



How To Buy Consultancy and Survive

Stephen Summers

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Synopsis

When a Director “gets in the consultants”, do they get what they expected? Do they get value for money? If they are educated, experienced, careful buyers then the answer is usually “yes”. But many buyers don’t understand that different consulting firms have different agendas, skills and approaches.

This article explores some of the pitfalls that await the unwary buyer of consultancy and explains how to turn a potentially disappointing experience into a win-win for both parties.

Mistake #1. Settling disputes by buying independent advice.

You are the Chairman of a medium-sized manufacturing business with a unique product. Half your Board want to invest in e-commerce, the other half either don’t understand it or reject it because of the risks of channel cannibalisation. In comes the consultant with a brief to “advise on whether or not to invest”. Let’s assume that the advice is independent. When the verdict is delivered, one camp is vindicated, the other defeated. If the answer is “Yes – with provisos” (which it will be – but watch those provisos) what are the chances of a successful outcome? Pretty small. Such a pervasive change can only succeed if supported by a unanimous Board.

Where did you go wrong? 1. You placed a high priority on the theoretical “best” advice, relegating the implementation of a large project to mere detail. The project is doomed because there is no unanimity, no common purpose. 2. You briefed the consultant accordingly. Being prudent, they identify the client as you and work directly to your brief. To do otherwise could be seen as politicking. So the discord did not surface.

What should you have done? The right way to start is to buy some independent facilitation. A good facilitator can draw out all the concerns, benefits, and the Board’s misconceptions. Only when all the positions are clear can a real consultant’s brief be written. A consultant can then be selected and briefed by the facilitator and the sponsor.

Mistake #2. Goldplating the opinion.

You are the Operations Director and you want to understand why your call centre is not working. All the KPIs are down and falling. All your reports are blaming one another, or IT, or the customers for calling at the wrong time, asking the wrong questions. By reputation, Dr Big from Big3Co is the expert. When summoned she makes a great presentation and her proposal is immediately accepted. A team arrives on site, led by Dr Big. They start work, but Dr Big soon disappears. It becomes clear that the team comprises a bunch of frighteningly bright MBAs who have never seen a call centre. Your mood darkens. But it’ll be OK in the end, right? Yes – in a manner of speaking. The final report is delivered by Dr Big and clearly identifies the problems. And yes, it was as you expected - a raft of issues that need to be addressed. Hurrah for Dr Big! She sorted it! You now have an expensive list of problems that need to be solved.

What went wrong? The problems were pretty obvious to Dr Big from day one. But because Big3Co is often a target for litigation (because they have the best insurance!), Dr Big wants to make sure that the advice is watertight. Hence the large team. And as a by-product, you have paid for Big3Co to train its MBAs. Being bright, they now know enough about call centres to build a line of business.

What should you have done? You were right to engage Big3Co. They are the best. But you should have understood the agenda of Big3Co: they want work for their new MBAs; they want protection from litigation. Your win-win strategy is 1) to negotiate a disclaimer from litigation (you couldn't win it anyway – the advice would be hedged to avoid this); and 2) to insist that Dr Big conduct the study in person, such that 80% of the value is delivered for 20% of the cost.

Mistake #3: Losing your crown jewels.

Your product engineers are an uncommunicative bunch. You are a hostage to their good will. Projects take longer than they should. There always seems to be 100 reasons for NOT making the enhancements that will extend your market reach. So when a new product is promoted by Marketing, you take the chance and brief consultants to develop the next generation of the Gizmo™. You are impressed by the consultants. They hit the milestones, develop convincing prototypes. Then your “next R&D Director but one” resigns and joins your competitor. No problem. No-one’s indispensable. But you’ll miss his innovative ideas. Gradually your product development capability shrinks, until you are dependent on your consultants. They were decent sorts – but now they have been bought out by a big corporate and their fees are escalating.

What went wrong? You made an error of strategy. Your shareholder value is in product engineering, not manufacturing.

What should you have done? Instead of outsourcing, you should have invested in the capability of your team. You should have brought in your consultants to help you assess the strengths and weaknesses of your teams; locked in the key staff with golden handcuffs; moved the blockers to “special projects”; coached and trained; until your crown jewels were safe. This is a quite different consultancy purchase, based on a sound strategy.

Mistakes #4 and #5: Buying advice from deliverers, or delivery from advisors.

Scenario 1: You have a great relationship with an IT services firm. They provide IT kit and packaged software. You get to talking about e-commerce and they propose to conduct a study into how to get your firm “onto the web”. At the end of a long board meeting, the consultant presents his findings. The jargon flows like treacle. The non-execs look tired. The web is now off the agenda for the foreseeable future.

What went wrong? Putting the firm “on the Internet” is a channel decision, to be taken by the Marketing and Sales Directors, not an IT decision. Would you ask a car mechanic about the viability of your truck fleet? The IT services firm were delighted to be “moving up the food chain”, away from commodity business.

What should you have done? For this advice, you should have hired a Sales and Marketing expert to advise you. Keep the IT services firm in their core competence, where they are good value.

Scenario 2: You have had great Board-level advice from your strategy advisors. They suggest that they follow through with a complete implementation of the new internet channel to market. Makes sense. They understand the business. Before long a bunch of suits are busy advising one another, and charging you £200 an hour. More Powerpoint slides are produced – but no system.

What went wrong? Producing computer systems is best done by introverts with long attention spans and an interest in technology. Like the IT services firm in the previous scenario, the strategy guys also saw greener grass on the other side of the fence – in the form of longer term, higher utilisation, work.

What should you have done? You should have gone out to tender for implementation. Keep on the suits for guidance, if you wish. That's their competence.

To sum up the lessons from Mistakes #4 and #5: buy from your suppliers' core competence.

Mistake #6: Buying paper, not action.

You are the New Product Development Manager for A-Telco. You just can't get new products and services to market fast enough. Marketing are having great ideas, but getting them past the curmudgeons in billing is a nightmare. Why do they object so strongly to manual billing for the first 500 customers? You commission a consultant to look at the problem. You tell him "just sort it". You want results within the quarter. The deadline arrives and the consultant delivers his report. The proposals make sense. You ask "what progress have you made in getting this in place?" Blank look.

What went wrong? You have had a misunderstanding. "Results" to the consultant means paper – findings, conclusions, and recommendations. "Results" to you means that the problem is fixed.

What should you have done? Spend more time at the beginning of the assignment, understanding the consultant, letting them understand you. Then write the Terms of Reference that is the consultants contract. If you want ACTION, say so.

Mistake #7: Buying effort, not results.

You are the Purchasing Director for GlobalMotors, one of the largest car makers in the world. All attempts to reduce the number of different components that are used have been frustrated by localised information systems. So you brief your IT resource (outsourced to another global player, who now employ your systems people) to specify a worldwide system for component purchasing. They tell you that they will put 20 people on it, starting Monday. You are delighted. What a fast response! Time goes by, and the bills mount. Where is the specification? It's taking more time than we thought, say the team. We need to visit all European countries where we have a manufacturing presence. You acquiesce. But two years down the line, still no spec.

What went wrong? You bought the team, not the results. The relationship with the outsourcer was too cosy, and not treated as a real contract. And you thought they would own the requirements, because they understood the problem. Just because you know these people, it doesn't mean they are on your side.

What should you have done? You should have contracted for a known deliverable, with milestones clearly specified and made contractual with an agreed acceptance process.

Helpful hints

Here are some general rules of thumb.

1. Be clear about what you are buying. There are five categories: ADVICE, DELIVERY, CONTRACTING, FACILITATION and TRAINING.
 - a. ADVICE should be sought when you know the problem, but not the solution. Examples *“My call centre isn't delivering its planned throughput. What's wrong?”* and *“How do I get my new telecoms services to market faster?”*. Expect to get on paper: findings, conclusions and recommendations. Only buy from firms who are experts in the subject. Expect to pay by the hour, but ask for payment on results.
 - b. DELIVERY should be sought when you know the solution, and are able to scope it quite accurately. Examples *“I want an inbound call centre to take calls for product upgrades”* and *“I need a performance-based rewards system for managers of grades 7 and above”*. Demand concrete deliverables. Look for real evidence of capability and track record. Pay a fixed price – or consider a risk-share deal.
 - c. CONTRACTING is the purchase of a 9-to-5 body, under your direction – like temporary IT staff and interim managers. Buy this type of consultancy only when you have the capacity to direct and manage it. Check the CV of the person being proposed. Don't rely on the reputation of the firm providing the person – you are buying the person, not the firm. Pay by the day.
 - d. FACILITATION should be bought when your staff have all the skills and knowledge, but can't somehow make them effective. Examples are *“Where is this business going? Why do I get as many conflicting opinions from my staff?”* and *“What organisation do I need to make Systems Engineering work effectively?”* Take up references. Pay a fixed price for a planned programme of facilitation.
 - e. TRAINING (or more accurately, skill acquisition) should be bought when you want to boost in-house capability, not let it leak out. Buy from firms who can tailor a complete competency solution. Pay for a planned programme.

More complex consulting interventions will be a mix of several of the above, but the general rules still apply – know what you are buying. The variation of consulting assignments requires careful management.

2. Buy the service you want from the right supplier. Take advice on the procurement strategy. Wise companies have long-term relationships with a limited number of suppliers, each with a limited scope.
3. Get the right contract for the service and work the contract. Put in on the table in all progress meetings. Check off the milestones. Don't allow "scope creep" without putting it in writing.

Conclusion

The careful buyer can get huge benefits by selectively buying "consultancy" (in all its forms). The over-stretched buyer can pour good money after bad.

Unfortunately, there is no substitute for "best practice" procurement. Many firms are excellent at procuring "hard" items, but often have a blind spot when professional services are needed. This is exacerbated by the (well merited) preference for consultants to work through contacts and references to get to your senior buyers, by which time the opportunity to apply procurement processes has passed. The answer is to be proactive, anticipate the demand for these services, and present your senior buyers with good alternatives to the consultants that have networked their way to your boardroom.

And don't have nightmares – there are more friendly dolphins than sharks in this ocean!

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