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These days, it seems like everyone you meet is a consultant. Personal trainers are “health and fitness consultants.” The guy behind the counter at your local Kinko’s is an “image reproduction consultant.” [[Need one more example here. Perhaps use “consulting” rather than “consultant”]]

The term **consulting** is often used as a one-size-fits-all term for virtually any form of organizational advice-giving. WetFeet’s Insider Guide to **Careers in Management Consulting** focuses on the variety known as **strategy consulting**. Dominated by firms such as McKinsey, Bain, the Boston Consulting Group, and Booz Allen Hamilton, strategy consulting firms enjoy the most immediate brand-name recognition in both corporate and consulting circles. They conduct highly visible and painstakingly formal recruiting at the most prestigious undergraduate institutions and MBA programs worldwide, and these firms enjoy the luxury of choosing from the intellectual elite at each school. In terms of new hires, strategy firms have both quality and quantity on their side. Because of the size and scope of their consulting practices, they can hire—and train—a considerable number of undergraduates and new MBAs year after year.

Although the top firms in this category perpetuate a cult-like fascination with the profession among consulting hopefuls, strategy consulting actually represents only one slice of the consulting pie. There are other types of consulting, too. This guide focuses on three: human resources (HR), information technology (IT), and health care consulting.

Why these three? Two of them—HR and IT—represent functional specialties that are relevant and valuable to virtually any company, regardless of its sector, industry, geographical location, or competitive position. The third—health care consulting—represents a category defined along industry (rather than functional) lines. While HR and IT consultants serve clients in a range of industries, health care consultants (as their name implies) advise hospitals, medical schools, pharmaceutical companies, and other health care organizations on a range of issues unique to their industry (both strategic and operational). Though consulting practices have sprung up to serve other industries as well (financial services, retail, and consumer packaged goods, just to name a few), we’ve chosen to highlight health care consulting because (compared to other industry-specific consulting practices) it represents a more sizeable revenue-generating opportunity for larger, diversified strategy firms as well as smaller, more specialized consulting shops.

Whether you've got your heart set on one particular functional or industry specialty or you're just beginning to consider how to embark on a more specialized consulting track, this guide will provide you with an overview of what it's like to work in HR, IT, and health care consulting. You will also learn how these three types of work fit into the larger consulting picture. In these pages, we'll describe different projects that our consulting insiders have worked on in the HR, IT, and health care arenas. We'll let you know what economic trends will affect business (and career) opportunities in each consulting realm, and which trends you should know about—well in advance of your interviews. Of course, we'll also identify firms that offer particularly strong consulting practices in one or more of these practice areas, and outline the recruiting process followed by most consulting firms in these sectors. As always, we'll provide insiders' perspectives on their careers and respective organizations.

[H1] Consulting Overview

If you've done a little bit of homework on consulting careers so far—even if your research to date has only involved speaking to classmates who've just gotten started along the consulting path—you know that many companies are willing to part with serious cash for an objective, trustworthy counselor. Indeed, consulting firms may charge their clients anywhere from \$300,000 to \$1 million in monthly fees, billing \$5,000 a day for top consultants and \$1,500 for their associates—plus expenses, of course.

How can consulting firms justify these stratospheric fees, and, moreover, how can client organizations justify paying them? Essentially, clients pay consultants for their institutional knowledge and accumulated wisdom: expertise they've developed by providing guidance to other organizations on similar issues. Consulting firms are knowledge organizations with economies of scale on their side: They can cultivate expertise at a level that's usually not economical within a particular company. For example, protecting the security of an organization's computing systems requires a high level of specialized expertise. By providing advisory services to many organizations, a firm that provides consulting on computer security issues can achieve the necessary “critical mass” to fully develop its expertise in such a highly nuanced area.

Many companies—particularly Fortune 500 companies—call on external consultants even though they have internal consultants on the payroll, because it turns out to be more economical. External consultants generally tackle issues with which the client has little prior experience, or they handle projects for which the client has insufficient in-house capability. One-time, resource-intensive projects such as reorganizing a company after a merger, or launching a new customer relationship management system to leverage point-of-sale data [\[\[is this too much jargon?\]\]](#)—these are the types of initiatives for which a company is likely to enlist a consultant. Since it would be impractical to keep such specialized knowledge in-house for a one-time project, companies may find it more economical to outsource these projects to outside firms.

Despite the seemingly exorbitant fees they charge the companies they advise, consulting firms provide critical services to their clients and deliver measurable results. Though a company might bear a significant expense to retain a consulting firm to help with a post-merger systems integration, for example, the company may incur even greater expense if it attempted the implementation on its own and made costly mistakes along the way. Not only do consultants

often preempt expensive snafus when an organization attempts a significant change, they also offer fresh, objective perspectives, as well as data and market intelligence that an individual organization would have difficulty obtaining on its own. Because they offer targeted experience across multiple clients and engagements, consultants offer their clients the processes and human resources capabilities that implement change more smoothly than they otherwise would. Clients also value consultants' (relative) objectivity and immunity from internal politics: Unlike a company's own leadership, consultants can recommend the best course of action for a company without worrying about whether their decision will be unpopular.

On the downside, consultants are often asked to make difficult decisions and deliver unpleasant news in the event of a cost-cutting initiative or downsizing. Clients can use consultants as a front for cost-cutting or layoffs, and ask them to make these changes as well (remember the Bobs in the movie *Office Space*?). [[No. I like the idea of using a pop culture reference here, but this one's too obscure.]] Consultants are far more eager to shepherd companies through periods of rapid growth and economic expansion than they are to do the dirty work that comes along with recessions and downsizing. For better or for worse, consultants are in demand during the highs and lows of the economic cycle, and all points in between.

[H1] Hiring Outlook

After several down years, firms began recruiting in earnest again in 2004. In 2005, consulting firm recruiting was up 30 to 50 percent ("Consulting Firms Court New M.B.A. Recruits," The Wall Street Journal, 2/8/05) – and the hiring outlook remains bright in 2006. According to one insider, "We see a movement upward in the number of hiring. We're seeing a lot more deals, and our capacity is at the highest mark that it's been in a couple of years. The management team absolutely thinks the work will continue."

Still, the growth that appears to have begun won't mirror that of the go-go 1990s. "I don't think we'll see the spike in growth that we saw in the late '90s," says an insider. "We moved through the early 2000s on cost reduction. Now the focus is on growth of the bottom line. The focus isn't so much on how fast I can grow my top line or how I can cut my costs, but how I can improve my productivity. I think those initiatives are going to drive the opportunities for growth in the consulting industry."

Things have changed since hiring back in the 1990s. For one thing, because buying patterns in consulting are continually fluctuating, firms are looking for more experience in those they hire. "What I've been seeing is that the buyers are looking for less hype and more substance," an insider says. "Over the boom years, there were a lot of high-flying firms with a lot of hype around them; now what we're seeing is a buying community that's a little more savvy, a little more senior. Recruiting decisions are being moved up higher in the organization."

"For the pre-MBA experience, it would be advantageous to make sure they're getting some serious, substantial experience—industry experience for the type of client engagements they want to work in post-MBA," an insider says. "Some MBAs will look at the summer associate program as an opportunity to try something completely different. But if they're trying something for variety, and they want to work in a post-MBA position in a field different than their summer position, they're putting themselves at a disadvantage."

[H1] Blue Recruiting Skies

Consulting has, again, become a hot ticket for undergraduates and MBAs. Although the general mood among recruiters would be better described as cautious optimism rather than irrational exuberance, insiders report that **recruiting is up** at the larger firms and stable at boutique shops. “Hiring has definitely increased from [the early 2000s]. With our market picking up with the economy, that’s had ripple effects,” says a recruiting insider.

Much of the turbulence that characterized the industry in the early part of the decade has **quieted down**. Deloitte Consulting is now squarely back in the Deloitte Touche Tohmatsu fold after its aborted spinoff attempt in 2003, and PwC Consulting became part of IBM after its 2002 sale to Big Blue. With much of the uncertainty within individual consulting companies resolved, the nebulous, wait-and-see attitude toward hiring has turned into a solid hiring program.

[H1] The Breakdown: Navigating the Consulting Maze

As we’ve said, consultants (and consulting firms) come in many different flavors. Strategy consulting—traditionally dominated by the heavy hitters of the consulting universe, such as McKinsey, Bain, and the Boston Consulting Group—focuses on the organization-wide issues that occupy the minds of a company’s CEO and senior-most management. Strategy consulting engagements span sectors, industries, and disciplines, but the common denominator that distinguishes strategic consulting from other types of consulting is its **external** focus: Strategy consulting examines how an organization can meet its objectives given its customers, competitors, suppliers, and the broader industry-wide and economy-wide trends that affect its business.

In contrast, consultants aligned with a particular functional area (e.g., human resources or IT) spend most of their time examining their clients’ **internal** processes to help the company operate more effectively or efficiently. Like their counterparts in strategy consulting, these consultants serve clients **across various** sectors and industries, **utilizing** the depth of their talent management or technical expertise across client companies. Rather than shaping their clients’ organizational strategy, operations consultants support it by helping their clients leverage a given internal function or process to its full potential. **For instance, a human resources consulting firm enlisted to redesign a company’s performance management system is essentially examining how the company can improve an internal process.** By improving its own promotion and compensation policies, the company **will be** better equipped to retain the most talented people. In turn, the company is better prepared to meet its strategic objectives. Consultants specializing in a given function typically work with the company’s leadership in the corresponding functional area; for example, HR consultants would likely work more closely with the company’s VP of HR and his or her direct reports. **[[Please clarify. Is this literally written reports, or do you mean the people who report to him or her?]]**

Consultants who specialize in a particular industry (e.g., health care) are a different type of animal. Health care consultants may tackle any type of engagement—strategic, operational, or otherwise—with an eye toward the issues that are unique to players in the health care industry. Health care consulting (and its counterparts in the field of financial services or consumer packaged goods) is often referred to as a **vertical practice area** (as opposed to a **horizontal**

practice area). A vertical consulting practice offers a general management consultancy applicable to one industry only, whereas a horizontal consulting practice (e.g., HR or IT) focuses on a specific discipline applicable to many different industries.

If you think you've got it straight so far, rest assured that things are about to get a little hairier. First of all, it's worth mentioning that all consulting assignments—regardless of the client or the consulting firm—represent a point on the spectrum from operational to strategic thinking. A retail company, for example, might hire a consulting firm to investigate whether there's a link between employee attrition and lagging sales in one of its store locations. A year later, that same retail company (hopefully with happier employees and more robust sales numbers) may hire a consulting firm to administer the benefits program for employees in all of its stores. Both of these assignments may officially fall within the scope of HR consulting, but the employee retention issue represents a **strategic** priority, whereas the benefits administration engagement is an operational one.

To further complicate things, some of the largest strategy players have developed dedicated practice areas targeted toward specific industries and functions. The Boston Consulting Group, for example, offers an information technology practice, a human resources practice (called “Organization”), and a health care vertical. In fact, both BCG and McKinsey appear on the list of top-ten health care consulting practices by revenue, even though both would (rightly) eschew classification as health care consulting firms.

Typically, the functional practice lines at strategy firms tend to focus on the strategic issues (rather than the operational issues) associated with that function. For example, BCG might help an organization determine that its ineffective compensation processes are inhibiting its ability to retain key senior talent; however, it typically would not prescribe or implement a specific online performance appraisal system to remedy the problem. An HR consulting firm such as **the** Hay Group, on the other hand, might diagnose the performance-management problem **and** treat it by prescribing its proprietary compensation-benchmarking tool. Though a strategy firm and a dedicated HR consulting firm may offer their clients different core competencies, it's worth pointing out they can (and often do) compete with each other for consulting engagements. This is true in IT and health care consulting, as well.

In addition, a **consulting industry**-wide trend toward consolidation makes classification among the consulting ranks an even thornier issue. As consulting firms scramble to provide clients (and prospective clients) with “one-stop shopping” for their strategic and operational needs, many of the larger players have been courting smaller, more specialized practices that complement or enhance their own portfolio of services. In the past few years, firms such as IBM and Hewitt have pursued and **landed certain** strategic acquisitions in order to gain **entry** into particular industries or functional areas or to provide “end-to-end” services to their clients. In the past, consulting firms faced seemingly impenetrable boundaries designating where one firm's strategic advisory work ended and another firm's implementation work began. In today's competitive landscape, many consulting behemoths have gained considerable market share through a different approach: providing a greater range of services to clients, thereby extending the longevity—and potential profitability—of each client engagement.

[H1] The “Big O”: Business Process Outsourcing

Of the trends shaping the demand for HR and IT consulting services in particular, the shift toward business process outsourcing (BPO) is perhaps the most significant. Outsourcing represents the biggest single growth opportunity for many business-services firms. According to Gartner research, BPO is an approximately \$300 billion market in its own right, and it will only gain momentum over the next few years. According to an insider, “Outsourcing is growing, and not going to go away.”

So what exactly is BPO? As the name suggests, business process outsourcing is the contracting of a specific business task to a third-party service provider. Usually, BPO is implemented as a cost-saving measure for tasks that a company requires but does not depend on to maintain its position in the marketplace. If companies can outsource their non-core operations to an outside provider (who can most likely provide these services more efficiently and cost-effectively), they can focus on the issues intrinsic to their business. Popular candidates for outsourcing include finance, human resources, employee training, procurement, and logistics. Though it is sometimes lumped into the larger BPO umbrella, IT outsourcing accounts for such a substantial proportion of total outsourcing revenue that it’s typically afforded its own category.

BPO isn’t a new concept, or a new trend. The underlying logic behind BPO is the same logic that convinces many time-starved professionals to send their laundry out to be washed and folded by someone else: Sure, they could do it themselves—and it may even be a little bit cheaper if they did—but by the time you factor in the precious free time they’d sacrifice in the process, it makes far more sense for them to pay 90 cents per pound and be done with it. It’s no different on a corporate scale: Rather than fussing about with defined benefit and defined contribution plans, health insurance schemes, and payroll, many companies prefer to outsource these processes to outside vendors. In fact, companies may extend their reliance on BPO well past the boundaries of one or two individual processes; it’s not unheard of, for example, for a firm to conduct an HR “lift and shift,” [outsourcing](#) its entire human resources department to a third-party vendor.

Many of the larger HR consultancies (e.g., Hewitt, Towers Perrin, and Mercer) derive a significant percentage of their revenue from precisely this sort of work.

Likewise, virtually all of the IT consulting heavy hitters (e.g., IBM, Accenture, Capgemini, and CSC) rely on their sizeable technology outsourcing practices to buoy their revenue growth, especially when revenues in their consulting practices lag. Not only do many consulting firms win billions of dollars doing this type of work, they can also take advantage of the ample cross-selling opportunities to [expand](#) their consulting businesses. As one insider put it, “It’s a lot easier to sell consulting services to a client if you’ve already gotten your foot in the door with outsourcing work.”

[H2] Implications for Consulting

So what does all of this mean for the consulting [industry](#)? [And what does it mean for the HR and IT consulting segments in particular](#)? For one thing, it becomes more and more difficult to distinguish the top firms from each other based on revenue alone. Consulting and outsourcing—though they are often lumped together under the term “business services” on the firm’s income statement—are two very different value propositions for the client (not to mention two very different types of work for the [job seeker](#)). As consulting firms generate more and more revenue

from their outsourcing practices, the competitive landscape for consulting services becomes more complex. Consider the HR consulting market, for example: In one sense, the popularity of BPO is good news for the HR consulting firms that offer outsourcing services. The more HR processes their clients decide to outsource, the greater the revenue stream they can generate from their relationships with these clients. But for traditional HR consulting firms, the market's emphasis on BPO is a double-edged sword; one by one, firms that have traditionally not been heavy hitters in the HR consulting world have been getting in on the outsourcing action, stealing market share from the larger, more established HR service providers. Firms such as IBM, EDS, and CSC are among the largest providers of IT and business-process outsourcing services, and they're giving the pure-play [\[\[is this a common term?\]\]](#) HR outsourcers a run for their money.

Not only has the expansion of the BPO market meant more [competition](#) for consulting firms, it has indirectly launched a different type of consulting opportunity for strategic consulting firms such as McKinsey, Bain, and BCG. Although firms in this category do not themselves act as third-party providers of business processes, they may advise companies on issues related to BPO; they may help a client company think about how to select vendors, how to negotiate pricing, and how to manage relationships with third-party providers. Regardless of the specific process that clients outsource—whether it's human resources, information technology, logistics, or facilities management—the strategy behind outsourcing is similar. As such, pure-play strategy consultancies have capitalized on their own revenue-generating opportunity by offering frameworks for addressing their clients' BPO strategies.

It's also worth pointing out that while outsourcing provides stable margins, it doesn't necessarily create more jobs for consultants. Even though firms may offer both types of services, outsourcing is nonetheless seen as a substitute for—rather than a driver of—consulting growth. Whenever a company outsources a business process, it's unlikely that the same business will hire a consultant to further improve that process. As such, the current dominance of outsourcing is causing the most anxiety among more traditional consulting practices, which stand to lose a significant amount of market share to their hybrid cousins.

[H2] Implications for Aspiring Consultants

So what does all of this mean for you, the jobseeker? It means there's a lot of information to keep straight as you assess which subset of consulting—and which particular firm—is the best match for you. If you've read the WetFeet Insider Guide to [Careers in Management Consulting](#), you've probably concluded (correctly) that many management consulting firms provide comparable services to their clients, with a few variations in specialty and corporate culture. As you read this guide, you'll notice that [this](#) terrain is a little bit more uneven.

An HR consulting firm, for example, doesn't just hire HR consultants. Depending on whether it offers outsourcing, it may also hire armies of IT consultants to build and maintain systems for clients with which it has outsourcing contracts. That same HR consultancy may also hire health care consultants to examine ways of designing more cost-effective health care plans for employees, but these are not the same health care consultants who provide strategy, human resources, or IT advice to pharmaceutical companies. In this guide, [health care consultant](#) refers to people who work for health care consulting practices, which may operate independently, within an industry group at a strategy firm, or within a diversified Big Four consultancy that also

offers IT and HR practices. At larger firms, there will be legions of IT consultants, aligned with health care practices, HR practices, and (you guessed it) technology practices. Is your head spinning yet? (Ours are.) [\[\[yes.\]\]](#) Don't worry; we'll walk [you](#) through all of this information step by step. [\[\[thank god\]\]](#)

Though it seems daunting to keep track of who does what and in what context, it's imperative that you [do](#) [keep track](#), especially if you want to set yourself apart during the notoriously rigorous recruiting process. [If you've set your sights on a specific subset](#) of the consulting arena, it's simply not enough to establish your raw intellectual horsepower, capacity for problem solving, and willingness to trot the globe to solve your clients' most pressing business challenges. You must also know (and be able to articulate) what you find compelling about a given industry or function and what macro and micro trends characterize that particular space. Not only that, it's important to demonstrate that you've fueled your passion for HR (or IT or health care) consulting with substantial research. If you can prove to your interviewer that you've not only got what it takes to flourish as a consultant, but that you've gone the extra mile to learn what kind of consulting you'd like to do (and what distinguishes one consulting practice from another), you'll be well on your way to a lifetime of frequent flier miles.

[H1] Focus on Consulting

The consulting industry doesn't lend itself to easy numerical comparisons. First, many firms are privately held, so revenue and profit figures aren't readily available. Second, there is considerable disagreement over what constitutes consulting revenue. Are we to consider all of the fee income or management consulting revenue only? How do we handle firms that have several different business units that provide consulting? Third, as we've noted, [many](#) firms [tend to](#) operate in a variety of sectors, from outsourcing to IT to strategy, which makes it challenging to classify industry players. For instance, it's clear that McKinsey is a management consulting firm, but what about IBM, which has a large systems consulting group? All this is to say that you should pick your own favorite number, [\[\[Do you mean a company, as numbered below? Or a particular salary? Or a particular area of consulting expertise?\]\]](#) decide what it means to you, and be sure to take it with a grain of salt. [\[\[this is also confusing—you start by saying to pick something in particular and stay with it, but then go on to say you need to be flexible...which is it?\]\]](#)

The rankings below are from an annual survey of MBAs who named the companies they'd most like to work for in 2005 and [Consulting Magazine](#)'s list of top firms to work for.

[H2] Where MBAs Want to Work

[TAB]

Consulting Firms that Ranked in the Top 100

Rank Firm

1 McKinsey & Company

4 Bain & Company