

Thomas A. Easton  
Ralph W. Conant

# USING Consultants

A Consumer's  
Guide for  
Managers

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Guide for  
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# **Preface**

We have written this book for one major reason: To provide guidance to the business community in selecting consultants. Businesses often call upon consultants for assistance in every area of their operations, and there are a great many consultants of every kind. Any business person who feels the need for help needs answers to these questions:

What are consultants?

What are their special qualities?

What good can they do a business?

What do they cost?

Are they worth the cost?

How can a business find the right consultant?

How can a business use consultants to best effect?

Unfortunately, the answers were not easy to find before this book was written. The answers were buried in the pages of business magazines and journals. There are not many up-to-date books that address them at all.

## **PREFACE**

Our purpose is to answer these questions one at a time and in detail. We hope our work will help business people unravel the complexity of the consulting industry, find appropriate help, and use it to enhance their success in America's fiercely competitive marketplace.

If we have succeeded, it is because many people have made their research and wisdom available to us, both personally and through their publications. Among those who have given their personal help are Howard L. Shenson, J. Michael Jeffers, Wayne R. McGuirt, Mark A. Greenberg, and David A. Lee. Our shortcomings are our own.

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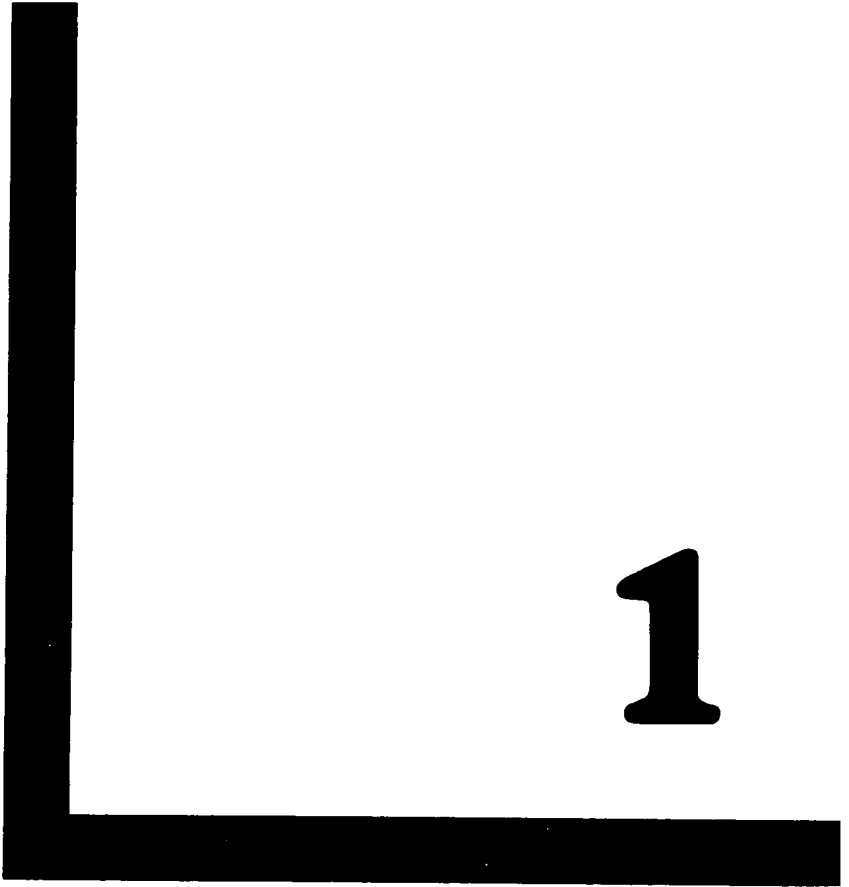
# Contents

<b>Chapter 1</b>	<b>Should You Consider a Consultant?</b>	<b>1</b>
	The Importance of Flexibility • Consultants as Special Resources • Focusing on the Problem • The Diagnosis and After • Do You Need a Consultant?	
<b>Chapter 2</b>	<b>When are Consultants Necessary?</b>	<b>15</b>
	Is Your Staff an Option? • The Need for Resources • The Need for Validators • Company Differences • The Universals	
<b>Chapter 3</b>	<b>What Kinds of Consultants Are Out There?</b>	<b>33</b>
	What is a Consultant? • Consulting Firms • Types of Consultants • The Qualifications of Consultants • The Consultant's Ethics • Appendix—Code of Ethics and Standards of Professional Practice of the Association of Management Consulting Firms (ACME, Inc.)	
<b>Chapter 4</b>	<b>What Can a Good Consultant Do?</b>	<b>57</b>
	Management Consultants • The Specialties of Consultants • The Functions of Consultants • Planning • Marketing • Finance • Organization • Human Resources • Technical Consultants	

## **CONTENTS**

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<b>Chapter 5</b>	<b>What Does a Consultant Cost?</b>	<b>77</b>
	Payment Methods • Expenses • Dollars and Cents • Cutting Costs	
<b>Chapter 6</b>	<b>Are Consultants Worth the Money?</b>	<b>95</b>
	Short-Term Impacts • Mid-Term Impacts • Long-Term Impacts • Survey Versus Action Engagements • The Human Element	
<b>Chapter 7</b>	<b>Finding the Consultant You Need</b>	<b>111</b>
	Finding “Nonconsultant” Experts • Finding Consultants in Disguise • Finding Professional Consultants • Checking References • The Interview • Proposals	
<b>Chapter 8</b>	<b>A Catalog of Consultant Sources</b>	<b>129</b>
<b>Chapter 9</b>	<b>Getting Your Money’s Worth</b>	<b>149</b>
	Defining the Job • Facilitating the Work • Maintaining Control • Following Through • Clients Versus Consultants • Appendix: Members of the Association of Management Consulting Firms (ACME, Inc.)	
	<b>Bibliography</b>	<b>177</b>
	<b>Index</b>	<b>179</b>









# **Should You Consider a Consultant?**

**Success requires the honesty to recognize one's limitations.**

In business, success requires more than just a salable product or service. It requires the knowledge of how to sell that product or service. It requires the ability to organize a company and its operations, find adequate financing, control costs and inventory, hire effective workers, and manage and motivate people. But no single person can be expert in every aspect of business. Many managers commit costly errors out of ignorance or lack of experience. They needn't. Ignorance can be eliminated by learning what you need to know, lack of experience by seeking help from experienced people.

To be successful in business, you don't have to know *all* there is to know about business, but you have to know *when* and *where* to seek help, and *how* to use it. That is what this book is about.

In business, one important source of help is the consultant, the expert in one or more phases of your business. The purpose of this book is to explain what kinds of consultants exist, where to find them, what good they can do, what they should cost, and how to get your money's worth.

In this introductory chapter we ask the question, "When and under what circumstances should you consider hiring a consultant?" and in answering this question, we explain how to decide to use a consultant. We hope our answers to this and later questions will make success more likely for you.

Some consultants are specialists; others are generalists. Some consultants specialize in setting up new businesses. Others deal with personnel, executive compensation, management information systems, marketing, organization, strategic planning, computers, production, advertising, capitalization, accounting, stock offerings, human dynamics, and so on. Many consultants belong to professional associations that attract consultants with similar specialties. We list many of these associations in Chapter 8 as an aid to helping you find the right expert.

The categories of consulting expertise that are available to businesses are discussed in detail in a later chapter. It is enough here to point out that the kind of consultant you call upon depends on the needs of your business. The start-up period calls for a start-up specialist. What kind of start-up specialist you need depends upon your prior knowledge and experience, the nature of your business, the intensity of the competition, and your problems of financing and production.

At a later stage, the choice of a consultant depends upon the nature of the specific problems you encounter. A word of caution: It is not unusual for a firm to be in serious trouble before anyone in the firm has identified the difficulty.

We discuss the diagnosis of problems later in this chapter and also in other chapters in the book. By way of preliminary comment, the business person should be aware that apparent problems in one area can be due to real problems in another area. In an extreme example, bankruptcy can be due to low or poor advertising or poor sales performance. Poor sales performance might in turn be due to an understaffed, poorly paid, or inadequately trained sales department. An experienced consultant

can figure out the root cause and recommend ways to solve the problem.

As we shall emphasize throughout the book, the identification and defining of problems can be among the most important services a consultant provides to a business client.

## **THE IMPORTANCE OF FLEXIBILITY**

One of the basic reasons for business failure is sheer bullheadedness. Bullheaded business executives are absolutely sure they know how to run their businesses. Their attitude toward anyone who might help is "HANDS OFF!" Some bullheaded executives seem to prefer to fail on their own rather than to thrive with help.

There are bullheaded people who are successful. They are the ones who know their businesses inside and out or have little or no competition. Such people and situations are rare. The modern business environment is one of intense competition. It allows little time for muddling through, and there is always someone watching for weakness.

Luck is seldom a big factor in business success. What we call luck is usually the result of a well-prepared person recognizing and taking advantage of a new opportunity, or creating one. This is true of the salesperson who assiduously calls upon company after company and—not by accident—is there the day the customer decides to buy. It is true for the entrepreneur who meets a venture capitalist on the plane and has in an attaché case the home-built prototype for a new diddley-whocker.

Successful business people recognize their limits. They are prepared to seek help when they truly need it, and to pay for it. Those who do not seek or accept help when they need it are asking for trouble.

In this chapter we are focusing on the considerations that should go into a decision to hire a consultant. One of those factors is how you anticipate using the results of the consultant's work once it is done. A common complaint of consultants is the client who engages them to analyze a problem and to prepare recommendations, and then ignores the advice. Such clients increase the odds against their success. The odds improve for

business people who hire good consultants and use their advice.

As a business person contemplating a substantial expenditure on a consultant, you should bear in mind that using advice requires being open to change and being ready to listen to other views. It also requires the capacity and willingness to take a new path.

Effective use of advice also requires a healthy skepticism, the ability to ask, "Does an existing practice work?" If so, then leave it alone. If it ain't broke, don't fix it. But if it doesn't work, admit it and be ready to consider alternatives. Call in a consultant to spell out the alternatives. Try them and question them all until you find one that proves out.

## **CONSULTANTS AS SPECIAL RESOURCES**

You need a consultant if you need a technical expert to fix something in your business. Consultants are "fix-it" specialists, but they can also be useful to managers who recognize their own ignorance. A good consultant has the up-to-date, in-depth knowledge needed to design effective marketing plans or competitive compensation plans. There are consultants who have the skills and contacts to find executives. There are others who can get whatever information you need. As you will learn later, there are consultants for just about any problem that comes up in your business.

Consultants are supplemental resources, walking reference books, and they can be extra hired help. Yes, extra hired help. Sometimes a business lacks the personnel to do a job and does not want to hire a full-time permanent employee for what may be a temporary need. Consultants can be put on the payroll for a specific period of time to do a specific job. They bring to temporary assignments their expertise and ability to perform studies, write reports, and design products—whatever you need on a temporary basis.

## **FOCUSING ON THE PROBLEM**

Consultants do not like to tackle false problems. Suppose that a business person hires a consultant to improve sales by improving

the training of the sales force. The consultant works for months designing a training program and for additional months actually training sales people. But what if the real problem was an inappropriate reward system? The consultant will fail to improve sales, and both the consultant and the client will be unhappy.

We have in mind an actual case where the cause of poor sales lay in motivation. The sales people were paid by commission, which had worked well during the initial marketing period when penetration was still low. As penetration expanded, sizable commissions became hard to come by and the sales people grew demoralized. The answer was not training but supplementary salaries.

How can the business person avoid such errors in diagnosis? The answer is that the business person who is considering hiring a consultant should always present a diagnosis to a consultant as a suggestion, never as a firm, unalterable assignment. This approach leaves the consultant free to find and focus on the real problem.

We should add that an experienced consultant in such a situation would not have accepted the assignment as presented by the client. An experienced consultant always reexamines any problem described by the client and if necessary redefines it. The competent consultant never takes the word of the client for the nature of a problem in the business any more than a competent physician accepts the diagnosis of the patient. In fact, some consultants specialize in diagnosing problems and recommending the consultants who are needed to work out solutions.

We can see a good example of how consultants redefine problems as their clients perceive them in what one of us did when asked to help a public library system establish services for a city's legal, business, and government communities. His first step was to ask a crucial question: "Do the local professional communities have any interest in using the public library system?" He then performed a formal survey among the local professionals and found that the answer was a very clear, "No!" All three sectors said they had customary sources of research and information that satisfied their needs. In other words, he found that there was no market for the service his client wished to offer. His next step was to recommend that the library system invite

the local professionals to participate in planning a library service they *would* be interested in using.

One of the best times to consider hiring a consultant is when you are having trouble defining a problem clearly enough to see the solution. There are, of course, good reasons why you may be unable to define problems accurately. One reason may be lack of time. You are constantly busy with decisions to be made, conflicts to be ironed out, emergencies to be attended. You may never have the time to reflect upon the underlying problems that may be keeping your business from realizing maximum profits.

A second obstacle to accurate problem definition may be lack of analytical talent. Many executives are very good at making decisions and managing people but not good at gathering and synthesizing information. Some executives are not good at breaking a problem into its components to study the interrelationships of the pieces. Others may lack the experience to distinguish potential causes or to tell which of several contributing causes is the most important.

A third obstacle is bias. Like everyone else, you have blind spots, vested interests, and prejudices. Having put the time, effort, and money into doing things in one way, you may be unwilling to consider a different way of doing things. Some people, having been trained in one approach, may be unable or unwilling to recognize the value in alternatives. Coming from one school (or industry or country), they may be unwilling to admit that worthy talent may come from other sources.

The talent obstacle may be overcome by calling upon a consultant. The time obstacle may be overcome if you are willing to take the time for serious reflection. The bias obstacle requires nothing less than a disciplined change of thinking.

To beat bias requires the habit of questioning. We usually associate this mode of thinking with the constantly skeptical academic scientist. It may seem tiresome to the average person, but the habit of questioning is a very effective approach to solving difficult problems. The hallmark of the skeptical thinker is a reluctance to take anything for granted, a driving urge to ask the question, "Is this really the problem?" and a willingness to consider alternatives, asking, "But what if we did it *this* way?"

When one goes to a physician with a complaint, the physician

sees a "presenting complaint." This is the symptom; it may or may not be what the physician will have to treat. The physician will consider the symptom and then probe, test, and question to find the cause behind the symptom. Once the diagnosis is established, the treatment can be prescribed. Perhaps the treatment will involve a specialist.

Where there is a problem in business, there is always a "presenting complaint." The consultant, like the physician, probes beyond the symptom to find the true cause of the problem. The consultant is helped when you as the client have also done some analytical probing. Moreover, you are ahead if you have acquired the discipline and ability to analyze the trouble to the point where you can decide whether outside help is needed. If you have acquired the discipline and ability to analyze the trouble, you will find working with a good consultant can be a very satisfying mutual experience.

Always bear in mind this common-sense rule of survival: When in doubt, look for expert help. You need help if you feel confused and panicky, for these are sure signs that you are in over your head. *Not* going for help when you face trouble you cannot handle is self-destructive.

Most consultants believe that management should attempt to define its problems before calling in a consultant. If management is successful in the analysis, a solution can usually be worked out without any outside assistance. If the trouble is identified but a solution is not evident, management is at least in a position to select the right consultant and outline a clear assignment.

Executives who define problems successfully use very much the same methods as consultants. Faced with a symptom such as poor sales, the executive asks, "Why?"

- Is new competition cutting into the market? If so, why?
- Does the competition have a superior product?
- Does the competition have better marketing methods?
- Has the market shifted?
- Has the competition lowered or kept down its prices?
- Has the company lost efficiency in production or run its costs up with high inventories?



The executive also considers the competence and motivation of the sales force.

- Does the problem lie with personnel, training, or compensation?
- Does it lie with middle-management leadership styles (rude, dictatorial, laissez-faire)?
- Does the problem lie in marketing, advertising, billing, or customer service?

Any of these areas could be the root of the problem. The point is to ask every reasonable question and to examine systematically every available clue.

Where do you find the information to answer these questions? In the same place a consultant will look:

- In financial, sales, and other internal reports that contain company data usually available from a well-designed management information system;
- In interviews with production, sales, and administrative employees;
- In interviews with customers; and
- From observation of the interpersonal styles of managers.

Precise, accurate answers to these questions can help you locate the faulty element in your corporate machinery. But fixing that element is often less important than achieving a particular end result. For instance, you can stop customer complaints either by improving quality control or by lowering prices. Your choice of solutions depends on many factors, including not only cost and benefit, but possibly urgency and perhaps even political and regulatory constraints.

If you decide to take the first steps toward identifying the source of problems in your firm, it is important to start with a list of the symptoms that alerted you to trouble. Exhibit 1-1 is a list of typical symptoms that point to trouble in business organizations. Your list may or may not resemble ours.

Does your company have any of the symptoms that appear in Exhibit 1-1? If so, ask yourself why. Some of your symptoms may be explained by others on your list. Try to link that symptom