

The audio and transcript have been edited for clarity.

[00:00:00] Joe, one of the things that caught my eye when I first looked at your LinkedIn profile is that you hold the position of Professor of Consulting. How did that come to be?

[00:00:08] I was in management consulting and specifically strategy consultancy for the telco industry. I was doing relatively well, but I remember my boss saying to me on my first day, "You look more like an academic than a consultant," which I took as a compliment, but I think he meant it as an insult.

[00:00:28] You know what it's like as a consultant, you haven't really got that much time to delve into the niceties of the structures and drivers and reasons behind things. You're so busy getting stuff done. So, I finished a fairly significant project, and to be honest, I was pretty stressed by the end of it. It was one of those 14-hour days, six days a week projects that took a couple of years. At the end of it, I thought, well, I'm going to try something different.

[00:00:57] I got my Ph.D. before I started consulting, and I thought, well, I'll try academia. It was a bit of an adjustment because the longest thing I'd really written was a 1500-word strategy document. All of a sudden I was expected to write 90,000 words on various things.

[00:01:15] I didn't intend to focus on consulting, but as soon as the business school saw I was an ex-consultant, you could see the pound signs ringing, they said, "Look, can you start a course on this?" And I started the course, and then I realized, this was 15 years ago, there were no decent books in the area. So, I wrote the textbook for consulting courses at universities, and then from there, my research got into it.

[00:01:41] It was a pleasure really because 99% of the research on consultancy is on large firms, but that only accounts for sort of 50% of consultants who work for large firms. The other 50% are fairly small. So, it gave me the opportunity to do a lot of research into that.

[00:02:00] It takes a fair time to work your way up to professor, and it's typically based on publications. So, after what they felt were the requisite number of publications in the right areas on consulting, I got made professor, and once you're made prof in the UK, you can choose your title, but it's meant to be suited to what you do. The only thing I really know anything about is consulting. So, I became, I think possibly, the only professor of consulting in the world.

[00:02:35] Well, apparently you got over the 1500-word hurdle because you've got a new book coming out titled, "Growth: Building a Successful Consultancy in the Digital Age." What surprising things did you learn while writing the book?

[00:02:52] It's a big piece of work. It's nearly a hundred thousand words. It falls on my research over the last 15 years — interviews with founders who have grown and sold their firms. And also my own experience in my own consultancy, which I've always carried on

aside from the academic's side of things, I consult to the consulting industry and increasingly that's being focused on small firms and their growth. That's really what the book has focused on.

[00:03:21] And there, there were a few surprising things. The large consultancies are struggling and that's primarily because they've commodified their services in pursuit of higher profits. Smarter clients and procurement departments and more choosy graduates mean they can't cash in in the way they used to. So, they've really hammered down on high utilization rates, which has meant that innovation has disappeared in the Big Four and McKinsey, Bain, and Boston, et cetera.

[00:03:52] So, when clients are looking for creativity and innovation and high-value projects, they're increasingly turning to small consultancies, which is great news for the likes of you and me and also hundreds of thousands of other consultants. I think that's a trend that's going to accelerate.

[00:04:09] The second thing, I guess won't be a surprise to you, but it's the role of new technology. Small consultancies aren't always aware of the extent to which the prices of useful, value-driving technology have collapsed. There's a huge amount of opportunity for small consultancies to develop online courses or write apps or create software or any number of value-adding things that sometimes reduce their own costs, but sometimes increase the value of the client. I guess your community-based work is a good example of that.

[00:04:47] Even five to 10 years ago, this would have been out of the price range of small consultancies. It would have cost hundreds of thousands, and now the price is really down to the hundreds, possibly the thousands if you really want to push the boat out. That's really quite remarkable, and it's transforming the landscape, and it means that small consultancies can now draw on the efficiencies and value-adding that was previously just the domain of the large consultancies, and that's fantastic.

[00:05:16] It does, as you know, provide challenges because there's an information market out there about what is available, what works, what doesn't work. You're busy, small consultancy owner doesn't necessarily have the time to find out about all of this. I cover some of this in the book, but people like yourself are fantastic in being able to offer clients a shortcut to finding out what does work. In some ways, I'm expecting the consultants to the consulting industry to expand over the years.

[00:05:46] There's a lot of bad advice out there for consultants. There's a lot of, I don't want to be too mean, young men offering suspicious advice based on very little experience. Their basic approach is to create a Facebook funnel based on a lead magnet to tell clients to charge by value rather than time and to put their prices up. People pay thousands and thousands to go on courses, which in effect teach them how to do a Facebook funnel, which you can learn for yourself off YouTube. One of the reasons I wrote the book is there's virtually no evidence-based advice for consultancies, and that's really where my academic background comes in.

[00:06:26] Value-based consulting isn't really where it's at. It accounts for about 15% of fees. This constant urging to charge by value really doesn't sit well with clients. It doesn't suit a lot of projects. You can only really do it if you're the best in class. However, clients do constantly say they don't like the time and materials approach to pricing. The more successful projects and the ones that drove higher margins were using fixed pricing.

[00:06:56] With things like pricing, it's asking small consultancies to think a bit more creatively about how they price and being a bit more confident in their pricing and the value. And also to price in the top 10%, because price for clients is much less important than consultants think it is. Typically, clients are happy to pay for value as long as you're in the right ballpark of your competitors. When price isn't an issue within those boundaries, then price in the top 10%, and your margins are going to be higher.

[00:07:27] The research has converted me. I'm a big fan of fixed pricing now— with good change mechanisms in there. If change is needed, then you price it accordingly. You don't just swallow the extra work.

[00:07:38] A big surprise for me was I thought all the big success stories would be in digital. Now, all the award winners, all the prizes, all the fastest-growing companies are cyber security, artificial intelligence, digital transformation, et cetera. The good news is that I also saw a lot of very successful traditional consultancies. Many of them weren't using technology. Many of them were doing traditional strategy work or leadership work or marketing work. Because they stuck to the few basic principles that allow a good consulting firm to grow, they were successful.

[00:08:13] There is an alternative route, other than going up through the big firms and becoming partner, to being financially successful in consulting. Growing your consultancy to sell or to get investment is a lot easier than it was even 10 years ago. So, there's lots of good news out there for small consultancies, which is perhaps in contrast to the last few years where many have had it quite tough.

[00:08:41] That's encouraging. One of the trends that seems to me to be one of the most profound is the low code/no code movement that has really exploded over the last three or four years in particular. As you pointed out, those of us with modest programming skill can create applications very quickly, very inexpensively, and in a manner that fits the particular job at hand, you don't have to make compromises.

[00:09:14] Yup.

[00:09:14] Beyond that, we find that a lot of value can be extracted without doing any automation.

[00:09:22] Definitely.

[00:09:23] I think that's encouraging as well. There are lots and lots of improvements that could be made just by thinking systematically, not necessarily automating everything that could conceivably be automated.

[00:09:35] Definitely. I agree completely. I think some people very often see fundamental tension in business models between those firms that use technology and those that are focused on sort of high-quality problem-solving. But it seems to me now that the firms that are doing high-quality problem solving free up time and space to do that work by standardizing the more routine aspects of their work. There's no point using great technology if you don't think systematically and in a structured way. The good thing is consultants are probably better at that than perhaps many other professionals.

[00:10:11] One of the things I'm fond of saying is that the essence of strategy is avoiding ruin.

[00:10:16] Yeah.

[00:10:16] As you've seen this acceleration of opportunity for small firms, what are the deadly mistakes that young, small consulting firms tend to make?

[00:10:27] That's a really good question. The most obvious is a lack of marketing. What typically happens with a new consultancy is that they will sell to friends and family and ex-colleagues for the first couple of years. When those contacts dry up or the work has been done and it's time to move on, they start marketing. But for marketing to work, any form of marketing to work, especially in consulting where you need to build relationships and familiarity and to have a certain visibility and trust in what you do, you're talking six months to a year. A lot of firms collapse in that period.

[00:11:01] We all know what it's like working for a client and you want to do well and you don't have time to breathe. You're eating at the computer. So, marketing goes out the window.

[00:11:09] Having this consistent systematic approach to marketing, just putting out high-value content so that people over time build up familiarity with you, addresses the problems that keep your good clients awake at night.

[00:11:26] Number two, I would say is, and this is with new consultancies, is taking the niche for granted —taking what you sell your services in to be determined by what you've done in the past.

[00:11:41] Clients of mine have come to me and said, look, I'm just not making the margins. I look at what they're doing, and it's a niche that is decreasing in size. It's not particularly highly valued in the first place. So, there's a ceiling on their potential day rate. Even the best people in their industry will only be charging two or \$300 a day. Where are the growing

markets where you might offer the same services for a higher fee, or what else in this market might you sell that will allow you to charge a higher fee?

[00:12:12] What happens quite often is that a consulting client will come to me with an idea and say, "I'm going to do this," and I say, "Fantastic! How many potential clients have you asked?" There'll be a long pause. They'll say, "Well, my friend is...," and I always say, you can't do consulting strategy behind closed doors. It needs to be done with your clients, and they need to be clients who aren't friends of yours and possibly even clients who've turned you down in the past.

[00:12:39] You need to do your research. Read Harvard Business Review; read the McKinsey Quarterly; read Sloan Management Review. Look at the areas that are in fashion and look at the areas that provide high value.

[00:12:51] I mentioned fashion because it doesn't always mean reinventing what you're doing, but sometimes it means relabeling what you're doing. I mean, lean was pretty much the same as business process reengineering, and agile fits quite nicely into lean. Sometimes it's just a matter of rebranding what you're doing, changing your messaging a bit.

[00:13:09] The third thing is a distinction between working on the business versus working for the business. Lots of people who start their consultancies are really good consultants. They provide great value to their clients. Perhaps they've jumped from a large company. They've got 20 years doing digital transformation, so they think that's going to make them a good solo, independent, or boutique consultant.

[00:13:33] Of course it doesn't because they've always had someone to sell for them. They've had someone to do the back-office. They've had someone to do their finances.

[00:13:41] I remember a good friend of mine. He left corporate consulting, and he started up his own. He was one of the best consultants I worked with, but he couldn't sell. I had to do some fairly in-depth training with him to get him up to par. Because it doesn't matter how good your consulting is, if you can't sell it, then you don't have a business.

[00:14:00] That applies to every aspect of working on the business. You know, setting time aside to think strategically. Ask people who have been through the process before. Read research. Address your weak points, or outsource your weak points to someone that can do it better. Partner with someone who compliments your weak points, or simply learn to do better.

[00:14:19] Some firms actually grow by accident. Someone starts a consultancy and realizes that they're weak at sales, so they partner with somebody who's great at sales. They suddenly realize they're a great team.

[00:14:29] The business is growing, and they don't have enough capacity. So, they take on a few more people. After five or 10 years, they think, oh gosh, we've suddenly got a proper business here that we could do something with beyond delivering consultancy work.

[00:14:46] I could go on, but getting the niche right, getting your marketing regular, and working on the business, I think are the top three challenges.

[00:14:53] I really like your phrasing about strategy is avoiding disaster. I remember a boss of mine. I said, "What's the secret of your success?" He said, "Joe, it's just turning up and not making mistakes." I think there's a lot of truth in that.

[00:15:05] You've already indicated that in addition to being an observer, researcher, and analyzer of the consulting industry, you are an active participant as a consultant's consultant. Who do you serve, and what niche do you fill with your practice?

[00:15:21] I entirely focus on small consultancies that want to grow to the five to 10 million mark. My biggest client would be around 30 to 35 employees, and my smallest client is two employees.

[00:15:38] Very often, they don't want a sausage factory churning out the same stuff. Very often they came from the Big Four, and they left to get away from high utilization, performance at all costs, never seeing your family. Very often these are firms where culture is important, where values are important, where work-life balance is important. But they still want to grow the firm and deliver as much value as they can to clients.

[00:16:05] Typically, they will get to between five and 10 people and realize that things can't carry on because, in a very small firm, all the information can be in the heads of the founders. You see the people that you're working with every day, so you can command and control. You can check quality on everything. You can look over people's shoulders. You can correct their mistakes. In fact, you can do a lot of the delivery yourself.

[00:16:31] When they get to a certain stage, they think, "Oh no, I need some advice here." If you go beyond that stage, what typically happens is that you get to the 20-person mark and actually start to collapse back in on yourself. Quality diminishes. Your employees get really irritated because communication isn't what it should be and they don't really know what they're doing. Proposals start to go amiss, and things aren't managed well.

[00:16:58] If you imagine two phases, you've got your grow phase where you're really just trying to sort out what you're doing, what makes money, what your messaging is, what you stand for. That can take you up to a few years. Then you get to the beginnings of the scale phase where you've got a very clear proposition. You've got good clients. You've got a good reputation. How do you systematize that? How do you make sure the partners aren't constantly looking over people's shoulders; they're not getting dragged into delivery; they're focused on growing the business successfully. That's really the transformation that I help with.

[00:17:35] Because my primary job is professor of consulting, typically work one and a half days a week helping other consultancies. It's not a full-time job. But I quite like that because it allows me to use my research to help my clients. Also, my students love it when I come back and tell stories, always anonymized of course, but I can say I was working with this client last week, and you wouldn't believe what they said about marketing. The students love it because they don't necessarily get a lot of coal face stories.

[00:18:06] So, what's next for you?

[00:18:08] The big thing for me at the moment, I am launching a mini-MBA, which is online, for independent consultants. I'm doing that through a company that I'm a partner in called Consulting Mastered. We've spent the last year and a half creating the course and running a couple of live versions of it to hone it. We're now literally going through this distinction between growing and scaling. We know what we've got. We know that it's good. The next stage is to scale it and automate it and offer it more widely to people.

[00:18:44] I think my next book is going to be on the importance of people and management. The press seems to think that you can automate quality management, or you can outsource it to an algorithm. I'm still a big fan of the human.