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The KAIROS model: best leadership practices for small-to-medium sized management consulting firms

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THE KAIROS MODEL: BEST LEADERSHIP PRACTICES FOR SMALL-TO

MEDIUM-SIZED MANAGEMENT CONSULTING FIRMS

A dissertation proposal submitted in partial satisfaction

of the requirements for the degree of

Doctor of Education in Organizational Leadership

by

Edward Eng

April, 2020

James Rocco DellaNeve, Ed.D. – Dissertation Chairperson

This dissertation, written by

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DOCTOR OF EDUCATION

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DEDICATION

This dissertation is dedicated to my parents, who made the sacrifice to come to this country in search of better opportunities for their seven children. They worked tirelessly in menial jobs to give us the privileged life that we have. Thank you, mom and dad, for providing us with the work ethic and perseverance that are now my foundational values for life. I am sad that my mom will not be able to see me receive my Doctorate degree in Education in person, but I know she will be looking down from heaven to share this achievement with me.

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Thank you to my siblings for believing in my ability to accomplish anything I want in life. Thank you for your unwavering support when all the odds were against me when I ran for City Council. A special thank you to my sister Vicky, who sacrificed her own career to become the main caretaker for both my parents so I could further my education without worrying about mom and dad.

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Thank you to my friend Dr. Edward van Luinen for reminding me of the quote by Rabindranath Tagore, "The depth of friendship does not depend on the length of acquaintance."

VITA

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ABSTRACT

Breakthrough technologies and ever-increasing customer demands are paving the way for new

entrants to disrupt the traditional management industry. With their capacious resources, industry

incumbents have mitigated these emergent forces by integrating digital capabilities into their

arsenal of services. Without the capacity of market leaders, small and medium-sized business

consultants are struggling to compete effectively. To fill this research gap, this study strove to

develop a practical framework to help small- to medium-sized business consultants act more

purposefully amidst growing competitive pressures.

The researcher chose a qualitative grounded theory design to collect data through face-to-

face, semi-structured interview questions. Insights from 15 experts were analyzed using open,

axial, and selective coding procedures to generate theories. Six central themes emerged from the

data forming the acronym KAIROS. The six themes were: (a) K = know your customers,

(b) A = adopt a growth mindset, (c) I = invest in digital competencies, (d) R = reduce disruption

noise, (e) O = obsess with data, and (f) S = specialize forward.

The KAIROS model is a new leadership model conceptualized in terms of continuous

learning and adaptation. The study concluded that the proposed set of strategies is valuable for

improving the competitiveness of small- to medium-sized consulting firms against disruptive

innovation, contributing to the evolving epistemology of consulting rooted in academia.

Recommendations for future empirical research based on the foundation of this study are

suggested.

Chapter 1: Introduction

Although the time-tested management consulting business continues to grow at a steady pace, it is not immune to disruption (Christensen, Raynor, & McDonald, 2015). The decades-old management consulting industry that emanated in the 20th century has become a vibrant and rapidly growing segment of the professional services industry sector (Ghulam, 2009). Consulting firms flourished by selling their proprietary frameworks and intellectual assets grounded in deploying human capital to solve client problems even when the challenges are vague (Christensen, Wang, & Bever, 2013). From 2014-2019, the average management consulting industry in the United States has grown 3.2% a year, with revenue in 2019 reaching $256 billion due to favorable macroeconomic conditions and rising demands for consultative services (IBIS World, 2019). Within the consultancy domains, the largest segment is operations consulting, which accounts for nearly 30% of the overall consulting business, with financial advisory and Information Technology (IT) segments trailing at 20% each. Strategy consulting, the most respected discipline in the consulting industry, accounts for 15% of the market, similar to the Human Resources (HR) consulting field (Consultancy.uk, n.d.). Although each domain requires specialized expertise, the core model of management consulting has been to deploy talented businesspeople with the insights and expertise to serve their clients in a particular industry (Sharif, 2002). However, with new disruptive technology and changing customer needs beginning to affect the consulting industry, the projected growth in 2020 has declined from 3.4% to a meager 0.9% (IBIS world, 2019).

Disruptive Drivers

Over a decade ago, Christensen (2013) coined the term *disruptive innovation* and predicted some outdated industries that were in the early phase of being disrupted by

technological innovations. He noted that industries most susceptible to disruption have the following distinctive characteristics:

1. The industry has a low barrier to market entry, or few start-up costs.

2. The market remains slow to adapt to technology.

3. The market leaders continue to encounter emerging, new low-cost entrants.

4. The industry is experiencing rising customer demands.

5. The industry is dominated by only a few major players.

The work of traditional strategy consulting has been declining gradually from 70% 30 years ago, to about 20% today, marking a dramatic shift from strategy-driven client engagements to one that is now technology-focused (Christensen et al., 2013). The marketplace is full of similarly disruptive examples. Music streaming services like Spotify and iTunes both offer near instantaneous access to a broad library of music with a straightforward user interface that rendered physical compact discs (CDs) obsolete (Griggs & Leopold, 2013). In the hospitality industry, Airbnb, an online marketplace that uses sophisticated algorithms to enable owners to rent out unused residential assets directly to consumers (Guttentag, 2015), recently surpassed the number two market leader, Hilton, and is fast approaching the hospitality industry leader, Marriott, in market capitalization (H. Yu, 2017). In the face of such transformative innovation, businesses are coping with ways to survive, and those that are slow to adapt will struggle to be relevant (Manyika et al., 2013). Therefore, management consulting firms must now pivot their traditional strategy services to include technology-focused solutions (McMillan, Sheridan, Yu, & Harakas, 2017) in order to create a new category of hybrid consultants (Sharif, 2002).

In a gig economy where advances in telecommunications, high-speed connectivity, and data analytics are converging at an accelerated pace, the management consulting industry appears to meet all the signs of an imminent disruption. Like the taxicab services industry, management consulting businesses use intensive human resources as a major source of their operations, including industry research, problem and opportunity analysis, and recommendations for strategic direction and implementation (Sharif, 2002). Because customers now have unprecedented access to a plethora of information, they can now do on their own the amalgamation of services previously performed by consultants (Christensen et al., 2013). Therefore, customers have avoided many of the costly fees by gradually decreasing their reliance on the integrated solutions approach offered by traditional consultants and opted to pay only for services that they valued. For example, customers now can perform industry research that they previously relied on management consultants to do.

A new consulting model has emerged to meet the growing need for a more affordable consultant structure. These *facilitated networks* mimicked the team structure of larger firms by leveraging the collective power of smaller teams of specialized, freelance consultants that can address diverse challenges in a collaborative network. In this structure, clients pay the service provider a fee for consulting services and the total spent on consultants is typically a lower price than what customary large firms would charge (Christensen et al., 2013). Within this model, proprietary knowledge and methodologies are commoditized, empowering clients to pay only for what they think is of value to them. For example, the McKinsey consulting model of using a research-based approach to solve organizational problems has been demystified. Sensing the opportunity to fill a lower-cost consulting model that clients demanded, a nascent group of

smaller *modular* consultants is now offering specialized strategic advice and research services within a niche, especially to low-margin customers to which the large firms are paying less attention (Christensen et al., 2013): a disruptive pattern as defined by Professor Christensen (2013). In disruptive theory, industry leaders focus only on the highest-margin clients, thus leaving the gateway to the smaller customers unprotected (Raynor, 2011).

The traditional consulting work has changed fundamentally, and experts are attributing this shift in demand from strategy advisory services to IT consulting to the digital revolution (Christensen et al., 2013; Sharif, 2002). In a world of converging technology and increasing client sophistication, companies now need consultants to help them build applications, analyze data, provide insights, and develop new products (Sharif, 2002). Digitalization and the quick pace of technological developments have created more opportunities for consulting work than ever before, but this shift has also altered the old model of consulting that has been around for more than a century.

Large consulting firms must create a digital presence if they are to have any chance at surviving (Montealegre & Cascio, 2017) amidst the blurring of industry lines between traditional strategic consulting firms and IT service organizations (Martinez, Vazquez, Estrada, & Zavala, 2017; Sharif, 2002), along with the threat of invasion from a wave of new competitors (Christensen et al., 2013). Christensen et al. (2013) asserted that this change is necessary even at the risk of cannibalizing their own core management consulting business, which is entrenched in assembling human capital to solve client issues. For example, in 2007, McKinsey & Company created McKinsey Solutions to complement its traditional core business, a digital division that offers market intelligence, management of technological processes, and data analytics for purchase through a licensing fee or subscription. Although the level of consultant involvement

and personalization varies, in general, it would be much less than what a traditional consulting engagement requires (Christensen et al., 2013). In response to the industry shift and the obvious shrinking of the traditional management consulting revenue, other industry leaders have begun acquiring or building new digital enterprises to expand their capabilities both to help their clients contend with the technology revolution and to preempt potential disruptors (Christensen et al., 2013; Sharif, 2002). At a recent forum convened by Harvard Business School attended by incumbent industry leaders, emerging entrepreneurs, and academic researchers, experts concluded that the market forces that have disrupted many sectors from music to hospitality are beginning to disrupt the traditional management consulting industry (Christensen et al., 2013). To combat these emergent competitors, pure strategy consultants now have to reinvent their business models by offering digital services connected to cloud infrastructures, data analytics, and software interfaces to help clients build the digital solutions they want (McMillan et al., 2017).

Although the narrative for the long-established industries is still evolving, after years of advising clients and helping them defy disruption, the traditional management consulting industry is now confronting challenges presented by digitalization. Although *disruption* traditionally carries a negative connotation, it is equally important to understand that disruption provides organizations the opportunity to reexamine their existing business models and to create innovations that customers want (Christensen, Skok, & Allworth, 2012). Small- to medium-sized business (SMB) consultants that lack the resources and assets of the big firms will have to reinvent themselves to provide the innovative solutions that clients demand. These firms must find their niche in the wider context of digitalization and develop a new consulting model to compete effectively in the technology-driven economy.

Problem Statement

The traditional management consulting firms that are deeply rooted in a business model of deploying business experts to help clients solve their most complex organizational challenges and defend against disruption must now help themselves from being disrupted by technological advances (Christensen et al., 2013). The disruptive evolution was triggered by cascading events that are threatening the competitive positions of incumbent leaders (Christensen, 2013). First, the democratization of knowledge has made clients less dependent on traditional consultants and, as a result, less inclined to pay high fees for their services (Christensen et al., 2015). Consequently, the growing sophistication of customers and their desire for a lower cost consulting engagement gave rise to new entrants with less expensive consulting models. Exploiting customer dissatisfaction as a new opportunity, modular consultants that specialized in a segment of the consultant value chain are aggressively going after lower-margin customers of industry leaders (Christensen et al., 2013; McMillan et al., 2017). Also sensing the need of a more affordable consulting model, a new breed of competitors is tapping into the next generation of technology (Bower & Christensen, 1995), such as big data, data analytics, and the cloud, to provide a software-based, automated consulting model with limited advisory intervention and lower consulting fees to scale their business (Christensen et al., 2013).

Research has shown that management consultancies must change to become more data-driven and customer-focused to gain a foothold in the digital transformation market (McMillan et al., 2017). Although large consulting firms responded to disruption by expanding their services to meet growing customer needs in technology, digitalization is pressuring traditional SMB consultants, who lack the resources of incumbents, to rethink their capabilities to provide service offerings that would meet their customers' needs in the 21st century. Therefore, small

management consultants whose core services remain shackled to an entrenched business model will become obsolete if they fail to acquire a deeper understanding of the transforming technologies and create new service models in the fast-approaching disruptive future.

Although existing literature is replete with articles on the business process of management consulting and research on the erosion of industry lines separating traditional strategy and IT consulting, no research exists on the strategies SMB consulting firms can employ to survive without being displaced.

Purpose of the Study

The purpose of this qualitative research study was to develop strategies that SMB consulting firms can use to stay relevant in an increasingly disruptive environment. Although some studies have suggested that the line between traditional management consulting and IT is blurring (McMillan et al., 2017; Sharif, 2002), none have provided the level of knowledge and insights that SMBs can adopt to deliver value-added solutions to their clients. This qualitative grounded theory study was designed to develop a best practices framework to help leaders of SMB consulting firms contend with the imminent threat of a disrupted industry. Leaders of SMB consulting firms were interviewed to obtain their insights and best practices for managing disruption, including strategies and tactical action steps needed to redefine themselves within this context. Data collected from the inquiry were analyzed to construct a framework from the participants' responses. To accomplish the study's purpose, three central research questions were generated to guide the research.

Research Questions

1. What challenges do leaders of small- to medium-sized management consulting firms face in managing disruption?

2. How would leaders of small- to medium-sized management consulting firms acquire the digital expertise to compete in the increasingly digital economy?

3. What strategies and practices can leaders of small- to medium-sized management consulting firms employ in managing disruption?

Significance of the Study

Over time, the work of traditional management consultant work in strategy has been declining steadily. Amidst this shifting pattern, large incumbents have responded by building or acquiring digital capabilities to meet shifting customer needs brought on by technological advances and new entrants (Christensen et al., 2013). Although advancements in technology, increasing client sophistication, and emergent competitors are rapidly changing the consultant landscape with great velocity, there is a void in literature on the strategies and practices that exist to help SMB consultants adapt to an emerging disruption.

The findings of this study could contribute significantly to consultants, client organizations, and academic researchers. From a practitioner's perspective, consultancy firms could use the results to train and develop competencies of their current or future consultants whereas client organizations could use the study's insights to choose a consultant profile that would match their expectations. The outcomes of this study contribute to the existing body of literature on consulting.

Limitations

Limitations are conditions, effects, or influences that place restrictions on a study's methodology over which the researcher has no control (University of Southern California, n.d.). This study focused specifically on SMB consultants representing diverse industries in an

expansive geographic area. This research was limited by the population of leaders who participated in the interview process as delineated subsequently:

1. *Bias and judgment.* Bias and judgment such as stereotyping, first impressions, or cultural impressions are intrinsic in any subjective thought process and may have led to a skewed judgment of the participant (Kruger & Dunning, 1999).

2. *Industry diversity.* Since this study was not confined to any specific sectors, different industries with discrete challenges and mandates could potentially have constrained the findings.

3. *Ordinances.* The location of a small consultant firm could hypothetically affect a leader's decision-making process due to different local ordinances and regulations in which they operate.

4. *Participant selection.* Participants were limited to leaders of small consulting firms. In some companies, leaders who are not owners will have different perceptions and opinions from the owners.

5. *Stress level of participants.* The participants' responses may have been affected by the distress of replying to questions related to their own leadership capabilities.

Delimitations

Delimitations are choices made by the investigator to draw boundaries for the research, including the research questions of the study (University of Southern California, n.d.). This study focused on leaders of SMB consulting firms in diverse industries. Although the firms selected for the study varied in size and are geographically dispersed throughout California, the research was bounded by the following conditions as outlined subsequently:

1. *Legal status.* This study did not focus on publicly traded companies.

2. *Demographic considerations.* This study did not emphasize any specific demographic characteristics. Participants with any composition of demographic traits were accepted to be part of the research study.

3. *Interviews.* Face-to-face interviews were only conducted in southern California. Phone interviews and video conferencing were permitted in order to interview participants not located in southern California.

Basic Assumptions

Assumptions are expectations that the researcher takes for granted in connection with the study (Creswell & Creswell, 2017). The researcher made the following assumptions relative to the study:

1. Participants were willing to provide the data for analysis.

2. Participants had the expertise and skills to provide adequate and insightful knowledge for the analysis.

3. Participants were candid in their responses to the questions posed to them.

Clarification of Terms

In this section, terms used throughout the study are defined in order to clarify their meanings within the context of disruptive innovation. The following definitions are provided for clarification and described as they pertain to this study.

- *Airbnb*. An online marketplace that serves as a transactional intermediary between owners who want to rent out space and renters (H. Yu, 2017).

- *Client engagement*. An agreement between a customer and a consultant involving mutually agreed upon goals and work streams on a variety of tasks or outcomes (Turner, 1982).

- *Cloud infrastructures*. A term used to describe data storage centers that offer instant data access and are available to multiple organizations or users over the internet with shared interests or requirements (Mell & Grance, 2011).

- *Convergence*. The coordinated movement toward uniformity of two or more different systems, and in the contexts of telecommunications advances and automation breakthroughs, the integration of unrelated technologies that congregate on a single system or device (Purdy & Reznik, 2019).

- *Data analytics*. The process of using software to analyze large quantities of data and draw conclusions from that evidence so that an organization can use the insights to further its business targets (Davenport, 2015).

- *Digitalization*. The process of creating digital forms of analog information that can be decoded and stored by computer systems for the purpose of automating processes and improving business goals (Muro, Liu, Whiton, & Kulkami, 2017).

- *Disruption (disruptive innovation)*. A multistep process by which new entrants with simpler services or products are able to successfully confront established market incumbents and ultimately displace them to become industry leaders. The disruption happens when industry leaders only focus on serving their most profitable customers, consequently paving the way for smaller firms with fewer resources to court overlooked customers, in order to secure a position by delivering a simpler product or service at a lower price. When incumbents do not respond forcefully to

the movement, the new entrants then incrementally expand their products or
services upward to mainstream customers, shifting the entire industry structure and
succeeding industry leaders (Christensen et al., 2015).

- *Facilitated network*. The process of pooling computing resources using a software
architecture on a server to serve multiple customers (Mell & Grance, 2011).

- *Fiber optics*. A type of cable used by telecommunication providers to transmit data
over long distances with higher reliability over the traditional copper cable due to its
insusceptibility to electromagnetic noise (Yasin, Harun, & Arof, 2012).

- *Gig economy*. A flexible workforce environment characterized by independent
contractors, freelance engagements, or short-term assignments as opposed to
traditional permanent positions (Petriglieri, Ashford, & Wrzesniewski, 2018).

- *Hybrid consultants*. The blending of traditional strategy advisory services and IT
consultancy together to offer a broader range of capabilities and niche services that
customers want in an increasingly digital environment (Sharif, 2002).

- *Innovation*. The successful execution of novel and useful ideas that add value to an
organization (Nahavandi, Denhardt, Denhardt, & Aristigueta, 2015).

- *Integrated solutions*. A solution that includes a combination of consulting services
to help companies achieve optimal performance throughout an entire organization
(Turner, 1982).

- *iTunes*. A software program that allows anyone with a portable device to add,
organize, and play music in digital format (Harris, 2018).

- *IT (Digital) consultant*. A highly skilled expert who brings together an
understanding of the optimal mix of technologies and platforms to help client

organizations grow and thrive in a digital realm that is unique to them (Sharif, 2002).

- *Market capitalization*. A method to calculate a company's value by multiplying the value of a company's present share of stock price by the quantity of stock shares held by all its shareholders (Chen, 2018).

- *Medium-sized business*. Independent firms with between 51-250 employees (Organisation for Economic Co-operation and Development [OCED], n.d.)

- *Operations consulting*. An advisory service that focuses on refining an organization's internal operations and improving efficiency in the value chain (Consultancy.uk, n.d.).

- *Shared economy*. An online platform set up to facilitate an economic exchange between asset owners and consumers (Eckhardt & Bardhi, 2015).

- *Small business*. Independent firms with fewer than 50 employees (OCED, n.d.)

- *SMB*. Small to medium-sized business.

- *Spotify*. A digital music streaming service that stores its compilation of music on servers and allows consumers access to its library for free (Symons, 2018).

- *Strategy consulting*. The strategy consultant focuses on providing private sector clients with strategic insights for enabling change, improving business performance, and helping public sector institutions develop economic policies (Sharif, 2002).

- *Traditional management consultant*. A traditional management consultant uses expertise and industry knowledge to perform environmental analysis to identify

opportunities to help organizations compete effectively (Ghulam, 2009; Turner, 1982).

- *Value chain*. A model that describes the coordination of a range of connected activities that a business performs to bring a service or product from idea to distribution and includes functions such as inbound and outbound logistics, operations, marketing and sales, and support services (Rayport & Sviokla, 1995).

Organization of Study

The study mirrored a traditional research outline and is split into five chapters (Creswell & Creswell, 2017). Chapter 1 began with a broad introduction of the topic under study, then narrowed the context to explain why the study was essential and timely, summarized in a problem statement. The goals of the study were encapsulated in a purpose statement. Due to the highly technical nature of the subject, a robust section of terms was included to distill the complexity of the topic. Chapter 2 provides an extensive review of the most relevant and contemporary literature on the topic of management consultancy, accompanied by a review of the traditional management process and practices, the disruption of the conventional management industry, and the strategic moves that consulting firms are making in response to the disruption. Chapter 3 discusses the research methodology, including details about instrumentation, data collection, data management, and data analysis procedures used to gather data for the study. Chapter 4 presents the results of the data analysis and findings of the study, including key themes that have emerged from the data analysis. Finally, Chapter 5 concludes the report with a presentation of the research summary and discussion of the study's findings and limitations. The recommendations for real-world application and future academic research completes the chapter. Following Chapter 5 is a comprehensive reference list used in the

research, and appendices with interview questions and Institutional Review Board (IRB)

approval letter.

Chapter 2: Literature Review

The long-established management consulting model has changed fundamentally and is on the tipping point of being disrupted (Christensen et al., 2013). The convergence of high-speed telecommunications, cloud storage, and big data analytics are radically shifting traditional industry hierarchies and forcing firms to contend with the new reality of blurring competitive boundaries and growing client demands (Christensen, 2013). Industries that are the most susceptible to disruption are those with archaic business practices, few significant players, and slow technology adoption culture (Christensen et al., 2015). The researchers argued that these same characteristics that have unsettled so many industries are beginning to challenge the consulting sector.

Despite the enormous size of the management consulting industry, most academic research has focused mainly on studying the management consulting process and the upstart of digital consulting as a new discipline (Martinez et al., 2016; Sharif, 2002; Turner, 1982), as well as the nature of assignments that organizations undertake in diverse settings (Ball & Maleyeff, 2003; Brennan, 2006; Tserng, Lee, Hsieh, & Liu, 2011). Some have delved into the shifting landscape of the management consulting industry (Cecere, 2016; Christensen, 2013; Christensen et al., 2013, 2015; Czerniawska, 2002) and the actions that big consulting firms have taken in response to the growing disruptive environment (Cecere, 2016; Christensen et al., 2013; Raynor, 2011), but none have conducted studies on actions that SMBs can take to mitigate this emerging disruption. This study bridged that gap in knowledge and proposed a leadership framework that SMBs can adopt, given these unstable changes.

This literature review commenced with a presentation of the study's conceptual framework, which represented an integrated view of analyzing disruption in consulting through interrelated theories to provide a better understanding of this phenomenon (Grant & Osanloo,

2014; Trigueros, 2018). A historical perspective of the consulting industry is presented, followed by a discussion regarding the role of traditional management consultants. Next, the emerging challenges that are driving changes in the consulting sector are examined, followed by an exploration of the actions that incumbents have taken to protect their businesses from disruptive forces. Thereafter, innovation readiness from the viewpoint of organizational determinants to influence the success of adoption and implementation decisions is explored. The chapter ends with a summary of the key themes that support the research study.

Conceptual Framework

In grounded theory research, pre-existing conceptualization is not recommended since new theories are to be constructed through the process of systematic gathering, analysis of data, and discovery of emerging patterns (Creswell & Poth, 2018). However, when a research topic is complex and only limited relevant literature is available, conceptual frameworks can be used as a system for organizing and linking the many interacting theories to help facilitate understanding of a multifaceted phenomenon prior to starting the inductive process of building theory (Anderson, Gold, Stewart, & Thorpe, 2015). Imenda (2014) shared the view that a conceptual framework, which consists of related abstract concepts intended to explain a problem, could lead to important practical applications in grounded theory research. Christensen et al. (2013) emphasized that in uncertain climates, the use of a conceptual framework to understand the multiplicity of forces is good practice. Grant and Osanloo (2014) asserted that using a theoretical framework not only provides direction, but also supports evidence for research concepts and brings clarity to ideas being explored. Therefore, by explaining the concepts examined in the literature review, later in the findings, a case for emerging theories may be built based on preexisting literature (Jabareen, 2009).

Growing customer demands and emerging competitors enabled by disruptive technologies are causing havoc in the consulting industry (Christensen, 2013; Christensen et al., 2015; Christensen et al., 2013). In the midst of such volatility and transformative innovations, industry leaders are responding to these challenges forcefully by acquiring or organically developing digital businesses (Cecere, 2016; Christensen et al., 2013; McQuivey, 2013; Schultz, n.d.; Srinivasan, 2014; Wilson, 2015). For established market leaders, the innovation mantra is mainly driven by tensions between safeguarding significant revenue sources from successful core businesses and adopting new ideas that could be necessary for future prosperity. However, without the resources of incumbents, SMB consultants are grappling with ways to weather the digital infiltration, and those that are resistant to change will struggle to stay relevant or become obsolete (Manyika et al., 2013). Consequently, this disparity raises the need for an integrative framework to support small- to medium-sized companies in dealing with volatility in disruptive environments. The central objective of this research is to understand the disruptive environment that has emerged in the consulting industry, and develop a framework to help SMB consultants make better decisions through a grounded theory approach. The development framework begins with a review of the innovation paradigm, followed by an in-depth discussion of diffusion theories and disruptive principles, as well as how organizations could use the fundamental axioms to exploit opportunities.

Innovation paradigm. The complexity of analyzing innovation requires more than a singular theoretical perspective to explain the interdependent dimensions of market conditions and forces. Thus, when multifaceted viewpoints are central to explaining the topic of innovation, the use of a theoretical framework as a web of interconnected constructs can provide an in-depth understanding of this phenomenon (Jabareen, 2008). Although there are other theories and

models with their own merits that could have been included in this paper, the diffusion of

innovation theory (DOI) and the disruptive innovation theory (DI) were chosen as the theoretical

framework for their enduring influence and practicality for decision-making in business. A clear

structure helps to explain complex concepts and, in most cases, leads to important practical

applications (Imenda, 2014). Together, these innovation theories constitute a framework for

analyzing environmental changes and developing new strategies for addressing complex

challenges. Accordingly, the theoretical framework supports the core objective of this paper,

which is to provide a deep understanding of the main theories of innovation as an integrative

ecosystem of interdependencies to inform innovation practices.

This chapter begins with an overview of the classical evolutionary definition of

innovation. Next, the foundational concepts of innovation are then broadened with a thorough

study of DOI. Finally, the concept of innovation is further extended and deepened through a

comprehensive review of DI.

Innovation, in the simplest terms, is described as an idea, process, product, or service that

end-users interpret as original (Minishi-Majanja & Kiplangat, 2005; Rogers, 2003). Other, more

extensive meanings define innovation as a repetitive process that moves a new idea to market for

consumption (Reinhardt & Gurtner, 2014). Mount (2012) postulated that ideas are converted to

innovations only when they are introduced to the market for commercialization. Although there

are subtle distinctions between meanings of innovation, Mount declared that three shared themes

constituted the broadly acceptable definition of innovation:

1. Innovation is a repetitive process. It can be described as a gradual development of

    refining an idea or concept (Garcia & Calantone, 2002).

2. Innovation is the degree of newness and relevant as perceived by the end-user (Rogers, 2003).

3. Innovation is the commercialization of an idea (Mount, 2012).

The diverse types of innovation also make it hard to understand and evaluate the conditions that spur on disruption through a singular lens. The current prevailing standards of innovation falls within three streams: sustainable innovation, the incremental improvement of an existing product (Christensen, 2013; Christensen et al., 2012; Mount, 2012); diffusion innovation, which describes how innovations spread through markets (Rogers, 2003), and; disruptive innovation, characterized by innovations that dramatically change the competitive landscape of existing market structure and ultimately displace market leaders (Christensen, 2013; Christensen et al., 2013, 2015). Utterback and Abernathy (1975) asserted that each of the three dimensions can be applied to both (a) process innovation, a way of doing something better; or (b) product innovations, the introduction of a new product or services to consumers.

The correlation between innovation and organizational performance has also been well chronicled in the management literature (Buschgens, Bausch, & Balkin, 2013; Gouws & Oudtshoorn, 2011; Jakhar & Bharadwaj, 2018; Wisdom, Chor, Hoagwood, & Horwitz, 2014). Some researchers have associated digitalization and technological innovations with organizational change readiness (Bodrozic & Adler, 2018; Leppitt, 2006; Paskewich, 2014). Others have asserted that innovation theories have helped organizations neutralize competitive threats and exploit market opportunities (Dilan & Aydin, 2019; Reinhardt & Gurtner, 2014). As a result, an expansive set of literature in organizational change management has been developed in response to the changes brought on by innovation. The diverse literature on change management included; the imperative of the right culture to support and sustain innovation

initiatives (Buschgens et al., 2013; Sultan & Kokhuis, 2012), the optimal structure to organize

firm assets that create value (Wisdom et al., 2014), and the ideal leadership style that encourages

risk in uncertain times (Greenhalgh, Robert, Macfarlane, Bate, & Kyriakidou, 2004). In today's

uncertain climate, emergent competitive activities and changing customer demands brought on

by technological advances are pressuring companies to pursue innovation relentlessly as an

organizational imperative in order to remain competitive and improve performance (Mount,

2012). Taken together, the lack of innovation is the reason for companies becoming irrelevant

(Bodrozic & Adler, 2018).

Although it has been established that innovation is a multifaceted concept that denotes a

new technology, product, or idea (Kreps, 2017), currently, no models exist that offer a combined

analytical approach that uses disruptive tenets and diffusion principles. Mount (2012) suggested

that understanding the external forces that bring about market disruptions is critical to evaluate

the prevalence of the phenomenon and for leading organizational responses to disruptive perils.

Therefore, a multi-dimensional framework is needed to provide practitioners with a holistic view

to analyze the aggregate impact of innovation.

Diffusion of innovation (DOI) theory. The DOI was developed by E. M. Rogers in

1962 to explain the social process that influences adoption and diffusion in response to

discovering an innovation (Rogers, 2003). Several diffusion scholars have posited that the

adoption process mirrors the patterns of communication movement through participants of a

cultural system (Attewell, 1992; Mount, 2012; Rogers, 2003). Wejnert (2002) characterized

diffusion as the result of social interplay that influences the dissemination of information. Yang,

Han, and Shaw (2016) described diffusion as the process of the market infiltration of new

products and services, guided by cultural influences. Damanpour, Walker, and Avellaneda

(2009) and Gouws and Oudtshoorn (2011) expanded the diffusion debate by proposing that diffusion is a critical concept for understanding both the effects of social influences and economic benefits attributed to innovation. By synthesizing this extensive list of diffusion interpretations, three main concepts emerge: innovation-decision process, perceived innovation attributes, and rate of adoption (Minishi-Majanja & Kiplangat, 2005; Rogers, 2003). These three dimensions form the foundation of the diffusion process, and each element is described subsequently to aid in the comprehension of the theory of diffusion.

Innovation decision process. The decision-making process dimension represents the period between the launch of a new idea and the decision to embrace or decline the idea (Rogers 2003). During this time, evidence and information pertaining to the innovation must be communicated to members to influence the adoption of a new idea (Minishi-Majanja & Kiplangat, 2005). Attewell (1992) suggested that adoption is a consequence of explicit communications that propagates between an early adopters and potential end-users. Dearing and Cox (2018) recommended using strategic communication programs to improve the chances of successful adoption by targeted customers. Thus, the difference between an early adopter and a late adopter is mostly attributed to how informed each group is (Rogers, 2003). Rogers (2003) called this the innovation-decision process, designed to help weaken the innovation barriers that influence the degree at which a new idea spreads. When this process is applied tactically, companies without the resources of large buyers can improve their chances of successful client acceptance of a new service by following the steps in the innovation-decision process. To advance this concept for practical application, Rogers posited that the rate of adoption is a process that happens over time through five phases to reflect the varying motivations and needs among individual groups:

1. The knowledge stage begins when an individual or group uncovers an innovative idea but lacks knowledge about what the innovation does and how it works. The information pursued in this phase generally relates to the chain of cause and effect reactions connected with the innovation's capability to improve the current situation (Kreps, 2017).

2. The persuasion phase happens when an individual or group has acquired the knowledge and forms a favorable attitude or negative opinion toward either adopting or rejecting the innovation.

3. The decision phase conveys the proclivity toward accepting or rejecting the innovation. At this juncture, the individual or group embraces the notion of change and assesses the benefits and weaknesses of adopting the innovation.

4. The implementation phase represents the adoption and engagement activities of using the innovation.

5. The confirmation phase involves a search for evidence to either support the decision that has been made or abandon the innovation when expectations are unmet.

The DOI concepts help market participants progress through the sequence of decision phases of adoption from cognizance to opinion-forming, adoption intention, adoption implementation, and finally to decision validation (Rogers, 2003).

Perceived innovation attributes. The perceived innovation attribute dimension is based on the tenet that an innovation's inherent qualities play an important role in potential adopters' inclination to accept a new idea ((Minishi-Majanja & Kiplangat, 2005). According to Rogers' (2003) DOI, five factors are positively correlated to the adaptability of a new idea: relative advantage, compatibility, complexity, trialability, and observability. The relative advantage,

compatibility, complexity, trialability, and observability attributes of an innovation could individually or collectively stimulate the rate of an innovation's adoptive desirability (Loukis et al., 2011; Rogers, 2003).

Relative advantage. Relative advantage refers to the perceived superiority of an innovation as better than the original it supplanted. The degree of improvement could be measured in price, convenience, or status. Consequently, the greater the perceived advantage, the faster its adoption (Minishi-Majanja & Kiplangat, 2005; Rogers, 2003).

Compatibility. Compatibility refers to the perceived congruency of an innovation that aligns better with the cultural values and needs of potential end-users. Accordingly, the more consistent an innovation is with the established social structure, the quicker the adoption (Loukis, Spinellis, & Katsigiannis, 2011; Rogers, 2003).

Complexity. The perceived simplicity of an innovation's operability over more complex ideas lowers the barrier costs of implementation (Loukis et al., 2011; Rogers, 2003).

Trialability. Trialability refers to perceived flexibility of an innovation that allows for marketplace experimentation or adoption in phases over a more rigid new idea that requires a complete integration of the innovation (Loukis et al., 2011; Rogers, 2003).

Observability. The perceived successful adoption of an innovation validated by tangible and quantifiable results can be used to influence cultural change (Loukis et al., 2011, Roger, 2003).

Rate of adoption. The DOI theory illustrates that individuals of a social network are categorized into one of the five adopter groups, each representing the adoption rate of a new idea, behavior, technology, or service (Attewell, 1992; Dearing & Cox, 2018; Kreps, 2017; Rogers, 2003):

1. *The innovators are adventurous*. The shape of diffusion starts on the periphery of a social network as the first group to test an innovation (Dearing & Cox, 2018). These pioneers are risk-takers with the uppermost social status. They are enterprising, and it takes minimal effort to appeal to this initial population of 2.5% of the aggregate number of adopters (Rogers, 2003).

2. *The early adopters promulgate the news*. These individuals represent respected opinion leaders and yield the most influence in dispersing either optimistic or adverse information about a new invention. The opinion leaders scrutinize the innovators' actions and then accept the change if they deem it to have significant advantages over existing practices (Dearing & Cox, 2018). Strategies to appeal to this next group of 13.5% of the combined total of adopters include providing detailed information on new products and implementation advice (Rogers, 2003).

3. *The early majority reflects and eventually adopts*. These individuals are careful to choose new ideas and need to substantiate that the innovation performs before they are willing to embrace it. This group, which represents 34% of the total number of adopters, pays close attention to opinion leaders do and eventually follows suit (Dearing & Cox, 2018). The model implies that individuals have a higher propensity to change behaviors or adopt new ideas based upon recommendations shared to them by opinion leaders whom they respect and trust. Strategies to appeal to members of this population include evidence of the innovation's usefulness and success stories (Rogers, 2003).

4. *The skeptical late majority followers adopt only after the innovation has been proven to work*. These individuals are cynics and only will espouse a change after the

majority has undertaken it and validated the consequences. The 34% late adopter group generally profits from their peers' accumulated personal experiences with the innovation (Dearing & Cox, 2018). Strategies that appeal to this cultural group include providing statistics to support the successful adoption of new innovations (Rogers, 2003).

5. *The traditional laggards are the last to adopt.* These individuals are ultra-conservative and aversive to change. They are typically among the lowest in social standing and financial status and represent 16% of the aggregate number of adopters (Dearing & Cox, 2018). Strategies that appeal to this cluster include success data and overtures from other adopter classes (Rogers, 2003).

The five adopter groups resemble a chain reaction of a social process, beginning with a duration of slow adoption, followed by a steady growth, before undergoing a period of accelerated growth, reaching equilibrium, and then eventually retreating downwards. In economic diffusion research, some economists described the rate of adoption process as a fluctuating equilibrium of supply and demand. When the investment needed to adopt technology is high, the demand is low, but when outlay required is low, the price barrier is lower, which causes a rise in demand (Attewell, 1992). Similarly, social scientists have used the different adopter characteristics to express the fluctuation of organizational knowledge about technologies. With initial high knowledge barriers, diffusion is slow, and as expertise barriers diminish, the technology diffuses faster (Loukis et al., 2011).

Technological innovation produces anxiety and uncertainty regarding the consequences of its adoption for end-users. From a practical standpoint, by understanding the five adopter characteristics, entrepreneurial start-ups can overcome the market barriers faster than

competitors without knowledge (Minishi-Majanja & Kiplangat, 2005). In contrast, when a company discovers an innovation that might have significant consequences to the organization or customers they serve, leaders can use adopter characteristics to help decipher the risk and opportunities for the new idea and develop appropriate communication strategies to target potential customers to whom they want to sell (Dearing & Cox, 2018). Such planned diffusion activities include communicating vigorously and sharing pertinent information about a new idea to targeted customers help to speed up the adoption of new products (Kreps, 2017). Consequently, disruptors could apply the interacting DOI concepts to assess the influence of behavioral factors of their intended adopter groups to usher through their innovations quickly, while the disrupted can develop communication strategies to help facilitate how new ideas are introduced to a different customer group.

However, the diffusion process is more evolutionary in nature, and with technological innovations advancing at such a rapid rate, DOI principles have become increasingly difficult to apply in a fast-moving climate (Attewell, 1992; Hall & Martin, 2005). Therefore, although DOI principles help to inform how trends occur and why cultures adopt certain technologies, the theory alone is insufficient for evaluating the spread of complex innovations (Attewell, 1992). For example, DOI principles on new innovation adoption follow a linear socioeconomic pattern that begins with the most affluent group and ends with the group with the lowest economic status. However, disruptive innovations do not follow this socioeconomic pattern. Consequently, some researchers have suggested that new perspectives more relevant to the understanding of these technological trends and phenomena are necessary (Christensen, 2013; Christensen et al., 2012, 2013, 2015).

Disruptive innovation theory. In contrast to DOI tenets, where the social process begins with the most affluent consumers, in a DI process, entrepreneurial start-ups target less profitable customers or customers at the low end of a traditional market with a more straightforward, less costly service or product alternative that is initially inferior as valued by mainstreamed customers (Christensen, 2013). This groundbreaking concept of disruptive innovation was first introduced to the business world in 1995 to describe a process of market penetration, where new ideas, technologies, products, or services disrupt the pecking order in a traditional industry hierarchy by altering the value proposition perceived by customers in mainstream markets (Bower & Christensen, 1995; Christensen, 2013). The DI process follows a four-step pattern (Christensen, 2013; Christensen et al., 2015; D. Yu & Hang, 2010):

1. *The disruptive story begins at the low end.* New competitors emerge to offer a lower price product or service alternative in an industry with archaic practices. Initially, the new product or service underperforms in dimensions most valued by mainstream customers (D. Yu & Hang, 2010). In order to compete, ancillary features are added that attract end-users at the lower segment of the market, especially those that are craving attention or unhappy paying the prevailing price for the current service or product (Reinhardt & Gurtner, 2014). Rather than counteracting the new products or services, industry leaders choose to dismiss the new entrants because their most profitable customers do not value these secondary features or the lower price offered by the new entrants (Raynor, 2011).

2. *The diffusion pattern moves upstream to the mainstream.* The new entrants aggressively target the customers that are overlooked and least attractive to the industry leaders while continuing to refine and improve the new products or services

until the primary features are sufficient enough to appeal to mainstream customers
(Ganguly, Das, & Farr, 2017). Through successive performance improvements,
disruptive innovation that initially was barely sufficient enough now achieves a
quality level acceptable to the mainstream segment of the marketplace and begins to
diminish the position of longtime leaders (Christensen, 2013). When neglected
customer segments start to migrate to the new products or services, the probability
that the incumbents will be displaced increases (Raynor, 2011; Reinhardt & Gurtner,
2014).

3. *The marketplace is characterized by intense competition*. Once accepted by
   mainstream customers, they steadily move upstream toward larger customer markets
   most coveted by incumbents (Reinhardt & Gurtner, 2014). When the broader market
   accepts the new product or service, the new entrants move upward from mainstream
   customers to target the most profitable clients served by industry leaders who once
   deemed the innovation inferior (Raynor, 2011).

4. *The tipping point of market disruption*. A dominant design prevails. These
   entrepreneurial start-ups chipped away at market share, and once a tipping point is
   reached, key customers switch to the new service and, consequently, displacing the
   incumbents (Ganguly et al., 2017).

Since its inception, the theory of DI has been debated extensively from various
viewpoints (Corsi & Minin, 2014; Hall & Martin, 2005; Markides, 2006; D. Yu & Hang, 2010).
Traditional disruption researchers added the concept of sustaining innovation to distinguish it
from disruptive innovation (Christensen, 2013; Christensen, Anthony, & Roth, 2004; Christensen
et al., 2015; Raynor, 2011). When expressed graphically, Figure 1 subsequently portrays or

describes the interplay the performance of a product or service under sustaining innovation and disruption innovation scenarios (Christensen, 2013). The process is best explained in a five-step process (Hwang & Christensen, 2008):

1. The multiple blue lines represent the range of customers' demand for the continuous refinement of service and product features and performance.

2. The top red line represents the trajectory of sustaining innovation favored by incumbents, which rests on the premise that a slight product improvement can be marketed for higher profits to larger clients and is more economical than developing a completely new product. The bottom red line represents the path of disruptive innovation taken by new disruptors, in which the least profitable customers are approached first.

3. When the red lines are extrapolated, the intersecting nodes reflect the reality that firms improve their products with performance features more frequently than most clients need them.

4. When robust functionality exceeds customers' desires, disruptive innovation emerges.

5. Disruptive innovation takes root with the least demanding or attractive tier of customers and intensifies when the disruptive product meets the needs of the mainstream customers, and ultimately traverses with the trajectory of the largest customers. When this occurs, the disruptor becomes the dominant player and disruption happens.

The Disruptive Innovation Model
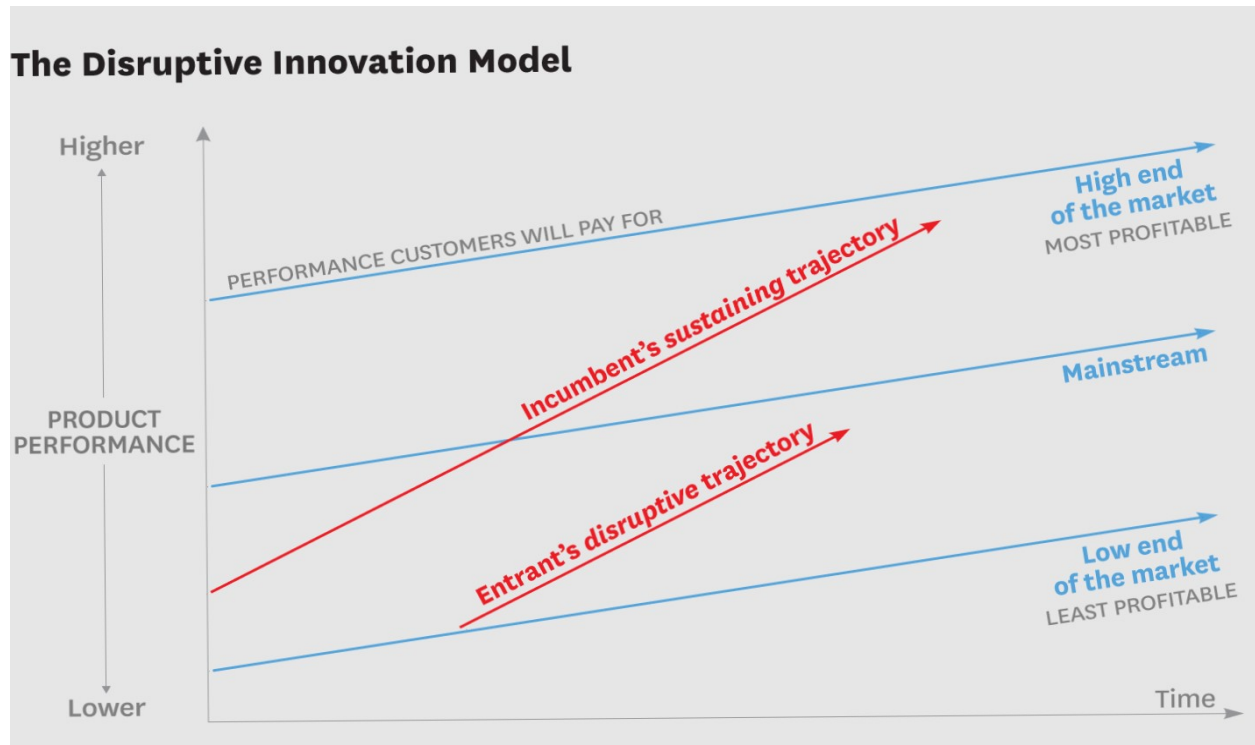
Figure 1. The disruptive innovation process. Adapted from "What Is Disruptive Innovation?" by C. M. Christensen, M. E. Raynor, & R. McDonald, 2015, *Harvard Business Review*. Copyright 2015 by the authors.

According to Christensen et al. (2013), sustaining innovations are innovations that are instigated by leading firms to enhance the product features in a market where they have a strong foothold irrespective of whether or not customers desire those features. The main goal of sustaining innovation is to improve on performance features of existing products and maximize profit margins from the most lucrative customer groups (Christensen et al., 2004). In contrast, disruptive innovations happen a lot less frequently and are simpler and less expensive but predisposed to lower performance initially. However, over time, disruptive innovations could transform prevailing markets and result in the displacement of traditional firms (Christensen, 2013; Hwang & Christensen, 2008).

Reinhardt and Gurtner (2014) extended the definition of DI to services or products that (a) initially do not meet the dominant features valued by mainstream customers, (b) have a

secondary dimension that existing products do not have, and (c) are commercialized in niche or low-end segments of an established marketplace. Other scholars have further added rigor to differentiate between process and product innovation, defining product innovation as radical and process as incremental (Dilan & Aydin, 2019; D. Yu & Hang, 2010). These are important distinctions because even though both process innovations and product innovations share many similarities, they are distinct phenomena that present separate challenges and inferences for industry incumbents. Additionally, Markides (2006) asserted that disruptive innovation could be viewed in terms of business-model innovation, a refocusing on differentiating service or product attributes by traditional competitors. For example, although traditional business schools emphasize their products based on high-quality value and subsequent job placement, online schools focus their strengths on price and flexibility. Therefore, business model pacesetters do not find or create new products or services. They solely reformulate how an existing service or product is delivered to the end-user. Conversely, radical products undermine the fundamental value propositions on which existing competitors have based their businesses. They transform customer values and behaviors, along with the entire supply chain, in profound ways (Markides, 2006).

Cooperatively, disruptive innovation can best be defined as a process that begins when a start-up invades an existing market by offering a more cost-effective solution to underserved segments of customers, and ends when market leaders, who are unwilling to expend resources to react because they underestimated the potential value of the innovation for new markets and customers, get displaced by them (Ganguly et al., 2017; Hwang & Christensen, 2008; Markides, 2006; D. Yu & Hang, 2010). Because dominant firms always choose to serve the highest profit customers who are willing to pay for new product features, the opportunity to introduce a new

disruptive innovation is introduced by new competitors rather than market leaders. Therefore, the starting point for these new entrants is to exploit underserved markets or dissatisfied customers and ultimately change consumer behavior (Mount, 2012). The marketplace offers many disruptive instances. For example, Netflix, the leading streaming provider, has bankrupted Blockbusters, which continued to invest in brick and mortar stores based on old VCR technology (Christensen, 2013). With the convenience of smartphone cameras improving in picture quality, Kodak, one of the most established camera makers, went into bankruptcy in 2012 (Yang et al., 2016). Another instance of disruptive innovation is Uber's position-based technology for smartphones and a new business model that disrupted the ride-sharing industry, which was once dominated by taxicabs (Yang et al., 2016). In both cases, the catastrophic collapses were due to the inability of the companies' leaders to perceive the potential upshot of disruptive innovations.

Advancement of technology brought on by disruptive innovation has lowered the barriers to entry for almost all industries and enabled the proliferation of indirect competitors from unrelated industries (Fountaine, McCarthy, & Saleh, 2019). To prepare for the digital revolution, organizations must develop new knowledge and skills to absorb new entrants with disruptive technology and, at the same time, keep up with customers' increasing demands for digital experiences (Mount, 2012). Technological changes will continue to be complex, multifaceted, and dynamic; fortunately, the concepts of DOI and DI as an integrative framework have proven helpful in illuminating the process of diffusion of a new idea or technology (Rogers, 2003) and the intricate patterns and forces of disruptive technologies (Christensen, 2013). As boundaries between different theories become weaker and overlap, there is potential for positive integration and synthesis of different ideas. In the end, new concepts or knowledge can only be developed when enduring theories are applied in non-traditional ways.

Historical Perspective

Management consulting has been relevance since 1886, when Arthur D. Little established the first management consulting firm (Ghulam, 2009). As the study of management multiplied, the management consulting industry developed and proliferated in the 20th century (Kipping & Engwall, 2005) at a rate of between 10-30% a year in overall revenues (Appelbaum & Steed, 2005). McKinsey led this explosive growth in 1926, followed by Boston Consulting Group in 1963, and then Bain and Company in 1973. As environments became more complex and global, these consultancies brought sophisticated market research and data analysis, cutting-edge methods of academic theories, and connection to a network of industry experts to weigh in on significant business challenges (Ghulam, 2009). Although there are some early indicators that the consulting industry is maturing, thanks to the dominant positions of the consulting behemoths, the escalating trend continued in this decade at a slower growth rate of approximately 8% a year, as reported by the U.S. Census Bureau. In the same report, global conglomerates indicated that they would increase spending on consultant services between 5% and 23% a year (Cecere, 2016).

Despite the growing popularity of hiring management consultants to solve an organization's most challenging problems in the United States (Buono, Grossmann, Lobnig, & Mayer, 2011), this practice did not take root in Europe because, culturally, superiors were expected to be proficient in all parts of management, whereas in the United States, managers were not presumed to be knowledgeable in all areas, so bringing in domain experts to enhance learning was viewed as commonplace. The management consultants began to gain acceptance in

Europe when the United States started to foster international trade agreements in the Eastern part of the world (Ghulam, 2009).

The size and importance of the management consultancy sector notwithstanding, many researchers have observed that there does not appear to be a proportionally equal amount of empirical studies on the practice of management consultancy (Appelbaum & Steed, 2005). Srinivasan (2014) attributed this phenomenon to the fragmentation of the trade as well as the unregulated nature of the industry. Irrespective of the lack of research coverage on the subject, the management consulting industry has endured and thrived (Sarvary, 1999).

Some researchers (Canback, 1999; Greiner & Metzger, 1983; Nippa & Petzold, 2002; Suchman, 1995) agree that management consultants have endured because they bring outside experience and judgment to solve a client's most challenging problems. Canback (1999) shared the view that management consultants have prospered because they bring knowledge and skills gained from solving problems in a broad array of industries. Canback compared this view to an executive who had only worked for the same company for many years. In other words, a consultant is able to bring multidisciplinary insights from a variety of industries as opposed to a singular view of solving problems within one company. Therefore, it is logical that a management consultant is more suited to solving complex problems than an executive who has in-depth understanding of a single company. Nippa and Petzold (2002) extended the perspective and suggested that management consultants bring breadth and variety of knowledge from multiple industries whereas the CEO commands depth and expertise in a single sector but lacks exposure. Therefore, it can be interpreted that management consulting is the accumulation of insights gained by synthesizing experience into knowledge (Greiner & Metzger, 1983). Although the consultant may not know more than the CEO in a particular field, they have been

exposed to more industries. The clients' lack of analytical expertise combined with their indecisive responses to competitive threats provides abundant opportunities for consulting firms to contribute value through their breadth of industry knowledge (Christensen, 2013). Large clients sometimes choose consultants based on their status, brand, and educational pedigree, giving industry leaders an advantage over less-known consultants (Christensen et al., 2013). This view is consistent with Cecere's (2016) assertion that prestigious consultancies have been able to thrive and prosper because they acted as confidants to decision-makers of large client organizations, even though the management consulting's rudimentary business axiom of sending industry experts to solve challenging client problems has not changed in more than a century.

In addition to consultants' social standing in the industry, their quality relationship with clients can likewise legitimize their prestigious position and act as a moat to competitors (Sarvary, 1999). Suchman (1995) asserted that the competitive edge of management consulting firms is formulated in a client's mind when the quality of its engagement is productive, which can further promote its brand. Thus, a successful management consulting engagement is predicated mainly on the firm's brand and the ability to maintain a healthy relationship with its clients (Sarvary, 1999; Sharif, 2002). With open channels of communication, the clients will be able to provide immediate feedback on emerging solutions (Smith, Collins, & Clark, 2005). Consequently, since a positive client-consultant relationship has the intangible effect of validating the quality of a solution, consultants should invest in building social capital and learn the habits and culture of client organizations. In the traditional sense, the reputation of a consultancy and its positive relationship with its clients will serve as barriers to competitors (Greiner & Metzger,1983), but in a disruptive state, competitors are leveraging technology and niche expertise to disrupt the consultant value chain (Christensen et al., 2013). In this type of

volatile environment, clients are also using technology to assess the value that consultants bring since they now can do some of the work in-house (Cecere, 2016). Therefore, it is imperative that consultants have critical insights into the value chain of an industry that is in the early stages of disruption.

Traditional Management Consultant Value Chain

The traditional consulting value proposition is based on a model that offers its customers a complete solution that combines information gathering, data analysis, and recommendations in a single package (Greiner & Metzger, 1983). Large businesses rely on management consulting firms to solve their most pressing industry challenges, improve efficiencies, and create new business models (Turner, 1982). However, Christensen (2013) noted that the brand-name management consulting firms historically operated like a black box in the sense that clients approach them with a complex issue, and they generate a recommendation with limited insights into what transpires during that progression. The traditional large consultancies have avoided the need to respond to the threats of competition because industry leaders have preserved their competitive advantage through branding, prestige, and enduring client relationships (Greiner & Metzger, 1983). For decades, clients simply based the quality of the solutions not on any quantifiable metric, but instead on the firm's prestige, industry status, and their prior experience and relationships with the firm (Cecere, 2016).

In an attempt to standardize the industry meaning, some researchers put forth a definition of management consulting as an agreement between an independent professional specialist and a client, in an independent and objective manner, to identify and analyze management problems, provide its recommendations to solve a client's organizational issues, and, when invited, support in the execution of its recommended solutions (Canback, 1999; Nippa & Petzold, 2002;

Suchman, 1995). Other more specific interpretations have included the notions of the consultant's expertise, background, and qualification, as well as the function of the consultant as advisor, teacher, problem solver, and advocate (Ajmal, Nordstrom, & Helo, 2009; Nippa & Petzold, 2002). In an attempt to quantify the values that consultants bring, Turner (1982) created the pyramid of eight fundamental value-added activities prevalent in a life cycle of any general consulting assignments, arranged hierarchically from the most general activities, steps one to five, to the most sophisticated, steps six to eight:

1. The consultant provides information to the client. Clients hire an external consultant to help with a firm's decision making because they are perceived to have the capacity for information gathering and analysis (Nippa & Petzold, 2002).

2. The consultant explores a client's problems. The consultant's ability to understand environmental forces acting on a client's organization (Sharif, 2002). Consultants are often hired to solve a problem that is undefined and nebulous (Kumar, Simon, & Kimberley, 2000). Clients perceive the ability to frame the issues and bring clarity to a vague question as highly correlated to the consultants' quality (Hitt, Bierman, Shimizu, & Kochhar, 2001). A preferred sequence is to frame a proposition that emphasizes the customer's specified concern while exploring connected issues, and as the engagement progresses, a more fitting definition may emerge that could redefine the original problem (Turner, 1982).

3. The consultant creates a diagnosis, which may require redefining the problem. An essential function of a management consultant is to evaluate a situation impartially, highlight the problems and opportunities that surface, and recommend solutions most appropriate to the client's position (Christensen, 2013). The capacity to analyze,

frame, and communicate solutions to address threats and identify opportunities is one of the most valuable skills that a consultant brings to clients (Sharif, 2002).

4. The consultant recommends actions based on the diagnosis. A consultant's ability to apply unbiased solutions to address critical issues remains a coveted skill (Sharif, 2002).

5. The consultant assists with the implementation of changes based on the recommended solutions. A consultant's proficiency in providing conclusive reasons for the implementation of solutions that are aligned to business requirements is a highly sought-after expertise (Sharif, 2002). The consultant's availability to provide post-consulting service and project management is high on a client's evaluation priority list when selecting consultants (Kumar et al., 2000). Fleming (1989) asserted that a productive management consulting job combines an effective resolution with a viable plan for implementation of the solutions based on the client's capabilities. Brentani and Ragot (1996) shared a similar view that customized solutions and implementation viability are two highly desirable consultant values.

6. The consultant builds consensus and commitment around corrective action. This step is paramount in managing a client's expectations and is critical in gaining consensus on an approach to solving a problem (Kumar et al., 2000). The ability to bring agreement on the scope of work is critical in creating a productive outcome between the consultant and the client (Smith et al., 2005).

7. The consultant facilitates learning by imparting clients with the knowledge to solve comparable situations hereafter.

8. The consultant's solutions improve a client's organizational effectiveness.

Irrespective of the technicality of a step-by-step approach used to quantify the value chain of a consulting engagement, digitalization has changed the form of on-premise, in-person delivery, which is the trademark of consulting firms, and empowered customers to redefine their relationships with their consultants (Cecere, 2016). The management consulting industry is branded with experts respected for their experience and specialized knowledge that is difficult to find within a client's organization. In addition, management consultants enhance the viability of organizations in their responses to volatile climates (Christensen, 2013). Therefore, management consultants are rewarded for their value to strengthen performance and transfer knowledge to the clients on managing similar or related hindrances in the future (Momani, 2013).

Technological innovations have disrupted much of the value that traditional management consultants bring to their clients (Cecere, 2016). These groundbreaking technologies are fueling digital transformations, changing business, and customer behaviors. These digital innovations are contributing to the growing sophistication of customers, and the changes have empowered customers to make better-informed choices and more conscious decisions, resulting in less reliance on consultants to do simple analysis (Christensen et al., 2013). Although the management consulting industry is progressing more slowly than a decade ago, consultants need to stay relevant in the new economy and not merely rely on the traditional integrative strategy approach to meet future clients' needs. In short, consultants now are required to be skilled in digital specific criteria (Sharif, 2002). Digitalization can no longer be detached from pure business strategy projects. In the manner that their clients are constantly under siege from emergent competitors and the latest technologies, consultants too are not immunized from such disruptive forces.

Disruption Analysis

Despite the consistently high projected growth of the management consulting industry, there is a strong indication that the consulting business model will change drastically over the ensuing decade (Cecere, 2016). The traditional strategy share of work has been declining steadily over a 30-year span, from 70% to about 20% today, indicating a remarkable swing from a strategy-motivated agreement to one that is now technology-driven (Christensen et al., 2013). Although these new startups are technologically savvy, they are small in comparison to the scope and clout of colossal firms like McKinsey, Boston Consulting Group (BCG), and Bain, the trend is ominous.

In an empirical report based on interviews with industry leaders and startup firms in the professional industry, the findings concluded that this trend is beginning to resemble the pattern that has disrupted other industries, from music to travel, and warned that the consulting industry is in the early stages of disruption (Cecere, 2016). Although the changes might be gradual, Christensen et al. (2013) shared the view that the management consulting industry is already on the verge of turmoil according to the discernable patterns of disruption:

1. Emergent competitors with new business models have entered the marketplace to go after underserved customers, those that incumbents are neglecting because they have decided to attend to higher-margin clients.

2. Disruptors are improving their products and gaining acceptance by the mainstream market, and in the process, weakening the position of incumbents and creating a competitive marketplace.

3. The new players are gaining acceptance, establishing a customer base, and beginning to move up toward the more profitable clients.

A close scrutiny of the consulting value chain reveals disruption threats and vulnerabilities

facing industry incumbents. Table 1 lists the diverse factors that are driving these disruptive

changes in the consulting industry.

Symmetrical access to commoditized information. The asymmetric access to

information, which is the perceived value enjoyed by management consultants for over a

century, is hard to sustain in the digital age (Christensen et al., 2013). In the past, big

consultancies have branded their firms' intellectual market data, trends, and strategies as their

differentiation. However, in a digitized economy, clients now have access to similar

information, thanks to the internet and data firms (Czerniawska, 2002). Today's technology

continuously generates a massive volume of data in the form of public websites and social media

channels, and customers are leveraging these open platforms and free digital tools to improve

business performance (McQuivey, 2013).

Table 1

Disruptive Factors of the Consulting Industry

Disruptive Force	Influences
Symmetrical access to information	Technology as an enabler allows customers to access information that was once deemed proprietary.
Changing customer needs	Sophisticated customers want digital solutions.
Niche consultants	The disaggregation of the integrated consultant value chain gave rise to specialists.
Automated consultants	A do-it-yourself software solution for price conscious customers.
Crowdsourcing expert networks	A less expensive solution for large customers who want integrated solutions.

While conventional consulting approaches may necessitate months analyzing workflow

processes, interviewing customers for product feedback, or consulting with crucial personal to

assess cultural issues, anyone can now research databases, purchase patterns, and social media,

and arrive at remarkably similar conclusions (Sharif, 2002). In a disrupted state, a consultant's

perceived ability to provide information and insights to a client's industry, market position, competitors, and customers has been uprooted by equal access to commoditized information. The ability to collect and take action on more complex and in-depth data analysis is readily available from specialized market research firms and database houses for lower fees than what a big consulting firm would charge (Czerniawska, 2002).

As upstart technologies remove barriers to access data, clients are able to use the knowledge to expedite decision-making and uncover opportunities to help improve their firm's performance (Christensen et al., 2013). In some cases, the increasing pace of technological changes has rendered management consultants' recommendations outdated the moment they are proposed, and in some cases, obsolete (Cecere, 2016). Accelerated development means that solutions put forth by these consultants are inefficient, inflexible, and slow to acclimate: a recipe for disruptive changes (Christensen, 2013). In a typical organization, business units had to go through IT departments to get the data they need to make decisions that would affect their organizations, but as new technology distributes more information across diverse working teams quickly, decision-makers are now able to identify issues and take action on critical business insights more quickly (Sharif, 2002). When more people have access to data to help in their decision-making process, complexity dwindles, and boundaries created by silos that exist in organizations disappear (Christensen, 2013). The advancement of business analytics tools has enabled clients to gather valuable intelligence about the operations and performance of their organizations.

Although management consulting firms will be struggling, they will continue to provide leadership in interpreting information to help customers resolve complex challenges (Christensen, 2013; Czerniawska, 2002; Sharif, 2002). Companies that continue to rely on

expensive consultants to do this work are either slow to react to technological changes that they need the help from a full-service firm, or are tackling highly complicated business data that require sophisticated analysis or methods (Christensen et al., 2013). The risks and opportunities precipitated by the democratization of information has not only enabled global access to content and information, but also improved customers' decision-making ability, thus changing the consultant-client relationship and practice that eclipses traditional approaches. As knowledge barriers are lowered, firms that are accustomed to buying consultant services now demand more specialized services (Attewell, 1992).

Evolution of changing client needs. The evolution of technology has changed the expectations and procurement patterns of organizations. As more companies have increased their spending on digital infrastructures and applications, they are also collecting data and leveraging the information to serve their customers better (Sharif, 2002). Clients now believe that investment in upstart technologies will lead to an increase in revenues but are struggling to decide how to best capitalize on digital trends and identify new product development opportunities (Srinivasan, 2014). Today's customers also want consulting services that encompass the digital realm (McQuivey, 2013).

Mature customers now have the technological tools to assess the necessary work that needs to be done and are hiring specialized firms to capitalize on emerging technologies as their new engine of growth. These savvy buyers are able to articulate exactly what their requirements are so that no resources are wasted unnecessarily (Christensen et al., 2013). However, in the dizzying array of emerging technologies, the less sophisticated customers are more concerned with trying to figure out the specific type of technology needed to remake their operations or to help make them more efficient (Srinivasan, 2014). In this scenario, clients depend on traditional

management consulting to think through complicated issues and develop the scope of work for implementation (Sharif, 2002). Although the clients' level of knowledge might be vastly different, their goals are to find the most optimal way to successfully leverage emerging technology.

Digitalization has unlocked the floodgates for traditional consulting firms as clients are seeking help understanding new technological capabilities, implementing new products or services to engage customers, and transforming to espouse a digital future (Christensen et al., 2015). In an era of robust business environments that communicates via super fiber optic highways and employs cloud technology to store and share information quickly, clients expect innovative solutions and quick engagement cycles. Consultants themselves are not immune to the impact of technological advances and changing customer expectations. In short, customers are becoming disruptors. To hasten the pace of disruption, lurking around the corner are emerging competitors who are prepared to leverage technology to enter the marketplace, further putting incumbents on alert.

The rise of new competitors. In the past, disruption required enormous capital, and the process is gradual and takes years (Christensen et al., 2015). However, disruptors in the digital economy use technology to interrupt traditional business models of established incumbents with minimal investment (Cecere, 2016; Christensen et al., 2012). Free digital tools and open platforms are diminishing the entry costs that once discouraged startups (Christensen, 2013). These startups are agile at harnessing information quickly to create unrestricted, engaging content, and bringing them to consumers before large, established companies can react (McQuivey, 2013). Augmented by the progression of more knowledgeable clients, disruptors are offering lower-cost niche models and leveraging technology to challenge incumbents for a

greater fragment of market share in the billion-dollar industry (Christensen et al., 2013;

McQuivey, 2013).

Niche consultants. When clients realize that they are charged excessively for consulting

features they do not need, and they desire more control over their decision-making, a seismic

shift occurs in the consultant supply chain. The traditional integrative solution service provider

is increasingly becoming a modularization of specialists (Christensen et al., 2013). This

unbundling of services has led to the proliferation of niche specialists in the consulting industry.

Feeling that clients favor their specializations over general consultants, low-cost, niche

competitors are emerging in droves to offer their specialized services to improve logistics,

fulfillment, supply chain enhancements, and the development of technical infrastructures

(Christensen et al., 2015; Greentarget, 2017). Smaller consulting companies with their deep

expertise and innovative business solutions are uniquely positioned to capture a greater volume

of engagements as customers recognize the potential for new business opportunities (Sharif,

2002).

The rise of alternative consultant firms such as Sapient, IXL, and Scient emerged in the

1990s; these firms ascended quickly by offering expertise on digital strategy as well as practical

implementation knowledge to nontraditional clients of large consulting firms (Girard, 2002).

These startups provide the agility and short-term engagements to help clients adjust to rapidly

evolving market conditions, in contrast to established consultancies that try to appeal to

everyone, which is challenging in a disruptive environment. These boutique firms and

freelancers are starting to outperform mainstream consultants with little to no overhead fees

(Czerniawska, 2002). This shifting pattern hints at the beginning of a disruption in which

industry leaders attend only to the highest-margin engagements, thus ignoring the smaller customers and leaving them vulnerable to new entrants (Christensen, 2013).

Whereas large organizations spent millions of dollars on transformational types of projects using the most influential firms such as McKinsey or Bain, the smaller niche firms are helping companies achieve success on smaller projects with distinct parameters without trying to compete head-on with the heavyweights (Christensen et al., 2013). The specialized firms are markedly irresistible when project scopes are well-defined, and the potential for risk is not sufficiently large enough to rationalize the process of hiring a large firm. The traditional consulting model will continue to evolve as niche consultants offer values that clients demand, and industry leaders cannot match without eroding their brand. The only clarity is that more change is coming.

Automated consultants. Recent technological breakthroughs have been instrumental in contributing to the shift in demand for a cheaper consulting engagement (Sharif, 2002). Although the ability to send industry experts to tackle the most pressing client challenges has been the fundamental value proposition of the management consulting practice for decades, new competitors are challenging this traditional business model with a technology-assisted, automated consultancy model (Christensen et al., 2013). The trend toward automated, tailored-made, self-service software packages designed to fit a client's industry, geographies, and company culture is growing (Cecere, 2016).

The automated model involves the bundling of patented frameworks, processes, and analytics installed in the customer's premises through a software subscription fee (Christensen et al., 2013). According to the Christensen et al. (2013), depending on the client's experience sophistication, the degree of consultant involvement and customization

would vary, but on the whole, it would be a lesser amount than what a customary consulting engagement entails, translating to lower expenditures. Among the most aggressive of the automated consultants is Narrative Science, which uses complex algorithms to analyze data and extricate critical insights for clients in simple to digest formats (Cecere, 2016). This automated approach allows companies to look at data to form their own theories on how to best respond to market conditions, and if additional insights are desired, they can then go to a larger firm to validate their assumptions or make further sense of the data and determine how to move forward, which is sure to be less expensive than hiring a large firm right off the bat. In addition to customers being able to benefit from lower prices, another added advantage is that the software analytics are stored in the customer's platform, which makes it easier to sustain after the consultants leave (Christensen et al., 2015).

Although this software-based form of consulting is still in its infancy, equity and venture capital firms are aggressively funding startups that are using advanced data analytics and predictive tools to outpace traditional consulting firms in being first to market. Big data firms are also deploying similar software-based data services and growing explosively, and industry experts expect that as artificial intelligence (AI) and big data capabilities improve, the competition will continue to intensify, and the rate of productization will increase further (Cecere, 2016).

Crowdsourcing expert networks. Until recently, consulting firms were the only aggregators of business experts from different industries. These consultants charge high fees to clients who want access to their network of expertise (Christensen et al., 2013). Driven by the growing need for a more affordable consulting model, today, having aggregated expertise all in one place is no longer unique because skilled consultants are forming collaborative networks

through accessing network communities or crowdsourcing platforms to better serve client

demands at a lower price (Ganguly et al., 2017). The emerging facilitated-network or

crowdsourced consulting model leverages the collective power of a small team of freelance

consultants delivered through an open crowdsourcing platform (Christensen et al., 2013). These

formalized alliances with an amalgamation of niche expertise can rapidly scale up to accomplish

complex tasks, yielding the potential to further disrupt the consulting value chain (Friberg, 2018;

McQuivey, 2013).

Crowdsourced consulting has the potential to be a threat to the industry as more firms are

starting to tap into network communities, where less bureaucratic hierarchies are welcome

(Czerniawska, 2002). According to this arrangement, proprietary knowledge and methods are

commoditized, and clients pay the network provider a consultant fee that is, on average, much

lower than what traditional large firms would charge (Christensen et al., 2013). Thus, the

accumulation of expertise that took prestigious consultancies decades to acquire and build into a

differentiated brand has been unbundled by these new facilitated networks. In a traditional

consultant-client engagement, it would have been justifiable to work exclusively with a

prestigious firm because, arguably, a reputable consultancy will have the knowledge base and

industry experience all bundled up in one place to solve the most complicated problems (Sharif,

2002; Turner, 1982). However, with the growth of expert networks, clients can seek the advice

of sector specialists without engaging the services of traditional management consultancies to

solve complex problems and paying for the complete consulting bundle (McQuivey, 2013).

Expert networks have become incredibly popular, amassing revenues of over $1 billion

from on-demand services across diverse industries (Friberg, 2018). Formidable startups in this

nascent form for facilitated networks include independent freelancer networks like Eden

McCallum and Business Talent Group (Christensen et al., 2013; Hill, 2016; Wylie, 2016). Christensen et al. (2013) observed that these companies employed ex-consultants from established big consultancies to create small teams for projects minus the overhead expenses required of a traditional management consultancy. Their target market begins with the cost-conscious customers who do not want to pay for services they don't need, which is typically included in a management consulting package (Cecere, 2016). Similarly, Gerson Lehrman Group assembled smaller teams that consist of former consultants from top consulting firms at a much lower cost than traditional competitors (Christensen et al., 2013; Hill; 2016; Wylie, 2016). Although these unconventional networks do not provide the complete unique selling proposition of large firms, they compensate for this weakness by hiring veteran consultants to bring practicality to the job. Furthermore, according to this model, clients assume more control over approaches than in the traditional client-consultant relationship (Christensen et al., 2013).

New competitors are introducing new business models based on disruptive technologies, and without a forceful response from industry leaders, startups will continue to undermine the competitive position of longtime incumbents and turn the industry upside down (Sharif, 2002). Whether consulting networks can displace the position of industry incumbents will depend on how effectively incumbents respond to the potential threats.

Industry Incumbents' Responses

In response to notable shifts driven by rising customer expectations, digital advances, new market entrants, and shrinking of traditional strategy revenue, traditional management consultancies must reinvent themselves in order to gain a foothold in a disrupted industry (Christensen, 2013; McMillan et al., 2017). To fend off upstart disruptors, McQuivey (2013) offered the following three steps for established businesses:

1. *Incumbents must think like disruptors*. Disruptors do not start with technology, but instead, the mentality to work across internal silos and overcome political barriers that prohibit opportunities for businesses to deliver new products or services to meet the next customer needs. For example, to fend off new competitors, especially with respect to the lower margin clients, McKinsey created McKinsey Solutions in 2007, which offers customers a menu of proprietary software-based analytical tools through a licensing or subscription fee that can be installed at the clients' sites without its team of consultants (Christensen et al., 2013). The authors pointed out that although this model contradicts its long-established core business of billing for human capital hours spent on an engagement, its foremost objective is to defend against prospective disruption by new competitors. If new startups offering similar values at a lower cost have accelerated the decline in McKinsey's core strategy business of helping businesses achieve stated outcomes, then it is logical for the firm to hedge against this quandary by offering a model that charges less than what a traditional consulting engagement would require.

2. *Industry leaders must act like digital disruptors*. Digital disruptors anticipate consumer needs and focus on turning product offerings into better customer experiences. In addition to McKinsey Solutions, McKinsey has also acquired design firm Lunar while partnering with Sapience for data analytics to deepen its digital offerings (Wilson, 2015). Not sitting idle, Boston Consulting Group recently purchased digital design firm S&C and added TSG, a data analytics firm, to augment its digital infrastructure and position itself to become more data-driven and customer experience focused (Cecere, 2016). To meet restless customer expectations, major

industry incumbents have focused on enhancing customer experiences as the path to business success by implementing data analytics and drawing on insights designed to enrich user experiences.

3. Decision-makers must be willing to take drastic action to disrupt their own organizations. In addition to thinking small and acting like a startup in the face of disruption, incumbents have to commit to removing internal barriers and forming strategic partnerships with businesses, including competitors, that can fill organizational gaps to meet customers' needs (Czerniawska, 2002). With businesses starting to turn away from the larger, more traditional firms, incumbents are innovating like startups even at the risk of cannibalizing their own core businesses (D. Yu & Hang, 2010). In a bold strategic move, McKinsey has started to develop digital assets through internal development, partnerships, and acquisitions (Christensen et al., 2013). Other big-name strategy firms are not standing still on the sideline, with mature industry heavyweights such as Accenture, Price Waterhouse-Cooper, IBM, and Deloitte proactively integrating digital design as part of their repertoire of services (McQuivey, 2013). Accenture launched Accenture Interactive, Price Waterhouse-Cooper formed PWC Digital Services, IBM created IBM IX, and Deloitte founded Deloitte Digital to offer advice in areas related to technology (Schultz, n.d.). Not to be left behind, Boston Consulting Group established Digital Ventures in 2014 to compete for a piece of the fast-growing digital consulting revenues brought on by the customers' desires for digital solutions (Schultz, n.d.; Srinivasan, 2014). Large firms have also learned to team up with niche and complementary expertise (McQuivey, 2013). Most recently, Deloitte entered into

strategic partnerships with Qualtrics to expand its repertoire of digital offerings to meet rising customer needs (Qualtrics, 2019). These industry leaders are behaving like startups by either building in-house digital enterprises or engaging in strategic partnerships with technology companies to deliver a more robust menu of solutions in response to new customer demands.

Disruptive innovations do not always imply that emerging entrants are going to decimate traditional industry hierarchies automatically (Markides, 2006). With small firms aggressively securing a strong position in markets wanting niche services, industry leader McKinsey has invested as an early mover in digital capabilities to restructure the way the firm interacts with customers (Sharif, 2002). The rest of the consulting industry's leaders are also taking chances to position themselves as multi-specialists through the acquisition of smaller specialist consulting firms in order to be better positioned to deliver the technical competence that customers demand (Christensen et al., 2013). Together with their strategy expertise, industry leaders can now offer their customers a broader spectrum of service (Sharif, 2002). This multilayered approach is radically different from its core model of dispensing pure strategy advice to solve the client's most difficult problems (Christensen et al., 2015).

Additional impacts can be seen in the conventional consultant value chain. For example, in a traditional consultant-client engagement, clients owned physical plants, and consultants' profits were generated from their knowledge base or expertise (Christensen, 2013). However, in the digital era, industry leaders have invested heavily in technology infrastructure, and, as a result, incumbents have adapted to market changes by offering a new mix of products and solutions that are accessible to customers at any time via all possible channels without jettisoning their core business (Christensen et al., 2013). The conclusive advice for organizational leaders is

to not ignore the needs of the smaller, underserved customers by focusing exclusively on satisfying the largest, most profitable customers (Christensen, 2013). Industry leaders' ability to offer their products both offline and online are threatening small- to medium-sized players who do not have the resources to offer a full line of services (Srinivasan, 2014). With competition escalating, the traditional lines between consultants and clients appear to be blurring. To succeed in this evolution, an integrative skillset that embodies both traditional strategy and technology is needed (Czerniawska, 2002).

Hybrid Consultants

The role of the traditional consultant has changed dramatically and evolved into a hybrid form of consulting (Corsi & Minin, 2014). Thanks to the rapid pace of technological advances, growing customer sophistication, and upstart competitors, the differentiation between management consulting and technology advisory services is becoming blurry (Sharif, 2002). The conventional consulting process that involves the selling of expertise in specific industries and has remained unchanged in past years must be replaced by innovation solutions that clients demand in a technology-driven economy (Cecere, 2016). In the current industry state, a consultant must demonstrate expertise in a specific industry as well as technological competence in order to help clients navigate the changes that may affect their businesses (Kubr, 2002). The change is necessary to meet the challenges of operating digital-first with the speed and nimbleness of a startup to introduce new products and exploit technology to meet customer expectations of digital efficiencies, while simultaneously contend with new entrants (Christensen et al., 2013).

The evolution from giving general advice to offering specialization is partly attributed to the growing sophistication of clients who are motivated to seek quick and tangible results and the

high fees that consultants are charging (Czerniawska, 2002). Customers now expect digital

solutions to be deployed to all parts of their organizations' supply chain (Furr & Shipilov, 2019).

Although dispensing generic strategy advice has been the conventional tactic for large

consultancies, in the digital era, there is also a growing realization that niche technology

consultants are better equipped to help clients leverage their brands and services across new

media channels (Facebook, Twitter, Instagram, etc.) or launch a new e-business (Cecere, 2016).

Clients value specialized technical assistance to identify new business opportunities and push the

boundaries for new ventures over the trademark aggregate approach of established consulting

firms (Czerniawska, 2002). To stay relevant, management consultants must adapt to the

combined change reckoning of innovative technology, emerging competition, and shifting

customer preferences, challenges that are the hallmarks of digitalization.

The consultant-client line is distorting and will gradually evolve toward a more

Like the organizations they advise, consulting firms now must have a good grasp of the

broader context of converging consulting services and seek to understand critical success factors

that can help leverage their own expertise (Kubr, 2002). Innovative startups already understand

that their products or services must deliver an experience to their customers, and part of the

experience extends into the digital world (McQuivey, 2013). Therefore, the challenge for

technology consultants is being able to demonstrate that they are able to align the tactical

approach of buying technology and linking it to an organization's strategic initiatives to achieve

the benefits and results that customers want (Srinivasan, 2014).

The consultant-client line is distorting and will gradually evolve toward a more

collaborative relationship as opposed to the traditional advisor-customer engagement. The

integrated strategy and technology paradigm shift has changed the game for both IT and strategy

consultants (Sharif, 2002). For example, although the customary IT consultant would assess

various technologies and then recommend a technology solution to align with the business approach, clients now demand that the IT consultants also provide consultative data interpretation to support strategic business goals. Similarly, the traditional management consultants that provide strategic models and insights to help clients facilitate change must now also include recommendations on using technology to differentiate their clients' business (Czerniawska, 2002). With IT and strategy expertise converging as a single service, technology service and professional management consulting offerings are becoming increasingly indistinguishable, giving the new hybrid consultants admission to the corporate decision-makers and enabling them to leverage the opportunity to promote a broader range of services (Cecere, 2016). Given this scenario, technology is no longer a specialized skill or distinct function in an organization, but rather part of a unified skill set needed to investigate new ideas, harvest new data for decision-making, or bring a specific product to fast fruition (Czerniawska, 2002).

It is no longer news that disruptive innovation is poised to transform the consulting industry (Christensen et al., 2013). During this transition, some organizations have struggled to develop a cohesive vision to unify the traditional corporate culture with new digital mandates such as integrating data analytics and machine learning opportunities to drive business efficiencies (Dilan & Aydin, 2019). This present-day reality has created varying challenges for organizations and contributed to a search for contemporary models that will move businesses beyond their current limitations (Sharif, 2002). With digitization as the latest industry mandate, organizations must change to cope with such transformative changes (Corsi & Minin, 2014). Consequently, firms will fail or thrive based on their ability to either implement organizational change initiatives that integrate technology innovations or resist the current trends (Furr, Gaarlandt, & Shipilov, 2019).

Management and Organization of Innovation

Organizational change theories have helped firms exploit market opportunities and neutralize competitive threats (Damanpour et al., 2009; Reinhardt & Gurtner, 2014). The correlation between innovation and organizational performance has been well chronicled in management literature (Atalay, Anafarta, & Sarvan, 2013; Crossan & Apaydin, 2010; Roberts & Amit, 2003). Researchers often attribute a firm's success and competitive advantage to its innovation culture (Damanpour et al., 2009; Greenhalgh et al., 2014) and the lack of innovation is the reason for products and companies becoming irrelevant (Schumpeter, 1942). Today, emergent competitive activities and changing customer demands brought on by digital advances are pressuring companies to pursue innovation relentlessly as an organizational imperative in order to remain competitive and improve performance (Mount, 2012). However, a survey of consulting firms by McKinsey Global Institute revealed that many of them are still reacting to these dramatic shifts with ad hoc schemes as a substitute for purposefully connecting long-range planning to disruptive market forces (McKinsey & Company, 2017).

In the most practical scenario, an organization's absorptive capacity, defined as having pre-existing relevant knowledge and skills to implement innovations, is positively linked to eventual adoption (Greenhalgh et al., 2014; Robertson, Scarbrough, & Swan, 2003; Wisdom et al., 2014). The researchers found that creative leadership, innovative culture, collaborative structures, and high employee engagement were key absorptive factors found in successful organizations exploiting innovation. Empirical data indicated that prosperous firms invest considerably in preparing their leaders and culture to think differently and adopt new capabilities (McKinsey & Company, 2017). To build the organizational capacity required to be successful in a disruptive environment, Yu and Hang (2010) suggested that an organization's adoptive

capability for innovation can be enhanced by overcoming the following potential inhibitors:
(a) expanding the creativity of current leadership capabilities, (b) unlearning deep-rooted cultural values, (c) reorganizing structures that impede agile decision making, and (d) raising the level of employee engagement. A list of the organizational absorptive factors and accompanying characteristics can be found in Table 2.

Table 2

Organizational Absorptive Factors

Absorptive factors	Characteristics
Creative leadership	Requires relevant expertise.
	Needs creative problem-solving training.
	Design right incentives.
Agile organizational culture	Shift from a siloed to interdisciplinary.
	Shift of decision-making from top-down to omnidirectional.
	Shift from risk-averse to flexible and agile.
Free-flowing organizational structure	Entrepreneurial leaders at the front-line to create products and services that customers want.
	Enabling leaders in the middle to help remove political barriers and navigate organizational inertia.
	Architecting leaders at the top to focus on broad industry developments.

Leadership creativity. Creative leadership plays a central role in building an innovative organizational culture (Nahavandi et al., 2015). Gulati (2019) asserted that what characterizes a thriving company is more about the creativity of employees and the autonomy they display and less about the company's mission and products. Today's managers are limited by their current experiences of managing businesses with established hierarchies and well-defined processes (D. Yu & Hang, 2010). The fundamental shift to align a company's structure and culture to support innovation requires creative talents to execute new cultural values (Fountaine et al., 2019).

In her influential models describing organizational innovation, Amabile (2012) postulated that organizational innovativeness is a result of three confluent factors: relevant expertise related

to the problem at hand, training to improve creative problem-solving skills, and incentives that align with employees' motivational needs. The inability to shift mindsets is the biggest hurdle in a transformative revolution (Ancona, Backman, & Isaacs, 2019). The key is to make the change simultaneously both on an institutional as well as on a personal level (Scandura, 2019). Thus, when taken together, innovative companies allow employees to be imaginative and self-managing at the same time, creating a mutually reinforcing process to explore new opportunities with few rules (Ancona et al., 2019). Mindset matters just as much as skills do.

Despite some substantiation that intelligence and personality traits relate to creativity, many experts have demonstrated that with training, most individuals can become creative (Nahavandi et al., 2015; Scandura, 2019). Amabile (1998) posited that creative problem skills can be developed through training, provided that the knowledge or expertise is related to the problem being solved existed. Through many experiments, Basadur (1995) verified that training to improve problem-solving skills leads to innovative performance. The researcher's creative leadership model of guiding employees to think creatively in businesses encompasses four creative steps:

1. The individual begins by generating new problems to be solved and exploiting new opportunities in the marketplace. It is necessary to understand the prevailing climate, generate many ideas, and not rush to find a solution right away (Nahavandi et al., 2015).

2. The individual conceptualizes a problem by developing different ways to view, define, and understand the problem or opportunity. This step is similar to the synectics process in which familiar problems are purposely transposed, and fresh problems are described using familiar terms. This method of problem-solving can

retrain the conventional way of expecting pre-determined outcomes and perceiving

the world (Nahavandi et al., 2015). The goal is to generate as many alternatives to

the problem as possible.

3. The individual optimizes the solution by identifying all the hurdles and assessing each

   scenario for practical implementation. All new ideas have to be grounded in reality

   and vetted for applicability before implementation (Nahavandi et al., 2015).

4. The individual implements the solution by creating action steps toward the

   implementation of a new idea, product, or service.

Basadur's (1995) model of creative leadership provides a blueprint for establishing the

optimal workplace climate for creativity to flourish in organizations. To address motivational

needs, for example, Amabile (2012) suggested that leaders can give employees more challenging

work and the freedom to innovate. Ancona et al. (2019) went one step further and recommended

that employees should have total job autonomy in choosing their work assignments and teams.

Intrinsic motivational needs are deeply influenced by having choice and preference in job design

and work assignments (Nahavandi et al., 2015). All of these suggestions have merits, but these

scenarios thrive in part because they represent a cultural shift that is counter to the traditional

command and control structure (D. Yu & Hang, 2010).

The situational and transformational styles of leadership are best suited for this kind of

entrepreneurial environment because they address both the contextual and personal dimensions

(Northouse, 2016). Situational leaders practice using the best management style best suited for a

particular situation and the right employees (Scandura, 2018). Effective situational leaders are

flexible in meeting the changing needs of an organization and its employees (Hersey &

Blanchard, 1988). Thus, situational leaders adapt their management styles to the extent that they

are both directive and supportive in adapting to the situation at hand in order to balance the varying needs of the culture of an organization with their followers' commitment.

In additional to the situational leader, another leadership model suited for inspiring innovation is the transformational leadership style that motivates employees to embrace change by instilling a culture of organizational autonomy and employee creativity (Northouse, 2016; Scandura, 2018). This management style focuses on people's intrinsic need to be creative and nurtured in order to reach their fullest potential (Burgess, 2016). Transformational leaders inspire employees through mentoring and development. They trust and empower employees to take control over decisions in their job roles (Bryman, 2007; Burns, 2003). Additionally, transformational leaders function as social architects that mobilize employees to undertake a new identity or new culture that moves beyond the traditional mindset ingrained by past top-down management practices (Northouse, 2016). Companies that have succeeded in making transformative changes reported a high level of employee engagement when creativity, risk-taking, and autonomy are supported and encouraged (Anthony & Schwartz, 2017).

Raising employee engagement. The digital transformation is a difficult journey because, during this transition, companies have to integrate employees from different companies and cultures while employing new ways of doing things (Immelt, 2017). Ultimately, employees want their leaders to construct meanings that are relevant to the change (Kearney, Harrington, & Kelliher, 2017). To raise the level of employee engagement and facilitate a smoother transition, Bregman (2018) offered five interacting factors for implementation:

1. *Establish a vision*. A vision focuses on the future (Nahavandi et al., 2015).

   Employees need to have a clear sense of the destination that unifies the organization

(Bregman, 2018). A compelling vision inspires and transcends employee behaviors (Northouse, 2016).

2. *Practice empathy*. Communication during a time of uncertainty needs to be connected and heartfelt. Change can lead to emotional depletion, and it is critical to promote compassion practices to lighten the anxiety and safeguard the well-being of employees (Scandura, 2018).

3. *Provide direction*. Employees need to understand the course of action that they believe will help them realize the company's vision. It is essential that employees understand the choice of strategy and structure to help them win and exploit opportunities in the new environment (Nahavandi et al., 2015).

4. *Validate wins*. Employees need affirmation in order to believe they can succeed. By honoring the victories behind their work, leaders recognize employees for their achievements as well as provide optimism and confidence (Carucci, 2018).

5. *Develop powerful narratives*. Change arouses emotional reactions that frequently cause individuals to recoil as opposed to embrace the changes (Onderick-Harvey, 2019). Leaders must learn to use powerful narratives to inspire confidence and instill belief in the employees' capacity to succeed (Anthony & Schwartz, 2017). Authentic storylines lend meaning to change and also provide motivation to move employees from reaction to action (Ibarra & Lineback, 2005). Furthermore, stories form a psychological safety net, encouraging employees to embrace change and take risks (Onderick-Harvey, 2019). A compelling story line helps frame the change process and provides motivation to help employees tolerate the frustration in overcoming challenges (Anthony & Schwartz, 2017). They have turning points that portray when

a protagonist finally discovers that a discontinuity from the past is necessary and adopts a new mindset that resonates emotionally with audiences. Ultimately, storytelling goes beyond facts and figures to arouse emotions and shape attitudes. Powerful narratives create meaning for the intended audience and have profound effects on an individual's decision to change (Greenhalgh et al., 2004). In short, leaders must become storytellers.

Organizational creativity results from the interaction of employees who support innovation as a key cultural value (Ancona et al., 2019). Successful organizations recognized that employees want to feel empowered to exercise creativity and build the environment to support them (Nahavandi et al., 2015). To enhance the success of a cultural change, leaders must first recognize any limiting mindsets, reframe and model the new values, and finally make sure that employees do not revert back to earlier forms of behavior (Ancona et al., 2019).

Organizational culture. The aggregate effect of cultural values over time has led to cultural impediments when change is needed (Hofstede, 2011; D. Yu & Hang, 2010). In an uncertain environment, an organization's resilience and ability to adapt to shifting customer demands is dependent upon its ability to build risk-taking into the culture (Ignatius, 2017). In dealing with the uncertainty created by the speed of technological advances, the culture has to tolerate risk and be comfortable with decision-making from lower rank employees (Northouse, 2016).

An organization that encourages entrepreneurship provides a psychological safety net such that employees are willing to take more calculated risks and openly discuss mistakes because they know they will not be disciplined for honest missteps (Ignatius, 2017). When employees are able to overcome their fear of retribution, the company becomes a learning

organization, which brings about an openness to their jobs and builds resilience across the company (Worrell, 1995). This form of a dynamic shift from a vertical structure to lateral teams is referred to as *heterarchy*, in which titles, positions, or ranks in an organization are replaced by collaborative inputs from experts best suited to make decisions (Aime, Humphrey, DeRue & Oaul, 2014). A heterarchy closely resembles a traditional matrix structure, in which functional experts are assembled to respond quickly to growing customer demands amidst environmental uncertainties (Nahavandi et al., 2015). Cultural transformation always involves some level of risk-taking, but when an organization pushes through the mental barrier of fear, its capacity to experiment with new ideas increases (Ignatius, 2017).

The key to building an innovative culture begins by changing employees' mindset of waiting on top-down directions, which often contradicts customers' needs for new products or services (Fountaine et al., 2019). According to Fountaine et al. (2019), three tectonic mind shifts must occur in order to prepare an organization for a volatile and uncertain environment:

1. *A shift from a siloed culture to an interdisciplinary one.* When multidisciplinary teams, including end-users, come together and collaborate with different perspectives and skillsets, solutions will more likely address broader strategic priorities as opposed to isolated functional irregularities (Fountaine et al., 2019). Effective leaders champion cross-boundary collaboration and systems to gain new insights and encourage divergent thinking (Onderick-Harvey, 2019).

2. *A shift of decision-making culture from one that is top-down to one that solicits inputs from all stakeholders.* The most important fundamental tenet of the distributive leadership model is the confidence that leadership should reside with the individual who is best positioned to execute it, irrespective of position or title (Ancona et al.,

2019). However, for this style to operate effectively, employees at all levels have to feel inspired to generate ideas, and that requires aborting the traditional top-down system and replacing it with one that is boundaryless (Fountaine et al., 2019). Successful companies expect innovations to come from all parts of the company, reflecting a break from the vertical, top-down hierarchy (Onderick-Harvey, 2019).

3. *A shift from a risk-averse culture to one that is flexible and agile.* An innovative culture is drastically opposite from one that has a low tolerance for opacity and volatility (Hofstede, 2011). Innovative organizations embrace the concept of agility, a culture defined by its ability to operate effectively in highly volatile, uncertain, complex, and ambiguous (VUCA) environments (Jakhar & Bharadway, 2018). Triumphant companies incorporate agility as a core value and downgrade the anxiety of failure by reframing it as an opportunity for learning and growth (Onderick-Harvey, 2019). Once the fundamental shift is made, the development process will speed up, empowering small cross-functional teams to bring a product or service to market in a significantly compressed time frame (Fountaine et al., 2019). In contrast, traditional cultures often struggle to prioritize which opportunities to chase, therefore requiring that an idea has to be fully vetted before it is approved (Furr & Shipilov, 2019).

The reshaping of organizational culture underscores the significance of involving frontline stakeholders that are closest to customers, implicating a shift to agility and speed over bureaucracy. Innovation occurs when employees are comfortable working in an environment where ambiguity is accepted (Onderick-Harvey, 2019). Having employees at every level embrace innovation is the difference between success and failure (Scandura, 2018). To facilitate

the adoption of this new mindset, new organizational structures, systems, and processes must be established to support building an innovative culture (Nahavandi et al., 2015).

      Organizational structure. Organizational transformation involves vacillating between letting go of the past and embarking on a new chapter (Ibarra & Lineback, 2005). The traditional structures, systems, and processes that managers used to assess emerging disruptive innovations are inadequate (D. Yu & Hang, 2010). Most literature involved in studying organizational structures in complex environments has revolved around case studies of bureaucracies that have failed to grow nimbler (Ancona et al., 2019). When no alternative organizational models are available to emulate, mature organizations are grappling with balancing the need to be more innovative with the need to exercise better decision-making (Jakhar & Bharadway, 2018). To meet the need for a viable recipe for structural change, Ancona et al. (2019) examined established companies that have thrived in exploiting opportunities amidst shifting environments and found that these organizations utilized a system of distributive leadership that balanced entrepreneurial freedom while maintaining organizational control across systems functions. To remain competitive, this form of shared leadership is becoming increasingly more important in today's rapidly-changing environment that requires organizations to respond and adapt rapidly to complicated issues (Northouse, 2016). The distributive leadership model incorporates three divergent forms of leadership functions across an organization (Ancona et al., 2019):

      Entrepreneurial leaders. Entrepreneurial leaders occupy the lower ranks of a company and are charged with creating new products and services that customers want. These frontline leaders recognize market opportunities and are persistent in guiding an organization into uncharted domains (Ancona et al., 2019).

Enabling leaders. Enabling leaders are found in the middle level of a company and are responsible for making sure that entrepreneurial leaders have the required resources and essential intelligence they need to carry out their tasks. These middle managers act as coaches to help individuals or teams overcome political barriers, navigate emerging opportunities for internal development, and match business requirements with employees' developmental needs (Ancona et al., 2019). Creative leaders help integrate diverse styles to find new ways of solving problems (Basadur, 1995).

Architecting leaders. Architecting leaders are the senior managers of the company and focus their energy on broad industry developments that necessitate adjustments in organizational structure, cultural development, and shifts in strategic priorities. Instead of dictating direction in a traditional hierarchical structure, these senior leaders tend to ask probing questions related to matching corporate priorities to marketplace prospects guided by entrepreneurial leaders based on customer needs (Ancona et al., 2019). This type of free-flowing structure is characterized by senior leaders' disposition to take risks, and access to information is quick and made available to everyone throughout the company.

A distributive leadership structure represents a cultural shift from traditional hierarchies in that all employees, regardless of formal titles, can lead by pitching new ideas in a fluid process across all parts of the organization without the organizational inertia that impedes the development process. The features of a distributive leadership model resemble behaviors that are generally identified with startup organizations in which middle managers help shepherd new ideas for consideration while senior executives determine which products or services will receive early-stage funding to further advance opportunities (Ancona et al., 2019).

Distributive leadership requires cultural norms that encourage innovation and a propensity for experimentation (Ancona et al., 2019). Organizations that have deployed this model of shared leadership have reported experiencing an improved organizational process for problem-solving, enhanced decision-making, and greater innovation (Northouse, 2016). However, Gulati (2019) cautioned that without creative leaderships guiding an organization in the midst of a technological evolution and a strong organizational culture to support such a paradigm shift, changes are inclined to collapse and revert back to the traditional vertical system.

Summary

Digitalization has disrupted traditional business boundaries and created unprecedented opportunities for growth. However, such extraordinary opportunities have also been accompanied by accelerating technological innovation, changing customer purchasing behaviors, and infiltration by smaller, more agile competitors, leaving established companies to either innovate or risk losing market share to enterprising startups (Cecere, 2016; Christensen, 2013). Although the traditional management consulting value proposition, led by the largest firms, has been a durable business for decades (Ghulam, 2009), a rapid shift toward digitalization combined with new competitors armed with lower pricing models and simpler features is converting the leading companies' least profitable customers to the new innovation, thereby disrupting the conventional value chain conformation (Christensen et al., 2013; Raynor, 2011). These disruptive market forces are threatening traditional revenue models, shifting power to customers, and altering delivery approaches.

To meet the clients' mandate of a lower-priced consulting engagement, industry leaders have countered assertively by dismantling the traditional consulting model by acquiring and organically developing the digital offerings to contend with competitors that provide niche

services targeted only at one aspect of the consultant value chain (Cecere, 2016). By extending

their digital service and products at a lower price, market incumbents are willing to sabotage

their core business and risk diluting revenues in exchange for a more fortified stance against the

multitude of niche consultants and freelancers (Christensen et al., 2013; Raynor, 2011).

Although the need to be customer-focused will continue to be the cornerstone of

businesses, an evolving ecosystem in consulting will require consultants to take on a more

significant role to incorporate business strategies and IT that aligns with new business

opportunities (Cecere, 2016). Pure strategy consultants can no longer depend exclusively on

their industry expertise to meet customer demands. They must integrate their deep industry

knowledge with digital strategies to develop solutions that can make the digital environment

easier for their clients to navigate (Sharif, 2002). Thus, leaders of consultancies must adjust to

the precipitated change that is the hallmark of digitalization (McQuivey, 2013).

In a comprehensive literature review, one of the broad objectives is to provide

foundational knowledge for a deeper understanding on the studied topic using extant theories

(Creswell & Creswell, 2018). In doing so, different innovation models and their correlated

empirical evidence were analyzed. The evolution of the DOI theory—which involves principles

of innovative decision-making, innovative attributes, and adopter characteristics to explain the

process of adoption within a social system—remains relevant today (Rogers, 2003). However,

the diffusion principles alone were inadequate to explain disruptive environments, which is

characterized by agile entrants using new ideas, technology, or business models to unsettle

industry hierarchies (Christensen, 2013). The concepts of DI were then introduced to describe

technology transformations that have led to the displacement of industry incumbents

(Christensen, 2013; Christensen et al., 2004; Christensen et al., 2015; Raynor, 2011). Although

decoding the concepts from the diffusion and disruption theories as a multilevel framework has been useful in deciphering the disruptive patterns that are threatening to upend the traditional management industry, the resulting model lacks practicality for SMB consultants. The incumbents' responses and proposed organizational change factors as related to disruptive forces both assumed that organizations already have the resources available to handle digital disruptions. However, in reality, that is simply not the case.

SMB consultants do not have the same resource capabilities and infrastructure assets of industry leaders to compete against digital competitors and meet rising customer pressures (Cecere, 2016). There continues to be a lack of empirical evidence to inform SMB firms of the approaches and practices they can adopt to effectively tackle uncertainty inherent in disruptive environments (Appelbaum & Steed, 2005; Boonstra & Caluwe, 2007). Consequently, the purpose of this research study was to fill that knowledge gap using a qualitative grounded theory method to develop strategies and practices through the insights and lived experiences of SMB consultants. The ensuing chapter will cover the research methodology, including specifics about data collection and analysis procedures used to carry out the study.

Chapter 3: Methodology

The goal of Chapter 3 is to present the research methodology using a grounded theory method to generate a model of best practices that traditional SMB consultants can adapt as they contend with growing concerns in an emergent disruptive industry. This qualitative approach allows for an exhaustive review and thorough understanding of the challenges SMB consultants face, offering the researcher a method to create theory using insights from leaders of these firms. The theoretical justification for choosing the grounded theory method and its implementation are explored meticulously in this section. The research methodology—including the sampling strategy, instrumentation, data collection scheme, and data analysis methods—are key elements of this chapter.

Restatement of Research Questions

To fulfill the research purpose, the following three central research questions are reiterated from Chapter 1 to guide the research design:

1. What challenges do leaders of small- to medium-sized management consulting firms face in managing disruption?

2. How can leaders of small- to medium-sized management consulting firms acquire the digital expertise to compete in the increasingly digital economy?

3. What strategies and practices can leaders of small- to medium-sized management consulting firms employ in managing disruption?

Research Methodology and Rationale

A qualitative grounded theory method is appropriate when the purpose of the study is to illuminate a phenomenon using knowledge and insights from experts with lived experience in a contextual situation (Creswell & Poth, 2018; Glaser & Strauss, 2017). As explained by Creswell and Poth (2018), a qualitative, grounded theory approach is the optimal tool to use

when a researcher seeks to examine the lived experiences from leaders of SMB consulting

firms to thematically generate theories. Therefore, the grounded theory method was deemed

congruent with the purpose of the current study because it enables the researcher to generate

theories to inform SMB consultants of the practices and tools for pursuing a viable strategy in

the context of disruption.

Grounded Theory Approach

The researcher conducted this study utilizing a grounded theory method to generate

theory from data. In the 1960s, Glaser and Strauss (2017) introduced grounded theory to the

academic community as a method that would allow researchers to create theories specific to the

context under study without relying on the guidance of pre-existing theories. According to

Bryant and Charmaz (2007), the grounded theory approach is rooted in the constructivist

paradigm, which describes the philosophical view that comes from personal values shaped by

traditions, social experience, and civilization. This constructivist mindset emphasizes the

introspective nature of the participants' responses relative to the contextual phenomenon as

theories emerge (Bryant & Charmaz, 2007; Charmaz, 2008). This reflective approach provides a

method to help researchers systematically code the interview data, thematically analyze the

perceptions of the personal account of each participant, and construct a theory grounded on the

translation of their collective encounters (Hesse-Biber & Leavy, 2013; Strauss & Corbin, 1997).

Creswell and Poth (2018) provided a framework for the grounded theory method used

for this study. The authors delineated concepts such as data collection, memoing, coding, and

data analysis with respect to theory building. Collectively, the repetitive steps outlined by the

authors helped the researcher constantly reevaluate and compare the data, enabling new

theories to emerge (Charmaz, 2008). Although the philosophical view of a constructionist

comes from exploring the human experience with absolute objectivity (Charmaz, 2008; Creswell & Creswell, 2018), understanding a human's perception is imperfect; therefore, every precaution should be made to ensure the data are valid and reliable (Creswell & Poth, 2018).

Design Validity and Reliability

Creswell and Poth (2018) defined validation in qualitative research as the effort to determine and evaluate the accuracy of the study's findings. Researcher bias threatens the validity and reliability of any study (Corbin & Strauss, 1990). Biases emerge when a researcher relies upon his/her own personal preconceptions and beliefs to interpret observations and data to support the researcher's own interests (Creswell & Poth, 2018).

Validity. To address the inherent bias in validity, the researcher adopted the self-enforcement concept of reflexivity and incorporated perspectives from participants as well as an external viewpoint from an outside researcher who had no connection to the study. Reflexivity is a validation strategy that aims to instill in the researcher the mindset of being aware of his/her own cultural consciousness and values when constructing knowledge in every step of the process. Because the researcher had expertise and experiences that may have affected this study, the reflexivity strategy was used throughout this research to safeguard the potential problem of bias. To further augment validity measures, the researcher enlisted the services of an outside researcher to assess the coding protocols used to develop emerging themes. This practice of integrating a reviewer's lens in design validity provided additional legitimacy using multiple sources (Creswell & Poth, 2018).

Reliability. Similarly, design reliability can be enhanced by using good-quality recording devices for all the interviews (Creswell & Poth, 2018). The recorders were checked

for sound quality and recording functions the night before each interview for dependability and consistency. Each recording was backed up on a computer hard drive with security protocols in place to protect participants' confidentiality throughout the research process and destroyed once the study was published.

Population, Samples, and Sampling Strategy

This section describes the population used in the study, the samples chosen, and the sampling strategy that was employed in selecting the participants for the study.

Population. Strategies that leaders of large management consulting firms utilize to preempt disruption are abundant (Christensen et al., 2013; Sharif, 2002). Absent from the literature re the viewpoints of SMB consultants who are facing pressures from growing customer demands and new competitors with simpler and less expensive models. It is important to gather the sentiments and opinions of SMB consultants in order to address the purpose and research questions of the study.

Samples. The sample was drawn from a population of SMB consultants from the Institute of Management Consultants, U.S.A. (IMC USA) with at least 10 years of experience in, but not limited to, the disciplines of research, operations, strategy, and design. Participants were recruited from the members of IMC USA, which was established in 1968 as a professional organization for consultants in the United States with the mission of upholding ethics and advance knowledge in the profession through instruction, accreditation, and expert support. The organization's members have advised senior leader across a variety of disciplines (Institute of Management Consultants, n.d.).

The researcher joined the organization in 2018 because of its vast network and in order to stay on top of current trends in the consulting industry. Although he was an inactive member

from the beginning, the researcher had access to the organization's membership database and tapped into the membership of this robust organization to obtain this study's research samples.

        Sampling strategy. A purposeful sampling strategy relies on finding and choosing individuals who are knowledgeable, accessible, and willing to participate in a research study (Creswell & Poth, 2018). The sampling criteria focused on senior-level consultants and above or those with decision-making power with a minimum of 10 years' experience in their fields and located in Southern California. The researcher selected consultants with the germane experience that matched these criteria for the study. Any members within Southern California that fit this description and were able to be interviewed within 3 months from initial contact were recruited based on their relevant knowledge and ability to provide feedback for this study. The researcher anticipated a sample size of 15 (Guest, Bunce, & Johnson, 2006; Mason, 2010) to 20 (Creswell & Poth, 2018) participants for this study, or as determined by saturation (Charmaz, 2008; Mason, 2010). This flexibility allowed the researcher the latitude to stop the interview process when the collected information was reliable enough to give credence to the ensuing theories and no further contributions could be enhanced from additional analysis.

Instrumentation

        Instrumentation refers to the process of developing and using an instrument or device to gather data from the selected sample (Patton, 1990). Since the tenets of grounded theory offer the researcher the flexibility to diverge from the formal set of questions to other relevant topics based on the flow of the conversation when appropriate (Creswell & Poth, 2018; Glaser & Strauss, 2017), the researcher used a semi-structured interview protocol so that additional clarifying questions could be added to dive deeper into a topic (Hesse-Biber & Leavy, 2013; Tie, Birks, & Francis, 2019). According to Creswell and Creswell (2018), when interview

methods are used, both the researcher and the set of interview questions become the instruments for the study. Hence, the trustworthiness of the study's findings depends considerably on the researcher's background and ability to conduct the qualitative research.

The researcher used a set of open-ended questions as a subset of the research questions to conduct the interviews (see Appendix 1). The flexible nature of the questions was designed to allow the researcher to start with broad questions about the industry in general and progressively move toward more concentrated questions intended to delve deeper into more narrow topics and eventually toward strategies and practices (Bryant & Charmaz, 2007; Charmaz, 2008).

The researcher. The researcher has the experience and prerequisite skills essential to conduct the interviews. With more than 25 years as an accomplished business executive and 15 years in a successful management consultant role, the researcher has the emotional intelligence to handle a qualitative interview. The researcher is also a scholar with multiple advanced degrees. Although the research study was completed as a fulfillment of an academic program, the researcher's professional background was his impetus to contribute further to the body of knowledge in consulting management practices. Because the researcher's expertise in the area has the potential to influence the collection of data, validity measures were taken to minimize intrinsic biases that may have stemmed from the researcher's professional viewpoints.

Validity. Every attempt was made to remove the researcher's bias from the study. The researcher employed the concept of reflexivity (Charmaz, 2008; Creswell & Poth, 2018) as a self-awareness check during every step of the data collection and theory building process. The reflective process involves being aware of one's own preconceptions, introspective journaling,

reviewing transcripts, and paying attention to recordings to deepen the insights gathered throughout the research process (Strauss & Corbin, 1997).

Human Subject Considerations

The Institutional Review Board (IRB) is an organization established to protect human beings as research subjects in areas such as voluntary participation, potential risks, confidentiality of identities, and the rights of the subjects to withdraw at any time before, during, and after the study. Universities that perform research have IRBs to evaluate and approve submissions for research projects concerning human subjects, and Pepperdine University is under the sanction of the Graduate and Professional Schools (Hall & Feltner, 2004).

The Graduate and Professional Schools' IRB process requires that all communications and methods regarding a study proposal be submitted for IRB review and approval prior to beginning the research process. Each protocol must clarify how subjects are identified and recruited for the study. The potential participants were given an informed consent form prior to their involvement to clarify that the process was non-coercive, and that they could remove themselves from the study at any moment without fear of repercussions (Hall & Feltner, 2004).

The Graduate and Professional Schools' IRB protocols further protect subjects' confidentiality by requiring the researcher to remove any identifiable traits connected with participants in the study. Moreover, all records, annotations, transcriptions, and recordings are safeguarded through the entire research process and must be destroyed 3 years after publishing (Hall & Feltner, 2004). Once approval was given from the Pepperdine University, the researcher began the data collection process.

Data Collection Procedures

The researcher sent an email to approximately 35 prospective participants stating the goals of the research study. The researcher called the first 15 interested participants who replied to the email. The purpose of the phone calls was to provide a more detailed explanation of the study, clarify the IRB process as related to protection of human subjects (including confidentiality, voluntary participation, and right to withdraw), and address any additional questions. During the phone conversation, the researcher discussed and established with the participants the location of the interview, the time of the meeting, and the allotted time (approximately an hour) for the interview. The researcher conducted the interview based on the location in which the participant felt most comfortable. Although some data were collected in person, others were gathered via video conferencing. Both forms of data collection allowed the researcher to perceive the greater meaning of tone, voice inflection, emotion, and body language in order to enhance the shared experience needed for better understanding (Creswell & Poth, 2018).

The researcher obtained consent from the interviewee at the start of the interview and reviewed the goal of the study with the participant, the time allotted for the interview, and the participant's right to terminate from the study at any time (Hall & Feltner, 2004). Interviews were recorded using a digital voice recorder; the researcher also took notes during the interview process. At the end of the interview, the researcher concluded by giving the participant the chance to add any final comments upon reflection. Memos were used to capture the researcher's thoughts during and after the interview, and all interview responses were transcribed by the researcher (Creswell & Poth, 2018). The researcher developed transcripts by reviewing the field notes and listening to the recordings to develop the transcripts. Extra

precautions were used to avoid errors by double-checking transcripts as they developed. During the entire data collection process, the researcher also had the responsibility for safeguarding participants' identities.

Data Management

Data management is an integral part of qualitative research (Creswell & Poth, 2018) and the participant has the right to confidentiality and how information is handled (Baez, 2002). Protecting client information is part of a legal obligation in a principal-agent relationship (Kaiser, 2009); therefore, the researcher safeguarded the confidentiality of each participant and removed any identifiable information, including email addresses, job titles, and any other traceable information that could be linked back to a participant's identify. Participants were also given fictitious names to disconnect any traceable identifiers before data were prepared for analysis.

Proper handling and storage of data can further protect the confidentiality of the participants and the integrity of the data collected. The interviews were recorded using a digital voice recorder as well as documented using field notes. After the interviews, the field notes were coded and converted to a digital file to provide retrievability and to prevent damage or loss as soon as feasible. All data files were encrypted and stored in a password-protected external hard drive to prevent unauthorized access; the hard drive was stored in a secured room accessible only by the researcher. A backup encrypted copy was kept on a separate password-protected hard drive locked up in a separate location from the original computer and accessible only by the researcher. When the transition was completed, the paper files were shredded and destroyed immediately.

Similarly, the digital recording voice content was transferred to a USB drive after the transcription was completed. A second USB was used as backup copy. The protection protocols and storage procedures for the USB devices were the same as that for the data files. As soon as the transfer was completed, the original voice content on the digital voice recorder was erased permanently. Both the digital data files and USB voice files will be kept for 3 years from the date of publication and then destroyed permanently (Hall & Feltner, 2004). Each external hard drive and USB device was wiped clean by first reformatting the data and deleting the recovery key, then physically annihilated using a hammer.

Data Analysis

According to qualitative researchers (Bryant & Charmaz, 2007; Hesse-Biber & Leavy, 2013), the data collection and data analysis are parallel actions in a grounded theory method intended to be mutually inclusive in order to increase the depth of recurring categories. The process of comparative analysis ensures that continual comparisons will be made to capture the full diversity and complexity of the data, such that all instances of variation are captured by the resulting theory (Tie et al., 2019). To connect the underlying grounded theory principles to explicit data analysis practices, the researcher followed the five-step data analysis spiral process, as recommended by Creswell and Poth (2018).

Managing and organizing the data. The researcher recorded all interviews on a digital voice recorder and then transcribed the data from audio to manuscript for comparison with field notes.

Memoing. The goal of memo writing is to start recognizing potential patterns that appear from the collected data (Bryant & Charmaz, 2008; Corbin & Strauss, 1990). Before diving

deeply into reading the transcripts (Creswell & Poth, 2018) the researcher initially scanned the manuscripts to assess all the interviews as a whole before coding.

Coding. Coding in grounded theory is a reflective process that involves the incessant process of reducing data down into sets of meaningful categories (Strauss & Corbin, 1997). Each new data set is then compared to previous versions so that new relationships are formed until saturation happens (Bryant & Charmaz, 2007; Glaser & Strauss, 2017). Creswell and Poth (2018) identified three stages of coding: open, axial, and selective. In open coding, the data are reviewed line by line, and data that share central characteristics are grouped together. At this stage, the coding is largely descriptive, where a lower level of categories often develops as a result (Creswell & Poth, 2018). In axial coding, additional categories are identified through the synthesis of the initial data into larger units (Strauss & Corbin, 1997). The additional analysis provides the researcher with an in-depth understanding of the data to incorporate common themes and patterns into meaningful groupings. Lastly, selective coding delivers the narrative that links the groupings in axial coding to illustrate the relationships between the concepts as theories emerge (Creswell & Poth, 2018).)

Developing interpretations. The coding process relies on the interpretation of participants' insights to generate theories thematically (Tie et al., 2019). This grounded theory method depends on the constant comparison of themes to assess the emergence of new theories (Creswell & Poth, 2018). Creswell and Poth (2018) recommended incorporating strategies beyond the coding scheme using peer feedback for new perspectives to challenge the researcher's interpretations. The primary researcher enlisted the services of an external researcher with no connection to the study to promote deeper thinking and understandings.

Representing and visualizing the data. Creswell and Poth (2018) proposed using a type of visual diagram to represent a hierarchy chart in order to illustrate the relationships and relative ranks of information. In this structure, the least abstract information or the most detailed source of information was placed at the bottom, with the data broadening to the most generalized themes at the top.

Plan for Reporting Findings

The methodology outlined in this section was applied to carry out the research plan and address the research questions. A qualitative grounded theory approach was selected to develop theories from expert insights to inform of SMB consultants of actions and practices they can use to compete in an industry that is on the verge of disruption. A discussion of sampling strategies, instrumentation, data collection process, and data analysis methods collectively defined the participants and how the study was conducted. Chapter 4 presents the results of the data analysis and study findings. When appropriate, theories from the literature reviewed in Chapter 2 are used to supplement the interview data to validate or elaborate on any new theories (Charmaz, 2008; Heath & Cowley, 2004). Chapter 5 presents a brief summary of the entire study, but the main objective is to present conclusions derived from the data analysis and findings delineated in Chapter 4.

Chapter 4: Findings

The objective of this qualitative study was to develop strategies and practices that leaders of SMB consulting firms can employ to compete in a volatile environment characterized by higher customer demands enabled by technology and an increasing number of new competitors. In an industry that relies heavily on experts as the foundational basis of research, analysis, and advice, the converging trends of rapid technological developments, changing customer requirements, and emerging new competitors with simpler and less expensive models, the consulting value chain appears vulnerable to disruption that has rendered so many businesses obsolete. Using a grounded theory methodology to collect, analyze, and synthesize qualitative data from subject matter experts for the purpose of creating theory, this chapter discusses the findings of this research, including a short review of the data collection procedures and coding process.

Re-statement of the Research Questions

Three research questions were developed to accomplish the research purpose and guide the development of the study design:

1. What challenges do leaders of small- to medium-sized management consulting firms face in managing disruption?

2. How would leaders of small- to medium-sized management consulting firms acquire the digital expertise to compete in the increasingly digital economy?

3. What strategies and practices can leaders of small- to medium-sized management consulting firms employ in managing disruption?

Overview of the Design

A qualitative grounded theory methodology is suitable when the objective of the research study is to inductively create theory using insights and wisdom from experts with intimate

knowledge and experience relevant to the problem being studied (Creswell & Poth, 2018; Glaser & Strauss, 2017). Unlike large consulting firms that have deployed strategies to aggressively counteract the proliferation of startups by acquiring digital expertise or grow their own organically, little is known about the actions of SMB consulting firms in response to the disruptive phenomenon. Therefore, a grounded theory methodology using expert insights was deemed appropriate to accomplish the purpose of the research study because it empowered the researcher to generate theory inductively through investigating leaders of SMB consulting firms' perspectives and opinions. Consequently, the goal of any resulting theories will be used to inform leaders of SMB consultants about relevant strategies and practices they can use to compete in a disruptive environment.

Study Participants

The researcher joined IMC USA in 2018 as a senior member because of its extensive network of senior consultants from diverse disciplines and prolific educational seminar opportunities. With executives representing diverse industries from more than nine countries, the professional organization offered the researcher a substantial database for the study's sample.

Using a purposeful sampling strategy, experts were chosen carefully based on established criteria that fit the goal of the research study (Creswell & Poth, 2018). The researcher selected active members from IMC USA based on the following three criteria relevant to the research study:

1. Senior-level consultants or those with decision-making power for their firms with a minimum of 10 years' experience in their fields. The participants were not limited to a specific industry or professional discipline in order to provide a diverse range of insights into the phenomenon under examination.

2. Any members in the Southern California Chapter of IMC USA who matched this description were recruited based on their expert insights and experience to provide advice and opinions for this research study.

3. Participants who were available and willing to be interviewed within a timeframe of 3 months from initial contact.

Recruiting Participants

The researcher recruited participants for the study from IMC USA, an international professional consulting organization. Although the researcher is a senior member of the organization, none of the participants had a personal relationship to the investigator. The researcher sent an email to approximately 35 prospective participants stating the purpose of the research and inviting them to take part in the study. The researcher called the first 15 interested participants who responded to the email and provided a more comprehensive description of the study, explained the IRB process with respect to the safeguarding of participants' confidentiality, discussed the right to withdraw at any time of the process, and addressed any further questions. During the phone conversation, both parties agreed to arrangements regarding the time of the interview, the approximate allotted time for the interview, and the method of the interview. All the prospective participants that met the research sample criteria and expressed interest in participating in the research study were sent an e-mail with the consent form.

The total number of participants that actually participated was 15 out of the 35 experts who were recruited, with a participation proportion of 43%. The 15-participant sample size was acceptable as long as the interview data was robust and reliable in order to provide credibility to the resultant theories, and no additional information could be strengthened from further analysis (Charmaz, 2008; Mason, 2010).

Data Coding and Analysis

In a grounded theory approach that is characterized by a systematic and iterative procedure for data analysis and theory development grounded in empirical data through theoretical sampling, the researcher used open coding, axial coding, and selective coding procedures to facilitate continuous data analysis (Creswell & Poth, 2018). After data collection was concluded, the researcher began by transcribing the field notes and recordings into phrases and words representing the participants' experiences into a Microsoft Word table. The researcher performed open coding, a process that involved analyzing words and phrases into tentative labels based on their meanings. Initially, a set of codes was developed from the participants' responses obtained from the interview questions. Then, based on similar phrases or words, the initial codes were grouped under a specific heading reflecting each emergent theme. To facilitate understanding and meaning that emerged, the researcher color-coded and combined comparable phrases, words, and patterns into emerging concepts.

Following the open coding process, the researcher engaged in axial coding. This involved further scrutinizing the subheadings for deeper understanding, identifying relationships and connections from the open codes, and grouping them into categories (Creswell & Poth, 2018). Subsequently, in the final stages of the data analysis and comparison of emerging core concepts that were identified through the open and axial coding procedures, the researcher performed selective coding by synthesizing and grouping the core concepts from the axial coding into themes to generate a framework of theories relevant to the phenomenon being studied (Creswell & Creswell, 2018; Creswell & Poth, 2018).

To improve coding reliability (Creswell & Poth, 2018), the researcher enlisted the assistance of a colleague who has an Ed.D. in educational leadership for assistance throughout

the coding process. The professional colleague listened to the audio recordings, validated the researcher's transcription, independently reviewed the common themes put forth by the researcher, and agreed on the final themes from the analyzed and synthesized data. The coding paradigm of continuous comparison of collected data, examining data for similarities and deviations, and constant reflection of notes and memos captured from the interviews was enhanced through constant comparison throughout the entire coding process. In the following section, the themes will be presented in numerical order beginning with research question 1, followed by themes from research questions 2, and then concluding with themes from research question 3.

Findings

The grounded theory methodology using qualitative coding procedures and thematic analysis produced a total of 13 themes in the study. All the themes that directly addressed the research questions are explained in detail in the following sections. Since the interview questions and methods were semi-structured, some of the questions may have received one or more responses depending on the respondents' expertise in a particular subject matter, hence, capturing the full experience of participants' insights. When a respondent provided several responses, the data analysis used in open coding captured the multiples responses for each question and then coded them appropriately.

Research question 1. The first research question for this study was: What challenges and opportunities do leaders of small- to medium-sized management consulting firms face in management disruption? The responses to this research question are reflected in the following four core themes that emerged, as shown in Figure 2. The first theme was *overhyped reality,* which had 9 frequency counts. The second theme was *lowering barriers to entry,* which had 4

frequency counts. The third theme was *relational differentiation,* which had 9 frequency counts.

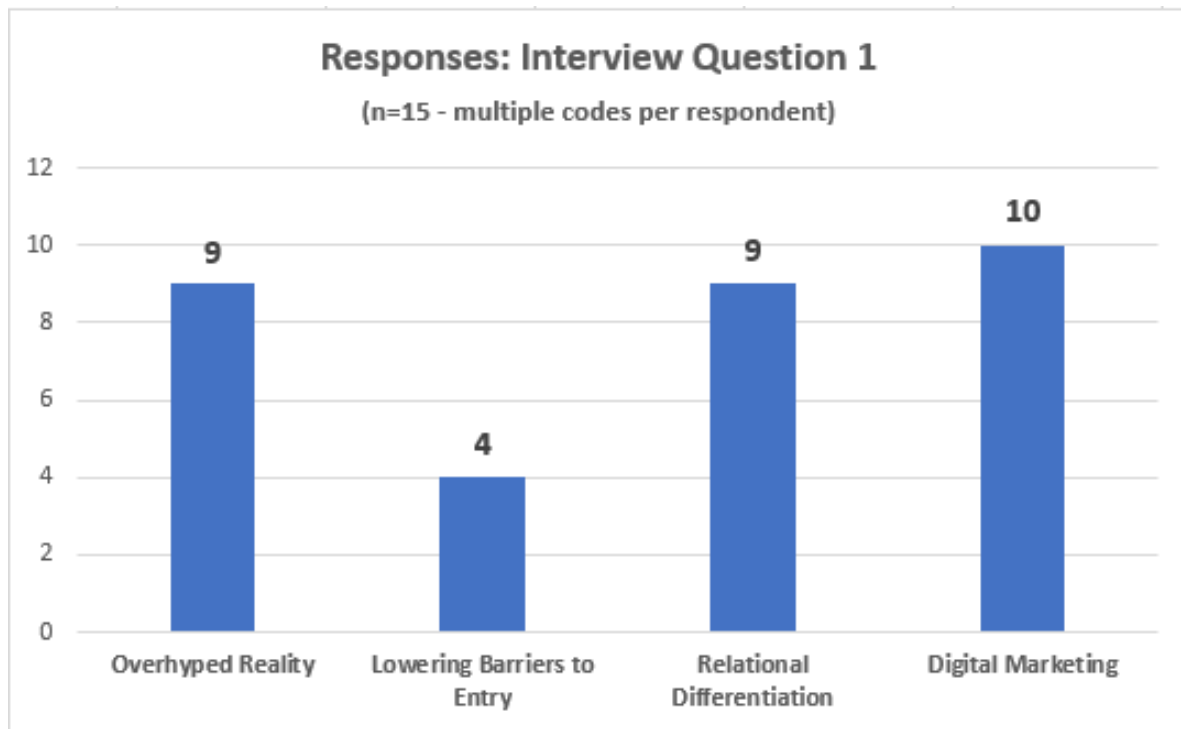The fourth and final theme was *Digital Marketing*, which had 10 frequency counts.

Figure 2. This figure represents the participants' responses to the first research question: What challenges and opportunities do leaders of small- to medium-sized management consulting firms face in management disruption?

First theme: Overhyped reality. In direct contrast to academic experts' dire warnings

that the consulting industry is already at the tipping point of being interrupted by next-generation

business models (Christensen et al., 2013), a majority of the participants expressed that digital

disruption is just a buzzword for academic researchers. Still, in reality, disruption poses very

little threat to the consulting industry. They articulated that the consulting business is based on

customer relationships and that as long as the cost model is transparent and simple, consultants

are least susceptible to emergent startups in the short term. Presented subsequently are

representative observations from selected participants on the overhyped reality theme.

Participant 4 stated,

The anxiety of disruption is overstated. With some long-established brick and mortar companies failing and editorial headlines predicting more to come, it appears that every business expert is making some sort of prognosis on which industry will be disrupted next. The pressure to change does not affect industries equally. The core business of consulting is still based on human contacts, and presence is still needed.

Similarly, participant 6 said,

While disruptive innovation should not be ignored, it is not a life or death scenario for most consultants, at least not yet. The domains of digitalization will continually be complicated, but consultants with strong relationships with their clients will always be indispensable. Client relationships were not built overnight and will not be destroyed abruptly. Although the fear of disruption is discernable, it can be averted by deepening relationships with clients.

In contrast to these sentiments, participant 14 disagreed,

In [my industry], the impact of disruption is real. As consultants, we can no longer rely on past relationships to drive our business growth. We must adapt to the changing environment in a way that leads to sustainable competitive advantage.

The vast majority of participants held the view that business experts are overly heightening digital disruption.

Second theme: Lowering barriers to entry. A few expert practitioners acknowledged that as the prices of technology continue to decline and the trend of proprietary systems shifts toward open platforms, it has never been more affordable and simpler to get into the consulting business. The lowering barriers to entry theme had the lowest frequency number at 4. Presented subsequently are insights from selected participants. Participant 2 said,

With digital advances diminishing startup costs for new competitors to enter existing or

new markets, consultants will face increased competition from nimble competitors in just

about every industry. Many large clients are now storing their data in the cloud using

open platforms. This affordable system of digital infrastructure enables startups to start a

business with a very modest budget.

In the same spirit, participant 5 stated,

So many of the software development programs currently available are either accessible

free or at a minimal cost. This type of open-source software application, along with the

growth of cloud technologies, have formed an ecosystem of affordable infrastructure that

is cost-effective for entrepreneurs. Consequently, not only are the barriers to enter the

consulting industry lower, the barriers to exit are lower too

Participants generally acknowledged that as third-party technologies gain momentum and

emerging niche providers are utilizing these new platforms to start consulting businesses rapidly,

the barriers to entering the consulting industry will continue to decrease.

Third theme: Relational differentiator. Although a high proportion of the participants

recognized that the advancement of digital tools had empowered a new generation of

sophisticated entrepreneurs with access to technological infrastructures that were once expensive

and costly, this sentiment was not perceived negatively. They also acknowledged that the impact

of the growing use of technology in consulting would result in an even higher level of client

interaction and renewed collaboration of new partnerships. The relationship as a differentiator

theme is tied for the second-highest frequency count at 9. The following comments exemplified

the experiences of selected participants. Participant 3 said,

Technologies are changing so fast that no one person can know it all. It doesn't matter

what stage in the digital adoption cycle you are on. There are so many opportunities for

consultants to collaborate and achieve better outcomes for their clients on complex and

cross-sector projects. The success of consultant-client engagements is based on trusted

relationships, not technology.

Participant 11 agreed with participant 3's assertion, stating, "Although the fear of disruption is

discernable, most clients are risk-averse. This uncertainty creates a new business environment

where meaningful connections with customers are easier to establish, nurture, and sustain."

Overall, most participants believed that deep-rooted client relationships would insulate

their businesses from new competitors in the short term. However, as digital innovations

offering faster speed and better connectivity across a plethora of devices, participants also

acknowledged that in the long term, consultants would need to update their skills in order to

maximize the opportunities provided by these new technologies.

Fourth theme: Digital marketing. A great proportion of expert participants concurred

that the proliferation of digital channels had changed traditional marketing strategies, and as a

result, consultants need to develop proficiency in digital skills in conjunction with their creative

side to work effectively with their clients. The digital marketing theme had the highest

frequency number at 10. Presented subsequently are the introspections and reflections from

selected participants. Participant 1 said,

Digital marketing is a prerequisite in the digital era. An effective social media campaign

is a cost-effective way to add relevance and reach for any company compared to

traditional marketing platforms like traditional marketing via television and newspapers.

Digital platforms are essential in the information age and that it is inconceivable to

imagine any businesses succeeding without at least a social media marking presence. As AI technology improves, more sophisticated algorithms will collect more customized data from its interactions to progressively adjust its approach to magnify its impact. It will be necessary for consultants to combine the traditional marketing strategy of good storytelling with an understanding of data analytics. The most valuable consultants will be those that can put the right marketing team together that may include a data scientist, a developer, and user experience experts, which is a drastic change from how a traditional marketing team operated.

Participant 8 supported this opinion, stating,

The traditional marketing platform has been disrupted by technology, and social media has been an enormously disruptive influence on traditional media marketing. Every client is in some form of social media. User data has influenced marketing decisions, and traditional marketers must develop the skills to combine the data side of digital marketing without forgoing the fundamental success of traditional marketing, which is based on the understanding buyer motivation. The marketing consultant of the future must now rely on both data and creativity."

In research question 1, the researcher summarized the participants' insights into four themes as related to digital disruption. The more significant part of the participants concluded that in the short term, although technology has lowered the entry barriers for new entrants, there are no negative consequences because consultant-client engagements are based on long-term relationships. Participants acknowledged that although digital disruption has been exaggerated, in the long term, consultants will need to build digital skills to serve their clients more

effectively. In research question 2, participants offered various ways to acquire the digital skills

needed to succeed in the digital economy.

       Research question 2. The second research question for this study was: How would

leaders of small- to medium-sized management consulting firms acquire the digital expertise to

compete in the increasingly digital economy? The responses to this research question are

reflected in the following five core themes that emerged, as shown in Figure 3.
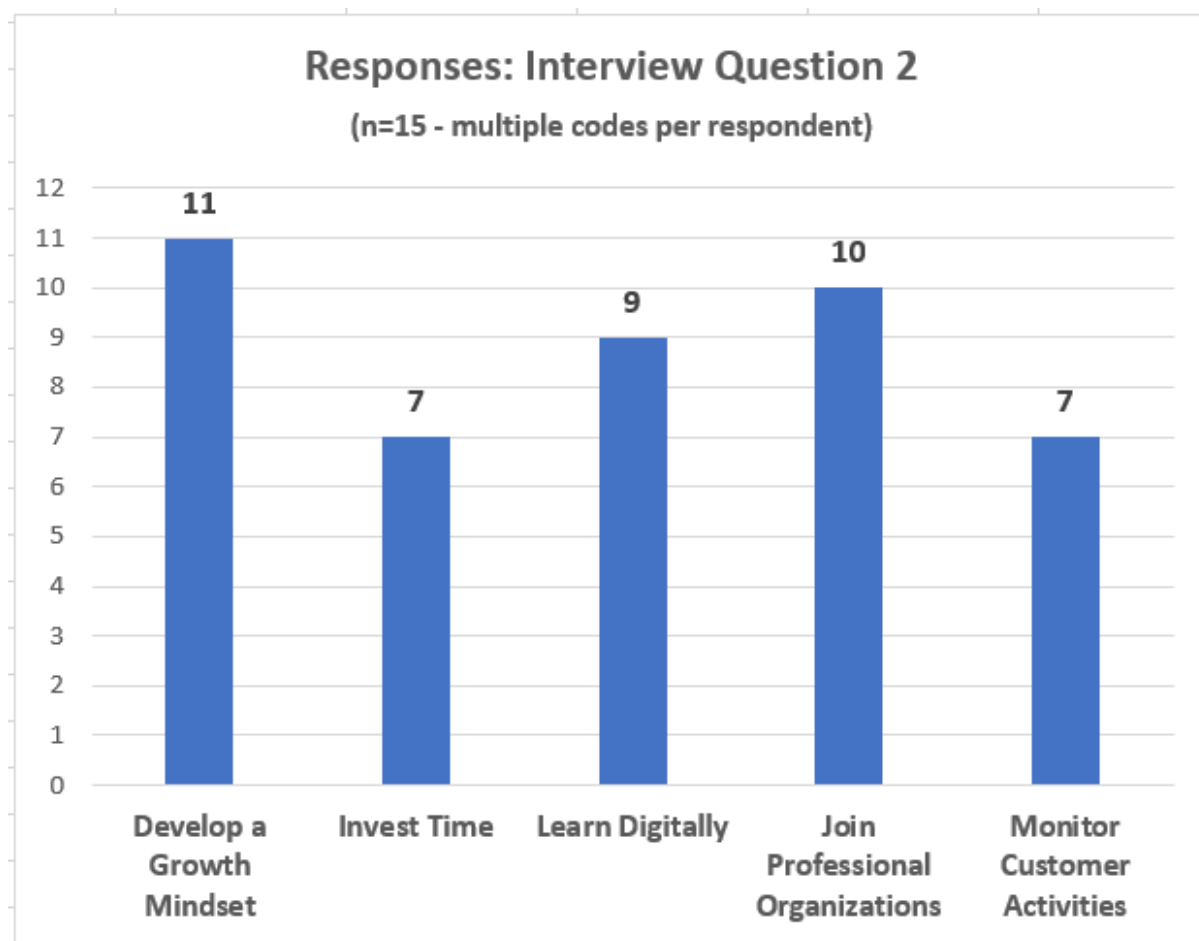

Figure 3. This figure represents the participants' responses to the second research question: How would leaders of small- to medium-sized management consulting firms acquire the digital expertise to compete in the increasingly digital economy?

       The first theme was *develop a growth mindset,* which had 12 frequency counts. The

second theme was *invest time*, which had 7 frequency counts. The third theme was *learn*

digitally, which had 9 frequency counts. The fourth theme was *join professional organizations*,

which had 10 frequency counts, and finally, theme five was *monitor customer activities*, which had 7 frequency counts.

First theme: Develop a growth mindset. An overwhelming number of expert participants were convinced that leaders of digitalization must develop a passion for pursuing knowledge and acquiring new skills. The growth mindset theme has the highest frequency count at 11, and three participants captured the essence of the majority of the responses.

Participant 7 stated, "With technology advancing so rapidly, everyone is on some kind of individual learning curve, and adopting a continuous learning mindset is the key to success." Participant 10 agreed with this declaration, stating, "Disruption is more about people than technology—a firm's culture, adaptability, and leadership matter most. Leaders must develop a learning culture to survive in the digital age. Organizations need to have a more innovative and risk-taking culture." Participant 15 also concurred,

> Technology alone doesn't drive change. Disruption happens only when someone figured out how to leverage technology to compete in new ways. You can't digitize without the right talent, but even with the right talent, you can't digitalize in the wrong culture."

Digital disruption is forcing organizations to invest in developing the right culture to grow new skills in a digitally-driven economy. Participants also highlighted the need for leaders to set aside time for training and developing new knowledge and abilities.

Second theme: Invest time. Expert participants stressed the need for consultants to take responsibility for their own growth and learning by investing time and resources toward education and acquiring new knowledge through a variety of formats and platforms. Three participants shared their insights indicative of the attitudes of this theme.

Participant 12 stated, "With cloud-based learning systems, learning and development can be personalized and delivered over a wide range of mobile platforms 24/7, anytime, anywhere. There are no excuses for not taking the time to learn and develop." Participant 13 agreed, stating, "There are no excuses. Quality content is ubiquitous today and delivered in a variety of formats. Learning today can happen anywhere and at anytime, regardless of location or to the hours of the day." Participant 14 shared a similar reaction:

> Free up time to learn. It is an essential part of development in the digital era. With 24/7 availability of e-Resources to collaborative online communities of practice, professional development is no longer limited to location or the hours of the day. Consultants must take responsibility for their own digital development and invest the time and effort necessary to acquire knowledge that supports their clients in the 21st century.

Technology and digital learning have enhanced learning opportunities for anyone by offering access to information and resources. The next three themes are focused on various methods for acquiring information, as suggested by participants.

Third theme: Learn digitally. Expert participants underscored the business imperative of integrating online learning platforms as a learning tool. Some of the free or affordable online educational delivery platforms recommended by participants included podcasts, blogs, and LinkedIn Learning courses. Presented subsequently are reflective insights from two participants. Participant 2 stated,

> The future of learning is no longer limited by the boundaries of traditional classrooms. Online learning management systems offer a wide range of courses delivered in a wide variety of formats for consumption. There are so many valuable resources delivered digitally whenever and however you like it.

Similarly, participant 15 said,

> To keep pace with technology changes, consultants must take responsibility to learn and
> use digital learning platforms to enhance their professional growth. Thanks to tools such
> as podcasts, YouTube LinkedIn, and other online courses, a new skill is only a keystroke
> or mouse click away.

In addition to online education, participants also encouraged consultants to join a network of professional organizations as a source of building connections, enhanced learning, and growth opportunities.

Fourth theme: Join professional organizations. A preponderance of participants emphasized that it is paramount for consultants to have access to important professional resources and networks in order to stay abreast of trends and learn new skills. Selected participants shared their experiences on the professional organization theme. Participant 3 said, "Professional organizations can help consultants identify exciting trends and developments within a field. Besides, having connections to thought leaders in a specific field can open up opportunities and prospects." Participant 4 stated, "Having an industry association on your resume says you are very committed to your profession Clients like that." Participant 7 voiced a similar opinion, stating,

> Professional and technical associations offer skill development and networking
> opportunities with experts in a specialized area. Irrespective of how many years you
> have been consulting, by having access to a network of professional experts, consultants
> can learn new skills or spark new ideas to better serve their clients.

Participant 12 conveyed a comparable view,

Professional organizations provide a venue for members to share ideas and collaborate with other experts in and outside of your field. These organizations also offer an excellent platform to establish consultants as an expert in a specialized field which brings credibility to clients.

Expert participants praised professional organizations as an important source of information, development, and connections. Participants also emphasized that clients now have social media platforms to boost their visibility, and consultants need to curate their clients' activities through these profiles to increase awareness of their customers and strengthen engagements with them.

Fifth theme: Monitor customer activities. Expert participants stressed that consultants must monitor customers' activities across different online media channels to obtain a deeper understanding of the products or services customers desire and value. Representative views from two participants are reflected subsequently. Participant 5 stated,

The digital universe has opened up new ways to both understand and deliver value to the customers. Social media platforms are now available and ubiquitous. Monitoring social media activities through the customers' eyes will help consultants discern beliefs and patterns in how customers are choosing particular services and products in your industry."

Participant 10 echoed this view, stating,

Clients are increasingly using social media to address their customers' complaints. Find out what online platforms your clients use to interact with their customers to get valuable insights into your customers' interests and what they value in the services and products they procure.

Participants encouraged leaders to adopt a growth mindset and invest the time necessary to acquire new skills through affordable online platforms. In addition to accessing affordable and convenient online education delivery methods, they recommended professional organizations as another excellent resource for staying in tune with industry changes, self-development, and networking. Finally, following social media activities of clients provided another platform for consultants to understand what is essential to their clients.

The expert insights into research question 3 are the central focus of this study and were used to build a framework of leadership principles that underpin strategies to help leaders of SMB consulting firms prepare for digital disruption.

Research question 3. The third research question for this study was: What strategies and practices can leaders of small- to medium-sized management consulting firms employ in managing disruption? Research question 3 is the central research question of the study, and the participants' insights in response to this inquiry addressed the central phenomenon being explored in this research. It is also worth noting that the resulting themes from research questions 1 and 2 were integrated under this question to form an overarching set of principles for practice. The expert participants' experiences and opinions to this research question are reflected in the following six core themes that emerged, as shown in Figure 4.

The first theme was *know your customers,* which had 6 frequency responses. The second theme was *adopt a growth mindset*, which had 12 frequency counts. The third theme was *invest in digital competencies,* which had 11 frequency counts. The fourth theme was *reduce disruption noise,* which has 12 frequency counts. The fifth theme was *obsess with data*, which had 4 frequency counts. The sixth and final theme was *specialize forward,* which had 13

frequency counts. A summary of the six themes and the experts' responses are presented
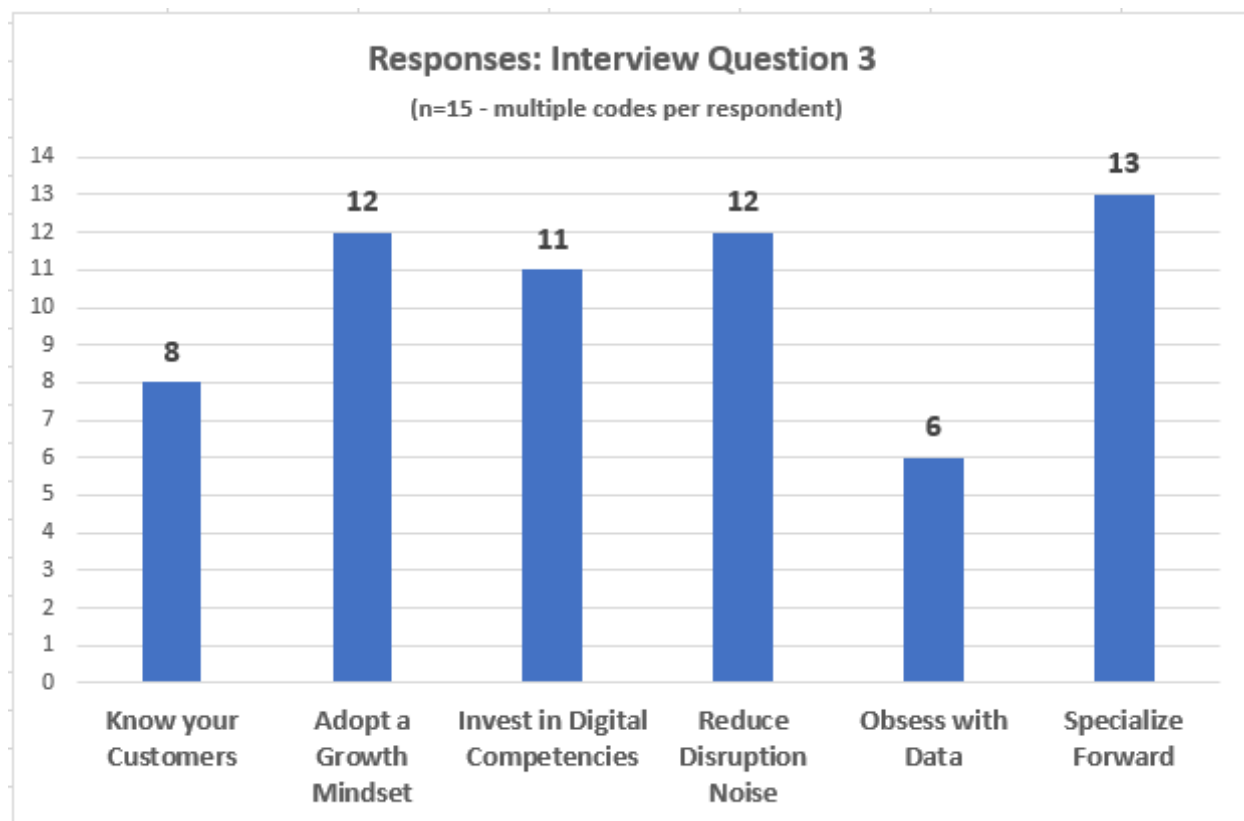
subsequently.

Figure 4. This figure represents the participants' responses to the third research question: What strategies and practices can leaders of small- to medium-sized management consulting firms employ in managing disruption?

First theme: Know your customers. The majority of participants agreed that all clients

now have some form of digital footprints, and these platforms have presented a great opportunity

for consultants to cultivate a closer, more personal relationship with clients. They optimistically

expressed that although technology can be daunting, the consulting business is still based on

human contact. Three participants illustrated the opinions of the group. Participant 1 stated,

In the digital age, every client has some form of social media or digital footprint out

there. By investing time and learning how to manage that information, you can gain

access to your clients and build a robust database on them. The knowledge acquired on

your clients can potentially become a huge asset and a source of new revenue for a

consultant. At the end of the day, it is high-quality human contacts that set consultants

apart from their competition.

Participant 6 mirrored this view, stating,

The proliferation of social media platforms enables consultants to get a holistic view of

client challenges and propositions. By having a deeper understanding of what is most

important to your clients and the broader ecosystems they work in, consultants can create

and deliver more customer value.

Participant 8 offered an example of how to enhance customer loyalty in the digital age:

I took advantage of social media channels to genuinely share the value of my client's

products and the great experience I had working with them. The end goal for a

consultant is always predicated on finding the best solution to bring value to the client.

Participants generally believed that online and social media profiles had enabled

consultants to increase their understanding of client needs and potentially uncover new ways to

add value to them. This perception is consistent with the relational differentiation theme that

was uncovered in research question 1, which stated that relational trust is a business

differentiator for consultants. The next step is to make the commitment to learn and improve

knowledge to serve clients better.

Second theme: Adopt a growth mindset. A vast majority of the participants agreed that

capacity building is imperative to staying agile against emergent startups in digital disruption.

The growth mindset theme is among the high-frequency themes of this study, with a frequency

count of 12. Presented subsequently are expert insights from two participants. Participant 2 said,

The pace of change is moving so fast that no one consultant can know it all. Clients are

already savvy digital users. Consultants must become more resilient in developing the

abilities to help clients adapt to changes in a complex and uncertain environment.

Having this ability in the eyes of the clients requires adopting a new mindset to move

faster and with more risk-taking attitude. Consultants must make learning and

development a top priority if they want to serve their clients better.

Participant 6 echoed this assertion:

Big incumbents and new competitors have responded to digital disruption and higher

customer expectations with speed and agility. Matching their actions is an absolute

minimum to remain competitive in the future. For consultants to be considered

innovative, we must begin by changing our attitude and behaviors."

From the participants' perspective, the advantages of a growth mindset culture are

abundant and evident. Nevertheless, consultants must be focused on developing the

competencies that are relevant to their clients.

   Third theme: Invest in digital competencies. Participants identified digital leadership as

an essential skill in today's business environment. They acknowledged that the convergence of

technological innovations and changing customer demands require an understanding of

technology management in addition to their core strategic advisory service. In addition, the

experts accepted that most future projects would require both sets of skills. Three experts'

opinions embodied the views of the group. Participant 3 said,

Clients now expect consultants to help them identify, choose, and implement the

technology that will help them achieve some competitive advantages or productivity

gains. Therefore, consultants must have an adequate understanding of the capabilities of

technological tools and be able to integrate conventional project management skills with technology management.

Participant 4 supported this perspective:

Clients are looking to consultants who can assemble a technology project management team to implement technology undertakings. This capacity to manage technical projects takes the resource demand out of the client's hands. In the context of technology developments, the future project manager will embody the essential skills of a seasoned project manager combined with an adequate understanding of the implication of technological capability of available as well as emerging products."

Participant 7 extended this view, stating:

Technology partnerships are vital in a consultant's toolbox. Although the goals of project management remain the same, the scope of technology projects is much more complicated. Project team members are usually more specialized, and for small companies, they typically use freelance workers and not internal employees for the work. In managing a technological ecosystem, consultants must know where to access an intelligent network of software developers, graphic designers, and business analysts to build a project team.

Participants believed that technology management had become an imperative core business strategy for consultants. However, with so much content and information available, busy consultants must be purposeful and sift quickly through information that is relevant and practical.

Fourth theme: Reduce disruption noise. In the consulting world in which strategy and digital are converging rapidly, participants were emphatic that although it is important to

integrate digital capabilities to match customer needs, it is even more paramount to filter out distractions and align learning objectives with strategic business priorities. This theme replicated the "overhyped" theme uncovered in research question 1. It is also worth noting that when the participants were asked to define the term "disruptive innovation," none of them was able to describe the characteristics of the phrase as developed by Professor Christensen. The following are demonstrative insights from three expert participants. Participant 8 stated,

> The most effective consultants apply filters and focus on sustaining skills and linking learning to business performance. Don't just abandon your core differentiation and spend all your time on developing digital capabilities. The core consultant skills might have evolved toward technical a little bit, but the methods of building trust have not. Focus learnings on things that are relevant to clients.

Participant 12 concurred, stating,

> Don't overreact because of industry noise. Understand the needs and pain points of clients and develop the technologies capabilities that are best suited to your clients and then transfer that knowledge and expertise to strengthen the client relationship. As a consultant, always focus on first building long term relationships and create that reciprocity of trust.

Participant 15 ardently supported both perspectives:

> The consulting lifeblood is based on trust. Treat the disruption hype as another opportunity to extend that of trust with the client. The importance of reputation and effective consultant-client cannot be understated. Effective consultants are trusted advisors, and once a strong foundation of trust has been established with the client, they

will call you for back because they trust your insight and value them as a partner. Let

customer needs guide your development and growth.

Experts believed that although it is imperative to accurately assess market threats and the

client's desires for digital solutions, consultants should also look past all the industry headlines

and focus on what matters most: insights into customer needs.

Fifth theme: Obsess with data. With the advancement of AI and the Internet of Things

(IoT), experts expressed that recent developments in algorithms and sensors have the potential to

be the most disruptive innovation in the immediate future. They also asserted that these

advancements are fueling changes and spurring new opportunities for consultants who can use

predictive analytics to produce valuable insights and trends for their clients. Two participants

offered experiences that are representative of the group. Participant 9 said,

> The big data evolution is creating opportunities for clients to change direction and chart
>
> new opportunities. Regardless of size, companies are generating data across many
>
> interactions across a myriad of online platforms with their customers. Small clients just
>
> don't have the capabilities to take advantage of the data they have garnered to uncover
>
> new opportunities. Consultants can develop new data competencies of using analytical
>
> insights to support client priorities, from data management to data mining.

Participant 13 agreed with this view, stating,

> The ability to leverage big data solutions is the future for helping clients become
>
> customer-centric. Clients are continuously accumulating data across social media
>
> platforms but are unsure of how to access and understand this data. Consultants who
>
> understand predictive analytical tools can create a new revenue opportunity by
>
> capitalizing on the amassed data to generate insights and create value for their clients.

Experts concurred that although disruption challenges archaic business models, they also believe that it promises possibilities for forward-thinking consultants who can serve clients in new and different ways.

Sixth theme: Specialize forward. Participants recommended that consultants should look ahead into the future and explore narrowing their core expertise to a finer niche to make their services more valuable. This theme emerged with 13 frequency counts, the highest of the entire study. Five participants shared their recommendations that reflect the consensus of the group. Participant 1 said,

> Specialization does not mean that you are going to give up your core general expertise. The reputation you have built from your core expertise gives you credibility and access to the C-suites. By refining your core competencies, you can become an expert in a finer niche which narrows down the number of competitors who can compete with you.

Participant 5 agreed, stating, "When a consultant specializes, he or she is offering more value than competitors that are generalist in a similar field. Essentially, you become the big fish in a smaller pond." Participant 6 also concurred with this response, "The ability to be an expert in a particular field is valuable. Strategy gets you to the C-suite, but being a niche expert gets you the contract." Participant 8 mirrored these sentiments, "As customer needs change, you will instinctively discover niches that would benefit your clients. It is the normal and natural byproduct of your regular core differentiation." Participant 14 also echoed the perspectives, stating, "Consultants cannot know everything. By specializing in one or two niches, you can shorten your learning curve and become an authoritative consultant in your field, which will lead to better networking opportunities and higher profits."

Participant 13 was the most vocal of the group:

The term general management consultant is obsolete. Replace the word general with your niche. For example, if your niche is social media strategy, then use social media strategy consultant as your expertise. If your niche is search engine optimization, use search engine optimization consultant as your specialties.

The KAIROS model. Together, the first letters of the six themes that are most relevant to practice form the acronym KAIROS: (a) K = know your customers, (b) A = adopt a growth mindset, (c) I = invest in digital competencies, (d) R = reduce disruption noise, (e) O = obsess with data, and (f) S = specialize forward. The KAIROS model is intended as a practical framework and resource for leaders of SMB consulting firms to improve their decision-making in a disruptive environment.

Summary

The findings of this study were gathered utilizing a grounded theory methodology based on qualitative data. This chapter began with a restatement of the research questions and a brief summary of the methodology approach utilized to inform all aspects of the design in this study. An overview of the sampling criteria and recruitment procedures to select participants was presented.

Fifteen experts participated in this study over a 3-week duration. A semi-structured interview method was used for data collection, and then through a comparative data analysis process of open, axial, and selective coding, 15 themes emerged as a result. To fulfill the central research question regarding developing practical strategies that leaders of SMB consulting firms can use in managing disruption, the researcher developed the KAIROS model, representing an acronym of the six most significant themes that emerged in the expert participants' experiences and insights.

A discussion of the key findings, conclusion, implications, and recommendations for future research will be presented in Chapter 5.

Chapter 5: Conclusions, Implications, and Recommendations

The purpose of this qualitative grounded theory study was to develop a set of strategies and practices that small- to medium-sized management consultants can implement in the face of digital disruption characterized by growing customer expectations and competition. This chapter begins with a restatement of the set of research questions used to guide the research design; after that, an analysis of the key findings as related to literature is presented. The conclusion is then presented, followed by a discussion of the limitations of the study. The study concludes with suggested areas for future research and reflective remarks.

Re-statement of Research Questions

The following research questions were used to organize the study and assess the phenomenon under investigation:

1. What challenges do leaders of small- to medium-sized management consulting firms face in managing disruption?

2. How would leaders of small- to medium-sized management consulting firms acquire the digital expertise to compete in the increasingly digital economy?

3. What strategies and practices can leaders of small- to medium-sized management consulting firms employ in managing disruption?

Discussion of Key Findings and Related Literature

The KAIROS model was developed as a framework of best practices in response to this study's central research question: What strategies and practices can leaders of small- to medium-sized management consulting firms employ in managing disruption? KAIROS, an acronym of the study's six themes, was designed as a sequence of tactics or a series of questions to help SMB consultants manage an array of variables in a volatile environment (Anderson et al., 2015).

Each letter in the KAIROS method and its related meaning are discussed in relation to the literature that undergirded the study (Grant & Osanloo, 2014; Jabareen, 2009).

Know your customers. Participants recommended that consultants need to capitalize on the wealth of available information across online platforms to develop solutions to address their clients' most pressing needs and wants. Effective consultant-client relationships are based on trust and reciprocity (Greiner & Metzger, 1983). Although new technological developments have changed customer behaviors and their marketing strategies (Christensen, 2013), personalization remains the key to extending that trust for an enduring relationship (Cecere, 2016). The ability to nurture this relationship will leave consultants vulnerable to upstart competitors entering the market with simpler and less expensive services (Christensen et al., 2015; Raynor 2011; Reinhardt & Gurtner, 2014).

Adopt a growth mindset. Participants recommended that a growth mindset is imperative in a fast-changing and uncertain environment. They recognized that the rate of technology development is progressing so rapidly that consultants must make self-development and personal growth an absolute priority if they are to serve their clients in a changing future. Capacity building requires a shift in mindset. This shift in the traditional mindset to encourage learning, embrace discovery, and create new knowledge is a key differentiator of businesses (McMillan et al., 2017). In a rapidly changing business environment, consultants must develop a continuously learning mindset to build capability and acquire new knowledge to meet future client challenges in a dynamic and uncertain environment (Christensen, 2013). The ability to access knowledge and drive incremental capacity change is vital in a fast-changing and uncertain landscape (Czerniawska, 2002).

Invest in digital competencies. Participants recommended that consultants gain new knowledge and stretch their use of technology by working beyond their traditional capabilities. Knowledge is only useful to the degree that it serves a purpose (Kubr, 2002). Technological innovation requires a reassessment of fundamental strengths. As changing customer expectations and needs are evolving, businesses have to adapt and remain relevant to their customers (Cecere, 2016). A consultant must have the hybrid skills to develop strategic advice, harmonize available technology solutions, and execute on building ground-up projects (Corsi & Minin, 2014). The fusion of strategy and digital capabilities has become a consulting imperative in a fast-changing digital world (Sharif, 2002). The ability to offer strategic advice, propose available technology solutions, and execute on digital projects is fast becoming a core business strategy for clients.

Reduce disruption noise. With so much content and information available, participants recommended that busy consultants sift through information and use what is relevant and purposeful to their clients. They emphasized that building new competencies is crucial to future success only if it leads to a destination that centers around more valuable customer relationships. Knowledge is only useful to the degree that it serves a purpose (Rogers, 2003). The imperative of digital transformation is an insistent buzz in the ears of executives in many industries. The most effective consultants apply filters to all the industry noise (Minishi-Majanja & Kiplangat, 2005). When consultants understand the customer needs in the context of their stages of technological adoption in an innovation cycle, they can develop the solutions that best meet their clients' needs (Attewell, 1992; Dearing & Cox, 2018). They put clients before technology adoption. A noisy market that provides an abundance of information without relevant information interferes with good decision-making (Kreps, 2017). For consultants, the objective

is to never look past their clients' unmet needs and pain points. They focus on what matters to their clients.

Obsess with data. Participants identified data analytics as a key skill to enhance a consultant's main core portfolio of services. The rapid progression in AI coupled with faster device connectivity allow companies to accumulate data on an unprecedented scale. These technological innovations are gathering information at a rapid rate faster than ever before (Christensen, 2013). The ability to collect and take action on complex and in-depth data analysis is readily available from specialized market research firms and database houses for lower fees than what a big consulting firm would charge (Czerniawska, 2002). New entrants are also taking advantage of these opportunities by offering data analytics services to help clients determine the buying habits of their customers with the end goal of deploying marketing messages or developing product recommendations (McQuivey, 2013). To counter these competitive aggressions, consultants must develop new knowledge and skills to absorb these new offerings and, at the same time, keep up with customers' increasing demands for digital experiences (Mount, 2012).

Specialize forward. Participants recommended the migration of a traditional generalist consultant with a more specialized consultant. To put this recommendation in context, they are not suggesting that consultants abandon their generalist knowledge and perspectives, but instead, to integrate at least one specialty with their breadth of perspectives to become more valuable in the industry. The trend toward increasing computing power and declining processor prices translates to amplified competition and more choices for consumers (Christensen, 2013). The marketplace is currently witnessing a growing proliferation of niche specialist startups and the trend of large firms leaning toward developing or acquiring specialized services (Christensen et

al., 2015). With digital understanding being a mandatory prerequisite for consulting, a consultant must have niche expertise in technology in order to compete against the onslaught of new upstarts (Kubr, 2002). Future foresight begins with intelligent insight (Greenhalgh et al., 2014).

Conclusion

The researcher used a grounded theory methodology to collect qualitative data from expert participants through an iterative process that converged on similar patterns and resulted in the emergence of 15 key themes. Since some of the 15 themes overlapped in meaning and were mutually reinforcing, the researcher further whittled down the 15 themes into six strategies with the acronym of KAIROS, which, in Greek mythology, means *seize the moment* (Harker, 2007).

The six KAIROS strategies can be implemented alone or combined into a framework of multiple approaches depending on a firm's culture, goals, and environment. Each of the KAIROS strategies covers a different way a consultant can choose to compete, and if handled adroitly, each strategy can increase a firm's capabilities and competitive positioning. In detail, the six competitive strategies for KAIROS practitioners are as follows.

KAIROS leaders pursue immersive customer experience. They have a wider view of customers through their digital profiles. The majority of the participants' views were exemplified by participant 2:

> Customers and businesses are embracing technology and social media. Every online channel represents an opportunity to add value and deepen the trust with your clients. Consultants of the future must immerse themselves in the context of the clients' world seamlessly. They want to deal with consultants that understand their business, share their values, and are engaging beyond the traditional way.

Such immersive information often reveals critical insights that include hints at changes in customer needs, the arrival of new competitors, or new technologies that might make existing services obsolete. Practitioners of this strategy derive insights from multiple sources to uncover unarticulated needs, challenges, and opportunities facing customers and new value opportunities. They focus their efforts on continuous improvement rather than wait until competitive pressures necessitate a risky and challenging change. The immersive process enables consultants to organize and analyze customer insights to reveal what services customers do and do not want. The objective is to know your customers at a granular level and use this information to ignite changes on current offerings to meet customer needs. KAIROS practitioners make customers the starting point in the consultant-client value chain. They know that their services must reflect customer values, needs, and wants (Ancona et al., 2019).

KAIROS leaders are passionate learners. Practitioners of this strategy view knowledge as a business differentiator. They do not let knowledge overwhelm them. Instead, they excel at transforming themselves to meet their customers' wants and needs. Participant 5 reflected the opinions of 12 of the study's other experts:

> As a consultant, you have to focus on continuously building your knowledge and skills to effectively serve your clients in a fast-changing landscape. Clients have options to choose from a myriad of consultants. To differentiate yourself, you must go beyond traditional skillset and offerings. Adopting a learning mindset must be the centerpiece of every consultant's priority moving forward.

KAIROS practitioners invest in learning so they can detect market changes and take advantage of new realities and opportunities. They create a learning culture by fostering an innovative environment and nurturing their employees' development. They believe that knowledge

stimulates innovative ideas and leads to better decision making. KAIROS practitioners believe that a shift in mindset to continuous learning is pivotal in the digital economy, and to these practitioners, knowledge is a key competitive advantage. Personal growth requires a mindset of curiosity and experimentation (Fountaine et al., 2019).

   KAIROS leaders link learning to customer needs. Infinite information requires consultants to adopt a methodology for focus learning. Participant 8's response reflected the insights of 11 of the study's other experts:

> Technological disruption is not about going with the trend. Digital leadership requires consultants to continually assess how the new business environment is impacted by digitalization. Sound management principles still prevail. Start by aligning your organization and people toward meeting your clients' needs. The ability and agility to change the culture and realign the structure of your organization to serve your clients matter most.

Practitioners of this strategy let customer needs dictate areas of knowledge that will serve them best. They acknowledged that rapid technological changes require a reassessment of core strengths to ensure that they can continue to create tangible value that matches client needs. KAIROS practitioners prioritize learning, so that time spent acquiring new knowledge is strategic. They are masters at partnering with clients to explore market opportunities and develop solutions together. Their end goal is to become indispensable advisors to their clients. As changing customer expectations and needs evolve, consultants have to adapt and remain relevant to their customers (Fountaine et al., 2019).

KAIROS leaders are equanimous in uncertain times. They apply filters to drown out all the noise and focus on serving their customers. Participant 11's response illustrated the insights of 12 of the study's other expert participants:

> Consultants are experts in dealing with ambiguity. The marketplace is full of uncertainties and it is very easy to get overwhelmed by news headlines. The most effective consultants focus on a few things that really matter. They know how to frame and put issues in perspective. They respond to volatile situations objectively and not become engulf by what they don't know.

Practitioners of this strategy are experts in seeing smaller, distinct trends as tangible market forces. They don't see a single, all-encompassing explanation for the forces that disrupt industries. They believe that multiple microtrends, not just one singular force, define the contemporary economy. KAIROS practitioners make sense of microtrends in the context of broader trends, like the growing importance of information. They know that market volatility creates noise that interferes with good decision making. These practitioners thrive on their ability to help clients sift through the mountains of information daily and discern just which information is relevant. KAIROS practitioners realize that more information does not translate to more knowledge and wisdom. By helping clients manage the crush of information and assessing opportunities and risks relevant to their businesses, in the process, they become collaborators and indispensable advisors to their clients (Gulati, 2019).

KAIROS leaders use data to help inform decision making. Practitioners of this strategy thrive on using big data in combination with machine learning and artificial intelligence tools to achieve findings that spur action. Participant 12 shared the voices of six of the study's other experts:

Data has undeniably become a key part of businesses. Clients need data analysis to drive decisions that that can make an impact to their organizations. Consultants that can perform deep analysis to inform decision makers of strategy changes will be indispensable advisors.

The voluminous amount of data constantly generated from machine learning algorithms that determine customers' propensities to make certain types of purchases, or real-time information produced from millions of smart, connected sensors through the IoT, offers opportunities for consultants who understand how to leverage analytics for knowledge discovery or insights. Although such connectivity will drive greater disruption, having the ability to bridge data insights and customer value can rapidly accelerate the pace of digitally-enabled growth for consultants (Czerniawska, 2002). KAIROS practitioners recognize that data analytics require a specific set of skills and IT infrastructure to take insights and translate them into new strategic offerings. They excel at collaborating with specialized data analytics firms to build the in-house capabilities needed to adjust their offerings to serve clients better. KAIROS practitioners make data-driven decision-making part of their culture.

KAIROS leaders behave like a disruptor. Access to industry information has leveled the playing field for early-stage companies in the consultant value chain. As digital innovations reduce transaction costs, more niche providers are taking aim at taking smaller pieces of the consultant supply chain, from research to strategy, resulting in the disaggregation of the value chain. When the market subdivides into different segments of demand with each segment requiring separate needs and preferences, the entry to barrier diminishes, and consultants become more vulnerable to niche competitors. Participant 15 articulated the sentiments of 13 of the study's other experts:

Consultants are not immune to industry changes. Most consultants will stick to what they

do best because it is comfortable. They rest on their laurels and stop innovating.

Consultants must start thinking how to interrupt their own business models, challenge old

assumptions, and push organizational boundaries. They must start thinking about the

next phase of consulting. Because like the old saying goes, if they don't someone else

will.

Practitioners of this strategy are continually looking for ways to disrupt their own business model

and develop new ways to collaborate and create value for their clients. The specialization

strategy requires looking for segments of customers that consultants themselves can disrupt.

KAIROS disruptors act fast. They realize that deciding to stay at the current level means losing

a competitive advantage to the more agile startups (Jakhar & Bharadwaj, 2018).

The business world is becoming increasingly complex, characterized by rapidly evolving

technologies and changing customer demands. These levels of complexity make it difficult for

SMB consultants to predict with any certainty what lies ahead for their firms. Although

complexity makes long-term business planning futile, some overarching strategizing is possible.

SMB leaders can select from among six KAIROS principles, each using a specific competence to

create value for customers. These strategies whose names form the acronym KAIROS are:

(a) know your customers, (b) adapt a growth mindset, (c) invest in digital capabilities, (d) reduce

disruption noise, (e) obsess with data, and (f) specialize forward.

The six actionable strategies give SMB consultants a glimpse of the future they can

interpret and integrate in their own way. Future leaders must be comfortable with agitation and

change (Greenhalgh et al., 2014). As the pace of change accelerates, winning in the digital age

requires SMB consultants to become more resilient and flexible by developing the ability to deal

with uncertainty (Robertson et al., 2003; Wisdom et al., 2014). The researcher hopes that the strategies developed through this study will provoke future thinking about the consulting industry and lead to better decision-making in the present.

Implications

One of the significant outcomes of this study was the KAIROS framework. The KAIROS model is a set of six principles that SMB consultants can adopt to take action in a disruptive environment. In such volatility, the confluence of rapidly evolving technology, higher customer expectations, and emergent competitors is offering new digital solutions that customers value. The large incumbents in the industry have counteracted the onslaught by developing the same digital capabilities in-house or acquiring companies that can offer similar solutions. However, SMB consulting firms are predisposed to volatility because they do not have the same resource capacity as their industry leaders to compete with entrepreneurs who can offer these services at a lower cost.

To offset the onslaught by digital startups, SMB consultants must augment their traditional models with new practices and processes or adopt new models that can compete more effectively with the more agile startups. Consequently, the findings of this research have filled a knowledge gap and contributed to the design of a comprehensive framework that can support SMB consultants in a disruptive environment.

Each of the six KAIROS strategies can provide a competitive advantage if deployed adroitly. The six strategies outline the aspects of an organization's weaknesses that it must address before navigating a change. It moves the focus from customer processes to knowledge acquisition, and finally, to cultural adaptation. Ultimately, the degree of a strategy's effectiveness depends largely on a firm's leadership and culture to adjust to the change. The

final choice of strategy must align with the firm's current core abilities to maximize the competitive advantage that would guide the firm's future. Consultants can tackle the greatest barrier of digital transformation by embedding new mindsets and acquiring new skills. The consultant who can embrace effective change must engage in both personal growth and professional development.

The KAIROS model, named after the ancient Greek word for seize the moment (Harker, 2007), represents an opportunity for SMB leaders to assess which old practices to discard, and what new practices they can integrate into their core service offerings.

Recommendations for Future Research

The purpose of this qualitative grounded theory study was to develop a set of strategies to help SMB consultants prepare for digital disruption brought upon them by changes in technological innovation and customer preferences. Using the process of theoretical sampling from the insights of 15 experts, the researcher discovered strategies that SMB consultants can adopt to cope with disruption. Building on the study's findings, the researcher recommends the following research areas for further study. These research areas could promote new meanings, advance theory, and contribute to the literature on innovation.

An important limitation of this research is not differentiating the sectors or industries of consultants interviewed. The distinction is crucial because not all sectors are affected by technology equally. For example, consulting services in the manufacturing, banking, or legal industry face much more volatility than the utility industry.

Another significant limitation of this study is the constraints on the participants' geographic location. Consultants that operate locally are only required to focus on following the domestic set of rules and requirements. Market analysis for a smaller geographical region also

has a narrower focus as opposed to learning the preferences and needs of several cultures across various countries. As a result, consultants that operate locally can often establish and capitalize on a market niche. Although some consultants require bilingual communication, it is not rare for domestic consultants to work in only one language.

Finally, although the KAIROS strategies are easy to underhand and use, the resources and individual culture within consulting firms may hinder effective deployment. Organizational hierarchies and resource capacity are different in every firm. Without the cachet of a global brand name and resources, it can be difficult to find the time to implement the strategies of the KAIROS framework. This is a vital concern because most boutique consulting firms, without major capital infusion, are funded out of operating cash flow. A small misstep in strategy can lead to a shortage of billable client projects. Future research may consider the development of more reliable measures for examining the implementation timeframe.

Modern-era models for assessing technological developments maintain that success is reliant upon a firm's capacity to acquire and adapt new learnings (Wisdom et al., 2014). To grapple with the challenges of sector dissimilarities, cultural differences, and unique characteristics of firms, the researcher proposed that further development is required to help bridge evidence from theory to practice.

Reflection

The primary contribution of this study is the development of the KAIROS framework to help SMB leaders contend with disruption By drawing on experts' insights regarding strategies and practices, six actionable strategies were developed: (a) know your customers, (b) adopt a growth mindset, (c) invest in digital competencies, (d) reduce disruption noise, (e) obsess with data, and (f) specialize forward.

This innovation study is relevant because executives today must make decisions in highly complex environments that involve rapid advancement in technology and growing customer sophistication. These layers of complexity and uncertainty have profound implications on the future performance of consulting firms. The researcher hopes that the findings in this study will yield more interest in the practice of consulting, and as for scholars, they can use this study as the foundation to launch future empirical studies.

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APPENDIX A

Semi-Structured Interview Questions

RQ1: What is happening at the "boundaries" of your industry? Why?

IQ 1a: What is your definition of disruptive innovation?

IQ 1b: What are your main concerns about disruptive innovation for your consulting business?

IQ 1c: What other challenges have you come across in the changing consulting industry?

IQ 1d: Who are your emerging competitors and how are they disrupting the industry value chain?

IQ 1e. How has your customers change in terms of needs and preferences?

IQ 1f: What will it take to delight your customers in the future?

RQ2: How can leaders of small- to medium-sized management consulting firms acquire the digital expertise to compete in the increasingly digital economy?

IQ 2a: How are you using technology (such as AI and social media) to reinvent the customer experience, capture market value, or enter new markets?

IQ 2b: What strategies have you used to ensure optimal knowledge and value transference to your customers?

RQ3: What strategies and practices can leaders of small- to medium-sized management consulting firms employ in managing disruption**?**

IQ 3a: How are you managing the transition to the changing consulting industry?

IQ 3b: Can you elaborate on your understanding of the IT risks you face and what are your doing to reduce the risks on an ongoing basis?

IQ 3c: In terms of technological innovation, what is your view on how this evolution will impact your business?

IQ 3d: What strategies are you using to overcome the challenges of disruptive innovation?

IQ 3e: What advice and recommendations do you have for dealing with disruptive innovation and its impact on consulting?

APPENDIX B

IRB Approval

PEPPERDINE

NOTICE OF APPROVAL FOR HUMAN RESEARCH

Date: January 14, 2020

Protocol Investigator Name: Ed Eng

Protocol #: 19-12-1235

Project Title: Best Leadership Practices for Small - to Medium-Sized Management Consulting Firms: A Grounded Theory Study

School: Graduate School of Education and Psychology

Dear Ed Eng:

Thank you for submitting your application for exempt review to Pepperdine University's Institutional Review Board (IRB). We appreciate the work you have done on your proposal. The IRB has reviewed your submitted IRB application and all ancillary materials. Upon review, the IRB has determined that the above entitled project meets the requirements for exemption under the federal regulations 45 CFR 46.101 that govern the protections of human subjects.

Your research must be conducted according to the proposal that was submitted to the IRB. If changes to the approved protocol occur, a revised protocol must be reviewed and approved by the IRB before implementation. For any proposed changes in your research protocol, please submit an amendment to the IRB. Since your study falls under exemption, there is no requirement for continuing IRB review of your project. Please be aware that changes to your protocol may prevent the research from qualifying for exemption from 45 CFR 46.101 and require submission of a new IRB application or other materials to the IRB.

A goal of the IRB is to prevent negative occurrences during any research study. However, despite the best intent, unforeseen circumstances or events may arise during the research. If an unexpected situation or adverse event happens during your investigation, please notify the IRB as soon as possible. We will ask for a complete written explanation of the event and your written response. Other actions also may be required depending on the nature of the event. Details regarding the timeframe in which adverse events must be reported to the IRB and documenting the adverse event can be found in the *Pepperdine University Protection of Human Participants in Research: Policies and Procedures Manual* at community.pepperdine.edu/irb.

Please refer to the protocol number denoted above in all communication or correspondence related to your application and this approval. Should you have additional questions or require clarification of the contents of this letter, please contact the IRB Office. On behalf of the IRB, I wish you success in this scholarly pursuit.

Sincerely,

Judy Ho, Ph.D., IRB Chair

cc: Mrs. Katy Carr, Assistant Provost for Research