

Knowledge Transfer in Professional Service Business – In Focus Consultant and Client Relationships in Crisis Environment

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Abstract: During the past decades the relationship between consultant and client has changed significantly in Eastern Europe as well. Within traditional consulting the client and the consultant were not equal partners. The consultant, especially Western consultants, knew much more about the methods and processes, than the client who employed him (Gross et al, 2003). In the meantime, however, managers and professionals made up for this shortfall. Clients now expect consultants not just to simply transfer the knowledge and documentation related to a given management methods and procedures, but also to develop an organizational capability that enables the company or public institution to efficiently apply the tools implemented, when the consultant's assignment is finished. Using data gathered via a primer multiyear knowledge transfer survey by the authors, this paper analyses knowledge transfer aspects in the relationships between consultants and their clients. Through this, the article contributes to a better understanding of knowledge transfer processes within professional service business.

Keywords: knowledge transfer, management consultant, client relationship, crisis

1 Introduction

Generally speaking, consulting is "a knowledge-based service, it can be sold and bought, but it cannot be dropped on your foot, and it cannot be displayed in a shop-window the service of consultant is often intangible, hard to store and/or transport, and difficult to demonstrate its advantages to potential clients" [18:3]. In this respect of such services we need to highlight four important aspects in the following [2]:

- human capital and knowledge intensive,
- high degree of intangible activities and services,

- difficulties in standardization,
- intensive interaction between consultants and clients.

In this regard, we can say effective Knowledge Management (KM) inevitable for a well managed consultancy today. KM involves all the viewpoints and activities needed to comprehend, use, and benefit from capital in the form of organizational knowledge [1,17]. KM is not a one-dimensional activity. It includes two major items [21]. Knowledge, transferred by a management consultant consists of two main types:

- Explicit *knowledge* can be transferred through such media as reports, books, archives, databases and groupware technology
- Tacit *knowledge* can be best transferred through personnel movement and the collaboration of individuals.

In the following sections we will analyze the factors influencing the knowledge management activities of consultancy from four special aspects (typical consultant roles, consultancy interventions, client types and demands).

In the consulting process, the consultant can fill two *typical roles* [3,5,9,11,15,20, 22, 26]:

- *Expert/ Resource consultant*, who suggests solutions based on his expertise and experience persuades clients about the correctness of these solutions and gives assistance in the implementation. Expert consultant transfer typically tacit knowledge. This role is very typical in information-benchmarking and design consulting. Drucker [6] called as knowledge-provider the management consultant in his publication even in a quarter century ago.
- *Process/People consultant*, who assists the client in searching for solutions with methods that facilitate and raise creativity of the client's employees, and therefore "the clients themselves will be able to implement solutions" [2:17]. The root of this approach goes back to Kurt Lewin [12,13,14]. This role has traditionally been demonstrated organizational development and change consulting [24,25] and by coach consultant today [4]. Process consultant transfer typically tacit knowledge.

It is also an important question what the client gains from the consultant. What kind of products and services does the consultant provide? We can find several general answers to this in the literature. Maister [15:144] believes that consultants "are paid for their time" but they "sell knowledge and skill". However, this requires effective "working model" [2:18] or "problem-solving process" [23:XV]. Among others we can quote Markham's approach [16] on the nature of management consultancy, according to which *consultancy interventions* can be involved at a number of levels: information-benchmarking, planning, change and learning. Other authors [27] outline levels of added value: commodity, product, service and experience.

Today there is no such an area of business life that there would not be some kind of consultancy business related to it. Different sectors of industry have different

demands regarding consultancy. In the past years industry, banking and public sectors used to be the most important client. Today “there are winners and losers” in European consulting industry [7:5].

Before the preparation of a consulting assignment it is important to think about who can be our possible clients in the consulting process. We have to ask a simple question: Who are my *clients*? It can give the following answer to this question: A client is anyone who is impacted by your work. The authors differentiate among six types of clients: These clients have different roles in the various phases of the project. These authors say: A primary client is usually main point of contact for the project. The financial client authorizes the budget of the project. His approval is essential for authorization of the project. He is the economic buyer of your project. Team member can be external and internal. A coach can help the approval of the project. Expert can provide necessary information and insights to your project. End user will use the proposed tools and systems.

2 Research methods

The empirical section of our paper relies on a set of multiyear survey, conducted by our author team. The period of primer data collection covers the years 2011 and 2012. Our team implied a web survey method, by collecting data via an online questionnaire. To take part in the survey all the Hungarian CMCs, the members of the Hungarian Association of Management Consultancy (VTMSZ) and the members of the Budapest Chamber of Commerce and Industry XX. Consulting Department was invited. By crossing the Hungarian border the European Federation of Management Consultancies Association (FEACO) was on our help to circulate the questionnaire to the member associations. During the research period 165 responses have arrived and have been processed. This study uses information, which was gained from 128 (78%) Hungarian and foreign 37 (22%) consultants. Our statements are based on descriptive statistical data (frequency, distribution, average). The research team allowed taking part anonymously in the survey, thus all the respondents indicated their geographical location, the country they are working in.

3 Results and discussion

Concerning the ownership structure of the management consulting firms, 3/4 of the respondents reported that their company is out of national origin of ownership and 1/4 operates on multinational basis.

By analyzing the average period of how long the respondents have been working in the field of management consulting we can state that 30% of the sample has

been involved in management consulting business for more than 15 years. Further Figure 3 demonstrates the second largest share of the sample is the “beginners” of the industry, representing 24%. Those who have been working as consultants for 4-5 years and 6-10 years cover 19% and 18% of the analyzed sample. Only 9% has been operating for 11-15 years as management consultants.

Concerning the size structure of management consultancies in the Hungarian research sample the following results come. Over 51% of the respondents belong to the category of microenterprise. Out of the microenterprise category 16% are sole proprietors, 26% employ 2-5 consultants and 9% has 6-9 persons.

Some 20% of the firms are in the next classification category, companies employing 10-49 persons are small enterprises. Some 13% out of the sample has been conducting out their operations as small enterprises with 20-49 consultants employed.

Only 8% of the management consultancies reach the category level of being a medium sized firm. 4% hold 50-99 and another 4% hold 100-249 employees.

To compare the European management consulting (MC) market to the result for the primer survey mainly conducted on the Hungarian market, at this point of the article it demonstrates the composition of European Management Consultancy industry by the main service lines. According to the FEACO methodology [7], the MC industry can be divided into 5 main service lines: Business Consulting, IT Consulting, Development & Integration, Outsourcing and Other services. In 2011 52% of management consulting revenues were generated in the service line of Business Consulting. The second main revenue source was IT Consulting by 19%, followed by Development & Integration and Other services that reached 10%, and by Outsourcing with 9%.

Business Consulting represents the highest proportion among the service lines of Management Consulting and it can be divided to further service sub-lines. The highest share of total turnover was generated in the field of operations/organizations management that amounts 34% in 2011. Strategy as the second largest revenue resource covers 26% of the BC revenues in 2011 that is a 3% smaller share compared to 2010. In 2011 project management gained on importance again, in 2010 an enormous fall by 10% was characteristic to this ratio. A continuously emerging trend seems to grow out in aspect of change management revenues. HR consulting could have held its 11% during the last 3 years.

According to the results of our survey (Figure 1) we can see that 13% of the respondents specialize in IT consulting. Concerning the Business Consulting service line, 34% of the client demand arises for Strategy, 22% for Operations & Organizational Management, 14% for Project management, 12% for HR consulting, 2% for Change Management and 1-1% for Outsourcing and Other Services.

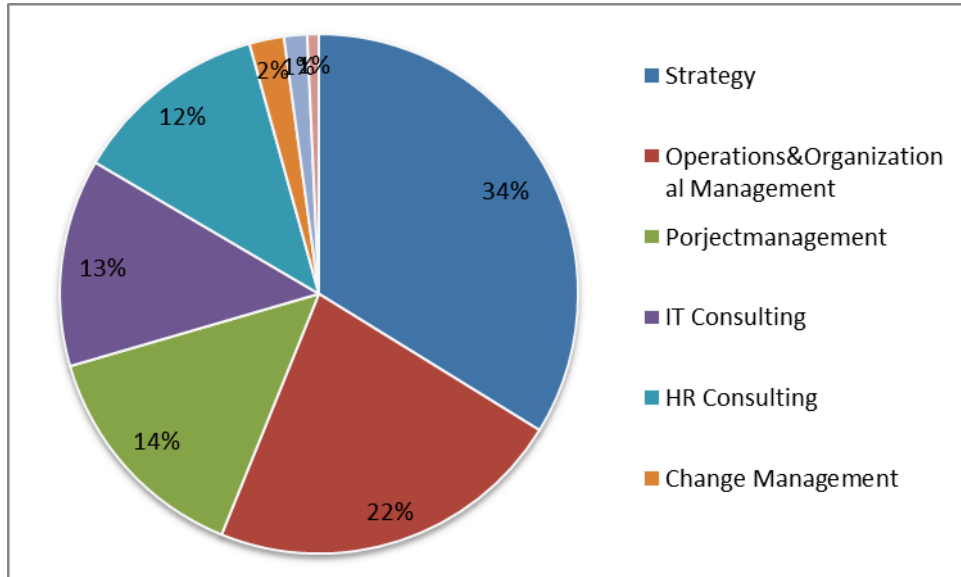


Figure 1
Breakdown of Management Consulting by service lines
(Source: Authors' own research)

At our research our aim was to discover whether the typical role of the consultant has been changed over time or even during the economic crisis? Figure 2 shows that 45% of the respondents apply the Expert/Resource model, that means they suggest solutions based on their expertise and experiences, persuade clients about the correctness of these solutions and give assistance in the implementation. Only 11% indicate the Process/People method, that covers the process of assisting the client in searching for solutions with methods that facilitate and raise creativity of the clients' employees, and therefore the clients themselves will be able to implement solutions. The other half of the sample (44%) uses a Mix method, by mixing the two above mentioned intervention roles of a consultant.

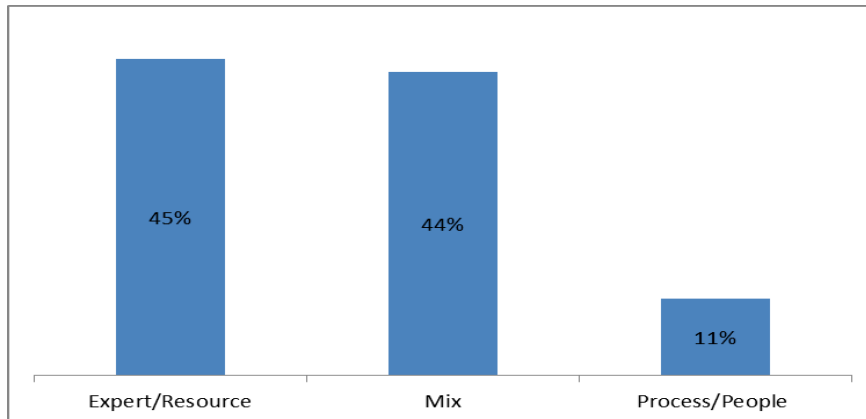


Figure 2
The most typical consulting role/intervention approach
(Source: Authors' own research)

According to the control question „My clients have encouraged to replace my traditional expert/resource role approach with process/people approach by giving me more flexibility upon different situations” 57% of the respondents answered that they're agreed the statement and 16% strongly agreed. However it could refer to the result that 44% of the consultants implement a mix intervention approach by using both Expert/Resource and Process/People consulting role.

The second objective was to explore the change of complexity of the knowledge transfer process. Some 43% of the respondents stated that according to their opinion the knowledge transfer between their consulting firm and the client has been less complex before the economic crisis than today. Some 31% disagree with this statement and 13% found it irrelevant to their business processes.(Figure 3)

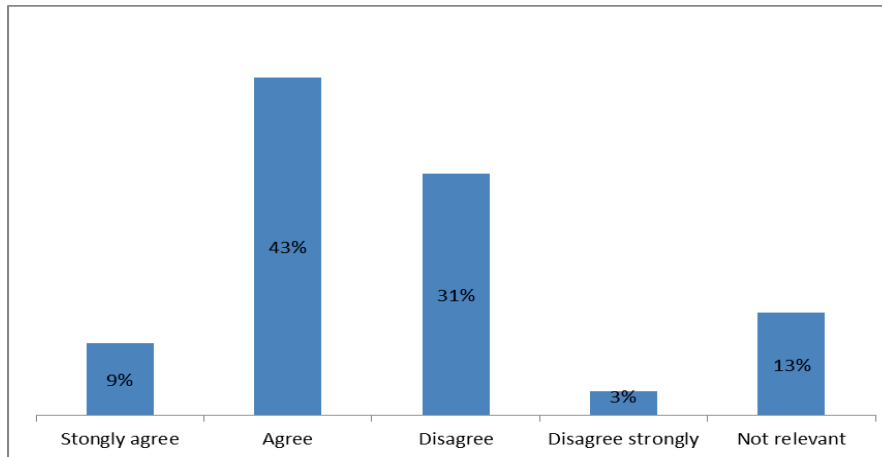


Figure 3

Complexity of knowledge transfer was less complex before the economic crisis

(Source: Authors' own research)

Regarding the issue of knowledge transfer in consulting, our objective was to find answer whether a consulting project was the most common tool used for knowledge transfer before the economic crisis. 54% of the answers agreed this statement, and 33% was against of the statement.

This section of the paper concerns the effects of the economic crisis in the field of management consulting. Especially we turned the focus on HR consulting and were seeking to get better understanding about the effects of the economic crisis on the staffing policy of the management consulting organizations. Some 13% of the sample suffered significant cutback in staff, 32% faced moderate cutback. Almost half of the respondents reported that there has been no cutback in staff at their organization. Over 12% of the management consulting organization realized slight increase in consulting staff.

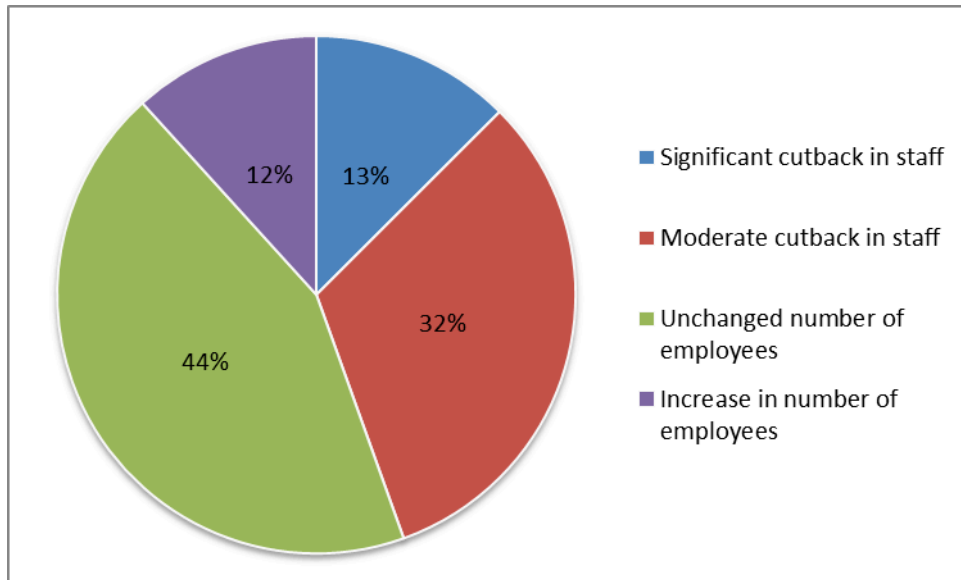


Figure 4
Effects on staffing policy by the economic crisis
(Source: Authors' own research)

According to the result of our primer research consulting companies implemented several methods to handle the effects of the economic crisis. Figure 5 summarizes the different actions MC companies have coped with during the economic crisis. The most common tools used were to increase organizational effectiveness, followed by redefining strategy, entering new market, starting new operations and the cutback of expenditures. Firms also invested resources in increasing the education and training of employees. The last strategy applied was to cutback in staff, thus almost half (47%) of the sample used this method to handle crisis.

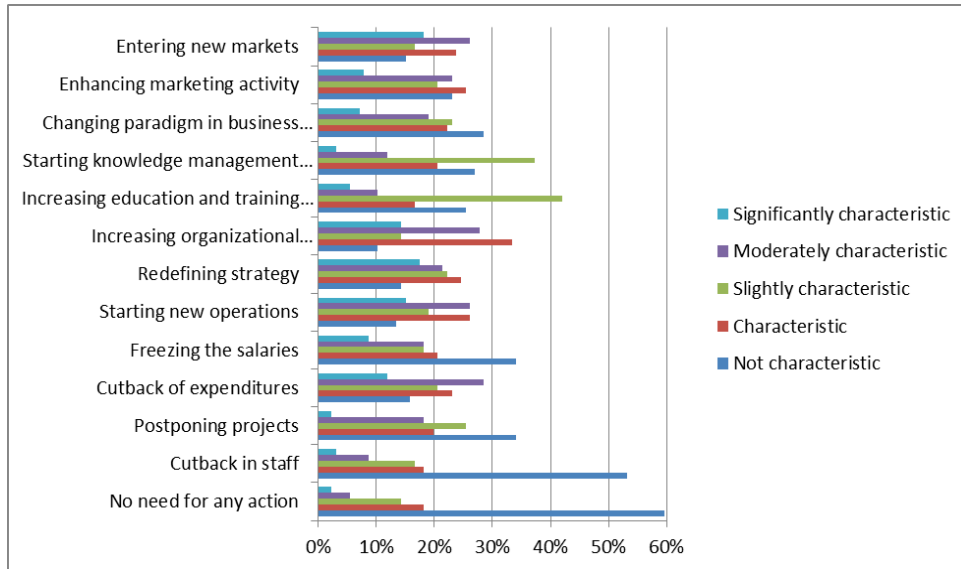


Figure 5
 The list of implemented methods to handle the effects of the economic crisis
 (Source: Authors' own research)

Conclusion

Knowledge is essential in success of any consulting assignment. The introductory part of this contribution describes key influencing aspects of this procedure included typical consultant roles, consultancy interventions, client types and demands. The empirical section of our paper relies on a set of multiyear survey, conducted by our author team. This survey is based on 165 responses of consultants; they were 78% from Hungary and 22% foreign countries. According to our empirical data, over more than two third of our respondents use mix consultant role (Expert and Process). Over 40% of the respondents in the sample that the knowledge transfer between their consulting firm and the client has been less complex before the economic crisis. Our current survey confirms the finding also established in other studies [7]. that some 45% respondents have suffered from significant or solid cutback of the economic crisis. But almost half of the respondents reported that there has been no cutback in staff at their organization.

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