

The Rationale for Using Consultants

by Charles B. Wendel

Last week I commented on an *Economist* column written by a soon to be retiring senior consultant [in which](#) the writer, somewhat tongue in cheek, warned a new corporate executive about the care and feeding of the consultants who would soon come calling.

Post a career in commercial banking and workouts (not for loans I made), the decades I've spent as a consultant point to the value consultants can provide...sometimes. The successful use of consultants requires both that the consultant offers the right skill set and that the client exploits what the consultant offers, "exploit" being used in the best sense of that word.

Why bring in a consultant? We wrote about some of the wrong reasons last time, including wanting a big-name consultant to put its stamp of approval on a bad/mediocre management-generated idea (e.g., CNN's streaming offer) or having someone to blame for cost reduction or similarly unpopular initiatives (a cowardly stance).

Some of the right reasons, some of which may overlap, include:

Need for outside expertise. The IT area has experienced a boom in the use of consultants due to the knowledge specialized firms bring and their access to talent that many banks cannot attract or retain. In FIC's case, the expertise is subject area related whether tied to SME banking, wealth management, or other areas. Consultants should allow clients to access knowledge they don't have or don't have enough of.

Desire to speed up bank decision-making. The bank bureaucracy slows down more decisions than is desirable. If anything, the bureaucracy has strengthened in recent years with an increased focus on fraud, privacy, KYC plus other risk management initiatives. Sometimes this results in consultant projects needing to be extended as they try to overcome internal political hurdles to change, as internal forces erect barriers to action.

Focus and drive. During most of our onsite projects, the consultants are the last ones to leave at night. That's because they should be following an aggressive work plan that management is reviewing and holding them to. Bluntly, I think every project we've worked on that had to be extended resulted from timing issues on the client side.

I well remember meeting with a client middle manager in whose office I was sitting to track down some key data. This information was for a meeting with the CEO the next day. Shortly after 4PM, the manager reached over to his briefcase and began to pack up for the day. I asked him if he was leaving, and he told me he was taking his child to a Raffi concert that night. I was single then, as are many consultants, and leaving work early for a kid's concert simply did not compute.

By the way, later I recounted that story to the CEO and mentioned that I felt like hitting the Raffi-leaver because of my frustration and Type A personality. When I went on to tell the CEO that I would never do such a thing because the manager was the client, the CEO looked up, smiled, and said "I'm the client." Since that meeting with the middle manager, I've had kids and

belatedly understand his perspective. That's yet another reason to work with more mature consultants.

Independence. Clients always say they want an independent perspective, but sometimes they are kidding themselves. One FIC project had us working on a possible acquisition, a transaction the top exec wanted to complete for many reasons. We and some on his team advised against the deal, and the company passed on it. Despite what I believe was viewed as good work, we were not invited to look at the next deal, a deal that was done and harmed the company's future.

Consultants can only offer independence; clients need to embrace it.

The best clients, those that get the most juice from a consultant, are closely involved in monitoring and, as appropriate, redirecting a project, and spend money on consultants as if it was their own and not corporate money.

FIC works with senior management and Boards on issues that are critical to a bank's sustainability and growth. We emphasize practical solutions that we customize to a company's capabilities and culture. Reach FIC at cwendel@ficinc.com.