

## **“Adding Value” in the Changing World of Consulting**

By

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## **“Adding Value” in the Changing World of Consulting**

What does “adding value” mean in the context of consulting? This simple question can have many different answers depending upon the type of consulting being delivered, the perspectives of both the client and consultant, the nature of the organization or managerial need (perceived) and the level of analysis (individual or system). Over the years, as consulting has morphed into many different kinds of services, there have been shifts in what is considered “value”, both from the standpoint of the seller and the buyer. The range has continued to grow, from buying answers to problems, to buying expertise, to buying processes, to buying human capital, to buying catalysts for change or developers of capacity.

Today, as the organization world is undergoing transformations and the consulting industry adapts, it’s an appropriate time to re-examine what it means to “add value”. From our years of experience and teaching, it is also clear that what ends up being “valuable” for clients or their systems is not always obvious or what’s expected. The variety of ways consultants can add value is useful in meeting the wide range of “needs” emerging in the client world. We believe that knowing multiple ways to add value provides the consultant with more strategic levers for more clients and can lead to better methods for developing consultants. This arena of study is also rich with potential research paths.

This paper will explore and conceptualize what it means to *add value*, why it’s difficult to define, the current variety of forms it might take and some implications for our field. As such, this is an exploratory, conceptual paper.

### **Changes Affecting Consulting**

Changes in the world affect most types of organizations requiring different strategies, designs, processes, capabilities and leadership. As organizations adapt, consulting needs to respond by finding new ways to add value in this environment. Some changes create new services (may be consulting or not), while others require new challenges for adding value. Consider just some of the significant changes disrupting organizations:

***Globalized markets and workforces.*** It’s now common for people to be located anywhere in the world working for the same company or an alliance partner. Customers and competitors can reside anywhere and operate globally with 24/7 communications technology. More work requires virtual effectiveness. Political uncertainty and security threats are scattered throughout the world. Demand can shift anywhere in the world.

***Real-time decision pressures.*** Customers can do business anytime, with anyone, anywhere and demand immediate availability and response. Tactical issues are driven

by continuous uncertainty and require rapid decisions. All of this affects lead times (non-existent) and rarely allows for lengthy decision processes or time to investigate.

***Rapidly changing technologies, driving new ways of working.*** The pace of technological and scientific advances has accelerated, delivering new alternatives for conducting business or doing work. This brings new competitors over night and changing cost structures for different players. It accelerates obsolescence and provides improvements.

***Economic pressures.*** There is continuous pressure from analysts and investors to improve economic performance. Capital market processes have changed. Acquisition threat is paramount in many industries. Cost structures vary around the world and can help or hinder an organization. This drives a continuous short-term focus.

***Changing corporate governance practices.*** More countries are requiring greater transparency, more industry oversight and real accountability. This changes the activity levels on Boards and within compliance/regulatory functions. It can also shift control and accountability procedures throughout the organization.

In addition to global trends affecting most organizations, a few other trends affect the consulting world specifically:

***Client maturity with consulting.*** Over the years, most senior executives have worked with or for many consulting firms and know the strengths and limitations, have more sophistication in dealing with new issues and more experience with planning, analysis and implementation processes. Levels of dependence and reliance have changed. There are higher expectations of involvement and partnering.

***Consulting results history.*** Related to the one above, the checkerboard history of results and failure involving consulting is widespread. Specialization has further fragmented effectiveness of consulting services. Lack of effective implementation has left many sound studies sit on the shelf. There is more interest in return on consulting investments.

***Unprecedented issues and scenarios.*** Most of what now needs to be dealt with is new. There are no previous experiences to draw upon. There are fewer commonalities to build on. This wrecks havoc with business models based on replication or generic processes established to fit all organizations.

All of these changes add up to raising some critical questions:

- What do clients really need now?
- What will add value? Who will identify it? See it?
- How do consulting services need to change in this environment?

## **The Morphing of Consulting**

As consulting has expanded and morphed into so many different types of services being delivered under the same banner, it begins to dilute any meaning in the banner! What is consulting? To some it's providing expertise or facilitating some process. For others it's providing extra workers to staff a project or taking over a certain organizational function. Still for others, it could be training the employees in a compliance matter or helping an individual change dysfunctional behavior. Today, it's almost any "help" that can be bought. While each of these services can be quite helpful to an organization and can generally be obtained in the marketplace, should that make them all consulting?

Perhaps we could reserve consulting for a class of services that add something new, change or improve functioning or re-create some aspect of an organization. And consider the other ways of helping as contracted services, part of professional services or other helping roles? Consulting would then have a generic focus on change or improvement by doing it for them or developing their capacity to do it. Something is getting fixed, changed, removed or created. Consulting has an end game of improving performance against some mission, not just continuing what exists.

Larger firms often diversify in order to even out economic cycles or develop more stable sources of revenue. These moves are for the purpose of improving *their business returns*. In fact it could be said that these are moving away from strict consulting services because of their economic dynamics. So when firms add outsourcing, venture capital, and other alternative revenue streams *for their own business purposes*, let's not confuse those with another form of consulting.

If we could frame consulting in this way, it helps to see the client-consultant relationship as an important factor in how value gets added. Consultants have rarely had any authority and long relied on influence as their primary medium. Our effectiveness is often dependent on how well we can affect what clients think and do. This becomes particularly critical when something needs to be created, changed or fixed, requiring people in the organization to operate differently. If we are to influence, we have to develop a relationship with the client that allows for change, including such characteristics as credibility, trust, openness and goal alignment. Previously, we discussed this as creating an *engaged relationship* (Jamieson & Armstrong, forthcoming) and suggested that engagement was needed *in order to* add value in consulting.

## **Dilemmas Inherent in Defining "Value Added"**

Determining "value" is fraught with difficulty because of the many different lenses, perspectives and timeframes one could use. When defining "value added", it will be necessary to first determine which dimensions to include and whose perspective to use.

One difficulty in discussing “value added” is the different dimensions and perspectives operating. There can be outcomes that benefit an individual client and/or the client system. However, benefits at one level may not be mirrored at another level. So we first have to specify the level of analysis in determining value.

Another issue with value is what timeframe is being used. Some benefits and results show up in the short-term, while others won’t materialize until a longer term. Also some results will appear first at the individual level and only later at the systems level.

There is also a difference between the “perceived need” and the “real need”. By meeting a perceived need, a client might consider that value has been added, only to later find out that since the real need wasn’t met, other issues continue to hinder progress or success. This muddles the determination of value added, since the client may be making the initial determination and the larger system may be making the ultimate determination.

Another aspect of value considerations involves how much *gets done for* a client versus how much *client capacity is built* for doing what is needed. Depending on your perspective, either could be value added.

Finally, there are always intended and unintended outcomes. Intended we plan for. Unintended emerge or occur as a consequence of other work being done. Which produces the value? Perhaps either could produce the most useful results. What’s being measured or observed might also determine what we see, allowing for some value to not get captured?

In the simple case one is asked for a certain kind of help and if one is qualified they deliver it and the client is happy. The “value” requested was delivered. However, as systems and issues become more complex and organization and individual changes are required for any resolution, then identifying the “value” (or type of value) becomes more difficult.

### **Defining “Value Added”**

For the purposes of this paper, we will look at “value added” from the perspective of direct clients, with perceived needs, making initial assessments. And we’ll assume that these direct clients are interested in both what they experience and benefit from, as well as, outcomes for their larger client system. With this point of reference, there is a range of possible ways consulting might add value and that different clients could care about.

We usually think of value added in terms of deliverables, solutions, products or results. These are often the primary “value” being sought or bought. However, consultants can

add value throughout the phases of consulting. There are opportunities and “teachable moments” at each stage of consulting from entry and contracting to evaluation and closure. These can be thought of as secondary forms of adding value.

Throughout the consulting process (analysis, action planning and implementation), there is potential to add value. During analysis, the framework used, data collected or insights developed can all lead to value added for a particular client if learning occurs, mindsets change or different decisions ensue.

During action planning, clients and consultants are exploring new ideas, reviewing alternative ways to proceed or designing interventions into the existing system to move or change it. Both in the planning and action taking, one can add value for clients.

Finally in implementation, there is still much to learn about any system and modifications, adaptations and corrections will occur. It will also become clear that implementation may involve different skills than either analysis or action planning on the part of both consultants and clients. Value can accrue through how facilitation is used, processes are designed, employees are included or training is structured.

In determining value added, we and the clients are looking for evidence that the consulting work is making a difference in *something that matters in that system*. The outcomes that occur need to be valued and ‘move the needle’ in the desired direction.

Table 1 identifies many of the ways consultants could add value, the kind of evidence often used to assess and how they might be measured. There is probably some overlap in the items as all are inter-related in the organization/human system.

**Table 1. Forms of Value Added**

<b>Value Added</b>	<b>Evidence</b>	<b>Measurability</b>
<b>Organization Level</b>		
<b>Financial Performance</b> , increased profit, improved margins, reduced costs return on Investment	Time & money invested/quantification of results; standard ratios; income statements; P & L's, balance sheets; tangible results	Mostly standard measures; GAAP; ROI can be difficult with intangibles included
<b>Other Forms of Performance</b> , triple bottom line, environmental, social	Sustainability metrics, eg, air & water quality; energy use; waste production; labor practices; community impacts; human rights/social justice; product responsibility	Increasing number of surveys, accounting measures and social reporting mechanisms

<b>Value Added</b>	<b>Evidence</b>	<b>Measurability</b>
<b>Intermediate Performance Indicators</b> , quality, speed, customer satisfaction	Generally directly related to product or service; changes in metrics; standard in industry	Standard measures; surveys; focus groups; industry data
<b>Internal Operating Processes</b> , coordination, workflow, effective relationships, functioning interdependencies, how work gets done	Technical & social outcomes; human system data; climate; morale	Attitude surveys; technical system measures
<b>Specific Problem Solved</b>	Consensus among stakeholders	Observable; survey; ask
<b>Increased Capacity</b> , to perform (skills, capabilities), changed mindset	Collective behavior; changed way of working; greater client independence	Observable; different conversations, decisions; self-reports
<b>New creative ideas/processes developed</b> , unique action, new invention, “out of their box” thinking	Doing something differently, not previously considered or done, out of their norms	Self reports; observable; documentation
<b>Individual/Group Level</b>		
<b>Perceived Need Met</b> , of direct client, rational or irrational	Eye of beholder; difference in daily operations	Post evaluation; ask
<b>Changed Emotional State</b> , attitudes, morale, motivation, energy, climate	Subjective assessments; collective change in feeling about X;	Difficult with accuracy; surveys; focus groups; collective perception
<b>Client Learning</b> , new understandings, new expertise	New learning shows up in changed behavior, actions, decisions, processes	Self assessment; other’s perception of differences
<b>Client Anxiety Reduction</b> , anxiety often unspoken, comes with challenges, problems, vulnerability	Subjective assessment; observable behaviorally; lower stress	Self report; possible surveys
<b>New ways of working</b> , individual, pairs, teams	Changes to routines; interaction patterns; relationships; practices	Surveys; observable;

### Organization Level

Most consulting is probably initiated for one of the organization level reasons, where the intention or hope involves receiving one or more of these added values.

**Financial Performance.** All aspects of this category involve ways to quantify results in financial terms. It could be an interest in reducing costs or raising margins. It could be a survival need to make some or more profit (or enough revenue to cover critical expenses). There could also be interest in return on investment of both the consulting work and whatever is produced. Then time and money are all quantified as are all forms of results in order to calculate return and investment. Most of these forms of value are easily measured with standard accounting procedures, except for intangible results that often can't be quantified and are generally not counted.

**Other Forms of Performance.** Today many organizations care about more than just financial outcomes and have concern for environmental and social performance as well. The green movement, sustainability (in various forms) and multiple stakeholder well being are often now assessed, reported and tracked from year to year. There are an increasing number of metrics becoming available based on common formulas and many third party reporting agencies producing greater transparency across organizations. This category provides another avenue for adding value.

**Intermediate Performance Indicators.** There are also many indicators of ultimate performance that critical to some organizations and become important metrics. These can be any number of variables that occur as part of the processes that produce what the organization exists for. They generally are directly related to the product or services being performed. Key indicators include quality, speed and customer satisfaction (and usually cost). Depending on the kind of work done, other indicators could be more prominent. Consulting can add value through changes in any of these indicators.

**Internal Operating Processes.** This area addresses how a particular organization system and its people operate to get work done. It could involve levels of coordination, cooperation, interdependency or interaction points and how well the work gets done. These internal processes have a lot to do with how the human system ultimately functions, as well. How work flows and gets completed is directly related to the effectiveness of operating processes. Many consulting assignments add value through work on process improvement, social or technical interaction and systems re-design.

**Specific Problem Solved.** In some cases, there is a specific problem hindering the results of an organization. It can be limited in scope or highly complex, but the focus is singular on this problem. Consulting only adds value in this situation when that problem gets solved. It may take making other things happen as well, but the outcome that counts here is the solving a particular problem.

**Increased Capacity.** This means that the organization has increased its capacity to perform its mission (work). Often this involves *collective* changes in both client mindsets and capabilities and can occur because the consulting has included targeted education

or as a result of working together and learning informally. Sometimes there are specific skills that have improved and are critical to this organization's work or there are different perspectives and attitudes affecting how the client system thinks and acts. The key to capacity is a change in client dependency on the consulting.

**New Creative Ideas/Processes Developed.** The value added here involves the *thinking* outside of the client's normal box and the *creation* of something new and unique for them. The innovation is somehow important to their success and unlikely to have ever come from their existing system, staff or ways of operating. Often testing unchallenged assumptions is part of this consulting process. In the end the client has something completely different from their traditional way of doing business.

### **Individual/Group Level**

Sometimes projects have their focus at these levels, but often added value accrues here as secondary benefits or even as hidden, but intended outcomes on the part of direct clients. It's more productive to understand all the intentions and possible ways to add value up front.

**Perceived Need Met.** Whether the direct client's perceived need was rational or irrational, real or imagined, the only way there is value added in these situations is for the need to be met in the eye of the perceiver. If there's no way to meet it, that is an important conversation for contracting or for influence and client learning along the way. It can also raise ethical issues to be considered. Since presenting problems are often not the real problem, perceived needs can pose dangerous territory to just accept and jump in to.

**Changed Emotional State.** This could also be across the organization, but often falls more in isolated pockets. It means there are poor attitudes, low morale, low energy and motivation and generally a collective feeling state that affects performance. It is primarily a climate issue but can be caused by many different issues, most of which are in the human system. While these conditions are observable, surveys of various sorts often capture this state leading to some request for help. A good understanding of organization behavior, the behavioral sciences and how human factors inter-relate is usually necessary to add value here.

**Client Learning.** This can occur formally or informally, by intention or vicariously. Of course it is also a part of increasing capacity. The key here is that the client shows new understanding, changes in his or her thinking and action and different types of conversations and decisions. It shows that what was taught was learned or that the client is moving in sync or ahead of the consultant. If expertise was being shared, this is a good indicator of value added.

**Client Anxiety Reduction.** Lundberg (1997) posited that a core function of consultants is to reduce anxiety for clients. Many clients engage consultants, in large part, to reduce the anxiety they live with, for many different reasons. This anxiety is generally unspoken, but a natural occurrence for people, who feel responsible for a condition or finding solutions. It is coupled with the real challenges, problems and vulnerability. Many physical and mental indicators are generally present and can be observed. Adding value might occur through changed confidence, new understandings, a sense of hope or a solution or plan.

**New Ways of Working.** Sometimes there is a need to change the way individuals, pairs, or groups do work together. This could involve relationships, procedures, routines or interaction patterns. By changing how people do work they can in turn change performance. Value might be added through facilitating client teams in their changes, in helping to create new work designs or shifting role relationships and interaction patterns.

### **Some Implications for the Consulting Field**

As a starting point for further exploration into value added, there are a number of initial areas of implications providing fertile paths for research and practice clarification.

**Defining types of consulting.** The muddle around what is consulting will continue to hinder answering many other questions such as ‘what is value added?’ If we could better categorize different helping services and get some consensus on “consulting”, then we could more accurately relate types of value added. There may not be pure projects in the real world, but it would still be helpful to differentiate among types of helping and use common meanings when talking about consulting.

**Research into Consulting.** Hopefully this discussion will stimulate more and different research streams, such as:

1. How we evaluate consulting outcomes, results and/or value added?
2. What clients include in value added and how they prioritize them?
3. What consultants include in value added and how they prioritize them?
4. How value added has changed with changes in global environment?
5. How consulting firms manage their value propositions and value added?
6. How important are types of value added for intermediate indicators versus ultimate performance indicators?
7. How to reconcile the (important) intangible outcomes with the tangible ones?
8. How can all forms of value added be measured? What other evidence would be helpful?

## 9. Determining what differentiates “consulting” from other helping?

**Measuring.** Considering ‘value added’ could lead to some different questions being asked by consultants at the end of engagements. It could also lead to including some different measures in formal evaluations and perhaps even adding some things to evaluate (primary and secondary value). For some types of value added, measurement is difficult. Perhaps some could explore new ways to capture outcomes or different kinds of evidence to look for.

**Consulting Firms.** There are some issues that firms will need to grapple with, including:

- Rethinking their value propositions, in different lines of their business, for different client sectors, in different environmental scenarios. How do different types of value added enter in? Which situations are they qualified for and which do they wish to play in or dominate?
- Related, but different is their various consulting business models. Some models are based on larger numbers of lower cost bodies performing numerous analysis, “study” and reporting tasks. Some are based on billing for time expended versus deliverables (or even results or value added). Some build in the assumption of multiple replications of a best practice or generic solution or model, while some clients may want unique, customized, sustainable solutions?
- Role structures and hierarchy may need to change if different skill sets are needed for certain value added. Who comes in, when? What level role is used for different types of engagement?
- If some intangible and less measurable forms of value are sought, how will it get paid for? Many firms operate on highly economic models with mostly economic result measures.
- How will individual and system level value added be built into projects?
- If they have always done things one way, how can they build greater flexibility into their culture, processes and decision –making, if they wish to play in a broad range of client situations?
- How to balance among analysis, doing and facilitation consulting work and creating intentional client learning versus running proprietary processes?
- How to separate consulting from non-consulting professional services and manage accordingly?

**Contracting.** This exploration into what is deemed value added has raised numerous issues about what is and how to discuss a value proposition, what value is intended to be added, how each party can have different perspectives in this discussion, and how to consider value at both the individual and system levels. This could add a new

opportunity for a meaningful conversation during contracting to lead to greater alignment and a better contract.

**Consultant Development.** Different types of value could derive from different consultant competencies. While many consultants may have been developed with critical analytical skills, certain content expertise or executive presence, it might become as valuable to develop skills in relationship building, group facilitation or training/learning. It will behoove firms to relate their value propositions to the new environment and relate their intended value added to needed competencies, recruiting and development programs.

These represent some of the many implications to consider in addressing further inquiry into the concept of added value in consulting.

### **Closing**

As the consulting industry and forms of delivery change with needs, markets, globalization and economic pressures, the central tenet of “adding value” is called into question. Traditional models of analysis, use of expertise or process design are not the only variations being sought or bought. Knowing the variety of ways to add value provides consultants with choices and can lead to strategies for use with different clients. Lack of flexibility in providing value (as desired or needed by clients) could lead to limiting success.

There has always been some variety of ways consultants’ added value for clients, but increasingly, different models are needed to respond to the wide range of issues and needs emerging. In addition, clients are more sophisticated and discerning as they deal with unprecedented issues, require “help” and have limited resources. Many consultants and firms have long used one model of adding value and may need to re-think what is actually best for the client and how to provide it.

These shifts in the industry bring with them numerous implications for practicing consultants and for how new consultants might prepare for a career. Most ethical guidelines have been established based on the old models of what consultants did. Now that the variety of services is changing, so will behaviors. This suggests calls for higher levels of integrity to retain trust and credibility and increased pressure for accreditation in a broader set of competencies, perhaps with new specialties. Emphasis on expertise or process skills could entail different educational preparation. The role of relationships and influence could trump the old analysis skills. Coaching skills could replace expertise in some value added models.

Borrowing from the medical profession, consulting needs to raise the consciousness on two tenets: “Do No Harm” and “Add Value”. Both will be tested as the mix of services under the consulting banner continues to diversify.

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