



Kuala Lumpur, Malaysia
August 29, 1999

Are management consultants worth the price?

By Daniel Akst

I ONCE knew a woman who couldn't seem to get her career off the ground. Her personal finances were a shambles, and she had little experience in the world of business. Naturally, she became a management consultant. It crossed my mind to short the stock of any companies she visited, but I was afraid I'd get in trouble with the Securities and Exchange Commission.

We live in paradoxical times.

Executive compensation is spiralling out of control, yet the more companies pay their chief executives, the more help they seem to need with basic questions like: "What business are we in?" and "Where do we go from here?"

Companies appear to be equally at sea about how to organise themselves - hardly surprising, given that so many of their workers seem to produce nothing tangible.

The upshot is an army of management consultants, ready to feed what The Wall Street Journal recently called "the business world's seemingly insatiable desire to engage in organisational self-analysis". Kennedy Information Research Group, which tracks management consulting, says the global market grew 22 per cent last year, to US\$89 billion (RM338.2 billion), three-fifths of it in the United States; in 1980, the figure was just US\$2 billion.

But the industry, if you'll pardon the expression, isn't sitting on its laurels.

"Management consulting continues to hunt for 'the next big idea'," says a report on Kennedy's Web site.

"Re-engineering has faded, replaced by ERP integration, Knowledge Management, EVA and supply chain work."

Don't ask - by the time you figure out any of these fads, they'll be over.

I don't mean to be a spoilsport.

Hiring a consultant makes sense for many specialised tasks, from writing an annual report to designing a parking lot.

But why do so many companies need outsiders to tell them how to run their businesses?

It's as if top management, which lives in the same therapy-crazed culture as the rest of us, has decided that it must pay someone in a nice suit to nod sagely and tell it what it already knows, because it has trouble hearing the same message from anyone else. There are now 70,000 management consultants in the United States, and about 150,000 executives at sizeable companies in the kinds of jobs that would bring them into contact with consultants.

That comes to just over two consultants for each consultant. Those figures come from a paper by Staffan Canback, himself a consultant, published last year in *The Journal of Management Consulting*. "The tremendous growth of the management consulting industry over the last 20 years cannot be easily explained," Canback wrote. But he has a theory: The complexity of business today leads to high "costs associated with organising economic activity", as he puts it, accounting for as much as 45 per cent of gross domestic product in developed societies, according to one estimate he cited. Controlling these costs devours management attention and generates demand for consultants.

But what good is done by paying millions to a chief executive who then turns for help to a bunch of wet-behind-the-ears MBAs? Perhaps hardest to justify are the executive compensation consultants, some of whom are said to charge US\$750 an hour. Graef S. Crystal, a critic of excessive executive pay and a sometime consultant himself, thinks compensation consultants may be best of the breed when it comes to getting paid for smoke and mirrors, since they invariably recommend raises for the executives whose compensation they are hired to assess.

By comparison, consultants who flog "organisational development" are a bargain, offering services that, if no more useful, at least cost less. The thirst for their services seems impossible to slake. Crystal cites a remark by Eugene Zuckert, a former secretary of the Air Force: "The perfect organisation is the one you don't now have." In a few minutes' surfing of the Web, I found a consulting firm that says its strength is "analysing and re-engineering the Emotional Economics of our clients' workplaces".

Another "offers programmes and services in organisational change and development, facilitation, strategic planning and leadership training". The sites don't say what these firms charge, but I can't imagine they're cheap at any price.

Then again, all societies pay dearly for their shamans. Why should the world of business be any different?