

# Making the firm flexible

How companies operate has been established over two centuries. Is it possible for a firm to break the established rules of organisation? **Eden McCallum** did just that.

**T**he origins of the modern firm can be traced to the 19th century. Yet the nature of business enterprises remains a constant work in progress. Over the last decade, in particular, technology has opened up a wide range of opportunities to change the fundamental shape of the traditional firm. This potential has been enthusiastically charted by commentators and academics alike.

In 1998, Thomas W. Malone and Robert J. Laubacher of the Massachusetts Institute of Technology (MIT) looked at how a new kind of organisation could form the basis of an economy in which the old rules of business are overturned and big companies are rendered obsolete. Drawing on their research at MIT's Initiative on Inventing the Organisations of the 21st Century, Malone and Laubacher heralded "the dawn of the e-lance economy" – a world where freelance workers would come together in temporary or virtual constellations rather than as traditional employees. Malone and Laubacher were not alone in predicting that technology would change the shape of organisational life. There has been an array of variations on the theme of creating and managing virtual and networked organisations. Yet, despite continuing technological strides, the predictions of revolutionary change remain largely unfulfilled.

In parallel, the 1990s saw increasing interest in professional service firms as a uniquely fertile area for discussions of organisational structures. For example, Tom Peters, a former McKinsey consultant turned management commentator, celebrated the multi-functional global teams speedily assembled by the consulting firm to tackle client problems. Their speed and flexibility, coupled with their strongly defined culture and their ability to manage and maximise knowledge, convinced Peters that it provided a partial blueprint for how business firms could be constructed and behave in the global economy.

## Inspirations

The London-based consulting firm Eden McCallum provides an innovative take on the nature of the firm as well as potential future scenarios for the organisation of consulting firms.

Launched in 2000 by Liann Eden and Dena McCallum, Eden McCallum is a network-based consulting firm. Rather than having a large headquarters and all the overheads associated with a conventional consulting firm, Eden McCallum retains a minimal central staff and utilises a network of freelance consultants. Eden is a former McKinsey consultant who also held international marketing roles at Unilever and Siemens. McCallum

was formerly an international vice president and director of planning and strategy for the publisher Condé Nast – as well as being a former McKinsey consultant.

The inspiration for the firm began when McCallum was working at Condé Nast and Eden was working at McKinsey. McCallum realized that her budget did not stretch to hiring one of the big-name strategy consulting firms – McKinsey & Co., Boston Consulting Group, Bain or Booz Allen Hamilton – but she still needed that calibre of support. Eden observed that many strategy consultants, particularly in the dot-com era, were reassessing what they wanted from their work – and flexibility and control were key. Soon after, the former INSEAD MBA classmates came up with the idea of creating a pool of experienced, independent consultants.

Six years later, turnover of the company is over £10 million and it has delivered more than 300 projects. The firm has grown by more than 80 per cent per year. It now has 24 full-time staff and around 200 freelance consultants, making it the second biggest strategy consulting company in London after McKinsey.

## Trends and opportunity

As with many other businesses, Eden McCallum's evolution was based on the benign convergence of a number of factors. "In hindsight, a



Dena McCallum and Liann Eden: flexible friends

lot of things came together at once,” explains McCallum. “First and foremost we wanted to create a business. So, we looked at the marketplace in a business we knew: management consulting. And we saw a couple of major trends – the maturing of the consulting market, and professional people wanting to take more control of their careers. These then led us into our unique business model. And in creating this business, we also ended up coming up with an entirely new organisation model. Business innovation begets management innovation.”

The first change was the maturing of the management consulting market, with clients seeking more control and value in their consulting spend. The dominance of the big players in the business was – and is – largely unquestioned. It has spawned an entire generation of companies and senior executives who are comfortable with the notion and value of management consulting. They are aware of its potential value to the business. In the past, companies hired top consulting firms to tap into their bright, business-school-educated,

minds. With MBA graduates and former strategy consultants now commonplace among the senior echelons of multinational firms, there is a resistance to formulaic consulting products and neatly packaged solutions. Instead, companies want consulting advice that is genuinely tailored to their situations. “Companies are sophisticated buyers. They can pick and choose and shape. Clients want the same flexibility as consultants,” says Eden.

The second trend Eden McCallum happily tapped was among consultants themselves. Many consultants were bitten by the new economy bug and left consulting firms in search of entrepreneurial excitement and the opportunity to make a lot of money. When the new economy fizzled from rocket to damp squib, many one-time consultants had reassessed what they wanted out of their careers and were loathe to re-enter the corporate world on the same terms as before. At the time when Eden McCallum began life, many experienced consultants were contemplating their next career moves. “At one point everyone

wanted to be partners, then they all wanted to be entrepreneurs,” recalls Eden. “The dot-com thing created demand for flexibility. People left their traditional careers and then didn’t come back.”

At an operational level, too, Eden McCallum recognized an opportunity. Large consulting firms typically focused on high-level board issues at FTSE 50 companies. For their part, client companies often wanted continued consulting support on specific strategic issues or implementation but were put off by continuing high costs. Eden McCallum offered a market-breaking alternative: consultants with the same high-level skills and rigorous approach at approximately half the cost. After the dot-com crash, this combination of quality at lower cost was particularly alluring as many firms had scaled down their consulting budgets.

### Innovative solutions

Eden McCallum’s proposition was simple but scary: a consulting firm without any consultants on the payroll and without any proprietary methodologies. Instead, they →

→ would employ consultants on a contract basis as demanded by their clients, and they would use whatever methodologies were appropriate to solving their clients' problems. As one former Bain consultant observed, this approach appeared to challenge everything consultancies held dear: it was "like the sky falling in".

To make this model work, Eden McCallum had to rethink many of the standard precepts of management thinking:

**Tailor the offering** Eden McCallum focuses on tailoring the consultants' experience, skills and personalities to the clients' needs. The firm makes it clear that it is not in the business of creating its own distinctive intellectual capital and that it is agnostic when it comes to particular methodologies, despite the fact that novel ideas and tools are the lifeblood of most big consulting companies. "We rely on what our consultants bring to the table and let our clients choose their preferred approach by interviewing and selecting the consultants," reflects McCallum. "Clients want to work with a person they trust; they don't necessarily want a particular methodology. They just want the project to succeed."

**Outsourcing the delivery channel** Eden McCallum's core delivery mechanism is effectively outsourced

built on relationships rather than transactions. Relationships are between clients and Eden McCallum, and the firm endeavours to retain control and oversight over the relationship with the client. Says Eden: "If we structure the project up front and we have a long-term relationship with the client, then we don't have to own the delivery mechanism. The keys are trust-based relationships, clear problem-structuring and careful selection of consultants."

**Involve the competition** The standard organisational model is to start small with the intention of emulating or overtaking an industry's big players over time. Not so in the case of Eden McCallum. From the start, Eden and McCallum were clear that their livelihoods, and the future of their business, depended on what was ostensibly the competition: big-name consulting firms. "We exist because they exist," says Eden. "Companies like McKinsey, Bain and BCG create the market on both the client and consultant side."

Before the firm was launched, Eden McCallum began a dialogue with the big players in the market. This alerted them to the potential of working with Eden McCallum rather than regarding the company as another upstart strategy consulting boutique with eyes on their own markets. And this symbiotic

a great deal of the value lies. Indeed, in a business without its own consultants and without its own intellectual property, this is the heart of Eden McCallum's value-added.

Consequently, about half of its full-time staff are fully employed ensuring that its consultants are the right people in the right jobs. The other half of the full-time staff are totally dedicated to developing and nurturing client relationships. "Our full-time employees are either working on the supply side so they are consultant-facing or on the demand side which is client-facing," explains McCallum. And it is the skills of these individuals, and their ability to match top-quality consultants with the right projects, that define Eden McCallum. "Every consulting company works hard to match its consultants to the right projects;" reflects Eden, "the difference is we don't have to worry about capacity management, so we can always make a good match."

Initially, to build awareness among potential consultants, Eden McCallum placed advertisements in the *Financial Times* and *The Economist* – a statement of intent as much as anything. The ads emphasized that the company was looking for consultants who were independently minded with experience in a top consulting firm and who had an MBA from a leading business school. These basic

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to freelance consultants. On the surface, at least, this appears to be a dangerous strategy. The company is clearly reliant on the quality of the service offered by the consultants. To make it successful, Eden McCallum works hard to ensure the quality of these people. Only one in 10 applicants makes it into the company's talent pool. The second safety element is that consulting is

approach has worked. Eden McCallum has referred business to big-name consulting firms, and they have returned the compliment.

**Elevate the process behind the network** The idea of a networked organisation is not new. Brokers and agents are commonplace. What marks out Eden McCallum is that the process behind the network is where

recruitment benchmarks remain in place. In addition, Eden McCallum consultants are evaluated against five core competencies, their CVs are screened, all references are checked, and they go through multiple rounds of partner interviews. The people who recruit the consultants are, themselves, former consultants who understand the dynamics and demands of the business.

When they actually go to work, Eden McCallum puts two to three consultants from its talent pool in front of a client. The client then evaluates with whom they think they would work best. On the completion of projects there is an extensive feedback process focused on the individual consultants and Eden McCallum's performance. "Big consulting firms put forward a team

letting their consultants choose their own terms of employment, Eden McCallum has a much more dedicated and committed workforce than would have been possible with a traditional hierarchical organisation structure.

**Create transparency** Eden McCallum works very hard on creating transparency in its management

don't anticipate using a lot. We tell them that we anticipate using them once a year. Our interviews actually provide great career coaching for them and the network offers them a lot of information. Often they will tell us what their targets are in terms of working with us. Some will work for six months and then go travelling or do something else – others are working full-time on back-to-back

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and the client generally doesn't have a say about who is on it," says McCallum. "Because our clients are involved in choosing the consultants they work with, they have a vested interest in making it work with those people."

**Redefine the employment relationship** Eden McCallum's network of consultants are not employees in a traditional sense, nor are they entirely freelance contractors. They lie somewhere in between: they have considerable loyalty to Eden McCallum, and they get most of their work from the company, but they define their own terms of engagement. This includes choosing which sectors they will accept projects in, how many days per week and how many months per year they work, the logistics around travel and many other elements as well. "We are constantly putting together a new puzzle for each project," explains Eden. To be sure, this arrangement requires constant balancing to keep everyone happy, and it is not for everyone. But, by

model so that everyone knows where he or she stands. This ensures that there is a good relationship between network members and avoids the sense that some people may be getting favourable treatment ahead of others.

One complication lies in financial arrangements. To avoid this, Eden McCallum is very open about its fee structure. For around 100 of its consultants, the firm is their main source of income. Another 100 work on about one project a year. Initially, fees were put forward by the consultants. Then the company tried to allow clients to determine fees. Now, how much consultants are paid depends on a banding system in which consultants are paid according to their seniority and consulting skills.

Another common concern in network organisations is how the available work gets shared. So the firm tries to be clear about the likely levels of demand for people with different skills sets. "It is about calibrating expectations," says Eden. "We're honest with consultants we

projects. There is no exclusivity in the relationship."

### Reinventing the firm

Eden McCallum's experiences help to shed light on the age-old question: What is the real *raison d'être* of the firm? In an era of outsourcing and virtual working, what are the minimum few things that the firm has to do to justify its existence?

The answer is three things. First, the Eden McCallum brand represents a particular value proposition to its clients and its consultants, and for the founders a key part of their job is to continue to nurture and sustain that value proposition. Second, Eden McCallum is a nexus of relationships: it gains value from the social capital that builds up over time in that set of relationships. And third, it is a mechanism for structuring the work and managing projects. These are, in essence, the core competences of Eden McCallum and are the things the company has to sustain as it grows and evolves. ■

