

**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.

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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.

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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