1

Introduction: What Clients Want from Consultants and What Consultants Want from Clients

The Consulting Conundrum

It's not hard to find negative feedback about consultancy in the media:

> Their [the pure-play e-consultants] plight arguably has more to do with their own self-destructive behaviour. They weren't designing websites, they were building 'end-to-end' solutions to save a client from getting crushed … 'You have more money than time,' they cooed, and billed out their legions of tattooed 20-something webheads at $400 an hour.[1]

> When consultants show up and root around inside your company, several things can happen. They may perform dazzlingly, saving you millions of dollars and pointing you in the direction of lucrative new markets. They could also run amuck, costing you tons of money and pushing your company to the brink.[2]

With comments like these, it comes as a jolt to remember, not only that most of the world's largest companies regularly use consulting firms, but that a large proportion of consulting work is repeat business. 'It's helpful to use consultants who already know their way around our organisation and have credibility with members of the board', said one client I talked to. 'If we're embarking on a high-risk venture', said another, 'then it makes sense to limit our exposure by working with a firm we already know.' There are clear advantages for the consulting firm as well: like every other sector, it's much cheaper to win work from an existing client than to acquire a new one; continuity translates into a deeper understanding of a client's business, and this, in turn, reduces the cost of sales.

But familiarity almost inevitably breeds contempt. It's a small step from the advantages just cited to a 'better the devil we know' attitude. Consultants may be an easy target in the press, but, talking to clients certainly in the more mature consulting markets of North America and Western Europe, there's no doubt that the public criticism of consultants is mirrored by continuous, low-level dissatisfaction. It's not (yet) enough to stop industry in its tracks but, left unchecked, it could grow into a serious problem.

In *Blown to Bits*, Philip Evans and Thomas Wurster[3] argue that successful businesses of the future will share three characteristics. They will have 'richness', an in-depth understanding of their market and the core competencies they bring to it. The second characteristic is 'reach' – the extent and variety of the networks (supplier, competitor and customer) of which they are part. Finally, they will have 'affiliation' – an ability to overcome the traditional, cultural divide between suppliers and customers by repositioning themselves as their customers' 'champion'.

The best consulting firms excel in both of the first two areas. They have responded to clients' cumulative demands for world-class expertise by developing specialised skills in specific areas – masters of a small number of trades, rather than jacks of none. They have exploited the opportunities of the late 1990s to position themselves as key brokers in the scramble to create collaborative ventures and exchanges. But it's the third and last characteristic that has been a problem. It's not that there isn't a demand for 'affiliation' among clients. Payment by results and the involvement of consultants in implementing their recommendations are just two of the ways in which demand is already making itself felt, and the prevalence of phrases along the lines of 'working in partnership with our clients' in consulting brochures shows that firms are aware of it. But, historically, consulting firms have found the idea of affiliation an anathema to their own strategic goals: for them, playing the market has made better sense, allowing them to spread the risk of a downturn in a particular sector. Narrowing their focus to a small number of markets and services has also been the kind of decision which many consulting firms – built around the consensus and individual power-bases of a partnership – have found hard to take.

This is, I believe, the hub of the problem. If you put the client-consultant relationship under the microscope, it becomes clear that there are many areas where each side's objectives are different, and some where they are diametrically opposed.

Take one of the most obvious ones. Clients want access to highly-specialised knowledge: it's something they put again and again as their top priority when they come to hire consultants. Why? Because specialised knowledge is one of the most visible areas in which consultants can add value. A consultant who walks in with a wealth of insights culled from direct, practical experience, has a tremendous advantage over someone whose knowledge comes primarily from a training course, however good. But developing such in-depth expertise poses the consulting firm with two problems. First, specialised labour can be inflexible labour. If you've spent two years exposing someone to – let's say setting up call-centres for financial services clients – and the bottom drops out of that market, then the effort involved in retraining that person will be significantly greater than it would be for someone who's spent the same period moving from project to project and sector to sector. It's rather like teaching a foreign language: it takes longer to teach someone who only speaks one language (their native tongue), than someone who's learnt one (or even several) foreign languages before. The former not only lack the practice of learning, but they don't have the structure (for example, an understanding of grammar) that enables them to learn efficiently. Second, the payback on investment in specialist expertise is very uncertain. Highly qualified (and therefore valuable) individuals are prone to leave; downturns in the market can occur with little notice – as the last couple of years have demonstrated. From the perspective of the consulting firm, there's a trade-off to be made: you can either build a niche workforce that is capable of earning high margin fees in the short term, or develop more generalist people who may not be able to command the highest rates but are more easy to re-orientate as clients' needs change. In other words: you can keep your clients happy or you can keep your investors happy. Doing both is difficult.

Or is it?

About five years ago, I was involved as a consultant with a major European retailer which wanted to produce a quantum leap in terms of the level of customer service it provided – something it had tried before, but without success. Given a choice between serving a customer and checking inventory, store managers habitually chose the latter, because good service was seen as something that cost money and the store managers were rewarded according to the profitability they achieved. The key, we found, was to develop a blueprint of an organisation in which service and profits were not mutually exclusive. I still remember one of the stories we came across to illustrate this. A journalist decided to test out US retailer Nordstrom's reputation for excellent customer service, first by taking back a shirt he'd bought there the previous day (he got his money back, no questions asked), next by taking back a shirt he'd bought from a different chain (he again got his money back), and, finally, by taking back something that he'd not only not bought at Nordstrom but which Nordstrom doesn't sell (a tyre for his car – and he still got his money back). Stunned, he rang the store's manager to ask how he could do this without going bust. 'It's easy', said the store manager, 'when the store wasn't busy, we asked one of the junior sales staff to go back to the store you bought your second shirt from, and the car tyre store, and ask for your money back. We used up spare capacity to re-coup what we'd paid out but also delivered customer services which far exceeded your expectations.'

Now, I have no idea whether this story is true or whether it's one of those myths that sometime grow up around organisations, but I think it brilliantly illustrates the point I want to make. Consulting firms make trade-offs because they think they have no choice. Most large firms prefer to have more flexible people rather than compromise their long-term existence. Small firms tend to focus on specific areas, but accept that their shelf-life may be limited as a result. Some – often mid-sized firms – fall between the two stools. And it's these trade-offs that breed client dissatisfaction. The objectives or clients and consultants are mis-aligned: if one side wins, it's at the other's expense, and *vice versa*.

But that may not be the only way. The purpose of this book is to show how Nordstrom-like thinking could be applied to the consulting industry – how it might be possible to deliver the value that clients want without compromising the value that consulting firms wish to create for themselves and their investors. And it seems particularly pertinent to look at this subject now, in the aftermath of the first wave of e-business consultancy and as many of the new generation of consulting firms set up at the crest of that first wave are either failing or have been subsumed into more established firms. Many of the new firms grew on the back of their reputation for innovation: since their collapse, it's been tempting to see creativity – however attractive it was and is to clients – as inimical to profitability. At the same time, I don't wish to make the mistake of being too prescriptive. Every consulting firm – like every client – is different, balancing its own, unique combination of strategic choices. What follows, then, is more an attempt to start a discussion – about what the possibilities are, about how some firms could change the way they do some things.

The Client Perspective

So what do clients really value when it comes to consultancy?

Essentially, they want to hire the right firm to do the right project, delivered in the right way. Some consulting projects never recover from the initial mismatch. A firm that may be highly capable of doing a project in one field is hired to one in another where its expertise is much thinner on the ground – a round peg going into a square hole, either because the client hasn't been sufficiently clear about what is required or because the firm has managed to persuade the client that it is capable of delivering in this new field. Other projects may start well – with a real synergy between the client's and consultants' strengths – but come unstuck along the way, perhaps because the consulting firm doesn't generate the new ideas expected by the client or can't supply the level of in-depth expertise required. The internal management of the consulting firm may also have an indirect impact: its project management may be cumbersome, its culture bureaucratic. Other projects simply end badly: the client has got what it wants, but the manner of delivery has been unsatisfactory – the consulting team may have been disorganised, people may have had to be moved around at short notice, notional partners may not have been able to work together effectively in practice.

This book is divided into three main sections. The first looks at clients' first requirement – that they employ the right firm; the second, at what they want the consultants to do – the right thing; and the third, at the manner in which the consultants go about their work – the right way (Figure 1.1).

The right firm

Choosing the right firm will never be easy. There are too many variables, too many people involved for even the most sophisticated corporate purchasers of consultancy to be confident that they can find the best firm for the job all of the time. But, that being said, there are – clients certainly believe – things that could be done to increase the probability that they can identify the most appropriate firm.

A constant complaint is about the lack of precision with which consultants describe their services in their marketing literature and on their web-sites. As one client put it, 'we don't expect everyone to do everything. In fact, we think far more highly of a firm that is honest about what it can and can't do, than one that's pretending to be good

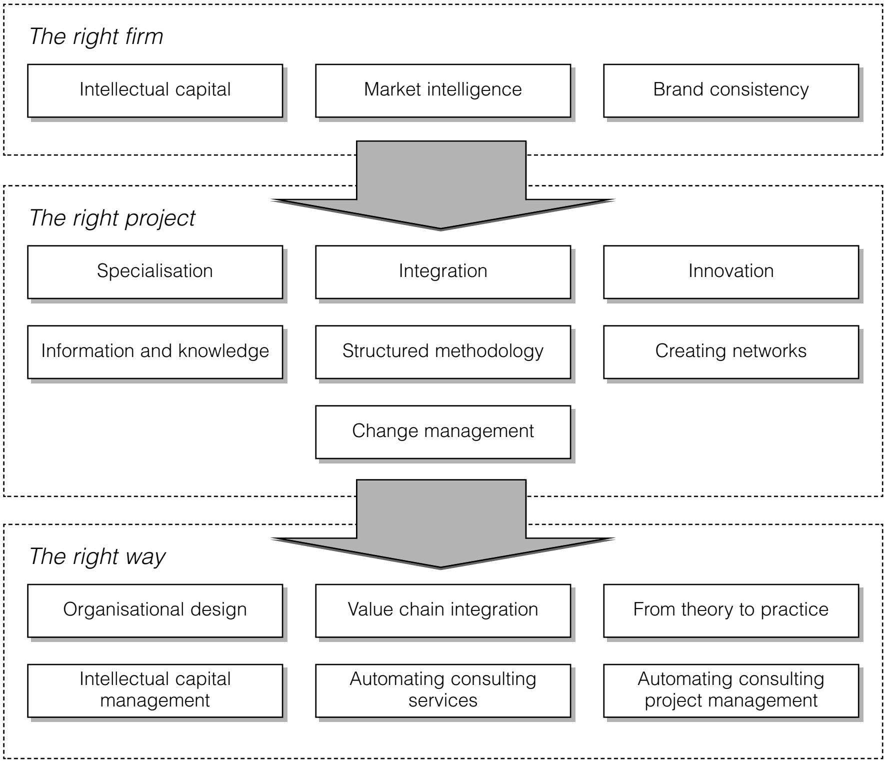

Figure 1.1 *What clients want*

at everything.' 'We want to understand how their skills dovetail with our own: all too often it's an all-or-nothing decision', commented another. 'Is it so very difficult for consulting firms to be clear about what they do and how they do it?' asked a third. It is hard – hard for any consulting company to be totally explicit about what a particular service or project may involve. Clients differ, and projects have to be tailored for their particular circumstances. Things change: with the best will in the world consulting projects don't always turn out the way consultants expect them too, let alone their clients. But underpinning these understandable obstacles lies the fact that it can be dangerous for consultancies to be seen to be too wedded to something, whether that's a specific service, its sector-based experience, or the way in which it works. Markets and clients move on, and consulting firms need to move with them. Hedging their bets by not being too precise in the way they present themselves makes good commercial sense, therefore.

Another source of frustration to clients is the frequency with which consultants come to talk to them without bothering to learn much about their business or the industry it's in. It's the consulting equivalent of junk mail: people coming in with a pre-set agenda of ideas and services they want to sell, irrespective of the needs of individual clients. Consultants would like to be better informed about what clients want, too, as an improving conversion rate of client meetings into billable projects won is one of the most effective ways of bringing down their cost of sales. But consultants also want to know about other projects in the offing. In other words, where individual clients want consultants who know a lot about their specific problem, a consulting firm wants to know about a lot of problems and is – implicitly at least – prepared to sacrifice how much it knows about any one problem in order to achieve this. To protect their margins, many firms, for example, have rules-of-thumb which demand that consultants limit the cost of sales to 5–10 per cent of the total project fees. It's yet another application of that almost ubiquitously useful 80:20 rule: consulting firms are prepared to invest 20 per cent of the effort to get 80 per cent of the understanding of a client's needs – but clients would rather it was 100 per cent.

Finally, there's the issue of whether the firm can live up to the marketing image it projects in reality. The 'experience' of consulting is as important for consultancies as the experience of a shop is for a retailer, or the experience of a theme park for its operator – perhaps more so, given the intangibility and perishability of the consulting 'product'. What clients want is a guarantee that what they see during the sales process is what they will get once the contract has been seen. Historically, these guarantees have largely focused on ensuring that the people who make the sales pitch actually do the work, but they now extend far beyond this. Brand has become a substitute for accreditation within the consulting industry. You know that a lawyer is qualified, because he or she has been through a demonstrable training process. No such widely-accepted qualification exists in consulting, and clients therefore use the fact that an individual works for a reputable firm as the only viable alternative – to the constant frustration of equally skilled, but independent consultants. A seamless transition from pre to post-sale is what consulting firms want as well. For them, brand also serves another function – it means controlling the outlying individuals of their organisation, the stars whose egos may make them difficult to work with, as well as the poorly-performing individuals who threaten to compromise the firm's reputation. The process is as important as the end result – the quality that clients seek has to be balanced with consistency.

The right thing

Leaving aside the rather negative reasons why clients hire consultants (rubber-stamping decisions already taken, for example) – the majority of which are, in my experience, apocryphal – we're left with seven positive reasons. However, even these, when we unpick them in order to understand more fully what clients want and why, include areas where the needs of clients and consultants do not match.

- When you ask clients why they've brought in consultants, their answer almost always includes the need to access specialist skills which their organisation does not have. They may have other reasons as well, but this is always a central concern. Yet an area in which consultants add the most value is also – ironically – one of the areas of greatest potential conflict. From the client's point of view a specialist skill is a valuable skill: the more specialised it is, the more valuable it is. But from the consultant's perspective, specialisation can be synonymous with lack of flexibility. Even small, niche consulting firms find that a market that favours them one moment, may turn against them the next. Specialists are more likely to find their skills redundant than generalists – and they're harder to retrain.
- But clients, like all consumers, want to have their cake and eat it. They may rate specialist skills very highly when it comes to buying consultancy, but they don't want these skills in isolation. Often such specialised skills are only truly valuable when they can be integrated with other, equally specialist skills. This isn't generalism by another name – clients want the translatability, the openness of general managers, but they want that paired with the in-depth knowledge of experts. If developing specialist skills without exposing themselves to short-term obsolescence is one challenge for consulting firms, then integrating these same specialist skills into coherent client projects – let alone coherent organisations – is a far greater hurdle. Overcoming it has been the undoing of many e-business consultancies and may yet undo some of their more established rivals.
- Some clients genuinely want access to innovative thinking – they want to know that they're in the forefront of developing new ideas

and challenging accepted ways of working. Consultants want this too: even consultants who've chosen to specialise in a very specific field will want to be seen to be leading edge within it. The conflict lies in who foots the bill. Paradoxically, clients want consulting firms to embrace innovation as part of their standard processes, and not bill them for it; in other words, clients want consultants to be efficient innovators. Consultants want clients who are willing to accept that innovation has a price tag.

- Creative thinking, however, is only part of the picture. In a world in which massive volumes of information can be transmitted in seconds at negligible cost, consultancies have a potentially important role to play in interpreting and aggregating this information, distilling the usable information from the white noise of data that surrounds their clients. But information may be a threat to the consulting industry, as much as an opportunity. It may be an asset that is prohibitively expensive for a consulting firm to develop – but, without it, consulting firms may find themselves 'disenfranchised' by companies – clients, even – that have access to superior data. And how can consulting firms protect their position in the intellectual value chain, when more and more of their 'knowledge' is being commoditised into 'information'?

- For some clients, too, creativity may be something they're willing to sacrifice in the name of speed and efficiency. For them, invention is potentially dangerous: they want a structured, tried-and-tested approach to delivery – which is why they've turned to an experienced consulting firm. Surely this has to be an area where clients' and consultants' aims have to be aligned? Surely everyone benefits from a disciplined approach? But discipline can become a victim of its own success: while some discipline may inject focus and momentum into a difficult project, too much may reduce the extent to which a project is implemented with an individual organisation's unique requirements in mind. The benefits go down, as the levels of efficiency go up.

- One of the legacies of the e-business boom has been the recognition, by client and consultant alike, that the latter's network of contacts may be a very valuable asset in its own right. As collaboration between diverse companies increasingly becomes the order of the day, consulting firms are finding themselves very well positioned to play the role of brokers, bringing potential partners together and facilitating the relationship between them. From the client's perspective, the benefits lie in the consultant's reach – the breadth of their networks. That's something that moves the consultant into a seat more traditionally occupied by an investment banker and, while the enhanced status that goes with this is clearly welcome to consultants, it also raises more difficult questions. How does a consultant charge for this kind of work? Will something that is so valuable to clients also become something that consultants – ironically – can't afford to provide?

- Last, but not least, clients hire consultants to make things happen – things that their own organisations could not do by themselves at all, or within an acceptable time frame. Another of the lessons of e-business has been that 'proposition development' – the idea of treating a project as a discrete business venture, housed in a separate physical and cultural environment in which everyone (client staff and consultants) can focus exclusively on the matter in hand – has brought a momentum to delivery that many consulting projects in the past have lacked. This momentum has carried through into long-term management. The transition from strategy to execution – from theory to practice – has always been fraught with difficulties in the consulting arena: firms that excelled at the first lack the wish and/or skills to carry on to the second; those firms that came in second, inevitably seized the opportunity to pick holes in the recommendations of their predecessors. But the problem is not simply one of clients' making. Clients have followed where consulting firms have led, pigeonholing the latter into an exclusively strategic or operational role, and rarely letting firms migrate between the two. Part of the motivation behind this is undoubtedly unconscious, but an element springs from clients' desire to contain the influence of consulting firms. A firm that moves from strategy to implementation may well move into on-going management. Clients, therefore, want practical help, but only up to a certain point. How can consultants manage this? From their point of view, they may well want to be doing chargeable work on a long-term basis, but how do you prevent such relationships becoming unstuck because the client believes an imperceptible line has been crossed, that the continued involvement of the consultants represents an abdication of management responsibility?

The right way

And clients don't just want what they want – so to speak. They also want it to be done in the right way.

Increasingly – and this comes through again and again in the interviews included in this book – clients want consulting firms that can 'walk the talk', who reinforce the theory they're trying to sell with a concrete track record of successfully applying such theory to themselves. Why buy knowledge management advice from a firm that can't demonstrate that it can manage its own knowledge effectively? Why ask a consulting firm to redesign your organisation if it patently can't develop an appropriate structure for itself?

It is becoming harder for a consulting firm to keep its internal and external activities separate, to keep the private from the public. The pressures for this are partly driven by the financial markets – as more firms are floated, financial accountability is being matched by managerial transparency. But they're also the result of chronic client dissatisfaction which, justly or not, sees consultants as proffering medicine they're reluctant to swallow themselves.

Historically, there's always been a tremendous cultural divide, so far as consulting firms are concerned, between the consultants and non-consultants. The consultants have hotlines to clients that provide them with an unrivalled source of authority with which to justify their decisions (which is one of the reasons why managing partners often continue to work with clients alongside their internal, operational responsibilities). By contrast, the behind-the-scenes people, without the legitimating authority of being able to say 'this is what clients want', have been largely sidelined. But in this brave new world of do-as-you-would-have-your-clients-do consulting, this cultural abyss has to be bridged.

Thus, the intricacies of aligning the goals of clients and consultants extend beyond the visible persona of the firm – beyond the way in which it sells itself, beyond the reasons why clients hire it – to the way in which the firm is managed.

- *Organisational design.* If e-consulting showed anything, it was the slowness with which many incumbent consulting firms reacted to a challenge that involved them bringing different parts of their organisations together. When you get senior consultants to talk about the role of these new entrants, they tend to deny that anything has changed as a result of their temporary incursions. But dig a little deeper and you find that they're in the process of trying to replicate the organisational design and culture of these firms.

- *Value chain integration.* Of course, it's not just the e-consultancies that have forced this change. The whole concept of the extended organisation, or seeing companies as portfolios of customer opportunities and resources that can be deployed on a project by project basis, is changing the way in which consulting firms look at themselves. The challenge here is flexibility without chaos: organisations capable of reinventing themselves can also destroy themselves in the process.

- *Managing the transition from theory to practice.* While new, more networked organisational models may bring the flexibility and responsiveness required to meet clients' needs in the future, they may also have disadvantages. Greater fragmentation may magnify existing discontinuities in the consulting process; more interfaces may result in higher costs. A key issue here is how business strategy is translated into technology: conventionally, consulting firms have been good at strategy or implementation, but not both.

- *Knowledge management.* And more complex organisational structures, less cohesively knitted together, raise inevitable questions about the future of knowledge management in consulting firms. How will the structured, 'manageable' systems of the present handle the less structured, tacit information that such organisations will require?

- *Automating consulting service.* Clients want efficient delivery of consulting services, and evidence of that efficiency. But how far are they prepared to go? Is online consulting a step too far, sacrificing too substantial a part of the client-consultant relationship for minimal benefits? And if they saw a significant price differential between online and offline services, would that change their attitude?

- *Automating delivery.* 'Self-service' consulting is only one side of the possible benefits that technology may bring consulting firms in the future. Often lagging behind their clients in their adoption of new systems and applications, will automation of delivery and project management provide the transparency and flexibility that clients will demand in the future?

The structure of this book follows these three areas – the right firm, the right thing, the right way. As well as my own research, it brings together the views of different consulting firms – large and small, established and new – in addressing the problems highlighted. In doing so, I've attempted to create a very tentative blueprint of how consultants and consulting firms could – and in some cases, are – managing to overcome the more insidious problems that have attacked the consulting industry, and reconciling goals where reconciliation has been assumed to be impossible – in order to create greater value for clients.

---

[1] Ralph King, 'The Talented Mr Greenberg: The Story of Scient and the E-Consulting Bubble', *Business 2.0*, May 2001.

[2] Ronald Lieber, 'Hire a Consultant – and Start Praying', *Fortune*, August 1997.

[3] Philip Evans and Thomas S. Wurster, *Blown to Bits: How the New Economics of Information Transforms Strategy* (Harvard Busines School Press, 2000).