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EDITORIAL: A CONSULTANT IS WORTH AS MUCH AS HIS OR HER CLIENT

Dear Reader,

In the third issue in 2014 of the Pannon Management Review you are holding in your hand, we have chosen business consulting, more specifically management consulting as our main topic. The consulting business is mostly a product of the organizational market. Unlike internal consultants working as employees, consultants (who provide a service) solve their clients' planning, organizing, development, management and operative tasks in a business-like manner. Their activities can be carried out on the leadership level, but may also extend to the client's entire organization. In recent decades, as economic processes were beginning to get more complex, the companies' need for consultancy increased in accordance with the requirement of constant growth and the globalization of firms. Today, consultants are indispensable actors in the economy, and most of the companies sooner or later come into contact with a consultant in one way or another.

The characteristics of business consulting can be summarized as follows:

- it is *knowledge-intensive* – it is provided by highly qualified experts,
- it is highly *customized*,
- the role of *autonomy* and *personal judgment* is important,
- there is an *interactive relationship* between the consultant and the client,
- it meets the requirements of *professional standards* and *codes of ethics*.

The classical literature of consulting basically distinguishes two advisory roles. In the *expert role*, consultants help their client through their factual knowledge and expertise in specific areas: the consultants obtain information, plan new systems, formulate recommendations, work out solutions by themselves and seek acceptance of these among the employees of the company. *Process consultants*, on the other hand, try to help the organization in solving its own problems. They pass on the methods, but do not propose any solutions.

If a client requires help with a decision-making problem, and his or her participation involves only assigning the tasks, then the consultant provides *analytical* service. The intellectual result of the analysis is created, while the number of interactions with the client is limited (jobbing). This kind of consultancy is pure and is not directly related to the results of the client's activities. If the task assigned to the consultant involves the creation of a result, then we call it *engineering*. A typical example is giving investment project advice, where the physical content of the transaction can be significant. The service also in this case involves solving the client's problem which is of intangible nature, independently of the project tangible content. Another type of consultancy services is characterised by intensive interaction between the service provider and the client. Here the result depends on the continuous cooperation between the two parties. The four-handed cooperation involves analysing the situation through *joint reflection*, whereas the *GP consultant* finds a cure for all the client's problems. Thus, this might include the direct organization of production as well. A special form of interactive consulting is coaching. This is a series of discussions with managers and it serves as a solution for professional problems and stress-relieving training. Such professional/ psychological help is primarily required in senior management.

Need for consultancy

In general, companies ask for help from professional consultants because they need external assistance to solve their business problems. Such need can arise for a number of reasons. The priority of the individual reasons and motivations changes depending on the level of development of the economy and corporate culture, but the reasons behind laying a charge on consultants are basically similar:

- *Lack of time* – The task goes beyond the daily operational job and the problem cannot be solved with the existing capacity.
- *Lack of expertise* – The more special the problem, the more often an outside expert is needed.
- *Outsourcing* – In this case, the organization entrusts an outside firm specialized in that particular field with carrying out an existing activity that was previously performed in-house and which is not the company's core business; so it is generally not a revenue-generating activity.
- *Objectivity* – The company's leaders may also use an external consultant because they need confirmation.
- *Legislation* – Often it is some kind of regulation that encourages companies to work together with a consultant.
- *Transferring the risk* to the consultant.

Expectations for consultancy have changed much in recent decades. Today, clients expect consultants not only to solve business problems, but also to transfer knowledge. This transfer adds to the clients' knowledge. They have insight into the process and get a clear picture of how and using what methods the result will be produced. The knowledge acquired in this way is useful for the clients in two ways: on the one hand, it makes it possible for them to make better decisions and, on the other, it strengthens their business capabilities. In Hungary, multinational companies generally engage in knowledge management projects launched on the corporate level. However, in other organizations (including the institutions of the public service sector), there are currently fewer knowledge management initiatives supported by technology due to a lack of the necessary approach and the lower labour costs.

The mass of data and information generated in organizations on a daily basis by e.g. ERP or other transaction-processing and office systems generally requires additional systematization, combining, filtering and interpretation. For electronic and printed documents, this function is primarily performed by document management systems and knowledge archives containing additional information, while the financial data are increasingly managed in leading organizations by data warehouses. Certain technologies are capable of recognizing relationships and patterns in a dataset (data mining) and identifying, capturing, and then using regularities (use of self-learning artificial intelligence).

Business consultants typically manage intangible resources including, in a large part, *competencies*. These include the knowledge, the abilities and the skills needed by a consultant to carry out a task successfully. Different levels of competencies can be distinguished, i.e. individual, organizational, and leadership competencies. Individual competencies include expertise, skills, capabilities, and aptitude, whereas organizational competencies include the knowledge regarding clients and competitors in other forms, operation-related procedures and methods as well as norms and values embodied in the corporate culture. Naturally, organizational and individual competencies interact. They offer competitive advantage for the consultants. When consultants sell services, they essentially sell competencies. Competencies have a primary role in strengthening and establishing long-term relationships as well.

Collaboration between the client and the consultant is influenced by many factors, first of all the willingness of the people working on the project to cooperate, the harmony of knowledge levels, etc. When a client decides which consultant to choose, personal impressions and sympathy also play a role. The management not only chooses a consulting firm, but it must select those employees as well who they find suitable for cooperation both professionally and personally. *Relationship marketing* is of key importance both in the process of customer retention and customer acquisition. Building customer relations is a long process that needs to be planned consciously. A good relationship is based on the high quality of the consultancy project and the customer service. Consultants need to strive to keep promises, for adapted services and it must be made sure that the relationship with clients is continuous.

However, the core benefit of consultancy is above all honesty. This is because the consultant/service provider is not paralyzed by any internal (business or personal) relationship, which would weaken his or her critical skills. It is in his or her expressed interest to achieve results, because the consultant's good references build up the corporate image that is essential for mitigating the performance risk perceived by the client. Regardless of this, experience shows that an inexperienced, "soft" client cannot spur the consultant to such good performance as a "hard" one. Therefore, it is pertinent to say: A consultant is worth as much as his or her client.

In this issue an essay on the international consultancy business, an analysis of the psychological influence of the Hungarian "tobacconist law", an interview with one of the Hungarian management consultants and, finally, an inspiring contribution to the measurement theory and practice have been selected.

Andrew Gross and his co-authors Jozsef Poor and Emeric Solymossy in their paper of *The western ways of management consultancy: shifting from credentials to competency and creativity* point out the heterogeneous environment of the globalized consulting industry. The delicate approach of their argumentation makes the paper a unique presentation on the topic.

Judit Tessenyi and Klara Kazar in *The potential effect of the „tobacconist law" on entrepreneurs* chose to apply a special theoretical dimension when analysing the theme. It is namely the economic psychology and the behavioural research of the entrepreneurial sector. The authors put the dynamic inconsistency into the focus of their analysis. A really exciting paper it is...

Following the PMR traditions – publishing portraits of companies and individuals whose performance is illustrative of management achievement – in this issue, we feature an interview with Imre Hercegh, Certified Management Consultant of VIALTO Consulting. „Consultancy is an industry in which the real assets go home every night..." – as he described his business. The interview is full of interesting - partially shocking – details about the cyclical ebb and flow of the industry.

And we offer a publication opportunity to a young researcher in this issue as well. This time the paper of Csaba Hegedűs has been selected under the title of *Risk-based consideration of measurement uncertainty in decisions.* In a very sophisticated presentation the author leads the reader into the problematic of how to reduce risk of quality and maintenance related decisions based on uncertainty of measurement and estimation. The presented method gives a new tool to the managers to extend the typically reliability focussed decisions with consideration of their consequences.

We hope that again in this issue, we can present new, exciting topics from management science as well as encourage other researchers to present themselves in our journal.

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He worked as project manager of numerous international industrial projects in the Mediterranean region (e.g. Greece, Middle East, North Africa) between 1977 and '90. Since 1990, he actively participates in the higher education. In 2011 he was appointed professor of Marketing at the Budapest Business School (BBS), Hungary and between 2010 and 2014 he was also Head of Research Centre at BBS. Since 2014 he is Head of Department of Marketing, at the Faculty of Business & Economics of the University of Pannonia, Veszprém, Hungary. From the beginning of this year he is the editor of the Pannon Management Review.

Zoltán Veres has had consultancy practice and conducted numerous research projects on services marketing and project marketing. In 2001 and 2002 he was Head of Service Research Department at the multinational GfK Market Research Agency. He is member of the research group European Network for Project Marketing and Systems Selling, Lyon; Advisory Board member of Academy of World Business, Marketing and Management Development, Perth (Australia); Advisory Board member of the Nepalese Academy of Management; Advisory Board member of McMillan & Baneth Management Consulting Agency, Hungary and consultant of Consact Quality Management Ltd., Hungary.

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