BUYING AND SELLING CONSULTING: THE CASE FOR GREATER TRANSPARENCY

By Fiona Czerniawska

In this article, Fiona Czerniawska argues the case for greater transparency when buying and selling consulting, an issue close to the heart of Huthwaite International, which prides itself on being judged on the results and performance of its consultative approach. Based on thought leadership that informs sustained behavioural change programmes, Huthwaite's approach has been honed over 30 years to ensure the transparent delivery of sales performance improvement for business.

Richard Owen began his career with the consulting practice of Touche Ross Bailey and Smart in 1964, and went on to become chairman of what was by then Deloitte & Touche, in 1987.

There were none of the glass and steel palaces that consulting firms inhabit today: "My office was a rabbit-warren, shared with umpteen other people – the accounting firm had just doubled in size – I didn't even get my own desk." He was charged out for the princely sum of £200 per week, largely for carrying out work studies aimed at making post-war businesses more efficient.
He was very pleased with himself when he won his first assignment, only a few months after his transfer to the consulting practice: it was for £1,500 which represented five weeks' work plus supervision.
"It was a bit presumptuous of me really," he says. "I'd only been there a couple of months and, when an opportunity came up to do some more work for the client I'd been with, I sorted it out myself rather than bringing a partner in."

Marketing was unheard of: clients saw consultants as experts and it wasn't unheard of for them to ring up in the morning and ask the firm to send a consultant round in the afternoon. Indeed, it was quite common for businesses looking to use consultants to place adverts in newspapers. Invitations to tender were a rarity, especially in the private sector where even very substantial pieces of work could be won on the nod from the chief executive.

It seems a world away from consulting today: shrinking demand and excess supply in the early years of the millennium shifted the balance of power to clients; many clients today are former consultants; procurement has been professionalised.

Indeed, recent research by the Management Consultancies Association shows that:

- 80% of organizations now monitor their use of consultants centrally

- 65% have a list of preferred suppliers or framework contracts with selected consulting firms

- 30% have a pre-specified budget for consulting, rather than bringing consultants in on an ad-hoc basis

The rise of the procurement function radically changes the relationship a consulting firm has with its clients. Consultants may well still be able to build effective personal relationships with a client once a piece of work has been won, but the process of winning the work is often managed by a specialist procurement team, effectively an intermediary between the client and the consultant. Relationships with procurement professionals are harder to build: the procurement manager's job is to remain impartial.

These changes may have brought greater discipline and lower fee-rates, but they're really only a band-aid over a rather more serious issue. The overriding problem is information – or the lack of it. All the big consulting firms say they can handle everything, but clients are reluctant to believe them.

Niche firms may have the specialist skills but how do you find them? Knowing which firms to short-list and when is a time-consuming and frustrating process. How do you know which firms have a track record in a specific area? How do you separate the marketing spin from the reality?

The consulting industry is a classic case of information asymmetry. Consulting firms know what services they're particularly good at, but clients don't. Clients know what they're looking for but they don't always articulate that clearly to the consultants. And the theory of asymmetric information tells us that, if buyers can't make informed and knowledgeable choices, then they'll be unwilling to pay premium rates. That in turn means that consulting firms have no economic incentive to invest in innovation or any of the other trappings of good service because they won't get paid for it. Ultimately, the bad drives out the good.

The first is a consulting firm's track record. It's better to short-list a firm on the basis of its work than its marketing literature, so case studies are important. Consulting firms have got better at producing them, but clients could help themselves by producing them too. Next is the consulting firm's thinking. Thought leadership often isn't what it claims to be but, at its best, it demonstrates that a firm is prepared to commit resources to developing its opinions about a given subject. However, case studies and thought leadership tend to focus on the technical, rational side of consulting and often the real difference between firms comes down to their culture and values, and the way in which these manifest themselves in terms of the working relationships they have with their clients. Clients could and should focus more on the questions they ask of consulting firms on such issues. They should also – and here's the fourth and final aspect of transparency – bring the consultants

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So how do we stop this happening? If consultants provide a valuable service to clients (and there's plenty of evidence to suggest they do), can we ensure that the industry doesn't get trapped into a cycle of low prices and investment? It's tempting to say that transparency is the answer, but that isn't specific enough. In fact, transparency comes in four quite distinct forms.

they're thinking about hiring in for a day's workshop, giving them practical problems to solve, sometimes in conjunction with a client's own staff. Actions, after all, speak louder than words.

Such initiatives will never drive out poorer quality consulting immediately, but they will increase substantially the chances of the consulting project being a success.

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