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Wrangling Big Issues to Draw Clients

By **LESLIE KWOH**

Problems are good for the consulting business.

Many of the big issues worrying global companies right now—new regulations, budget constraints and emerging-market growth—are driving business at Boston Consulting Group Inc., whose army of 6,200 consultants helped the firm generate \$3.7 billion in revenue last year.

But evolving client expectations are also forcing consulting firms to change the way they operate. Chief Executive Rich Lesser, who took on the firm's top job in January, is adding more specialists to BCG's ranks as clients, such as financial-service, oil-and-gas and pharmaceutical companies, demand that consultants come in with industry expertise. He says that has sent recruiters far beyond the traditional M.B.A. applicant pool in search of more M.D.s, J.D.s and Ph.D.s.

He has also helped expand the business farther into Latin America and Asia, for a total of about 80 offices world-wide. The company has lately developed a busy practice in public-sector work, where governments and schools are increasingly seeking guidance on operating under tight budgets and new technology.

Mr. Lesser, 50 years old, recently spoke to The Wall Street Journal about the biggest challenges his clients are facing, what kind of talent the firm is recruiting and why the industry still struggles to retain women. Edited excerpts:

WSJ: What specific problems are clients asking you to help solve these days?

Mr. Lesser: The growth in emerging markets, in particular

in Asia, is causing many companies to fundamentally rethink their business models to capture that growth. Four colleagues wrote a book last year about how consumer demand in China and India will approach \$10 trillion in relatively few years. That's an enormous challenge to clients.

And it's not just India and China—it's Indonesia, Africa, Latin America. We did research among middle-class consumers, and we had a story of a woman in China who built a house with electrical outlets for air conditioners that she doesn't own, and a two-car garage, and she doesn't own a car. The aspirations that people have to create better lives for themselves and their children are remarkable. Companies ignore that at their peril.

WSJ: You've said you expect to divide your time between New York and Beijing.

Mr. Lesser: When I became CEO, I thought about how I could engage in dialogue with CEOs and leaders about what's going on in China. How do they compete? How do they deal with global challengers there? I expect to spend six to seven weeks in China a year.

WSJ: Which industries face the biggest challenges right now?

Mr. Lesser: The regulatory changes in the world of banking and insurance—the changes in interest rates and other pressures—are going to put enormous pressure on those institutions to adapt quickly and effectively. There's also a broader challenge facing most businesses: finding the pockets of growth in emerging markets and driving innovation in a world where the underlying growth rate is lower.

After the downturn, it was about getting fit to compete. Now we're seeing a renewed emphasis on how you're going to grow after you get into shape, and what the sources of growth will be. In many cases, we find organizations have gotten so complex and in some cases lost touch with the consumer.

WSJ: Public-sector projects make up a growing share of your business. Which markets are you focusing on?

Mr. Lesser: We've been working in the Middle East, Southeast Asia and Australia. We've done work for various agencies in India, and some work in Japan. We've done an enormous amount of education work in Shelby County, Tenn, in New Orleans post-Katrina, and in the Middle East. We've been working in particular on primary and secondary education, on how to deliver more value to students with more constrained resources.

WSJ: How have your recruiting practices changed?

Mr. Lesser: What has changed is the kind of teams our clients expect. They want a depth of expertise in particular industry sectors or functions, so the breadth of talent that we draw on is broader. We still hire—in the U.S., in particular—large numbers from business schools, but we also hire people with different post-graduate degrees: doctors, Ph.D.s, lawyers. And we hire more people from industries, at all levels, who can bring insight and expertise.

WSJ: Which specific industries are driving fast growth?

Mr. Lesser: Energy is one that's been growing very quickly. The



The Boston Consulting Group

Rich Lesser, CEO, The Boston Consulting Group (BCG)

healthcare landscape around the world continues to be very challenging. There are also the industries that are facing structural change—like financial institutions—and pressures coming from new regulatory frameworks and capital requirements.

WSJ: Some CEOs have said consulting firms merely rubber-stamp a firm's existing plans. Is that how it works?

Mr. Lesser: If people want a rubber stamp, that's not what we do. We work with leaders who sometimes have terrific hypotheses, and of course we take them seriously, but we don't view our role as the validators of management.

WSJ: Your field is known for long hours and travel. How do you prevent burnout?

Mr. Lesser: We hire people who expect to work hard. For some, the travel is exciting and energizing. For others, it's a real constraint because of family or other reasons. Retention rates among our partners are as high

(over please)

Revenue, in billions*		Global consulting staff		Number of locations/countries	
2012	2011	2012	2011	2012	2011
\$3.70	\$3.55	6,200	5,600	77/42	74/42

Boston Consulting Group

*Revenue doesn't take into account exchange-rate fluctuations. Privately held BCG doesn't disclose profit.

as they've ever been. We have a "red zone report," which we've been doing for years. We track the hours people are working; when people are going really high, we seek to intervene. Consultants deliver better work to clients when they're not working crazy hours late into the night.

We've made it better, but I don't want to kid anyone that this is an easy job.

WSJ: Talk about your 'up-or-out' policy for consultants.

Mr. Lesser: Because there's a feedback cycle every six months, by the time they get to the two-year

point, some know a promotion is coming, and others know it was a challenge. If we get to that stage, it's all about helping them develop and address those issues, or supporting them in whatever they do next. If they want to transition, we have a jobs database. We call up partners to make a connection

into a new place, or make connections in our alumni community.

WSJ: Why is it so difficult for the industry to recruit and retain women?

Mr. Lesser: Close to 30% of our global staff are women. We do mentorship and affiliation programs, training, establish strong peer communities, and help women—even senior women—be connected to other partners. Since more women than men are primary caregivers, we also do a range of things to make careers work in terms of flexibility and part-time, so it doesn't get in the way of promotions.