Consultant Pros and Cons

by Charles Wendel

For each tale of consultant overreach and self-focus a counter story exists of bank client ineffectiveness and poor execution. Consultants can provide great value, but the circumstances need to be right for them to be effective.

Bad consultant story 1: Years ago a consulting colleague recounted a story in which the chairman of a top ten bank said to him about his consulting firm, "You guys do great work. But getting you to leave is like trying to get gum off the bottom of your shoe." In other words the consultant works all possible angles to try to keep billing.

Bad consultant story 2: At the beginning of my consulting career, working for a major name firm, a partner told me the following story: A senior consultant returns from vacation. Two junior consultants are waiting outside his door to meet and update him on their clients. The first consultant enters and says that over the past few weeks he and his team had solved his client's problem. The client had bought into the recommendations he provided and had begun to implement them. The assignment was over and a success. Then, the second consultant enters. Basically, he tells the senior consultant that in recent weeks his client's problem had become more complicated. He had to add staff to the assignment and lengthen it by several months.

The partner made clear to me that the second consultant was on the right path to success in consulting, even though the first one has provided great customer satisfaction.

Bad consultant story 3: At this same internationally renowned firm, we had an assignment related to payment issues and the transition away from checks to other payment methods. The partner gathered the team of eager MBAs into his office and began the analytic process by asking, "How many checks do you write each month?" From this non-representative sample, he built a model of checking volumes and trends that he then presented in industry forums and to clients despite its lack of rigor.

But, it is not just the consultant who mismanages the consulting relationship.

Bad client story 1: We completed a project in which we gave our client very specific recommendations concerning steps they needed to take and even personnel changes that were critical to the bank's success. Three years later we were brought back in because management still had not acted on most of the recommendations, even though they agreed with them. The client had wasted a lot of time and money.

Bad client story 2: A client signed on for a data analytics project in which we provided detailed and valuable information about both current clients and prospects. However, the organizational structure did not change, although it needed to; underperforming staff stayed in place, although changes were necessary; and compensation was not altered to encourage more effective actions. The analytics were first-rate, but the changes required to take advantage of them never occurred because the bank's structure and approach were misaligned with execution requirements.

Bad client story number 3: The head of one small business group at a major bank is now following a game plan provided by a top consulting firm hired by his chairman. The banker does not agree with many of the recommendations and his colleagues snipe at them in private, but they carry the stamp of the big consulting firm and doing what that firm suggests is more politically safe than pushing back. The consulting firm with its chairman connections could harm his career. Expediency wins out over what is best for the bank.

Co-dependent: bad consultant and client story. When I was at a large firm we were working for a top five bank on a retail banking issue. As the study began, we learned that two other bank units beyond the one we were working for had hired separate consulting firms to look at the issues from their perspectives. The self-interested bankers and consultants were all failing to put the bank's interest first. Lots of billing dollars resulted but little positive impact occurred.

With tales like these, why bother to hire consultants at all? Having been a consultant for over 20 years, obviously I am going to argue for their value, but only in certain circumstances. Consultants and their clients succeed when the project's focus is clear, its end deliverables are transparent and detailed, and the bank's management shows a commitment to change. Frankly, unlike during my early work years, I actively avoid potential clients whom I come to believe simply do not have the capabilities, the culture, or the courage to act on recommendations. Life is too short for wasted efforts.

Ironically, it is often the best managed banks that leverage the independence and insights that a strong consultant or consulting firm brings. Those that may need consultants most are least able to use them. Mediocre and poorly performing banks need outside help but lack the self confidence and management depth to know how to use it; oftentimes, these banks are too intimidated and/or defensive to welcome a more provocative perspective.

Today, three specific areas are particularly appropriate for banks to reach out to consultants.

> *Strategic reviews*. Hardly a new area but one in which management needs more help than ever in assessing how to manage through changes in competitors, generational shifts, channel development, branch issues, and many other dynamic factors. Banks also need to have a flexible approach that

allows them to “pivot” in light of market circumstances. Recently, I received a call from a bank that wanted to develop a strategy for the next five years, exactly the wrong approach in a world in which those years will bring multiple surprises. An outsider can help banks to identify the key issues that need to be addressed and redesign the organization to make it more flexible to changing circumstances.

Alternative finance. Many banks now recognize that alternative finance is here to stay, and they are trying to determine how to work with these companies in a cooperative rather than competitive way. But, the alternative finance industry continues to develop with new approaches and new players entering regularly. Bank management needs a guide who can help highlight the options available to them as well as assess the strengths of various players. Questions include:

- Should banks work with a direct or marketplace lender?
- Which alternative lenders have the best compliance infrastructure?
- Which lenders offer a turnkey approach for banks?
- What is the reputation of the various players?
- What new approaches or changes are emerging that banks should be aware of?

An outsider with specialized knowledge who focuses on this area brings great value. Banks should be reviewing their multiple options. Given the amount of activity in this space, many banks do not even know what they do not know, likely missing out on he best approach for their bank.

Information technology. Managing IT and building a responsive technology organization has continued to grow in importance throughout my consulting career. Many banks are overly dependent on the big technology vendors who sometimes limit the options and choices available to the banks. Top management often yields control over this critical area to internal IT specialists. But, increasingly, the best banks understand that the business heads and IT need to work together as seamlessly as possible. Banks need third-party help to structure and execute on this concept and determine how best to work with the multiple IT vendors required to ensure flexibility.

Before the downturn, many banks were overusing consultants. When the downturn hit, some consultants were on the endangered species list as banks cut costs. While skepticism may still be appropriate, the value provided by an independent voice, one with demonstrated expertise, access to industry best practices, and an intense focus can give management increased leverage and help to shift the bank to a more profitable and sustainable path. As with other partners, banks need to ensure they operate with skills related to client selection and management.