Sink or Swim
Consulting services in the decade ahead

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Context: Changing Marketplace

For over a decade, professional advisers have lived in a relatively benign market. Waves of corporate reorganisation, regulation / deregulation, post-merger systems-integration and market-expansion have produced ripples of change-management, leadership support, technical challenge and straightforward resourcing needs.

Consultants have benefitted enormously, along with their cousins in interim-management, financial accounting, project-management, IT contracting, recruitment and training.

However, all this has now changed ... sometimes permanently. Describing these changes in terms of downturn - and hoped-for subsequent upturn - runs the risk of framing these changes in terms of economic cycles, when in fact we are collectively living through a global step-change in the provision of professional services .

Like all historical "step-changes", the significance is usually understood in the rear-view mirror. Similar step-changes have already occurred in our lifetime, for example...

- The Internet facilitated the global marketplace and virtual working. Among other things, this introduced Far-Eastern development resources and call-centres, which have permanently changed the landscape of business-services.

- The desktop computer replaced entire departments of clerical officers, secretaries, book-keepers and administrators.

- Low-cost airlines (using the internet to communicate directly to customers) have permanently changed the world of airline travel. An entire generation of consumers have never visited a travel-agent.

Consultancy (and many other professional services) are now experiencing roughly the same commoditisation as the management of hotel-bookings did a decade ago. To those who cry “Absolutely not! Trust is a key ingredient in the relationship with an advisor / project-manager” ... we need to remember that a previous generation of professionals said all the same things about a good travel-agent.

The Forces of Change
The commoditisation of the advisory market is not confined to consultants. Lawyers and accountants are also feeling the pinch. Clients have less tolerance for hourly rates and seek competitive quotes. A significant chunk of "value-in-advance" is required in order to secure the business. Professional advisors are required to be proactive in the client's interest, and not just respond to requests.

But it is perhaps in the world of consultancy in which we can see the most dramatic changes of all.

<table>
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<tr>
<th>From</th>
<th>To</th>
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<tbody>
<tr>
<td>Finite supply of skill / expertise, Sometimes a shortage</td>
<td>Waves of new consultants being generated by corporate downsizing</td>
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<td>Difficult to access international Talent-pools</td>
<td>Many organisations already with a presence in low-cost countries, including SMEs</td>
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<td>Low-tolerance of advisors from &quot;foreign&quot; countries</td>
<td>Increased awareness of value, Overriding cultural factors &quot;Can’t ignore the cost advantage&quot;</td>
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<td>Market happy to buy services</td>
<td>Market demanding value from services, And guarantees. Expertise not enough.</td>
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<td>One sales cycle producing &gt; 100K of work</td>
<td>Buying in smaller modules; requiring advisors to tender more often, Increased cost of sale.</td>
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<td>Acceptance of &quot;account-manager&quot; role, Separate from &quot;experts&quot; or &quot;do-ers&quot;</td>
<td>Client wants first-hand relationship with the experts and do-ers.</td>
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<td>Looking for reliable professionals, who do what they say they do</td>
<td>Looking for consultants who challenge rather than simply respond</td>
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<tr>
<td>Business won by keeping-in-touch with personal network</td>
<td>Increased transparency and accountability when hiring consultants</td>
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**Polarisation**

If we add together the influx of consultants created by corporate reorganisation, plus those who are competing from low-cost countries, plus more demanding client criteria and accountability, it is fairly obvious that in most fields the supply-demand balance is shifting.
The consequences are inevitable:

- More choice for those who have assignments, with perhaps increased hesitation to employ any one consultant or firm given the array of talent available
- Downward pressure on fees
- Higher demand that consultants be real thought leaders in their field, and be able to produce tangible evidence for this
- Shorter engagements – more frequent review and re-tendering
- Greater insecurity will drive many consultants to economise on development (both in time and in money), therefore exacerbating the tendency to stay stuck
- Those who do invest in development will invest in technical skills e.g. project-management qualifications or MBAs, but unless they also learn to reposition their services; they may simply find that this depletes their financial reserves. This is particularly true for independents.

Taken together, these factors spell a tough outlook for the majority of firms engaged in consulting, advisory and professional services for quite a few years ahead. Those who are hiring consultants will find themselves in a buyer’s market, with lots of people to choose from, and every reason not to rush the decision.

**The Elite Players**

Nevertheless, there are always opportunities and some will always find a way to thrive. Who are these likely to be? For what services will clients still want to pay premium fees?

1. Those whose value-propositions are **niche/specialist** have generally outperformed the generalists, as long as their customer market is thriving. We can expect this trend to become more pronounced in the years ahead, as indeed it already has in the US.

2. But perhaps the most significant differentiator will turn out to be those who can produce cost-effective **value in advance** i.e. the very act of engaging with them is compelling ... even before any formal contract is signed. For example, their up-front assessment provides insights and opportunities that go far beyond client-expectations.

3. Those who can offer **early** (and guaranteed) **return on investment** will have a clear advantage over those who can’t. A three-month programme will be massively more attractive than a three-year one. (However a three-month module delivering real value may well yield a three-year engagement, or longer)
4. Assertions and testimonials will no longer be enough; everyone suspects these are written by the advisors and simply approved by friendly clients. Those who can provide evidence of value will be at a clear advantage.

5. Firms who offer real marketplace insights and news in their keep-in-touch systems will thrive. On the other hand, opinion-pieces and bland tips will be less interesting and will be discarded. Decision-makers will be taking active steps to insulate themselves from internet-marketing e.g. shielded email addresses. This turn means that keep-in-touch will need to be done more by one-to-one contact than in the previous decade.

6. The “quasi-coaching” habits of consultants exploring what we want, in order to then supply it to us, will be questioned. There is increasing demand for those who arrive ready-briefed, already on the starting-blocks to add value … as opposed to requiring an extensive “sharing of experience in order to see if we can work together”. This does not mean than consultants won’t ask context-questions; but they will first have to earn the right to do so.

7. Given the difficulties of promotional marketing, and the fact that decision-makers won’t even be receiving pieces like this … far less reading them … there is increasing reliance on traditional personal introductions and recommendations. Professionals who know how to “cultivate referrals” in an artful and elegant way, (as opposed to the “who do you know who …” tactics of many IFAs), will be able to reduce their cost of sale and still open doors. However, they still will need to run the gauntlet of points 1-4 above.

8. Those who master the use of “rich language”, (e.g. vivid metaphors) have always had a daily advantage over those who present in concepts and abstractions. “Doubling the harvest” is probably better than “increasing productivity”. This skill will become more important in the years ahead as tolerance of long presentations is eroded, and demand for laser-communication strengthens.

9. In every field, the elite do not promote themselves; they are promoted via third parties. This is as true in the professions as in the arts and in politics. It follows that those professionals who master the art (and science) of strategic-alliance building will have a clear advantage over those who are doing their own prospecting.

It’s ok to blog your own stuff … but it’s a hundred times more effective if others are doing it for you. If they are doing so with vivid metaphors, so much the better.

Further information

For related articles, see www.success121.com. John Niland is presenting at the Top-Consultant.com conference Sink or Swim – can you adapt to the harsh new consulting environment on 23rd March. There are only a few weeks left to register. Click here for more information.