

Do Consultants Add Value?

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The Dilemmas of Consulting

Consulting has become a very attractive occupation with internal consultants everywhere. Much of HR is performed by HR consultants and performance consultants are now permeating learning and development. Consulting can be an influential role.

External consulting continues to grow. Although large companies seem to dominate the space, small firms account for the largest number of consultants. The U.S. consulting market grew 7.7 percent in 2015 to reach \$54.7 billion, up from \$50.8 billion in 2014. Although 2016 data hasn't yet been published, the growth trend was expected to continue, with the U.S. accounting for nearly half (44 percent) of the global market.¹

With this growth and attractiveness comes concerns that tarnish the image and effectiveness of consultants. Consultants represent a cost to the organization that can be cut in uncertain times if executives don't see consulting as an investment. For example, Warren Buffet, CEO of one of the largest and most valuable companies in the world will go to great lengths to stop his company, Berkshire Hathaway, from using consultants.² Many consultants offer off-the-shelf solutions that may not be appropriate for a particular problem or opportunity. Consultants are reluctant to deliver the results that executives want to see. Clients who fund consulting want to see the business value and sometimes even the ROI. And worse yet, consultants can become a habit—once they get inside the organization, they are hard to eradicate.

For small firms consulting can be risky. According to the Bureau of Labor Statistics, it has the highest failure rate among professional occupations, with as many as 80% of new consulting firms failing during the first two years.³ It's not easy to be an effective consultant, you must expertise, experience, and a passion for the topic. It's difficult to sustain a consulting practice.

The Challenges for Consultants

To continue to strive and survive, consultants must tackle four key challenges. The first challenge is to deliver credible business results to the clients, and be prepared to show the ROI for major projects. In today's climate, clients are requesting ROI and offering it can be a market differentiator.

The second major challenge is to keep clients satisfied, particularly in the face of changing projects, fast-paced environments, and demanding clients. If clients aren't happy, client referrals won't develop and it's difficult to have a sustainable business.

The third challenge is to make sure that consulting doesn't create a narcotic effect where consultants always need to return to address the situation. The key is to solve the problem, implement the correct solution, and eliminate the need for consultants in the future. Although this sounds counterproductive, it's the best way to sustain the practice in the long run. The focus is on sustainable process improvement.

Finally, the fourth challenge is to explore the prospect of ROI forecasting and guaranteeing results. Some clients are now asking for a forecast, before they go into the project. A few will add to that the prospect of a guarantee of results. This could be a risky proposition, but it's feasible when addressed properly.

How do you do it?

Consultants have to be consistent, effective, and deliver value, every time, with every project. This is best achieved by using design thinking at all stages of consulting.

Design Thinking

With roots in innovation, design thinking suggests that detailed goals should be set around what you want to achieve and everyone involved in the consulting project is mobilized to achieve the goals. Eight important steps, based on design thinking, are necessary to deliver results and use those results to enhance the image of and investment in, consulting.⁴

STEP 1: *Start with Why: Aligning Consulting with the Business.*

The first task is to identify the business need (a problem or opportunity that should be addressed) with a specific measure (or measures) such as out-of-compliance fines should be reduced by 50 percent in one year or product returns should be reduced by 20 percent in six months.

STEP 2: *Make It Feasible: Selecting the Right Solution.*

With the business need clearly defined, the next step is to decide on the appropriate and feasible consulting solution to improve the business measure. The focus is on what the organization should be doing (or stop doing) that will have the appropriate influence on the business measure. This may involve a few questions or additional analysis such as problem-solving, brainstorming, fishbone diagrams, records review.

STEP 3: *Expect Success: Designing Consulting for Results.*

Objectives are developed to define the success needed at each level. The ROI objective is the minimum acceptable return on investment from the project (if ROI is pursued). Also objectives are set for business impact, application, learning and reaction. Specific objectives are important to the success of the program as they provide design guidance and expectations for everyone involved in the consulting project.

STEP 4: *Make It Matter: Designing for Early Stages of the Project.*

The make it matter, the consulting project must be relevant, meaningful, and important to the individuals and the organization. This requires selecting the right people at the right time to be involved in the project with the proper support. This requires the consultant to provide activities and simulations that reflect what the project participants are learning and what they will do with what they've learned.

STEP 5: *Make It Stick: Designing for Application and Impact.*

The reality is that if the people involved in the project does not use what they've learned, then it has failed for the organization. Transfer of learning from the consulting project to the workplace occurs over time and involves all the stakeholders. There are some very simple things a consultant can do that have a big impact.

STEP 6: *Make It Credible: Measuring Results and Calculating ROI.*

This step can be one of the most rewarding parts of the process. The first part of this step is to sort out the effects of consulting from other influences. Simple, easy-to-use techniques are available for this. If ROI is needed, three more actions are needed. The impact measures are converted to money to create project monetary benefits using values developed internally or externally. Next the costs are tabulated and then the ROI is calculated expressed as a percentage. In formula form, the ROI is:

$$\text{ROI (\%)} = \frac{\text{Net Project Monetary Benefits}}{\text{Project Costs}} \times 100$$

Net benefits are project monetary benefits minus project costs. This formula is essentially the same as the ROI for capital investments.

The challenge is to overcome the barriers to moving to this level of evaluation and evaluate at this level only when consulting projects are expensive, important, strategic, and attract the interest of top executives. The principal barrier is the fear of results. ROI evaluation should be tackled in a very proactive way. If consulting is not successful, the consultant must understand why it's not working and correct it. If consultants are proactive, clients will accept this easily, even if the results are very negative. But if consultants wait to be asked for the impact or maybe ROI, then it places the consultant at a disadvantage.

STEP 7: *Tell the Story: Communicating Results to Key Stakeholders.*

The consultant must communicate results to appropriate audiences. Presentations can range from executive briefings to blogs and content ranges from a detailed report to a one-page summary. The important point is to tell a story with results. Storytelling is very effective, and it's the best way to get the audience's attention and have them remember the results. The five levels of outcome data (reaction, learning, application, impact and ROI) represent a compelling story with very credible, executive-friendly evidence and anecdotes.

STEP 8: *Optimize Results: Using Black Box Thinking to Increase Funding.*

If the results are disappointing, you know how to correct it. Black box thinking is needed at this step. In the airline industry, black boxes point to the cause of a crash of an airplane, and investigators analyze the data and identify the actions to be taken to prevent this type of accident in the future. Consultants can take the same approach.

When consulting projects are evaluated, the data are used to make them better. When this happens, results will improve and ultimately the ROI is enhanced. Optimizing the ROI presents the best case for increasing funding, providing a very credible rationale for additional funding. This approach ensures that executives see consulting as an investment and not a cost that can be controlled or reduced.

Final Thoughts

So there you have it: How to make sure that consulting delivers value and satisfies all clients, including those who ultimately fund the consulting project. That's absolutely necessary in today's climate. An eight steps approach, based on design thinking, shows how to deliver results and protect the consulting investment in the future.

References

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