

Anniversary Edition, 2021

ARTHUR  LITTLE

PRISM

BIG THINKING,
IMAGINING WHAT
IS COMING NEXT



WHO SAYS
IT CAN'T BE
DONE?

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Arthur D. Little has been at the forefront of innovation since 1886. We help companies continuously anticipate, innovate and transform to achieve sustained business success in today's disruptive business environment:

- Anticipate future trends and build resilient strategies that embrace complexity.
- Innovate to deliver more, faster, cheaper products, services, and business models, accessing the best external talent.
- Transform organizations, processes and cultures to continuously adapt.

We are problem-solvers and combine deep industry insight, functional skills and entrepreneurial flair to find and deliver new solutions. With our open consulting approach we bring the best global experts to every assignment, complementing our internal strengths. We are proud to be present in the most important business centers around the world, serving the world's leading corporations and public sector organizations.

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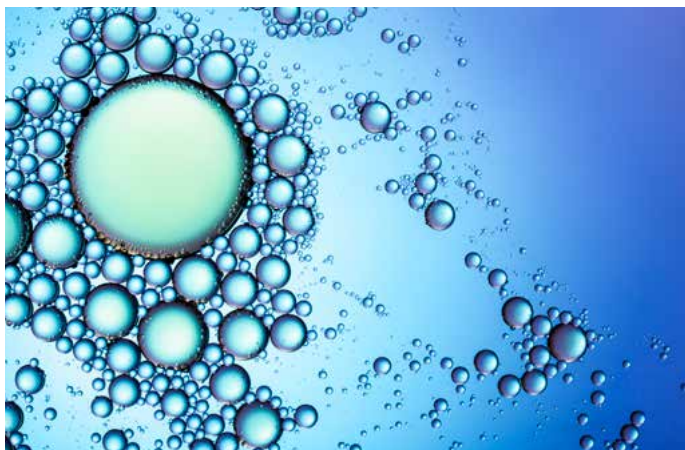
We are currently living through levels of disruption unseen in peacetime. From greater inequality and increased protectionism to the urgent challenge of climate change, it is easy to become pessimistic about the future. This doesn't have to be the case – we outline the imperatives for businesses to help embrace uncertainty and thrive in an unpredictable future.

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To succeed in turbulent times, businesses need to focus on true innovation to differentiate themselves and remain competitive. It's therefore no longer enough for the consultancies that support them to follow the same old legacy methods and processes. How can consultancies successfully embrace disruption and change how they operate to remain relevant moving forward?

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While Arthur Dehon Little founded our consultancy based on his own unique vision and ethos, it has grown thanks to the efforts of exceptional people from around the globe. This article looks back over the last 135 years to highlight some of the leaders and staff who have built ADL into the world-leading consultancy that it is today.



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A decade ago, the directors of Arthur D. Little staged a management buyout (MBO), laying the foundations of today's global, growing organization. In an interview with Ignacio Garcia-Alves, who led the MBO and is now Chairman and Chief Executive Officer, he explains the background to the agreement, outlines the founding principles that have led to ADL's current success and shares management lessons from the journey.

EDITORIAL

DEAR READER

Welcome to this special 135th anniversary edition of Prism!

How many consulting firms in the world could celebrate 135 years since their founding? Well, none, actually, apart from ADL. As every member of the firm knows, Arthur Dehon Little founded the world's first management consulting firm in 1886 in Boston, Massachusetts. The story of the firm since then is a remarkable one, punctuated by a series of pioneering achievements throughout the decades, as well as some challenging times, and culminating in the thriving partnership we see today.

To mark the anniversary, we wanted, of course, to look back and celebrate some of the highlights in the firm's history. But business focuses on the future, so we also wanted to share our perspectives on what is to come in today's uncertain world. In our first article, "Rebalancing for tomorrow", we take a broad perspective on what lies ahead and what might be some of the most important considerations for business over the next five to 10 years.

Next, we thought it would be interesting to reflect on our own industry – management consulting – and why it matters to the world. After all, outside the business world, there are many to whom its value is unclear. We make the case and illustrate it throughout with some of the many groundbreaking examples from our own firm. To complete the picture, in our third article we focus on how management consulting might evolve in the future to ensure that it continues to add value to the business world.

Consulting might seem to be quite a “hard” discipline, but most insiders know it’s actually all about people. Indeed, this is one of the reasons it’s so fascinating. In our fourth article, we look at the remarkable people – inventors, innovators and pathfinders – who have made our firm what it is today.

Saving the best till last, we finish with a fascinating interview with the CEO of ADL, Ignacio Garcia-Alves, who explains how ADL was reborn 10 years ago as a true partnership, and the journey since then to the present day and beyond. It’s a story that perfectly illustrates the famous motto of Arthur Dehon Little, still woven deeply into the fabric of the firm today: “Who says it can’t be done?”

We hope you enjoy the issue!



Rick Eagar

Chief Editor, Prism
Arthur D. Little

REBALANCING



**FOR
TOMORROW**

REFLECTIONS ON THE OUTLOOK AHEAD AND HOW BUSINESSES SHOULD PREPARE FOR IT

As the old joke runs, “it’s difficult to make predictions, especially about the future.” That said, the ability to help clients anticipate the future, embrace new opportunities and transform their operations has always been a central part of Arthur D. Little’s consulting philosophy.



It’s fitting then that, as we celebrate our 135th anniversary, we should reflect on where the business world is today and identify some important priorities for the future.

THE TIMES, THEY ARE A-CHANGIN'

The last few years have seen some of the biggest global shocks since the crash of 2008 – even, arguably, since the Second World War. It has been a time in which previous long-held certainties and assumptions about the world have been shaken and, in some cases, shattered. For decades, people have taken for granted that the quality of life will inexorably keep improving, driven by economic, technological and social development. But for the first time, this assumption is no longer certain. Millennials (people born in the 1980s and 1990s) own only a fraction of the wealth that Boomers (those born in the 1960s and 1970s) earned at the age of 35, and most people below this age believe they will be worse off than their parents.

Globalization has been a huge driver of growth and development, and was previously seen as a force for good by both governments and society at large. Yet, it is now under attack from several quarters. In developed economies, globalization is regarded by some as a cause of inequality,

concentrating wealth in the hands of a minority elite and giving rise to a handful of hugely powerful global companies – for example, in 2019, only seven countries in the world had a GDP bigger than Apple's market capitalization of \$2 trillion.

AS WE CELEBRATE OUR 135TH ANNIVERSARY, WE SHOULD REFLECT ON WHERE WE ARE TODAY AND IDENTIFY SOME IMPORTANT PRIORITIES FOR THE FUTURE.

In the West, especially, increasing international labor mobility on top

of industrial decline has fueled the rise of populism and protectionism. Geopolitical changes – notably the growing power and influence of China, and the apparent reluctance of the US to continue its leading role on the world stage – are upsetting the established world order. Popular confidence in the ability of cooperative international organizations, such as the UN, WTO and WHO, to make a difference has eroded. The assumption in the West that all nations of the world will continue in a natural progression towards liberal democracy is no longer self-evident. And the COVID-19 pandemic has acutely highlighted the vulnerability of global supply chains, leading to unexpected shortages of energy and other resources.

Perhaps most importantly, climate change and sustainability, for too long the "elephant in the room", are finally being acknowledged as an urgent challenge as the reality of previous predictions starts to bite. For the first time, issues around environmental and social impacts and resource usage are taking center stage.

Confronted with all these issues, it is easy to descend into pessimism about the future. However, there are still many reasons for positivity. History has often shown how challenging times can ultimately lead to new and unforeseen opportunities and benefits, even if the

transition process can be painful. More than ever before, in today's world, technology and business have huge potential to help realize the opportunities and benefits resulting from the disruptions ahead.

DOING MORE GOOD

The notion that companies have responsibilities beyond delivering goods and generating profits goes back to the earliest days of the industrial revolution. For example, the Quaker chocolate factory owner George Cadbury built the village of Bourneville to improve the social welfare of his workers in the early 1880s, around the time that Arthur Dehon Little founded ADL. Fast-forward to the 21st century, and companies are only just starting to consider social and environmental responsibilities central to their business, rather than something to be managed as a consequence of it.

There are several drivers for this change, all of which we expect to endure over the coming years¹. Firstly, positive government support for a sustainable infrastructure is increasing, e.g., the USD 2 trillion infrastructure plan, the EU Green Deal Recovery Plan, and China's latest Five Year Plan. Secondly, the availability of green investment funding

IN 2019, ONLY SEVEN COUNTRIES IN THE WORLD HAD A GDP BIGGER THAN APPLE'S MARKET CAPITALIZATION OF \$2 TRILLION.

has greatly accelerated². For example, BlackRock, the world's biggest fund manager with USD 7 trillion in assets, stated in early 2020 that it intended to "place sustainability at the center of its investment approach". There is huge pressure from stakeholders for financial institutions to improve their environmental and social

governance (ESG) capabilities. Thirdly, technological advances in areas such as solar, EV/batteries, waste recycling, air/water treatment and hydrogen have reduced costs and enabled deployment at scale, making business cases more viable.

Behind all this is a growing public and consumer awareness of the urgency of new action on sustainability and social responsibility, with younger generations, especially, leading the call for change.

Looking ahead, businesses will increasingly need to place ESG issues at the heart of their strategies. This means not only avoiding any adverse impacts of business operations along the entire supply chain, but also innovating to seek out new opportunities and business models. There is much scope for innovation and growth across every aspect of ESG, from climate change mitigation and adaptation through to the circular economy, resource efficiency, material substitution, traceability and the customer interface, to name just a few. Indeed, it is technology, above all else, that holds the greatest prospect of meeting the huge challenges of sustainability while avoiding widespread economic and social hardship.

1. Refer also to "Corporate Sustainability - Using your ecosystem to sustain the ecosystem" [Prism S2 2021]

2. Refer also to "The Green Gambit - Investing for corporate strategic advantage in the post-COVID-19 world" [Prism S1 2021]

To be sustainable in the longer term, companies need to adopt a mind-set that aims to do good for people and society at large while still benefiting shareholders, customers and employees. Those businesses that are ahead of the game on fundamentally realigning around ESG – rather than treating it as a peripheral function – are likely to reap the benefits in the years ahead.

THE WILLOW VERSUS THE OAK

If we accept that the world is an increasingly uncertain and unpredictable place – and, given the pandemic, climate change and current geopolitics, it would be hard to argue otherwise – it follows that businesses need to get better at being resilient to ensure they survive and prosper in the coming years.

Resilience is all about being able to adapt quickly to disruptions while maintaining operations and preserving value, and this ability is going to be increasingly important for companies. There's more to it than this, though. In the longer term, resilience is about being able to continuously grow and prosper in an uncertain and disruptive environment.

The initial crisis resulting from the pandemic brought into sharp focus the shortcomings of companies' current risk and business continuity management approaches. As executives struggled to respond in those first chaotic weeks, it became clear that adequate data and intelligence were lacking, and that crisis management processes were too slow to

cope with the pace of unfolding events.

LOOKING AHEAD, BUSINESSES WILL INCREASINGLY NEED TO PLACE ESG ISSUES AT THE HEART OF THEIR STRATEGIES.

Going forward, companies need to move from an essentially static, backward-looking risk management approach that over-simplifies complexity, to one which is dynamic, responsive and forward-looking. In such an approach, customized key risk indicators are

calibrated to provide an early "red flag" prior to risks occurring, and risk control priorities are constantly retuned based on monitoring intelligence. Such approaches are already being turned from theory into reality through the power of new machine learning (ML) and artificial intelligence (AI) tools, which can constantly crunch the necessary data to generate insights and support real-time decision-making³. Companies will need to adopt these more responsive and less rigid risk management approaches to improve their resilience in the face of the uncertainties that lie ahead of us.

Another key aspect of resilience is "anti-fragility", a term coined by Nassim Taleb to describe things that not only gain from chaos, but may need it to survive and flourish. Businesses in the coming years will increasingly need to adopt the characteristics of anti-fragility to thrive. So what does this mean in practice?

First, companies will need to be very clear about their sense of purpose and their *raison d'être*. In an environment of rapid change and disruption, being defined by the products you make or the services you provide is no longer possible, because next year or even next week they may no longer be required. By the same token, products or services disregarded as niche and unimportant today can suddenly grow explosively. Having a clear sense of purpose – while accepting uncertainty and complexity – frees up strategy to move beyond existing core products and services, and provides customers and employees with an enduring reason to stay connected with the company⁴. This is important for both now and the future, particularly in the context of “doing more good” in the world.

Second, companies will need to further develop their capabilities in routinely identifying possibilities for disruption and innovating to find new ways of creating customer value. This requires more than just setting up an internal radical innovation team or a start-up incubator. It means establishing a full end-to-end growth capability to develop, commercialize and integrate new businesses that are genuine step-outs from the core, building on excellent foresight and customer intelligence to bring to life the sense of purpose. What’s more, it requires companies to be “ambidextrous” in their organizational approach, being efficient and productive in operating scaled-up businesses at the same time as being agile and creative. This isn’t easy, but the examples of today’s tech giants show that it can be done.

WITH A LITTLE HELP FROM OUR FRIENDS

Looking ahead, it will also be increasingly important for companies to excel at developing and nurturing an extensive and complex ecosystem of partners and collaborators. Effective partner ecosystems drive innovation through overcoming the stifling effect of the body corporate and bringing together “non-obvious” cross-industry partners. They enable flexibility and improve agility to respond to disruptions. And thanks to effective digital tools for communication and collaboration, developing complex partner networks that operate over global distances is now relatively easy. The company of tomorrow may go even further to be defined only by its capabilities and brand presence – decoupling these from its business functions which are run entirely by the partner network⁵.

4. Refer also to “The CEO – Lost in space and time?” [Prism S2 2018]

5. Refer also to “How to enable the company of tomorrow” [Prism S1 2020]

There are some other reasons partnerships will be increasingly important. Picking up on trends such as the backlash against globalization, post-pandemic problems with global supply chains, growing protectionism, and the prospect of widespread shortages of

resources such as food and energy, it is easy to envisage a bleak future in which national self-interest takes precedence over international partnership and cooperation. This will be extremely damaging for everyone in the long term.

**TODAY, THE FUTURE
SEEMS MORE UNCERTAIN
AND UNPREDICTABLE
THAN EVER.**

With their international expertise and dependence on partnerships for success, global companies have the potential to play a vital role in mitigating the worst effects of national and regional protectionism. They can maintain global collaborations, spread technological innovations and help to maintain the supply of goods and services demanded by customers. In so doing, they can also help to strengthen international ties and rebuild mutual trust from the ground upwards.

However, to do this, big business must itself rebuild trust from the public at large, some of whom consider it to be one of the causes of the social and environmental problems we see today. In the years ahead, businesses will need to do much more to address these concerns. Local and community support and engagement will be increasingly important in key areas such as food, health, energy and services. Companies with a significant impact on the daily lives of consumers – for example, the digital giants – will need to do much more to recognize and respond to societal concerns. Ultimately, the reputation of big business will depend on the sincerity and effectiveness of their ESG initiatives, and how well these are communicated and understood.

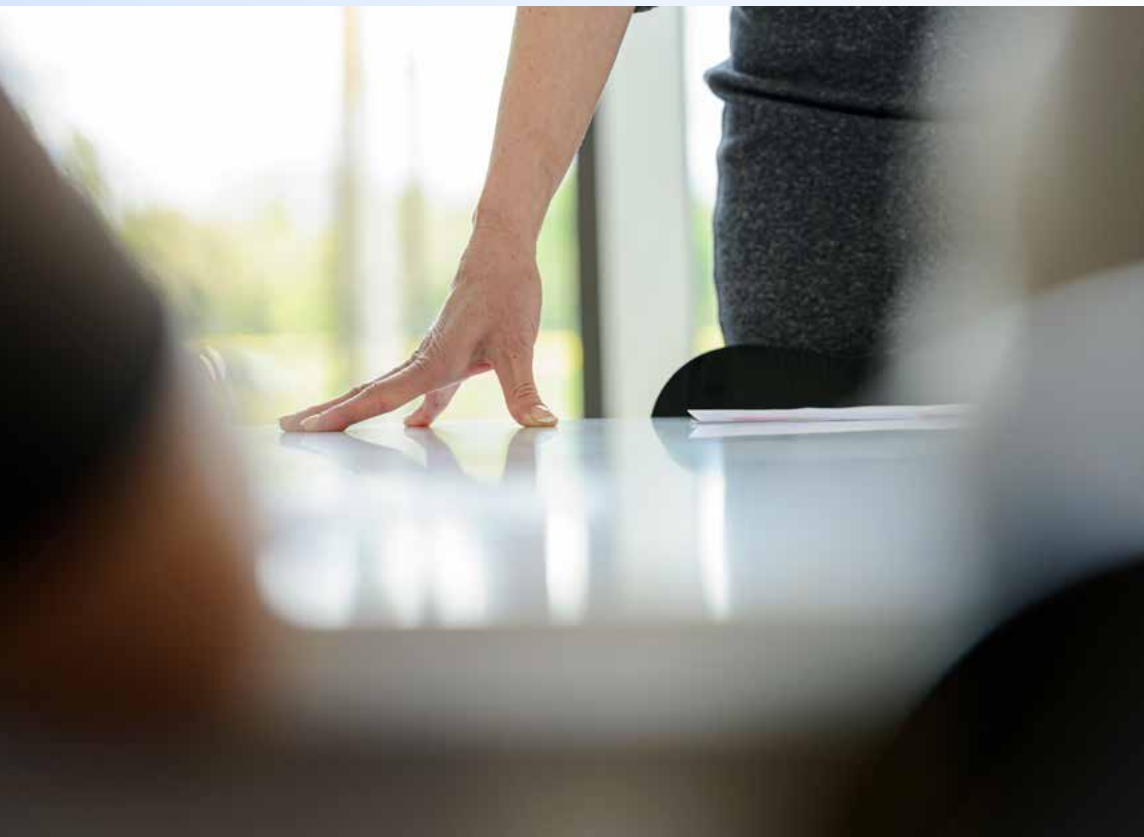
MOVING ON UP

With all this in mind, what should companies focus on to get ready for the future over the next five to 10 years? We can summarize some key imperatives:

- Placing ESG at the core of the business, regaining and building public trust
- Developing a capability for forward-looking, dynamic risk management to improve resilience
- Clarifying and communicating a clear and enduring sense of purpose
- Strengthening the ability for step-out innovation and new business creation
- Embracing uncertainty in approaches to strategic planning, rather than oversimplifying
- Becoming ambidextrous by pursuing efficiency and productivity alongside agility and creativity
- Nurturing increasingly extensive global partner networks
- Focusing on local support and community engagement, as well as maintaining global collaborations

Today, the future seems more uncertain and unpredictable than ever. To be successful in this future, businesses need to embrace this uncertainty, driven by a genuine and compelling sense of purpose. We have big challenges ahead, but irrespective of the politics, it is ultimately technology, and the existence of robust businesses to deploy it, that will be the key to safeguarding our future.

WHY CONSULTANCY MATTERS – A HISTORICAL PERSPECTIVE



Management consultancy has often been a target of criticism, with popular brickbats including eye-watering fees, huge contracts, secretive ways of working and an apparent ability to make money out of any crisis.

However, most decision-makers and executives recognize the value that the best management consultants provide, and the industry continues to thrive, with compound annual growth rates in excess of 4% per annum over the last 10 years. The global management consulting

***“WHO SAYS IT CAN’T BE DONE?”
– THE RHETORICAL QUESTION
USED TO PROMOTE THE PROJECT –
BECAME PART OF THE FIRM’S DNA
AND HAS REMAINED SO
EVER SINCE.***

market today is approximately \$150 billion, and most leading firms have survived the COVID-19 crisis remarkably well.

Yet, what is the exact nature of management consultancy’s value? Does consulting merely provide a similar service to that of the accountancy or legal profession? Or does it provide something greater than that – a different type of value?

In this article, we explore some of the ways management consultancy has helped to shape the world we live in today, as illustrated by the history of ADL. As the world’s first management and research consultancy, ADL pioneered many of the approaches that enabled the industry to develop, repeatedly breaking new ground throughout its 135-year history.



ROGER BURRILL GRIFFIN

THE BIRTH OF MANAGEMENT CONSULTING

Management consulting was born in October 1886, when Arthur Dehon Little, a gifted 23-year-old chemist and something of a philosopher, founded with his friend and colleague, Roger Griffin, the firm that would become ADL. This is how he pitched their unique service:



ARTHUR DEHON LITTLE

“Allow us to call your attention to the CHEMICAL LABORATORY we have established at No. 103 Milk Street, Boston... Mr. Griffin and Mr. Little have had several years’ experience in the development of chemical processes on the commercial scale and are prepared to undertake, either in their own laboratory or on the spot, investigations for the improvement of processes and the perfection of products.”



FIRST ADL ADVERT - 1886

In the late 19th century, the industrial revolution was still in its infancy and research was largely seen as an academic pursuit. Yet, Arthur saw the huge potential of what would become “applied research”, and preached his message about its benefits for industry and society with a missionary zeal. In 1905, he wrote that his firm’s research applied itself to:

“Every waste that is prevented, or turned to profit, every problem solved, and every more effective process which makes for better living in the material sense and for cleaner and more wholesome living in the higher sense.”

These words still have a remarkable resonance today as we continue to embrace technological innovation to help address the world’s economic, social, health and environmental challenges.

The early years of the firm’s pioneering consulting activities are well documented, with a succession of groundbreaking innovations in its first 25 years.

One example is the development of viscose, which resulted in the creation of non-flammable motion picture film (the rights to which were sold to Eastman-Kodak) and acetate fiber – artificial silk. This later led to one of the most well-

known events in the firm’s history, when in 1921, ADL famously made a silk purse out of a sow’s ear (actually, out of 100 pounds of sow’s ears, rendered and chemically treated). The silk purse is today part of the Smithsonian Institution collection.

“Who says it can’t be done?” – the rhetorical question used to promote the project – became part of the firm’s DNA and has remained so ever since.

HELPING TO SHAPE THE INDUSTRIAL ERA

As early as 1908, ADL pioneered arguably the first ever true business management consulting assignment when, shortly after the introduction of the Model T, the world’s first mass-produced car, it helped the newly formed General Motors organize its first central engineering laboratory.

In the first half of the 20th century, the innovations continued apace:

- In 1920, ADL developed a series of petroleum-refining innovations and anti-knock gasoline.
- In 1931, ADL patented the production process for fiberglass and led much of the early development work with leading players including Owens-Corning.
- In 1949, ADL was an early pioneer of operations research, applying empirical techniques to marketing and other management-related issues.
- In 1951, ADL invented the first logistics control system, which became the basis of container shipping and truck transportation management used to this day.



THE SILK PURSE WHICH CHEMISTRY MADE FROM SOWS’ EARS IN THE LABORATORY OF ARTHUR D. LITTLE, INC.

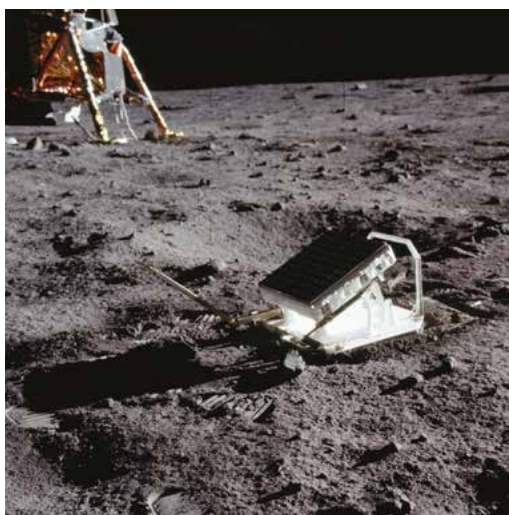
By the 1960s, ADL had grown to around 1,600 people and expanded beyond the USA and across Europe, with offices in cities including Zurich, Brussels, London, Paris and Wiesbaden. The 1970s and 1980s would bring further expansion into Asia, the Middle East and Latin America.

ADL continued to pioneer technological innovations that changed the world:

During the moon race of the late 1960s, the company partnered with NASA, designing five key experiments and developing innovations for astronaut protection. One of them, the laser ranging reflector, is still used to this day for measuring the precise distance between Earth and the Moon.

In 1968, ADL designed the NASDAQ stock exchange systems for London and Tokyo. In 1975, ADL patented a more efficient and economically viable scroll compressor, ultimately bringing refrigeration to the masses.

ADL was one of the early leaders in modern telecoms development in the pre-digital era, starting in 1974 with the Kingdom of Saudi Arabia, for which ADL developed one of the world's most advanced telecoms systems of its time. In 1980, ADL produced the European Commission's first white paper on telecommunications deregulation, having completed the first worldwide telecommunications database on phones installed, markets, technical trends, services and regulatory information.



APOLLO 11 LUNAR LASER RANGING EXPERIMENT



PETER GLASER, THE FATHER OF THE SOLAR POWER SATELLITE CONCEPT IN 1973

From the 1960s, ADL pioneered new approaches for pollution control and environmental protection. By the late 1970s, ADL led the world in environmental auditing, which, for the first time, provided a practical, systematic and objective way for industrial sites to understand and minimize their environmental impacts. The firm subsequently built up a strong global capability in managing safety and industrial hygiene, helping to put in place robust programs and controls to manage safety and health risks across many of the world's largest corporations.

In 1961, ADL launched the first management education program to focus exclusively on training general managers from developing countries. Originally known as the Arthur D. Little Management Education Institute, this was a fully accredited academic institution with the ability to grant master's degrees. Later, in 2002, it became the Hult Business School.

***DURING THE MOON
RACE OF THE LATE
1960S, THE COMPANY
PARTNERED
WITH NASA.***

When it came to innovation management, ADL led the debate. In the 1990s ADL published a series of seminal books, including Third Generation R&D (1991), Breakthroughs (1993), Product Juggernauts (1995) and Managing Technology for Corporate Success (1997). In the field of organizational culture, it also published the highly influential book The Unwritten Rules of the Game (1994), a powerful and practical tool to help find out “what really goes on around here” in an organization.

CONTRIBUTING TO A DIGITALIZED AND SUSTAINABLE WORLD

During the first two decades of the 21st century, digitalization became central to businesses across virtually every domain, and ADL has remained at the forefront of digital innovation and transformation. In the last five years, ADL has helped cities such as Dubai and Stockholm to transform into sustainable “smart cities”. During the COVID-19 pandemic, ADL has helped organizations respond to the crisis and adapt rapidly, including new artificial intelligence and machine learning-based tools for monitoring and responding dynamically to risks.

Today, with over 40 offices around the world, ADL still lives and breathes the original philosophy of its founder – to help our clients make a difference in industry and society through linking people, technology and strategy. This philosophy of openness, in which success comes from connected communities and partner ecosystems, is critical for the development of a sustainable future. It’s also a philosophy that highlights the real value that management consultancy can deliver.

FOUR REASONS CONSULTANCY MATTERS

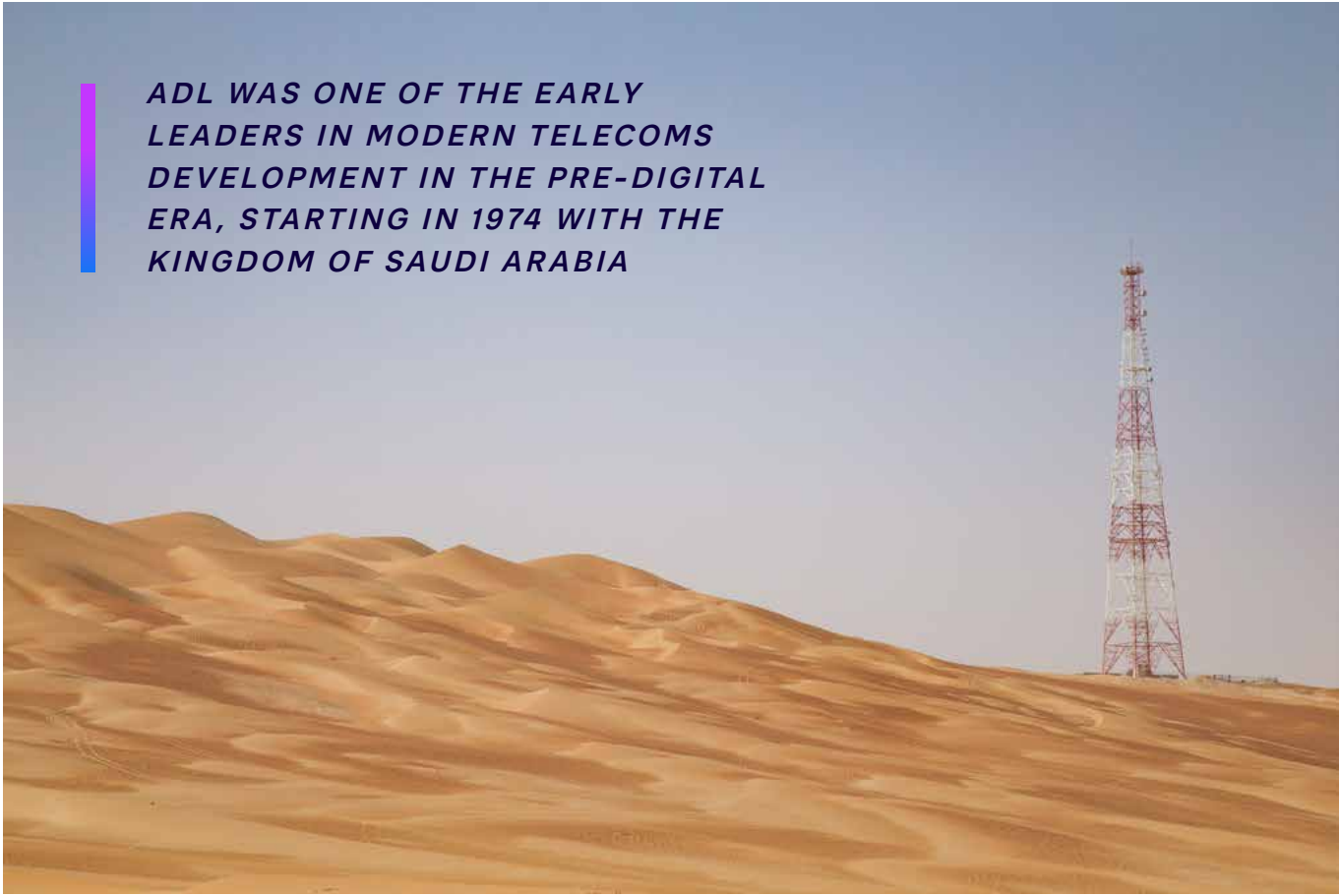
What, then, can we learn about the value of consulting from ADL’s history? Not all consultancies are the same, but we can still draw some general conclusions about how consulting contributes to the world.

1. CONSULTING HELPS TO ACHIEVE BREAKTHROUGHS THAT WOULD NOT OTHERWISE HAPPEN

This is a big claim, but a real one.

One of the main obstacles to achieving significant breakthroughs within a large organization is the difficulty of dealing with disruptive innovations that create new markets and customers outside the established base. The threat of destruction of current core business and the power of current brands often lead to the phenomenon of “tissue rejection” when such innovations emerge from the laboratory.

Consultancies can play a vital role in incubating and developing breakthrough innovations into proven and sustainable new businesses, bypassing the corporate headwinds that might otherwise hinder them. The ability to rapidly mobilize a partner ecosystem that includes the best experts and service providers in the world is key for success.



ADL WAS ONE OF THE EARLY LEADERS IN MODERN TELECOMS DEVELOPMENT IN THE PRE-DIGITAL ERA, STARTING IN 1974 WITH THE KINGDOM OF SAUDI ARABIA

2. CONSULTING HELPS TO REALIZE THE POTENTIAL OF INDUSTRY CONVERGENCE

Convergence between traditional industry boundaries has been turbocharged by digitalization. Today, food companies are active in healthcare, telecoms companies in media, and automotive companies in energy. Much value can be created at the boundaries between industries, which is often where innovation tends to occur.

Because consultancies such as ADL work in innovation across many different industries, they are ideally placed to identify and exploit these areas of convergence, in a way that a single company is less able to do.

For example, building on its expertise and experience across the automotive

and energy industries, ADL recently assisted an automobile manufacturer with launching a seamless electric vehicle charging solution for hardware, installation and green energy services, and a prime example of the convergence between transport and energy.

3. CONSULTING HELPS TO MAKE GREAT IDEAS A REALITY

It is a truism that if innovation fails it's usually not because of a lack of ideas. There are great ideas everywhere, both inside and outside any typical company, but the biggest problem is how to realize them in practice, especially alongside existing business operations.

Similarly, the easiest part of any major transformation or change is coming up with the vision and developing the plan – the hardest part is actually making it happen.

Consulting has a vital role to play in overcoming these obstacles. By providing dedicated experts who understand how to work productively side by side with a company's own resources, major change can be effected together. As such, the best consultancies enable companies to achieve goals and ambitions they could not have realized on their own.

4. CONSULTING CAN BE AN EFFECTIVE FORCE FOR GOOD IN SOCIETY

Consultancies are service providers, and generally need to do what clients want them to do. However, it's not the case that they are just "passengers", with no opinion on the client or the impact of its business on the world. The best management consultancies operate with strong principles and rules that preserve their own independence, objectivity and integrity.

LOOKING BACK OVER ADL'S HISTORY, IT IS IMPOSSIBLE NOT TO FEEL A HUGE SENSE OF PRIDE ABOUT THE UNIQUE CONTRIBUTIONS THAT THE FIRM HAS MADE TO BOTH BUSINESS AND SOCIETY OVER THE PAST 135 YEARS.

Strategic consultancies are in a unique position to influence company leadership in a positive way. This could be through holding up a mirror to highlight poor practices or operational shortcomings, sharing examples of best practice, or helping to improve the social and/or environmental impacts of a company's operations. A good consultancy with the right client relationship should be a trusted adviser, able to be both candid in providing feedback and challenging in advising on goals and objectives.

CONCLUSION – CONSULTANCY NEEDS AN OPEN CULTURE

Looking back over ADL's history, it is impossible not to feel a huge sense of pride about the unique contributions that the firm has made to both business and society over the past 135 years.

Of course, there is no room for complacency. Consultancies often have privileged access to highly sensitive information, requiring the highest standards of professional practice. The consulting industry also needs to be constantly vigilant that the lure of client fees doesn't lead to its integrity being compromised.

Consultancy matters a lot to the future of the world, but the industry needs to do more to ensure that it is recognized by the public as a force for good with an open culture, rather than a closed shop generating profits for the few.

*THE BEST MANAGEMENT
CONSULTANCIES OPERATE WITH
STRONG PRINCIPLES AND RULES THAT
PRESERVE THEIR OWN INDEPENDENCE,
OBJECTIVITY AND INTEGRITY.*



THE FUTURE OF CONSULTANCY



In today's volatile and turbulent environment, companies are looking for more than just me-too solutions and business-as-usual processes to remain competitive. It's not enough for consultancies to keep applying "tried and trusted" methodologies that push their clients into inflexible working models.

As emerging technologies and the digital transformation open up new market space and opportunities, consultants need to reconfigure their approach and reject obsolete legacy models if they are to remain relevant to modern business. They must be seen as value creators in genuine partnerships with their clients, rather than just third-party service providers.

Having been at the forefront of innovation since its foundation in 1886, ADL prides itself on being a disruptor – this is a vital part of the company's DNA. We believe the future of consultancy is about embracing disruption. In the following article, we look at some of the ways consulting needs to change in order to create real value for its clients.

SUCCESS DEMANDS GREATER SENIOR-LEVEL INVOLVEMENT

One of the big changes that the consultancy industry must make is to its business engagement model. Traditionally, consultants have engaged with clients via a pyramidal model in which senior partners occupy the narrow band at the top, their involvement in projects often stretching little beyond presenting the initial proposal, turning up at a few key meetings, and summing up the final results. The wider base of the pyramid consists of junior and mid-level consultants, who are not only tasked with carrying out the majority of the actual work, but are also the main day-to-day contact for the client.

THE FUTURE IS ABOUT FORGING PARTNERSHIPS WITH SUBJECT-MATTER EXPERTS AND SPECIALIST SERVICE PROVIDERS THROUGH THE CREATION OF OPEN CONSULTING ECOSYSTEMS.

This model worked – or was at least tolerated – when the consultancy was hired to undertake relatively generic activities, with the assumption that business processes that had been successfully rolled out at one company could simply be applied to another. As such, little senior involvement was required. However, as companies look to embrace new organizational

practices and seek out disruptive ideas to provide competitive advantage, this model is increasingly untenable.

Regardless of how capable a consultancy's junior and mid-level consultants are, they won't possess the same level of industry knowledge and insight as senior partners. The one-size-fits-all approach of legacy consulting is a woefully inadequate model for any business striving to be genuinely innovative. The future of consulting should be predicated on greater senior partner engagement, because increasingly there are no "generic" projects.

Clients can no longer afford to waste time and money on junior consultants data crunching and trying to come up to speed with their business. They want demonstrable value creation, not just analysis and strategy. Increasingly, senior experience and high-level expertise will be demanded to ensure the fast and successful execution of projects.

OPEN CONSULTING IS KEY

There are other ways in which the traditional pyramid model needs to change, particularly in relation to how relevant expertise is accessed. For a long time now, many consultancies have relied too heavily on their own internal expertise to respond to client briefs, or have quickly tried to buy in relevant talent to cover gaps in their knowledge, and in the process, rapidly assembled teams that have often been poorly integrated. This ethos is driven by a desire to maximize margins and keep everything in-house, controlling internal practices by shunning outside inputs.

However, this is a distinctly old-world way of delivering consultancy that can't keep up with the demands of modern business. Rather, the future is about forging partnerships with subject-matter experts and specialist

ULTIMATELY, THE REAL VALUE THAT CONSULTANCIES NEED TO OFFER IS IN ALLOWING CLIENTS GREATER ACCESS TO THEIR EXPERIENCE AND SUBJECT-MATTER EXPERTISE.

service providers through the creation of open consulting ecosystems. For a genuinely client-focused organization, the overriding imperative should be to provide the best possible expertise for each individual project. Given that clients are increasingly looking to exploit emerging

technologies and find new ways to create value, it's unrealistic to expect that all of the relevant knowledge and experience will be housed within one consultancy, no matter how big it is.

Establishing and nurturing complementary open consulting partnerships should be a key priority for the modern consultancy. For example, ADL is proud to have acquired two leading network-based organizations, digital transformation experts Cutter Consortium and industrial innovation thought leaders Presans. Both organizations and their partner networks add invaluable knowledge and experience to ADL's own expertise. In addition to its extensive in-house digital teams, ADL has also nurtured its own ecosystem of specialist data analytics and digital technology partners.

Although ADL takes full responsibility for project deliverables, it doesn't hide the fact that it works with consulting partners. Clients like the fact that the best people for the job have been brought in, yet they don't have to deal with multiple stakeholders. Provided that there is a lead consultancy that really understands how to run partner networks, working collaboratively with the most appropriate talents always produces the most innovative solutions and the best results.

MORE SKIN IN THE GAME

The strength of the client relationship is paramount for a successful consultancy, and by involving seniors more deeply throughout projects, working peer-to-peer with client executives, a much stronger and potentially more value-adding bond can be formed. Rather than remaining at the strategic advisor level, the consultancy has increasing opportunities to become a business creation partner on specific projects.

The notion of putting more “skin in the game” to reflect a true partner relationship, rather than a client-contractor relationship, is not new, but in practice this has been limited by the extent of the consultancy’s role.



If the consultancy is only providing advice, then despite assertions to the contrary, the consultancy is not really sharing the same commercial risks and rewards as the client. For this reason, fee models that sought to share risk and reward have not always worked well for either party. However, by collaborating on the creation of real products and services, risk/reward sharing works much better. Consultancies can not only develop new revenue streams, but also better understand clients and how to create much greater value for them.

To become co-creators, consultancies themselves need to develop new skills

and partnerships in areas such as design, manufacturing and marketing. At the very least, they need to go beyond offering just strategic advice and insight to clients, and instead be ready to get involved in the actual creation and implementation of new products and services.

This type of role was beyond the scope of most consultancies in the past – for example, how does a consultancy put in place a new manufacturing line for a novel product, set up a new sales and marketing team, or run a global product launch? Yet what might have seemed impossible a decade ago is now readily achievable due to the evolution of sophisticated partner ecosystems powered by digital tools and technologies, which have vastly lowered the “cost-to-market”. This is exactly how a start-up can rapidly develop a virtual value chain and launch a new business at scale in a matter of weeks, not months or years. By building, operating and then transferring new de-risked businesses, consultancies can multiply the value they offer to the client.

Even if the project is mainly advisory, it's likely that value creation will increasingly become the metric against which consultancies are judged and paid, rather than hours or deliverables. Value is more difficult to define, but represents a more meaningful benchmark for how successful a project has been, and could potentially lead to greater rewards on both sides. Provided that value metrics are simple and measurable and do not involve an excessive time lag before they can be invoked, this type of fee model can be an effective way to underpin a genuine client-consultant partnership.

CONNECTORS AND NAVIGATORS

Of course, it's not just connections to partners or potential customers that a consultancy's network provides – it's depth of perspective as well. Being able to offer an "outside view" of a problem is one of the original reasons companies began working with consultancies in the first place – as the challenges clients face grow in complexity and the choices before them become myriad, having an organization at hand to help make sense of the world will be more important than ever.

The value that consultancies offer clients, particularly those looking to gain competitive advantage via innovation, will increasingly be based on the size and diversity of their global networks, and the power of the knowledge they contain. Disruptive change and breakthroughs occur when different perspectives and experiences from multiple industries are brought together in the context of problem solving. Going forward, clients will look to work with consultancies that can provide access to

novel perspectives via depth of partnership expertise.

TO BECOME CO-CREATORS, CONSULTANCIES THEMSELVES NEED TO DEVELOP NEW SKILLS AND PARTNERSHIPS IN AREAS SUCH AS DESIGN, MANUFACTURING AND MARKETING.

Consulting's role as a trusted guide through confusing territory will also be more important than ever. The ubiquitous availability of data and opinions online – in tandem with the proliferation of new technologies – has created an information fog

that clients have to wade through in search of a solution that's right for them. Consultancies have a critical role to play in this process as navigators through this fog on the client's behalf, shining a light on new processes and technologies that genuinely address their needs while rejecting blind alleys and dead ends.

Of course, not all consultancies are as agile as others. ADL was founded on this idea of applying the latest scientific innovations to business, and continues to engage with technology at the cutting edge. Meanwhile, other consultancies force-fit clients into standardized workflow models that nearly always stifle innovation. Legacy consulting's desire to put clients into neat boxes, regardless of the market dynamics at play, can be seriously counterproductive and impede rather than promote progress.

For today's companies, moving rapidly to launch a new product or service to market, even if it's only partly proven, could be much more important than spending six months perfecting it internally. This type of rapid workflow requires the consultancy to be firmly embedded with the client rather than operating at arm's length – again, more like a partner than a third-party organization. This is also another entry point for consultancies to become co-founders and co-creators of new products and services.

EMBRACING NEW TECHNOLOGY IS VITAL

One of the biggest changes affecting the future of consultancy is the application of technology to the research and analysis process. Traditionally, a lot of time and money has been expended on data handling and number crunching – gathering raw information, putting it into the correct format, and then producing facts and figures from it. This is one of the reasons junior consultants and data analysts have featured so heavily in projects – this work is vital, but it is process-driven and laborious. It also increasingly seems like a waste of young talent.

Data mining and analysis has undergone a revolution over the past few years, thanks to artificial intelligence (AI). It is vital that consultancy takes full advantage of the latest developments in AI and machine learning to make its research and insight generation processes quicker and more accurate, while freeing up junior consultants to do more meaningful work. Consultancies that fully integrate AI into their

activities will reap the most benefits, not least because clients that are already using digital data analytics internally will rightly expect it. Clients want to pay for the experience and insights of subject-matter experts and senior partners, not manual research processes that could be more efficiently performed by algorithms.

New technology is not only relevant for the research and analytics activities of a consultancy. Digitally

enabled functionalities are increasingly integrated into almost every process, product or service, from human resources to manufacturing and from aero engines to drug therapies. Consultancies need to be able to draw on leading-edge digital technology expertise to add value for clients, in both improving operations and pursuing new growth.




Another important way in which technology will change consultancies' business practices is its enablement of remote working. One of the biggest impacts that the COVID-19 pandemic has had on the corporate world is the accidental creation of a mobile, distributed workforce at mass scale. It has forced the hand of every company that has previously hung back from adopting remote practices. It's not only possible to work this way, but also often desirable, with international, multi-participant Zoom calls much easier to organize – not to mention cheaper and more environmentally friendly – than meetings conducted face to face.

However, while it is possible for more work to be done virtually and outside the office, it is unlikely that consultancies will go completely remote. For instance, the nature of consulting work has always involved substantial time out of the office at client premises anyway, but it isn't tenable to try to shift this part of the job completely online – face-to-face relationship building with clients will still be an important aspect of what consultancies do. Instead, it is likely that a shift will occur towards more collaborative in-office arrangements – such as hot-desking – combined with home working.

THE FUTURE IS DISRUPTED

Ultimately, the real value that consultancies need to offer is in allowing clients greater access to their experience and subject-matter expertise, whether that's through more involvement from senior partners and sector specialists or via an open consulting ecosystem and partnership

network. The intelligent and agile sharing of knowledge from across markets and practices, coupled with an approach that understands both the global picture and regional specificities, as well as the ability to understand and integrate new technologies, should be central to the transformation of consulting's operating model.



THE CONSULTANCY OF THE FUTURE NEEDS TO BE AN ENTREPRENEUR AS WELL AS AN ADVISOR, HELPING CLIENTS TO REALIZE NEW GROWTH IN PRACTICE, NOT JUST PLAN FOR IT.

The consultancy of the future needs to be an entrepreneur as well as an advisor, helping clients to realize new growth in practice, not just plan for it.

INVENTORS,

INNOVATORS,

PATHFINDERS

CELEBRATING THE PEOPLE BEHIND ADL'S REMARKABLE JOURNEY THROUGH THE 20TH CENTURY AND BEYOND

Arthur D. Little is a company built on the singular vision and dedication of the man whose name it bears, and his conviction that the application of the scientific method could revolutionize business. However, while Arthur Dehon Little remained the driving force behind the company right up until his death in 1935, he was supported in his endeavour by a team of hugely talented individuals, all of whom were pathfinders in their own right, as ADL strove to change the way that industry worked.

This is a celebration of some of the extraordinary people who have both led ADL and pioneered its unique approach to consultancy, inventing new solutions and breaking down barriers along the way.



When Arthur Dehon Little died in 1935, research guru Earl Place Stevenson succeeded him as President, and quickly set about instilling the company with a more business-like and disciplined culture. As E.J. Kahn Jr. notes in *The Problem Solvers* (1986), his book on the history of ADL, "Stevenson was a no-nonsense man. When he became President, he insisted that all members of staff answer their own phones rather than use secretaries as buffers." Stevenson decentralized the company, establishing divisions according to scientific areas and empowering them to make their own decisions. He also encouraged the company to adopt more innovative ways of working beyond routine analytical jobs.

ARTHUR DEHON LITTLE

Stevenson was a formidable research scientist and industrial chemist, with 24 patents to his name.

Having become the company's research director at the age of just 26, his belief in the power of science to advance the frontiers of industry, and the importance of applied research, was absolute. He once said, "We have passed through a period of epoch-making discoveries; if we are to more completely realize their potentialities, our recourse is intensive research, wisely directed, adequately financed, and sustained in the face of obstacles."

During World War II, Stevenson helped to develop oxygen masks for high-altitude pilots. He was also made chief of the chemical engineering division of the National Defense Research Committee – subsequently,



DURING WORLD WAR II, STEVENSON HELPED TO DEVELOP OXYGEN MASKS FOR HIGH-ALTITUDE PILOTS

he became chairman of the Ad Hoc Committee on Chemical and Biological Warfare, a US government advisory board that became known as the Stevenson Committee. One of its key recommendations was the consolidation of chemical and biological warfare projects at the US Army's Camp Detrick, where pioneering research into biocontainment and decontamination took place.

One of ADL's most noteworthy initiatives under Stevenson's presidency was Operation Bootstrap in

Puerto Rico, where the company created the world's first multifaceted industrial development program, encouraging investors to transfer or create manufacturing plants in the country. The success of this program made the cover of *Time* magazine, and it became the international model for economic recovery projects.

Stevenson was succeeded as President by Raymond Stevens in 1956. Although also an experienced chemist, Stevens was primarily a salesman, and was responsible for further broadening ADL's services beyond that of a chemical and analytical laboratory. Under his direction, the company expanded its operations into consulting on marketing, management

and international economic development. He once said, "We are quite willing to reform the world, but we insist on being realistic about everything we do. We are a profit-making organization."

THIS IS A CELEBRATION OF SOME OF THE EXTRAORDINARY PEOPLE WHO HAVE BOTH LED ADL AND PIONEERED ITS UNIQUE APPROACH TO CONSULTANCY

Stevens joined ADL in 1920 and was the first editor of the Industrial Bulletin, a monthly journal for clients focused on thought leadership and emerging industry developments. One such area he helped to move ADL towards was the commercialization of operations research, a new discipline developed during WWII that applied scientific and mathematical techniques to administrative and business operations. Stevens viewed it as way of attracting new clients to the company, and ADL's subsequent activities in areas such as telecommunications, IT and financial systems can all be traced back to his enthusiasm for operations research.

Stevens was also instrumental in developing ADL's non-hierarchical, entrepreneurial culture, recognizing that innovation often flowed upwards from the bottom of an organization, driven by younger recruits

inspired by new ideas. He wrote, "In research and development operations, there must be a dramatic emphasis on communication from the lower echelons upward. Free, often direct communication links between the younger, creative minds and the top-level planners are vital... Only an atmosphere that provides for a 'bottom up' flow of communications can unlock the innovative contributions that these talented people, specially trained in great depth, can make toward corporate goals."

In 1960, Stevens became chairman of the executive committee and was succeeded as President by James Maurice Gavin, who had only recently joined the company in 1958 as a VP. A former US Army Lieutenant General,



EARL PLACE STEVENSON WAS SUCCEEDED AS PRESIDENT BY JAMES MAURICE GAVIN, WHO HAD ONLY RECENTLY JOINED THE COMPANY IN 1958 AS A VP

World War II paratroop veteran, and Commander of the 82nd Airborne Division, Gavin had been on the verge of becoming a four-star general prior to joining ADL. However, he had become disenchanted with the Pentagon and decided instead to move into the world of business.

Gavin raised the company's profile significantly, not least because of his own personal charisma and "star power". As Kahn notes in *The Problem Solvers*, "Gavin's arrival gave ADL a cachet it had not before enjoyed in that status-conscious community." Gavin would entertain potential clients with reminiscences about John F. Kennedy and Charles de Gaulle and "open doors that his associates sometimes found hard even to get near," such as simply putting a direct call in to NATO when a meeting was required.

However, Gavin had more to offer than just connections in high places. His final military role had been to supervise the army's research and development activities, and his distinctly international outlook saw the company further expand overseas, taking ADL from a \$10M company focused mainly on US-based clients to a \$70M organization with

significant global impact. By the 1970s, ADL had been involved in hundreds of international projects, from reforming trade practices in Bangladesh to helping to computerize the Bank of Greece.

Another significant development under Gavin's presidency was the launch of the Arthur D. Little Management Education Institute, the first management

education program focused exclusively on training business managers from developing countries. Design milestones during his time in office included the NASDAQ stock exchange system, key experiments for the Apollo moon landing, and the word processor.

During 1961–1962, Gavin took a leave of absence to become Ambassador to France under President Kennedy. He stepped aside from his role as ADL's President in 1972 to become Chairman of the Board until his retirement in 1977.

ADL CREATED THE WORLD'S FIRST MULTIFACETED INDUSTRIAL DEVELOPMENT PROGRAM, ENCOURAGING INVESTORS TO TRANSFER OR CREATE MANUFACTURING PLANTS IN THE COUNTRY



**JOHN MAGEE BECAME THE
COMPANY'S PRESIDENT IN 1972**

John Magee became the company's President in 1972, and its CEO in 1974. Magee had joined ADL in 1950 as a 23-year-old Harvard math graduate, specifically to work on the operations research project that Raymond Stevens had initiated. Magee would become a key figure in the popularization of this particular branch of management theory and practice both within ADL and in the wider business world, going on to become President of the Operations Research Society of America.

Magee was a down-to-earth figure who favored a non-hierarchical, collaborative approach to business, which he once boldly characterized as a "lack of respect for authority." Tellingly, when asked about his time at the company, he replied, "First of all, we had fun. We were also very proud of our ethical standards.

We did interesting and useful work through our ability to bring together teams of people." Magee was also the author of *The Decision Tree* (1964), a seminal guide to the visualization of the decision-making process in business.

One area of work that became increasingly important for ADL during Magee's presidency was environmental safety, which he described as the third major part of the company's business, alongside management services and technology development. Increasingly, clients approached ADL to help them understand the third-party effects that their activities had on the world, and how to manage and control them. Pollution was becoming a serious issue, and companies needed proper audit processes

in place to minimize the risk of accidents. ADL also worked with the Environmental Protection Agency to help it understand what was technically feasible in the various industries.

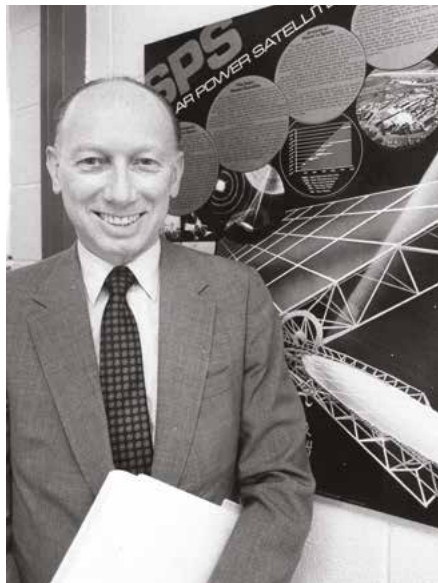
By the 1980s, Magee had steered the company to face an increasingly technological future, with ADL's primary focus now telecommunications, electronics, financial industries and

biotech. However, just like the company's presidents before him, right back to Arthur Dehon Little himself, Magee was concerned that the world's political, social and economic systems weren't keeping up with the pace of change. As such, he believed that ADL still had an important role to play, helping businesses and governments alike to both understand and embrace the future.

**FREE, OFTEN DIRECT
COMMUNICATION LINKS
BETWEEN THE YOUNGER,
CREATIVE MINDS
AND THE TOP-LEVEL
PLANNERS ARE VITAL**

ADL has been at the cutting edge of technology and innovation throughout its history, and so it's no surprise that the company has employed and nurtured many visionaries and inventors over the years. Working predominantly in the area of space research and technology, Peter Glaser is one such figure. Joining in 1955, Glaser spent nearly all of his professional life at ADL, with research for the US Air Force into the effects of extremely high temperatures on airborne objects leading to involvement in the early space program. He created a thermometer that could measure the lunar temperature to a thousandth of a degree

Fahrenheit and developed the Apollo 11 lunar laser ranging array to measure the distance between earth and the moon.



PETER GLASER JOINED IN 1955 AND SPENT NEARLY ALL OF HIS PROFESSIONAL LIFE AT ADL

However, Glaser's most audacious and far-reaching proposal was for the development of solar power station satellites that could convert sunlight into microwave energy and transmit it back to earth. With climate change and sustainability now driving government and business policy, and with carbon-neutral solutions sought to provide clean energy, it's an idea whose time may yet come.

Another area of space research that Glaser applied himself to involved the practicalities of eating aboard spacecraft and investigating why astronauts' perception of odors and flavors seemed to change outside of the earth's atmosphere. This might seem a far cry from the harder end of scientific boundary pushing that ADL was associated with, but the company was also renowned for its expertise in food science and flavor classification based

on its background in chemical analysis. One of its earliest stars was Ernest Crocker, who joined ADL in 1922 and went on to become known as "the man with the million-dollar nose" due to his ability to detect nine thousand distinct odors just through his sense of smell. This impressive skill led to early contracts with firms including Coca-Cola and Lever Brothers.

Perhaps ADL's most celebrated taste and flavor expert of more recent times is Pamela Low. After graduating with a degree in microbiology in 1951, Low joined ADL and began working as a "flavorist". In the early 1960s, she was asked to develop the flavor for a new cereal from Quaker Oats. Taking inspiration from the butter and brown sugar sauce that her grandmother would serve over rice when she was a child, Low came up

with a coating that had what she described as the “want-more-ishness” factor – and so Cap’n Crunch cereal was born. Launched in 1963, Cap’n Crunch quickly became one of the most popular cereals in America, loved by both kids and adults, and the coating’s recipe has remained unchanged since its launch. Yet while Cap’n Crunch may be what Low will always be remembered for, it was only one of the hundreds of high-profile products she worked on during her 34 years at ADL.

Although ADL was founded in Boston, Massachusetts, and the first few decades of its success were based on working with predominantly American clients, the company quickly expanded into international

territories in the post-war period, and today has its global HQ in Brussels, Belgium, with over 40 offices worldwide. Two figures in ADL’s history who were particularly important in the company’s overseas development are Harland Riker and Kamal Saad.

ULTIMATELY, AND LIKE ALL GREAT COMPANIES, ADL’S STATURE IN THE INDUSTRY AND ITS SUCCESS IN DELIVERING INNOVATIVE SOLUTIONS AND CONSULTANCY TO ITS CLIENTS IS BASED ON THE QUALITY OF ITS PEOPLE

Riker was the driving force behind the company’s pioneering management training program for emerging business leaders from Africa – this grew into ADL’s Management Education Institute, which eventually became the HULT International Business School. During his more than three decades at ADL, Harland

led the company’s international expansion in Europe, the Middle East, Latin America and Asia, opening and overseeing more than 20 offices worldwide and transforming the firm into a global consulting practice. He became President of ADL International in 1984.

Raised in Beirut, Lebanon, Saad joined ADL in June 1966 and spent 32 years at the consultancy in a wide variety of roles across Europe and the Middle East, helping shape the company during the 1970s and 1980s. He was instrumental in developing ADL’s reputation for leadership in innovation, including co-authoring the seminal book, *Third Generation R&D* (1991). This described how to break down organizational barriers that traditionally isolated R&D from the rest of the company and ensure that R&D projects matched corporate goals.

As well as pioneering the application of science in the corporate world, ADL has been at the forefront of management theory and new ideas around business organization. One of its brightest stars in this field is Peter Scott-Morgan, an expert in systems analysis and change management who wrote the book *The Unwritten Rules of the Game* (1994), an acclaimed and influential account of the hidden inner workings of both organizations and society.

With a background in industrial automation and robotics, Scott-Morgan joined ADL in 1986, and was made the company's youngest-ever Junior Partner while still in his early thirties. Ten years later, he was made both a Senior Vice President and Chief Learning Officer, with his ideas about how companies really worked applied to many of ADL's biggest clients, including Philips Consumer Electronics and British Petroleum. An "Unwritten Rules" assignment became a rite of passage among the company's consultants on the basis that "once you've fed [the sensitive results] back to a CEO... and survived... then you can do anything."



**PETER SCOTT-MORGAN IS AN EXPERT
IN SYSTEMS ANALYSIS AND CHANGE**

Scott-Morgan is a pioneer in other ways too. He and his partner, Francis Scott-Morgan, made history in 1993 by being formally accepted as an unmarried couple entitled to unlimited independent travel in and out of the USA, despite being the same gender. Thanks to ADL and its lawyers, this arrangement set a legal precedent and precipitated a change in US Immigration policy.

Peter and Francis made history again in 2005 when they became one of the first gay couples to legally enter into a civil partnership following a change in English law.

Despite being diagnosed with motor neurone disease in 2017, Scott-Morgan has drawn on his knowledge of robotics and AI to not only survive his condition, but, in his own words, "to thrive". He has

launched the Scott-Morgan Foundation, an alliance of corporations and experts, to advance his vision of technological and human synergy, and also recently published a critically acclaimed memoir, *PETER 2.0: The Human Cyborg*.

ADL continues to nurture and employ exceptional people from around the world, whose talents are helping to shape the future direction of the company. Everyone is from a different background, yet they all share the same characteristics as the pathfinders before them: an entrepreneurial outlook; a disruptive, non-hierarchical attitude; a passion for invention and the “next thing”; and perhaps most importantly, a can-do, down-to-earth approach to working with both their clients and their colleagues.

Ultimately, and like all great companies, ADL's stature in the industry and its success in delivering innovative solutions and consultancy to its clients is based on the quality of its people. Time and again, ADL has pioneered the application of analytical research and science in business, and promoted new approaches to old problems, thanks to the vision and dedication of its remarkable leaders and staff. This is the ADL way, and long may it continue.



ADL HAS BEEN AT THE CUTTING EDGE OF TECHNOLOGY AND INNOVATION THROUGHOUT ITS HISTORY, AND SO IT'S NO SURPRISE THAT THE COMPANY HAS EMPLOYED AND NURTURED MANY VISIONARIES AND INVENTORS OVER THE YEARS

WHO SAYS IT CAN'T BE DONE?



**THE STORY BEHIND
ARTHUR D. LITTLE'S
SUCCESSFUL REBIRTH
10 YEARS AGO AS A
PARTNERSHIP**



INTERVIEW WITH IGNACIO GARCIA-ALVES, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF ARTHUR D. LITTLE

During the 1990s, it is fair to say that Arthur D. Little endured a difficult period in its evolution. Although client work continued successfully, the firm failed to grow as fast as its competitors and,



following a financial crisis, was eventually acquired by French technology firm Altran in 2002. Under Altran's ownership the firm grew slowly, but it was only after a management buyout (MBO) on December

30, 2011 that Arthur D. Little was truly reborn as a successful partnership with a thriving and rapidly expanding business.

Ignacio Garcia-Alves, the managing director of the Benelux at the time, led the MBO and was immediately elected as the Chairman and CEO of the new partnership, a position he has held ever since. In this interview, Ignacio shares his insights on how the firm was transformed and the lessons learned along the way.

GOING BACK TO THE 1990S, WHAT WOULD YOU SAY WERE THE UNDERLYING REASONS ADL LOST GROUND, CULMINATING IN THE ACQUISITION BY ALTRAN?

When I joined the firm in 1992, I had the sense it was a “sleeping beauty” that needed waking up! Fundamentally, I think we were in the doldrums because shareholder interests, the business model and governance were not working well together. At that time, 51 percent of the shares in the firm were owned by retired former employees based in the US. Retirees naturally tend to be a little conservative and risk-averse when it comes to investment and entrepreneurship.

We operated a single business model across the firm, yet our business strategy consulting business needed a very different model to that of our traditional technology and product development business – there wasn’t enough autonomy delegated to the two different sides. And our governance structure was very centralized and hierarchical. There tended to be a reluctance to take decisive action on differently performing parts of the business, be it staff changes, divestment or investment. So internal tensions took up a lot of the energy that would have been better focused externally on growth, at a time when the global strategy consulting industry was developing rapidly.

HOW DID THE IDEA OF AN MBO COME ABOUT, AND HOW DID YOU TURN THE DREAM INTO REALITY?

Altran was a supportive shareholder and tried hard to make the most of the synergies between ADL and the rest of the group. But Altran’s core business was very different, centered on contracting out technology specialist resources, and eventually it became clear that a new way forward had to be found, beyond just trying to push collaboration.

One option was to integrate ADL completely within Altran, and another option was to sell it. This is when, together with a handful of other senior colleagues, we started to think about how we could take the firm back to being a private partnership – realigning shareholding, the business model and governance.

RETIREEES NATURALLY TEND TO BE A LITTLE CONSERVATIVE AND RISK-AVERSE WHEN IT COMES TO INVESTMENT AND ENTREPRENEURSHIP

In practice, making it happen was not a linear process and took nearly two years. We started by creating a 20-page document on the MBO proposal and engaged in discussions with Altran. Eventually, we were accepted by Altran as one of the bidders for ownership of the firm, alongside a number of external bidders. It was not so easy being both a bidder and a potential acquiree, but we played the game fairly, which was very important for both ourselves and Altran.

At this point in late 2011, we started to engage openly with the other ADL directors on the MBO proposal, and organized an event in our founding city of Boston, where the MBO option was presented to the directors alongside the other external bids. In a key voting session, there was overwhelming support for the MBO, and we proceeded on two fronts: negotiating the detailed deal with Altran and setting up the “new ADL” from the ground up – bylaws, articles of association, governance, a business plan, strategy, articles, a compensation system, values and behaviors.

The “proof of the pudding” came when the directors of the firm made their personal investments as part of the MBO. In fact, we achieved the MBO without any external financing. This was the best possible start, knowing that we all had a stake in our shared destiny without any interference from outside.

WHAT IMPORTANT FOUNDING PRINCIPLES DID THE “NEW ADL” ADOPT TO SET ITSELF UP FOR SUCCESS?

There were several. First, we set ourselves up as a global operation from the start, with a single shareholding structure. This was important to be able to add value to our global clients, and for employees who wanted to be part of a global firm. Second, and to balance this, we set up business controls that allowed for significant local initiative within the global model. Third, we introduced four behaviors that we required from partners to ensure entrepreneurship and a healthy and balanced

culture: leadership and followership, and entrepreneurship and fellowship, essentially two matched pairs. Fourth, we made it clear that, although we would embrace our heritage, the “new ADL” would be completely different to the “old ADL”, so everything was re-engineered to look forwards, not backwards, cutting ties with the things that had hindered us previously.

THIS WAS THE BEST POSSIBLE START, KNOWING THAT WE ALL HAD A STAKE IN OUR SHARED DESTINY WITHOUT ANY INTERFERENCE FROM OUTSIDE

Fifth, we adopted a principle that I call “respect and pride”. We wanted to show that we respected all our people through our actions, and also recognized that we needed to earn their respect for us as leaders. This is easy to say, but hard to achieve. In practice, it meant delivering on promises, not over-promising, and putting people first. By “pride”, I mean being proud about what we are and what we can do, but also being humble and self-aware, avoiding the arrogance that is often associated with our industry. And sixth, we adopted the principle of learning continuously: to be allowed to make mistakes, but only once, and then to learn faster than our competitors. This was what we needed to build something new and refreshing.

*WHEN I JOINED
THE FIRM IN 1992,
I HAD THE SENSE
IT WAS A "SLEEPING
BEAUTY" THAT JUST
NEEDED WAKING UP*



IN THE 10 YEARS SINCE THE MBO, ADL HAS BEEN A REMARKABLE SUCCESS STORY: IN THE LAST FIVE YEARS ALONE, REVENUES HAVE DOUBLED, THE NUMBER OF OFFICES AROUND THE WORLD HAS DOUBLED, CLIENT ACCOUNTS GREATER THAN EUR1M HAVE QUADRUPLED, AND PROFITABILITY HAS INCREASED. HOW DID YOU GO ABOUT GUIDING THE FIRM ALONG THIS JOURNEY?

The most important thing is to recognize the fact that it is a journey with different stages – you can't run before you can walk. Our journey was split into three stages that all began with the letter "B"! Boost, Breakthrough and Blossom.

The first stage, Boost, was between 2012 and 2014, and it focused on setting the foundation for the firm, achieving financial stability, recognizing and dealing with problem areas, and implementing a consistent high-performance culture across the firm. We also defined our value proposition: "To help our clients Anticipate, Innovate and Transform." This built the confidence of our people that our business model was strong and instilled a new sense of pride in what we were and

what we could achieve. At the same time, we ran various pilots and learned a lot about how best to grow the firm.

ANOTHER LESSON IS THAT YOU NEED TO LEARN FAST, TO TRY THINGS OUT AND THEN MOVE QUICKLY BASED ON WHAT YOU'VE LEARNED

In the second stage, Breakthrough, we focused on how to turn our consultants into entrepreneurs. Consultants are not usually big risk-takers; they always like to over-deliver on what they

promise – which is a good thing! But we wanted our consultants to take more pleasure in tackling big stretch goals and tough challenges, and to really believe that they could achieve them. For example, we started in the Middle East in 2012 with only one partner, but now we have more than 20. This is a breakthrough. Our fast-growing office in Japan and our expanding Telecommunications, Information technology, Media & Electronics (TIME) practice are other great breakthrough examples. It was an interesting exercise to convince partners that it really could be done. It was difficult at first, but once we had some role models and success stories, it became easier for partners to believe. Now it's become normal.

In the third stage, Blossom, which we started in 2017, we have been focusing on the future: creating a disruptive consulting firm that operates ahead of the curve to meet the changing needs of our CEO clients. A key aspect of this is to understand how the world is changing and help our clients become ambidextrous, which means to simultaneously innovate to build the future, as well as manage performance and efficiency. This requires innovation in critical areas such as sustainability, convergence and digital. Our value proposition is that we have next-generation offerings to help the CEO bring their company into the future in these areas in a holistic way, as well as achieve excellent performance today.

LOOKING AHEAD, WHAT ARE SOME OF ADL'S NEW PRIORITIES TO BUILD ON THE GROWTH AND SUCCESS OF THE FIRM OVER THE LAST DECADE?

We are looking to accelerate the growth of the firm still further, and we have an excellent platform to achieve this. We are further developing our next-generation offerings to ensure we stay leading edge – this is a continuous process. Another important aspect is what we call Open Consulting, which is at the heart of our philosophy and an area where we have a real difference versus our competitors. The best expertise in the world needs to be brought to every client assignment, and not even the biggest consulting players can claim to always have this in-house.

We have become very strong in developing and managing our partner ecosystems to bring the best expertise to bear, including full-scale new business creation for our clients when they need it. And although we can achieve a lot through this collective intelligence, we don't mean just people. Artificial intelligence and machine learning are also key parts of the Open Consulting offering – in fact, we were saying recently that if Arthur Dehon Little were starting out today, he would probably be a data scientist!



That said, we believe strongly in taking a holistic approach

to leveraging technology for business. We have world-class digital capabilities, but we don't make any artificial separation between digital and non-digital technologies when we apply these capabilities to solving client problems. And we will always ensure we can guarantee the independence of our recommendations by avoiding any conflict of interest.

We also firmly believe that the human side of consulting is becoming, if anything, more important in today's uncertain business environment. We've always worked side-by-side with our clients, but there's more to it than just bringing knowledge and skills. We also need to be empathetic, to get inside the head of our clients – see what they see and feel what they feel.

ADL HAS RECENTLY ADOPTED A NEW BRAND IDENTITY, WHICH, IN PARTICULAR, EMPHASIZES THE "D" IN THE COMPANY'S NAME AS REPRESENTING "THE DIFFERENCE" THAT ADL MAKES TO ITS CLIENTS. CAN YOU TALK ABOUT THE THINKING THAT INSPIRED THIS REDESIGN?

As we enter the next phase of ADL's journey, it is really important for us to refresh our visual identity and the way in which we talk about the company. We want our clients to know that ADL isn't like other consultancies! The world is going through a series of profound changes – from the digital transformation to the shift towards net zero – and the old way of consulting just isn't suited to tackle the challenges ahead.

We believe that a new, more personal approach is needed, where solutions are tailored to clients' specific needs, rather than being pre-packaged. Our Open Consulting model is at the heart of this approach,

because it allows us to offer our clients the best possible guidance and insight, while keeping the company at the cutting edge of innovation. At the same time, we are committed to working side-by-side with our clients, from the senior level down, and becoming an integral part of their team. I believe that the days of consultants working as discrete, third-party

LOOKING BACK OVER ADL'S HISTORY, IT IS IMPOSSIBLE NOT TO FEEL A HUGE SENSE OF PRIDE ABOUT THE UNIQUE CONTRIBUTIONS THAT THE FIRM HAS MADE TO BOTH BUSINESS AND SOCIETY OVER THE PAST 135 YEARS.

service providers are increasingly numbered – genuine partnerships are the way forward to help our clients make the difference.

This is "The Difference" we bring to both our clients and the consulting industry. Our new branding reaffirms ADL's history of pushing at the boundaries of innovation, linking experts, technology and strategy to solve the most challenging problems, while also reflecting the company's entrepreneurial, future-facing spirit.

WHAT WOULD YOU SAY ARE SOME OF THE MOST IMPORTANT LESSONS YOU HAVE LEARNED ALONG THE JOURNEY SINCE THE MBO AND, WITH THE BENEFIT OF HINDSIGHT, IS THERE ANYTHING YOU WOULD HAVE DONE DIFFERENTLY?

There certainly are some important lessons. One of them is always to maintain a good equilibrium, for example, between being global and being entrepreneurial, and between growing and maintaining your core values. Another lesson is that you need to learn fast, to try things out and then move quickly based on what you've learned. You need to "find the fuel" to make the engine run faster, which means, of course, that you need to manage your cash very well. But finding the fuel also means identifying the triggers that can really take people out of their comfort zone and achieve things they never thought were possible.

In terms of what we could have done differently, maybe we could have moved even faster on some things. For example, we wanted to have the slider at 50:50 in terms of the balance between global and entrepreneurial, but to start with, we perhaps spent too long emphasizing the entrepreneurial side. Also, in retrospect, we could have been even more decisive in the early years. We perhaps spent too long allowing too much local autonomy. We have learned the importance of ensuring all partners are suited to the journey we are traveling on.

If there's one lesson I would highlight above all else, it's that you need to have an ambition that makes you get out of bed every morning, looking forward to the day ahead. And you need to truly believe in that ambition. When I was trying to make the MBO happen, everyone was telling me it was impossible, it would never work – investors, competitors, also some friends and colleagues. Many people said I needed a Plan B if the MBO failed, but I refused to make one because that would mean I didn't have full confidence in what we were doing.

Honestly, the famous words of our founder really did help me in those early days: "Who says it can't be done?" I've ended all my internal presentations to partners and shareholders on the state of the firm with these words ever since!

ARTHUR  LITTLE