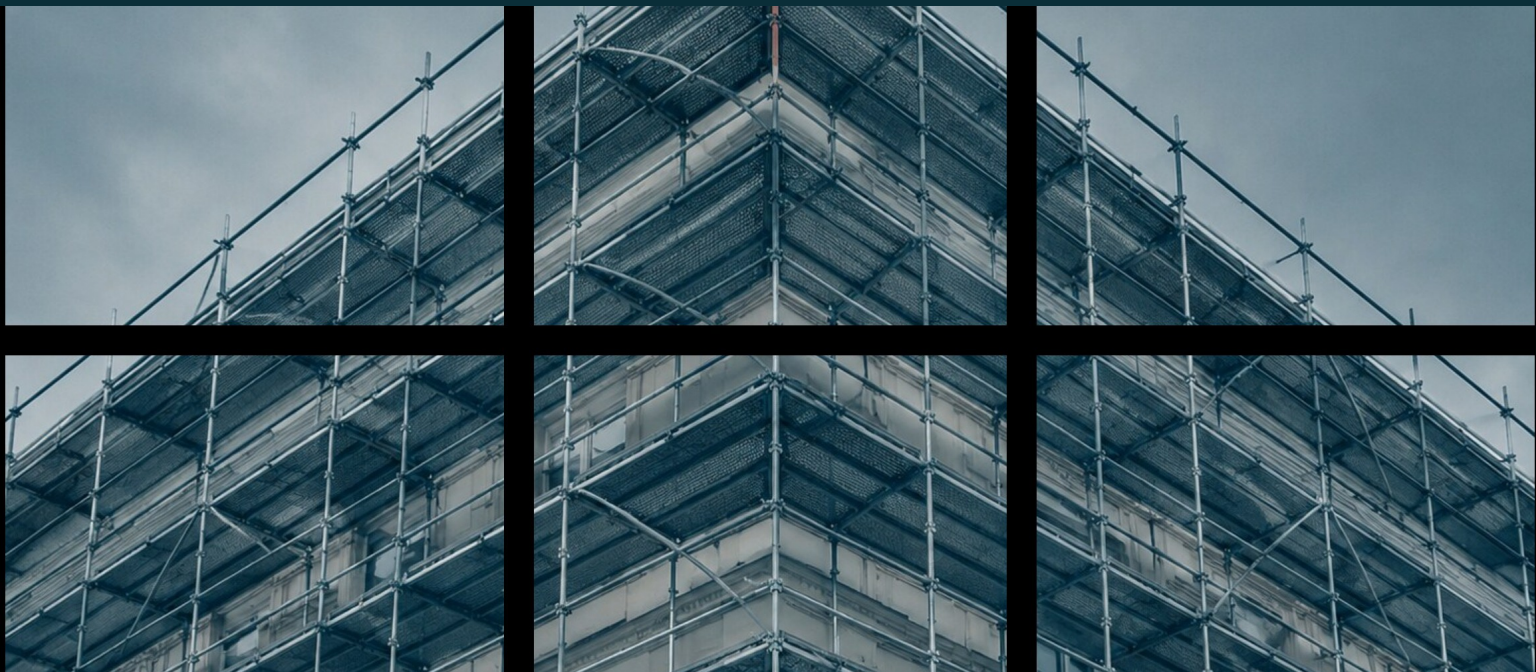


BEYOND THE EASY SAVING

The Consultant Cull — and the Dependency It Exposes

As budgets freeze in the downturn, the first line every board cuts is also the most revealing.



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The Memo Everyone Recognises

There is a particular memo doing the rounds this autumn. It does not announce redundancies, and it does not touch the permanent payroll. It says, in the measured language of a finance director who has been up since five, that with immediate effect all external spend requires sign-off two levels higher than before, and that no new consulting engagement will be approved without a board case. Everyone who has worked through a downturn knows this memo. It is always the first to go out, and it always names the same target. When the money tightens, the consultants are cut first.

The logic is not wrong. Consulting spend is discretionary in a way that salaries are not; it is visible, it is large, and it can be switched off in a fortnight without an employment lawyer in the room. In a quarter where the credit markets have seized and no one can say what the next one holds, cutting a line that requires no notice and carries no severance is not cowardice. It is arithmetic. A firm that would not dream of touching its own people can, with a single instruction, remove a fifth of the cost of a programme by the end of the month. Faced with the events of recent weeks, most boards will take that arithmetic every time, and they will be right to.

What the Cull Is Actually Auditing

But the cut does something the board did not commission it to do. It runs, for free, the most honest capability audit the organisation will ever have. When the external people stop coming through the door, what is left behind is the true answer to a question the good years let everyone avoid: what could we actually do on our own?

For most large organisations the answer is uncomfortable, and it is uncomfortable in a specific way. Not all consulting is the same, and the cull does not distinguish between its two very different kinds. Some external spend is simply arbitrage — bodies bought by the day to get through a peak of work, hands that could in principle be anyone's. That spend should be cut, and cutting it costs the organisation nothing but capacity it can rebuild when the work returns. But some external spend has quietly become load-bearing. Over five good years, a line that began as help us with this one programme became the place where the actual knowledge of how a core system fits together, or how a regulatory submission is really assembled, came to live. That is not capacity. That is capability the organisation stopped owning without ever deciding to.

The crisis does not create the dependency. It reveals it. The consultants were never the problem; the problem is the capability an organisation outsourced so gradually that no one recorded the moment it stopped being able to do the thing itself.

Consider a composite that will be familiar. A multi-year integration programme, six hundred people on the plan, of whom perhaps two hundred and forty are day-rate contractors and consultants — comfortably two fifths of the team, at blended rates running well past a thousand pounds a day and, for the strategy house at the top of the pyramid, closer to two. The freeze goes out. The instinct is to take the whole external share to zero, because that is where the visible money is. And then someone senior asks a quiet question in a corridor: if they all leave on Friday, who actually runs the migration? The answer, discovered too late, is nobody on the payroll. The sequence, the undocumented workarounds, the reason a particular interface was built the way it was — all of it walks out with the people the organisation was, entirely correctly, trying to stop paying.

The Discipline the Downturn Forces

This is why the reflex, though right in its instinct, is wrong as a method. Cutting external spend uniformly treats a scalpel's job as work for the blunt end of an axe. The external share is not one thing to be halved or zeroed; it is two things wearing the same cost code, and only one of them is safe to cut without warning.

The discipline the crisis forces — on anyone willing to spend two days on it before the freeze bites, rather than two months after — is simply to separate them.

- Cut the arbitrage without hesitation. Where the spend is genuinely capacity — bodies for a peak, hands doing work the organisation understands and could resume — it goes, and it goes first. There is no dependency here to protect, only a rate to stop paying.
- Protect the capability, but on a clock. Where the spend has become load-bearing, the honest move is not to keep paying it indefinitely out of fear. It is to fund a short, deliberate handover — weeks, not years — whose entire purpose is to move the knowledge back inside before the engagement ends. The cost of that handover is trivial against the cost of losing the capability blind.
- Record what you find. The map of which lines were safe and which were load-bearing is the most valuable thing this downturn will hand you. It is the document that stops the next upturn from rebuilding the same dependency, one reasonable-looking engagement at a time.

None of this argues against the cull. In a quarter like this one the consultants should be cut, and cut hard. The argument is narrower: the first budget an organisation reaches for is also the one that most repays a moment's thought before the axe falls — because the same line that carries the easy savings also carries the capabilities the good years let it forget it had borrowed. The organisations that come out of this strongest will not be the ones that cut the most. They will be the ones that knew, before they cut, which of the two things they were cutting.