

1

Is Consulting Even Right for Me?

COPYRIGHTED MATERIAL

Why Choose Management Consulting as a Career?

The career of management consultant is one of the most envied roles a person can be lucky enough to play. That title, however, is somewhat of a catchall, thrown about by people who provide a wide range of services (accountants, lawyers, strategic planning, HR, operations, etc.). For the most part professionals employed in this field provide outsourced services to organizations in need of whatever specialty that consultant provides.

For our purposes we need to differentiate between three main types of consulting firms: large diversified organizations, medium-sized management consultancies, and boutique firms.

The large diversified firms are represented by the likes of McKinsey & Company, Booz Allen, PWC, and KPMG. Mid-sized consultancies, while smaller than the large international firms, can still employ hundreds of people, and provide broad services similar to those of the large diversified firms. Then there are the boutique firms, typically having only one independent consultant and offering a more specialized suite of services or specialties. It is this last category of consultancy—the independents—that this entire book will focus on.

Typically an independent management consultant is someone who:

- Works for themselves, or possibly as part of a very small group.
- Works from home, or has a small office.
- Provides services/solutions to small to medium-sized businesses.

What is it that makes this career so coveted? The following four broad categories summarize the main reasons.

1. **Freedom/Flexibility.** As an independent consultant you are completely in control of your own destiny. Many people get into this career specifically because they are tired of working for someone else, or because they were laid off and looking to take control over their career. As an independent consultant you decide when you

8 THE PROFITABLE CONSULTANT

work, whom you work with, and what you provide. For myself, the benefit of being able to attend one of my son's school plays, or simply to have a date with my wife in the middle of the week, is an incredible benefit. I worked for a Fortune 100 company for many years and the freedom I enjoy now far exceeds that rat race!

2. **Earnings potential.** Working for someone else typically means you work hard to make someone else rich. Sure, you can enjoy a significant salary, but the bulk of the earnings flows not to the workers but rather to the owners. As an independent management consultant you are the owner, and all the profits flow to you. Among independent management consultants we see the complete gamut of earnings. In our own network we have consultants who earn as little as \$45,000 a year (by choice, mind you), and as many as 10 who earn over \$1,000,000 a year. Of course, the higher levels of income don't happen overnight, so if you're expecting to get rich quick . . . well, you get the picture.
3. **Control.** One of the greatest aspects of this career is that you control what you provide and whom you provide it to. If you choose not to work with the idiotic owner of XYZ Corp, you don't have to. As the owner you get to cherry pick only those clients whom you want to work with, think you can do the most for, or enjoy working with the most. In a later chapter I'll show you how firing undesirable clients is actually a key growth tool.
4. **Fit.** Several years back I commissioned a research study that examined 197,000 workers across 23 countries over a seven-year period. The findings empirically proved that the most successful people (in any career or at any level) were those who were the most authentic to their natural talents, passions, and skills. Suffice it to say that most roles professionals find themselves taking, in corporations, aren't customized to fit personal natural talents. As an independent management consultant you alone will craft a role that is a significantly better fit for you.

What Does a Management Consultant Do?

Management consulting is the practice of helping organizations improve their overall condition, typically through analyzing existing problems, diagnosing causes, and then developing a plan for improvement or

remediation. The most common reasons management consultants are brought in are:

- To provide an expertise or capability not currently possessed by the organization internally.
- To be an objective third party to legitimate existing beliefs by senior management.
- To provide political safety where decisions are difficult or run the risk of damaging existing executives' reputations.
- To bring best practices from across an industry.

While the primary objective of any good management consultant should be to improve the client's overall condition, there are multiple functions or roles a consultant may fill to achieve that objective. Another way to view the work of a management consultant is to understand the specific purpose they fulfill. There are eight fairly universally accepted roles as defined by Dr. Arthur Turner, a Professor of Organizational Behavior at Harvard Business School.

Those eight purposes are (see Figure 1.1):

1. Provide information to a client.
2. Provide a solution to a given problem.
3. Diagnose existing problem.
4. Provide recommendations.
5. Implement solutions.
6. Build consensus.
7. Facilitate client learning.
8. Improve overall organizational effectiveness.

Note: As a general rule, the higher up the hierarchy you go—the greater your value proposition (and financial worth) is to the client.

These eight purposes act as building blocks, with a foundation and ultimately a peak. They grow in complexity, value and, profitability. Let's go deeper into each one.

1. **Providing information to a client.** Often a consultant is brought in simply to help a client find information they either don't know where to find or cannot interpret practically. Many times this deals

10 THE PROFITABLE CONSULTANT

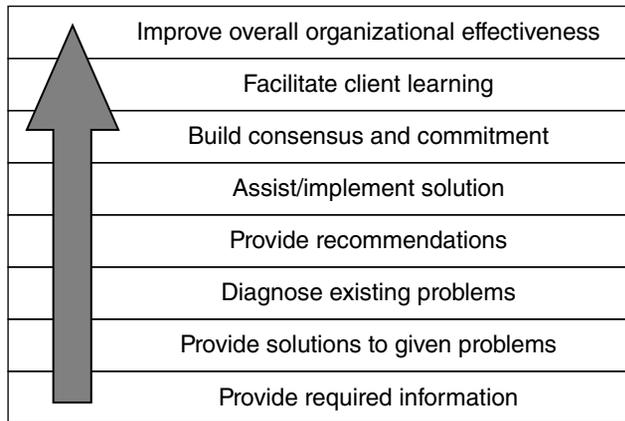


Figure 1.1 The Hierarchy of Consulting Purpose

Source: Adapted from Arthur N. Turner's "Consulting Is More Than Giving Advice," *Harvard Business Review* (1982).

with the consultant's expertise and involves historical information, expert knowledge, or current research. This type of consulting occupies the bottom level of this hierarchy because it is the least specific, most general in nature, and much closer to data analysis than true consulting. Most truly profitable consultants don't provide value in this purpose very often.

2. **Providing a solution to a given problem.** The keyword here is "given," which denotes that the client has already decided what the problem is and simply needs an expert to deliver their pre-determined solutions. Simply put, this level of consulting is the hired-gun level. The danger at this level lies in tying your name and brand to work that may or may not be effective. The key question is, "Have they diagnosed the true problem and cause correctly?" In other words, you run the risk of delivering excellent training, but on something that isn't the real cause of the problem. Only if you are certain that the client has indeed accurately diagnosed the problem and the solution is valid, then is it okay to deliver it. Remember, a good consultant always makes sure they are working to improve the client's overall condition, not just to get paid.
3. **Diagnosing an existing problem.** At this level you partner with the client to identify the symptoms, define the actual problem, and then accurately diagnose the true cause of the problem. This is the ideal

first level of interaction with any client. Analogous to the physician, no consultant should ever engage without first being sure of the real cause of the problem. Otherwise they risk committing consultative malpractice. In my opinion this is the single most valuable step and, as such, it is the most valuable purpose to begin with.

4. **Provide recommendations.** At this level you help the client determine the best course of action to correct a problem, which is now accurately diagnosed. This is where consultative sales are truly made. This is the number one path to becoming the person who actually delivers the solution. In this role you have the most influence, you are able to craft a solution that best serves the client as well as you. By this I mean a recommendation that doesn't just tell them what to do to fix the problem, but one that involves your help in delivering it.
5. **Assist/implement solutions.** As the title suggests, your purpose here is to actually help deliver the solutions. Whether you're assisting the client in implementing your solution, or actually implementing it yourself, the outcome should be the same (i.e., collaborating to improve the client's overall condition). In some cases you will need to deliver the solution because it relies on expertise or skills the client doesn't possess. In other cases when the client does possess the ability, you will play more of a supervisory role.
6. **Build consensus and commitment.** No matter how grand, accurate, and easily implementable your recommendations may be, if the people affected by it fail to buy in to the solution, it will fail. Building consensus is of paramount importance to any project. All too often consultants fail to take into consideration all those who need to be on board with the recommendations. A key part of your role as consultant should always be to make sure you manage consensus building throughout the entire company. I think of Henry Ford's famous statement in matters like this, "Whether you think you can or can not, you're probably right." If you want to achieve a positive outcome, ensuring everyone is on board, and believing they *can*, is your responsibility.
7. **Facilitating client learning.** The purpose here is to leave behind knowledge the client didn't possess before you arrived. Sometimes this is more a matter of ancillary learning through experience, as the client should be involved in every aspect of your work. However,

12 THE PROFITABLE CONSULTANT

the smart—and profitable—consultant makes this a dedicated objective and charges the client handsomely for transferring such knowledge. Of course, it's up to you to decide if you want to impart such knowledge to your clients or keep it all for yourself so they need you every time. I cover this in greater depth in Chapter 5 where I talk about the “Do it. Teach it. Support it” model (DTS), but keeping all the knowledge and training to yourself runs the following risks.

- Each time the client needs additional training they have to decide if they want to go back outside of the organization, which creates a point where they may decide to go with someone else instead of you.
 - When faced with having to pay higher fees to bring in an outside source, many clients (especially after they have experienced your solution once or twice) mistakenly believe they know what it takes to deliver that training, so they do it on their own. More often than not this doesn't work because they are playing “monkey see, monkey do,” rather than having been properly trained.
 - If you tie yourself to hours worked you limit your profitability. Every time you deliver training you are taking yourself off the market. If you do this right, you can teach the client to do the process themselves, and still get paid.
8. **Improving organizational effectiveness.** This should be the overarching goal of any consultative work. As such, it should be the purpose or role you strive to reach with any client negotiation. There may be times where you are filling another role on this list, but all other roles should be in service of this objective. In short, the poor consultant may be happy to play a bit part in the overall play that is the client's condition, but the truly profitable consultant makes sure he or she gets the starring role! The most profitable consultants deliver their greatest value by serving in this capacity.

Types of Practice Mind-Sets

Not all consultants share the same mind-set when it comes to why they start their business. For some it's a second full-time career, but not one they intend to spend 20 years building. For others it's a part-time gig

where they love the work but don't want to spend 80 hours a week doing it. Still for others it's about building what will become the pinnacle of their professional career and the primary means of supporting themselves and their family. Knowing which type of business you want to build is important.

When it comes to consulting or coaching practices, there are four kinds of practices:

1. **The Hobbyist Practice.** This is a practice that is more a hobby than a real business. Like a hobby, there is less of a strategic plan in place, fewer hours are worked, and the overall approach is more casual.
2. **The Sustenance Practice.** This is a practice that is normally meant to be a primary revenue generator, but isn't. It sustains itself, but barely. There isn't enough revenue to reinvest into the business, shoestring budgets rule the day, and often the consultant finds more month than money.
3. **The Plateau Practice.** This is a practice that is a full-time business for the consultant, and has grown through the start-up phase to moderate or even significant revenue, but then it plateaus and refuses to grow past a certain point regardless of effort, tactics, or reason.
4. **The Legacy Practice.** This is a practice that has become a true business with significant revenue and sustainable positive growth. This level of practice has developed either its own intellectual property, or a substantial enough book of business (often both) that it has a realistic exit strategy.

In this book I'm speaking to those who desire to achieve legacy standing, with the end goal of becoming a full-time, profitable, self-sustaining business that generates significant wealth and has the potential to either live on after the founder leaves or be sold for a profit.

If your goal is to run a hobbyist practice these lessons will work for you too, but you will want to consider adjusting the frequencies of work I prescribe. If you're currently running a sustenance practice these lessons hold the potential to significantly increase your revenue and elevate your practice to the legacy status. And, if you're currently running a plateau practice, I will show you how to grow past the

limitations that currently restrict your growth and break your current revenue ceiling.

Trends in Management Consulting

Management consulting, as an industry, is globally a \$366 billion market (see Figure 1.2). As a business service, consulting remains somewhat cyclical and is linked to the overall economic situation.

The majority of independent consultants primarily serve the small to medium-sized business market (SMB/SME). This makes up 95 percent of all businesses in the United States, with similar percentiles in most developed countries. That equals approximately 29.44 million SMB organizations with 52.6 million employees and represents 50 percent of the global GDP of \$70 trillion. Some consultants also do work with very large Fortune 1000–sized companies as well, but the revenue sweet spot is with the small to medium-sized organizations that constitute most of the world’s organizational business.

With companies downsizing and laying employees off, the opportunities lie in organizations that have thinned their ranks and then come across a need for expertise they no longer possess. It is far cheaper for these organizations to bring an outside consultant in than it is to pay for a full-time employee with benefits and entitlements.

Another reason why the SMB market is so ideal is that, unlike very large organizations, the consultant typically deals directly with the owner, or top executive. Because of this there is less bureaucracy or delay and greater influence and results.

Category	Revenues
Global Consulting Total	\$366 Billion
Management Consulting	\$148.4 Billion
HR Consulting	\$12.2 Billion
Financial Consulting	\$9.7 Billion
Sales/Marketing Consulting	\$9.7 Billion
IT Consulting	\$1.5 Billion

Figure 1.2 Global Consulting Revenues

Hiring outside consultants is also on the rise. Multiple polls show a growing trend of executives in the SMB space who decide to bring outside consultants in as a cost effective way to get the resource they need.

Risks of Independent Consulting

There are risks associated with starting any business, consulting or otherwise. Statistically, as I said in the introduction, nearly 65 percent of new businesses are gone within five years of starting and nearly two-thirds are gone within a decade. Consulting businesses aren't immune to these same statistics.

Outside of the statistical failure rates, there are unique risks associated with becoming an independent management consultant. Some specific challenges you will face include the following three.

1. **Isolation.** Most consultants work by themselves. They are called “independent” for a reason. The typical profile of a successful consultant is one that enjoys interacting with others; but, while interacting with prospects and customers is the biggest solution to the problem of feeling alone, it is an unavoidable fact that even with a busy schedule you will still be working by yourself much of the time.
2. **Self-management/accountability.** Most people fail to truly appreciate the potential danger of working for themselves, in regard to having to be completely accountable to themselves. It can become a very slippery slope to start your business without a structured (or accountable) job description. Even if you think you're disciplined, I highly recommend some sort of outside accountability partner (e.g., an external coach). Such a coach is normally another independent consultant such as yourself, but with specific training and experience as an executive coach. We have a list of them on our corporate website (www.innermetrix.com).
3. **Do-everything syndrome.** As the center of your solar system and life-blood of your business, it is incredibly tempting for most entrepreneurs to get caught in what I call the “do-everything syndrome.” Simply put, you acquire this disease slowly as you take on every facet of responsibility in your fledgling business.

It's just so damn easy to do it all. As you start out it just makes sense to take on all responsibilities. However, as you grow, you have to ensure that your role doesn't become that of CEO, CFO, COO, VP of Sales, Chief Cook and Bottle Washer. To help you with this, in a later chapter is my "CEO Bucket List" exercise. It's very effective and I invite you to steal it from this book and use it with your own clients wherever applicable.

In the end, the risks of opening an independent business consulting firm are not very much different from those of opening any new small business. The greatest variable in your success is you! You will always need to stay vigilant and make sure that you're putting in the hours and work needed to ensure your own success. If you were to come to training with my company you would see a sign in the training room that reads, "The enemy thanks you for NOT giving 100 percent today!"

This message is something I looked at every day in one of my special operations training programs way back when, and it helps convey a couple of key points. First, your competition is your enemy. Viewing the competition as such is a damn good thing. The moment you fail to show up—the second you slack off and leave the smallest opening—your competition will cut in like an aggressive New York City taxi driver. They will take any opening you give them, so it's up to you to show up every day . . . 100 percent!

The good news is that you are the most powerful risk reducer in this equation—no one else.

What Experience Is Needed?

The issue of experience is very much a question that directly relates to the type of consulting you intend to offer. If you come from a 20-year background in management in the banking industry, you probably wouldn't want to provide consulting services in lean manufacturing.

Basically, there are four broad categories of experience needed to succeed as an independent consultant.

1. **Solution-specific experience.** Your background and experience need to tie in with the consultative solutions you provide. If you've never been in management, it will be difficult to advise on the topic

of management. If you've never been an entrepreneur, it will be hard to advise others on how to be a good entrepreneur. The exception to this, of course, is possessing a specialized knowledge that a manager or entrepreneur needs, such as operations, logistics, finance, and so on. The key is to make sure that the core solutions you offer as a consultant are those you have a lot of real-world experience in.

2. **Entrepreneurial experience.** Different from the first point, here I mean that as an independent consultant you will be an entrepreneur. If you've never done anything entrepreneurial before it will be more difficult for you to succeed. This isn't to say you can't succeed, but having actual entrepreneurial experience is a very nice benefit to have in this endeavor.
3. **Analytical experience.** While there is no magic recipe for the traits and characteristics that make for a successful consultant, being a good problem solver is a trait that would come close to the top if such a list existed. Regardless of the kinds of services you offer, almost all such work starts with figuring out what the problem is. Being analytical and good at solving complex problems will definitely help you succeed in this role.
4. **Sales and marketing experience.** While I can give you a ton of tips, methods, and tools to help you market and sell your services much more effectively, having professional sales and marketing experience will be a big plus for you. You will be the sales and marketing force for your company. Many consultants make a big mistake in assuming that sales is not something any university grants a degree in, thus it is easy knowledge they can pick up by reading some sales books. On the contrary, sales is a dedicated profession that requires a lot of skill and proficiency to master, so if you've never sold anything professionally in your life, this could be a sizeable barrier to your success.

There is an incredibly wide range of experiences, talents, and strengths in the consulting community. There is no ideal template. The items above will definitely help, but the real key is in identifying what you are great at and building a business where people pay you for that ability. That is the starting point on the way to your ultimate success.

