On the Beach Means Inventory

Idea In Short

Consultants between projects are inventory waiting to be deployed. Manage utilization targets, anticipate client demand and treat staffing as a marketplace. Stay off the beach by doing great work and selling yourself early.

Everyone Understands Inventory

Everyone understands inventory. It is the stuff sitting on Walmart's shelves. It is the frozen pizzas in the freezer, the unsold house in the neighborhood and the empty hotel rooms and movie seats. Non-billable consultants are no different. Consultants who are not billing should either be selling new projects or they are inventory. This framing sounds crude, but it captures the economic reality of professional services. When clients ask for help from accountants, lawyers, architects or consultants, they are essentially asking for people. Crudely put, they are renting people for their knowledge, experience, business savvy and ability to influence change. When professionals are not billable to clients, they are inventory waiting to be rented.

Inventory Is Complex and Multi-Factorial

Inventory can be tricky because it is multi-factorial. Many variables add to the mess. Products come in different shapes, sizes and requirements. Some require refrigeration and need climate-controlled reefer trailers. Some have a short shelf life, while canned goods may last several years. Some products face stringent regulatory oversight or environmental requirements. Inventory complexity grows quickly, and so does the cost of getting it wrong. It is easy to have too much inventory of one item while simultaneously lacking enough of another. A firm might have plenty of product in Washington state but none in Washington, DC. The challenge is both quantitative and geographic.

Trade-Offs and the Goldilocks Problem

Like most management decisions, inventory has no simple answer. A grocery store might carry 50,000 unique stock keeping units [SKUs] that it needs to stock, price and turnover. The number of units to keep for each SKU depends on geography, seasonality, pricing, trade promotion and customer preference. Too much inventory ties up capital unproductively in product that sits idle. The firm pays for things to rot, break, get stolen, become obsolete or get lost. Too little inventory becomes apparent quickly. Retailers stock out and show only empty shelves. Unhappy customers buy substitute brands. Competitors giggle and make money. The Goldilocks principle applies: you do not want the porridge too cold or too hot, just right. 1 This dilemma often requires significant data analysis, modeling and software, with roughly 80 percent driven by data and forecasting models and 20 percent allocated to experience, intuition and luck.

People Are Assets in Consulting

For consulting firms, people are the asset. Consulting firms are entirely focused on their people, and they maintain a high return on assets [ROA]. Consultants should be utilized, billable and productive. Firms minimize the time consultants spend on the beach acting like inventory. The phrase "on the beach" is consulting jargon for being between projects. Newbie consultants might like the sound of it and enjoy a break from the grind of client travel, but the term is misleading because idle consultants mean no billing. Most consulting firms set utilization targets so finders, minders and grinders know how much they should be billable. Analysts, consultants and senior consultants at the Big Four typically target 80 to 90 percent utilization. The message is simple: stay off the beach.

Matching Supply and Demand

As a managing partner of a consulting office, imagine how difficult it is to anticipate and react to client demand. Demand is unpredictable. Most consulting firms use software to evaluate the probability of projects and manage the pipeline of proposals. In a perfect world, a firm could anticipate the timing of projects, the industry and function, and the number and skill level of resources needed. In a perfect world, supply would be plug-and-play. Consultants of all industry, experience and skill level would be available, with none currently staffed, on vacation, getting married or on maternity leave. All consultants would live in the client's town to keep expenses low, and everyone would work together without personality glitches. In the real world, staffing is as much dark art as science. Clients take months to decide, then want projects started immediately in a wait-wait-rush pattern. Projects get

delayed or extended, and add-on sales appear. No two consultants are identical in skill or experience. 2 Consultants manage their own careers and resist being pigeon-holed into repeating the same project type.

Talent-on-Demand and Flexibility

Wharton professor Peter Cappelli has written extensively about how companies should think of their talent more flexibly. Instead of planning talent five to 10 years out, human resources departments should adopt a talent-on-demand mindset. He recommends building flexibility through several practices. Identify people's capabilities and know where to find talent. Cross-train people for diverse roles. Teach and preach flexibility as a cultural value. Understand the fully burdened costs of repeated hiring, firing and rehiring cycles. Cappelli notes that organizations often claim to have a deep bench, yet a deep bench in a supply chain is a costly way to prepare for demand. The same applies to traditional succession management, where firms pay people to essentially sit on the shelf. 3 Consulting firms stay ahead of this curve because people are their core asset and they track utilization rigorously.

Getting Staffed Is a Marketplace

Seasoned consultants know that getting staffed is a skill. Do great work on every engagement. Keep your ear to the ground to hear about good projects, whether the team is fun, the client is smart, the city is cool or the hours are reasonable. Manage the timing of when you roll off your existing project so you create a clean transition. Tell your counselor or coach what your goals are and be explicit with project staffing teams about why you want a specific role. Getting staffed is a marketplace. Know what you are selling, know who you are selling to and be clear about the benefits of the product, which is you. As Seth Godin says, be remarkable. The consultant who treats their own deployment as a strategic problem rarely spends long on the beach. Firms that master the matching of supply and demand gain a structural advantage over competitors who leave utilization to chance. The discipline turns what looks like a dark art into a repeatable, data-driven practice.

- 1Inventory Management Trade-Offs And Optimization Approaches
- 2Peter Cappelli On Talent-On-Demand At Wharton
- 3Cappelli On The Cost Of Maintaining A Deep Bench

Summary

Non-billable consultants are inventory, and consulting firms treat people as assets. Utilization targets of 80 to 90 percent keep consultants productive. Staffing is part science and part dark art. Get staffed by doing great work, knowing the marketplace and being remarkable.