

Return on *Expertise*

Case Study

Increasing the Value of Consulting While Minimizing the Risk

Situation

This case involves a very large mining company, operating on razor thin margins in a completely commodity market. Since price was king in their marketplace they were always looking for new ways to strip out costs. Among their cost challenges were contracts with monopoly suppliers-vendors who charged a lot for their services but were the only game in town for geographic or other reasons. The mining company (my client) had already applied every negotiation and contracting technique known to them in an effort to reduce the monopoly vendors' charges and didn't believe there was more cost-reduction to be gained.

The mining company's division President was very open to new ideas and, at the same time, very skeptical of consultants. In the past, consultants had made big promises, taken handsome fees and delivered little results.

Objectives

- Determine whether a novel approach to contracting with monopoly suppliers would reduce costs and increase margins.
- Minimize the risk associated with project failure.

Intervention

I introduced a consultant with a novel approach to contracting to the client; in this case I was very familiar with the innovative approach and could attest to its efficacy. Everyone involved agreed that the client's circumstances included unusual monopoly situations and it was possible the new approach wouldn't work.

The client, the consultant and I formulated a fee structure based on options theory (in essence, giving the client a call option on consulting capacity for a low fee) which radically reduced the risk involved in taking on the project. The metrics involved were highly creative and satisfied all sides.

Results

The option built into the consulting contract worked exactly as planned. Ultimately, the novel approach to contracting did not work as well as hoped. While there were some cost savings, the level was not sufficient to justify the major process changes which would have been required to fully incorporate the new approach. Therefore, the contract option was not exercised. The client saved roughly \$250,000, the consultant's costs were covered, and both the client and the consultant walked away with good feelings about the project's outcome.

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Case Study

Tap into Truly Breakthrough Thinking

Situation

The client in this case study is a device division of one of the world's largest healthcare companies. The Vice President of Marketing was heading into his annual strategic planning process and not feeling optimistic. His team was very smart—they all had exceptional pedigrees and blue-chip training; however, every year the planning process seemed to produce variations on the same plan. Even the "breakthroughs" felt vanilla and didn't promise a huge advantage versus competition. The annual planning sessions were led by a consultant that had become "part of the fabric of the organization" and she did a very competent job of leading the process.

Objectives

- Develop innovative, game-changing ideas. In the Marketing VPs words, "see around corners."
- Learn new ways of thinking about the business.
- Learn new thinking techniques, processes and tools which could be applied ongoing.

Intervention

I introduced a breakthrough thinker in strategy: a physicist who applies his formal training in the Theory of Constraints to marketing and strategy issues. Picture a combination of Richard Branson and Einstein. In a couple of carefully handled conversations I smoothed the current consultant's feelings and created a team that would work cooperatively in the best interest of the client.

Together, the VP of Marketing, the physicist and I crafted a program for marketers and other personnel based on a handful of Theory of Constraints tools. The physicist and I facilitated a two-day workshop for a dozen key personnel, using their current strategic situation as the platform for introducing new thinking skills

Results

The group developed a truly market-changing, breakthrough idea, admittedly with a lot of help from the physicist. Personnel who were traditionally tough to keep engaged stayed fully involved for two days and learned entirely new ways of thinking thanks to hands-on application. In the words of the client, "I wanted us to be able to see around corners and that's exactly what you helped us do." (A video testimonial from the VP of Marketing can be seen at our website.)

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Case Study

Better, Faster and Easier

Situation

One of the largest and best known chemical companies in the world was launching a major initiative: they wanted to extend technologies they had developed for certain customers into new markets. A large, cross-functional team was chartered and they solicited proposals from a handful of big-name consulting firms to do the "heavy lifting" on the project.

After numerous rounds of negotiation they chose one consulting company and commenced work on the project. Unfortunately, the downsides of having dozens of "high-powered" junior associates quickly surfaced in the form of disruption to everyday activities, dissent among personnel and grumblings that valuable resources were being spent poorly.

Objectives

- Identify profitable new markets.
- Minimize disruption of critical ongoing activities.
- Gain buy-in and support of personnel across the organization.

Intervention

With the consent of the internal team, I redirected the project from the big-name strategy consultant to a small firm led by an expert in finding new markets. The client, the consultant and I agreed on an entirely fresh approach and developed a new contract structure for the project which, among other things, set fees based on value rather than costs.

This provision eliminated incentives to "throw bodies at the problem" or take any longer than necessary to deliver a superb result to the client. Further, it gave all of the client's team members access to the consultant without worry of running up costs.

Results

The process expert and I worked directly with the client, using a team of five consultants and analysts to identify the most profitable new markets. We completed the project in record time with minimal disruption and high rapport.

In addition, the consultant recommended stopping an impending launch into the client's favorite new market, despite the benefit that would have accrued to the consultant for adding follow-on phases to the project. The client estimated the net savings from this one recommendation to be over \$60 million; gains from the successful new market launches far surpassed that figure.

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