

# Background to consultancy

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The first few sections give a short introduction and point the way towards serious analysis which appears in later sections. Some sections are in note form: more than adequate for a day's training.

## CONTENTS

WHO ARE CONSULTANTS?

IF YOU ARE FORCED TO BE A CONSULTANT, WILL YOU SURVIVE?

CONSULTANTS MUST BE ABLE TO SELL THEMSELVES

WORKING ABROAD CAN SERIOUSLY DAMAGE YOUR CAREER

CAN CIVIL SERVANTS BE CONSULTANTS?

CAN ACADEMICS BE CONSULTANTS?

WHY YOU NEED CONSULTANCY SKILLS

HOW CONSULTANCY TRAINING LETS YOU CASH IN ON YOUR EXPERIENCE

## WHO ARE CONSULTANTS?

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1. What consultants do: Everything
2. Why people become consultants
  1. Redundancy
  2. Retirement
  3. Own boss
  4. Money
  5. Concentrate on what they want to do
3. Some types of consultant are
  1. **Consultants working for a consultancy company.**
  2. **Freelancers:** self employed consultants who work as sub contractors for a range of consultancy companies. They are brought in as the consultancy company does not have their specialist skills, or because the consultancy company has a small core staff. Consultancy companies which have large staffs and try and do everything within house can go bankrupt very quickly if they miss a few big contracts and cannot keep the permanent staff busy.
  3. **Independents:** people working by themselves or in small firms, who deal directly with clients, rather than working through other firms. They may network with other independents.
  4. **Franchises:** Independent consultants pay a franchise company for the use of the

name, for training, for leads and for some overheads.

5. **Staff** working for a university or a firm, who are encouraged to do consultancy as a sideline. Academic staff for instance may do consultancy research for outsiders. Increasingly, specialist staff in companies are asked to do consultancy when the firm cannot keep them fully occupied in their special area.
  
4. There are two main career paths. One is to join a firm of management consultants as a graduate and get trained on the job. The other is to wait until you are an expert, then switch into consultancy. In many of the professions this is the norm.

## **IF YOU ARE FORCED TO BE A CONSULTANT, WILL YOU SURVIVE?**

If you are over 50 in Britain today it is an even chance that you are *de facto* unemployed. If so, here is very little chance that you will ever get another full-time job. If you want to earn some money from your lifetime's experience and your hard won skills, you will have to become a consultant.

If you are under 50, in today's job market you can expect to be made redundant two or three times over your career. Each time you are, you will decide whether to try to get back into paid employment or to get into consultancy.

You may be forced into consultancy because it is the only way in which you can earn the kind of money you want and be your own boss.

The failure rate is frightening. Most people who rather think that they would like to be consultants never make it. All too often the job description "Consultant" just means "Unemployed."

Consultancy is extremely competitive. You face the competition of everyone who has been made redundant or who faces early retirement - and many of these are willing to work for pin money.

Downsizing has increased the competition. Certainly there is more consultancy business available as a result of firms deciding to employ consultants rather than employ their own experts full time. It also means that there are more former full-time employees competing for the consultancies. The logic of downsizing is precisely that there used to be more people employed than there was work for them to do.

To survive the competition you have to be better than the competition at something. It is unlikely that you will be noticeably better at your old job than hundreds of people with the same career and experience, and even more unlikely that prospective clients will know about it.

You will have to compete on something else, and that something is consultancy skills. The fact that you are a world expert in widget production or marketing does not mean that you know how to sell consultancy, do consultancy or run a consultancy business.

Most of your competitors will not know how to market themselves or how to sell consultancy. Even marketing managers find it difficult to make the jump from selling a

**Peter Bowbrick**

product to selling themselves. A brand manager of a nationally advertised product will find it extremely difficult to cold call on prospective customers.

Running a small consultancy business also requires a strategy that is totally different to managing a large manufacturing business for instance. Many people fail because they think they should have the same standard of offices, equipment and secretarial help as they did as top managers. Others fail because they have a very high level of fixed costs and cannot survive a short gap in assignments.

Many also fail, or live on a very low income, because they charge the wrong fees, too high or too low.

Most people find that the gap from being an expert production or marketing manager to being a consultant is too much.

## **CONSULTANTS MUST BE ABLE TO SELL THEMSELVES**

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Even if you are the best consultant in the world, you will starve if you just sit by the telephone and wait for clients to call you. To make a go of consultancy you should plan to spend at least a third of your time on marketing yourself and selling consultancy services.

### **The competition**

There are an enormous number of people out there fighting for any business that is going. At one end of the scale you are competing with the large consultancy firms who have slick professional teams concentrating on the selling, leaving the consultants to concentrate on their work.

At the other extreme there are the large number of people who were forced into early retirement and are desperate to make some extra money. They have the advantages that they know the people in the industry and they know the business. Not only that, but their ex-colleagues feel sorry for them and are willing to pass consultancy jobs to them. Added to these competitive advantages is the fact that most of them are desperate and would be very happy to work for £100 a day.

### **New skills needed**

Most people who want to become consultants are experts in their own jobs, but not in marketing. They have skills in management, in production or in computers, but they have always relied on the marketing department and an advertising agency to do the actual selling for them.

Even top marketing professionals, brand managers for national brands, find themselves totally deskilled when they have to cold call on prospective clients. People who have had selling experience have some of the skills needed, but they too find it difficult to make the switch from selling a branded product to selling themselves and their services.

### **You are not selling branded goods**

Selling consultancy is not like selling insurance or motor cars. Research has shown that customers approach buying services very differently from buying goods. It is less fun than buying a gadget they can show off to their colleagues. It is high risk, as services are very variable in quality and there is no way of checking their quality before they buy.

Because of this, they make fewer price comparisons and pay less attention to advertising. They concentrate instead on you: your reputation, your experience, your personality, and the confidence you give.

### **You must create the demand**

More often than not, your potential customers do not know that they need a consultant. They do not know that they have any problems, and any problems they know about, they think they can solve themselves. They do not know what you can do or how you can help. You are often in the position of creating the demand from scratch, like the first people to introduce radios or computers.

### **Market structure**

The markets for consultancy are also varied. You will not be operating in a single industry or for a single type of firm. You may be operating as an independent, marketing direct to a local firm. You may be freelancing - subcontracting to the companies that sell consultancy. You may be networking with other consultants. You may be an international consultant working for organizations like the World Bank. Each of these markets requires a different approach.

### **Fee rates**

Your business success depends on your fee rates. Charge too little and customers do not believe in you. Charge what you would like to earn and you will put them all off. (See article)

### **Contracts**

Contracts are another area where people can come unstuck. It is easy to be ripped off by a client or another consultancy firm if you do not know the pitfalls. Some contracts like

**Peter Bowbrick**

payment on results offer you the chance to make millions - or to get so little that you do not even cover your hotel bills. (See article)



## **WORKING ABROAD CAN SERIOUSLY DAMAGE YOUR CAREER**

You are picked for a foreign assignment because you are a high flier. You are totally efficient. You get results. Beware: people like you can be totally deskilled in a different environment. The hard truth is that most high fliers fail when they go abroad. They achieve nothing, or take two years to get things moving. You cannot afford to go abroad without training in how to operate and survive there.

The big opportunities are not in Benidorm or in the Greek islands; they are in Russia, Romania, Indonesia, Nigeria. You will not be dealing with Western Europeans in a country with a western infrastructure.

The first shock is the lack of communication. How do you operate without even a telephone? It can take three days to get a telephone call home from Siberia - which is a particularly good business opportunity. Romania had only two telephone lines to the West in 1990. Internal communication is equally bad - the poor communication between the states of the USSR prevented plotting, but it also caused the lack of integration which led to the breakup. The telephone lines are seldom fit for electronic data transmission. A lot of money is being spent on this, but it will be years before they catch up with Africa or Asia, much less Western Europe.

The next shock is the absence of everything that appears miraculously on your desk at home: pens, papers, files. Indeed, you have start working without an office, using your hotel bedroom. Renting an office and a flat takes time, and some under the counter deals in a country where all housing belongs to the state, and there is a desperate shortage of housing.

Buying a desk, chair, photocopier, fax and computer may be impossible: there are none in the shops. You have to find out how to import them, and how to keep them operating when there is no local agent.

You are brilliant with computers, and get the best out of management information systems and the Internet. However, computers are new in Eastern Europe. Until 1992 all the Russian oil exploration calculations were done by abacus. Elsewhere computers may be

**Peter Bowbrick**

available but they may not work. In Sierra Leone, our office only had electricity for one afternoon in six months. I did import a UPS (a combination of battery and a voltage stabilizer) to protect my computer from an unstable current, but a power surge from the hotel generator blew up the UPS.

You need money to live on and to buy equipment. You will not get money in immediately by telegraphic transfer: a three-week delay is more common. In countries which are just building up a capitalist banking system even this may not work, and you have to get someone to bring in \$100 bills, even though it is technically illegal. Most of Eastern Europe will change dollars more or less legally, as long as the notes are recent and in mint condition. You will have great difficulty in changing travellers' cheques outside the capital cities. As a law-abiding citizen you will be shocked to find that the only way you can manage is to use the black market.

Your personal reputation is based on your knowledge of the latest manufacturing technology. This is wasted when you are working in Albania, where they are using machinery bought second-hand from Russia in 1923, and where modernizing may mean buying second-hand production lines from the West. In Russia you will find that much of what you would like to do is impossible, for reasons like their backwardness in plastics.

Your knowledge of the British market, which is the basis for your past success, is a handicap abroad. The consumers in Bulgaria, India or Japan have different tastes and incomes. The marketing channels and retail outlets are quite different. Often marketing is through 'informal' channels bypassing the remaining state-owned shops.

The networks you have built up here cannot help you. You have to build up new networks in a matter of weeks, using an interpreter. This is particularly hard in a country whose economy is changing rapidly, with the Mafia controlling large chunks of it. The Arthur Daleys are key contacts.

## **CAN CIVIL SERVANTS BE CONSULTANTS?**

Some Civil Servants make the switch to consultancy successfully, especially if they are selling consultancy to government. Many do not make it. Some of the reasons are as follows:

5. Your role is very different.
  1. You are not advising/steering the Minister
  2. You are not an administrator
  3. You have no decision-making power
  4. You have no rights: you are there on sufferance, and have to negotiate everything.
  
6. You are likely to be operating in a very strange environment, either a foreign civil service or a British firm.
  
7. The political background is very different
  1. You are not acquainted with the macro or micro political issues
  2. You have no clear political role
  3. You are perceived as part of the problem: outside consultants
  4. You may be caught between Brussels and the local government
  
8. You do not have clear access to data
  1. As a civil servant you have access to files, to the accumulated evidence and wisdom of years.
  2. As a consultant you have to negotiate for data. People try to influence the consultant's output by giving a biased sample of data. A lot of data is secret.
  3. In some societies all data, however harmless, is treated as a state secret. Even harmless questions may arouse the interest of the KGB.
  4. Some societies have an oral culture. They do not write things down, so the outside

consultant cannot just refer to the files or previous reports. This includes some British societies, such as teachers, as well as some African governments.

5. You do not have backstopping. You cannot lift up the phone and get expert opinion from a colleague.

9. Relationships

1. Relationships are transitory. You may see the important people for 10 to 60 minutes, and never see them again.
2. Power relationships are not clear, and always hamper communication.
3. You are vulnerable, not them. You do not have a job for life.

10. Convincing and persuading is all important

1. You have no authority, no position, no established credibility. You have to work by convincing and persuading.
2. The fact that you were a Director in Britain counts against you in an environment where every second person is a Director. As for Under-Secretary!

11. Operating abroad (*See the Working Abroad module*)

1. You may have enormous depth of experience but you have no breadth of experience. You know only one system
2. There is a danger that you will pass on the mistakes of Britain. Remember BSE.

## **CAN ACADEMICS BE CONSULTANTS?**

### **1. OBJECTIVES OF A CONSULTANT**

1. Get paid
2. Get new job
3. Get recommendations
4. Job satisfaction

### **12. OBJECTIVES OF AN ACADEMIC**

1. Get published
2. Not be criticized
3. Be read
4. Be cited
5. Have work used

### **13. RESEARCH QUESTIONS AND CONSULTANTS**

1. The Terms of Reference is not the Research Question
2. What action should be taken?
3. What is the Client's objective?
4. So what?
5. Is it relevant?

### **14. APPROPRIATE THEORY FOR ACADEMICS**

1. The 'Village idiot hypothesis' dressed up so it is not too obviously wrong will do as a research question.
2. The theory need not be useful.
3. Publishable theory is needed, while a consultant may solve a problem with very simple, but appropriate theory.
4. 'Can I get a paper out of this?' is a key question.
5. Publish or perish puts tight reins on method, subject and style

15. APPROPRIATE THEORY FOR CONSULTANTS

1. Simplest that will answer question
2. Theory that will convince client
3. Intuitively understandable
4. No 6 decimal places
5. No welfare economics
6. The limits on assumptions that can be made, on simplifications that are acceptable and on data means that consultants often have to use a higher level of theory than academics.

16. APPROPRIATE ASSUMPTIONS FOR CONSULTANTS

1. Clients will reject your theory if it is based on unrealistic assumptions. You may get a beautiful model which is a good predictor from the assumption that beef grows on trees. You will also get fired.
2. You cannot assume away things that do not fit into your theory. Your clients know what is important.
3. You cannot oversimplify. Your clients will believe that you did not bother to find out the true complexity of the situation.
4. You cannot simplify for ease of calculation. They will think you are idle.
5. They are not stupid

17. APPROPRIATE DATA FOR CONSULTANCY

1. Clients know the meaning of data and its weaknesses.
2. If you use inappropriate data they will jump on you.
3. It is easy to make a mistake with technical terms confusing seed cotton and cotton seed for a 300% error, for instance.
4. Working without data.
5. Working with bad data.
6. The industry has access to good data, and is not impressed that you have picked up some of the data in the public domain.

18. APPROPRIATE DATA FOR ACADEMICS

1. Public data or obsolete data is ok, it is the theory that counts
2. If no data is available proceed with the analysis as though the good doesn't exist.
3. Use inappropriate data if necessary, with a caveat, it is your technique you are presenting.

19. CONSULTANTS HAVE TO PERSUADE CLIENTS

1. That you are competent
2. That you are unbiased
3. That you will do a good job
4. That you have done a good job
5. That you have come to the right conclusions
6. That you are in touch with reality
7. That you preserve their self esteem
8. That you are self evidently right

20. SOME ACADEMICS (NOT YOU)

1. Lecture civil servants and businesspeople as though they are inferiors.
2. Lack the humility to learn, 'What I don't know isn't knowledge'.
3. Think it is enough to show that they are 'Sound Chaps' in the academic sense.
4. Think it is enough to show that they are influential academics.
5. Think that clients will accept results purely because they are expressed in complex mathematical formulae.
6. Think that clients will accept results purely because a very high level of theory or an unusual theory is used.
7. Think that clients will be impressed by the fact that they have read widely.
8. Have spent too long lecturing to students who must believe them if they are to pass their exams.

21. COMMON SENSE

22. RIGOUR

1. Consultancy is totally rigorous under one or more epistemological positions: e.g. realistic assumptions, correct logic, testable predictions.
2. Much of academic economics is not.

23. TIME AND CONSULTANTS

1. Do the best job possible in the time available.
2. Be a very efficient user of time.
3. Avoid time hungry, data hungry techniques (e.g. econometrics)
4. If analysis is not leading to decisions, drop it.

24. TIME AND ACADEMICS

1. Get it right before you publish (before RAE)

25. CONSULTANTS

1. Write persuasive reports in plain English
2. Convince decision makers.

26. ACADEMICS

1. Write obscure academic papers
2. Bluff journal referees

27. CONSULTANTS

1. Apply theory to facts to get practical, realistic, models.

28. ACADEMICS

1. Abstracting from reality towards theory.
2. Have little practical experience.

29. CONSULTANTS LISTEN

30. ACADEMICS IMPART KNOWLEDGE



## **WHY YOU NEED CONSULTANCY SKILLS**

Most of today's professionals are going to be forced into consultancy at some stage in their life.

For some it is the only way they can see of getting the income they aspire to.

For most people today's job market means that you can expect to be made redundant two or three times in your career. Each time you may have to survive the period of unemployment with your consultancy earnings. Each time you will wonder if you should go back to a job or become a consultant.

By the time you are 50 there is no choice. Most of the people over fifty in Britain today are effectively unemployed. They have no realistic chance of getting a full time job again. For them consultancy is the only possibility of a decent standard of living for what should be the most productive part of their lives.

However, the fact that you are brilliant at your job does not mean that you will be even adequately competent as a consultant. You have to have consultancy skills as well. These are so important that many people with good consultancy skills make a good living even when they have no noticeable professional skills - which is not to say that they are good consultants.

The jobs are so different that you will find yourself totally deskilled when you start out in your new career.

Now, you are an achiever. You do things. Then, you will be a persuader, trying to persuade others to do things.

Now, you are a team player, a member of a tight organization. Then, you will be an individual trying to influence an organization from outside.

Now, you have strong networks within the firm and within the industry. Then, you will not be able to tap into networks from your old firm or your client's competitors. You may even work in a new industry where you have no networks.

## **Peter Bowbrick**

Now, you are an acknowledged expert in widgets. Then, you will be selling consultancy to anyone who will buy, schools, factories or garden centres. Any context dependent skills you have are wrong. You have to generalize, but recognize when generalization is wasted.

Now, you make full use of the management information system, market research and any information in the firm. Then, you will have limited access to confidential information and will have to negotiate before you are allowed to see anything else. You will have to learn new ways of getting information.

Now, you are working with old friends and colleagues, and you know how to deal with them. Then, you will be talking to people you have never met before and will never meet again, persuading them to talk to you, to give you information and to do as you say.

Now, you have a track record and have the credibility and authority that go with it. Then, you will be treated with suspicion by the staff of every new client - just another consultant.

Now, you give orders. Then, you will only be able to make suggestions through the right channels.

Now, you are working with the problem all your working life, month after month year after year. Then, you will have to learn all about it and solve it in a matter of days or weeks, then move on to another job.

Now, you have an office, a secretary, a computer, a management information system, a photocopier, and the support of a host of accountants, clerks, technical advisers, laboratory technicians etc. Then, you will borrow an empty desk in your client's offices, and write up your report in the back bedroom.

## **HOW CONSULTANCY TRAINING LETS YOU CASH IN ON YOUR EXPERIENCE**

### **Consultancy skills**

You will learn how to think like a consultant. This requires a completely different approach and mindset from working as an employee.

You will learn that it is possible, but not easy, to use your intelligence, your experience and your theoretical knowledge to produce first-class consultancy instead of producing first class products or services. You need consultancy skills to put them to work in the new environment.

You will learn about consultancy techniques. These are in addition to the techniques and theory of your profession. They make it possible to apply your professional knowledge to consultancy.

You will learn about different modes of consultancy, so you can adopt the one suited to yourself, your client, and the problem to be solved. Confusion about modes of consultancy is a major cause of conflict with clients.

You will have increased confidence in your ability to do good consultancy, so you will be more willing to go out and get consultancy jobs.

You will learn how more effective consultants can do the work the client wants, do it in a shorter time and do it without fuss. This means that you can charge a higher fee rate, and still charge the client a lower sum for the project as a whole.

### **Marketing**

You will have a better understanding of how to sell consultancy.

You will learn how to improve your hit rate, so less time is spent on selling, and more on paid work.

You will learn how to increase sales of consultancy to existing clients, and referrals from friends of existing clients, so you spend less time selling and more on paid work.

### **Fees**

If you can increase your fee rate by only  $\square$  100 per day, it will have a major impact on your income.

You will learn the strategy of setting fees: this is NOT dividing your hoped-for income by your expected working days and adjusting for costs.

You will learn how to specify your fee rates and charges so that you get paid the amount you expected. If you are not clear about these, you can end up being paid half the amount you thought you were going to get.

You will learn about the tricks that consultancy buyers use to cut the amount they pay you. For example we advised one organization on how to specify subsistence expenses for UNESCO with the result that they got \$4000 more on a one month contract. We advised someone who was doing consultancy for the EC, with the result that her effective fee rate rose by 40%.

You will learn how to tackle some common problems in negotiation. For example, you have costed a job out at  $\square$  20,000 but the client has a maximum budget of  $\square$  15,000. You cannot do a professional job with less resources, but you do not want to drop your fee rate. What do you do?

### **Running your company**

Surviving as a self-employed consultant is not simple. Successful business managers and academic managers have to change their approach if they are to survive. You are on your own, with no administrative back-up, no secretary, no finance department, no photocopier

or computer department.

## **ADVANCED COURSES**

More advanced courses are available, and special courses can be produced to meet special needs. Some courses are:

### **Preparing proposals**

Writing proposals that sell. What prospective clients are afraid of. How to meet their requirements.

### **Tapping the international market**

The international market for consultancy is big. It is also stable: there were plenty of international contracts throughout the boom and bust years of the British economy. Most international contracts are with organizations which employ a lot of consultants, and are very skilled in selecting competent performers. This means that you have to adopt a professional approach from the beginning.

Working abroad is far more difficult than working in Britain. There are problems with the language, the business culture, lack of communications, lack of offices, and lack of the normal office backup. You are on your own and you have to deliver.

There is a high failure rate when untrained people work abroad for the first time.

### **Working and living abroad**

New consultancy techniques have to be learnt if you are going to produce results when you are working abroad.

In addition you have to learn survival skills, how to stay alive, healthy and sane in very difficult situations. Different sets of problems arise with short term and long term consultancies.

### **Writing consultancy reports**

In many types of consultancy the main output is the consultancy report. This is what you are paid for, and this must justify your existence. Consultancy reports are not the same as internal reports or memoranda. They are not the same as research papers. They are not journalism. They have a different function and a different audience.

Bad consultants who can write good reports often do very well.

### **Interview techniques for consultants**

In a typical consultancy project one may interview Ministers, Managing Directors, middle management, traders, manual workers, farmers and consumers. All have different agendas and all have different attitudes to you, the consultants. In all consultancy work interviews provide essential information on the politics and micro politics of the project, which you must know to get your conclusions accepted. In a lot of consultancy work the interviews are the major input into your analysis.

Good interviewing is very difficult indeed. It is a skill that can be learnt.