

MANAGEMENT CONSULTANTS AD NAUSEAM - TELL ME WHAT I WANT TO HEAR

Donald A. Lotufo

I looked this up, so accept it or reject it based on your inclination.

In 1999, there were nearly 90,000 management consultants in North America alone. Admittedly, this number includes the more elegant and sophisticated firms with Park Avenue addresses along with smaller groups operating out of their homes in suburban locations.

What I find more interesting is that the ratio of consultants to senior executives who ordinarily retain management consultants nearly equals the total number of such consultants. This is true of corporations, large and small, philanthropic organizations, as well as academic institutions.

Interestingly, the mystique of management consultants, described by The Wall Street Journal this past year as “the business world’s seemingly insatiable desire to engage in organizational self-analysis,” has permitted these gurus to be part of a worldwide market which has grown by nearly 20 percent in 1999 alone. Globally, it’s now become a \$95B business; in 1980 it was only \$2B.

I’m not so controversial in suggesting that management consultants infrequently have a meaningful role in supporting organizational issues. However, sitting where I have been for the past 20 years, I increasingly question why esteemed top managements require outsiders to either audit or reinforce their own, often long studied, organizational and operating views.

I know I’ll get calls on this accusation.....but I am nonetheless convinced that in the field of management consulting, so-called compensation consultants are most suspect. Even though denied vociferously by those organizations and key individuals that retain compensation consultants, I am willing to bet that more often than not, compensation consultants both verify and recommend upward compensation arrangements for those same executives. Why shouldn’t they? Their current and future retention will be highly influenced by how happy they make such executives. You can bet they will find corroborating and comparative industry data to support so-called inequitably compensated executives.

Certainly, the staggering growth and use of management consultants are often influenced by Boards of Directors who have found in recent years that their fiduciary responsibilities are being questioned with vigor by both regulators and investors. The doubt that Boards have for recommendations made by their senior executives requires an occasional second opinion. Even Board opinions have now become increasingly scrutinized.

While management consultants have historically been retained to assist with major strategic issues, it's now reaching a point where consultants in one form or another are being retained to determine the type print and color of business cards as well as designing logos, cafeteria and parking lot!

Sure, outsourcing has influenced the increased retention of management consultants in recent years, particularly where companies have now shed "specialists." Still in all, most corporations are paying handsomely for senior officials wearing major epaulets and they should be making decisions exclusive of external specialists.

I've reached a point where I'm tempted to sell the stock of any company I learn is going through a major study and have engaged management consultants. Risk taking is predicated on taking risks. Management consultants take on limited risk and at all times are influenced to satisfy their clients. Where are the checks and balances? It's not a level playing field.

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