

The Globalization of Consulting

A Natural Evolution

By Gordon Pole-Manning

Prepared for Kevin Schwenker, FCMC
Saint Mary's University, Faculty of Commerce
MBA Program, Mgt 601.1 (2002)

“The Essentials of Management Consulting”

is a Course in Partial Fulfillment of a Saint Mary's University
Masters of Business Administration in Management Consulting
and is also recognized by the Canadian Association of Management Consultants
in Partial Fulfillment of the Requirements for the Professional Designation
Certified Management Consultant



Published as part of the Memorandum of Understanding between



Canadian Association of
Management Consultants Association canadienne
des conseillers en management
The **Single Voice** of Management Consulting in Canada

© Gordon Pole-Manning 2003

There is an interesting dialogue going on in the field of management consulting, regarding the globalization of the profession. Views are disparate, from those that believe globalization of a firm should only occur if the growth is aligned with the company's corporate strategy to those that feel it is the moral responsibility of first-world consultants to disseminate their knowledge and level the global economic playing field. The arguments are earnest and important for a profession that is young and finding its way in this ever-changing world.

This report shall examine the varied theses with a critical eye and contribute to the discussion by studying and commenting on the dialectic of the information brought forward. Beginning with Charlton R. Price's assertion that "correction of the dangerous imbalance between haves and have-nots won't happen without wider use of modern management know-how."¹ The author explains in a journal article that the world economy is composed of four different groups of countries:

- 1) The interlinked, most 'developed', most industrialized economies-North America, Europe, and Japan;
- 2) Countries and economies dependent on the first group for global connections and trade;
- 3) 'Emerging' countries and regions with huge potential markets (a third of world population), underdeveloped human and other resources, and insufficient modern management know-how;
- 4) Everywhere else, mostly 'developing' countries.²

Price believes that the gap between group numbers one and four will not reduce without the intellectual assistance of the former. The author feels that the imbalance is being addressed by management consultants in developed countries belonging to such agencies as: non governmental organizations (NGOs), the international labour organization (ILO), the United Nations and the World Bank who have provided professional training programs for foreign consultants. The summation of Price's argument is that it is this type of action or corrective measure that is the rationale for global management consulting.

¹Charlton R. Price, "A Global Perspective," Journal of Management Consulting 13 (2002): 31.

²Price, 31

Large and Small Firms – Reasons for Globalization

Large consulting firms have a natural tendency to be global according to author Edward G. Pringle. Large firms naturally find themselves having global interests due to the sheer mass of their consulting operations and the size and activities of their clients. These firms outgrew their local market and expanded into foreign markets that facilitated their dealings with clients whose business is multinational. Some of the bigger firms have had a presence in numerous countries, via branch offices, for decades and we are now seeing teams composed of consultants from the same firm in different countries, collaborating on the same project.

Pringle cites several other factors that give large firms reason to be international. These include: the growing range of services offered, strategic alliances with other consulting and non-consulting firms, and standardization of business solutions. The revenue generated by the industry has grown from \$1-billion, 20 years ago, to \$30-billion today. In reference to the aforementioned standardization, Pringle writes “, the dominant themes of recent years - business process reengineering, enterprise resource planning, and electronic commerce - have resulted in most large firms seeking market share with largely undifferentiated offerings.”³ Meaning large firms that do not diversify their service offering must expand outside of their local market if they saturate the local market with the service they are providing. Hence, globalization becomes a natural evolution or mode for sustaining growth for large consulting firms.

Journal article, ‘Going global: Can small consultancies benefit from internationalization?’ written by Dr. William Scott-Jackson considers the issues facing the small consulting firms. The article is based on a sample study of strategic HR consulting firms in the United Kingdom. The author states that his “research clearly demonstrates that niche consultancies operating internationally do not generally do so on the basis of strategic analysis or careful calculation of business benefits. They became international most often in response to a specific client demand or due to lifestyle preferences of the founders or owners.”⁴

³Edward G. Pringle, “Larger Firms,” *Journal of Management Consulting* 13 (2002): 37.

⁴William Scott-Jackson, “Going global: Can small consultancies benefit from internationalization?” *Journal of Management Consulting* 13 (2002): 23.

Dr. Scott-Jackson classifies three ways a company may become global:

- 1) Do it yourself – where the firm will erect outposts in foreign lands;
- 2) Many hands – involves various types of networks or partnering with foreign firms;
- 3) Buy or get bought – through acquisition or merger.

Scott-Jackson constructs a theoretical model of analysis to examine those companies that consider globalization as an instrument of growth. The author says; “where the decision (to internationalize) is more considered, it is linked to critical decision points, or strategic watersheds, in the growth of the organization. These decision points were common to all of the consultancies studied.”⁵ The strategic watersheds are: lifestyle, revenue growth, capital growth, and exit. Lifestyle refers to a conscious decision by the owner to move the firm, to a foreign land, to satisfy a personal lifestyle choice. Revenue growth and capital growth refer to financial incentives for the firm to have an international presence. Finally, exit refers to a strategic choice by the owner to be bought by a multinational agency. Globalization, for smaller firms, presents an option that is increasingly attractive.

Pursuit of Growing Markets - Economic Evolution

Additional literature that contributed to this dialogue include Walter E. Vieira’s ‘Winning the Global Game: A Strategy for Linking People and Profits’ and Charlton Price’s book review of Thomas L. Friedman’s, ‘The Lexus and the Olive Tree’. Both works discuss the economic opportunity of investing in markets abroad. “Winning the Global Game’s main theme is that in the 21st-century global economy, emerging nations will provide almost half of the potential customers for Western goods and services.”⁶ Meanwhile, Friedman “sees globalization driven by increasingly free markets, free trade, high-tech, and the Internet. He considers it inevitable, irreversible, and stressful yet on balance, a boon to humankind.”⁷ These works do not view the globalization of management consulting as a haphazard option of individual executives but as a natural economic progression.

⁵Scott-Jackson, 27

⁶Walter E. Vieira, “Winning the Global Game: A Strategy for Linking People and Profits,” *Journal of Management Consulting* 12 (2001): 63.

⁷Charlton R. Price, “The Lexus and the Olive Tree / The Challenge of Global Capitalism,” *Journal of Management Consulting* 11 (2000): 60.

Having read the thoughts of others as to the approach of management consulting to globalization it is now time to venture into the discussion. Upon review of the preceding arguments, Edward Pringle's rationale that globalization of the consulting industry is a natural evolution seems most pertinent. This notion mirrors both Vieira and Friedman's economic view of a business entity in search of the greatest utility. Pringle notes how large firms find themselves having foreign outposts or partnerships due to the movement of their clients. The reader should not view this expansion as an entirely casual affair. Prior to entering a foreign market each firm will engage in some form of cost-benefit analysis to rationalize their move. The fact that several firms have seen the benefit of having a foreign presence is an indication of a structural trend. Profitability is generally driven by economies of scale and therefore leads to the consolidation of firms. This may be viewed as an organic or natural economic evolution. The expansion of consultancies into foreign markets is normally due to a favourable cost benefit analysis, thus may also be looked upon as an organic economic evolution.

Developing Economies and Countries in Transition – Collaboration

Foreign markets possess resources that provide for an exchange between parties. Charlton Price's ambition to level the economic playing field by having developed countries export their intellect is well intentioned. However, Price's reasoning is limited in scope. Knowledge may be communicated both ways. Emerging and developing countries or groups 3 and 4 have human resources and intellectual property that developed countries may profit from. Project management and marketing are a sample of the functional areas where indigenous, human resource input facilitates the integration of the foreign consulting firm into the local market. Consulting firms with multinational clients require liaisons to both the foreign government and the business community. Practices in the foreign market may differ from the local customs where the consulting firm is headquartered. This provides an opportunity for the firm to adopt the best practices or intellectual property of the foreign branch. The impact to consultancies with a foreign body includes greater efficacy in providing business solutions abroad and at home. Studies have shown that diversity is one of the most effective tools for a group to have when problem solving. Consulting firms from group 1 regions that simply export their ideas miss some benefits that come with foreign perspectives.

The importance of taking the right approach to globalization relates to the proper use of resources and maximizing the firm's profitability. Dr. Scott-Jackson's watershed model is a good

example of a company that has formulated goals that are congruent with corporate strategy. The benefit of such a strategy is that the consulting firm has a clear purpose and seeks out appropriate partnerships. Most large consulting firms will expend all available resources to ensure the success of their foreign branch. Expectations are therefore greater, regarding the performance of the foreign partner. Unlike Edward Price's scenario of knowledge flowing downstream to foreign markets. The large consulting firms have timelines for profitability and expect their foreign branches or partners to contribute to the achievement of the firm's financial target. This expectation of the large firm suggests an upstream input as well. Foreign bodies are expected to provide whatever resources they have to the plan.

Globalization and the Future of Consulting

The impact of globalization on management consulting shall be judged given adequate time for a history to develop. This youthful profession remains in a growth phase even as consultancies consolidate. However, given our understanding of the industry and exposure to the issues on the topic of globalization, we are in as good a position as any to comment on the future development of the consulting industry.

Globalization takes the consulting profession to higher levels of legitimacy. The efficacy of consulting practices in different regions of the globe manifests the utility of the profession. From entities such as multinational corporations to the business minded individual, credibility is given to the industry. It is believed that consulting firms are able to deal with a variety of situations in different geographical contexts. The industry unabashedly promotes this notion, establishing the International Council of Management Consulting Institutes (ICMCI). This international body attempts to regulate and promote international standards of competence and ethics for the industry. The United Nations bestowed upon ICMCI the status of Non Government Organisation (NGO) with Special Consulting Focus in the year 2001. Such recognition legitimizes the profession and tacitly acknowledges the profession's high ethical standards. The website www.icmci.org provides global access to consultants and clients. As an international body, the consulting industry commands more respect than if it were restricted to one local area.

Another impact globalization has on the consulting industry is to broaden the capabilities of the firm. Consulting is a knowledge-based industry and globalization allows for a greater exchange of information. Consultants may now have contact with peers or firms from across the globe that

are able to introduce new concepts or methods. Globalization engenders diversity, which, as mentioned before, creates a multi-perspective approach and is a most effective tool in developing business solutions. Firms that isolate themselves from the benefits of globalization risk losing the confidence and business of their clients. Today, clients are more educated than ever and expect large consulting firms to have global capabilities or resources, which translate to a larger database of information and solutions than were in the past.

Standardization of practices and ethics are by-products of the industry's globalization.

Organizations such as the IMCI act as regulators ensuring a quality of service to the public no matter where they may be. It is not to be said that prior to or without globalization, the industry is lacking in. On the contrary, regional chapters of consulting associations uphold a code of conduct that all members are held accountable to. Breach of professional codes of conduct can result in severe sanctions including outright rejection from the professional association.

Globalization expands the physical working environment of consultants and as such regulations must be applied that cover this new international territory.

Does the consulting industry suffer any negative consequence due to globalization? Some might argue that small service customers are overlooked in favour of enterprise solutions. Globalization has been the catalyst for the consolidation of firms within the industry and these larger firms are not genuinely concerned about managing long-term relationships with small business clients. However, it should be considered that each consulting firm, including the large ones, could not be all things to everyone. There must be a proper fit between client needs and a firm's abilities. Clients are not discriminated against due to their size. The budget a client has allocated for consulting work may limit its choice of firms. The main issue of this argument is the service, or lack thereof, that the consulting industry provides to small customers. However, it could be argued that the small client is well serviced through the plethora of consulting firms in the market of various sizes and specialties.

The lack of specialization in an area that may be particular to a region is another criticism levied against the globalization of consulting firms. For example, fish companies on Canada's east coast may feel that consulting firms in the area are not able to adequately deal with their issues because the firms are too busy concentrating on larger, more lucrative international markets. This may or may not be true, however, as a global industry these fish companies have the option of searching the globe for firms that have the particular expertise they need. The client may not be

able to find what they are looking for locally, but in the end globalization offers them more choice.

The future of consulting is as bright as the individuals who represent the industry. Consulting is people-centred. Solutions, be they business or otherwise, are designed by people for other people to apply. This individualism in an often team; collaborative framework is what appears to be the future direction of the industry. There is a consistent trend of individuals leaving large firms after honing their overall skills and developing an expertise. The advent of computer facilitated communication as a working tool allows individuals and their firms to collaborate, on projects of varying size, from their basement at home. Globalization of the consulting industry is a sign of the times, a natural evolution, similar to other large industries. Its impact has been largely positive but will need to be continually shaped by those involved. Ultimately it is the contribution of individuals who will determine the role of globalization in consulting and the future course of the industry.

1 Bibliography

1. Price, Charlton R. "A Global Perspective." *Journal of Management Consulting* 13 (2002): 31
2. Price, Charlton R. "The Lexus and the Olive Tree / The Challenge of Global Capitalism." *Journal of Management Consulting* 11 (2000): 60-61
3. Pringle, Edward G. "Larger Firms." *Journal of Management Consulting* 13 (2002): 35-37
4. Scott-Jackson, William. "Going global: Can small consultancies benefit from internationalization?" *Journal of Management Consulting* 13 (2002): 23-27
5. Vieira, Walter E. "Winning the Global Game: A Strategy for Linking People and Profits." *Journal of Management Consulting* 12 (2001): 63-64