



## Insights from The Clarion Institute

# Integrity and The Client – Consultant Relationship

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### The Top Line

With an agenda to sell more business, can a consultant really serve a client's best interests? Do sales objectives create an ethical dilemma for a consulting industry sometimes known to recommend deliverables based on what the consultant has to sell and what the client can afford to pay? If consulting is indeed an ethical profession, then consultants must focus on providing help suited to the client's particular needs, not on generating the next sale.

### An Ethical Dilemma?

In our work supporting advisors and consultants to executives for over a decade, The Clarion Institute has become concerned about the role that business development and sales play in client work and its impact on the integrity of our industry. Those at the top of the consulting food chain earn enormous salaries based on sales. An already hefty salary base can double with sizable sales bonuses. Their senior position in the firm is awarded due to their ability to land large projects such as global systems conversions. To that end, they may write off the cost of initial client strategy work wagering that they will get the more lucrative follow-on systems integration.

But can a person be in service to another with a secondary agenda to sell more work? Do sales objectives create an ethical dilemma?

Do they in any way adversely impact one's own promise to do what's best for the client? Can a client trust the consultant who is trying to sell more business?

These questions really lie at the heart of our profession's integrity. Most professions make their paramount concern the interests of their clients. Lawyers and doctors take an oath to serve others. True, business realities force legal and medical practices to walk a fine line between service to others and continued economic viability. Stories abound with practices that seemingly crossed that line, leaving the interests of those they serve in second place. On the other hand, tales of professionals who never lost sight of client needs and who put their interests first also exist.

In the consulting industry, the client hears the consultant refrain, "We're ready to go on this project as soon as you sign off." It is unusual for the consultant to first test the client's commitment before doing the work by identifying issues that the client must address in order for the project to succeed. While such candor could indeed contribute to ultimate project success, it also could cause the consultant to lose the work if the client simply wants validation of his pre-determined course of action or a hand-off to the consultant for a "fix-it."

Furthermore, there is a danger that work may be sized by what the client can pay rather than by what the client needs. Even though a consultant can produce good deliv-

erables, they may not be the right deliverables for the client. For instance, the client may pay for three consultants on company premises full-time for a week in order to conduct a thorough needs assessment, to "get into the client's skin." Yet, the client may have gotten 80% of the same information from two intense work sessions, a less costly route and a better economic benefit.

Consultants sometimes are driven by the *system* they have to sell. They focus their analysis on how well the system might work, not on its practicality for the client. Especially in the case of large systems integration work that can bring in tens of millions of dollars, a consultant must consider the serious consequences of selling only what the client needs instead of the full methodology even when the latter doesn't make economic sense for the client. It is not surprising that a consultant would hesitate to jeopardize both the firm's revenue stream and also his own career goals by not making the big sale. Because of sales incentives, consultants can face a clear conflict of interests that strain professional ethics.

Rarely does one hear senior consultants talk about delivery or the joy of working with the client. Involved at the beginning of project work, the senior partner who made the sale typically spends decreasing time in managing the existing account and moves on to the next sale. Less focus on relationship management at the senior level can create a question of who "owns" the deliverables. While junior consultants may gain valuable experience from client projects, they take on a surprising level of responsibility for managing people and getting quality results, responsibility usually associated with a more senior level.

## Business As Usual

Like all commercial enterprises, a consulting firm's continued viability depends upon its success in generating revenues and minimizing costs in order to turn a profit. Typically, consulting firms have their own growth

and revenue as a significant part of their agenda.

It is common practice to compensate employees in consulting businesses for sales – both the first sale that occurs with a new prospect and any second sales that may occur as follow-on work beyond the original contract. Likewise, employees' ascent up the company hierarchy depends in part on their success in sales.

Just like other businesses, consulting firms seek to minimize costs. For instance, many consulting firms use a leveraged business model where more experienced and senior level people sell and manage work later serviced by junior employees. The partner focuses on growing the business while the leveraged use of associates reduces internal operating costs. Junior associates know that attaining the desirable position of partner ultimately requires demonstrated success in initial and second sales. For every ten beginning consultants hired, few will be retained long-term. Those fortunate few on the track to partner status may feel pressure from conflicting demands. For instance, how can they take the time to grow the business and simultaneously mentor internal associates?

In addition, some consulting firms develop standardized products or methodologies in an attempt to meet client needs and, at the same time, carve out a market niche. Their standardized approach has the added benefit of minimizing costly customization and not reinventing the wheel for each new client. Such consulting companies usually deal with large, complex projects that generate long-term involvement and sizeable fees. Clients buy expert knowledge translated into standard methodologies with clearly defined deliverables, a detailed project plan, and consultants to do the work for them.

In contrast, some consulting firms prefer to do the work with, not for, the client. These firms typically have fewer standard products. Instead, they offer a process whereby client and consultant mutually discover issues and together create solutions that typically use both client and consulting company employ-

ees in the delivery of that solution. While offering some standard products, such firms inject more customization into their client work. Rather than emphasizing standard methodologies, they assess needs and design interventions specific to a particular client. However, even these firms recognize the financial benefit of at least some standardized products and processes.

So, where's the rub? So far, it sounds as if consulting firms are employing typical, widely accepted business practices. What complicates the issue is the nature of the relationship formed between consultants and their clients.

### Relationships Based on Trust

When seeking outside help from a consultant, prospective clients often feel a degree of vulnerability, not only for themselves but also for their business. They usually have experienced many anxious moments that led them to conclude, "I have a problem." It's an especially sobering moment when they conclude that "it's a problem I can't fix on my own."

For some, the use of a consultant takes on less personal overtones such as when the company opts for new technology or a new business approach. In these circumstances, seeking consulting help is no reflection on the individual. Nonetheless, the client often is playing catch-up with consultant's savvy in areas new to the client. Dependent on the consultant's experience and knowledge, the client plays neophyte to the consultant's role as expert. Once the consultants leave, the client will have to tend to an organization inconvenienced by changes and employees fearful of how the changes will impact them. Once again, a degree of vulnerability exists for the client.

The above scenarios all assume a client in need of help and a consultant with the skills and willingness to help. Based on this implicit promise to help, clients trust that consultants have their best interests at heart

and that they undertake work for the client's ultimate benefit.

### A Consultant Code of Conduct

There are a number of consulting associations and businesses that have crafted codes of conduct for consultants. While these codes vary somewhat in specifics, they uniformly surface some of the same ethical concerns. From code to code, one is likely to see reference to the following themes:

- 1 Specifying the consulting work to be performed
- 2 Having the skills to perform this work
- 3 Keeping client information confidential
- 4 Working in the best interest of the client
- 5 Not taking personal advantage of the client

Clearly, concerns about the sale of products/services and potential future contracts with a client fall squarely in the middle of the last two themes.

In a variant of the popular refrain, "If you build it, they will come," The Clarion Institute believes in a seemingly simplistic business formula: "If you do good work, more will come." If consulting is indeed a profession, then consultants must focus on providing help that is really needed, not on generating the next sale or on implementing standardized methodologies in excess of specific client needs. One might have reason to question why a consulting firm lacks sufficient referrals, thereby putting them in a position that they have to sell. If consultants make their first priority truly serving their clients and doing good work, they will deserve the trust bestowed on them by their clients, and their good reputation will reward them with the *right* follow-on work and additional referrals.

What do we mean by *the trust bestowed on them*? We mean that clients will acquire a business partner and confidante focused on

client needs and concerned about doing the work in ways that carry the organization's own fingerprints. Clients will be able to manage the relationship and *be in* the relationship at the same time in part because they won't have to worry about being solicited for additional work that they haven't requested or do not need. They won't have to fear undue dependence on external consultants who do not sufficiently educate internal employees to carry out or maintain the change. They won't have to deal with consultants who don't know when it's time to exit the company. In short, clients won't be asking themselves, "Just what did we get out of spending all of this money?"

What do we mean by the *right* follow-on work? We mean that the consultant plays a role in educating the client with information, perspective, experience, and insight and in helping them make informed choices and avoid troublesome situations in the future. The consultant should think about needs first and then match those needs to sales. The right follow-on work helps to build internal capability that ultimately reduces the client's need for the consultant who, in turn, can make a timely exit from the company.

No professional code of conduct would permit creating additional work that the client may not truly need, taking an approach or product off the shelf that may not be most appropriate for a particular client, selling work primarily to beat a competitor to a sale, or capitalizing on a time when a client or organization can feel vulnerable. Ultimately, if consulting is a true profession, then consultants must follow a code of conduct that places the needs of the client first.

### The Bottom Line

Along the lines of the chicken or the egg quandary, consultants need to decide which comes first for them: serving customer needs or generating sales? Which is the better business approach, a focus on doing good work that adds value for the client or a focus on internally established sales objectives? Which approach will assure a future flow of client work and address concerns about the firm's bottom line? In this case, the *bottom line* refers not only to the financial success of the consulting business but also to the integrity of the consulting profession.

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