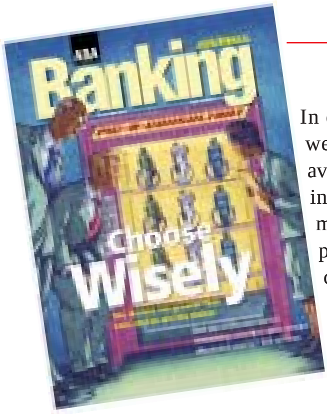

In our December 2004 issue you were introduced to the choices available, and what is at stake, in the consulting arena. This month we continue with a primer for maximizing your consulting dollars and time.

17 ways to a better consulting experience

From shepherds to sages to PowerPoint pundits, there are thousands of consultants who want a piece of your consulting dollar. How do you spend it wisely?

You know the old line about consultants: A consultant is someone who comes from far away to tell you what you already know, then charges you through the nose.

Like any good send-up, there's a grain of truth in it.

"There's always been skepticism about consultants and their value," says Mary Beth Sullivan, partner at Capital Performance Group, a Washington, D.C.-based consultancy. She has been on both sides of the invoice. She spent seven years at a large New York bank prior to a decade in bank consulting and says her opinion of whether consultants were worth what they charged was decidedly mixed: "I was very impressed with some consultants and not at all impressed with others. But if you get a good consultant, they can be invaluable."

Nowadays, as the first part of this series recounted in the December *ABA Banking Journal*, the word "consulting" covers a tremendous patch of ground. As the lines between consulting and legal advice, installation of new systems or equipment, and actual performance of tasks have all blurred, it is critical that management, at whatever level the engagement has been made, be clear on why the consulting firm is on the premises.

By all accounts, bankers have grown more exacting about consulting, in terms of the goals they set and the end products they expect.

In this conclusion to the report, we categorize the numerous suggestions received from bankers and consultants themselves about how to get the most out of your consulting assignment.

Before You Select Your Firm, and Before You Sign Anything

Remember that the end is the beginning.

This may sound like doubletalk, but consultants say the best way to ensure that your bank obtains what it needs from a consulting arrangement is to be clear at the start what it *wants* to obtain.

This breaks down into several distinct points.

By Steve Cocheo, executive editor

1 *Be sure it's really a consultant that you need.*

How much of what the consultant is doing for you is "consulting" and how much amounts to delivery of products and services? How much of what your consultant is providing is really being done in accord with the unique needs and circumstances of your organization and how much is boilerplate?

"A lot of technology consulting today is really installation of enterprise-wide stuff that's been done over and over again," says James McCormick, president of First Manhattan Consulting Group, which tends to concentrate on classical analysis-and-report consulting. McCormick says it's important to be clear when your bank is going to get tailor-made advice and when it is essentially renting talented bodies to do what another bank might tap its own staff for—outsourcing, in effect.

In its brochure, *How to Hire a Management Consultant And Get the Results You Expect*, the Institute of Management Consultants USA, Inc., gives three key questions to ask in determining if a company needs a management consultant:

• "Our organization/I could be more successful if…"

• "Over the past 12 months, what has it cost to do nothing about this situation?"

• "Do we have the internal resources to face this situation?"

(You can download the entire guide at www.imcusa.org/manual.)

2 *Know why you've really engaged the consultant.*

This step may sound like Step 1, but it's actually quite different, and it brings up a schism among consultants themselves as to why they are brought in the first place.

"One way you can use a consultant is to help you do the hard things," says Jo Ann Barefoot, who has worked both on her own and as part of a very large consulting/accounting firm, and is a contributing editor to *ABA BJ*. "You can have the consultant be 'the bad guy'."

"If you just need a porter"—someone to do the work to get your bank from point A to point B—"then you should get someone on your staff to do that," says Margaret Kane of Kane Bank Services. "A shepherd injects more understanding."

While Barefoot and Kane make a strong case for this strategy, Mary Beth Sullivan makes an equally strong case for not looking to consultants to do management's job—or dirty work.

"Don't hire a consulting firm because you need somebody to make your bank do something," says Sullivan. "It's a mistake to think you can hire a consultant to make something happen you haven't been able to make happen yourself."

3 *Make sure you're going with the right kind of firm.*

Larger firms increasingly promote a whole menu of abilities beyond their traditional strategic planning expertise. But it may be that such a generalist firm doesn't have sufficient depth in a specific problem area to help you, and that a more specialized firm will be able to deliver a more appropriate product in the end. This has to be balanced against the potential cost savings of dealing with a single consulting firm, which is covered in the next point.

4 *Spread it around or concentrate it?*

This step requires your bank to assess the importance of picking consultants specifically for their specialties or in hopes of obtaining better pricing for consultants' services through multiple contracts with the same firm.

Specialists and generalists make arguments, not surprisingly, based on their positions in the field. But the generalist firms interviewed typically say their firms can cut a deal for banks that concentrate their consulting work into fewer hands.

The generalists also make the argument that concentrating your business with a single firm can enable the consultancy to build an understanding of your organization that can carry over from project to project.

"This allows the firm to get to know your business really well," argues Christopher Formant, BearingPoint's executive vice-president for financial services.

Others argue that it makes more sense, even if it costs more, to hire the best in the area you need help in. Whichever approach is preferred, says RSM McGladrey's Director James Koltveit, word of mouth may still carry the day.

"There is still the tendency," says Koltveit, "to talk to other bankers and to find out who has used whom."

5 **Know who you'll *really* be working with.**

There are firms out there whose heavy hitters give the speeches and the interviews that keep the firm in the limelight and play "rainmaker." But the actual firm-to-client relationships may be turned over to folks you may never have heard of. This is not to say that these people aren't qualified. For what the bank needs, an associate may actually be the more suitable consultant to be working with.

6 *Define the deliverables.*

"How can I define what I want when I've brought the consultant in to solve my problems?" some may ask. However, that is like sending a 12-year-old child to the grocery with no other

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instructions than simply "buy food."

You can't name the solutions per se but you can be clear on their form. Does the bank want an in-depth analysis? Does it want analysis plus recommendations? Does it want all this plus a turnkey solution that the consultant will install?

"A lot of the work we do today is not so much the bank looking to us for insight, but looking to us as qualified people to help them get to where they already know they want to go," says BearingPoint's Christopher Formant.

An important aspect of the deliverables the bank expects is the extent of the consultant's ongoing involvement. Rick Jacobs, principle at branding consultant Monigle Associates, says banks used to look to his firm for a good-looking logo. Now, he continues, bankers' focus has sharpened and "our projects tend to be about modifying behavior for improved results." This implies a deeper, longer relationship.

A good check-and-balance along these lines is designing the consulting arrangement so that the project isn't simply a two-stage process—the consultant visits and then along comes a final report, says veteran consultant Jo Ann S. Barefoot. She recommends building in several stages of reporting. At each stage the firm should give a strong indication of what it is thinking thus far and where it is heading.

7 Don't expect that your consultant is going to bring you heretofore undreamed of revelations.

It is entirely appropriate to expect a consultant to deliver first-class material that will advance your organization's interests, says Jo Ann Barefoot, but consultants rarely surprise clients with thoughts, ideas, or observations that they bring to the table. What the consultant will most likely bring, she says, is clarity.

Most banking clients are so mired in the everyday details of running their bank, Barefoot explains, that they can't always see what they could see if they were to step outside of their own own walls. Furthermore, a consultant can sort through conflicting ideas and approaches without all the attendant baggage that insiders carry.

8 *Know how you will measure success.*

If your project was structured properly in the first place, it will be aimed at some specific goal, and it is important for both banker and consultant to be clear and in agreement up front what that is and how it will be evaluated, according to John Ziegelbauer, managing partner for the financial institutions practice at Grant Thornton.

To get the metrics right, a bank must do its homework prior to engaging the consultant, says Dave Kuhl, chairman and CEO at $1.5 billion-assets Busey Bank, Urbana, Ill.

"Sharpen the pencil and make it clear what your expectations will be," advises Kuhl.

9 *Be sure that it's your agenda governing the process, not the consultant's.*

One consultant counsels banks to be wary that their money and staff aren't unwittingly being drafted by a consultant to prove some larger point or thesis that the consultant is working on. Most consultants will have a certain view they favor on a given issue—not a bad thing of itself. If you have a chance to hear them speak at a conference before hiring them, you'll have a better idea if their view is a preference or a crusade.

10 *Determine who will be the consultant's "champion."*

This person isn't necessarily the executive who brought the consultant in, but must be someone senior enough to be able to break down internal resistance to working with the consultant.

The selection must be made carefully. If the choice is someone too senior, the individual won't be able to focus on nitty gritty details because of the press of other duties. Too junior a selection and "nothing will be done with the work," observes Mary Beth Sullivan of Capital Performance Group.

11 *Be certain up front who is going to be learning from whom.*

One long-time consultant interviewed recalled how in his early days, technology was so new that it was debatable who was doing more learning in the course of an assignment, the consultant or the client. There is always a degree of learning involved for all concerned, but if the bank has the sneaking suspicion that it's bringing more to the table than the hireling, then perhaps the choice of consultant ought to be reevaluated.

12 *Have a clear budget and basis for payment in mind up front.*

Even though bankers as a rule have become more demanding, consultants say it is still typical for a consulting contract to be worked out as either a flat rate for a given job or as an hourly billing rate with some target in mind. Here and there are consultants who say they can work out a contract where there is more of a direct correlation between the value to the bank of the work they perform and the fees they obtain in return, but this is still a minority practice.

Don't be afraid to play hardball—other banks are doing it. Crowe Chizek's J. Kevin McGrath, executive in charge–Financial Institutions Group, says banks are increasingly drawing up very rigid contracts with their consultants. Not only do these contracts attempt to limit "scope creep" (covered further on) and to define deliverables, but they also exhibit the hope of precluding payment to the firm if what is produced at the end of the assignment fails to meet the bank's expectations.

Moving Forward into the Project

13 *Assemble an internal team and day-to-day manager of the project and assign responsibilities to all concerned.*

There are some assignments and types of consultants where a minimum amount of staff involvement is not only preferred, but essential. Hiring a forensic accountant or an ex-regulator to delve into a serious procedural lapse, for instance, demands a hands-off attitude other than the requirement that all parties cooperate when asked to do so.

More typically, however, the consultant can't work in a vacuum and be able to deliver something practical. "The biggest mistake banks make in hiring a consultant is not understanding that they have to be willing to take the time to work with the consultant," says Margaret Kane.

Kane also says it's important for the project team to have clearly defined roles vis a vis the consultant. This group will likely also be the mechanism through which implementation of the project's results will be orchestrated.

14 Take measures to avoid "scope creep."

Anyone who has ever tackled a home repair job knows that sometimes a leaking faucet turns into a kitchen renovation. Delving into your bank's business comes with its own such surprises, but it's the rare bank that has a bottomless budget for paying consultants, and thus it is necessary to keep a project from taking on a life of its own.

You have to be very clear at the beginning what you want from the consultant, and how much you are willing to pay, advises Mary Beth Sullivan. A consultant with the sense that they have a blank check may feel authorized to go beyond the original assignment as new issues surface. This underscores the importance of the internal team's constant communication with the consultant.

Sometimes clients themselves are responsible for "scope creep." Jo Ann Barefoot says clients see new issues as a project progresses and begin asking the consultant to look into those, too. She says that a good consultant will suggest that a new arrangement be made to cover the additional work proposed.

End Game: Delivery of the "Goods"

15 Who carries the commandments down from the mountaintop?

Consulting can sometimes involve a "cult of personality," especially when the head of a firm is an especially charismatic individual. However, when it comes to the work generated for a bank, some consultants feel that they have to know when to come to the forefront and when to fade back and let the bank's CEO take the limelight.

16 *Carry the message upward.*

If top management is not the contact point for the consulting assignment, however, Jo Ann Barefoot recommends that the final product from the consultant include a presentation to management and the board. Having the consultant present to these parties helps sell them on the implementation phase, especially if their buy-in is necessary to obtain additional funding to carry out the firm's recommendations. Without buy-in, the consultant's report may wind up in the consulting equivalent of the elephant's graveyard—a place full of valuable ivory that goes to waste.

17 *Don't expect a simple single answer.*

Inside every adult with a problem or a challenge lies a child who wants Mom or Dad to tell them, "Do this, and it will all work out." Business life is rarely so straightforward, and hence it is unrealistic to think that every consulting assignment is going to end in advice that boils down to a single point.

Indeed, a good consultant gives you options, according to Capital Performance Group's Mary Beth Sullivan. "There is not just one right way to do anything," says Sullivan and a savvy consultant will present a client with a range of solutions that keep in mind varying degrees of commitment, budget, staffing, and more. More often than not, she adds, the consultant's report is not the only input on the executive team's table anyway. *BJ*