

Chapter 3

CONSULTANCY SERVICES: PRINCIPLES, PRACTICES AND PROCEDURES

3.1 Meaning and Definition

Literally, consultancy means the act of consulting. It is the process of seeking the advice of a consultant. According to New Webster's Collegiate Dictionary 'to consult' means 'to ask advice of' or 'to seek the opinion of' and 'consultant' means 'one who consults or gives expert advice'.

The World Book Millennium 2000 defines a consultant as "a person who gives professional or technical advice" and consultancy has been defined as "the work or business of a consultant". However consultant is a word that is likely to be misunderstood until one becomes more fully aware of the many kinds of consultants. It is used in a generic sense and it gets the right meaning only when some prefixes are added like 'management', 'technical', 'investment', 'tax' etc.

A consultant is an independent and qualified person who provides professional service to individuals, organisations or business undertakings. Consultancy services are the services provided by an independent and qualified

person or persons to identify and investigate the problems concerned with policy, organisation, procedures and methods; recommending appropriate action and helping to implement these recommendations.¹

Even though there are different areas of consultancy, in practice, all these practically originate from management consultancy. Hence it is appropriate to define the concept of management consultancy.

The Management Consultancy Association of India defines management consulting as “an advisory service contracted for and provided to business, public and other undertakings by specially trained and qualified persons. It is a process of interaction wherein the consultant in an objective and independent manner diagnoses and investigates problems and issues concerned with management practices, analyses these, recommends appropriate action and provides assistance when requested in implementation of recommended solutions”.²

A consultant who is an expert in the relevant field or discipline identifies and investigates the problems of clients and on the basis of his expertise, he makes suitable suggestions and also helps in the implementation of recommendations. Consultants give specialised services to clients in the

1 Institute of Management Consultants, U.K. Source: Jha, S.M., *Services Marketing*, Himalaya Publishing House, Mumbai, 2000, p.383.

2 National Productivity Council Project Team, “Long Range Forecasting of Management Consultants in India”, *Productivity*, Volume 35, No.4, Jan-March 1995, pp.565-571.

form of advice, information and knowledge. They charge commission or fee for their services.

3.2 Origin and Development

It is practically difficult to trace the exact origin of consulting practices in India due to the dearth of any significant and sufficient literature on the topic. In ancient days saints, gurus and religious hermits offered their advice, which arose out of their divine knowledge and deep meditation. Later as the social system became more organized, kings used to consult ministers for their expert advice on important matters relating to the administration of the State.

Originally these services were provided free of cost. But gradually the consultants were compensated suitably for their services. Materialism, change in values, increased sophistication and better lifestyles, all paved the way for the commercialisation of consultancy services. Organised consultancy services are the contribution of modern civilized complex society. The number of individuals and organisations seeking the help of consultants increased gradually. These individuals and organisations need the help of professional consultants for increasing their rate of profitability or for making personal gains. It is against this background that organised consultancy services developed in the present-day context.

On reviewing available literature, it is seen that the history of organised consultancy services mainly relates to that of management consultancy. Most of the consultancy services were also centered around management consultancy. Many developments in this area took place during the post independent period, when it was started by the foreign consultants engaged by some multinational companies. With large investments in the public sector during the first and second five-year plans, the local consultancy firms slowly started their operations to meet the needs of Indian industry.

The pioneers of consultancy in India took the route of project consultancy and industrial engineering. Several institutions and firms were established during this period. These include the Administrative Staff College, National Productivity Council, A F Ferguson, Tata Consultancy Services and the Indian Institutes of Management (IIMs). The consultancy services got a boost during the 1960s and 1970s when many retired executives and foreign-trained consultants joined the consultancy organisations in India. The development banks and institutions encouraged consultancy services by conducting feasibility studies and project appraisal for better project execution.

The setting up of RITES (Rail India Technical and Economic Services Limited) in 1974 and IRCON (Indian Railways Construction Company Limited) in 1976 paved the way for development of specialised consultancy in the area of infrastructure projects. The 1980s brought consultancy to the areas of strategic planning and software development. The 1990s have seen the

phenomenal growth in information technology and consultancy for infrastructure sectors after opening up the economy for foreign investment.

The current scenario of consultancy in India ranges from individual consultants to large organisations and institutions like Tata Consultancy Services or Indian Institutes of Management. Consultancy services are available in almost all areas where expert knowledge or service is required. The emergence of foreign consultancy firms like McKinsey, Price Waterhouse Coopers and others in India in recent years and Indian consultancy firms going multinational make the scene more complex and prospective.

3.3 Nature of Consultancy Services

Professional Consultancy services encompass a broad range of activities but can all generally be defined by certain common characteristics.

They are:

1. High Expertise

In the consultancy services, the product is 'expertise'. Consultants are highly trained, well experienced and knowledgeable in a complex specialist area of expertise. They provide expert advice to their clients in the area of their specialisation. They acquire the skills by training and experience.

2. Membership in Professional Bodies

Consultants hold qualifications and accreditations in their field of expertise. They have to acquire the prescribed qualification and

procedures to overcome the entry barriers in the field of consultancy services. Further membership of a professional society or governing body is also required.

3. **Highly Customised Services**

Consultancy services are tailored to meet client's needs. This leads to greater customisation of services and high levels of variance in service quality. These are high contact, people-based services with high degree of specialisation.

4. **Confidentiality**

Consultancy services are provided to clients individually. These are provided on a basis built upon mutual trust and confidence. Credence plays an important role in the selection of a consultant. A consultant should have knowledge, integrity and reputation.

5. **Quality Services**

Last but not the first preference is the quality of the service of consultancy. Quality is the pivot around which the consultancy service revolves. Sky is the limit for quality. Clients expect high quality of services from consultants at reasonable rates. If the consultants offer world class services, the task of its marketing is simplified. It is in this context that almost all the consultancy organisations have been found making

innovative efforts to develop a new perception of quality which helps them in achieving the desired results.

3.4 Role of Consultants

Consulting is an art. A consultant provides an expert professional service to his clients. Generally, consultants follow a 'problem-solving approach' towards client's problems. They help the clients by:

- identifying and investigating problems concerned with strategy, policy, markets, organisation, procedures and methods.
- formulating recommendations for appropriate action by factual investigation and analysis with due regard for broader management and business implications.
- Discussing and agreeing with the client the most appropriate future course of action.
- providing assistance where required by the client to implement recommendations.

In carrying out these activities, professional consultants should be expected to exercise independence of thought and action, deal with the clients problems in the right perspective, give well-balanced advice and continuously strive to improve their professional skills and to maintain a high quality of service.

Consultants are necessarily problem solvers who are presented with an issue or a situation and asked to suggest recommendations on how it should be dealt with. They may play an innovative role, developing new ideas, methods and systems on behalf of their clients. Consultants may act as 'an extra pair of hands' doing things which people or organisations are perfectly capable of doing but which they do not have the time or inclination to do.³

Sometimes, consultants act as investigators engaged to carry out an investigation or review of a matter, which is too delicate or complex. Such investigations are necessary where the problems faced by the clients are fundamental to the nature of business carried on by them.

Consultants can also act as change agents. They can bring change to the client's organisation and manage the change process. In this role they are facilitators who are deploying their independent point of view and consulting expertise.

3.5 The Art of Consulting

The way in which a consultant renders his service varies enormously, depending upon the specific needs of clients and their own preferences and skills. There is no uniform approach applicable to all clients. The approaches vary according to the main area in which they are working. The possible approaches to consulting services are:

³ Shanker, G, "Consultancy Management in India - Emerging Challenges," *Indian Management*, Vol.36,No.2, Feb.1997, pp. 56-60)

- (1) **Strategic Studies**:- the development of broad strategies and policies and major revisions to organisational structures and activities to meet long term requirements.
- (2) **Systems Development**:-the introduction or amendment of system and procedures.
- (3) **Problem solving**:- providing solutions to organisational and management problems.
- (4) **Service Provision**:- the delivery of services such as recruitment, selection and training which could be carried out within the organisation.
- (5) **Process Consulting**:- the provision of advice and help in process areas such as organisation, planning, objective setting, quality management performance management, team building, conflict resolution and change management.

3.6 The Service Delivery Process

Consultants cannot follow a typical pattern in their service assignments. But in most assignments they do the following consultancy activities in their service delivery process.⁴

⁴ Institute of Personal Management, *Using the HR Consultant, Achieving Results Adding Value*, IPM House, Wimbledon, London, 1994, pp.3-6.

1. **Problem Identification**

Initially, the consultant discusses with the client the reasons for the assignment, its objectives and the terms of reference. Clients will start with their own description of the problem. But it is the duty of the consultant to test these descriptions to obtain essential data on the background to the assignment and the environment in which it is to take place.

The consultant must attempt at this point, to establish whether the client has any 'hidden agenda'. Sometimes, the client may not have understood the factors underlying the problems or may not have described them in the right perception. An experienced consultant will always want answers at this stage, to such questions as 'Who really wants the assignment to take place and why?' 'What kind of resources is the client prepared to invest in?' 'What does the client really expect from the assignment?' etc.

2. **Project Planning**

This involves decisions on what work needs to be done, who does it, the timetable, the costs involved and methods of monitoring and controlling progress. These preliminary assessments have to be developed into much more detailed programme schedules. This enables the consultant to

4 Institute of Personal Management, *Using the HR Consultant, Achieving Results Adding Value*, IPM House, Wimbledon, London, 1994, pp.3-6.

specify the particular service to be delivered at each stage. Planning helps in rendering time bound actions and controlling operations.

3. **Data Collection**

The first stage in any assignment is the collection of data about the client organisation itself. Data collected may relate to the environment in which it exists, the type of organisations, its objectives, policies, strategies, procedures and workflows. The data may be collected by interviews, meetings and observation. In complex assignments the consultant may make a detailed investigation into the climate of the organisation, its culture and management style. He may also conduct attitude or opinion surveys to elicit information and data relating to the problem.

4. **Analysis**

In the analysis stage, the complex mass of data and information are closely examined to find key elements. Analysis facilitates the orderly arrangement of data into logical patterns, thus promoting understanding and pointing the way to an appropriate diagnosis of the problem.

Analysis concentrates on facts but will also subject opinions to critical examination in order to establish the extent to which they are founded on fact. The aim of the analysis will be to provide a precise structure and meaning for the assignment, which will serve as a means of

communication and enable those involved to make their judgements within a clearly defined framework.

5. **Diagnosis**

This is the process of identifying the root cause or causes of the problem or the real needs of the organisation in the area under review. A good diagnosis will be based on rigorous analysis and will establish not only the immediate factors to be taken into account but the long-term causes or implications. As far as possible the diagnosis will be specific, but it might be necessary to present a general picture of the context in which the situation has arisen which has prompted the need for action.

6. **Recommendations**

The recommendations should flow logically from the analysis and diagnosis. There will inevitably be alternative solutions or courses of action which will have to be evaluated. Good consultants will always formulate their recommendations in conjunction with their clients. This will involve testing the alternatives, and this is often an interactive process, as through further analysis and discussion, the way forward becomes clearer. The recommendations should indicate how they should be implemented and the timetable and costs of implementation.

7. **Feed back**

Though the recommendations are formulated jointly with the client, it is still necessary to make necessary feedback of the recommendations. The feedback may take the shape of a formal document, in a highly readable form. Sometimes, oral presentation with supporting data may be made available.

8. **Implementation**

The agreement to go ahead with the recommendations either in whole or with amendment should lead to the preparation of an implementation programme. The programme will contain how the consultant will help in the implementation of recommendations. In this context, consultants are not simply advisers. They get involved in the process of ensuring that the recommendations which they have contributed really work.

9. **Follow up and evaluation**

Consultants may be asked to follow up the assignment. Follow up is necessary to evaluate its impact and make suggestions on any amendments to the original recommendations. Majority of consultants also gets job satisfaction on follow up when they realize that the recommendations really help the clients.

3.7 Consultancy Skills

Consultants use their subject expertise, acquired through education, training and largely by experiences, on behalf of their clients. Ultimately, however, it is the skill with which that expertise is used which differentiates the good from the not so good consultants.

Consultancy skills are essentially those required to carry out the consultancy activities as stated earlier. These include analytical ability, diagnostic and interactive skills and the ability to communicate clearly and persuasively.⁵ Analytical and diagnostic skills are particularly important in problem solving. Interactive and communication skills are critical for all types of consultancy services.

The mix of consultancy skills varies for different types of assignments. However, the following are the important skills a consultant need in discharging his services efficiently.

1. Listening Skills

Effective consultants listen actively to their clients. As facilitators their role may be to gather the ideas from the clients. Consultants elicit information from clients by careful listening. They listen and then analyse and interpret the information received from clients. Consultants are also

⁵ Institute of Personal Management, *Using the HR Consultant, Achieving Results Adding Value*, IPM House, Wimbledon, London, 1994, p.7.

agents of change. As such, they can not only help to release ideas but also analyse, assess and structure them so that they combine to make a powerful contribution to the achievement of change.

2. **Communication Skills**

Consultants need good communication skills. Effective communication is critical for reflecting, clarifying, interpreting and probing. Reflecting is what consultants do when they mirror the client's ideas so that they can be expressed more freshly and objectively. Clarifying is rephrasing the client's statements so that they become clearer, sharper and more precise. Interpreting may require putting together the implications of several statements. In probing, consultants elicit from their client's ideas and opinion which the latter may not have expressed, or even be fully aware of.

3. **Motivational Skills**

A consultant needs motivational skills to influence the minds of his clients. He should be self-motivated and have a positive mental attitude. He should be willing to adapt to different situations, open-minded and receptive to new thoughts and ideas. A consultant should act as a facilitator of change.

4. **Problem-solving Skills**

The success of a consultant depends to a great extent on his problem solving skills. A good consultant must have an analytical mind, critical thinking and problem-solving abilities. He must be able to understand a problem, analyse and solve it with logistics for implementation in a timely and organised manner.

5. **Decision-making Skills**

Another important skill required for successful consultants is the ability to take quick decisions. A consultant must be able to find alternative solutions to a problem and evaluate these alternatives to arrive at an appropriate solution. He must have expert knowledge regarding the tools and techniques used for managerial decision-making.

6. **Human relations Skills**

A consultant has to be client-focused and committed to meeting the needs of clients. He must recognise the client's needs, must be able to put them at ease while interacting with them, and build trust and respect with clients. Good negotiation skills are extremely necessary while employing the services of personnel in the service delivery process. He must be able to build teamwork and maintain long-term working relationship with employees.

7. Time –management Skills

Time is the most valuable resource of man. Management of time is important for timely implementation of suggestions by clients. Time is fixed for all and time cannot be saved or stored. The important aspect of time management is defining priorities that is putting first things first. 'Planning your work and working your plans' is the essence of time management. A consultant has to deliver the right services quickly at the place assigned to him and within the time that is allotted to him.

3.8 The Consultant – Client Relationship

The consultant-client relationship implies dealings or interactions over time. The duration of relationship depends on the nature and extent of services rendered by the consultant. It may be one that lasts for days or weeks for solving specific problems like event management, building design or interior decoration. Consultants may also build up long lasting relationship with clients in areas like investment, tax or software consultancy.

The role of consultant has a direct bearing on consultant-client relationship. In this context, the consultant has certain duties towards the clients and strict adherence to certain guidelines. These duties are⁶:

⁶ Walsh, John E (Jr.), *Guidelines for Management Consultants in Asia*, APO, Tokyo, 1973, pp. 35-77.

1. **Providing clients with information.**

Consultants have to provide information to their clients both external and internal to their organisations. External information relates to aspects such as economic, political and commercial relevant to the clients' problem. The internal information relates to the client's own organisation, its structure, strengths, efficiencies and inefficiencies. In helping the clients to obtain information, the consultant must keep up with the latest knowledge and developments in the respective areas.

2. **Providing clients with techniques.**

In the consultant-client relationship, the consultant has to provide practical methods that help the clients in achieving desired objectives. These techniques are broadly divided into technical and managerial. When a consultant diagnoses a problem calling for expertise in a particular technical area, he should make it clear to the client that a specialised technical consultant is required. Managerial techniques include flow charts and diagrams, control charts, budgets, cash flow analysis etc.

3. **Providing clients with an objective point of view.**

A consultant should have an objective point of view when gathering information and conveying opinions to the clients. The client looks upon a consultant as an interested party receiving objective information from

him and advising him what to do. The consultant must be not only objective but also informed so that he remains in the superior position.

4. **Providing clients with Problem Diagnosis and recommendation**

Among all the consultant-client relationship roles, providing clients with problem diagnosis and recommendation is the most difficult one. This is because the consultant must tell the client what is wrong, what to do and how to do it. There are also chances of disagreement or conflict between consultant and client in this respect. But diagnosing problems is the critical task of a consultant. He must have skill and expertise since there are no rules of thumb for making the diagnoses. However, consultants can follow different approaches developed by researchers for diagnosing and recommending solutions and prepare a checklist of the procedures to be followed at different stages of their work.

5. **Providing clients with final report and follow up**

A consultant's report is a formal statement of the results of an investigation or of any matter on which definite information is required, as directed by some clients. Every report should contain a statement of the problem; the procedures followed to solve the problem, the conclusions reached by the consultant and his recommendations including follow up measures. The structure of the report, its length and degree of details should be decided in advance by the consultant and client prior to the start of an

assignment. It is the practice of consultants now-a-days to submit shorter reports with more detailed appendices since a typical client often doesn't have the time, patience and skill to read voluminous reports.

3.9 Consultant-Client Interface in Consulting

Personal selling is viewed as the most important promotional tool of consultancy services. It helps the consultant to make direct contact with the clients, facilitates two way communications and builds confidence among the clients. Moreover, the buying behaviour of individual and corporate clients dictates that the consultants themselves can only undertake effective personal selling in the context of consultancy services. As W.J. Wittreich puts it: "a professional service can only be purchased meaningfully from someone who is capable of rendering the service".⁷

Personal selling in consultancy services is a long drawn process, which involves a series of sequential steps. Fig. F7 indicates the various stages involved in successfully selling a professional service-offering to a prospective client.⁸

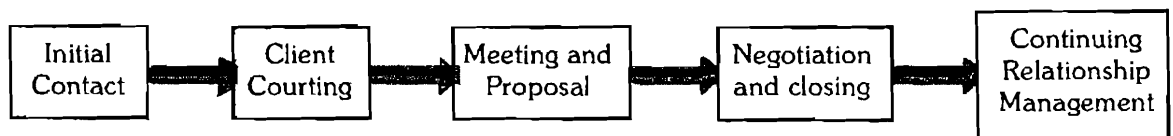


Fig.F7 The Personal Selling Process

⁷ Wittreich, W.J., "How to Buy/Sell Professional Services", *Harvard Business Review*, March- April, 1966, pp., 127-138, Source: Morgan, Neil, A, *Professional Services Marketing*, Butterworth Heinemann Ltd., Oxford, 1991, p.163.

⁸ Morgan, Neil, A, *Professional Services Marketing*, Butterworth Heinemann Ltd., Oxford, 1991, p.164.

1. **Initial Contact**

The initial contact between the client and the consultant is obviously the first step in personal selling process. A consultant cannot always expect clients to knock on his door for professional help. An enterprising consultant needs prospective clients for business development and a large segment of target clients are left out in the absence of proper marketing communication. Therefore, it is necessary to contact new and prospective clients either by calling personally, mailing or conducting seminars, workshops etc. Some referral sources can also be made use of by the consulting firms for making initial contacts with prospective clients.

2. **Client Courting**

At this stage the task of the consultant is to sustain the interest of the prospective client and build confidence in the firm. Client-courting involves focusing upon the client's problems and diagnosing the problem through listening, questioning, information gathering and reference to report on client problems. The consulting firm may also introduce its key personnel to the prospective client at this stage and also inform him about the experience and success stories of the firm. The object of client courting is to instill confidence in the minds of prospective clients.

3. **Meeting and Proposal**

If the courtship is successful the next step is a meeting between the prospective client and the consultant. It is a new business discussion in which a written or verbal proposal is presented to the prospective client for proceeding with the consultancy work. The proposal contains an in-depth analysis of the problem facing the client, the solutions offered and the benefits expected of the solutions. The consultant may explain how the solutions are going to benefit the client or minimise the negative effects.

4. **Client Negotiation and Closing**

In order to reach this stage of the selling process the consultant has to convince the prospective client that the client problem has been analysed thoroughly and the solution offered by him is appropriate and the consulting firm is capable of providing it. The prospective client may express concerns or raise objections to the solution or service offered. It may also relate to the staff, fee or timing of services. But the consultant can surmount these objections or concerns by negotiation and settlement.

Closing and satisfying the prospective client is the last step during the meeting. It is also an important part of the negotiation process. Closing involves agreement and determination of the prospective client's readiness to accept the service and close the negotiation. The consultant can close the meeting with a statement confirming the prospective client's sound

business decision and reemphasising the firm's willingness to help the prospective client in doing better in his business.

5. **Client Relationship Management**

The success of any consulting firm as in the case of any service firm is dependent not upon getting new clients but upon retaining the existing clients. Therefore, it is essential that a consulting firm maintains good relationship with the clients. Clients always prefer to approach a consultant with whom they have some past experience or business dealings. Taking followup actions and evaluation of the effectiveness of the meeting can contribute to building sound relationship with clients.

3.10 Guiding Principles of Consultancy Services

There are no common guidelines or code of conduct applicable to all types of consultants. Professional bodies like Association of Management Consultants has their own code of ethics applicable to their members. Consultants in different areas have to follow the rules and regulations relevant to their respective areas. For instance, an investment consultant has to follow the Securities and Exchange Board of India (SEBI) guidelines while rendering portfolio management services. Similarly an architect has to follow the guidelines stipulated by local bodies in designing a building structure. Thus it is very necessary that consultants adhere to some principles in the consultant-client relationship.

Walsh, John E (Jr.) gives the following six guidelines for consultants. Though these are intended for Management Consultants, these are also relevant to consultants in other areas. These guidelines are:⁹

1. Consultants shall start their assignments on schedule and follow a systematic plan.
2. They should not get involved in matters not included in their assignments.
3. A consultant should remember that he is primarily an advisor and not a decision-maker; and, therefore, not put pressure on the client to make decisions, which, a consultant feels, are necessary.
4. It should be made clear at the outset that a consultant is an ordinary person and that the client should not expect miracles. There can be a great difference between what the client expects and the best any consultant can do for him.
5. They should not jump to conclusions too quickly, but make sure that necessary facts are collected by holding preliminary talks with the clients before submitting written reports.
6. They should not openly criticise client's personnel or method of operation.

⁹ Walsh, John E (Jr.), *Guidelines for Management Consultants in Asia*, APO, Tokyo, 1973, pp. 23-25.

It may not be out of place to state the nine points' code of professional practice laid down by the Association of Management Consultants in the USA. These are reproduced below:¹⁰

1. Management consulting is a profession and, therefore, consultants must adhere to professional standards of practice.
2. A member will not accept an engagement unless he has reason to believe that tangible results can be obtained for the clients.
3. Information gathered on assignments will be held in strictest confidence.
4. A member will not accept assignments to serve as a tool for management to carry out plans which he has agreed to in advance, and to which the member disagrees.
5. A member will advertise and promote his business in a professional way only.
6. A member will not accept fees, commissions or kickbacks as a result of recommending equipment, supplies, or services without the knowledge of the client.
7. He will not at the same time serve two or more clients who compete with each other without the full knowledge all parties.

¹⁰ Walsh, John E (Jr.), *Guidelines for Management Consultants in Asia*, APO, Tokyo, 1973, p. 198.

8. He will strive to improve the effectiveness of the work of all Management Consultants.
9. Failure to adhere to the foregoing Code of Professional Practice is a basis for isolating him from the professional body.

3.11 Technological Development in Consulting

Development of technology plays an important role in consultancy services. Consultancy procedures will become well-developed systems using data base and information technology. Information technology will be increasingly used for service delivery process. Strategy for adoption of information technology will be linked with the overall business strategy of efficiency and competitiveness.

Proprietary and public domain databases will be widely used by consultants. Consultants will also develop databases on their own and share them as value added products. Modeling and simulations will be on the increase. Scientific approaches to analyse client's problems will ensure greater client satisfaction.

Consultants will employ inter disciplinary technician and experts for making socio-economic analysis and future predictions. It is possible to integrate consultancy with other activities like recruitment, training and development. There is also scope for networking by consultants using

information technology. Consultants may also share common facilities like offices, human resources and equipment.

3.12 Emerging Trends

In recent times consultants began assimilating at a fairly rapid pace, innovative and radical new solutions, tools and techniques. Consulting firms leveraged their traditional consulting skills and experiences to help individuals and organizations to implement changes and new development in their fields of operations.

Consultancy services have moved from being based on creation of new knowledge to application of new knowledge.¹¹

Fundamental to this transition is the speed of technical and innovation change. The faster the change, the more challenging it is to be at the frontier of new knowledge for consultancy organization.

The emergence of new technology – driven business systems such as typified by e-commerce, presents a real challenge to consultancy firms as they are likely to be more knowledge seekers rather than knowledge-creators. They are therefore, not necessary at the most favourable position in the consultancy value chain. The new business system also emphasizes a much more integrated perspective of technical change and business systems than

¹¹ Prof. M.G. Korgaonker, ICICI, Chair Professor & Head, Schools of Management, IIT, Bombay: “Consulting – Endgame or New Beginning?”, *The Economic Times*, Mumbai, Tuesday 30, January 2001.

has been the case in the past. Established consultancy firms will take a while in putting in place internal systems, human resource, structures, knowledge basis, required to provide effective solutions in a dynamic technological environment.

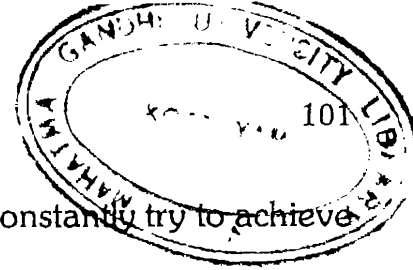
3.13 Future Outlooks

India is currently witnessing rapid changes on the economic and industrial scene. The bold initiative taken by the Government to liberalize the economy has forced individuals and business organisations to reexamine their current approaches and develop new strategies to organise and do business. Productivity and efficiency have added new importance in managing business to maintain competitive position. Individuals and organisations face new problems in the present competitive scene. It is in this context that consultancy services have become very crucial for the growth of industry and economy.

Consultancy opportunities will increase in areas like management consultancy, information technology, market research etc. The consultant will be more professional, demanding and seeking tangible results. He will get repeat orders by providing quality service followed by service guarantee. The client feedback in the market will continue to be the determinant for selection of consultants.

With the accelerated pace of economic reforms and liberalisation, powerful winds of change are sweeping through Indian organisations. The consultant must be proactive to the changes acting as an agent of change. He

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must adopt new work culture, attitude and ethics and constantly try to achieve competitiveness.

A consultant will have to expand his knowledgebase and ensure that it is constantly updated. In a rapidly changing world, innovations are taking place at a breath taking speed. We are observing not only obsolescence of products but also of services. A consultant must innovate new ideas and solutions for solving clients' problems. He must bring new knowledge and impart new skills to clients, interpret new theories and set new standards of performance.

A consultant must develop a close and long lasting client relationship. He must develop a new value system in which total commitment to the client is the ultimate objective.

The value system must ensure client-satisfaction in delivering the services, maintaining work schedules, and most importantly, focusing on the client's interest at all times. The consultant will be increasingly called upon to get involved in the implementation of recommendations. In short, the relationship between a consultant and his client will be strong, intimate, facilitating and mutually beneficial.

3.14 Consultancy Services – Opportunities in Kerala

The State of Kerala could not attract major investments in large industries due to its special geographical and sociological conditions. But the

State with high-quality human resources is the best suited for the growth of low investment, high-technology service industries. The State has already shown its leadership in traditional service sectors like banking, insurance, transport and communication. Now there is good untapped potential in the area of higher education, tourism, information technology, software development etc. The State has achieved unparalleled growth in areas like literacy, health care, standard of living, women employment etc. Consultancy Service is an area with good opportunities for development in the State. It is imperative at this stage to explain the nature and process of consultancy services in certain important areas relevant to the State of Kerala.

1. **Project Consultancy**

Project consultancy is an integrated advisory service given to a client in setting up of new industrial or commercial project. These include preparation of project reports, conducting economic and technical feasibility studies, obtaining necessary legal clearances, arranging finance for projects, sourcing of plant and machinery, logistics management, planning men and materials, arranging financial and technical collaborations, marketing tie-ups etc.

There is good potential for project consultancies in Kerala in areas like setting up of small scale enterprises, infrastructure projects, hospital projects, hotel and tourism projects, amusement parks, pollution control

plants, energy conservation projects, effluents and waste-water treatment plants etc.

Kerala, better known as 'God's Own Country' in the tourism circle, is famous for its long coastlines, idyllic backwaters, cultural heritages, ayurvedic treatment, yoga etc. Consultants have good opportunities in giving expert advice in setting up new projects in the areas of ecotourism, backwater tourism, heritage tourism, ayurveda and yoga therapy etc.

2. Architecture and Design Consultancy

Architecture, civil engineering and building design offer tremendous opportunities for consultancy services in Kerala on account of the booming construction industry in the State. Architects are professionals who design buildings and structures with practical knowledge of civil engineering and construction materials. They provide expert advice on planning, design, construction and maintenance of high-rise buildings, structures, dams and bridges, tunnels, pipelines and transportation systems including highways, ports and airports. Engineering-consultancy services in related areas like water-supply systems, waste-water disposal, effluent treatment plants in factories etc. also provide good opportunities for consultants.

3. Interior Design Consultancy

Interior designing and decorating, exterior finishing and landscaping offer good opportunities for consultants in these areas. Professionals in these

fields are involved in the designing of the interiors of any construction, structure or building. They work closely with architects, structural engineers and other technicians. They give expert advice on the efficient and economic usage of space to suit the purpose for which the construction is made. They prepare a blueprint of the complete design, layout and ambience of the space ensuring the most suited indoor environment for the construction. They are also responsible for selecting the right furnishings, lighting and furniture to enhance the décor and style of the interiors. The work of interior designers and decorators extent to large residential houses, hotels and restaurants, heritage buildings, jewelleryes, textile showrooms, corporate head offices etc.¹²

4. **Software Consultancy**

The fast growth of Information Technology (IT) in recent years opens new vistas for consultancy services on computerisation, networking and software development in the State. The State has taken some major initiatives in the development of Information Technology by establishing software parks at various centres. The efforts of the Government to make the State one of the most IT savvy States together with the availability of high quality human resources offer excellent opportunities for IT related services in the State.

¹² Space Designer, *The Hindu - Opportunities*, Kochi, Wednesday, August 1, 2001.

Software consultancy has good potential for developing special application software for government offices, banking and insurance institutions, railways, airlines, stock broking firms etc. from domestic and overseas clients. The IT initiatives of business establishments and corporations require software for office management, inventory control, payroll accounting, hospital administration, hospitality management etc. There are also good prospects for software development for educational programmes, entertainment, Internet services, web designing, graphics and animation.

5. **Management Consultancy**

Management consultancy services are still in the nascent stage in the State on account of the poor growth of the industrial sector. With the liberalisation of the economy and increased competition, industrial units are facing a number of problems. The role of the management consultant comes in this context. A management consultant provides expert advice on a vast area of managerial problems. These include designing organisational structure, downsizing, mergers, acquisitions, foreign collaborations, cost reduction strategy, total cost management, advertising, marketing research, quality control, ISO Certification, rehabilitation plans, devising infotech strategies, risk analysis and management, setting up of performance evaluation, protection of Intellectual Property Rights, Trade Marks and Patent Rights etc.

6. **Investment Consultancy**

Growing investment culture and greater awareness of the potential of stock market in recent times led to a substantial increase in the number of equity investors in Kerala. A large number of them are non-resident Indians working in the Gulf countries. Investors in the stock market need timely and accurate information for making investment decisions. The developments in the capital market particularly the entry of Foreign Institutional Investors (FIIs) and private sector mutual funds call for greater professionalism in investment decisions.

Investors seek expert advice from consultants for investment decisions in the wake of uncertainty, price volatility and greater regulation of stock markets. Merchant Bankers, Fund Managers, Financial Consultants and large brokerages are now offering investment advice to clients especially high net-worth investors and NRIs. They can give expert advice to clients to reduce risk and maximise return on investment.

The areas of advice include:

- Selection of companies for investment based on equity research, fundamental and technical analysis.
- Selection of securities like equity shares, debt instruments, derivatives, mutual funds etc.

- buy, hold or sell advice
- Advice on services like broking, dematerialisation, custodial services etc.¹³

7. **Educational Consultancy Services.**

Educational consultancy offers excellent opportunities in Kerala. The number of students seeking professional education outside the State and in foreign universities is increasing in recent years. The recent policy of the State government to allow private sector in professional education in the State requires the services of consultants in the field of setting up of professional institutions in the areas of engineering, medical science, biotechnology and business management. Educational consultants can also give expert advice on course contents and curriculum development, faculty positions and development, affiliation with international universities, accreditation by National Accreditation Council and All India Council for Technical Education (AICTE), ISO certification process, upgrading of institutions into learning centres of excellence, collaboration with industrial undertakings and placement services.

8. **Employment / HR Consultancy**

Employment and placement consultancy has good avenues for growth in Kerala with large number of educated unemployment youths in the State.

¹³ "The Price of Investment Advice" - *The Hindu*, Kochi, August 13, 2001.

It requires only moderate investment, an office in a good location with phone connection and a few marketing staff. A personal computer with Internet and online service facility is an added attraction.

An HR consultant or through his marketing executives meets corporate clients and finds out their manpower requirements. He then enters into contracts with the clients for recruitment and placement services. The consultant maintains a list of candidates seeking placement services, their bio-data and personal resumes. After receiving the client's specific requirements regarding career positions, job requirements, age of candidates, education, experience and training, the pay package and so on, the consultant now shortlists the candidates from the list of registered candidates. Sometimes a screening test may be conducted to shortlist the eligible candidates. The shortlisted candidates are sent to the client's organisation for interview and final selection. The bio-data and resumes of candidates, which they are not able to consider for current position, are used for future recruitment purposes.¹⁴

At present the HR consultancy services in the State are limited to positions at middle level in the fields of management, administration, software personnel and manpower requirements of foreign corporate clients. With the picking up of corporate culture in the State there is potential for placement services in positions at lower levels like sales personnel,

¹⁴ "A career About making careers," *The Hindu Metro*, Kochi, November 19, 2001.

operating staff, office assistants, security services, nursing and paramedical services etc.

9. **Event Management Consultancy**

Event management is fast emerging as a profitable business service in recent years. Individuals, organisations and companies, big or small are seeking the advice of professional consultants to plan and organise events successfully attracting the respective audience for whom these are intended and attaining commercial value. There can be any type of event for which consultancy may be sought like charity shows, product launches, concerts, fashion shows, beauty contests, trade fairs, jubilee celebrations, movie releases, felicitations, wedding parties etc.

The work of an event manager begins weeks or even months before the actual event. Depending on the type of event, he builds a concept around the event and makes sure that it is a commercial success. He designs the basic framework of the event and then prepares the marketing plans. He has to work on the logistics, locate the site, enter into contract with suppliers and performers, give necessary publicity, media coverage and on the date of the event he plans, co-ordinates and manages every aspect of the conduct of the event. It requires a lot of ingenuity and imagination, creative thinking and problem solving skills to be a successful event manager.¹⁵

¹⁵ Opportunities, *The Hindu*, Kochi, Wednesday, March 28, 2001.

3.15 Consultancy Marketing – The Concept

The application of the concept of marketing in consultancy services is a recent phenomenon. Since time immemorial, consultants have been making available the specialised services, though not in the present nature and form. The hermits, saints, gurus etc. were all invited to give expert advice, but not on payment basis. This makes it clear that consultancy services were available but the consultants were not found charging fee or commission for their services.

Now-a-days consultancy services are organised just like any other services. They are now run as a full-fledged business strictly on commercial lines. A number of consultants have been found engaged in the process and they have been found selling their services for a price. This has paved the way for conceptualising marketing in the consultancy services. The growing significance of innovative ideas expertise mainly to excel competition paved avenues for practicing marketing.

An individual or an institution started the process of marketing the consultancy services on national and international levels for making profits which made the business conditions competitive. Since then the marketing concept has gained an outstanding significance. With the application of marketing concept, the professional excellence could get due weightage in the entire process of consultancy services.¹⁶

¹⁶ Jha, S.M., *Services Marketing*, Himalaya Publishing House, Mumbai, 2000, p. 383.

The aforesaid facts make it clear that materialism paves the way for selling the services, which necessitates a strong foundation for the application of marketing concept. Thus in consultancy marketing the emphasis is on marketing of expertise by an individual or an organization where they formulate the marketing mix and keep on moving the process of innovating the decisions to establish their edge on the competitors.

In the marketing front the consultants are expected to provide quality services to their clients and prospects. They are supposed to act as true professionals. They have to innovate their ideas and services according to the changes in market conditions. They have to follow appropriate pricing and promotion strategies. They have to strive for processing the service so as to bridge the gap between services promised and services offered.

3.16 Need for Consultancy Marketing

Initially many consultancy firms are passive in the extreme, waiting for clients to come to them and viewing marketing activities as unnecessary or even forbidden. One of the reasons put forward for this response to marketing is that the employment of strict codes of conduct governing many professions particularly those regulations concerning advertisement and promotion, has been equated to anti- marketing.

Another reason for the virtual rejection of marketing has arisen from the traditional strength of professional consultants in the market place. They

were limited in number and had almost zero substitutability for their services. This is different to other types of services with relatively high substitutability and competition in the market place.¹⁷

The organisation structure is yet another reason for the constraint in adopting marketing by consultants. The management structure is often based on partnership or single ownership and not necessarily based on functions or roles. Time constraints imposed on consultants who actually carry out interdisciplinary services also prevent the adoption of marketing principles in consultancy services.

Of late, there has been a proliferation in the number of consultants and consultancy organisations. This is due to a number of factors including the growth of business activity in general and demographic changes and the more widespread accessibility of professional education and training. The number of practitioners competing in the market has grown substantially and the degree of service provider substitutability has grown likewise. The effect of this has been increased competition and the effects of economic slowdown have led to further intense the competitive pressure. This situation would appear to underline the need for effective marketing by consultancy services to ensure survival, profitability and growth. In essence, sound business and management practice call for the implementation of proactive marketing programmes and strategies.

¹⁷ Woodruffe, Helen, *Services Marketing*, Macmillan India Ltd. New Delhi, 1999, p. 268.

The following points make it justifiable to apply modern marketing principles to consultancy services:

1. **Growing importance of specialised knowledge**

The application of specialised or expert knowledge gaining importance in almost all areas. The mounting competition in the business environment makes it essential that we assign an overriding priority to specialisation or expertise. The inventions and innovations, growing importance of sophisticated technologies, continued efforts to keep on moving the process of qualitative transformation are some of the important factors making consultancy an immediate solution. It is not possible for an organisation to establish an independent cell for all the consultants. Therefore, it is imperative to hire the services of professional consultants. This necessitates developing services on an organised basis and practising marketing appears to be an effective proposition.¹⁸

2. **Obtaining Impartial View**

The objective of obtaining impartial views necessitated the application of marketing principles in consultancy services. It is but natural that those employees serving in an organisation are influenced by a number of considerations which complicate the process of obtaining views without

¹⁸ Jha, S.M., *Services Marketing*, Himalaya Publishing House, Mumbai, 2000, p. 384.

any prejudices. Consultancy marketing gained popularity since it helped in getting the impartial views.

3. Enhancing Service Quality

Consultancy organisations need marketing to understand client needs and wants. They have to develop and operate the most appropriate product or service offerings to meet those needs. Marketing is aimed at enhancing service quality, thus ensuring client satisfaction and goodwill and building the organisation's reputation.

4. Communicating Service Offerings

The marketing practices in consultancy services became essential to avail the services of efficient consultants. The consultancy organisations need to inform the market about their offerings simply to communicate their availability to the public who may not be well informed. Marketing helps them in getting detailed information regarding the availability of consultants in the different areas and their services.

5. Making the Consultancy Services Productive

Marketing principles has the efficacy to make the services cost effective. It has also been found essential for accelerating productivity and maximising profitability. Marketing is essential to become more business oriented in the highly dynamic competitive environment. An individual

or an institution invests substantially for enriching the credentials or developing professional excellence. It uses the services of a consultant for making profits or personal gains. This engineers a strong case for marketing of consultancy services.

6. Adapting to shift in Management Philosophy

Marketing is now accepted as the way of business life. The primary function of a firm is now to market the goods and services, production of goods or rendering of services is only auxiliary to its marketing task. Service firms are not exceptions. In the present environment of competition the success of a consultancy organisation is depended mainly on how well its services are marketed.

7. Bringing necessary change in the Organisation

Marketing principles have changed the entire orientation of a service organisation. Previously a consultancy firm was service-oriented and little attention was paid to the client's needs and expectations. The modern organisation is client-oriented and takes direction from the mandates of the market. Thus marketing acts as a change agent and makes the firm proactive to client's needs and wants.

8. Helping the firm in Decision-making

An organisation that has adopted the marketing philosophy realises that marketing factors are decisive in most areas of business decisions.

Management decisions relating to determination of service portfolio, development of new services, offering the existing services to new markets etc. depend to a great extent on marketing aspects. Thus marketing management plays a vital role in most business decisions.

3.17 Approaches to Consultancy Marketing

According to Dick Connor and Jeff Davidson¹⁹ there are five approaches to consultancy marketing. They are the following:

1. The marketing-driven approach

This approach is based on advertising, heavy promotion and emphasis on image development. Firms following this approach focus on getting known in the community or region as providers of good products and services at reasonable prices. In addition to costly and time-consuming, self-promotion, this approach also requires the development of aggressive personal selling skills.

2. The market-driven approach

The market-driven approach has a subtle word difference with the marketing-driven approach. It focuses on building relationships with key players in the market and developing an understanding of the general

¹⁹ Connor, Dick and Davidson Jeff, *Marketing Your Consulting and Professional Services*, John Wiley & Sons, Inc. New York, 1997, p. 9.

needs of the market. However, in this approach there is no individual client level analysis as is done in client –centred approach.

3. **The traditional marketing approach**

Under this approach the consultant provides good products or services to meet the general demands of the marketplace. The client chooses a consultant by reputation. The service provider misses opportunities to be of service because of failure to be attuned to recognising clients needs. This approach is reactive to clients only when they approach the consultant for his services.

4. **The hard-sell marketing approach**

This approach puts emphasis on communicating about their firms, their products and services. They assume that growth is largely the result of being known, instead of focussing on providing solutions to the problems of their clients. Obviously, the clients and prospective clients dislike the hard-sell approach.

5. **The client-centred marketing approach**

The client-centred marketing approach involves developing a superior, continuing relationship with the most desirable clients in the market to ensure retention of existing clients and attracting new prospects. Once the relationship is established, the task of the service provider is to sense,

sell, serve and satisfy the needs and expectations of the clients. A value-based relationship creates a high degree of interdependence and is often called a win-win relationship.

Of the above approaches the client-centred marketing approach is considered to be the most appropriate and suitable for consultancy services. The client-centered marketing approach is the important method of marketing followed by many service providers. It is a core business process that makes an individual client or high potential prospect in a target market the focus and the beneficiary of the services. The object of client-centred marketing process is to produce and deliver value to the clients and leverage the activities of the consultant to ensure the satisfaction and long term relation of key clients.

The strategic decision to employ client-centred marketing encompasses:²⁰

1. Selecting a target market niche for special attention.
2. Developing an insider's understanding of the market as a means of identifying current and emerging needs of clients.
3. Preparing, positioning, promoting and providing value-adding solutions to client's problems.

²⁰ Connor, Dick and Davidson Jeff, *Marketing Your Consulting and Professional Services*, John Wiley & Sons, Inc. New York, 1997, p.6.

4. Leveraging the time, resources and relationships available to the service provider.

The principles of marketing are very well applied to services marketing. Consultancy services is not at all an exception to this. The following chapters analyse the application of marketing principles to consultancy services.