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## INTRODUCTION

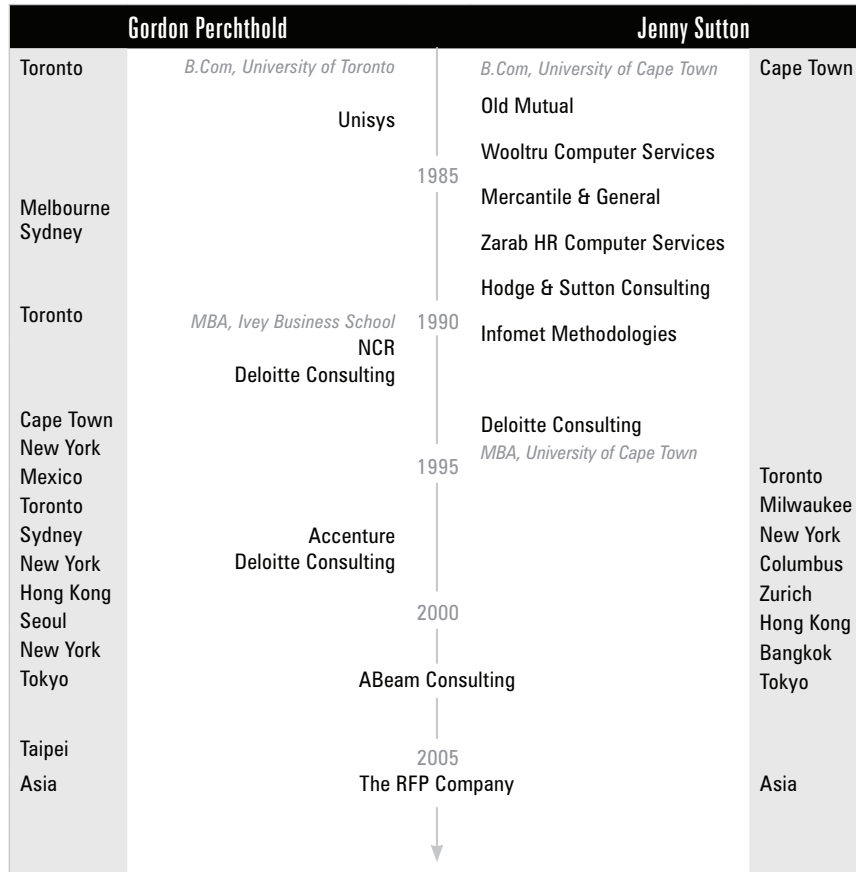
### TIME TO EVEN THE ODDS

GO AHEAD. LOOK AT THE BOOKS IN YOUR FAVORITE ONLINE OR PHYSICAL bookstore. You will see many books about how to be a management consultant. You might find a few books that tell you how bad consultants are. But there will be few, if any, books to help you, the private or public sector manager or employee, effectively select and manage consultants. So who do you think has the advantage?

We titled this book *Extract Value from Consultants* in recognition that it takes proactive effort on the part of the manager hiring consultants to obtain the value available from them. Too often, managers passively wait, relying on the consultant to identify what, where, and how they will deliver value. We have written this book to enable managers to maximize the value created by using consultants.

As shown in the figure on page 2, our careers began in the early 1980s—with technology vendors and the technology departments of large companies—before eventually gravitating to the management consulting industry. We have had a broad range of experiences on hundreds of client projects spanning multiple functional areas for dozens of prominent

Figure 1.1: Career and Geographic Background of Authors



multinational companies across more than twenty countries in Asia, Australia, Europe, North America, and Africa. Although we come from opposite ends of the globe, our similar educational backgrounds integrate technology into the practice of business management. In the consulting field we have both worked extensively on business operations and process initiatives, though Jenny came at this from the technology angle and Gordon approached it from the business strategy perspective. Of course, all these initiatives have involved significant change management, and over the years we have grown to appreciate that the people issues are typically the biggest challenge to overcome in any project.

As we progressed up the consulting pyramid from senior consultants to partners within Deloitte Consulting (and, in Gordon's case, including a one year "sabbatical" at Andersen Consulting, now known as Accenture), we observed firsthand the evolution of the consulting profession. We were fortunate to have had good mentors in the early days of our careers who taught us about the profession of consulting, to improve the discipline in our thinking, and to put client needs first and foremost. While at Deloitte and Accenture, we were exposed, through temporary assignments or permanent relocations, to management consulting practices and clients around the globe allowing us to observe and participate in alternate approaches to solving problems, developing people, building consulting practices, and serving clients. But, as discussed in this book, the consulting industry, once a client-focused profession, was increasingly becoming a revenue-focused business. It also became evident to us that consulting firms' sales approaches have become remarkably sophisticated as the scale of consulting projects sold has rapidly ratcheted up. Yet buyers of consulting services did not appear to be getting any better at selecting and managing consultants.

As partners with Deloitte Consulting and later as managing partners of the International Client Services business unit of the Japanese spin-off of Deloitte Consulting, ABeam Consulting, we found that our time was increasingly spent in internal meetings attending to partnership structures, revenue planning, resource arbitration among partners, consultant performance evaluations, and administrative matters. Very little time was being spent on the activities we enjoyed most—serving our clients, developing skills in others, generating thought leadership, and structuring complex projects.

As a result, in 2006 we bade farewell to the large global consulting firms and established The RFP Company, a management consulting firm that focuses on enabling clients to make strategic choices. We now remain personally involved with every aspect of client service delivery. Our approach has been to apply concentrated expertise and experience while leveraging client personnel thus strengthening the organizational capabilities of our clients.

While selecting consultants on behalf of our clients, we have had extensive exposure to the sales tactics and delivery approaches of a wide variety of consulting firms and other vendors spanning strategy, process, technology, and outsourcing services. Too many buyers of consulting services are uninformed about what drives the consulting business; lack experience in executing a structured and disciplined request for proposal (RFP) process; are uninitiated when it comes to contracting, and do not spend enough time thinking about how to effectively structure projects. Thus, more than they may realize, they are easily influenced by consulting partners whose interests might not always align with theirs.

We decided to write this book to document our experiences and assist a much broader audience to secure better results from their use of consultants. The right type of consultants, used for the right reasons, have the potential to provide significant value to organizations in challenging and structuring thinking, overcoming the status quo, and turning ideas into actions. But management's lack of experience in effectively using consultants and the internal objectives within consulting firms often conspire against this outcome.

Poor value from consultants is often a direct result of poor selection and poor management of consultants. In this new economic era, organizations must be more prudent and extract more value from their expenditures on consultants.

## **Use This Book to Your Advantage**

This book costs less than a few minutes with a partner from a typical global management consulting firm. Packed with experiences, case studies, checklists, and secrets of the consulting trade this book will potentially add hundreds of thousands to millions of dollars to the bottom line (depending on consulting spend) by allowing you to achieve better business outcomes while reducing fees and expenses simply by applying the principles to existing or new projects.

Throughout this book, the term “consultant” is used to collectively refer to people or organizations offering professional expertise—whether

as a single consultant or as a group of consultants or consulting firms. We have used the term “individual consultant” when we are referring to an employee of a consulting firm and “independent consultant” to refer to sole practitioners. The term “consulting firm” is used when referring to consulting businesses, which are usually headed by partners or principals to deliver consulting services. In some countries, consulting firms are also referred to as consultancies.

Part I will explain the consulting business: the economic operating models for consultants, and how those influence the fees you pay; the culture inside the firms; and how the industry has evolved and proliferated into the consulting firms you see today. Understanding the levers that drive the revenues and profits of different types of consulting firms will allow you to access the appropriate resources and negotiate a fair price to achieve a defined business outcome. The discussion in this book is applicable to both private and public sector organizations; however, we will use the term “business” in the context of objectives and outcomes applicable to both types of organization.

Part II discusses typical pitfalls in defining the problem for consultants to work on, the danger of being hypnotized by brand and marketing, considerations for a well-structured RFP, reading between the lines of a consultant’s proposal, approaches for making a selection that can be defended, and issues in contracting the right type of consultant. Throughout this section we reveal tricks of the consulting trade that will allow you to make more informed decisions in the future.

Part III will help you configure the consulting team and manage your consultants not only to deliver business benefits but also to strengthen your organization’s internal capabilities. As part of the process, you will also learn how to break the ongoing cycle of new projects and wean yourself off consultants. Of course you, as the manager hiring the consultants, can have significant influence on the productivity and value delivered by consultants, so we highlight some of the unproductive practices we often see organizations inadvertently use that undermine their consultants’ success.

The majority of global consulting firms originated in America or Western Europe. In Asia, the world’s fastest-growing region, management consulting is a relatively new concept and has only been adopted more

readily in the last decade or so. The competency and bench strength of the relatively immature consulting profession in Asia, even among the global consulting firms, is therefore significantly more variable than in Europe and North America so buyers must beware. Clearly, the capability of consultants in Asia is a concern for organizations based in Asia. But it should also be a concern for companies headquartered in other regions that are undertaking more and more initiatives that include Asia. Selection of consulting firms for these far-reaching programs should not be excessively biased by global branding or toward the handpicked consultants presented to global headquarters, but should consider actual capabilities in all key regions. Accordingly, no book on using consultants services would be complete without addressing the additional challenges of selecting and working with consultants in Asia, as we have done in appendix 1.

The RFP itself is pivotal to the successful selection of consultants. It allows you to set the tone for the rest of the project, to define the rules of engagement, and to set out your expectations of the consultant. To aid you in the compilation of this document, we have provided a sample table of contents for a typical RFP in appendix 2.

The contract you write with your selected consultant will govern the relationship after the project starts. A balanced, comprehensive contract will ensure that the appropriate expectations are set on both sides and that the impact of future conflict and disagreements will be mitigated. Appendix 3 contains a list of the key components of a consulting contract.

Management checklists for evaluating your organization's ability to extract value from consultants as well as to evaluate the consultants themselves in terms of their propensity to deliver value can be found in appendixes 4 and 5, respectively.

Throughout this book we have used case studies to highlight the key messages within a chapter. These case studies have been drawn from a wide range of sources—primarily selection projects conducted on behalf of our clients, other consulting firms' concurrent projects at our clients, experiences relayed to us by others, and a couple of the projects we were involved in while with global consulting firms.

Consultants target their sales efforts to the most senior executives of an organization. To understand what drives the behavior and approaches

of consultants these executives should ensure that they read part I so they improve their ability to consider the right types of consultants for the appropriate projects. If pressed for time, the management summaries at the end of each chapter in parts II and III, as well as the management checklists in appendixes 4 and 5, should also be reviewed to allow senior executives to familiarize themselves at a high level with the process and pitfalls when selecting, controlling, and releasing consultants. Project sponsors, selection team members, project managers, business managers, and project participants, however, will only become equipped to effectively manage consultants if they learn from the experiences, templates, and case studies discussed throughout the book across the different stages of the client-consultant relationship. We recommend reading the entire book before utilizing it to draft an RFP or finalize a contract as many of the activities subsequent to issuing an RFP and writing a contract should be considered in the RFP and the contract.

We hope that this book will help to even the odds for you when dealing with management consulting firms and to assist you to extract greater value from consultants in the future.