

Beating the Recession Blues with Vector's Engagement Model

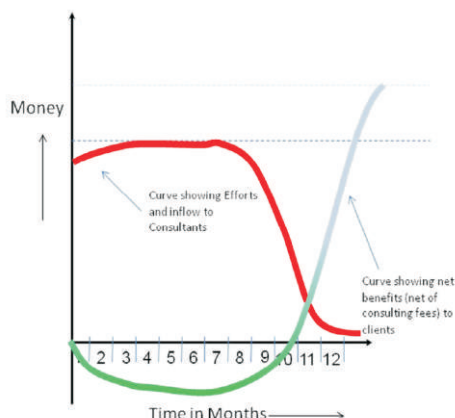


by Kiran Kotheekar

Management consulting industry and all IT vendors in enterprise space, promising productivity improvement have a business cycle well aligned with the overall economy. They grow fast when the overall economy is booming and they get into trouble when recession strikes the economy. This looks rather strange. Logically speaking, this entire industry (dealing with productivity improvement), should be recession proof just like the pharmaceuticals or the healthcare industry. On the face of it, both are similar in nature. One deals with improving health of the human kind while the other deals with improving health of the organization. When there is a wide spread epidemic (read poor performance of organizations in recession), how do the doctors (consulting organizations promising performance improvement) have lesser business? On the contrary they should have booming business in the hard times. Though most consulting firms do not publish their numbers in public domain, but one does hear about recruitment freeze or even retrenchment in times of recession. Many IT companies in the enterprise space also start shedding manpower in these times. The newspaper is full of such reports.

Have you been perplexed with this question?

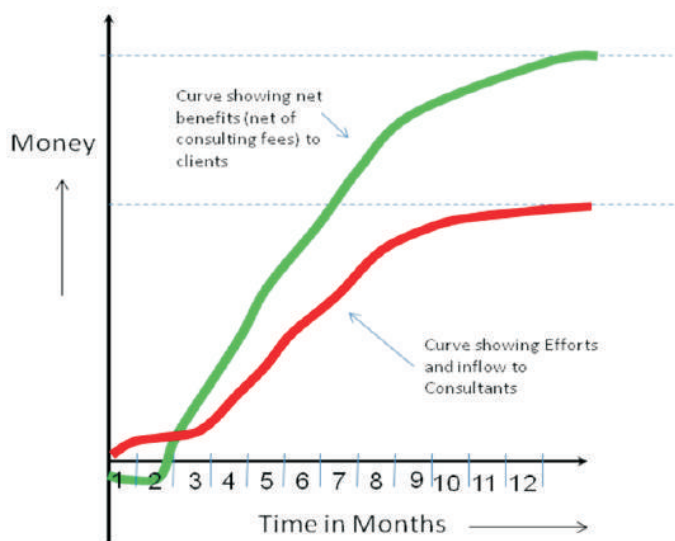
The answer lies perhaps in the engagement model of these firms. The engagement model demands an upfront investment in time and money and promised benefits are realized long after initial investment. This is best depicted in the graph below:



It takes about 6 to 8 months of initial investment in time and efforts of the outside consultant to either implement an IT tool (if one is dealing with an IT product implementation to get the desired benefits) or to do a study and come out with recommendation on possible cost reductions that can be achieved (if one has engaged a management consultant). In either case, during this period, the client does not gain anything. On the contrary, there is an outflow of money (as explained in the dipping green curve). When an organization is going through difficult times, it is almost very difficult to commit to this initial investment as the net performance dips down due to this outflow.

It becomes even more difficult, when the promised benefits is not very clear and cannot be easily translated to bottom line benefits (happens in case of enterprise IT products) and one has to rely of vague terms like "transparency", "flexibility" etc to explain the benefits. There are other issues of initial excitement fizzling out when it takes long to get the initial benefits. Many times, even the benefits are debated and the connection between action and results becomes fuzzier with greater time elapsed between action and results. The "not so great" experience of past similar projects makes it even difficult to approve a similar long term project at the time of recession. Even if one is sure of the results (like the material cost or overhead reduction recommendations of consultants), during recession, people are extremely short term sensitive. They are wary of doing anything that affects the financial performance in the short term. The significant outflow to consultants in the short term puts the short term financials under jeopardy. When short term is under jeopardy, we cannot expect organizations to further jeopardize it in the hope of a better future. This explains why this industry is not able to beat the downturn in economy.

We at Vector have chosen to redefine the curve as given below:



This curve means that the companies have to only invest 1 or 2 months of efforts and resources where they do not get any benefits. After 2 or 3 months, the engagement starts not only funding itself but also providing the returns, much beyond normal expectations of management.

VCG's engagement model follows the above curve. We aim at providing significant benefits within 2 or 3 months of our engagement, which is unimaginable by management. At the same time the benefits should keep accruing at the same pace. To reduce the risk of clients further, we also link significant part of our fees with client getting the desired benefits. At each step of the engagement model, there is an inherent de-risking done to protect VCG as well as the client.

Vector Engagement Model



Even before the step 1, we do a due diligence of the client's market and supply chain. If we are not sure of the quantum jump in potential, we drop the client. Our ready templates for our target industry clusters, helps us make a quick assessment of the inherent potential of our clients.

If we select an organization, then in step 1, we hold a 3-4 hours meeting with top management (owner /division head/CEO) to get buy-in on the overall direction of solution and benefits potential. If the top management is convinced with the direction of solution, it can decide to move to next step.

In step 3, we do a 2 days detailed study, to prepare ourselves for the 8 days solution and implementation consensus workshop, and to revalidate the solution elements and the potential through a more detailed study. (the session duration can be 6 days in some cases).

In the 8 days Solution and Implementation consensus workshop, with the senior management of the company, aims to make the client's top management team to feel:

- Confident about the solution framework presented, that will enable the company to achieve the stated objective (amongst -significant increase in profits, improvement in output, 100% availability in supply chain at lower inventory, or 100% on time delivery with minimum investment and minimum cost increase, etc).

- Confident about the Vector team
- Confident about implementing the solution, together with all the departments,
- Create an implementation plan.

The Implementation Consensus workshop aims to achieve a high level buyin of the top management to decide to go ahead with the implementation.

For each solution element, the discussion follows the process of:

- Why change?
- What to change to?
- How to implement the change?

In 8 days, the entire management gets to understand all the changes required to be implemented and are convinced about practicality of the steps being suggested along with logic of benefits roadmap. It is only after this visibility, organizations can take an informed decision to commit the time and resources required for a long term implementation. Hence we discuss the contract for engagement only after the 8 days session.

In the implementation step, Vector helps detail out the agreed new processes, deploy the software tools and hand-hold clients in doing the new processes till they derive and sustain the targeted benefits. The implementation is so planned, that within 2 or 3 months of starting the implementation step, the clients should start accruing significant benefits, beyond what they have ever achieved in their lifetime.

Our unique model of engagement has helped us beat the recession blues not only for ourselves but also for our clients.

The Author is a founding Director of Vector Consulting Group – India's largest and premier Theory of constraints based consulting company that engages with leading corporate to deliver bottom line results and takes its fee from the increase of profit thus delivered.