

# 9

## PEOPLE AND CAREERS IN MANAGEMENT CONSULTANCY

### INTRODUCTION

The chapter begins with a discussion of the reasons for applying to a management consultancy firm. Next, we outline the recruitment process. What is more, we examine what consultancy firms look for in job candidates. Then, we sketch the career structure of management consultancy firms. Subsequently, we take a look at the mechanisms for career development. We also pay attention to performance appraisals. The chapter provides insight into the criteria for becoming a manager and a partner. We describe the process of partner promotion evaluation and decision making. The chapter provides a critical review of the up-or-out policy. We look at voluntary and involuntary turnover of consultancy staff. The chapter also pays attention to the price that individual consultants may have to pay. Finally, we consider the relationship between the firm and its alumni. The chapter ends with a summary, reflective questions, a mini case study, suggested further reading, and references.

### Main learning objectives

- Critically reflect upon life as a management consultant.
- Understand why management consultancy is popular with many students.
- Understand the recruitment process and what it takes to get a job offer.

- Identify the roles and responsibilities at different levels of the consultancy career structure.
- Identify the main activities in the daily life of management consultants.
- Understand the career development system: what it takes to be promoted to manager and partner.
- Evaluate the benefits and costs of careers in management consultancy.
- Understand gender issues in management consultancy.
- Understand the (in)voluntary turnover of management consultancy staff.
- Understand how consultancy experience can further career opportunities outside consultancy.
- Critically reflect upon the career policies of management consultancy firms.

## REASONS FOR APPLYING

If you consider applying for a position at a (top tier) management consultancy firm, you will not be the only one. Management consultancy is very popular among MBA and other business students, as well as more experienced people from industry, that is non-consultancy sectors. The prestigious management consulting firms in particular are seen as attractive employers. Why do so many business students look for a position in management consultancy? This section explores the common reasons for applying for a job as a management consultant. We distinguish between three categories of motives for joining a (top tier) management consultancy firm: to learn, to earn, and to gain status.

### Steep learning curve

The first reason for applying is to develop yourself. Joining a management consultancy firm will typically put you on a steep learning curve. From day one you will get considerable, intellectual challenges. You will work on challenging management issues for big name clients. As you move from project to project, you will work on a variety of management issues. You will have the opportunity to experience a range of different organizations from the inside. You will gain experience in different industries and countries.

**INTERNATIONAL EXPERIENCE** The global consultancy firms offer rich international experience. Consultancy firms are often very diverse in terms of nationalities. Consultants therefore get the chance to work in international teams. Moreover, the international consultancies typically work for international clients. Consultants get the opportunity to work with client managers and employees with different nationalities. Moreover, international consultancies stimulate short-term and long-term transfers of consultants to other offices around the world, to broaden the consultant's international experience.



**THE 'GRADUATE GRADUATE SCHOOL OF BUSINESS'** The variation and the breadth of experience will speed up your learning. In addition to projects, you may follow all kinds of workshops, courses, and other training programmes for your personal development. Management consultancy helps you to further develop your knowledge, skills, and attitude. You develop knowledge about management issues, people, business functions, and industries, among others. Through the projects you develop skills in different areas, including problem solving, presentation, and project management. As a result of your experience you develop the self-confidence and presence to advise clients and lead project teams. A couple of years of consultancy experience provides a good extension to your business education. Because management consultancy is such a good training ground, it is nicknamed the 'graduate graduate school of business'.

**CAREER SPRINGBOARD** Consultancy can be a springboard for your career. Moreover, management consultancy can be fun. It is inspiring to work with a diverse group of highly talented and motivated – young – people. What is more, consultancy can be entertaining. After periods of hard work, management consultancy firms often organize events to relax and enjoy, such as dinners, parties, and office outings, including skiing and sailing trips abroad. Consultancy firms have a culture of 'work hard – play hard'. This is a very important aspect of these firms.

## Superior earnings

**HIGH STARTING SALARIES** The (top tier) management consultancy firms typically pay much better than the industry. An exception to the rule are the (top tier) investment banks and private equity firms. As a management consultant you will have a higher salary than most of your peers in other sectors. On top of the high salaries, consulting firms may offer attractive bonuses if you meet the job requirements. Even though consultants' salaries are high, the real pay-off is at the top of the consultancy career ladder. If you make partner you will share in the firm's profits, which can be substantial.

**FAST PROMOTION** To make the financial outlook even more attractive, you can get promoted in management consultancy faster than in most other sectors. Most management consultancies are run as meritocracies; performance rather than tenure counts. If you are an outperformer you will be promoted quickly, regardless of your age or tenure.

Some people joining a management consultancy firm do not have the ambition to become a partner, although they do not admit it during the application process as it would damage their chances of getting an offer. These people just want the steepest possible learning curve in order to have a jump start in industry (non-consultancy sectors) or in their own company. For example, many children of large family-owned companies are sent to





management consultancy firms for a couple of years to get the best possible 'graduate graduate' training to bring back the knowledge and competences to the family company.

**OTHER BENEFITS** Furthermore, there may be all kind of other benefits to the job. Consultancy firms may give you, among others, a (premium) company car, the newest smart phone, PDA, and a fancy laptop computer. Furthermore, there may be generous reimbursement rules for all kinds of expenses, including travel, dinners, and MBA tuition.

## Status

**WORKING WITH TOP MANAGEMENT** Working for a (top tier) management consultancy may enhance your status considerably. As a management consultant you will work for the (top) management of clients. You will work with hierarchical levels that your peers who joined other sectors will take many years – if ever – to reach. While your non-consulting peers are working in operations, you will work on the (strategic) management issues of these organizations. A very important aspect of management consultancy – even at the entry level – is that as a management consultant you have the opportunity to have a real impact on the important, strategic decisions of a client. This high impact is very rewarding and satisfactory. Because of your ties with top management, and because of the mandate given you by the top of the client organization, many people in the client organization may look up to you or even be scared of you. But also outside the client premises, consultancy may enhance your status.

**ELITIST IMAGE** At a party it probably cannot hurt to drop into the conversation that you are a management consultant with a prestigious, boutique consultancy firm. Many people will be impressed by the elitist image of such consultancy firms. Finally, the image of these firms may help you even beyond your consultancy career. If you eventually decide to turn your attention to other career opportunities outside consultancy, then a couple of years with a prestigious consultancy firm will enhance the status of your CV substantially.

## A PEOPLE BUSINESS

### Talent

Management consultancy is a knowledge-intensive service business. People are essential to this business. In fact, it is a people business. Management consultancy firms not only compete for clients but also for talent (Maister, 1993). The dependence of consultancy firms on people varies by type of management





consultancy. In a procedure type of consultancy, firms codify and centralize knowledge. They reduce their dependence on the knowledge and skills of their people. But procedure type consultancies need large numbers of people, given the dependence on high leverage. In a brain type consultancy, such codification is not feasible. Firms providing a brain type of consultancy will be most dependent on the qualities of their people. Because of the low leverage, this type of firm needs relatively low numbers of people.

## Competing for the best people?

**BRAIN CONSULTANTS** Consultancy firms that operate in the brain consultancy business, or firms that aspire to an elite positioning in the client market, will aim to hire the best people. Such firms will go after the best graduates of the top business schools. To get the best talent, these consultancy firms are willing to pay premium salaries and (sign on) bonuses. Brain consultancy firms compete with investment banks, private equity firms, the big name corporates, and universities for the most talented graduates.

**PROCEDURE CONSULTANTS** However, firms with a procedure consultancy business model will target a different type of candidate. Because of their codified knowledge, they do not need to hire the best graduates. They can afford to work with less talented people. By focusing on less qualified employees, such consultancy firms can pay significantly lower wages. Not all consultancy firms are interested in hiring graduates straight out of the classroom.

**GREY HAIR CONSULTANTS** Grey hair consultancy will look for experienced candidates. They may look for experienced managers and professionals from the industry, that is non-consultancy sectors. In addition, the importance of experience increases with the extent of implementation work. The more implementation work, the more experience matters. Management consultancy firms that do much implementation work may therefore prefer experienced candidates.

## People as a sign of quality

As the quality of the output of consultancy is often hard to assess, clients may look at the quality of the inputs, that is the consultancy people. Recruiting only the best and the brightest may provide a signal to (potential) clients (Armbrüster, 2006). The more difficult it becomes to get a job offer from a consultancy firm, the more prestigious the firm becomes for clients who look at input factors as indicators of output quality. However, the hard-to-get-an-offer-from consultancy firm may also become more wanted by talent who also equate input quality with output quality, and who are attracted by the firm's elitist image.



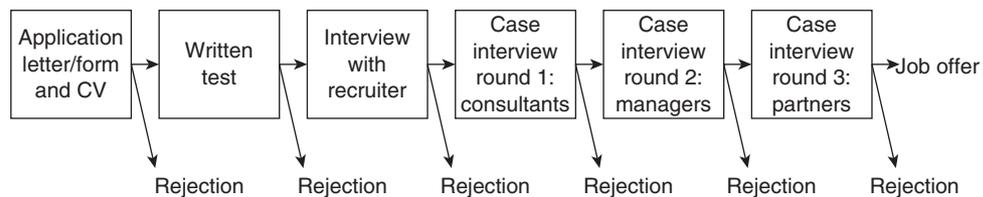
## THE RECRUITMENT PROCESS

Recruitment is a very important function in management consultancy firms for three reasons:

1. Consultancy is a people business and therefore recruiting people is crucial.
2. Consultancy firms typically have a relatively high turnover of consultancy staff, which puts a rather heavy demand on the firms' recruitment function.
3. Consultancy firms prefer to promote internal people rather than hire external candidates for the higher level (partner) positions. Recruitment has to provide sufficient numbers of talented people with the potential for partnership.

### The stage gate process

The selection of candidates for positions with the consultancy firm is a kind of funnel process. Because of the popularity of management consultancy, the firms receive large amounts of applications each year. To filter out the right people, consultancy firms have developed a funnel approach. The firms have set up a sequence of stage gates to select the people that fit the consultancy firm's requirements (see Figure 9.1). At each stage of the process, applications may be rejected.



**FIGURE 9.1** *The stage gate process of recruitment*

### Application assessment

**MOTIVATION** The selection process starts with the assessment of the candidates' applications. An application consists of an application letter and a CV. Some consultancy firms have automated the application process and offer the option of online application. Candidates no longer submit a letter but fill in the firm's online application form.



The recruiters want to know why candidates want to become a management consultant. Do the applicants' letters provide any indicator that the applicants understand what consultancy is about, or are they just attracted by the image and remuneration of management consultancy?

**QUALIFICATIONS** Moreover, are there any signs that the candidates have thought about what would make them attractive for the consultancy firm? Do candidates know what it takes to be successful in management consultancy? Do candidates demonstrate an interest in the specific consultancy firm? Recruiters may look at study grades for indicators of analytical skills. Recruiters will be interested in high school grades for mathematics because they are a good benchmark (national exams). Besides analytical skills, candidates will also have to convince the recruiters that they have social skills. The letter and CV should provide evidence of good interpersonal skills; for instance, have candidates been active, besides their studies, in organizational activities?

**INVITATION** Recruiters usually apply a list of assessment criteria. If the applications are positively evaluated on these criteria, then recruiters will invite candidates for a personal, face-to-face, interview. The interview will typically be with a management consultant of the firm. It will take place at an office of the firm. The opportunity (time) costs of having consultants conduct application interviews are high. Therefore, in case of doubt about the candidate's suitability, a recruiting team member – support staff – will have an interview with the candidate for further assessment.

**CASE WORKSHOPS** Some firms organize case workshops to test candidates. Candidates are invited to the firm's office for a workshop. Recruiters will divide the candidates into groups of four or five people to work on a business problem. Consultants of the firm will observe how the candidates as a group solve the problem and present their solution. The consultants will also evaluate the performance of the individual candidates. Successful candidates will be invited for a round of personal case interviews. Because of the group work, the firm will save consultants' time. Moreover, the group work will allow the consultants to assess how the candidates interact with their peers. During workshops, during interviews with recruiters, and during subsequent interviews with consultants, the fit between the candidate and the consultancy firm is one of the key criteria. The interviewers have to assess how well a candidate would fit within the firm. Does that candidate have the specific attributes that the firm is looking for? Some consultancy firms require candidates to take a written test. Such tests may investigate the candidates' analytical skills and personality. Candidates who pass the written test are invited for a face-to-face case interview.





## Case interviews

**THE AGENDA** A case interview is a selection interview in which the candidate has to solve a case, a business problem. This selection technique originated from the case teaching at Harvard Business School and other business schools (Armbrüster, 2006). The interview consists of four parts.

1. In the first part the interviewer will put questions to the candidate.
2. In the second part the interviewer will ask the candidate to solve a case.
3. In the third part, the interviewer will ask the candidate to present his or her findings, conclusions, and recommendations, similar to a real client-consultant setting.
4. In the fourth part of the interview, the candidate may ask questions of the interviewer.

The problem solving part typically takes between 25 and 30 minutes and forms the largest part of the interview. The case is a business problem that the candidate needs to solve. For instance, computer manufacturer X is entering computer manufacturer Y's core market. Firm Y has hired the management consultancy firm for advice.

### CASE STUDY

#### **A case interview with a management consultancy firm**

##### **The preparation**

Within a couple of days of sending his online application to the management consultancy firm Acme & Company, John was invited to come to Acme's local office in his home country. John knew he would have to solve cases during the application interviews. He knew such interviews would be tough. Therefore he had prepared himself thoroughly for these case interviews. He had studied the examples

on Acme's website and those of rival firms. He had also practiced some cases with friends who already had positions at other management consultancies.

##### **The interview**

When John entered the Acme office, he was impressed by the modern and luxurious interior. A recruitment assistant led John to the interview room. His interviewer was a young woman who introduced herself as Jennifer. After taking their seats, Jennifer briefly explained that she was a senior consultant. She provided a short introduction about herself. Then she outlined the structure of the interview. Jennifer explained that



first she would like to ask some questions about John's CV. After the CV review, she would like to discuss a case with John. This would take up the majority of the interview time. But after the case interview there would be ample opportunity for John to put questions to Jennifer.

### The case<sup>1</sup>

After a brief discussion about the CV, Jennifer introduced the case:

*Jennifer:* Your client is StyleCo. This is a retailer of women's fashion, mainly blouses, jackets, gowns, skirts, suits, and trousers. StyleCo has been a market leader for many decades. However, three years ago a new fashion retailer named SiggyCo entered the market. SiggyCo is rapidly increasing its share of the market while StyleCo is losing its share. The share loss has become so serious that StyleCo has asked Acme & Company to develop a new strategy. How would you approach this problem?

*John:* Please let me check if I understand the problem correctly. StyleCo faces a competitive threat. New entrant SiggyCo wins market share, while StyleCo loses share. Therefore, StyleCo is looking for opportunities to regain its share.

*Jennifer:* That is correct. How would you proceed?

<sup>1</sup>The firms in this case are fictitious.

*John:* I would like to use the following structure to address StyleCo's problem. First, I would like to understand how consumers make purchasing decisions for women's fashion. Second, I would like to know why StyleCo loses share and SiggyCo wins. Third, I would like to take a closer look at StyleCo to get a better idea of how it may respond to SiggyCo.

*Jennifer:* That sounds like a solid approach. So what would you like to know?

*John:* First, I would look to develop a sense of what criteria consumers use when buying women's fashion. I would start with looking for available market research.

*Jennifer:* Good. That is what we did during the project. Our data revealed the following: over the past years price has become the most important purchasing criterion. Moreover, consumers now demand more frequent collection renewal than in the past. Trendiness has become the second-most important buying criterion. In contrast, the willingness of consumers to pay a price premium for superior quality has dropped significantly and has fallen out of the top three of key criteria.

*John:* Thank you for this interesting information. It seems that client demands have changed over time. I would like to know how StyleCo and SiggyCo perform on these purchasing criteria.

*Jennifer:* We benchmarked the competitors. We found that StyleCo continues to lead on quality. SiggycCo achieves a significantly lower score on quality, but it outperforms StyleCo on both price and trendiness.

*John:* This information suggests that StyleCo's value proposition no longer fits consumer preferences. I would like to explore opportunities for StyleCo to align its value proposition to the changed consumer demand.

*Jennifer:* How would you proceed?

*John:* I would like to explore StyleCo's competences for improving its product trendiness. Furthermore, I would like to investigate opportunities for cost reduction which will allow StyleCo to become more price competitive.

*Jennifer:* Assume that StyleCo has the competences to become the most trendy women's fashion producer. However, it will come at a price. Investments in design and increasing frequency of collection renewal are costly.

*John:* I conclude that StyleCo needs to find even larger cost reduction opportunities to pay for the investments in trendiness. You mentioned earlier that StyleCo continues to lead in quality while consumers are no longer willing to pay a premium for superior quality. I would like to investigate what cost savings StyleCo may achieve by bringing its quality level in line with consumer preferences.

*Jennifer:* Good thinking. You may assume that the cost savings on quality will be substantial enough to allow StyleCo to invest in collection renewal and make its prices more competitive. What would you recommend StyleCo to do?

*John:* I recommend that StyleCo adapts its value proposition to align better with consumer preferences in order to outcompete SiggycCo. StyleCo should invest in trendiness, which is design and collection renewal, to outperform SiggycCo. Furthermore, StyleCo needs to reduce the price gap with SiggycCo just enough to win back its clients. The room for the design and renewal investments and for the price reduction should be found in the cost savings that will be realized by aligning the product quality with consumer preferences.

*Jennifer:* That is a very interesting conclusion. Thank you.

### Discussion questions

- 1 How well did John do the case interview? Provide argumentation.
- 2 Do you think case interviews are a good way to test your fit for management consultancy? What are the strengths and weaknesses of this technique? Elaborate on your answer.
- 3 What other techniques may management consultancy firms use to test candidates for a management consultancy position? Elaborate on your answer.



**INVESTIGATING THE CASE** So what do interviewers look for during a case interview? First, consultants want to test the candidate's analytical skills.

*Not just cracking the case.* A case interview is not just about cracking the case. To put it even stronger, it is not about the solution at all. Consultancy firms use cases for two reasons. First, they want to test the candidate's problem solving skills. How good are the candidate's listening, analytical, and creative skills? The interviewer wants to find out *how* candidates approach the case. Part 4 covers the structured problem solving that the top tier management consultancy firms look for. Typically, there is not one single best solution to the case. Candidates should therefore not just say that the answer is, for example, \$250 million.

*Show the line of thought.* Candidates have to show their line of thought. Interviewers do not like candidates to base the solution on their experience or whatever prior knowledge candidates may have about the case. Interviewers want to assess the candidates' ability for thinking logically. Interviewers are interested in candidates who can use logic to reduce the complexity of the case. Consequently, candidates should not make the case more complex by force fitting all kind of theories and frameworks they were taught at business school. For example, candidates may artificially force Porter's competitive forces framework into their analysis where it is not appropriate. Interviewers do not appreciate this and candidates typically get stuck.

*Respond to feedback.* If a candidate goes a bit off-track, then the interviewer will usually give hints and feedback. An important assessment factor is whether the candidate picks up these hints and feedback and acts upon them or stubbornly continues on the wrong course without incorporating the hints and feedback. The extent of being willing and able to be coached is very important. What is more, candidates should never guess the solution. They should always have (fact-based) argumentation for their solution.

**INTERACTING WITH THE INTERVIEWER** Second, consultants want to test the candidate's interpersonal performance. What impression does the candidate make? This is not only about the appearance, such as clothing and body language, but also about behaviour. How does the candidate interact with the interviewer? The case is not about spending 30 minutes in splendid isolation to return with a brilliant solution. It is an interview. Candidates have to interact with the interviewer.

*Extracting hidden information.* Almost always the candidate is not given upfront all the information that is needed to solve the case. Candidates have to put the right questions to the interviewers to extract the hidden information. Interviewers will pay close attention to how





candidates try to extract the data and how they explain their train of thought. Can the candidate create a conversation? Is the candidate friendly, confident, and a pleasure to work with?

*Dealing with stress.* How does the candidate act under stress? How does the candidate behave if they get stuck in their attempt to solve the problem, or how do they respond if the interviewer becomes unfriendly or puts pressure on the candidate? Some consultancy firms include one interview during which the interviewer acts rather impolite, uninterested, or even aggressive. This is done on purpose: to test each applicant's reactions. It is relevant because consultants may face this behaviour in real life client–consultant interaction. Does the candidate remain calm and confident in stressful situations? The interviewers try to answer the question of whether they could send the candidate to a client.

**THREE ROUNDS OF INTERVIEWS** Candidates are usually invited to three rounds of case interviews. The number of interviews may vary from firm to firm and may depend on how convincing the candidate was during previous interviews. Each interview will be done by a different interviewer from the consultancy firm.

*First round.* The first round of interviews usually consists of two or three interviews, each one with a different consultant. After the interviews, the interviewers will together evaluate the interviews. They will follow a structured process to evaluate a candidate's performance during the interviews. If the interviewers unanimously conclude that the candidate meets the firm's requirements, then the candidate passes the first round. All candidates will be called by one of the interviewers. If a candidate is rejected then the interviewer will outline the main arguments for the decision and answer any questions the candidate may have.

*Next rounds.* If the candidate has passed the first round, then he or she will be invited for a second round of three interviews. This time the candidate will be interviewed by three managers. The successful candidates who pass the manager interviews will continue to the third and final interview round. Then three of the firm's partners – often including the managing partner of the office – will put the candidate to the test. After a successful completion of the third round, the candidate will receive a job offer from the firm.

## Types of interviews

In most case interviews, the interviewer will use a business problem case to test the candidates. However, in some interviews, candidates will be confronted with other types of tests, such as the data analysis case, the estimation question, the brain teaser, and the behavioural/fit interview.





**BUSINESS PROBLEM CASE** The business problem case is the most common case for an interview. The candidates have to answer a question about a business problem. An example: firm A considers acquiring firm B. Firm A asks the consultancy firm to help them make the decision. Another example: firm C's profits dropped significantly during the past few years. Firm C cannot understand the cause(s) of this decline, and approaches the consultancy firm to identify the cause(s) and develop recommendations to regain prior profits. A final example: firm D thinks there is a new market opportunity, but they cannot figure out what the opportunity is exactly and how to seize it. Firm D hires the consultancy firm to assess the opportunity and come up with a strategy to exploit it.

Candidates have to structure the problem first. Then they have to develop a hypothesis about a possible solution. Subsequently, they need to analyse facts to test the hypothesis. Candidates have to extract the facts from the interviewer. A verified hypothesis is a possible solution to the problem. Candidates have to defend their solution to the problem. However, candidates should remember that the interview is not just about the solution. Interviewers are primarily interested in *how* candidates approach the business problem. Part 4 of this book elaborates on the problem solving method of the top tier management consultancy firms.

**DATA ANALYSIS CASE** An alternative to the business problem is the data analysis case. The purpose is to test how candidates work with data. Candidates receive a data pack in the form of text, figures, and graphs. Together with the data pack, the candidates receive some specific questions about the data. An example: you are presented with a chart. The interviewer may ask you what you conclude from the presented data. Alternatively, the interviewer may show you a couple of conclusions and ask you to select one. Another example: the interviewer shows you a data figure. You are asked to make an analysis of something, for instance the profitability of a product, a market share, or unit cost. Candidates need to answer these questions with use of the data. They should base their answers only on the data given. Based on their answers, candidates will should develop a recommendation. Subsequently, candidates will have to present and defend their answers and recommendation to an interviewer.

**ESTIMATION QUESTION** Candidates have to estimate an answer to a question. You may have to answer the question: how many kilograms of beef will a fast food restaurant chain use worldwide this year? Another example of a question is: how many new cars will be bought worldwide this year? The challenge is not to guess the answer, but to develop a structured approach. Candidates should break the complex question down into smaller and simpler ones. Moreover, candidates will need to do some mental maths to arrive at a concrete number.

**BRAIN TEASER** Interviewers use brain teasers to test a candidate's creativity. Candidates have to solve a puzzle, or answer a question that requires





creative or so-called 'out-of-the-box' thinking. For example, the candidate is allowed to move one digit to make the following equation correct:  $42 - 14 = 2$  (answer in footnote<sup>1</sup>). Another example of a brain teaser is the following question: why are covers for manholes round (answer in footnote<sup>2</sup>)? This type of interview is frequently used at the start to break the ice before a larger business problem case interview.

**FIT INTERVIEW** The fit interview is used to assess how the candidate would fit with the culture of the firm. Does the candidate embody the values that the firm is looking for? Is the interviewer convinced that they want to spend many hours on projects together with the candidate? Is the interviewer convinced that it would be fun to have a team dinner with the candidate, or to visit a bar together at the end of the week? How would sitting next to the candidate be in an airport terminal if a flight is delayed for several hours, followed by sitting next to each other in a plane for a long intercontinental flight? Although these fit questions to assess the chemistry between both parties are always part of all interviews, even at entry level, they are used even more for experienced hires, that is candidates who want to join the firm from industry or another consultancy firm. Experienced candidates are typically moulded by previous employers. Such people may have more difficulty fitting in with the culture of the hiring consultancy firm.

## Assessment centres

Some management consultancy firms may use assessment centres to appraise candidates. An assessment centre may take one or two days. It could comprise a mixture of interviews, exercises, and tests. Additionally, candidates may have a couple of interviews with recruiters and consultancy staff, typically managers and partners. Furthermore, candidates may have to undertake exercises, both group and individual ones. Simulations and role plays may also form a part of these exercises. Finally, candidates may have to take psychological and intelligence tests.

## Application preparation

The combination of, on the one hand, the popularity of management consultancy among graduates, and on the other hand, the toughness of the consultancy firms' recruitment process, has led to an industry of job

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<sup>1</sup>Move the digit '4' in a diagonal direction so it becomes the exponent of '2'.  $2$  to the power of  $4$  equals  $16$ .  $16 - 14 = 2$ .

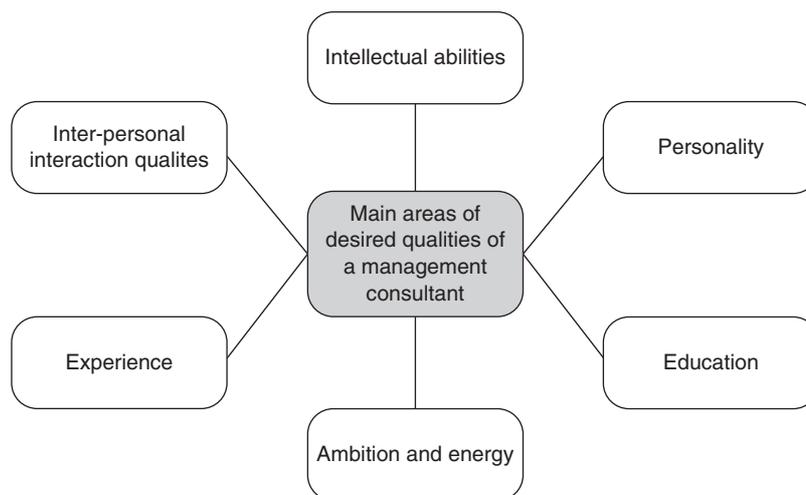
<sup>2</sup>A round cover cannot fall into the manhole.



application preparation products and services. For instance, there is a variety of books and websites with tips and techniques for case interviews. Various business schools have consultancy clubs that may help candidates prepare for applications. There are also specialized firms that train candidates in all steps of the recruitment process, from writing an application letter to handling the most difficult case interviews. Candidates may also find guidance on applications, as well as tips and exercises for case interviews on the websites of various management consultancy firms, under the heading 'Careers'.

## WHAT ARE MANAGEMENT CONSULTANCY FIRMS LOOKING FOR?

Management consultancy firms search for candidates that combine different qualities. Broadly speaking the sought after qualities fall into six categories (see Figure 9.2). The required strength of the qualities and the assigned importance of qualities may vary between the different types of management consultancy.



**FIGURE 9.2** *The six main areas of desired qualities of a management consultant*

### Intellectual abilities

Problem solving is an important role for management consultants. Management consultants should therefore have strong intellectual abilities. They must be able to diagnose and solve (complex) client problems.



Consultants therefore need to be analytical. They also have to be original thinkers because clients look for fresh views. Consultants ought to be creative. They should be able to think outside-the-box. Moreover, they have to be able to synthesize large amounts of information. Finally, consultants need to have good business judgement.

## Inter-personal interaction qualities

Management consultancy is a people business. Consultants have to develop relationships with their clients and with other stakeholders. During projects, consultants often need to work in teams made up of colleagues and client employees. Consultants must therefore be team players. Because of the people side of consultancy, analytical intelligence is not enough for management consultants. They also have to possess emotional intelligence. Consultants need to understand people and quickly sense psychological and political situations. Consultants may face resistance from client employees and other stakeholders. They may get involved in conflicts and need to resolve such conflicts. Consultants have to gain the trust of clients and other stakeholders. They also need to exercise leadership. Consultants must influence clients and other stakeholders. They therefore need to have persuasive powers. Consultants should be able to motivate people to cooperate.

## Personality

Consultants may need to withstand high levels of frustration. It is essential for consultants to have a high tolerance for ambiguity and uncertainty. Consultants have to be flexible. They must also withstand pressure and stress. They have to possess a high level of self-control. Management consultants need to be emotionally mature. They need self-confidence and self-awareness. Consultants benefit from a strong presence or charisma. They need the courage to defend their position. Consultants have to preserve their independence. Authority gains respect and is a basis for influence. But consultants also need to be friendly. They should be a pleasure to work with. A sense of humour is a benefit. Consultants need to be honest and have integrity. They need to be responsive to feedback and humble when required.

## Ambition and energy

Consultants need to be ambitious. They should have a strong drive and dedication to their job. Someone may have a tick in the box along all dimensions





but lack ambition and energy. Such a person may be an onlooker on the sidelines but not a 'mover'. Management consultancy is a demanding function. Consultants often have to work long weeks and long days. They may frequently have to travel internationally. Moreover, consultants have to be flexible regarding their working hours. They have to be prepared to cancel social obligations in order to work unexpected hours. The client – and the consultancy firm – may override the social agenda of the consultant. Consultants should have the stamina to keep up with the high demands that the function puts on them. Only consultants with drive and energy can withstand the burden of long hours, restaurant food, the frequent travel including time zone differences, and the stress of management consultancy in general. Consultants should try to find time for exercise to stay fit.

## Education

Management consultants should have at least the basic knowledge and skills with respect to the main business disciplines, such as accounting, HRM, organization, IT, marketing, logistics, finance, and strategy. MBA and other business studies are natural training backgrounds for management consultants. However, a business degree is not always necessary. Management consultancy firms also recruit people with other advanced professional degrees, as long as their educational background includes a strong component of analytical training. Engineers and medical doctors are examples of other analytical professions that are sought by management consultancy firms.

## Experience

**GRADUATE HIRING VERSUS INDUSTRY HIRING** Until the 1950s, management consultancies used to hire experienced managers and professionals from the industry, that is non-consultancy sectors. After that time, an increasing number of consultancy firms switched to hiring MBA graduates from the best business schools. However, in the 2000s, consultancies progressively reconsidered experienced hires. Sophisticated clients increasingly demand industry and functional expertise from their consultants. These clients do not want just-graduated consultants who need to gain industry/functional experience while being paid (substantial) fees by them. Because sophisticated clients demand experienced consultants, the consultancy firms need to hire experienced staff. Experienced hires will probably become increasingly important for management consultancy.





**THE CHALLENGE OF EXPERIENCED HIRES** However, experienced industry hires present a challenge to consultancy firms. For a firm it is much easier to hire graduates fresh from business school or university because these inexperienced juniors can be more easily moulded into the desired form. Integrating experienced hires into the consultancy firm is much more challenging as they will enter the firm with their own way of doing things. They are the product of other firms' cultures. Moreover, while experienced industry hires may have been successful in their industry, and may even have led large groups of people, they will lack consultancy experience. These industry hires have to learn the basics – such as structured problem solving (Chapter 12 and 13) and structured communication (Chapter 14) – and may have to work for much younger project managers who have already mastered these skills. It is a challenge both for the industry hires and the consultancy firms. As a result, the career success rate for industry hires is lower than that for graduate hires.

**HOW TO ENHANCE YOUR HIRING CHANCES** What can you do to enhance the chances of being hired by your preferred management consultancy firm? We take the six categories of sought after qualities and identify some success tactics (See Table 9.1). For each category we provide a key indicator, which is what recruiters look for to assess the applicant's quality. Knowledge of these indicators may help you improve your chances of being hired.

**TABLE 9.1** *Tactics to enhance hiring chances*

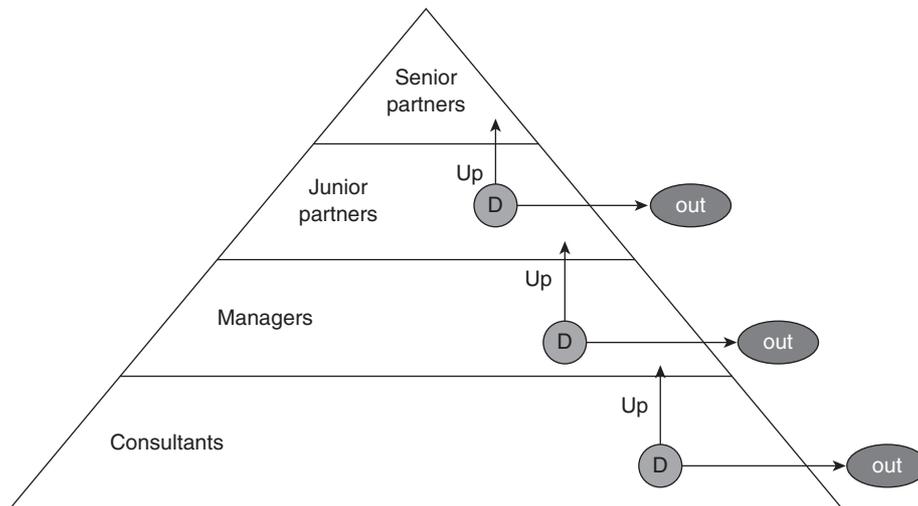
Sought after qualities	Key indicator	Success tactics
Intellectual abilities	Problem solving in the case interview	Prepare for case interview. Learn the structured problem solving method.
Inter-personal interaction qualities	(case) Interview: interaction with the interviewer	Build a conversation and gain trust. Be assertive and friendly.
Personality	(case) Interview	Remain calm and confident under stress.
Ambition and energy	Appearance and behavior	Be energetic.
Education	Analytical training	Emphasize the analytical components of your education.
Experience	Relevant industry and functional experience	Emphasize your extracurricular activities.



## CAREER STRUCTURES

### The pyramid structure

**MAINTAIN LEVERAGE** Most management consultancy firms have a pyramid type of organization structure. Figure 9.3 visualizes the pyramid structure. The pyramid's form reflects the leverage of the partners and the project team structure. Managing the firm's pyramid – maintaining the leverage structure – is of great importance for the business model. Partners will therefore spend considerable time forecasting the future amount of project work (or the project pipeline), expected promotion, and expected council-out cases (where the employee is 'advised' to seek a position outside the consultancy firm) in order to maintain the right balance across all hierarchical ranks within the pyramid, that is maintain the leverage.



**FIGURE 9.3** *The pyramid structure of the professional partnership-type of consultancy*

Note: D stands for the up-or-out decision

**VARYING FORMS AND TITLES** The exact form of the pyramid therefore varies by type of consultancy. The number of levels in the pyramid may also vary across firms. To complicate things further, firms may use different job titles for the same functions. The bottom of the pyramid consists of the consultants. They may also be called associates or analysts (the terminology may vary by firm). The consultant level may be differentiated in junior and senior positions. For the sake of simplicity Figure 9.3 does not show this differentiation. The level above the consultant is the manager. Another

term for manager is project leader. Some firms distinguish between junior and senior level managers.

**THE TOP OF THE PYRAMID** The top of the pyramid is occupied by the firm's partners. If the firm is a professional partnership, then the partners are the leaders and the owners. Many professional partnership consultancy firms differentiate between junior and senior partners. Figure 9.3 distinguishes between senior and junior partners because of important differences. The next section will pay attention to these differences. Finally, in a publicly listed consultancy firm (the managed professional business or MPB-type of consultancy) the leaders do not own the firm. The administrators of the MPB are employees of the firm, although they may hold shares in the firm.

## The functions in the pyramid

Table 9.2 outlines some key characteristics for each of the four functions at different levels of the pyramid. For each level, we identify the firm's value-adding activity that is most closely related to the function. For the partner we distinguish multiple value-adding activities. However, most consulting staff, from consultants to partners, will to a smaller or larger extent be involved in various supporting value-adding activities, such as knowledge management

**TABLE 9.2** *Functions, activities, responsibilities, time, and promotion odds*

Function	Main value-adding activity	Main responsibilities	Maximal time in function	Average percentage promotion
Senior partner	Leadership of the firm, marketing & sales	Leading the firm, developing the firm's strategy and organization. Promoting the firm.	No predetermined time	Not applicable
Junior partner	Marketing & sales	Developing client relations, selling projects, carrying the final responsibility for projects.	4 years	50%
Manager	Operations management	Project management, supervising consultants, providing training	4 years	50%
Consultant	Operations execution	Data gathering, data analysis, assisting with implementation of advice	4 years	50%

Note: Maximal time in position and promotion percentage may vary by firm



and recruiting. Table 9.2 summarizes the main responsibilities for each function. Please note the differences between junior and senior partners.

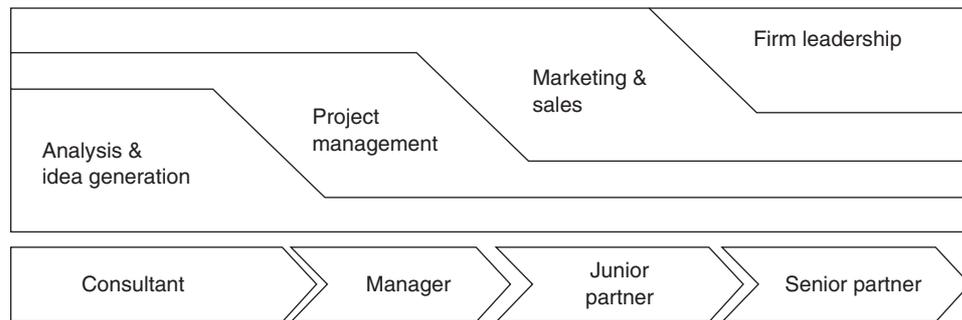
**TIME IN FUNCTION** We give an example of the average time in a specific position. In real life, time spent in a position may be higher or lower. Many consultancy firms have an up-or-out career system. There are norms for time spent at a hierarchical level. After that time, consultants are promoted, or they leave the firm. The tenure may vary by firm. The number of levels may also be different across firms. Typically the career development to the partner level takes between six and twelve years (Kubr, 2002).

**PROMOTION CHANCES** We provide an example of the odds of being promoted to the pyramid's next level. The odds are the percentage of staff that are promoted. In practice, the odds of promotion may vary. Various factors will influence the promotion chances of staff. Besides individual performance, the leverage and team project structure of the firm affect the odds. Moreover, the growth rate of the firm determines how much room – or 'space' as consultants often refer to this – is available at the various levels of the firm.

**THE NEED FOR GROWTH** To provide career development chances to the consulting staff, firms have to grow. Without growth, the firm cannot promote staff, unless they want to change the leverage. The previous chapter showed how growth of a firm did not lead to growth of the profit per partner. Firms nevertheless strive for growth because growth allows firms to promote talented staff while keeping the leverage intact. Without sufficient promotion opportunities, the most talented staff will leave for other opportunities outside the consultancy firm. If people are critical for the success of the firm, then the firm cannot afford to lose its talent. As a consequence, the consultancy firm must grow.

**THE MIX OF ACTIVITIES** Table 9.2 shows per function what the *main* value-adding activities are. However, a particular function in the firm, for instance a consultant, is typically involved in multiple value-adding activities, although to different extents. Figure 9.4 visualizes how the mix of value-adding activities changes when an individual rises through the ranks of the consultancy firm. As discussed in the previous chapter, managers and partners of the (P2-type of) consultancy firm remain involved in the consultancy work, although to a lower extent. Consultants, even at the junior level, are supposed to participate in idea generation. Consultants may also receive some project management responsibilities, to test and prepare for their promotion to manager. Consultants and managers do not have sales targets like partners do. But consultants and managers are supposed to support the marketing and sales activities of the firm. Often current projects will provide opportunities for business development. As consultants and managers on the project are on the frontline, they may be in a good position to spot opportunities for new work and generate leads for the firm's partners.





**FIGURE 9.4** *The mix of value-adding activities of the different consultancy functions*

## Career development

We can distinguish three main mechanisms through which consultants develop competences:

1. Staffing.
2. Training.
3. Evaluation.

**STAFFING** The most important mechanism for development is staffing. By staffing we mean the allocation of consultants to projects.

*Learning by doing.* Projects can be work for clients. However, consultants may also be assigned to internal studies, that is projects not related to a particular client. Because consultants learn most by doing (consultancy as a craft), projects provide opportunities to develop new knowledge and skills.

*Learning by observing.* Consultants may learn by observing more senior colleagues and other people in higher level positions, such as the manager or partner on a project. This is the idea of the apprenticeship model. The junior learns their craft from the senior. The apprenticeship model lends itself very well to the transfer of tacit knowledge. In the brain type of consultancy and grey hair consultancy, apprenticeship is a common model for development. Consultants learn from their superiors, that is they learn by observing and subsequently practicing.

*Formal training.* In a procedure type of consultancy, formal training takes a more important role in a consultant's development. Formal training is sufficient because a procedure type of consultancy relies (to a large extent) on codified or explicit knowledge.



*Repetition of projects.* Staffing may represent a dilemma to the consultancy firm. From the firm's perspective it may be efficient to staff consultants on similar types of project. Repeatability leads to efficiency and reduces uncertainty for the firm. Repetition may also enable consultants to develop competences. However, with an increasing number of similar projects the learning curve for consultants flattens while they may become increasingly bored. Eventually the (best) consultants may decide to leave.

*Variation in projects.* To retain talent, consultancy firms should ensure sufficient variation in staffing experiences. Moreover, variation in projects adds to the development of the consultants, which is also in the interests of the firm. Clearly, the role of staffing is one of the most important ones within a consultancy firm. To a large extent, it manages the trade-off between short-term profitability and the long-term performance of a firm. Moreover, it has to ensure that the right team of consultants, in terms of that team's composition of skills, knowledge, and experience, is assigned to the projects.

**TRAINING** Another important development mechanism is training.

*Internal offerings.* Consultancy firms may have internal offerings. Such offerings may vary from an internal course to integral training programmes for all levels. Large firms will have training departments. For the new hires, firms will usually offer an introduction programme, sometimes called 'boot camp'. The new consultants are trained in important consultancy knowledge and skills and also learn about professional standards, including ethics. Procedure type of consultancies need to teach the new hires the (proprietary) knowledge and skills as embodied in the firm's procedures.

*The (mini) MBA.* If recruits do not have a business studies background, firms may offer business training, sometimes nicknamed a 'mini-MBA'. Introduction programmes are not only about knowledge and skills, but also about socialization of new consultants. New hires are introduced to the values of the firm and other cultural aspects. Consultancy firms may also use external training for their staff. Some management consultancy firms have a policy of sending consultants that do not have a business studies background to a (top) business school for an MBA, usually after about two years with the firm.

*Networks.* Partners may have personal coaches for personal (psychological) development as the transformation from manager to partner is, in psychological terms, a big step. Besides developing consultants' capabilities, training for consultants of large firms with international office networks is an important mechanism to let consultants from different offices and geographic regions meet together. Such training also serves the important purpose of building (informal) networks, which facilitate the (international) sharing of knowledge.





*Opportunity cost.* Training carries an opportunity cost. Time spent on training cannot be used for client projects. While hours on client projects can be billed, hours spent training cost money. For the consultant's development and for the long-term interest of the consultancy firm it is important that the consultant receives sufficient training. However, if there is scarcity of consultancy staff, the short-term interests of the firm may prevail over those of the individual consultant, and the firm may staff the consultant on the project instead of letting them attend training.

**EVALUATION** The third mechanism of competence development is evaluation.

*Project evaluation.* Typically firms will evaluate their staff after each individual project. However, even during projects, the firms may evaluate their staff. Evaluation is not only an important tool for the development of consultancy staff, it is also used to control the quality of the consultancy work. Furthermore, evaluation is used to manage the performance of individuals, as well as the firm as a whole.

*Mentors.* Consultants may have been assigned a mentor. The mentors guide the consultants. They may also be role models for their consultants. They act as sounding boards and they provide developmental feedback. However, self-reflection is also an important technique for developing oneself.

*Performance appraisals.* Last but not least, firms will have periodic performance appraisals. These appraisals may also provide important developmental feedback. What is more, they are critical for career development. Appraisals provide the necessary information for up-or-out decisions. The promotion decisions will be elaborated on in a following section.

**THE BUDDY SYSTEM** Besides mentoring, some management consultancy firms offer a 'buddy' system. A new hire is assigned a buddy. A buddy is a consultant who is of the same rank as the new hire but has been with the consultancy firm for one or two years. The buddy can informally help the new hire get accustomed to the firm. The informal nature of the buddy relationship is important. A new hire can ask their buddy all the questions that they may not ask their mentor because of the formal relationship and the hierarchical difference.

**HOW TO IMPROVE YOUR DEVELOPMENT** There are various ways to improve your personal development as a management consultant.

*Challenging projects.* Strive to get assigned to the most challenging projects for the best clients of the consultancy firm. Not all clients





are the same. There are best clients and not so good clients from the perspective of the consultancy firm. Some clients are more important than others to the consultancy. Although consultancy firms will be reluctant to admit it, the best clients get preferential treatment in terms of attention from the consultancy firm's best people. Not all consultancy staff are equal. Even though firms may use the up-or-out model, there will still be differences in the quality of people. Make sure you work for the clients that are most important to your superiors. Moreover, not all projects are alike. Projects may range from routine to new-to-the-world challenges. The latter category of projects is more exciting and offers better development potential.

*Performance counts.* How do you enhance your chances of being assigned to the best projects and clients? Most consultancy firms are meritocracies. This means that performance counts. Your past performance on projects will determine your future staffing chances. However, other factors also influence staffing. Staffing is a people business.

*Building relationships.* Therefore you should invest in building relationships with the people who influence the staffing. This is not only the partner who is responsible for staffing. Other partners and managers may also have a say in staffing decisions. They may give their preferences for certain consultants and they may also veto some proposals from the staffing partner. You have to be on the radar of these people.

*Be flexible.* It helps if you are not only a star performer but also a pleasure to work with. Moreover, it helps if you are flexible. Be prepared to travel, to work long hours, and cancel social obligations when a project requires it. Moreover, do not refuse staffing proposals too often.

*Impression management.* In general, career development is to some extent self-managed and therefore you have to be pro-active and assertive (Kumra and Vinnicombe, 2008). Impression management is important for career development. A substantial part of career development occurs in informal networking outside normal working hours (Rudolph, 2004).

## Life as a management consultant

What does the (working) life of a management consultant look like? Projects should take the largest share of the consultant's time. Consultants are assigned to client projects or internal projects. When they are not assigned, they are euphemistically said to be 'on the beach'. Consultants should not be too long on the beach because a consultant's utilization is essential for the economics of the management consultancy and thus also essential for the career prospects of the individual consultant. When not assigned to projects, consultants may be involved in developing proposals for prospects. Business



travel may take up a substantial part of a consultant's time. Consultants also spent time on training and internal meetings. Last but not least, management consultancy firms provide opportunities for relaxation, including dinners, outings, and sometimes even holidays. Table 9.3 sketches a week in the life of a management consultant.

**TABLE 9.3** *A week in the life of a management consultant*

Hours	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
07:00	Flight to client site	Preparation project kick-off (from 7:30)	Working breakfast with client (from 8:00)	Preparation presentation for client (from 7:30)	Data analysis (from 7:30)		
09:00	Project team meeting	Project kick-off with client	Client interviews	Client interviews	Data analysis	Data analysis	
12:00	Team lunch	Lunch with client team members	Lunch with colleagues	Conference call	Office lunch		
13:00	Preparation of project planning	Data collection	Data analysis	Stakeholder interviews offsite	Practice area meeting		Read professional literature
18:00	Preparation project kick-off	Dinner with client team members	Team dinner	Client meeting	Happy hour in the office		
20:00	Dinner with colleagues	Data analysis (till 22:00)	Data analysis (till 21:00)	Flight to home			Prepare for interviews (till 21:00)

## PERFORMANCE APPRAISALS

At periodic intervals, all consultancy staff and partners will be subjected to performance appraisals. Consultants are appraised by managers. Managers are appraised by junior partners. Junior partners are appraised by senior partners. Senior partners are appraised by their peers. Performance appraisals are structured processes. The appraisal uses criteria that reflect the qualities that consultancy firms look for: intellectual, inter-personal, and personal qualities (also see Figure 9.2). Table 9.4 provides an example of a performance appraisal for a management consultant. It is a relatively

high-level overview of the criteria. In real world performance appraisal forms you will find much more detailed criteria.

## Grading

The assessor will grade the consultant for each criterion on a scale. The example in Table 9.4 uses a five-point scale. The grades range from 1 (excellent performance) to 5 (poor performance). Repeated 1 grades increase the probability of promotion before the standard time of your current position is over. A grade 3 performance means that the consultant meets the firm's expectations. Just meeting the requirements of your current level will not be sufficient for promotion. You need to exceed the requirements of your current level.

Remaining a grade 3 will mean that the firm will keep you on board until the expiration of your term. At the up-or-out moment the grade 3 performers are asked to leave. Firms will not explicitly communicate this to their grade 3 performers in order to keep morale high. A grade 4 means that the consultant has to improve their performance. Otherwise they will have to leave the firm before the expiration of the standard term. The risks of an early-out are very high with a grade 5.

**TABLE 9.4** *Performance evaluation of a management consultant*

		Grade 1: excellent	Grade 2: above expectations	Grade 3: meets expectations	Grade 4: below expectations	Grade 5: poor
Intellectual abilities	Problem- solving: execution	√				
Interpersonal interaction qualities	Client interaction			√		
	Team work		√			
Personality	Credibility & confidence				√	

**QUALITY DIFFERENCES** Within a consultancy firm you will find differences in quality, or more precisely, the quality (in the eyes of the firm) range between grades 1 and 5. Both grade 1 performers and grade 5 performers will be assigned to client projects. The appraisal will be accompanied by developmental feedback. The firm will help the consultant to improve their performance, for instance by providing additional training and through mentoring.



## Promotion to manager

**INCREASING REQUIREMENTS** A high grade during the performance appraisal does not guarantee that the consultant will be promoted to manager. To qualify for manager, the consultant should not only master the work of a consultant, they should also have demonstrated their potential to succeed as a manager. The requirements for managers vary considerably from those of consultants. Table 9.5 shows how the requirements accumulate for the various levels in the consultancy firm. Managers are not only (very good) in the execution of problem solving, that is data collection and data analysis, they also have to excel at the design of the problem solving approach. Managers also need to evaluate, and when necessary to improve, the quality of the work of consultants in their project team. Moreover, managers have to synthesize the results of the consultants' analyses into insightful solutions for clients. While consultants need to be good team members, managers should be able to lead teams and develop the individual consultants in their team. The requirements in relation to the clients also increase. While consultants need to have a good interaction with a client, the managers need to build and manage the relationship with the client. They have to manage the dialogue with the client and they need to lead them during the project.

**TABLE 9.5** *Performance evaluation criteria for different levels*

	Consultant	Manager	Partner
Intellectual abilities	Problem solving: execution	Problem solving: design & control; insight creation	Thought leadership
Inter-personal interaction qualities	Client interaction	Client relationship management	New business development
	Team work	Team leadership	Firm leadership
		Team development	Firm development
Personality	Credibility & confidence	Role model	Leadership

**DEMONSTRATE QUALIFICATIONS** Consultants that are considered for promotion to manager will be given opportunities to demonstrate that they qualify for manager. Although formally they are still consultants, these candidates for promotion will be given managerial tasks as a test. Such tests are very important because a consultant needs to prove that they are able to operate successfully at the next level of the pyramid before actually being promoted to that level.

Finally, even candidates that qualify for promotion may not always get a promotion. The odds of promotion are not only determined by individual





performance but also by other factors, which include the growth of the firm. For instance, during a downturn the firm may have to let go even high potential staff.

## Promotion to partner

An even bigger step than promotion from consultant to manager is the promotion from manager to (junior) partner. The distinction between manager and partner is a ceiling in the pyramid of the consultancy firm. This ceiling is reflected in the important economic metric of the leverage. Leverage is defined in terms of the number of non-partners – consultants and managers – per partner. Consultants and managers work for the partners. The billings – fees charged to clients – of consultants and managers exceed their salaries and associated costs. This is the so-called billing multiple: that is fees divided by the costs of a consultant. The profit belongs to the partners.

**OWNERSHIP** Partners own the consultancy firm and are the employers while consultants and managers are employees. In a publicly owned/listed firm the leaders are employees, like the consultants and managers. Leaders of public consultancies may have a share of the profit but it will be less than the profit share of partners in a private firm. However, a new partner needs to buy into the firm. They have to invest private capital to become a partner. The partner also runs a financial risk. If the firm gets into financial trouble, partners may receive a so-called capital call, which means that they have to provide additional capital from their own means to help resolve their firm's financial difficulties.

**PERMANENCE** Besides remuneration there is another big difference between partners and the rest. Consultants and managers are temporary staff in the (up-or-out) firm. They stay only for a certain period of time in a consultant or managerial position. After that time they will be promoted or leave. There is no maximum tenure for partners. Only when an employee has achieved the highest level, may they stay in the firm. However, this does not mean that partners are always permanent. Even partners are subject to evaluation. Partners have to keep performing at the highest level. Whoever fails to meet the requirements of partnership has to leave.

**RESPONSIBILITIES** Not only the benefits increase substantially when promoted to partner, so do the responsibilities. The responsibilities of a partner exceed those of a manager. Partners have to be able to advise at the highest client level, including the chief executives of large organizations. Partners bear the final responsibility for the projects. If projects fail, the partner is to blame. Moreover, partners have to sell. They need to develop new clients and acquire new projects. The partner needs to be an authority. Partners have to influence, motivate, and lead both clients and consultancy staff.





**PSYCHOLOGICAL TRANSFORMATION** These new requirements can only be met if the individual undergoes a deep, psychological transformation (Ibarra, 2000). To be successful in the new role, the fresh partner has to develop their self-image and develop a new style and behaviour. Confidence and presence have to be developed to new, higher levels. To successfully make this leap, partners benefit from mentors and other role models.

**SENIOR PARTNER** The final promotion is from junior partner to senior partner. Senior partners have the same responsibilities as the juniors. However, on top of those they carry some additional responsibilities, such as leadership of the firm. Moreover, the senior partners are responsible for the evaluation and promotion of partners. Senior partners form the so-called partner evaluation and promotion committee.

**EVALUATION AND PROMOTION PROCESS** The process of evaluating and promoting candidates to partnership is structured in three steps (see Figure 9.5).

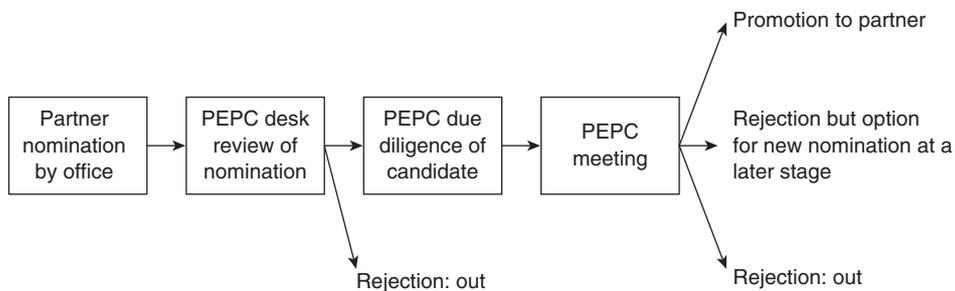
*Nomination.* The process begins with nominations by the partner group of the local office where the candidate works and/or the partner group of the functional/industry practice to which the candidate belongs. These partners should recommend the candidate for partnership. The partner group has to prepare an information package to provide argumentation for the nomination. The firm has structured what information is required to back up the nomination.

*Evaluation.* The nomination package is sent to the partner evaluation and promotion committee. The chair of the partner evaluation and promotion committee will do a desk review of the nomination packages. If the nomination passes this first screening then the chair of the partner evaluation and promotion committee will select one of the members to conduct a so-called due diligence study of the candidate. This member will visit the local office of the candidate to conduct a series of personal interviews with people in the candidate's environment to develop a 360 degree perspective on that candidate. The number of interviews will range between ten and twenty, and includes superiors (partners), subordinates (consultants), peers (managers), support staff members, and other relevant people. However, the partner evaluation and promotion committee may also talk directly to clients. If the outcome of the due diligence report is positive, then the nomination moves into the final stage, which is the review by the complete partner evaluation and promotion committee.

*Decision.* Before their meeting, all members will review the information package and the due diligence report of each candidate. During the meeting, the members will discuss and review each of the individual candidates. The candidates fall into three categories.



1. The first category comprises the strong candidates who clearly meet the partnership requirements. The committee will decide to promote them.
2. In the second category you find the weak candidates who are not yet ready for partnership but are perceived to have the potential for making partner. These candidates will be given a chance to be nominated again at a later stage. Some candidates can be nominated several times before they are promoted. If the partner evaluation and promotion committee does not see (sufficient) improvement potential then the candidate enters the third category.
3. The third category comprises the weak candidates who are clearly not fit for partnership. They will be irreversibly rejected. As a result of the firm's up-or-out policy, these candidates will be asked to leave the firm.



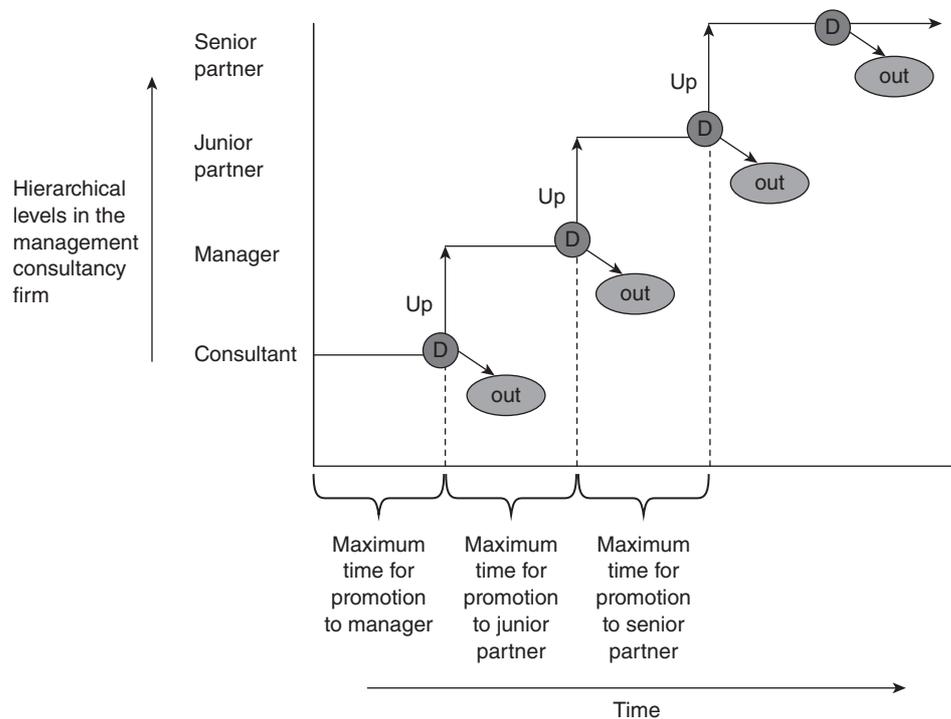
**FIGURE 9.5** *Evaluation and promotion of candidates to partnership*

Note: PEPC stands for Partner Evaluation and Promotion Committee

## TURNOVER

### The up-or-out policy

Many management consultancy firms have an up-or-out policy. 'Up' refers to promotion of an individual to a higher level in the consultancy firm's hierarchy (see Figure 9.6). An 'out' decision means that the individual must leave the consultancy firm. The firm offers only two options. Either you move up the firm's hierarchy – within a predetermined period – or you have to go. Figure 9.6 only shows promotion after the *maximum* time allowed for a promotion. Some individuals may get promoted faster. Most firms are very reluctant to use the term 'firing'. They may not even like to use the wording 'up or out', instead they will speak of 'grow or go'. The consultancy firm will have all kinds of disguising jargon, but it comes down to a dismissal of those employees who do not meet the firm's expectations. The policy means that if you are not considered for promotion, you cannot stay with the firm. The up-or-out system is the ultimate consequence of a meritocracy. It is not seniority but performance that matters.



**FIGURE 9.6** *The up-or-out policy of the professional partnership consultancy firm*

Note: D refers to the up-or-out decision

### Survival of the fittest

**DARWINIAN SELECTION** The up-or-out policy may be interpreted as a Darwinian selection mechanism; only the fittest (fit between the individual's performance and the firm's demands) survive (reach the level of the partnership). This is very effective from the firm's perspective. All the weak performers are weeded out. The firm ends up with the best people in the partnership (best as defined by the firm) and with potential partners in the lower ranks of consultants and managers. The policy also keeps everybody below the rank of partner on their toes. The selection mechanisms force all aspirants for partnership to give their best. The up-or-out system is therefore highly motivating. It is a carrot-and-stick model. You either get a carrot (promotion) or you get the stick (exit the firm). Both ambition and fear will drive the people in the race for partnership to give their best to the firm.

**SURVIVORS** As a result of the weeding out of the weak performers, there remain only those people in the organization who are still 'in the race' for partnership. Some people are on track to achieving partnership, while others who just meet their current level's requirements will only be kept on until



the next up-or-out moment. Because the latter group are often unaware of their fate, everyone still has the hope that they can make partner. However, we would like to add that not everyone who joins a management consultancy is in it for the long run (partnership). Some consultants will just want to get the experience for a few years, to learn as much as possible, and then leave the firm. Even people whose performance within the firm would enable them to make partner may leave the firm to pursue other opportunities.

**MORALE** The benefit to dismissing people who lack potential is that the organization is cleared of people who run the risk of becoming frustrated, losing motivation, and becoming jealous at their more successful peers. With the so-called losers of the up-or-out game gone, the firm ends up with winners (partners) and potential winners (managers and consultants who have survived so far and who are still in the race for partnership). The morale among these survivors will be high, which is good for productivity.

## Involuntary turnover

The up-or-out policy is generally the biggest contributor to the involuntary turnover of consultancy staff. However, failing to meet the firm's performance expectations is not the only reason why consultants are dismissed. There are other sources for involuntary turnover: downsizing the firm, crime, and unethical behaviour.

**DOWNSIZING THE FIRM** The first source is downsizing the consultancy firm. In previous chapters, we discussed the cyclical nature of the management consultancy industry. The demand for management consultancy typically fluctuates over time.

*Temporary underutilization.* Capacity utilization is the essence of management consultancy's economic model. Capacity refers to the consultancy staff of the firm. Fluctuations in demand mean fluctuations in consultancy staff utilization. Declining utilization rates directly affect profit, that is profit per partner. Partners may be prepared to accept temporary below-target utilization for a certain period of time only if they expect a recovery in utilization afterwards. Then they can keep capacity in place even though demand is too small to keep that capacity fully utilized. Dismissing large numbers of consultants is bad for morale in the firm. Moreover, when the economy recovers and the number of projects sold increases, it may prove difficult to ramp up again as talent is scarce during economic upturns, and candidates are reluctant to join firms that only recently – during the economic downturn – fired large numbers of consultants.

*Structural underutilization.* If the longer term outlook of the demand for the firm's services does not look promising, then partners will adjust their capacity to the lower level of demand. Adjusting capacity downward



is a euphemistic expression for downsizing the consultancy staff. It means that the firm will dismiss consultants. The firm may sharpen its selection process and raise the bar for its staff. The result is involuntary turnover. When firing people, the firm should take into account that the leverage structure is preserved. The ratios between partners, managers, and consultants should be maintained because they reflect the project team structure. If the ratios are changed then the firm is no longer able to efficiently staff project teams that fit with the firm's type of consultancy. To summarize, during down-cycles in the consultancy industry, firms will seek refuge in downsizing their staff. In the up-cycle, or in anticipation of an upturn, firms will step up their recruitment efforts.

**CRIME AND UNETHICAL BEHAVIOUR** Crime and the violation of ethical standards may be another source of involuntary turnover. It goes without saying that consultancy staff who act illegally will be fired. Some examples of the illegal acts of consultants are:

1. Stealing information from clients and the consultancy firm to sell to competitors.
2. Leaking sensitive information to competitors and the media.
3. Using foreknowledge about clients or the consultancy to trade on stock markets.
4. Manipulating data or creating false data.
5. Blackmailing clients or other stakeholders with information.
6. Bribing clients or other people to obtain information.

Unethical behaviour includes using critical insights developed in prior projects to advise competitors of the original client, or abuse of a position of power against lower-ranked consultancy staff or against clients.

## New opportunities after dismissal

Involuntary turnover in management consultancy has, in comparison to other industries, less negative effects for the individual concerned. The exception is dismissal because of crime and unethical behaviour. The least affected are consultants who are dismissed because of a down-cycle. Their performance track record was not the reason for their dismissal. If they have developed sufficient competences during their tenure with the consultancy firm, and if their former employer is a prestigious consultancy, these individuals will have good credentials on the job market. Even consultants who became victims of the up-or-out policy may find good jobs. Failing to meet the (high) expectations of some top tier management consultancy firms does not mean that the dismissed consultants are not good. Their competences may be highly valued by other, less prestigious consultancy



firms or other industries. Because of the relatively good job market chances of former consultants, the downside of the up-or-out policy for individual consultants is less severe.

## Voluntary turnover

Not all consultants and managers that leave the consultancy firm are forced out. Some staff turnover is voluntary. People may leave a management consultancy firm for various reasons. One reason is a change in lifestyle. These individuals will probably leave the consultancy industry altogether. The next section will elaborate on the lifestyle issues of consultants. Other voluntary leavers may join a rival consultancy firm or they may want to set up their own consultancy firm. Regarding the group that intends to establish its own consultancy, it is important to distinguish between consultants, managers, and partners. Consultants and managers who leave the firm have not yet developed all the competencies that are required to lead a firm. Leading the firm is the domain of the senior partners. Partners that leave can set up their own firm more easily than managers and consultants.

## THE PRICE OF CONSULTANCY

**LONG HOURS AND STRESS** Management consultancy typically pays (substantially) more than other industries, but also demands (substantially) more from staff. Working weeks of sixty to seventy hours on average are not unusual. If you include the business travel, the number of hours may easily reach eighty or more. Moreover, when consultancy projects approach their deadlines, the days tend to become even longer. Consultants not only have a large amount of work, they also face great pressure. This pressure comes from two sides. First, clients will exercise pressure on consultants. Because clients have to pay high fees, they have high expectations and demands. Second, the consultancy firm's up-or-out policy adds to the pressure on consultants.

**LITTLE CONTROL** Consultants not only have to be able to function under stress, they also have to be very flexible. They have little control over their agenda because consultancy is highly unpredictable. For consultants it is difficult to plan social activities in the evenings or even during the weekends. They may have to cancel their social obligations when new, unexpected work turns up. Data may be delivered later than expected. Analyses may go wrong. Clients may reschedule a meeting or come up with new, unexpected demands. A new project may have to start earlier than expected, or arrive unexpectedly. Always last-minute things may arise that will have priority over private activities, at whatever time they may occur. Consultants may even have to return earlier from holidays, or may even need to cancel their holiday plans, if the firm requires them to do so. Of course the firm pays





the expenses. Management consultancy is for these reasons labelled as an 'extreme job' (Hewlett et al., 2007).

**LIFESTYLE AND LIFE CYCLE** For young people the consultancy lifestyle may not be such an issue. For consultants who are early in their career, the work is new. It is exciting to move from one client to another, from one industry to another, from one city to another, or even from one country to another. Young people may find it fun to travel. For the young consultants there is much to learn. Moreover, younger people in general have more energy. They may cope better with the long hours. Furthermore, young people may be more flexible. They may have fewer social obligations, such as partners and families. Therefore, young people have lower opportunity costs. Such people may enjoy staying in a luxury hotel with the project team and having dinners together.

When people become older, their opportunity costs increase. If consultants become older they are either promoted to manager or they are asked to leave (up or out). As managers are older, the probability increases that they have developed relationships and have families with young kids. These managers face increasing social obligations – from their partners and families – that may be difficult to combine with the demands of the consultancy firm. While their costs of work rise, they do not (yet) receive the (large) financial benefits that the partners have. The category of manager is therefore most vulnerable to voluntary turnover.

## GENDER AND CONSULTANCY

**THE 'GLASS CEILING'** The number of women and men that enter management consultancy firms is about equal. However, research reveals that more women drop out as they progress up the hierarchy of the firm (Rudolph, 2004). This phenomenon is nicknamed the 'glass ceiling' or the 'leaky pipeline' and it is not unique to management consultancy. There are three specific reasons for the higher drop-out for women in management consultancy.

**THE UP-OR-OUT POLICY** The first reason is the up-or-out policy of the consultancy firms. This 'rat race' for making partner discriminates against women (Kumra and Vinnicombe, 2008). The extreme job and the specific promotion criteria better fit men than women. An important fact is that female consultants may become mothers. It is possible but certainly not easy to combine motherhood with consultancy. Most consultancy firms have special programmes to cater for female consultants with young children, but they cannot compensate fully. For a female partner in a consultancy firm, it is easier to raise children because partners have more control over their agenda. For consultants up to manager, the demands of being at the client site are often too much.





**THE CLIENT FOCUSED NATURE OF CONSULTANCY** The second reason concerns the client focused nature of management consultancy. Client contact increases when promoted to higher levels on the consultancy pyramid. Male dominance in the top management of client organizations favours men in the higher levels of the consultancy firm.

**MASCULINE STEREOTYPES** The third reason for the higher drop-out for women is the still dominant idea that men rather than women are suited to consultancy (Kelan, 2012). The ideal template for consultants is based on masculine characteristics. Women have to 'fit in' to succeed in management consultancy, which makes it a problem (Rudolph, 2004).

## **LIFE AFTER THE FIRM: ALUMNI**

**THE OUT-CONSULTANT** When consultancy staff have to leave (as a result of the up-or-out policy), the consultancy firm may help these individuals to identify and find new job opportunities. Typically, the consultants are given a certain amount of time, for example three months, to search for a new job outside the firm. The firm may decide not to staff the 'out-consultant' any longer on projects, but to let them work on internal studies so this consultant has a better opportunity to focus on finding a new job. Consultancy firms may put considerable time into counselling consultants out. They may even use their network of client contacts to help the consultant find a job. After all these consultants become the alumni of the firm.

**THE WIN-WIN DEAL** Helping alumni to land good jobs is beneficial to both the alumni and the consultancy firm. Outplacement help by the firm softens the consequences of the out-decision for the affected individuals. The management consultancy does not want the alumni to carry bad feelings and complain about their former employer. Reputations are crucial for consultancies. Consultancy firms do not want to turn their alumni into adversaries. On the contrary, the outplacement service and other alumni services are directed towards developing positive relationships with alumni and creating advocates and ambassadors for the firm.

**NEW BUSINESS DEVELOPMENT** If the alumni get a job at a client or a prospective client, they can become a valuable source for the consultancy firm. Alumni that reach high positions at other organizations may become clients of the consultancy firm or they may refer their former consultancy firm to other organizations that intend to hire consultants. A top tier firm like McKinsey & Company has hundreds of chief executive officers of large firms in its alumni network. Alumni may also be sources of industry knowledge for the consultancy firm. Consultancy firms therefore try to keep warm relationships with their alumni. Firms may organize conferences, dinners, and other events in order to network.

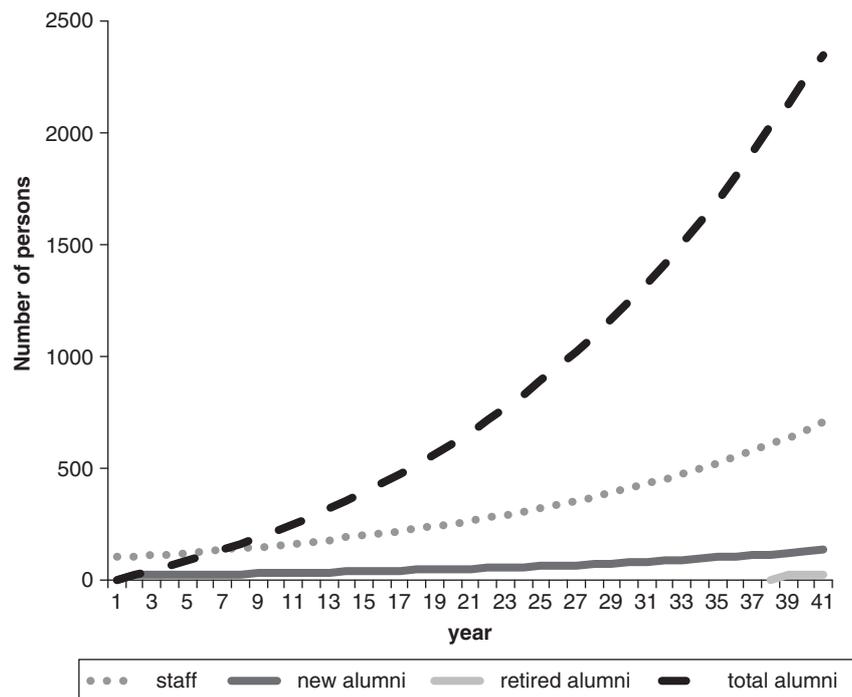




**THE ALUMNI NETWORK** The number for a consultancy firm's alumni can be many times that of the number of consultancy staff (consultants, managers, and partners) active within the consultancy firm. A simplified, fictitious example may show how this works (see Figure 9.7).

Assume that at the outset, the firm employs 100 consultants. Furthermore, assume that because of the up-or-out policy the *average* tenure of consultancy staff at a firm is five years, that is a turnover of 20 per cent. Presume that the firm recruits people at an average age of twenty-three. This implies that *on average* people will leave at the age of twenty-eight. Furthermore, suppose that the firm grows by 5 per cent each year.

The total number of alumni accumulates with the annual inflow of alumni. In the sixth year, the total number of alumni surpasses the number of consultants within the firm. Eventually, alumni will retire, thereby creating an outflow of alumni. Assume people retire at the age of sixty-five. This implies that retirement will begin to eat into the number of alumni from year 38 onwards. Figure 9.7 shows that the number of consultancy staff in the firm reaches 704 by year 40. However, the total number of alumni reaches 2,353 at that time, which is more than triple the firm's staff at that time.



**FIGURE 9.7** Growth in the alumni network of a management consultancy firm





The alumni network can be a powerful tool for the consultancy firm if they succeed in turning their alumni into ambassadors for the firm. Of course, not all alumni may wish to maintain relations with their former employer. They may decide not to join the firm's alumni network. Therefore, the alumni networks are usually smaller than the total number of alumni.

## SUMMARY

### Application and selection

The most important reasons for applying for management consultancy positions are the steep learning curve, the superior earnings, and the status of the job. Management consultancy firms use a stage gate process for their recruitment which comprises several rounds of case interviews and assessment centres. The case interviews are a selection tool to assess each job candidate's performance with regard to problem solving and personal interaction. Consultancy firms look for intellectual abilities, interpersonal qualities, and personality, health, education, and experience.

### Career

The typical career structure of a private consultancy firm distinguishes four functions at increasing levels, which are consultant, manager, junior partner, and senior partner or firm leader. Roles and responsibilities vary across levels. The up-or-out policy dictates the maximum time at a particular level and the promotion chances at each level. In performance appraisals staff are graded on a five point scale from 1 (excellent) to 5 (poor). This chapter discussed the requirements for promotion to manager. The biggest step is promotion to partner. We investigated the difference between partners and the other consultancy staff. Evaluation of candidates for partnership is a structured process that is reserved for committees of senior partners.

### The up-or-out policy

This chapter elaborated on how the up-or-out policy works and the benefits it creates for the consultancy firm. An up-or-out system leads to involuntary turnover but it is not the only reason for that involuntary turnover. Downsizing the firm also causes involuntary turnover, and so do crime and unethical behaviour by individual consultants.



## The price of consultancy

However, not all turnovers are involuntary. Some consultants may leave their firms by exercising free will. Voluntary turnover may be motivated by the (high) price of consultancy for individuals. Management consultancy is a so-called 'extreme job', which means a heavy workload, a high level of stress, and little control over your personal life. Finally, we explored the most important reasons why women are dropping out more frequently than men: the up-or-out policy of consultancy firms, the client-focused nature of consultancy work, and the masculine stereotype of a management consultant.

## REFLECTIVE QUESTIONS

1. What are the advantages and disadvantages for management consultancy firms of hiring graduates straight out of business school, compared to hiring experienced professionals? Take into account the different types of consultancy. Explain your answer.
2. Evaluate the attractiveness of a career in management consultancy for a business graduate straight out of business school. What are the pros and cons? How do they compare? What is your personal view?
3. Do you consider the up-or-out policy to be ethical? Please provide arguments.
4. How could a management consulting firm stimulate a more balanced gender distribution, in particular in its higher ranks? What policies could it put in place? Explain your answer.

### MINI CASE STUDY

#### Promotion to partner?

Twice a year, the five senior partners of the World Consultancy Group (WCG) that form the firm's so-called Partner Evaluation and Promotion Committee (PEPC) will meet somewhere in the world to review the firm's candidates for partnership. WCG's

process of evaluating and promoting candidates to partnership is structured using three steps. The process begins with nominations by the partner group of the local office where the candidate works. These partners prepare an information package for the PEPC. The chair of the PEPC will do a desk review of the nomination packages. If the nomination passes this first screening then one of the PEPC members conducts a so-called due diligence study

of the candidate. If the outcome of the due diligence report is positive, then the nomination moves into the final stage, which is a review by the complete PEPC.

### Three categories of candidates

Before their meeting, all members will review the information package and the due diligence report of each candidate. During the meeting, the members will discuss and review each of the individual candidates. The candidates fall into three categories. First, the strong candidates who clearly meet the partnership requirements. The committee will decide to promote them. Second, the weak candidates who clearly are not (yet) ready for partnership. These candidates will be rejected. If the PEPC perceives potential, then a candidate will get a chance to be nominated at later stage. However, if the PEPC does not see improvement potential, then the rejection decision is irreversible. The first two categories of candidates take up the least time for the PEPC. It is the third category that consumes most of the time in the PEPC meetings. This is the category of the so-called 'in-between' candidates. They are not clear accepts, but they are not clear rejects either.

### The last candidate

#### Top performer

It is the end of a long day. The committee has only one candidate in the in-between category to discuss before they will go out for dinner in town. The candidate's name is Hans. Hans joined WCG as a consultant, directly after his graduation in business studies. Hans excelled in problem solving. Moreover, he worked extremely hard. WCG

sent Hans to a top business school to get an MBA degree, after two years in consultancy. Two years later WCG promoted Hans to manager. As a manager Hans also excelled. He made his projects hugely successful. Hans consequently exceeded client and partner expectations. His project teams always went the extra mile. Clients and partners were very pleased with the great results that his project teams achieved.

### Not everybody is happy

However, not everybody was happy with Hans. The due diligence study about Hans by one of the PEPC members revealed that most of the consultants that had worked on his projects were very unhappy about the way he Hans treated them. According to them, he was only focused on the results for the client. He did not have an eye for the interests of the consultants that were entrusted to him. Hans had a reputation for creating exhaustive projects. Even by the standards of WCG, which had the reputation of being a tough firm, Hans was exceptional. He was never satisfied but always wanted more data and more analyses. Working weeks of seventy to eighty hours were normal for Hans and he demanded that his consultants work just as long. Consultants complained that Hans drained his teams. There had been incidents where consultants had spontaneously burst into tears because of the strain and exhaustion. There had even been a few consultants who had become overworked while working for Hans. In contrast, Hans was always full of energy. He never looked tired and did not seem to suffer from working the long hours. Because he was always at work, Hans did not have time for his family.

His spouse felt neglected and they had divorced two years previously. Since then Hans has worked even harder than before. What should the PEPC do?

### Questions

- 1 What are the most important criteria that the PEPC should use to decide whether or not Hans should become partner? Provide arguments.
- 2 Provide reasons why Hans should become partner, and why he should not become partner. What would you recommend to the PEPC? Provide arguments.
- 3 How do you evaluate the role of WCG regarding protecting the interests of the consultants whom the firm entrusted to Hans? Elaborate on your answer.

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