Consulting: U.S. Firms Thrive on Jobs for European Clients

London. American consulting firms are feasting on Europe's hangdog assessment of its technological and managerial abilities. And, ironically, they are doing it mostly with native help.

The presence and incredibly rapid growth of these firms became a matter of considerable public interest here recently when one of Britain's most secrecy-encrusted and impenetrable institutions, the Bank of England, announced that it is thinking of opening itself to examination by a firm of American management consultants, McKinsey & Co. The Bank job, reverently estimated by one of McKinsey's American competitors as worth at least $250,000 in actual fees and many times that in prestige, was immediately assailed by two trade associations of British consultants, on the ground that the Bank went straight to McKinsey rather than invite bids. Officials in McKinsey's London office remained properly silent about their prospective client and the angry locals. But the same competitor who estimated the cost said, "If I were the Bank, I'd have done the same thing. The British firms are mostly still in the stop-watch stage of consulting. You know, how long it takes to carry a box from here to there." McKinsey, he pointed out, concerns itself only with such matters as the line of communication between the president and the chairman of the board. "Very different stuff," he said with great seriousness.

Just what it is that the consultants are doing for their clients is far from clear, since the parties, with rare exceptions, hold that theirs is a sort of doctor-patient relationship, and that what goes on is no outsider's business. But some things are clear, and principal among them is the fact that the big three of American consulting firms—Booz, Allen & Hamilton, Inc., Arthur D. Little, Inc., and McKinsey & Co.—have been invited deep into the management of a substantial segment of British and European industry and public services.

Booz, Allen & Hamilton, a Chicago-headquartered firm which, with 1500 professionals on its world-wide staff, claims to be the biggest of all consulting organizations, says that its clients include about one-third of the top 200 industrial corporations outside the United States. (Within the U.S., it says, it has served 396 of the firms on *Fortune's* 500 list.) Its London staff numbers about 150 persons. Of the 80 professionals in this number, some 70 percent are British, though the head of the office is an American, Charles F. Allison, who had a background in marketing before joining the company. There are another 50 staff members, at various levels, in offices extending from Madrid to Stockholm to Tehran. And there are plans to open offices in Paris and Brussels. Over the past 3 or 4 years, Allison says, the London staff has grown at an annual rate of about 20 percent. Booz, Allen & Hamilton is the most tight-lipped of the big three consulting firms, even to the extent of declining to identify any of its clients. Allison says, however, that three-quarters of the London office's work is for firms that are among the top 75 in the United Kingdom. The paneled, carpeted opulence of Booz, Allen & Hamilton's London office carries the message that whoever the clients are, they pay well.

Far less secretive is the Arthur D. Little (ADL) operation, which has also grown rapidly. In 1964, ADL's London office was manned by three professionals. Last year the figure was 15, and today it is about 20, of whom two-thirds are British. The managing director for both United Kingdom and Continental operations is an American, Winslow Martin, who has a long background in international marketing of consumer goods. ADL also has offices in Brussels, Zurich, Mexico City, and Athens. It has resident teams in Saudi Arabia, Nigeria, and Algeria, where, for the past 4 years, under contract to the Algerian government, it has been concerned with wide-ranging studies of petroleum marketing and development. Near Glasgow is the Arthur D. Little Research Institute, a 40-man laboratory which operates independently of the rest of ADL's European facilities. Offices are soon to be opened in Paris and Rio de Janeiro. Under contract to the U.S. Agency for International Development, ADL operates a program to train young Africans in American industrial management techniques. Those selected for the program spend the better part of a year at ADL's Cambridge headquarters, and also visit American industrial firms and schools of business management. ADL's European customers include the British Aircraft Corporation, the National Ports Council, the Schweppes beverage company, and the Government of Ireland, which asked ADL to perform a postmortem on a financially disastrous scheme to produce freeze- and air-dried vegetables for the British home market. In a rare departure from standard form, the client published parts of the study, which concluded that not only did a mess exist but that it was far worse than had been originally realized. Last year ADL grossed $38 million. Of this amount, some 25 percent was derived from international operations. Just a few years ago ADL's international business brought in only about 5 percent of its revenues.

And then there is McKinsey, projecting an image which suggests that, if God decides to redo creation, He will call in McKinsey. Until then, however, McKinsey remains well occupied. In London, its professional staff numbers 74 (54 British, ten Americans, and the rest of various nationalities). McKinsey also has offices in Toronto, Melbourne, Amsterdam, Paris, Dusseldorf, and Zurich. In the consulting trade in London, it is generally agreed that McKinsey has hooked the biggest prizes. Among these have been the Shell petroleum combine, which is Britain's largest corporation and one of the world's top half dozen in terms of sales; the British Broadcasting Corporation; the General Post Office; British Rail; Imperial Chemical Industries; and Dunlop Rubber. McKinsey's London office is headed by a Cambridge-educated American, Hugh Parker, who, according to press reports, is notable for his British mannerisms.

What McKinsey tells its clients and what, if anything, they do about it is difficult to discern. But it is widely said that a common theme in McKinsey advice is a recommendation that committees be annihilated and that power and responsibility be concentrated in clearly identified individuals. McKinsey and the other consulting firms cite masses of "repeat" business as the measure of customer satisfaction. Astrologers and faith healers can do the same, but, in any case, McKinsey, with its concentration on counseling only at the summit, commands the biggest fees, it is generally said; these are reported to be as much as 50 percent more than those of its competitors.

Whatever the nature and quality of the advice, it is obvious that considerable effort goes into presenting a facade designed to infuse confidence into even the most skeptical prospective client. Thus, an official of Booz, Allen & Hamilton says, "We choose our Americans carefully. They're gentle and reflective, not brash and pushy." According to one report, McKinsey formerly prescribed especially conservative attire for its men in London. These regulations have since been relaxed, and it is a fact that McKinsey men are to be seen hatless on the streets. As for fees, a newspaper here quotes a McKinsey official as saying, "We don't look at our profit picture . . . Judaic-Christian ethics and client self-interest both will operate to ensure that bread cast upon the waters will return manyfold." Each of the three says that it turns down far more business than it accepts, and, at times, the impression is conveyed that jobs are accepted because of their intrinsic intellectual interest, not because they bring in money.

Having had the rare opportunity to look deep into the innards of a great variety of European business organizations, a number of the men associated with the consulting firms are in general agreement on one point: money can drive American executives to greater productivity, but their English counterparts require things other than money. As one of the consultants explained it, on the basis of several years' experience, "The big problem is to motivate senior and middle management. Stock options are almost valueless. So, you have to use other things for incentives, such as a car, a house or a flat, lunch in the directors' dining room, holidays, and things of that sort."

Why does European industry rely so heavily on American consulting firms when there are many European-owned firms competing for business? The head of one American office here explained that "the dynamism that's associated with American management is attractive to lots of these people." Another pointed out that the best thing that has happened to American consultants was publication of *The American Challenge*, which warned that American-owned industry in Europe was running away from its European competitors. Another noted that American consultants are paid 50 to 100 percent more than their European counterparts, and generally can cite experience with the type of American industry that is worrying European managers. "An American firm," said one American, "carries an aura of professionalism with it that the European firms find difficult to duplicate."

The Bank of England has employed several British consulting firms for management studies, and, in fact, the British firms are, in number and volume of business, far larger than their American competitors. The Americans, however, have run away with the prestige business.

With student unrest and various other currents now running through European society, it would be interesting to have some idea of the ideological implications of the advice that these firms are pouring into some of Europe's most powerful and influential institutions. The clients, of course, rarely talk about the advice they are getting, and the consultants say as much, though, in the style that is commonplace in the expert business, they insist that their advice is apolitical, objective, and without implications beyond the immediate subject matter. Perhaps that is the case in some instances, but when vast industrial enterprises undergo an administrative reworking, the effects are not contained within the factory fence. Furthermore, the American consultants, with their professional backgrounds in American industrial ideology, are virtually tone deaf to the possibility that more is not better, and that higher output is not undiluted benefaction. In this connection, it is interesting to look at a talk that one of them recently delivered before a European marketing conference. "The traditional thrift of Europeans," he noted with pleasure, "has been replaced by an eagerness to spend and a willingness to go into debt. There is a growing dissatisfaction with the old and the established, and an intense desire to improve, experiment, to try new products and services—to demonstrate affluence. Europeans have even recently come to believe in planned obsolescence. The atmosphere has been created not only by peace and a long, and almost unbroken, period of prosperity, but by a new, young and optimistic generation who catalyzed the revolution. . . . Consider the impact of television. Both the commercials and the programs themselves flood the consumer with new products and a vision of a better living standard. . . . A well-to-do Europe is moving at an ever-increasing pace to true affluence."

Since reflections on the evils of mass production often emanate from those who pleasurably possess cars, refrigerators, and comfortable housing, critics of the speakers' viewpoint might first consider the condition and source of their own conforts. Nevertheless, the efficiency of American industry is not unrelated to the social irresponsibility with which much of it has been permitted to operate, and, whatever it is that the consultants are whispering into the ears of their European clients, it is to be hoped that there is someone else around to point out that making more, cheaper and faster, is not the whole answer to making life better.—D. S. GREENBERG

Campaign Postmortem: Contrasts with 1964

Now that the dust has settled from the presidential campaign, it is possible to perceive, at least dimly, the dimensions of the political drives launched this year in the scientific and engineering communities. The contrasts with 1964 seem striking. The Republicans did much better this time lining up scientific and engineering support, while the Democrats did worse than 4 years ago. Overall, political activity seemed much less intense and extensive.

Who "won" the race this year for supporters in the technical communities depends on what yardsticks are used for measuring. The Democrats lined up the most prestigious group of scientific backers, with most of them coming from academic life. The Republicans seem to have enlisted more engineers and industrial scientists and may well have conducted the most effective campaign at the local level.

By any measure, political activity seems to have fallen off sharply from the frantic pace set in 1964, when the technical community mobilized to an unprecedented degree in support of