

Clients' views on strategic capabilities which lead to management consulting success

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Abstract

This article summarises the findings of a study which canvassed clients' views of strategic capabilities which lead to management consulting success. The survey was undertaken among 171 executives in the top 500 companies in Australia. The major elements that were investigated were the reasons for hiring the consultants and the strategic capabilities related to successful performance indicators as identified by clients. The findings show that the main reasons consultants are hired are insufficient in-house expertise, independent/objective advice, gaining additional help/resources, insufficient manpower in-house and quick resolution of issues. The top five strategic capabilities which clients identified as important to success, in order, were ability to listen to and comprehend the client, quality of service, client-consultant communication, integrity and honesty and technical knowledge. All the strategic capabilities were related to one or more performance indicators. The top five performance indicators were achieving objectives agreed upon, customer/client satisfaction, timeliness of service delivery, recommendations actually implemented and achieving measurable results. Therefore the contemporary management consultant needs to be multi-skilled and technically competent and should have excellent people skills. Consultants also need to note that their view on what constitutes successful performance is not quite the same as that of their clients.

Introduction

It is the turbulent nature of the external environment in which business and commerce occur that has increased the need for consultants (Clark, 1995; Kumar, 1998). There is an information revolution taking place around us (McInerney and White, 1995). Changing communications and technology are fundamentally altering the way business is conducted. Add to this volatile mix the effects of globalisation (and all its cultural implications), deregulation and privatisation, and a picture of extreme uncertainty emerges (Kumar, 1998). However, amidst this chaotic scenario there are untapped potentialities: businesses can succeed as they have never done before. As Mills and Friesen (1999, p. 39) state: "[t]oday's top firms report record earnings and share price peaks, but their chief executives know that the full potential of the networked economy continues to elude them". To cope and succeed in such an environment, organisations have to undergo a paradigm shift in the way they operate: hence the need for consultants (Mills and Friesen, 1999).

In the mid-1980s, surveys revealed that only a third of executives polled claimed their organisations were undergoing "radical strategic change" (Clark, 1995). In 1993, less than a decade later, almost two-thirds (66 per cent) of executives laid claim to such changes; it is estimated this figure continues to increase (and will do so in the future) (Clark, 1995). Consulting, because it is a corollary to business and commerce, grows with the same – if not greater – speed than the businesses it supports and supplements. The growth rate of the consulting profession is, in fact, phenomenal, averaging a rate twice that of the world economy (Micklethwait and Wooldridge, 1997). In some consulting pockets, such as customer relationship management and procurement, firms have estimated annual growths greater than 200

per cent with no sign of slowing in the immediate future (Fryer, 2000). Such growth rates equal and exceed many technology sectors (Dennis, 1997).

Moreover, top consulting firms may employ upwards of 20,000 individuals, their networks spread over the Occident and the Orient alike, and their revenue is calculated in billions of dollars (Hasek, 1997; Micklethwait and Wooldridge, 1997). Firms like McKinsey & Co., Booz-Allen and Hamilton, Andersen Consulting and others of their ilk have the power to attract and retain the most intelligent and exceptional business minds and entrepreneurs of the day. It has been estimated that almost 30 per cent of all MBA graduates enter the consulting industry (Hasek, 1997). The alumni of such firms populate the top positions of top companies the world over. More impressive still is the intellectual capital and networks that these firms have established. There is no doubt that increasing technological and communications advancements are leading to a society where information and intellectual property will be akin to currency. Consulting firms have such a store of information and data that to liken them to knowledge banking corporations would not be a large stretch of the vernacular.

Despite this impressive vista, despite the mystique and kudos that seems part and parcel of the consulting profession, there are susurrations of discontent among the clientele (Easley and Harding, 1999; Monteleone, 2000). So much so that institutes of management consultants are being established, accreditation is being advocated and more literature is being published in this area (Mudd, 1996; Shays, 1995). Still, there is an abysmal dearth of empirical studies available with respect to the consulting profession and success therein; this is compounded by the scarcity of consulting-specific reporting sources (Kumar, 1998; Morton, 1996). This may, in part, be attributed to the fact that it is a knowledge-based profession with a consequent reluctance to share "know-how" among

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competitors (Simon, 1997). More alarming still is the fact that almost 90 per cent of all consulting firms fail in their first five years (Hasek, 1997). A framework for the consulting process is depicted in Figure 1.

It can be observed, from Figure 1, that increasing organisational change and the advent of new management techniques and qualities have led to the growth of the consultancy industry. As with any industry, this growth has revealed problems. These problems have been separated by Clark (1995, p. 16) into two limbs, which are: difficulties associated with "ascertaining the quality of a supplier's service prior to purchase" and "evaluating the quality of a service once it has been delivered". While this framework is a helpful guide to understanding consultancy, it is by no means a universal standard.

Because there is a dearth of empirical studies and because almost 90 per cent of consulting firms fail in their early years of operation, this study aims to discern what clients feel are the strategic capabilities

which lead to management consulting success. In addition, clients will be asked to identify factors they consider to be indicators of this success. Some attempt will also be made to understand how clients choose consultants. Hence, both limbs of the framework in will be investigated.

Theoretical framework of reference

The proliferation of consultancies and the rapid rise in the number of organisations using consultancies has not led to a corresponding plethora of theories to explain consulting itself. In fact, our literature search revealed a marked lack of theoretical explanation for the analysis of consultants and their activities. The few theoretical perspectives that were available were too limited to serve this study (Clark and Mabey, 1994; Sharma, 1997). Since the aim of this study was to discern which strategic capabilities clients believe lead to management consulting success, the theoretical framework was developed from the propositions of writers on strategy (Hubbard *et al.*, 1997; Porter, 1979). The model that was used is known as the Environment-Strategy-Capability Gap model (Hubbard *et al.*, 1997). This model proposes that, by understanding the remote and industry environment and by compiling the capabilities of the organisation, it is possible to formulate strategies which enhance, and fill gaps in, the current performance and desired performance of an organisation.

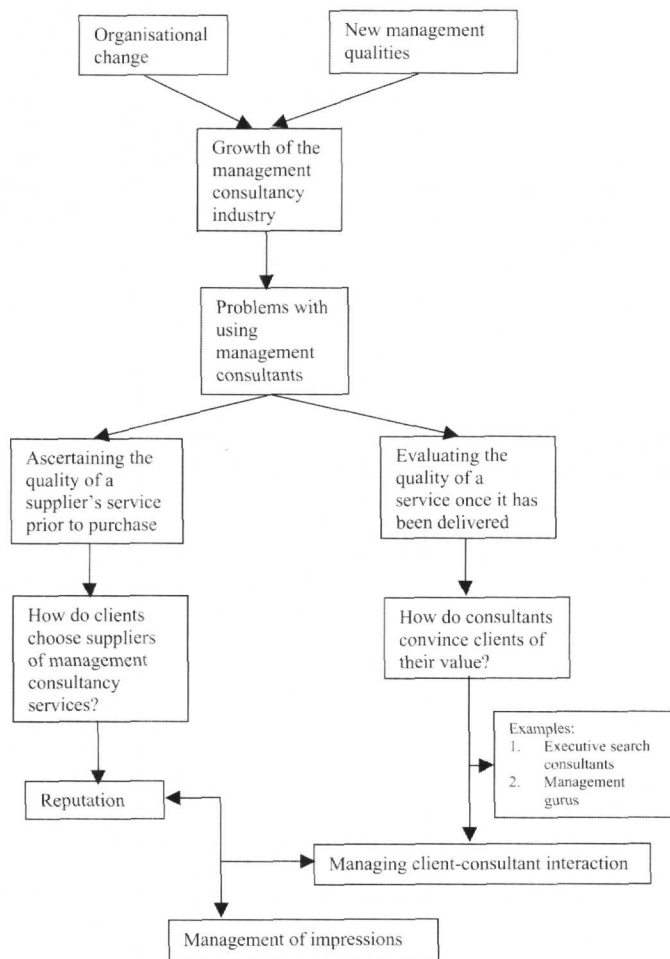
Strategy

Ansoff (1984, p. 31) defines strategy as a "set of decision-making rules for guidance of organizational behaviour". Strategy is essentially an intangible and abstract concept, the determination of which gives no direct and concrete result in an organisation's performance (Ansoff, 1984). Investigation of suitable strategies for consultants is beyond the scope of this investigation. It should be noted, nonetheless, that strategy is usually based upon the factors that are identified as affecting the remote and industry environments and the identified strategic capabilities (Hubbard *et al.*, 1997).

Strategic capability

"A capability is a skill ... that an organisation possesses that enables it to perform activities" (Hubbard *et al.*, 1997, p. 126). Most organisations possess a number of basic capabilities. These basic capabilities are those that enable the organisations to run as businesses. Strategic capabilities, above

Figure 1
 Framework of the argument



Source: Clark (1995, p.16)

and beyond basic capabilities, have three distinctive characteristics, and these are:

- 1 they are of value to the customer;
- 2 they are better than that of the majority of other competitors; and
- 3 they are difficult to imitate or replicate (Hubbard *et al.*, 1997).

It is a unique, difficult to emulate combination of strategic capabilities that may be called core competencies (Hubbard *et al.*, 1997; Javidan, 1998; Hamel and Prahalad, 1994; Kanter, 1990). Therefore, to say that a core competency = (strategic capability)_A + (strategic capability)_B + ... + (strategic capability)_n, is not true. Core competencies have been defined as:

a combination of complementary skills and knowledge bases embedded in a group or team that results in the ability to execute one or more critical processes to a world-class standard ... [p]atents, brands, products, and technologies do not qualify; neither do broad management capabilities such as strategic planning, flexibility, and teamwork; nor do high-level corporate themes like quality, productivity, and customer satisfaction (Coyne *et al.*, 1997, p. 43).

The relationship of capabilities, strategic capabilities and core competencies may be seen in Figure 2. There are three routes to developing core competencies: the first is through evolution which is where competencies are developed as an organisation continues its daily functions and this is a gradual process. The second route, incubation, occurs when an organisation appoints a task force or division to focus exclusively on core competency development; and third, acquisition, which involves the purchase of an organisation with a desired core competency, is the final way (Coyne *et al.*, 1997).

Core competencies are not easily developed nor are they always a prerequisite for success (Stalk *et al.*, 1992). It has been found that by identifying strategic capabilities, or clusters of strategic capabilities, by aligning these to the environment and incorporating them into a strategy, an organisation can outperform its competitors (Hubbard *et al.*, 1997; Stalk *et al.*, 1992). This approach to discovering and developing sustainable competitive advantage is known as "competing on capabilities" (Ghemawat, 1986; Stalk *et al.*, 1992, p. 57). Figure 3 demonstrates holistically how the interaction as the environment, strategy and strategic capabilities leads to sustainable competitive advantage.

New model

The preceding analysis demonstrates that the environment, the strategy and strategic capabilities of a given organisation, if appropriately analysed and applied, can lead to improvements in performance (success) and a long-term sustainable competitive advantage. While none of these elements are mutually exclusive, for the purposes of this paper, the research attempted to discover which strategic capabilities lead to a sustainable competitive advantage in the consulting industry (Kumar *et al.*, 2000).

Review of past literature

Eight academic writers were reviewed as to what they felt clients believed to be strategic capabilities leading to consulting success. While each writer used his/her own phraseology/terminology, there were definite overlaps in the ideas presented in their works. For the list compiled as part of this study, any strategic capability that was found in more than three works was included in this list (see Table I).

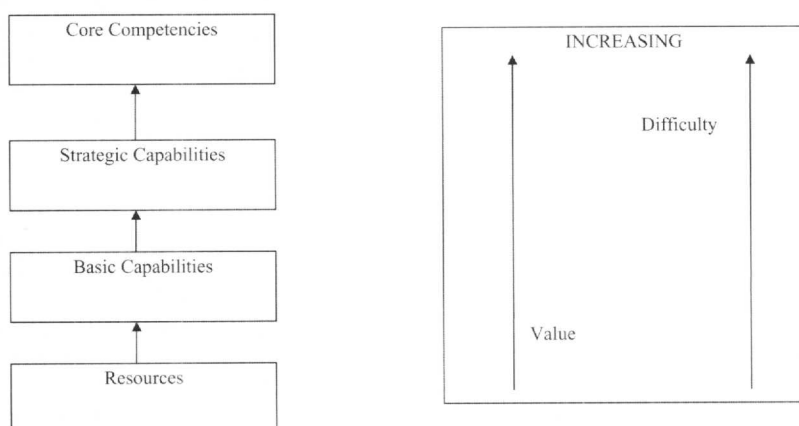
Identifying these nine capabilities was the point from which to commence the research. It was envisioned that these strategic capabilities would be altered/added to in the in-depth interviews.

Method

For this study, a modified generative research design was utilised (Simon *et al.*, 1995). In its ideal form, this design is a three-phase process. In phase one, the crucial themes/concepts are generated from the population; in phase two, those themes are elaborated upon; finally, in phase three, the project is formalised (Simon *et al.*, 1996).

Problems of causality which cannot be solved by any single method of data collection (Denzin, 1989) require several

Figure 2
The capabilities hierarchy



Source: Kumar (1998)

methods to be used. This is known as between-method triangulation (Denzin, 1989). The generative design not only provides for this, but demands that multiple methods of data collection be used. Another type of triangulation is within-method triangulation, where "different types of the same method can be used" (Simon *et al.*, 1995, p. 17). An example of this is interviews conducted both face-to-face and over the telephone. Within-method triangulation enhances the efficacy of a technique.

While the ideal generative research design is a very thorough and a complete method of investigating a problem, it demands resources that are beyond the capability of a single researcher operating within the constraints of a limited time frame, hence for the purpose of this investigation the design was modified (Simon *et al.*, 1995; Sohal *et al.*, 1996). This modified generative research design consisted of a literature review, then in phase one, 22 non-standardised, scheduled interviews were conducted. The results of these interviews assisted in the construction

of a questionnaire. This questionnaire was mailed to 1,286 executives in the top 500 companies in Australia. From this mail-out 149 responses were received. The results obtained from the analysis of these responses are the subject matter of this article.

The strengths of the generative research design are that the crucial variables are generated from the target population itself (Simon *et al.*, 1995). Therefore, problems of researcher-imposed categories, reification of human consciousness, the need to generate quality data and problems of causality do not arise (Kumar, 1998). A second strength of this design is that it advocates the use of both qualitative and quantitative methods of data collection, this has been acknowledged for researchers as the best approach (Burgess, 1991; Denzin, 1989). One weakness of this design is that it may become a self-fulfilling prophecy, as the same or similar themes/variables occur in all the techniques (Simon *et al.*, 1995).

From the literature review nine strategic capabilities and ten performance indicators (from the consultant's viewpoint) leading to management consulting success were identified. However, because the themes in a generative research design are derived from the population itself (Simon *et al.*, 1995), it was expected that phase one of the design would change (add/enhance/diminish/replace) the strategic capabilities and performance indicators identified in the literature review.

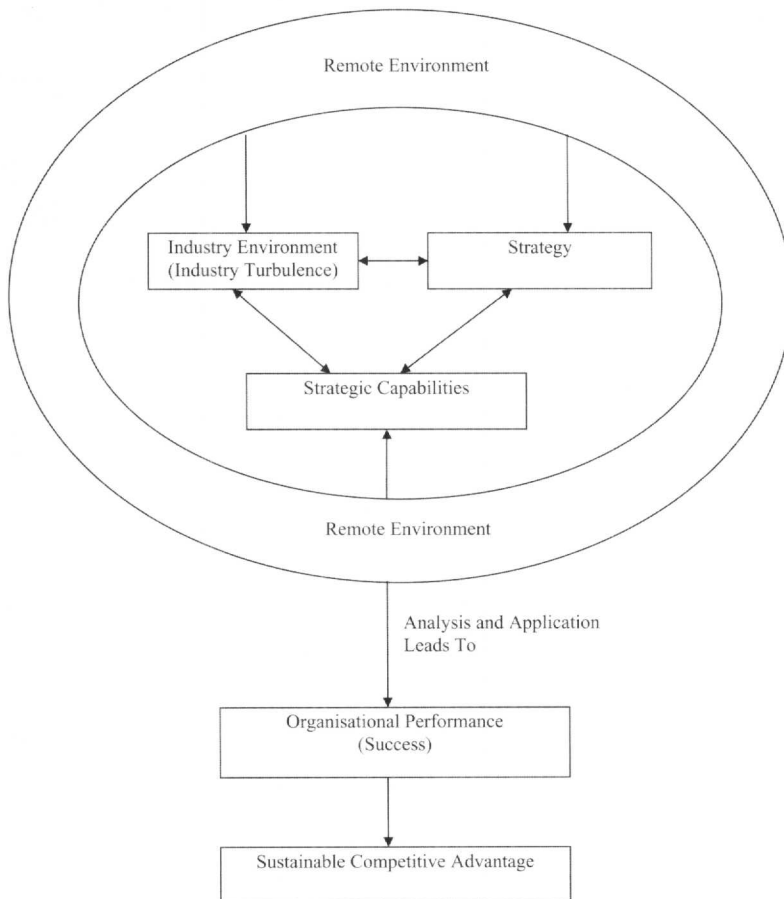
Phase 1 of the research

The nine strategic capabilities were incorporated into a non-standardised interview schedule. In phase 1 of the research design, 22 interviews were conducted among mixed systematic and convenience samples of practicing managers/executives of the top 500 companies in Australia (as identified by the Australian Stock Exchange). From this, there emerged a number of additional strategic capabilities, reasons for hiring consultants and what clients consider to be the performance indicators of successful consulting.

Phase 2 of the research

In phase 2, the new set of selection criteria, strategic capabilities and performance indicators, obtained from the literature review and the qualitative research, enabled the construction of a questionnaire. This questionnaire was sent to 1,286 high-level executives in Australia. The aims of phase 2 were to corroborate the findings of phase 1 and the literature review, and to determine which selection criteria, strategic capabilities and performance indicators were

Figure 3
Interaction of environment, strategy and strategic capabilities – leading to sustainable competitive advantage



Source: Kumar (1998)

Table I

Strategic capabilities identified by clients as leading to management consulting success in the academic literature

Factor	Reason chosen	Authors who mentioned factor
Client-consultant communication	Seven authors listed	Bobrow (1998), Bowers and Degler (1999), Czerniawska (1999), Ford (1979), Hegyi-Gioia (1999), Popovich (1995), Riley (1999)
Collaboration/ involvement of client	Six authors listed	Bowers and Degler (1999), Czerniawska (1999), Dowling (1993), Hegyi-Gioia (1999), Popovich (1995), Riley (1999)
Broad skill base	Five authors listed	Bowers and Degler (1999), Czerniawska (1999), Dowling (1993), Ford (1979), Popovich (1995)
Technical knowledge	Five authors listed	Bowers and Degler (1999), Czerniawska (1999), Dowling (1993), Ford (1979), Popovich (1995)
Defining (identifying) problems	Four authors listed	Bobrow (1998), Bowers and Degler (1999), Ford (1979), Hegyi-Gioia (1999)
Integrity and honesty	Four authors listed	Bobrow (1998), Bowers and Degler (1999), Hegyi-Gioia (1999), Ford (1979)
Ability to listen to/ comprehend client	Three authors listed	Bobrow (1998), Bowers and Degler (1999), Riley (1999)
Marketing	Three authors listed	Bobrow (1998), Bowers and Degler (1999), Czerniawska (1999)
Setting reasonable expectations	Three authors listed	Bobrow (1998), Ford (1979), Hegyi-Gioia (1999)

important to clients of management consulting firms.

The mailing list was acquired/identified through the Dunn & Bradstreet directory, it was aimed to survey only those working in the upper echelons of the top 500 companies in Australia. Those surveyed in those companies were:

- chief executive officers (CEOs)/managing directors;
- company secretaries;
- chief operating officers/financial controllers (or their equivalent);
- chief financial officers (or their equivalent); and
- chief information officers (or their equivalent).

A follow-up letter was sent to a random subsample of 200 of the original sample a month after the original mailing. Altogether, 149 responses were received which is approximately a 12 per cent response rate.

All the participants in this investigation were fully informed of the nature of the investigation before they were interviewed or surveyed. There was no concealment attempted. All participation was voluntary and no pressure or reward was offered for participation. All those who participated were given assurances of anonymity and confidentiality. No identification will be released. Further, ethics approval was obtained from Monash University's Standing Committee on Ethics in Research on Humans (SCERH).

Qualitative findings: non-standardised, scheduled interviews

One of the great advantages of the generative research design is the ability to generate both qualitative and quantitative data. The advantage of qualitative data is the ability to generate a holistic, complex and detailed understanding of the phenomena being studied (Guba and Lincoln, 1994).

Demographics analysed (interviews)

Of those interviewed, 17 (77 per cent) were male and five (23 per cent) were female. The majority of interviews were conducted in Victoria (55 per cent), with the remaining being conducted in New South Wales, Western Australia and Queensland. Of the interviewees, 14 (64 per cent) were from a convenience sample and eight (36 per cent) were derived from a systematic random sample. Most (61 per cent) of those interviewed were in executive or senior management positions. The remaining interviewees were in high level management positions.

Reasons for hiring a consultant, strategic capabilities and indicators of consulting success: the clients' views

From the literature review and the interviews, Table II shows the reasons for hiring a consultant, strategic capabilities and indicators of consulting success identified by clients.

Table II

Summary of reasons for hiring a consultant, strategic capabilities and consulting success indicators

Reasons for hiring a consultant	Strategic capabilities	Indicators of consulting success
Insufficient expertise in-house	Client-consultant communication	Achieving objectives agreed upon
Gaining additional help/resources	Ability to listen to/comprehend client	Achieving measurable financial results
Insufficient manpower in-house	Identifying problems/opportunities	Recommendations are actually implemented
Independent/objective advice	Collaboration/involvement of the client	Timeliness of delivery
No need to hire new staff	Integrity and honesty	Delivery within forecasted budget
Political	Technical knowledge	Customer/client satisfaction
Quick resolution of the issue	Setting reasonable expectations	Regular updates during engagement
Other time savings	Solving problems Project management skills Broad skill base Marketing Flexibility Innovation/creativity Networking/building relationships Qualifications of consultant Credibility Quality of service "Going the extra mile" – the X factor	Provision of post-engagement support

It can be seen that clients have a broad range of reasons to hire consultants. Further, a very wide range of strategic capabilities are used by clients to judge consulting success. The indicators of consulting success show that the clients are looking for tangible results from the effort and expense of hiring a consultant.

The results of this interview could be considered to be comparable to other studies and commentary on this topic (Bobrow, 1998; Bowers and Degler, 1999; Easley and Harding, 1999; Hegyi-Gioia, 1999). What differentiates this study is that all three elements were considered together.

Quantitative findings: questionnaires

These reasons, strategic capabilities and indicators of success were then formulated into a questionnaire and sent out to some 1,286 high-level executive and managers in the top 500 Australian companies. The results enabled quantitative data to be generated. This was available only in the most meagre amounts previous to this study. Of the questionnaires sent, 149 (12 per cent) responses were received.

Demographics analysed (questionnaires)

Of the respondents, 135 (91 per cent) were male and 13 (9 per cent) were female. This is in keeping with business trends where there is a much smaller female population at high

levels of organisations, which was the sample population surveyed (Helgesen, 1990).

A total of 71 per cent of respondents undertook to engage ten or fewer consultants per year on average. Yet, a substantial proportion of the population (27 per cent) hired 11 or more. This demonstrates a very large number of jobs being offered every year. This finding, too, is in keeping with the literature available (Fryer, 2000).

Those who were surveyed included a high proportion of chief financial officers (CFOs) (23 per cent), company secretaries (18 per cent) and general IT managers (10 per cent). Almost 17 per cent of respondents were in the top (CEO/MD/president, etc.) job of their organisation. Nevertheless, all respondents had a position in the upper level of their organisations and all organisations were top 500 in Australia. The results of this survey, therefore, could reveal what the requirements are at the highest level of the largest businesses in Australia, although it is acknowledged that our response rate was low.

Most of the respondents' head offices were located in the capital (major) cities, with Sydney, Melbourne and Perth providing 84 per cent of the sample. A total of 99 per cent of the respondents had their head office in a capital city. A similar survey of consultants revealed that the majority of consultants (91 per cent) also had head offices in the capital/major cities (Kumar, 1998).

The industries in which the respondents operated varied from engineering/

construction to banking and finance, from communications to tourism/hospitality. From this, it may be deduced that no one industry has a monopoly on hiring/retaining of consulting services. The usage of consultants is fairly even throughout most industries. Other surveys of the executive of top companies in Europe and the USA reveal similar statistics across the board (Clark, 1995).

The specialties for which consultants were hired were also quite broad, with information technology, strategic consulting, training and development, and organisational change being the most common. Surveys of consultants revealed that their areas of expertise coincided almost exactly with these industry requirements (Kumar, 1998).

Reasons for hiring consultants

Eight main reasons emerged, in the final analysis, for the hiring of consultants. The responses, in rank order, of those surveyed and the percentages have been set out in Table III. Other reasons for hiring consultants which gained a passing mention by a few of the survey population, included, disposal of business, experience and global perspective. From the survey, insufficient expertise in-house, independent/objective advice and gaining additional help/resources emerged as the three main reasons for hiring of consultants (see Table III).

There is very little empirical data available on this aspect of consulting. Existing empirical studies have chosen not to investigate the reasons for hiring consultants. However, anecdotal and general commentary by organisations which utilise consulting services seem to agree with these findings (Bowers and Degler, 1999; Easley and Harding, 1999; Sartain, 1998). The main thrust of client expectations seem to be that when they hire a consultant, the focus should be on the client's needs and not that of the consultant. As Easley and Harding (1999) comment, a client-consultant relationship is

that of mother and child, where the consultant is the mothering entity. Seen in that light, the consultant is in an almost fiduciary-style relationship with the client.

Strategic capabilities identified by clients

In the final analysis, 18 strategic capabilities were identified by clients as important to consulting success. In Table IV, these strategic capabilities have been listed from most important to least important. The response percentages have been also been tabulated (see Table IV). The table demonstrates that clients of consultants look at a number of factors when they judge whether a consulting service has been successful. These findings are in keeping with client commentary and other empirical studies undertaken (Bowers and Degler, 1999; Easley and Harding, 1999; Kumar *et al.*, 2000).

The most important strategic capability identified by consultants was the ability to listen to/comprehend clients. This suggests that clients really need consultants to see their problems and solve them according to the needs of the client corporation. As Bergholz (1999, pp. 29-33) states on behalf of all clients:

Coach me; help me succeed internally. I know you have knowledge I don't have. I may not want to ask for it directly, but you can find ways to give it to me without slicing and dicing my self-esteem. Your feedback could be helpful; I'm counting on you to find effective ways to give it to me, yet still preserve the working relationship we're supposed to have ...

Ranked as the second most important strategic capability by clients was quality of service. A related study has shown that consultants themselves consider this to be vital as well (Kumar *et al.*, 2000).

The other major strategic capabilities which have been identified by clients include client-consultant communication, integrity and honesty, technical knowledge and credibility. A study similar to this which looked at the views of consultants identified

Table III

Reasons for hiring consultants in rank order with scores

Reason for hiring consultant	Mean	Very important		Important		Not very important		Totally unimportant	
		No.	%	No.	%	No.	%	No.	%
Insufficient expertise in-house	3.5	87	58	53	36	8	5	1	0.7
Independent/objective advice	3.2	59	40	63	24	24	16	2	1
Gaining additional help/resources	3.0	32	22	86	58	26	17	2	1
Insufficient manpower in-house	2.9	33	22	66	44	41	28	6	4
Quick resolution of issue	2.6	19	13	65	44	46	31	13	9
Other time savings	2.4	9	6	54	36	56	38	16	11
No need to hire new staff	2.4	8	5	43	29	62	42	28	19
Political reasons	1.7	5	3	16	11	49	33	68	46

Table IV

Strategic capabilities identified by clients in rank order with scores

Strategic capabilities	Mean	Very important		Important		Not very important		Totally unimportant	
		No.	%	No.	%	No.	%	No.	%
Ability to listen/comprehend client	3.8	115	77	31	21	1	1	0	0
Quality of service	3.7	103	69	44	30	1	1	0	0
Client-consultant communication	3.6	97	65	47	32	3	2	0	0
Integrity and honesty	3.6	91	61	52	35	4	3	0	0
Technical knowledge	3.6	94	63	47	32	7	5	0	0
Credibility	3.5	77	52	64	43	7	5	0	0
Going the extra mile – the X factor	3.4	73	49	68	46	7	5	0	0
Identifying problems/opportunities	3.4	69	46	70	47	8	5	0	0
Innovation/creativity	3.3	54	36	79	53	14	9	0	0
Solving problems	3.3	52	35	84	56	12	8	0	0
Collaboration/involvement of client	3.3	49	33	84	56	12	8	0	0
Setting reasonable expectations	3.1	34	23	92	62	18	12	0	0
Project management skills	3.1	34	23	93	62	18	12	1	1
Flexibility	2.9	23	15	90	60	29	20	3	2
Qualifications of consultant	2.9	28	19	81	54	31	21	6	4
Broad skill base	2.7	16	11	67	45	58	39	3	2
Networking/building relationships	2.5	13	9	57	38	63	42	11	7
Marketing	2.2	5	3	36	24	84	56	19	13

six major strategic capabilities, these were, quality of service, setting clear objectives, solving problems, integrity and honesty, client-consultant communication and credibility (Kumar *et al.*, 2000). This shows a considerable overlap between what the clients want and the service consultants are supplying. Surveys done overseas also produce data which are very similar to the results herein reported (Bobrow, 1998).

Indicators of consulting success identified by clients

Respondents felt that the top three indicators of consulting success were achieving objectives agreed upon, customer/client satisfaction and timeliness of service delivery. Additional measures mentioned briefly in the open-ended question by respondents included effective skills transfer, staff co-operation and integration of consultant into organisation.

From the results (shown in Table V), it may be seen that the indicators for success are both financial and non-financial. This is congruent with the literature which suggests that service industries require more than financial measures (Kaplan and Norton, 1992).

In contradistinction to measures identified by consultants in a similar study (Kumar *et al.*, 2000) (see Table VI), the indicators of consulting success as stated by clients are quite different. Hence, it is in this area, most noticeably, that consultants will need to rethink their approach to their work. One point to note is that the difference between the indicators used by consultants and

clients could be the result of their differing perspectives.

Tests of bivariate relationships

The general hypothesis tested in this study was that there is a relationship between the strategic capabilities and the indicators of consulting success. The specific hypotheses deduced from the general hypothesis were tested using the Spearman Rho test. Every single strategic capability was tested against every single performance indicator, therefore, 144 hypotheses were tested using bivariate analysis.

What emerged from this bivariate relationship testing was that most strategic capabilities were significantly related to both financial and non-financial measures. Not one of these strategic capabilities or performance indicators failed to be related in at least three hypotheses. Table VII is a matrix of all the significant relationships produced by the bivariate data analysis.

Conclusion

In order to be irreplaceable, one must always be different (Coco Chanel).

The reality is that consulting is an important component of the business world. Further, all indicators seem to suggest that, far from decreasing, the demand for consulting services is increasing rapidly. Therefore, the dearth of available empirical data will become increasingly obvious as both clients and consultants search for the theory

Table V

Indicators of consulting success identified by clients, in rank order with scores

Success indicator	Mean	Very important		Important		Not very important		Totally unimportant	
		No.	%	No.	%	No.	%	No.	%
Achieving objectives agreed upon	3.9	131	88	18	12	0	0	0	0
Customer/client satisfaction	3.6	93	62	53	36	0	0	0	0
Timeliness of service delivery	3.5	71	48	75	50	3	2	0	0
Recommendations actually implemented	3.4	71	48	67	45	10	7	1	1
Achieving measurable financial results	3.4	65	44	75	50	9	6	0	0
Delivery within forecasted budget	3.4	59	40	85	57	4	3	0	0
Regular updates during engagement	3.3	50	34	93	62	6	4	0	0
Provision of post-engagement support	2.8	24	16	70	47	52	35	3	2

Table VI

Consulting success indicators as identified by consultants in rank order

Rank	Success/performance indicator
1	Customer satisfaction
2	Profitability
3	Repeat business
4	Personal/job satisfaction
5	Referrals
6	Revenue
7	Growth
8 Alphabetical order	Meeting the budget
9 Rank same	Longevity of consulting practice
10	Number of clients/size of client base

Source: Kumar *et al.* (2000)

underpinning the services they, respectively, utilise and provide. There can be no doubt that without understanding the basic rules and theories, one can not remould and reconfigure to produce a better and more complete service offering. It has been suggested that some of these data are already available to the larger consulting firms from their own research and work. This information, however, is not available in the public domain. Clients, both large and small, and smaller consulting firms, will be hard pressed to obtain this kind of information. It is for this reason that we undertook this investigation.

From this research, it is evident that clients of consultants are predominantly

Table VII

Significant relationships (✓) between strategic capabilities and performance indicators revealed through Bivariate relationship testing

Strategic capability	Performance indicators							
	A	B	C	D	E	F	G	H
Ability to listen/comprehend client	✓	✓	✓	✓	✓	✓	✓	✓
Quality of service	✓		✓	✓	✓	✓	✓	✓
Client-consultant communication	✓		✓	✓	✓	✓	✓	✓
Integrity and honesty	✓		✓	✓	✓	✓	✓	✓
Technical knowledge	✓		✓	✓	✓	✓	✓	✓
Credibility	✓	✓					✓	✓
Going the extra mile – the X factor	✓	✓					✓	✓
Identifying problems/opportunities	✓	✓						✓
Innovation/creativity	✓	✓	✓	✓	✓	✓	✓	✓
Solving problems	✓	✓	✓	✓				✓
Collaboration/involvement of client	✓	✓	✓	✓	✓			✓
Setting reasonable expectations	✓	✓	✓	✓	✓	✓	✓	✓
Project management skills	✓	✓	✓	✓	✓	✓	✓	✓
Flexibility	✓	✓	✓	✓	✓	✓	✓	✓
Qualifications of consultant	✓	✓	✓	✓	✓	✓	✓	
Broad skill base	✓	✓	✓	✓	✓	✓	✓	
Networking/building relationships	✓	✓	✓	✓	✓	✓	✓	✓
Marketing	✓	✓	✓	✓	✓	✓	✓	✓

Notes: A = Achieving objectives; B = Customer satisfaction; C = Timeliness of delivery; D = Recommendations implemented; E = Measurable financial results; F = Delivery within budget; G = Regular updates; H = Post-engagement support

male, they tend to engage multiple consultants every year, they are congregated in the major/capital cities and there is no limit to the industries in which they work. They require consulting for any number of matters, but the main ones are information technology, strategic consulting, training and development, organisational change and marketing.

This research further indicates that consultants need to be multiskilled, technically competent and should have excellent people skills. Ideally, to be a successful consultant, all 18 strategic capabilities need to be operationalised and implemented. This is because all the capabilities relate to one or more of the success indicators as identified by clients.

There is a quite noticeable discrepancy between how consultants measure and perceive success and how clients do the same. This is not to say that the consultant measures are "wrong" or useless, merely that consultants need to take account of what clients are looking for in the services they purchase. Perhaps it is this very large gap in perceptions that is responsible for the statistic that states that 90 per cent of all consulting firms fail in their first five years (Hasek, 1997).

The five main reasons consultants are hired are:

- 1 insufficient expertise in-house;
- 2 independent/objective advice;
- 3 gaining additional help/resources;
- 4 insufficient manpower in-house;
- 5 quick resolution of issue.

These reasons all demonstrate that when clients come knocking upon the door of a consulting firm, they are looking for something they have not the capacity to do or undertake in their own firm. They are truly in a position of dependence and vulnerability. Therefore, consultants have almost a fiduciary obligation to their clients:

- they must put the client's interests first;
- they must truly benefit the client; and
- their own interests, while important, must not take precedence over those of the client.

The ten strategic capabilities which clients identified as the most important to success, in order, were:

- 1 ability to listen/comprehend client;
- 2 quality of service;
- 3 client-consultant communication;
- 4 integrity and honesty;
- 5 technical knowledge;
- 6 credibility;
- 7 going the extra mile – the X factor;
- 8 identifying problems/opportunities;
- 9 innovation/creativity;
- 10 solving problems.

Finally, the five most important success/performance indicators identified by clients were:

- 1 achieving objectives agreed upon;
- 2 customer/client satisfaction;
- 3 timeliness of service delivery;
- 4 recommendations actually implemented;
- 5 achieving measurable financial results.

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Application questions

- 1 How important is it to measure against the success indicators while the consulting process is ongoing?
- 2 Consider an occasion when consultants were used by your organization. Did the encounter meet expectations on both sides? How did in-house teams feel? What changes need to be made before repeating the experience?