



# Not *what* it used *to be*



## Delivery of environmental services: How do you maximize value and treat everyone fairly?

By Richard MacLean

*This is the first of a new series that examines how to be a more effective environmental health and safety manager. This month, the author examines the changing relationship between company environmental staffs and external service providers. Commodity services have emerged and "virtual teams" are now providing strategic services.*

A refinery was unexpectedly shut down and management was in a panic. Management called in an internationally known consultant who arrived at the site, strolled through the gate, asked for a hammer and proceeded to hit valve #6B on the third deck of the catalytic cracker. Suddenly the refinery came to life and product was flowing again. When management got the bill for \$10,000 they protested, "But you only spent five minutes at the site and just hit a valve with a hammer. Why did you charge so much?" The consultant responded, "I only charged you \$25 to hit the valve, the rest was for knowing what to hit."

This story was first told nearly thirty years ago, and it still illustrates some of the dynamics in consulting today. Back then, essentially everything was custom designed to meet the requirements of a rapidly

emerging field. There were few experienced environmental consultants and demand far exceeded supply. One was lucky to find an expert and they were paid what they stipulated. Today, many — some would say most — environmental services have become commodities, either outsourced or consolidated into shared service groups. Supply exceeds demand and some consultants

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claim to be experts at nearly everything. Profit margins are down, and there is a general shakeout of the entire consulting service industry.

When do you need the expert with the golden hammer or the person with the boilerplate package? How do you know when you have an expert and what is a fair price?

#### Trust and fairness

Commodity environmental services can be accurately defined, estimated and

competitively bid. What is different about non-routine, strategic management services is that trust and fairness — important in any relationship — are the absolute cornerstone of every project. And in this regard, problems often begin.

For example, there are consultants who have never so much as held a hammer, let alone worked in a refinery, yet claim they can deliver the precision and results that our opening story illustrated. Experienced consultants may market to clients and then send in teams of inexperienced junior staffers to rack up billable hours. The client may feel that they are getting their money's worth (i.e., billable hours at a competitive rate) or derive comfort in the brand name reputation of the firm, but was there a more cost-effective approach? Commodity services are sometimes sold at discounted rates, but is there someone senior enough reviewing the work to determine if the client needs something fundamentally different?

The challenge to the person buying strategic services is to insure that they are buying the genuine article — people who really know what they are doing. Team members should be hand picked. The firm's marketing team and president may be great presenters, from a prestigious company and spring for lunch, but how

much actual work will be done by these people? Too often, what you see is what you don't get. The key staff who will actually do the work should be the only ones present in the selling phase.

Aside from a clear understanding of what the customer wants, a consultant should also conduct an independent assessment to determine if a different deliverable may be more cost-effective or appropriate under the circumstances. For strategic projects, pick the consultant who says what is really needed, not necessarily what is wanted to be heard. Recognize that flexibility is essential when the final deliverable is not clearly defined. An incremental approach where the first deliverables help define subsequent stages may be the fair and reasonable way to go.

The custom nature of the work demands expert skills, but the inherent uncertainty of the scope and end deliverables can lead to abuses on both sides. Some consultants have been known to bid on work that they are either unqualified or only marginally quali-

so complex that they require nearly full time dedication to keep abreast. This has led to the creation of boutique firms (i.e., small, specialized firms) and virtual teams of consultants who join forces to address emerging issues.

Boutique firms have been around for decades. However, virtual consulting teams are a relatively new development, inspired in part by the communications delivery systems offered by the Internet. The dynamics of how these operate are emerging. Traditional firms base the work distribution on billable hours at specific rates. The firm's president uses a salary and bonus structure to compensate those that contributed the most to the success

of the company. Boutique firms handle these issues similarly.

Virtual teams present new challenges. The independent consultants must agree amongst themselves who delivers the most value to a particular project. This is not as straightforward as it seems. To return to the opening story, what if a virtual team had solved the problem? Imagine independent consultant Jane received the call for the critical project? She realized that she was not best person for the job. So she called Joe, a colleague, who had "the right hammer," but consulted with Jane who knew precisely where to hit "the right valve." Since Bill, another colleague, lived next to the plant, he went

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fied to perform, and rather than subcontract to more qualified professionals, keep the work in-house to maximize profits or to allow a lower bid. The customer winds up with a sub-standard product, and due to its highly specialized nature, may not even realize the deficiencies.

In illustrating the flip side of this coin, there is the instance in which an environmental manager sent requests for proposals to several top consulting firms, soliciting each for their input on approaches to solve a very difficult problem. The manager had no intent to issue a contract for the work; he was just shopping for free advice to define the scope and deliverables.

### **Virtual teams**

Strategic environmental management consulting is a niche area and projects come up unpredictably. Even the largest firms have difficulty paying the salaries of full time, senior staff members covering the range of potential services. Expertise areas such as sustainable development, reengineering, metrics, environmental reporting, supply chain management, risk communication and strategic alliances have grown

out and hit the pipe. John invoiced the client and distributed the check.

It may seem odd, but this is happening daily. A current project that I manage involves five independents, located in three states, applying four different billing rates to serve a client in Australia. The customer receives the best product at the lowest price, and the behind the scenes handling of the project is taken care of, just as in a traditional client/consulting firm relationship.

Sounds great, but few consultants have faced or worked out the challenges facing a virtual team. The old standby, billable hours, has minimal significance in a virtual team. Should Jane, who spent 15 minutes but landed the project get as much as Bill who did the actual work or Joe who supplied the hammer? What about Jane who supplied the key knowledge?

Every one of these individuals may command premium billable rates. An independent consultant may be the prime mover-shaker on one project, only to fall into an administrative position in another. World-class experts all, they enter and exit a project at different levels of delivering value to the end customer. The road map may not be clear in the early bidding

process as to who may ultimately provide the most strategic end results to the customer. A clear understanding needs to be established as to who will deliver what and for what cost, but with enough flexibility to make adjustments along the way. Since this involves real money without a CEO as the final authority, the team

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must function in complete harmony or the first joint project will be the last. How all this is accomplished needs to remain seamless to the customer.

**The bottom line**  
Environmental managers have numerous options available for buying services. For commodity services that

are well defined and competitively bid it is relative straightforward. Strategic services, however, depend on the ability to assemble a team with the skills required for a given situation. Clever marketing and presentation does not contribute to ultimate success. Falling victim to the flash that isn't backed by substance will become apparent at precisely the wrong time — and it will likely be a costly revelation.

For large or more complex projects virtual teams may offer advantages, but make sure that they not only have the requisite expertise, but also the ability to deal with internal issues. A team that is expending its energy warring over who gets what slice of the project pie should not be hired. When operating in a virtual team, make sure that these issues are worked out in advance — not after the client's check arrives. **ED**

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