

Week 1: Introduction to Consulting

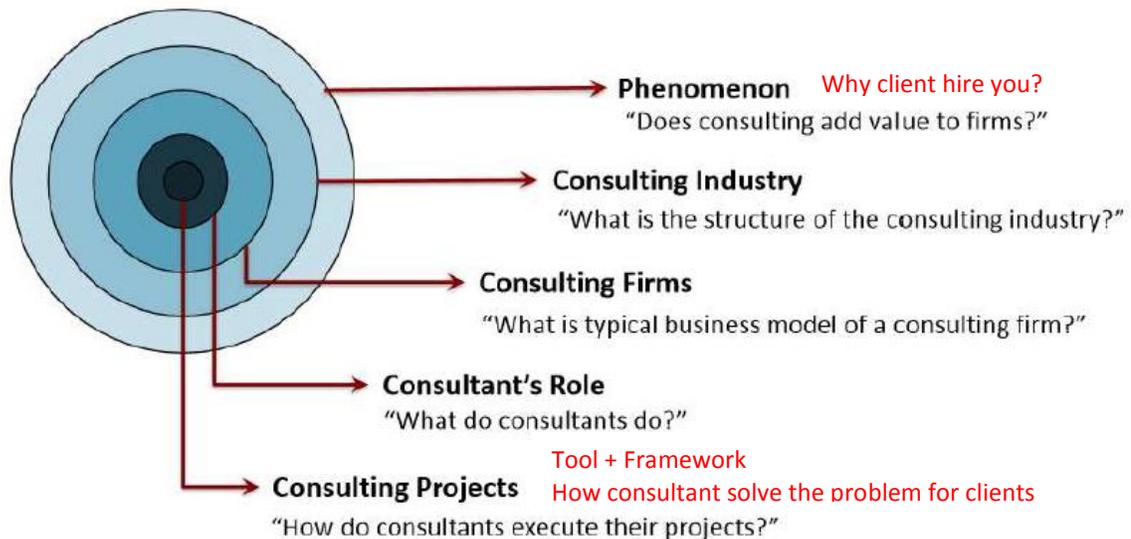
Lecture

Why study consulting? (Richter & Schmidt)

1. Better preparation and training of consultants is required because of:
 - Explosive growth of the consulting industry in recent years
 - Controversy surrounding the quality of the consulting function
 - Scandals and questionable ethics reported in popular press
2. There is a scarcity of academic course offerings and lack of comprehensive coverage of consulting knowledge and skill domains
3. Consulting courses can enhance self-efficacy of students in applying the technical skills and knowledge from your current and prior studies.

How do we study Consulting?

A multi-level approach to understanding consulting



Historical context of Consulting

"There has never been a time in recorded history when the rich and powerful have not needed expert advisers of some description. The biblical kings had prophets, Persian sultans had viziers, and Greek city states had the oracle at Delphi. Even the Mafia had their consiglieri" (O'Mahoney)

The main 2 needs;

1. Advice requirement
2. To secure their back about decision-making

The origins of Consultancy

- Variant forms of efficiency consulting emerged during the interwar period (1918-1945) and after WWII (post 1945)
 - Based on the principles of "Scientific Management"
Workflow → Individual component → make each component effective (workforce)
 - Management consultants were engineers
Logical thinking, Good at Math (Both qualitative and quantitative)

- Companies, prompted by government, sought to **increase productivity** and **reduce labour cost**
 - Recover the costs of war
 - Integration of unskilled workers into the workforce
- Historical records suggest that consulting as a business activity originated in the US (Cleveland) in the late 19th century
- Charles Eugene Bedaux (1886-1944) founded the first management consulting firm.
- Efficiency Consulting (i.e. Scientific Management) disappeared

Bedaux System

- Based on Scientific Management
- Time and motion measurement system to enable payment by results
- Compared to other systems, the Bedaux system was credited for being more flexible and broad-based (used for general management and technical cost-accounting purposes)

Growth of the Bedaux Consultancy, 1918-1931			
Year	# of Offices	Consulting Engineers	Plants using Bedaux
1918	1	2	1
1925	2	19	70
1928	7	94	161
1930	9	176	399
1931	10	205	509

Decline & reinvention of Efficiency Consulting

After reaching new heights during the 1960s, efficiency consultants saw their numerical importance and public visibility erode because of;

Week2: Theoretical and Empirical Perspective of Consulting

Defining Consulting

Consulting Definition Overview

1. The 'typical' consultant does not exist
 - Ambiguous boundary of consultancy services
 - Clients engage consultant for diverse reasons
 - Consultants possess varying skills and abilities
2. Definitional tension
 - **Nature:** Advice only vs Advice + implementation
 - **Scope of services:** specialists vs generalists
 - **Scope of client sectors:** single sector vs multi-sector
 - **Geography:** local vs global
3. The role, value and effects of consultancy is widely debated and contested in the academic literature and popular press.

Consulting definitions

1. Any form of providing help on the content, process, or structure of a task or series of tasks, where the consultant is not actually responsible for doing the task itself but is helping those who are. (*Steel*)

2. Trade on knowledge

Management consultancy is the creation of value for organisations, through the application of knowledge, techniques and assets, to improve performance. This is achieved through the rendering of objective and independent advice and/or the implementation of business solutions. (*Management Consultancies Association*)

3. Management consulting is an advisory service contracted for and provide to organisations by specially trained and qualified persons who assist, the client organisation to identify management problems, analyse such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions. (*Greiner & Metzger*)

4. No matter where you are in the organisation, you are consulting any time you are trying to change or improve a situation. But have no direct control over the implementation... Most people in staff roles in organisations are really consultants even if they don't officially call themselves consultants (*Block*)

Problem: Sometimes we feel that it isn't our responsibilities to work on or solve the problem

5. (*Baiji – Textbook definition*)

Narrow definition:

A knowledge-intensive service which independent business professionals provide to managers of client organisations, and consists of objective advice on management's decisions regarding the solutions to the client organisation's problems and opportunities.

Broad definition:

And may, in some cases, also consist of assistance with the management's tasks regarding the implementation of these solutions.

Types of Definitions

Different definitions emphasize different aspects of consultancy:

1. Recommendation and implementation
2. Objectivity and independence

3. Support decision making
4. Change implementation
5. Any form of help

Why should we care about a definition?

MGMT90148 Working Definition

The professional practice of logical, systematic and evidence-based problem solving to address client issues and concerns.

Roles of management Consultants

Formal vs Informal

Reasons for hiring Management Consultants

What are clients seeking?

Theoretical Perspectives of Consulting

Werr & Styhre (2003) divides the research literature on consulting into 2 approached;

1. Functionalist perspective

Provides a highly practical standpoint. The role of the consultant is to improve or secure the effectiveness of the host client. The client is seen as being in charge''

2. Critical perspective

Consultants are perceived as the dominating party in the relationship. Consulting projects are not exclusively founded upon economic reasoning but are tied to organisational politics.

The Functionalist perspective

A functionalist perspective derived from transaction cost economics and advocated by consultants themselves is that (*Hick, Padmakumar & Wilderom*):

- Consultants help commodity and disseminate knowledge to their clients.
- Transactional evaluation – compare the cost of production of service (i.e. internal) with cost of buying the resource externally (i.e. consultants)
- Knowledge assets and services are up-to-date

Reasons that consultants exist from a functional perspective are:

- Provide skills and expertise absent within the firm
- Fill in for managers (e.g. substitutes and secondments)
- Have an objective perspective as outsiders
- Provide access to methodologies (i.e. codification into best practice)
- Provide original thinking (i.e. leadership is practice-oriented research)
- Validate internal decision (i.e. legitimizing)

Functionalist view of consultants

- Perform their role/function and discharge their responsibilities to improve the performance of an organisation
- They apply approached and provide independent advice that create value for their clients and help them achieve their goals
- A patient-doctor analogy

The Critical perspective

The critical perspective tends to challenge the functionalist role of consultants.

- It is the stream of research that questions;
 - The knowledge that management consultants claim