

NEED OF CONSULTANT IN AN ORGANIZATION

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Abstract: An organization needs to adapt changes as per the needs and demands of fast growing world. This may involve changing and accepting new technology, process, etc. It is not necessary that an organization have necessary human resource within the organization. That is where consultant come into role. An organization can hire services of consultant as and when required as per the demand. For example a company wants to implement ERP system, for this the company can take time based services of a consultant who have expertise in design and implementation of ERP. This paper in brief discuss the roles of consultant in an organization, gives brief detail about the consulting market, criteria an organization should adopt to select a consultant and client consultant relationship.

Keywords: Management Consultancy, Client, Consultant, Client-Consultant Relationship, Market & Trends.

1. INTRODUCTION

Over the period of time Management Consultancy have been accepted and acknowledged as a service which helps organization to identify and solve problems, helps organizations with training and transferring of knowledge. A quite a lot of literature available have cited numerous uses of consultants for example Smith (2002) suggested organization employs consultants to facilitate organizational change, Payne and Poulfelt (1994) pointed out the following motives for use of consultants: to provide knowledge, expertise and new methodologies, to provide further resources, to identify and present new solutions to the company's problems, to act as external catalyst and moderator, to bring an independent and neutral view to the organization, to legalize result and political motives. Most of these literatures include common factors for use of consultants such as knowledge transfer, assist is organization change, identification of problem and suggesting solution for organizational benefits and teaching and development. Smith (2002) research also identifies that most of the organizations hire consultants for business activities such as business acquisition or merger, business expansion, culture change, business contraction, process improvement, need of and adoption of technology change, strategy development and restructuring of organizational units. Writers such as Czerniawska (2002) acknowledge that client hire consultants to get them perform the work for which the client does not have skills to do. Canback (1998) defined management consultant as professionals "those who provide general management advice within a strategic, organizational or operational context, and who are institutionally organized in the firms" (Canback, 1998).

2. CONSULTING MARKET & TRENDS

A report published by Gratner (2010) states that the consulting markets saw a negative growth of 9% in 2009 mainly because of slow economic growth across the globe. Even though with limited global economic growth, some of largest consulting firm managed to perform better than the market average of negative 9% in 2009.

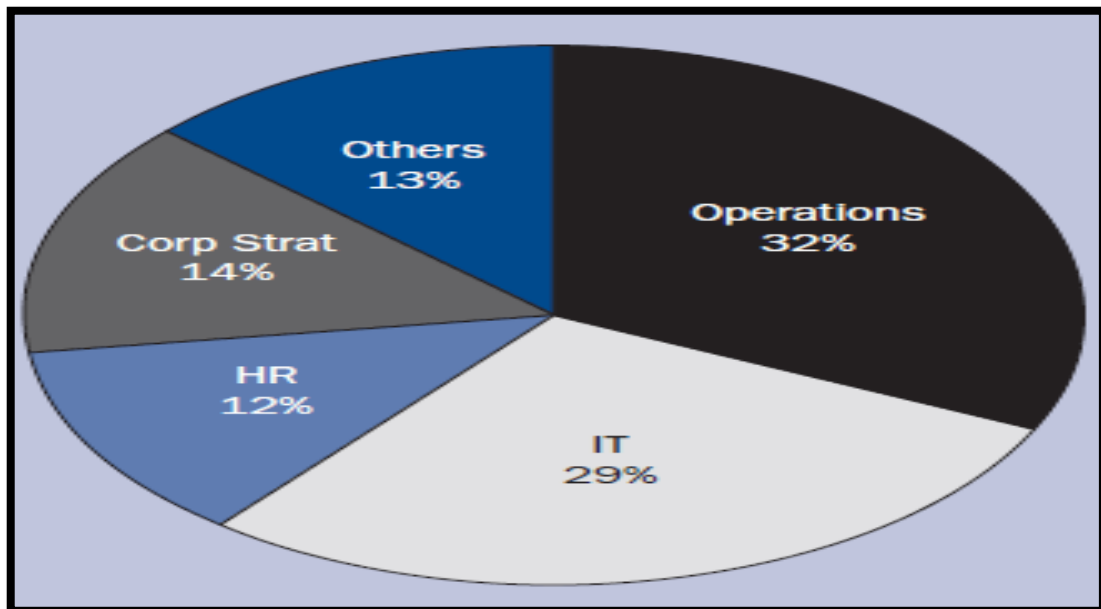
TABLE 1: Top 10 Consulting firm

Rank	Company	Growth (%) 2008-09	Market Share (%) 2009
1	Deloitte	0.7	6.2
2	IBM	9.1	5.6
3	PWC	2.8	4.6
4	Accenture	15.7	3.7
5	Ernst & Young	0.9	3.3
6	CSC	8.2	2.5
7	KPMG	2.7	2.4
8	Fujitsu	5.7	2.1
9	HP	14.5	1.9
10	Capgemini	17.6	1.8

Source: Gartner (2010)

The top 10 consulting service provider have noticed positive growth in different regions of globe: North America (40.4%), Europe (36.9%) and Asia Pacific (48%). The increase in growth rate identifies that the organizations do make use of consultants.

Gross and Poor (2008) further analyzed data on the major services offered by the management consultant which are Corporate Strategy, Human Resource (HR), Operations and Information Technology (IT)



Source: Gross and Poor (2008)

Fig.1. Services Offered by Management Consultant

Consulting is a diverse market where consulting firm's offers services to organizations in various areas such as Corporate Strategy, Human Resource, Organization Development, Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), Market Research, etc. Gunn (2010) also in his book categorized consultancy firms into following specialist areas; Generalist, Strategy Consultant, Human Resource Consultants, Information Technology, Financial Consultants and Niche Firms.

3. DEFINING MANAGEMENT CONSULTANCY

Management Consultancy has been defined by several scholars and professional bodies such as Management Consultancies Associations, Institute of Business Consulting. Greiner and Metzger (1983) stated "Management

Consulting is an advisory service contracted for and provided to organization by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested in the implementation of solution” (Greiner and Metzger, 1983 cited in Canback, 1998).

Professional bodies such as Management Consultancies Associations (MCA) summarized management consultancy as “The creation of value for organizations, through application of knowledge, techniques and assets, to improve business performance. This is achieved by though the rendering of objective advice and/or the implementation of business solutions” (as cited in Mahoney, 2010).

Institute of Business Consulting (IBC) proposed following definition of Management Consultancy “Management Consulting involves individuals, whether self-employed or employed, using their knowledge and experience, and their problem solving skills, to add value into a wide variety of organization within a framework of appropriate and relevant professional standards, disciplines and ethics” (cited in Gunn, 2010)

Within the context of the above definition common feature of all three definitions includes application of knowledge, identification and solving of problems and creation of value within an organization. These definitions clearly state the use of consultancy form an organizational perspective. Further, Kubr (2002) argued that the transfer of knowledge should support the client for running and developing their business in more effective manner. A quite a lot of literature is available on management consultancy which gives emphasis on key terms related to consulting such as knowledge management, expertise, experience, skills, competencies and know-how for example Kubr (2002) & Finchman (1999).

Management consultancy have been defined by many scholars & professional bodies and most of these definitions points out consultancy as a professional service provided by the highly skilled people to the organization which lacks those skills within them.

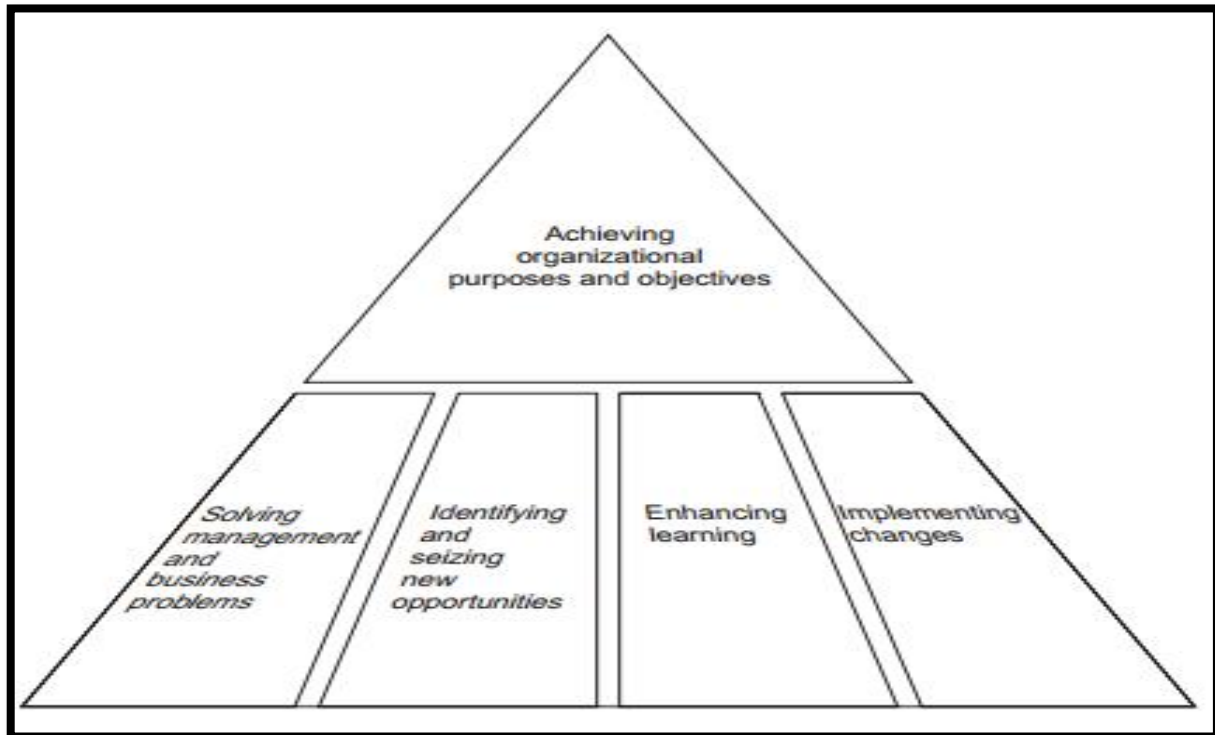
4. USE OF CONSULTANT

The definition of Management Consultancy as stated above clearly identifies the various use of consultancy such as to help in analyzing problem and defining solution, knowledge transfer, bring in skills to the client’s organization which are not available within the organization. Czerniawska (2003) argues that consultants bring in “up to date skill, a focus outcome, and speed of delivery (Czerniawska, 2003).” An important reason identified for hiring of consultant is to accommodate the space within an organization which is created due to lack of specialist skills and knowledge.

Gunn (2010) in his book pointed out few reasons for use of consultant such as client’s use consultant for speedy delivery of project, learning and acquisition of additional resources, training and development of program and help in evaluation of risk. Most of the literature suggests that an important feature of using consultancy service is to bring in specialist skills and knowledge within the organization. Wickham & Wickham (2008) argues that time and again peoples within an organization lack skills and knowledge and thus at this point the client hires consultant who brings in with them the skills and knowledge which is required by the organization. Mahoney (2010) argued that client look for consultant to seek advice, get to the bottom of problems and improve the company. He states that the consultant can do this because over the years consultant gain experience and specialist skills & knowledge.

Gunn (2010) noted that client decisions to make use of the services of the management consultants can arise due to number of factors such as; first, with experience, expertise and specialist skills consultants can provide better analysis of situations. Secondly, a consultant can provide a rational and realistic objective of an organization since being an outsider the consultant can give a more holistic view of an organization and thirdly, consultant can help in implementation of a change program. Kubr (2002) defined five generic purposes of engaging consultants

- Achieving organizational purposes and objectives
- Solving management and business problems
- Identifying and sizing new opportunities
- Enhancing Learning
- Implementing Change



Source: Kubr (2002)

Fig.2. Generic Consulting Purposes

Consultant can be either internal or external. Gunn (2010) clearly defines the distinction between both. He states that internal consultant can be someone who is already a part of the organization and is tasked to help other areas of the business where as external consultant is someone who is employed from outside the organization. An important decision here client have to take is to whether make use of internal consultant or hire external consultant. Mahoney (2010) points out that the transaction cost economics can help us make decision to whether hire external consultant or use internal consultant. Williamson (2005) stated that transaction cost economics (TCE) is “concerned with the allocation of economic activity across alternative mode of organization (Williamson, 2005)” Over last five decades knowledge has become an important commodity and organization often seek expert knowledge for a short period of time (Mahoney, 2010). Literature often suggests that organization should hire external consultant if cost of getting the work done in-house is greater. It is also argued that even though with employment of external consultant the internal consultant can be used to assist external consultant to brief external consultant about the organization culture, brief about the context of project or problem, etc (Gunn, 2010).

In context with the generic purposes defined by Kubr (2002) for use of consultant he also argued that most of the consulting to the organization would be given in either single or more of the following ten ways; “providing information, providing specialist resources, establishing business contacts and linkages, providing expert opinion, doing diagnostic work, developing action proposals, developing systems and methods, planning and managing organizational changes, training and developing management and staff, counseling and coaching” (Kubr, 2002).

An important feature of consulting is being independent as stated by Kubr (2002). This allows consultants to make a fair review of any situation, articulate the actual facts, and counsel the client organization openly and objectively Kubr (2002). For effective result of consulting it is important that the client organization give full support to the consultant or the consulting organization. It is vital to maintain transparency to get the work done in a way which adds value to the client organization.

Much of literature available emphasizes on client consultant relationship which discusses some common factors such as communication, trust, respect, etc which aid in developing a strong and longer relationship. Client – Consultant relationship is further discussed in this paper. An important issue with use of consultant is selecting the right consultant which can contribute to the success and adds value to the client organization. In the next section of the paper an attempt has been made to identify the various selection criteria and how an organization selects a consulting firm.

5. SELECTING CONSULTING FIRMS

This paper have so far indentified and discussed various use of management consultant by considering different source of literature. For successful delivery of the project or proper identification of problem it is important to select the best consulting firm that meets client organization needs. An attempt has been made to identify those criteria in this section of the paper.

Client look for consultants who are committed, accountable and can deliver work on mutually agreed time (Czerniawska & May, 2004). In their book they identified, acknowledged and ranked a total thirteen factors which helps clients to select a particular consulting firm

Table 2: Factors leading clients to select a particular consulting firm

Rank	Factors
1	Ability to deliver
2	Experienced consulting team
3	Specialist Expertise
4	Originality of approach
5	Experience of client sector/market
6	Reputation
7	Existing relationship with Individual
8	Technological resources
9	Recommendation from client networks
10	Existing relationship with firm
11	Price competitiveness
12	Size of firm/team
13	Geographical representation

Source: Czerniawska & May (2004)

Clients look for firms who are committed and can manage to deliver the solution that adds value to the client organization and this is why this factor have been ranked in the top position. Other factors such as experience of the consulting firm and having a team of specialist expertise can lead to a successful consulting. Dawes et al (1992) investigation collected and analyzed data on seventeen choice criteria for selection of management consultancy services. They found that reputation of consultant and the experience of consultant as the most important criteria for choosing of consulting firm. Some literature also identifies price as a selection criteria for management consultancy services. Ng & Skitmore (1999) identified following criteria used in UK for choosing consultant: financial stability, fraudulent activity, performance, and standard of quality, health and safety, stability of firm, competitiveness and failed contract.

With selection another important aspect of use of consultant is the relationship between the client and the consultant. There is numerous literature available that discusses the client and consultant relationship, few have been identified and discussed in the following section of the paper.

6. CLIENT – CONSULTANT RELATIONSHIP

Consulting involves two parties where the firm acting as consultant provides knowledge, information and tool and techniques for solving problems of the organization referred as clients. Several scholars have analyzed and discussed the client consultant relationship for example Smith (2002), Fichman (1999), Bruce and Docherty (1993), McGivern (1983). Consultants add values to client organization and added value can been seen in lot of ways such as knowledge transfer and training (Gunn, 2010). He has further described the value adding activities from the perspective of both the client and the consultants in the following lists:

Value added to consultants:

- Business Development (New Work) – Here the consultancy firm is already aware of the client and its project. The consultant here “follow-on work as part of one-stop-shop approach” (Gunn, 2010)
- Business Development (Extension of Work) – The consultancy firm further develops work with the existing client using the client knowledge, experience and culture.
- Business Development (New Clients) - Identifying new clients for example international clients requiring consultancy for a particular geographical area, or product or service in which the consultant have already provided its service to other clients.
- Establishing a good track record – Having a good track record with client in an industry can help getting other potential clients in same or other industries.

Value added to clients:

- Speed and Cost – Effective use of consultant expertise means that the client can save in means of training, recruitment and other resources.
- Specialist Advice – Consultants brings in advices into clients business which are drawn from wider consultancy experience in a specific industry. This helps client establishing and adopting of the best practice within its industry.
- Additional Resourcing – Consultant can help existing client introduced to other specialist consultant who are required by the client’s project thus avoiding delays due to factors such as tendering, assessment and selection.
- Project Risk Reduction – With specialist advice from the consultants the client can reduce the risk of project failure.
- Knowledge transfer and training - A consultant once employed bring in knowledge and experience within the organization. The consultant apart from transferring the knowledge also provides adequate training and support. For example when an organization adopts ERP into system, the ERP consultancy firm provides adequate training to the employees of the clients before the project is finally closed.

Gunn (2010) talks about how the value is added within the client & consultant relationship. There are other scholars who have examined client consultant relationship form different perspective for example McGivern (1983) argued that key facets of relationship is “trust, high level of interaction and contingent methods” (McGivern, 1983). McGivern (1983) studies further states that the trust has been regarded “as the prime requirement” (McGivern, 1983). A study of Bruce & Docherty (1993) points out some factors which determine a healthy relationship between the client and the consultant which are providing appropriate solutions to the clients, understanding each other, mutual trust and respect. Bruce & Docherty (1993) stated that “mutual trust and respect between the client and the consultant are fundamental for the evolution of long term relationship” (Bruce & Docherty, 1993). To support mutual trust and respect as a vital factor for strong relationship Bruce & Docherty (1993) gave several explanation based on their studies such as with trust the client can show the confidence in the consultant to solve the problems; with trust both the parties can share confidential and sensitive information related to project; trust helps consultant to pass knowledge and information to the individual involved. Other writer namely Czerniawska & May (2004) also acknowledge trust as to develop a strong client – consultant relationship. Dawson (1999) also in his book gave emphasis to trust and said that “worthwhile relationships are based on trust” (Dawson, 1999). Smith (2002) paper pointed out communication as one of the factors for effective relationship. Wickham & Wickham (2008) also acknowledged the importance of communication and stated “communication is not just about transferring information; it is about influence as well.”

7. CONCLUSION

Gross and Poor (2008) puts management consulting as of younger vintage compared to management practice or management theory. Other noted scholar such as McKenna (2006) puts consulting as “the world’s newest profession (McKenna, 2006)”. Consulting market has seen growth over the period of time which confirms that organizations have and are employing consultants. This paper has identified and presented various use of employing consultant such as to provide specialist knowledge and skills, training and developmental programs, identifying and analysis of problem, providing optimum solutions to the organization, helping organization with expediting the delivery of project, etc. It is also noted that consulting market is a diverse market and organizations into consulting can provide service in one or more specific domains such as Information Technology, Human Resources, Corporate Strategy, Organizational Change, Supply Chain Management, Customer Relationship, etc depending the requirement of the client organization. An attempt has

been made to identify the criteria which can and are being used by the client organizations to weigh consulting organizations. Selection of right consultant along with good relationship between the client and consultant is important for success of project. It is also identified that people in consulting business need to continuously improve their skill and update information in order to serve client better.

It is also to be noted that over the period of time due to lack in reforms in consultancy sector, the industry have seen degradation in its reputation for example in survey by Cranfield University only 36 percent of the client agreed that consultant added value to their organization (Mahoney, 2010). Similar in a survey by Czerniawska, only 36 percent of the clients were satisfied with result (Mahoney, 2010). Consulting business has both the gray side and bright side. The gray areas of this business can only be eliminated with better reforms.

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