L.E.K.

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Making Consultants Earn Their Keep

Any management consultant who starts feeling good about his or her career should take a look at what they're writing about us.

A search of books on management consulting on Amazon coughs up titles like *Dangerous Company*, *Consulting Demons*, and *House of Lies*. The subtitle to that last one, incidentally, builds off of the ancient one-liner: "How management consultants steal your watch and then tell you the time." Ouch!

It's easy enough to dig up stories of consulting assignments gone astray. I'm thinking, for example, of the strategy consultants who were called in to advise a major beef processor about the advisability of going into the buffalo-meat business. (I've changed the products to protect the innocent, but it's otherwise a true story.) The consultants did their study, and came up with their answer: a resounding *no* – buffalo were too different from cows! So what happened next? The client rejected the report, and insisted that the consultants redo their report so that buffalo meat actually turned out to be a *good* idea.

The report was revisited, the acquisition was made, and the result was a minor fiasco. It turns out that the consultants were right – buffalo *are* different from cows.

That little war story points to a number of truths about consultants. For example, they can tell you truths that you don't necessarily want to hear, but *should*. And yes, in some cases, they can be browbeaten into using your watch to tell you the time, even though your watch is broken. It also suggests some steps that you – as a consumer of consulting services – can take to make sure that your consultants earn their keep.

Recently, a number of senior people in my company sat down to talk about exactly that topic: how to get the most out of your consultants. Their advice can be sorted into four basic phases in the client/consultant interaction.

Defining the project

A clear definition of the scope and intent of the project upfront is critical: to what end, how big, and supervised by whom on your side of the table? Who has the credibility to lead the project? (If the answer is "only the CEO," then acknowledge and deal with that reality.) Who, if anyone, has the authority to change the focus of the project?

As a rule, avoid hiring consultants for pure data-collection. Instead, focus your consultants' efforts around a *specific need or opportunity*. Try to think beyond the first-order questions to the second-order questions – in other words, the questions that are likely to arise when the first-order questions are answered.

Avoid the "general mandate." Disaggregate projects as time and budget allow. (As a rule, three medium-sized and *focused* projects are better than one general-mandate project.) Make sure your senior people are on board with the mandate, whatever it is.

Making Consultants Earn Their Keep was written by **Stuart Jackson**, Vice President of L.E.K. Consulting and author of *Where Value Hides: A New Way to Uncover Profitable Growth for Your Business* (Wiley 2007). This article is © Emerald Group Publishing Limited and first appeared in the Journal of Business Strategy.

Manage expectations inside the company. If you've been exploring a question more or less intensively for two years, it's a) likely that someone inside the company already knows the "right answer," and b) unlikely that even the best consultants in the world can come up with a dazzling surprise in six weeks. So what *can* they come up with?

Think on the front end about implementation on the back end. How much more would it cost to involve the consultants through a preliminary implementation? Is it worth that marginal extra cost?

Selecting a firm

The first screen here is obvious: How much industry-specific knowledge is needed? But the answer is not always obvious. For one client, my firm put together a two-person team that consisted of an industry expert and a growth expert. We assumed that the client would think the former was all-important, and the latter was a nice-to-have. We got it exactly backwards.

Has the firm done relevant work before? If the firm has a distinctive in-house style or methodology, does it seem promising? (The more specialized your industry, the less likely a "cookie-cutter" approach is likely to work.) Where are they on the "research-to-clinical" spectrum? Beware of overemphasizing brand and underemphasizing fit.

Keep in mind that you're really hiring a *team*, rather than a firm. When it gets right down to it, the firm has to have four or five people who can work effectively with the people in your company. Ask who is going to be on the consulting team: which partners, and which juniors. Use your networks, formal and informal, to check these players out. Again, how does that fit look? In your interviews with these individuals, ask them what they already know about you; you are likely to learn both how smart they are and how brave they are.

Make sure that the people in your shop who ultimately will implement the results are involved in the selection process. This not only ensures buy-in, but also enables those people to get started on implementation even before the project is complete.

Be wary about letting your board get involved in the consultant-selection process. By and large, board members are older, and their inclination may be to go with the people they went to school with 30 years ago, or the consultants they worked with 20 years ago. They may have been smart back then, but are they the ones who are most up to speed on current market dynamics?

Draw up a realistic agreement – one that reflects the agreed-upon scope. To state the obvious: Good consultants want to do a great job for you, for a fair price. What are the deliverables and the timing, and what should that cost?

Managing the process

Insist on interaction throughout the course of the project. Every project is dynamic, and the only way you can stay on top of your project is to interact with your consultants. Many clients identify both an executive sponsor and a logistical "owner" for the project. In any case, you should name a single point of contact within your company to manage these interactions – including all data requests – and allocate a reasonable amount of his or her time (often between 20 and 30 hours a week) to the project. *Monitor progress.* It's like building a house: As the client, you wouldn't just hand over the blueprints to the contractor and walk away. Get what you're paying for!

Ask for regular, brief updates on where the project stands. (Get those materials, and all presentation materials, at least 24 hours in advance to allow for adequate review.) Keep your senior people involved in those updates as much as possible: Having direct senior-to-senior interactions between your company and the consulting firm can make a big difference.

Monitor the kinds of relationships that your consultants build within your company. Yes, it's important that they make the CEO feel good, but it's just as important for them to work closely with mid-level and junior people. You want them managing *across*, as well as up.

Demand *accountability* and – for lack of a better word – *actionability*. If a recommendation seems hazy, fuzzy, or vaporous, insist that it be sharpened up in a way that it can be acted upon. Again, look for things that can be implemented before the consultants leave. If the consultants start proposing the next half-dozen projects they can take on for you before this one is done, politely but firmly refocus them on implementing this one first.

Perhaps most important: Don't let politics get in the way of the outcome. (Think "buffalo" and "cows.") You are buying objectivity, and it makes zero sense to let politics trump objectivity.

Getting value after the consultants have left

Consultants want to succeed, and they want *you* to succeed. It's both better for business and professionally satisfying. Accordingly, they tend to *overdeliver*. In many cases, a frustrated client is one who has failed to understand or act upon the consultants' output.

Before the consultants leave, make sure that a full debrief and knowledge transfer takes place. In most cases, the value is not *in* the presentation, it lies *behind* the presentation. Ask the consultants what went well, and what didn't go well, from their point of view.

In projects that are operationally heavy, it may be wise to schedule follow-ups with the consultants at three, six, and twelve months to make sure that the hoped-for results have been captured. If your company and a consulting firm have been in multiple engagements recently, an annual check-in *across* those projects is a good idea: What's working? What's not?

How to sum up? Yes, there are plenty of reasons *not* to use consultants. They can be expensive. They can be distracting to your organization in the getting-up-to-speed phase. They can be demotivating: If the people in your organization come to believe that you trust outsiders more than you do insiders, that's a bad situation.

On the other hand, there are circumstances in which calling in the consultants is a really good idea. They can provide extra capacity for surge situations – for example, when you have to explore an acquisition opportunity in a limited time frame; or when a big, one-off implementation needs to get done; or when you simply lack capabilities to do a particular job internally. They can bring to your table external information, gained through researching markets, talking to people in the industry, and scoping out competitors. They can be truth-tellers, in a way that most insiders can't. Because they are (or should be!) objective, they can give management the confidence to move ahead on a project that might otherwise be deemed too risky, or to pull the plug on a project that nobody has the courage to say "no" to.

Finally, consultants can help with your absolute toughest problems. To cite an example from my own career: I went to the CEO of one of my clients and told him that his closest lieutenant – with whom he had been working intensively for 15 years – was having a negative impact on the company's credibility and stock price, and needed to be moved on. After reviewing the supporting information and several long pauses, he stared at me, and then said, "Thanks. I've got 20 direct reports, and none of them would have dared to tell me that."

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