

May 2018

Dear Colleagues and Friends

News from The London School of Economics on ONOC's business model and value proposition: A recent master thesis written by Marina Weilenmann received outstanding feedback and was rated with "high distinction".

Feedback included: "Excellent problem definition. Viable and very promising solution. Excellent market analysis. Exceptional product presentation and discussion, using relevant frameworks and appropriate methodology. Shows outstanding efforts of the student, including application of key frameworks, financial modelling, among others. This is a very well-written capstone thesis. Congratulations on this outstanding work (...)!"

We from ONOC are delighted to have LSE confirm that 1) our business model in the Outsourcing space is positioned in a sweet spot and looked at as game changer and 2) "Virtual Consulting as a Service" can play the role of a positive digital disruptor in the otherwise rather slow moving consulting industry.

Take a look at the Executive Summary, the definition of virtual consulting and the embedded pictures – and happy to get your comments and thoughts!

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Executive Summary

What is the impact of digital technologies on the traditional consulting business? How much and which elements of the work of consultants along a value chain perspective can be standardised and automated? Which are the fundamentals in the consulting business that require direct client interaction? How much consulting “intellectual property” can be transferred to and handled by a machine? To what degree will a service offering be cheaper when fully relying on an automated output provision replacing the majority of physical consulting?

These and further questions came up when developing the concepts for ONOC AG, a start-up business dealing with offshoring, nearshoring and outsourcing (ONO) and positioning itself as a consultant and general contractor (GC) between clients and service providers (SPs). The issues ONOC got across were eye openers in many ways.

Over the past decades consulting firms were hired to “improve the existing”, help transform business models, automate and integrate broken or dispersed processes, save costs through offshoring and outsourcing, remain compliant to regulatory requirements with an overall goal of getting more efficient and lean and increase quality and effectiveness. Today, companies gradually enter digital transformation journeys. The change of business models without adherence to the respective concepts – such as robotics and process automation (RPA) or artificial intelligence (AI) – has become unthinkable. Remarkably, consulting firms avoided the digital transformation of their own process landscape in so far that consulting services are still primarily offered physically or with only very limited use of digital support facilities. This is amazing, particularly in a time where a private individual is surrounded by apps, e.g. ordering Uber to go visit a friend, getting grocery and everyday products via home delivery and booking the next holiday trip just before arriving at the friend’s house. These apps bring demand and supply together in an easy, convenient and cheap way via a digital platform. While almost everything can be ordered or retrieved using an online service platform without any human interaction, the use of consulting services is still almost exclusively offered physically.

By adhering to their traditional business model of physical intense interaction of the consultants with their clients, the revenue stream for consulting firms proved to be sustainably attractive so that they were not urged to redefine the own process delivery. Undoubtedly though and considering the current trends for RPA, the time has come for consulting firms to enter the new era as well and adjust the own operating model to a digital platform based service delivery. Consequently, the transfer of intellectual property (IP) from physical to virtual, hence from human resources to robots, represents a huge opportunity. Expert knowhow stored in the brains and experience of single consultants will be made

available across all consulting streams and for a multitude of in parallel client initiatives. Taking the assumption from the thesis that 90% of the consulting process can be moved to a digital platform, the scalability of virtual consulting and its client interaction increase exponentially with better quality and far lower costs. The facilitation and maintenance of a digital platform will lead to a significant reduction of in most cases more than 50% of the client's bill compared to traditional (physical) consulting.

ONOC decided to thoroughly shape its consulting value proposition towards a digital model with virtual consulting designed as a service, referred to as Virtual-Consulting-as-a-Service (VCaaS). ONOC's basic business idea and IP rely on the ONOC 9+1 steps methodology which defines the elements of the offshoring and outsourcing lifecycle. A digital platform comprises all elements starting from process ("step") description, methodology applied, documentation and templates. The quantum leap however lies in the embedded interactive way of work, the guided path through all the required documents and templates, the workflow supported dialogue between the client and Onoca (the platform's embedded virtual assistant) and the guidance and online support in form of chat forums or direct interaction with experts typically based in remote low cost locations via call or video. 90% of the work from the traditional consultancy value chain is moved onto the comprehensive ONOC platform offering as a going-in assumption the same or even better consulting value for far less costs.

As a result ONOC's virtual consulting follows two lines: On one hand it cuts the consulting value chain into physical and virtual elements which results in an overwhelming majority of "virtual" or platform based process steps (up to 90%). And on the other hand it leaves room for direct interaction on senior levels between client and ONOC advisor for clearly defined check points along the process and also for ad hoc and spontaneous meetings whenever desired and asked for by the client. Overall better quality, less disruption, a point to point involvement of all involved on a need-to basis, massively reduced costs and physical presence only when asked for but mandatory in final review and decision meetings on senior C-level between client and consultant are the result.

In its radical approach, the ONOC model might lead to a considerable disruption in the consulting industry adding to a conclusion that the traditional consulting business will significantly lose on importance and market share. The transition to the new model will become a critically important survival strategy and number one priority of all consulting firms globally. The ones who move and adapt fast will see themselves get out strong and with a renewed value proposition, the others will struggle and eventually be superseded by the strong that saw the impact of digital transformation on their proprietary consulting business coming and acted accordingly.

Definition Virtual Consulting

Virtual is defined as “not physically existing as such but made by software to appear to do so” and consulting as “engaged in the business of giving expert advice to people working in a professional or technical field” (Oxford Dictionaries 2018a; Oxford Dictionaries 2018b). Since the literature review does not provide an appropriate definition of virtual consulting, I determine the following wording:

Virtual Consulting is the ability to render a maximum of elements of the value chain of management consulting from a digital platform reducing the direct deployed human interaction to a minimum.

As a consequence it

- reduces the physical resource allocation to a project significantly, in the target state to up to 90%,
- lowers because of the scalability of the platform the operating costs of the consultant and the charge to the client significantly,
- offers workflow supported self-learning and assures access to a comprehensive library of research and studies,
- guides the consulted client through the various process steps of a project with the means of interactive manuals and templates and remote consultants standing-by to support via chat, call or video conferencing.

Virtual consulting will be based on a powerful digital platform that replaces all standard processes and basic cognitive processes and ensures that only a fraction of senior consultants will be required to cover all personal and relational aspects.

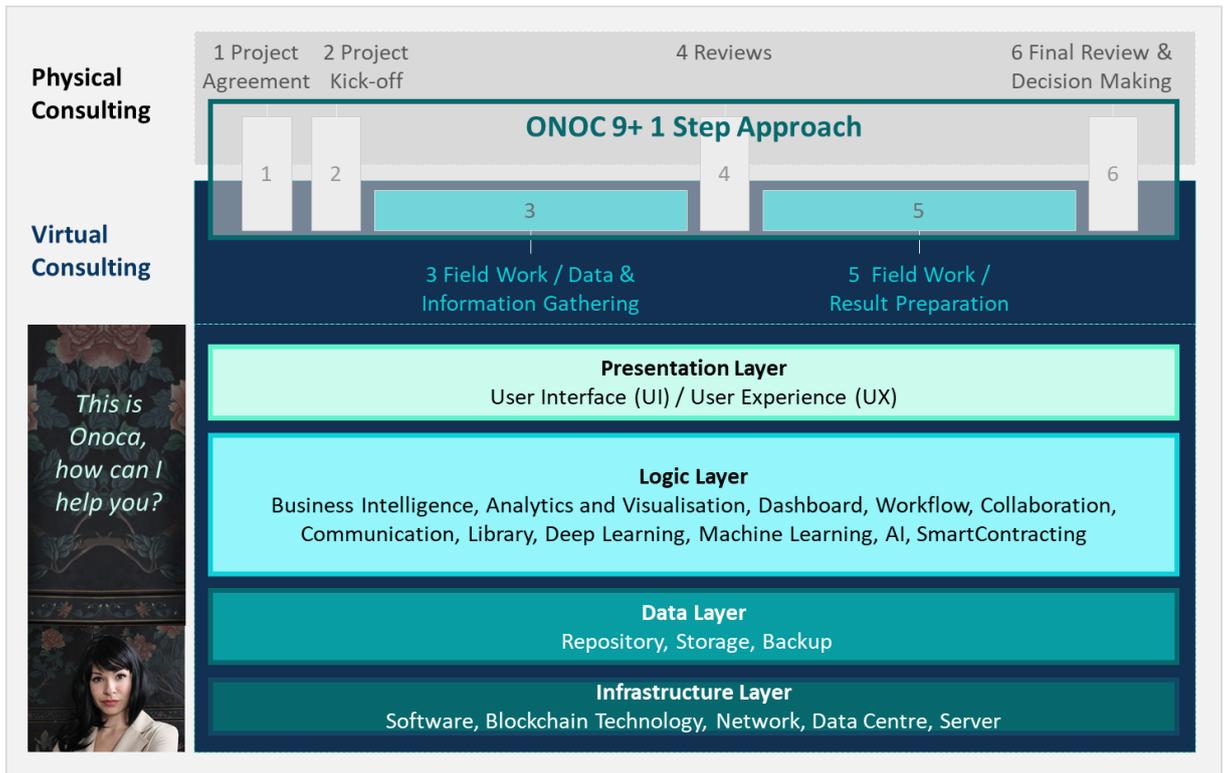


Figure 1: Platform Architecture in the ONOC Context (own figure)

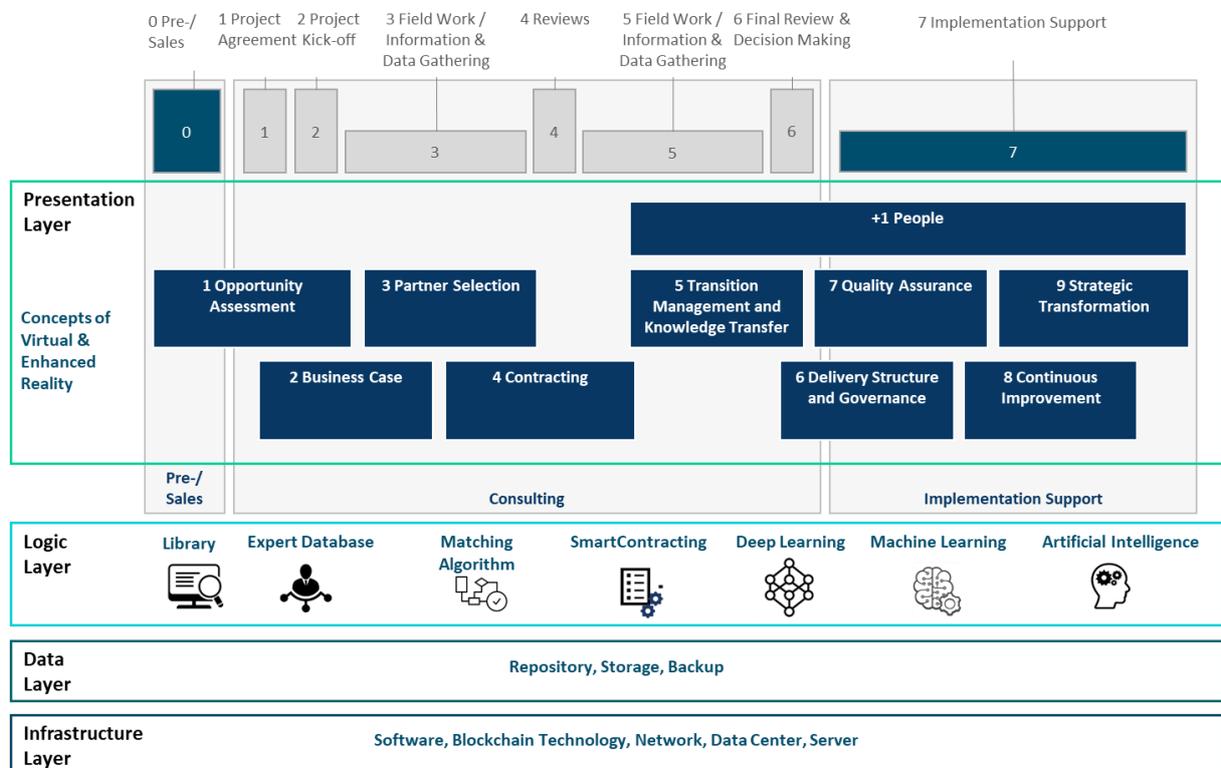


Figure 2: Platform Architecture including Key Concepts in the ONOC Context (own figure)