

# In Search of the Consulting Blockbuster

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**B**lockbuster consulting is big business. Business process reengineering (BPR) set the gold standard of what could be achieved. Between 1988 and 1995, Index (where James Champy, who founded the BPR movement with Michael Hammer, worked) grew sevenfold to \$250 million. Index was not the only firm to benefit; an entire market was born. Ironically, Hammer and Champy probably made even more money for Accenture than they did for Index.

You can always spot an emerging consulting market because there will be disagreement over what to call it: each consulting firm will seek to “own” the way the market talks about a new idea up to the point where consensus emerges (usually in the form of a three-letter acronym). Indeed, it is tempting to think that BPR, ERP, Y2K, and CRM would all have continued to languish in consulting backwaters had they not acquired snappy titles. It helps, too, if part of the name is particularly resonant: “reengineering” smacked of science and precision; “enterprise” touched a raw nerve among the many large corporations whose IT systems had grown up piecemeal; “relationships” appealed to those who had none.

But why, among the seeds of management ideas that emerge each year, do some grow into bona fide consulting markets? And what does that tell us about the way clients choose among them? Consulting companies can be a source of innovative thinking, but much that purports to be “thought leading” could be bet-

ter described as “thought following.” The key here is meaningful information, or the lack of it. In a world in which so much data is so readily available, it is ironic that clients are for the most part no better informed about consulting services than they were ten years ago.

From the research I’ve undertaken, four factors appear to determine whether a new management idea is worthy of serious consideration by clients:

- There has to be a genuine need among clients.
- Promotion of the idea has to be in the commercial self-interest of consulting firms, technology vendors, and even outsourcing companies. No management idea will take off if it is not.
- There has to be hard data. Ideas will not be adopted by a broad range of clients unless consulting firms can produce tangible proof that benefits outweigh costs.
- The service being promoted by suppliers has to be different from their existing services in some way. Clients are not stupid: the vast majority is able to distinguish between consultants *claiming* something original and those that actually *have* something original.

The first two of these points—pull from the market, push from consulting firms—determine the potential appeal of a new idea; the last two determine whether it lives up to that potential. Clients, as they look at what their

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*How will you know if that new idea has staying power?*

competitors are doing and at what the business media is telling them they should do, too, need to consider:

- The quality of thinking and research behind the idea
- How the idea will be executed in practice.

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## Innovation and the Search for Hard Data

It is hard to find a more subjective phrase than *thought leadership*—what is innovative to one person is obvious to another—but that does not prevent the term from appearing on the website of almost every consulting firm, large or small. Consulting firms are always nervous about being left behind in a burgeoning market and often compensate for their insecurity by leaping on even the most rickety of bandwagons.

Nor is quantity any guarantee of quality. Every year, thousands of books, articles, and papers appear, but as with brand-building, there is a tendency toward homogeneity. Almost half of all thought leadership published in the consulting industry between 2002 and 2004 has focused on perennial favorites—business processes and technology.

Looking back at business process reengineering, it is significant that both Michael Hammer and James Champy were principally involved in running a research service, rather than consulting. Says Hammer:

We did not invent BPR, we discovered it. When consulting firms talk about research, they are usually referring to a process where they set up a survey and collect answers to a specific question. But big ideas are far more serendipitous than this. We did not set out to solve a particular problem; we were just nosing about, talking to organizations that had been able to produce dramatic improvements before we started to realize we were observing some consistent phenomena.

Adds Champy:

While there was certainly a point when we said, this is a big idea, let's write a book

about it and create a new market, it took us two or three years of looking at companies before we got to that point. . . . We kept going into companies that had invested heavily in IT without seeing much in the way of business improvement; they still had delays getting goods and services out of the door. We are both systems thinkers, so that is how we looked at the problem: What were the dysfunctions in the broader systems that underpinned these organizations? We realized that fragmentation and specialization in work meant that organizations thought in terms of tasks rather than end-to-end processes, especially as they grew in scale. At the same time, we found some companies who had managed to buck that trend: an insurance company that had managed to collapse a 24-day lead time in sending out new policies to two hours; and a car manufacturer that had totally altered the way it worked.

That depth of research paid tremendous dividends. Reengineering was, and still is, a very good idea, says Champy. "It really does enable organizations to change the nature of work at the most fundamental level." Hammer adds:

The timing was right, too. We had reached a point where many organizations felt stuck. If we had launched the idea ten years earlier, organizations would not have been ready for it; ten years later—at the height of the dot-com boom—they would have been too busy to listen. The entertainer Eddie Fisher used to joke that it took him 20 years to become an overnight success, and that is how it felt with reengineering: we first started talking about it in 1987, six years before the book came out—but we had already received such powerful, positive feedback that interest in the concept grew essentially by word-of-mouth, well ahead of the actual publication date.

One of the unfortunate side effects of this apparently instant success was to encourage other consulting firms to repeat it. Says Hammer:

Lots of people said, gosh, that is doing well, let's try to do that, too. In reality, it is very much a case of many being called, but few

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being chosen: there are not a large number of big ideas out there that consultancies can expect to articulate and capitalize on. The last decade has seen too many big-idea books, but very few big ideas. Indeed, if you look at many of the substantial ideas that have emerged, before and after BPR, like those of Michael Porter or Clayton Christensen, they did not come out of consulting firms in the first place. That is not a reflection on consultants' brainpower but on the environment of the consulting firm, which is designed less for reflection and more for problem solving. To be successful in a major consulting firm requires real and rare skill—but is not correlated with producing innovative ideas. The success we achieved with reengineering is not necessarily replicable.

Champy is similarly scathing about the level of effort being put into research by today's consulting firms:

Consulting firms do not deliver a lot of value, certainly not the degree of business and process change that clients deserve," he says. "They are stuck looking at the world through their own lens, developing ideas they think important, based on work they have done, so what they come up with is incremental, not innovative. The hard news is that no single lens is sufficient to move performance.

Like Hammer, he is skeptical that the industry will ever come up with another blockbuster on the scale of reengineering. Business schools are partly to blame because they create yet another lens that managers think they should look through. Boring and impenetrable business books do not help. Client cynicism cuts off the wellspring of new ideas at its source. Champy continues:

A whole flow of ideas, most of which have not delivered business improvement, has given us a generation of disbelievers. They tried reengineering, but their projects failed because they did not understand it. Now I tell my clients, if you want to undertake a change initiative, do not label it,

because as soon as you do people stop taking it seriously.

Ultimately, Champy is doubtful whether there are any big ideas out there, waiting to be discovered.

It is not a question of how hard you think but how hard you look. Can we break through the way companies operate today? I still look and every once in a while I see a glimmer, but I do not think an idea along the scale of reengineering is likely to be repeated in my lifetime.

For clients—and consultants—still brave enough to look, two key lessons stand out:

- The ideas that genuinely change clients' lives for the better come from clients themselves, not from the think tanks of consulting firms or business schools. Consultants cannot rely on one, two, or even ten clients in the quest for new thinking. But the overwhelming majority of consulting firms have a scattergun strategy when it comes to thought leadership. If someone does a good piece of work for a client, that person might be given the opportunity to convert his or her ideas into an approach that can be sold to other organizations. Service or product development budgets are given to business units or partners: sometimes something comes of it, but sometimes nothing does. Many firms use research as post-justification: having had what they think is a good idea, they go to look for the facts that support it. All in all, a large part of the hundreds of millions of dollars spent by the consulting industry on developing new ideas every year is wasted.

- Consultants have to be able to demonstrate that, having understood the principles, they can apply workable solutions. "Thought leadership does not really carry much weight with us," said one client we talked to. "Just because someone can write a paper, does not mean they can do something in practice." "Thought

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leadership does have a bearing on whether we choose to work with that firm,” said another, “but that’s not always a good thing because it provides no guarantee of success. We have certainly had situations where we hired a company that had produced excellent material on paper on a particular subject, but the team we ended up with did not live up to the standards or expectations set.”

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## Information Is Still Power

Consulting firms have to attract the attention of clients (“share of mind”): an article in the *Harvard Business Review* is generally reckoned to earn a consultant tens of thousands of dollars—and that is only the tip of the media iceberg. In a highly competitive market, consultants need to demonstrate their credentials faster and louder than their rivals. Even where genuine research is carried out, what internal control does a consulting firm’s research team have over the way their colleagues in marketing sell an idea? IBM virtually invented the term “e-business” in its marketing in the mid-1990s; it is doing the same now with the concept of “business on demand.”

Clients need to know what is happening both in terms of demand (Which other organizations have adopted this idea? What benefits have they obtained from it?) and supply (What do suppliers gain from promoting the idea? Why is it in their interest that clients buy it?). There is no shortage of potential sources. Business journals and consulting firms’ websites all bristle with case studies, but the former are more interested in creating newsworthy copy and the latter will naturally highlight only the positive examples. Moreover, for every success story, there is a failure: individual instances mean little either way. What clients need is a better, more informed idea of overall trends—and this is where business research companies come in. With few opportunities for clients to speak frankly to each other, they have to rely on intermediaries to do their due diligence for them.

Consulting firms take research companies seriously, too. Most large consulting firms have teams of dedicated account managers whose role

is to facilitate access to the organization, without overstepping the line in terms of marketing to the research companies. They recognize the influence such companies have with clients, especially when it comes to selecting the right consultants for a particular piece of work.

Business research is big business, but is it good business? Companies researching the consulting industry necessarily rely on consulting firms’ cooperation to get access to the right people. Where an analyst is especially negative about a firm, the firm could refuse access in the future. Research companies, too, are under pressure to produce results—to get reports on hot topics to the market as quickly as possible—and that can mean cutting corners in the research process.

Clients need to ask more questions and talk to the organizations involved to see if what the consultants say is really true. But they also need to be pragmatic: they should not expect any management concept to work 100% of the time and need to do due diligence in order to find out what goes wrong. The trouble is that, beyond conferences, there are few forums where clients can get together and talk. Technology companies have user groups, but where are their equivalent in the consulting industry? Says Champy:

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If I were an executive, I would have three or four people out there, who would think and read on my behalf. Busy executives should ask themselves: who are my agents; who are my sources of ideas? I listen to smart people: if I am speaking at a seminar and I can see there are some interesting people talking, I will stick around to hear what they have to say. You should never rely on just one person—one consulting firm—because they will never have the whole answer. Resolving complex issues requires more than one tool.

Many clients like to complain about lack of transparency among consultants, that they are not always sure what they are buying, that they are asked to accept consultants' assertions on trust. They would do better to examine their own attitudes first and, in particular, their reluctance to exchange information. While there are some consulting projects that should be treated as genuinely confidential, the majority of them are not. Clients could gain so much valuable information if, when they were considering a new initiative and hiring a consulting firm to help them evaluate or implement it, they were to solicit feedback from organizations that are already evaluating or implementing it. Transparency starts at home. ■