolving role of humans and AI in management consulting



MANAGEMENT CONSULTING IN THE ARTIFICIAL INTELLIGENCE – LLM ERA (CONTINUED)

Given management consulting as a people business, entry to client engagement & initial contact with the client can still be the exclusive purview of the consultant. The role of AI is elaborated in problem diagnosis in the healthcare domain (Shafi and Parwani, 2023) and opportunities for diagnostics in mechanical systems (Zhao et al., 2021). AI capabilities continue to develop for accurate problem diagnostics across industry domains and use cases. Hence, initial assessment of the problem space based on the client's brief can be the human's role in initiating the engagement. Management consultants can train AI / LLMs based on assignments completed previously and subsequently utilize AI to provide precedents for the problem statements/symptoms described by the client.

After this, standard terms of reference can be catalogued based on the types of assignments the consultant undertakes. Terms of reference may be retrieved through an AI-enabled process to help a management-consulting firm operate at scale.

AI's role is increasing in contributing to marketing strategy formulation (Eriksson, Bigi and Bonera, 2020) and as per Kiron & Scharage (MIT Sloan Management Review 2019) creating strategies with AI matters as much or even more than a strategies 'for AI'. Hence, equipped with preliminary problem diagnosis and terms of reference generated through AI intervention, the management consultant can devise an assignment strategy and plan aided by AI. AI can generate draft proposals based on templates provided by the consultant, which can be refined further by the consultant.

In the diagnosis phase, the conceptual framework for diagnosis can be generated from a human perspective. This framework can consider the people, process, and technology aspects of the problem including data & AI, supplemented by the preliminary diagnosis of the problem / opportunity statements provided by AI. With the establishment of necessary facts and data acquired, the data analysis phase can be led by AI through the use of Auto ML and LLMs. After the outcomes of the data analysis phase have been aligned, the consultant can give the client feedback on the problem diagnosis.

Both general and domain specific planning have been enabled through the use of AI (Hendler et al. 1990). In the action-planning phase of consulting, AI may generate solution patterns for the consideration of the consultant. Evaluation of the alternative solutions is the domain of the consultant with AI input, thereafter the consultant can present action proposals to the client for feedback and execution thereafter.

The role of AI in educating people (Chen et al. 2020) and in training & performance measurement (Jeffery 1983) has been postulated with considerable developments in the education technology sector (Zhang & Aslan, 2021). The consultant could carry out planning and monitoring implementation of the recommendations covering people, processes, technologies (including data & AI) with AI aiding the training and capability development activities through interactive interfaces.

Deep learning techniques are being used for predictive business process monitoring applications (Kratsch et al., 2021). The management consultant may lead maintenance and control of the new practices and client teams, with AI playing a role in monitoring whether the new processes and procedures are followed as intended in the company through the analysis of process workflows and logs.

Generative AI and LLMs are playing a role in summarizing text and documents (Bandi et al. 2023). The consultant and client sponsor can evaluate the engagement with Generative AI aiding the preparation of the final report.

As the capabilities of AI evolve and AI's ability to process natural language with LLMs, these capabilities intersect with the traditional ways of working deliverables from management consultants. As McKinsey's AI chief Alex Singla states, 'Problemsolving, creativity and change management aren't replaced by technology' (Chui et al. 2023). Given the improving capabilities of AI, it is imperative for management consulting firms and professionals to review / re-invent / reconsider their skills and professional opportunities.

OPPORTUNITIES FOR MANAGEMENT CONSULTANTS

Management consultants can utilize AI in the process of consulting in a core role with data analysis and in enabling roles in other phases, as described in the earlier section.

Given the improving capabilities of AI, the following opportunities may be considered by management consulting firms and professionals:

- Helping companies develop Tech strategy and AI stack aligned to business strategy
- Learning and development of staff in new skills such as 'prompt engineering'
- Guidance/counsel on data protection and regulatory compliance, given the evolving regulatory landscape regarding data protection (Mohan & Iyengar 2021)
- Developing concepts of data valuation in enterprise valuation for M&A, investments and other scenarios (Mohan & Iyengar 2022)
- AI triggered business model transformation of software companies
- Emerging Paradigms with Information Infrastructure and Information Security
- Enhanced knowledge management content and tech for 'point of use' applications
- Public Sector – Information Security and Infrastructure Strategies for National Security

SUMMARY

AI capabilities, particularly LLMs are rapidly evolving and increasingly intersecting with the processes and deliverables of management consultants. This development requires the attention of management consulting firms and individuals, to reskill and develop new value propositions for their clients. Management consulting firms and professionals can seek to embrace the rapid developments in AI capabilities by incorporating the use of AI in the consulting process, seeking maximum value to client from human and machine partnership in consulting.

Term	Description
AI	Artificial Intelligence
AT&T	Americal Telephone & Telegraph Company
Auto ML	Software package to automate machine learning processes
Bard	Google's conversational generative AI technology
ChatGPT	Artificial intelligence chatbot that uses natural language processing to create humanlike conversational dialogue
DAMA	Data Management Association
DataRobot	AI software company
DPDP	India's Digital Personal Data Protection Act, 2023
EU	European Union
GDPR	EU's General Data Protection Regulation, 2016
GPT	Generative pre-trained transformers – a class of neural network models
H2O.ai	Software company that develops open-source platforms for artificial intelligence
IDC	International Data Corporation
IT	Information Technology
KPI	Key Performance Indicators
LLM	Large Language Models
Lambda	Language model for dialog applications – developed by Google
ML	Machine Learning
RNN	Artificial neural network that uses sequential data

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MANAGEMENT CONSULTING'S BLACK HOLES: A QUESTION OF TIME AND SPACE

Cyril Kirwan

ABSTRACT

Performance improvement interventions undertaken by management consultants, like many others, can experience difficulty in ensuring that the bulk of the effort put into the intervention translates into the desired change. While consultants themselves are limited in what they can control once their work is completed, there are nevertheless activities they can carry out or at least initiate to improve the chances of change being brought about. Goal setting, self-management and action planning have demonstrated positive effects, particularly where behavioural change is required. Similarly, based on a tested model of learning transfer, other activities relating to peer support, manager support and external coaching can be encouraged and set in train.

INTRODUCTION

Regular debates within the world of theoretical physics have maintained awareness of the phenomenon of 'black holes', those spaces into which much energy disappears and from which little or none emerges. The 'parallel universe' of management consulting provides similar challenges. Not enough, it would appear, of the vast amount of resources spent on consulting interventions results in tangible and meaningful benefits for organisations. Yet there are ways of improving this situation. A major factor is the ability of the participants (clients) to generate the time and the mental space to make intentions a reality. This article discusses what can help do that.

THE ISSUE

In today's rapidly changing business environment, gaining and sustaining competitive advantage is critical for organisations' success. To that end, billions are spent in developing the necessary capabilities through a variety of individual, team and organisational consulting interventions. There is a widely held view, influenced by popular articles in the practitioner literature in particular such as Beer et al. (1990) and Kotter (1995) that the rate of

failure is of the order of 70%. Although this view is challenged (e.g. Hughes, 2011) there is nevertheless a strong sense that it is difficult for interventions to achieve all they set out to do in the face of a range of challenges. This is particularly true of the type of interventions that are the focus of this article – ones that require behavioural change – such as leadership development, team development or organisation development. In that regard, some rigorous studies from the world of Learning & Development (L&D), for example those of Brinkerhoff (2006) or Saks & Belcourt (2006) are not particularly encouraging either. In terms of the value organisations derive from these interventions, their studies estimated that only between 10% and 30% of skills and knowledge were being fully applied by people in the organisations they studied after the consultants had left. Therefore, there is clearly a need to close that gap. An opportunity exists for management consultants working on change projects to do more to facilitate the application of new learning back on the job. The process involved is known as learning transfer and deserves further attention.

WHAT IS LEARNING TRANSFER?

Learning transfer (or transfer of learning) is discussed in the literature as the generalisation of what is learned (e.g. skills acquired, knowledge gained) from interventions to the job context, as well as maintenance of that learning over time (Baldwin and Ford, 1988; Broad and Newstrom, 1992). For example, consultants may work with an organisation to incorporate a new way of formulating strategy. They may facilitate a team in clarifying its goals or improving its processes. Or a particular leader may now have a professional development agenda to implement. Ideally, each should involve the consultants 'leaving knowledge behind' to continue the process started and integrate that knowledge into the organisation's way of doing business, so understanding how that process works is important.

WHAT DOES IT LOOK LIKE?

It's not unreasonable for an organisation to want to know if investment in a change initiative has been

'worth it', hence the preponderance of outcomes-based evaluation. Yet a strong body of evaluation research, particularly in the Learning & Development (L&D) field points to the need to consider the impact of a range of factors on the final outcome (Aguinis and Kraiger, 2009; Baldwin, Ford and Blume, 2017; Bell et al. 2017; Bhatti and Kaur, 2010; Holton, 1996; Kirwan, 2005; Perez-Soltero et al. 2019). In summary, these factors primarily relate to individual participants (e.g. motivation, ability); L&D/change programmes (design, delivery); and the work environment (manager and peer support, organisational climate). One model of influencing factors drawn from the L&D world is shown in

Figure 1.

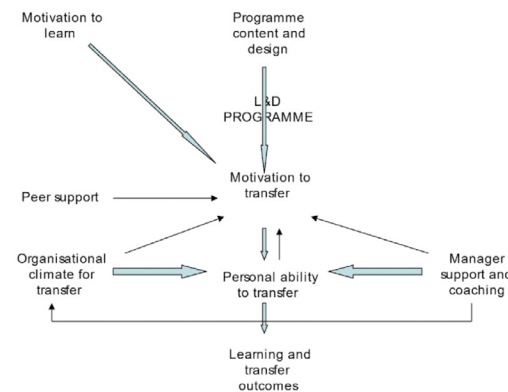


Figure 1: Model of learning transfer (Kirwan, 2009)

In this model, a participant's motivation to learn (the degree to which they are prepared to fully participate in the programme and learn from it) is important to begin with, as is their motivation to transfer (how keen they are to use that learning back at work). The extent to which they see the content as appropriate to their practical needs, and the way in which the design and delivery of the intervention facilitates them in transferring new learning back to the job also makes a big difference (programme content and design). However, there are other influential factors over which an external consultant will have little or no control. These are the work environment factors,

such as the extent to which peers (peer support) and particularly supervisors/managers (manager support & coaching) reinforce and support the use of learning on the job. In addition to these is the extent to which the work environment itself (organisational climate for transfer) helps or hinders the application of new learning. The various factors work together to facilitate the conditions for learning to flourish, by creating important time and mental space (personal ability to transfer) for learners. Maintaining these conditions over time has been shown to improve transfer and thus the return on L&D investment. The influence of and relationships between the above factors is well documented in a number of useful literature reviews and meta-analyses (Baldwin, Ford and Blume, 2017; Bell et al. 2017; Blume et al. 2010; Burke and Hutchins, 2007).

TWO KEY FACTORS

Of the factors studied, perhaps the one whose importance has been most clearly and consistently demonstrated has been individuals' motivation to transfer that learning. It makes sense. No matter how successful the intervention is (in the eyes of the consultant) unless people want to put that learning into practice it will be very difficult for this to happen. Nevertheless, research by Kirwan (2005) has identified what may be the key to translating that motivation into reality. His research highlighted the necessity for two factors in particular to be present for effective transfer – the participants' motivation to transfer (not surprisingly) but also their personal ability to transfer. The former is about how much effort one is prepared to put into using learned knowledge and skills back at work, while the latter concerns the extent to which individuals can make the time and 'mental space' in their work to apply that learning. The two factors work together, with the latter as the means by which the former can be translated into action. In the research, personal ability to transfer was the factor that correlated most strongly and significantly with actual learning transfer. Motivation to transfer is easier to generate but harder to maintain, so personal ability to transfer is critical. While it can be influenced by the support people receive from a number of sources such as

MANAGEMENT CONSULTING'S BLACK HOLES: A QUESTION OF TIME AND SPACE (CONTINUED)

managers, peers and the broader organisation (as per the model) there are a number of things consultants can do before they depart to help with this very important transition.

WHAT CAN CONSULTANTS DO?

For many consultancy assignments, the consultants' responsibility ends when the intervention is formally finished. However, their departure is often only the beginning of the process to embed new learning into the client organisation's way of doing things. Consultants can enhance their reputation (and their fees!) by improving the chances that what they leave behind will last. Firstly, they can reinforce the idea that there is a need for time and mental space to allow changes to happen (there's plenty of evidence for this). Secondly, before they depart, they can facilitate a number of transfer-enhancing activities, perhaps in the form of short workshops, to help generate that time and mental space. These 'bridging activities' don't add new content but rather focus on ways of sustaining new knowledge and skills acquired during the intervention. They include goal setting, self-management, action planning, enlisting the support of their manager and coaching. Above all, what they have in common is that they allow time for reflection.

Promote goal settings

Over the years, a significant amount of evidence has accumulated to suggest that setting clear goals to achieve specific ends makes achievement of those ends more likely. Not surprisingly, the situation is the same with regard to the application of learning. For a long time now, setting goals around the application of learning back at work has been demonstrated to have positive effects on the outcome (Wexley and Nemeroff 1975; Feldman 1981; Magjuka, Baldwin and Loher 1994). It is a process whereby the consultant, the programme participant and perhaps also their manager agree the achievement of certain application objectives by the participant following the intervention. For instance, following a leadership programme, a participant might have a goal to give feedback in a particular way to a specific employee, or to chair a meeting, and would monitor and record their use of these new skills. The consultant

can build in time at the end of the intervention to provide help in how to do this. It's more common for participants to set their own goals (the 'participative' strategy) but depending on the circumstances, goals may be set for them (the 'assigned' strategy). Wexley and Baldwin (1986) discovered that if they included a 45-minute session at the end of the programme on the setting of specific goals, it was seen to be more effective in promoting transfer than not having such a session, and instead leaving it to participants to 'do their best'. This is worth knowing as goal setting at the end of interventions can often be quite a rushed affair, with little time for reflecting on how the goals will be achieved.

The way in which goal setting makes application of new learning more successful is the same as for any other endeavour. By making transfer objectives clear (sometimes publicly so) and by considering the ways in which they'll be achieved, usually through considerations around specificity, measurability and achievability, participants can construct a very clear view of what success in application looks like. Once again, the process of reflection that is part of goal setting is also important, so activities undertaken at the time of goal setting that encourage reflection should also improve the probability of them being achieved. For this reason, putting goals in writing and/or testing them with colleagues can also be helpful. The amount of time given to goal setting will no doubt vary with the length of the intervention. A short workshop on a specific topic may complete the process in a matter of minutes. Deeper interventions, where more complex skills and knowledge are involved or where feedback needs to be reflected upon, should allow significantly longer. In these situations, one-to-one assistance from the consultant with goal setting can also be of benefit.

Have participants construct an action plan

An action plan, sometimes called a 'performance improvement plan' is, according to Cowan et al. (2010, p.18), 'a particular approach that helps participants apply what they have learned during training of their jobs.' Evidence for their effectiveness in transferring learning is provided by Foxon (1987) and Hollenbeck and Ingols (1990), among others.

It is essentially a statement of what the participant intends to do to enhance the chances of their learning translating into real changes in behaviour at work. While action plans can be constructed at any time, and don't even need to be part of a particular intervention, it is usually such an intervention (and the reflective time that accompanies it) that starts the learning transfer process in earnest. Writing down what one intends to achieve is the first step in meeting the commitment.

Drewitt (2008), for example, suggests that it can be part of a broader strategy involving the participant's manager from before the actual intervention. This doesn't always happen, but that reality need not preclude the consultant from giving time to it as part of the intervention. Wherever the process starts, experience has shown that the most effective action plans typically follow a thought process something like the following:

- Taking some time to think about what has been learned from the intervention. Consideration of inputs such as new models, frameworks or processes, personal experiences and observations, or discussions with others at various stages.
- Identifying areas in which success is already being achieved (it is important to remind oneself of this) as well as areas in which improvements might be made. This usually involves some prioritisation, focusing on areas that are felt to be important individually and to the performance of the unit/team, and where it is felt that efforts can have a beneficial impact. It makes more sense not to consider improvements in too many areas, perhaps limiting them to two or three. More often than not, setting too many goals will result in no goals being achieved. For each improvement action, a participant can be encouraged to ask the questions below to serve as a support for the thinking process.
 - What are the consequences if I don't take action?
 - What is my objective for this 'area for action'?
 - What are the obstacles to achieving my objective?
 - What help will I need to achieve my objective?
 - How will I know if I'm succeeding?

- What are the consequences if I don't take action?
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An additional benefit can be gained by discussing the draft action plan with a colleague, perhaps a fellow participant in the intervention. The role of that individual can be to 'reality test' the plan for its specificity, measurability or achievability (the SMART framework is often recommended). Changes to be made to the plan can be noted there and then.

Conduct a self-management/relapse prevention session at the end of the intervention

In essence, self-management is concerned with encouraging participants to consider as many issues as possible that might prevent their new skills or knowledge from surviving the transition from the intervention to the job, and to consider how they will deal with them. A self-management session can be facilitated by the consultant at the end of an intervention, and is likely to include some goal setting, as described above. It can be a valuable addition to an action plan. Once participants have outlined a plan and discussed it with a course colleague, the consultant may wish to introduce a session in which participants consider what faces them in terms of implementing their action plan when they get back to work, what difficulties they may encounter, and how they might be able to deal with them. Typically, this session builds on action planning and discusses (in plenary) issues such as how specifically changes in behaviour will be made, where resistance might come from, what they'll need from their manager, and so on.

If considered appropriate, this session can also use a concept that some researchers have looked at

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as a way of improving learning transfer. Relapse prevention, as it's called, was originally used with addictive behaviours and is based on the model of Marlatt and Gordon (1980). In theory, the model proposes that anticipating and monitoring past and present failures will enhance long-term behaviour change. The individual then develops a response to cope with high-risk situations following the original intervention. Increased confidence following the successful overcoming of the high-risk situation decreases the probability of relapse. One can imagine its use with negotiation skills training, for example. The session might focus on instances where application of the skills (declaring an interest, for example) doesn't produce the desired result (the other party declaring their own interest, thus setting the scene for progress). According to e.g. Burke and Baldwin (1999), relapse prevention sessions seem to have greater impact where the climate for transfer is less supportive. Other research around these concepts (Gist, Bavetta and Stephens, 1990; Richman-Hirsch, 2001) although conducted some time ago, has produced variable results, although the importance of goal setting and consideration of barriers and facilitators to application (self-management) is upheld. Both may need to work together for successful transfer.

Encourage participants to discuss change with their manager or a mentor

As can be seen from the model earlier, the support of a participant's manager has an important influence on their personal ability to transfer, and the maintenance of new knowledge and learned skills in the workplace. In an ideal world, and for some types of intervention, that manager would already be involved in the process, discussing desired outcomes and such. However, even if that hasn't happened, there is still a lot to be gained by involving them at this point. The consultant should strongly encourage this contact as soon as possible following the intervention. The action plan can provide the starting point for this meeting. How it will be implemented, what support is available, and what barriers need to be surmounted should all be discussed. Obviously, managers who are skilled in coaching are likely to be of the most help. In reality, of course, some managers can be reluctant to get involved in the process, so

in those circumstances the participant should be encouraged to take the initiative.

If a manager is neither willing nor suited to the task, an alternative can be to find a mentor, usually an experienced individual who is not a direct supervisor/manager. Mentoring is described (Giacomo et al. 2020) as a method to develop skills and knowledge for professional and career growth. In effect it promotes the transfer of knowledge, skills, and 'organisational acumen' from a more experienced employee to one less experienced. Mentors can be a rich source of information, experience and guidance. The consultant can provide input (which can be easily acquired) at the end of the intervention as to how to gain the most from it. Of course, in some cases mentoring may already be happening informally, and this should be considered, rather than 'forcing' another process on participants.

Encourage participants to support each other

A major benefit that participants very often report from shared learning experiences is the opportunity to form networks with people who have to deal with similar issues. Keeping in touch with those who have had the same experience has a number of advantages. Firstly, in the context of the action plan, pairs of participants may exchange plans and undertake to monitor each other's progress, providing timely reminders of promises made. They can also act as sounding boards or sources of advice for each other with regard to difficulties that arise. These can develop into 'communities of practice' (Lave and Wenger, 1991) which are groups of people who come together (with varying degrees of formality) to share their expertise to solve problems and provide mutual support. However, rather than leave the possibility of networking to chance (participants' actions don't always match their good intentions!) it is usually possible to set up these networks before the consultants have departed. Perhaps even check-in points can be agreed at this stage. The community's work may also involve the use of 'action learning sets' (Smith and O'Neil, 2003a; 2003b) to advance their problem-solving efforts. While the setting up of communities of practice and action learning sets is not normally part of the toolkit of even L&D consultants, there is an opportunity to add

value by providing specialist support (e.g. a team of external coaches) to an intervention here.

Encourage the involvement of an executive coach

The relatively recent surge in demand for coaching programmes in organisations is one indication of a recognition of the value coaching can provide. An effective coach can be of great assistance to an individual in identifying and meeting a variety of development needs. Coaching is essentially a practical, goal-focused form of personal one-to-one learning (Hall, Otazo and Hollenbeck 1999). It typically takes the form of a short- to medium-term relationship between a manager or executive and a coach, in order to improve the effectiveness of the former. Working with a coach is increasingly being seen as an effective way of creating the necessary time and mental space discussed earlier. Ideas can be tested, doubts surfaced, and advice sought regarding the best ways of navigating a changed landscape. Indeed, a coaching situation is the very definition of the creation of space for thinking and exerts its influence mainly on personal ability to transfer (Kirwan and Birchall, 2006). The option of external coaching as part of change programmes is increasing, and many consultants in other fields are seeing the value of collaborating with specialist coaches to help in the transition of new knowledge into practical application. On the surface, coaching may seem an expensive option, but the significant investment of time and money involved should be balanced against what the evidence suggests are equally significant learning and performance outcomes. Coaching interventions have the benefit of dealing with specific issues relating to specific situations, as well as being very flexible in terms of how they're conducted. In this way, both learning and learning transfer are taking place at the same time.

The amount of evidence in support of the value of coaching is increasing each year. For example, the International Coach Federation (ICF, 2020) reports yearly growth in the number of coach practitioners (some 71,000 by 2019) as well as a further 15,900 managers and leaders using coaching skills. This is heartening, as it suggests benefits are being reaped. A wealth of research on coaching outcomes is provided in a meta-analysis by Athanasopoulou &

Dopson (2018) as well as further work by de Haan et al. (2013) and Jones et al. (2016). Studies cited, many of which incorporated multisource feedback, indicated positive outcomes including enhanced leadership skills, reduced stress, higher ratings and improved self-efficacy, among others. Organisation-level findings such as heightened productivity and leadership effectiveness have also been observed. These recent studies back up early work by Olivero, Bane and Kopelman (1997), Hall, Otazo and Hollenbeck (1999) and Smither et al. (2003).

The role for coaching here is in helping to create the time and mental space for individuals to reflect upon and change their thinking and behaviour. In creating that time and space, they acknowledge the need to 'step back' mentally from the work, and establish trust, empathy and confidence in the coach's credentials. The coach encourages the client (the participant) to think through the issues under consideration, by asking appropriate questions to elicit facts, opinions and feelings,

and reflecting and summarising to help the client clarify for themselves what's on their mind. They help the client to identify options, perhaps broadening their perspective and getting them to see things in a different way. They can also challenge the client's thinking if they see that as a barrier to behaviour change.

CONCLUSION

In summary, there are a number of things that can be done to enhance the likelihood of new skills and knowledge being applied back at work following change interventions. Consultants can play an important role in facilitating this transition, particular while they're still directly involved and can have influence. Evidence clearly suggests that goal setting is an effective transfer strategy. While support for relapse prevention is mixed, self-management activities have been shown to be effective. It would seem that the key to learning transfer is around making conscious decisions about how the learning will be used and anticipating difficulties and generating strategies to cope with them in order to transfer learning. Help from 'fellow travellers'

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can smooth the path. Finally, manager support, mentoring and particularly coaching have all received significant attention, both in applied settings and empirical studies.

Given the evidence presented earlier concerning the return on consultancy investment, organisations can derive much greater benefits from that investment by improving individuals' personal ability to transfer – translating their learning into practical and meaningful behavioural change. While many of the factors to be considered are not under the control of consultants undertaking change interventions, they may be able to enhance the effectiveness of those interventions by helping to create time and mental space for clients to absorb and make practical use of what they learn. In this way will investment in the capabilities necessary to deliver competitive advantage be realised.

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THE CREATION OF CHARTERED MANAGEMENT CONSULTANT: A UK GOLD STANDARD FOR CONSULTING COMPETENCE

John P Tibble

ABSTRACT

This paper explains the creation and purpose of the Chartered Management Consultant (ChMC) award in the UK, outlines the preparation and initial launch of the accreditation, describes the growth to mid-2023 and discusses how continued growth is needed not just in volume of chartered practitioners, but in the diversity of the accredited community.

The paper describes the purpose and creation of the award, reviews growth and suggests where to focus next. The first part describes the two UK organisations who have been responsible for setting up and promoting the ChMC award – Chartered Management Institute (CMI) and the Management Consultancies Association (MCA) – and how the ChMC award supports their respective organisational *raison d'être*. The second part provides a timeline between 2017 and 2020, in the run-up to the global pandemic. The third part describes the promotion of ChMC and the setting of pace coming out of the pandemic. The fourth part reviews the channels and levers used to accelerate growth in the take-up of ChMC during late 2022 and early 2023; and reflects on how to balance growth in volume of uptake whilst maintaining an appropriately reflective blend of community diversity. The fifth part discusses the practical challenge of promoting an industry-wide standard in a hitherto-unregulated environment. The sixth part covers the case for a strengthened approach; and The seventh and final part covers closing comments and a possible approach to build on the success achieved by CMI/MCA to date, drawing on the CMI's IC arm.

CMI, MCA & CHMC – WHAT ARE THEY?

Rather than presume existing prior knowledge in this paper's readership of "CMI", "MCA" and "ChMC", the paper starts with some context-setting regarding the institutions involved and the professional status under discussion.

The Chartered Management Institute (CMI) is a professional institution for management based in the United Kingdom. It was founded as the British Institute of Management (BIM) in 1947, merged with the Institution of Industrial Managers (IIM) in 1992 to form the Institute of Management (IM), and gained a royal charter, and its present name, in 2002. The major membership classes are Member, Fellow (for those with significant expertise), and Companion (the most senior grade).

In addition to supporting its members, the organisation encourages management development, carries out research and produces a wide variety of publications on management interests. The institute also engages with government and other public bodies concerning policy on management and business-related issues.

The CMI itself advises that "...established in 1947 as the British Institute of Management, CMI was founded in the wake of the Second World War to help rebuild British industry. Our goal remains the same today as it was then: to raise the quality and standard of management in the workplace. Having developed the very first diploma in management studies, we have remained at the forefront of management training and thinking ever since" (CMI, 2023a).

The Management Consultancies Association (MCA) is the representative body for the UK's leading management consulting firms. For over 65 years, the MCA has been the voice of the consulting industry, promoting the value of consulting to business, the public sector, media commentators and the general public. The MCA's mission is to promote the value of management consultancy for the economy and society as a whole. The MCA's member companies comprise over 50% of the UK consulting industry and work with the vast majority of the top FTSE 100 companies and almost all parts of the public sector. The UK consulting industry is considered to be amongst the best in the world and is a critical part of the UK's business landscape.

Compliance with the MCA's tough entry criteria and adherence to the principles of Consulting Excellence means that MCA member companies are widely acknowledged to provide high quality services to their clients. In 2002, Her Majesty's Privy Council granted CMI its Royal Charter, designating CMI as the standard-bearer for the profession of management, meaning it is the only UK organisation able to award Chartered status (CMI, 2023a). So, if the CMI is "the standard-bearer for the profession of management", then what is the ChMC and why is it linked to the CMI and MCA?

The CMI website promotes the ChMC thus: "The Chartered Management Consultant (ChMC) accreditation is the highest status you can achieve in the management consulting profession. It provides a professional standard of career excellence for management consultants to aspire towards and clients to benchmark against" (CMI, 2023b).

The award was developed and is promoted jointly by the Management Consultancies Association (the trade association for UK management consultancy firms) and the Chartered Management Institute ("CMI", the UK Chartered professional body for management and leadership) (CMI, 2023b), with CMI owning the accreditation process and being the sole awarding body. However, that still leaves the question of why the CMI is promoting management consultancy, rather than just professional management.

Part of the answer lies in the CMI's responsibility for the Institute of Consulting (IC), the professional body for consultants and business advisers in the United Kingdom. It replaced the former Institute of Business Consulting (IBC) in January 2011, which was itself formed as the merger of two predecessor bodies, the Institute of Management Consultants (IMC) and the Institute of Business Advisors (IBA).

Further history of the development of a professional institute for individual consultants and then also corporate consultants as roles have

developed and economic conditions changed is not the purpose of this paper but is described elsewhere by the Centre for Management Consulting Excellence (CMCE, 2023).

It should also be noted that the UK's Institute of Consulting is a member of the International Council of Management Consulting Institutes (ICMCI) and both supports ICMCI's mission ("To build the profile, recognition and influence of the profession and its practitioners globally" (CMC-Global, 2023a)) and aligns with the ICMCI's promotion of the Certified Management Consultant (CMC) award, which was established over a decade ago, and is a globally-recognised common standard for the individual certification of professional management consultants (CMC-Global, 2023b)).

The CMC (awarded through ICMCI member organisations) and ChMC (awarded by CMI) are both competency-based awards and those seeking accredited status must evidence application of a wide range of skills and experience aligned with the CMC (CMC-Global, 2021) or ChMC (CMI, 2022a) competency frameworks.

It is not the aim of this paper to discuss the value and application of professional competency frameworks, since much continues to be written about the undoubted value of defining professional standards¹ and viable means of assuring against them.

It is, however, important to note that the setting up of accepted reference points for industry standards does not happen overnight, without investment – whether of community practitioner time, stakeholder organisation funds, professional goodwill and political capital – which ultimately needs to demonstrate a return, if a successful outcome is to be delivered.

Hence, having outlined the role of CMI, MCA and the nature of the ChMC award, the scene is set to understand the story of the set-up, launch and piloting of the ChMC, described in the following sections.

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SET-UP, LAUNCH & PILOT, 2017-2020

In 2017 CMI partnered with the Management Consultancies Association (MCA) in the UK to launch a new professional accreditation which was to be known as ChMC. The initiative was developed for the purposes of setting and maintaining the highest standards in the management consulting profession and creating an award which recognised consistent and high levels of professional competency and achievement (MCA, 2021a). This was to address client concerns that, unlike the Law or Accounting professions, Consulting did not have a protected status; so buyers of consultancy – whether offered by individuals or firms – needed to be able to refer to independently recognised high levels of professional competency and commitment to ethical standards (Consultancy.uk, 2021a).

The CMI and MCA planned for management consultants to be able to apply for Chartered status from autumn 2018 (CMC-Global, 2023c). CMI was appointed by the Privy Council as the Awarding Body (CMI, 2020).

CMI as the awarding body assessed the first group of twenty applicants in November and December 2019. From this group, six became assessors; a recognition of the need for CMI to prepare additional “assessment capacity” if the opening pilot facilitated by CMI staff was to ramp up into full production mode.

Thereafter, it was reported publicly by CMI on January 2020 that the first group of management consultants from across ten firms had been granted Chartered status (CMI, 2020). CMI highlighted that eleven management consultants achieved accredited status after completion of an independent assessment process. Successful candidates worked for a diverse range of consulting firms, large and small, which had been involved in building and shaping the ChMC award with the CMI and MCA. The ten firms involved had also worked towards securing professional accreditation for their firms’ in-house consultancy training programmes against the Management Consulting Competency

Framework, which underpins the ChMC (CMI, 2020).

At this point in January 2020, CMI anticipated that, with the pilot stage beginning and with various firms participating, including eleven MCA member firms, the Award was expected to be gaining momentum during the course of 2020, with the aim of being open to all firms and individuals interested in achieving Chartered Status. Any reader of this article with an eye to history will recognise that “early 2020” brought much of the globe a new and unexpected challenge.

Students of 1950s and 1960s British politics may recognise the name of Harold Macmillan, Prime Minister of the United Kingdom from 1957 to 1963. Reputedly, when asked what he feared most as Prime Minister, he replied ‘Events, my dear boy, events’ (Oxford Talks, no date). The events in this instance arose from the farreaching consequences for citizen well-being, corporate health and global disruption, caused by the outbreak of SARS-CoV-2, the virus that caused the coronavirus disease 2019 (COVID-19) and was responsible for the COVID-19 pandemic (Wikipedia, 2023).

Nevertheless, despite events, CMI/MCA were able to learn from the pilot phase and continue to prepare for the official launch. Consequently, the next section of this paper reviews the subsequent volume of applications and awards of chartered status, as CMI/MCA continued the campaign to grow the UK’s base of recognised consultancy professionals as the first year of the global pandemic unfolded.

2021 AND THE PROMOTION OF CHMC

Following a successful pilot phase, ChMC was officially launched in April 2021, when it was reported that “a new accreditation to grant consultants Chartered status is set to officially launch in the United Kingdom” (Consultancy.uk, 2021a).

At this point, it was also reported that by the end of 2020, over 350 management consultants had

been awarded Chartered status, while over 1,500 consultants from more than 20 firms were “on the journey” (Consultancy.uk, 2021a).

Moreover, as an illustration of the endeavours to create momentum in growing take-up of the ChMC award, in March 2021, ChMC-holders / CMI-qualified professional consultants, in conjunction with recognised industry bodies like the British Computer Society (BCS) / Chartered Institute of IT were promoting the virtues of becoming accredited as a Chartered Management Consultant (Naqvi, 2022).

By April 2022, it was reported that the ChMC was celebrating a year since its official launch, with significant growth achieved in its inaugural year and the number of consultants and firms involved doubling (Bloomberg, 2023). It was also noted that “to date, over 600 consultants have been awarded Chartered status with more than 3,000 currently on the journey. Sixteen firms have now had their training and development schemes accredited with a further 10 to be authorised to train and develop Chartered Consultants in the near future” (Bloomberg, 2023).

2022/2023 AND THE FOCUS ON GROWTH

The growth in take-up of a new concept can be a defining moment for communities or (more parochially) organisations in either the private or public sectors around the world (Owlcation, 2023). The key feature is arguably a transformational change brought on by new techniques, often technology-enabled, but requiring a reassessment of traditional “ways of working”.

To put the creation of ChMC on a global stage as a transformational moment would be overstating impact, but by the time of publication of the 2021 Annual Report by CMI in August 2021, 300 ChMC-holders were recognised (CMI, 2021). By September 2021, a milestone was reached with 500 ChMCs having been awarded (MCA, 2021b); by 31 March 2022, 585 ChMCs had been accredited (CMI, 2022b); and as at June 2023, more than 750

Chartered Management Consultants had already been awarded the title, with over 4,000 on their ChMC journey (MCA, 2023a).

This reflected growth since early 2020 when there were 25 initial ChMC-holders (MCA, 2023b), and the late summer of 2020, by which time at least 100 ChMC-holders were on the books². By November 2023, over 950 ChMCs had been awarded (Roberts, 2023). In December 2023, a milestone was reached with the accreditation of the 1000th ChMC-holder, with growth of 40% on the previous year (MCA, 2023c).

So how had this step-up been achieved?

It is clear that volume take-up has been materially impacted by the commitment of MCA member firms to getting significant tranches of consultancy organisation employees not just on the journey, but through the assessment process to full ChMC accreditation. As a consequence, as at June 2023, within the UK, more than half of the Management Consultancies Association (MCA) member firms had adopted the Chartered Management Consultant (ChMC) accreditation, representing a significant boost to the industry’s scale-up plans (MCA, 2023a).

The pump-priming for continuing growth in applications for future ChMC accreditation is illustrated in the MCA’s promotion of the value and quality watermark represented by individual consultant and organisational consultancy credibility in adopting ChMC standards (MCA, no date-a). Whilst historically MCA may have been perceived as reflecting the needs of large consulting organisations, its recent history very clearly demonstrates a wider range of sectors, skills, organisation and scale being represented (MCA, no date-b). Consequently, this growth in the pipeline of future chartered management consultants augurs well for the return on the investment made by CMI, MCA and supporting organisations in the ChMC accreditation and its long-term viability.

Nevertheless, given that in their wider respective UK-facing campaigns both CMI and MCA have put much thought and action into strengthening

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awareness and delivering outcomes on diversity, inclusion and equity, it is still appropriate to ask what is next in order to ensure that the ChMC community of practitioners becomes as far as possible representative of the whole consulting sector in the UK. The following section explores a consideration of pursuit of volume and the continuing need for diversity in ChMC community membership.

VOLUME AND RICH DIVERSITY – A TYPICAL GROWTH CONUNDRUM

The push by CMI/MCA to lift the volume of numbers of ChMCs accredited reflects the desire to clearly set a new recognised standard for the professionalism of consultants, maintain the momentum of change (like all successful transformative campaigns) and continue delivering value given the investment already made by CMI, MCA and pilot organisations in the set up and governance of the Chartered award. The related drive to keep filling the potential ChMC pipeline with candidates likely to appear successfully across the final assessment “finishing line”, is a further sensible move to deliver continuing growth in uptake.

However, in recognising the success to date delivered by CMI/MCA in growing the ChMC-holder community, like with any successful burgeoning organisation, CMI/MCA leaders will be conscious of balancing the need to maintain the subtle blend of what factors have created success so far, with setting conditions for future success as growth in ChMCs continues. For example, in growing rapidly, CMI/MCA need to consider how best to optimise representation of the full target professional consulting community of the future.

Although SME firms comprise 70% of MCA members and, additionally, 7% of all Chartered Management Consultants are independent, a possible risk is that the rich diversity offered through independent consultants, small consultancies and organisations not naturally aligned with MCA is missed in the expansion of the ChMC-holder community and those also on

the journey to the award. This needs consideration given the potential for addressing the scope for the full ecosystem of management consultancy in the UK economy and setting client expectations on standards reflected in ChMC accreditation.

If the risk is realised and the opportunity is missed to further broadcast the rigour behind declarations of consulting excellence, then there is likely to be a continuing confusion as to what management consultants can and should be able to do; and a continuing sector reputation that varies and threatens the long-term existence of what could be a recognised and respected profession.

For example, in the UK, the ChMC award mitigates the viral perception of management consultants as expensive outsiders lacking insight, coming into an organisation and providing superficial advice and questionable results; with an underlying (often unspoken) insinuation that their only concern is getting their invoice for time and expenses approved quickly. How frequently have readers heard the old joke about management consultants charging clients to read their watch and tell them the time?

The antidote of certifying quality through a combination of a professional technical competency framework with a core focus on business ethics for both individual consultant and organisational consultancy is powerful, particularly given the accreditation process is rigorous.

Both within and outside the UK, one ‘antidote’ comes through use of the Certified Management Consultant (CMC) accreditation as a benchmark of quality promoted by the International Council of Management Consulting Institutes (ICMCI)³. CMC is the leading international framework for management consulting competences, with a footprint across many nations and regions of the world. The ICMCI’s professional code of conduct explicitly calls out the need to balance serving the interests of the client, openness and honesty by the consultant in their actions, and maintaining recognised standards of professional behaviour (CMC-Global, 2023a).

In both instances, given the management consulting profession is not regulated, that there is no formal qualification required for the consultant role⁴ and that with a very few isolated exceptions such as Austria, anyone around the globe who wants to call themselves a management consultant can do so, the antidote of professional qualification is one component in addressing end-client concern about the quality and value-for-money offered by consultancy businesses.

Stepping back into a review simply of UK consultancy and the CMI/MCA promotion of ChMC to advertise professional standards, the question arises as to how best to build on the current strategy of promoting volume uptake, continue addressing the public perception of consulting standards and build a broad enough community of ChMC-promoting management consultancy organisations across the UK market.

A STRENGTHENED APPROACH

The current drive to raise ChMC numbers is required to keep a necessary industry / sector quality assurance scheme viable in the short-term. The take-up by MCA member firms adds credibility and if embedded across those firms sets a minimum standard for association members to achieve. Arguably, with sufficient scale, the ChMC will become a de facto measure of professional standards, regardless of formal regulation.

In the long term the target must be to address and provide scope for the full range of UK consulting organisations from individual practitioners, through small and medium-sized enterprises to the large national internationally-branded consultancy organisations (Consultancy.uk, 2021b). Ultimately, it is unlikely that the consulting profession will become regulated in the UK, since central government has shown little interest in taking steps in this direction (Sturdy, no date).

Therefore, in the meantime, it is for the industry to self-regulate and promote the behaviours at the heart of the ChMC award to counter the mixed perception of the value brought by management consultants to UK society and its economy. The

MCA continues to play a positive role in promoting good intent and outcomes (MCA, 2023d), but CMI has a key role in also targeting non-MCA members, providing the complementary partnering with MCA that means the full breadth, scale and diversity of UK consulting communities are not only catered for, but also given a route to enhanced professional standards. CMI already has the channel and vehicle in the form of the Institute of Consulting, whose focus is the individual consulting professional, rather than the consulting organisations represented effectively through MCA.

This means:

- A. Acknowledging that the current CMI/MCA focus on driving up new and potential ChMC-holder numbers is sensible, as part of achieving a longer-term objective;
- B. Recognising that long-term benefit to the UK economy will come from the value of appropriately-qualified practitioners being sourced from across the full range of organisation scale, from single practitioner / sole trader to multiequity partner multinational businesses;
- C. Accepting that the ChMC “pipeline” needs to be filled therefore with a representative blend of those constituent parts of the UK’s community of professional consultants and pro-actively facilitating interest and access accordingly;
- D. Acknowledging that the ChMC pipeline therefore needs not just “the right mix of organisations”, but also a representative mix of the diversity of consultancy professionals (which admittedly does not necessarily equate with diversity of the UK population as a whole) and monitoring “mix” as a result;
- E. Recognising that to attract, recruit and retain professionals who recognise the value of credible public standards, the ChMC award needs to remain relevant and accessible to all those communities; and
- F. Sowing the seeds for future success in UK

³ <https://www.cmc-global.org/>

⁴ Silacheva, quoting Levitt & Dubner (2012), in *Management Consulting Journal* Volume 2.2, December 2019

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Workforce Planning by reinforcing ChMC as part of a long-term career path: one attracting a variety of diverse community entrants to a profession which can provide individuals with a satisfying balance between personal career, delivery of meaningful outcomes to clients and contribution to viable and thriving organisations in public and private sector contexts.

CLOSING REMARKS

This paper is a personal reflection and does not necessarily convey the opinions of the CMI, MCA or ICMCI. Nevertheless, the CMI and MCA have partnered to bring a well-researched, sensibly governed and effectively-promoted professional accreditation to the management consultancy market.

The sterling efforts thus far of the MCA with CMI support can be further enriched by the CMI's Institute of Consulting (IC) as a vehicle to broaden the span of reach of the ChMC award and to further diversify the community of chartered professionals. The contributions of that additional range of practitioners would add valuable additional insights to help strengthen the reputation of management consultancy as a profession.

Finally, though equally importantly, it is the diverse thinking from the wide span of that future group which will contribute to providing growth, innovation and valuesbased delivery and which will demonstrate in practice the positive impact of management consulting professionals throughout the 2020s and beyond.

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ARTIFICIAL INTELLIGENCE'S IMPACT OF THE MANAGEMENT CONSULTANCY SECTOR OVER THE NEXT FIVE YEARS

Esioze Oarue-Itseuwa

ABSTRACT

This essay explores the imminent impact of Artificial Intelligence (AI) on the management consultancy sector over the next five years. After tracing the historical context of technological innovation and societal unease with disruption, we delve into the current landscape of management consultancy, emphasizing its evolution and present dynamics. Specialized themes in the consultancy market today, such as internal consulting and data-centric approaches, highlight the industry's dynamism.

The core focus anticipates the implications of AI on management consultancy, with a shift towards AI-powered analytics and insights transforming consultants' roles. Market segmentation deepens as specialized AI-driven consulting firms emerge, challenging traditional players. The competitive landscape witnesses the entry of tech giants, intensifying competition and prompting strategic shifts in consultancy models. A forward-looking perspective considers changes in pricing and cost structures, emphasizing ethical considerations in AI deployment.

In this transformative landscape, a blended future emerges, envisioning AI-driven quick insights complemented by human consultants offering context, creativity, and empathy. This condensed exploration provides a crucial foundation for academics, industry practitioners, and policymakers navigating the evolving interplay between AI and management consultancy.

INTRODUCTION

For over 250 years, technological innovations have been key drivers of economic growth (Brynjolfsson and McAfee, 2022). Despite this, every era has had a prevailing fear of new technology, indicating people's unease when confronted with disruption. Artificial Intelligence (AI) stands as the most unsettling technology in our current era, invoking feelings of fear and apprehension (Laffitte, 2023).

This essay discusses AI and the changes it may hold for the management consulting sector, particularly its

implications on the management consultancy market and consulting firms over the next five years.

DISCUSSING ARTIFICIAL INTELLIGENCE

“ Artificial Intelligence is a machine's ability to perform the cognitive functions we usually associate with human minds, like perceiving, reasoning, learning, interacting with an environment, problem-solving, and exercising creativity. ” (McKinsey & Company, 2023).

It is useful across many sectors and applications, generating benefits across various fields (Smuha, 2021).

As the world of AI expands, generative AI (an AI model that generates content in response to a prompt) emerges as a potential game-changer, raising questions about its impact on the consulting sector (Novus Insights, 2023). Generative AI tools like ChatGPT can potentially change how a range of jobs are performed (McKinsey & Company, 2023). The World Economic Forum (WEF) predicts that a quarter of jobs will be affected over the next five years as many workers will not have the necessary skills to keep up with the changes. This fast-growing technology could lose or diminish 300 million jobs (Kelly, 2023). Garg 2021 also adds that AI could potentially disrupt industries due to its significant time savings and reductions.

The global Generative AI market is already valued at US\$13.7 billion in 2023, with an expected increase to US\$165 billion (CAGR 34.6%) by 2032, undoubtedly representing unparalleled opportunities. Furthermore, venture capital (VC) investment in Generative AI continues to grow (up 425% during 2020-22), marking a resounding vote of confidence in this sector from investors (Garg, 2021).

MANAGEMENT CONSULTANCY MARKET AND CONSULTING FIRMS

History and Today

In various forms, consulting has existed for centuries, with advisors guiding decisionmakers dating back to ancient civilisations. However, consulting as we know it today only started to take shape in the early

20th century when there was a need for expertise in operations structure (Laffitte, 2022).

In today's world, tough economic times are responsible for both drag and opportunities in the sector. The net effect of this in the UK consulting market is a slowing growth from 12% in the past two years to 9.8% in 2023 (O'Dwyer, 2023).

Today's UK consulting industry has a market value of approximately £14.4 billion, playing a substantial role in the country's economy (MCA, 2023).

Understanding the Consultancy Market and Consulting Firms Today

Looking at consulting firms today, we can use several themes in understanding them, including (MCA, 2023):

- A. **Diverse Service Offerings:** Consulting firms provide many services beyond traditional strategy consulting. They provide expertise in areas such as digital transformation, cybersecurity, data analytics, sustainability, and more. This diversification allows them to cater to a broader range of client needs.
- B. **Specialization:** Many consulting firms have specialized industry or functional practices. These specialized teams bring deep industry knowledge and insights, allowing them to offer highly tailored solutions to clients.
- C. **Digital Transformation:** Management consulting firms are at the forefront of helping clients navigate digital transformation. They assist in adopting emerging technologies, automating processes, and developing digital strategies to stay competitive in the digital age.
- D. **Client-Centric Approach:** Consulting firms prioritize a client-centric approach. They work closely with clients to understand their unique challenges and goals, tailoring solutions to meet specific needs rather than applying one-size-fits-all strategies.

Similarly, the consultancy market today can be explored in specific themes, including:

- A. **Industry-Specific Consulting:** There is a growing demand for industry-specific consulting services. Clients want consultants who understand the intricacies of their sector and can provide targeted solutions (Symantec Communications 2023).
- B. **Internal Consulting:** The consulting market is plagued by many organizations building their internal consulting capabilities to address their specific needs without relying solely on external consultants (Laffitte, 2022c). This reflects a trend toward insourcing consulting expertise.
- C. **Execution over Strategy:** In the evolving landscape of consulting, while strategy remains relevant, clients are placing greater emphasis on consulting firms that can not only formulate strategies but also execute them effectively and deliver measurable outcomes commensurate with their fees. For instance, the proportion of work dedicated solely to classic strategy has consistently declined, currently accounting for approximately 20% of engagements. This represents a notable reduction from the 60% to 70% prevalence observed some 30 years ago (Nagarajan, 2022).
- D. **Connectors and Navigators:** Consultancies serve as both connectors and navigators. While their networks offer connections to partners and potential clients, they also provide a valuable depth of perspective, offering an "external viewpoint" on problems. As the challenges clients encounter become more complex and the array of choices grows, having an organization that can help decipher this complexity is increasingly crucial (Consultancy, uk, 2023).
- E. **Hybrid Consulting Models:** Various organizations, including professional services firms, IT firms, and engineering companies, engage in management consultancy alongside their primary offerings (Laffitte, 2022c), contributing to the broadening definition of consulting.

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- F. Data and Analytics: Data-driven decision-making is a dominant trend. Clients expect consultants to provide actionable insights based on data analysis, helping them gain a competitive edge (Ross, 2023).

Taking these together, it becomes evident that consultants put on several hats and could work across different areas and sectors to alleviate clients' problems.

IMPLICATIONS OF AI FOR THE MANAGEMENT CONSULTANCY MARKET AND CONSULTING FIRMS OVER THE NEXT FIVE YEARS

It is no secret that AI is transforming the way we do business. From chatbots to predictive analytics, AI-driven solutions are revolutionizing industries (Laffitte, 2023). For consulting, there have been arguments around the possibility of AI replacing consultants; some believe it is only a matter of time before this happens (Libert and Beck, 2017). However, others believe it would be a collaboration between AI and consultants (De Creamer and Kasparov, 2021). The implications of AI on the management consultancy market and consulting firms over the next five years are considered in the following points.

A. AI-Powered Analytics and Insights

Traditionally, management consulting firms have thrived by offering clients their expertise, experience, and industry knowledge. They have been valued for their data analysis and problem-solving skills.

However, AI-powered tools like ChatGPT are changing the value proposition of consulting firms. AI-powered tools can, for instance, process vast amounts of data in real time, analyze market trends, and generate insights that would have taken human consultants weeks or even months to produce (Laffitte, 2023).

Consequently, consultants may shift their focus from data analytics to data interpretation by interpreting AI-generated insights and applying

strategic and creative thinking to complex problems (Nagarajan, 2022).

Furthermore, upskilling in AI and data-related competencies will be necessary (Consultport, 2022) in order to remain relevant. Large consulting firms are already investing in AI and acquiring AI firms, such as McKinsey's acquisition of QuantumBlack (Dilmegani, 2023). Deloitte's acquisition of SFL Scientific's Business, Accenture's acquisition of Japanese big data and AI consultancy ALBERT (Laffitte, 2022), and BCG setting up Gamma (Dilmegani, 2023).

We can expect this trend to continue for the foreseeable future as AI is expected to change how consultants work (Consultport, 2022).

B. Market Segmentation

AI's impact on the management consultancy market will likely deepen market segmentation. While traditional consulting firms continue to offer a broad range of services, specialized AI-driven consulting firms will continue to emerge to cater to niche sectors.

Consulting services enhanced by AI are currently in specialized domains like cybersecurity, supply chain management, and legal advisory. These offerings harness AI-driven analytics to provide faster and more cost-effective services, leading to improved client satisfaction (B12, 2023). These specialized firms will continue to emerge and leverage AI technologies to provide highly tailored solutions in even more niche areas.

C. Competitive Landscape

The competitive landscape of the management consulting sector is poised for significant changes.

Technology companies, particularly those specializing in AI, are entering the 'consulting' space. These tech giants can offer AI-driven solutions directly to clients, posing a competitive threat. They also have the upper hand in AI-driven consulting services, with

initiatives such as Google's Advanced Solutions Lab (providing clients with consulting services that draw on their AI capabilities) being a clear example (Laffitte, 2023).

Also, AI may increase entrants to the consulting market by reducing the barriers to entry as smaller consulting firms can leverage AI for insights generation and become a competing force in the sector.

The ability to seamlessly integrate AI into consulting services will be a crucial differentiator (B12, 2023). Over the next five years, we can expect:

- intensified competition from these players. This heightened competition will encourage firms to innovate and differentiate themselves. It may also lead to a wave of consolidation within the industry as larger firms seek to acquire AI-focused startups to enhance their capabilities. As seen above, we can already see large firms starting to invest in AI and acquiring AI startups (Dilmegani, 2023 and Laffitte, 2022).
- the market demands more data-driven insights and faster problem-solving. Clients will increasingly seek consulting firms that can deliver outputs faster than traditionally slower times.

Additionally, the future of consulting firms with AI could involve:

- clients only come to firms after using an AI platform/tool to identify and better understand their issues internally. According to Camel (2023), the consulting industry's future is expected to blend AI and human consultants. AI will keep advancing, offering quick, valuable insights, while human consultants will contribute context, creativity, and empathy.
 - currently, the bulk of the costs in consulting firms are the people (Laffitte, 2022b). In the future, costs could shift from people to being significantly expended on AI tools and platforms.
- a skewed growth of consultancy offerings in the sector occurring. AI consulting firms would grow, and a new breed of niche consultancies like Palantir would experience growth (Dilmegani, 2023). Internal consultancy firms would also grow, while traditional consulting may experience relatively slower growth as this gets overcome by AI.
 - Pricing and cost structure: High-quality consulting services have typically come at a premium price. With the advent of AI, consultants no longer need to invest weeks in data collection and analysis, which means the pace of their work should be much faster (Consultport, 2022). Consequently, consulting may face pressure to adapt their pricing models to reflect AI-driven cost efficiencies. Changes in the fee structure may shift away from being based on the hours spent as AI-powered tools reduce the hitherto time-based processes. Fees in the future may be changed more in terms of:
 - "Success-based" - consulting fees will be charged based on the actual results achieved for clients, and consultants become more actively involved in ensuring those outcomes.
 - "Subscription-based" - subscription-based pricing models that allow clients to pay monthly or yearly for ongoing access to consultants' expertise and guidance. Depending on how extensively clients utilize the consultants' expertise, these subscriptions could also be structured with different tiers.
 - "Value-based" - consultants are likely to shift more towards pricing their services based on the value they bring to clients, moving away from billing by hours or materials. This approach involves setting fees that align with the perceived value of the consultant's expertise and insights (Jain, 2023).

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E. A focus on ethical uses of AI, including regulation. As the use of AI in consulting grows; so will there be an increased focus on firms using AI and the related client data input ethically and in line with existing data regulations like GDPR. Furthermore, additional AI regulations would have to be created in line with the growth in AI to allow for "enforceable safeguards for human rights, democracy, and the rule of law" (Smuha, 2021).

CONCLUSION AND FINAL THOUGHTS

AI promises to reshape the management consulting sector in the coming five years. AI-powered analytics will accelerate data processing, transforming consultants into interpreters and strategists. This shift could redefine the consultant's role.

Internal cost structures for consulting firms may also shift from people-centric to AI-centric and there could be a skewed growth across the different consulting offerings. Ethical considerations and AI regulations should also gain consideration, and consulting fee structures will evolve.

However, AI cannot fully replace consultants' good reputation as experts who can solve problems. Many clients and businesses do not trust AI solutions as much as they trust well-known consulting firms. This is one area where machines cannot beat human consultants: trust and reputation (Laffitte, 2022).

Contrary to fears of AI replacing human consultants, the future will likely see AI as a powerful partner enabling consultants to provide clients with more relevant and timely insights. AI will handle mundane, repetitive tasks, allowing human consultants to focus on higher-value activities.

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THE TRANSFORMATIVE IMPACT OF ARTIFICIAL INTELLIGENCE ON THE MANAGEMENT CONSULTANCY SECTOR

Konstantin Samokhvalov

ABSTRACT

This paper explores the transformative impact of Artificial Intelligence (AI) on the management consultancy sector over the next five years. Tracing the evolution of AI from its inception in 1956 to recent language and image capabilities, the study addresses the imminent challenges posed to consultancy by AI startups. Examining global legislative approaches, including the EU's strict AI Act, the UK's flexible stance, the self-regulatory approach in the US, and China's targeted regulations, it unveils the legislative ambiguity for software developers. The essay anticipates transformative implications on consultancy firms, emphasizing the war for talent, potential shifts in business models, and the evolving role of consultants as agents of thought. As AI becomes integral, consultancy firms are urged to adapt, incorporating AI into their models while navigating ethical and legal considerations. The paper underscores that while AI will automate mundane tasks, strategic decision-making remains a strength of consultancy firms, ensuring continued relevance in the evolving landscape.

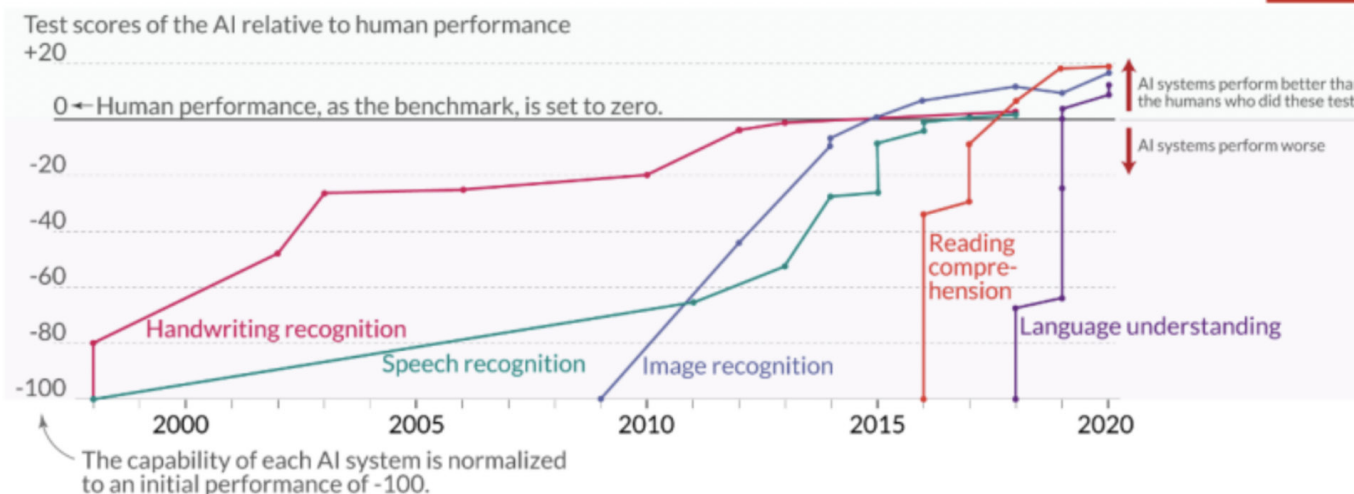
INTRODUCTION

In the past two decades, humanity made significant leaps in digital transformation. With the emergence of cloud computing, big data, an increase in processing power, artificial neural networks, and machine learning, the public gained access to technologies that can simulate human intelligence. Artificial Intelligence (AI) is now a revolutionary concept that made an impact on multiple industries.

The AI term was coined in 1956. Since then, scientists studied its application to business problems helping corporations in data modelling and data analysis (Hedberg, 1996). However, the biggest leap forward has been achieved only in the past five years with advances in language and image capabilities (Our World in Data, 2022).

Language and image recognition capabilities of AI systems have improved rapidly

Our World in Data



Data source: Kiela et al. (2021) – Dynabench: Rethinking Benchmarking in NLP
OurWorldinData.org – Research and data to make progress against the world's largest problems.

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Figure 1 - Capabilities of AI Systems (Our World in Data, 2022)

Amplified by the media, AI startups threatened to replace professions across the sectors. Management consultancy was also on the list of industries challenged by recent technology (HBR, 2017; Economist, 2018; Forbes, 2021).

In this paper, the implications of AI on the management consultancy market in general are explored, as well as consulting firms over the next five years.

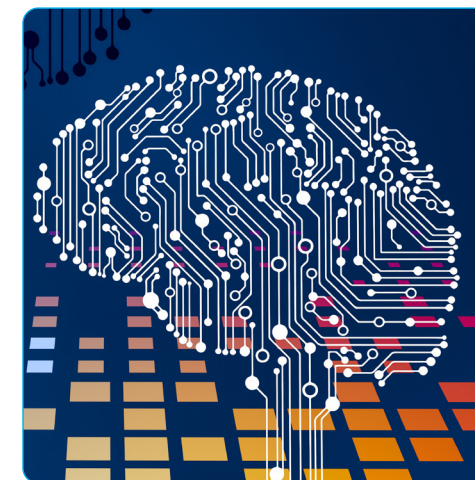
AI AND MANAGEMENT CONSULTANCY MARKET

In expanding on the impact of AI on the management consulting market it is essential to understand how various facets of the industry are being transformed. Taking the view that AI is not

just a technology tool, it represents a fundamental shift in how consulting services are delivered, adding complexity and opportunity to the market. The following sections will access the impact through the prism of client expectations, market size and legislative development.

Impact on Client Expectations

AI has been on the frontlines of all newspapers for over a year, which has an impact on client expectations. As AI technologies, including tools like ChatGPT, became available to the public, interest in AI grew significantly (Figure 2). Clients worldwide started looking at AI applications and potentially redefining their views on the value consultants can add. The range could go from near real-time insights and datadriven decisions (KPMG, 2019) to AI startups replacing consultancy firms (Economist, 2018).



THE TRANSFORMATIVE IMPACT OF ARTIFICIAL INTELLIGENCE ON THE MANAGEMENT CONSULTANCY SECTOR (CONTINUED)

Google Trends indicate growing public interest to AI

Worldwide searches per week for the past 5 years of terms: AI, ChatGPT and OpenAI

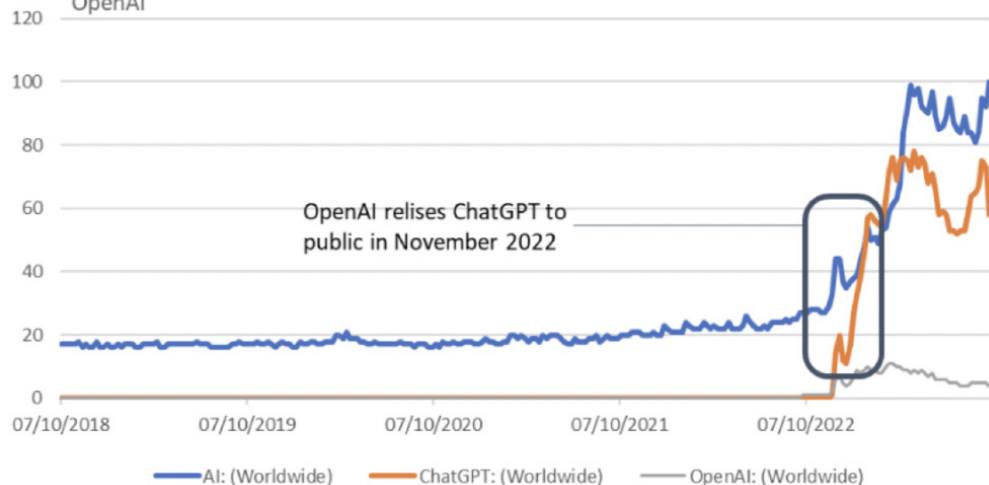


Figure 2 - Google Trends

Clients now expect rapid responses to their questions and challenges. Real-time or near-real-time data analysis and reporting have become the norm, putting additional pressure on the consultants to provide advice and respond to market changes promptly. Generic solutions based on industry norms will become less acceptable; clients will expect highly customized and personalized recommendations.

However, replacing humans completely with AI might prove to be difficult. The success rate of AI projects is only 15% (Via, Cameron, Giannelia, et al., 2023) and there is growing skepticism about AI replacing white-collar professionals (Economist, 2023).

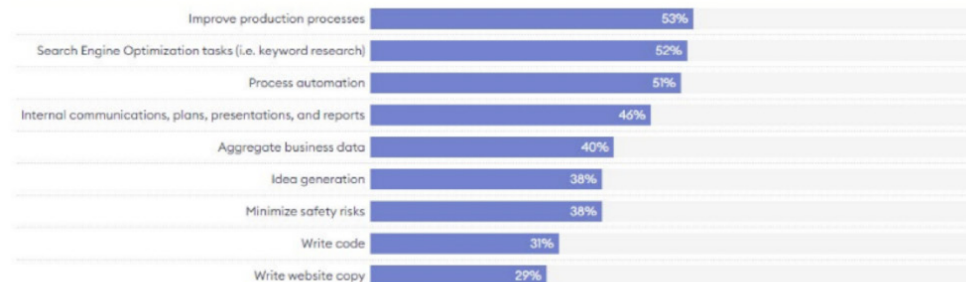
The practical application of AI in management will remain limited to providing input to the individual decision-making process or tasks (Feuerriegal,

Shrestha, von Krogh, et al., 2022). The management and consultants will remain accountable for the decisions where the consultant's reputation, relationships and tacit knowledge play significant roles. We will have a closer look at that in the following sections. However, consultancy firms must follow their client's interests and add AI to their capabilities to stay ahead of the curve.

Market Size

AI is already making a significant impact on the size of the consultancy market, potentially leading to both growth and transformation. Smaller organisations, startups, and even individuals can benefit from AI-powered tools and services that were previously available to large enterprises only. According to a recent McKinsey study, "AI adoption has more than doubled" (McKinsey, 2022) with the majority applying AI for service operations optimisation and process automation (Forbes, 2023) to become more efficient (see Figure 2).

Internal Processes Business Owners Use AI to Improve



Source: Forbes Advisor • Embed

Forbes ADVISOR

Figure 3 - Business Owners' Use of Ai for Internal Processes (Forbes, 2023)

AI could offer significant growth opportunities leading to a new wave of digital transformation that will change the way business operates (CFRA, 2022). The increased demand for AI creates an opportunity for technology startups to develop software for specific use requirements and for IT consultancy firms to help with implementation.

Management consultant firms will see an increasing number of competitors from large tech firms like Google and Microsoft, and boutique AI consulting firms. While large consulting firms will quickly get the required capabilities through tried-and-tested strategic mergers and acquisitions, it is the smaller businesses and individual practitioners that will have to think creatively to share space with the new entrants.

Legislative Development

The interest in AI advancement has led to increased awareness of its dangers. Governments around the world are recognising the need to regulate AI. Political decisions regarding the formulation and implementation of AI-related regulations can impact the industry. The approach varies across the continents (FT, 2023). For example, Italy has become the first Western country to block ChatGPT over

privacy concerns and GDPR compliance (BBC, 2023) sending a warning message to IT companies.

The EU Approach

The EU is leading the pack of regulations with the AI Act where Brussels is planning to introduce the strictest use for AI and put the onus on the tech companies. The AI Act is expected to be approved by the end of the year with a two-year grace period (FT, 2023).

The UK Approach

The UK uses its position outside of the EU and is planning a more flexible approach. Understanding the value AI can bring to the economy, it plans to regulate the sector rather than the software or companies (GOV UK, 2023).

The US Approach

Big tech companies signed a set of voluntary commitments to AI safeguards amid fears over the pace of change (Guardian, 2023). This self-regulatory approach was criticised for being insufficient while the US government was preparing a broad review of AI (FT, 2023).

The China Approach

China has introduced targeted AI regulations which require adherence to "core values of socialism" with more to follow in the coming years. To find a balance

THE TRANSFORMATIVE IMPACT OF ARTIFICIAL INTELLIGENCE ON THE MANAGEMENT CONSULTANCY SECTOR (CONTINUED)

between control over information and technology competition with the US, the government approved a handful of Chinese tech companies to release their AI products to the public (FT, 2023).

This high variability in approach places and ambiguity in the legislation landscape for software developers. IT companies will act with caution not to draw too much attention and navigate local rules to avoid legal and reputational risks. Data privacy and intellectual property rights will be one of the main aspects that could slow down the technology development and adoption. However, the experience of social media platforms tells us that there will be years before the regulations will come into force - until then, the AI sector will be left to self-regulation.

IMPLICATIONS ON CONSULTING FIRMS

It is expected that AI will have a transformative impact on consultancy companies influencing various aspects of their operations and service delivery.

War for Talent

As was mentioned before, many organisations already use AI to create value. However, ready-to-use AI systems are not available that answer bespoke challenges companies face due to the level of maturity of this field (Zhang et al., 2020 in Vial, Cameron, Gianelia, et al., 2023). Consulting firms will need to invest in reskilling and upskilling programmes to equip their workforce with necessary AI-related skills. Consultants will need to acquire proficiency in using AI tools and understand the implications of AI on business processes.

OECD analysed online job platforms and reported a growing number of AI-related job postings across all sectors of the economy (OECD, 2021). Boston Consulting Group (BCG) in their study of workforce supply and demand projected a shortfall in key occupations (BCG, 2021), especially computing. This creates an opportunity for consultants to temporarily fill the gap until business develop the talent required for the new AI era.

It is worth noting the OECD report highlighted another key factor - soft skills related to communication, problem-solving, creativity and

teamwork became more important over time to complement engineering and software-related skills. It can be argued that AI is not fully capable of independent implementation and "human-in-the-loop" frameworks will still be required (Feuerriegel, Shrestha, von Krogh, et al., 2022).

Business Model Implications

The question arises if AI could replace the consultant's traditional way of working. Part of the consultant's added value is data analysis and presentation which, with the aid of AI, could be done in a matter of minutes. This means management and consultants could get insights faster and at a lower cost than traditional consulting methods. The focus will shift to a more complex strategic input that only senior-level consultants can offer with their industry knowledge. Clients can no longer afford to spend time on junior consultants' data crunching and should expect more senior-level engagement (Consultancy, uk, 2022).

Consultants might need to adapt their business models which often are based on selling billable hours for labour-intensive work (Gonfalonieri, 2020) to applicable pricing based on market needs such as pay-per-use or performance fees where payment is based on jointly agreed outcomes.

Consultants as Agents of Thought

Management hires consultants to get outside advice on important decisions about the company's future. And often at the end of these decisions are the lives of employed affected by the change. Of course, consultants' expertise plays a significant role in the process. But not least key factor in client-consultant relationships is the development of trust (Nikolova, Möllering & Reihlen, 2015). Organisational change is a complex endeavour, and although multiple frameworks were developed to increase the success rate, human interaction, communication and reasoning play significant roles in creating internal inertia. So far no algorithm can do so.

With advancements in computing power, AI could even take cognitive functions such as the decision-making process from the management and consultant's hands. Scientists over the years studied the concept of decision-making by individuals and

organisations (Mayer, David & Schoorman, 1995; Athey & Roberts, 2001; Holian, 2002). The novelty of AI applications does not provide sufficient theoretical background to understand how the delegation of the decision-making will transform from all-human to a human-AI hybrid or AI-only (Feuerriegel, Shrestha, von Krogh, et al., 2022).

On the other side are the consultants themselves. In their paper, Cemaloglu, Chia and Tan (2019) explored how "thinking agency" and "executorial agency" can be affected by the increased adoption of AI. In their study of three different consulting firms: boutique insights, management consultancy, and professional services, they discovered that consultants could accept that their execution agency is partially reduced by AI, but no compromises were accepted for thinking agency to be influenced or interfered with it.

We can argue that there will be strong resistance to fully outsourcing all consulting work to AI from both the client and consultant sides in the coming years. The focus will be on automation and process improvement while decision-making will remain with the human side.

In summary, consultancy firms will need to embrace AI as a core component of their business models. This includes not only incorporating AI tools into service offerings, but also evolving their strategies, skill sets, and client engagement approaches to thrive in the AI-driven landscape. Those who successfully navigate these changes can position themselves as leaders in the evolving consultancy industry. Big Four consulting firms already made steps in this direction as KPMG and Microsoft announced an extended partnership in the AI segment (Microsoft, 2023), while PwC partners sacrificed millions in annual payouts to invest in AI technology (The Times, 2023).

CONCLUSION

In conclusion, the adoption of AI in management consulting offers significant benefits, but it also poses potential risks. Consulting firms need to be aware of the ethical and legal implications of using AI and invest in regulatory compliance to avoid legal

challenges and reputational damage. Additionally, they need to ensure that they have the necessary skills and expertise to implement and integrate AI solutions effectively to avoid the displacement of human consultants. Despite the challenges, AI is likely to become an increasingly important tool in consulting industry as firms seek to deliver more value to their clients. While strategic decisions will remain the strength of the consultancy firms that can bring value to their clients. AI will not supersede human interaction but rather automate some of the mundane tasks, to help focus on the employee side of the business.



THE TRANSFORMATIVE IMPACT OF ARTIFICIAL INTELLIGENCE ON THE MANAGEMENT CONSULTANCY SECTOR (CONTINUED)

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