

## The Kind of 'Partnering' Clients Really Want

We think that in the coming years one of the biggest challenges consultancies will face is how to adjust to changes in client buying preferences.

Why will it be such a big challenge? It's not that clients are ambiguous about what they want. And it's not that consultants don't hear their demands loud and clear. But consultants will have to change some of the most basic fundamentals of their business model in order to meet clients' new demands.

For example, when most consultants talk about "partnering" with clients, it's little more than lip service. For many, having a vested interest in a client's success means offering to leave some profit at risk in a "success fee" or other nominal gesture.

What buyers of consulting services tell us they mean by "partnering" with a consultant is true collaboration. They want someone willing to listen and contemplate their full problem, not just listen for key words to spark rote projects the consultant has offered to numerous other clients.

In this environment, the biggest compliment an external consultant can receive from client staff is to be mistaken for an internal consultant or other company employee. Unfortunately, most consultants never reach that level of amalgamation.

At a basic level, the problem is that most consultancy profitability models

are based on high leverage ratios; the more project managers and line consultants each partner can manage, the more profit the firm will earn. The old model, at its core, is at odds with the notion of staffing an engagement team with client employees. And the idea of training client staff to take over future phases of a solution fully contradicts most firms' goals of upselling and cross-selling new work at every opportunity.

Consulting firms that continue to push their own staff and time-tested processes without willingness to focus on specific client issues and/or fully include all relevant client staff will find fewer opportunities in the future.

Here's an example of what clients are saying to your competitors (in this case, relayed by John White, an Adjoined managing officer): "I was at a dinner meeting in San Diego last week

## What's Next? Externals Hired to Manage Other Externals

It's too early to call it a trend, but we're increasingly hearing about projects in which clients hire external consultants to advise them on their relationship with other external consultants. The future of such work will potentially change the tenor of client-consultant partnering roles.

We continue to hear about ROI auditors: consultants brought in before a project to benchmark realistic expectation, and brought back in to measure against those expectations during the course of the engagement and then again upon completion to verify that all goals were met, especially if a success fee is tied to the results.

Similarly, buyers of consulting services make occasional references to "fee consultants," or externals, brought in during the negotiation stage of large projects to make sure the terms are as favorable to the client as possible.

We're also hearing about a current project in which an external consultant is being paid \$1 million to serve as, among other things, a client advocate to manage a global systems integrator.

Specifically, a state government is currently in the midst of a \$50 million systems integration project designed to replace a mainframe from the early 1970s. The department's IT staff does not have large-scale project management experience and didn't trust its ability to go toe-to-toe with a global consulting firm.

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and was talking with a guy from a large consumer packaged goods company. He said, 'I don't like the Big Four because their people are so arrogant. They don't realize I've got skills to offer. Everything has to be done their way using their methodologies.'

Similar client frustrations have been heard by Chris Olsen, a Big Five alumni. From his experience, he found that large, traditional firms have struggled with variations of the partnering model.

While serving as a Big Five consultant, "there were lots of projects in which clients participated. Some projects had as much as 40% client personnel," Olsen says. "The problem was that big firms play vertically. Larger firms take roles from top to bottom," making it hard to let client staff replace external consultants.

Now as the managing director of Point B, a West Coast consulting firm focused on project-management, Olson doesn't have the same problem.

His firm employs primarily veteran consultants and is usually hired to complement, not staff, client projects.

For example, a recent ERP implementation required 20 people. Approximately 15 were the client's internal consultants, a third-party software company contributed a couple of IT experts, and Point B made up the remaining two or three positions.

In other cases, the client may have a full team of systems engineers, but lack leadership to manage a project. "In those cases, usually just one consultant from Point B is hired. Our role consists of saying, 'Here's what the project looks like, and here are preset milestones.' The goal is for the client team to think 'Okay, now I have vision.'"

### **Challenges of Managing Client Teams**

True collaboration begins early in the process. Failing to plan from the beginning with the client and its internal consulting team is the biggest pitfall

when externals and internals attempt to partner, explains Bill Trotter, president of the Association of Internal Management Consultants, and a former Gemini consultant.

"Often, there isn't a process in place to bring the two parties together. Internals and externals need to engage in that conversation early in the process," he says. "An external consultant is typically brought in because a specific problem arises. The program gets started by the external consultant. And the internal consultants, who may have been working on other matters, are brought in late in the game."

"Projects fail when external consulting managers say to internal consultants, 'Here's the plan, go implement it,'" Trotter says.

He stresses that both sides need to insist that all projects are planned jointly. "Otherwise, they'll be finger-pointing after the fact over whether the project wasn't designed right or whether it was not implemented right." ❏