Management Consulting Journal
Volume 6.1 | February 2023
DOI: 10.2478/mcj-2023-0001
ISSN: 2631-987X

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Consulting on the Cusp of Digitalization

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Abstract

In the digital economy, consultants must help client's companies develop digital transformation to increase their market value. This implementation requires the solutions we will indicate in this article. These solutions come from our interviews with 81 senior managers from eight countries. Consultants can make their consulting on digital transformation more effective with these solutions.

Introduction

Digital transformation is one of the most important issues that organizations are facing today (Nadkarni & Prügl, 2021; Rha & Lee, 2022). Today's economy is more digital than ever, and organizations are taking on a new meaning (Litvinenko, 2020; Lynn, et al. 2022). Digital technology helps many organizations solve their issues of cyber security and operational risk management. The question remains of whether the digital investment in technology may cause prices of products and services to increase. This may be true at first, but the digital divide is here to stay, and investing in digital products and services will replace analog systems of the past. Therefore, the first shift in the organization's strategy to augment this transformation is to move towards reducing costs and increasing profits through investment in digital technologies (Hess, 2022; Mikalef & Parmiggiani, 2022). Our interviews with 81 senior managers in a wide range of industries from eight countries (Australia, China, South Korea, the United States, and four European countries), tell us that there is a significant relationship between market value and the amount of investment in digital technology. Many leadership development sessions are built around new systems and better and more improved ways of conducting business. As organizations increase their investment in digital technology, eventually, their market value will grow increasingly. Organizations that focus only on profitability without considering the importance of investing in digital technologies achieve a lower market value compared to their competitors. This qualitative research is based on the following overarching research question:

How does digital transformation increase market value?

Furthermore, this research indicates that effective consulting on digital transformation also requires the solutions we have revealed in this article for management consultants.

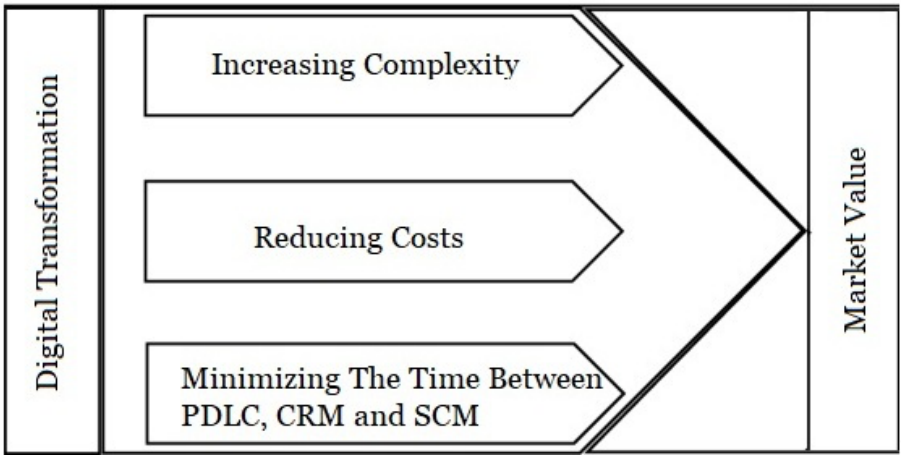
Findings

Our interviews with senior managers indicate that there are several logical reasons behind this significant relationship between the market value and investment in digital technologies. Consistent with previous studies (Homburg & Wielgos, 2022; Van Veldhoven & Vanthienen, 2022), this study has also shown that the first reason is that with the growth of digital technologies, organizations achieve a level of complexity that will cause the competition to be unable to imitate them. This acts as an important strategic flank for organizations to achieve a high level of competitive advantage (Mosca, Gianecchini & Campagnolo, 2021; Thornhill, White & Raynor, 2021; Beugelsdijk, 2022).

Second, the implementation of digital technology projects for organizations acts as a suggested attempt to reduce costs which, if announced, offers a bounce up on the stock price temporarily (Abdallah Shehab & Al-Ashaab, 2022; Bogdanova, Rytova & Krasilnikova, 2022; Kreuzer, et al. 2022). Organizations that implement digital technologies with extensive investment have a higher potential to reduce costs compared to other organizations. For example, our research shows that many successful organizations in East Asia, especially in countries such as South Korea and

China, use the digital transformation strategy as an important weapon in the competition with American, Australian, and European organizations. They drastically reduce costs and increase the profit and market value of their organizations. Also, Korean and Chinese organizations have brought the implementation of digital technology to a level of optimal performance that can minimize the time between the product development life cycle and the management of the relationships with customers and the supply chain of goods and services. This eventually adds to the flow of cash more quickly in their organizations.

The following framework illustrates how the road to market value is paved with digital transformation:



How to Better 'Consulting on Digital Transformation'?

Our research also suggests several solutions for the better consultation of digital transformation. First, our findings suggest that consultants help organizations design and implement an integrated information technology system that allows the organization's departments and employees to communicate with each other all over the world. At the same time, this integrated and extensive system, which has led to the growth of complexity and competitive advantage of the organization, has also reduced the chances of competitors imitating them (Grösser, 2017; Herden, 2020). In addition, this organizational design also provides an important role for the growth of innovation by sharing ideas and communication (Samara,et al. 2022). A successful example of this integrated information technology system can be seen in Alibaba, which compared to many of its international competitors such as Amazon, has reached an amazing level of cost reduction and innovative growth.

The second suggestion is to use new project management consulting techniques and design an organizational culture that is suitable for this digital transformation of organizations – a Level Three Leadership. Jim Clawson coins the phrase that level three leadership focuses on vision, purpose, values, stories, music, and symbols. Training and development of human resources should also become an inseparable part of the strategic management of organizations. Working together, Strategic Human Resource Management can bridge the digital divide. In fact, this proposal is to maximize the role of digital technologies in the supply chain and communication with customers

so that costs can be reduced as much as possible. Organizations such as Walmart, Target and Kmart Australia have mastered the supply chain relationship and will only work with vendors that can meet their expectations.

The next suggestion is to train active human resource professionals in the information technology sector with management and business methods so that the maximum possible result can be achieved in this combination of information technology with the supply chain and communication with customers. We recommend Jim Clawson’s book titled Level Three Leadership for management consultants.

Conclusion

Management consultants are more important than ever today, and they must be aware of the importance of digital transformation in their client’s companies' market value and the vital role of solutions that can facilitate effective consultation in digital transformation. In this article, we have shown that to manage new challenges and achieve a higher level of market value compared to competitors, consultants should help senior leaders start implementing solutions that facilitate digital transformation. This is a secret weapon of market value in today's digital economy.

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