

A single market?

Economic and monetary union only goes so far. For consultants, convergence stops the moment they cross a client's threshold, especially if they are based in continental Europe.

CONSULTING FIRMS, coming from the US and typically opening their first office in London, have often made the mistake of assuming that the rest of Europe resembles London, and that London resembles New York or Chicago, according to a new report by Kennedy Information, publisher of *MCI*.

Continental European clients take longer to decide on consulting programmes, the report found. "They're far less keen to try something out quickly. It's a more considered, iterative approach in which several experts will be quizzed on their ideas before a final decision is taken," according to Gilbert Toppin, European head of operations at Deloitte Consulting.

"In my experience, says François Mazon, director general at Cap Gemini Ernst & Young, "clients want *haute couture*. They want services that have been designed for their unique circumstances, but delivered with the efficiency and at the cost of an industrial process."

Others view this characteristic less positively. "The US and UK markets are much more receptive to taking on new technology and new ideas," says Michael Walton, chief executive of UK-based Rubus. "In general, continental Europeans are more conservative and price sensitive. They want it proved first." Particularly in Southern European countries, the lengthier sales cycle reflects a more bureaucratic approach to the buying process. The further south one goes, the more likely one is to encounter administratively driven projects in which everything is specified in considerable detail, making the cost of sales high in markets that already have some of the lowest fee rates in Europe.

Encroaching globalisation is changing this. "As Europe's largest companies become more multinational, they have to understand their place in the world more quickly," argues Toppin. "They feel they can't spend years deliberating over an issue when one of their American rivals might decide their response in a matter of months. And that's increasingly going to make these companies behave like American companies when it comes to purchasing consultancy."

However, it is at the relationship level that the heterogeneity of the European consulting market is most marked, according to the report's findings. While the largest European companies may seek to be as global as their North American counterparts, their senior executives are still very influenced by the national differences in culture. This helps forge a relationship with a consulting firm, regardless of the type of service being offered by that firm. "It's tempting", said one strategy firm partner, "to believe that being 'European' doesn't matter when it comes to the kind of work we do, but it's not quite as unimportant as we'd like to believe. We're actively recruiting people from different nationalities: we don't always like to admit it, but it does help."

A key factor in determining the strength of client-consultant relationships is the cultural acceptability of consulting. "US culture accepts consulting as a given," says Ian Godden, managing partner of Roland Berger in the UK. "Clients argue over whether it's needed in a specific case or not, not about its overall value. But many European companies are still reluctant to hire consultants and question their contribution. Consulting here often takes place against the backdrop of a client not wanting consultants around." In the US, bringing consultants in can be a sign of decisive, even macho, management; in Europe, it can be viewed as a sign of failure. "This is particularly true in France and Germany," says Godden, "where clients

tend to expect consultants to have a much lower profile, and not advertise their presence externally or internally."

Trust, once won in these markets, tends to be longer lasting, the Kennedy report found. According to a partner in a German strategy firm, "We see much less of the US-style hire and fire approach to consultants: clients here are looking for long-term relationships."

"US and UK consulting firms are less at ease with the French way of working," adds Gérard Debrinay, chief executive of Algoé in France. "French companies tend to be more concerned with the long term than North American ones, and they want to work with consulting firms capable of handling the social dimensions and complexity of strategic change."

The "French way" also clearly benefits the incumbent consulting firms. "We found the French market impossible to break into," said a partner in a UK-based firm. "There was more in the way of established client-consultant relationships and clients were less willing to work with a new supplier — both of which represented significant barriers to entry."

By and large, there is a positive correlation between the length of a relationship and the level of commitment required by a consulting firm: the longer the project, the more a client will expect its consultants to be tied into its final outcome. That said, continental European clients appear to have been more reluctant than their US or UK counterparts to agree to risk and reward sharing with consulting firms, the report concluded.

"At the moment, it's fair to say that most European companies (the UK is an exception) don't understand what is meant by these kinds of partnership arrangements," argues Norman Savigar, director of business development at CMG in the UK. "Certainly where the ICT market is concerned, they see themselves buying bodies, not a solution. But a wind of change is about to hit Europe: more companies are looking to share the risk, and, as a result, they'll have to accept UK/US project management principles."

"Although you can overstress the long-term implications of the economic downturn," argues Theo Camps at Rinconsult, in the Netherlands, "it has unquestionably represented another step in the maturation of the consulting market. We're moving into a phase where consultants have to co-invest and share the risks, and where clients and consultants have to work together in order to produce results." ♦

The Kennedy Information report was written by Fiona Czerniawska, managing director of Arke Ideas Consulting UK, and author of Management Consultancy: What Next?

Kennedy Information's latest report, *Management Consulting in Europe 2002-2005*, provides recommended approaches, key drivers and market growth projections for the region.

For more information, contact John Egyed, 001-603-924-0900, ext. 667.