

# Elephants and virtual fleas: Reinventing management consulting

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**Charles Handy describes corporate life in our times as “*the age of the elephants and the fleas*”. The elephants are the huge corporations; the fleas are the small ventures and entrepreneurs. This metaphor might just as easily be applied to the management consultancy sector.**

Following the Andersen / Enron debacle, the gloss is off the big advisory firms – the “elephants”. They have disposed of their consultancy divisions and brand identities and, in parallel, there has been explosive growth in the numbers of individual independents and small, niche consultancies entering the market – the “fleas”.

From these seismic shifts in the consulting sector, a new business model is emerging strongly – the “virtual” consultancy. No plush head office, few if any employees, just flexible networks and small teams of highly experienced individuals who come together to deliver for clients. Substance is not judged on offices and infrastructure, but on delivery, quality and commitment to long term client partnerships.

Lord Sharman of Redlynch, past international Chairman of KPMG, sees the market polarising between clients who want consultants to “*do this for me*” and those who want their consultants to “*help me think and help me do*”. Lord Sharman observes: “*The right model for ‘help me think and help me do’ consultancy in this millennium is a “virtual” one: a small central core, with a periphery of high calibre individuals working in small teams.*” While big players will continue to “*do for*” their clients: delivering major outsourcing and systems solutions through large teams of employee consultants, virtual consultancies and niche operators are increasingly winning specialist and bespoke consultancy work, thinking and working closely *with* their clients.

When we founded Stellar Consulting, we chose the “virtual” consultancy business model. We believe it has been integral to our success. As Stellar’s two owner-directors with no formal office space or employees, we have built a network of over 30 senior level consultants, all known to us and highly trusted, each with specialist expertise. We link our consulting teams through the Stellar brand, shared values and a shared approach to working with our clients on leadership and change.

By working to this different business model, we created an “organisational” culture which is very different to the typical big firm imperative of chargeable hours and financial targets. We choose our associates, and they choose to work with us – a vital difference from the traditional employed consultant model. While all this might all sound idyllic, small virtual consultancies depend absolutely on the quality of their work and

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their reputations. So there is a strong performance ethic, and a tough performance management process: if an associate does not perform on an assignment, they do not get more work.

Being “virtual” is highly effective for our clients, and is lower cost and investment for us as a business. Virtual consultancies like Stellar can put high calibre teams together without the overheads. But it is not just about competitive rates. Being virtual means greater flexibility and responsiveness to our clients, and the capability to access precisely the right specialist expertise without employing that expertise full time.

Our clients gain from our flexibility, our personal commitment to their needs, and the quality, maturity and experience of our consulting teams. Jeremy Keeley, Director of Keeley Carlisle Partnership and member of Sadler Heath and Stellar networks, quotes a director of a fast growing telecoms company who said that he would never go anywhere else for consultancy due to the level of trust and the quality of work delivered by the network of independents.

While there are many advantages to being virtual, the greatest risk inherent in running a virtual consultancy is directly linked to its strength – the network of talent is not owned by the organisation. The virtual consultancy has no priority to call on their associates.

To counter this risk, Stellar invests to maintain and grow its resource network to ensure depth and availability when clients need it. Our investment ranges from helping associates at no cost to sending work their way without Stellar branding. The payoff in trust and commitment has been worth it.

Without the infrastructure of the big firms, how do virtual consultancies cope with processes such as training and development, staying abreast of the latest thinking and methodologies, and marketing to new clients? Virtuals can access training, conferences and seminars on the open market, just like any other organisation. In addition, virtuals have the advantage of access to rich and extensive networks of independent consultants. Virtuals use the expertise of their network colleagues together with websites, chat-rooms, and network-sponsored events as a prime source for development, innovative thinking and the latest methodologies.

When it comes to sales and marketing, many virtuals are very good in delivery but often not as strong in selling. One solution is the creation of alliances with other specialist virtuals, to create a powerful combination of selling skills and consultancy offerings.

There is no doubt that managing a virtual consultancy is not for the faint hearted. It requires robust entrepreneurial attitudes and capabilities, especially risk-taking and experimentation. These very strengths position the virtuals in direct competition with the larger firms. Just as tiny fleas can outmanoeuvre large elephants, virtual consultancies can compete to win and deliver substantial assignments against the major firms. Stellar competed against an established European player recently and won a substantial leadership development assignment for a blue chip client. David Bannister, Director of Cornerstone Consulting and a Stellar associate, formed a team of virtual consultancies comprised of former “Big Four” consultants, ex-employees of a large bank, and a specialist IT firm to win a major piece of strategy and implementation work. This team won the assignment in competition with the usual big name suspects.

So is the virtual model here to stay? Or will the fleas grow up to be the next generation of elephants?

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Certainly the advantages of a virtual consultancy play well while uncertainty dominates the economy. But the evidence shows that virtual consultancies go through their own evolution. Partners for Change, a breakaway from KPMG, started out on a virtual model with owner/partners plus independent associates. When the consulting market was buoyant, they moved to employing people, giving better leverage to the partners. Now, like most consultancies in the current environment they have reduced their permanent employees dramatically. Many ex- Partners for Change people are establishing themselves as independents and joining virtual networks. So the cycle begins again.

If profit for the owners becomes the main driver in a virtual consultancy, then when the order book is full, they may move to the more traditional employment model. But if virtual firms stick to their values, if they want to maintain the flexibility and quality delivered to clients, they may become a little more formalised, but they will keep their virtual model: they will be happy to stay as fleas.

*Jennifer Cramb and Debbie Rynda are the founding directors of Stellar Consulting.*