

Client! Manage That Consultant!

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The downturn in the consulting market has been greeted with a degree of relish by the business media: An arrogant industry has been justly humbled. Consultants, meanwhile, see themselves as scapegoats for organizations' post-e-business, post-Y2K, post-Enron hangovers. But what do clients themselves make of it all?

I spent much of Fall 2002 discussing the merits of consultancy with more than 100 blue-chip users of consultancy around the world who, between them, represented all sectors of the economy. Partly, I wanted to know where they thought consultants added the most (and the least) value, but mostly I was interested in the lessons they'd learned about using consultants.

In fact, there's no shortage of clients willing to praise the contribution that consultants make. "Without any doubt," said one executive responsible for consulting projects worth several tens of millions over the next five years, "most of the projects with which I've been involved would not have been delivered without consultants. Consultants bring up-to-date skills, a focus on outcome, and speed of delivery. Moreover, they carry no in-house baggage with them." Yet, weighted against this is an equal amount of acrimony directed at consulting firms that appear to enrich themselves at the expense of their clients while delivering little in the way of tangible benefits.

One unequivocal conclusion, however, emerges. If the last five years have taught

clients anything, it's that they need to manage their management consultants. "Managing consultants takes more time than most clients expect, or are prepared to admit," one executive I spoke to pointed out. "Perhaps counter-intuitively, if consultants see that their client is focused and determined to deliver a successful project, they'll be more motivated to raise their game and deliver real value. Left to their own devices, consultants will seek to broaden the scope of the project and maximize their revenue, rather than client value."

"My best advice?" said one client. "Choose your consultants carefully and use them wisely. Your reputation will become established and consultants will know your work ethic beforehand."

Clients make ten key recommendations:

1. **Always maintain up-to-date knowledge of the areas in which you're seeking consulting help.**

According to one client, "the lower a client's knowledge level, the more time they waste with consultants and the more dependent they are on the conclusions. Just because you use consultants, doesn't mean you can afford to be less knowledgeable than them. It's only by being their equal that you can use them effectively. Inferior knowledge makes for inferior consulting." "You have to ensure that some of your own people are trained in the same disciplines you're using consultants for," agreed a second. "You can outsource many things, but



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Enron has shown just how dangerous it is to have blind faith in an outside expert.”

2. Be actively involved in the specification of the consulting project.

The knowledge required to manage consultants should not be acquired in isolation. “The effective management of consultants has to be based on a real understanding of what the consultants are trying to do, and how they are trying to do it,” argued one client. “Such understanding can only be gained through involvement.” “Clients have to take a more proactive attitude when it comes to defining a solution and be more assertive when they think the proposed solution may be flawed,” agreed a second. “Take a more proactive attitude toward the definition of a solution and be more assertive when a solution design may be flawed,” advised a third.

3. Set a clear scope for the project.

“I believe in the 70/30 rule,” commented one client. “Seventy percent preparation and 30% execution. If you do enough up-front planning of what you want and how you intend to get it, the rest of a project is just following the road map you’ve established.” “We try to leave nothing to chance,” another concurred. “We attempt to include in the consulting agreement a sufficient scope of work. The scope of work will typically include deliverables and assigning to the project manager specific milestones to work toward, evaluate, and accept or reject. Managing consultants requires some levels of trust and a personal relationship structured within a legal framework.”

These are points made by many clients. According to one typical view, “We’ve learned that we have to define our problems, needs, expectations, and the potential risks. Failing to scope the work is unfortunately construed as writing an open check, such is the reputation of consultants.” Scoping the project should include a definition of what needs to be done, exclusions and assumptions, the specification of individual tasks, and acceptance criteria for the whole solution. It’s also important to break down the work into controllable phases and to have a clear exit strat-

egy. “Keep the goal of the project clear and simple,” advised one client. “Choose a deadline, agree on the financial aspects, and only set the next step once the previous step is finished.” “Agree on a strict date and strategy to get them out of town,” suggested another. “The tighter the contract, the better. This means thinking through what it is you want; otherwise, you end up paying through the nose for things you didn’t include.”

4. Specify clearly who is responsible for what.

“You need to know exactly what you expect consultants to achieve, and to agree to this in a brief that spells out exactly who will do what,” is how one client put it. “You need to see the CVs of the majority of the consulting team, to know how much time each member of the team will commit, and to agree on the extent and means by which the consulting team will interact with your staff. If the scope is clear, then agreeing on this will be simple. But if the project is likely to involve changes within your company, these issues need to be thought through prior to employing consultants.” Although important in every project, it’s particularly so in projects where the consultants will not be based in the client’s offices. “Off-site teams tend to be less well-managed,” one executive observed, “but it’s important to retain the upper hand yourself. No project should be primarily driven by consultants.”

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5. Choose the right people, not the right firm.

Experienced clients look for experienced consultants: They look at the individual’s track record, not the firm’s. “People have become fed up with 25-year-olds delivering packaged presentations on the basis of no industry knowledge whatsoever,” said one client. As a result, more and more clients appear to be turning to niche consultancies or sole practitioners. “The great thing about most small consulting organizations is that they have no ego,” said one client. “We have an ex-Big Four consultant

working with us at the moment, who is immensely talented. His process skills have been honed by his background, but he's carrying none of the political baggage you'd associate with a bigger firm; he's completely task-focused. With more people like him becoming available on a freelance basis all the time, the smart buyers of the future will go straight to the market." Many clients now consider other qualities alongside know-how: "You have to look at their integrity and professionalism," said one. "I buy the individuals, not the firm."

6. Respect your consultants, and ask them to respect you.

"No one will have all the answers, particularly where large-scale projects are concerned," was one comment. "Make consultants aware that—to a large extent—they're facing equals with respect to knowledge and experience. Be open about what you expect from them." But greater sensitivity on the part of the consultants to the contribution of clients needs to be matched by genuine openness by clients themselves. The key is equality: "A consultant needs terms of reference and to be bedded in with the rest of the team like a permanent employee," is how one client put it.

7. Ensure that skills are transferred from client to consultant.

The image of a consultant who takes a client's watch and tells them the time still haunts the industry: "Consultants can strip more value away than they bring," was how one executive summed it up. Skills transfer is consequently high on the agenda: "This is one of the most important benefits of using consultants," remarked one individual. "It gives us greater capability in the future." Three barriers have to be overcome if an effective transfer of skills is to be achieved. First, clients have to recognize that they need to be certain that the skills of consultants complement, rather than replace, those in their own organization. As one client pointed out: "Waste comes in when an organization uses consultants either without checking what skills are available in-house, or on a long-term basis as a member of a team. I work in the public sector where business ex-

perience is at a premium, but the skills and knowledge we need can often be obtained through courses, seminars, and networking." Second, everyone involved has to be aware that the consultants will not be around in perpetuity. "Don't give your consultants a free hand," advised one client. "Most of them will stay over years and don't have extra value for the organization." The third problem is the attitude of consulting firms themselves. "Many consultants only want to sell their hours," said one executive. "They don't understand the value of their knowledge to the client." "Learning about best practice usually means having to force individual consultants to draw on the experience of the whole firm," commented another. "This is often difficult, as consultants don't get any credit for this. Such synergy doesn't happen naturally."

8. Demand that consultants make a difference.

Many clients complain that consultants leave no "footprint" behind, that the client organization continues just as it did before the consultants intervened. "There needs to be greater recognition by consultants that they have a responsibility for the ultimate outcome," said one executive, "rather than just for advice that may lead to an outcome." Part of this involves consultants being able to see beyond the confines of an immediate project in order to assess its implications for the client's organization as a whole. "There needs to be a broader focus on why the project is there," added a second. "Consultants often show little commitment to the client's organization—the bigger picture. Perceptions of service would be much higher if they did so."

But having an impact isn't just a matter of taking a broader view of any issue or bringing a new skill. "I would like to see more inspiring—more guiding—consultants, not just consultants who do the work," was a comment made by several clients. At the same time, asking consultants to take on this role requires a significant change in the way clients treat them. According to one client: "Consultants should be encouraged to be creative and to try to make a real difference. They must be able to operate in a failure-tolerant environment,

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and if they're going to avoid mistakes, they need to be coached intensively." Nor does it mean that clients can abdicate responsibility. "Make sure you always decide yourself," advised another. "In the end, consultants can be blamed, but they can't be held responsible."

9. Know your deliverables.

In a perfect world, every deliverable in a consulting project would be clearly specified, measurable, and enforceable. "You have to check the services against the contract to ensure you are getting what you asked for at the agreed price," was one typical comment. "Make sure you have a deadline that cannot be changed," was another. But many clients also recognized that it's not always easy to be so clear-cut. As one client put it: "One of the problems with consulting projects is that it can be hard to attribute a value directly to the consultants' input. With so many variables to take into account, who's going to say 'you did this' or 'you didn't do that?'"

But the two overriding criteria for judging success are, first, that the criteria set are comprehensible to as many organizational stakeholders as possible and, second, that it's the medium-term, practical impact of a project that matters, not its short-term "wow" factor. "Consultants should come to the point with deliverables the organization can use," remarked one client. "They should speak the language of the company." "Value is measured by the success or ability to implement the suggestions and recommendations made by the consultant," said another. "Good performances that add value to the organization usually result in additional work or positive recommendations of the consultant."

10. Share risks and rewards.

A corollary of mutual respect is that both sides should benefit when a project goes well, and suffer when it goes badly. Consultants have for some time been complaining that their attempts to negotiate performance-based contracts have fallen on deaf ears, largely because clients have been unhappy with the scale of the potential upside to the consultants. For their

part, clients claim to have found consulting firms unwilling to follow this route. "While it inevitably varies from firm to firm, I generally believe the consulting industry is still too conservative when it comes to pricing engagements. Risk sharing and value pricing remain difficult topics, and it's much easier just to charge hours," said one.

But a combination of greater realism in pricing by consultants (the result of the recession) and greater recognition by clients of the benefits to them of performance-based contracts is producing a slow but substantial sea change. An unambiguous pricing structure remains essential: "You have to be clear on the pricing structure and how hours will be billed or how the consulting project will be priced," was a typical comment, but so too was the recognition that alternatives need to be considered. "We weren't very innovative when we contracted with the consulting firm we hired," recalled one client, "and assumed that standard time and materials payment would be appropriate. We subsequently realized that a risk-reward arrangement would have been far more effective."

Maximizing the benefits that consultants can bring is never going to be a one-sided process: It's absolutely true that there are many areas where consultants can be criticized, but it's equally true that the way clients sometimes behave makes the situation worse. Intelligent clients know this. They know that they can't expect miracle cures from a consulting firm and that business issues are always complex and often intractable. They know that consultants can't guarantee a solution and that, if they do, the solution is probably not worth having. They know they have to work together—to collaborate—with consultants, in a relationship in which each side trusts the other, shows respect for the contribution the other can make, and focuses on value for money (not costs or fees). ■

This is an edited extract of Fiona Czerniawska's Maximizing the Value of Consultants: Key Lessons from Clients (Arkimeda, 2003).

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