The Consulting Conundrum

It’s not hard to find negative feedback about consultancy in the media:

Their [the pure-play e-consultants] plight arguably has more to do with their own self-destructive behaviour. They weren’t designing websites, they were building ‘end-to-end’ solutions to save a client from getting crushed … ‘You have more money than time,’ they cooed, and billed out their legions of tattooed 20-something webheads at $400 an hour.¹

When consultants show up and root around inside your company, several things can happen. They may perform dazzlingly, saving you millions of dollars and pointing you in the direction of lucrative new markets. They could also run amuck, costing you tons of money and pushing your company to the brink.²

With comments like these, it comes as a jolt to remember, not only that most of the world’s largest companies regularly use consulting firms, but that a large proportion of consulting work is repeat business. ‘It’s helpful to use consultants who already know their way around our organisation and have credibility with members of the board’, said one client I talked to. ‘If we’re embarking on a high-risk venture’, said another, ‘then it makes sense to limit our exposure by working with a firm we already know.’ There are clear advantages for the consulting firm as well: like every other sector, it’s much cheaper to win work from an existing client than to acquire a new one; continuity translates into a deeper understanding of a client’s business, and this, in turn, reduces the cost of sales.

But familiarity almost inevitably breeds contempt. It’s a small step from the advantages just cited to a ‘better the devil we know’ attitude. Consultants may be an easy target in the press, but, talking to clients...
certainly in the more mature consulting markets of North America and Western Europe, there’s no doubt that the public criticism of consultants is mirrored by continuous, low-level dissatisfaction. It’s not (yet) enough to stop industry in its tracks but, left unchecked, it could grow into a serious problem.

In *Blown to Bits*, Philip Evans and Thomas Wurster argue that successful businesses of the future will share three characteristics. They will have ‘richness’, an in-depth understanding of their market and the core competencies they bring to it. The second characteristic is ‘reach’ – the extent and variety of the networks (supplier, competitor and customer) of which they are part. Finally, they will have ‘affiliation’ – an ability to overcome the traditional, cultural divide between suppliers and customers by repositioning themselves as their customers’ ‘champion’.

The best consulting firms excel in both of the first two areas. They have responded to clients’ cumulative demands for world-class expertise by developing specialised skills in specific areas – masters of a small number of trades, rather than jacks of none. They have exploited the opportunities of the late 1990s to position themselves as key brokers in the scramble to create collaborative ventures and exchanges. But it’s the third and last characteristic that has been a problem. It’s not that there isn’t a demand for ‘affiliation’ among clients. Payment by results and the involvement of consultants in implementing their recommendations are just two of the ways in which demand is already making itself felt, and the prevalence of phrases along the lines of ‘working in partnership with our clients’ in consulting brochures shows that firms are aware of it. But, historically, consulting firms have found the idea of affiliation an anathema to their own strategic goals: for them, playing the market has made better sense, allowing them to spread the risk of a downturn in a particular sector. Narrowing their focus to a small number of markets and services has also been the kind of decision which many consulting firms – built around the consensus and individual power-bases of a partnership – have found hard to take.

This is, I believe, the hub of the problem. If you put the client-consultant relationship under the microscope, it becomes clear that there are many areas where each side’s objectives are different, and some where they are diametrically opposed.

Take one of the most obvious ones. Clients want access to highly-specialised knowledge: it’s something they put again and again as their top priority when they come to hire consultants. Why? Because