

## **THE CHANGING FACE OF MANAGEMENT CONSULTING**

As governments, industry and commerce respond to the rapidly increasing pace of change in South Africa, all sections of the business community as well as the public sector are faced with the need for faster and more complex decision making.

These processes of change increasingly require a wider range of skills and experience and specialised knowledge and creativity become more important.

In many instances this expertise is not available within the organisation or its acquisition is not warranted in the long-term. Also, at times, an independent view is needed.

Calling on outside assistance is often the best solution to the problem. Management consultants offer professional services specifically designed to meet this need.

### **Why you need a management consultant**

A management consultant is a change agent, who helps organisations to define and achieve their goals. He proposes change and helps to implement it.

Management consultants engage in two types of consulting activity: strategic consulting and specialist consulting. Strategic consulting is work with top management to advise on broad strategy formulation and tactical interventions related to business performance. Specialist consulting is advice and intervention in areas related to a particular discipline.

A consultant can assist an organisation in many ways. He or she can:

- Offer prior experience to meet a new situation,
- Act as a sounding board for ideas and provide independent opinions,
- Provide specific skill for a specific project,
- Act as an additional resource at times of peak activity.

All successful organisations need the objective advice a consultant can provide.

In South Africa skilled strategic and specialist consulting is available through members of the Institute of Management Consultants of South Africa. Common consulting specialities include

- Strategic development,
- Logistics,
- Financial planning and control,
- Sales and marketing,
- Human resources and labour relations,
- Administration,
- Manufacturing production,
- Information management,
- Compensation: administration,
- Risk evaluation and control and
- Incentives.

When you engage a consultant you can expect him (or her) to be committed to the highest standard of work and integrity.

Consultants will conduct the project with professional care and will ensure that the work is planned and their staff supervised. You can be sure that their conclusions will be based on relevant and accurate data.

Your consultant will not knowingly misrepresent facts, and, at the same time, his conclusions will not be biased by internal politics. They will be without regard to personal gain and free of the conflict of interest company employees are subject to.

Finally the consultant is ethically bound to maintain the confidentiality of your information.

Your assurance of these high professional standards is membership of the Institute. To belong to the Institute your consultant has had to satisfy the profession as to the quality of his experience. He is obliged to adhere to the code of conduct of the Institute and to submit to disciplinary measures if necessary.

### **How to choose a management consultant**

The first step is to identify which consultant has the capabilities and experience you require. Some of the main aspects to consider are:

- How long has the consultant been in business?
- What is the scale of his operations?
- Does he have the experience, competence and resources to handle the type of assignment you have in mind?
- Are his staff of the highest calibre and what kind of training does he provide?
- What are his credentials and reputation?
- Is he familiar with the best international management practices and is he capable of adapting these for local requirements?
- Can he introduce changes smoothly and effectively?
- What kind of clients has he served?
- What do his clients say about him?

The second step is for management to agree to project arrangements. This may require a preliminary survey.

The consultant should set out the problem or area under consideration in a proposal in sufficient detail to establish the approach to the project, the necessary programme of work, the benefits that can be expected and the time and costs involved. When management authorises the consulting project, the proposal provides the terms of reference.

The content should indicate clearly to management whether the consultant has understood the situation and whether the approach is suitable and represents a sound business proposition. Management then needs to assure itself that the consultant has the capability to see the project through to a satisfactory conclusion.

It is worth remembering that a professional service is only completed when the job is done – authorising the project only initiates the service.

## **Guidelines for effective project arrangements**

Effective use of a consultant starts with effective project arrangements documented in a proposal. You should ask for written project arrangements which define the following matters:

### *Statement of problem*

You and your consultant must mutually agree on the nature of the problem or business issue. For major projects this may be defined in a tender document otherwise the consultant should provide a written proposal covering the relevant issues.

### *Objectives of the project*

The overall objectives of the project or the current phase of work should be clearly defined. The objectives may be wider than the specific work of the consultant but he must understand his role in the overall project.

### *Scope of work*

The consultant should define the areas to be studied and identify any significant exclusions.

### *Approach*

The work plan and methods of the consultant should be described so that there is no misunderstanding on the interaction between the consultant and the client. Any requirements of the consultant, which are to be provided by the client, should be specified here.

### *Results/targets*

The consultant is responsible for achieving certain agreed targets: a final report, interim progress reports, a working system, trained personnel, etc. The nature of all targets for which the consultant is responsible should be specified.

### *Responsibilities*

In most projects there is a division of responsibility between the client and the consultant. These responsibilities should be clearly defined and agreed on.

### *Personnel*

All project personnel should be named prior to commencement of the assignment and the extent of their participation agreed.

### *Timing*

The timing of the project, i.e. start, end and interim 'milestones' should be indicated.

### *Fees*

The fees of a consulting assignment are critical to both parties. They should be clearly defined and agreed by both parties before work is carried out. The agreement should also state the conditions under which the client or consultant may cancel the agreement.

## **How to get the best results**

The main requirements for managing the assignment through to a successful conclusion are that:

- Clear, written terms of reference are agreed before the project is authorised,
- Management has satisfied itself that the consultant has adequate capabilities,
- Any changes to the terms of reference agreed during the project are recorded in writing so both parties always know clearly what is being done and expected,
- A senior member of management (sometimes aided by a steering committee) takes responsibility for the project,
- The client provides facilities and staff to work with the consultant, makes decisions within a reasonable time, gives the project obvious backing and briefs all staff likely to be affected,
- The executive responsible for the project agrees a reporting procedure with the consultant so the project is under systematic regular review and early action can be taken to clear any problems.

Some time after completion, the project should be evaluated as to the results achieved, the lessons learned and the scope for extending the benefits to other parts of the organisations. Success also includes having stimulated the client's staff to accept and use new ideas and approaches.

## **The responsibility of a client**

There are several positive things which management can do to help assure the successful completion of a consulting engagement:

- Enlist the co-operation of all company people with whom the consultant must work to develop inputs and make recommendations,
- Inform all concerned, either through a general meeting or personal memos, that a consultant has been engaged and explain the nature or purpose of the engagement,
- Allay any individual anxiety that may result when people learn that a consultant has been engaged,
- Be available to the consultant when he asks for time to review progress, clarify information that has been developed or to ask for help in resolving temporary difficulties,
- Do not pressure the consultant unnecessarily to disclose the nature of his findings or recommendations until he has thoroughly researched the situation.

Any other responsibilities of the client should be defined in the proposal.

## **The responsibility of a consultant**

The responsibility of a consultant is to supply creativity and competence in developing solutions to management problems. His sole concern is the welfare of his client.

He, therefore, works with integrity and objectivity according to professional standards while paying attention to the tasks he has defined with his client and ensuring confidentiality of client information.

A consultant, like any other businessman, must satisfy his client if he is to be successful. The parameters of every job undertaken by the consultant should therefore be explicit and fully understood by both parties.

It is just as important to specify areas which are not the consultant's responsibility as it is to define those that are. Decision making, however, remains the responsibility of management and not the consultant.

### **Consultants provide value for money**

Consultants' charges comprise two parts – a professional fee and direct out-of-pocket expenses associated with the project.

Fees are generally based on the time spent by the consultant on the project. In some cases the total fee quoted is an estimate because the project, being a joint effort by the client and the consultant, is not completely under the consultant's control.

Moreover, the exact level of effort cannot always be quantified at the commencement. In all cases consultants will agree with clients in advance the basis of charging for work done.

Management consulting fees are similar to those of other professionals employing staff of a high calibre. It is not possible to provide professional services at low rates and experience as it invariably will show that 'cheap' professional services are very seldom economic. The test is value for money.

As in anything, value for money depends on judgement and common sense. A consultant may provide a report as his only tangible output. Its content will have to meet the test for value.

In other situations consultants implement change which provides tangible benefits. These benefits can in fact be assessed in advance when the project terms of reference are agreed. Any successful consultant has a reputation for providing value and economic benefit to his clients.

### **Selecting from Institute Members**

The Institute of Management Consultants of South Africa is the certifying body for the management consultancy profession. Our objectives are to raise the professional standards of management consulting in ethics and performance and to safeguard the interests of clients and the general public.

The following activities support these objectives:

- The setting of standards for entry to the Institute to promote public confidence in the work of its members,
- The certification of candidates for membership,

- The maintenance of a code of ethics and an effective disciplinary procedure,
- The provision of an education programme for members,
- The maintenance of a register of skills for public inspection.

The Institute has established professional standards of competence, experience and ethics for the profession.

Membership of the Institute is graded, subject to a review of the candidate's experience; we will expand on the criteria for membership and certification in the next issue.