

A man with a beard and glasses, wearing a white t-shirt and shorts, is sitting on a large, dark rock. He is looking down at a notebook or tablet he is holding, with a pen in his hand. He has a black backpack on his back with a pink circular logo that says 'iX' and the word 'iXPERIENCE' written on it. The background shows a vast cityscape at sunset, with the sun low on the horizon, casting a warm glow over the scene. Mountains are visible in the distance under a clear blue sky.

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Embrace Opportunity

Defining management consulting

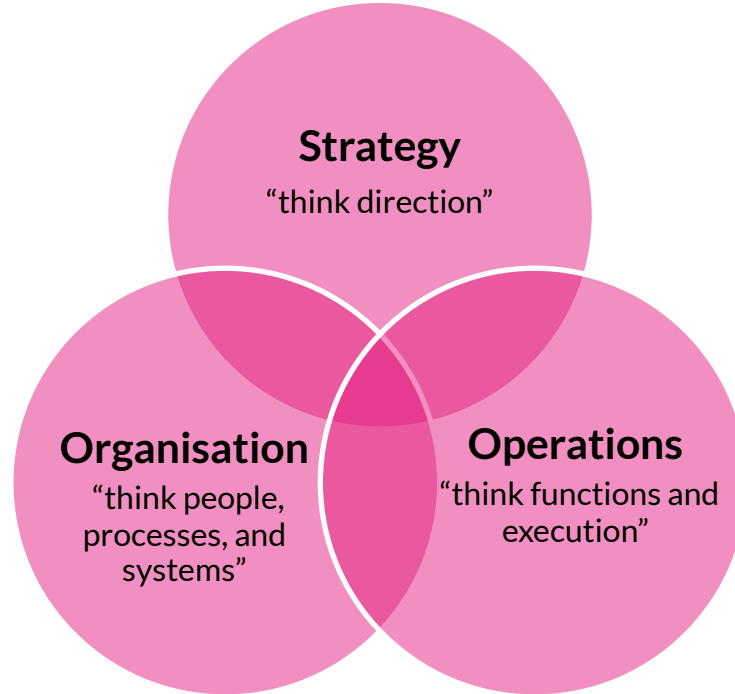
Management Consulting 101

Week 1 | Class 1

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Management consultants need to understand interdependencies



It is about a “whole business” mindset

What management consultants work on

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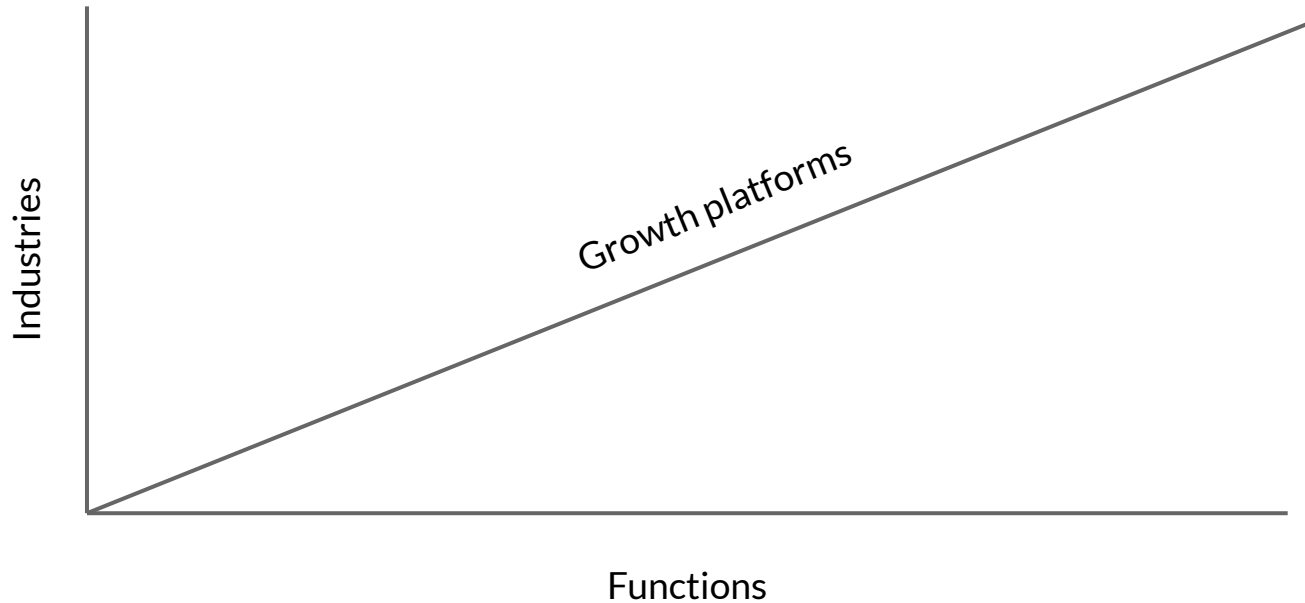
Key points on the type of work consultants do (1/2)

- **Recap:** Management consulting is about a whole business mindset i.e., problems are interdependent
- What do management consultants do?
 - They solve problems with their clients (private sector, public sector, social sector) across industries (e.g., automotive, assembly, financial services)
 - They solve problems with their clients (private sector, public sector, social sector) across functions (e.g., strategy, operations, procurement, finance)
- Traditionally
 - Focus of work: Firms have areas of focus – focus depends on firm's history and scale
 - Consultants
 - When you start as a junior consultant, no specialisation (i.e., generalist)

Key points on the type of work consultants do (2/2)

- However, things are changing
 - Focus of work: growth platforms i.e., cut across an industry and/or function
 - Digital and Analytics
 - Transformations
 - Capability building
 - Consultants: different profiles are being hired (e.g., agile coaches, data engineers) with a bigger focus on experience professionals
- 3 drivers of the change
 - Clients have not seen as much impact as they would have hoped
 - Inefficient and costly to have multiple projects tackling interdependent issues in a siloed manner

Management consultants work across industries, functions and “growth platforms”



4 segments of management consulting firms

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The management consulting industry has 4 segments

Big 3

- McKinsey & Company
- BCG
- Bain

Firm's focus

- Scale

Big 4¹

- EY i.e., Parthenon
- PWC i.e., Strategy&
- KPMG
- Deloitte i.e., Monitor

Firm's focus

- Run longer

Other big firms

- Kearney
- Accenture
- L.E.K consulting
- Oliver Wyman
- Roland Berger

Firm's focus

- Best of Big 3 and Big 4

Boutiques

- Delta Partners
- AlixPartners
- OC&C
- Cognizant

Firm's focus

- Pattern recognition

Why management consultants are needed

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What do you get in return for the fees?



Q1: Why do companies hire consultants?

Q2: What do they expect of consultants?

10 rationales for why companies need management consultants

- Access to **knowledge, specialists** (many times part of an international network) or specific skills and competencies not available in the organization
- Access to **proven experiences**, case studies, **benchmarks, best practices**, industry or market trends, point of views
- Access to **frameworks, tools, methodologies**, etc.
- The need to have an **external 'stamp'**, independent and with proven recognition as a trusted advisor
- Time and **dedicated resources** (“extra pair of hands”)
- To deliberately **provoke the status quo**
- As a driver for a **specific change** (typically a transformational change or one with significant impacts)
- As an agent to **manage sensitive situations** (“to do the dirty job”)
- As a **facilitator** (of work sessions, **workshops**, ideation sessions, strategic reflection sessions, etc.)
- The ‘doctor’ that comes to make a **diagnosis of a problem** (even if already known by the organization)

What we've covered

- Definition of management consulting
- A whole business mindset
- What management consultants work on
- 4 segments of management consulting firms
- Overview of why companies hire management consultants

A robust problem solving approach

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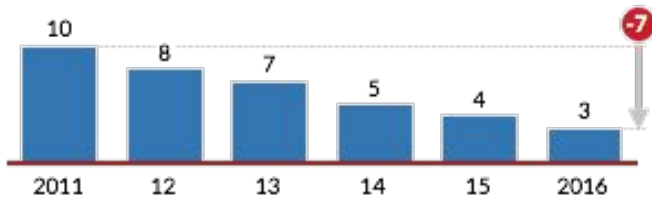
Alpha Group has seen a deterioration in performance



- **Overview:** biggest internet café group in South Africa
- **Customers:** corporate and individuals; value service and quality
- **Prices:** high (often the highest in an area and/or service)

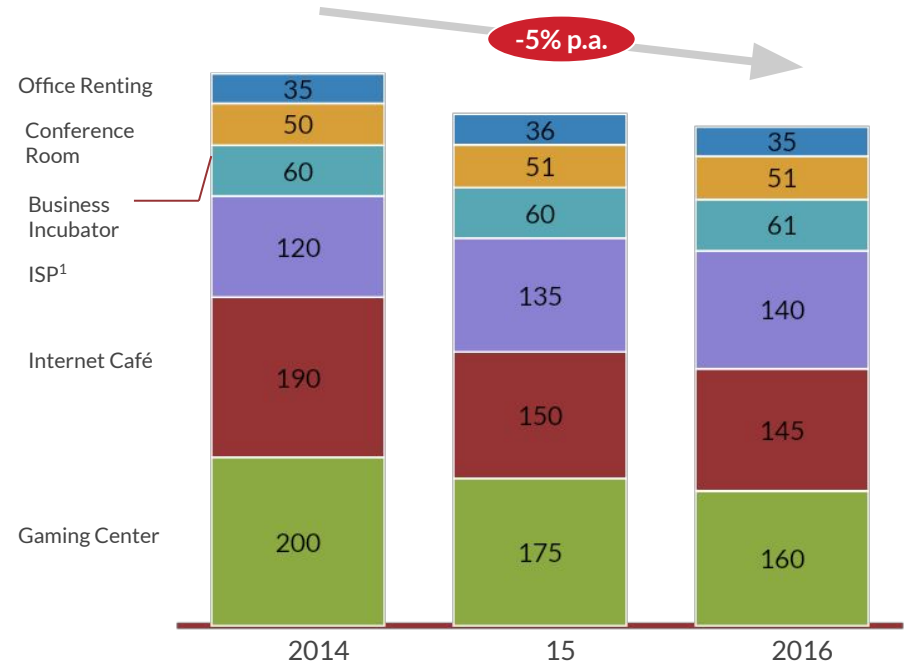
Evolution of profits: 2011-16

Gross margin (%)



Evolution of revenues by services provided: 2014-16

USD '000



Our client



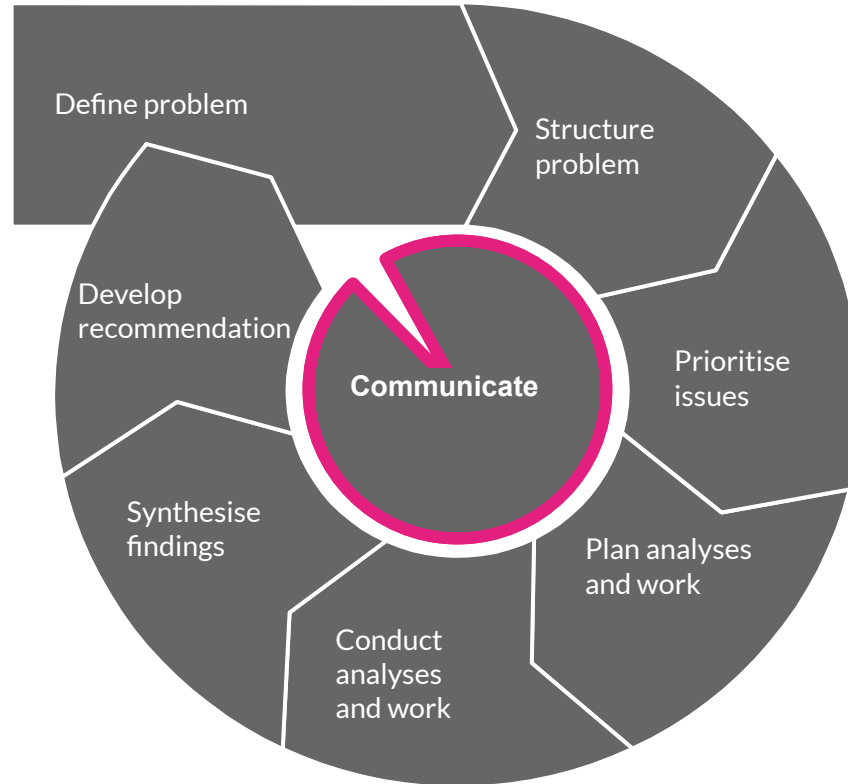
Main client

The Managing Director of Alpha Group, Ms. Sarah Shabungu, has hired iX Consulting to help reverse declining profits. In addition to identifying the cause of declining profits, the client expects us to provide recommendations and assist them with implementation

Client interview notes

- “It’s not only about understanding why profits are declining, we need to provide a recommendation on how to react”
- “She wants to understand how she can implement our recommendations, very tactical, she says she wants to setup a PMO for a turnaround”
- “She wants quick wins as well as a mid/longer term view on what to do”
- “They are ready to invest up to \$2MM USD this year to turn this around, could invest more next year if plan shows short term results”

We will use a robust problem-solving approach



Problem definition

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Defining the problem is critical



“Biggest tragedy is not
getting the wrong answer

...

but answering the
wrong question”

- Peter Drucker

It isn't about a solution, it is about a solution to the right problem



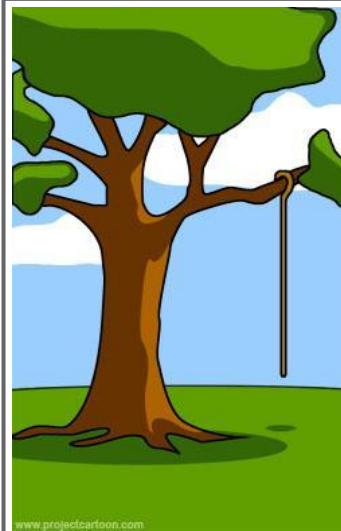
How the customer explained it



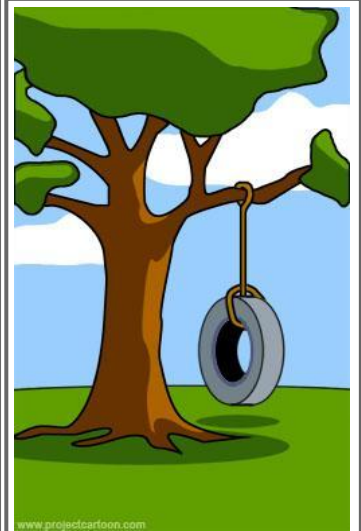
How the project leader understood it



How the analyst designed it

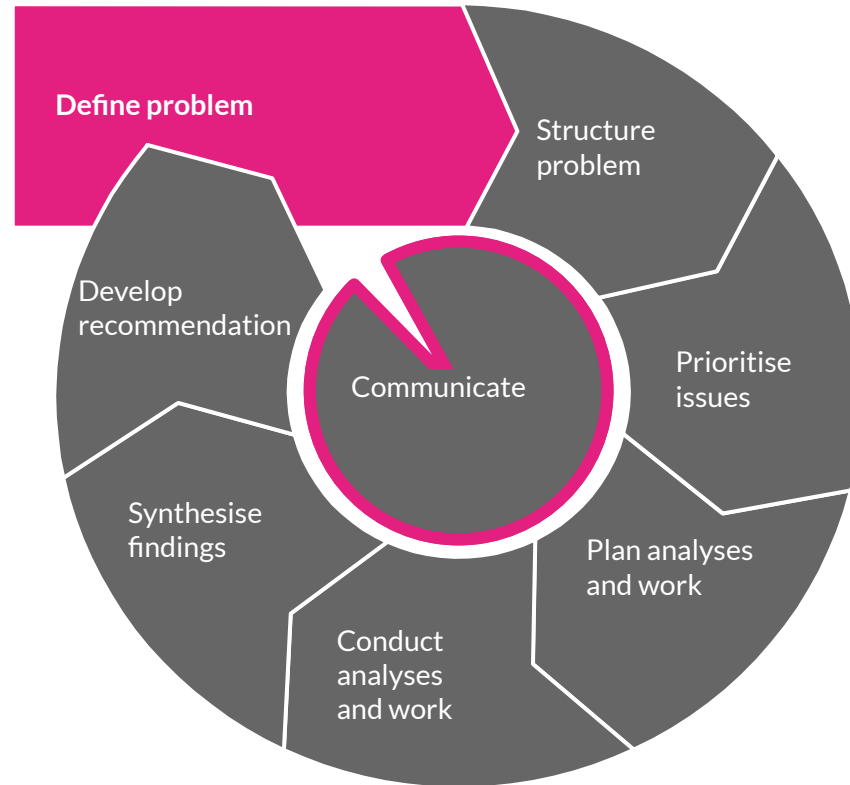


What operations installed



What the customer really needed

We will use a robust problem-solving approach



We have a tool: problem statement worksheet

Basic question to be resolved

The basic question should bring focus to the analysis. The description should be succinct and ensure that the findings can be acted upon. The more specific, the better – if important problem-solving levers are not excluded.

Context

Describe the "situation" and "complication" from which the task arises, e.g., industry trends, relative position in the industry, etc.

Stakeholder

Identify who makes decisions on whether to act upon the recommendations/results, e.g., executive board or head of business unit, etc.

Other stakeholders

Identify who supports/could sabotage the project and define other influential people/groups, e.g., unions, professional association, etc.

Criteria for success

Determine the criteria on which the company bases its decisions to act on the recommendations and by which the results will be measured, e.g., cost reduction by x%, etc.

Constraints

Define the limitations to the solutions to be considered.
Note: Constraints may have to be relaxed as the study proceeds, e.g., extent of additional investment, staff changes.

Project scope

Indicate the focus and what the project will not include, e.g., division, market segment, country, etc.

Key sources for insight

Which sources of information will you need to approach? E.g., databases, experts, questionnaires, etc.

What makes a good basic question?

A good basic question is **SMART**

- **Specific** to the issue the client has
- **Measurable** in discussing the facts of the situation or the desired outcome
- **Actionable:** Touching the heart of the challenge and on *what to do and how to act*
- **Relevant:** Providing a truly debatable view on the situation, not a statement of fact
- **Time bound:** Focuses on what decisions are needed and timeframe available

Potential initial PSW for Alpha Group

Basic question

How can Alpha Group (AG) achieve a gross margin of 5% within the next 12 months?

Context

Situation: AG has seen a 5% p.a. reduction in revenue over the last 2 years due to the Internet Cafe and Gaming Centre business units and a deterioration in gross margin over the last 5 years

Complication: AG's gross margin is unsustainable (i.e., almost doesn't cover COGS and unlikely to cover fixed costs) and there is limited resources (i.e., USD 2mn) and time (i.e., 12 months) to correct this

Criteria for success

Deliverables: (i) root-causes of gross margin decline; (ii) prioritised levers to achieve gross margin target; and (iii) roadmap to execute prioritised levers

Non-deliverables: (i) buy-in from business unit heads regarding prioritised levers and (ii) sign-off on proposed interventions

Scope

Geography: South Africa only

Business units: Internet Café, Gaming Centre and ISP

Constraints within solution space

USD 2m for potential initiatives

Direct stakeholders

- CEO of AG: Susan Shabangu
 - Head of IC: TBD
 - Head of GC: TBD
 - Head of ISP: TBD
- ## Indirect stakeholders
- Investors: TBD
 - TBD

Key sources of insight

Internal to AG

- Key customers
- Key suppliers

External AG

- Market research reports
- Expert interviews

**PRELIMINARY
– TO BE
VERIFIED
WITH TEAM
AND CLIENT**

What we've covered

- Why we need an approach to solving a problem
- Why defining a problem is important
- The components of a problem definition
- What SMART means in the context of problem definition
- An example problem statement worksheet

Problem structuring

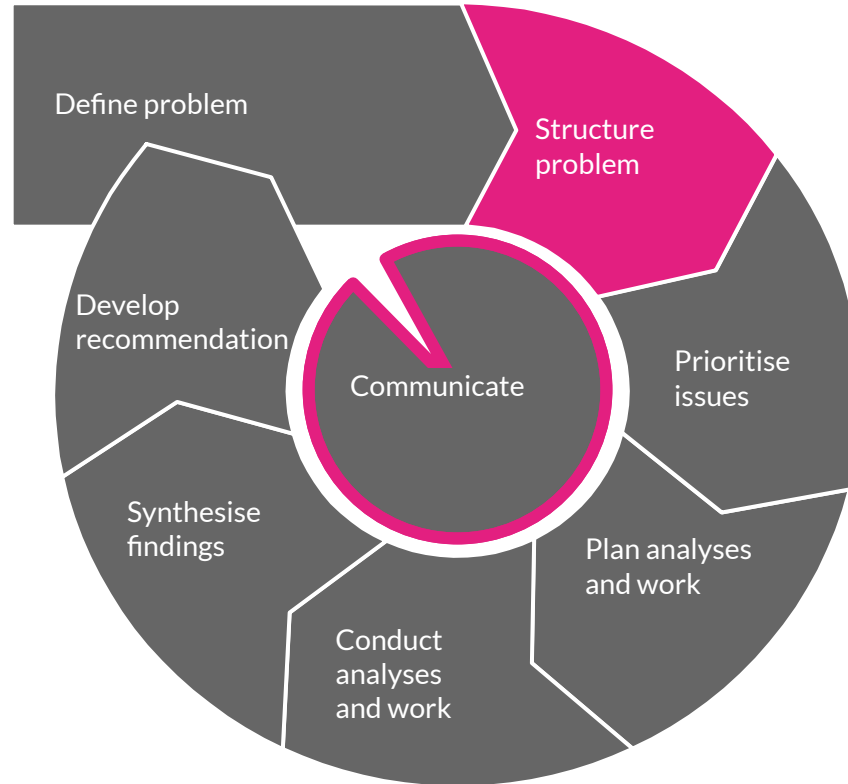
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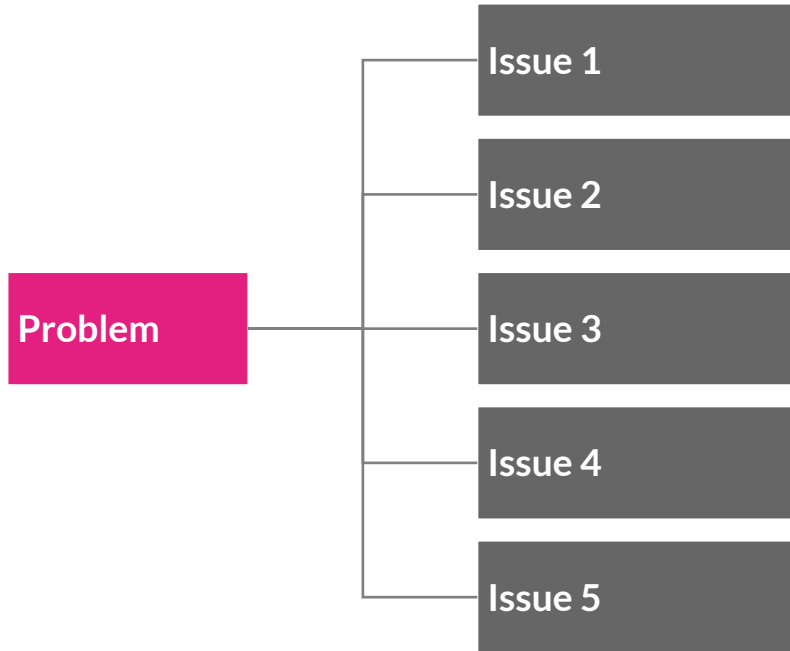


We will use a robust problem-solving approach



What is an issue tree and what makes it good?

Issue trees break a problem into its component issues



All good structures have some elements in common

Relevant

“It answers the question”

Insightful

“I didn’t think of that”

Complete

“I can’t think of anything missing”

Actionable

“I know how to take this forward”

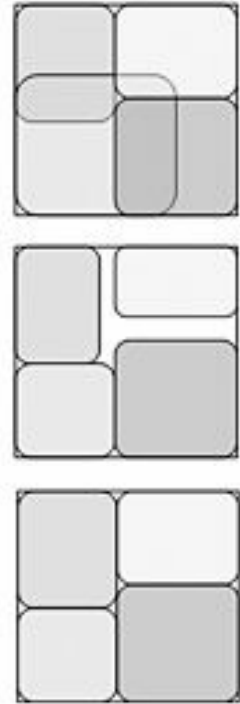
A good issue tree is MECE

Is your structure **MECE**?

- **M**utually **E**xclusive
 - list items “exclude” each other
- **C**ollectively **E**xhaustive
 - list items “exhaust” the relevant field, i.e., contain everything that belongs on the list

→ **No overlaps**

→ **No gaps**



Issue tree example saving money (1/8)

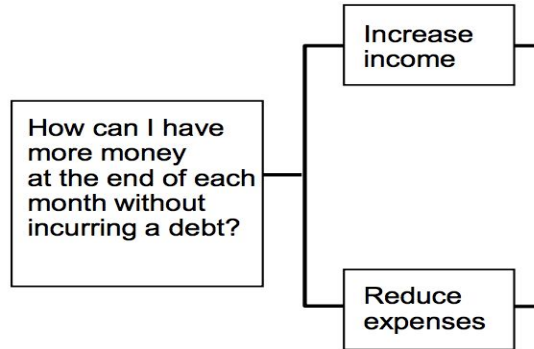
How can I have more money at the end of each month without incurring a debt?

Issue tree example saving money (2/8)

Level 1

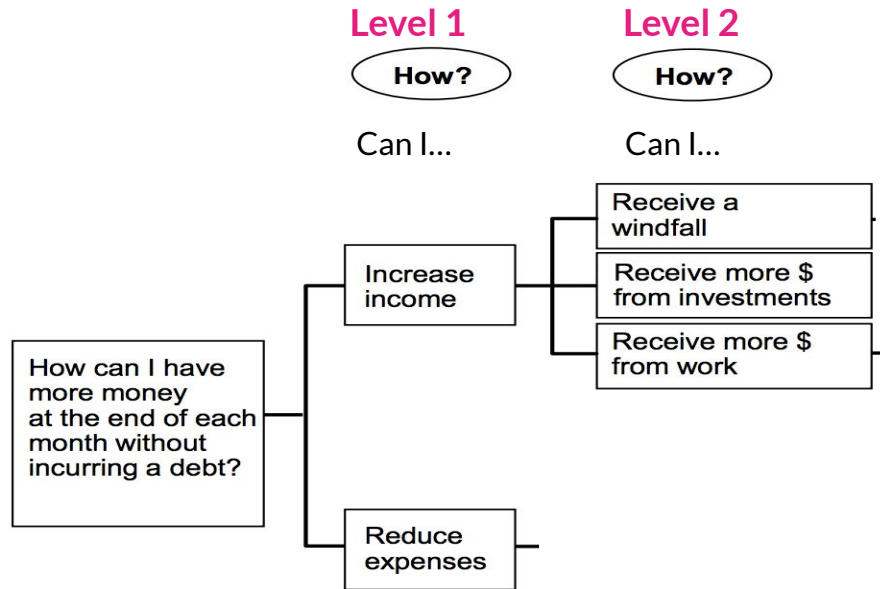
How?

Can I...



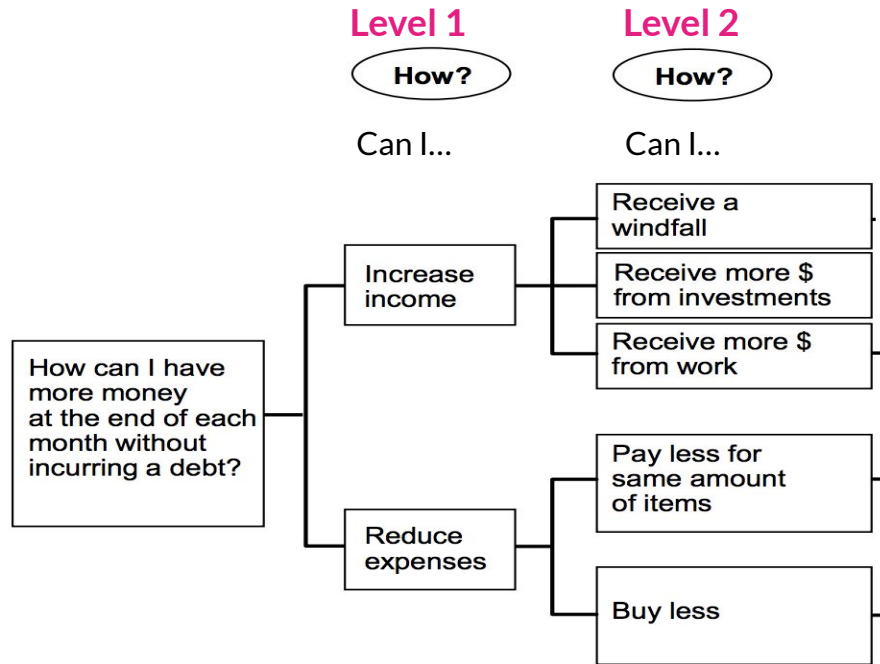
Each level must be phrased as a question

Issue tree example saving money (3/8)



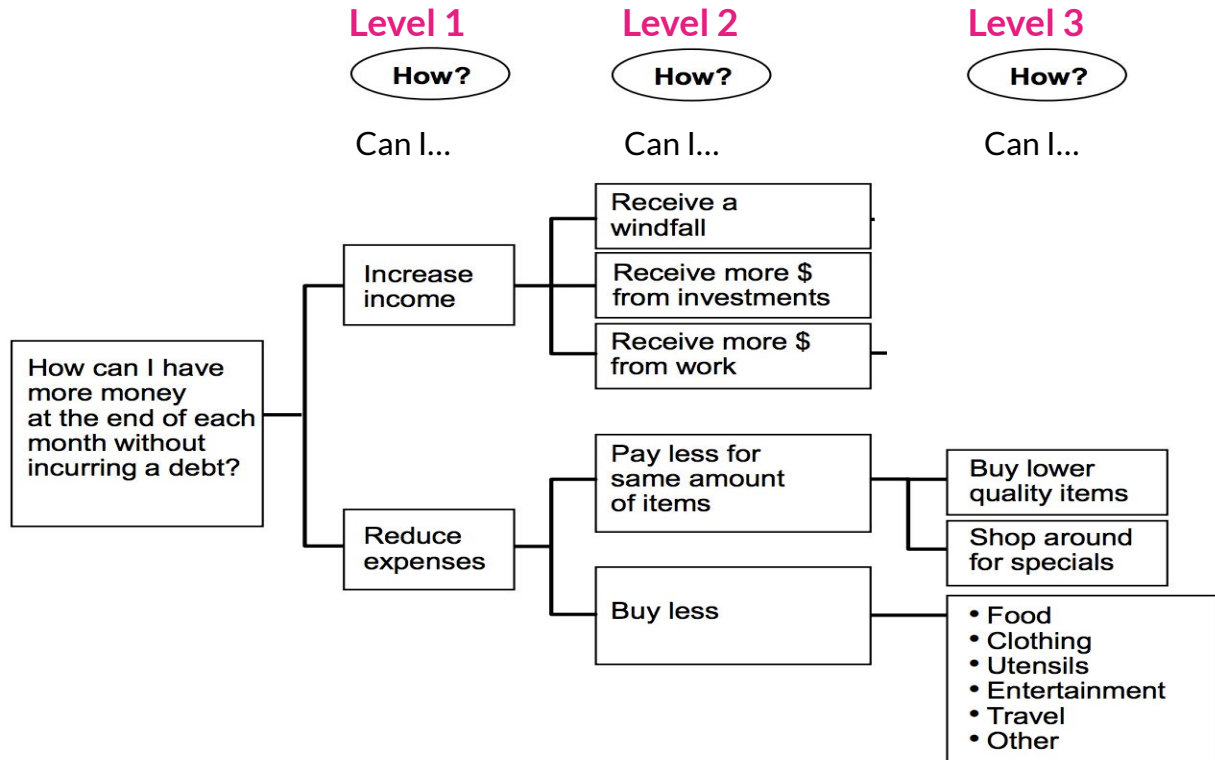
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Issue tree example saving money (4/8)



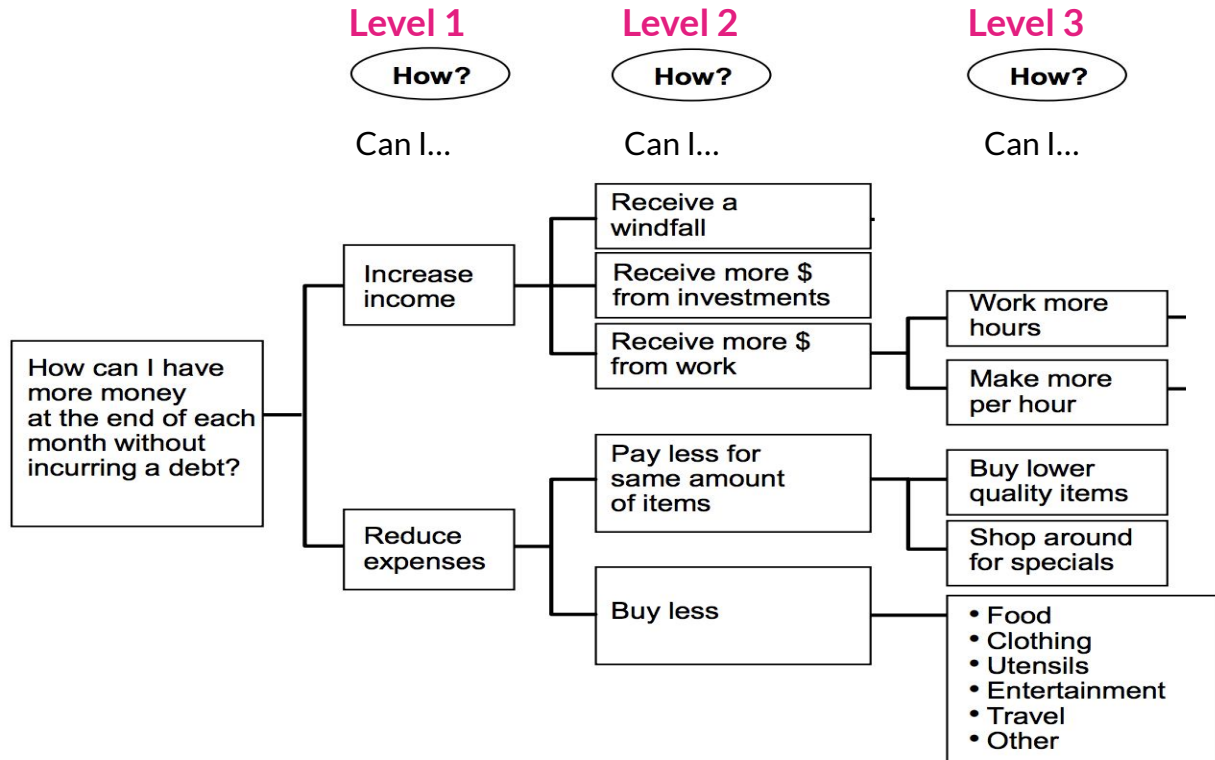
Each level must be phrased as a question

Issue tree example saving money (5/8)



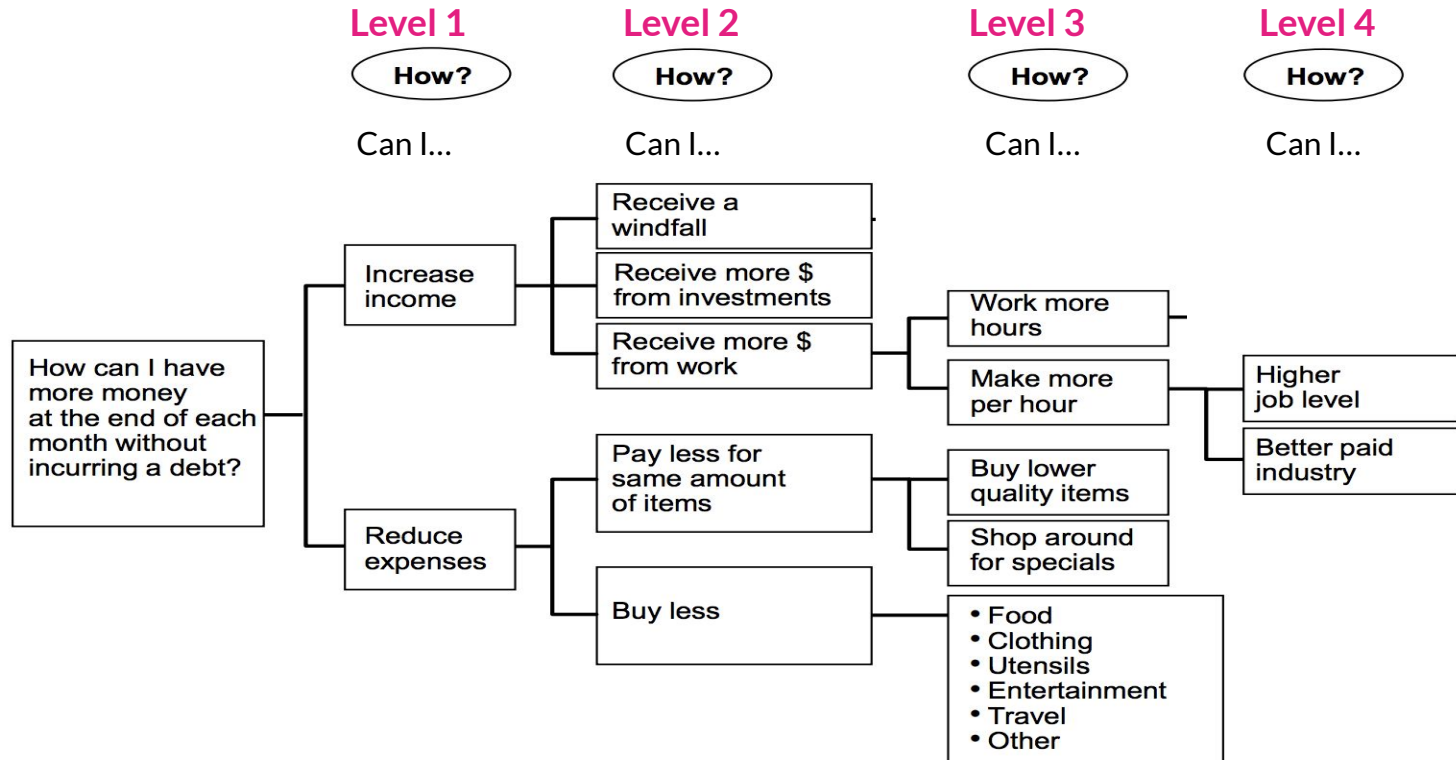
Each level must be phrased as a question

Issue tree example saving money (6/8)



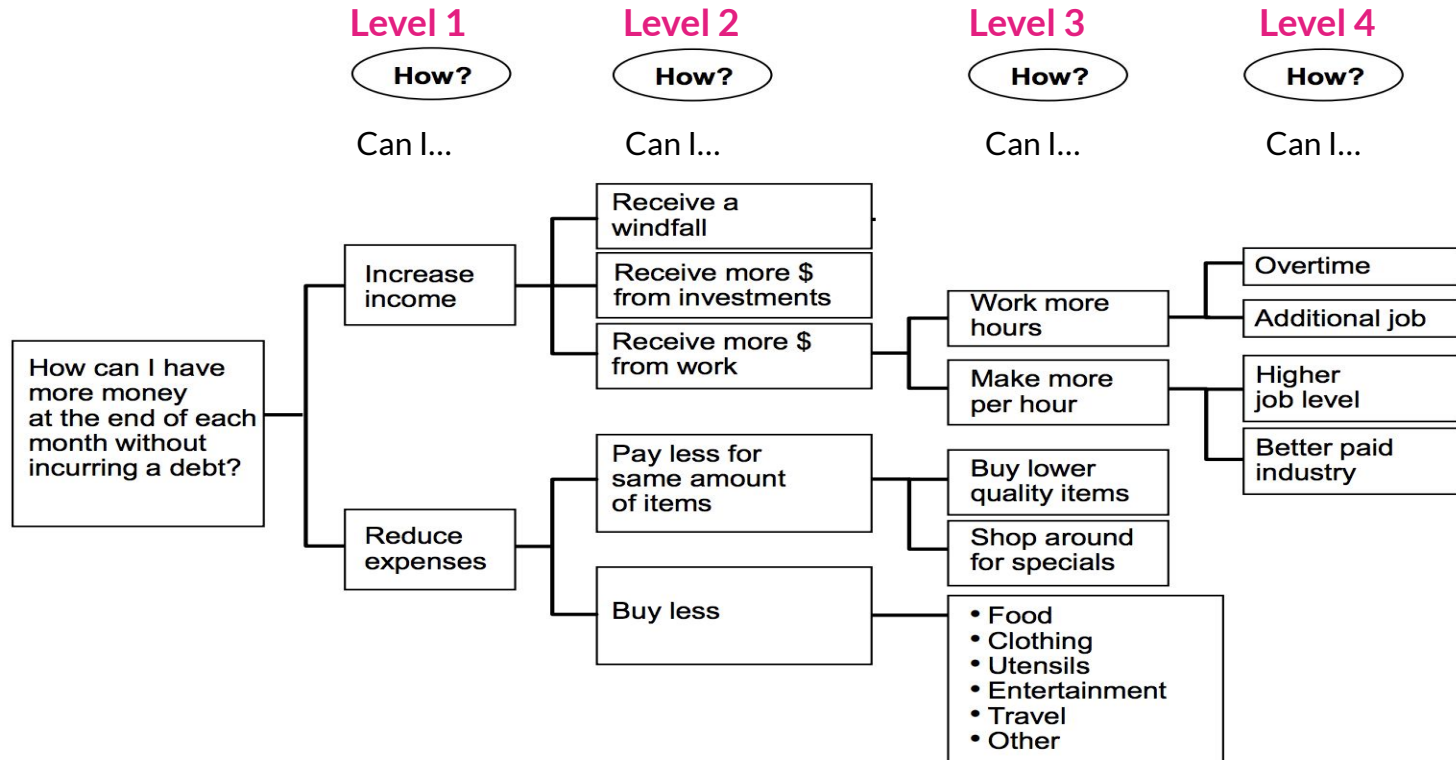
Each level must be phrased as a question

Issue tree example saving money (7/8)



Each level must be phrased as a question

Issue tree example saving money (8/8)



Each level must be phrased as a question

Types of problem structures

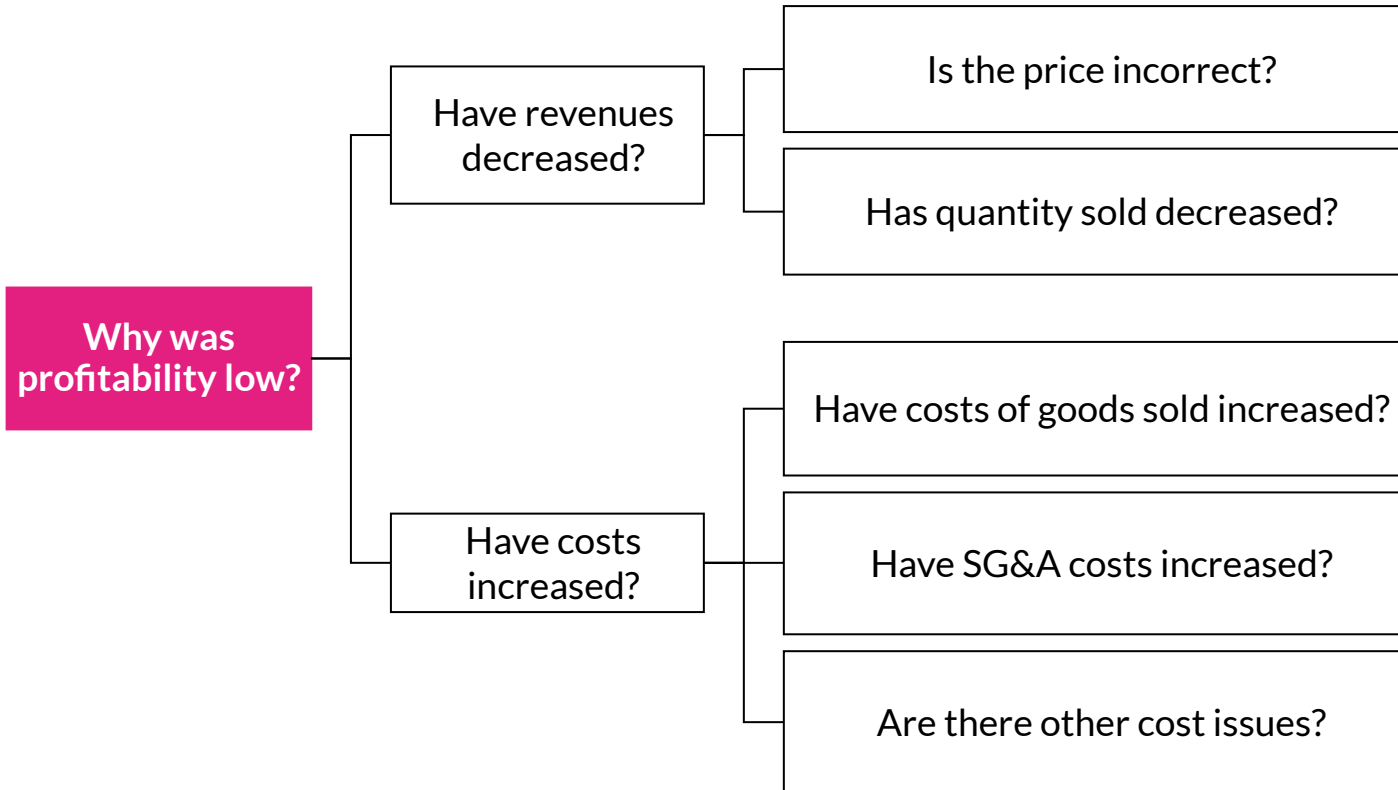
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There are different types of issue trees: Formula type



Potential initial PSW for Alpha Group

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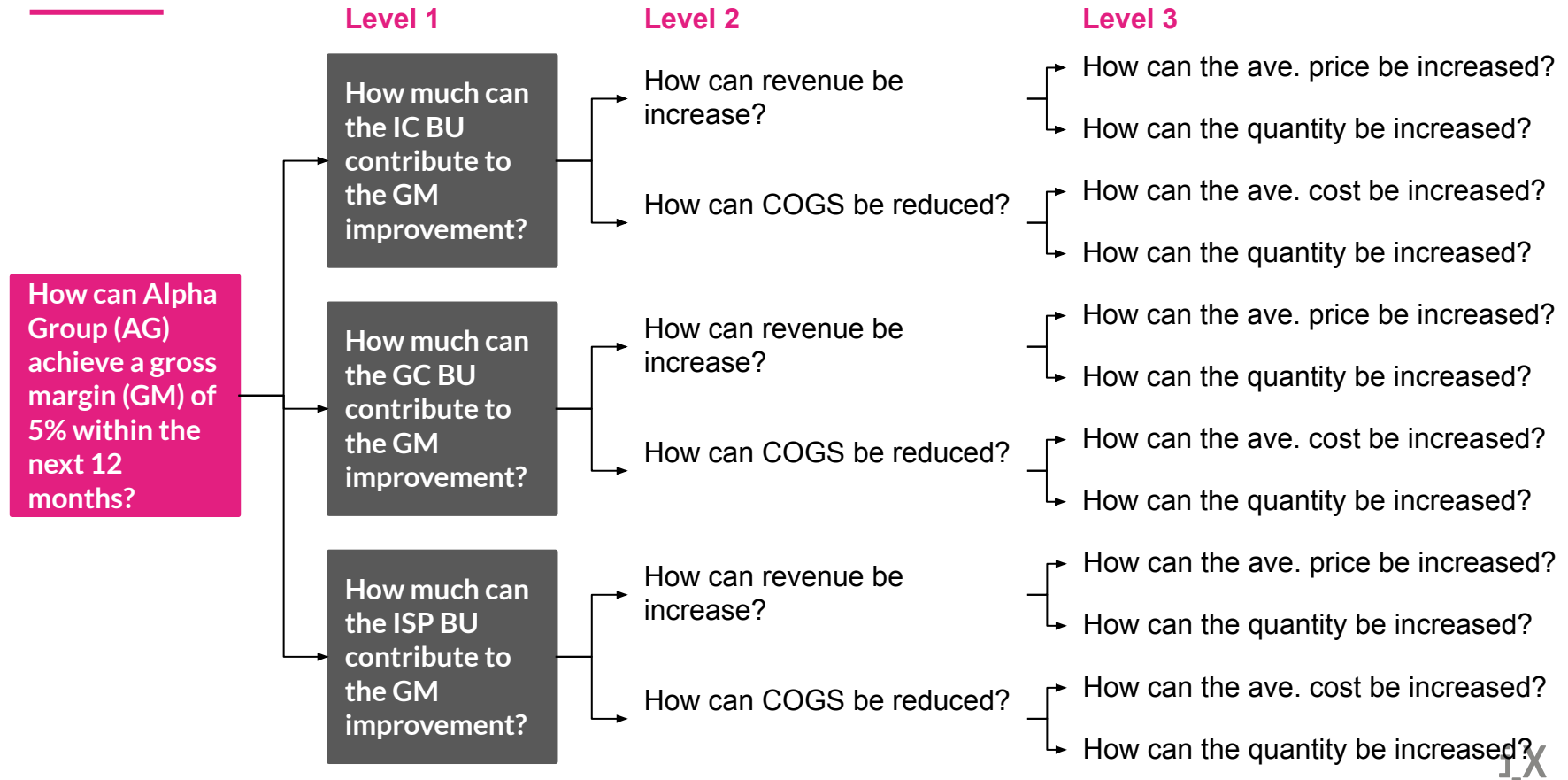
- Key customers
- Key suppliers

External AG

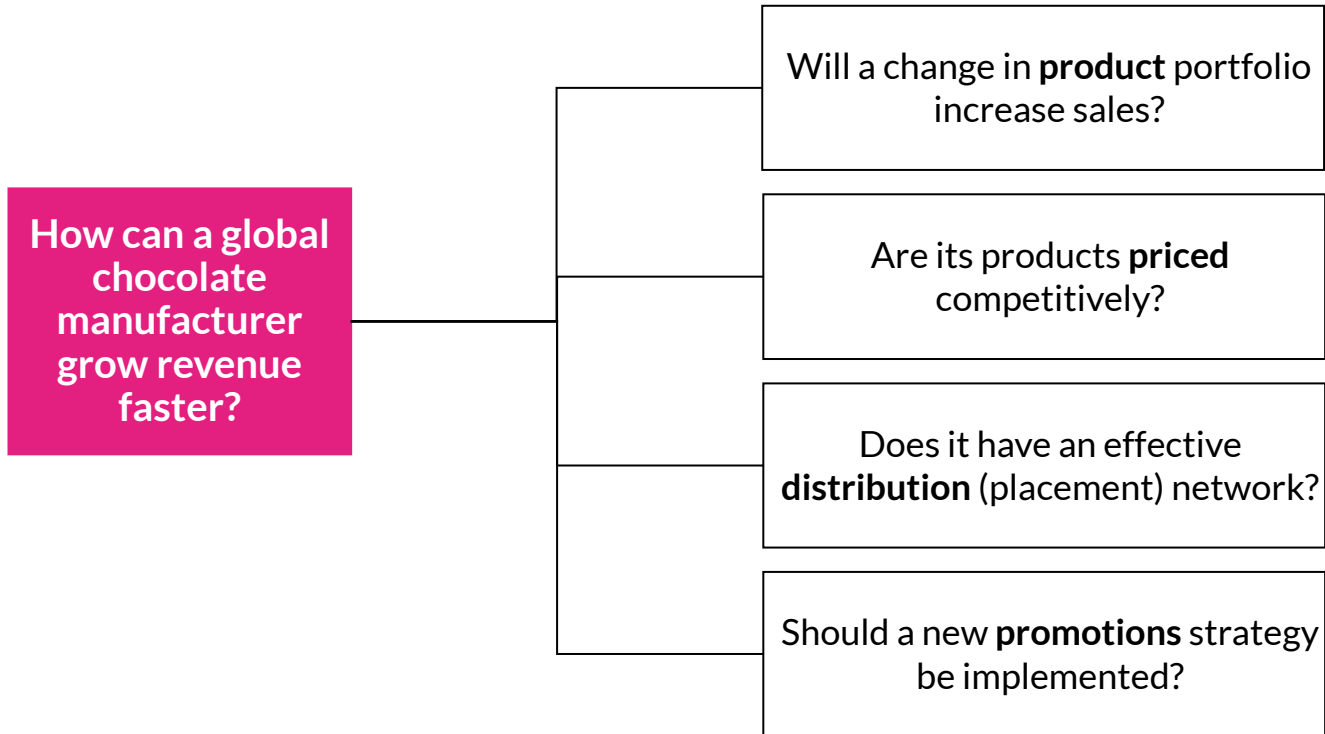
- Market research reports
- Expert interviews

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Potential initial issue tree for Alpha Group



There are different types of issue trees: Framework type



What we've covered

- Why we need an issue tree
- What makes a good issue tree – MECE
- The two types of issue trees – formula and framework
- An example issue tree