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## **INDEPENDENT CONSULTING AND THE NEEDS OF POLISH ENTERPRISES**

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This article regards independent consulting for companies. Its aim is to present the role of independent consulting in aiding the managing of Polish companies. The basis of the author's consideration has been provided by selected results of the research which she conducted herself during 1997-98 and dealing with the role and place of independent consulting in the management of Polish companies. The article presents the following issues in order of their appearance and description on the conducted research and brief characterization of the companies under research; motives for employing independent consultants; subject of consulting, identifying the role played by the independent consultants; evaluation of results obtained by independent consultancies; demand for consulting services.

### **INTRODUCTION**

The need to obtain independent advice is as old as the world itself, and is expressed not only by individuals but also by various organizations, and has become nowadays more pronounced - and the institution of an independent consultant is gaining importance.

At present, independent consulting constitutes a sector of the economy in which the biggest operators equal such representatives of other sectors regarding their turnover and number of employees. This sector shows a yearly growth rate of 20%, new consulting companies are being established and growing numbers of consultants register their activities (in Europe itself their number has grown from 80,000 in 1980 to 120,000 in 2000), and the sector is achieving a growing turnover (the turnover of consulting companies worldwide has grown from \$9 billion in 1984 to \$31.5 billion in 1994; Barlik 1996, Chroscicki 1997; Management in the World 1996). On one hand it documents the high levels of supply of consulting services, and on the other hand, it reflects the growing demand for such services. And it is the need for independent advice which results in such enormous interest in consulting services.

There are a variety of reasons behind such a strong interest: problems which cannot be solved without help from elsewhere, the need to have one's ideas

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approved, the breaking down of the risk barrier in starting new activities, the search for new directions in development. In all these, there is a need for assistance from outside, from someone not involved in the day-to-day affairs of the company, from someone with more knowledge and experience.

Independent consulting in Poland went through a period of rapid development when our country started on the road of system transformation. In order to be able to stand up to the demands of a market economy, to create conditions of retaining their competitive position in the market, economic subjects had to undergo a concentrated in time process of restructuring and renewal. The awareness of our limited ability to conduct such a change independently and the pressure of time led to the situation in which companies looked mostly outside for assistance. The rush for consulting services among Polish companies results from the problems they experience (crisis, failures, errors) and the need for renewed and new development directions. This process of absorbing advice constitutes the main, but not the sole, motor for development of independent consulting in Poland. One can expect that during the next few years the dominant role in shaping independent consulting in Poland will still be played by companies and their needs; however, the needs of companies change and they cause changes in consulting services.

The literature of the subject pays more and more attention to the issues of external consulting (Biswas, Twitchell 1999, Chroscicki 1997, Fuller 1999, Kubr 1993, 1996, Margerison 1995, Markham 1997, Schaffer 1997, Stecki 1997, Szeloch 1992). The wealth of specialist literature forces reflection, and the intensity of these trends suggest the need for an analysis of the experience of the part of users of consulting services. The aim of this article is to present the role of independent consulting in aiding the management of Polish companies. The author's considerations are based on the research in the period of 1997-98 regarding the rôle of independent consulting in managing a Polish company. The author presented detailed findings of this research in her doctoral thesis: "The role of independent consulting in company management".

The following aspects are presented in this article: a description of the conducted research and a characteristics of the companies involved, the motives for employing independent advisors, the subject of their consultancy, identifying the roles played by independent advisors, evaluation of the results obtained from independent advice, and the need for advisory services.

## **1. RESEARCH METHODOLOGY AND ENTERPRISES' DESCRIPTION**

The research was based on a form of questionnaire, directed to enterprises (medium and large), and the subject of research in each case was independent advice obtained by the companies in 1989-1998.

The research was conducted in 1997 and 1998. 485 questionnaires were sent out, and 46 were subsequently returned (a return of 9.5%), therefore 46 enterprises were examined and the analysis concerned 128 examples of advisory service.

In this sample there were 31 public limited companies (67.4% of the enterprises examined), 11 limited liability companies (24%), two companies own the State Treasury (JSSP 4.3%), one state-owned company and one state-owned company operated in form of a managerial contract (4.3%). The majority of examined enterprises (32), were originally state-owned. As to the object of their activities, 87% of them were manufacturing companies, the remaining 13% were made up of service and trade enterprises.

The examined sample of enterprises came from electro-technical and electric industries (8), transport (5), the metal industry (5), the chemical industry (5), the machine industry (4), building materials (3), and the food industry (3).

The majority of the examined enterprises were large, employing over 250 people (74% of the companies tested), and medium-sized, with employees numbering between 51 to 250 (26%).

## **2. MOTIVES FOR EMPLOYING CONSULTANTS**

The most frequently given reason for employing consultants was the shortage of own specialists (Figure 1). It was not, however, a dominating reason, mentioned in only 51% of the analysed consulting services. Among other reasons were: the need for someone experienced (38%), the need for additional information (20%), request from 'above' (i.e. ministry, banks) (12%), and their own specialists were too busy (9%).

It can be said on the basis of the conducted research that the decision to employ the services of consultants resulted, in the majority of cases, from the internal needs of the company (lack of own specialists, the need for an independent opinion, the need for someone experienced). Only in 12% of cases it was forced by the Ministry of Privatization, banks, certifying institutions or supervisory bodies.

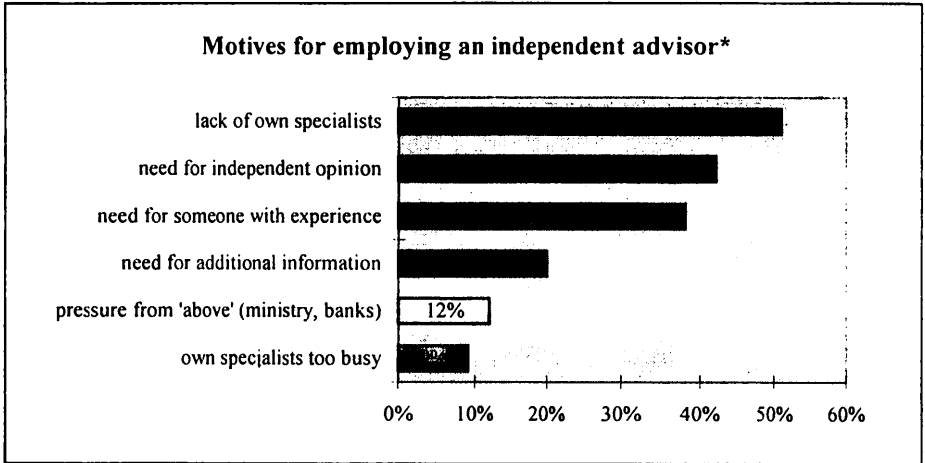


Figure 1. Motives for employing an independent advisor (given the possibility of indicating more than one answer).

Source: own research Czura 2000.

### 3. THE SUBJECT OF CONSULTING SERVICES

There were no dominating specific areas of advisory services (see table 1). The biggest part in the analysed group of services dealt with the following subjects: assessment of financial position (15% of analysed services), quality control (15%), analysis of restructuring projects (14%), which points to the highest degree of demand in such areas. Next (according to size of share), were advisory services in the areas of: law (8% of services), strategy (6%), marketing (6%), change of form of ownership (6%), creating and managing integrated information systems (5%), controlling (4%), management of human resources (4%), advice on economic co-operation (3%), tax advice (3%), lean management (2%), valuation of fixed assets (2%), technical expertise (2%), consulting regarding operational and logistic solutions (1%), evaluation of an organization (1%).

It can also be said in view of the conducted research that in general, as has already been mentioned, the biggest recipient of advisory services was made up by enterprises from the electrochemical and electrical sector. These enterprises used 21 kinds of consulting services in such areas as: assessment of financial position (5), quality control (4), analysis of restructuring projects (2), marketing (2). Companies from that sector, characterized by strong competitiveness and the need for and necessity of introducing innovative activities, are forced to represent an 'adequate' level of development and present a 'suitable' offer.

Table 1  
The structure of analysed services according to the areas of consulting in the period  
1989-93 and 1994-98

Areas of consulting		1989-	1994-	1989-	% 89-98
		93	98	98	
assessment of financial position (financial analysis, auditing)	no. of services	8	11	19	15
	%	40	60	100	
quality steering (training and implementing systems guaranteeing quality compatible with ISO standards)	no. of services	7	12	19	15
	%	40	60	100	
analysis of restructuring projects (repair programs, business plans)	no. of services	4	14	18	14
	%	20	80	100	
legal advice (current legal services, agreements with banks, liquidation and bankruptcy)	no. of services	4	7	11	8
	%	40	60	100	
strategy (assistance in defining missions, long-term objectives, allocation of assets, SWOT analysis)	no. of services	1	7	8	6
	%	10	90	100	
marketing (market research, promotional campaigns, marketing strategies)	no. of services	1	7	8	6
	%	10	90	100	
reprivatization (choice of privatization route, preparing of documentation, appraisal of value of company, strategy of issuing shares)	no. of services	4	4	8	6
	%	50	50	100	
creation and management of integrated information systems	no. of services	2	5	7	5
	%	30	70	100	
Human Resources Management (preparing motivation systems, evaluating work, recruitment of employees)	no. of services	1	4	5	4
	%	20	80	100	
controlling (for example organizing profit centres and cost centres)	no. of services	3	2	5	4
	%	60	40	100	
consulting regarding economic co-operation (finding collaborations, intermediary role in foreign trade)	no. of services	1	3	4	3
	%	25	75	100	
tax consulting	no. of services	0	4	4	3
	%	0	100	100	
lean management, lean production (including autonomization of internal units)	no. of services	2	1	3	2
	%	70	30	100	
appraisal of fixed assets	no. of services	0	3	3	2
	%	0	100	100	
technical advice (implementing new technologies, environmental protection)	no. of services	1	1	2	2
	%	50	50	100	
consulting in operational and logistic solutions	no. of services	0	1	1	1
	%	0	100	100	
management through objectives	no. of services	0	1	1	1
	%	0	100	100	
assessment of organization (improving organizational structures, organizing work)	no. of services	0	1	1	1
	%		100	100	
inclusive service: marketing, strategy, HRM, logistics, assessment of organization.	no. of services	0	1	1	1
	%	0	100	100	
total	no. of services			128	100
	%			100	

Source: Own research (Czura 2000).

Hence probably there is such a large participation of companies from that sector in the researched sample and use of auxiliary services discussed previously (quality control, assessment of financial condition, analysis of restructuring projects, marketing).

The research findings suggest also that a great demand for external consulting services also occurred among enterprises from the metallurgical sector (15 services). In this group the largest share of services came from the following areas: analysis of restructuring projects (3), quality control (3), as well as management of human resources (2) and lean management (2). In the group representing transport services (14 services), the biggest share of advisory services was connected with the areas of: quality steering (4), creating and managing integrated systems of information (2) and controlling (2). This sector resembles the sector of the electro-technical and electrical industry (strong competitiveness, the need for constant innovation). The companies operating in this sector face challenges and demands similar to those of the latter sector (especially high quality, efficient flow of information, cost management, etc).

#### **4. IDENTIFICATION OF ROLES FULFILLED BY EXTERNAL CONSULTANTS**

What were the roles of the consultants employed, i.e. what was their attitude towards the tasks, either consistent with the expectations of the companies in question or not? The answers given depended in my opinion on the kind of services provided (subject of consulting) and on the requirements addressed to the consultants, regarding their work and its results.

The participants frequently indicated various roles fulfilled by the consultants in the whole advisory process. The most frequently mentioned (table 2) was the role of 'a temporary specialist offering his services'. Such a role was indicated in 55% of the examined services. Next were the roles of: 'supplier of creative and unconventional ideas' (24% of services), 'a train driver who mobilizes the management' (22%), and 'a performer who actively improves the results of the customer's activities' (17%). The most infrequently mentioned were: 'a scapegoat implementing unpleasant decisions' (5% of services), 'father confessor who has the confidence of the customer' (2%), superfluous intruder (2%), and 'jester who defies all taboos and slays sacred cows' (1%).

Table 2  
Roles played by an independent consultant

Description	Number of services rendered	%
temporary specialist offering services	71	55
supplier of creative and unconventional ideas	31	24
train driver mobilizing the management	28	22
performer, energetically improving customer's needs	22	17
scapegoat implementing unpopular decisions	6	5
father confessor discussing in confidence with the customer	3	2
superfluous intruder	2	2
jester rejecting taboos and slaying sacred cows	1	1

\* there was a possibility of naming more than one role.

Source: own results based on the Wegenstein classification (Szeloch, p.38) (Czura 2000).

## 5. EVALUATING THE RESULTS OF INDEPENDENT CONSULTING BASED ON THE OPINION OF THE RESPONDENTS

The final analysis of results provided by the conducted research allows arriving at of the following conclusions regarding the evaluation of effects of external consulting.

Firstly, it should be noted that there was a large group of clients satisfied with the work of consultants. 'Satisfaction' meant, among other things, a lack of criticism regarding co-operation with a consultant, significant benefits resulting from this co-operation, and not just a will but a fact of further co-operation with the consultant. Such interpreted satisfaction from co-operation with an external consultant was expressed in 113 cases (88% of services researched). The satisfaction was expressed in form of benefits from co-operation with the consultant. Among the most frequently mentioned benefits are: improvement in effectiveness of operation (22% of services), and increasing qualifications of employees (23%).

Apart from the mentioned benefits, further expressions of satisfaction of co-operation with a consultant can be (but doesn't have to be) also the fact that it brought further contacts. Such was the case in 89 services (approximately 80% of services in the group of 112 which expressed satisfaction from co-operation with a consultant).

Further confirmation of satisfaction can also be such characteristics pointed out by the questioned participants which they express high professionalism of consultants. Among the most frequently mentioned features (Figure 2) which contributed to his/her positive image were: competence (80% of answers) and experience (60%). Also: independence objectivity (40%), professional honesty (30%), and ability to handle a client (20%). The latter characteristic is very important, because affects to a large degree the success of the whole consulting process. It was, however, the least frequently mentioned. Hence the conclusion that this particular skill of a consultant in the majority of cases did not exist or did not meet expectations of those using consulting services.

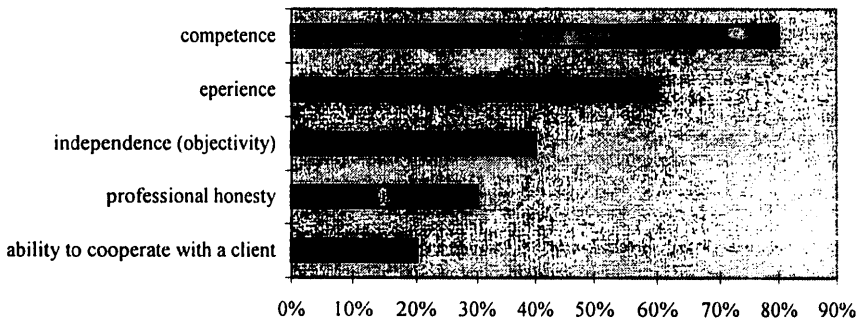


Figure 2. Features of a consultant deciding on his/her positive image (given the possibility of indicating more than one answer).

Source: own research Czura 2000.

Dissatisfaction with co-operation with an independent advisor was noted in 15 services (12% of researched services). The most frequently mentioned reasons for dissatisfaction included: setting unrealistic objectives for the company, lack of understanding during co-operation, professional errors and 'enforcing' co-operation.

The above mentioned reasons for dissatisfaction with co-operation were named by the enterprises subject to research. Also analysis of information gathered during research enabled finding other reasons for this discontent. One of these could be the prevailing kind of consulting. In as many as 60% of services in the 'dissatisfied' group, the subject was expert consulting, usually excluding co-operation with the consultant on an equal standing. Other reasons could be connected with the fact that frequently there was no 'link' connecting the consultant with the company, such as a person acting as a liaison (as many as 70% of services in this group).



**Table 3**  
Demand for consulting services

Description	Quantity
controlling	12
creation and management of integrated information systems	8
marketing	7
analysis of restructuring projects	6
advice regarding economic co-operation	6
technical consulting (environmental protection implementing new technologies)	6
implementing quality control systems	5
human resources management (work assessment, preparing motivation systems)	5
appraisal of financial condition	5
improving organizational structures	5
consulting on capital investment	4
legal advice	3
tax consulting	3
general consulting (in all areas of activities)	2
management through objectives	1
preparing company strategy	1
personnel training	1
implementing new concepts of management	1

Source: Own research (Czura 2000).

As to the way of finding a consultant, in four cases it was a regular 'tested' consultant who this time however 'did not deliver', in two cases a specific consultant was nominated from 'above' and in five cases there was a 'misplaced' recommendation, in three cases a tender and in one case the consultant was found through advertising. Considering the motives of the decision behind co-operating with an external consultant, in twelve cases the motive was the lack of own specialist, in two cases there was a need for someone with relevant experience, and in one case, it was a directive from above (enforced).

## 6. DEMAND FOR CONSULTING SERVICES

The conducted research suggests that companies are still interested in services provided by the consulting sector because 78% of companies subject to research intend to use - at present or in the nearest future - the assistance of independent consultants. Which advisory services are at present in greatest demand? In context of the conducted research, it could be stated that generally these are services connected with assisting management processes inside the company (table 3). The most frequently mentioned area of consulting was controlling (including organizing cost centres and profit centres, introducing variable costs accounting). This area of consulting was named by 25% of the examined companies (12). The next most frequently mentioned areas of consulting are: the creation and management of integrated information systems (8 cases), marketing (7), analysis of restructuring projects (6), advice regarding economic co-operation (6), human resources management (work assessment, preparing motivation systems) (5), appraisal of financial condition (5), improving organizational structures (5).

## CONCLUSION

At present, to solve problems and to find new ways of development, one needs universal, versatile, general and tested knowledge. An additional restriction or challenge comes from the complex and fast-changing economic reality. Hence the need for independent external consulting, and frequently even the need for constant support from outside as the research conducted by the author proves.

In the light of the conducted research, we can state that Polish enterprises experience problems with using external support and use external consulting in an intensive way.

It is more difficult to comment conclusively on the matter of the effectiveness of consulting. It should be noted that generally - in the case of the majority of the cases researched - it was stated that co-operating with an external consultant brought the desired effects. It was confirmed by benefits resulting from consulting activities. However at this point it should be said that enterprises find it difficult to articulate the effects of independent consulting and more precisely with the realization of its scale and the relations existing among them. Hence these effects are usually presented in a very general way.

A consultant appearing in a company for a variety of reasons is most frequently treated as a temporary specialist who offers his services.

Usually it is connected with the most frequently mentioned motive of the decision to use the support of external consultants, such as lack of own specialists. We should point out that indicating such a role and motive occurred in the case of the same services. Hence the conclusion that, either the companies are not 'addicted' to consultants, or that they are 'condemned' to external support. In such case, they would treat consultants rather as an opportunity to gain additional knowledge, skills and stimulate certain activities. This is also confirmed by the next most frequently mentioned roles such as: supplier of ideas and driver. On the other hand such a 'temporariness' of the external advisor could point to the treatment of the external consultant as an 'ambulance', which is called in on sudden and critical cases. The consultant seen in a negative way, that is as a superfluous interference or jester, was rarely named.

It should be noted that the respondents frequently attributed to consultants several roles which indicates the dynamic character of their role and the diverse expectations directed to the consultant. The research suggests that there is a new motive in the form of internal need, resulting in the own initiative of using consulting services which aim at supporting the management processes within the company. This was reflected also in the answers given to the question regarding demand for consulting.

Therefore, the conducted research justifies the conclusion that till now external consulting for enterprises was both necessary and brought the expected results. However on the other hand it should be noted that the enterprises subject to research do not present a full understanding and conviction as to what can be expected from consultants and what can be jointly achieved.

The co-operation of an external consultant with a company in the present Polish conditions should be something more than merely suggesting and prompting. It should be an active co-operation of both sides during the creating and implementation of solutions recommended by the consultants. External consulting is one of the ways of supplying new knowledge to a company, information and tested solutions. At the same time, consultants can extend their own knowledge and gain experience working with different clients. Such co-operation, therefore, constitutes a mutual complimenting and enriching state of knowledge and as such should bring benefits to both sides.

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