



Managing consultants

As the consulting industry matures, its future is being shaped by concerns about standards of professionalism. **Mark Law** challenges clients, consultants and management scholars to work together to strengthen it.

Consulting can and, in many cases, does deliver great value to clients, their customers and the economy. Certain types of operational-improvement consulting often deliver return on investments exceeding 1,000 per cent (10 times the investment). Indeed, it could be argued that we owe a significant part of our standard of living to the success of investigative studies carried out for clients across the economy.

However, research indicates that fewer than 20 per cent of corporate acquisitions (which often result from corporate strategy consulting studies) increase shareholder value. There have also been spectacular failures in IT outsourcing in spite of its many successes. It is clear that the value added by consulting is patchy and that clients are sometimes disappointed.

This variability in delivering client value springs directly from the fact that consulting has yet to evolve into a mainstream profession. Failures in client governance and a lack of commitment to established professional standards by major industry players are allowing this to continue. This makes consulting an interesting and exciting place to be in the 21st century but, like the “Wild West”, a potentially dangerous one for participants and innocent bystanders alike. A slightly tamed consulting profession would be more rewarding for consultants and clients and would result in an improved reputation.

What is management consulting?

Every organization with a stake in the consulting profession has a different definition of it. A useful definition of management consulting might be the following: the creation of value for organizations, through the application of knowledge, techniques and assets to improve performance. This is achieved through the rendering of objective advice and/or the implementation of business solutions.

This is the only definition by a major stakeholder in the profession (the Management Consultancies' Association) that simultaneously mentions client value; is relevant to private, public and not-for-profit sectors; and is independent of practice size and ownership or whether the activity is being carried out by internal or external consultants.

The history and structure of the consulting industry has been extensively documented elsewhere. Those interested will find *The World's Newest Profession* informative and *Consulting Demons* fun – in a scandalous sort of way.

In a nutshell, since 1886 when Arthur D. Little founded his eponymous practice in Cambridge, Massachusetts, consulting has grown into about a £140 billion per year global industry (about £10 billion in the UK). The work of consultants can be found in most significant organizations, and it has

an impact on the economy far greater than its size might suggest. Consulting is a major industry that has a profound influence on most aspects of modern life.

An independent observer may think that the consulting industry and profession are entirely dominated by the elite consultancies and the large diversified firms. Although both are influential, nothing could be further from the truth. The consulting industry is amazingly rich in its diversity and highly fragmented. Single-person practices compete alongside the multinational firms offering clients dozens of different services. Internal consultancies have become major players; there are large numbers of managers who are, in fact, working as consultants (that is, tackling value-added investigative studies on behalf of an internal client) without even realizing it. Although accurate figures do not exist, a quick and dirty analysis indicates that there are some 100,000 full-time-equivalent management consultants active in the UK, roughly equally split between the larger professional practices, internal consultants and sole practitioners. This diverse picture is typical for most major economies.

The independent observer may also think that there is no ubiquitous professional structure available within the industry and that standards are mainly set by the elite consultancies, the large diversified firms and their trade associations. Again, this is not true. At an international level, the International Council of Management Consulting Institutes (ICMCI) regulates the Certified Management Consultant (CMC) qualification. The CMC is the top-level qualification for management consultants and is recognized and supported by each of the 45 country member institutes of the ICMCI. Despite the best efforts of those trying to develop the consulting profession and institutes, around the world fewer than 10 per cent of consultants are members of consulting institutes and fewer than two per cent are CMCs. Neither of these figures has changed greatly in recent years.

Consulting as a profession is stuck in an emerging state, and the majority of practitioners do not support its status as a profession. It is unusual for a major profession to be stuck in a semi-developed state. If you want to practice as a professional accountant, physician or lawyer, you need the appropriate registrations, and all practitioners are required to obtain them. Few employers would take the risk of employing a non-certified engineer in a safety critical role. So what is going on in consulting?

Many hypotheses

There are many possible answers to this question and, perhaps, some truth in each of them. For example, consultants could fear that professionalization might interfere with the innovation and creativity →

→ needed to drive cutting-edge management practice. Or perhaps recruiters do not insist on professional certifications when assessing candidates. Or, indeed, it could be a strategy of the major firms to sideline conventional professional bodies for commercial advantage. However, Hanlon's Law springs to mind when testing the last hypothesis: "Never attribute to malice that which can be adequately explained by stupidity."

Most clients have simply never considered that their consultants should either individually be members, or working towards certified membership, of their professional body. Strangely, clients choose to ignore the survival instincts that otherwise protect them from the potential excesses of other professions. Would you really want your teeth fixed by a non-qualified dentist? How about your pension investments audited by a non-qualified accountant? Or that bridge you are just about to cross designed by a non-certified structural engineer? Yet, when it comes to consulting, otherwise sane people are quite happy to play an organizational version of Russian Roulette. This is what the evidence suggests, but is it as simple as that?

Protecting the public

A key function of most professional structures is to protect the public. If an engineering system fails, senior managers can expect to find themselves in the witness box due to corporate manslaughter legislation in many countries. There is a fundamental requirement for engineering projects to be signed off by suitably qualified and regulated professionals.

The chartered accountant (or equivalent) is there to protect the citizen from fraud and, to some extent, financial incompetence. The lawyer is there to represent and protect his or her client's interests and must operate within the law. Each of these major professions is structured to protect the public and is highly regulated either by its own institutions or via an external regulator.

Although consulting institutes have professional codes of conduct to which practitioners sign up as a condition of membership, these codes are much weaker than the compulsory registrations required by other professions. When did a consulting institute last strike off a consultant? If a consultant were struck off, would this significantly impair his or her ability to practice and earn a living?

This poses another interesting question: why has there been virtually no public pressure for management consultants to be regulated and registered anywhere in the world? Could it be that consultants are so good at what they do and that engagements are so universally successful that no one feels that such an excellent bunch of people need do anything as mundane as register with a professional body? I don't think so. Could it be that

the results of consulting studies are so divorced from the real world that there is no fallout for the public when things don't go quite to plan? Again, I don't think so. A more realistic hypothesis is that, unlike other professions, the product of a consulting study rarely interfaces directly with the public. It is processed, modified and filtered by client activity before being launched into the real world.

The success or failure of a consulting study is ultimately the property of the client. Successful clients are feted and rewarded. Unsuccessful clients get replaced. In either case, the role of the consultant is mostly hidden. Few CEOs are prepared to stand up and say that their brilliant strategy was largely researched and executed by a consultant.

There is a strong argument that public protection should be firmly embedded somewhere in the consulting process. Otherwise no one is held to account when, for example, in the public sector:

- Internal policy consultants (intelligence services) provide inaccurate analysis resulting in their client (government) going to war
- Major systems and asset procurements – IT, military and construction – waste billions of pounds with little added value
- Regulators and their professional advisers fail in their risk-management studies to spot the systems of perverse incentives that create the regular ballooning and subsequent crashes in financial markets.

One might argue that public protection is provided by the ballot box. Unsuccessful political clients are voted out of office and chastely sit there on the back benches poking fun at their political rivals while still drawing a nice pay cheque. Yet nothing has changed. The same relationships persist between consultants (internal and external) and their clients. History is set to repeat itself, perhaps a decade later, again and again.

Things are no different in the commercial world. What happens, for example, in the following situations:

- A major acquisition (normally the product of extensive internal and/or external consulting effort) goes sour?
- A mission-critical IT outsourcing deal hits glitch after glitch?
- Clients and their advisors collude to manipulate energy markets, create illegal accounting schemes and try to cover it up?

All of these activities take place under draconian nondisclosure agreements that prevent much of the grisly detail emerging in the public domain. Everyone knows pretty well what has happened, but nobody has the guts to risk whistle blowing and getting sued. Although not normally life-threatening,

the public do get hurt via their pension funds or perhaps losing their jobs. Lessons are learned to some extent, but ultimately nothing has changed. The mess is quietly swept under the carpet of events and history is destined to repeat itself.

From the above it can be argued that public protection in the consulting industry is just as important as in any other profession. It is just that consulting doesn't work like other professions. So where should all those outraged citizens, shareholders, pensioners and ex-employees target their frustration? Despite their indignation, it is difficult to blame a profession that is not accountable for the way its product is used. Product liability legislation needs to be extended to handgun and cigarette manufacture long before it can be applied to consulting.

There is no doubt that clients are partly responsible for the failure of some consulting engagements, but this is not entirely fair. After all, few managers have any formal training in dealing with consultants. We don't let drivers on the road without passing a driving test. So we should not let managers drive that much more dangerous vehicle – the modern organization – without suitable development in this crucial area.

Yes, of course, there are many extremely skilful and successful clients out there, but overall the lack of knowledge in this key area means that the unskilled are destined to crash the vehicle a few times until they have either mastered it or are finally taken off the road. This means that somebody risks getting hurt. Caveat emptor or, perhaps, caveat client is plainly not good enough.

This may sound a bit crazy, but at the end of the day, we, the voters, tax payers and investors (via our pensions) are supporting a system that doesn't demand competence in the governance of consulting studies or, ultimately, competence in the people tasked with delivering them. There is, as a result, a systemic failure worldwide to protect the public from both incompetent clients and incompetent consultants. There is a real social cost associated with this as well as an economic one.

Developing professional consulting skills

Further research is required to strengthen many areas of consulting practice. Yet the Certified Management Consultant (CMC) does exist. Practitioners with this certification may not be plentiful, but most are genuinely committed to ethics, excellence in their field of practice and personal professional development. It can be argued, therefore, that if a consulting practice is at all serious about developing its staff and demonstrating its professionalism, it should support the CMC framework and encourage all professionals to work towards this essentially global qualification.

Developing professional client skills

Many clients are simply not equipped to lead the studies required to investigate and resolve the complex problems of modern organizations. Perhaps it's time to invest in some professional development in this area.

At this point, the project management brigade is getting excited. Isn't this exactly what the project management standard PRINCE2 (in the UK and its equivalents elsewhere) was designed for? All we have to do is to apply PRINCE2 rigorously and all of our client governance problems will be solved. No, they won't be. PRINCE2 works best for larger implementation projects and does not function at all well for most true investigative consulting studies, which can evolve radically as new facts are uncovered. For most investigative consulting studies, PRINCE2 is as useful as a concrete lifejacket. A quaint way of putting it is that a consulting study is all about helping the client do the right thing.

Once the consulting study has identified the right course of action, traditional project management (that is, PRINCE2) can then be applied. The quaint way of putting this is that project management is all about helping the client "do the thing right".

So what is best practice for excellence in the client governance of consulting studies? The art of *clientship* and client governance is a complex, underdeveloped and under-researched subject. Of course, clients ought to know how to:

- Design great value-added consulting studies
- Find the most qualified professionals available to tackle these studies
- Brief consultants properly and conduct "beauty parades" where external tendering is required
- Ensure that they and their colleagues support consultants as they tackle the engagement
- Fully implement and sustain sensible recommendations

The evidence strongly indicates otherwise. Apart from Toyota, which appears to be very good at this sort of thing, few organizations can do this consistently.

A plan for improvement

Policy makers and clients may be at a loss to resolve this situation. Here are some ideas for the short, medium and longer term.

Short term If you want to witness a display of amazing verbal gymnastics, simply ask a partner in one of the major consulting practices the following question: "Please explain to me how individual consultants in your firm are working towards professional qualifications and certifications in management consulting?" Apart from a couple of notable exceptions, you will find yourself having a very pleasant conversation about something →

→ entirely different. You will even feel slightly guilty that you had the temerity to ask such a bold question of such a nice professional in the first place.

Clients, stick to your guns – demand an answer to this question and then ask for evidence. Most consulting practices can get their professionals to join the relevant professional institutes and sign up for programmes leading towards CMC. If they say no, simply put out their future engagements to tender.

Medium term Clientship and the governance of consulting is a neglected area of management education. Best practice in this area should include the following actions:

- Build it into relevant short courses, executive education programmes at leading business schools, the Chartered Manager programme in the UK (or equivalent), the Chartered Director programme in the UK (or equivalent), and management diplomas of all types.
- Include clientship and governance in the development paths of all business-related professions.
- Incorporate it within legislation for good corporate governance.

In addition, given the level of consultancy spend and bottom-line impact for many large organizations, clientship should be included in the annual appraisal of all managers. If needed, they can then sign up for the appropriate training programme.

Longer term There is no doubt that the subjects of consulting, clientship and governance need further research and development. This is where institutions like London Business School come in.

There is little doubt that consulting will continue to grow and prosper. The human spirit is at its core creative, innovative and wants to make the world a better place. Consulting is a natural home for much of this talent and activity.

Clients have the economic muscle to apply innovation in the real world and will continue to engage and reward consultants for their help. However, the economic and social stakes associated with consulting are now much too high to leave the process to serendipity. The future of consulting is full of opportunity, within a framework of professional accountability, for both consultant and client alike. ■

Resources

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