Four Sources of Mismanagement at Boutique Consulting Firms
Commando Consulting
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For Boutique Consultancies And Solo Consultants
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Dynamic Innovations Squad
http://www.di-squad.com
Desperate to leave a mark on her “leadership” (dictatorship?), newly appointed (16 July 2012) Yahoo CEO, Marissa Mayer, has drastically revamped working practices at Yahoo.

One of the measures is that she’s ended all work-from-home schemes, and demanded that every Yahoo employee or contractor must work from the Yahoo office during set working hours. Her justification is that working from home is neither professional nor effective.

Well.

Shortly after her appointment to CEO, she delivered her first child, and quickly set up a private nursery for her baby right next to her office at Yahoo headquarters.

Interestingly, this is both professional and effective.

Well, I may be wrong, but I have a sneaking suspicion that, after Carly Fiorina, Mayer might be the next female top dog to be “lynched” by the industry for incompetence.

What happens when a company tightens the reins? The best people start packing right away, and the second-best people start packing about two weeks later. And soon the company is left with its ho-hum staff.

But Yahoo’s culture has always put more value on technology than on people.

Interestingly, the same nonsense has penetrated Best Buy too.

A good few years ago Jody Thompson and Cali Ressler created the Results Only Work Environment (R.O.W.E.) concept, meaning that people could work whenever and wherever they want to, as long as they get their assigned works done.

The R.O.W.E. strategy was later implemented at Gap, Girl Scouts of San Gorgino, J.A. Counter and Associates, and the Fairview Health Services I.T. Department.

All in all, R.O.W.E. proved to be a great success.

Yet, on 4 March 2013, Best Buy announced it scraps the R.O.W.E. programme once and for all. According to CEO, Hubert Joly, Best Buy has to return to accountability to the corporate culture.

That is, according to him, R.O.W.E. lacks accountability.

It’s interesting to note that both Yahoo and Best Buy have been battling with some major problems lately. Some experts have actually predicted Best Buy’s unavoidable bankruptcy in the foreseeable future.

In spite of having seen thousands of companies appointing their managers based on the wrong criteria, history keeps repeating itself. We all laugh when the highest-performing salesperson becomes the sales manager, and the company's sales go south, often crashing straight into the welcoming arms of a penguin on the South Pole.

And what happens next?

The very same people who laughed yesterday end up making the same mistake tomorrow.

Consulting firms keep appointing managers for good behaviour, tenure, highest number of
billable hours, daily coffee consumption and amount of bones brought for the firm owner’s dog. However, it is always a big mistake to turn people into managers just because they are the best subject matter experts. It only means they are the best at performing the job itself. But when we consider that the job of managers is to inspire and empower their people to achieve the firm’s vision, then we can see why traditional methods of appointing managers is a call for disaster.

Managers need different skills sets from consultants. While consultants think in terms of daily tactics, managers have to think in terms of strategy.

There are four major sources of mismanagement, and they make up the price firms pay in the forms of high talent turnover and a lack of ability to attract top-tier talents.

Yes, jobseekers may come and go, but people who are serious about building their careers avoid the firm like the plague.

Now you may say, “Hey Tom, I am a solo professional and none of this stuff applies to me”. Well, maybe not at the moment, but the situation may change in the future, and you may collaborate with other consultants to do larger projects.

Also, as you are working on client projects, you have to deal with appointing various people to manage and overlook various aspects of the project. So, you can’t escape. At some point in your career you must become a manager even if you are a solo consultant.

However, many readers of this newsletter are owners and senior partners of boutique consulting firms.

**Source No. 1 - Role of Management Is Undefined**

At many consulting firms, managers carry on doing what they had done before they became managers. Although now they have a role of achieving the firm's objectives through their people by mobilising and energising their intellectual, emotional and creative resources, but first and foremost they are still accountable for the “technical” work and billable hours. The managing part is some kind of second-rate “spare time” activity.

With that in mind, there is no point in pushing the managing part anyway. People focus on what they get evaluated on.

Imagine how a manager may get reprimanded...

“Yes, as a result of your effective management, your team’s performance has increased by 15% this month, which is nice, but your personal performance has dropped by 25%, which is absolutely and positively unacceptable and intolerable. If that happens again, you’d better start packing.”

What top management, many with Ivy League MBAs in finance, fails to comprehend is that the 25% drop in personal performance is somewhere between miniscule and infinitesimal relative to the 15% increase in group performance.

But what management wants to see is that our manager does his billable work even at the
expense of the team’s performance. Now we’re not talking about profit but ego protection of top management. Top management is always right even at the loss of significant profit.

Of course, this sends a message to managers from high above...

“Just do whatever you were doing before to produce your billable hours, and if you have time and inclination, also harass your people a little bit.”

It is the same as telling a general he is accountable for digging so many trenches a day. Not getting them dug, but digging them personally. And if he has some spare time and inclination, he can conduct the war as well. But digging the trenches is the main objective and he gets evaluated on the number of trenches he’s personally dug.

I reckon Peter Drucker was absolutely right in saying:

“90% of what we call ‘management’ consists of making it difficult for people to get things done.”

Most firm managers get evaluated on how many billable hours they can “conjure up” and how busy they appear. So, they play the role, look appropriately busy and stressed, but that is the same as the impotent father: The role is filled but there is no production.

Many firms talk about teamwork, but in reality, in most consulting firms, it is non-existent. And it is not even surprising, considering that the new manager is the same “trade barbarian” who was yesterday, but today s/he has a new title and maybe a new office, but definitely not a dickybird of management education.

**Source No. 2 - Managers Are Chosen Incorrectly**

There are three key skills to consider for managers: Conceptual skills, people skills and technical skills.

1. **Conceptual skills** are about big picture thinking and the ability to synthesise, that is, putting the pieces together. The higher in the pecking order the position is, the more conceptual skills are needed. Yet, managers are selected on their technical and analytical (taking things apart) skills. Managers must be able to contribute to the firm’s innovation, and innovation is about putting things together in previously unknown ways. The world is flooded with analysts, but there is a chronic shortage of “synthesists”.

2. **People skills** are about interacting with people, expecting performance from them and helping them to achieve the expected performance. People skills are very important to every manager, regardless of position in the firm. Yet, look at most managers. They are pretty empty in this department. But you can’t blame them. They are the results of promotions based on the wrong criteria.

3. **Technical skills**. In spite of conventional wisdom, technical skills are what managers need the least. Ray Croc did not flip one single burger in his whole life but built a burger
empire. Even Marvin Bower, the guy who put McKinsey & Co. On the map, was a lawyer not a consultant. He may not have known much about consulting, but knew very well how to build a business that profitably sells consulting services. The fact is that on a managerial level, less than 15% should be given to technical skills and technical education. Interestingly, most firms don’t even allow anything besides technical skill building for their people.

So, if these skills make up good managers, what is the reason behind idiotic career ads like this:

“Marketing Director Wanted for Industry Leader IT Consulting Firm.
The person must be proficient at C++ programming, Flash, HTML coding, and Visual Basic. The person must also be proficient in Salesforce CRM, Facebook advertising and must be able to type at 50wpm.”

This ad screams a rank amateur, not an industry leader. Management could have hidden the firm’s managerial idiocy by hiring an expert to write an at least half-sexy career ad.

And then this specification is handed over to the - more often than not anal retentive – HR goons, who create rigid hiring procedures and check resume against resume in a human bidding war, coming up with results like:

This person is great but s/he can type only at 49wpm.
The problem is that a marketing director doesn’t need to do much typing. So, that’s nonsense.

I recognise the importance of subject matter expertise, but instead of asking for specific C++ or HTML programming experience, you can ask for general expertise and experience in computer engineering or software engineering.

When you ask for a C++ programmer, you most probably get someone who knows how to throw C++ codes on the screen, but may be totally oblivious of the basic principles of programming.

Case in point: There are millions of people in the world who can use Photoshop. If I say less than 1% of them are true – pencil and paper – artists, I’m grossly exaggerating.

So, just make sure you set the correct criteria for your managers.

**Source No. 3 - Hardly Any Management Education Is Provided**

The Peter Principle is alive and well. Most managers get promoted to their levels of incompetence. Becoming a manager is treated as a promotion instead of just another position within the firm. So, since it’s a promotion, everybody wants to achieve it, so people do their best to win that “prize”.

People don’t do their best to perform better. People don’t do their best to get promoted. It’s a different ballgame.

The funny thing is that farmers have known for a long time that no matter how well the shepherd dog works, it never gets promoted to be the shepherd. And the shepherd never gets promoted to
be the owner of the farm.
In a way it is similar to schooling, which has become a system of pushing people through certain exams and giving out certificates for big piles of money. If people can learn something, that’s an added bonus, but the main goal is to “sell” enough certificates that justify the school's existence.
This may sound cynical, but hey, I’m writing this masterpiece from Vancouver, Canada, that has been regarded as the world’s capital of bogus education.
In the meantime, the business community is screaming that a large percentage of the new university graduates are utterly unemployable because in spite of their fancy certificates, they don’t have employable skills at high enough competency levels.
So, after graduating from the three local universities, many students take extra courses at the British Columbia Institute of Technology (BCIT), so they have a fighting chance to find work.
For managers, the importance of technical and analytical knowledge is highly overrated. A large chunk of technical competence must be replaced with interpersonal, social and emotional competence. Skills in analysis - taking things apart - must be replaced by skills in synthesis - putting things together – skills.
Hey, a brain surgeon makes much more than a coroner. After all, the coroner only takes things apart on the body. It is the embalmer who has to put the body into presentable condition.
Although, embalmers earn less than brain surgeons or medical examiners.
I know because I used to be one of those embalmers.
It is easy to tear things apart. It is a lot harder to put them together in different ways and creating totally new things. I guess we are talking about innovation here above and beyond being an “innovative embalmer”.

Source No. 4 - How Managers Are Rewarded
Managers are supposed to manage their teams, but, in most consulting firms, they get rewarded for personal billable work. Again, can you see the unethical aspects of time-based pricing?
The managing part is of secondary importance, and the emphasis is on “conjuring up” as many personal billable hours as humanly possible because that earns the bonus.
And quite often this message nicely jives with the firm’s mission...

“Our mission is to continually and consistently screw our clients and associates in order to fatten the partners’ personal bank accounts.”

I know it’s a cynical comment, but it happens to be true too.
And guess what? This becomes the mantra around which the firm’s whole culture is created, and people start acting out that culture. The best people will be appalled and leave, and the firm starts attracting people who are comfortable with living by situational integrity, that is, whatever makes us money right now is legal and ethical.
This approach also totally undermines teamwork. Team members know that whatever they do,
the boss will always push them even harder because the boss' bonus is on the line.
Managers are also rewarded for cost-cutting. So, they declare that in order to save money for the
firm, associates – who travel the most – must now fly coach (lower) and instead of reasonably-
priced but civilised hotels, sleep in flophouses.

**Summary**

The often overlooked mistake is that there is a drastic difference between managing (let’s ignore
the difference between managing and leading for a moment) knowledge workers and industrial
labourers.

Sadly, most managers try to manage consulting associates as if they were industrial labourers
who have to be tightly supervised. Tight supervision is roughly...

- Treat people as replaceable cogs of the production cogwheel (See Charlie Chaplin’s
  [Modern Times](http://www.dissquad.com)).
- Eliminate errors by running the human machine run as smoothly as a baby’s arse.
- Take a hard line with people and never show mercy.
- Optimise your firm for the steady performance.
- Exert pressure on people to put in more hours
- Standardise and centralise the living daylights out of your operation. Make sure
everything is done by the book.
- Eliminate experimentation—that's what the folks at headquarters are paid for.

In their brilliant book, *Peopleware: Productive Projects and Teams*, authors Tom DeMarco and
Timothy Lister give a pretty good account of what it means to work by the book.

*In Australia, where striking uses up nearly as much labour time as working, there is a charming form of strike called work to rule.*

*Rather than walk off the job, workers open up a fat book of procedures and announce, “Until you give us what we're asking for, we're going to work exactly to the rule.” When the air traffic controllers do this, for instance, they can only land one plane every seven minutes.*

*If doctors were to do it, an appendectomy would take a week. Introduction of a Methodology opens up the possibility of work-to-rule actions in still more parts of the economy. People might actually do exactly what the Methodology says, and the work would grind nearly to a halt.*

The problem is that consultants don’t want to be tightly supervised, and tight supervision
actually undermines their performance.

But that’s hardly ever a problem, because most managers don’t know teamwork and team
performance and they are perfectly happy with forming work groups. The performance is
substandard but managers are happy to flaunt their authorities. And that’s more important than performance.

What is the difference between teams and a work groups? Just a few things. Let’s see the contrasts...

<table>
<thead>
<tr>
<th>Traditional Workgroups</th>
<th>Contemporary Teams</th>
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<tbody>
<tr>
<td><strong>Order of commitment and accountability</strong></td>
<td></td>
</tr>
<tr>
<td>1. Individual</td>
<td>1. Engagement (Project, mission, etc.)</td>
</tr>
<tr>
<td>2. Team</td>
<td>2. Team</td>
</tr>
<tr>
<td>3. Engagement (Project, mission, etc.)</td>
<td>3. Individual</td>
</tr>
<tr>
<td><strong>Internal competition among group members</strong></td>
<td>External competition and internal cooperation</td>
</tr>
<tr>
<td><strong>May individual – mainly hidden - agendas</strong></td>
<td>One single agenda</td>
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<tr>
<td><strong>Entrenched</strong></td>
<td>Innovative</td>
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<tr>
<td><strong>Autocratic leadership: Dictatorship</strong></td>
<td>Participative leadership: First among equals¹</td>
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<tr>
<td><strong>Kick starters</strong></td>
<td>Self-starters</td>
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<td><strong>No linkage between the group’s success and the company’s success</strong></td>
<td>Direct linkage between the team’s success and the company’s success</td>
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<td><strong>Independent or over-dependent members: Some deadbeats, some superstars and prima donnas</strong></td>
<td>Interdependent members</td>
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<tr>
<td><strong>Group members tolerate each other and the work they do</strong></td>
<td>Team members enjoy their work and enjoy the company of people with whom they work</td>
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<tr>
<td><strong>No sense of urgency to get the work done</strong></td>
<td>There is a sense of urgency to get the work done</td>
</tr>
<tr>
<td><strong>Workgroups thrive on avoiding risk and ambiguity</strong></td>
<td>Teams thrive on challenge and ambiguity</td>
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<tr>
<td><strong>When one member justifiably gets pissed off with management and quits</strong></td>
<td></td>
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<tr>
<td><strong>...the rest of the group breathes a sigh of relief</strong></td>
<td><strong>...the rest of the team are likely to follow (team cohesion)</strong></td>
</tr>
<tr>
<td><strong>Little or no redundancy: Segregated silos of narrow specialists</strong></td>
<td>Significant redundancy: Deep generalists with multiple skills each</td>
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If you are a manager at your consulting firm, which of the above mistakes do you make? What holds you back from converting your work group into a cohesive team?

What holds that team back from outstanding performance?

If you are a solo consultant, you are clicking back and forth between being a manager and a technician. Put on your manager’s hat and examine “You the Technician”. What do you see? How would you coach that technician that you can achieve more valuable outcomes (hence higher fees) with less labour intensity?

¹ A concept I’ve borrowed from David Maister and Patrick McKenna’s book, *First Among Equals*. 
How could you be more productive with less sweat on your brow (busyness) and more thinking and purposeful acting (productivity)?
This is the bee’s knees. Even the wasp’s nipples.

About The Author
Since 1998, using battle-tested military principles and strategies, Organisational Provocateur, Tom “Bald Dog” Varjan has been working with boutique consultancies and solo consultants, both locally and globally, to improve personal and firm-wide performance, by helping them to sell their expertise for what it’s truly worth.

For a fiendish selection of consulting resources, including his monthly newsletter Commando Consulting and practice management black paper, “The Dark Side Of Firm Management: Ten Deadly Management (Mal)Practices That Often Bring Consulting Firms to Incalculable Suffering or Even Agonising Death”, you can visit Tom’s website at http://www.di-squad.com.

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. These products are sort of workbooks. They explain what is what, then walk you through the “how to...” part of the process. As you read the books, you do the exercises, and by the time you finish reading, all the relevant bits and bobs are in front of you on paper applied to your own unique situation.
I hope you find them valuable.

Consulting Retainer Engagement Toolkit: A comprehensive home study programme on the ins and outs of setting up consulting retainer engagements in which your clients receive great value and you are compensated for the value you bring to your clients' tables by making your brainpower available to your clients. For details see Consulting Retainer Engagement Toolkit.

It's All About Your Value: Consultants' Guide to Setting, Raising and Safeguarding Fees:
How to price consulting engagements based on buyers' perception of the value the consultant brings to the table regardless of time, materials and other retarded but commonly used factors. This booklet covers a step-by-step process of establishing the value of your contribution and how to get paid for that value. For details see It's All About Your Value.

Mastering the Consulting Proposal Process: For many consultants proposal writing is a "hope-
and-pray" game. They sit down with prospects, chat for a while and then volunteer to "submit a proposal" without knowing the full specifications of the intended project. But some, usually false, buyers are just collecting free information for in-house implementation. A proposal, just like a marriage certificate, is a short document, but it is silly to offer it unless the other party has already made a commitment to go ahead. This e-book walks you through the maze of developing your proposal and presenting it to buyers. Mastering the Proposal Process

**Dynamic Duo Mentor Programme:** If you’re a solo consultant, my Dynamic Duo Mentor Programme may be a solution for you to have access to a second opinion on both strategic and tactical issues you’re about to put into action. For details see Dynamic Duo Mentor Programme.