

Dealing with consultancy

by Fiona Czerniawska

Most consultancies are facing drought in commercial business and giving better deals to public services. How, asks Fiona Czerniawska, is the right way to employ consultants?

The consulting industry is going through what is arguably the biggest market 'adjustment' in its 80-year history. Expansion in the late 1990s came to an abrupt halt in 2001, as private sector clients, faced with shrinking profits, significantly reduced the amount of money they were prepared to spend on consultancy and left consultants with an over-capacity problem of unprecedented proportions. "This is the toughest time the consulting industry has ever experienced," says Jerry Greenberg, Chief Executive of US-based Sapient, "which means it's also a time when difficult choices have to be made."

One of those choices involves switching focus to those sectors of the economy where expenditure on consultants has held up comparatively well. For most firms, this is the public sector, where the UK government's focus on delivery is resulting in substantial change programmes.

So does this mean that public service clients face the unenviable prospect of having more sales people beat a path to their door? In fact, the situation represents a real opportunity for clients. Consulting firms are not only prepared to take public sector clients more seriously – responding to invitations to tender which they might otherwise not have had the capacity to do previously – they are also more likely to offer a good deal in terms of rates and to be more flexible in contractual negotiations.

At the same time, the purchase of consultancy is subject to ever-greater scrutiny. The National Audit Office has concluded, "There is considerable potential to secure improvements in the value for money from the purchase of professional services."

So how can the public sector maximise the potential value of consultants? The answer lies in being crystal clear about why you need consultants. It's hard – if not impossible – for a consulting firm to add value if it has been hired for the wrong reasons. As Alfred Martinez, Chief Executive of Sears, put it: "If the people at the top of the organization can't create a clear line of sight to where they want to go, then they are a little bankrupt personally." This has very comparatively little to do with the consultants themselves, and everything to do with the organisations that hire them. Consultancy, like charity, starts at home.

The ultimate success of a consulting project is determined long before you've talked to an actual consultant, and depends on the extent to which you have been able to identify and agree the precise reasons why you're hiring consultants. In most organizations, managers think about these reasons in terms of what they expect the consultants to do, not in relation to the underlying role they're expecting the consultants to play. Nor do they consider how their expectations match the prevailing market conditions. What kind of client you are – do you really want to bear the risk of developing a unique approach to an idea? Is the issue you face a new one, or are you trying to do what another organization has done before?

Probably the single most important reason for hiring consultants is to bring in people with a particular set of skills. The more specialized a consultant is in his or her field, the more valuable they are to clients. Specialist know-how falls into two categories. First, there's 'industry-specific skills' – you need people who are experts in your sector, perhaps to help decide whether a new management approach – customer relationship management (CRM), for example – would have benefits in your unique organization. Second, there's what you could call 'issue-specific skills', which is where you need people who are experts in a particular issue – it may be a problem or an opportunity. You've decided that CRM is for you: now what you need are some CRM experts to apply it.

However, there are times when you simply need help – bright, energetic people who are well-informed, who can help you get a new initiative up and running at a time when it's proving difficult to free up your own internal resources. You're quite definitely not looking for specialists here. You need the consultants to be very flexible – rolling up their sleeves and doing whatever it takes to get the job done – and that's something that requires a broad base of knowledge, rather than in-depth expertise in just one or two areas.

Clients

- Be truthful and constructive to, and easily contactable by, consultants and other stakeholders.
- Do not be defensive. The consultants are there to assist your organization.
- Do not be afraid of providing too much information. Consultants would prefer this to lack of detail.
- In general, ensure that risk lies with the entity with the greatest ability to manage that risk.

Consultants

- Be truthful and constructive to, and easily contactable by, clients and other stakeholders.
- Respond to the client's initial request and avoid second-guessing the problem at an early stage.
- Always listen to the client's opinions first before explaining your own.
- In general ensure that risk lies with the entity with the greatest ability to manage that risk.

Even in the smallest organizations, managers find it difficult to stand back and analyse what's happening. Opportunities are missed and threats are ignored. Even where time is allowed for such reflection, how can you ensure that you're seeing what matters most to the organization, not just what matters most to you as an individual? Outsiders, like consultants, can provide you with an invaluable perspective because they're looking at your organization with new eyes. This may be just what you need when, for example, you're wondering whether a difficult decision is in fact the right one.

Sometimes an outside 'opinion', expressed by an expert is enough to jump-start a project. 'Yes', the consultants effectively say, 'we agree that entering this market with this product is a good idea, now go for it' and you then do so. However, there are other occasions when you need hard data, to help you decide what to do. Here, you're not so much looking for an opinion that your colleagues will accept, as the underlying information from which your colleagues themselves can form such an opinion. For example, a particular initiative you're proposing is very controversial: in such circumstances, there's no point bringing in an expert to rubber-stamp what you believe in, but your peers don't - you only open yourself up to cynicism.

It's much better to hire consultants who can lay the facts as they find them in front of your colleagues, enabling each one to take their own decision. There are also occasions when you want access - not so much to an outside view, or new data - but to creative thinking, when you want someone to sit down with your organization an innovative approach.

Sometimes it can be difficult to keep things moving. People assigned to internal projects have day-jobs they still have to think about; not everyone may yet be committed to a particular course of action. Consultants can help by providing the energy and determination to make sure a project, once started, is finished. Unlike internal participants, consultants can dedicate all their time and efforts to this one project without distraction.

An important part of that momentum will be provided by the extent to which a consulting firm provides a tried-and-tested approach to the issue in hand. Faced with a new problem or

Unlike internal participants, consultants can dedicate all their time and efforts to the one project without distraction

opportunity, you may not know which way to turn, what to do next. You need a plan that takes you from where you are, to where you want to be. You may also be looking for confidence that the project you're about to undertake will meet the expectations of its sponsors. What you're therefore seeking, when you bring in a team of consultants, is a track record in successful implementations of such project and a structured methodology that captures the accumulated lessons of previous projects.

Statement of Best Practice

The Management Consultancies Association's '**Statement of Best Practice**' was developed in conjunction with the Institute of Management Consultants and HM Treasury, and is currently being updated with the help of the Office of Government Commerce. This highlights four general principles that underpin an effective working relationship between clients and consultants.



Firms are prepared to take public sector clients more seriously



FIONA CZERNIAWSKA is the Director of the Management Consultancies Association Think-Tank, author of 'Management Consultancy: What Next?' and 'The Intelligent Client: Managing Your Management Consultant' - FionaCz@arkimeda.com.