

## Why go to a consulting firm when you can hire a freelance consultant?



Even the biggest organisations will hire independent consultants from time to time, so what matters in the firm versus freelancer debate?

To answer this question, **Fiona Czerniawska**, co-founder of Source, asked **Phil Walker**, former chief operations officer of Capgemini in the UK and now the European managing director of Thunderhead, a customer communications technology specialist, and **Richard Stewart**, chief executive of recruitment and interim management specialist, Mindbench.

“There have always been advisors – the wise man or woman who had a special set of skills. In classical literature they were soothsayers or oracles,” says Phil Walker. “In modern times no organisations can know everything and they, too, rely on external expertise.” But the village wise man or woman was a loner, often living apart from the rest of their community; corporate wisdom is largely dispensed by consulting organisations. “Wisdom was industrialised after the Second World War,” Walker argues. “Consulting firms built up the ability to gather and re-use their collective knowledge. Wisdom became science.”

Yet clients still tend to see consulting in personal terms: “Clients buy people,” counters Richard Stewart. “They think in terms of individuals, first because they’re typically looking for specialist skills and, second, because it is often easier to make individuals accountable for results than

organisations.” Indeed, research indicates that clients tend to be very positive about the individuals they work with and direct their negative comments at the “firm”: “So-and-so was great, but he got pulled off onto another project,” for example. On top of this, independent consultants, or consultants who work as part of a loose network, are almost always cheaper than consultants who work for established firms. Consultant good: consulting firm bad.

That creates a significant and perhaps growing challenge for consulting firms: how can they counteract this perception? What is it that a firm does that justifies the higher fee rates? Can independent consultants match this added value while keeping their rates down?

“We need to be very careful talking about a model of business and resourcing,” cautions Walker. “Clients certainly do sometimes want a particular person to work on a given project. But what the firm brings is the protection of its brand, high-quality consulting and an ability to marshal resources across the world, irrespective of where the work is being done. Larger firms will be very precise about the skills they need and create a sense of connectivity; they’ll look for consistency on a global basis.”

Most independent consultants do not have brands, the main exceptions being the well-known management thinkers who acquire the status of gurus, but it is questionable how much conventional consulting they do. Able to command astronomical fees, they are not people you would invite in to do several weeks work.

Quality is clearly a concern. However good the skills of an individual are when they become a freelance consultant, whether they are leaving a consulting firm or a line-management role in industry, they

may become ossified over time because the consultant works in isolation and therefore has less opportunity to bounce ideas off others. Moreover, in the absence of formal qualifications for consultants, you could argue the “firm” is still the primary arbiter of quality. When a client hires a freelance consultant, the decision about whether the person can provide services of a sufficient quality is the client’s responsibility; where they are hiring one or more people from a consulting firm, the onus falls on the firm. So can networks of consultants fill the breach, overseeing quality in the way a firm can? “Our brand is just as much at stake as that of a traditional consulting firm,” says Stewart. “We are still vouching for the quality of service we provide and, because many of the people we use have previously worked for well-known consulting firms, they have the quality you’d expect from those firms. Moreover, because we’re not just putting individuals into projects but often small teams, we give them a chance to keep their skills up-to-date.”

An alternative view would be to say that clients are responsible for vetting the quality of the consultants they hire, that they effectively have to carry out due diligence at an individual level. But the effectiveness with which they can do this depends on how informed and intelligent they are as buyers. Clients who know next to nothing about the area where they are looking for consulting input run the risk of not being able to distinguish between genuine experts and charlatans. Those who have not worked with consultants much before may be unable to gauge the latter’s softer skills. Quality is not something you can distil down into a checklist. Indeed, clients sometimes complain that consulting firms focus on a very narrow definition of skills: “You want an X,” they say to a client. “We can provide an X.” By categorising people so precisely –

something a large-scale firm has to do in order to allocate its resources sensibly and profitably – they may take a one-dimensional approach. By contrast, clients may see independent consultants, perhaps because they often take on interim management roles, as more rounded people. As one virtual consulting firm has put it, they get the “whole” consultant.

Of course, clients do not just hire consultants because of their specialist or interpersonal skills, but because they provide a pool of short-term labour that creates organisational flexibility. Projects become possible without having to wait for full-time employees to be recruited; specific expertise can be brought in only for the short periods when they are needed. Clearly, both individual consultants and consulting firms provide such flexibility, but it is harder to create a coherent team from a group of individual consultants, argues Walker. “The looseness of resourcing that a virtual firm enjoys enables it to match supply and demand better than a traditional firm, but it can become a hindrance when you’re trying to staff a large-scale project,” he says. “A freelance consultant has the liberty to be able to turn down an assignment, so it’s harder work to create a team in the first place. Then, when you’ve brought people together, there’s no guarantee that they’ll be able work effectively with each other.”

Stewart agrees that this is something that independent consultants struggle to do by themselves, and the onus in this case would fall on the client to meld the team into a whole. “A virtual firm, which uses a network of known associate consultants rather than conventional employees, is still in a position to guarantee delivery, just as much as a traditional firm,” he says. “However, for the very largest projects, a

big firm, which has the necessary resources, infrastructure and consistent working practices, is a necessity.”

The strength of the consulting firm therefore lies in brand and scale, whereas independent consultants win on price. Both models are able to provide high-quality skills and small-scale teams. The opportunity – for both clients and consultants – may lie in combining the two models.

“The freelance model can fit alongside the traditional consulting team,” says Stewart, “providing specialist input from experts who are not needed for the entire duration of the project.” “Big consulting firms such as Capgemini already use associates in certain areas,” agrees Walker. “This allows us to tap into people who have profound expertise in very specific areas but who do not, for whatever reason, want to belong to a firm. We benefit both from being able to access their knowledge and from only bringing them in when we need them.”

The problem consulting firms face is that there has been an inexorable shift over the last 20 years in favour of ever more specialised skills. But the more specialised a consultant, the less flexible he or she is, meaning that the firm which employs them may find them difficult to deploy on other projects. In the past, fees were high enough that this did not really matter: consulting firms could afford to have lower levels of utilisation. But margins in today’s consulting industry are under pressure as never before so employing specialists who may only be used on a couple of projects a year is no longer economically viable. In this context, being able to access a supplementary pool of labour can allow a consulting firm to provide clients with the specialist skills they are looking for without compromising profitability.

“We’re increasingly seeing firms use a two-tier approach,” says Stewart, “using their core consulting resources for most of their work, but bringing in freelance consultants from time to time. It gives larger firms access to specialists, and small and medium-sized ones a valuable way to help their business grow, especially at a time when demand from clients is so unpredictable.”

*This is a summary of a debate between Fiona Czerniawska, co-founder of sourceforconsulting.com, Phil Walker ([pwalker@thunderhead.com](mailto:pwalker@thunderhead.com)), managing director, EMEA, Thunderhead, and Richard Stewart ([richard@mindbench.co.uk](mailto:richard@mindbench.co.uk)), chief executive of Mindbench, which took place on the 13<sup>th</sup> October 2009, at the Charlotte Street Hotel, London. It was the first in a series of debates, organised by Source and addressing topical issues in the consulting industry.*



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