

Managing And Motivating Consulting Staff - Stick Or Carrot?

You're running the Country Division of a large multi-national business consultancy company. Your only service is a consultant's time and expertise. These consultants have a business cost - their regular monthly salary. The income they generate is variable and depends on how much time they are billing versus being "on the bench".

But management consultancy is a business like any other. Shareholders demand strong profitability. Management must listen and respond.

Consultants just want to be busy working with clients. Yet they quickly understand that being "on the bench" for too long is not something that they or the business can tolerate. The business has to make sustained profit or else everyone suffers.

Yet today many organisations self-destruct because they have not found the key to managing this conundrum. Management must listen to the demands of shareholders for increased profit. Consultants feel pressurised when management sets what they see as impossible financial and utilisation targets.

This scenario is very familiar to those who have worked in the consulting industry. Solving it to everyone's satisfaction should be the number one priority of the Chief Executive. Leaving it unaddressed carries inevitable consequences. Consultants keep their head down and grumble to each other over their Friday drinks. Stress builds up. Management becomes distant and takes the view that their consultants don't understand hard commercial realities. Rapid polarisation of viewpoints occurs. Consultants leave, short-term revenues are impacted. News leaks out that the company is struggling. Clients wonder if they should stay with this organisation.

So what operational approaches should management adopt to keep its staff and build profitability?

Both groups need to learn some hard truths if this situation is to be dealt with effectively. Let's look at the management perspective first. The old adage that "if you look after the staff, the numbers will look after themselves" does carry a ring of authenticity. Consultancy is, first and foremost a people business. When your only asset is happy and well motivated staff, a ruthless and single-minded focus on the the bottom line, while being understandable from a shareholder perspective, is too narrow a view. Management needs to show that they understand and will use much more varied and comprehensive measures of employee contribution than simple revenue figures. The highest billing consultant today may not also be the one that is great at spotting new talent or building effective teams. And if you only expect someone with a specific title to do that job, then maybe you are missing a trick. Finding ways to link financial and non-financial measures so as to reward real employee contribution is one of the difficult management challenges in business consultancy.

But consultants also need to learn some of the tough realities of commercial life. How many consultants take the time to understand how financial management operates in consultancy? For example, management of cash flow is crucial in a business where today's billing revenue pays tomorrow's salaries. Becoming acutely aware of what it takes for a management consultancy business to prosper ought to be on the learning plan of every young, aspirant consultant.

The only sensible solution then is for both management and consultancy staff to tackle this problem together. It's essentially a problem of lack of communication. Unless such a middle ground is found, despite being a hugely attractive and intellectually challenging business, management consultancy will continue to be one fraught with consultant stress and management burnout.

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