



Getting real value from consultants

Tim Dalmau and Viv Oates

A paper
from

Dalmau
CONSULTING





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Tim Dalmau is CEO of Dalmau Consulting



Viv Oates is Advisory Leader for EY Africa

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Setting the scene

We often find senior executives are against the appointment of consultants to support their organization in a variety of challenges. Politicians also seem extremely sensitive to press and media reports related to how much government agencies are spending on outside consultants. These media reports to which they are so sensitive are invariably cast in sensationalist language equating spend on consulting with wastage at best or profligacy at worst.

In addition to this, we are probably familiar with that adage that defines a consultant as someone who borrows your watch to tell you the time. We also come across clients who would prefer to go it alone.

When we inquire into the reasons for this, we are often astounded because so many of the pitfalls can be easily overcome by following a sound approach towards the engagement of consultants. We both rely on the act of consulting to generate business for our own organizations and deliver value to our clients. We do so honorably and in the knowledge that

this 'value add' we and many other consultants deliver to clients is a very positive and cost effective activity. There are compelling reasons to use consultants and when this is done properly, real value can be attained.

This paper is written by two consultants with a combined 68 years of honorable, value adding work and standing – our intention is to bring some balance to the current discussion. It examines

- When consulting works well
- Eight common pitfalls clients can make
- A range of uses for consultants, and
- Eight suggested guidelines for getting best value from consultants

When it works well

Using the right consultants for the right reasons can create substantial value. That said, we are also aware of many situations where consultants have cost an enormous amount of money and have added little or no sustainable value.

Organizations who have previously identified





how they use different business models to achieve their goals and objectives as part of strategy are in a much better place to engage consultants more effectively. Engaging consultants on an ad hoc basis is fraught with difficulty, whereas an organization that has developed a deliberate strategy to embrace the use of consultants in specific fields of endeavor is much better equipped to drive value from the engagement.

For example, we are both familiar with one organization with a deliberate and formal policy of using experienced consultants as mentors to senior executives. Another uses consultants to help formulate and oversee IT policy, and yet another uses consultants for technical assessment and bench-marking performance in highly technical areas. Still another organization we have worked with is made up almost entirely of consultants on long-term contracts in its senior ranks. In every one of these cases their senior leadership made a conscious choice for consultant engagement in line with their business strategy.

Pitfalls in using consultants

For all these types of examples we could equally muster a group of counter examples where shareholder value has been compromised, and funds wasted on the inappropriate use of consultants. In some of these cases it was undoubtedly due to the consultants involved but in other cases it is obvious the client fell into one or more common traps in their use of the consultants concerned. There are eight standout common pitfalls that occur...

Pitfall 1: Patriarchal thinking by the client that leads to a false sense of security about the consultant or the consulting task.

Clients that struggle to adopt a value add mode of consultant use invariably employ a patriarchal approach to the management and governance of the consultant task. Consultants and their employees end up doing only what the client orders, they follow strictly client mandates and seldom, if ever, go beyond the requirements of their "client." No one meaningfully challenges the linear management model

that controls the client's thinking.

This trap usually triggers insidious and serious consequences for the client. The consultant and their staff are not open to surprise, do not pay attention to nor report deviations from plan, report to the client what they believe the client wishes to hear, fail to take any sense of responsibility in the task at hand, and rarely if ever for the consequences therefrom. This type of thinking in a client led to a \$300m blowout in a major consulting project for a large resource company, and a blowout of \$125m for a government department. extremely costly ways of operating.

These cases (and many similar) would not occur in the first place if the client had not taken a command and control, patriarchal and top down model of management to the consultants in the first place. In both instances the consultants concerned found it impossible to surface the information that would have told the client in the early stages that trouble ahead was brewing.

Pitfall 2: Silo approach to issues arising. When a client engages a consultant, it is often (but not always) because they intend that something should change. And ... most complex or large scale consulting tasks end up producing unforeseen outcomes, contradictory and often unwanted by-products, plus a whole range of unanticipated second order effects.

What the client chooses to do when these issues arise will often determine the value or otherwise of their investment in the consultant. If they take a piecemeal, localized problem management approach then Sherwood's law¹ will probably apply: ***the more you invest in problem solving and the better you become at problem solving the more complex become the problems you have to solve.*** If the client, on the other hand, takes a whole of system view to issues as they arise and if they do this jointly

with the consultant whilst not losing sight of the outcome the consultancy is more likely to yield real value add.

Pitfall 3: Unclear outcomes. We are astounded at the number of consultancies where the desired outcomes were either unclear or poorly stated. Unfortunately we have come across clients who often also lack clarity about what they are striving to achieve when handing out the consultancy. Without a clear vision, the consultants in turn often assume that being in compliance with the task brief is the sole purpose of their work. But compliance is a backward-oriented, negative way of looking and a client that uses a poorly formed task brief for this function is doomed to destroy value from their use of the consultants concerned.

Where the consultancy is driven by outcomes that are

- Clearly stated in specific terms
- Possible to achieve

1) First described by John Sherwood in a public workshop Brisbane 1980





- Worth achieving
- Stated in the positive
- The work of the client and the consultant to do together, and
- Fit well within the wider context in which the client operates

then we find a positive outcome is there for the taking from both parties' points of view.

Pitfall 4: Confusing cause and effect. It has been a common experience when clients come to us as consultants with a solution looking for a problem. The client is invariably well-intentioned but the level or type of analysis that has gone into the decision to seek assistance is often inadequate to the task. Unfortunately this tends to happen more commonly than we would prefer.

It is a truism that complicated problems do not normally lend themselves to simple solutions,

or put another way to every complex problem there is a simple solution and it is always wrong. The professional services firm who has decided it needs a team development intervention when the real problem is the leadership behavior of the firm's CEO is a classic case in point. Or consider the welfare system that proclaims a re-organization of services without having first defined either the problem or what success might look like. Moreover, the proposed re-organization was never going to solve the problem that emerged as the underlying cause.

Beware the client who uses their technical expertise and strengths to analyze and propose solutions in domains outside this technical expertise. The prevailing mental models held by many executives lead them to focus on the symptoms, not the true sources, of problems for which they seek consulting help.

The consultant who accepts such poorly formed analyses as the basis of their task brief is guilty of colluding in a waste of shareholder value or public funds.

Pitfall 5: Lack of information and engagement.

This blunder tends to be committed, in our experience, just about equally by clients and consultants alike, and when it occurs often leads to untold frustration and alienation.

We recently observed one of the world's largest construction, property development and engineering companies employ a consulting firm to assist them in a global level organizational redesign.

The consulting firm supplied a group of extremely intelligent young analysts locked away in secrecy behind computer screens number crunching all the component companies and coming up on paper with an ideal design. Less than a handful of the client's most senior executives even know of the existence of this consultant group or their task.

But as all are slowly realizing, nothing is truly

secret these days, and of course word leaked out that something was afoot. This triggered anxiety and more primitive responses/behaviors from all levels of the organization, from those at the top right down to the “shop floor” across 19 countries.

These destructive dynamics were paralleled by a massive conflict between the senior executive cohort of the global parent when this group quickly identified to the consultant staff the practical impossibility of their recom-

along the way.

Pitfall 6: Insufficient mechanisms for mutual learning. When clients and consultants give each other limited opportunities to test new ideas, build shared understanding, seek evidence and counter-evidence for assumptions, explore problems and build solutions together then not much mutual learning occurs. Some clients we have worked with have not seen the value in establishing regular review and joint problem solving processes. When this has



mendations. The consultants walked away with a high level of brand contamination, the global CEO lost his job (yes, he had even failed to tell his Board !!), and the new CEO spent 2 years cleaning up the mess trying to restore trust in the leadership of the company.

There were two manifest failures here: the few at the top did not inform nor engage their key stakeholders within the company at all levels and the consultants did not engage their client

occurred, the consultant acts with good intentions, but the result is often less than what could have been achieved.

Pitfall 7: Choosing consultants based on filters and under pressure

A filter is something a person tells you about someone else and it influences your unconscious choices, your predispositions if it taps into your values – either reinforcing them or violating them. Filters are the most pervasive and most

powerful form of human communication and influence.

We are aware of a large health sector client who recently chose a consultant to redesign their organization based on what the consultant had supposedly done in a similar organization. The Chairman failed to check out the consultant at a sufficient level of detail, made the choice on the basis of a simple and short recommendation by the Chair of a similar (twin) organization, despite being warned by a number of people that

- The consultant concerned was not competent to the task,
- Had failed in similar tasks elsewhere in the health industry and
- Had a history of being asked to leave previous executive positions he had held.

The client Chairman was under severe external market pressure as well as pressure from a larger parent organization to get the redesign done as quickly as possible. It just so happened that the Chair of the twin organization happened (unwittingly) to describe the consultant in terms and with value descriptors that the client Chairman valued himself: e.g. speed, decisiveness, clarity. This was enough for our Chairman to jump to the choice, and then live to regret it as a waste of much time, effort and money. He has since been heard to say many bad things about consultants in general, but in our view was wholly and unilaterally responsible for the debacle that unfolded.

Pitfall 8: Tendering as a method of choice when it is inappropriate. This trap is taken to a high art form by public sector agencies, far more so than in the private sector. With a drive to public accountability that sometimes seems to border on the absurd tenders are called for consulting work where it is almost guaranteed that the result will be sub-optimal.

We are not against tendering for large and

complicated tasks, especially ones that involve large funds: this is good practice and required for risk management at the very least. But when applied to smaller, more focused tasks and especially where there are people, cultural and other social dynamics at the core of the task involved it almost guarantees a less than satisfactory result at the outset. For such tasks, the consultants most suited to help the client are less than likely to waste their time (in their view) with seeking out work that involves the time, effort, and cost of tendering. The client then seeks assistance from a pool that is actually not likely to produce the best consulting assistance.

Such a rational, cost-effective focused approach will certainly produce a consultant to assist the client, but rarely produce the consultant best needed to assist the client.

By now the reader might be forgiven for thinking our view is that the client is responsible when a consulting task fails to work out. This would be an incorrect interpretation of our view: what we have come to realize that whilst there are many factors that can rightly be laid at the feet of the consultant and that influence success, there are nevertheless these eight common traps into which clients can fall that make the situation worse if it is already less than optimal or can snatch defeat from the jaws of victory.

Consultants for what?

In seeking assistance from consultants, clients are well advised to choose strategically just what they wish to use the consultant for, because with each choice goes benefits and costs. This is best illustrated in a story²....

Imagine winter is coming on and you live in a community where everyone keeps themselves warm by burning wood. You winter fuel has been chopped and neatly stacked ready for

2) This story was first shared with Tim Dalmau by Bob Dick in February 1978



the oncoming winter and the days are getting colder. You go for a walk and notice your neighbor frustratingly chopping wood very slowly and inefficiently with a blunt axe. At this point you have three choices.

In the first instance you could simply collect your sharp axe and give your neighbor direct assistance. Secondly you could give him advice that if paused the chopping, took the time to sharpen his axe and then returned to the wood chopping, he would have enough chopped to stay warm through the oncoming winter. He may or may not follow your advice. Or, as a third alternative, you could engage him in a conversation about the problem (too low a rate of wood chopping in the face of winter around the corner), then a range of alternative solutions (sharpen his own axe, borrow a sharp axe, buy pre-chopped timber from the local supplier, etc), have him weigh the alternatives, choose one, commit to it, and support him in his

choice.

These three alternatives are analogues for three different types or uses of consulting...

Content consulting: Where the expertise is not currently in the client organization, consultants can provide this know-how. This is equivalent to helping your neighbor by assisting him with your sharp axe. There are clear conditions where this type of consulting can add real value: the know-how does not exist in the client organization, time is pressured, or the resources cannot be marshaled quickly enough to do the task. But when presented with the same problem in the future the client is still dependent on the consultant to help them out by providing the requisite assistance. The client is still dependent on the consultant.

Process consulting: By far the most common form, this type of consulting assesses the situation for the client and based on their experience makes recommendations to the

client as to how the problem can be solved or the objective attained. This is equivalent to suggesting to your neighbor that he take the time to sharpen the axe and thereby speed up his wood chopping.

This type of consulting does transfer know-how to the client if they adopt the suggestions, and the client will be able to solve the same or similar problem if it arises again and this time without the expense of the seeking outside assistance. But should a different type of problem arise, then the client will still need to seek the help of the consultant.

Meta-process consulting: A rare form of consulting in the modern age, but the one that in the long term creates the most benefit for the client, it involves the consultant assisting the client to develop and underlying problem-solving capacity. This is equivalent to helping your neighbor think through and evaluate their options, choose one, commit to it and then support them in their action.

The clear benefit is that the client can walk into the future with the immediate problem solved

and the capacity to apply a problem-solving methodology to a range of future and as yet unknown problems. Capacity has been developed in the client, and the client is not dependent on the consultant into the future. But this form of consulting requires more investment of the client up front, something that in current times fewer clients seem prepared to take.

The investment is rarely extra funds, but usually time and effort for the client. But this form of consulting reaps far greater long term value add to the client.

No one form of consulting is better than the other, and each has different benefits and costs. Moreover, no individual consulting assignment fits exactly into one of these three categories. They are, nevertheless, useful distinctions that can assist a client decide just what type of assistance they are looking for and to realize that whatever its form, there will be downsides.

Guidelines for using consultants

The suggested guidelines that are useful in achieving better value add from consultants and consulting assignments.

Guideline 1: Engage consultants who demonstrate a genuine desire to make a positive impact to your organization and develop a long-term relationship with you

At its best, good consulting is a relationship of mutual commitment and benefit. This mutual commitment expresses itself in the desire of each party to add value to the other. The best predictor of long-term behavior is past track record and this can be examined by checking references carefully and asking the right questions. The corporate stage is littered with the bodies of consultant actors who had all the right know-how but lacked the commitment to their clients. Questions to focus on

- How well does the consultant understand our world: in particular our business drivers?



- What is the consultant's view of the project, and how it might add value to the client?
- What will success look like, really and specifically?
- How genuine is their commitment towards achieving success?

Engage consultants who wish to partner with you over the longer term. This way projects are not seen as “fly in fly out” type work, but rather an investment for the future. It is important that the consultants see the connection between the project and the strategy and the longer-term implications for their future work and partnering. This approach drives a much greater commitment to the work and a more commercial approach.

Guideline 2: Engage consultants that have a strong reputation for client service and quality

All aspects of brand and reputation should be explored and understood.

- What is the track record of the consultancy in general?
- Is it possible to reference check some of their recent projects of a similar nature?
- How have they responded to delivery concerns with other clients?
- How will quality be measured and what is the consultant's approach to responding to quality issues?
- Is there proper oversight of the project?
- Is the consultant fielding their A-team?



Guideline 3: Engage consultants who show they understand the project and have the capabilities to deliver

This is obvious, but so often only considered at a superficial level. The process, for example, which is common in the public sector, is to consider the technical content of the proposal and to score this element before passing into the next phase which considers pricing only. The problem with this approach is obvious – a bidder who simply scrapes through on technical competence can easily win the bid when the pricing terms are considered.

This type of process is thoroughly flawed and often results in the appointment of the cheapest and also least competent consultant. The consequences are obvious.

It is important to understand the way the consultant sees the project. Is this just another project of many, or is this work really important, and why?

Guideline 4: Pricing is important but should never be the main reason for the appointment

In our experience, over 70% of failed projects come down to bad pricing negotiations, poor project management and oversight, and the appointment of incompetent consultants. More than 50% of these failures relate to the appointment of consultants who came in at the lowest price. Whilst pricing is important and

very relevant, it should never be used as the most critical determinant. This mistake is made so often that it is endemic and, unfortunately, has spawned an industry of individuals and contractors that get work because of pricing discounts. This then becomes a self fulfilling prophecy because many of these projects fail and then damage the reputation of the industry overall.

Guideline 5: Appoint a lead consultancy

Our experience strongly suggests best value will be gained when organizations make a commitment to the long term partnering with a consultancy house. The presence of 2 or 3 consultants often leads to unclear accountability and misaligned outcomes.

Even in cases where there are, say, only two firms supplying the services to a client, we strongly recommend the client appoint one firm as the lead or coordinating consultant.

Guideline 6: Create a “strategic compact”

Using consultants requires clear identification and strong negotiation and contract management skills. One reason so many projects fail

and the use of consultants is so controversial is that they are often engaged at a tactical level and in a reactive manner to help “fix” problems in areas already displaying signs of serious distress.

Another, and more strategic, approach is to engage a consultancy at a strategic level and then to build a strong long relationship with the consultancy so that they bring a deep understanding of the business to the issue at any point in time, in any geography and on any number of topics.

In our experience this leads to prevention rather than cure, and saves significant shareholder and public monies when it is too late and things have already “gone south”

Guideline 7: Appoint consultants with similar values to your organisation

Whilst this seems obvious, it is often overlooked and can result in a poor match between the client and consultancy, creating problems along the way. We have seen this happen in a number of cases, where client personnel and consultancy personnel are simply not well



matched with the resultant negative impact on the project. When a consultant and client operate from a difference of belief or difference in values it rarely works out well. Equally a consultant and client aligned over values will still have some differences of belief, priority or values, but with a trust-based relationship and well designed process it will always be possible to deal with them in a constructive manner.

Guideline 8: Always have an exit mechanism

We are both firm believers in building lasting relationships with clients. These cannot be built on shaky grounds. It is not in anyone's interest to force a relationship. If things just aren't working out for both parties, it is better to part ways in an amicable fashion. Our view of this type of exit mechanism is to ensure a fair and equitable exit after other avenues have been exhausted.

such a relationship, it is essential to engage at the highest levels of both organizations to ensure there is first and foremost a strategic fit of values, approach, capabilities and the commitment of both parties to each other. Organizations that get this right have a significant advantage over those that act in a tactical or even ad hoc manner in their use of consultants. And when they get it right they are able to extract real value is using their outside partners for either fixing a problem (content), installing a process to remove problems (process) or building a deep capacity (meta-process) in their organizations.

Tim Dalmau and Viv Oates
December 2013

Reprise

There are many good reasons why it is strategically important to organizations to have a strong external partner to work with them in building their organizations. In developing

Additional photos: ZooFari, Fotolia;, C. Barry, Wikimedia



Dalmau CONSULTING

PO Box 283 Samford Village
Queensland 4520
Australia

Tel: +61 7 3289 2133
Email: info@dalmau.com

www.dalmau.com

