

# Professional Services

## Time to rein in consultants

Mark Fenton-Jones

Businesses that engage consulting firms are being advised to manage the relationship properly if they want to get full value for their investment.

"We think the consulting model has broken," said Gordon Perchthold, who founded management consultants The RFP Company with his wife, Jenny Sutton, in 2006.

In his view, consulting has changed from a business relationship based on seeking to satisfy customers to a way to meet revenue targets, with consultants out to sell the latest development – often to unquestioning clients.

Perchthold and Sutton worked for Deloitte's Japanese consulting practice, successfully spun off in 2002 into ABeam Consulting, before establishing RFP (short for Request for Proposal).

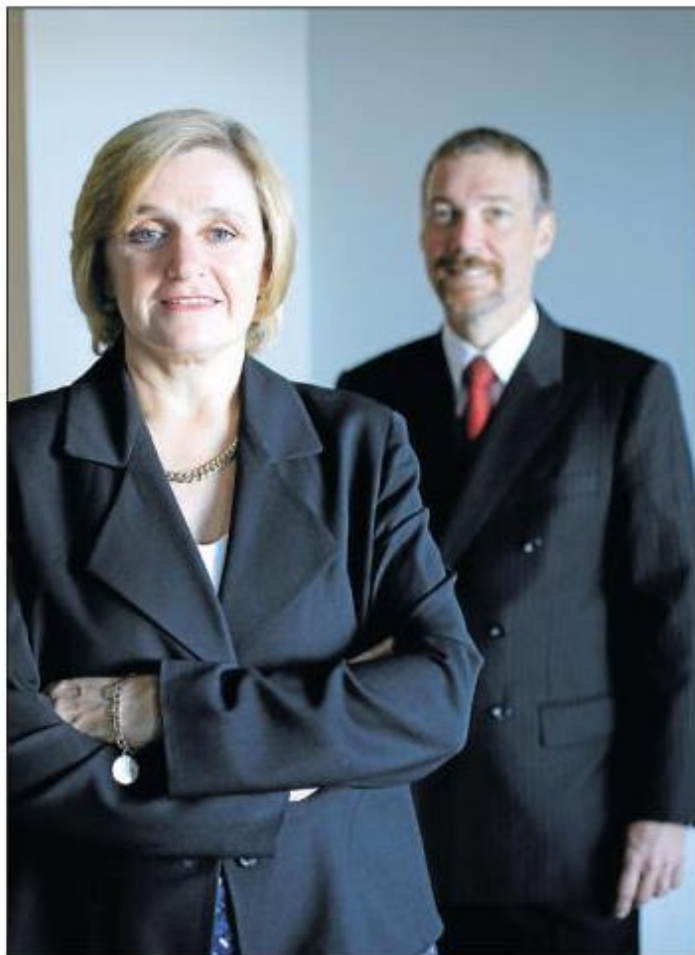
Initially, the business serviced multinational insurance companies with head offices in Hong Kong. These days, it helps clients select and effectively use their consultants.

For Mr Perchthold, consulting is at a crossroads. Companies usually hire consultants to help them improve performance; too often, however, they fail to produce the desired results.

"These underwhelming results are accompanied by overwhelming fees," he says.

Based on IBISWorld statistics, Perchthold estimates that Australian businesses and governments paid \$31.5 billion in fees to computer consultancy services, management consultants, the Big Four accounting firms and others in the 2009 financial year.

However, clients are not getting full value for their dollar because they are not managing the relationships effectively, he says. If they did, based on a UK study, clients could get two to 20 times more value for their investment.



Veteran consultants Jenny Sutton and Gordon Perchthold. Photo: MICHELE MOSSOP

He and Sutton have outlined how to hire, control and fire consultants in their book *Extract Value From Consultants*, which they are now promoting in Australia.

Sutton says it is difficult to work out how many clients believe they have not received full value from their consulting dollar, mainly be-

cause companies do not like to acknowledge a negative outcome.

"We know companies aren't getting value. Often they fail to sit down and do a post-project review," she says. If more post-project reviews were undertaken, "there would be a lot more transparency of under-deliverability".

### KEY POINTS

- Australian businesses and governments paid \$31.5 billion in consultancy fees in fiscal 2009.
- However, they are unlikely to have received value for their money, even if few organisations will admit it.

Another mistake clients make is to continue to use a consultant for other projects not directly related to the consultant's core capability.

For example, a client might engage a consultant with core technology and systems integration skills, and later use the same consultant for operational strategy.

Instead it would be better to use a second consultant with core skills in operational strategy.

Perchthold and Sutton also recommend companies set up review boards to establish which consultants are best for the job at hand.

Companies also need to know how much they spend on consultants, often a difficult task as costs are distributed over several business areas.

"Most executives are flabbergasted when they see the aggregated spend for a particular consultant for the first time," Perchthold says.

Perchthold and Sutton insist consultants still have a role to play in helping businesses grow.

"The issue is not how much clients spend, it's the value you get out of them," says Perchthold.

"It's time for management to take control and manage consultants."

With corporate growth rates under par since the outbreak of the global financial crisis, clients are being more careful with their funds. This, in turn, will force consultants to change, the pair argue.

In such an environment, says Perchthold, the days are over when consultants saw themselves as masters of the universe who could take on any task, even if they knew nothing about a business.