# Seeing What's Next in the Management Consulting Industry

*A qualitative study of how the management consulting industry might become disrupted*

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**Seeing What's Next in the Management Consulting Industry**


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# ABSTRACT

The world we live in is in constant change, transforming the business landscape across industries. The rapid economic and social development is affecting all sources of activity, turning industrial change into one of the 21st century's biggest challenges for businesses. There are multiple sources of industrial change, where the one of disruption is a process that challenges historically successful incumbents. The phenomenon of disruption has shaken many industries throughout time, but not yet the one of management consulting.

This thesis strives to investigate if there are any opportunities for conducting disruptive innovations in the management consulting industry and if any actors have begun to capitalize on those opportunities. The purpose of this research is to contribute with theoretical and practical knowledge to the field of disruption in the management consulting industry. The purpose is met by answering the research question of ***How might the management consulting industry become disrupted?*** through a qualitative case study based on twelve interviews with employees at various management consulting firms.

The empirics are structured as an assessment of the current situation in the management consulting industry around the themes of customers, business model, competition and innovation. It is concluded that customers' decreasing willingness to pay for further sustaining innovations is allowing low-end disruptive innovations to target the growing overshot customer segment in the management consulting industry. In addition, new data-democratizing technologies possess the ability to create a new way of accessing information and knowledge, which potentially could lead to a new-market disruption of the management consulting industry.

*Key words: disruption, disruptive innovation opportunities, management consulting industry, disruption of the management consulting industry.*

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# ABBREVIATIONS

**MCI** = Management Consulting Industry
**MC** = Management Consulting or Management Consultant
**MCs** = Management Consultants
**MCF** = Management Consulting Firm
**MCFs** = Management Consulting Firms
**MCS** = Management Consulting Service
**MCSs** = Management Consulting Services

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# 1. INTRODUCTION

*This chapter provides the background and problem discussion of this thesis, which motivate why the chosen research topic is relevant and outline its context. This is followed by the thesis' purpose, research questions and delimitations. Finally, a disposition is presented which displays the chapters included in this thesis and what each chapter covers.*

## 1.1 BACKGROUND

The world that we live in is in constant change, transforming the business landscape across industries. The rapid economic and social developments are affecting all sources of activity, turning industrial change into one of the 21st century's biggest challenges (Eurofound, 2013). According to NACD's (2017) Public Company Governance Survey, 58% of the responding corporate directors believed that industry change would have the greatest impact on their businesses in 2018. Furthermore, the acronym VUCA is increasingly used in managerial surroundings, referring to the volatile, uncertain, complex and ambiguous context that companies need to operate within (Bennett and Lemoine, 2014). These facts suggest that company leaders of today are concerned about industry transformations and the impact of those on their operations. The importance to understand industry trends might seem obvious, since companies who do not understand changes within their industry are in a bad position to make wise investments for the future (McGahan, 2004). Even so, knowledge around the future is not easy to interpret and companies frequently misread signs of industrial change (McGahan, 2004). Thus, a lot of companies are struggling to predict changes of their own industry which can have a great impact on their future results.

A structural change within an industry is defined as a dramatic shift in how the market operates and in the dynamics within (Ganti, 2019). There are multiple sources leading to structural change within an industry, including technologies, innovations, economic developments and political shifts among many (Ganti, 2019). One theory describing a particular structural change with the source of innovation, is the one of disruption (Christensen, Raynor and McDonald, 2015). According to Christensen et. al. (2015), disruption is the industrial process where incumbent businesses are successfully challenged by less resourceful, often smaller, new businesses. The opportunity for new businesses to gain market shares from established firms is enabled through incumbents' relentless unilateral focus on their currently most demanding customers. With a one-sided focus, incumbents oversee the needs of less attractive customer

segments in the market (Christensen et. al., 2015). This creates an opportunity for new entrants to successfully target the overlooked customer segments whose needs are ignored. Because of incumbents' endless hunt for higher profitability, they tend to not respond to the threat of new entrants who target less attractive customer segments. The lack of competition creates an opportunity for new entrants to invest in their offering and move upmarket over time, eventually reaching the customers in the mainstream market. Disruption has occurred when the mainstream customers adopt to the new entrants' offering in big volumes and thus replace the incumbents' offerings. This leads to decreasing results for incumbent firms and a change in market dynamics (Christensen et. al., 2015).

Disruption is an industrial change that has impacted tons of different industries and overthrown incumbents with operations in everything from steel to publishing (Christensen et. al., 2015). One of the most well-known examples of how disruption has impacted an industry is the one of music where customers have gone from purchasing music in forms of Vinyls and CDs, to solely stream music in digital applications such as Spotify (Daniel, 2019). As many as 93% of asked executives believe that their industry will go through a disruption within the next five years (Abbosh, Sutcliff and Savic, 2018). There is, however, one business model that has been immune to change for more than 100 years. Namely, the one of the management consulting industry (MCI) (Christensen, Wang and Van Bever, 2013).

## 1.2 PROBLEM DISCUSSION

The business model of management consulting (MC) has always involved smart people being sent out to solve a client's problem (Christensen et. al, 2013). The MC business model is based on advisory in various business situations, with the aim to optimize and improve the client's company. Since the core of the business model is based on intellectual resources, management consulting firms (MCFs) have been continuously good at adapting to new business trends and helping their clients go through difficult times of change. In fact, it is in periods of rapid and dramatic change that MCSs tend to bloom, since companies seek for advice in times of struggle (Wyatt, 2018).

Christensen et. al. (2013) argue that the MCI has been immune against disruption due to two factors, namely (1) opacity and (2) agility. Opacity refers to the business model being a so called black box, meaning that clients have difficulties in judging whether or not recommendations given by MCFs are valuable. Instead, clients are forced to rely on MCFs'

brands and reputation, rather than measurable results, when choosing which firm to buy advisory services from. Due to the black box characteristic of the industry, high price on services was for a long time perceived as a high-quality label of a MCF and their services. The second factor, agility, refers to MCFs' focus on human capital rather than fixed investments. The intellectual capital strategy has allowed MCFs to have a great flexibility towards threats of industry changes and thus disruption. (Christensen et. al. 2013)

The MCI has been growing during the last 60 years and the industry was worth over $240 billions in 2019 (CBIINSIGHTS, 2019). However, the MCI has been shaken by the latest rapid developments of technology and automatization, including the growing use of big data and AI (Kaplan, 2017). The intellectual property that has been the success factor for the MCI for over 100 years, now seems to be threatened by computers and automatization (CBIINSIGHTS, 2019). Moreover, the economic recessions of the early 21st century have triggered a cost-saving mindset across industries, where companies seem to watch their professional service costs more carefully. This has sparked the abandonment of the assumption that a high price is equal to high quality, affecting the pricing of MCSs (Christensen et. al. 2013). Due to this development, Christensen et. al (2013) argue that early signs of disruption can be discovered within the MCI. Even though big incumbent firms such as McKinsey and Boston Consulting Group still present great results, Christensen et. al. (2013) argue that they are showing vulnerability by decreasing their pure strategic projects (i.e. pure intellectual resource projects). Moreover, McKinsey has started to experiment with new business models to use in the MCI. These are said to be based on selling analytical tools to clients, rather than deploying human capital in a traditional project-based offering. According to Christensen et. al. (2013), this decision is most likely taken as a hedge towards potential disruption of the industry.

However, MC practionaires oppose the idea of disruption in the industry. MCFs argue that the need for MCSs will continue to exist, since new challenges will continue to arise for their clients (Christensen et. al 2013). Moreover, companies do not only need to buy external knowledge, but Lewis (2019) also argues that a third party with an objective eye always will be valuable to employ. This in order to find new solutions for various problems. Furthermore, one company rarely has the possibility to hire solely top talents and all the expertise needed, forcing companies to continue to outsource specific projects (Lewis, 2019). Despite the above statements, Christensen et. al (2013) argue that it is just a matter of time before disruption can

become a realized scenario in the MCI. Thus, there are a lot of uncertainty around if disruption will occur in the MCI, and if so, how will it play out?

## 1.3 PURPOSE

This thesis aims to contribute with both theoretical and practical knowledge about disruption in the MCI. This since academic literature about the MCI is "surprisingly low" (Bronnenmayer, Wirtz and Göttel, 2016, p.2) and academical literature discussing disruption in the MCI is close to non-existing. Thus, there exists a theory gap which is why this thesis aims to contribute to the literature discussing disruption in the MCI. Furthermore, the majority of research papers investigating disruption in any given industry is post occurrence of disruption. In other words, there seems to be a lack of research papers investigating potential opportunities for a disruption in any given industry prior occurrence. Since the MCI is not considered to be disrupted today, this thesis will contribute to literature in the field of disruption by investigate disruption prior potential occurrence in an industry.

Furthermore, this thesis also aims to contribute with practical knowledge and meaningful insights to actors within the MCI. If opportunities of disruption were to be identified in the MCI, actors need to be aware of such in order to mitigate the potential damages and have the ability to seize the opportunities created. Hence, the second aim of this thesis is to contribute with practical knowledge, since the thesis has the possibility to serve as an informative report for actors within the MCI.

However, according to theory, the prediction of a disruption in any given industry is a difficult task. Disruption is a process and can thus not be identified at a single point of time (Christensen et. al., 2015). With that said, the purpose of this is not to investigate the hypothesis of whether or not disruption will occur in the MCI. Neither will this thesis state exactly which disruptive scenario that is to be realized in the MCI. Instead, this research strives to investigate if there are any opportunities for conducting disruptive innovations in the MCI and if any actors have begun to capitalize on those opportunities. By doing so, the researchers of this thesis believe that they will find indications on how a disruption in the MCI might occur.

## 1.4 RESEARCH QUESTION

The thesis strives to fulfil the purpose and meet the problem discussion by answering the following research question:

- **How might the management consulting industry become disrupted?**

To facilitate the process of answering the main research question, the two following sub-questions have been formulated:

- Which are the signs, if any, of disruptive innovation opportunities in the management consulting industry?
- Which are the signs, if any, of actors capitalizing on these disruptive innovation opportunities in the management consulting industry?

## 1.5 DELIMITATIONS

In addition to the given purpose which directs this research, limitations have been set in order to ensure a suitable focus of this thesis. The phenomenon of disruption includes the perspective of both new entrants as potential disruptors and the existing companies in the industry being challenged (Christensen et. al., 2015). Thus, there exist two interesting points of view when studying disruption. This thesis will study disruption from the existing businesses' point of view. This since the perspective of both parties are arguably a too wide scope for this thesis in order to create a depth in the research. Moreover, while identifying existing firms in the MCI is a straightforward task, identifying new entering businesses with the potential to cause disruption is not. This since potential disruptors can be located in any given industry, take multiple different business forms and/or might not even exist yet. Thus, potential disruptors are arguably difficult to identify prior conducting any kind of research.

## 1.6 DISPOSITION

This thesis is composed by the chapters of (1) introduction, (2) method, (3) theory, (4) empirics, (5) analysis and (6) conclusion. The disposition is illustrated in figure 1 below.

Chapter 1, *introduction,* motivates the relevance of the chosen research subject by outlining a contextual background and problem discussion. The thesis' purpose, research questions and delimitations are also included. Chapter 2, *method*, aims to increase the transparency of this thesis by outlining and motivating all methodology choices taken throughout the research.

Chapter 3, *theory*, outlines the theoretical foundation of this thesis, including a literature review to increase comprehension of the researched subject. In addition, a theoretical framework is presented that outline theory around signs that indicate opportunities for disruption and actors capitalizing on those. Chapter 4, *empirics,* presents the collected primary data from the MCI. Chapter 5, *analysis,* outlines the analytical conclusion drawn by applying theory on the collected empirics. Chapter 6, *conclusion,* summarizes the most prominent findings of the research and provides an answer to the research questions. In addition, a discussion is presented with the aim to nuance the conclusion.

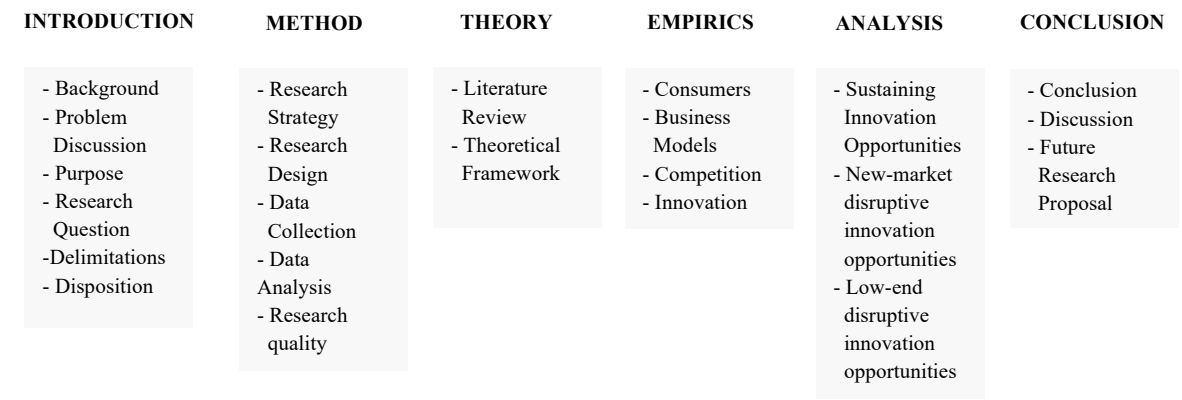


*Figure 1: Disposition of thesis*

# 2. METHOD

*This chapter aims to ensure that the research made in this thesis is transparent towards the reader. Thus, it describes and motivates the methodological choices that have been made throughout the conduction of this thesis. This chapter outlines the chosen research strategy and research design, namely a qualitative case study. It also entails the methodology of the data collection, theory gathering and the chosen thematic coding analysis approach. This is followed by a discussion of the decisions made to ensure research quality.*

## 2.1 RESEARCH STRATEGY

To answer the research questions in a desirable matter, the researchers wanted to obtain detailed knowledge around existing opportunities for disruptive innovations in the MCI through the perspective of respondents operating in the industry. A qualitative research strategy was therefore chosen, motivated by the fact that a qualitative research strategy is a suitable choice when one wants to generate an in-depth verbal result of *how* different factors impact each other in a specific context (Rowley, 2002; Bryman and Bell, 2011; Patton, 2015). A quantitative approach was argued not to be as suitable, since the research aimed to not solely measure and quantify actors' behaviours and opinions (Bryman and Bell, 2011; Patton, 2015). Instead, the research strove to understand and analyse patterns of different industry components and their relationships, e.g. consumer behaviours and competitive factors, in order to find out what those relationships implied for potential disruptive innovation opportunities in the MCI.

Moreover, while a quantitative research aims to test existing theory through a hypothesis by using a deductive approach, a qualitative research aims to contribute with new theory through an inductive approach (Patton, 2015; Creswell and Poth, 2016). A strict quantitative and deductive approach would have implied that this research tested the hypothesis of "H: Is the MCI being disrupted?", which was not the purpose. Instead, this research strove to investigate *how* the MCI might become disrupted by formulating new theory based on findings in the collected empirics.

Furthermore, a qualitative data collection of in-depth interviews was perceived necessary, since the researchers strove to obtain a profound understanding of a subject not presented in academic literature before. Since a qualitative research strategy enables an exploratory approach, it was arguably the suitable choice for this topic (Bryman and Bell, 2011; Patton, 2015; Creswell and

Poth, 2016). Additionally, an exploratory approach was argued to facilitate the achievement of this thesis' purpose of contributing with new theory to the subject of disruption in the MCI.

## 2.2 RESEARCH DESIGN

A case study was the chosen research design to dictate the direction of this research and the choices made within. A case study was perceived to be the most adequate in relation to this thesis' purpose and research questions. This since a case study enables an in-depth exploration of the particular case of interest, e.g. an organization, a location or an industry (Miles and Huberman, 1994; Bryman and Bell, 2011; Patton, 2015). For this research, the management consulting industry is the specific case that has been addressed and elucidated. According to Bryman and Bell (2011), a case study is the appropriate research design when the research question intends to address *how* or *why* something appears, i.e. how the phenomenon of disruption might occur in the MCI.

Furthermore, this research strove to map different factors of the MCI in order to identify how any disruptive opportunities might occur. The researchers therefore conducted an analysis of the current situation based on the following factors; (1) customers, (2) business models, (3) competition and (4) innovation in the MCI. Since the dynamics of the MCI is constantly changing, the collected empirics of this thesis will most likely not be conformed within the industry in ten years. Furthermore, disruption is an ongoing process (Christensen 1997), implying that opportunities of disruptive innovations in the MCI will change over time. According to Bryman and Bell (2011), a case study differentiates from many other research designs since it takes an idiographic approach, i.e. studying the case's unique features in its current state. The opposite, nomothetic approach, aims to generate conclusions that apply irrespective of time and place (Bryman and Bell, 2011). Thus, a case study was an appropriate research design for this thesis since the conclusion drawn from the MCI today will most certainly not be applicable in ten years from now.

Moreover, the argumentation for a case study design is strengthened by the fact that academical literature covering disruption in the MCI is scare. According to Rowley (2002), a case study is suitable when the existing theory is incomplete or lacking. A case study supports a deeper and detailed examination of the chosen topic (Rowley, 2002). It is aligned with this thesis' purpose to contribute to existing literature about MCI and signs of disruption prior occurrence in an industry.

## 2.3 DATA COLLECTION

The primary data collection of this thesis was conducted through qualitative interviews with twelve different respondents working at various MCFs. As previously stated, the choice of research design should dictate the direction and choices made throughout the research (Bryman and Bell, 2011). Hence, the choice of interviews as method for data collection was done in consideration with the chosen case study design. This since interviews allow for intensive and detailed investigation of the particular case researched upon (Bryman and Bell, 2011; Sekaran and Bougie, 2016). Apart from primary data, a literature review and a theoretical framework were conducted to outline existing theory for the analysis to be built upon.

### 2.3.1 SEMI-STRUCTURED INTERVIEWS

Apart from the research design, the researchers considered multiple requirements when deciding which method to use for collecting primary data. First, it was important to gain detailed information of the respondents' interpretations, perceptions and thoughts about the situation in the MCI. This since actors operating in the MCI were argued to be the best source of information when identifying different factors in the industry and the possible occurrence of disruptive innovation opportunities. Furthermore, since academic resources were scarce on the subject, the thesis was dependent on detailed thoughts from actors within the MCI to ensure the achievement of an inductive approach. Thus, it was important to choose a data collection method that gave in-depth information of the topic, why the data collection method of interviews was argued to be suitable (Rowley, 2002; Patton, 2015).

Moreover, the researchers wanted to enable comparison of the respondents' answers to create a nuanced reflection of the current situation in the MCI as a whole. This since the chosen case to study in this research was the MCI, rather than the one of a single MCF. Thus, it was important to choose a data collection method that ensured some structure of the questions asked throughout the interviews. According to Bryman and Bell (2011), semi-structured interviews facilitate the search of similarities and differences in the collected data. This since semi-structured interviews allow to combine structure and flexibility, which makes the collection of in-depth information easy to find patterns in (Bryman and Bell, 2011). As semi-structured interviews fulfilled the above requirements, it was chosen as the data collection method for this thesis.

To facilitate comparison of respondents' thoughts and perceptions, an interview guide was conducted prior the interviews, presented in appendix 1. The main purpose with an interview

guide is to create a notation of topics to cover in the interviews, which bring structure to the data collecting process (Patton, 2015; Creswell and Poth, 2016). An interview guide was therefore perceived as highly useful as it ensured a degree of consistency in the collected data and facilitated the search for patterns in the MCI. To ensure that the collected data was relevant to answer the research questions, the topics of the interview guide were aligned with the thesis' theoretical framework, presented in paragraph 3.2. However, due to the characteristics of a semi-structured interview, the interview guide also allowed for flexibility and adaptation to every unique respondent. This to ensure that interesting topics brought up were exhausted. Thus, some questions covered in the interview guide may have been discharged, changed order or extended with follow-up questions. In order to encourage the respondents to speak freely and truthfully about the topics covered, the interview guide did not contain any closed-ended or leading questions with included preconceptions.

### 2.3.2 SELECTION OF RESPONDENTS

As mentioned previously, the thoughts and knowledge of the respondents have been key to achieve an exploratory research and to fulfil the purpose of this thesis. Thus, the selection of respondents was crucial to ensure that valuable information and insights were gathered. Therefore, the respondents have been chosen by a purposive sampling method. A purposive sampling method implies that respondents are chosen strategically due to their relevance to answer the selected research questions (Sekaran and Bougie, 2016).

Bryman and Bell (2011) state that when using a purposive sample method, it is important that the researchers are clear about what criteria to include and exclude respondents by. Hence, the researchers developed multiple sampling criteria, outlined in table 1, to ensure appropriate respondents. First, the respondent needed to work at a MCF at the time of the interview. Meaning that the respondent had to work at a company offering "advisory and implementation services to the management of organizations with the aim of improving the effectiveness of their business strategy, organisational performance and operational processes" (Consultancy.uk, n.d., Management Consulting section). Second, the respondent needed to have 5+ years of experience in the MCI to ensure extensively knowledge around the industry. Therefore, solely respondents working in a senior or managerial position have been included, which excluded junior consultants. Furthermore, the aim with this research has been to create an understanding of disruptive opportunities in the MCI, and not to examine single MCFs per se. Thus, the researchers aimed to create a diversity among the MCFs interviewed to ensure

that multiple perspectives of the industry where included, reducing the risk of an one-sided description of the MCI. Thus, a mix in geographical operations and size of firms were also included as sampling criteria.

| Sampling Criteria |
|---|
| Management consultant |
| +5 years of experience in the MCI |
| Mix in geographical operations |
| Mix of small- and big sized firms |

*Table 1: Sampling criteria for selection of respondents*

A total of twelve respondents were chosen, outlined in table 2 below. These respondents were argued to fit the sampling criteria as all of them, at the time of the interviews, were operating within the MCI and had +5 years of experience. In addition, a mix between geographical focus was met through choosing MCFs with Swedish, Nordic and Global operation focuses. Furthermore, the criteria regarding size was met by choosing four big sized MCFs (>100 employees), six mid-sized MCFs (>10 and <100 employees) and two small sized MCFs (<10 employees). After these twelve interviews, the researchers were of great confidence that empirical saturation was reached. Meaning that further interviews with additional respondents seemed unnecessary since similar answers to various questions were brought up by different respondents (Miles and Huberman, 1994).

| Company | Date | Location | Duration |
|---|---|---|---|
| Realize AB | 26th of February, 2020 | Conference room at the School of Business, Economics and Law in Gothenburg | 1 hour and 10 minutes |
| Curago | 27th of February, 2020 | Curago's office in Gothenburg | 35 minutes |

| | | | |
|---|---|---|---|
| Trinovo Consulting | 28th of February, 2020 | Video call through Microsoft Teams | 56 minutes |
| Expanding Leadership | 28th of February, 2020 | Video call though Zoom | 51 minutes |
| CGI | 2nd of Mars, 2020 | CGI's office in Gothenburg | 1 hour |
| Accenture | 9th of Mars, 2020 | Accenture's office in Gothenburg | 54 minutes |
| Ekan Management | 10th of Mars, 2020 | Ekan Management's office in Gothenburg | 55 minutes |
| Capacent | 10th of Mars, 2020 | Capacent's office in Gothenburg | 51 minutes |
| Ascend | 13th of Mars, 2020 | Phone call | 47 minutes |
| Centigo | 11th of Mars, 2020 | Video call through Skype | 56 minutes |
| Fortos | 12th of Mars, 2020 | Fortos' office in Gothenburg | 41 minutes |
| Valcon | 23rd of Mars, 2020 | Video call through Skype | 39 minutes |

*Table 2: List of respondents*

After getting approval from the respondents, the names of the MCFs participating in this thesis are presented above. This to increase the transparency and legitimacy of this research. However, Bryman and Bell (2011) highlight the importance to not in any way harm the respondents or invade their privacy. This is why the researchers have decided to *not* link any statements or quotes to the respondents and their companies in chapter 4: empirics. For the same reasons, the identity of the individual respondents has been kept anonymous. This decision was made since the researchers believed that not linking the empirics to the respondents' company or identity encouraged the respondents to speak more freely during the interviews. However, to ensure that the presented empirics were easy to follow despite anonymity, the respondents have been randomly assigned a letter from A-L. Thus, the letters in the presented empirics do ***not*** correspond to the order in table 2, i.e. respondent 1 have not been assigned letter A.

### 2.3.3 INTERVIEW SET-UP

As outlined in table 2 above, twelve interviews have been performed at various dates and sites. As an initial step, recommended by Bryman and Bell (2011), a pilot interview was held in an early stage of the research with an experienced person within the MCI. During the pilot interview, the researchers were able to test the selected themes and questions in the interview guide with the possibility to make improvements. The answers from the pilot interview are not included in the research.

One week prior the date of their interview, the respondent was given notation of the different topics that would be covered during the interviews, namely customers, business model, competition and innovation in the MCI. This decision was made to increase the quality of the respondents' answers during the interviews, since the questions addressed required thoughtful answers. To ensure that the respondents still kept an open mind going in to the interviews, no specific questions were sent out.

As far as possible, the interviews were held face-to-face to enable interpretation of the social context, body language and reactions. Face-to-face interviews also enable the respondent and interviewers to create a personal connection, which can reduce respondent's likelihood of giving avoiding answers (Patton, 2015). However, due to the uncontrollable event of the Covid-19 pandemic during spring 2020, travels and face-to-face interviews became an unnecessary health risk during the phase of data gathering. Therefore, more digital interviews were conducted than initially planned. Seven out of twelve interviews were conducted face-to-face and the rest were done through Skype, Microsoft Teams or by phone. Both researchers were present during all interviews and took turns to ask questions and take notes. The interviews had a duration between 35 minutes and 70 minutes and all interviews were held in Swedish. All data have therefore been translated to English when inserted in the presented empirics.

After getting the respondents' permission, the interviews were recorded and later on transcribed to ease the process of analysing and comparing the data. According to Bryman and Bell (2011), the biggest disadvantage of transcribing is the vast amount of time consumed. However, the researchers argued that the advantages were greater in this case, since it enabled them to stay fully focused on the respondent during the interviews instead of taking comprehensive notes.

### 2.3.4 THEORY

Besides the primary data collection, previous literature was gathered to constitute this thesis' theory section. The theory section includes a literature review and a theoretical framework. This part of the thesis was mostly executed in the beginning of the process and did hence establish a foundation of the research. The literature review consists of previous research discussing subjects necessary to give the reader a relevant theoretical background and understanding of the studied topic. The theoretical framework functions as a practical tool which more thoroughly examines signs of opportunities for disruption and how actors might capitalize on those. Combined, the literature review and theoretical framework have been applied as a lens on the collected empirics to analyse the data.

The literature has been accessed in the library of the university of the School of Business, Economics and Law in Gothenburg and in the databases of GU Super Search and Google Scholar. In order to find relevant articles, the following search words have been used; *industry change, innovation, disruption, disruptive innovation, sustaining innovation, disruptive theory, disruptive technology, management consulting* and *management consulting industry*.

To ensure a critical and comprehensive theory section, multiple different articles and authors have been used. However, Clayton Christensen is the person that coined the phenomenon disruptive innovation. It is therefore inevitable to not include many of his articles and books in the theory section. With that said, other authors have also been cited to ensure a literature review not relying too heavily on a few sources. In addition, a section discussing criticism of Christensen's theory of disruption has been included to guarantee a critical mindset and an unbiased theory section.

## 2.4 DATA ANALYSIS

In order to fulfil the purpose of this research and contribute with legitimate findings, a structured and appropriate method to analyse the collected data has been crucial. According to Bryman and Bell (2011), the analysis is an essential part of every research. For this thesis, a thematic analysis method has been applied. This was considered to be a suitable approach for analysing the unstructured transcribed material gathered from the interviews, since a thematic analysis method simplifies the search for hidden meanings and patterns in the respondents' answers (Sekaran and Bougie, 2016). Thus, by using a thematic analysis approach, perceptions and thoughts of the chosen respondents were processed and compared in a structural way.

Coding was used to break down the collected data, which is the process of separating data into multiple concepts and thereafter group the concepts into fewer themes (Sekaran and Bougie, 2016). This thesis' coding chart can be found in appendix 3. The concepts and themes were derived from the transcript material and pinpointed by using colour coding. The concepts and themes were identified with the thesis' research questions, literature review and theoretical framework in mind. Furthermore, all concepts and themes were discussed between the two researchers to ensure that they were relevant and that the researchers had the same viewpoint to align the colour coding. Furthermore, the processing of data was made in tandem with the interviews. This since it is recommended to do the analysis as an ongoing process, as it enables the researchers to identify new themes to ask about in later interviews (Miles and Huberman, 1994; Bryman and Bell, 2011).

However, there exist some potential problems with the thematic analysis approach and the process of coding (Miles and Huberman, 1994). The problem most applicable to this research was the risk of losing context of the empirics when only fragments of the data were focused upon. To mitigate this risk, both researchers reviewed the transcriptions multiple times. In addition, all decisions taken about colour coding, themes and concepts were discussed between the researchers throughout the analysis to assure that the bigger context was not overseen.

## 2.5 RESEARCH QUALITY

Potential quality concerns with the methodology choices have been discussed throughout this chapter. However, this section aims to further elaborate on potential research quality issues and choices taken to mitigate such. A qualitative research can be questioned in different aspects, since the findings are based on subjective observations and interpretations. It is therefore important to apply certain research quality criteria to ensure trustworthiness and legitimacy of the research (Bryman and Bell, 2011). For this thesis, the criteria of reliability and validity have been discussed and resonated around. These two criteria were chosen as they are the most common quality measurements and widely recognized by researchers globally (Bryman and Bell, 2011).

### 2.5.1 RELIABILITY

The reliability of a research affects the ability for others to repeat the investigation and obtain the same result. The term of reliability can further be divided into external and internal reliability. (Bryman and Bell, 2011)

External reliability measures the ability to understand and replicate the study (Miles and Huberman, 1994; Patton, 2015). This quality requirement is often challenging in a qualitative research setting, because of the inability to replicate the social setting that the research took place in (Bryman and Bell, 2011). However, to improve the external reliability of this study, careful documentation of all related choices to this research are outlined and motivated throughout this methodology chapter. Both the interview guide and the coding chart can be found in the appendix 1 and 2. To further increase the reliability, the interview preparations, locations and durations have been described, as well as the notation of MCFs participating in the research.

Internal reliability refers to whether or not the researchers agree on what is seen and heard throughout the findings (Miles and Huberman, 1994; Patton, 2015). The internal reliability of this thesis has been strengthened by the fact that the researchers were enrolled in the same master program, and thus had a similar educational background and understanding of the subject researched upon. To further ensure that the criteria of internal reliability was meet, the researchers had constant communication throughout the whole thesis by discussing and resonating around all decisions taken. Thus, both researchers went through the theory and data multiple times to discuss and compare whether or not the same observations were made.

### 2.5.2 VALIDITY

The validity of a research measures the quality of the findings and how well they represent a real-world phenomenon. The term of validity can further be divided into external and internal validity. (Bryman and Bell, 2011)

External validity refers to the ability to generalize findings across a bigger population (Patton, 2015; Sekaran and Bougie, 2016). The validity of a qualitative research is criticised since such research designs tend to investigate the chosen subject in a small sample (Bryman and Bell, 2011). Considering that the chosen case to study in this thesis is an industry, the notation of the inability to generalize findings has been a great challenge. The researchers are aware of the difficulties in arguing that the findings concluded in this thesis are applicable to any other MCF not included in the sample. However, the researchers have tried to meet this challenge by including a diverse sample of twelve MCFs to reach empirical saturation. Furthermore, the goal has not been to statistically confirm the hypothesis of whether or not the MCI is going to be disrupted. Instead, the purpose with the research has been to find opportunities for a potential disruption to occur in the MCI. For this purpose, the researchers argued that an in-depth analysis

on fewer respondents was more favourable than a generalizable survey. Thus, the researchers believed that the sample of this research have been satisfying to fulfil this thesis' purpose.

Internal validity refers to the correspondence between the observations done by the researchers and the theoretical ideas develop in the thesis (Bryman and Bell, 2011; Patton, 2015). The internal validity of this thesis has been increased by the fact that all interviews were transcribed verbatim and carefully analysed through a structured method. Furthermore, the researchers have studied the phenomenon of disruption in several master courses prior conducting this thesis, which have facilitated the theoretical understanding and thus the theoretical ideas created.

# 3. THEORY

*This chapter outlines the theoretical foundation of this thesis, including a literature review and a theoretical framework. The literature review provides a theoretical background to increase comprehension of the subject studied. The theoretical framework operates as a practical tool, which more thoroughly examines signs of disruptive innovation opportunities and how actors might capitalize on those. In the end, a brief summary of the theory chapter is outlined.*

## 3.1 LITERATURE REVIEW

The literature review consists of previous research on the following subjects: (1) the management consulting industry, (2) different types of innovations and (3) the theory of disruption. The chosen subjects are considered to be important in the creation of a theoretical understanding of how a potential disruption might occur in the MCI. Their relevance in answering the research questions is argued for below.

The first subject, *the management consulting industry*, aims to provide a theoretical definition of the industry and gives the reader an industrial context. The second subject, *different types of innovations*, defines what an innovation is and why innovation is important to conduct by companies. The theoretical field of innovations is broad and lacks a general defined terminology. Since this thesis investigates the particular innovation phenomenon of disruption, it is important to discuss and define the innovation terminology relevant for this particular research. The third subject, *the theory of disruption,* provides a detailed explanation of the concept including definitions from literature, characteristics of sustaining and disruptive innovations, which industry factors that enable disruptive innovation opportunities, as well as criticism towards the disruption theory. A detailed explanation of why disruption appears in an industry is argued to facilitate the understanding of how disruptive innovation opportunities occur.

### 3.1.1 THE MANAGEMENT CONSULTING INDUSTRY

The MCI goes all the way back to 1886, when the first MCF was founded in the US (Alvares, n.d.). However, it was not until the 20$^{th}$ century that the industry started to flourish, as new actors entered the market (McKenna, 2012). According to Saint-Martin (2004), the MCI had a yearly growth between 25 and 30 percent in the later half of the 1980s. The MCI is still growing, but not with the same pace as historically. Between the years of 2011 and 2019, the compounded

annual growth rate in the MCI were 4.1 percent (Statista, n.d.). The forecast for 2020 predicts the MCI to decrease with 19 percent, due to the outbreak of Covid-19 (Statista, n.d.).

The biggest actors in the industry have been founded in the United States and in the United Kingdom (Saint-Martin, 2004; McKenna, 2012). However, the MCI today consists of a wide variety of firms in terms of size, location and type of segment targeted. Thus, the industry is characterized as highly differentiated. While some MCFs offer a variety of services, others are specialized in niches (Srinivasan, 2014). The customers of the MCI range from small sized family firms to large sized international companies and exist at every level of the organization (Kubr, 2002; Greiner and Ennsfellner, 2010; Baaik, 2013).

Despite the above information, there are some difficulties in outlining which companies to include when discussing the MCI. This due to the fact that the MCI is unregulated, meaning that the barriers to entry are low. There is no requirement to have a license when practicing the profession of MC (Furusten, 2013; Kipping and Kirkpatrick, 2013). The epithet of MC is hence not protected, meaning that anyone and any firm can refer to themselves as MCs (Saint-Martin, 2004; Greiner and Ennsfellner, 2010; Kipping and Kirkpatrick, 2013). However, there exist multiple sources in literature that discuss MCFs and MCSs which can guide the search of an industry definition. According to Kubr (2002), a MCS is an advisory service given on managerial issues. Srinivasan (2014) elaborates, stating that the essence of a MCS is to identify problems within a client's business and help the client to improve their business in various ways. Thus, a MC is an external advisor. In fact, Appelbaum and Steed (2004) argue that an important part of the definition is that MCFs are external to the client's own organization. According to Srinivasan (2014), the purchase of MCSs was one of the earliest instances of what we today refer to as business outsourcing. The external viewpoint enables MCs to give independent and objective advice to the customer (Kubr, 2002). Besides this, another important part of the definition is the fact that MCSs are executed through temporary projects. Meaning that MCs are hired for a set period of time to deliver advice and/or implement advice (Orr and Orr, 2014). Examples of such projects are evaluating a potential market entry strategy, find out how to secure growth in the client's company or argue whether or not the client should outsource a part of their business (Baaij, 2013).

Thus, the MCI is centered around knowledge that is packaged as temporary advisory services (Savary, 1999; Furusten, 2013). Because of the central role of knowledge in the MCI, the

industry is described as ever changing. This since new business trends continuously impact the knowledge areas that MCFs consult within, e.g. new technologies, globalization, geopolitics, etc. (Kubr, 2002). Since new knowledge extend MCFs' service offerings and secure an inflow of customers, it is highly important for MCFs to continuously update their intellectual resources (Morris and Empson, 1998).

### 3.1.2 DIFFERENT TYPES OF INNOVATIONS

Companies are required to be innovative as a response towards fast pacing trends and changing market dynamics. When customer demand and competition metrics change, innovation is the organizational tool that decrease the threat to become obsolete and allow companies to capitalize on new opportunities created (Bessant, Lamming, Noke and Phillips, 2005; Baregheh, Rowley and Sambrook, 2009). In fact, according to Zahra and Covin (1994, p.183), "innovation is widely considered as the life blood of corporate survival and growth". Innovation can take the form of a new product, new service, new business model, new manufacturing process and a new internal business process among others. Thus, innovation should not be seen as a tool to solely create new products and services, but rather as a multidimensional approach for companies to use (Goffin and Mitchell, 2017).

There is no generally accepted terminology regarding different kinds of innovation, even though there exist some overlap between different definitions from various authors. Innovation terms are hence not being treated consistently across publications. Instead, authors use different words to describe innovations and their outcomes. For example, Goffin and Mitchell (2017) use the words incremental, breakthrough and radical as description of different innovations with different outcomes and characteristics. Christensen (1997) uses the words of sustaining and disruptive to describe innovations with different characteristics and outcomes. Markides (2006) argues that a radical innovation is a type of a disruptive innovation. While Christensen (1997) argues that a sustaining innovation can be characterised as both incremental and radical. Hence, there is no consistency in the use of different innovation terms and many scholars argue that there is a need for clearer definitions (Danneels, 2004; Markides, 2006).

However, since this thesis investigates the special phenomenon of disruption, the innovation terminology used will be the one conducted by the researcher Clayton Christensen. This since he was the researcher who coined the theory of disruptive innovation. There are two kinds of innovations included in the theory of disruption: (1) sustaining innovations and (2) disruptive innovations. Sustaining innovations are those which improve the performance of established

products and services in various ways. Disruptive innovations create a new value proposition that has not been introduced in the industry before and, if successful, may result in existing leading firms' failure. (Christensen, 1997)

### 3.1.3 THE THEORY OF DISRUPTION

#### 3.1.3.1 Definitions of Disruptive Innovation in Literature

The concept of disruption is widely known within innovation management and is discussed in multiple different theories. However, Christensen et. al. (2015) claim that the term is frequently misapplied and used incorrectly. The concept of disruption has thus sometimes been misunderstood when cited (Schmidt and Druehl, 2008). Christensen et. al. (2015) claim that disruption is today used to describe any industrial change where existing firms are being successfully challenged, which is not aligned with the true meaning of the theory. This is problematic, since companies cannot respond correctly to the threat of disruption if the comprehension of the concept is low as a result of using it faulty (Christensen et. al., 2015).

Going back to 1997, Clayton Christensen was the person who coined the concept Disruptive Innovation in his book "*The innovator's Dilemma - When New Technologies Cause Great Firms to Fail"* (Christensen, 2014). Christensen's disruptive innovation theory derived from a number of historical technology innovation studies including; Schumpeter (1947), Foster (1986), Henderson and Clark (1990), Christensen (1992), Bower and Christensen (1995) and Dru (1996). However, Christensen advanced the theory in a comprehensive manner in his book published in 1997, popularizing the concept of technology disruption (Yu and Hang, 2010). Since then, Christensen's work on disruptive innovation is one of the most widely used concepts in recent innovation management literature (Schmidt and Druehl, 2008).

When Christensen conducted his research in 1997, he was seeking for the answer to the question of how leading firms failed to remain their dominant position (Phillips, Noke, Bessant and Lamming, 2006; Christensen, McDonald, Altman and Palmer, 2018). Christensen's research originated from his observation of big firms across industries losing market shares despite well-managed operations and great strategic incentives. The cause of these declines did many times remain undefined which motivated Christensen to find out why these failures emerge (Christensen et. al., 2018). In his search for the answer, Christensen focused his initial research on the disk-drive industry (Christensen, 1997).

Christensen's findings in the disk-drive industry indicated that leading firms maintained their market position when innovations improving the performance of historically valued attributes (e.g. size, capacity, accessibility, complexity) within the industry were introduced. However, leading firms lost the battle against new entrants when they introduced an innovation which was not aligned to customers' current attribute preferences, but rather created a new unique attribute constellation not valued before (Christensen, 1997; Assink, 2006; Phillips, et. al., 2006). Danneels (2004) further elaborates, stating that disruptive innovations are the ones that transform the dynamics of competition in an industry by changing the performance parameters which companies compete on. This is due to the fact that companies compete about customers who choose offerings depending on the attributes they personally value. Hence, customers determine which performance parameters that are relevant in the industry and that are the bases of competition. A new disruptive product is based on a different set of attributes than the ones historically valued. So when customers adapt the disruptive innovation, it transforms the dynamics of competition (Daneels, 2004; Assink, 2006). A concrete example of a performance parameter that disrupted the disk-drive industry was the architectural innovation that decreased the size of the drives (Christensen, 1997).

However, transforming the nature of competition in an industry does not occur over one night. Disruptive innovation is a process specified as *"*Disruptive innovation describes a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors" (claytonchristensen.com, n.d. Disruptive Innovation section). This process is shown below in figure 2, which displays a diagram conducted by Christensen et. al. (2015, p. 49) called "the disruptive innovation model".

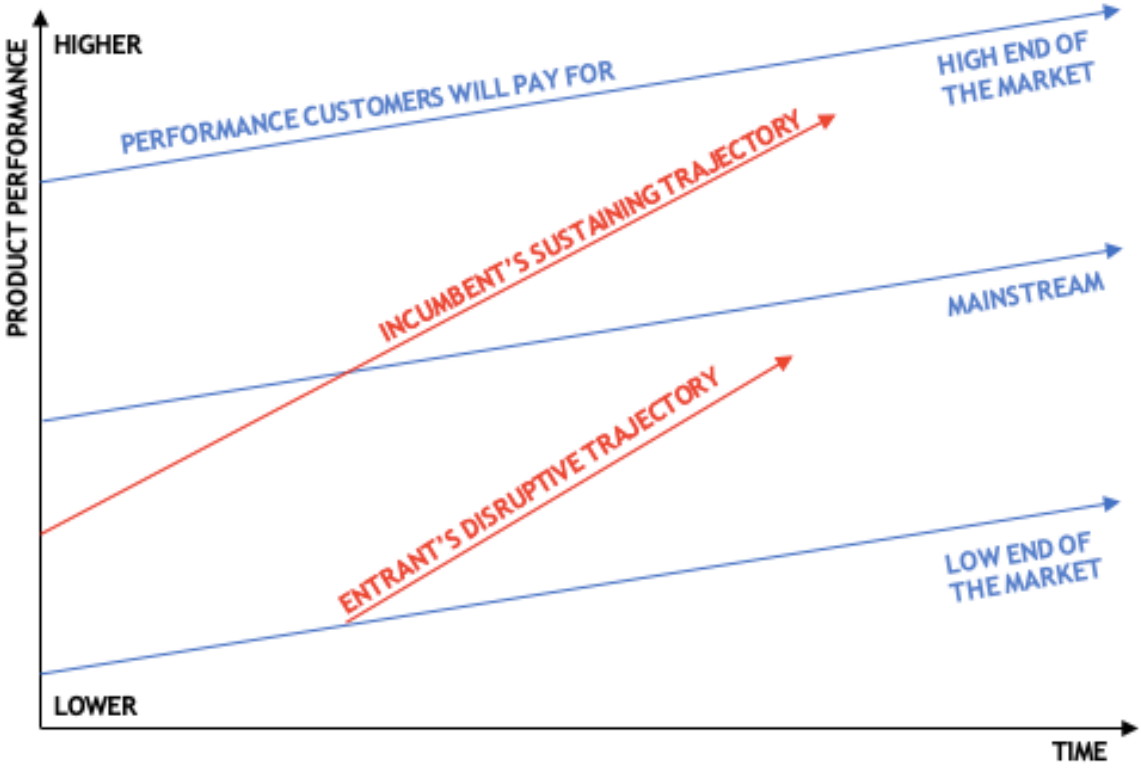


*Figure 2: Illustration of the disruptive innovation model (Christensen et. al. 2015, p. 49)*

The above diagram displays how sustaining innovation efforts and disruptive innovation efforts impact a market and how they affect each other. The red lines are referred to as product performance trajectories and display how the performance of a product or service improves over time. The blue lines are referred to as customer demand trajectories and display how willing customers are to pay for the performance of the product or service. The top red line describes how incumbent firms, i.e. existing firms in an industry, conduct sustaining innovations to improve their current offerings. Sustaining innovations are done by incumbents to increase the product's or service's performance, which enable them to charge a higher price for their offering. However, the conduction of sustaining innovations create overseen customer segments, i.e. customers in the lower-end of the market who cannot afford or adopt to performance improvements. Overseen customer segments then enables disruptive innovations to be created, displayed by the lower red line. This since it gives disruptors an opportunity to create a product or service with initial bad performance, but sufficient enough for the low-end foothold of the market. By doing investments into the disruptive innovation over time, its performance will increase and thereby move up market to eventually meet the needs of the mainstream market. Disruption is considered to be successful when the mainstream market

adapt to the new disruptive product or service in place of the traditional one. (Christensen et. al., 2015)

Thus, the theory of disruption describes how new innovations may pose a threat towards incumbents' offerings in any given industry. The following paragraphs, 3.1.3.2 and 3.1.3.3, will in detail outline the characteristics of sustaining and disruptive innovations.

#### 3.1.3.2 Characteristics of Sustaining Innovations

Sustaining innovations are efforts made to improve *existing* products, services and business processes in the *current* marketplace (Christensen, 1997; Charitou and Markides, 2003; Koen, Bertels and Elsum, 2011; Van Order, van der Rhee and Schmidt, 2011; Denning, 2016b). Hence, sustaining innovations exploit companies' current market position by leveraging their existing business model (Christensen, 1997; Overdorf and Barragree, 2001; Yu and Hang, 2010).

**Improvements on existing offerings and business processes**

Sustaining innovations can take the form of smaller incremental improvements or bigger radical improvements (Christensen, 1997). What distinguish sustaining innovation is that the improvements is done on existing offerings and/or current business processes (Assink, 2006; Denning, 2016b). However, incremental sustaining innovations are the most common, as they are less risky and easier to implement compared to radical sustaining innovations (Bessant et. al, 2005; Koen et. al., 2011). Examples of sustaining innovations implemented on existing products are clearer TV picture and better mobile phone reception (Christensen et. al., 2015). An example of a sustaining innovation implemented on a current business process is a change of sales channels, e.g. from personal sales to telephone sales with the goal to increase efficiency (Yu and Hang, 2010). Thus, a sustaining innovation does not create growth in terms of new consumption or new jobs in a newly created marketplace (Christensen et. al., 2016). Instead, sustaining innovations turn an existing offering and/or business process into something *better* (Christensen et. al., 2015).

**Increases profitability and competitiveness**

Sustaining innovations enable companies to charge a higher price towards customers by adding new features to the current offerings (Danneels, 2004; Denning, 2016b). Thus, sustaining innovations are often conducted with the goal to increase the company's margins (Christensen, 1997). The opportunity to increase profitability is usually the cause of incumbents' relentless

focus on the mainstream and high-end customers in the market, which are the ones who afford and/or are willing to pay for the sustaining innovations made (Christensen and Raynor, 2003).

In addition to increase profitability, sustaining innovations may increase a company's competitiveness towards existing rivals. This since sustaining innovations often result in increasingly attractive offerings and/or more efficient business processes (Christensen, 1997). Thus, sustaining innovations nurture a competitive market (Denning, 2016b).

**Mostly conducted by existing actors**

The ones pursuing sustaining innovations are often existing actors in the industry, i.e. incumbents (Overdorf and Barragree 2001). In fact, the majority of all companies are motivated to pursue sustaining innovations (Christensen and Raynor, 2003). However, there are examples of new entrants that pursue sustaining innovations as well (Christensen et. al., 2015). When a new entrant introduces a sustaining innovation, e.g. an improved business model in the existing market, incumbents generally respond to that threat. This since a sustaining innovation is an improved version of the current offering or business processes on the market, which threatens incumbents' competitiveness in the mainstream market. Due to the incumbents' superior resources, they usually win the battle of sustaining innovations pursued by new entrants (Bessant et. al., 2005; Christensen et. al., 2015). There are though some recent examples of new entrants that have been superior incumbents when introducing a sustaining innovation due to their ability to use technology better, for example Uber and Tesla (Christensen et. al., 2016).

**Targeting the mainstream market**

The conduction of sustaining innovations are most often correlated with listening to existing customers' needs in the current marketplace (Schmidt, 2004). Thus, sustaining innovations are created along the voice of the mainstream- and high-end customer (Christensen, 1997; Assink, 2006). As can be seen in figure 2: the disruptive innovation model, the higher up in a market, the more profitable and demanding customers become. Thus, high-end customers have the strongest willingness to pay for sustaining innovations (Christensen, 1997; Schmidt, 2004). It is therefore important for incumbents to keep their relationship with their core customers in the mainstream and high-end of the market (Christensen et. al., 2015). Hence, the features of the product or service that these customers value the most, will determine what kind of improvements that will be conducted (Christensen, 2003).

### 3.1.3.3 Characteristics of Disruptive Innovations

Disruptive innovations create a *new* and *different* value proposition that has not been introduced in the market before (Christensen, 1997).

**Disruptive innovation as a new technology, product, service or business model**

A disruptive innovation can take multiple different forms. New technologies, products, services and business models have all been referred to as disruptive innovations in literature (Christensen, 1997; Christensen and Raynor 2003; Assink, 2006; Yu and Hang 2010). However, the term of disruptive innovation originated as a technology and disruptive technology is the term used in the book *"The innovator's Dilemma - When New Technologies Cause Great Firms to Fail"* (Christensen, 1997). In this book, technologies refer to the processes of how a company allocates labor, capital, materials and information in different ways to create products and services. Meaning, the word technology in the theory of disruption is not used to explain solely engineering and manufacturing, but also investment processes, marketing strategies and managerial decisions. Innovation is the term used to explain a change in one of these technologies (Christensen, 1997). Hence, disruptive technology according to Christensen (1997) is an innovative change in one of the company's technologies, i.e. their processes for creating their offerings. The book, however, has a narrow focus and application of the disruption theory on technological products (Yu and Hang, 2010).

Later on, Christensen and Raynor (2003) published an additional book around the subject of disruption named "*The Innovator's Solution*". The term disruptive technology was replaced with disruptive innovation in order to extend the application of the term to non-technological products. Moreover, service and business model innovation were also included in the term of disruptive innovation (Yu and Hang, 2010). Thus, disruptive innovations can be referred to as technologies, products, services and business models (Yu and Hang, 2010). This fact has been criticised by some, for example by Markides (2006) who argues that treating technologies, products, services and business models with the same theory is equal to comparing apples with oranges. However, Markides (2006) agrees with the fact that technologies, products, services and business models can all be disruptive to incumbent firms in an industry. Thus, according to the above presented theories, the MCI can become disrupted by a new technology, service, product and/or business model.

However, when discussing an innovation's "disruptiveness", it is important to keep in mind that it is a relative phenomenon and not an absolute. A specific innovation, e.g. the internet, may be sustaining to one company, but disruptive to another. The categorization is dependent upon the company's current business model and revenue structure. Thus, if a company can use the innovation to make more money in the way its operations already are structured, it is considered to be a sustaining innovation. On the other hand, if the innovation cannot be leveraged in the company's current business processes, it is considered to be potentially disruptive. Hence, an innovation can only be labelled as disruptive or not when assessed in relation to a company's business model. (Christensen et. al., 2018)

**Conducted by disruptors**

The companies introducing disruptive innovations in an industry are referred to as disruptors. Disruptors are mostly described in literature as small, less resourceful, inexperienced and new entering companies compared to incumbent firms (Christensen, 1997; Danneels, 2004; Bessant et. al, 2005; Phillips et. al., 2006). However, in some cases, giant firms such as Apple, Google and Whole Foods have introduced disruptive innovations and therefore been referred to as disruptors (Denning, 2016b). Incumbents may hence disrupt other incumbents by launching a disruptive innovation. Thus, small new entrants are necessarily not the only ones introducing disruptive innovations in a market (Schmidt and Druehl, 2008).

**Targeting overlooked segments**

The segments targeted by disruptors are overlooked, which refers to customer segments that incumbent firms ignore. Overlooked segments are created in the process of incumbents' permanent focus on conducting sustaining innovations (Bessant et. al; 2005; Assink, 2006). By continuously chasing higher profitability, incumbents ignore the needs of customers who cannot afford or access the improved product or service being sold (Christensen, 2014). An overlooked segment can be either an unattractive customer segment *or* a new customer segment (Christensen and Raynor, 2003).

Unattractive segments are referred to as low-end footholds (Christensen et. al., 2015). Customers in the low-end foothold of the market have the lowest profitability and are the least demanding in terms of product/service performance. Low-end footholds are created when offerings are overpriced in relation to the value they bring to the customer segments in the bottom of the market (Christensen, Anthony and Roth, 2004). Thus, when sustaining innovations are conducted, these customers cannot or are unwilling to pay for the offerings'

increased price. When a disruptive innovation targets a low-end foothold, it is referred to as a low-end disruptive innovation. Thus, a low-end disruptive innovation enters at the bottom of the market (Yu and Hang, 2010; Christensen et. al. 2015). In order to be successful, low-end disruptive innovations are often very simple, cheap and straightforward (Christensen et. al., 2004). A famous example of a low-end disruption is the one of minimills disrupting the steel industry (Christensen et. al., 2018).

New customer segments are referred to as new-market footholds (Christensen et. al., 2015). Customers in new-market footholds are nonconsumers, i.e. people who have not been able to use the offering before (Christensen et. al., 2018). New-market footholds are created when customers want to access the offering on the market, but are out of reach due to the offering's non-affordability and/or complexity (Christensen et. al., 2004). Thus, in new-market footholds, disruptive innovations need to succeed with transforming non-consumption into consumption (Yu and Hang, 2010). When a disruptive innovation targets a new-market foothold, it is referred to as a new-market disruptive innovation and aims to create a new market that has not existed before (Christensen et. al. 2015). Examples of new-market disruptions are the early personal PC market with Apple's personal computer and the first online marketplaces by eBay (Christensen et. al., 2004; Christensen et. al., 2018).

Thus, disruptors can both reshape an existing market or create a brand new one (Christensen et. al., 2004). According to Christensen et. al. (2015), if an innovation does not start from one of these two footholds, it is not a disruptive innovation. However, these footholds are solely the disruptive innovation's *initial starting point,* since it then moves up market towards the mainstream segments (Christensen et. al. 2015).

**Initially bad performance**

When introduced in the market, disruptive innovations are initially underperforming established products in the industry (Christensen, 1997; Bessant et. al, 2005; Assink, 2006). Thus, disruptive innovations do not reach the standards of the mainstream market at first (Danneels, 2004). This implies that customers in the mainstream market do not switch to the new disruptive offering when introduced, since it lacks the ability to satisfy their needs due to worse performance (Christensen et. al., 2015). Because of the fact that mainstream customers initially do not adapt the disruptive innovation, incumbents see no value in investing in it or treating it like a competitive threat (Danneels, 2004; Assink, 2006). This decision seems to be a rational

managerial behavior but can cause great misery later on. This since a disruptive innovation often increase in quality over time (Christensen et. al., 2015).

**Disruption is a process**

Christensen et. al. (2015) state that one cannot label an innovation as disruptive when discussing it at one fixed point in time. Instead, one must see to the evolution of the innovation over time. In other words, a technology, product, service or business model is not disruptive merely because it has been introduced in a low-end or new-market foothold. Neither is it disruptive at the time it successfully has challenged incumbents of the market. An innovation is labelled as disruptive because of the path it takes, from the initial foothold to the mainstream market (Christensen et. al., 2015).

According to Denning (2016b), the process of disruption can in fact be interpreted as a theory of competitive response. When a company introduces a disruptive innovation in the market, incumbents are likely to respond by ignoring that threat. The incumbents will continue to concentrate on their high-value customers by doing sustaining innovations, allowing the disruptor to target overseen segments. This creates a golden opportunity for the disrupter to steadily move up-market, while improving the quality of their offering. By entering the market through the "back-door", the disrupter is able to overthrow incumbent firms since they do not perceive the threat until it is too late (Denning, 2016b). Disruption has occurred when the performance demand of customer segments in the mainstream market and the performance of the disruptive innovation intersect with each other (Christensen, 1997). In other words, when the mainstream customers adopt to the disruptive offering rather than incumbents' traditional one.

The fact that disruption occurs as a process, often lasting several years, is one of the biggest reasons why incumbents overlook the threat of disruption. Incumbents may, in most cases, continue with their business as usual parallel to the disruptor's in many years before the damage is done (Assink, 2006; Christensen et. al., 2015). An example of the lengthy process of disruption is the one of Netflix's business model as a disruptive innovation overthrowing the one of Blockbuster. Netflix was launched in 1997, but it was not until 13 years later that Blockbuster filed for bankruptcy (Christensen et. al., 2015).

#### 3.1.3.4 Enablers of Disruption

According to Denning (2016b), incumbent firms are being overthrown by disruptive companies because of too good management, not bad. By listening carefully to their current customers and market trends, incumbents successfully allocate resources to products and services that give high returns in today's market context, i.e. conducting sustaining innovations. As Christensen (1997) puts it, disruption is a theory that describes how well-managed companies still lose market shares. By following good management practices, incumbent firms miss out on disruptive innovation opportunities (Bessant et. al, 2005; Denning, 2016b).

According to Christensen (1997), there are three industry processes explaining how good management practices by incumbent firms may lead to disruption. These three processes enabling disruption are: (1) asymmetric innovation investments, (2) performance technologies progress in higher speed than market demand and (3) disruptive innovations are not rational managerial decisions for incumbents.

**Asymmetric innovation investments**

As mentioned previously, incumbent firms in an industry are continuously conducting sustaining innovations to reach higher competitiveness and profitability (Christensen, 1997). This often results in an unilateral innovation strategy where the majority of performance advances across an industry are sustaining and not disruptive (Christensen, 1997; Assink, 2006). There is hence an asymmetry between investments in sustaining innovations to improve business today, and investments in disruptive innovations for potential future growth (Yu and Hang, 2010). As outlined throughout the literature review, relentless focus on sustaining innovations creates overseen customer segments and disruptive innovation opportunities.

**Performance technologies progress in higher speed than market demand**

Incumbent firms of an industry are sometimes overshooting the market by conducting sustaining innovations in their tireless hunt for higher margins (Christensen and Raynor, 2003). Overshooting occurs when incumbents include more things in their offerings than customer actually needs or wants to pay for (Christensen, 1997). Thus, the pace of technology that improves the current performance of an offering is progressing in a higher speed than the ability for customers to adopt and use it (Christensen and Raynor, 2003). According to Tu and Hang (2010), customers are being overshoot in many industries with an unnecessary high performance of offerings.

An overshot market creates overlooked segments and thus disruptive innovation opportunities. This since disruptors can create a good enough product for the overshoot customer segments (Overdorf and Barragree, 2001; Christensen et. al. 2015). Since mainstream segments often pay for more than they need and can absorb, the disruptive innovation can become competitive sooner than anticipated (Christensen, 1997).

**Disruptive innovations are not rational managerial decisions for incumbents**

The profit model of incumbent firms constrains them from investing in disruptive innovations (Christensen et. al., 2018). This since offerings based on disruptive innovations generally have a lower profit margin due to their simplicity and low price (Christensen et. al., 2018). In addition, offerings based on disruptive innovations are initially solely attractive to small insignificant segments due to their lack of performance (Christensen, 1997). Hence, incumbents are unwilling to invest in something that does not fit their current product portfolio, as it can disappoint current customers' expectations (Overdorf and Barragree 2001; Christensen, 2003; Bessant et. al, 2005; Christensen et. al., 2015). This is why incumbents fail to understand why investments in disruptive innovations is valuable (Christensen, 1997), which enable other actors to capitalize on disruptive innovation opportunities.

In order to predict and meet disruption successfully, incumbent firms need to set up a completely different business model separate from their traditional one with the aim of *not* listening to current customers (Bessant et. al, 2005; Assink, 2006; Christensen, 2014). This is often referred to as an ambidextrous design in literature, which enables a company to focus on both current and future growth (O'Reilly and Tushman, 2004). Hence, in order to overcome and understand the threat of disruption, companies needs to invest in lower-performance products that target overseen customer segments beside their usual business (Christensen, 1997).

However, King and Baatartogtokh(2015) argue that one false assumption in the theory of disruption is that disruptive innovations always trump sustaining innovations. Meaning that the importance for incumbents to conduct sustaining innovations is easily forgotten in this theoretical context. Even though incumbent firms need to be able to respond to a disruption, it is also important to not overreact and forget about the still profitable businesses. Incumbent firms need to listen to their current customers in order to stay competitive in their industry. With that said, incumbent firms need to manage two different operations, focusing on both today's core business and disruption innovation opportunities (Christensen et. al., 2015).

#### 3.1.3.5 Criticism against the Theory of Disruption

The concept of disruption has been widely discussed and criticized. One issue brought up is the one of predictability of disruption, discussing whether it is solely possible to identify and explain a disruption of an industry after it has occurred (Markides, 2006). King and Baatartogtokh (2015) have examined the theory of disruption to outline how useful and applicable it really is. They argue that even though the theory is widely spread and has had much influence in the business world, there is little academic literature that tests the theory's validity and generalizability. While there are publications with case examples of disruption in various industries, there are few quantitative tests (King and Baarartogtokh, 2015).

Furthermore, much of Christensen's work have been published in books which has not been peer reviewed (Weeks, 2015). Weeks (2015) argues that peer reviewing of the theory would have increased the credibility. Instead, many researchers have questioned the legitimacy of the study. One of the most prominent critics is that Christensen has been accused for cherry picking the industries that support his theory. One of the first industries being studied was the disk-drive industry (Christensen, 1997). According to Lepore (2014), the disk-drive industry has very unique characteristics which makes it hard to compare with other industries. This is something that Christensen is said to be aware of himself, as he has described the industry as following: "nowhere in the history of business has there been an industry like disk drives" (Lepore, 2014, p.5). This choice has thus been questioned, as the theory of disruption intend to facilitate the understanding of incumbents' downfall in any given industry (Lepore, 2014; King and Baatartogtokh, 2015; Weeks, 2015). This has hence raised questions of the theory's applicability in other industries than the ones chosen to be studied by Christensen himself (Danneels, 2004; Flavin, 2017). Since Christensen's chosen industries to study have mainly been product industries (King and Baarartogtokh, 2015), this is a critique highly relevant for this research with the aim to investigate a service industry.

However, Christensen and Raynor (2003) argue that the realization of a disruption is not related to the characteristics of an industry. In addition, various researchers including Brescia, McCarthy, McDonald, Potts and Rivais (2014) as well as Hang, Garnsey and Ruan (2015) confirm the theory's applicability in service industries by examining the process and characteristics of disruptive innovations in for example the legal service industry. Denning (2016a) also support the theory's applicableness in service industries, but emphasize the importance to define the industry's characteristics and offerings properly to understand how

disruption could occur. Especially since services can provide multiple functions, for example the healthcare industry which provides routine procedures but also diagnostics. Implying that different disruptive innovations can hit different kind of functions in an industry (Denning, 2016a).

## 3.2 THE THEORETICAL FRAMEWORK

The theoretical framework is based on the predictive tool "signals of change", conducted by Christensen et. al. (2004). The framework is illustrated in figure 3 below.

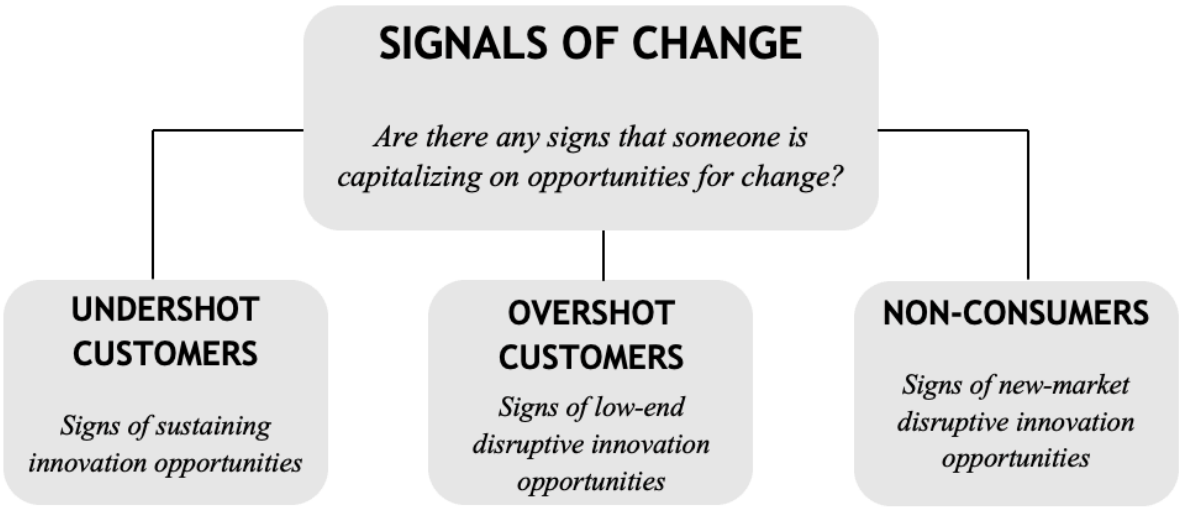


*Figure 3: Illustration of the signals of change framework (Christensen et. al., 2004)*

According to Christensen et. al. (2004), theory explaining historical observations have the ability to provide insights about the future. In other words, knowledge about previous disruptions enable the identification of certain signs in today's context that can indicate various outcomes in the future. In the book *"Seeing what's next"*, Christensen et. al. (2004) provide the reader with an analytical tool referred to as signals of change. This analytical tool aims to identify situations where the future of an industry will differ from the present as a result of sustaining innovations and/or disruptive innovations. These situations are identified through the understanding of how different innovation opportunities are created and if any actor in the given industry is trying to capitalize on such. In order to answer whether or not an industry stands in front of a change, one must evaluate three customer groups and the innovation opportunity their needs create; (1) Undershot customers and sustaining innovations, (2) overshot customer and low-end disruptive innovations and (3) nonconsumers and new-market disruptive innovations. (Christensen et. al., 2004)

Table 3 summarizes the theoretical framework of this thesis by displaying how to identify the customer segments, what kind of innovative opportunity they create and the signs indicating that an actor is trying to capitalize on that opportunity according to Christensen et. al. (2004).

| Customer Segment | How to Identify the Customer Segment | Innovation Opportunity | Signs of Emerging Capitalization on the Opportunity |
|---|---|---|---|
| Undershot customer segments | Profitable customers who are willing to pay a higher price on the offering if it would be enhanced along the performance metrics important in the industry today. | Sustaining innovations in the mainstream and high-end of the market. | - Improvements on the existing technologies, products, services or business models.<br>- New improvements introduced to existing customers in the current marketplace. |
| Overshot customer segments | Customers who are unable/unwilling to pay for further performance improvements. | Disruptive innovations in the low-end of the market. | - New technologies, products, services and/or business models that target the needs of the overshot customers in the market. |
| Nonconsumers | Nonconsumers are people who are not consuming the offering of an industry today due to its lack of accessibility, affordability and/or convenience, but have a need to do so. | Disruptive innovations that create new markets by turning nonconsumers into consumers. | - New technologies, products, services or/and business models that increase the accessibility, affordability and/or convenience of the offering on the market.<br>- Choking growth rate in new markets. |

*Table 3: Theoretical framework of this thesis*

Figure 4 below demonstrates where the undershot customers versus overshot customers in the *mainstream market* would be positioned. Hence, if one were to discuss the high-end or low-end market instead, the highlighted yellow areas would be similarly placed but adjusted to the intersection of the red performance trajectory and the corresponding blue customer demand trajectory. (Christensen et. al., 2004)

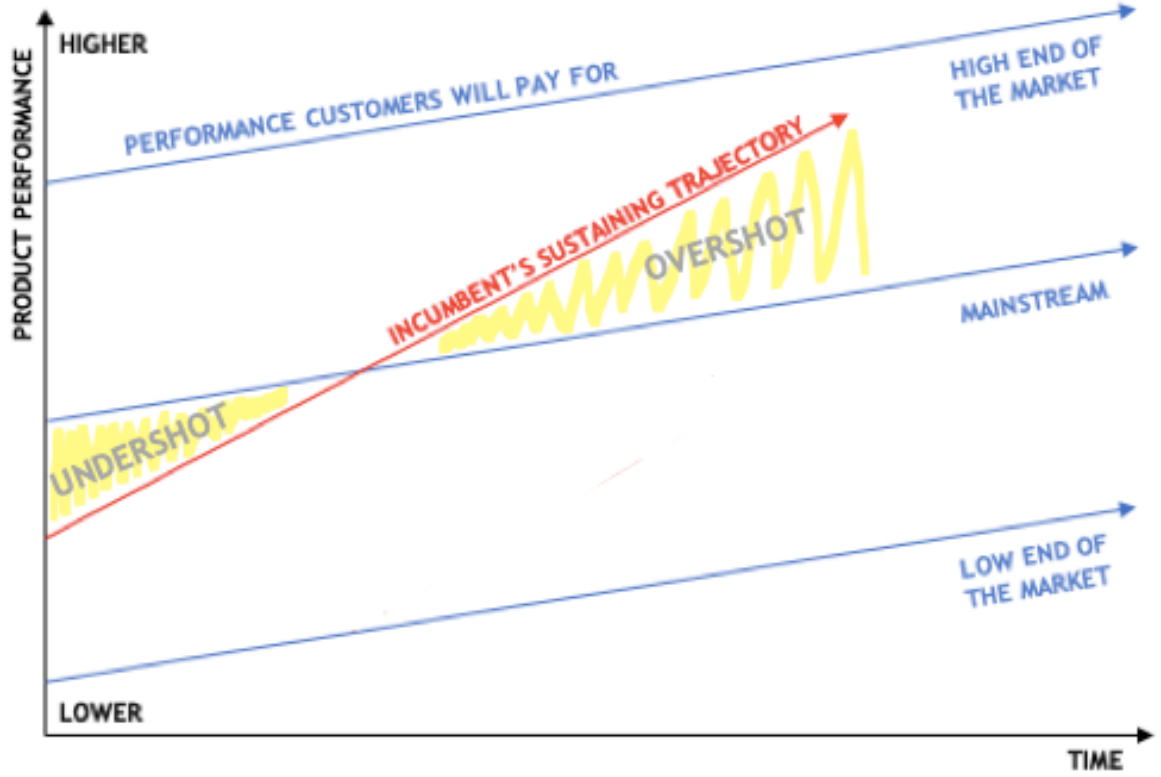


*Figure 4: Illustration of the undershot and overshot customers in the mainstream market (Christensen et. al., 2004)*

Figure 5 below demonstrates where sustaining innovations, low-end disruptive innovations and new-market disruptive innovations take place in the market. Since new-market disruptive innovations create a whole new marketplace by turning nonconsumers into consumers, can it not be shown in the current marketplace in relation to the current product performance (Christensen, 1997).

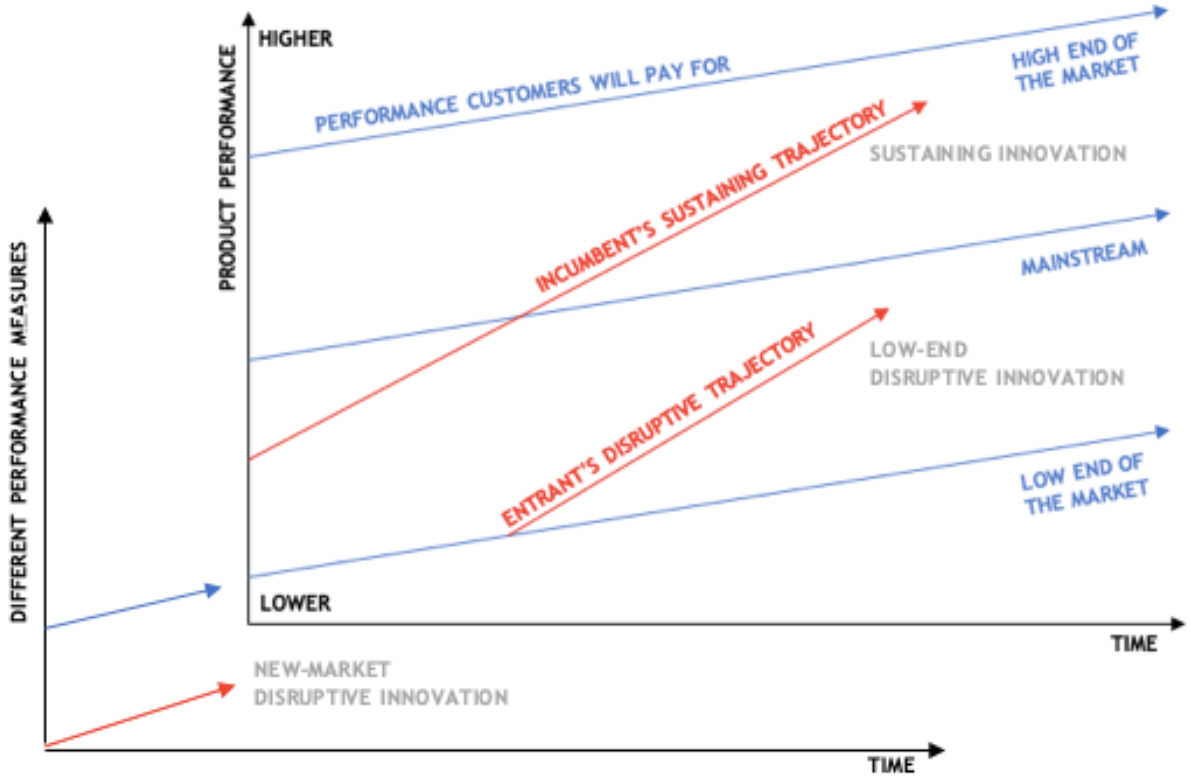


*Figure 5: Illustration of where sustaining innovation, low-end disruptive innovation and new-market disruptive innovation takes place in the marketplace (Christensen, 1997)*

### 3.2.1 UNDERSHOT CUSTOMERS AND SUSTAINING INNOVATION OPPORTUNITIES

Undershot customers are the ones willing to pay for sustaining innovations leading to improved performance of the offering being sold. They are the most profitable and demanding customers in the market with the most complex needs (Christensen et. al., 2004). The undershot consumer segments are positioned in the mainstream and higher-end of the market (Christensen, 1997). Exactly where they are positioned depends on how far the incumbent's sustaining trajectory of performance improvement has developed in the industry, displayed in figure 2: the disruptive innovation model (Christensen et. al., 2015).

Clear signs of an undershot customer segment are customers who express frustration about limitations of the technology/products/services/business model in the industry, e.g. too slow or poor quality (Christensen et al., 2004). They express willingness to pay a higher price for better performance of the current offering. Undershot customer segments are hence the ones that

create opportunities for companies to develop sustaining innovations, i.e. improve current offerings and increase profitability margins (Christensen et. al., 2004; Danneels, 2004; Denning, 2016b). Clear signs of actors capitalizing on sustaining innovations opportunities are improvements on existing technologies, products, services and/or business model towards current customer segments (Christensen et. al., 2004).

### 3.2.2 OVERSHOT CUSTOMERS AND LOW-END DISRUPTION OPPORTUNITIES

Overshot customers are situated in the low-end foothold and are the ones who are unable/unwilling to pay for any further performance advancements, i.e. sustaining innovations (Christensen et. al., 2004). In other words, the products of the mainstream market are too good for their needs and their willingness to pay (Yu and Hang, 2010). However, customers situated in the mainstream and high-end of the market may become overshot as well. This depends on how far the incumbent's sustaining trajectory of performance improvement has developed in the industry, displayed in figure 2: the disruptive innovation model (Christensen et. al., 2015).

Overshot customer segments are created by incumbents' relentless hunt for higher profitability (Christensen, 1997; Overdorf and Barragree, 2001; Christensen and Raynor, 2003). By continuously pursuing sustaining innovations, incumbents may eventually overshoot the majority of the market. In fact, overshooting is one of the drivers for an industry to reach maturity since customers are not willing to pay for further improvements on the offerings. Thus, one of the clearest signs indicating that a market is overshot is companies starting to compete along prices (Christensen et. al., 2004). An overshot market is a strong sign of existing low-end disruptive innovation opportunities (Christensen et. al., 2004).

### 3.2.3 NONCONSUMERS AND NEW-MARKET DISRUPTION OPPORTUNITIES

Nonconsumers are people who are not consuming the offering of the industry today (Christensen et al., 2004). Nonconsumers are an overseen segment who have a job to be done, but are overlooked as the current offerings on the market are not designed to match their needs (Christensen et. al., 2004). Thus, nonconsumers are the result of an offering limited to customers with high affordability or/and the expertise needed to use the product/service (Christensen et. al., 2018). The existence of nonconsumers open up for new-market disruptive innovation opportunities in an industry.

With the potential to fundamentally change current industry dynamics, new-market disruptive innovations are the ones most likely to have the biggest impact on industries in the long-term.

However, it is not easy to identify them. In order for a disruptive innovation in a new-market to be successful, it typically needs to include the characteristics of simple, affordable and accessible. Therefore, one sign indicating that actors are capitalizing on new market disruptive innovation opportunities is the launch of a new technology/product/service/ business model with such characteristics. Furthermore, strong growth rates in emerging markets can also be a sign that someone is capitalizing on new-market disruptive innovation opportunities. (Christensen et. al., 2004)

## 3.3 SUMMARY OF THEORY

The MCI is a highly differentiated service industry with a great variety of MCFs with diverse scopes. A MCS is defined as an external advisory service given on managerial issues in a temporary project form. It is an ever-changing industry, since the intellectual resources offered to customers' needs to be continuously updated.

The innovation terminology outlined in the theory of disruption includes sustaining innovations and disruptive innovations. The disruptive innovation model, figure 2, displays how these two innovation efforts impact a market and affect each other. Sustaining innovations improve existing offerings and business processes in the current marketplace. They are conducted by incumbents to reach higher profitability and competitiveness. Disruptive innovations, on the other hand, transform the dynamics of competition by changing the performance parameters of the given industry. A disruptive innovation can take the form of a technology, product, service and/or business model. A disruptor targets overlooked segments, i.e. segments being ignored by incumbents' relentless focus on sustaining innovations. The overlooked segments are referred to as low-end footholds and new-market footholds and create opportunities for low-end disruptive innovations and new-market disruptive innovations. A disruptive innovation is initially underperforming offerings from established incumbents, but must be evaluated as a process.

The theory of disruption describes how well-managed companies are being overthrown by disruptors. Three industry processes explain what enables this to happen. Namely, an asymmetric innovation investment strategy, performance technologies progressing in higher speed than market demand and the fact that disruptive innovations are not a rational managerial decision for incumbents to take.

The theoretical framework of this thesis is based on the predictive tool “signals of change”. It aims to identify signs of future changes in an industry by addressing how to identify three different customer groups, their unique innovation opportunities and if any actor has started to capitalize on those opportunities. Namely undershot customers and sustaining innovation opportunities, overshot customers and low-end disruptive innovation opportunities and nonconsumers and new-market disruptive innovation opportunities.

# 4. EMPIRICS

*This chapter presents the empirics collected throughout the interviews with respondents at twelve different MCFs. The collected empirics originate from the interview guide (presented in appendix 1) which includes important elements that the theory chapter refers to. The respondents' answers have been summarized into four different categories, namely (1) customers in the MCI, (2) business models in the MCI, (3) competitors in the MCI and (4) innovations in the MCI. This structure aims to give the reader a detailed assessment of the current situation in the MCI based on the respondents' perceptions. This snapshot of the MCI is then used as basis to identify disruptive innovation opportunities in chapter 5: analysis.*

## 4.1 CUSTOMERS IN THE MANAGEMENT CONSULTING INDUSTRY

Customers in the MCI will be discussed below. The following topics will be addressed: (1) the need for management consultants, (2) most and least profitable customer segments and (3) nonconsumers.

### 4.1.1 THE NEED FOR MANAGEMENT CONSULTANTS

Customers' needs for MCSs are multiple according to the respondents. The most frequently addressed are the ones of (1) customers lacking knowledge in an area and are asking *what* to do, (2) customers lacking knowledge to implement X and are asking *how* to do, (3) customers in need of an objective party and ask for a person to see their business from a new angel, (4) customers having trouble with internal politics when making a change and ask for a person to take the hard decisions and (5) customers lacking time and human capital in their projects and are asking for additional human resources.

The majority of the respondents claim that the main need for MCSs is customers lacking required competencies and knowledge. Respondent I describes it as following:

> *"The customer is in need of deep competence in some areas that they have not been able to afford, or had the time, to develop by themselves."*
>
> (Respondent I)

The respondents argue that customers' need for knowledge is a result of today's ever-changing business environments, which are creating new trends that require extended knowledge in areas such as agile working methods, sustainability requirements and technology challenges.

However, the need of knowledge and competencies seem to have changed somewhat during the last decade. Many of the respondents argue that the expertise customers ask for today is much more oriented around *how* should we do, rather than focused on *what* should we do. Respondents C, J and L state that this is due to the fact that customers have become their own experts of their business and industry to a larger extent today. Respondent L and G argue that this in turn is the result of increasingly accessible information in society, often referred to as "data-democratization". Respondent G further argues that the original strategy MCF with solely advisory services, and no implementation services, is not interesting in the market anymore. Thus, customers are today asking for methods on how to realize and implement knowledge to a greater extent. Respondent C explains it as following:

*"The customers already have an idea about what should be done, but they ask for management consultants' help in executing those ideas."*

(Respondent C)

However, even though the need for how-oriented knowledge seems to has increased the last decade, several respondents argue that MCs still discuss what-related questions with their customers as well. Thus, the knowledge required in the MCI today is both what and how oriented. Regardless the character of the knowledge, all respondents state that the demanded expertise is in constant change. For example, knowledge around digitalization and sustainability have been two highly requested topics the last decade.

Besides the need for knowledge, several respondents discuss MCFs' role as an objective third party. With other words, customers are also buying MCSs when needing someone to express an objective view of their organisation and decisions made within. In addition, a MCS is often related to transformation in the customer's organisation. Since changes within an organisation often involve a lot of issues with internal politics, they can be hard to implement in an efficient way. Thus, a MC can also take the role as an independent party, and sometimes even as a scapegoat, that implements difficult decisions in a customer's organisation. Respondent D describe this need as following:

*"It can be politically difficult to carry out a transformation within a business. You can use a management consultant to take charge over what is a bit uncomfortable and difficult."*

(Respondent D)

Another need covered by the respondents is the one of additional human resources. Respondents C, I and K argue that customers also purchase MCSs due to lack of time or the right amount of people to pursue a desired change. According to five of the respondents, this is a need that has grown over the past years. Respondent I argues that capacity problems is one of the main reasons for why customers buy MCSs. Respondent I describes the cause of these capacity problems as following:

*"Companies have had a long tendency to cut costs. So when they need to implement something, a change or a project, they simply don't have the capacity to do it by themselves."*

(Respondent I)

The respondents were also asked around the existence of customer frustration in the market, in particularly frustration based on potential limitations of MCSs. According to all respondents, none of their customers has demanded services including higher quality and/or complexity. In fact, respondent D argues that many MCFs desire that customers would demand increasingly complex projects. This since there just are a few MCFs who are able to survive by doing the most complex projects, while other MCFs are forced to offer less complex projects such as small implementation tasks.

### 4.1.2 MOST AND LEAST PROFITABLE CUSTOMER SEGMENTS

Many of the respondents claim that high and low profitability is not related to any specific customer segment. Instead, the respondents say that profitability is dependent on customer specific factors. One of the most important success factors in terms of profitability seems to be the length and depth of the customer relationship. In other words, the most profitable customers are the ones who conduct multiple projects with a MCF over time. However, respondent G and E argue that profitability also is correlated with industry specific factors. They state that industries that are in need of constant change is where you will find the most profitable customer segments. This since they are in the greatest need of transformation projects that require extended knowledge. Respondent G demonstrates this with the example of:

*"I believe that the most profitable customer are the fast-pacing ones that have to change their business model every day. We have a large focus towards retail now for example."*

(Respondent G)

When discussing the least profitable customer segments in the MCI, the size of the customers' organisation seems to be the determinant factor. The majority of the respondents state that small sized companies are perceived as the least profitable customers and are in most cases therefore not targeted. Respondent G further argues that small sized companies seldom are the right kind of customer for their projects. Not because small sized companies lack the need of MCSs, but rather because they lack the right budget. Respondent G explains it as follows:

*"I believe that we could offer our competencies to all types of companies. But small sized companies want to buy one narrow project, probably only with one of our experts and then they cannot afford anything more. And our experts typically go to our bigger customers' projects. So we are not the right partner for the small sized companies."*

(Respondent G)

However, multiple respondents argue that big sized companies also have become unattractive customers from a profitability aspect over the last decade. Respondent C argues that big companies, with Volvo taken as example, have the opportunity to put a downward pressure on prices since they are highly sought after as customers. Respondent I further argues that large sized companies have become highly skilled in purchasing MCSs to lower prices. Thus, some respondents argue that the profitability of big sized companies as customers have decreased.

### 4.1.3 NONCONSUMERS

The respondents were asked about the potential existence of customers who have a need for MCSs, but are not accepted as customers by MCFs for different reasons. Three of the respondents state that their firm very seldom turn down a customer who is asking for their services. However, a couple of reasons for turning down customers are brought up to surface during other interviews. Half of the respondents argue that small sized companies are the obvious nonconsumers of the MCI. Respondent G and H state that they mainly work with middle- and big sized companies, which have resulted in the exclusion of small sized companies. Respondent I says that they rarely even have a dialogue with small sized companies, since both parties have realized it is not a match. Another reason, brought up by multiple respondents, for the bad fit between MCFs and small sized companies is the goal to build a long and deep relationship with a customer, i.e. do multiple projects over time. Thus, small sized

companies are not seen as profitable in the long run. Respondent D says the following about the topic:

*"Small sized companies do not use management consultants, it is solely large- and medium-sized companies that do. The organization needs to have some kind of volume on their operations for our service to be interesting."*

(Respondent D)

Other reasons for MCFs to decline a customer are due to internal political issues or ethical reasons. Respondent A states that their firm solely turn down a customer if they perceive that the project will not succeed due to lack of professionalism of the customer. Respondent D states that they have turned down customers due to internal political issues within the customer's organisation. Respondent H, J and L state that their firms might turn down a customer's request due to ethical reasons, e.g. if the values of the customer do not correspond with their values.

## 4.2 BUSINESS MODEL IN THE MANAGEMENT CONSULTING INDUSTRY

The business model of the MCI will be discussed below, and the following topics will be addressed: (1) the business model today, (2) the future of the business model and (3) the revenue model.

### 4.2.1 THE BUSINESS MODEL TODAY

When describing today's business model in the MCI, all respondents agree upon the fact that knowledge and competencies are the solid core of it. Respondent D explains that specialist competencies are packaged as temporary projects, often designed to make some kind of transformation at a customer's organisation. According to respondent E, traditional MC is about packaging and selling a solution to meet a customer's challenge, explained as:

*"If we discuss traditional management consulting, I believe that you sell a lot of 'we know how to do this because we have done it in so many places before'."*

(Respondent E)

In addition, the role of MCs as an objective third party is also mentioned as a part of the business model by multiple respondents. In other words, most of the respondents argue that MCFs sell a third-party view where they can evaluate the customer's firm with a new perspective. However, there seem to exist two types of main distinguishes between different MCFs' business models.

Those two distinguishes are (1) the type of deliverable towards customers and (2) the size of the firm and the range of its services.

Firstly, when discussing deliverables towards customers, the respondents outline two types of business models. The first one is described as the “traditional strategy MCF” delivering expertise. The second one is described as another type of MCF which delivers a person as a resource, many times referred to as “consultant brokers”. According to the respondents, these firms deliver a person that help companies with various issues when the customer lacks resources, i.e. time or/and human capital, to implement projects themselves. Respondent A describes the differences in the business models as follows:

*"There are some management consulting firms that sell strategy development, and then there is a group of management consultant firms that sell human capital to be a company's hands and feet. And in between there is a very large range of other management consulting firms."*

(Respondent A)

Thus, there seems to be a wide range of hybrid business models in between these extremes, i.e. pure traditional strategy MC and pure resource consulting. However, half of the respondents argue that resource consulting is not equal to MC. This despite the fact that five of the respondents argue that a lot of customers have a growing need for human capital. With other words, many MCFs do not want to be equalized as resource consultants, i.e. firms that rent out human resources to complete activities at a customer’s organisation. Respondent A makes the following statement:

*"We do not sell people who help the customer. That is, to me, resource consulting. It is the expertise we sell, not the individual. We do not want to make our expertise dependent on one individual. So if an individual quits or goes home on parental leave, we still keep the expertise. Maybe it is the people who build our skills, but we do not sell people, we sell skills."*

(Respondent A)

In fact, respondent C is the only one of twelve respondents who says that their MCF offer resource consulting to meet the need of human capital. Respondent I, however, says that their firm have created a fairly large interim department to meet this need. The difference is that

respondent I describes this department as a side-business, not included in their traditional MC offers. Thus, respondent I's MCF can offer the services of both traditional MC and resource consulting. Since many of the respondents argue that resource consulting is conducted by consultant brokers and not MCFs, consultant brokers and resource consulting will be further outlined in paragraph 4.3: competition in the management consulting industry.

The second distinguisher of business models in the MCI, according to the respondents, is the size of MCFs. Something that in turn affects the range of services offered. Two types of business models were covered, namely bigger firms referred to as "end-to-end providers" and smaller firms focusing on a specific customer segment and/or area of expertise. As with the first distinguisher, deliverables, it seems to be a wide range of hybrid business models between these two extremes. There are two MCFs among the respondents' firms that describe themselves as end-to-end providers. Thus, their organisations have a very broad expertise, enabling them to take upon basically any project concerning organisational questions and implementations, including IT. Respondent D, F, and G argue that increased verticalization of knowledge and service offerings is somewhat of an ongoing trend in the MCI. The respondents further describe that one of the most common way to apply a verticalization strategy in the MCI is through mergers and acquisitions of other firms. Respondent G says:

*"I think there is a race between management consulting firms in the sense of getting bigger and bigger and it is important to get your share of the cake."*

(Respondent G)

According to respondent F, the business model of an end-to-end provider works well with the complex business environment of today. This as these companies can help their customers from the beginning of an idea to a realized implementation. However, there are some respondents that are critical to whether being an end-to-end provider is the best business model to choose for the future. Respondent B and E argue that this development has led to standardized solutions towards customers. Meaning that bigger MCFs lack the ability to personalize projects towards every unique customer, which speaks in favour for smaller MCFs.

### 4.2.2 THE FUTURE OF THE BUSINESS MODELS

All respondents believe that the business models of MC are standing in front of a change. The majority of the respondents believe that the rapid technology development will have a great

impact on the future of the MCI. Respondent I states that a lot of actors in the MCI have invested in technology such as AI solutions. This since many MCFs believe that the business model will become technology-driven to a large extent in the future. However, the opinion to what extent the business model is going to be technology-driven is divided among the respondents. Respondent F believes that the industry could reach a point where the information and intelligence are created by technology, and humans are left with the task to mediate that information to customers. Other respondents are more critical towards technologies replacing humans to such great extent. Respondent H, K and L believe technologies such as AI have the possibility to remove a lot of repetitive work activities of a simple character. Hence, they do believe that AI can work as a great complement to MCs, but not that AI has the possibility to replace the work of MCs completely. Respondent B and J think it will be difficult to incorporate AI to a large extent in the work of a MC. This since the work of a MC is not repetitive and based on a routine, but rather needs to be personalized towards every customer and their specific project.

In addition, half of the respondents believe that the MCI will be forced to change due to increased ease to access data and information in today's society. This transformation is often referred to as data-democratization and is said to be enabled by technologies such as big data. Respondent I argues that the core of the MC business model has been to offer knowledge and information, which will become easier to access for customers without the need of buying it from MCFs. Thus, respondent I believes that the democratization of data is a big threat against the future of the MCI, saying:

*"I believe the biggest threat to our industry is the increasingly widespread information. There will be ways for customers to access databases and other things themselves. I think this will have a huge impact on many actors in the industry"* (Respondent I)

### 4.2.3 THE REVENUE MODEL

The respondents mainly talk about three main topics when describing the revenue model in the MCI. Namely: (1) the desire to price value rather than hours, (2) the last decade's downward pressure on prices and (3) the ability to raise prices in the future.

Concerning the desire to price value rather than hours, all of the respondents state that the main goal of their deliverables is to create value for the customer. The aim for the MCI has for a long

time been to price according to the value the service brings to a customer. However, all of the respondents also mean that it can be difficult to display and measure the value created. Thus, it is somewhat problematic to price the value being created. On the question if there are any ways to measure and clarify the value created, respondent D answers:

*"Well, if I had the answer to that. Or if you had haha! That is a constant dilemma for us. Customers buy our services for a subjective reason, they know us somehow and know that we can do something for them and that we bring value. But we cannot measure it."*

(Respondent D)

In fact, two respondents argue that there exist companies that are not customers to the MCI today because they do not understand the value created. Respondent D states that this is a result of inadequate explanations from MCFs around the value they can create. Because of the difficulties in measure the value and thus base prices on it, customers are instead charged by the hours the MCF spend on a particular project. The pricing based on hours rather than value is something that all of the respondents wish to get away from. Respondent A states that the efforts in the MCI to change the billing model into a value-based one has been an ongoing process for the last twenty years. However, these efforts have not yet been successful. Thus, MCFs seem forced to sell hours rather than value. According to respondent L, one of the problems with value-based pricing is that the value created by MCSs is not measurable or displayed until after the project is done. In fact, the full value may take years to be fully realized in the customers' organisation. This would imply that MCFs would have to wait years to get paid. However, the project's character can affect to what extent one can measure the value created. Respondent I argues that it is harder to measure the value created in "softer" and less tangible projects like change management, compared to a cost-saving project where the numbers speak for themselves.

Concerning the last decade's downward pressure on prices, all of the twelve respondents state that they have experienced an increased tendency for customers to demand lower prices. The respondents name a couple of reasons for the downward pressure on prices in the MCI. Four respondent argue that the MCI has matured which causes the downward pressure on prices. According to five other respondents, companies have built large purchasing departments the last decade which main purpose is to decrease prices on everything, including consulting services. According to respondent L, the new structured way of purchasing MCSs has led to

increased use of cheaper consultant brokers rather than traditional MCFs. Furthermore, respondent K states that companies' purchasing departments have become so focused on price that they are willing to compromise on quality. In fact, customers willingness to compromise quality for a lower price is something that additional 5 respondents also have witnessed several times. Respondent G gives the following parable when describing the behaviour of customers compromising on quality for price:

*"It is as the customer had the option to go to location X by either bus or taxi. Then they are okay with settling for the bus and arrive in 30 minutes, even if they could arrive in 15 min with taxi. They don't feel the need to take the taxi."*

(Respondent G)

Regarding the MCI's ability to raise prices in the future, half of the respondents argue that they will be able to raise prices on their services. This even though all of them have witnessed a great downward pressure on prices in the MCI the last decade. However, they argue that they just need to find the right justifications for a higher price. Respondent K argues that smaller changes are enough, such as a re-packaging of MCSs. Respondent D believes that opportunities to increase prices occur when new knowledge needs are created. When a new knowledge need arises, the competencies in that area is initially scarcity, enabling MCFs to charge a higher price for that particular competence. Respondent D explains:

*"When new needs arise, such as fintech and so on, a new area opens up for us with higher prices since the market realizes that the specific competence is so difficult to access, which makes customers prepared to pay more."*

(Respondent D)

Respondent A argues that the difference between various MCFs and their services need to be clarified in order to increase prices in the MCI. Especially, a clearer differentiation between resource consultants and traditional MCs needs to be made. If these two services would be properly separated and their differences understood by the customers, respondent A expect prices to increase for traditional MCSs. This since resource consulting is argued to have lower quality and complexity relative to traditional MCSs. Thus, according to respondent A, the ongoing downward pressure on prices should only affect resource consultants. However, due

to customers misunderstanding of the differences between the offerings, the respondent means that the pressure on prices is impacting the whole industry.

## 4.3 COMPETITION IN THE MANAGEMENT CONSULTING INDUSTRY

Below, the current competition in the MCI will be discussed, divided into the two following subjects: (1) competitive factors within the industry and (2) competitive factors external the industry.

### 4.3.1 COMPETITIVE FACTORS WITHIN THE INDUSTRY

The respondents mention multiple factors as basis for competition in the MCI today, namely (1) price, (2) branding, (3) relationship and (4) competencies.

When it comes to price as competitive factor, as previously outlined in paragraph 4.2.3: the revenue model, the industry has faced a downward pressure on prices the last decade. According to the majority of the respondents, this has inevitably led to price becoming an important competitive factor in the MCI. Four respondents argue that it is the outcome of an industry reaching maturity. However, according to a majority of the respondents, the increased competition based on price is an effect of consultant brokers entering the market. According to the respondents, consultant brokers have managed to gain a lot of market shares lately in the MCI which has put a lot of pressure on prices. Many of the respondents also argue that consultant brokers will continue to grow over time and thus gain more market shares in the industry. However, several respondents want to emphasize that consultant brokers are far from equal to MCs. Respondent A states:

> *"Interim solutions and resource consulting are eating up the market. And I think that will continue. But they are not the same as traditional management consultants, I would like to emphasize that."*
>
> (Respondent A)

Thus, the respondents are all very keen on explaining how consultant brokers differ from their own MCF. Respondent H argues that customers who buy services from a consultant broker miss out on all the culminated expertise within a traditional MCF. Respondent L argues that the consultant brokers' business model will not replace the traditional business model of MC, claiming that consultant brokers are only able to do relatively short and simple projects. Respondent F has a similar argument and says that consultant brokers cannot handle as complex

challenges as traditional MCFs. Respondent F further argues that consultant brokers do not build the same kind of relationship with their customers and hence do not understand the customers' strategic thinking on the same level as traditional MCFs. Hence, many of the respondents do not perceive consultant brokers as equal competitors and a lot of the respondents do not believe that consultant brokers will be able to replace traditional MC due their differences. This even though the majority of respondents claim that consultant brokers have changed the dynamics of competition in the MCI towards focusing on price. Respondent I summarizes most of the respondents' thoughts quite well, saying that consultant brokers should be treated as low-cost players with no possibility to disrupt due to their lack of quality compared to traditional MCF. Respondent I argues:

*"Of course, they are cheaper. But if the customer really wants something done and have high demands, it will be hard to find the right person at a consultant broker."*

(Respondent I)

When it comes to branding as a competitive factor, it seems to only be relevant for a few big actors. Respondent D, E and L argue that branding is not a significant competition factor in today's market, with the exception for a few big sized companies such as McKinsey and "the big four". Thus, it seems like the majority of MCFs cannot rely on their brand to enhance their competitiveness. Instead, some of the respondents argue that relationship building and word-of-mouth marketing is their chance to increase their competitiveness. A majority of the respondents argue that the MCI is a trust-based industry, where relationship to customers are crucial. In fact, according to respondent D, the focus on price of a project can be overcome if the MCF has a good relationship with a specific customer. Respondent C further explains that customers are less price sensitive if the firm has completed a project with good results for them in the past.

The last competitive factor mentioned by the respondents is the factor of knowledge and competencies. Respondent L states that the obvious competitive factor for the MCI is competence, i.e. having the right skills to match the customers' needs. Respondent I has similar thoughts, arguing that their firm's most important competitive advantage is the competence of their employees. Thus, even if price has indeed become a very important competitive factor today, some of the respondents believe that there still are customers who prioritize expertise and quality. Respondent G argues that top-class knowledge is their most important strength

when it comes to competition in the industry. Due to this, respondent G argues that price is rather insignificant for their firm when it comes to competition. In other words, the respondent argues that some customers are willing to pay a premium price for the competencies and skills they are looking for.

### 4.3.2 COMPETITIVE FACTORS EXTERNAL THE INDUSTRY

When discussing competition, it becomes clear that the respondents do not only compete against each other and actors within the MCI. More than half of the respondents claim that their own customers have become a great source of competition as well. In fact, customers' own in-house competencies are, by multiple respondents, said to be one of the fastest growing competitive factors against the MCI. Respondent A claims that the last decade of good economy has allowed companies to hire a lot of internal competencies, rather than buying external MCSs. Respondent A explains:

*"Some things that were previously done by a consultant is today managed internally in the customer's organization. So some of our projects have been replaced by internal work."*

(Respondent A)

According to respondent B, it is especially big sized companies who have the ability to hire people internally to satisfy their complete knowledge needs in favour of buying it externally. Furthermore, some respondents state that MCFs need to compete with firms in adjacent industries. Many of the respondents are upset with the fact that the epithet of MC is not protected. Respondents J and K argue that companies in tangent industries such as corporate finance and IT solutions can label themselves as MC, which according to the respondents is wrong. However, even so, they are aware that these firms compose a new kind of competition when they add services like management advisory. Due to this, it is difficult to outline all potential competitors external the MCI. As respondent A explains:

*"It is not a protected epithet so anyone can call themselves a management consultant and just buy a computer and a phone and then put management consultant on their business card."*

(Respondent A)

## 4.4 INNOVATION IN THE MANAGEMENT CONSULTING INDUSTRY

Innovation in the MCIs will be covered below, and the following subjects will be discussed: (1) innovation within the respondents' firms, (2) the innovation character within the industry, and (3) respondents' thoughts on disruption.

### 4.4.1 INNOVATION WITHIN THE RESPONDENTS' FIRMS

When discussing the topic of innovation during the interviews, the majority of the respondents correlate innovation to knowledge development of their services. Hence, innovation related to finding new areas to consult within, rather than innovation in the sense of changing and improving their own business model and internal processes.

A majority of the respondents state that their MCFs innovation efforts are centred around their current customers, as they try to always adjust their offerings towards their customers' needs and demands. Respondent H argues that MCFs are constantly updating their services according to new business trends that require new competencies. For example, IT and digitalization has been very impactful business trends that have influenced all business settings the last 15 years. As a result, many of the respondents describe how MCFs that previously did not work with IT related issues are now including such questions in their service offerings. Thus, the areas which the respondents consult within are continuously being updated in line with customers' knowledge requirements. However, according to the respondents, new business trends are not impacting their own business model and internal processes to a larger extent. Respondent F explains:

*"We never work with innovation internally to come up with the next big platform, product or app. Everything we do, we do for our customers. So our innovation is completely demand-driven based on our customers."*

(Respondent F)

Respondent A further explains that the business model of MC is of simple nature and implies that it is not necessary to allocate resources to innovate internally. According to respondent A, actors within the MCI are experts at disruptive thinking. However, the disruptive thinking should be applied on their customers' businesses and not on their own. Respondent A states:

*"The expertise we build, it is not for our internal processes but for our customers' processes. So I would say that management consultants are at the forefront of disruptive thinking. But it's not about doing it for ourselves, but for our customers."*

(Respondent A)

However, there are respondents who say that they allocate resources to innovate around their internal business processes as well, mostly with focus on digitizing processes and activities. Respondent I states that their firm try to innovate by streamline internal processes, e.g. automating their analyse process. Respondent J argues that their company continuously tries to pilot different digital tools in their business, e.g. virtual meetings and digital workshops.

When the respondents were asked around how their companies structure their innovation efforts, there were mainly two types of structures, namely (1) everyone in the company are responsible for coming up with innovation and (2) having a department or group dedicated to innovation. According to some respondents, is it only big sized MCFs who have the possibility and resources to dedicate human capital to solely innovate. In big sized MCFs, innovation seems to be built as its own machinery with innovation hubs located all over the world. Smaller MCFs, on the other hand, do not have the resources to let human capital solely focus on innovation. Instead, everyone needs to prioritize to get their customer projects done. Due to this, innovation in small MCFs are very much based on all employees' own responsibility and ambition.

### 4.4.2 INNOVATION CHARACTER WITHIN THE INDUSTRY

Concerning the innovation character within the MCI, a majority of the respondents argue that the innovation efforts made within the MCI is of incremental nature and that there are very few innovation initiatives of radical nature. In fact, according to the majority of the respondents, this has been the case throughout the history of the industry. Thus, when creating innovation, it is about updating and improving current offerings and internal processes, rather than implementing and coming up with something radically new. According to respondent G and I, MCFs mostly continue to package their services in new forms rather than creating any major changes. As respondent G puts it:

*".... But de facto, within my 30 years of experience, much of the 'new' things we have seen so far are old in some new clothes and new design."*

(Respondent G)

However, respondent L and F argue that there exist a group of MCFs who constantly try to disrupt themselves by trying new ways to create value to customers. Thus, according to these respondents, there exist MCFs who work with innovation characterized as both incremental and disruptive. Respondent F explains:

*"We work with both of these tracks, and I think all companies must do so. Continuous work with small innovations in daily work, and bigger innovations that create bigger changes. Small innovations often do not change the way of working, but can make it more efficient, while a big change may change a whole process or even remove it."*

(Respondent F)

### 4.4.3 RESPONDENTS' THOUGHTS ON DISRUPTION

All of the respondents, except two, are aware of the phenomenon disruption. They all mean that disruption is something important to consider, but they cannot identify any specific threats towards the MCI. Half of the respondents believe that the MCI probably will face disruption at some point, but cannot identify how and do not see any signs of disruption today. Respondent I believes that some part of the value chain might be disrupted by the increasing data democratization in society. According to respondent I, the data democratization will especially threaten MCFs who solely give advice rather than implement solutions. Even so, respondent I does not believe in a big disruption of the whole MCI and cannot see any signs of it today. Respondent I explains:

*"Customers can soon google everything or buy the information themselves...I think this will interfere with many of our colleagues that rather give advice than implement it. I see that as a potential disruptor to our industry. However, I do not see a big threat for our business model that supports implementation."*

(Respondent I)

Respondent K argues that it is all about 'going where the money goes', arguing that MCFs are used to constantly be aware of future trends and adopt to them. Something that respondent K argues to mitigate the effects and risk of a disruption. Respondent E, on the other hand, believes that disruption of the MCI already has started. Respondent E argues:

*"I am rather convinced, in 3-5 years when we look back, we will realise that we already are past the fall of the empire."*

(Respondent E)

# 5. ANALYSIS

*This chapter aims to elaborate on the sub-research questions of this thesis by applying the theory on the collected empirics. The analysis is centred around signs of the three innovation opportunities and capitalization of those in the MCI, namely opportunities of sustaining innovations, low-end disruptive innovations and new-market disruptive innovations. In addition, the industry processes enabling disruption are investigated as well.*

## 5.1 MAIN FINDINGS

Table 4 below outlines a summary of the main findings in the analysis, which gives an overview of the answers to the sub-research questions of *Which are the signs, if any, of disruptive innovation opportunities in the management consulting industry?* and *Which are the signs, if any, of actors capitalizing on these disruptive innovation opportunities in the management consulting industry?*.

| Customer Segment and innovation opportunity | Signs of Customer Segment | Signs of Innovation Opportunity | Signs of Capitalization on the Opportunity |
|---|---|---|---|
| Undershot customer segment & Sustaining innovation opportunities | - No customer frustration based on limitations of MCSs, downward pressure on price and willingness to compromise on quality indicates that the undershot customer segment in the MCI is shrinking.<br><br>- Some customers seems willing to pay an increased price for new knowledge areas, | - The required knowledge from customers is in constant change, presenting the opportunity of continuously conducting sustaining innovations of MCSs by adding new areas to consult within. | - Some MCFs expanding knowledge offerings by mergers & acquisitions of other firms.<br><br>- Majority of MCFs are conducting knowledge expansion based on their current customers voice. |

| | | | |
|---|---|---|---|
| | proving that undershot customers do exist. | | |
| Overshot customer segment & Low-end disruptive innovation opportunities | - Small sized companies in the low-end of the market have been overshoot for a long time due to their limited budgets.<br><br>- Big sized companies in the mainstream market have started to compromise on quality to get a lower price, which indicates that the overshooting has moved up-market. | - Large parts of the MC market seems to be overshot due to customers unwillingness to pay for further performance advancements.<br><br>- Competition based on price indicates that the MCI is reaching maturity.<br><br>- MCSs are perceived to be overpriced in relation to their value. | - Consultant brokers using an increasingly affordable and less complex business model.<br><br>- Consultant brokers changing the basis of competition towards price.<br><br>- MCFs do not respond to the competition consultant brokers create. |
| Nonconsumers & New-market disruptive innovation opportunities | - Small sized companies are nonconsumers due to their lack of budget and inability to create long customer relationships due to insufficient business activities. | - Data-democratization technologies have the possibility to increase affordability and accessibility of information and data. | - In-house knowledge and competencies are growing as a competitive force external the MCI. |

*Table 4: Summary of the main findings in the analysis*

## 5.2 SIGNS OF SUSTAINING INNOVATION OPPORTUNITIES IN THE MANAGEMENT CONSULTING INDUSTRY

### 5.2.1 UNDERSHOT CUSTOMER SEGMENT

According to the collected empirics, there is no clear correlation between high profitability and a specific customer segment in the MCI. Instead, most of the respondents claim that the customers' relationship with the MCF determines the profitability of the customer. Since the undershot customer segment is defined as the most profitable customers in a market (Christensen et. al. 2004), is it difficult to identify a specific undershot customer segment in the MCI. However, some of the respondents argue that small sized customers do not have the right budget or enough business activities to enable a long relationship with a MCF, which makes them the least profitable customers in the market situated in the low-end. This indicates that the mainstream and high-end of the market in the MCI consist of middle- and big sized companies with the ability to build long customer relationships. As demonstrated in the theory by figure 2: the disruptive innovation model, the mainstream and high-end of the market include the customers usually willing to pay for sustaining innovations made in an industry, i.e. the undershot customer segments (Christensen et. al., 2015). Thus, this indicates that the undershot customer segment in the MCI consist of middle- and big sized companies.

However, the last decade's downward pressure on price speaks against the existence of an undershot customer segment in the MCI. This as undershot customers are the ones willing to pay an increased price for performance enhancements on the offering (Christensen et. al., 2004). Instead of customers expressing the willingness to pay for further improvement advancements, five of the respondents argue that customers are today willing to compromise on quality to get a lower price. According to Denning (2016b), sustaining innovations are supposed to increase profitability by improving the offering with features that customers are willing to pay a higher price for. Hence, the fact that the MCI has experienced a downward pressure on price indicates that there exists a shortage of undershot customers in the industry.

Furthermore, there is no reported signs of customers expressing frustration based on limitations of MCSs, i.e. perceiving that it is too low quality and/or lack of complexity. According to Christensen et. al. (2004), such frustration is a sign of existing undershot customers within an industry. Thus, this reinforce the indication of a shortage of undershot customers in the MCI. In addition, this argumentation is strengthened by the fact that one respondent argues that there

is a lack of demand on the most complex projects and that only a few MCFs can work with such projects.

Although, one respondent argues that customers are willing to pay a higher price than average for projects including newly found expertise and knowledge. In other words, customers are less price sensitive when a new knowledge need has occurred and the knowledge required is in scarcity. According to Christensen et. al. (2004), undershot customers are willing to pay for enhanced performance along important performance metrics of an industry. Since expertise and knowledge have been argued to be the very core of the MC business model and hence the most important performance metric in the MCI, this proves that an undershot customer segment does exist. Something that is strengthened by the fact that two respondents argue that the most profitable customer segments, i.e. undershot segments, are the ones operating in industries characterized by constant change and are hence in need of newly updated knowledge.

Consequently, there exist signs of a shortage of undershot customers in the MCI, namely no customers that express frustration about limitations of MCSs and low willingness to pay for further performance advancements, i.e. sustaining innovations. However, there are also signs that prove the existence of undershot customers in the MCI, in the sense of customers who are willing to pay a higher price for new knowledge areas. Based on this analysis, it seems like incumbents' sustaining trajectory has reached a high-end point of the MCI. This since incumbents' sustaining trajectory evolves in the market based on undershot customers willingness to pay for sustaining innovations, displayed in figure 2: the disruption theory model (Christensen et. al. 2015). This indication is also strengthened by the fact that the MCI is not growing in the same pace as historically (Statista, n.d.). Thus, incumbents' sustaining trajectory being located in a high-end point argues that the mainstream market is not undershot. Instead, a potential undershot customer segment may be found in the very high-end of the MC market.

The indication of a shrinking undershot customer segment could become a problem for the MCI. This as undershot customers are the ones enabling companies to continue to develop sustaining innovations leading to competitiveness, growth and increased margins (Christensen, 1997). Thus, these signs could become a problem for the industry assuming that the lack of an undershot customer group could lead to a decline of the industry and/or open up for disruptive innovation opportunities.

### 5.2.2 SUSTAINING INNOVATION OPPORTUNITIES

According to the collected empirics, the major need for MCSs originate from customers' insufficient knowledge in an ever-changing world. The core of the business model is thus described to offer competencies that customers lack. According to Charitou and Markides (2003), sustaining innovation opportunities are the possibility to improve existing products, services and/or business models. Since the empirics outline that the knowledge customers require is in constant change, it suggest a never-ending sustaining innovation opportunity of MCSs. This since MCFs have the ability to continuously improve their services by expanding and updating their knowledge offered, which is also described in the empirics as their main innovation activity.

Furthermore, the respondents describe how the MCI has a history of adapting to new business trends that impact their customers' knowledge requirements, e.g. by adding IT and digitalization components to their MCSs the last 15 years. In fact, the MCI has added a number of new areas of consulting over the years due to new trends impacting the business environment and thus knowledge required by customers (Morris and Empson, 1998; Kipping and Kirkpatrick, 2013). As sustaining innovations are made to successfully adapt to changing customer needs (Christensen, 1997) does this reflect how the MCI continuously work with sustaining innovations. The potentially never ending sustaining innovation opportunity is based on the fact that business environments will continue to change and customers will therefore request new kinds of competencies. New areas of MC will therefore probably continue to emerge, like the current growing need for AI experts. Thus, as long as customers are asking for knowledge, the MCI has the opportunity to continue to pursue sustaining innovations as the knowledge asked for is constantly changing.

Moreover, many of the respondents argue that they will be able to raise prices on their services in the future. This is a sign of sustaining innovation opportunities, since those have the ability to increase margins of an offering (Denning, 2016b). However, as stated in the above discussion in 5.2.1: undershot customer segment, there are signs of a shrinking undershot customer segment willing to pay for sustaining innovations in the MCI. Thus, the collected empirics outlines signs of future sustaining innovation opportunities in the MCI with the opportunity of continuously expanding knowledge areas. However, if customers will be willing to pay for these sustaining innovations is not as clear.

### 5.2.3 SIGNS OF CAPITALIZATION ON SUSTAINING INNOVATION OPPORTUNITIES

Capitalization on sustaining innovation opportunities equal activities to improve existing products, service and/or business models according to the need of the current customers (Christensen et. al., 2004). As outlined above in 5.2.2: sustaining innovation opportunities, the clearest sign of sustaining innovation opportunities in the MCI is the improvement of MCSs through expansion of knowledge. The empirics outline multiple signs of actors capitalizing on this sustaining innovation opportunity, which is presented below.

There are MCFs with the main goal of becoming end-to-end providers, i.e. being able to conduct basically any business-related project due to a very wide intellectual asset span. These firms are capitalizing on this sustaining innovation opportunity by, among other things, mergers and acquisitions of other companies to extend their scope of intellectual resources. However, it is not only the so called end-to-end providers that capitalize on this opportunity. As presented in the empirics, the majority of the respondents state that their innovation efforts are mainly centred around current customers' knowledge demands. Meaning that they continuously update their services aligned with their customers' required competencies, e.g. the inclusion of IT elements in MCSs the last decade. Since the capitalization of sustaining innovation opportunities include companies leveraging their existing business model in order to meet the needs of their current customers (Christensen, 1997; Overdorf and Barragree, 2001; Yu and Hang, 2010), these are clear signs of actors in the MCI capitalizing on sustaining innovation opportunities.

## 5.3 ENABLERS OF DISRUPTIVE INNOVATION OPPORTUNITIES IN THE MANAGEMENT CONSULTING INDUSTRY

As presented in theory section 3.1.3.4: enablers of disruption, Christensen (1997) argues that there are three certain industry processes that enable disruption and hence facilitate the creation of disruptive opportunities in any given industry. Thus, before analysing the potential existence of new-market and low-end disruptive opportunities, it makes sense to analyse if there are any evidence of existing enablers of disruption in the MCI.

According to the presented empirics, there are indications of an existing asymmetry between sustaining- and disruptive innovation investments in the MCI. The majority of the respondents argue that innovations made in the MCI are of sustaining nature, i.e. updating and improving current offerings and internal processes rather than implementing something radically new

(Christensen, 1997). Furthermore, the majority of the respondents state that innovation in their MCFs is related to finding new areas to consult within aligned with their current customers' needs. Thus, innovation is centred around conducting sustaining innovations on their service offering (Christensen et. al 2004). Only two respondents argue that there are also resources allocated to disruptive innovative activities. Thus, this implies that there is an unbalance between resources allocated to sustaining innovations versus disruptive innovations in the MCI. According to Christensen (1997), such asymmetry is one of the enabling processes of disruption in an industry. Even though sustaining innovation efforts are important for the growth of an industry (Yu and Hang, 2010), unilateral innovation efforts have caused many incumbents to become disrupted (Christensen, 1997). Thus, MCFs' one-sided innovation strategy is opening up possibilities for other actors to capitalize on disruptive innovation opportunities in the MCI.

Furthermore, the empirics indicates that customers in the MCI industry are not willing to pay for any further performance advancements of MCFs' offerings. Instead, there are respondents arguing that customers are willing to compromise on quality to get a lower price. According to Christensen and Raynor (2003), this indicates that the performance technologies have proceed in a higher speed than the market demand. In other words, the offerings include more than the customers actually need or are willing to pay for (Christensen, 1997). The fact that customers of the MCI seem to be overserved with unnecessary high performance of the offerings, is the second industry process that enables disruption and opens up for the creation of disruptive innovation opportunities (Overdorf and Barragree, 2001). Further argumentation strengthening the indication of the MCI being an overshot market is discussed below in 5.4: signs of low-end disruption in the management consulting industry.

Moreover, the majority of the respondents state that their innovation efforts are centred around their current customers' needs. Thus, a lot of the innovation efforts in the MCI seem to be conducted in line with the voice of customers in the mainstream market. According to Christensen et. al. (2018), this is a rational managerial decision to make since the relationship with current customers constitutes the profitability of an organisation. Even so, good management decisions may open up for disruptive innovation opportunities as well. This since the relentless focus on current customers on existing markets create overseen customer segments (Denning, 2016b). There are multiple signs of overseen customer segments in the MCI, i.e. nonconsumers and overshot customer segments, which are presented below in sections 5.4 and 5.5. Furthermore, most of the respondents argue that the innovation character

of the MCI is sustaining rather than disruptive. In addition, half of the respondents cannot identify how disruption could occur in the MCI. Hence, this indicates that many MCFs have failed to understand why it is important to allocate resources to disruptive innovation efforts. According to Christensen (1997), the failure to perceive the value of disruptive innovation activities enables other actors to create and capitalize on disruptive innovation opportunities.

Thus, according to the above analysis, the three industry process enabling disruption seem to be present in the MCI. All which facilitate the creation of disruptive innovation opportunities.

## 5.4 SIGNS OF LOW-END DISRUPTIVE INNOVATION OPPORTUNITIES IN THE MANAGEMENT CONSULTING INDUSTRY

### 5.4.1 OVERSHOT CUSTOMER SEGMENT

According to the majority of the respondents, the least profitable customer segment in the MCI is small sized companies. According to theory, overshot customer segments are situated in the low-end foothold of the market and are unattractive in the sense of being the least profitable customers (Christensen et. al. 2004). Low-end customers are the first to become overshot in a market, since they are unable and/or unwilling to pay for and adopt to sustaining innovations in the same degree as customers in the mainstream market (Christensen et. al., 2015). Since small sized companies cannot adopt to or pay for MCSs and the improvements made on those, this indicates that small sized companies is overshot in the MCI. In fact, as will be discussed in 5.5.1: nonconsumers, small sized companies are by many MCFs considered to be nonconsumers because of their small budgets and less demanding projects requirements. Thus, many MCFs do not even accept them as customers.

However, some of the respondents argue that big sized companies also have become less profitable the last decade. As the outlined in 5.2.1: undershot customer segments, mid- and big sized companies are considered to be customers in the mainstream and high-end of the MCI. According to figure 2: the disruptive innovation model, the low-end customer groups of the market become overshot first, as incumbents' sustaining trajectory evolves with continued implementations of sustaining innovations for the mainstream market (Christensen et. al., 2015). However, if actors within an industry continue to conduct sustaining innovations to enhance their offerings to an even higher degree, the mainstream customers might as well become overshot (Christensen et. al., 2015). As presented in the collected empirics, customers

of the mainstream market, i.e. big sized companies, have started to compromise on quality in order to get a lower price on MCSs. In addition, the last decade's downward pressure on price indicates that customers are not willing to pay an increased price for sustaining innovations made, but rather the opposite. Thus, the increasing number of customers unwilling to pay for further sustaining innovations is an indicator that the overshooting phenomenon is no longer solely occurring in the low-end of the market, but has climbed its way up to mainstream market of the MCI.

This analysis corresponds well with the one done in 5.2.1: undershot customer segments, stating that there are indications that incumbents' sustaining trajectory has reached a high-end point of the MCI. This since a high-end point of the sustaining trajectory does not only imply that the undershot customer segment is decreasing, but also that the overshot customer segment is growing, which is displayed in figure 4: undershot and overshot customers in the mainstream segment (Christensen et. al. 2015).

### 5.4.2 LOW-END DISRUPTIVE INNOVATION OPPORTUNITIES

The empirics presents several signs indicating that the MCI is overshot. In other words, MCFs seem to improve their services in a faster rate than customers can absorb and/or are willing to pay for (Christensen, 1997). Since an overshot market is one of the biggest drivers of low-end disruptive opportunities (Christensen and Raynor, 2003), these signs indicate that there exist such opportunities in the MCI.

The first sign of MCI being overshoot is the fact that customers do not seem to be willing to pay for any further advancements and performance improvements of MCSs or business models. According to Christensen et. al. (2004), an overshot market is characterized by customers not willing to pay for performance improvements. In fact, most customers want to lower the price on MCSs. Even so, as described in section 5.2.3: signs of capitalization on sustaining innovation opportunities, many MCFs continue to advance their services through sustaining innovations. These actions are aligned with how an overshot market is created; by incumbents' hunt for higher margins by advancing their current offerings to a point where customers are no longer willing to pay the increased price for it (Christensen and Raynor, 2003). Customers willingness to compromise on quality for a lower price in today's market, indicate that they are not willing to pay for the latest years' sustaining innovations. Thus, this implies that the MCI is overshot, which opens up for low-end disruptive innovation opportunities.

Furthermore, as presented in the empirics, the MCI has undoubtedly experienced an increased price competition the last decade. According to Christensen et. al. (2004), one of the clearest signs of an overshot market is companies competing along prices. Also, the last decade of downward pressure on prices indicates that the MCI has reached mature status, which several respondents emphasize during their interviews. One of the main reasons for maturity in an industry is the occurrence of overshooting (Christensen. et. al., 2004). Thus, these signs strengthen the indications of existing low-end disruptive innovation opportunities in the MCI.

In addition, one of the biggest dilemmas outlined for the MCI in the empirics, is the one of pricing value. Many of the respondents argue that it is difficult to prove a project's value to a customer, which forces them to bill hours instead. According to Christensen et. al. (2004), low-end disruption opportunities are created when the offering of an industry seem to be overpriced in relation to the value it brings to customers. Hence, the fact that customers have a hard time understanding the value created indicates that MCFs are struggling to justify MCSs' price in correlation to value. This perceived overprice combined with the difficulties to prove created value creates low-end disruption opportunities in the MCI.

### 5.4.3 SIGNS OF CAPITALIZATION ON LOW-END DISRUPTIVE INNOVATION OPPORTUNITIES

According to the respondents, consultant brokers exploit the MC market by offering a service that is increasingly affordable and less complex compared to traditional MCSs. This implies that the business model of consultant brokers is a sign of capitalization of low-end disruptive opportunities in the MCI. This as disruptive innovations that enter a low-end foothold often are very simple, cheap and straightforward, compared to the ordinary offering and/or business model (Christensen et. al., 2004). Furthermore, many of the respondents stress that consultant brokers do not offer the same quality to customers as traditional MCFs. According to Danneels (2004), this is a common trait for a disruptive innovation as it underperforms the standards of the market when initially introduced. Thus, this analysis indicates that the business model of consultant brokers can be a sign of capitalization of low-end disruptive innovation opportunities.

The empirics says nothing about which kind of customer segments that consultant brokers target. However, the respondents argue that consultant brokers main deliverable is resource

consulting rather than what they refer to as traditional “expertise consulting”. According to the respondents, resource consulting is a simple task in the MCI which fills the needs of less demanding customers. According to Christensen et. al. (2004), one sign of capitalization on low-end disruptive innovation opportunities is actors targeting the needs of overshot customers in the market, i.e. the customers with less demanding needs. This fact does hence indicate that consultant brokers are targeting the overshot customers of the MCI with their simplistic offer, which is another sign of capitalizing of low-end disruptive opportunities. In addition, the empirics presents several different customer needs for buying MCSs, including the need of human capital. Half of the respondents say that the need for human capital, which is meet by resource consulting, is growing in the customers’ organizations. Despite this, solely two of the respondents state that this is a need their MCF target. Instead, it seems like human capital is the particular need being targeted by consultant brokers. Thus, this indicates that consultant brokers potentially could disrupt one of today’s needs for MCs by providing human capital through resource consulting.

Furthermore, many respondents argue that resource consultants have taken a lot of market shares lately and will continue. Even so, the respondents do not perceive consultant brokers to be equal to MCs due to less perceived quality and complexity. Hence, many of the respondents MCFs do not respond to the potential competitive threat that consultant brokers compose. According to Denning (2016b), incumbents not responding to the threat of a new entrance is a sign of low-end disruption. This since incumbent firms are programmed to focus on their high-end customers, allowing companies who are seen as less qualified to enter the market without being seen as a threat. Thus, consultant brokers and MCFs behaviour is following a typical low-end disruption process displayed in figure 4: the disruptive innovation model. Furthermore, on the note of theory discussing competition and disruption, Danneels (2004) further states that a disruptive innovation transforms the dynamics of competition in an industry. According to the empirics, consultant brokers are one of the causes that have led to the downward pressure on price in the MCI. Thus, consultant brokers have affected the dynamics of competition, which is a sign of disruption.

Even if many arguments are put forward in the empirics of why consultant brokers are worse than traditional MC, e.g. missing out on culminated expertise within a MCF and not having the ability to do as complex projects, it does not imply that consultant brokers cannot disrupt the MCI. As said many times before, disruption is a process which starts with an innovation with

initially bad performance targeting an unattractive segment (Christensen, 1997). However, by doing investments into the innovation, its quality increases and may eventually be equal to the prior incumbents offering (Christensen et. al., 2015).

## 5.5 SIGNS OF NEW-MARKET DISRUPTIVE INNOVATION OPPORTUNITIES IN THE MANAGEMENT CONSULTING INDUSTRY

### 5.5.1 NONCONSUMERS

According to half of the respondents, small sized companies are the obvious nonconsumers of the MCI. One respondent explicitly says that the reason for why small sized companies not are customers of the MCI has nothing to do with them lacking the need for MCSs, but rather lacking the right budget. According to Christensen et. al. (2004), nonconsumers are people who are not consuming the product and/or service of an industry today, but have a need to do so. This hence indicates that small sized companies have a job to be done but which is not fulfilled by MCFs.

According to the empirics, many MCFs considered small sized companies to be a non-attractive customer segment due to their limited budgets. This is in line with Christensen et. al. (2004) theory, which states that nonconsumer groups are created when the offerings in a market is limited to customers with high affordability. Furthermore, small sized companies are excluded due to MCFs' goal to create multiple projects over time with their customers. This is a hard task with small sized companies, since they do not have enough volume on their business activities to create multiple projects. One respondent state that small sized companies often demand one narrow project with experts, which does not match MCFs' business model. According to Christensen et. al. (2004), nonconsumers are created when the current offerings and business models are not designed to match a potential customer group's needs. Thus, these signs indicate that small sized companies are the nonconsumers in the MCI.

Because of small sized companies' lack of attractiveness as customer segment, there is no evidence on efforts from the respondents' MCFs to address small sized companies. Instead, they are chasing the more profitable customer segments, i.e. middle- and big sized companies with whom they can create long customer relationships with. Thus, it seems like many of the respondents' MCFs are ignoring the needs of small sized companies. According to Christensen (2014), incumbents' constant chase after higher profitability creates overlooked segments which are the ones disruptors target. The ignorance of small sized companies' needs might

therefore open up for new-market disruptive innovation opportunities in the MCI. This since new-market disruptive innovations have the possibility to transform nonconsumers into consumer (Yu and Hang, 2010). Thus, the existence of a nonconsumer segment and the lack of effort in addressing it might open up for new-market disruptive innovation opportunities in the MCI.

### 5.5.2 NEW-MARKET DISRUPTIVE INNOVATION OPPORTUNITIES

According to Christensen et. al. (2004), it is a difficult task to identify new-market disruptive innovation opportunities. This since new-market disruptive innovations create a new market that historically has not existed before (Christensen et. al., 2015). Thus, one need to analyse signs that indicate that the future might differ from the present.

According to the collected empirics, many MCFs believe that the business model of MC is standing in front of a change. The general perception around the MCI's future seems to include changes by technology to a large extent. Many of the respondents believe that the technologies which ease access to data and information in today's business context will have a big impact on the MCI. Since a disruptive innovation can take the form of a business model, product, service and/or technology (Yu and Hang, 2010), a data-democratizing technology has the possibility to create a disruptive threat.

The data-democratizing technologies, e.g. big data, might enable customers to easily and without charge access data and information that can be turned into knowledge. Since the core value of the MC business model is to sell knowledge, half of the respondents say that these technologies are a threat against the MCI. According to Christensen et. al. (2018), an innovation which increase affordability and decrease complexity of an offering has the potential of becoming a new-market disruptive innovation. Thus, technologies that transform knowledge into something increasingly affordable and easily accessed might create a new-market disruptive innovation opportunity in the MCI.

Furthermore, there exist a nonconsumer group in the MCI that seeks to get their knowledge needs fulfilled. According to the empirics, the current offerings of MCFs are too expensive and do not match the needs of small sized customers. If data-democratization technologies would introduce an offering of knowledge including the typically new-market disruptive innovation characteristics of simple, increasingly affordable and accessible (Christensen et al 2004), it

might address the MCI's nonconsumers'. If so, the data democratization technologies might be able to turn nonconsumers into consumers.

### 5.5.3 SIGNS OF CAPITALIZATION ON NEW-MARKET DISRUPTIVE INNOVATION OPPORTUNITIES

According to the empirics, many of the respondents argue that the fastest growing competitive force external the MCI is the one of companies' own in-house knowledge and competencies. In other words, instead of buying knowledge externally from MCFs, customers of the MCI seem to have produced their own in-house knowledge to a large extent lately. According to Christensen et. al. (2004), one sign of capitalization on new-market disruptive innovation opportunities is choking growth rate in new markets with the possibility to impact the given industry.

As formulated above in 5.5.2: new-market disruptive innovation opportunities, one possible opportunity for new-end disruption in the MCI is technologies that democratize information. This since those technologies might enable customers of the MCI to access knowledge without the need of buying it externally from MCFs. Thus, the increasing competition based on in-house knowledge and competencies could be a sign of companies already capitalizing on the data-democratization opportunity. Furthermore, multiple respondents argue that the knowledge customers ask for has shifted from what-oriented to how-oriented. This is argued to be the result of customers becoming their own experts of their business and industry to a larger extent due to increasingly accessible information in society. This observation strengthens the indication of companies accessing information elsewhere, rather than buying it from MCFs. Thus, data-democratization technologies could potentially disrupt the need of know-what.

# 6. CONCLUSION

*This chapter intends to answer the main research question of this thesis by outlining conclusions drawn from the analysis. In addition, a discussion takes place with the purpose to generalize, nuance and question the conclusions made. Lastly, suggestions of future research are presented.*

## 6.1 ANSWER TO THE RESEARCH QUESTION

The following question has guided the research of this thesis: ***How might the management consulting industry become disrupted?***. Based on the analysis of this thesis, the short answer to this question is that customers' decreasing willingness to pay for further sustaining innovations allows low-end disruptive innovations to target the growing overshot customer segment in the MCI. In addition, new data-democratizing technologies possess the ability to create a new way of accessing information and knowledge, which could potentially lead to a new-market disruption of the MCI.

The signs of a shrinking undershot customer segment in the MCI makes it difficult for MCFs to continue to conduct sustaining innovations with the aim to increase profitability. The indication of a decreasing undershot customer segment is based on the signs of downward pressure on prices, customers willing to compromise on quality for a lower price and a lack of customers that express frustration around limitations of MCSs. It is thus likely that incumbents' sustaining trajectory has reached a high-end point in the MC market, implicating that the mainstream market is not undershot. Even though there exists an opportunity to continue to pursue sustaining innovation efforts on MCSs through knowledge expansion, is there an uncertainty whether customers will be willing to pay a higher price for them. The indications of difficulties to conduct profitable sustaining innovations imply that there exist disruptive innovation opportunities in the low-end of the MCI.

In fact, the indications of a high-end point of incumbents' sustaining trajectory imply that the mainstream market in the MCI is overshot. This corresponds well with the signs of big sized customers have become less profitable the last decade, competition is nowadays based on price and the MCI seems to have reached maturity. In addition, some customers seem to perceive MCSs as overpriced in correlation to the value they bring. These are all signs indicating that large parts of the MC market are overshot, which in turn enables low-end disruptive innovation

opportunities. With a relatively simplistic and affordable business model, consultant brokers have started to capitalize on this low-end disruptive innovation opportunity by targeting overshot customers. The fact that many of the respondents MCFs refuse to respond to the threat of consultant brokers, strengthens the chances of a potential low-end disruption in the MCI.

Another potential disruptive scenario outlined in this thesis is the one of a new-market disruption. Small sized companies have been identified as an existing nonconsumer segment, implying that there is an opportunity to transform nonconsumption into consumption through a new-market disruption. This as the current business model of MC does not seem to be designed to match small sized companies' needs. There are no visible signs of MCFs trying to change their business model in order to target the nonconsumers, which might open up for new-market disruptive innovation opportunities. Furthermore, technologies that enable the democratization of data in today's society have the potential to pose a threat as a new-market disruptive innovation towards the MCI. This since it enables customers to access knowledge easy and without charge, which might eliminate the need to buy knowledge externally from MCFs. The growth rate of organizations' own in-house competencies could be a sign of capitalization on data democratization technologies.

To conclude, the findings pointing towards existing disruptive innovation opportunities give some indications on how the MCI might become disrupted. Furthermore, the signs of actors capitalizing on those opportunities indicate that the disruptive process in the MCI might already have started.

## 6.2 DISCUSSION AND RECOMMENDATIONS

Even though the conclusions are drawn from the twelve respondents' perspectives and observations, their statements are likely to represent a bigger reflection of the status in the MCI as a whole. Thus, the analysis and conclusions drawn indicate that there exist disruptive innovation opportunities to capitalize on in the MCI, which for the future implies that the industry could become disrupted. In order to successfully meet a disruption, Christensen (2014) recommends incumbent firms to set up a completely different business model separately from their traditional one, i.e. apply an ambidextrous design (O'Reilly and Tushman, 2004). Therefore, the researchers recommend MCFs to create a separate business model and/or division of the organization that do not focus on the current customers and sustaining innovations, but rather on future growth and disruptive innovation opportunities. This to ensure

a bilateral innovation strategy which mitigates the risk of causing overseen segments and not foreseeing a disruptive threat. In addition, disruptors often succeed due to incumbents' lack of ability to understand the threat of a disruptive innovation which initially underperform the market (Denning, 2016b). Thus, the researchers recommend MCFs to address the issues brought up in the analysis. Even though the future is insecure and consultant brokers are argued to not be a threat quality wise.

However, in order to increase the trustworthiness of this thesis, the conclusions drawn need to be discussed and nuanced. According to the presented empirics, the need for MCSs are many. Including (1) customers lacking knowledge in an area and are asking *what* to do, (2) customers lacking knowledge in implementation of X and are asking *how* to do, (3) customers in need of an objective party and ask for a person to see their business from a new angel, (4) customers having trouble with internal politics when making a change and ask for a person to make the hard decisions and (5) customers lacking time and human capital for their projects and are asking for additional human resources. The presented conclusion addresses how the first and the last need might become disrupted. This since what-oriented knowledge might be accessed through data-democratizing technologies and human capital is the need that consultant brokers target to a large extent. Thus, this implies that the needs for MCSs regarding how-oriented knowledge, objective party, and a person making the hard decision remain. One therefore needs to ask: is it possible to disrupt an industry if several needs of the offering is not being targeted by a disruptive innovation?

However, one could argue that consultant brokers will be able to target the remaining needs as well in the future, by making investments in their currently relatively simplistic business model. In fact, consultant brokers might already target all the needs that traditional MCs do. The respondents of this thesis claim that consultant brokers solely fill the need of human capital through resource consulting, since they are said to be less complex than traditional MCs. However, considering that the respondents belong to the group of traditional MCs, their claims are probably somewhat biased and skewed. Implying that consultant brokers might be capable of targeting the other needs in the market as well. Furthermore, data-democratizing technologies might become increasingly advance and be able to fulfil the need of both what- and how-oriented knowledge. Although it might not be realistic until years from now, data-democratizing technologies might evolve to become capable of implementing knowledge, rather than only providing it. However, there are numerous things speaking against a realized

disruption by consultant brokers and/or new data-democratizing technologies in the MCI as well. This since there are several industry factors and actions taken which mitigate these disruptive innovation opportunities in the MCI.

Based on the theory, competition based on price has been said to be one of the most prominent signs of low-end disruption in the MCI. However, the empirics outline multiple other important performance metrics in the MCI. Namely branding, relationship building and competencies. According to the respondents, branding and relationship building are two performance metrics that decrease a customer's price sensitivity. Furthermore, competence is the primary performance metric of the MCI, which includes the opportunity of continuously sustaining innovations. Thus, these additional competitive factors might mitigate the opportunity for low-end disruption in the MCI. This since customers take other important performance metrics than price into consideration when buying MCSs.

In addition, the business model of consultant brokers seems to share many characteristics with the business model of traditional MC. This since both offer external advisory services. An innovation which can be used to make money in the same way as the current incumbents do, usually ends up as a sustaining innovation rather than disruptive (Christensen et. al., 2018). Because of the similarities in the business models, it is an easy task for MCFs to mitigate the threat of low-end disruption by consultant brokers by adding resource consulting to their current offering. In fact, one of the respondents state that their firm already has created an interim department beside their ordinary business model. Hence, the researchers of this thesis recommend traditional MCFs to consider creating a similar offer as consultant brokers to mitigate the risk of low-end disruption. By investing in a separate lower-performing business model and/or service offering, MCFs can mitigate the risk of another actor targeting the overshot consumer segments of the MCI.

Furthermore, data-democratizing technologies and their ability to increase accessibility of information have been discussed to constitute a new-market disruptive innovation threat towards the MCI. However, many of the respondents claim that they already have started to adjust their service offerings towards the future that these technologies might create. This based on the fact that many of the respondents argue that MCFs who only include what-oriented knowledge in their offerings are getting fewer. Instead, many MCFs include implementation services in their offering to a larger extent than ever before, i.e. offering what-oriented

knowledge. Since data-democratization technologies are anticipated to spread information and data rather than implementing it, the adjustment to how-oriented knowledge could mitigate this new-market disruptive innovation opportunity. In addition, these adjustments confirm that actors in the MCI seem to be aware of the threat that the technologies increasing democratization of data constitutes. An awareness that can increase the probability to successfully meet a potential disruption. Furthermore, in relation to data-democratization technologies, customers' increased in-house knowledge were discussed as a potential sign of capitalization on this innovation. However, it is important to note that the growth of in-house activity also could be the result of the last decade's great economic growth. Nevertheless, the trend of customers' choosing in-house competencies in favour of external seem to be growing, something that needs to be investigated and addressed by MCFs.

Another thing that can mitigate the threat of disruption in the MCI is the big incumbent MCFs' globally located innovation hubs. According to the empirics, mainly big sized MCFs have the resources to dedicate human capital to solely innovate. Thus, their firms have separate divisions working with different innovation efforts. As mentioned in the background of this thesis, McKinsey is one incumbent who have started to experiment with a new business model for the MCI based on selling an analytical tool, rather than traditional advising. In fact, incumbents might disrupt other incumbents by launching a disruptive innovation (Denning, 2016b). Thus, this implies that the bigger MCFs have a bilateral innovation strategy, which decrease innovation asymmetry and the threat of disruption. As stated in the beginning of this discussion, the researchers recommend smaller MCFs to incorporate the same mindset as well. Since the MCI undoubtedly stands in front of an industry change, it is important that all actors are up to date with their innovation efforts.

Nevertheless, this discussion has attempted to nuance the findings of this thesis as they include the complexity and uncertainty of the future, which never can be fully interpreted in advance. As stated many times, disruption is a process and cannot be evaluated at a single point of time (Christensen, 1997). There is no certainty of which path the potential disruptive innovation opportunities presented in this thesis will take in the MCI. They can become full-blown disruptions, or they might not. Regardless the realized outcome, the findings presented indicate that the MCI is standing in front of a change. Disruptive or not, industry changes always need to be addressed by affected actors.

## 6.3 FUTURE RESEARCH

This thesis has taken an exploratory research approach with the aim to investigate how the MCI might become disrupted through studying disruptive innovation opportunities. However, this is a wide topic that leaves room for further research, why some suggestions of topics will be given.

First of all, since disruption is a process, a follow-up study on this research would be beneficial. This in order to study the evolution of the presented disruptive innovations to conclude if they follow a disruptive process or not.

Secondly, the chosen research strategy of this thesis has been a qualitative approach. As stated in the methodology section, a qualitative approach has some limitations including the difficulties to generalize the findings. In order to confirm whether or not the selected respondents' perceptions and thoughts about this subject reflect the whole MCI, it would be beneficial to test the conclusions' reliability with a quantitative approach.

Third, as proven throughout this thesis, customers' behaviour are of great importance when it comes to investigating disruption in an industry. Hence, it would be of interest to study this topic from the perspective of MCI's consumers. Such study would be able to confirm if the MCI is as overshot as the findings in this thesis indicates and confirm whether or not it exists a nonconsumer segment to target. In addition, this study has not gone into depth to identify detailed characteristics of customer segments. Instead, customers have been referred to small- middle- and big-sized. Opportunities for future research are therefor to map customer segments in more detail, since it would be beneficial in understanding exactly where in the market the disruptive innovation opportunities exist.

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# 8. APPENDIXES

## 8.1 APPENDIX 1 - INTERVIEW GUIDE

### FORMAL QUESTIONS

- Is it ok that we record the interview?
- Is it ok if we mention your company's name in out method section? It will not be linked to any quotes.
- For how long have you worked in the MCI?

### BACKGROUND QUESTIONS

- **Customers**
    - For what purpose do you think customers buy MCSs? What is the general need and why do they use MCs to satisfy that need?
- **Business Model**
    - How do you describe the MCI's current business model?
        - Has it changed over time?
        - What do you think the future business model will look like?
- **Competitors**
    - What factors do MCFs compete on today? What drives the competition in the industry?
        - Has it changed over time?
        - Which factor do you think will be the most important in the future?

### SIGNS OF SUSTAINING INNOVATIONS

- **Identify customer segment: Undershot Customers**
    - What characterize your general customer group today?
    - Which customer segments is most profitable?
    - Are there any customers complaining or expressing frustration around limitations on MCSs?
        - Are there any customer that believes or express that MCSs is *not* complex enough or has high enough quality?
- **Innovation Opportunity: Sustaining Innovations**
    - Have you seen any changes in your customers' needs? Does the customer ask for something special today?
- **Signs of emerging capitalization**
    - How does your company work to stay up to date with changing customer needs?
    - Do you think you will be able to increase the prices on your services in the future?
    - Would you say that the MCI constantly improves or introduces something completely new?

### SIGNS OF LOW-END DISRUPTIVE INNOVATIONS

- **Identify customer segment: Overshot customer segments**
    - Which customer segments is the least profitable?
    - Are there any customer segments that has a lower demand on quality and/or complexity of the MCS?

- Is there any customer segments that do not want to pay for improvements you do on your service?

- **Innovation Opportunity: low-end disruptive innovations**
  - Do you meet the needs of these customers? If not, would you like to do so?
- **Signs of emerging capitalization**
  - Is it possible to change the MCI's business model to reach less demanding and less profitable customer segments?
  - Is there any innovation that could help to reach these customer segments?

## SIGNS OF NEW-MARKET DISRUPTIVE INNOVATIONS

- **Identify customer segment: nonconsumers**
  - Is there any customer segment you think is in need of MCSs but not hire MCs?
  - Is there any customer segments that comes to you with a need that you turn down?

    *For example:*
    - *Customers with too small budgets?*
    - *Customers you do not reach? Too complex service? etc.*
- **Innovation Opportunity: new-market disruptive innovations**
  - Is there anything you could do to make your service more accessible for these customer group(s)?
- **Signs of emerging capitalization**
  - How could your service become more priceworthy, easier (to use and/or implement) for customers you don't reach today?
  - Do you have competitors that not are MCs?
  - Do you see growth in any other market or industry (e.g. other type of service, industry, location, technology) that worries you?
  - Who do you think will be your future competitors?
  - What innovation would harm the MCI and is the biggest threat for the MCI?

## GENERAL INNOVATION QUESTIONS

- **Innovation**
  - What is innovation for your company?
  - How do you work with innovation today?
  - Where are decisions about innovations made in your organization?
  - How do you decide on what innovation projects to invest in?

## DISRUPTION

- Do you know what disruption is?
  - Do you think the industry will become disrupted?

## 8.2 APPENDIX 2 - CONCEPTS AND THEMES FOR THEMATIC CODING

| CONCEPTS | THEMES |
|---|---|
| PEACH = Customer needs | GENERAL INFORMATION |
| MAROON = Existing business model | |
| RASPBERRY = Shortcomings in existing business model | |
| MUSTARD = General trends | |
| RED = New business models | NEW MARKET DISRUPTION |
| ORANGE = Change in competition factors | |
| YELLOW = Competitors external the MCI | |
| PINK = Growth in businesses meeting the same needs, external the MCI | |
| PURPLE = Nonconsumer groups | |
| POWDER PINK = New innovations with disruptive potential | |
| BLUE = Sustaining segments (profitable customers with the need of buying improved MCS) | SUSTAINING INNOVATIONS |
| LIGHT BLUE = Frustration around too low complexity and quality (according to customers) | |
| TURQUOISE = Indications of price increase in future | |
| GREY = Behaviours of sustaining innovation | |
| ORANGE = Change in competition factors | LOW-END DISRUPTION |
| GREEN = Loss of customers | |
| DARK GREEN = Signs of overshot customer (customers with lower standards and profitability) | |
| LIGHT GREEN = New business models focused on affordability and simplicity | |
| BLUE-GREEN = Innovations with the potential to decrease prices | |