Consultancy agencies as actors within the digital transformation journey: A case study

Thimali Dilanka, Liene Kokina
Abstract

The complexity that digital transformation brings to the business environment requires new knowledge and expertise in different domains. To avoid the extensive costs of acquiring and managing this knowledge internally, organizations frequently collaborate with external consultancies. In this exploratory case study, we investigate what role the consultancy agencies take within client organizations' transformation journey and how this role is affected by the dynamic nature of digital transformation. The study reveals that the notion of digital transformation in the business environment is fuzzy and challenging not only to the client organization but to the consultancy agency itself which leads to the necessity to narrow down the notion of digital transformation and form a new role.

Keywords: Digital transformation, Digital innovation, Knowledge-intensive business services, Consultancy work, Three-box model

1. Introduction

The world is being transformed by new digital technologies. These technologies are shaping all the aspects of how businesses operate and how customers behave. The covid-19 pandemic has turned the world around "over one night" acting as a forcing mechanism to speed up digital transformation. It is estimated that this pandemic has accelerated digital business initiatives for several years depending on the industry (LaBerge et al., 2020). According to a Deloitte and Fortune (2020b) survey, 85% of CEOs say that their company's digital transformation was significantly accelerated during the pandemic. Furthermore, it has been argued that despite the global pandemic, from 2020 to 2023 direct digital investments will be growing with an annual growth rate of 15.5%, approaching 6.8 trillion USD (Fitzgerald et al., 2020). Digital transformation is an important topic on the CEO's agenda. In a survey conducted in June 2020 (Deloitte and Fortune, 2020a) the top three post-pandemic investment priorities from CEOs' perspectives are IT infrastructure/platforms (40%), innovation (36%), and consumer experience (35%).

In a recent study, Wessel et al. (2020) detangle the difference between IT-enabled organizational transformation and digital transformation. Whereas IT-enabled organizational transformation refers to organizational transformation that strengthens its current identity by using digital technology in supporting the value proposition (Wessel et al., 2020). IT systems are brought into institutions to enhance existing operations and make procedures more efficient and effective (Skog, 2019). In contrast, IS scholars have identified digital transformation as a distinct phenomenon (Skog, 2019), which draws in a new organizational identity by leveraging digital technology to redefine an organization’s
value proposition (Wessel et al., 2020). Moreover, digital transformation is often seen as a process in response to the changes in the organizational environments, and the associated scale, scope, and speed with the digital transformation phenomenon led the researchers to think of digital transformation as a progression of the IT-enabled transformation (Vial, 2019).

To date, most research on digital transformation focuses on a single organization and its success factors (Warner and Wäger, 2019), but it is often the case that external partners are involved most of the time in guiding the organization towards transformation, and researchers have not given much attention to them. It is not clear what role consultancy agencies are playing within the digital transformation process of their clients. This calls for a closer examination of the relationships between these parties. The study of this new context provides the opportunity to find new knowledge and expand the existing knowledge with a new dimension.

In the literature digital transformation is viewed as a journey rather than a project. But at the same time, consultancy agencies when working with their clients on their transformation journey, do it in a short-term, projected-based manner (Kane, 2017; Vial, 2019). We found this contradiction to be fascinating hence we decided to look closer to the role that consultancy agencies play within the digital transformation journey of client organizations. In this thesis we will explore this topic by examining the following research question:

**RQ: How is the role of the digital transformation agency affected by the dynamic and complex nature of the digital transformation process?**

To answer this research question, we conducted a qualitative case study (Yin, 2018). Our research object is the role that digital transformation consultancy plays within the digital transformation process of their clients. In this thesis project, we conducted 5 semi-structured interviews with the representatives of the agency, which were complemented with 2 semi-structured interviews with the agency’s clients that are on their way to digital transformation journey.

Our case study reveals that the notion of digital transformation in the business environment is unclear and it does not have a systematic understanding, which makes it difficult to sell in the context of the consultancy work. That in turn challenges the long-term collaboration process between the agency and their clients. Our findings show that the agency when working with their clients plays different roles and these roles are heavily dependent on the context. We have identified several roles that the agency currently takes such as facilitator and knowledge partner. Further, as an answer to the complexity that the digital transformation brings, the new role of innovation partner emerged.

The thesis contributes to the digital transformation research stream with the perspective of the consultancy agency. The reality is complex and what is published in theory about digital transformation so far doesn’t fully explain this complex and dynamic business environment. In many cases, the consultancy agencies help in navigating the digital transformation journey of the clients’ organizations but little attention is paid to the role they take within this collaboration. The theoretical foundation of identified roles is rooted in the knowledge-intensive business services (KIBS) research stream. Our contribution to
the IS research is that we have examined these roles in the light of digital transformation and recognized how the dynamic and complex nature of digital transformation forces the agency to reposition and form a new role. Digital transformation and digital innovation are fast-changing phenomena and in this course, research needs to keep up with how these terms are constantly influxing in practice. As we witnessed in our thesis, the opaqueness of the definition of digital transformation in the business environment led the organization “X” to re-think their value proposition and focus only on one aspect of digital transformation hence the new role was formed. We see that as an opportunity for future research on how consultancy agencies frame what they do and how they transform themselves to fulfill their business intentions.

2. Theoretical foundation

In this section, we will describe the relationship between concepts of digitalization, digital transformation, and digital innovation. Further, we will place these notions in the context of a knowledge-intensive business service environment specifically focusing on digital consultancy agencies.

2.1 Digital transformation

Digital resources and their implementations are constantly evolving, resulting in disruptive environments (Lundberg, Sandberg & Nylén, 2020). Vial (2019) argues that digital technologies play a vital role by generating and strengthening disruptions happening at the society and industry levels. Digital technologies are resources with the basic ability to be recombined and reprogrammed limitlessly, primarily they are inherently dynamic and distributive (Skog, 2019). In recent years we have witnessed how digital disruptions have shaken the core of the industries such as music, transportation, and entertainment (Skog, Wimelius & Sandberg, 2018). Several authors have suggested that to advance socially and industrially in the age of digitalization, inducing systemic change through instigating digital disruptions is essential to exploit the changes that take place in the basic conditions (Legner et al., 2017; Lucas Jr et al., 2013). At the social level, basic computing capabilities that promote large-scale digitization and digitalization are rapidly evolving (Skog et al., 2018), hence digitalization is defined as a socio-technical process of adopting digital technologies on a vast scale (Legner et al., 2017).

Previously IS research has studied organizational change in relation to information technology and provided a significant contribution to IT-enabled organizational transformation. IT systems usually come to create and capture value with existing products and services, they rarely lead to significant changes in them (Bharadwaj et al., 2013). IT systems are introduced into organizations to strengthen what they do and make it more efficient and effective. Over time, the use of new IT systems leads to the expected and unexpected consequences that can lead to broader organizational change. Therefore, IT-enabled organizational transformation can be seen as slow, and a process within organizations that generally follows a bottom-up trajectory (Skog, 2019).
Recent observations suggest that digital transformation is distinct from the previous IT-enabled organizational transformation (Skog, 2019). Furthermore, the intrinsic reliance on business and technological environments further distinguishes digital transformation from IT-enabled organizational transformation (Skog, 2019). Vial (2019) argues that the associated scale, scope, and speed with the digital transformation phenomenon leads to thinking of digital transformation as an evolutionary development of IT-enabled organizational transformation. While there is a lot of research made on digital transformation, there is still confusion between digital transformation and IT-enabled organization transformation. Recently Wessel et al. (2020) have unpacked the difference between IT-enabled organization transformation and digital transformation. Authors stress that the main difference is within the dynamics of how digital technologies are shaping value propositions, and in turn how the value proposition interacts with organizational identity. When digital technologies support an organization’s current value proposition and therefore reinforce organizational identity they call it IT-enabled organization transformation. Whereas when digital technology redefines the current value proposition which leads to the emergence of a new organizational identity, it is digital transformation (Wessel et al., 2020).

Although many researchers, managers, and companies are currently working on digital transformation, there is still no definite agreement on the exact meaning and scope of this transformation (Warner and Wäger, 2019). Over the years, researchers have proposed extensive and diverse definitions for digital transformation extend from “the changes that the digital technology causes or influences in all aspects of human life” (Stolterman and Fors 2004, p. 689) to a detailed definition of “a process that aims to improve an entity by triggering significant changes to its properties through combinations of information, computing, communication, and connectivity technologies” (Vial 2019, p. 121). Digital transformation is not an utterly new concept, and its roots can be found in digitalization. Digitalization adds new conditions to business functions and new threats to the traditional environment in which organizations operate. Organizations are therefore embracing these new opportunities and as a response to the changes that digitalization has triggered, organizations started to engage in the digital transformation (Gimpel et al., 2018). As a result, in academic literature, various frameworks of digital transformation have been published to address the different needs of organizations. Several authors represent digital transformation on an abstract level as an iterative process between digital innovations, their implementations, impact, and diffusion at the organizational level without going into specifics (Skog et al., 2018). Vial (2019) provides a more comprehensive framework that explains how digital technologies fuel digital disruptions to create rapid changes in the competitive landscape. This leads to strategic responses from organizations that change the way values are created and affect the structure, culture, and leadership of the organization. Similarly, Mergel, Edelman, and Hague (2019) and Schallmo and Williams (2018) frame the digital transformation around the business aspects that are changing in the typical processes that take place and the outputs. According to authors Mergel et al. (2019), the reasons for digital transformation are external and internal pressures, while Schallmo and Williams (2018) emphasize, the focus should be on digital transformation’s objectives such
as cost savings and better quality. Moreover, some authors define digital transformation as a process in which organizations continuously engage in digital innovation. According to Skog (2019), digital transformation is an "emergent process of qualitative organizational change driven by continual digital innovation situated in digital ecosystems" (Skog, 2019, p. 27). These definitions boost the fact that digital innovation plays a vital role as the driving mechanism of digital transformation, which results in a process of organizational change that creates a significant impact on organizational components. Hence researchers view digital transformation as a complex and long-term process in organizations rather than a project (Vial, 2019; Skog, 2019).

2.2 Digital Innovation

When talking about the digital transformation several authors have identified the need for organizations to establish a state of “ambidexterity” (Gimpel et al., 2018; Skog, 2019; Vial, 2019). Ambidexterity is described as the ability to balance and maintain steady improvements of current business efficiency and stability while simultaneously exploring and adapting to emerging changes. The capability to respond to emerging opportunities and threats can be associated with the process of innovation. Hinings, Gegenhuber & Greenwood (2018, p. 55) explain that digital transformation "comes from the combined effects of several digital innovations". In our thesis, we will specifically focus on digital innovation. Nambisan et al. (2017, p. 224) have defined digital innovation "as the creation of (and a consequent change in) market offerings, business processes, or models that result from the use of digital technology." Some authors have defined digital innovation by narrowly focusing on the process. As per, Yoo, Henfridson & Lyytinen (2010, p. 725) innovation is "the carrying out of new combinations of digital and physical components to produce novel products". Although digital technologies are involved in the innovation process, the outcome does not necessarily need to be a digital product, service, or platform. As a matter of fact, digital innovation can be used to improve customer experience, working practices, value creation pathways, etc. (Nambisan et al., 2017).

Traditionally, literature on innovation management was distinguished into two focal points: the process of innovation or the outcome of the innovation. However, with the nature of digitalization, boundaries between the process and the outcome have become more complex and dynamic (Nambisan et al., 2017). Authors have suggested that instead of focusing on one or the other, researchers need to look at the "dynamic problem-solution design pairing". With this notion, they emphasize "that digital innovation involves the continuous matching of the potential (or capabilities) of new and/or newly recombined digital technologies with original market offerings" (Nambisan et al., 2017, p. 226).

The digital technology-driven digital innovations force organizations to be digitally transformed, due to the risk of rivals obtaining a competitive advantage as a result of adopting those technologies (Bharadwaj, 2000). Scholars have addressed this issue as "digital darwinism" (Schwartz, 2002). In the digital era where technology and society evolve at a faster rate than businesses can adapt naturally, only the most responsive organizations to digital innovation can survive this dilemma (Schwartz, 2002). This sets the stage for organizations to adopt a more risk embracing culture and more agile,
innovative structures within organizations which can be the key to a successful future (Kane et al., 2015; Vial, 2019). An agile organizational structure can be a crucial milestone in digital transformation performance in the future (Kane et al., 2015), and this way digital innovation has an extensive impact on organizations.

Globally digital innovation is changing the way businesses operate. Studies have stressed the need of building innovation teams that address the digital innovation process within organizations (Nylén and Holmström, 2015). Since digital innovation is a continuous learning process, innovation teams will need a set of new skills, mechanisms, and capabilities to incorporate the unique properties of digital technologies into the innovation process. As a consequence, organizations have to set up dynamic teams to address this rapid development of digital technologies (Nylén and Holmström, 2015). When working with digital innovation both incumbents and newcomers have to address challenges and opportunities which are occurring due to the rapid pace of digital innovation processes (Yoo et al., 2010). According to Yoo et al. (2010), these unique characteristics of digital innovation are enabled by the programmability, data homogenization, and self-referential nature of digital technology. The rapid pace of digital innovation processes is specifically challenging for SMEs due to their shortage of resources and financial capital. Thus they tend to slow in the innovation process compared to large organizations (Barron, Hulten & Hudson, 2012). The rapid pace of digital innovation also poses a challenge for incumbent companies, as it necessitates a transformation of existing innovation work structures. As a result, incumbent firms' core competencies will potentially obstruct their ability to innovate when entering new markets. This emphasizes the fact that for digital innovation it is essential to have new skills without making all existing skills obsolete (Nylén and Holmström, 2015). Furthermore, to deal with the rapid speed of digital innovation processes, organizations must develop in-house skills that ensure the agility required. This could be accomplished in larger firms by sourcing and integrating resources and expertise from various contexts (Nylén and Holmström, 2015).

With the rapid changes associated with the digital innovation process, standards are essential for companies to manage uncertainties. Hence innovation standards play an important aspect in digital innovation. This standards-setting allows organizations to coordinate with a variety of actors and interactions in ecosystems, or industries (Nambisan et al. 2017; Yoo et al., 2010). Due to the importance of this aspect, the new series of International Standards on innovation management (ISO 56002:2019, Innovation management -Innovation management system Guidance) was introduced in the year 2019 to ensure that organizations have standard guidelines to evaluate innovation development from ideation to implementation (Naden, 2019). Moreover, the government can also play a significant role in this relation by deciding what practices are sustainable as digital disruptors, working to reduce the legitimacy gap between innovation and policy, and its purchasing power can influence the overall standard setting (Hinings et al., 2018).

According to Hinings et al. (2018), there is a need to build an infrastructure for digital innovation that exceeds the specific innovation and organization. Furthermore, the authors argue that "digital transformation takes place through the integrated effects of several digital innovations that bring new actors, structures, practices, values, and beliefs that
change, intimidate or replace the existing rules in organizations, ecosystems, and industries” (Hinings et al., p. 55). Given the fact that there are multiple actors involved in the digital innovation and digital transformation processes, further, we will examine how digital consultancy agencies fit in this context.

2.3 Knowledge-intensive business services

With the rapid development of digital and disruptive technologies organizations, both in the public and private sector need to adapt their strategies, systems, capabilities, and mindsets, this often involves calling for expertise from knowledge-intensive business service (KIBS) firms. KIBS is argued to “involve economic activities which are intended to result in the creation, accumulation or dissemination of knowledge” (Miles et al., 1995, p. 18). Further Miles et al. (1995) have made a distinction between KIBS I (P-KIBS) - traditional professional services that are liable to be intensive users of new technology and KIBS II (T-KIBS) - New technology-based KIBS. In our research, we will focus on the latter. T-KIBS includes services such as management consultancy involving new technology; design involving new technologies, software, R&D consultancy, and “high-tech boutiques”, etc. Wood (2002) states that KIBS “often offer strategically significant technical or organizational knowledge that client staff do not possess or could not exploit without consultancy support” (Wood, 2002, p. 994).

Over the years many authors have proposed their definition of KIBS. In the context of consultancy work “KIBS can be described as firms performing, mainly for other firms, services encompassing a high intellectual value-added” (Muller and Zenker, 2001, p.2). Muller and Zenker (2001) state that KIBS firms give a major contribution to the innovation process by producing and diffusing knowledge. Feser and Proeger (2018) enrich the idea that for small and medium-sized enterprises (SMEs) KIBS can be a major source of innovative knowledge and "KIBS play a crucial role in distributing innovations and improving the region’s overall innovative capacities” (Feser and Proeger, 2018, p. 62). Due to the complex nature of innovation, Muller and Zenker (2001) suggest that “SMEs are supposed to innovate in cooperation with other firms which enables all partners to optimally use their own internal knowledge resources and to combine them with specific competencies of their partners” (Muller and Zenker, 2001, p. 1502).

Zieba (2013) discusses that in recent decades the KIBS sector has progressed, and it can be interpreted as one “of the indicators of a transformation from an industrial economy into a knowledge-based one” (Zieba, 2013, p. 785). In literature knowledge economy is defined “as production and services based on knowledge-intensive activities that contribute to an accelerated pace of technical and scientific advance, as well as rapid obsolescence” (Powell and Snellman, 2004, p. 21). The authors explain that the main feature of the knowledge economy is dependence on “intellectual abilities, not on physical raw materials or natural resources” (Powell and Snellman, 2004, p. 21). Knowledge has a flexible nature, it can be stored, transformed, and transferred. A strong presence of knowledge and intellectual workers is one of the key characteristics of the management consultancy industry.
In literature, there have been identified several roles that KIBS organizations can play within the client organizations' innovation processes: facilitator, carrier, source, and co-producers of innovation (Pinto, Saur-Amaral & Brito, 2017).

According to the European Foundation for the Improvement of Living and Working Conditions, the main KIBS sectors among other divisions based on NACE include 72.2: Software consultancy and supply, and 74.14: Business and management consultancy activities (European Foundation for the Improvement of Living and Working Conditions, 2005). “A major driver of KIBS growth is revealed by the rapid increase in technology-related business services, of which the most prominent examples are computer and information technology services” (European Foundation for the Improvement of Living and Working Conditions, 2005, p.5).

A survey made by the European Federation of Management Consultancies Associations (Cerruti, C., Borra, S., Appolloni, A., 2019) states that 83% of respondents acknowledged that management consulting projects related to digital transformation activities are growing. "This is confirming evidence that digital-related projects are leading the growth of the management consultancy industry" (Cerruti et al., 2019, p. 17).

Researchers have paid attention to KIBS since the middle of the 1990s. While there is an extensive body of research found on the KIBS relation to innovation activities, there is no clarity of the role that KIBS firms take when providing organizations with the knowledge concerning digital transformation. In our research, we will explore KIBS that represents management consultancy activities specifically with a focus on digital- and technology-related matters.

3. Research methodology

The following chapter describes the research methodology utilized in this research study. First and foremost, the research approach explains the methodological possibilities and selections. Next, the research design addresses concrete directions and explains the research strategy. The following sections continue with the explanation of the data collection and the data analysis methods.

3.1 Research approach

The research approaches are divided into three categories: qualitative, quantitative, and mixed methods (Myers, 2013). According to Myers (2013), the quantitative research method is very suitable to study natural phenomena, and all quantitative studies place a greater emphasis on numbers than on anything else. In our research study, we have performed an in-depth analysis of an organization’s role in the context of digital transformation. Myers (2013) highlights that when studying a context in qualitative research, "it allows the researchers to see and understand the context within which decisions and actions take place- It is the context that helps to ‘explain’ why someone acted as they did. And this context (or multiple contexts) is best understood by talking to people" (Myers, 2013, p. 20).
To understand the organizations' role, it is necessary to contend their operations, their actions, why they have taken those actions, and what are the key influences, etc. According to Myers (2013), it is difficult to study this context with quantitative data. It is necessary to talk to the people in the organization to understand what their actions are and why they are taking those actions. Through this method, researchers can sustain the validity and reliability of their study. Myers (2013) claims that if a study's purpose is to learn more about people's motives, reasons, and behaviors as well as the meaning behind their attitudes and actions in a comprehensive manner, qualitative research is the best possible path to follow.

To learn about an organization's role in a specific context we must talk to the people who have been involved in that context and read what they have written, in that way we can realize what they are thinking, and understanding their thoughts goes a long way toward explaining their behavior and actions (Myers, 2013). Furthermore, Myers (2013) stresses the importance of qualitative research when studying an individual subject in-depth. There are several methods to conduct qualitative research, such as action research, case study research, and grounded theory. The observations, interviews, questionnaires, documents and impressions, and reactions of the researchers have considered being qualitative data sources (Myers, 2013).

3.2 Research Design

Yin (2018) explains research designs as concepts that have a logical sequence that connects the empirical data to a study's initial research questions and, ultimately, to its conclusions (Yin, 2018, p. 60). For this reason, the chosen research design should be in line with the research question. To select the relevant design options for our qualitative research study, we employed Yin's (2018) method by keeping in mind three specific conditions: 1) The form of the research question created by the researchers, (2) the extent of influence by the researchers over the events, and (3) whether the research subject is based on a current or historical case. Based on these conditions, first, our research question is based on the “how” form. According to Yin (2018), “how” or "why" questions are more relevant to case studies, and researchers are more inclined to use them to focus on contemporary events. Then, by investigating the role of consultants and how it is affected by the dynamics of the digital transformation process, we mainly concentrate on the organization's past and present occasions. Finally, as researchers, we have no influence or control over corporate incidents that occur in the company under investigation. Overall, the preconditions and characteristics described are aligned with Yin's (2018) description of a case study. Accordingly, we have used the case-study method grounded on an in-depth examination of a single organization throughout this study. Yin (2018) states that a case study is very suitable when investigating a real-world scenario. Hence, contextual conditions needed a comprehensive and thorough understanding of the case to draw generalized assumptions. In our study, we have used the methodological path proposed by Yin (2018) and conduct case study research as a linear but iterative process.

For the definition of the case study approach Myers (2013) refers to the Yin (2003) definition which is "A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between
phenomenon and context are not clearly evident” (Myers, 2013, p. 77). Moreover, Yin (2018) further explains that a case study is attempting "to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result" (Yin, 2018, p. 44). Accordingly, our adopted research approach is in line with our research question that evaluates the role of the consultancy agency in the digital transformation phenomenon. In order to contribute academically and theoretically to the outlined study objectives, it is important to develop a detailed general understanding of this definition.

Yin (2018) stresses that the aim of a case study approach is not to conclude about a population based on evidence and reasoning from the empirical data collected from a sample from that population, which is a namely statistical generalization, but to compares the findings of a case study to theoretical concepts that you referenced in designing your case study often highlighted as an analytical generalization. This is the type of generalization that this research may lead to, where we will analyze a three-dimensional perspective of the organizational role through the consultants from the organization being studied, their clients from different industries, and the secondary data from the previously published papers. As per the further explanation in the data collection section, our study was inspired by Vial’s (2019) theoretical framework for digital transformation. The objective of this research study is to identify a better understanding of the role and other factors surrounding the identified role in the area of digital transformation through empirical argumentation. In this regard, the chosen case study methodology aids analysis by taking a more functional approach to the chosen organization.

Furthermore, following Yin (2018), the distinction between the types of generalizations along with the overall research objective leads to an exploratory case study. Based on Yin (2018) it could be argued that case studies are explorative when producing insights about a topic as well as describing variables and relationships. Finally, this research focus is to create analytical generalizability supported by selected design methods that assist the purpose of this research study, per Yin (2018). In conclusion, we adopt a single-case study research design focusing on a consulting firm operating across several industries in both the private and public sectors to identify how its role is affected in the context of digital transformation.

### 3.3 Rigor vs. Relevance

In our research, we aimed to find a good balance between rigor and relevance. Myers (2013) defines rigor in research as the one that meets the standards of "scientific" research. Srivastava and Teo (2009) distinguish two dimensions of rigor: methodological and philosophical, and study to be justified as an academic piece, research should meet both these dimensions. For our study to be rigorous we were following qualitative case study methodological guidelines. That includes methods of how data were collected and analyzed, all articles and frameworks discussed in this research are peer-reviewed and published in academic journals, and results of this research give a theoretical contribution to the academic research.

In turn, the relevance of the research responds to the responsiveness "to the needs of business and industry to make it useful and practicable for them” (Srivastava and Teo,
To increase research relevance Benbasat and Zmund (1999) propose four dimensions: interesting, applicable, current, and accessible, and give recommendations on how to achieve them. To meet relevance in our study, we strived for all four dimensions to be present in the research. We paid attention to the future interests of key stakeholders which in our case were digital transformation consultancy agencies, results of our research are applicable for possible strategic decisions of the practitioners, and we used clear and simple language throughout this research.

3.4 Case Description
In our thesis project, we were collaborating with the niched digital transformation consultancy agency. To ensure the anonymity of our case organization further in the text it is referred to as organization "X". Organization "X" was established more than 10 years ago and is based in Sweden. The organization works with clients both in the public and private sectors across Sweden. It is flat structured with the three main business areas: technology, design, and business development with 18 employees. Employees have different educational and experience backgrounds that complement each other.

At the beginning of our thesis project when we reached out to the case organization "X" they positioned themselves as a digital transformation agency. We, as researchers, were privileged in witnessing the transformation process of the digital transformation consultancy agency itself. During these few months since we were in contact with the organization, they have been in the intensive process of repositioning themselves as a long-term innovation partner, which gave our research a unique frame of reference. We were fortunate to see the dynamic nature of digital transformation in practice. Furthermore, we interviewed three client representatives from two different organizations to support our analytical generalization. Clients were selected from the case organization "X", taking into account various factors such as the consultancy's job was aligned with our research context, possibility to conduct interviews in English, their availability, etc. We ended up with access to two public sector organizations that were collaborating with our case organization "X" on different aspects. Client organization "Y" was buying from them consultancy work to support their service-design matters, while client organization "Z" was collaborating with the case organization to build their strategic and practical ability to perform innovation work.

3.5 Data collection
Our research study followed the qualitative research approach to investigate the consultancy agency’s role within the context of digital transformation. Thus, to achieve this objective it is needed to dig deeper into organizational insights and contextual understanding. According to Myers (2013), Interviews allow us to collect detailed information from people in a variety of roles and situations, and for case study research interviews are the most prominent method to gather primary data.

Considering turbulent times in 2021 (Covid-19) interview process was carried out and recorded using the Zoom communication platform. This approach of the primary data collection gave us both advantages and disadvantages. Because we did not meet the
interviewees in a "real-life setting" we might not be able to establish deeper contact. On the other hand, in 2021 people were already used to remote jobs and virtual meetings, therefore it might have been easier for them to relax and answer questions without even noticing that the process was recorded. Another thing that this digital interview process has brought to us was that in the data analysis process we were able to recall and pay attention to interviewees' facial expressions and body language therefore we were able to interpret them and have a deeper understanding of what they felt when answering questions. All the interviews were conducted in English, it is important to note that neither researchers nor interviewees are English native speakers hence it might be possible that some nuanced meanings were lost in translation.

Following Walsham's (2006) suggestion before the interview session, we explained to the interviewee the purpose of our study and reassured confidentiality. Interviews were semi-structured, and, in most cases, we asked follow-up questions when the interviewee touched upon interesting topics or perspectives.

We chose to use semi-structured interviews because it allows researchers to follow up on any new areas of inquiry that come up during the interview, and to focus on those new insights that the interviewee gave (Myers, 2013; Yin, 2018). Furthermore, it helps the interviewee to openly share what they consider to be relevant to the context (Myers, 2013). As researchers, the semi-structured interview method allowed for some improvement and gave us a structure to follow. We created seven interview guides: five for the consultancy agency and two for the agency's clients. The first interview guide for the agency was designed to understand the overall structure and processes of the organization and how they interact with clients. Answers to these questions guided us in creating further interview guides.

First, we carried out a 1 hour 15 minutes long pilot interview with a representative from the consultancy agency. After the pilot interview, we did an initial data analysis to evaluate the questions in how they help us to collect data and answer the research question. Further several questions were modified and added. The other two interview guides were developed to get the client's perspective. We have been inspired by Vial's (2019) framework of "building blocks of digital transformation process" to design questions. Questions for these interviews were organized in 6 blocks: introductory questions that allowed us to learn about the interviewee and served as an icebreaker, recognition of disruption, strategic responses, collaboration with consultancy agencies, output, and closing questions.

To get an in-depth understanding of the topic, we triangulated data. Data triangulation refers to combining various data gathering techniques to look at the topic from different angles to get a more clear insight into the phenomena (Myers, 2013). As it is mentioned before primary data consisted of semi-structured interviews. Interviews were carried out within the consultancy agency as well as within the consultancy's clients that were undergoing the transformation process. In total, we had three "introductory meetings" with the representative of the agency, one semi-structured pilot interview with the representative of the agency, 4 semi-structured interviews with employees of the agency, and 2 semi-structured interviews with representatives of two different client organizations. The length of the interviews varied between 1 hour and 1 hour 30 minutes. Secondary data
included information found on the website, digital transformation guide document, podcast episodes, and blog posts produced by the consultancy as well as publicly available materials presented by client organizations regarding digitalization and digital transformation.

<table>
<thead>
<tr>
<th>Participants</th>
<th>Current role</th>
<th>Sample segment</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>Design Lead</td>
<td>Case organization “X”</td>
<td>1:27:06</td>
</tr>
<tr>
<td>P2</td>
<td>Chief Executive Officer</td>
<td>Case organization “X”</td>
<td>1:21:36</td>
</tr>
<tr>
<td>P3</td>
<td>Business Development Head</td>
<td>Case organization “X”</td>
<td>1:48:40</td>
</tr>
<tr>
<td>P4</td>
<td>Director of Insights</td>
<td>Case organization “X”</td>
<td>1:15:00</td>
</tr>
<tr>
<td>P5</td>
<td>Tech Lead</td>
<td>Case organization “X”</td>
<td>00:59:11</td>
</tr>
<tr>
<td>P6</td>
<td>E- Strategist</td>
<td>Client organization “Y”</td>
<td>1:00:23</td>
</tr>
<tr>
<td>P7</td>
<td>Chief digital officer</td>
<td>Client organization “Z”</td>
<td>1:02:03</td>
</tr>
</tbody>
</table>

Table 1 List of Respondents

3.6 Data analysis

For data analysis, we used the Atlas.ti program. We have transcribed all 7 interviews and imported those files to Atlas.ti to perform the initial coding. Before we begin with the coding, we have familiarized ourselves with the data by reading all the transcribed files (Braun and Clarke, 2006). While performing the initial coding, we followed an inductive approach. The first cycle of coding was carried out independently by both researchers, and both try to maintain an explorative coding approach without defining any preliminary clusters. As a result, we initially came up with 124 codes. During the initial coding, we aimed to capture all the data within our data corpus, and later we further discussed and merged the codes where the content was similar. After completing the code rework, we started searching for themes by clustering the codes into potential themes (Braun and Clarke, 2006). As a result, six initial themes were created.

Next, we started to review the potential themes (Braun and Clarke, 2006) and narrowed them down into four themes after taking into consideration the meaning and relevance to the thesis, page limitation of the master thesis, etc. The themes were further altered by giving more comprehensive and coherent names to align with the findings. Since we have followed the inductive approach, the recognized themes are strongly linked to the data (Braun and Clarke, 2006). Following themes were created as the final result of our analysis: the three-box model, the identified roles, digital transformation in practice, institutional barriers that hinder long-term collaborations. We adapted the thematic analysis, which considered as an effective approach for "acknowledge the ways individuals make meaning of their experience, and, in turn, the ways the broader social context impinges on those
meanings, while retaining focus on the material and other limits of "reality" (Braun and Clarke 2006, p. 9). This analytical technique was flexible in data interpretation since a wide collection of codes could sort into the border themes. However, since thematic analysis is subjective and depends on the researcher’s discernment, it could also lose nuances in the data.

3.7 Research ethics

Many researchers (Myers, 2013; Yin, 2018) have discussed the importance of ethics in qualitative research. In our study, we strived for the highest ethical standards. Myers (2013) presents important ethical principles related to research: the golden rule, honesty, plagiarism, informed consent, and permission to publish. Further, we will address each of them.

Maylor and Blackmon (2005, p. 281) have defined the golden rule for researchers as: “treat others as you yourself want to be treated and provide benefit to the organization and individuals involved in your work.” One of the aims of our research was to provide a benefit for practitioners including the organization we were studying. In our communication and actions, we strived to be as professional and empathetic as possible, treating everyone with respect following courtesy.

The nature of our research was not contradictory in the sense that we were not faced with the situation when our findings might be influenced being in between honesty, informed consent, and the possibility of finding an inconvenient truth for the public.

In the data collection process, we did interviews with participants from various organizations. Before the interviews all the participants were familiarized with the aim of our study, that the participation is voluntary, and that all their answers will be anonymized and used as a summary in the Master thesis, interviewees were informed that the Master thesis will be published in the Diva portal.

Special attention was devoted to avoiding plagiarism. We deliberately acknowledged all the authors that have done prior research in our study field and from whom we have inspired. All the sources are acknowledged using the Harvard referencing system both in the text and in the list of references.

4. Findings

In the following section, we will present findings from our data collection. First, we will introduce the method that our case organization is employing when working with different organizations. We think it is important to mention this model in the beginning because all of the respondents both within the consultancy agency and their clients referred to it and it shows how the work is structured around digital transformations. Further, we will identify different roles that the consultancy agency plays when working with their clients and discuss the problematic with the notion of digital transformation in the business world. Finally, we will focus on why it is difficult to establish long-term partnerships with clients even though digital transformation is a journey, not a project.
4.1 Three-box model

Our case organization employs frameworks when working with their clients and our participants frequently referred to the "three-box" solution during the interviews. The representatives of client organizations emphasized the usefulness of this method for their strategic work when working towards digital transformation. The clients who participated in the interviews highlighted that this method helps them to optimize and streamline the present requirements while also focusing on creating the future.

Most of the traditional businesses are stuck with the same way of working for a long time and they lack the focus of future possibilities of their organizations "we still do the same business in a way. So, this is a big challenge to change something that is very conservative. And I thought that my employees here, that work here, were stuck in the old way of thinking" (P8). But this method drives them through the new strategic way of using digital innovation to trigger a long-term impact on the digital transformation process.

"After the first workshop we had with the three-box model, it started to happen, a lot of things in the company, in the people's brains. So, they started to work much more on a long-term basis than they did before. And that was interesting to see what happened with the managers, first of all, and they started to have meetings with their employees, and they are always now talking about what do we do in the short-term and what do we do in the long-term? So they try to also train their employees to think in the short-term and long-term. And then it comes out much more and much better ideas as well. So, we started to make a lot of moves because we want to go into the future in other services and business than it looks today." (P8)

As mentioned earlier one of the main challenges in digital transformation is creating the balance between the present work and future. Organizations often miss the future out of their working bucket and lack strategic clarity on how to work with the future vision. This method addresses the three aspects organizations should constantly balance, the organization's current situation, their past, and the future. The model allows organizations to sort their work into three boxes, where the box "one" helps them to optimize the current business models and working methods that generate revenue today. Box "two" is about identifying and leaving ideas, values, and working methods that no longer benefit the organization to create space to work in the box "three". The final box is all about creating the future by exploring new business models and working methods, in the short term it helps organizations to create new learnings, and in the long term, it creates new business for the box "one" (Govindarajan, 2016). This method enables organizations to exploit numerous opportunities with their existing resource base and it helps them to enhance organizational agility without interrupting core operations. Furthermore, the exploration of innovation organizations can sense and seize the opportunities rapidly which is often mentioned as organizational ambidexterity.

---

This method was developed by Govindarajan (2016) as a framework to lead innovation. Organizations are rapidly changing in the digital setting, and in order to be competitive in the market, they have to initiate new strategies and optimize the current business strategies. This results in different management challenges and managers often find it difficult to work on both entities simultaneously (Govindarajan, 2016).
4.2 Digital transformation in practice

In the business environment digital transformation is perceived as a complex term that includes various interconnected aspects and is very context-based. During our research, we noticed that digital transformation and digitalization are used interchangeably. Several times, different respondents independently described the notion of "digital transformation" as being fuzzy because of its broadness and that for different people it has different meanings.

"Digital transformation can be different things for different people. if you talk to someone in IT, it’s a lot about, like doing these kinds of shift "from paper to a computer" basically. Maybe not only that but yeah, but that’s the big thing. And if you talk to someone in business then you have the other perspective like, "okay, it’s more about how we make business and stuff like that." And if you talk to someone else it could be a whole different thing if you talked to someone in marketing, it's a lot about shifting from [print] ads to digital, and working with the growth marketing and stuff like that" (P1).

The main challenge throughout the years that we've been a digital transformation agency has been that the word “digital transformation” means such different things to whoever you're talking to. And there's really no start or stop on where digital transformation is [...] the perspective is too wide.” (P3)

Lack of systematic understanding of the notion of “digital transformation” is one of the reasons why it is problematic to sell “digital transformations” to customers in the context of consultancy work. Organizations that are looking for consultancy help need to solve specific problems that can be related to the digital transformation but since it can be anything from IT solutions to the development of new digital strategy, it is difficult to frame it.

“There is not a single client that has said: "Hello, we want to do digital transformation." I have never heard anyone say that, but they bought support to update or support their vision or update their strategy, or support to help them with innovation work or support to build software tools, you know, those kinds of things.” (P2)

The breadth of identified problems within the client organizations makes it difficult to offer standardized solutions. Considering that all the solutions are heavily dependent on the context and specific organization, consultancy agencies require a versatile skill set and capabilities which in turn requires huge financial and human resources.

Our respondents explained that if digital transformation is perceived as a purely technological issue, it is easier to sell it (e.g., transmission to office 365 platform, etc.) because then offering is clear and can be compared to similar offerings. Meanwhile, digital transformation projects and processes that enable transformation (as respondent P4 called them "boutique projects" done from a design thinking perspective) are difficult to compare with something else, there is a need to have an in-depth dialogue to understand the customer's problem at the foundation. As it was identified from consultancy's experience, clients are usually not very good at formulating their basic problem, often it is based on their pre-established assumptions, hence, to understand the real needs of clients, there is
a necessity to get to know them a bit better. Moreover, for clients, it is not always clear what the consultancy is actually doing when they talk about digital transformation from a design thinking perspective which makes the sales quite difficult and time-consuming process compared to other consultancy work.

Another aspect that adds extra complexity to this notion of digital transformation within practitioners is the limited possibility to measure the immediate impact of consultancy work. Often digital transformation and innovation processes are tackled by workshops. These workshops trigger a process of learning within employees but the impact of that is not possible to measure. These changes in mindset and learnings are intangible gains that can be difficult to communicate externally to stakeholders, which is especially important when there is a need to justify the need of buying external help.

“Public sector, they have such fear of consultants and that's basically the fear of the local newspaper writing an article that they bought consultants for 250 000 SEK that had workshops with them. And you know in this area it is very hard to prove the outcome. It's very hard to significantly say that you put in 250 000 SEK or one million SEK and out came this when you are talking about digital transformation or innovation.” (P3)

Client organizations that had taken part in such workshops acknowledged immediate impact in the organization: “After the first workshop we had with the three-box model, it started to happen, a lot of things in the company, in the people's brains. So, they started to work much more on a long-term basis than they did before.” (P8)

The word "transformation" encompasses a process of change, which means that existing work and thinking practices are changed, and things are done in new ways. It is a creative, mental energy-intensive process that is not a subject for pre-established working routines. As P2 explained:

“There is very little repetitive stuff that we do, so we constantly engage our pre-frontal cortex, and [...] you only have a few hours of pre-frontal cortex work every day. You don’t have the energy for more, and if you use more you will get burned out. So, there is, kind of natural limit on how much of that type of work we can do.” (P2)

These natural limitations are crucial in business settings and lead to the challenge of how to sell consultancy's valuable hours and fulfill business interests. Intensive, creative thinking takes a lot of human energy and has a draining effect on humans’ brains. “No one can work on this for 40 hours per week, it's just not humanly possible ... So, it becomes a problem for our clients, and it also becomes a financial problem, because we don't have 40 hours per week to sell this type of work” (P2). Specialization in creative working methods makes consultancy work not only extraordinary and with high added value but also brings challenges of natural limitations of productivity.

To summarize, we have identified 4 major challenges that cause the digital transformation notion to be problematic within the context of consultancy firm’s work. Foremost, digital transformation is a fuzzy term - for different people, it means different things therefore it is difficult to sell it. Furthermore, because of the previously described complexity and high dependence on the context, consultancy cannot have a standardized approach and solutions to the identified problems. Moreover, it is difficult to
measure immediate impact, especially difficult to measure intangible things such as a change in mindset. The process of transformation and innovation is creative thinking intensive thus creating natural limitations of how much human beings can be productive and how many work hours can consultancy agency sell.

4.3 The identified roles
We now inquire into what type of roles the case organization takes depending on the different contexts. Even though the case organization can be considered niched and small, we have recognized that they are adapting several roles with a single client based on the context and the organizational requirements. The following 3 key roles were mentioned with the highest frequency: facilitator, knowledge partner, and innovation partner. We will next address each of them.

The role of the facilitator was recognized as the role that case organization currently plays in the digital transformation of its clients. According to our analysis, being a facilitator, our case organization provides depth and breadth of knowledge and expertise in the process. The client organizations have a good understanding of the subject matter, but they need some assistance analyzing the information and helping them think it through so they can make the right decisions for the company. P1 from the case company highlight that stating:

“They are experts at what they are doing [...] we are trying to get their input on the things that are important for them, which means the product. They hopefully know most about that part and their business logic and stuff like that. It’s a complex thing with building these kinds of things, so we are trying to simplify it for them.” (P1)

According to our analysis, the case organization plays the role of facilitator when they think the knowledge is resident within the organization and they are guiding their clients on the side. The participant’s from the client organization following statement further confirms our conclusion “They’re more like a facilitator [...] We’re not paying them to,” Oh, please give us the recipe for something”. But they are more like the facilitator. Yeah. In service design thinking and we use our own competence” (P6).

Another role that we have recognized is the role of knowledge partner/educator. During the transformation process organizations need to solve their problems and as a knowledge partner P2 stated that they are "teaching the organizations to change by themselves". The 'knowledge partner' is a significant role in the digital transformation because it fills the gap between the theoretical aspect and that of their clients. One of the client organization representatives underlines how this role acts as a bridge between the theoretical knowledge and knowledge application: “So they mix theory with action, and that’s also a tricky part to do” (P8). But the essence of strategic change lies in the way organizations acquire the knowledge, and how fast they are in their learning curves "So, in that case, we become more like the strategic-knowledge partner - someone who helps them with their own internal learning curve” (P4).

Our results indicate the case organization is currently most active in the role of knowledge partner and there are several reasons for the high demand from the clients. Most of the organizations that are undergoing the digital transformation process do not have the
new knowledge and skills within their organization and they are only experts in their specific field of domain. Especially the management teams of these organizations lack new knowledge, and to support these new processes they need to know what needs to be done.

"That is, of course, a big thing for most companies that are coming from an old world and don’t necessarily have all those skills internally. We often see that maybe one or two people in that company are pretty good, yeah, they are digital and maybe a bit younger, and know stuff. But they are not necessarily inside the management or something." (P1)

Hence, they provide the clients both explicit knowledge and tacit knowledge and act more as an interface to bridge the knowledge gap with the external world.

In the public sector, it’s more like they co-create knowledge with their clients. Our participant P4 stated that “I would say that around 50% are public sector clients who usually need our knowledge and also some help in projects. But it’s mostly our knowledge that they want to get their hands on”. But due to the regulations, it is not possible for them to co-produce knowledge-based service solutions for the end customers in the public sector and the public sector has to only stick with getting knowledge from the case organization “but unfortunately, the way that especially public sector works it’s not possible for anyone except themselves to do this and they don’t have the drivers and the organization is not knowledgeable enough to drive the real change” (P3).

The role of innovation partner is emerging with the focus to narrowing down the scope of the digital transformation process and to emphasize more on customers’ future orientation. According to organization “X”, they believe this will help client organizations to achieve a more coherent and long-term partnership with the consultancy agency “X”. This partnership will allow the client organizations to take the lead and define the needs of their potential end-users and reach out to them before competitors. Our participants further stated that through this long-term innovation partnership, organizations will be able to maintain a balance between exploration and exploitation while building an innovative environment that compliments their long-term goals.

"We have started to look at it more from the innovation perspective, where we know we can help them build their innovation system and we can help them do the innovation work. [...] So instead of talking about this huge transformation thing, we are talking more about and more focused part of it, that is the innovation part. Like doing the new stuff, not transforming the day-to-day business, but working very strategically about how to create your future. So, we kind of made that difference, that we are “I don’t know if you have seen the tree box solution”, so we are very clear on the fact that we are working to help them build their box 3.” (P2)

“In a partnership perspective there will be a long-term common journey towards a vision of where they want to be, and we can really then help them reach their vision instead of focusing on the short-term business perspective.” (P3)

Furthermore, as P2 pointed out the existing ISO 56002:2019, innovation management standard eases the collaboration for both parties because the standard provides them a
common language and especially a vocabulary for communication, and this is a deficiency they have faced when working in the digital transformation with their clients.

“There is really no like.. no unifying way of working with digital transformation, it’s like, yeah, this could be digital transformation, that could be digital transformation, [...] there is no language around it that you can use and make sense of it. It just, whoever you talk to, they mean something different. It kind of have been the case with innovation before as well that’s why I think it has not been as valuable as it will be now, but now with the standard, there is a way, there is a vocabulary, there is a description of what you need to have in place to make innovation work [...] And to me, that is very super valuable.” (P2)

When the clarity of the communication increases, it leads to strengthening the trust between the partnership and ultimately to be a reason to deliver high-quality products or services. P3 describes “as there is a standard for this now, and we can help them fulfill the standard that’s taking away a lot of unease and the perceived risk so I would say the new innovation standard is golden for us because it makes it very more trustworthy and credible”.

From the client organization’s perspective having a standard procedure helps their organizations to instill a reliable innovative culture and improve the organization’s efficiency and performance. Our analysis shows that the position of the innovation partner encouraged client organizations to begin transforming their structures to be more agile and competitive in order to adapt rapidly to market changes. Offering innovative solutions leads to changes in the value creation paths of the organization, and as a result, businesses are constantly reworking their business models and forming new strategic partnerships for better networks. P4 emphasizes this during the interview stating

“the partner who helps organizations build their own innovation system and also help them connect their innovation system with other actors because no one’s going to be able to build a complete innovation system on their own. But they care about all their needs. They’re going to need to find allies from the start. So, I think that would be an interesting role for us, I would say, to have we help organizations start to understand innovation methods and an innovation system is starting to help them build their own and connect them to other organizations.” (P4)

4.4 Institutional barriers that hinder long-term collaborations

As it is discussed before, digital transformation is a long-term journey meanwhile client organizations hire consultancy agencies to support this process on project-based agreements. In this section, we will identify and explain the main challenges of why it is difficult for our researched consultancy agency to establish long-term partnerships with their clients. According to our analysis, this challenge can be divided into three main aspects: availability of resources, fixed mindset, and legal aspects.

The availability of resources is found to be a hurdle to a long-term partnership. This is especially true for small-sized organizations. Smaller organizations lack resources, both
financial and personnel to deal with long-term partnerships with consultancy agencies as well as they are not used to buying consultancy work hence there is "also a low understanding of working with consultants" (P3). Sometimes they might also not understand the full benefit of fresh knowledge that the consultancy agency can bring into the company. Consultancies and small-sized companies with limited resources should find another way than a traditional project-based partnership that would allow them to benefit from each other and gain new knowledge. As one of the potential solutions "knowledge platforms" were identified, where small-sized organizations for reasonable subscription fees could access valuable knowledge. This new type of digital business model would open doors for many organizations that could not before access structured, relevant resources due to various reasons as well as generate both tangible and intangible revenue streams for a consultancy firm.

A fixed mindset has a major influence on working practices. Many organizations both in the public and private sector are stuck in a way of how things worked before and are resistant to change.

"The biggest problem is back to the whole mindset that a lot of companies have... they are, like, almost thinking, like, industrial era logic, how everything was built back then when... everything they approach is a project, and that is very heavily ingrained in all organizations that are a bit bigger and older, that everything is a project, and you go out to some, and you order something from a consultant and then you get something back, and then you are done after, like, three months. While the world really doesn't work that way anymore." (P1)

Although many organizations are working with consultancy agencies from project to project for several years, they are afraid of long-term formal commitment (agreement). An ingrained mindset plays a crucial role not only in the problematic of why organizations are afraid of long-term relationships but also is a huge barrier for successful digital transformation.

In addition, given the respondent sample of the public sector in this study, legal aspects as a barrier arose. The public sector is highly regulated by law. Within the public sector, the main constraints to establish a long-term partnership are legal aspects. The law of public procurement (Swedish: Lagen om offentlig upphandling (Riksdagen, 2019) restricts the public sector from long-term partnerships. The current possibility and reality for consultancy to ensure the type of partnerships is through framework agreement (Swedish: ramavtal (Riksdagen, 2019)). Even though a framework agreement can be considered as a long-term agreement (it can be up to 4 years long) it is fixed in its nature and not flexible for changes. Moreover, this framework agreement is not a guaranteed contract, there is still competition between the limited number of potential suppliers. As well as it is difficult for consultants to establish long-term partnerships if public sectors' one of the main criteria is the price of the services. “We can never find a way to get any long-term stability in that kind of business [...]They cannot really buy our services even though they really want to and they really need to. But the whole structure of the public sector makes it very, very hard” (P3).
Additionally, digital transformation is an overarching concept, and it needs to involve the whole organization in the transformation process, cross-collaboration between departments is crucial. The public sector consists of several departments that are tied to different agreements and different budgets therefore further complexity is faced.

“In the public sector you have a lot more silos, you have, maybe the people working with service design, and like designing services, are not at all the same people that are working with IT. And it’s different budgets, and [...] they don’t talk to each other that much, so it’s really hard to get from the idea and their user insights to making a real product.” (P1)

To summarize we have identified three different roles that the consultancy agency takes when interacting with their clients. These roles are heavily dependent on the context and affected by various aspects such as the size of the organization, their level of knowledge, the stage of their transformation journey, etc. Further, we explained the problematic of the notion of "digital transformation" in the context of the consultancy work and identified reasons why it is difficult for the consultancy agency to establish long-term partnerships with their clients.

5. Discussion and conclusion

The complexity that digital transformation brings to the business environment requires fresh knowledge and expertise in different domains. Organizations hire external consultants to get a fresh perspective and avoid the costs of acquiring and managing the necessary professional knowledge internally. Although digital transformation is a long-term process, usually consultancy agencies’ work with their clients is organized in a project-based manner. Whilst short-term projects in a long-term journey can solve the ongoing issues that organizations’ face greater value can be generated through long-term partnerships.

This case study intended to investigate the role of the digital transformation consultancy agency that it takes when working with their clients on their transformation journey as well as to understand how this role is affected by the dynamic nature of the digital transformation process.

5.1 Digital transformation in practice

Prior research has argued that digital transformation is different from the IT-enabled organizational transformation because of the inextricably linked features of scale, scope, and speed associated with business and technological environments (Skog, 2019; Vial, 2019). Our findings show that in the business world this complex nature of digital transformation has led to defining it as broad and fuzzy. There is no standardized definition in the literature for digital transformation and it depends on the context in which it was explored. Findings reveal that consultants also dealt with the same challenge when working with their clients. Moreover, clients are also finding it difficult to explain their needs holistically, and it’s purely based on their understanding underpinned by the digital vision of their organizations. The literature also highlights that an overarching understanding is
important to exploit the full potential of digital transformation (Vial, 2019; Wessel et al., 2020). Thus, the breadth and depth of the problems of client organizations make it difficult for consultancies to offer standardized solutions, hence we are generalizing our finding that digital transformation is an ambiguous term for the majority in the business environment.

Another challenge that complicates the concept of digital transformation among the consulting services that is evident from our findings is the difficulty of measuring the immediate impact of the consulting work. Extant research is virtually silent when it comes to how we can measure the immediate impact of the changes in the internal environment in the context of digital transformation. In many cases, the consultancy’s work has affected the changes in the client organization’s employees’ mindset, and the workshops they have conducted triggered an in-depth learning experience that could not be quantified. It is hard to measure the bottom-line impact of these intangible benefits on the digital transformation process of the organizations, which ultimately leads to a lack of stakeholders’ support. Further, Muller and Doloreux (2007) have identified that one of the consultancy services characteristics is predominantly non-routine work. Our findings reveal that when working with the digital transformation process, the consultancy agency requires different approaches, tools, and solutions tailored for each case. This creative and non-standardized process has led to several business challenges of how to productively manage working hours around it and fulfill the agency’s business intentions. The agency cannot benefit from economies of scale through traditional means, nor through standardization of work, as the knowledge intensity requires close contact with the clients (Miles, 2005). While the agency could decrease customization and hence increase returns to labor hours, that would change the nature of work and would not satisfy their customers and employees.

In the recent literature digital transformation is described as a process rather than a project (Vial, 2019). The findings show the industrial era mindset is one of the key challenges to pursue digital transformation as a long-term process. Organizations tend to undertake digital transformation as a series of projects, but digital transformation is not something that can be implemented as a project. It is rather a journey for an organization that aims to improve by making significant changes to its properties through digital technologies and changing the value creation paths which ultimately affect the organization’s structure, culture, and leadership (Vial, 2019). Another factor that prevents long-term engagement with the agency is the lack of resources, especially it is observed in small and medium-sized enterprises (SME). SMEs play an important role in promoting technological developments (Barron et al., 2012). However, due to a lack of resources, SMEs are more prone to engaging in digital transformation as a project-based development within their organizations than the larger organizations.

Our case organization "X" is based in Sweden where the public sector is actively engaged in digital transformation. Our findings illustrate that it is difficult to have a long-term digital transformation process collaboration with the public sector due to regulations such as Swedish Public Procurement Act. The recent research shows the importance and influence of government engagement in the digital transformation setting and the way they can proactively shape it (Hinings et al., 2018). While "governments can influence standard-
setting through its purchasing power” (Hinings et al., 2018, p. 57), the rigid nature of the existing laws hinders the flexibility for the changes in the process for consultancy work.

5.2 The transformative nature of the consultancy role in the digital context

Although IS scholars have produced an extensive body of knowledge focusing on digital transformation from an organizational perspective, little is said about how consultancy work affects client organizations’ transformation journey. However, the role of knowledge-intensive business services (KIBS) is extensively examined in the research. Traditional KIBS literature has mainly focused on innovation work without paying closer attention to the digital transformations. In our thesis, we combined these two research streams to have a unique perspective on consultancy work in the context of digital transformation.

We have identified three roles: facilitator, knowledge partner, and innovation partner that is currently carried out by the agency. Prior research (Miles et al. 1995; den Hertog 2000; Pinto et al., 2017) has identified similar roles that innovation intermediaries, specifically consultancies, play within the innovation process of their clients that can be related to our findings, but some nuances cannot be directly transferred to the context of digital transformation.

The role of the facilitator in the digital transformation context can be defined in a similar vein to the facilitator role in KIBS. The role facilitator is a joint force with customers to help them develop their own digital transformation work, but not directly responsible for the digital transformation process.

The next identified role is a knowledge partner, which is a combination of role facilitator and carriers in the KIBS literature. By being a knowledge partner, the agency "X" provides support to their clients to improve digital transformation outputs by identifying and filling the knowledge gaps and if necessary, transfers the existing knowledge from other industries. Thus, they can be considered carriers of knowledge. This process requires a close and intensive collaboration where the agency is able to acquire deeply ingrained tacit knowledge (the "know-how") within the client's organization and combine it with new knowledge. The function of this role can be described "as an active link between the codified knowledge stored in universities and research laboratories and the tacit knowledge located in the practices of companies" (den Hertog, 2000; Zieba, 2013, p. 10). When acting as a knowledge partner the agency provides client organization with an in-depth learning experience and knowledge that is tailored to the needs of an individual customer.

Digital transformation is a fast-changing phenomenon and that affects how related consultancy agencies position themselves. During the short period of data collection, the consultancy agency redesigned its webpage and reframed its value proposition with a focus on innovation. Therefore, a new role of innovation partner emerged. Innovation partner role came to the fore as an answer to the fuzzy nature of the digital transformation. Our case organization recognized that in order to move forward it had to break down the digital transformation into more clear areas. In their case, because of their interest and capabilities, they are narrowing down their focus on innovation work which involves
innovation practices, methods, and standards. The aim of this new role is to become a partner of innovation and co-produce a value for all the actors involved. According to Hinings et al. (2018), digital transformation is the integrated outcome of several digital innovations over time. Our findings show the role innovation partner emerged with the emphasis to attain more consistent and long-term collaboration with clients. This role is not fully present yet and it creates new challenges and requires organizational change within the consultancy's agency.

When managing innovation work the ISO 56002:2019 standard for innovation is one of the key elements that enable the consultancy agency to secure the bond with clients and remove the previous anxiety and perceived risk in the process. Furthermore, the agency's employed three-box model helps organizations to establish a risk embracing culture, which focuses on an agile environment where they can keep up with the exploration and exploitation to achieve ambidexterity. Organizations cannot use the same work methods in innovation work as when they work with the current issues in order to make better ongoing operations. It demands new working practices and mindset and requires different capabilities, skill sets, and resources. Moreover, the re-programmability and data homogenization of digital technologies directly affect the convergence and generativity of digital innovations, which ultimately led to the rapid pace of digital innovation processes (Yoo et al., 2010). This dynamic nature steers the changes in the value creation paths of the organizations while constantly reworking their business models. As a result, organizations are starting to blur their boundaries and starting to form new strategic partnerships as a competitive advantage (Nambisan, 2017). Hence, IS literature highlighted the necessity to set up dynamic teams when working with digital innovation (Nylén and Holmström, 2015). The formulation of dynamic team collaborations will bring external value to the organization that is not possible to achieve on its own. Accordingly, we believe the role of consultancy as an innovation partner is a key driver for the digital transformation process of organizations.

5.3 Conclusion

Digital transformation has become a top priority for businesses across industries due to the constant pressure on them to innovate and grow in a dynamic competitive environment. There are multiple actors involved in this complex process, and consultancies are also playing a vital role. The purpose of this study was to explore how the dynamic nature of the digital transformation process in the business environment affects the role of the consulting agency. It shows that in the business context digital transformation is considered a broad phenomenon because it is difficult to perceive clearly and explain precisely. The solutions consultancies can offer for their clients are very context-dependent, thus it's hard to come across one standard procedure.

There aren't any identified methodologies to measure the intangible immediate benefits that generate throughout the working process. The study has shown how this generates a transition in the role of the consultancy agency. To deal with this complexity the digital transformation agency narrows down its role into a more distinct and coherent functional area. This fuzzy nature in the digital transformation environment leads consultancies to
pivot what they do and how they do it. The role innovation partner encourages organizations to take part in long-term collaborations with the emphasis to improve internal value creation. Further, the employment of the ISO 56002:2019 standard for innovation and the 3-box model will help organizations to attain risk encouraging culture to become more agile and innovative in the digital transformation process. The study has generated similar findings regarding consultancy roles such as facilitator and knowledge partner in previous research on consultancy work in KIBS. The empirical study contributes to the field of digital transformation in the context of consultancy work and has generated insights in terms of digital transformation, consultancy roles, and innovation. In conclusion, the study has investigated the notion of digital transformation in the business environment and how the consultancy agency forms a new role as a result of the fuzzy nature in this environment.

6. Limitations and future research

Digital transformation and digital innovation are fast-changing phenomena and in this course, research needs to keep up with how these terms are constantly influxing in practice. Reality is complex and what is published in theory about it so far doesn’t fully explain this complex and dynamic business environment. As shown by our thesis consultancies are ready to quickly pivot and change what they do. We see that as an opportunity for future research on how consultancy agencies within the field of digital transformation and innovation frame what they do and how they are ready to quickly change it from one day to another seemingly.

By analyzing the selected organization and its client’s perspective, we aimed for a detailed description of the functions played by the organization in the digital transformation process and what experiences clients have had while working with the consultant agency. In our analysis, we have not sought to look into the frequency of the existence of the role. As a result, our study findings cannot be generalized with the same degree of certainty. Furthermore, the selection of client organizations was organized by the agency's side, therefore we were able to have mainly insights from the narrow perspective (public sector). Another limitation is that the study is geographically bonded to Sweden. This study could benefit from the insights from the organizations of the private sector that are undergoing a digital transformation process and collaborating with consultancy agencies. Given that digital transformation is a long-term process, and our study was limited within the tight time frame of the master thesis course, to observe the full dynamic of the agency's role there is a need for a longitudinal study. The research is of preliminary character and further research, for example, quantitative study is needed to investigate the phenomenon in depth and breadth.

References


To complete the master thesis, we have followed the agile scrum methodology. During this course, we met every workday morning at 10.00 am and set up the goals for the following day as well as discussed work of the previous days. The workload was distributed evenly with a contribution from each partner. Things such as interview guides, interviews, planning sessions, etc., were done together using Zoom, MS Teams, Miro platforms. As this was a close collaboration it is difficult to distinguish each person’s exact contribution because work was done simultaneously and both persons equally contributed to each section of the master’s thesis.