

DIGITAL TRANSFORMATION AND COVID-19:

KEY CHALLENGE FOR THE CONSULTANT - CLIENT RELATIONSHIP

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ABSTRACT

The aim of this paper is to explore how the consultant-client relationship changed due to the COVID-19 distinguishing two stages: the relationship management during the covid-19 pandemic restriction and after the pandemic period. To reach this objective, a case study methodology has been adopted based on a sample of five professional service firms in the province of Pesaro and Urbino.

Results showed that professional service firms that where already equipped to work remotely suffered less the conversion to smart working.

The relationship between client-consultant switched immediately online using digital tools for meetings and sharing documents. However, some of digital tools and practices such as video call meeting remained after the COVID-19 pandemic restriction configuring a sort of hybrid relationship, in part human and in part technology driven.

From a theoretical point of view this study aims to contribute to enriching the literature on the relationship between client and consultant and the digitalization process of SMEs.

From a managerial point of view this study contributes highlighting the challenges that consulting firms and customers have to face with the “new normal” and the relevance of digital transformation in this challenge.

Keywords – Digitalization, SMEs, consulting firms, consultant-client relationship.

Theoretical background and research questions

The Coronavirus disease 2019 (COVID-19) pandemic was unexpected and, similarly to other pandemics, it has had both short-term and long-term economic impacts on the global economy (Pencarelli et al., 2020). Consequently, the COVID-19 pandemic has strongly affected several activities including the management consulting industry. Due to the new ways of working and the government restrictions in the pandemic period, also the relationship with customers has changed deeply in terms of content, frequency, tools used and knowledge transfer.

The management consulting in Italy is a highly fragmented sector, with a polarized structure between a very small number of large groups (2%) and many small and micro (98%) management consulting firms (Confindustria Assoconsult, 2023).

Management consulting is mostly based on human relationship, as Maister (1982) argued that professional services usually involved a high degree of interaction with the client. It emerges that the marketing of consulting services deals with two dimensions of the consulting approach: the human dimension (the relationship between the consultant and the client) and the technical dimension (the technical know-how needed to solve the client's specific business problem).

Traditionally, being a face-to-face service, and relying quite a lot on personal contacts and connections, management consulting appeared to be threatened by the digital transformation and technological advancement as well as extended accessibility of data and analytical tools to the clients. Digital transformation for predigital organizations is recognized as an iterative process that depends on the external and internal context, and the latter is in continuous evolution because previous digital transformation results are inputs for future actions (Chania et al. 2019, Cardinali et al. 2023).

However, a crisis leads to a transformation, and transformation requires knowledge and expertise for its implementation, and it is where consultants are needed.

The pandemic of 2020 and the imposed lockdown regime sped up the digital transformation of businesses of all kinds. Digitization of management consulting services have already started before the COVID-19 pandemic in 2020, but the scope of this transformation was still limited. Previous year, however, pushed the consulting industry as any other business which aimed at surviving, to speeding up digital transformation and reviewing the service delivery approach (Christensen et al. 2013; Greff and Werth 2015; Nissen and Seifert 2015; Nissen 2017, Tavoletti et al., 2021, Crisan, Marincean, 2023).

With the advent of COVID-19 pandemic various types of human behavior (e.g., shopping, learning, working, meeting, and entertaining) shifted from offline to online, resulting in an accelerated diffusion of emerging digital technologies. Hardware technologies such as mobile devices and webcam-enabled computers play a fundamental role to provide services (Vargo et al., 2020).

Video-based communication platforms, for example, Zoom, WebEx, Facebook Messenger, and Google Hangouts, either became the "working assistant" to prompt conferencing digitally safely and effectively or built bridges to keep the social interaction. As a matter of fact, one of the most prominent technological activities present during the COVID-19 pandemic was telework (Wang et al., 2021; Bolisani et al., 2020). Besides email, online surveys, Google Sheets, and more, telework technologies utilize digital information to exchange virtual services at work (Belzunegui-Eraso & Erro-Garcés, 2020).

However, it raised a specific communication effect of COVID-19 by professional service companies. In the new situation, such companies have successfully maintained their formal communications and are likely to increase their effectiveness, but occasional, problem-solving

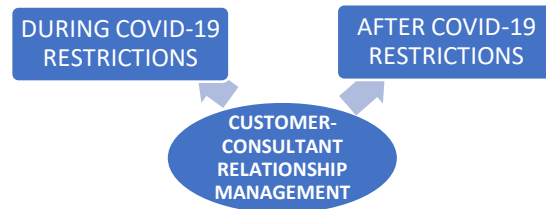
innovative conversations are not easy to hold in such a digital environment (Keogh, 2020, Szeiner et al 2021)

Accordingly, the following research questions are formulated:

RQ1: what are the strategies adopted during the COVID-19 pandemic restrictions in order to face the relationship with customers?

RQ2: how was managed the relationship with customers after the COVID-19 restriction?

To answer these questions, we adopted the following conceptual framework:



Source: our elaboration

Methodology

A qualitative research method has been adopted because it allows to grasp an in-dept understanding of a complex phenomenon. In particular, it has been developed a qualitative multiple case study research based on the empirical method of the semi-structured interview to consultants, leading the interviewee through specific questions, which stimulated the subject to provide opinions.

A purposeful sampling was adopted (Patton, 2015) based on the service activity that is providing professional services to SMEs, and number of employees that is less than 20 employees.

Based on these criteria, five small professional service firm have been selected (PSF1, PSF2, PSF3, PSF4 and PSF5): they are in the province of Pesaro and Urbino and provides professional services to SMEs. In-depth interviews have been carried out in November 2021 and July 2023. In-depth interviews have been carried out during which a qualitative questionnaire has been administered to the senior consultant thorough the online platforms (PSF1, PSF3, PSF4 and PSF 5) and through the phone (PSF 2). The interviews, lasting forty and thirty minutes, were digitally recorded. The interviews have been structured in the following sections: (i) general information about the professional service firm, in terms of number of employees, profile of the interviewee and the service offered, (ii) the strategies adopted during the COVID-19 pandemic restrictions in order to face the crisis, (iii) the management of the relationship with customers after the COVID-19 restriction.

For data triangulation, we compared the data collected with professional service firms' website and social profiles and other documents (Yin, 2018).

Findings

The Table 1 summarizes the general profile of the sample. PSFs are all located in the province of Pesaro e Urbino. They are all small PSF with at least 10 employees and their main activities are fiscal/tax and accounting, crisis management, management control, corporate consulting and corporate audit.

Table 1 – profile of the sample

| N | Respondent role | Interviewed method | Localization | Employees |
|------|-----------------|--------------------|--------------|-----------|
| PSF1 | Consultant | online platforms | Fano | 10 |

| | | | | |
|------|------------|------------------|------------------|---|
| PSF2 | Founder | Phone | Fano | 4 |
| PSF3 | Co-founder | online platforms | Fano | 6 |
| PSF4 | Founder | online platforms | Colli al metauro | 6 |
| PSF5 | Founder | online platforms | Urbino | 3 |

Source: our elaboration

Findings showed that firms were similarly influenced by the COVID-19 pandemic since the strategies adopted to manage the relationship with the customers is particularly similar.

As in any professional service company, the consultant manages the relationship with the customer thorough different ways: thorough physical visiting (generally 1 time a month) to the customer firm, sending periodically email with news, and at least 1 time a week the customer.

With the advent of COVID-19 pandemic, initially, the challenge was to reorganize they job in a remote way as quick as possible.

Concerning the covid pandemic restriction period, quite similar for all PFSs, differences occurred on the remote working. Even though all consultant improved the usage of videocalls and email for the management of the relationship with customers, the main difficulties occur in terms of internet infrastructures (PSF1), the level of usage of digital tools (PSF 1 and PSF5) and an aseptic interaction with customers empty of the human (PSF2, PSF3 and PSF5). Some PSFs were more ready and equipped for switching in a digital manner, while for other had to sustain an initial mental and training effort to work remotely.

Conversely the benefits linked to the remote working are the same: cost saving for the customer and time saving together with efficiency and productivity for the consultant.

Almost consultants have expanded the services offered to customers (related to planning and scenario analysis for PSF1 because entrepreneur were afraid how to use their financial resources and linked to the possibility of accessing to the state contributions for PSF2 and PSF5).

In this scenario, PSF 2 and PSF 4 acquired new customers from the online channel.

From the communication point of view PSF 1, PSF2 improved their digital communication strategy. Notably, they started to share content on social networks and on the web site: PSF1 provided also webinars. PSF 5 tried to support its customers increasing the email messages concerning the right behavior to follow.

For what concern the period after the covid pandemic restrictions, consultants confirm that some practices remain in the management of the relationship with customers. In particular, the videocall meeting remains a tool to manage the relationship with customers as consultants noticed that thorough an increasing number of online meetings, their duration decrease, saving time for other activities.

This practice is appreciated also from customers because it permits to save time for other activities and in a certain sense it allowed to reinforce the relationship.

So, all consultants maintain digital communication tools whenever its possible while they switched to the physical meeting for the more complex operations.

Table 2 – Managing relationship during and after the covid-19 pandemic restrictions

| <i>Phase</i> | <i>PSF1</i> | <i>PSF2</i> | <i>PSF3</i> | <i>PSF4</i> | <i>PSF5</i> |
|------------------------------|---|---|---|---|---|
| During Covid-19 restrictions | Improve videocalls, email, phone calling. DIF: internet infrastructure | Improve videocalls, email, phone calling. | Improve videocalls, email, phone calling. | Improve videocalls, email, phone calling. | Improve videocalls, email, phone calling. |

| | | | | | |
|-----------------------------|--|--|---|--|---|
| | BEN: money and time saving | DIFF: loss human dimension | DIFF: loss human dimension | DIFF: loss human dimension, initial effort | DIF: loss human dimension |
| | Improve digital communication | BEN: money and time saving | BEN: more productivity | for remote working | BEN: time and cost saving, productivity |
| | No new customers | Improve digital communication | No new customers | BEN: Time saving, productivity | No new customers |
| | New services: scenario analysis | New customers | New services: access covid supports | New customers | New services: access covid supports |
| After Covid-19 restrictions | Emails, some periodic visits replaced by videocalls. Faster meetings Improve digital communication | Emails, some periodic visits replaced by videocalls. Faster meetings Improve digital communication | Prefer human contact instead of videocalls. | Mail, videocalls for routines, face-to-face meeting when strictly necessary. | Emails, videocalls for routines, face-to-face for complex operations and when strictly necessary. |

Source: our elaboration

Despite the fear and the period of uncertainty, the PSF5 has noticed that covid has stimulated entrepreneurial planning towards business model innovations. Notably, entrepreneurs perceived the risk as an element for finding new solutions (ie. Esg, digital matter).

In general, all consultants confirmed that the COVID-19 pandemic didn't have a negative impact on the human relationship with their customers, in some cases they believe that the COVID-19 has strengthened it.

Discussion, conclusion and Implications

The study has investigated the impact of the COVID-19 pandemic on the client-consultant relationship by enriching the extant literature.

In particular, findings showed how the crisis has provoked significant repercussions on the relationship management. These repercussions have been mainly derived from (i) the need to acquire an internet infrastructure capable of supporting management activities; (ii) the need to equip themselves as quickly as possible with mobile devices and digital tools in the shortest time.

From a managerial point of view this study contributes to highlight the challenges that consulting firms and customers have to face with and the relevance of digital transformation in this challenge. COVID has caused consultants, like many professionals, to have to react and

adapt quickly to continue to meet client needs while also surviving these chaotic times. As a matter of fact, the COVID-19 pandemic has forced many conservative firms to go online (Hwang, Nageswaran & Cho, 2020).

Anyone who joined consulting during the period of 2020-2022 can attest to how virtual the industry has become.

The majority of meetings are now conducted virtually and remote working has become the “new normal”. Remote working has also fragmented human interaction by reducing opportunities for face-to-face communication and networking.

For consulting firms, the online capabilities of this business area have in many cases ensured the maintenance of previous business relationships. The clients of the consultants were in many cases faced with unusual situations (Szeiner et al. 2022). This situation provides a number of new engagement opportunities for consultants (e.g., strategy, process reorganization, ESG etc.) (Pencarelli, Gabbianelli, 2020; Kamming, 2021). SMEs face very serious problems without adequate public support to get the consulting help they need (Shafi, Liu & Ren, 2020).

Indeed, given that use of online methods of assessment can increase ease of access to assessment resources, avoiding travel costs and time, for example, it is of interest to establish the utility of remote assessment methodologies for use even in non-pandemic times (Martínez-cengotitabengoa et al. 2022)

In general, COVID-19 accelerated the process of digital transformation of both SMEs and professional service firms, both in the speed of change and the required investment in digital transformation (Pascucci et al., 2023). As a matter of fact, various researchers (Donthu & Gustafsson, 2020; Hwang, Nageswaran & Cho, 2020; Habes et al., 2020) have emphasized that embracing digital is one of the efficient ways of managing this pandemic.

The customers were spending more and more time on digital channels like Facebook, Instagram, Zoom, and WhatsApp during the COVID-19 lockdown duration (He & Harris, 2020). Therefore, the use of digital marketing to reach out to customers became important for organization (Pandey, 2021).

The digital communication activity was reinforced in order to maintain the relationship with the current customers and to find new ones (Nugroho, Witarti, 2021)

To sum up, the digital transformation of the consultancy sector could provide more accurate, high-quality, real-time accounting, and more effective reporting for decision-making (Burritt & Christ, 2016). The administrative procedures within the organization have undergone a transformation that has resulted in the optimization of all back-office processes, leading to a reduction in management expenses. The rapid speed of digitization has changed the way consulting firms engage with clients and has created opportunities to assist companies in adopting new technologies to ensure business continuity and growth.

One advantage of doing it would be to make future consulting practices more compatible with preexisting consulting practices. For this purpose, the ISO 20700:2017 Guidelines for management consultancy services could be used. This document provides guidelines for people or organizations for the effective management of management consulting services. These guidelines could be easily updated to include a set of recognized standards related to digital consulting.

In longer-term, it would strengthen and increase trust for and acceptance of the digital consulting services.

All in all, this study shows that although some PSFs reported initial difficulties, a significant proportion of respondents consider the pandemic period as an opportunity and not only as a threat.

The current research is in progress and at this stage, provides useful insights to continue with future research. As this research takes into consideration only the consultant perspective, the clients’ reactions to the increasing digitalization of PSFs could be analyzed and compared.

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