

CHAPTER 1

THE NATURE OF CONSULTING

IT'S AN INDUSTRY

The reader is not alone in the quest to become a great consultant. As one quip put it: consulting is an attractive alternative to working! It has been around for a long time. First there were the big consulting firms, such as Arthur D. Little (founded in 1886), McKinsey (1926), Booz, Allen Hamilton (1943, renamed Booz & Co in 2005), The Boston Consulting Group (1963), Capgemini (1967), and Bain & Company (1973); followed by a tidal wave of small, specialized, boutique firms that hired MBA's and trained them in their methods and procedures to be first-class strategy and business consultants. Then the big accounting firms thought (until very recently) that using their client base they could take their auditing and tax expertise and fold it into management consulting and information technology (IT) consulting practices. The first big change came from Arthur Andersen when they spun off and re-branded their IT consulting division, now called Accenture, in 2001. Perhaps the most recent large shift in business models for technology companies is IBM. From its origins as the leading manufacturer of IT hardware, the company now produces most of its revenue from consulting services: (2007 pre-tax earnings: software 40%; services 37%; hardware/financing 23%). IBM competes with Electronic Data Systems (Hewlett Packard acquired EDS in 2008) and BearingPoint along with Microsoft that has operated its own Consulting Services Division since 1995.

Since the 1970's there has been the rise of consulting companies devoted to and specialized in such areas of consulting as human resources benefits, organizational development and training, and what might more broadly be called change management consulting, helping clients to build learning organizations, employee development systems, and leadership development strategies. Most management consulting firms have a practice in technology consulting as it is such a rapidly growing area of business development and profits. However, as Table 1.1 shows, management consulting firms generally specialize in something other than technology and have built their reputations and fortunes in strategy and organizational change areas of practice. They have built formidable, high quality client bases in healthcare, government, business, and education, and include Oliver Wyman (formerly Mercer Delta), Mercer Consulting, A.T. Kearney, The Forum Corporation, AchieveGlobal, Dale Carnegie Corporation, HayMcBer, Covey and the now defunct Harbridge House. Some traditional accounting firms (McKinsey started as one), such as Deloitte & Touche, KPMG, PriceWaterhouseCoopers (PwC) and Ernst & Young, continue to offer a range of management consulting services along with small technology consulting practices.

In addition, thousands of small consulting firms from one-man operations to perhaps a dozen people have emerged over the last twenty-five years across the United States and around the world. Their consulting ranges from executive coaching and leadership development to advising on how to build and run a corporate learning academy; from corporate responsibility and crises management to security systems and IT applications.

Individuals and small groups consult on business turnarounds, personal financial planning, accessing and influencing government policies, strategic thinking for church leaders, and various kinds of economic analysis. Consultants in "think tanks" such as the Brookings Institute, Rand Corporation, Cato Institute, American Enterprise Institute, Heritage Foundation, and the Hudson Institute, do research and offer advice on a comprehensive range of international and domestic issues.

Table 1.1 Leading Technology & Management Consulting Firms

FIRM NAME	START DATE	2005 REV.	No. of EMPL	CLASSIC MODELS	TRADITIONAL FOCUS
Arthur D. Little	1886				Strategy and Technology
McKinsey	1926	\$3.0 B	7.7K	<ul style="list-style-type: none"> ▪ Seven S' ▪ 80/20 Rule ▪ MECE 	Business Strategy
Booz, Allen Hamilton	1943	\$3.7 B	18K*	<ul style="list-style-type: none"> ▪ PERT ▪ Product Life Cycle ▪ Supply Chain Management 	Business Strategy
Boston Consulting Group	1963	\$1.5 B	3.3K	<ul style="list-style-type: none"> ▪ Growth/Share Matrix ▪ Portfolio Analysis ▪ Experience Curve ▪ Time-based Competition 	Business Strategy
Capgemini	1967	\$6.9 B	5K	<ul style="list-style-type: none"> ▪ Customer Relations Management ▪ Business Process Reengineering ▪ Collaborative Business Experience 	Info. Technology
Bain & Co.	1973	\$1.1 B	2.7K	<ul style="list-style-type: none"> ▪ 	Business Strategy
Accenture	2001	\$15.5 B	140K*	<ul style="list-style-type: none"> ▪ Digital Infrastructure 	IT
EDS		\$21B	131K*	<ul style="list-style-type: none"> ▪ 	IT
IBM		91B* *	100K*		IT

* Includes non-consulting employees; ** Includes non-consulting revenue

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There is also a long list of “inspirational speakers” who are not consultants in the traditional sense but travel the country and the world giving advice, offering seminars and who “consult” on personal effectiveness, marriage relationships, and personal psychology from Daniel Goleman, Harvell Hendrix, John Bradshaw, Wayne Dwyer, Dr. Phil, and Steven Covey to organizations in the human potential movement such as Landmark Education, and National Training Labs known as NTL.

Consulting is a career of choice for many newly minted computer science graduates, engineers, and MBAs. It is also a wonderful second career for retiring baby boomers (people born after 1945) who often find that immediately upon retiring from their company, are invited to return as a consultant on a contract basis. Additionally, it is often the only viable option for many middle-aged, experienced individuals who have been laid off, downsized, fired or “retired.” Many *individual consultants* who work for themselves believe they should have started a long time ago. Now out on their own, they report the following mix of benefits, saying they:

- Now earn more than when they were full-time employees
- Have the independence they always dreamed about
- Feel needed and wanted
- Derive satisfaction from project work that has a natural conclusion
- Apply their knowledge and expertise in interesting ways
- Are their own boss
- Are not tied to one company but a “mutual fund” of companies
- Can tie their income to their individual effort
- Do not have to worry so much about organizational politics
- Are free to say “no” to work, if they choose
- Can travel as much or as little as they choose
- Are able to strike a better work/life balance

The biggest downsides and fears for self-employed consultants are: 1) they will not be able to sustain their incomes; 2) are often highly dependent on the state of the economy; 3) may have erratic cash flow; 4) feel a bit isolated from people; 5) feel lonely; and 6) get tired of selling themselves all the time. Many are not able to keep their motivation alive, and yearn for the days when they had a predictable paycheck.

In the particular field of management consulting the industry has grown by some estimates, over 20% during the 1980s and 1990s. Unlike other parts of the broader professional services industry, it tends to be cyclical and linked to overall economic conditions. For example, the industry shrank during the 2001-2003 period, but has been growing slowly since. Estimates are that in 2007, total global revenues for management consulting exceeded \$300 billion (Office of Personnel Management, 2007).

WHAT CONSULTANTS NEED TO KNOW ABOUT THEMSELVES

Corporate managers who hire consultants have a wide-range of perceptions about the value of consultants. The average manager does not like consultants. They believe consultants do not know enough about their organization to be of real value. Managers believe consultants are used too often; tell them things they already know; cost too much; are often arrogant; have low emotional intelligence; circumvent the hierarchy inappropriately; have too much power; and are unavoidable.

Consulting can foster the worst form of organizational politics. Managers are afraid of consultants because they make them feel inadequate, foolish, ignorant, and out of control. Managers fear consultants because they fantasize the changes that consultants recommend will put them out of a job. As result, managers tend to hold back information, obstruct or mislead. They do not trust consultants who parachute in, ask awkward questions, stir things up, make fancy presentations, recommend changes and then disappear. I have heard managers say they believe new IT systems arrive late, are hard to use, unfamiliar, confusing and miss certain key features; new systems seem oversold and under delivered. Consultants resembles a “bull in a china shop.”

With such rather negative perceptions by managers, consulting needs improvement. Just like other professions, the consulting industry needs further professionalizing. However, this may not be as easy as it first seems. Improving professional standards and licensing practitioners are difficult since the barriers to entry are so low; anyone can call him or herself a consultant if they have an expertise that can be offered to clients. Standards of entry are almost non-existent with no certified training required, no specializations in consulting offered in MBA programs or technical colleges, professional consulting associations have little or no policing authority, and standards of practice are vague, irregular and difficult to identify.

Yet, there are some very good consultants. The top consulting firms in the industry such as Booz , Accenture, McKinsey, Capgemini, and IBM have been around for many decades having established excellent reputations for completing fine work and producing first-class solutions. Consultants in such professional service firms are unquestionably professional in every sense of the word. While it is beyond the scope of this book to explain their many protocols, methods, and techniques, we will present many of their ideas, principles and operating practices. In subsequent chapters, we will also look at a competency-based model that provides consultants with a way to improve their professionalism.

TYPES OF CONSULTANTS

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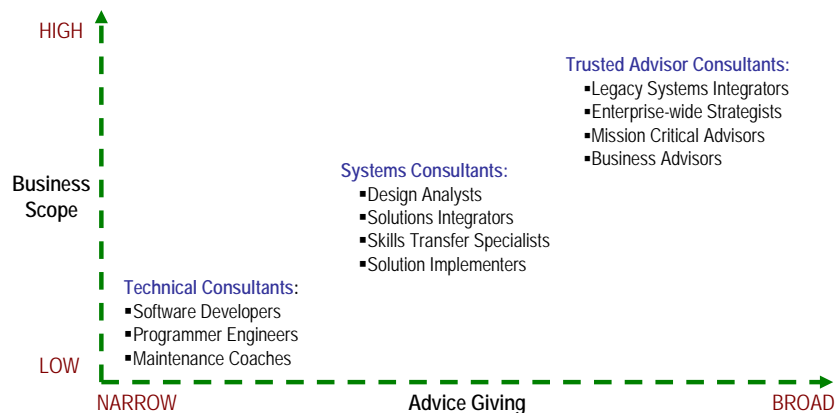
For the last fifteen years, *E.G. Verlander and Associates*, a division of Verlander, Wang & Company, LLC, has been training consultants around the world using the concepts and tools in this book. While many references throughout the book are made to the world of IT consulting, this is not meant to exclude the many other areas of consulting practice that use the concepts and tools in this book. In fact, the consulting practices we discuss have broad applicability.

Our emphasis on information technology is to deal with the reality that, many individuals do not consider themselves consultants. They call themselves “software engineers,” “programmers,” or “application developer.” They think that a consultant is someone else or another person’s role; something that other people do, who have the word “consultant” in their job title. This is a mistake. We argue that such professionals are consultants whose roles just happen to be narrow rather than broad.

Consultants come in many forms. Rather than taking an exclusive view that leaves people out, it may be helpful to consider consultants and the practice of consulting in a broader context. Consider, for example, two dimensions: business scope and advisory level, each assessed on the basis of low to high and narrow to broad respectively. Figure 1.1 shows a number of technical roles classified as “consulting” in relationship to the level of work being done on the two dimensions.

As shown in figure 1.1 all levels and roles are part of consulting, differentiated only by the level of advice given and the size of the business problem being addressed.

Figure 1.1 Technical Consultants by Scope and Advisory Levels



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The important point here is that every role requires consulting knowledge and skills, including roles (such as software developers) that appear to have no consulting requirements. It all depends on how we define consulting. This will be discussed in more detail in subsequent chapters, but for now, it is important to understand that someone who is hired as “pair of hands” even on a daily basis to code programs, is still in a consulting role, using expertise, applying important consulting skills, offering advice, and producing deliverables. It is merely consulting at the lowest level of scope and application.

TYPES OF APPLICATIONS FOR CONSULTANTS

Consulting comes in many forms and clients require a wide range of consulting services to meet their needs. For example, companies hire consultants to do executive coaching; advise on how to manage organizational change; produce a business strategy; facilitate group process; formulate policy; and build information technology solutions. To conduct such work, consultants need specialized training in such areas as research methods, inter-personal communications, analytical techniques, and group process, as well as technical and business expertise. Consultants also need a certain amount of expertise in a client’s business, industry, organizational functions, and managerial processes.

Executive Coaching. At the individual level, some consultants work with individual employees and managers to help them to become more effective in their roles and responsibilities.

Organization Consulting. At the organizational level, managers hire consultants to solve a wide range of problems where they themselves may lack the expertise (or time) to solve it themselves. For example, consultants bring skills and experience managing change, or they bring specialized knowledge needed to solve a particular human or technical problem; or the consultants have research capabilities needed by management to provide an objective understanding of an internal culture; problem or external business issue.

Strategy Consulting. This service requires consultants to study a company’s strengths, weaknesses, business opportunities and industry threats. Consultants use a fact-based, hypothesis, issue-driven process to produce business strategies for company management to consider, adopt or reject.

Policy Consulting. Consultants are hired to bring broad knowledge and experience at the societal level when governments or private organizations need to ensure they have the latest, broadest, and deepest thinking to address a complex social issue.

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Technology Consulting. Another big area of consulting is technology consulting where information technology (IT) experts design, develop and deliver IT systems, databases, software products, customized applications, enterprise-wide solutions, as well as integrated legacy systems.

Change Management Consulting. Probably the biggest area of consulting is “*change management.*” This covers a lot of territory and includes organization redesign, culture change, educating employees, skill changes for large groups of employees, cross-functional projects to improve teamwork and decision-making, enhancing the productivity of a company’s value chain, or bringing the whole organization into a better alignment with corporate goals. Such consulting often utilizes meetings and conferences designed to provide a deeper perspective on a current organizational need, or training programs that increase skill levels amongst a particular population.

Process Consulting. In this form of consulting, consultants are used to facilitate team meetings to improve interpersonal communications and to help employees and managers understand *how* they can make decisions with higher levels of collaboration and commitment.

Regardless of the type of consulting and areas of consulting application, there is a common theme and one critical requirement – trust. All consultants must work, communicate, make decisions, and function in a way that increases trust between themselves and their clients. Trust is *the* critical ingredient for winning business, successfully deploying solutions and building long-term client relationships. Trust lies at the heart of being a successful, professional consultant.

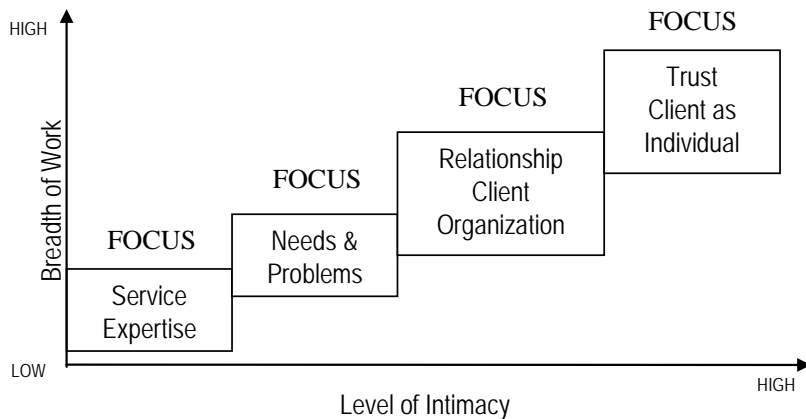
TRUSTED CONSULTANT AND ADVISOR

Every profession functions on an implicit assumption of trust. It is central to “professionalism” and professional practice. The professional operates with the highest degree of credibility, honesty, integrity, confidentiality, and reliability. Trust is required in every consulting role and task. Regardless of the *role* or *type* of consulting, the purpose is the same, to become a trusted advisor. Over time, as a consultant develops a wider network of relationships, increases the range and scope of work, and understands more of the client’s business, the consultant becomes more valuable to the client. As the client learns to rely on and trust the consultant, more business opportunities are given.

Maister and Galford (2000) concluded that as trust grows, clients also spend less time worrying about the cost of the consulting than they do about the value they are receiving. Figure 1.2 represents how relationships develop and how the nature of relationships changes over time.

Figure 1.2 Change in Client-Consultant Focus with Trust

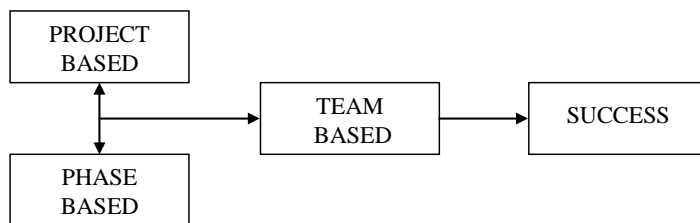
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HOW CONSULTING WORK IS ORGANIZED

Consulting is a planned and highly organized undertaking. Figure 1.3 shows the three bases important to ensure successful outcomes: projects, teams, and phases of work.

Figure 1.3 Getting Consulting Organized



Project Based. Most consultants work on a project basis, which means they must have expertise in all aspects of good project management – or at least they are required to have such skills. Typically, consulting work is organized into a detailed project work plan with a clear statement of the problem (s), deliverables, goals, key tasks, roles, responsibilities, milestone dates, and completion dates. Cost of the work (sometimes called “investment” or pricing) is tied directly to the work plan in terms of numbers of hours or days required for each task, times the resources, times the dollar rate for each resource (Hours x the Resource x \$). Some consultants work on a “fixed price” basis, having worked out exactly what it will take to complete the work and charge accordingly. However, most consultants know that project pricing is an *estimate* since during most projects many things can change. Since change usually means time and time is money, the original price for a project must be revised. Thus, project costs are often submitted to clients as estimates.

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Team Based. In many consulting situations, the work is done by a team of consultants drawn from: 1) a consulting company's full-time employees; 2) third party sub-contractors; and/or 3) individuals from the client company. Team skills and capabilities are therefore very important for a consultant to possess, requiring a mix of attitudes and skills in building team membership, team leadership, team communications, and team problem solving. This may be challenging for independent consultants who prefer to act as subcontracts doing a specific piece of work with a set time period and for a pre-determined amount of money. Such consultants may find teamwork difficult, even uncomfortable. In IT consulting, for example, technicians hire themselves out as a "pair of hands," preferring to work independently, selling and utilizing their special IT expertise. Consequently, their teamwork abilities may be limited.

Phase Based. Consulting involves a series of phases of work launched in a sequential and logical way, organized into phases of work beginning with: 1) data gathering and research; moving into 2) design and development; then 3) testing and proto-typing; 4) deployment of solutions; and then 5) maintenance and some form of continuous improvement services. Usually progress reports and status reviews are made between phases to assess project advancement and to make decisions about such things as the quality of work, changes in scope and specifications, whether or not to progress to the next phase, and if so, how to proceed in the next phase. As phases progress, the scope of the consulting may change and this may require negotiations with the client to ensure any new work is paid for by the client. Generally, the only exception to this is when the consultant has made a mistake and must fix a problem without charging the client.

These three bases or ways of organizing consulting represent areas where improvements can be made to professionalize the industry. Training, development, coaching, licensing, and certifying people's competence can all be directed at helping consultants to be stronger in project management, teamwork and the phases of consulting. This speaks to the broader question of consulting qualifications. What are the areas of knowledge and skills of competent consultants?

CONSULTANTS QUALIFICATIONS

Subsequent chapters describe in detail the entire consulting process in terms of four phases of work, four consulting roles, twelve competencies, and forty-eight practices. Taken together, they represent a comprehensive picture of the competent consultant. At this point, however, it is necessary to understand that using the consulting process described in this book (for *any* kind of consulting application) four aptitudes and expertise are needed: technical, process, people, and business.

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Technical. A minimum requirement to be a consultant is a bachelor's degree that provides a breadth and depth of knowledge and "technical skills" in the subject studied and an aptitude for learning. In leading consulting firms, a graduate, professional degree, work experience, and demonstrated expertise are usually required. If they hire recent graduates, even MBA's, such firm's then train and develop their consultants in the firm's own analytical techniques, processes and methods. Interestingly, the "hard" technical skills gained early in a consulting career are believed to be the primary reason that clients hire a particular consultant. However, as will be shown, this is a misnomer. While technical skills are an essential first requirement, a person's technical expertise is most significant only at the lowest level of consulting, when relationships are new and the scope of work is small. As the client-consultant relationship grows and matures, the (so-called) "softer skills" are critical for success, such as values, trustworthiness, emotional intelligence, perspective, judgment, and communications skills.

Process. New consultants must develop effective and efficient ways of working. All clients, consulting firms and individual consultants develop and refine specific steps, methods and procedures for getting work completed. Even consultants that do "process improvement" consulting, have specific processes and methods to do such consulting. In a broad sense, consultants must have aptitudes and expertise in a wide range of processes that typically include: methods for developing business, defining the problem, writing and presenting proposals. They include ways to launch projects, build a team with the right roles and responsibilities; they include methods for designing, developing, and producing deliverables. Process expertise must also include methods to test deliverables so that solutions meet the client's expectations; where needed, processes may also include ways to ensure the full deployment (implementation) of the solution in the client's organization. Finally, consultants must have process aptitudes and expertise in working effectively with people in large, complex, changing organizations.

People. Consulting is a people business. All forms of consulting must be done with and through people. Therefore, regardless of the area of consulting application, consultants must be able to work with people effectively. Throughout the entire consulting process, good consultants must use human relations expertise to build strong, long term interpersonal relationships. Areas of "people aptitude" include working with high levels of emotional intelligence, teamwork, political savvy, negotiating, conflict resolution, performance management, all forms of formal and informal communications, influencing, and client networking. Consultants need to learn how to balance their technical expertise with interpersonal acumen, to always act professionally and with just the right amount of camaraderie, and always to do the right thing for clients by acting with the highest levels of trust, integrity, and ethical standards.

Business Skills. Consultants must take a business-like attitude in their role and work. All consultants need to make money (pro bono work excepted) and need to ensure that the right balance is struck between solving the client's problem and keeping an eye on billings and future revenues. Throughout the entire consulting process there are numerous business matters to take care of, such as: billing clients, re-negotiating scope and fees, documentation, accounting, and identifying new opportunities. It is the bane

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of independent consultants that they often neglect to do enough marketing of their services while they are engaged in billable, client work. When a project finishes, where will the next piece of work come from? In some sense, consultants must always be “marketing administrators” taking care of business — current and future.

In subsequent chapters we will discuss specific consulting roles and competencies, show how the relative mix of these technical, process, business, and people skills combine to make one a professional — a person with a set of particular standards, attitudes, demeanor, and capabilities.

WHAT IS PROFESSIONAL CONSULTING?

In practice, a professional usually offers advice based on expertise and judgment formed over many years of experience. The advice is normally directed toward some kind of solution that the patient, or client, wants and needs, and the solution itself is a “deliverable.” In other words, when a doctor gives professional advice, it is supposed to keep the patient healthy; the deliverable is health. In order to provide that advice, the professional follows a set of standard procedures for examination, analysis, diagnosis, and recommendations. For example, when the doctor conducts an annual “check-up”, the doctor follows a precise method, uses specific and specialized tools, and develops data to compare against standards. This method is used every time for a normal physical or “check- up”. It is a standard procedure. The same holds true for lawyers, engineers, and dentists. The professional consultant must adhere to the same requirements. A generic, working definition we use in work is as follows:

A professional consultant is one who can be trusted to use standard consulting methods and procedures; that gives advice, and produces solutions on behalf of clients.

A key word in this definition is “trust”. To stress its seriousness, we will return to this important issue throughout the book. A professional is one that is *trusted* to produce a solution to a problem using standard procedures, data, analysis, and judgment. Professional judgment is based on knowledge, expertise and tested experience. A consultant’s professional goal is to develop a trusted relationship with a client that is sustainable over the long-term *career* of the client. This means that if the client gets promoted or moves to a different organization, the client would still call on the consultant for advice because the consultant has proved to be a reliable, credible, personal, trusted advisor.

People have a tendency to trust someone who has the background, education, licensing, and experience to be in a profession. People generally assume a professional person is someone who has integrity and honor; will not betray confidences; will continuously learn and improve; pursue more training; solve problems; will keep all records confidential; and will be fair in charging a fee commensurate with generally accepted fees of similar professionals. Customers trust professionals to perform at the highest level of their capability.

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When it comes to consulting, few are licensed and not many are automatically trusted in the same way we trust our family doctor or local clergy. For consultants, *trust must be earned*. In many ways, the rest of this book is about how to develop that client trust and how to build it over the long-term. If you are already a consultant (or someone who aspires to be one), ask yourself the following questions:

- Do I consider myself to be “professional?”
- Do I use defined methods and repeatable procedures in my work?
- Do I exercise personal discipline in my work?
- Do people ask me for advice? Why? Why not?
- Can I be relied upon to produce a solution; a deliverable?
- Do people trust me? How do I know?

If the answer is “yes” to each of those questions, you are well down the road to being a professional consultant. If you are already consulting, this book will provide you with a brush-up on your existing capabilities. It will offer some new ways to assess yourself and the quality of your consulting, and it will be an important reminder of those principles and practices you learned a while ago, but perhaps have not practiced as fully as you might. However, if the answer is not “definitely yes” to several of those five questions, then we provide in the pages that follow a complete set of practical steps, specific ideas, principles, tools, techniques, frameworks, and methods that you can use to improve your practice. If you are thinking about becoming a consultant then this book will give you an excellent perspective of what is required to be one that may help you decide if becoming a trusted consultant is in your future.

CONCLUSION

As we will summarize in the last chapter “The Lessons of Experience,” management consulting (used here in the broadest sense and encompassing *all* forms of consulting) has become an important source of employment and professional satisfaction for tens of thousands of people in the US and around the world. According to the US Office of Personnel Management and the Association of Management Consulting Firms, the major consulting firms continue to expand their global reach and areas of consulting practice. It would appear that consulting will remain an attractive career for many years to come (US Dept. of Labor, 2006).

It would also appear to be true that now more than ever, with barriers to entering this profession so low and the numbers of people interested in becoming a consultant growing so rapidly, that the practice of consulting must improve. Consultants need to understand what it means to be a professional. Through improvements in their methods, competencies, and standards of work, they will be able to operate at the highest levels of professional conduct. The rest of this book provides guidelines and suggestions for doing just that – especially in the areas of technical, people, process, and business skills.

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This book is not the only way to understand excellent consulting practice and there are many books on this subject. However, everything in this book is grounded in the real world of consulting; what works; what does not; approaches and techniques that have been tried and tested. It contains a set of principles and practices to “nudge” everyone along on the journey.

The next three chapters explain why clients hire consultants in the first place; that is, what they are *really* looking for from their consultants. Those chapters also explain important aspects of professionalism needed in our consulting practice. Chapter four outlines a complete process of consulting with details on the essential capabilities needed by consultants to produce outstanding outcomes and deliverables for clients.

Chapters five through nine provide specific details on the four stages and roles of consulting and chapter ten pulls everything together as a set of “rules of consulting” drawn from the lessons of experience and my own consulting work conducted around the world. It will be useful for readers to pay attention to the following questions while reading this book:

1. Am I professional?
2. How far am I on the journey of being a trusted consultant?
3. What personal development do I need?

This book gives you the answers to those questions and provides numerous tools, techniques, principles and practical advice to help you on the journey of becoming a truly great, trusted consultant.