5 Guidelines To Attracting Sexy Consulting Engagements
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For Boutique Consultancies And Solo Consultants
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Do you know that there are at least 12 species of animals that kill more people than sharks? Yet, people are shit scared of sharks while often being extra brave with the other 12 species.

While every year, globally, only six people get killed by sharks, in Africa alone, a whopping 2,900 people get killed by hippos and in the US, 53 people get killed by bees.

And just as people can’t distinguish between highly dangerous and hardly dangerous animals, it seems many consultants have equally hard time to distinguish between the types of work to pursue.

While they should pursue engagement work, they pursue project work. In the worst cases, they pursue projects obtained through RFPs or cold calling.

But what is really the difference between an engagement and a project?

An engagement is any kind of paid or pro bono involvement with a client and enabling her to achieve a specific goal. The engagement can be a project, a retainer, sale of some information product, coaching, mentoring, skill building¹ or other commercial adventures.

The project is a temporary collaboration among consenting professionals, sometimes from several organisations and geographies, to achieve a particular objective(s) with defined time frames and defined scope and resources.

The project’s objectives (e.g. e-commerce-enabled website) must support the achievement of specific long-term strategic goals (e.g. 12% of annual increase in online sales).

Some consulting firms live on almost back-to-back project work, while some others engage only 5-15% of their capacity in project work.

Since projects offer temporary short-term income, I think it’s a good idea to keep project work under 50%, say 20-35%, and dedicate the rest of your firm’s capacity to other types of engagement work.

And even if your bread and butter come from project work, make sure the toppings for your sandwich come from other forms of engagement. Well, provided you like super tasty artisan ham, cheese and other sandwich components.

Ideally, you want project clients that hire you for the whole project, as opposed to hiring different consulting firms for different aspects of the project, even if your firm can do all the work.

If, as an architect firm, you get hired to design a house, the last thing you want to see is a second firm to design the garage, a third one to design the garden shed and a fourth one to design the privy.

¹ Some call this training, but I don’t regard clients as obedient circus animals, so I stay with skill building. I’d like to use education, but since I’m not a licensed teacher and not a member of the teacher’s union, I rather stay away from the term that in Canada only licensed and properly unionised teachers are allowed to practise. I’ve been raked over hot coals for calling myself en engineer, that I am by education, and the ensuing legal battle was unpleasant enough.
A good client gives you all the buildings to design.
And those clients who give you “whole” projects (design plumbing system for the whole house vs. install a bidet) and more loyal and more appreciative for your expertise. They are unlikely to treat you as a pair of hands.

Hint: The company accountant is likely on the CEO’s speed dialler but the bookkeeper is not. So, the key is that you work on projects that allow you to become a speed dialler-calibre business asset not just one of the many vendors, ending up on the company’s Rolodex next to the chimney sweeper and the lawn maintenance guy.

All in all, you want to get implementation type projects not installation type projects?
So, when you look at the playing field, you have your engagements. One subset of engagements is your projects. And one subset of projects is your implementation-type projects.

What you want to avoid is the installation type projects.
What is the difference?

With implementation-type projects buyers say: “Help us to solve this problem (avoid loss) or to seize this opportunity (harvest gain).” The essence is that buyers don’t have the internal expertise to do it in-house. It’s both your expertise (brain) and labour (brawn); mainly your brain that are required.

With installation-type projects buyers say: “Drive a 15 Degree, MWCL Series high load flat coil pallet nail into a 3-foot long 2x4 Louisiana-Pacific Lumber using a Vaughan VW18 18 oz. hammer. You must hold the hammer in the middle of the handle with your left hand and strike the nail at a minimum rate of 47 strikes per minute. Throughout the process, you must face 34° North-west and sing I’m Walking Backwards for Christmas.” It’s something buyers have neither time nor inclination to get done in-house. Buyers have done the thinking part, and now need a pair of hands to do the work.
This is the typical RFP work.
In many cases, this is the proverbial latrine duty and should be avoided whenever possible.

Buyers do their best to specify what fabric and colour of socks and underwear you must wear during the project to comply with the insanely pernickety, but usually totally retarded, details.
And of course, if you don’t comply, then clients take their revenge by paying you only partially.

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or not at all.
In the worst case, they may even threaten you with legal action.
So, be careful.

Just look at the Stan Shih smile curve. It’s named after the founder of Acer.
The essence of his concept is that a product’s value lies in concept, intellectual property and business development (marketing, sales and client service).
Implementation/production is of the lowest value component in the whole production cycle.

And this is why you have to balance project work and other types of engagements. Projects can be super busy, but that busyness can eat up lots of your resources.
In most cases, projects are the least leveraged engagements, so their numbers should be limited. Otherwise, you have to treat your people like a ballast system on a submarine.
When you’re flooded with projects, you go on a hiring spree to bloat your firm, and after projects, you lay off half of your firm to shed the extra capacity.
While this is convenient in the short term, in the long-run in can be harmful to your brand.

So, what I’ve compiled here are some guidelines to attract sexy engagements. Some are projects, some are other types of engagements.
Just make sure to always remember the balance between the types of engagements.
Some types naturally flow out of other types, like implementation projects from strategic projects and then may continue in longish-term coaching or skill building or retainer, but moving from installation projects to mentoring is pretty much impossible.
The installation project positions your firm as the pair of hands, and not the type of wise advisor mentoring requires. So, just be careful here.

Assessing Various Types Of Engagements
Just make a list of your most reliable performance indicators and assess engagements based on those indicators. Those indicators can be:

- Labour intensity – This is the real hands-on work that’s involved.
- Margin – What you keep after all the costs are paid and deducted.
- One off vs. recurring – How often is this client likely to return for more help?
- Referral-generating ability – The number of referral you can expect in what time frame.
- Value of problem solved – The full cost of the problem that your solution solves.

If you calculate how many hours it takes to do a certain type of engagement, you can calculate how much time it takes to generate, let’s say, $1,000. For some engagements, this can be 10 hours or even more. For some, it can be 15 minutes or even less.

Then you can calculate the relationship between various indicators, so you can better judge how much increase in labour intensity you can justify incurring to increase or reduce another indicator.

Now let’s see those fiendish guidelines...

**Rule #1: Stop Chasing Installation Type Projects**

Strategic and implementation projects can be lucrative both financially and psychologically, in terms of professional satisfaction, installation projects in most cases can only lead to more installation projects.

The problem is, look at the smile curve again, that these projects are highly labour-intensive and but low on perceived value.

Doing too many of these types of projects can hardly help you to reach your goals, but can land you in the state of unprecedented frustration and depression.

In your business development, one of your major goals should be to make sure that every new client is better than the previous one.

In this case, the word “better” can mean both financial and psychological improvement.

But when you look at financial improvement, don’t get lost in how much you make. Focus on how much you actually keep. The difference can be significant.

**Rule #2: Careful With Those New Client Incentives**

More often than not, incentives spur business developers to do the wrong things.

Just think of the traditional commissions and firm’s long-term goal.

Commissions reward short-term individual performance.

And we all know the joke about the two friends and the bear: “I don’t have to outrun the bear; I only have to outrun you.”

Commissions are the same. They create internal competition among your people who are
supposed to collaborate with each other for higher achievements.
The reality is that commissions make people focus on their own personal short-term rewards
even at the firm’s expense.
The reason why it happens is because people know that just because the firm increases revenue,
partners and high-level managers will make more money too, but as rank-and-file people, their
paycheques remain pretty much the same. So, they just game the system for personal gain.
When you do away with commissions and create a firm-wide bonus system, that’s an incentive
for firm-wide long-term success.

**Rule #3: Reject Installation Type Projects**

Whenever a prospect comes to you and requests a very specific project like...

“Install an Artesian Style Platinum Elite Quail Ridge hot tub in
the south east (at latitude 1°17′N and longitude 103°50′E) corner
of our bathroom, using a DeWalt Model DCD780C2 Lithium-Ion
Compact Drill, Craftsman Pro pipe wrenches, a Stanley Model 51-
112 7-ounce Fibreglass Hammer, a Bernzomatic Model TS4000T Cast
Aluminium Start Mapp Torch, a Bahco 325 Ergo 12-inch Hacksaw and
a RIDGID Model 31632 No. 151 1/4-1/8 inch Tube Cutter.”

...then you’d better run.
When a project is so rigidly defined and you have no room to discover why the project is needed
and what improvement it is expected to bring into the owner’s life, not to mention the idiotic
specification of tools, then you’d better run very, very far and very, very fast and never to look
back.
And unless you have an effective client onboarding programme, you may end up doing this type
of projects a bit too often.
Why?
Because while an objective onboarding programme can disqualify inappropriate buyers, most
subjective humans can’t. They can easily fall for some tricks.
And even when buyers come to you with self-diagnosed projects, you can ask a few questions.
Some people probably come around and see the situation from your angle.
Let’s say the buyer lets you ask some questions about the project, and you realise that this
seemingly installation project can become a strategy-then-implementation type project. This is
good, especially if you’ve already told the buyer that you don’t take on installation type
projects. This twist can strengthen your positioning.

**Rule #4: Stay Away From Bidding Wars And RFPs**

Projects landed through RFPs and competitive bidding are the worst projects one can imagine.
Yes, they may look attractive from a distance, but only in a Chandlierian way...
“From 30 feet away she looked like a lot of class. From 10 feet away she looked like something made up to be seen from 30 feet away.” — Raymond Chandler: *The High Window*

RFPs projects may look sexy and interesting from a distance, well, the first 1-2 pages of the RFP, but as you read deeper, you start seeing more and more of the catches.

Catches like...

“The project is to install and set up the latest and greatest *Sony Vegas Pro*™ video editor on our Windows NT-based network.”

And of course, the compensation is suspiciously close to minimum wage.

You’d like to talk to the real buyer, but the purchasing department blocks you. The message from procurement people is that you just do as they say tell you to, but you are fully responsible for the results.

And of course, even on the grossly undercut price, you get paid net 120 days.

Sweet.

And the final payment is always held back until and unless you deal with issues that are not even in the contract.

Nowadays there are so many ways of connecting with real buyer that no one really should accept RFP work.

So, where is the problem then?

Many consulting firms don’t want to invest in marketing and rather suffer from the negative consequences of RFP work.

David Maister put it so eloquently a few years ago when he said...

“The better you are at marketing, the better the chance you have to work on fun stuff, and the less trapped you become in being forced to take on work and clients you don’t truly enjoy.”

And the better you can establish your firm as a sought-after authority and your people as respected industrial experts, the better clients and engagements you can land.

**Rule #5: Strategic Vision Over Tactical Labour**

Every now and then I get a copywriting request asking for some portfolio pieces and my rates.

And I used to comply with the request.

But one day I realised that there is a specific reason why some buyers, mainly self-important flunkies, like HR or procurement people, opinion-makers not decision-makers, ask for these two items.

They know that copywriters send out their best sample pieces, and these sample pieces can be ripped off.

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3 A popular professional video editing suite.
And if the copywriter’s prices are low enough, sellers can hire the copywriter to cannibalise her own work and create a masterpiece out of it.

But the buyer knows nothing about the project, the client, the industry, the business, etc. in which that specific copy has worked like gangbusters.

So, instead of masterpieces, these cannibalised copies usually become Frankenstein’s monsters, destroying the copywriting client in some ways.

And it doesn’t take much.

All you have to do is send out a “loud” and obnoxious B2C marketing letter to a B2B buyer.

All in all, don’t let clients bully you into doing some tactical work as they dictate it to you, and don’t become a tactical order taker.

Before doing any tactical work, invest the time and effort and do proper diagnostics. And of course, charge for it.

This diagnostics/strategy session can be a standalone first project with new clients. It also doubles up as a test/taste project to see whether or not there is a fit between clients and consultants to do larger engagements together.

If there is a fit, then clients and consultants jointly can scope out the first stage of implementation.

If there is no fit, then consultants document their recommendations based on the diagnostics/strategy session, and clients can take the implementation action plan to another consultant.

**Summary**

So, how can you balance various engagements and to make sure that your firm doesn’t become over-invested in installation type projects?

- **If you have one, eliminate the traditional dedicated sales force.** In general, highly respected professionals, like lawyers, accountants or medical professionals, don’t have dedicated hunter-type salespeople. They know, from other professions’ bad experience, that hunter-type selling in the 21st century achieves one thing: Discredit sellers even to the point of bankruptcy.

  Instead of large peddler forces, what smart consultancies have is systematic and highly automated business development. That includes lead generation and lead nurturing on autopilot, and only a very small amount of unpaid work is invested in prospects at the very end of the nurturing process when a prospect becomes a client.

- **Reward your people based on what you’d like to see more of in your firm.** Offer higher bonuses for ongoing work or new work solicited from returning clients. Draw a pyramid, and plug in the types of work that your firm does. The least desirable work goes to the bottom and the most desirable work goes to the top.
Now you can start mapping out the reward structure.

- **Communicate the professional satisfaction of doing highly desirable work.** Top-tier talents don’t work for money. They work for impact, but the side effect of this fanatic dedication makes them the most highly paid professionals.

  Yes, they get pissed off when they get insulted with ridiculously low compensation, but merely chucking more money at them doesn’t result in better work. They have higher professional callings than money, but don’t let their employers make fools of them.

  Highly talented people don’t want to do installation projects. These people live in a state of almost permanent intellectual erection, hence crave highly challenging engagements.

  Yes, you can make seemingly good money on installation projects, but when you look at the margin, you may contemplate suicide.

  Just keep an eye on your engagement mix, and make sure no more than 25-30% of your firm’s revenue comes from installation type projects.

  And as your firm’s position gets stronger on the market, you can gradually phase out installation work altogether.

  Oh, one more thing. Check some big guns’ revenue per employee figures...

  McKinsey: $489,000
  Boston Consulting Group: $433,000
  Bain & Company: $368,000

  Now consider that in these firms, even new associates get paid six figures.

  So deduct salaries, costs of running the firm and what do you have? Not much?

  Partners are fine because they get paid anywhere between $1.2 and 1.5 million.

  So, what suffers? Well, the firm. There is not enough money to invest in growth.

  As the saying goes, there is strength in numbers, but in my experience, small boutique firms make more money than these consulting factories.

  And I’m willing to bet some vital parts of my anatomy that these so-called highly reputable giants make most of their money from installation type projects.

  At the same time, many solo consultants make well over $1 million from their spare bedrooms with virtually zero overhead.

  They just watch what sort of engagements they take on.

  That’s why I suggest that you too carefully select the type of work you take on.

  **With victory on high...**

  Tom “Bald Dog” Varjan

Additional Knowledge Products to Build Your Consulting Firm

Here are some knowledge products on a broad range of areas as they apply to running a boutique consulting firms or solo consultancies. I hope you find them valuable.

Consulting Retainer Engagement Toolkit.
It's All About Your Value.
Mastering the Proposal Process
Dynamic Duo Mentor Programme.