

Industry Overview

So, you want to be a consultant? Or, more likely, you think you'll spend a few years as one and then move on to other things. You're not alone—there are more than 250,000 consultants in the U.S. Consulting firms are traditionally among the largest employers of top MBA and college graduates, and they are an attractive alternative career option for people who've toiled in industry for a number of years.

Consulting is a high-paying, high-profile field that offers you the opportunity to take on a large degree of responsibility right out of school and quickly learn a great deal about the business world. It's also a profession that will send you to the far corners of the country—and leave you there for days and weeks on end while you sort out tough questions for a client that's paying your firm millions of dollars.

In essence, consultants are hired advisors to corporations. They tackle a wide variety of business problems and provide solutions for their clients. Depending on the size and chosen strategy of the firm, these problems can be as straightforward as researching a new market, as technically challenging as designing and coding a large manufacturing control system, as sensitive as providing outplacement services for the HR department, or as sophisticated as totally rethinking the client's organization and strategy.

Management consultants must be skilled at conducting research and analyzing it. Research means collecting raw data from a variety of sources including the client's computers, trade associations in the client's industry, government agencies, and, perhaps most importantly, surveys and market studies that you devise and implement yourself. It also means interviewing people to gather anecdotal information and expert opinion. The interviewees may be anyone, from industry experts to the client's top executives to the client's lowest-level employees. All this data must then be analyzed, using tools from spreadsheets to your own brain. The idea here is to spot behavior patterns, production bottlenecks, market movements, and other trends and conditions that affect a client's business.

Your ultimate job is to improve the client's business by effecting changes in response to your analysis. That's the hard part, because it involves convincing the client to accept your recommendations, often in the face of opposition from client executives who resent outsiders upstaging them with the boss or resistance from company employees who have something to lose from change. To succeed you'll need excellent people skills and the ability to put together a persuasive PowerPoint presentation. Finally, you'll need the ability to handle disappointment if your solution fails or the client decides not to even try implementing it.

One good thing about the advice business: Companies always seem to want more. As evidence, the consulting industry has been on a sustained growth binge for well more than a decade. One other thing about the consulting business: The product really is the people, and firms compete on the basis of who's the smartest and the hardest working. As a result, each firm wants to hire the best and the brightest. If you're one of them—you probably know if you are—you'll have a good shot at landing one of these competitive jobs.

Trends

The End of E-Consulting?

A year ago, e-business boutique firms such as Razorfish, Scient, marchFIRST, and Viant were on top of the consulting game. Clients needed to go digital, and industry giants like PricewaterhouseCoopers and Deloitte scrambled to keep up with novice Internet firms and their 30-year-old CEOs. But now, as the new economy tanks and more and more dot coms close up shop, the e-consulting business has lost substantial steam. The question is, will it survive at all?

Some signs look pretty grim. Internet consulting firms such as Scient have lost nearly half their clientele to the dot-com decline; iXL, Razorfish, and Viant have all suffered substantial layoffs; and marchFIRST has gone bankrupt.

For most consulting firms, e-consulting opportunities still exist, but they've greatly declined. With less funding and a tougher economy, many surviving Internet start-ups can't afford to purchase consulting services. And old economy companies looking at expanding their Web presence are warier than they might have been a couple of years ago about laying out wads of cash to do so. All this spells hard times for e-consultants.

Dot-Commers Return to the Coop

As dot-com companies go down the tubes, undergrads, freshly minted MBAs, and start-up veterans are once again setting their career sights on traditional, well-established consulting firms. This means competition for jobs is fiercer than ever. But many companies aren't bearing a grudge against returning dot commers: these "boomerang" employees, as the industry calls them, are often welcomed back to the mothership with open arms. Although rivalry for jobs is tough, if you're lucky, a firm might just come looking for you. Web consulting companies and dot coms that failed to make an IPO have become popular hunting grounds for recruiters in search of fresh talent.

Going Public

An old-time consulting firm with stock options? You'd better believe it. In February 2001, KPMG announced its IPO, selling off 70 percent of the company to the public at \$18 a share. And Accenture issued an IPO of its own in September of 2001. Consulting is traditionally a world of private-partner ownership and hush-hush financials, yet as more and more practices spin off from parent accounting firms (Accenture, PricewaterhouseCoopers), publicly traded consulting shares could become more common.

The thinking used to be that stock options would help firms retain employees. But with the downturn in the stock market, it's uncertain that consulting staff will trust in stock performance enough to stick around to get vested. Despite KPMG's successful IPO, many investors are wary of buying consulting shares. With no established precedent, industry experts argue, consulting stocks' performance will be unpredictable, largely dependent upon the success of firms' individual projects.

How It Breaks Down

Even though there are thousands of consulting organizations across the country, these firms can be tough to get a handle on. Why? Most are privately held, work directly with other businesses rather than with your average consumer, and tend to be intensely private about the names of the clients they work with and the actual work they do. Nevertheless, if you want to get a job in the industry, you're going to have to know which firms do what and be able to say in clear and convincing terms why French vanilla is oh-so-much-better than vanilla with little specks of vanilla bean sprinkled throughout.

To help you understand the consulting landscape, we've divided the industry into six different categories: the industry elite, the Big Five, boutiques, information technology (IT) consultancies, human resources specialists, and the independents. Most players in the industry can be put into one or more of these different categories.

Industry Elite

The rich and famous of the consulting world. These companies focus on providing cutting-edge strategy and operations advice to the top management of large corporations. They generally hire the best candidates from the best undergraduate, MBA, and other graduate programs. Slackers need not apply. Players in this group include: Arthur D. Little, A.T. Kearney, Bain & Co., Booz-Allen & Hamilton, the Boston Consulting Group, McKinsey & Co., Mercer Management Consulting, and Monitor Co., to name a few.

Big Five

The consulting operations of the Big Five accounting firms. Although these firms provide some of the same strategy and operations advice as the elite, they tend to put a stronger emphasis on implementation work, particularly in the IT world. The players are Accenture, Deloitte Consulting (part of Deloitte & Touche), Ernst & Young, KPMG, and PricewaterhouseCoopers. The Big Five may get out of the consulting business, partly because the SEC is concerned about possible conflicts of interest that could result in overly rosy audits of firms that are consulting clients of the accounting firm performing the audit. The Big Five deny that a conflict of interest problem exists. At any rate, Arthur Andersen is spinning off Accenture, Ernst & Young may sell its consulting business to French consultancy Cap Gemini, and industry observers expect more of the same.

Boutique

Firms that specialize along industry or functional lines. Although often smaller, these firms may have top reputations and do the same operations and strategy work the elite firms do, but with more of an industry focus. Representative players include: Advisory Board Company and APM (health care); Corporate Executive Board (cross-company research); CSC Planmetrics (energy and utility industry); Cluster Consulting (telecommunications and the internet); Marakon Associates (strategy), marchFIRST, formerly Mitchell Madison Group (financial and strategy); Oliver Wyman (financial services); MarketBridge, formerly Oxford Associates (sales); PRTM (high-tech operations); Strategic Decisions Group (decision analysis),

Roland Berger & Partners (strategy and operations); Braun Consulting, formerly Vertex Partners (strategy).

IT

Although Internet consulting firms have suffered in the past year and a half, information technology specialists can still find jobs in the consulting world. The technology practices of the Big Five and Big Five-related firms (Accenture, Andersen, Deloitte Consulting, Cap Gemini Ernst & Young, KPMG Consulting, PwC Consulting) has slowed but not disappeared, and tech giants such as IBM and Compaq have snatched up struggling e-consultancies Mainspring and Proxicom, respectively. IT consulting focuses on providing advice, implementation, and programming work on issues related to computer systems, telecommunications, and the Internet. Representative players include American Management Systems, Computer Sciences Corp., Diamond Technology Partners, EDS, IBM, Mondial, and the Big Five and Big Five-related firms.

Human Resources

This area of consulting focuses on personnel issues such as employee management and evaluation systems, payroll and compensation programs, pensions, and other benefits programs. Representative firms include The Hay Group, Hewitt Associates, William M. Mercer, Sibson & Co., Towers Perrin, and Watson Wyatt Worldwide. In addition, several of the Big Five firms have practices devoted to this area.

Independents

One-man or one-woman shops. By sheer numbers, independent consultants far outnumber the larger firms—fully 45 percent of all consultants are reported to be independents. They typically have some sort of industry or functional specialty and get hired on a project basis. If you have an MBA and several years of useful and topical business experience, there's no reason not to hang out a shingle yourself.

Job Prospects

Consulting is not the kind of industry where work is steady, although the '90s were an unusually lengthy period of job growth. The dot-com boom brought good and bad news to the industry. Start-ups called employed consultants, but they also lured consulting staff away from top companies and diverted new grads from consultancies' recruiting programs. And just as firms were whipping their e-business practices into shape, the new economy took a nosedive, pulling the plug on Internet consulting companies and driving many young dot-com entrepreneurs back to their old investment banking and consulting posts.

But the industry will always have room for the best and brightest graduates of the top schools. And although the general call for consultants has slackened, emerging industries such as biotechnology and mobile commerce are replenishing firms' portfolios. As these fields grow, positions for non-MBAs and particularly scientists may become more in demand.