

PDW

Paper Title: Standards and Co-operation – Growth and Maturity in Management Consultancy

Sub Title: How Standards and Co-operation Effect the Client-Consultant Relationship

Primary Sponsor: MCD, Management Consulting Division

Secondary Sponsor: ICMCI, the International Council of Management Consulting Institutes

Presenters:

Dr. Ilse Ennsfellner, CMC, Ennsfellner Consulting e.U. and ICMCI (Part 1)

Mag. Erika Krenn-Neuwirth, K und K Wirtschaftscoaching (Part 2)

All presenters have indicated that they meet the criteria for the Rule of Three + Three.

Abstract

There is a growing need for clarity about what can be expected from a management consultant. Clarity in the way management consultants work, and how the process of consultancy develops, can lead to a successful outcome and a better consulting procurement.

One purpose of this workshop is therefore to present international sets of quality and maturity models and standards, relevant to the management consulting profession, its clients and other relevant stakeholders, in particular, the ‘CMC® as well as the European Standard EN 16114 “Management Consultancy Services”, which can be viewed as another development in the evolution of standards in management consulting worldwide.

Furthermore co-operation and networking have become ubiquitous forms of organising for consultants. They are based on an exchange of interests, focus on win –win situations and pile up competencies of their members and even the potential of their clients. From an inbound maneuver co-operation and networking are targeted at extending and augmenting the consultant’s capabilities, to gain information and to spread news as well as to start a successful learning process. From an outbound perspective, co-operation of consultants may contribute to support their clients in the control over a complex and distributed environment and to achieve an advantageous position in the market. **The second purpose of this workshop is therefore to focus on added value through co-operation and networks in management consulting, requirements for successful collaboration as well as effects and impulses to consultants and the clients’ business.**

Background and Purpose

The field of consulting has come a long way toward professionalism. Numerous books and journal articles have been written to form a body of knowledge about consulting. Business schools have initiated new consulting courses. Professional associations have started up to set standards and certify consultants. Consulting firms, especially the large brand names, have become more rigorous in their hiring and training. Informative websites have been developed.

But still there is a long way to go to bring consultants and the consulting industry to a higher level of professionalism and recognition. A successful client-consultant relationship needs professional standards AND co-operation on different levels. We will discuss those topics based on the EFQM model as well as on the growth and maturity model of Prof. Larry Greiner and apply it to management consultancy.

There is a growing need for clarity about what can be expected from a management consultant. Clients increasingly insist on more transparency with regard to what management consultancy actually involves and how management consultants work. Successful management consulting is always based on two aspects: First of all, the consultant must have the knowledge and experience to serve the client's needs. Secondly, the relationship between consultant and client should be based on mutual trust. Clarity in the way management consultants work, and how the process of consultancy develops, can lead to a successful outcome and a better consulting procurement.

One purpose of this workshop is therefore to present international sets of quality and maturity models and standards, relevant to the management consulting profession, its clients and other relevant stakeholders, in particular, the 'CMC® (Certified Management Consultant) seen internationally as a mark of consistency and excellence in the practise of

management consultancy, as well as the European Standard EN 16114 “Management Consultancy Services”, which can be viewed as another development in the evolution of standards in management consulting worldwide.

Moreover today clients want to get more value and other value for money from consultants and management consultants have to adhere to that, if they take their job seriously and contribute to the client’s corporate governance. Clients do no longer accept the “one size fits all”-approach or standardized solutions, they rather seek tailor made solutions and long term utility of implemented concepts. This means:

- Shift from “advising” to “implementation”
- Reduced “time to solution”
- Productivity and return on investment
- Innovative and global thinking
- Professional competency.

Awareness of standards, ethics, education, qualification and codes of conduct are the basis for a professional client-consultant relationship. But the consulting competency also needs skills and structures necessary for the support of making everyday business operate effectively.

Therefore co-operation and networking have become ubiquitous forms of organising for consultants. They are based on an exchange of interests, focus on win –win situations and pile up competencies of their members and even the potential of their clients. From an inbound maneuver co-operation and networking are targeted at extending and augmenting the consultant’s capabilities, to gain information and to spread news as well as to start a successful learning process. From an outbound perspective, co-operation of consultants may contribute to support

their clients in the control over a complex and distributed environment and to achieve an advantageous position in the market.

The second purpose of this workshop is therefore to focus on added value through co-operation and networks in management consulting, requirements for successful collaboration as well as effects and impulses to consultants and the clients' business.

This implies the following questions, which will be addressed in this workshop:

Part I (Quality and Maturity Models) – Ilse Ennsfellner

- *What can we learn from general **organizational growth and maturity models** (e.g. the EFQM Model and the growth model of Larry Greiner) for the analysis of the development of the management consulting profession? Which development phases are relevant to management consultancy?*

Part I (Standards): - Ilse Ennsfellner

- *Is there a **need** for management consultancy to be standardized in order to provide and use consulting services reliably, with no more than a reasonable risk?*
- *Which **global standards** are relevant to the management consulting profession?*
- *What is the **value proposition** of these standards, for the management consulting profession and their stakeholders?*

Part II (Co-operation): Erika Krenn-Neuwirth

- *Do consultants (as “nomads”) tend to co-operate and what are their **expectations and goals** for collaboration?*
- *Which **requirements** need to be fulfilled in order to support the dynamic alignment of network activities?*

- *Which **effects** can be achieved through co-operation and professional networking for the consultants and their stakeholders? Is there an impact on the **clients' business development, their informal structure and innovation**?*
- *What is the **required competence portfolio** for consultants as the targeted level of diversity and complementarity among network members? What are the consequences **for training in consulting**?*

By addressing these questions the presenters also would like to contribute to the AOM general theme: The Informal economy of the clients' organization.

Part I – Quality and Maturity Models in Management Consulting

The presenters argue that the developments in management consulting follow the models of growth and maturity of organizations. We will use two basic models as a reference for quality and excellence models describing the maturity of management consulting:

- The EFQM Excellence Model taking into account the current and future challenges of organizations to achieve outstanding results and sustainable excellence.

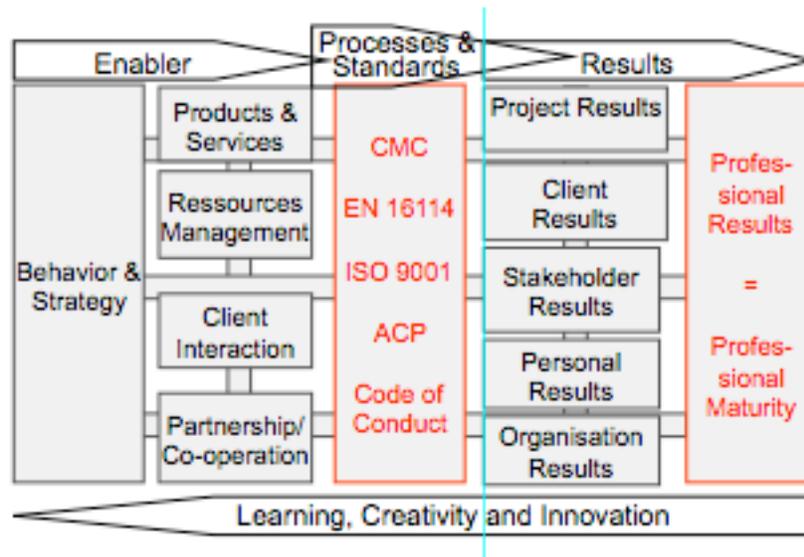


Fig. 1: Consulting Excellence Model (source: Ilse Ennsfellner)

- The model of Prof. Larry Greiner which gives an explanation and establishes the awareness that growing and changing is logical and continual. During its life, a company goes through well defined phases, each characterized by a gradual, evolutionary period followed by a shorter, revolutionary period. Greiner describes 5 such phases in the growth of a company based on the key dimensions of age, size and stages of evolution (maturity) of a company that are essential for building a model of organizational development.

During the last decades management consulting has become an international professional community with its standards, ethics, education, qualification, codes of conduct and professional institutes. In our opinion management consulting is becoming a more established profession which is according to Greiner's model moving to **phase 4: Coordination and Standardization** and to **phase 5: Collaboration**. According to research and practical experience there is no abrupt transition noted between those two phases (as proclaimed by Greiner), but rather a progressive development path in management consulting. A successful client-consultant relationship needs professional standards AND co-operation on different levels.

Part I - Management Consulting Standards

The Role of Standards in Management Consulting

Standards can be recognized as useful tools that increase transparency in the exchange of goods and services and hence client's confidence. Standardization is a main factor in efficiently trading B2B services, saves time, budget and other resources during service delivery and thus shows the high quality of management consultancy services to the customer, mainly by

- improving the service delivery performance through using standardised procedures
- providing a basis to compare service offers and to decide on the best service partner
- facilitating internal processes for offering, delivering and accounting management consultancy services.

Standardization need neither restrict competition nor inhibit innovation. Criticism in this respect may underline that standardization takes too long, and is an expensive and useless process because it is not possible due to the individuality and nature of management consultancy services themselves. Such opinions are thought to derive from misunderstandings and lack of dependable information.

An appropriately prepared standard will encapsulate currently accepted good practice in a manner that does no more than make it universally understandable and uniformly applicable. This gives innovative management consultancy providers the freedom to introduce new practice with the intention of developing excellence in management consulting provision and achieving competitive advantage, secure in the knowledge of the benchmarks against which their service improvements will be judged.

Standards on management consultancy require equitable participation of beneficiaries and providers supported by a broadly based cross section of stakeholder representatives.

This workshop will look at **two internationally recognized standards in management consulting and their value proposition for the consulting industry and their stakeholders.**

The Qualification Standard CMC

The international CMC® quality standard was established by ICMCI (The International Council Of Management Consulting Institutes), because feedback from clients indicated that they regard competency-based certification of management consultants as important.

The CMC draws on a set of core standards for management consultants that defines the minimum profile of competencies and is recognised globally between member institutes and associations of ICMCI. The CMC competency framework sets out the core mandatory elements and requirements pertaining to character, qualifications, experience, independence and competence.

CMC encourages continuous professional development by striving for high standards, rather than ‘controlling’ or ‘constraining’ individual consultants. It recognises the validity of national differences, and the continuing evolution of management consultancy practice.

Today the CMC is actively accepted and used by 54 ICMCI member countries as an international standard to signify experienced management consultants. More than 10.000 management consultants worldwide have agreed to accept the international competency qualification and minimum standard. The development and promotion of the CMC mark and its international protection against misuse are fundamental to the future of the whole consulting industry. Thus, CMC is about increasing access to learning and continuing professional development.

The New European Standard EN 16114 “Management Consultancy Services”

The Lisbon Accord and the issue of a Draft Services directive demonstrated that the heads of Government wished to establish a “borderless” market for goods and services and to address this issue with vigour and determination. As part of this programme, CEN (the European standards Body covering the EU and EFTA countries) has decided to establish a set of “service standards” for the nominated services. This programme has started and with management consulting being so prominent in the Draft directive, and being the least well entrenched of the liberal professions, management consulting is seen as the first professional service for which a standard should be drafted.

The standard EN 16114 „Management Consultancy Services“ covers good practice for a client organization of all sizes and types to utilize management consultancy services from a provider. It is based on a series of guiding principles for the effective, efficient and acceptable provision of Management Consultancy Services.

The purpose of this standard is defined as to support the business relationship between clients and MCSP (Management Consultancy Services Providers) by developing transparency and understanding. This standard aims at providing recommendations for offering, execution and evaluation of management consultancy services. The rationale for the standard under preparation is to share European best practices in management consultancy, whereas the following benefits were defined:

- to remove barriers to cross-border consultancy services;
- to deliver better value services to clients;
- to improve the quality and professionalism of management consultancy in Europe;

- to reduce the risks associated with management consultancy assignments;
- to increase transparency among consultants and clients.

This standard will not be certifiable and can be used in parallel with the chosen methodologies or approaches of each consulting practice.

After five years of strategic planning and development, the new European Standard in Management Consulting EN 16114 “ Management Consultancy Services” was launched in November 2011. This initiative materialized through the combined efforts of the International Council of Management Consulting Institutes (ICMCI), the European Federation of Management Consultancies (FEACO), and countless representatives from the management consulting sector. Within the European Committee for Standardization (CEN), the appointed committee worked with industry experts and CEN representatives from 27 countries to produce this new European Service Standard EN 16114. The published standard EN 16114 “Management Consultancy Services” is now mandatory for all European CEN member countries and must supersede any existing national standards.

The roll out of this program has started with the CEN launching event in Brussels on November 9th, 2011.

Furthermore ICMCI will together with UNI, the Italian standards institute and Secretariat in this process, initiate all necessary steps and procedures for the European standard to become an ISO standard within the next few years.

Having a service standard on management consultancy which in effect helps Management Consulting Service Providers (MCSPs) and clients to reach agreements on the services that will

be provided (i.e. in procurement, in deciding when and how to use management consultants, and in the undertaking a management consulting assignment) is considered to be a tremendous advancement for the role of the professional bodies and a positive contribution to the success of the management consulting profession and all those who practise in it.

Part II – Co-operation and Networking in Management Consulting (Erika Krenn-Neuwirth)

Collaboration is the next maturity phase following the phase of coordination and standardization according to Greiner's growth model.

Learning in networks is the place for consultants to create, evaluate and foster new thinking and innovation for organizations and cross-border activities. Accelerated value generation, learning and innovation require a solid trustful co-operation basis, clear common goals and flexibility. Co-opetition, meaning cooperation and competition, in networks is a winning model to the existing challenges of a globalized 7/24 consulting world.

The presenter will **focus on expectations and added value through co-operation and networks in management consulting, the requirements for successful collaboration as well as effects and impulses to consultants and the clients' business, and impacts on training in consulting.**

Expectations and goals

As Cooperation is a rather challenging in a highly competitive market the presenter wants to discuss: Do consultants cooperate? How do consultants work together and what form of cooperation is fostering success?

Cooperation will be strategically fruitful if consultants are able to create added value on different levels. On the one hand consultants expectations for cooperation and networks with peers can be described as growing into new business opportunities, markets and larger project assignments and as growing through exchange of knowledge and solutions on the other hand. On an individual basis there are stated motives like spurring reputation through exquisite partners, having access to backup systems and additional resources, enjoying teamwork or producing better results for the client with additional points of view. But with all the hopes for successful cooperation there are also defined fears, as opacity destroying trustful relationships or as uncontrolled knowledge transfer or even as growing competition. Those are shadowing the positive cooperation effects and have to be managed carefully in consultants' projects, networks and partnerships.

These facts are based on a study, which has been performed in co-operation with the Experts Group Cooperation and Networking, Karl-Franzens Universität Graz, University of Applied Sciences Carinthia and the Austrian Chamber of Commerce in 2010. This survey gains insight into the Austrian co-operation culture of consultants in times of economic difficulties. The Austrian research shows that the majority of consulting companies (with a share of 75% sole practitioners) collaborate overall or frequently, and few (only 8%) do not cooperate at all. More than two thirds (71%) are willing to expand collaboration efforts due to positive experiences, whereas only 2,5 % intend to stop co-operation activities. Due to the small sized structure of the

Austrian consulting business in a highly competitive field, a surprising result is that 74% of single-person consulting companies have a very positive rating of their co-operations, whereas this is the case in only 60% of small and medium enterprises (SMEs).

The added value in cooperation sums up to new and better clients as additional orders were taken (in 92%), better performance in the market, higher reputation through backup systems especially for one man businesses and expanded resources in 77% of the cases.

The high flexibility in knowledge co-operation results in a share of 45% consulting firms to work in flexible structures. One fifth of the consultants do business in different networks. Furthermore one quarter of the Austrian consulting firms work in occasional cooperation settings and half of them use a project structure. The other half cooperates in informal settings. The other consulting companies use strategic and contractual partnerships.

Moreover studies on European level show that there is still resistance against co-operation on international level. The main barriers are cultural restrictions and managerial insufficiencies, lack of appropriate tools and absence of suitable consultancy services at costs consulting firms can afford.

The presenter will elaborate all these developments in the workshop.

To summarise, the role of network knowledge and innovation for consultants in creating value and business benefits can be achieving a wide range of benefits on multiple levels and for various stakeholders, including:

- Sharing of best practices
- Faster problem solving
- Avoidance of costly mistakes
- Reduction of risks
- Faster development times
- Better customer solutions
- Improved customer products and services
- Gaining new business.

Conclusions

Effective management consultancy through standards and co-operation centers towards identifying the main elements needed to assure quality and excellence as follows:

- Developing and Sharing Best Practices
- Meeting Company and Stakeholder Needs
- Build reputation
- Improving Stakeholder Satisfaction.

Management Consulting provides a surprisingly high amount of informal cooperation and thus knowledge sharing for clients in informal structures.

References

- EN 16114 “Management Consultancy Services”, CEN 2011
- Beerli, A.J. et al.: Knowledge Management and Networked Environments, New York 2003
- Curnow, B. / Reuvid J.: The International Guide to Management Consultancy, London 2001
- Czerniawska, F.: Management Consultancy in the 21st Century, London 1999
- EFQM Excellence Model 2010, Brussels
- Greiner, L. / Poulfelt, F.: Management Consulting Today and Tomorrow, New York 2010
- Josserand, E.: The Network Organization, Massachusetts 2004
- Klein, S. / Poulymenakou, A.: Managing Dynamic Networks, Berlin 2006
- Krenn-Neuwirth, E.: Cooperate successfully! Initiate, implement and coaching of business networks, Vienna 2005
- Markham, C.: How to be your own management consultant, London 2000
- McKern, B.: Managing the Global Network Corporation, London 2003
- Österle, H. et al.: Business Networking, Berlin 2000
- Pyka, A. / Küppers, G.: Innovation Networks Theory and Practice, Massachusetts 2002
- Schreinemakers, J.F. / Barthes, J.-P.: Knowledge Management, Wuerzburg 1999
- Skyrme, D.J.: Knowledge Networking, London 1999
- Zeltserman, D. / Puoplo, G.: Building Network Management Tools With TCL/TK, London 1998