



INTRODUCTION

GIVING AND RECEIVING VALUE FOR MONEY

‘To many onlookers the work of management consultants is a bit of a mystery. This is understandable because management consultancy is not precise, concrete, predictable or standardized. It is not a tangible product but rather a process of working with someone else’s problem that can produce tangible and intangible outcomes . . . Management consultancy is not an exact science.’¹

Consultancy is one of the biggest, most influential and most pervasive industries in the world today. Almost every major corporation uses consultants on a regular basis; at the same time, consultants are increasingly the butt of jokes, traditionally aimed at ambulance-chasing lawyers and dubious second-hand car salesmen.

How can we square this particular circle? How is it that managers claim to despise people on whom they are apparently dependent? Many niggling sources of dissatisfaction culminate in a single big issue: value for money. Clients are well aware that a few weeks of a consultant’s time can be the equivalent of a full-time employee’s costs for an entire year; that a consultant’s salary may be higher than their own; that the consultant can always walk away from a problem, leaving the manager to pick up the pieces. Moreover, the output of many consulting assignments can be so intangible: how do you measure the value of someone who has facilitated a process? Of the many variables that affect a company’s performance, which can you attribute directly and only to the consultants it uses?

Over the last decade, the consulting industry has responded to such criticisms in a variety of ways. Some firms have strived to make their output more concrete, by commoditizing their services, and by moving away from purely process-orientated roles. Others have sought to find alternative payment terms, where fees are tied to measurable outcomes.

¹ Susan Kehoe, *Management Consultancy*, (Brisbane 1988)

TWO SIDES OF THE ARGUMENT

But the hard fact is that, if something has gone wrong, then the probability is that both sides – client and consultant – have contributed to the problem. It is not just a question of consultants being encouraged or forced to *give* value for money: clients need to go and *find* it. Perhaps the consultants have not done what they were asked to do – or the client has not been sufficiently clear in defining what is expected. If knowledge is not transferred from consultant to client, is that because the consultant does not have a process for teaching, or because the client is reluctant to learn?

While there might be considerable benefit in agreeing some high level standards against which the relative performance of consultants could be benchmarked, it would seem foolish to place too great a hope on such mechanistic approaches. Auditing does not appear to have improved financial management (consider the Enron debacle), so why should the codification and regulation of the consulting process result in a better end product?

How do people use consultants? What does and does not work?

The fast-moving consumer goods company

This company makes extensive use of external consultants. There is no single preferred firm: executives pick and choose based on the specialist expertise of the individual or firm involved, but the priority is to be able to work with people who have an enormous depth of knowledge in the areas in which the company is interested. The choice of consultant firms reflects the way in which those firms have positioned themselves to date; strategic consultancies tend to be used for planning and analysis, but for larger scale projects, a Big Four firm² would typically be the choice. ‘Choosing a consultancy is ultimately a matter of personal preference,’ says one executive, ‘and we all tend to feel more comfortable dealing with familiar people, rather than with adding another level of uncertainty to an already uncertain environment.’ Credibility is crucial.

However, the company’s preference for established consulting firms may change: it is already experimenting with newer firms that offer a balance of content to process which is different from that of more established consulting firms. The situation is part of a wider internal debate about whether the company should buy a tried-and-tested consultancy, or a new, more specialized firm.

Of all the types of work undertaken by consultants, the company’s executives have been least impressed by process-orientated work, with the consultants doing little more than facilitation, especially in those areas where the knowledge base of clients and consultants is much more equal. ‘Consultants need to have an immensely good understanding of the issues facing us in specific industries before they can sound at all credible’ is a typical comment. As a result, many of the company’s executives prefer to build strong relationships with a few people whom they regard as experts, and to mix and match these people with other individuals as a particular need arises.

The not-for-profit organization

Partnership has become a devalued term so far as the consulting industry is concerned; almost all firms claim to work ‘in partnership’ with their clients, although there have been few instances of clients and consultants genuinely sharing work, rewards and risks. As a not-for-profit organization, this charity receives a fair amount of *pro bono* work by professionals, but often, it believes, from second-rate staff. When it pays for work, it has to be exceptionally

² The ‘Big Eight’ was a term first coined in the 1980s and referred to the combined audit and consulting firms which had grown so quickly in the previous decade. Subsequent industry restructuring has reduced the number of ‘Big’ firms, to a point where this term is now used to denote a consulting firm whose origins were as a division of an audit firm.

careful about how it spends its members' money. The act of hiring consultants is therefore a real leap of faith on everybody's part; the consultants have to be trusted, not only to take on tasks for which the charity itself lacks the capacity, but to manage their own resources so that it is not faced with enormous and unexpected bills. With many other activities to oversee and very limited resources, the charity has to rely on its consultants to make many of the day-to-day decisions in a project – to consult with the charity's managers only over the more important issues, but at the same time to keep them regularly updated.

Where consultants are able to add most value is when they take on a problem and solve it – doing whatever it takes, even if they reach beyond the notional parameters of an assignment. Relationships succeed primarily when each side shares the same objectives, when the consulting firm does not regard itself as delivering a specific service or implementing a particular system, but as creating a successful solution.

The government department

This department has used consultants extensively since the first automation of its extensive operational processes, more than 20 years ago. It continues to rely on consultants because, as its IT director puts it, 'consulting firms provide a pool of people whose input we need but whose skill we cannot and do not want to replicate. But consultants do not just provide specialist expertise when the occasion demands it: they also provide an injection of energy and momentum into discussions and projects which might otherwise become bogged down in the inevitable inertia of organizations of our scale and complexity.'

At the same time, this reliance is begrudged, if not at the very top of the organization, then certainly at its middle management levels, by civil servants envious of a very visible differential in remuneration. The problem is exacerbated by a lack of empathy between the consultants and the clients they advise. One manager complains:

‘Consultants are arrogant. When I tell them this is the starting point because this is what someone in the government wants to do, they want to change that, and – worse – they think we are stupid because we do not want to change it. That is not the issue: we often think that it would be better not to start from here, but that is what we have to do. Consultants should show more sensitivity about our constraints.’

The airline

Given recent upheavals in the airline industry, the focus of this company has been on shoring up profitability through projects to improve internal efficiency. Latterly, it has been evaluating how it can make the best use of web-based technology to cut its procurement costs. The central worry is uncertainty. According to one executive, 'We still do not know how successful this will be in practice. We all believe that this kind of technology has to be the way forward, but it is an act of faith at the moment.'

Like most large corporations faced with uncertainty, it has looked to consultants for help – initially from software developers – only to find that they could provide little in the way of tangible evidence or practical results. As the company is proposing to spend a very large amount of money on new technology, with uncertain results, it is inevitable that it will encounter a very high level of scepticism internally; this scepticism is likely to be particularly strong if the strategy presented is based solely on in-house work. While the airline may employ many bright people, it does not have the resources or opportunity to look in detail at best practice elsewhere, particularly outside the airline industry. This is therefore an area

where the company believes that consultants can genuinely add value, especially in a rapidly changing environment.

Having already embarked on two other related ventures elsewhere in the company, it made sense to hire the same consulting firm again. One of the managers involved in that decision says,

‘It is immensely important for us that the consultancy we hire has a well-known name, both in terms of its external reputation and internally, via the quality of the work they have already carried out and the high level contacts within our business they have developed as a result.’

The successful firm, although explicitly hired to assist in developing the procurement strategy and a more detailed business case, is implicitly there to champion the cause of e-procurement internally and to inject an element of pace and urgency into the program. An important factor is the quality of a consultancy’s staff at all levels – this ability to expedite a process is as important as, if not more important than, the technical skills of individual consultants.

‘In this environment, no one really knows what’s going to happen. We all – consultants included – have to make some big assumptions. No amount of technical skill is going to change this: in fact, you can end up with a level of wholly spurious accuracy. What is critical to us is to have access to a couple of very senior consultants who can discuss the issues involved at the highest levels of management and whose input is leveraged by a number of more junior but very dynamic consultants who can help us make things happen. People get excited about the technology and say “we could do this”, but that is irrelevant if no one in the organization wants to do it. Web-based technologies are not a revolution: they are a new set of enabling tools. It is persuading people – both senior managers and operational staff – to do something that counts.’

The bank

When it comes to hiring consultants, one of the key changes seen at this bank has been that consultants place a much greater emphasis on practicality than they used to. According to one internal purchaser of consultancy,

‘strategy consultancies have spent the last five or ten years making increasingly elaborate excuses as to why they did not deal with technology. These were arguments that were hard to sustain when the business process reengineering market was at its height, and they are impossible to maintain today, when being able to combine strategy with technical skills is crucial. Strategic consultancy has always a tendency to be conceptual and now it is running the risk of sounding platitudinous.’

While the bank finds some of the material produced by consultants extremely good, it has difficulty in distinguishing between firms, and thinks that there is a danger of skirting around the real issues, when what they – like other clients – most often need is clarity, and the ability to focus on the end result which they are trying to achieve, and on how they are going to achieve it.

The bank’s executives are willing to pay for specialist consultants, but they are sceptical about the ability of a single firm to provide those people, and increasingly find themselves in a position of pulling together the best firms – and the best individuals within them – in specific areas, and of creating joint client–consultant teams in order to leverage the intellectual capital of each side as effectively as possible.

‘It’s an environment in which the idea of one-stop shopping for consultancy is particularly unattractive. Clients are not going to be satisfied with having second-rate services, just for the convenience of having them come from a single supplier. More than ever before, we want access to highly specialized individuals and firms; we are willing to live with any administrative overhead this may give us.’

Executives here think it essential that they remain in charge. ‘It leads to a more productive project’, says one, ‘because you already understand the internal and know how to get things done.’

The start-up

Like many other new companies, the attitude of executives here is that they do not need consultants. As its Chief Executive says:

‘When you’re leading-edge at what you do – and that is what you have to be if you are going to win and keep financial backing – you do not need anyone to tell you this. Although consulting firms are reluctant to admit it, the majority of their clients simply do not fall into this category. More typically, they are companies that want to follow in the footsteps of the market innovators.’

But that does not mean that this start-up has not used consultants in the past, or that they will not consider using them in the future. Ironically, the company is about to hire a strategy firm to help it with the integration issues which follow from a recently proposed merger. It justifies this apparent contradiction internally by arguing, firstly, that it is looking for a very specific set of skills and in-depth experience in the post-merger integration area and, secondly, that it is a one-off issue – that it does not require these skills on an on-going basis, and that it therefore makes sense to buy them in rather than develop them in-house. Unsurprisingly, the key characteristic it looks for in a consultant is the depth of his or her specialist knowledge.

THE INTELLIGENT CLIENT

An important lesson from the last three decades, which have seen such phenomenal growth in the consulting industry, is that hiring consultants does not, in isolation, solve a problem. Consultants may provide some of the solution, but they are very unlikely to be all of it. Results are achieved because clients and consultants work together.

Yet, for all the wealth of guidelines on how to be a successful consultant, virtually nothing exists on how to be a successful client.

This book is an attempt to redress that imbalance. Its aim is to provide managers who hire consultants, manage and work alongside them, with comprehensive and practical advice for receiving the best value from those consultants at every stage – before, during and after a consulting project (Figure 1).

As the title of Part 1 suggests, its aim is to help you speed up the initial stages. ‘Hitting the ground running’ is a phrase often used by consultants in relation to their own projects, but it is something that should equally apply to clients. If it takes two sides to ensure a successful project, then it makes just as much sense for the client to be as well-equipped and informed as possible, prior to the start of a consulting project. In particular, this part examines:

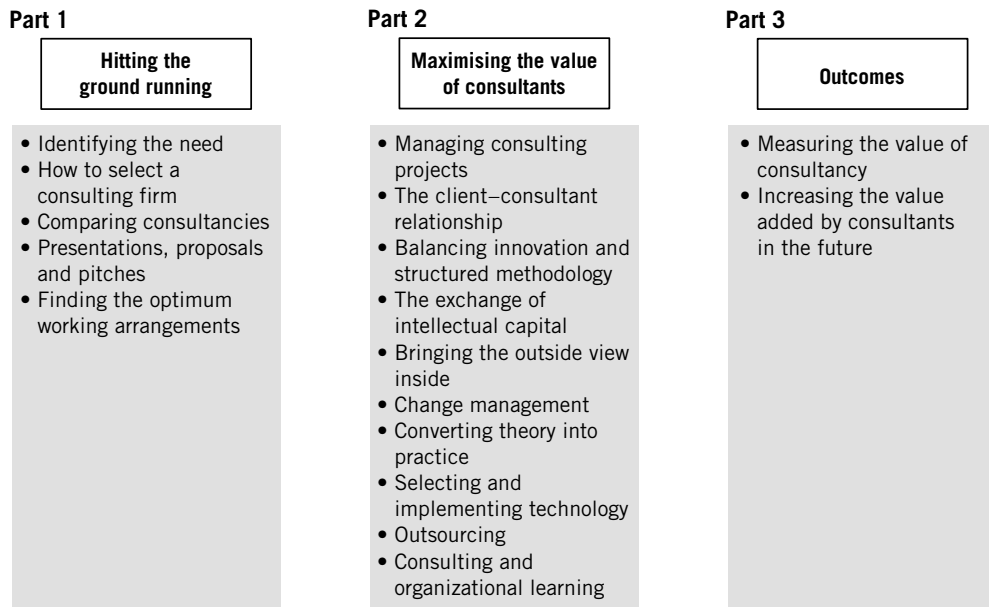


FIGURE 1: The overall structure of this book

- When and why should you hire consultants? What are the advantages and disadvantages of external over internal consultants? (Chapter 1)
- What kind of process should you adopt for selecting consultants? Why does corporate buying behaviour make the process so difficult, and what can you do to manage this? How is the procurement of consulting likely to change in the future? Will, for example, e-procurement ever come to consultancy? (Chapter 2)
- Many consultants look the same – so what criteria can you use to choose between them? (Chapter 3)
- What should you be looking for from a consultant’s sales pitch? (Chapter 4)
- What lessons have been learnt about the formal arrangements for consultants, the types of relationship you should have, the relative pros and cons of different fee structures, and so on? (Chapter 5)

Part 2 is designed to help you manage consulting projects in order to maximize their value. No two consulting projects are identical, so this part of the book looks at different aspects of consulting while also being broadly structured around the life-cycle of a project. To illustrate the theory discussed, a wide variety of case studies are used, all of which have been drawn from the Management Consultancies Association awards for Best Practice in Consulting 2002.

- What is different about the management of consulting projects? What can you do in terms of the control and administration of a project to increase its chance of success? (Chapter 6)
- What are the dynamics of the client–consultant relationship? How can you make such relationships work more effectively? (Chapter 7)

- Consultants are often accused of taking their clients' watch and telling them the time, but, at the same time, one of the most important things that clients look for in a consulting relationship is a structured approach. How can these contradictions be handled? (Chapter 8)
- How can clients make best use of this information by ensuring an effective exchange of knowledge between themselves and their consultants? (Chapter 9)
- One of the most important ways in which consultants can add value is by bringing to any organization a fresh perspective, but sometimes their reports just gather dust on the shelf. What can clients do to minimize the chance of this happening, to ensure that they do not waste their money? (Chapter 10)
- You may have designed the perfect blueprint; you may have implemented a world-class system; but can you persuade anyone to use it? No. The best management ideas in the world count for nothing in an organization unwilling or unable to realize the goals set by its leaders. In such circumstances, bringing in external consultants can make matters worse, further alienating people who already feel marginalized from the decision-making process. Is it possible to use consultants to change your organization? How? (Chapter 11)
- The transition from idea to implementation, from theory to practice, is fraught with difficulty in any project, whether it involves outside consultants or not. So what can you do to ensure that the blueprints which you and your consultants design can be successfully implemented? (Chapter 12)
- Similar, often worse, problems apply when it comes to technology. How can you best manage your IT consultants? (Chapter 13)
- Much of what used to be IT consultancy has now become IT outsourcing, as organizations increasingly seek to focus on their core business by divesting those business processes that offer no potential for competitive advantage. But does outsourcing an issue really mean that it is off your hands? (Chapter 14)
- What about the opposite of outsourcing? What role can consultants play in helping organizations manage their own problems? (Chapter 15)

The third part of the book brings us full circle, back to that thorny issue of giving and receiving value for money:

- Consulting projects vary hugely in intent, scale and complexity: is it possible to measure the value that consultants have added? (Chapter 16)
- How is consulting likely to change, and what are the implications for clients? (Chapter 17)

But although this book is primarily aimed at the people who hire and work with consultants, it is also highly relevant to consultants themselves. One of the characteristics that distinguishes good consultants from mediocre ones is their ability to see things from their clients' perspectives. In an environment where consultants often feel they have to be infallible, insecurity can translate itself into arrogance, into believing that their way of doing things is the only way of doing things. A very substantial number of the problems that occur on consulting projects arise as a result of this failure to recognize that clients have value of their own to add, have concrete goals to achieve and have constraints around which they do

not choose, but have to, work around. Indeed, this is one of the most common complaints that clients make about consultants.

If the aim of this book is to help clients manage their management consultants more effectively, then it is equally aimed at showing consultants what clients can do to improve the process, in the hope that consultants themselves will take the initiative and, when faced with a client whose behaviour or attitude falls short of the best practice outlined in this book, will suggest there is a better way of working.

A parallel objective is to show consultants what clients cannot do – just how difficult it can be for the disparate group of people involved in hiring a consulting firm and subsequently working with it to share the same fundamental goals and to have a common expectation of what the consultants will deliver – and to show clients what consultants cannot do – provide panaceas for all possible ills.

In the post-Enron world of consulting, the role of consultants and the contribution they make is understandable under even more intense scrutiny. Overall, the message of this book is a simple one: intelligent clients need intelligent consultants, and intelligent consultants need intelligent clients. Like everything else in business, the consulting process will never be a perfect one, but consultants and clients who have a shared understanding of the value they can each bring will iron out many of its imperfections.