



## **THE DEATH OF THE SPECIALIST CONSULTANT AND PROFESSIONAL SERVICES FIRMS THAT EMPLOY THEM**

Henry Ford set about creating value for society and once said a business that makes nothing but money is, indeed, a poor business. In Ford's statement, lies the question: What value do consultants and professional services firms create?

The wake-up call has been coming for years – Covid-19 has only accelerated their looming fate. And while the CEOs of global consulting firms have been claiming for a while now that more than 50% of their revenue comes from non-traditional work, the reality is they are simply flogging a different suite of products and services, all built by specialists with little clue of where their worth resides or how to create true value for society. Yes, the death knell is ringing for these consultants and the professional services firms where they live.

Let me be clear: When I speak of professional services firms, I am talking about organisations that are full of consultants offering knowledge-based services, highly professionalised workforces and minimal capital infrastructure. By this definition my business, People At Their Best, works within this industry. As such, the intent behind this paper is not to criticise, but to shine a light on the shortcomings of the industry and to point a way forward. If our industry has any hope of survival we all need to be honest and identify opportunities to do better.

(Please note, I use customer and client interchangeably throughout this paper).

## The future will look very different!

The future belongs to those who can create meaning, facilitate understanding, take us on a journey of discovery and generate positive experiences that are valued, that people are willing to pay for. Unfortunately for most professional services firms and the specialists that work in them, this is the antithesis of how they operate; it goes against their *modus operandi*.

If the Industrial Age was about 'product' and the Information Age was about 'data', then this Concept or Connected Age that we are in, is about 'meaning'. So, it follows that those who can help translate the world into something that makes sense, those which can help create understanding and connection, are the ones that will flourish. This is the 'experience' where 'value' resides.

Meaning produces coherence in someone's world, it gives purpose and it indicates significance (that a life is worth living and that one's pursuits are worth the effort). It is critical to understand this: The creation of meaning is an experience and it is in this experience that one creates value. More fundamentally (and frighteningly), for professional services firms and their consultants, value no longer resides in the products (data, information, reports) they provide but rather, it exists only in the experience their customer has.

While professional services firms might understand this, there is no evidence whatsoever, that they are ready or willing or, in fact, capable of making the leap to this new world. The upshot of this is that their relevance is being swiftly eroded – unable to create value; there is little reason to exist.

The paradox here is that it is professional services firms that will tell you such a shift is occurring in society, in fact, they have labelled it a 'megatrend', where material consumption is being substituted for experiences. Yet, it is these same firms that fail to recognise how this megatrend impacts their traditional way of working. Quite simply, these firms exist to provide a product (in this case, expertly researched data), but this is no longer sufficiently meaningful. Worse still for our professional services firms, this function of pushing out data is being automated, democratised and outsourced at an alarming rate.

## Creating meaning is an experience.

In the Industrial Age and the Information Age, goods and products were the centre of economic activity. Here, the participation of the consumer was minimal and the interaction between the producer and the customer was simply a transaction. Now, in this Connected Age, the centre of economic activity is the experience between producer and consumer, one that is co-created and rarely linear or one-way. Whereas, in the past, 'value' resided in the product that was bought and sold, today value exists in the experience that the parties create, together.



Today, the product which these consultants provide, is a hygiene factor and this means that to be relevant, one must create value beyond products, to the place where customer satisfaction is born – the experience. As Daniel Pink so beautifully said, 'The future belongs to a very different person with a very different mind – designers, story tellers, carers, empathisers, big picture thinkers and meaning makers.'

This is a challenge. In fact, Bain & Co. found 80% of companies believe they provide superior customer service but only 8% of their customers believe they receive superior customer service. In this sense, it is clear that businesses are not as good as they think they are when it comes to serving customers. What this means, is smart organisations will need to find new ways to connect with and please their customers, rather than try to sell them more and more products. These smart organisations will focus on delivering a better customer experience through untapping latent demand, uncovering problems and inspiring action to create a better future. And these organisations will not be afraid to charge a premium for the value they create – it's how they will get away from having to compete on price. But to do this well requires a different approach, one that puts the customer at the centre of the relationship. This shouldn't be difficult but the fact is that most professional services firms are focused on creating wealth not value.

There are four monetary markers that indicate whether a business is putting the customer at the centre of the relationship: Increasing share-of-wallet; greater stickiness or loyalty; word of mouth referrals and; continual purchase behaviour – anything less and 'customer-centric' is just another marketing slogan.

In my work advising professional services firms, my mantra is: "You need to get clients to buy you and the experience you create ... your firm's products simply exist to service your clients ... the products themselves are not how you create value or build a relationship." The mistake these firms are making is believing that 'relationship excellence will follow task excellence'. It doesn't. The reality is that 'task excellence follows relationship excellence.' It is a statement of fact that in this Concept Age, consultants need to have a great relationship before they can begin to understand what the right products and services are for a client.

The argument goes something like this: Professional services firms have lots of great products but they are quickly degrading in value and will not be valuable in a future where their work will be outsourced to cheaper providers or simply automated. As such, their products are only good as a means to service the client relationship and ought not be the foundation of the relationship - if the client has a relationship with the product then these firms are exposed to other businesses who can offer the products cheaper or quicker. In effect, products give firms a ticket to play.

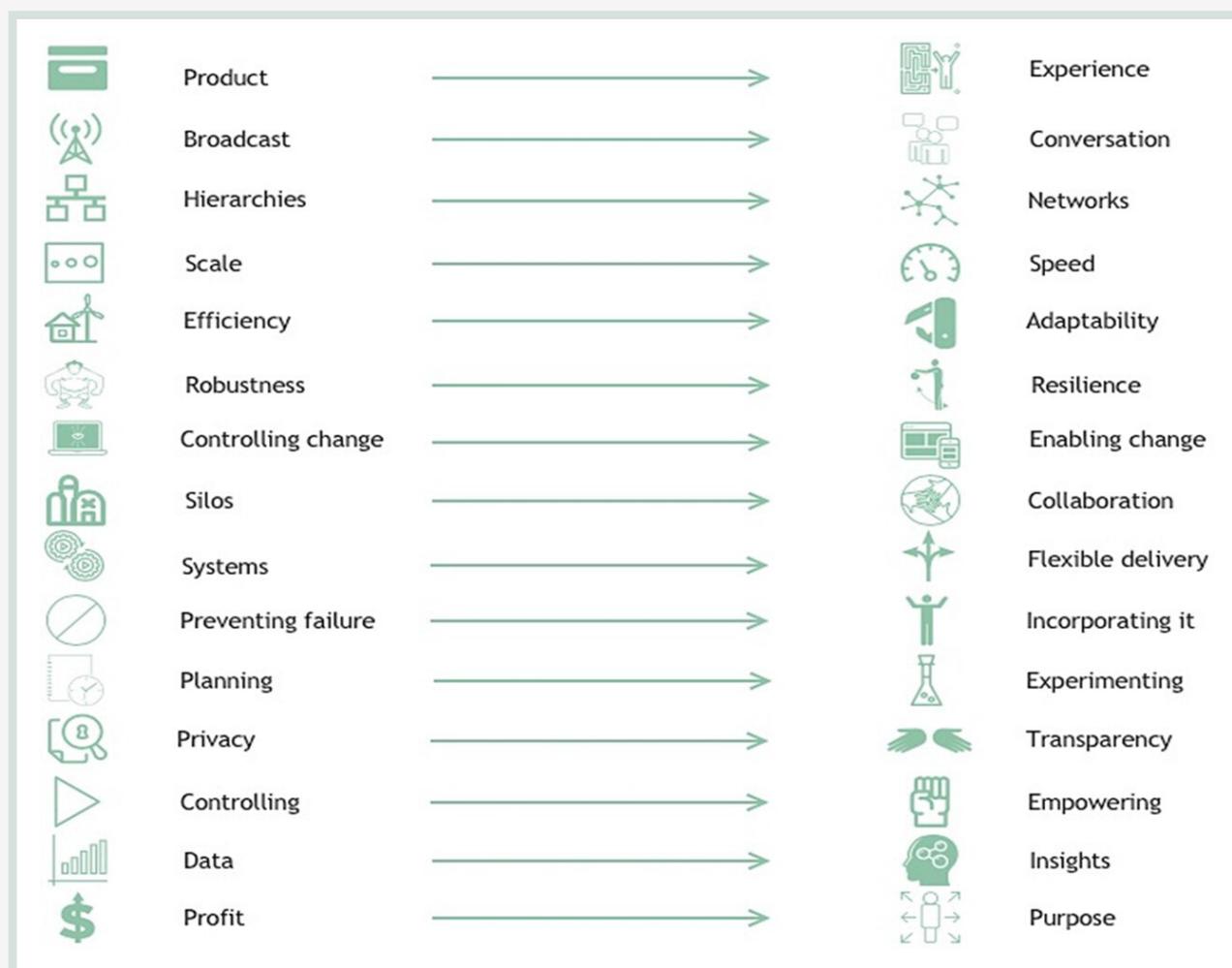
What we observe, is that many firms are hanging on to product-based relationships and that these relationships only satisfy the customer if value resides in the product itself; but it does not. In fact, the days of churning out vast quantities of information and being well rewarded for it are over. Get used to it: The product-centric model is degrading fast.

## The future is here, but are today's consultants ready for it?

Organisations must now compete on their speed of learning; how quickly they can understand what customers value and use these insights as an input to design meaningful experiences for the customer.

Founder and CEO of Mu Sigma, Dhiraj Rajaram describes it like this: "Learning is more important than knowing and experimentation is more important than expertise". In this reality, businesses need to 'operate to learn' and use operations as an input to design, not as a pathway to profit - anything less and one's relevance is jeopardised. In this Concept Age, what matters is how we take people on a journey to discover what is currently unknown – this is the challenge of our age.

Our graphic here, illustrates the shifts required to maintain one's relevance.



Jerry Garcia of the Grateful Dead said something like: It is not enough to be the best at what you do, you should try and be the only one who can do what you do!

To strive for Garcia's benchmark, one must work much harder to understand customers and what they value. This requires tremendous curiosity and fierce empathy. Here, again, we run into problems for professional services firms: Empathy cannot be scaled and without it, one cannot build the deep levels of trust required to connect with others and engender meaningful experiences. On the other-hand, get this empathy quotient right and no one will be able to copy what you do because no one will understand the customer like you do.

It is a fact (at least at this moment), that machines cannot build trust because they cannot demonstrate empathy. And while empathy is the antecedent to future success, one must be able to 'deliver' on the ensuing trust that is built. To do this requires cognitive agility and organisational flexibility to create bespoke and extreme personalised services, rather than standardised, scalable products. However, in a world where professional services firms value 'expertise delivered at scale' over 'experimenting and learning', there is little hope of them being liberated from competing with thousands of other firms who do WHAT they do and, certainly little possibility of facilitating a unique and meaningful experience.

When 70% of the buying experience is based on how a customer feels they are being treated (and nothing to do with the product they are buying), a different operating model is called for.

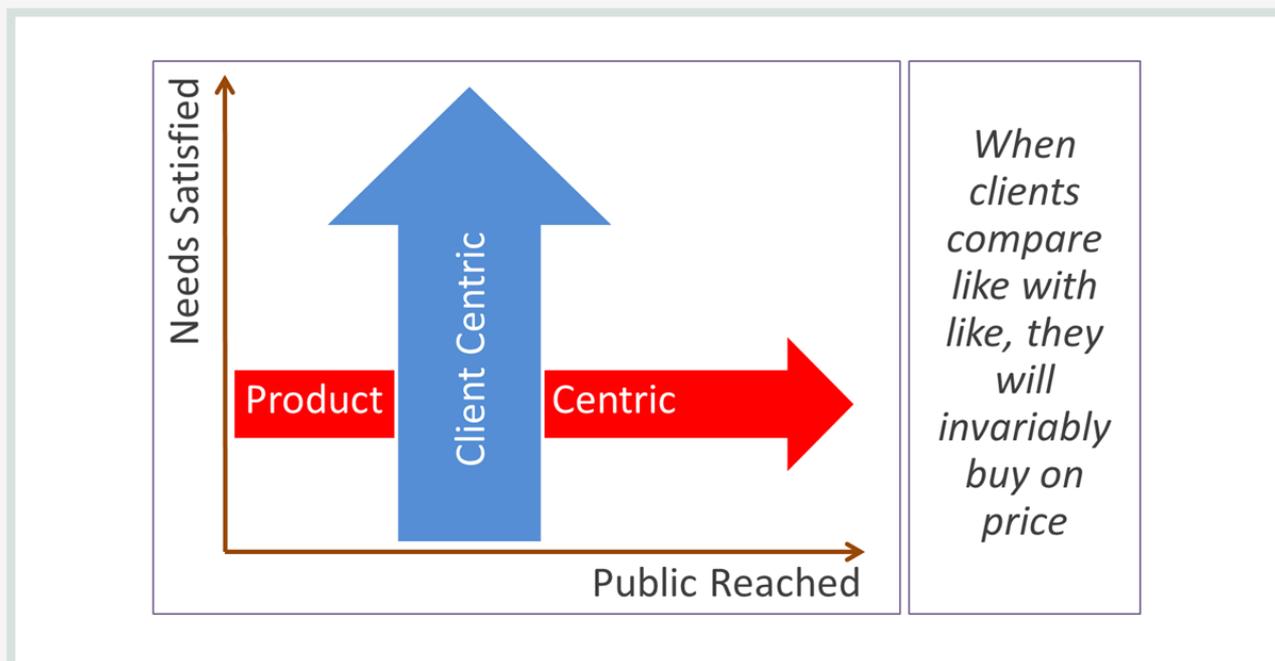
Data has now overtaken oil as the planet's most valuable asset but data is still just another product and not at the heart of a flourishing relationship. Empathy is. Empathy is at the root of how people feel and the basis for how we create meaning. Empathy is also the precursor of agility; it is how we learn what the customer needs. Instructive here, is the widely accepted notion that less than 10% of data produced is actually used to inform decision making. So, while data might be the source of much revenue, it is certainly not creating meaning or driving the behaviour of those who purchase it – what a mindless treadmill we are on.

To be effective in the business of professional services, firms must create meaning - it's how we have an impact. This is because all behaviour and action is an emotional response. Unfortunately, consultants and their professional services firms appear profoundly ill-equipped to create meaning for their customers – it's not their game – it would seem, most firms are too busy trying to create wealth for themselves.

What professional services firms need to develop is what I call the 7-Cs: Customer-centricity, Courage, Curiosity, Connection, Care, Collaboration, Consciousness. At the centre of these is empathy. The reality is, however, that these are in short supply in most firms where they understand their clients' businesses far better than they understand their clients. This makes it nearly impossible to achieve trust, commitment and engagement and the 4-monetary markers, I wrote of earlier.

Worse still, it makes it almost impossible to generate creative, innovative ideas, ones that are valued by the customer. The more services are automated the more important empathy becomes; the more it is required for the remaining human interactions. The roadblock here: Empathy and trust take time and they cannot be automated and scaled.

The root of the problem is the dependency on a product-centric model. This diagram represents the difference between product-centric and client-centric models.



The modus operandi of a product-centric model is to find more and more customers for your products and services. The MO of a customer-centric model is finding more valuable ways to serve your customers – these are uncovered via empathy. A customer-centric model requires one to care for the customer, first-and-foremost, and this is a tough sell for professional services firms who primarily care about their own internal targets and goals and believe passionately that the road to achieving them lies in their knowledge and expertise.

Professional services firms are not creating value; they are providing a product; they are a relic of the Information Age. Such firms win by selling more product and grabbing a greater share of the market. Smart businesses win by creating a better experience, by engendering greater customer satisfaction. This is a profound change in the way businesses must operate. More so, 'operating to learn' is radically different to operating to make a profit or create wealth. To make this shift, businesses need to listen to the customer rather than be the expert but this is such a leap for most firms. Mostly, however, using operations as an input to design, rather than as a way to deliver product, is anathema to the traditional business mindset.

It's a gloomy predicament, but most professional services firms are not agile enough to make this leap, to keep iterating their value proposition, to adapt and renew. One reason for this is that they do not collaborate well (experts rarely do) and are terrible at leveraging diverse thinking (it takes too long and is difficult to scale). Firms like this believe that information is proprietary and to be guarded rather than shared and collectively available. This makes it almost impossible to uncover any new ways of working or to co-create original solutions. Firms like this have stopped learning and by this, I mean, stopped learning how to learn – they simply value their knowledge far too much.

The wonderful particle physicist, Brian Cox, said something like: True progress requires more than one brain. In any case, what is missing in most professional services firms, is any concept of social learning, of leveraging diverse and different ideas, of co-creating new understanding. Einstein said if he had a really difficult problem to solve and an hour to do it, he would spend 55-minutes thinking about the problem and the right questions to ask and then 5-minutes on the solution. Professional services firms have this 'enquiry/solution ratio' the wrong-way round and as such, either impose what they think the client needs or push onto the client what they can deliver and charge for. In this brave new world, however, organisations will need to be far less 'sure' and much more humble; far less 'certain' and far more ready to experiment and learn.

This lack of enquiry, curiosity and humility plays-out in the following way: Client says, "Can you do XYZ?" and consultant responds, "Yes, we have expertise in that area and have done similar work for ABC". Now the consultant is off to the races - feeling good, adding to revenue and delivering the solution the client asked for. After a mad rush, XYZ gets done on time, in scope and in budget. At this point the client feels fairly indifferent about the whole experience and neatly forgets about what the consultant has delivered until some future date when, to a greater or lesser degree, the whole value-less transaction is repeated. What is happening here? Yes, the product was delivered, but rarely is such 'transaction' a positive experience which is valued by the client.

Yet, the real mistake is thinking XYZ was ever going to create value. It may have during the Information Age but not now. Providing XYZ is a transaction and it is only satisfying if value resides in the product itself. When 9 out of 10, American consumers say they would pay more for a superior customer experience, competing on price isn't an effective way to build an enduring business.

Further, when nearly every good idea comes from customer intimacy and immersion, all customer interactions must be profoundly individual and unique and they must be less standardised and homogenous. The most profound oversight, however, is that firms fail to appreciate that they are in the people business.

In fact, if you have customers you are in the people business and your value resides in the experience you create when you interact with those customers. Here, one's area of expertise ought to be regarded as a 'threshold' domain - it's required to enter the industry and one needs to be great in their specialist field, but beyond this, it is not the difference between sustained success and poor levels of customer satisfaction.

Even if what a firm offers is by far and away the best in the market, it is only a matter of time before it is copied or replicated by others at a cheaper price or automated and democratised.

Every day, I hear Partners of professional services firms say to their clients, "Have you thought of ABC." Right here, at this moment, a 'customer experience mistake' is taking place. In this one-way dialogue, these experts are trying to sell a product and sell their knowledge and have missed the opportunity to create a meaningful experience. Research finds that doctors, on average, interrupt patients after only 11 seconds. The frightening reality is that I hear consultants interrupt their clients in less than 11 seconds. Why? Because they still believe their value resides in their specialist knowledge. The hollowing-out of work, however, means that anyone who relies solely on their knowledge will find themselves irrelevant within the decade. It pains me to say it, but it is a nonsense for anyone to think that they can create value without understanding what the customer truly needs - it is why there is an 80% to 8% gap between the service these firms broadcast and what the customer experiences.

Meeting recently with a COO of a national sporting body, I listened while he described a litany of problems within the organisation. The obvious trap here was to rush-in with solutions and pitch services to help him. There was, however, a more subtle trap that belies the Concept Age. I started telling the COO what I knew about similar organisations and tried to impress with my experience. This is what most professionals do. This would be totally appropriate in the Information Age, where value resides in knowledge, but the world today demands something different. Empathy, understanding and taking the COO on a journey of discovery to make sense of his current challenges is what was needed; it was the experience the COO would have valued. Nobel Prize winner, William Bragg said the important thing is not to uncover more facts (data or information), but to discover new ways of looking at those facts. This is learning in action, this is the process of discovery, this is what is meant by provoking insights. The fact that Bragg said it sometime around 1914 shows how slow we have been to move-up the curve.

There is this fallacy that talk is a waste of time and that it reduces efficiency but every study shows that conversation increases productivity and helps people build relationships that uncover real needs and opportunities. In this sense, this 'talk', this conversation, this time spent, is the value proposition. Why?

Because a good listener is magnetic; people are drawn to them. It is in conversation where ideas are created and unfold, where futures are born. Listening is also the demonstration that the talker is a person of worth. Expertise and knowledge should only be relevant in that they give consultants a ticket to the conversation.

Beyond this, expertise and knowledge are of little significance. With the pace of change today and our ensuing diffused attention, we have lost our capacity to make meaningful connections and to engage authentically with others. In this state, our ability to demonstrate empathy and create value, vanishes.

So, this Connected Age requires consultants to walk into client interactions with little certainty, it requires them to be vulnerable, unsure of what they are going to say and do. It requires them to 'operate to learn'. This dive into the unknown is often too much and saying, "I don't know" still viewed as a death-wish in an industry where 'certainty' is the specialist's 'stock-in-trade'. The upshot is this: This Connected Age takes specialists far out of their comfort zone and leaves them rudderless in an open-ended world that cannot be standardised.



The truth is, we all face a complex, ambiguous and uncertain world packed full of novel problems and multifaceted challenges where we have little certainty as to the right answers – Covid-19 being a case in-point. In this world, the commodification of knowledge into products doesn't work, they simply lose relevance too quickly. What we have seen in the past few months is that situations are now too complex and too uncertain to think that a standardised product will be 'right' for a situation that is organic and evolving in unpredictable ways. Instead, collective intelligence and leveraging diverse thinking is what's needed if we are to have a shot at dealing with our volatile world. Let's dig into this.

Most people would have heard of VUCA (Volatile, Uncertain, Complex, Ambiguous), an initialism to describe the topsy-turvy, chaotic world we live in. When applying the concept to the current environment in which consultants and their firms operate, we can make the following observations:

- The pace of change today invalidates many established practices, products and solutions – they are not fit-for-purpose and consequently, subject to degrading relevance. In this case, it is not enough to be a learning organisation; businesses must maximise feedback and with great organisational flexibility, constantly re-invent their service delivery. As such, businesses must constantly translate learnings into reimagined ways to make sense for their customers. Bluntly, in this amplified change environment, the future belongs to the quickest learner not the one who knows the most.
- There is simply no, one-right answer when it comes to complex situations – we cannot reliably know what an outcome will be and the inter-play of inputs affects outcomes in non-linear and unpredictable ways. In this sense, we are no longer in a ‘complicated’ world where moving parts fit together in ordered and structured ways; no, we are in a complex world where problems require leadership that can leverage diverse new thinking. Without these skills and mindsets, we face today’s challenges with an over-reliance on redundant solutions and a lack of creative alternatives. What is needed is a bespoke, non-fixed, actively generated and emergent suite of skills, mindsets and approaches.
- It must be obvious by now that past solutions no longer work in a changing, amorphous world. Worse still, ‘efficient’ business models that rely on past systems of control are not flexible enough to deal with changes or sufficient to create meaning and sense in a complex landscape. As Darwin said, those that flourish are neither the biggest or strongest or smartest but those which are most flexible, those that adapt most easily to changes in their environment. These behemoths of the consulting world are just too big and protective of existing ways of working to experiment with emergent business models.
- In this accelerated world, where disruption has rendered business models incapable of making sense of the noise around us, our core evolutionary requirement must be flexibility. That said, never has the prevailing paradigm and attitudes been so antithetical to what we need right now. The antecedent attributes which enable flexibility, the 7 ‘C’ of empathy, simply do not resonate with decision makers in most professional services firms. This is sad because they would otherwise enable firms to learn fast, to truly understand problems, to uncover latent demand, to imagine a better future and to suggest pathways forward that make sense for their customers - all the qualifications for meaning making.

Professional services firms always claim that they are differentiated by the quality of their products and services. The truth is, however, that despite the quality of those products and services, they are locked into a price driven strategy, a race to the bottom, as it becomes harder and harder to distinguish themselves and deliver what customers value. Unfortunately, most don't know, or know how to demonstrate, the behaviours that create a better customer experience. If only they could stop competing for market share and start creating value, an expanding market of latent demand would open up before them. Without this, and with little organic growth in traditional products and services, these professional services firms can only achieve growth by winning market share from each other – what a moribund operating model. In fact, it's a nightmare scenario - firms continuing to flog the same products and services and to buy market share by giving away margin or fruitlessly trying to differentiate themselves around quality, expertise and experience. What is missing is demand creation and precipitating an emergent market. It is a paradox, to be sure, but if these firms could only put the customer first, they would create demand and overachieve budgets. What's more, identifying latent demand, facilitating insight, making sense of a complex world, is where all the fun, excitement and interesting work is.

Recently, when I met with the CEO of a multinational manufacturing business, I kept asking questions about what he would like his business to look like. As hard as it was, I never once suggested a service I could sell him. Eventually the CEO identified the real problems and obstacles that were preventing him realising the future he wanted and he articulated what needed to happen. The revelation for the CEO was in discovering that the help he originally asked for (and any solution I could have recommended) would have been a waste of time and money. While it may be apocryphal, Henry Ford said something like; If I had listened to what my customers were saying they wanted, I would still be trying to make faster horses. So, we need to get curious and uncover the real problems that need fixing. This is the antidote to the poor customer satisfaction and low return on investment that most customers experience when dealing with consultants. In this example, the CEO had a meaningful experience and identified a pathway to a better future that was contextually appropriate and resulted in significant ROI. In this case, I was paid for the experience the CEO had – listening and asking questions was my product!

In this time of Covid-19, the greatest organisational asset any business has, is listening. Listening allows for signals to be detected and discerned, to distinguish between short-term adjustments and shifts in customer and societal behaviour. But these firms are not listening and learning and treat their customer relationship as a conduit to sell products rather than create value.

The sad truth is that we consultants are not very creative - we rush into solution mode way too quickly (because we want to be able to invoice) and we typically end up solving the wrong problem – then we all watch as customers move onto another firm in the hope of attaining greater satisfaction. Not that this brings much joy. Remember, less than 10% of data generated is used to inform business decisions! Data may be the planet's most valuable asset but it isn't very valued! More precisely, if the data being produced is not creating understanding and driving change then it's a waste, just another product we wish we could substitute for something more meaningful.

Will this change? I can only think not in those organisations where the expert is king and where people believe that knowing is more important than learning and mistake outputs for outcomes.

The measure of success must always be the impact on the customer. This criterion instantly shifts where efforts and energy are invested to the place where value resides. In this pivot, the consultant comes up with all manner of new, creative and innovative ways to help clients and they are asked to do all sorts of interesting and novel things – this is the competitive advantage that leads to higher levels of sustained performance.

More broadly, a professional services firm's effectiveness ought not be measured by what they accomplish but by what their customers are able to accomplish. It is not a consultant's role to have a solution to every problem but instead, to keep asking questions until the client gains insight and understanding. In this context, a consultant's expertise and experience is holding them back, leading them to 'tell' and 'inform' rather than create insights. Let's face it, we all want to be seen as smart but this inhibits our value and stops us truly empathising and learning. So, we all need to stop trying to impress others with our specialist knowledge and start building the types of experiences where meaning is created, where understanding is born - the biggest breakthrough I ever made was being comfortable saying, "I don't know yet, so tell me more."

Professional services firms will claim such an approach wastes too much time and that they cannot afford to spend hours defining problems (code for 'listening to the client'). My response is: You can't afford to build solutions that the client doesn't value. When Partners tell me I spend too long on the front-end of the 'transaction' and that I should move onto solutions, they are making the mistake of thinking that their value is in providing the solution rather than in the experience the client has. Ultimately, the test is: Does the relationship create meaning and drive behaviour? If nothing changes then the consultant probably didn't create anything of meaning ... and there's no value in that.

## What should consultants and professional services firms do?

*A trusted advisor* (what people in professional services firms want to be) as opposed to a specialist consultant (what professional services firms are actually full of) must get-off on learning about people; they must be deeply curious; and must help customers to discover. The trusted advisor operates to learn; the specialist operates to know.

*Consultants must understand* that being a trusted advisor is a methodology and a mindset, not a suite of products. To be an advisor, consultants need to fall in love with problems and hold solutions lightly; they need to be prepared to relinquish control and; they need to be prepared to build bespoke services that are contextually appropriate, each and every time, that is, different and not off-the-shelf.

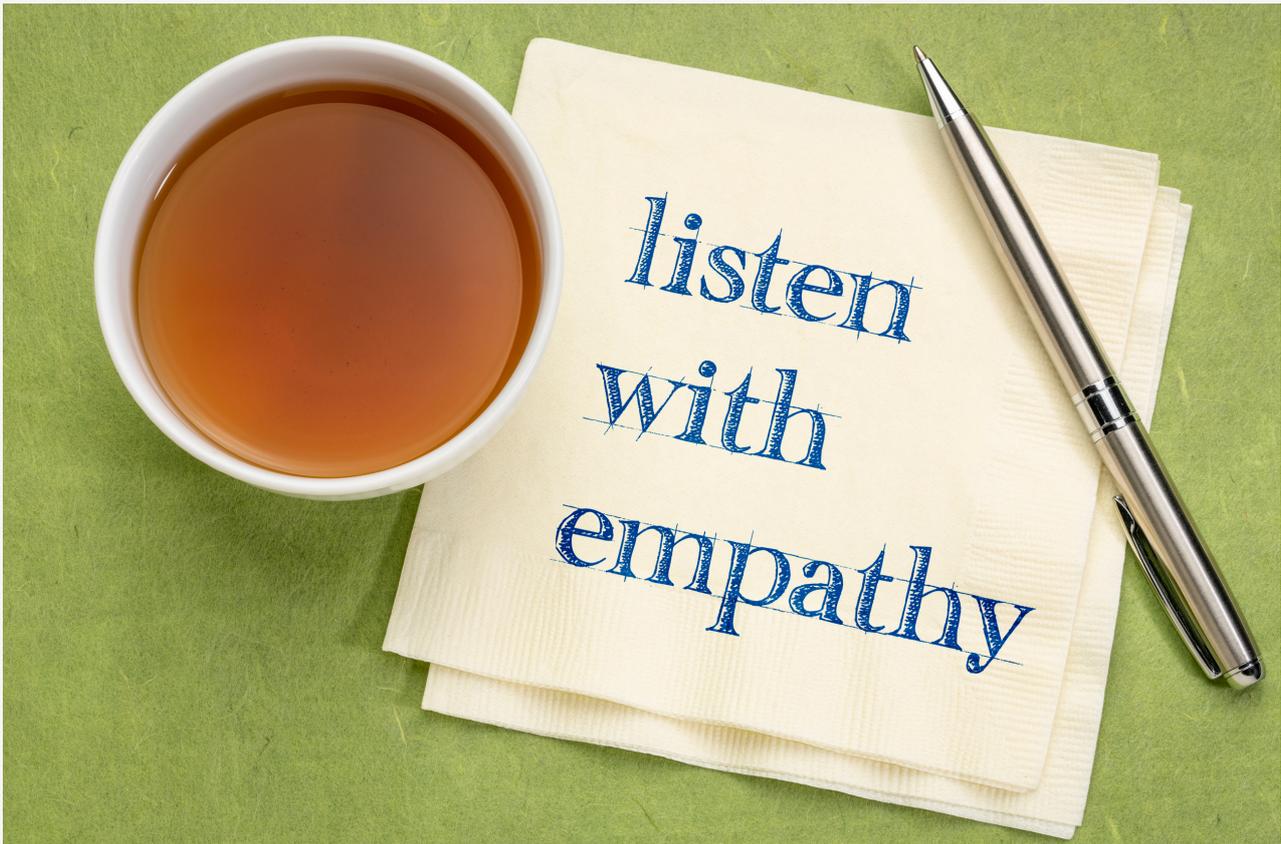
*Consultants must also accept* that clients don't care how smart a consultant is, how much expertise and specialist knowledge they have; clients care about their lives and their businesses and they care about how the consultant makes them feel. At the end of the day, people buy to get rid of a problem they have (and don't want) or to create a reality they want (but don't have). For this reason, it is imperative to make clients feel enabled and empowered to create the future they desire – this is how to have real impact.

*While professional services firms go to great efforts* to provide great products, they must remember that without great relationships, most products simply don't meet the expected and hoped-for returns. There's an old truism for parents and it is true of all our relationships: Correction follows connection! Our poor professional services firms hope to build long lasting loyal connection by making corrections to the customer's business, never appreciating that this is unlikely, until they have first established the right connection.

### The 7 C's of Empathy



*Firms must appreciate that empathy cannot be automated or scaled and that it is our human birthright to be able to connect to other human-beings. By extension, conversations to unlock latent demand should not be scaled – they are the birthplace of meaning that drives all action and this is the only metric that matters. There’s no way around this: If the customer has not changed anything, then you probably didn’t create meaning. It is a cruel fact but it does not matter how efficient these firms become if they are not able to create experiences that are meaningful and valued in the eyes of the customer.*



My last words go to the great American poet Maya Angelou and it is a cautionary tale for all specialist consultants and their firms: People will not remember what you say or what you do but they will always remember how you make them feel. If we want to create meaning and drive action that makes the world better, if we want sustained relationships based on trust and real value; then we must fundamentally change the operating model under which we ‘specialists’ function. The way forward must be: Help people to discover and learn; help them create meaning; help them to understand and make sense of the world and then we will continue to be relevant and of value to our customers and to our society.

## Thank You and References

Smart people who have helped hone my thoughts:

- Dhiraj Rajaram of *Mu Sigma*
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- Mark Jones of *Your Digital Solution*

Authors of wonderful books:

- *Outward Mindset* by The Arbinger Institute
- *Trusted Advisor* by David H. Maister, Charles H. Green, Robert M. Galford

Writings and videos that matter: ·

- Daniel Pink
- Simon Sinek

True wisdom:

Daniel Kahneman – Nobel Laureate for Economics, 2002

It is our genuine hope that this paper contributes to our mission of building purpose driven organisations and helping organisations to grow their internal capability to match their external ambition – helping all organisations to be their best is what drives us.

We encourage you to contact us to explore this paper further.

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