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### **Changes in the Management Consulting Market in Northeastern Hungary, 2001-2016**

*The Institute of Business Sciences of the University of Miskolc carried out a survey of management consultant firms and enterprises in 2001, in 2005-2006, in 2011-2012 and in 2015-16 in Northeast Hungary. The goal of our surveys were to determine the situation (importance) of business consulting in the region, examine the changes in the selection criteria of a management consultant, and gain information on the entrepreneurs' experiences with consulting services in the last 15 years.*

*Key words: Survey, satisfaction, management consulting service, client, selection criteria, clients' requirements, Northeast Hungary*

*JEL code: L84, M53, O15*

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#### **Introduction**

The terminology for the profession of consultancy is not unified either in the Hungarian or in the international literature. There are many variations. The International Council of Management Consulting Institutes (ICMCI) states, “[t]oday, the field of Management Consulting is dynamic, fast-paced and both global and local at the same time. ... Management Consulting has a broad scope of practice with many sub-specialties. This said; any management consultant professional needs to have a functional competence in core aspects, along with a personal commitment to continually advance their knowledge, skills and practice in both the core and specialty areas of practice. Another important component to being a professional is the care and judgment to not exceed one's personal competence; and to call-in or recommend colleagues with the particular wisdom required by their client, when their client is challenged to explore beyond the management consultant's expertise.” (ICMCI 2020) The Management Consultancy Association (MCA) has defined management consulting as “the practice of creating value for organisations, through improved performance, achieved by providing objective advice and implementing business solutions” (MCA 2020).

There are two main approaches in the relevant literature of consulting: the first approach takes a broad view of consulting. Peter Block, for instance, suggests that “[y]ou are consulting any time you are trying to change or improve a situation but have no direct control over the implementation... Most people in staff roles in organizations are really consultants even if they don't officially call themselves consultants” (Block 2000, p. 2).

The second approach views consulting as a special professional service and emphasises the characteristics that the consultant must possess. The essential points and the fundamental principle of management consulting are included in the definition of Larry Greiner and Robert Metzger, which has been quoted in a number of books and articles: “Management consulting is an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyse such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions” (Greiner and Metzger 1983, p. 7).

The first approach emphasises that consultants are helpers: they help managers or anyone else solve problems. In this approach a manager can also act as a consultant if he or she gives advice and help to employees rather than direct orders to them. The second approach views consulting as a special profession. The two approaches can be regarded as complementary rather than conflicting. Management consulting can be viewed as a professional service and as a method of assisting organisations to improve management and business practice. This approach

is used by professional associations and institutes of management consultants. According to the European Federation of Management Consultancies Associations (Federation Européenne des Associations de Conseils en Organisation, or FEACO), "Management Consultancy covers a wide array of services and can be defined as the rendering of independent advice and assistance about management issues. This typically includes identifying and investigating problems and opportunities, recommending appropriate action and assistance with the implementation of the recommendations" (FEACO 2020).

According to Milan Kubr (2002) the aim of consultancy is to fulfil organisational objectives and tasks. This includes not only the resolution of problems but also the identification of new opportunities, accumulation of knowledge and making the necessary changes. In the current article a Kubr's (2002, p.10) terminology is used, with the following definition for consultancy: "Management consulting is an independent, professional advisory service assisting managers and organizations to achieve organizational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes." Kubr highlights the role of consultants in providing knowledge and information, in making decisions, and reducing uncertainty during implementation.

However, according to the literature, there are consultants who increase uncertainty (Sturdy 1997). Perner and Werr (2013) focus on hiring business consultants and cooperating with them; they highlight client uncertainty in relation to the consulting service and how these uncertainties are connected to hiring consultants and consultant-client relations.

According to previous research (Glückler and Armbrüster 2003; Mitchell et al. 2003) there are three types of uncertainties related to selecting and hiring consultants (Perner and Werr 2013). These are performance, relational and psychosocial uncertainty.

Performance uncertainty: this low-level institutionalization of the consultancy industry leads to a low entry level, which is seen as a significant asymmetry of information between consultants and clients. For the client, it is doubtful what he can expect from a consultant, how he can distinguish qualified consultants from unqualified ones, and how he can assess the level of professionalism of the consulting company (Glückler & Armbrüster 2003).

Relational uncertainty: many scholars (Maister 2003; Sturdy 1997) indicate that clients tend to doubt whether consultants place their clients' interest in the forefront or they act primarily according to their own interests. Although knowledge transfer is an important consultant function both outside and within the industry (Besant and Rush 1995), clients are afraid that their competitors might take sensitive information (Glückler and Armbrüster 2003; Kipping and Armbrüster 2002).

Psychosocial uncertainty: this derives from the client's own (psychological part) and his coworkers' (social part) reaction to hiring a business consultant. Managers make an agreement with an outsider to the company to achieve results and this may result in distress and skepticism within the organization (Bergholz 1999). Coworkers may deny cooperation, hide information, and be cynical, which may jeopardize the project (Mitchell 1994).

"Choosing the right partner for the project is one of the most important parts, as the result of consulting cannot be evaluated totally beforehand." (Toivola, 2012, p.12) According to Toivola, the proposal of the solution and the person who is going to conduct the solution matter the most.

These uncertainties affect clients' behavior; managers can count only on their previous positive experience and on the consultant company's reputation (Glückler and Armbrüster 2003). These conditions guarantee competence, loyalty, and supportiveness; managers consider these key factors in choosing and successfully commissioning consultants (Perner and Werr 2013; Kubr 2002; Schein 1999).

The aim and interest of the client seeking advice is to hire a consultant who is the best at solving his particular problem and can cooperate with the company's coworkers and managers most efficiently. Clients are rarely asked how they see themselves as customers, how they see the client-consultant relationship, and what kind of uncertainties they encounter when hiring a consultant (Perner and Werr 2013). In this article the changes in the selection criteria of a

management consultant and the entrepreneurs' experiences with consulting services will be examined between 2001 and 2016.

**Research methodology**

The Institute of Business Sciences of the University of Miskolc conducted a survey in 2001, 2005-06, 2011-12 and 2015-16 among consultants and their clients. The questionnaire, which served as the basis for the empirical research, was compiled keeping in view the lessons that could be drawn from previous surveys known from the international literature (Woog and Rieger 1997; Hözelbarth 2000), and from another newer Hungarian survey (Szilágyiné 2015, Szűcsné 2019). An important aspect of structuring the questionnaire was approaching different questions from several points of view, increasing the reliability of the results and consequences to be drawn based on the answers. The original questionnaire is found in my PhD dissertation (Tokár-Szadai 2010, pp. 187-232). This study is based on some important questions from the complex study. A summary of our empirical surveys and questionnaires and the composition of the samples may be found in Tokár-Szadai (2017). Our empirical studies are summarized in Figure 1.

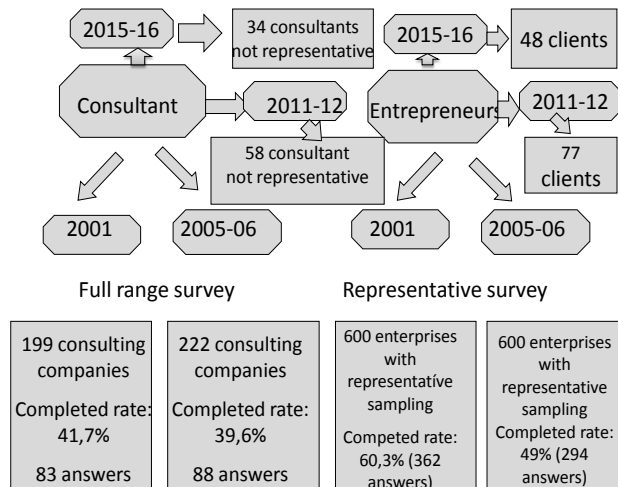


Figure 1. Structure of empirical studies

Source: Author's illustration

The research was extended to consult Borsod-Abaúj-Zemplén county companies regarding the use of consulting services. The enterprises to survey in 2001 and 2005-06 were chosen by their fields of activities, considering the distribution of geographical locations with a random sampling method. In both years we made a full-scale survey of management consultants which were registered under the TEÁOR number 7414 “management consulting” in Borsod-Abaúj-Zemplén County.

The empirical research carried out in 2011 and 2015-06 are based on non-representative sampling. One or two clients of the surveyed consultants completed the questionnaire on the “consulting experience of the consultants’ clients”. (We used the “snowball method” for sampling: consultants suggested their clients, and entrepreneurs their consultants.) The comparability with our former surveys is restricted, because the samples are different: the surveys in 2001 and 2005 focused only on Borsod-Abaúj-Zemplén County, while the samples in 2011-2012 and in 2015-16 were from different counties (mainly from Northeast Hungary). The previous empirical research consisted of two major parts: it focused on consultants and

enterprises, while the present surveys focus on the consultants and on their clients. The two surveys cannot be directly compared, but they can help us conclude what the trends are.

The response rate was higher among larger companies than smaller ones, so larger companies are over-represented (Figure 2).

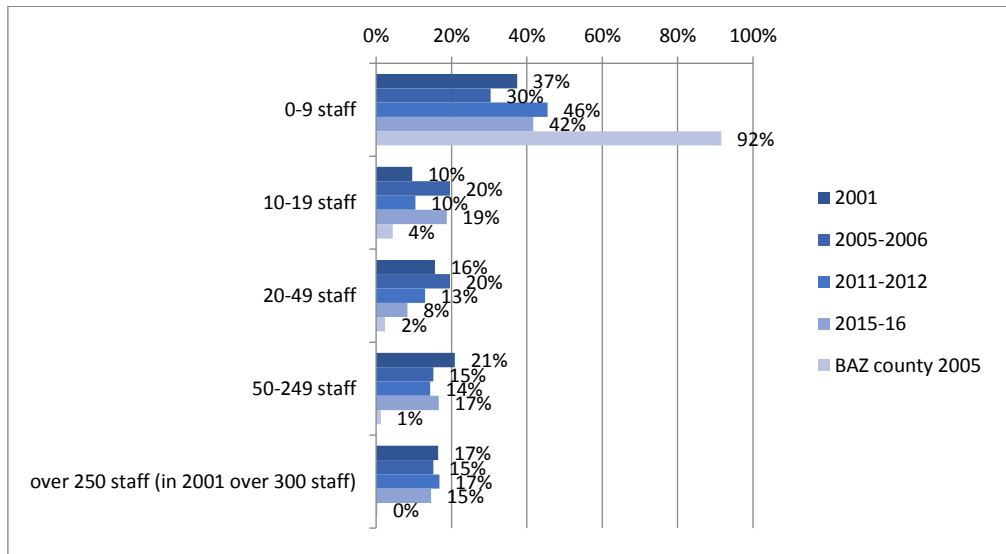


Figure 2. Distribution of the companies in Borsod-Abaúj-Zemplén County (2005) and examined companies (consultants' clients) by number of staff in 2001, 2005-06, 2011-12 and 2015-16

Source: Author's illustration

More than one third of the examined companies (30-46 %) are micro-enterprises (0-9 staff), 26-40% small enterprises (10-49 staff), 14-21% medium size enterprises (50-249) and 15-17% big companies. Overrepresentation is justified, because larger companies can better afford to hire consulting companies than smaller ones.

In this paper the software package SPSS 14.0 is used for analysing the database. The hypotheses are tested by variance-analysis by the significance level 5%.

### Changes in the selection criteria of a management consultant

When selecting a consulting company, it is important to carefully consid and take into account many aspects in order to choose the most appropriate consultant. We asked consulting firms and their clients to analyse what the criteria are by which the clients choose consultants. Respondents evaluated different aspects on a Likert scale of 1 to 5, where 5 means the choice is based only on this criterion, while 1 means that it does not play any role in the choice.

In the consultant selection, the importance of various aspects (2015-16) and their change (between 2001 and 2016 at a 5% significance level) are summarized in Table 1, according to the value of entrepreneurs (E) and consultants (C).

Table 1:

*In the consultant selection, the importance of different aspects (2015-16) and its change (between 2001 and 2016) according to the values for Entrepreneurs (E) and Consultants (C)*

<b>Increase</b> <b>0≤Sig≤0.05</b>	Nationality (C:2.12)	Size (C:2.7)	Personal relationship (E:4.43) Reputation (E:3.87, C:4.21) Friends' opinion (E:3.64, C:4.18) Service complexity (C:4.42)
<b>Stagnate*</b> <b>Sig&gt;0.05</b>	Size (E:2.43) Advertisement (E:2, C: 2.28)	Regional seat (E:2.98, C:2.79) Regional office (E:2.85, C: 2.62) Payment condition (C:3.18)	Service complexity (E:4.4) Consultants' relationships (E:4.1, C:4.03) Deadline (E:4.04, C:3.61) Price level (E:3.83, C: 3.64) Former working relationships (E:3.83, C:4.35) Consultants' references (E:3.69,C:3.88) Personal relationship (C:4.59)
<b>Decrease</b> <b>0≤Sig≤0.05</b>	Nationality (E:1.66)	Payment condition (E:3.55)	
	<b>Less important</b> <b>1.5-2.49</b>	<b>Medium important</b> <b>2.5-3.59</b>	<b>Important</b> <b>3.6-4.6</b>

\*At the 5% significance level, the date of survey does not affect the selection criteria: they have not changed in the 15 years examined.

Source: Tokár-Szadai (2018)

There is not much difference between the values of consultants and their clients' values: consultants have recognized the importance or neglect of each factor. As the table shows, Hungarian managers can build on their positive experience of previous personal trust and the reputation of the consulting network when selecting a consultant. This result is in line with international surveys (Glückler and Armbrüster 2003). According to clients examined in the one and a half decades (2001-2016), the significance of three important aspects of the consultant's selection has increased: the personal relationship with the consultant, the reputation of the consulting firm and friends' opinions. Other important factors in the consultant's selection are the complexity of the offered service, the consultants' relationships, the deadline for the submission, the price level, the former working relationships and the assigned references.

The role of regional seat and branch offices in the election is of medium importance, and its role has not changed in the reviewed period. Quick access to a consultant and –if necessary – fast, personal support give clients a sense of security, although they are right to see that these are not the most important selection criteria.

The applied payment conditions also play a medium role in the election, according to clients. Its significance increased especially in difficult times, comparing 2005-06 and 2011-12, presumably due to effects of the 2008 global economic crisis; following the end of the crisis, in 2015-16 its role decreased.

### Entrepreneurs' experiences with consulting services

According to Kubr, different methods can be used in the evaluation of the consulting process, and the “process can be more or less collaborative and participative, and more or less effective.” (Kubr 2002, p. 251) The principal dimensions of the consulting process are:

- The design of the assignment (the contract);
- The quantity and quality of inputs;
- The consulting mode (style) used;
- The management of the assignment by the consultant and the client.

According to our surveys almost all surveyed entrepreneurs (95.9% in 2015-16) were satisfied with their consultant, and based on their experience they would entrust him or her again. Of these, 56.3% were so satisfied that they would recommend others to hire the consultant. An insignificant part of the entrepreneurs (3.4% in 2001, 2.1% in 2005-06, nobody in 2011-12 or in 2015-16) were disappointed with the consultant, and only 2% in 2001 (nobody in 2005, 2011-12 and in 2015-16) responded that the consultant hired ruined the reputation of the whole consulting profession.

Clients' satisfaction with management consulting services is increasing in each new study. To enhance the efficiency of cooperation between the consultants and their customers, it is essential to get to know each others' value systems and expectations and to construct a common understanding and common language for the actors and the society; hopefully this preferential tendency will be stable and long.

The entrepreneurs evaluated on a 1-5 scale how solution-oriented the proposals of the consultant were, the relation between the price of the service and performance, how they view their relationship with their consultant, and the professional competences of consultants. 1 means: they are totally dissatisfied, 5 means: they are fully satisfied and would hire him or her again. Figure 3 shows the average mark of the examined clients' evaluation in the case of successful and unsuccessful projects:

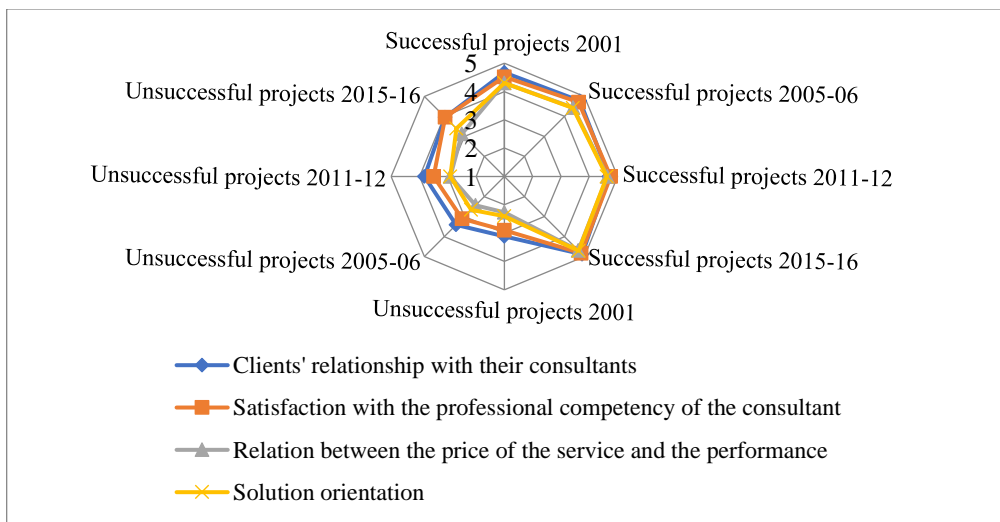


Figure 3. Satisfaction with consulting service and consultants in the case of successful and unsuccessful projects from the four surveys

Source: Author's illustration

The satisfaction with successful and unsuccessful projects, with professional competency of their consultants, with solution orientation of proposals, and with the relation between the price of the service and performance, and with the personal relationship with small and medium-sized

consulting companies have improved a little, but it has not changed significantly in the last 15 years.

Examined entrepreneurs are fully satisfied with successful projects, and while they are less satisfied with unsuccessful projects, they have not judged it totally useless or a waste of money to involve a consultant. In the case of unsuccessful projects they have not lost their confidence in their consultant totally (they evaluated him or her on a medium level). The cause of this might be that the majority of the examined companies have had a good working relationship with their consultants for years, they have carried out a lot of successful projects together, and they have not changed their mind because of an unsuccessful project. The cause of the failure is not the personal relationship or professional competency of consultant, but solution orientation and relation between price of the service and performance.

Figure 4 shows the average mark of the examined clients' evaluation in the case of assignment different types of consultants:

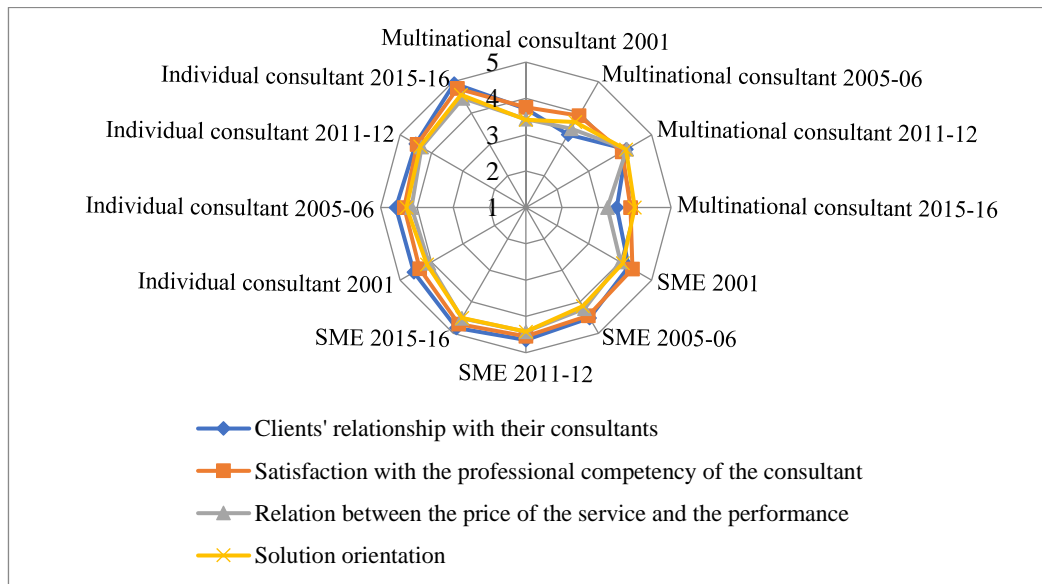


Figure 4. Satisfaction with consulting service and consultants for different types of consultants

Source: Author's illustration

According to our surveys, the companies in our region were more satisfied with the work of the small and medium-sized consulting companies in the region and the individual consultants. It is worth noting that bad experiences are not at the background of this; significantly fewer enterprises have had business relations with multinational consulting firms: 98% of the enterprises in the 2015-16 survey had hired smaller consulting firms (SMEs or individual consultants) in 2015-16 and only 14.6% have experience also with multinational consulting firms. The majority of the complaints in 2015-16 are about solution orientation: 20.8% of the entrepreneurs that requested the service felt they received general, schematic advice for their unique problems, while 16.7% could not apply the advice they got.

## Conclusion

Each consulting process is an interaction between consultant and client and involves the exchange of the client's money and consultant's time from an efficiency aspect. Consultants expect a fee from the client as well as the information that is necessary for their work (data and

cooperation), and as added value they do the required survey analyses and evaluations, recommend solutions to achieve goals, identify and seize new opportunities and help, when requested, in the implementation of solutions (Tokár-Szadai 2013).

According to our surveys, in 2001, 2005-06, 2011-12 and 2015-16 entrepreneurs were more satisfied with the personal relationship and professional competency of their consultant than with the solution orientation of proposals and the relation between the price of the service and performance, but fundamentally they were also satisfied with these.

In all periods they were more satisfied with the service of smaller business consulting companies than with multinational consultants: their working relationship with individual consultant is more personal, in their experience smaller consultant's performance is on a high level, and they can better accommodate themselves to the special local conditions, so their flexibility and knowledge of the local problems make them more convenient to the clients.

In order to be a successful consultant, beside factual knowledge (which includes methodological knowledge, professional practice, innovative thinking, and the ability to search for customized, modern solutions) one needs the ability to convince, which also requires adaptability, professional authenticity, and empathy in order to make the client understand and apply the proposed solution, that is to adopt the consultant's advice. Nowadays, it is not enough for a client to be satisfied with his consultant's work or loyal to the service. Maister et al. (2000) believe that truly successful consulting firms are trying to reach a "trusted advisor" status (Poór, 2010).

According to our surveys, consultants - in the majority of their selection criteria – rate the importance of each criterion similarly to their clients and similarly perceive their change. Consultants would better meet the needs of their client with more flexible, more complex, solution-oriented, and more tailored advice.

The empirical research – which was exclusively aimed at the analysis of enterprises and consultants located in Northeast Hungary – is not suitable for drawing more general conclusions on national or international levels.

Probable it would be advisable for consultants to take advantage of modern tools even better and more targeted than traditional methods, to make them more aware of the tenders, and to make use of the possibilities of internet advertising and search. Our survey did not cover this interesting topic; it maybe a hypothesis for future research.

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