### CONTENTS

<table>
<thead>
<tr>
<th>SYNOPSIS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SYNOPSIS</td>
<td>5-63</td>
</tr>
<tr>
<td>5.1 INTRODUCTION</td>
<td>5-64</td>
</tr>
<tr>
<td>5.2 WHAT SMALLER MANAGEMENT CONSULTING FIRMS NEED TO CONSIDER</td>
<td>5-65</td>
</tr>
<tr>
<td>5.3 OBTAINING A SUSTAINABLE COMPETITIVE ADVANTAGE</td>
<td>5-66</td>
</tr>
<tr>
<td>5.4 PRACTICAL GUIDELINES TO REALIGN SMALLER MANAGEMENT CONSULTING FIRMS STRATEGY</td>
<td>5-68</td>
</tr>
<tr>
<td>5.4.1 Macro environmental influences</td>
<td>5-69</td>
</tr>
<tr>
<td>5.4.2 Market environmental influences</td>
<td>5-71</td>
</tr>
<tr>
<td>5.4.3 Micro environmental influences</td>
<td>5-71</td>
</tr>
<tr>
<td>5.4.4 Components to consider in the strategic process</td>
<td>5-74</td>
</tr>
<tr>
<td>5.5 CLOSURE</td>
<td>5-75</td>
</tr>
</tbody>
</table>

Chapter 5: Practical guidelines for a competitive strategy

5-62
SYNOPSIS

This chapter aims to offer an insight into the world of management consultancy and how smaller MCFs can gain competitive strategy. Focusing on some of the essential capabilities, skill sets and values that the successful small MCF will need to possess and demonstrate and outline future direction for smaller a MCF to realign its strategy.

The focus of this study was to provide practical guidelines on a competitive strategy for the smaller MCFs. As smaller MCFs try to survive in an ever changing, competitive environment, it is important to establish a competitive advantage that will ensure long-term survival for the smaller MCFs. Therefore smaller MCFs need to be aware of the variables in the macro, market and micro environments which can affect their existence and smaller MCFs must adapt to a changing environment and successfully market their services, timeous and continuous research is necessary.

This study concludes with a summary of findings drawn from the study. Final conclusions are made with regard to all objectives set for the study.
5.1 INTRODUCTION

“A winning strategy needs to be distinctive”

Robert 1997:1

“… business is going to change more in the next ten years than it has in the last fifty”

Gates 1999:xi

The competitive environment has been transformed fundamentally during the last two decades, which has led to major challenges for businesses in South Africa. Two distinct periods or waves of change can be distinguished during this time. According to Ferreira (2000:10), the first wave occurred roughly between 1980 to 1994 and the second from 1994 onwards. The latter, however, did not replace the first, but it built and is building onto it and in the process has brought further challenges. These waves have had a profound impact, not only on the nature of competition, but also on the nature of the business itself. While industry analysis has for long been a centrepiece of business strategy, it has become increasingly difficult to conduct these analyses for the simple reason that industry boundaries have become blurred or fuzzy, thus making it difficult to define exactly where an industry begins and ends.

According to Sadler (2000:457) “Management consultancy is regarded as one of the very few service industries that genuinely operates in a global market.” The question that arises is, how can smaller MCFs gain competitive advantage over rivals? Traditionally, management consulting services have been categorized by the type of professional activity undertaken or the market segment in which the consulting takes place. However, despite the global nature of the business, there is no single global classification to map out, in great detail, the correlation between market sectors and revenue generation. It is estimated that approximately 40% to 45% of consulting revenue worldwide comes from information technology related services, and another 27% from corporate strategy, including branding and marketing strategy and organisational development. Operations management is estimated to provide over 20% of global consulting revenue, though this category also encompasses less related activities, such as finance and project management. The rest can be attributed to
human resource management and the newly emerged segments of for instance, economic and environmental studies (Sadler 2000:458). All in all, the consultancy industry is better known by the somewhat demonised names of the larger MCFs. Therefore smaller MCFs need to undergo changes in order to compete and achieve greater global effectiveness.

5.2 WHAT SMALLER MANAGEMENT CONSULTING FIRMS NEED TO CONSIDER

The concept strategic management has essentially evolved in response to a changing environment. The discontinuous and rapid environmental changes have in effect invalidated many of the fundamental assumptions underlying the traditional strategic management process (Weeks & Lessing 1993:3).

Strategic thinking is the process used by a leader to formulate, articulate, communicate and implement a clear, concise and explicit strategy and vision for his or her business (Robert 1997:231). In many businesses the strategies of the business are not clear and usually reside in the head of the chief executive exclusively, were people were not involved in the strategy process. The problem, however, is that most CEOs (Chief Executive Officers) practise by osmosis (gradual or unconscious assimilation or adoption as of ideas) and are not conscious of the various steps. A small MCF should remember that it is usually impossible to transfer to anyone else a skill that one cannot describe. Within highly competitive markets no one expects to formulate detailed long-term plans and follow them mindlessly as there needs to be a flexible approach in implementing a strategy, implies Weeks (2002:13). The strategic change involves the implementation of a new strategy for the smaller MCFs.

The following techniques are offered to a smaller MCF for survival and to obtain competitive advantage, namely:

- Suitable support network: in view of the potential loneliness of the role, it is essential for the small MCF to have suitable support networks.
- Balance: related to appropriate support is the need to achieve a balance between work and home life and to ensure that the consultants of the smaller
MCF are physically fit and have the stamina to work long hours, perhaps travel extensively and yet still enjoy home life and leisure activities.

- Physical and mental fitness: positive thinking is a must for a small MCF as well as having deep resources of energy and stamina.
- Continuously learn: a small MCF needs to be very aware of its own capabilities and where it needs to develop skills.
- Tolerate ambiguity: a small MCF needs to develop its own creativity and tolerance of ambiguity to survive the slings and arrows of outrageous fortune.

Smaller MCFs need to consider the above techniques in order to obtain and sustain competitive advantage.

### 5.3 OBTAINING A SUSTAINABLE COMPETITIVE ADVANTAGE

“… if you don’t have a competitive advantage, don’t compete”

Welch (in Aaker 2001:154)

Porter (2000:4) states “... competition is at the core of the success or failure of firms ... and competitive advantage is at the heart of a firm’s performance in competitive markets.” Competitive advantage is therefore clearly a crucial aspect for smaller MCFs. The key to a successful strategy for a smaller MCF is to develop the concept of a sustainable competitive advantage. A strategy can involve a variety of functional area strategies, such as positioning strategies, pricing strategies, distribution strategies and global strategies for smaller MCFs to consider (Aaker 2001:134). Figure 5-1 illustrates the sustainable competitive advantage, is not the only key to success. There are four factors that are requisite for the creation of a sustainable competitive advantage for smaller MCFs, namely:

- **basis of competition**: The strategy needs to be based on a set of assets and competencies. Without the support of assets or competencies, it is unlikely that a sustainable competitive advantage will be enduring. Aaker (2001:134) states that there is no point in pursuing a quality strategy without the design and manufacturing competencies needed to deliver quality products, and a business
premium-service positioning strategy will not succeed unless the right people and culture are in place.

**Figure 5-1: The sustainable competitive advantage**

**THE WAY TO COMPETE**
- Product strategy
- Positioning strategy
- Manufacturing strategy
- Distribution strategy

**BASIS OF COMPETITION**
- Assets and competencies

**WHERE TO COMPETE**
- Product-market selection

**WHOM TO COMPETE AGAINST**
- Competitor selection

Source: Adapted from Aaker 2001:134

- *where to compete*: This determinant is the choice of the target product/service market. A small MCF strategy should thus be based on its underlying assets and competencies and involve something valued by the market.

- *whom to compete against*: This requirement for a sustainable competitive advantage involves the identity of competitors. Sometimes an asset or
competency will form a sustainable competitive advantage only given the right set of competitors. It is vital for smaller MCFs to assess whether a competitor is weak, adequate, or strong with respect to assets and competencies. The goal for a smaller MCF is to engage in a strategy that will match up with competitors’ lack of strength in relevant assets and competencies. For an asset or competency to be the basis of a sustainable competitive advantage, it should help create either a cost advantage over competitors or a point of difference from competitors, states Aaker (2001:135).

A sustainable competitive advantage will be created when a strategy has at least three characteristics and should be supported by assets and competencies. It should be employed in a competitive arena that contains segments that will value the strategy. Finally it should be employed against competitors who cannot easily match or neutralise the sustainable competitive advantage.

5.4 PRACTICAL GUIDELINES TO REALIGN SMALLER MANAGEMENT CONSULTING FIRMS STRATEGY

“… make right decisions at the right time”

Wright 2000:25

“Behind every successful company there is a strategy that works”

Cusumano & Markides 2001:1

Weeks & Lessing (1993:62) state that without a clear understanding of the forces shaping the future, strategy formulation will be an exercise in futility. An environmental analysis, within a strategic management context, has the explicit purpose of leading executive thinking beyond the present into the future. The future should be interpreted with the view of illuminating the present, rather than using the present to forecast the future. Because strategy is fundamentally concerned with moving businesses forward, there will inevitably be change for some people inside the business.
The strategic change involves the implementation of new strategies that involve substantive changes beyond the normal routines of the business. Strategic change is accompanied by a degree of risk and uncertainty (Ansoff 1987:4). Although risk assessment can be undertaken in an impersonal way at the corporate level, uncertainty cannot be assessed in the same way at the personal level of a business. Tichy (1983:18) identifies four main causes of strategic change, namely:

- **environment**: Shifts in the economy, competitive pressures and legislative changes can all lead to demands for major strategic change.

- **business relationships**: New alliances, acquisitions, partnerships, and other significant developments may require substantial changes in the business structure in order to take advantage of new synergies, value chain linkages or core competencies.

- **technology**: Shifts here can have a substantial impact on the content of the work and even the survival of companies.

- **people**: New entrants to businesses may have different educational or cultural backgrounds or expectations that require change. This is especially important when the leadership of the business changes.

Smaller MCFs never has full control over any environmental factor, but can respond in ways designed to take advantage of an opportunity and damper the effects of a threat. Therefore smaller MCFs should identify the environmental variables, which can influence their existence.

### 5.4.1 Macro environmental influences

“South Africa has been experiencing an economic crisis common to the African continent”

Ngambi 2000:28
Macro environmental influences, reveals a depressing situation of poverty, escalating degrees of inflation, high levels of unemployment, social and industrial unrest, mass retrenchments, declining productivity, and poor quality of life. Africa in general is characterised by an ever-changing environment, which creates uncertainties that make it difficult for most businesses to adapt to new demands and opportunities in order to survive. One of these changes is the increasing number of women and black people in the work force, which poses new challenges for businesses.

Small MCFs need to identify the macro environmental variables, which influence their existence and to focus on the following areas of responsibility in the macro environment, namely:

- **unemployment**: past trends and prevailing speculation indicate that unacceptably high levels of unemployment could persist for many years into the future and South Africa is no exception. As pointed out by Ngambi (2000:28) “... unemployment is one of the greatest problems currently facing South Africa and if it is not overcome soon, it is heading for disaster.” South Africa's productivity is so low that it will have to become an absolute priority if businesses such as smaller MCFs, to compete in international markets.

- **society**: to conduct business as responsible members of the society; to serve the laws of the country in which the small MCF operates; to express support for fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and the environment consistently to contribute to sustainable development;

- **economy**: For a small MCF it is essential to stay in business. It is a measure of both efficiency and of value, which clients place on products and services offered. It is essential to the allocation of the necessary resources. Without profits and a strong financial foundation, it will not be possible to fulfil the requirements.

- **technology**: Lascelles (2000:18) asserts that technology is creating huge opportunities to set up markets. The Internet has provided people with 24 hour a
day, instantaneous and interactive access to products and services from all over the world. It is not so much the amount of information that has increased, since the information has always been there, rather it is our ability to access and manipulate this information.

5.4.2 Market environmental influences

The general responsibility and focus areas of smaller MCFs in the market environment are the following:

- **customers**: to win and maintain customers by developing and providing products and services which offer value in terms of price, quality, safety and environmental impact and which are supported by the requisite technological, environmental and commercial expertise. Smaller MCFs need to attract the right customer, analyse the customers’ experience and learn what customers expect.

- **to those with whom they do business**: to seek mutually beneficial relationships with suppliers and to promote the application of these principles.

- **competitors**: the emergence of new competitors in the petroleum industry has challenged the established industry leaders on the basis of totally new business models.

The macro and market environments are subject to constant changes, thus presenting opportunities that can be exploited or threats that can be converted into opportunities by smaller MCFs.

5.4.3 Micro environmental influences

“Strategy always focuses on the future, whereas the business is rooted in the present”

Weeks & Lessing 1993:67

Weeks & Lessing (1993:173) identify two roles in managing change, namely one of facilitation formulation and one of obtaining employee commitment or buy in into the change process. Smaller MCFs need to share power with their subordinates without
feeling threatened, and they need to inspire confidence in employees to overcome their fear of change.

Smaller MCFs need to facilitate the translation of strategy into concrete action plans that may be implemented. What is required for smaller MCFs is to adapt to a new breed of manager, one who loses the title of boss and acquires the label of a leader. “… a boss tells people what to do, a leader facilitates change” (Weeks & Lessing 1993:173).

The general responsibility and focus areas of smaller MCFs in the micro environment are the following:

- **shareholders:** to protect the shareholders’ investment and provide an acceptable return.

- **employees:** to respect the human rights of their employees, to provide their employees with good and safe conditions of work and good and competitive terms and conditions of service, to promote the development and best use of human talent and equal opportunity employment, and to encourage the involvement of employees in the planning and direction of their work within the small MCF.

- **productivity:** another challenge facing small MCFs is the low productivity. Productivity, to a great extent, does determine how effectively small MCFs compete against one another and against the big four. Except for some isolated instances of increased productivity, predominantly confined to the private sector, it is important for small MCFs to increase the productivity of employees to be competitive.

- **communication:** the first responsibility after the vision process is communication and the presentation of the vision to the small MCF and customers. Initial communication is most often accomplished by distributing printed copies of the vision, holding meetings to talk about the vision, showing videos of the vision-maker introducing the vision, and discussing the vision at training events.
• **education:** the concept of ‘leadership by vision’ may be new to the people hearing the vision, and education about the visionary leadership process can be helpful to gaining commitment from employees and customers. When people experience something new, they try to fit it into their past experience as a way of understanding it and figuring out how to deal with it. If their existing experience is full of management by objective, directives from management, short term goals and stewardship reports, they will tend to see the vision as just another set of objectives.

• **ambiguity:** it is useful for small MCFs to remember that a vision statement is a leading-edge document. If it were not on the leading edge, it will not be a vision and because it is on the leading edge, it can not be totally and satisfactorily explained at the beginning. In a business where ambiguity is not tolerated, this may be a problem.

• **resources:** A small MCF internal resources will include inputs such as capital equipment, the skills and abilities of individual employees, patents, finance and talented managers of a business.

• **core competencies:** as the source of competitive advantage to a small MCF, core competencies distinguish a small MCF competitively and reflect its personality. Core competencies emerge through an organisational process of accumulating and learning how to deploy different resources and capabilities over time.

Thus, the challenge for smaller MCFs is to consider the above responsibilities and focus areas that support the implementation of a change in strategy for the existence of smaller MCFs by the micro environment.

Porter (in Ferreira 2000:12) has quoted “… I’ve come to realise that the challenge of developing a strategy is greatly affected by organisational issues.” This is an insight that Porter describes as a “significant extension” of his views of strategy. Different environments require different strategic responses and today, more than ever before,
there needs to be a deep understanding of the relationship between the turbulence of the external (macro & market) environment and the choice of strategy.

5.4.4 Components to consider in the strategic process

Bossidy (in Neff & Citrin 2000:14) remarks, “... the most significant challenge businesses will be facing over the next few years is the acceleration of intensity. Because of that you need to be in a business where you have a competitive advantage or you are going to get killed. I don’t think that any business that I know of is secure.”

In the consulting industry, a leader must be the source of creating a winning strategy based on the company’s competitive ventures and fundamental customer needs. Small MCFs need to carefully listen to the customer and keep a continuous eye on the competition.

Reiss (2000:12) identifies the following components of a winning strategy for the smaller MCF and its clients, namely:

- Customers are able to access information and contact the small MCF at any time;
- Letting customers own their experience by helping themselves to and requesting information from them;
- Engaging with the customer through personalised and productive interactions, making the customer feel as if he or she is the only customer;
- Employees, partners and customers all have access to the same information.

Throughout the process for obtaining a competitive advantage, small MCFs should prioritise sub-projects according to their related costs, benefits and strategic value. For each of these sub-projects, it is then essential to understand and document the detailed business requirements, which form the basis for product and service evaluation and development or customisation.

The opportunities for businesses are always more plentiful than the means to realise them and there have to be priority decisions. The priority decisions convert good intentions into effective commitments and insight into action, and speak of the level of a management’s vision and seriousness. The principles of maximising opportunities and
resources govern the priority decisions. The key decisions on the idea of a smaller MCF, are its excellence and its priorities that can be made systematically or haphazardly. They can be made in awareness of their impact or as an afterthought to some urgent triviality.

5.5 CLOSURE

Today, in the competitive consultancy industry, productivity, quality, customer service and speed have become competitive imperatives, and smaller MCFs have to be good at all of these, to enable them to survive. From a strategic point of view, it is therefore no longer sufficient to consider how to achieve a competitive advantage, but also to what extent such an advantage can be sustained. Linked to this shift in the competitive environment has been the realisation that new sustainable competitive advantages often emanate from subtle and invisible sources such as organisational learning, knowledge accumulation and culture - sources that are difficult to get a handle on from a managerial point of view.

Smaller MCFs need to i) consider independence and integrity even when confronted with political issues; ii) taking risks based on a belief in one’s professional judgement and experience; iii) leveraging learning and development across the organisation; iv) listen carefully and summarise accurately in the diagnosis of the situation; v) create opportunities for clients to reach their own solutions, rather telling them what’s best for them; vi) “Nothing breeds success like success!” Having established credibility the smaller MCF will be able to work with the client to ensure “carry over” of the learning back into the organisation.

The essence of strategy, which is the ability to spot opportunities, to make difficult choices, to have the courage to move first and to commit large amounts of resources to essentially irreversible decisions seems to have been forgotten. The impact of the wave of change in the competitive management consulting industry on a smaller MCF strategy has been profound. From this research, it has become clear that strategy should be regarded as a dynamic rather than a static concept. A preoccupation with an
achieved competitive advantages can only breed complacency and ultimately disaster, as the saying goes, ‘nothing fails like success.’