

# 1

## The Consulting Landscape



### Highlights:

- Explore the independent consultant's niche in the world of business.
- Discover why management consulting is one of America's best careers.
- Consider typical consultant roles and profiles.
- Examine trends and growth drivers as well as reasons for consulting business failure.

### ❖ MANAGEMENT CONSULTING

To start with, let's take a 10,000-foot view of consulting and look at the overall landscape. It is important to know our niche in the world of business. According to the North American Industry Classification System (NAICS), which is consistent across the three North American

Free Trade Agreement partners—Canada, Mexico, and the United States—we belong to Sector #54, Professional, Scientific, and Technical Services. Our human capital is the main resource we use to sell our knowledge, skills, and expertise (Industry Canada, 2010). There are over three million firms offering these services in the United States alone (U.S. Census Bureau, 2006).

This industry has consistently grown over the past few decades, and according to the U.S. Bureau of Labor Statistics (2009a), it is projected to be the fastest growing industry between 2008 and 2018, with employment increasing 83%. Business and government have found that hiring consultants is beneficial, because the consultants are experienced and well trained, and they keep current with the latest technologies, regulations, and management and production techniques. They are also cost effective, because they can be hired temporarily, and they leave when the job is done. They are also free of the influence of internal politics and can perform their duties objectively.

About 40% of consulting firms focus on administrative or general management consulting. An additional third specialize in scientific, technical, or other management consulting. The rest offer a grab bag of services such as marketing, logistics, human resources, executive search, and environmental consulting (Bureau of Labor Statistics, 2009b).

Management consulting is serious big business. It is worth over \$100 billion worldwide with 118 distinct types of consulting providing services to nearly 100 different client-industries. (*US Industry Profile*, n.d.)

Consulting firms come in four sizes. The largest players are global in scope and have thousands of employees. Originally, eight big firms started in public accounting, auditing, and taxation and later developed consulting divisions. Due to various scandals and real or perceived conflicts of interest, they went through a dizzying series of changes, and only four remain (Independent Consulting Bootcamp, n.d.). These firms tend to be hierarchical in nature, and they rely on a few very effective marketers, or *rainmakers* as they are called, to generate sales. Their projects are often huge in scope and provide work for large numbers of analysts and managers. Because they have well-established methods and processes, relatively inexperienced consultants at lower levels of the firm can tackle complex problems in consistent ways (Bodegraven & Ackerman, 2009). Although large firms

with over 500 employees dominate the industry, they account for only 0.1% of the sector (Industry Canada, 2010b).

Firms in the second tier have 50 employees or more. They tend to specialize in such areas as strategy, operations, or human resources. About 40% of all consulting jobs are found in firms such as these (Bureau of Labor Statistics, 2009a).

The third group is composed of small to mid-sized firms that are generally built on narrow but deep functional experience. They often rely on trends in the marketplace for their bread and butter. Sometimes they use a franchise model or affiliate with other firms to broaden their geographic market.

At the far end of the spectrum we find the largest proportion of consulting firms—75% in all. These firms employ fewer than five workers. Known as *boutique* firms, they are often run by a sole practitioner and provide specialized services, focus on a specific industry or practice area, operate in a single geographic region, or serve a single client. When needed, they can gear up for a particular engagement by subcontracting with specialists. Many long-standing firms have excellent reputations. They are often led by former executives, consultants who have left larger firms, individuals who do specialty consulting on the side while continuing their full-time jobs, or university professors who consult in their particular disciplines. About 26% of management consultants are self-employed; this is three times the national average for all occupations (Bureau of Labor Statistics, 2009b).

We should not forget one additional group, the internal consultants who work within large corporations or government departments and who act in a consulting role within their organizations. For example, in the Canadian federal government, many departments have their own program evaluation shops, and the use of internal consultants is seen as a cost-effective way to address their ongoing research needs. These individuals may conduct evaluations themselves or, more typically, may manage teams of contracted evaluators. Their role as middlemen is a challenging one, but their particular value lies in their understanding of the organization's culture and requirements. While external expertise may have greater credibility, these internal experts are often essential to shepherd the research to a successful conclusion in these complex bureaucracies.

In 2009, management consulting was singled out as one of America's best careers because of its staying power (U.S. News Staff,

2009). It has an excellent outlook despite a recessionary economy, has a high pay range, and reportedly has high job satisfaction. Not surprisingly, job competition is keen, and those consultants who have the most education and experience have the best job prospects (Bureau of Labor Statistics, 2009a). In particular, those who have a graduate degree, specialized expertise, and a talent for salesmanship and public relations will have the most opportunities.

The same website identified program evaluator as one of the 11 best-kept-secret careers. In fact both program evaluation and applied research have a distinct advantage. While academic researchers tend to focus on a single discipline, applied researchers can move from one discipline or program area to another, addressing a range of research questions and using a variety of methods. As Scriven (1991) so wisely stated, evaluation is a trans-discipline. Thus our skills appeal to a broad range of clients.

#### ❖ TRAINING AND CERTIFICATION

There is a general lack of university-based training for management consultants, apart from a few subspecialties in some business schools. Many consultants already have graduate degrees, and many have a number of years of experience in management, human resources, or information technology. Others enter the field with a bachelor's degree, work as research assistants or research analysts, and work their way up from there (Bureau of Labor Statistics, 2009b).

Limited availability of formal training has resulted in reliance on either firm-based training, which is prevalent in the larger firms, or on professional development opportunities that are frequently offered by professional organizations.

There is no central licensing or registration for a management consultant as there is, say, for a registered nurse or a lawyer. A nurse cannot obtain work without a current registration; a lawyer must be an active, dues-paying member of the local bar association in order to practice law. The worst case scenario for these professionals is to be deregistered or disbarred. Unfortunately, there is no standard way to regulate consultants. Any individuals that offer advice in exchange for compensation can call themselves consultants. As one of my colleagues quipped recently, "All you need is ten bucks to get some business cards, and you too can hang out your shingle. Heck, you can even print your own cards!"

There are some alternatives to that dismal prospect, however. The most well-known consulting designation is that of certified management consultant (CMC) which is administered by national management consulting institutes that are members of a global association, The International Council of Management Consulting Institutes (ICMCI). There are affiliated organizations in both Canada and the United States: CMC-Canada and the Institute of Management Consultants USA, respectively. They certify those consultants who meet a minimum level of education, have a required amount of consulting experience, and pass required exams. In the United States, an interview is also required. Consultants must be recertified regularly and are required to complete a certain amount of professional development each year. These institutes provide a code of ethics and foster excellence and integrity in the management consulting profession. In the event of a serious breach or violation, some disciplinary action is possible, and a member's certification can be revoked. Unfortunately, only a small proportion of the management consulting population has this designation, but for those who do, it provides a competitive advantage.

There are also many discipline-related groups and professional organizations that provide practice guidelines and professional development activities. As a program evaluator, for example, I am an active member of both the Canadian Evaluation Society (CES) and the American Evaluation Association (AEA). In Canada, the CES recently initiated a professional designations program and now offers the credentialed evaluator (CE) designation to define, recognize, and promote the practice of ethical, high-quality, competent evaluation in Canada. Individuals who obtain the designation have provided evidence of their education and experience and have been judged to be competent by a panel of senior evaluators. In addition, through its maintenance and renewal requirements, the program promotes continuous learning. This innovative program is being watched closely by evaluation organizations around the world (Canadian Evaluation Society, 2010).

## ❖ THE CONSULTING ROLE

While the work of management consultants is as unique as their many clients and engagements, their overall role is straightforward. They study problems; collect, review, analyze, and synthesize information; and recommend solutions to managers based on their findings (Bureau

of Labor Statistics, 2009b). More specifically, the role of evaluation consultants can be described as follows (Barrington, 2005):

Consultants provide independent, objective information and advice to clients in a variety of organizational settings to assist them in achieving their objectives. In an evaluation context, consultants conduct research studies to assess program effectiveness and efficiency, collect and synthesize information, identify problems, and recommend solutions to improve organizational performance and implement change. Consultants provide their professional expertise on a temporary basis and have no authority to implement the changes they recommend. They have both academic and practical experience and have strong communication and instructional skills. In their independent capacity, it is critical that they model ethical business and research practice. (pp. 81–82)

Typically, consultants work with minimal supervision, and so they need to be self-motivated and disciplined, although the ability to work in teams is also becoming increasingly important. Other desirable qualities include analytical skills, the ability to get along with a wide range of people, strong oral and written communication skills, good judgment, time-management skills, and creativity.

#### ❖ TRENDS AND GROWTH DRIVERS

Economic and business trends continue to be volatile, but while the future is hard to predict, there are a number of industrywide trends that you should consider while charting your consulting career path. Employment may be driven by the overall health of the economy, but management consulting is a good option, regardless of whether organizations are expanding or downsizing, because outside expertise is flexible and cost effective.

Growth drivers for management consulting have been identified in the following areas (Bureau of Labor Statistics, 2009b):

- Globalization—a knowledge of international contexts, emerging markets, and various cultures and languages will be advantageous to take expertise abroad or to work at home with agencies that are expanding globally.

- Regulatory changes due to the recent credit and housing crises will result in the need to hire advisors for the recovery process and policy development.
- Improved efficiency and the desire to be more competitive will result in a desire to streamline operations and strategy in business as well as in the public sector.
- Continued volatility in the information technology and e-commerce sectors will provide consulting opportunities.
- “Green” technologies and environmental initiatives as well as issues associated with global warming and carbon reduction will continue to grow.

For applied researchers and program evaluators, there is even a broader context for our work. Some other growth drivers I see include the following:

- Demographics, particularly related to the aging population and immigration, will continue to have an impact on policy in housing, skill development, and job training. As noted demographer David Foot contends, demographics explains two thirds of everything (Footwork Consulting Inc., n.d.).
- The scope and influence of the social economy—including the traditional voluntary and nonprofit sector, grassroots and religious associations, social enterprises, and philanthropic foundations—will continue to expand. For example, in 2006, independent grant-making foundations in the United States had assets of \$509 billion. The Bill & Melinda Foundation is just one example of the global impact of philanthropy today.
- Health trends will continue to dominate our lives. Problems associated with weight and obesity, physical inactivity, dietary intake, substance abuse, chronic conditions, and aging will absorb more and more of our tax dollars. Research will be required to study both medical innovations and potential pandemics. Health policy, health care management, and health outcomes will require continued study.
- At home and abroad, social issues associated with poverty, famine, natural disasters, war, violence, and terrorism will continue to rock our world; emergency preparedness, management, and recovery will also benefit from effective research; and developing countries will increasingly rely on consultants for advice.

- Knowledge has become its own industry. Knowledge management and translation will become more challenging as social media continue to change the way we work. How can we share what we have learned and put our research findings to effective use?

It seems we will not be running out of work any time soon.

#### ❖ CONSULTANT PROFILES

Finally, let's take a closer look at management consultants. The 2002 U.S. Survey of Business Owners provided a profile of the owners of over three million firms. Two thirds were owned by men, and 93% of owners were white while 4.6% were Asian, 3.8% were Hispanic, 2.7% were black or African American, and 0.7% were American Indian or Alaska Native (U.S. Census Bureau, 2006). As a group, consultants are more mature than the overall average. In 2008, 50% of U.S. consultants were at least 45 years old; in all industries, 42% of individuals had reached this age (Bureau of Labor Statistics, 2009b).

Management consultants are concentrated in large urban centers, although I know a number of sole practitioners who work successfully from remote locations, and some never meet their clients in person. Still, travel is usually a requirement of the job, and work-life balance is often a concern. Stress levels are high and deadlines tight. Most consultants work more than 40 hours a week and are not compensated for overtime.

By now you are probably dying to ask about income. Salaries vary depending on years of experience, education, geographic location, specific expertise, and size of firm. Not surprisingly, consultants in large firms in metropolitan areas have the highest wages. The overall sector average salary in 2008 was \$81,670 (Bureau of Labor Statistics, 2009b). Those employed by a firm usually receive benefits such as health and life insurance, a retirement plan, vacation, and sick leave, and sometimes other benefits such as profit sharing and bonuses for outstanding work. Self-employed consultants have to provide their own benefits.

Thanks to a 2004 survey of members of the AEA's Topical Interest Group (TIG) on Independent Consulting, we have a profile



of evaluation consultants. Of the 713 individuals who belonged to the TIG at that time, 261 (37%) completed the survey (Jarosewich, Essenmacher, Lynch, Williams, & Doino-Ingersoll, 2006).

When compared to the broader management consulting sector, their demographics provide some interesting differences. Far more were women (71%), and somewhat fewer were white (81%), while 7% were black or African American and 5% were Hispanic or Latino. Nearly two thirds were between the ages of 40 and 59, although there was a wide range of ages, from under 30 to over 70. They were well trained, as 55% had doctoral degrees, and 41% had master's degrees. Their main areas of study were education, psychology, and evaluation, although other, less well represented, disciplines included sociology, statistics, anthropology, economics, public health, and public administration.

Almost half were self-employed and worked full time; nearly all the rest worked part time. A few worked for consulting firms or were faculty members. Their experience as self-employed consultants was 8.2 years on average and ranged from 1 to 27 years, and only one third had prior consulting experience. More than three quarters of them worked from home.

For those who were self-employed and operated their businesses for a full year during 2003, the median gross business revenue was \$120,000, and their median 2003 personal income was \$75,000 (in 2003 U.S. dollars). Jarosewich and her colleagues concluded that the consultants with the largest personal incomes tended to have larger business revenues, more billable hours, and fewer employees.

#### ❖ A WORD OF CAUTION

While some of this information is encouraging indeed, a word of caution is needed here. Many management consultants are self-employed because business start-up and overhead costs are low in this field, but many also fail each year due to a lack of managerial expertise or an insufficient number of clients (Bureau of Labor Statistics, 2009b). To succeed, you need to have excellent organizational skills, great marketing skills, and a high degree of motivation. Those in the United States must also be able to cover their health care benefits.

The challenges facing start-up consultants often remind me of Mickey Mouse swinging precariously on a vine over a group of hungry, grinning alligators, but remember, he made it to the other side of the swamp, and so can you. Potential threats are best kept at bay by vigilance, agility, and knowledge, and that's what this book is about. Let me guide you to firm ground with the skills and tools you need for your journey to independence.

❖ USEFUL RESOURCES

- Explore NAICS Sector 54 on *Management, Scientific, and Technical Consulting Services*, including the nature of the industry, working conditions, employment, occupations in the industry, training and advancement, outlook, and earnings:

In the United States: <http://www.bls.gov/oco/cg/cgs037.htm>

In Canada: <http://www.ic.gc.ca/cis-sic/cis-sic.nsf/IDE/cis-sic54defe.html>

- Find out more about the Certified Management Consulting designation:

In the United States: <http://www.imcusa.org>

In Canada: <http://www.cmc-canada.ca>

International: <http://www.icmci.org/home>

❖ DISCUSSION QUESTIONS AND ACTIVITIES

1. Do you think that applied researchers and program evaluators fit in the NAICS Sector #54, Professional, Scientific, and Technical Services? How are they similar to and different from other management consultants?
2. Compare your demographic profile to the owner profile summarized from the 2002 U.S. Survey of Business Owners and to the profile of the independent program evaluators who

completed the 2004 AEA survey. What similarities and differences did you find?

3. The chapter describes some growth drivers that will fuel the need for applied research and evaluation in the future. Which of these drivers are still influential? Are there additional drivers not mentioned in the text? How can you prepare your skills for consulting work in these domains?

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