



AUT MBA Consulting Club
Working with Consultants: A Client's Perspective

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Should I Use a Consultant?

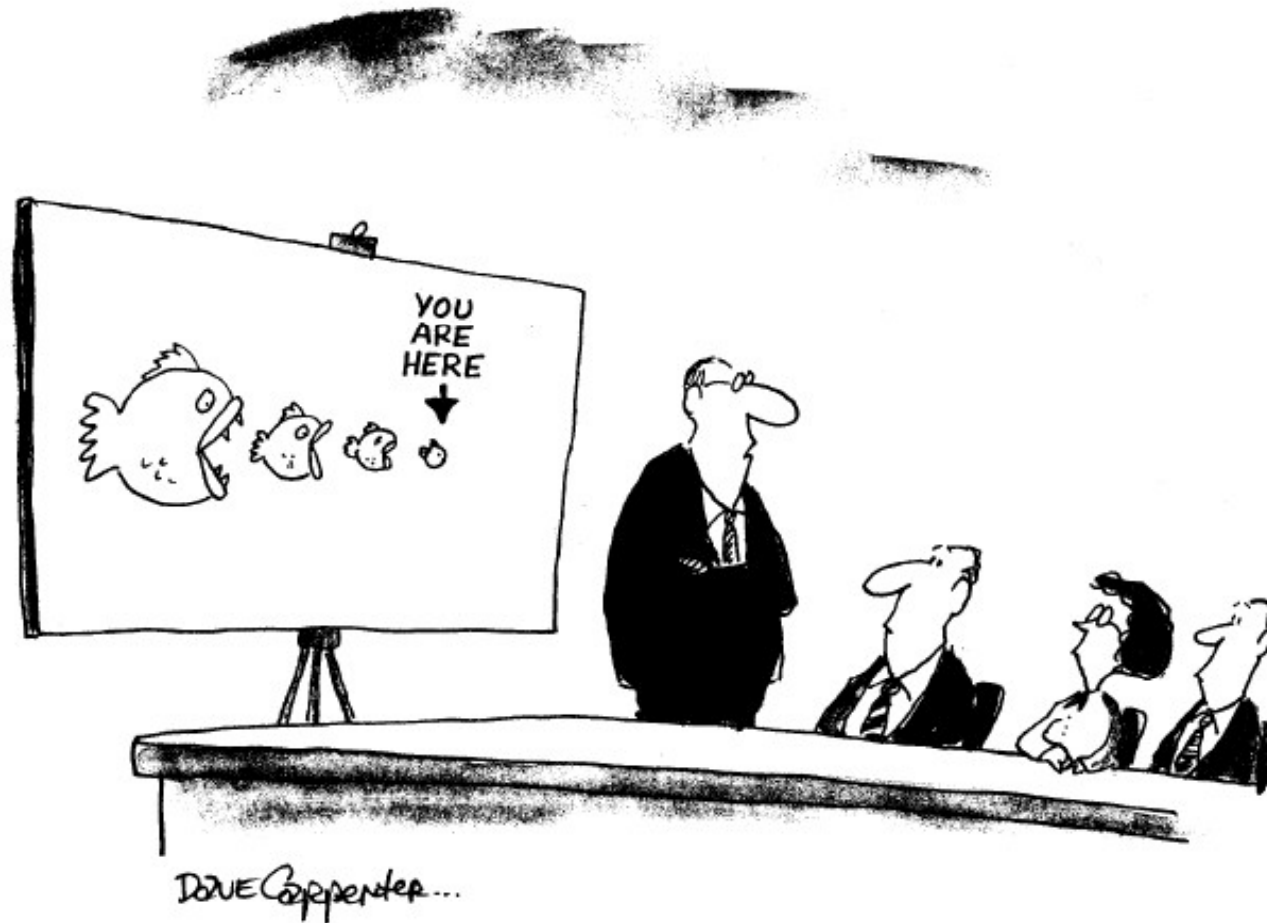
- Consultants are often hired without much thought
- Dissatisfaction is rife but infrequently expressed
- ... but some consultants do excellent work and deliver far more than they are paid to do
 - This happens when clients know what they wanted of a consultant

What Is a Consultant?

“Someone who follows the consulting approach and frames issues to create perspective.”

David Maister, *Managing the Professional Services Firm.*

Framing: Drawing Attention to the Big Picture



"In a nutshell . . ."

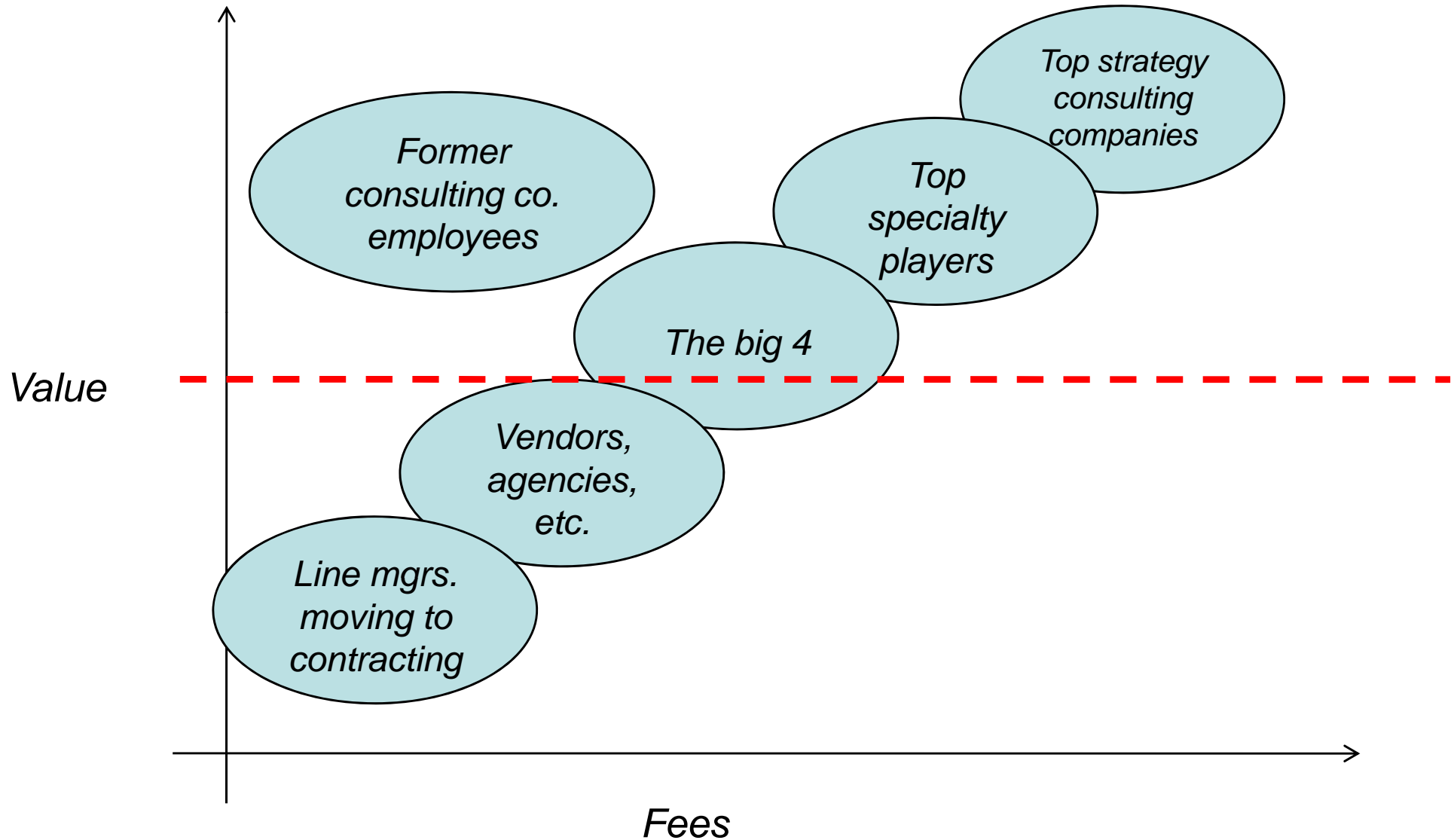
Framing: Drawing Attention to the Big Picture

- Client: “As a consultant, please let me know what’s wrong with our marketing. We have promoted our call centre as a point of differentiation but sales have dropped. It seems that our advertising message is not getting through. We already fired our advertising agency.”

Framing: Drawing Attention to the Big Picture

- Consultant: “You’ve been trying to improve the quality of your call centre to meet customer satisfaction targets, but your HR reward system is based on the number of calls answered only, even if they are left unresolved...”
- Client: “It’s so obvious - but we didn’t see it!”

The Landscape



Should I Use a Consultant?

- If you want expert advice then:
 - Experience in the “consulting approach” is vital
- Nothing in line management trains for the business of providing stand-alone, project-related advice
 - Avoid hiring an ex-line manager (usually in-between jobs) as a consultant unless you want to fulfil a temporary operational role

Line Management versus Consulting

- Consulting is about using a proven management theory or model to solve a problem
- In consulting the pace of decision-making is slower
 - Assess a situation, identify issues
 - Use frameworks to assist with the analysis
 - Develop recommendations based on analysis
 - Use quantitative analysis and modelling extensively

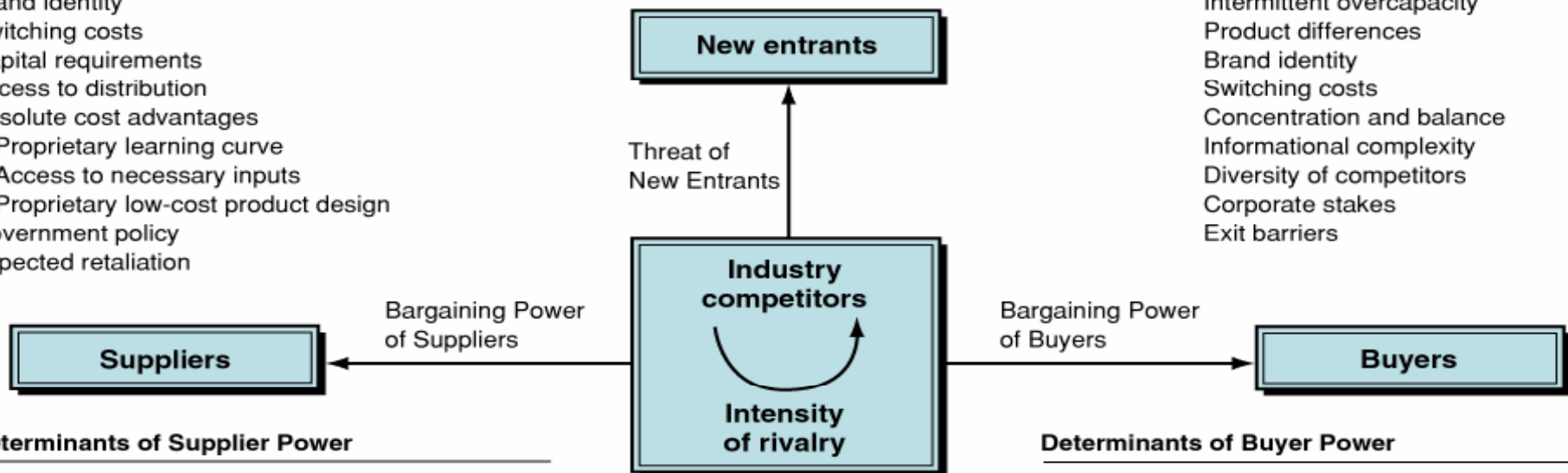
For Example.....

Entry Barriers

- Economies of scale
- Proprietary product differences
- Brand identity
- Switching costs
- Capital requirements
- Access to distribution
- Absolute cost advantages
 - Proprietary learning curve
 - Access to necessary inputs
 - Proprietary low-cost product design
- Government policy
- Expected retaliation

Rivalry Determinants

- Industry growth
- Fixed (or storage) costs/value added
- Intermittent overcapacity
- Product differences
- Brand identity
- Switching costs
- Concentration and balance
- Informational complexity
- Diversity of competitors
- Corporate stakes
- Exit barriers



Determinants of Supplier Power

- Differentiation of inputs
- Switching costs of suppliers and firms in the industry
- Presence of substitute inputs
- Supplier concentration
- Importance of volume to supplier
- Cost relative to total purchases in the industry
- Impact of inputs on cost or differentiation
- Threat of forward integration relative to threat of backward integration by firms in the industry

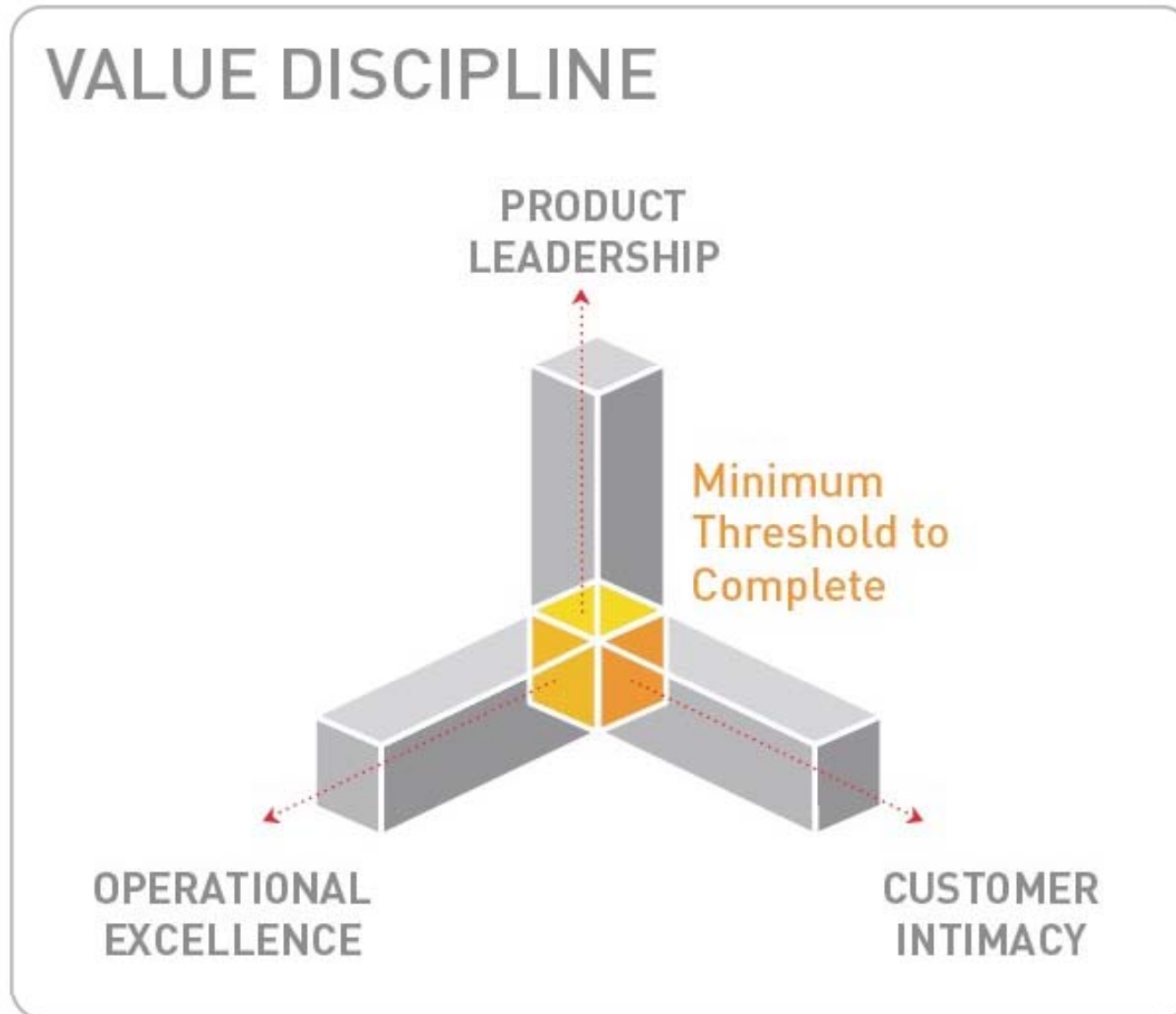
Determinants of Buyer Power

- | | |
|---|--|
| <ul style="list-style-type: none"> Bargaining Leverage Buyer concentration versus firm concentration Buyer volume Buyer switching costs relative to firm switching costs Buyer information Ability to backward integrate Substitute products Pull-through | <ul style="list-style-type: none"> Price Sensitivity Price total purchases Product differences Brand identity Impact on quality/performance Buyer profits Decision makers' incentives |
|---|--|

Determinants of Substitution Threat

- Relative price/performance of substitutes
- Switching costs
- Buyer propensity to substitute

For Example....



Source:

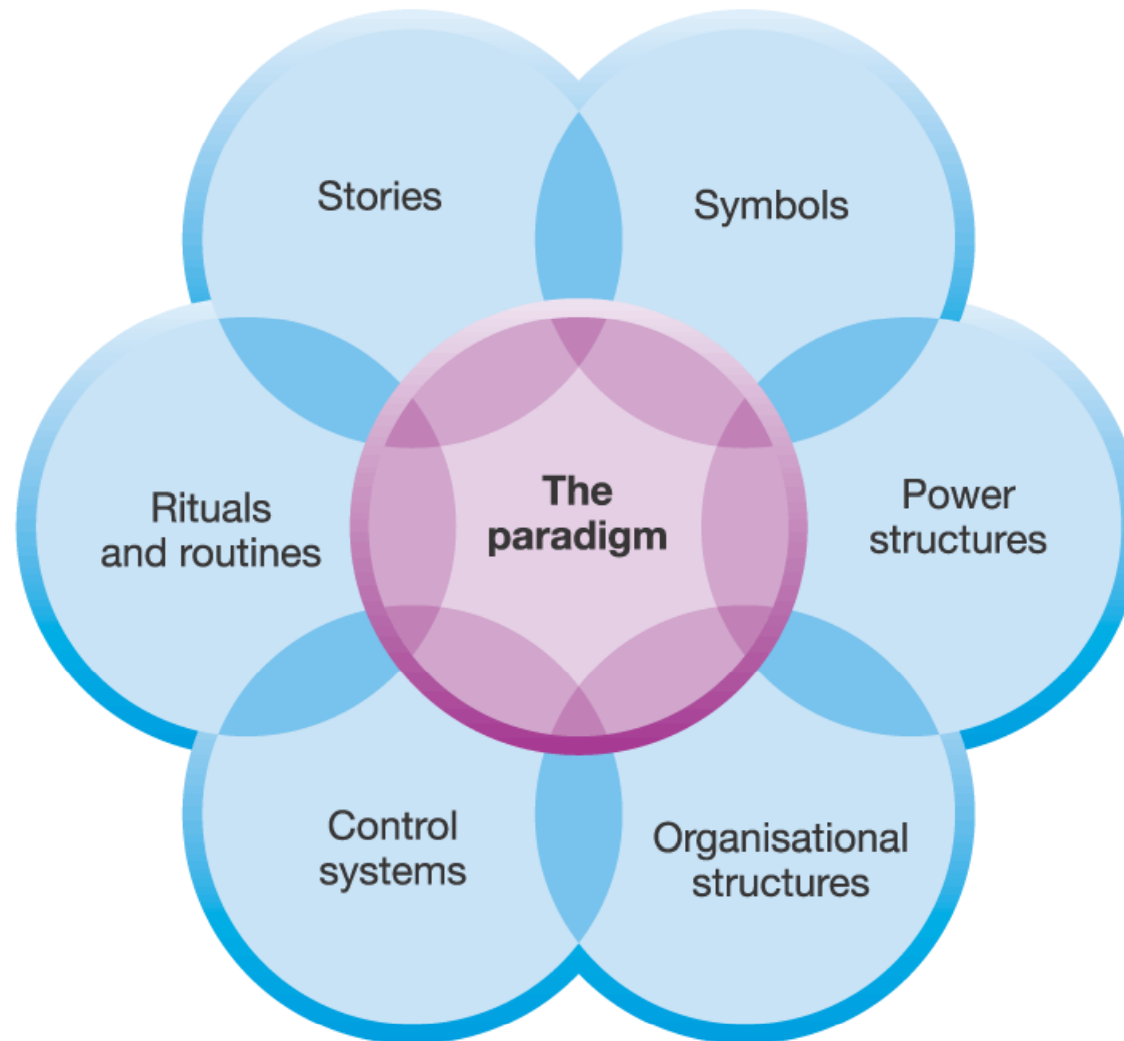
M. Treacy;
F. Wiersema

The Discipline of
Market Leaders

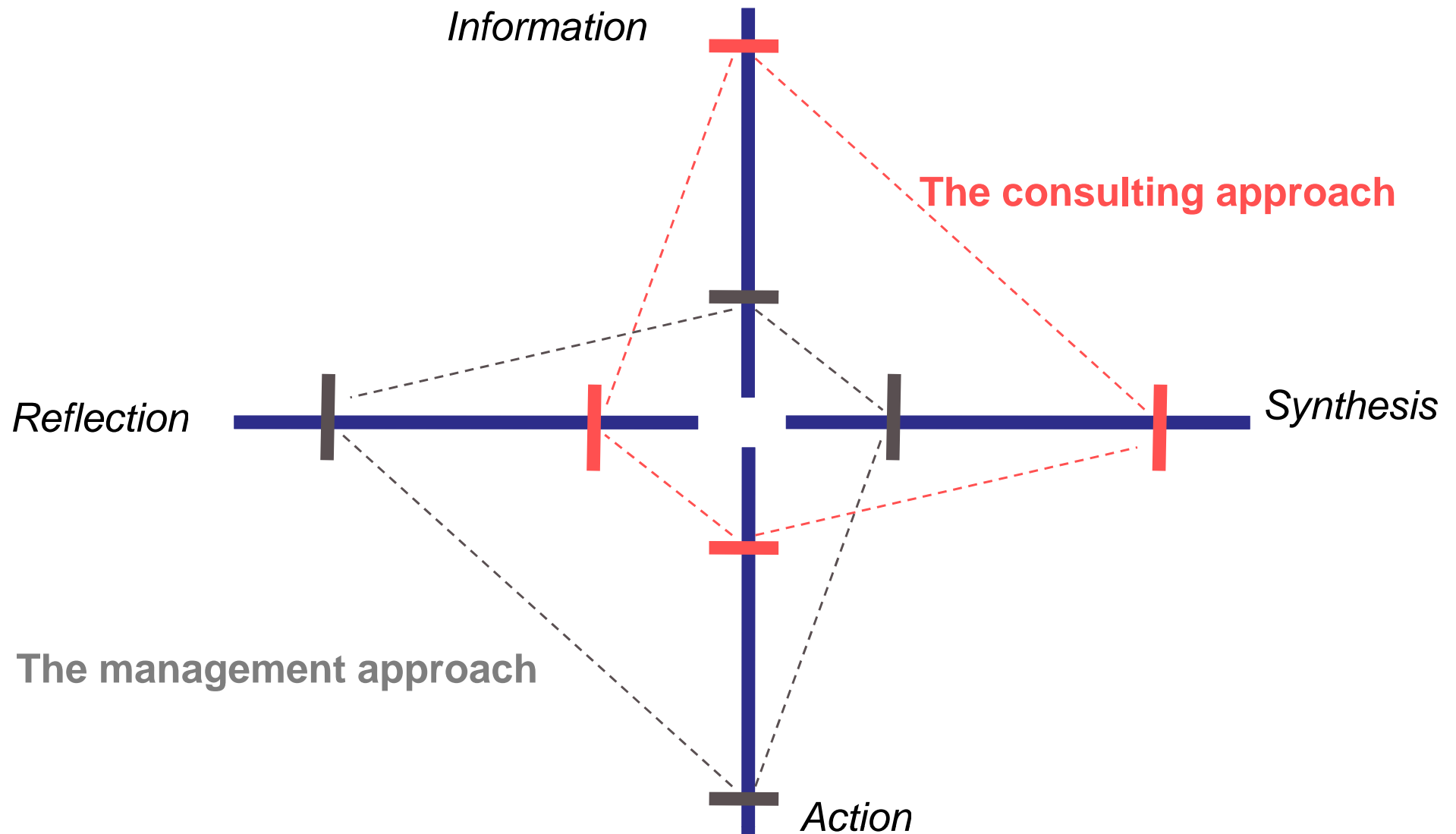
Harper Collins
1995

Adapted
by Gartner

For Example...



The Consulting Approach



The Initial Contact

What role do you want me to play?



The Initial Contact

- A good consultant prepares before every client interaction - and **never (never!)** plays it by ear
- The best evidence: homework before the meeting, e.g.:
 - Learned about customers, competitors, web site
 - Called the customer support line, checked the channels
- Homework demonstrates active interest in understanding business and problems

The Initial Contact

- *“What don’t you do well?”*
- *“Who wouldn’t you give as a reference?
Why?”*
- *“Which of your competitors should we hire?”*

Early Signals

- What would your first step in this project be?

One type of answer:

“I will interview the stakeholders”

The better answer:

“I will review your business strategy, develop an issue-tree, and formulate a hypothesis”

(Framing the Issue)

Early Signals

- What would your project strategy be?

One type of answer:

“I will develop a project plan and nominate a team”

The better answer:

“I will identify a relevant management theory or framework to guide the thinking process”

(Creating Perspective)

Early Signals

- What information would you look for?

One type of answer:

“I’ll have a brainstorming session with your staff”

The better answer:

“I will possibly review your competitors, industry, overseas experiences, etc. and use the theory and framework I will be applying to ask the right questions”

(Facts, not opinions)

What Does All This Mean?

The consulting approach embeds:

- Consulting process
 - Following a rigorous decision-making process
- Consulting content
 - Using frameworks to guide thinking

When Things Go Wrong....

- That's when the “statement of work” is important
 - A key step in any consulting project
- Unfortunately, it is hard and costly to prove negligence or poor performance
- Mediation is possibly the only route

Key Messages

- Knowledgeable clients hire consultants that:
 - Know how to frame issues within the big picture
 - Quickly identify their role
 - Use models, theories, frameworks
 - Focus on researching external data
 - Perform rigorous quantitative analysis