



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

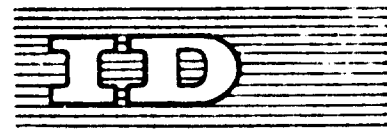
CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



D00754



Distr.
LIMITED

ID/WG.51/1
20 October 1969

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Regional Workshop on the
Use of Consultants

Tokyo, Japan, 1-13 December 1969

FUNCTIONS AND RESPONSIBILITIES

OF

CONSULTANTS ^{1/}

by

AKIRA TAKANAKA

Managing Director

Central Japan Industries Association
Nagoya, Japan

^{1/} This paper is published as presented by the author. It expresses the author's views and not necessarily those of the United Nations Industrial Development Organization (UNIDO) and has been reproduced without formal editing.

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

Table of Contents

<u>Chapter</u>	<u>Title</u>	<u>Page</u>
1	Reasons for using Consultants	1
2	Functions of Consultants	2
33	General Definition of Management Consultants	4
4	Significance of the Management Consultancy Profession	6
5	Business Diagnosticians or Extension Officers in Developing Countries	7
6	Type and Scope of the Consultancy Service	8
7	Responsibility of Consultants	10
<u>Appendix</u>	Code of Ethics Code of Conduct	

1

REASONS FOR USING CONSULTANTS

Before analysing the tasks and functions of consultants let us study why businessmen seek their services. Based on my experience and observation, reasons for using consultants could be classified briefly as follows :-

a. Objective Recommendation

Businessmen, because they are heavily involved, find it difficult to do appropriate decision making for the evaluation of their business and also designing of improvement programmes. Therefore they seek consultancy services for an objective, non-biased opinion and recommendations on their various problems and subjects.

b. Problem Solving by a Specialist

To get exclusive specialists' services to advise on problems from which the business has been suffering due to the lack of skill, knowledge and experience to take appropriate measures. Furthermore they find it difficult to spare personnel to undertake special projects at the risk of deficiencies and trouble that may affect routine performance by the implementation of new schemes.

c. Educational Service

To ask the consultant, through his professional guidance, to develop and educate their personnel to be able to :

- i. detect the real cause of a problem, and
- ii. solve problems with acquired skill and knowledge.

Besides those substantial results the businessman expect from consulting services, they believe they can get the best service because of the consultant's practical experience acquired through previous consulting assignments of an identical or similar type. They also believe that the consultant will not disclose the client's confidential information and secrets.

Consulting service is by all means a business and therefore, it cannot neglect the customers, i.e. the clients, nor ignore their request. Such requests may be conducive to the delineation of the functions of the consultant.

Exhibit 1 FUNCTIONS AND TASKS OF A CONSULTANT

Clients Concern	Objective advice and Recommendation	Solving Problems by Experts	To Develop People
Nature of Service	Diagnostic	Technological implementation	Educational
Merit of using Consultants	Objective and unbiased recommendation Can settle disputes among personnel	Ensures effective results with minimum expenditure Can shorten the time or ensure accomplishment by specifying the time	People will be developed through practical on-the-job training on up-to-date skills and techniques by the special guidance of consultants
	Recommendation will involve work plan to solve problems	Unnecessary to maintain extra people for a project of a non-repeated nature	
Special Requirement for Consultants	Objectiveness	Skillfulness with ample experience	Good Educator
	Practical skill experience	Ability to sell ideas and to persuade	Practical Knowledge and experience
	Flexibility and humanistic approach		

2 FUNCTIONS OF CONSULTANTS

As mentioned in the last line of the preceding chapter, the functions of a consultant should be such as to meet the desire and requirement of the client. Accordingly, functions and tasks are simply classified as follows :

- a. Diagnosis -- to develop objective advice and recommendation
- b. Technological implementation -- to solve the problem with highly skilled and experienced experts
- c. Educational -- to train and develop personnel through practical implementation of working plans.

Details of operations and activities for carrying out these functions, may vary according to the different type of consultant and the nature of the project to be undertaken. For the stages of the consultancy operation, the following excerpts from the report prepared by the Overseas Development Institute Ltd., of London, is most concise and well presented especially in view of the consultancy services in developing countries¹

First Stage - to examine the needs, the economic desirability and the technical feasibility of the proposed project

Second Stage - the drawing up of precise specifications designs and bills of quantities for the project

Third Stage - supervision of construction

Fourth Stage - if the client requests it, to advise and assist in the operation of the completed project

For more details, UNIDO has given the following successive steps in rendering Integrated Consulting Services for an industrial project.²

- a. Feasibility study
- b. Engineering design and preparation of books of tender for equipment
- c. Evaluation of bids for equipment and recommendations
- d. Preparation of books of tender for civil engineering works
- e. Evaluation of bids of civil engineering contractors
- f. Supervision of equipment manufacture
- g. Co-ordination
- h. Supervision of civil engineering construction
- i. Supervision of equipment erection and connection
- j. Supervision of start-up and commissioning
- k. Hiring and training of staff
- l. Assistance after the establishment and initial operation

After studying these well diversified steps of consulting services, it is evident that one consultant, specialized in one professional skill, could not take care of all these steps himself.

¹ Charles Young, "Consultancy in Overseas Development", Overseas Development Institute Ltd., London, 1963, pp. 13-14.

² Manual on the use of consultants in developing countries, United Nations Industrial Development Organisation, United Nations Publication pp. 52-53.

Charles Young¹ says " Essentially, consultancy is concerned with the provision of technical expertise" it follows therefore, that there are almost as many types of consultants as there are branches of applied science.

In line with the above mentioned consulting steps, UNIDO classifies the types of consulting assistance as follows:²

Design and Engineering Services
Technological Services
Economic Services
Management Services
Training Programmes

Accordingly we may classify consultants as follows:

a. Consulting Engineers

They vary in different areas of specialisation such as civil, mechanical, architectural, chemical and agricultural engineering.

b. Economic Consultants

Unlike financial or accounting specialists in the field of management consultancy, these consultants deal generally with wider and preliminary aspects, e.g., economic and/or industrial planning, industrial surveys, project or business feasibility studies, market potentiality surveys, etc.

c. Other Consultants

There are many other specialists who call themselves 'consultants', these include
Training specialists
Certified Public Accountants
Lawyers
System Consultants (computer sales engineers)
Professors
Management Commentators, etc.

3 GENERAL DEFINITION OF MANAGEMENT CONSULTANT

There are several reasons why the author tries especially to deal with this subject of Management Consultancy. Firstly, because he is a management consultant in his own right, secondly, in spite of the well diversified areas consultants cater for and the existence of the different types of consultants, working patterns and procedures are not so varied. Thirdly, and contrary to the latter, there is a distinction between the management consultancy profession and any other type of consultant.

¹Charles Young, op. cit., pp 13

²UNIDO, op. cit., pp 3-4

Finally, the areas and fields in which management consultants work are widening year by year. Thus sometimes we find it difficult to draw the line between the tasks of a management consultant and that of other consultants. We see that many management consulting firms in advanced countries are rendering so-called "integrated consulting"¹, co-ordinating activities with the different types of consultants.

If management implies planning and control, and planning is defined as optimum allocation of resources, materials and manpower, perhaps the functions of management consultant may be widened from the conventional understanding of the profession. Actually an all-round general management consultant, with profound knowledge and experience, able to render integrated consultancy services to any business undertaking, including national and industrial organisations and institutions, is eagerly sought after by various clients, e.g., national and local government, trade associations, business organisations and individual business enterprises. Because of these facts, the author takes it as a good excuse to start with the explanation of management consultant.

According to UNIDO, consultants are "professional problem-solvers whose expert knowledge may cover a number of traditional professional fields, and who are particularly qualified to undertake an independent and unbiased study of a given problem and reach a rational solution. The value of a consultant lies in his training and previous experience in the solution of related problems, and in his ability to select the course of action, which, in his expert opinion, should be implemented".² This definition may well be applied to that of a management consultant.

By the Association of the Consulting Management Engineers of America (ACME), one of the most authoritative management organisations of professional management consultants, the definition of a management consultant is, viz.,

"An individual qualified by education, experience, technical ability and temperament to advise or assist on a professional basis, in identifying, defining and solving specific management problems involving the organisation, planning, direction control and operation of an enterprise. He serves the enterprise as an impartial objective adviser and is not an employee of its organisation".³

The I.L.O. which is extending various kinds of consulting and assistance services throughout the world, defines consultants

¹UNIDO, op. cit., pp. 52-54

²UNIDO, op. cit., Foreward p. 5

³Professional Practices in Management Consulting, ACME, New York.

as those who can "give advice and assistance .. visit their firms and study their individual problems on the spot".¹

Therefore according to the above definitions, a management consultant is one who gives advice and assists others in management problems of an enterprise, but not undertaking any specific assignment by himself. However, in actual fact "he is asked to undertake a thorough investigation of a firm and to recommend major re-organisation ... in some cases the role of management consultant tends to merge with that of specialist consultant".²

This fact of undertaking some of the productive assignment is somewhat inevitable when a management consultant serves very small businesses, who do not have or cannot afford to spare, capable personnel to participate in solving problems with modern management techniques. However, in spite of this the basic role of a management consultant is an advisory one, and can be divided as follows :

- a. Diagnosis of an enterprise - detecting and isolating the real cause of problems
- b. Presentation of recommendations - designing course of action for solving problems
- c. Advise and Assist - on the implementation of recommendations
- d. Evaluation and Follow-up

4 SIGNIFICANCE OF THE MANAGEMENT CONSULTANCY PROFESSION

The distinction between the management consultancy profession and other similar professions, e.g., engineering and technical consultants, is that it is of an advisory nature only, undertaking no productive work, whereas the latter's contract promises the accomplishment of the assigned task with substantial results.

The consultant therefore, " Does not guarantee any specific amount of cost reduction or increase in profit from his effort, nor does he accept an assignment fee related to any cost reduction that may result"³ (known as a contingent fee). However, he endeavours to serve the client and to bring about permanent benefit to him. He takes it as his primary responsibility to guide his client's personnel while assisting them in implementing

¹ Services for Small-Scale Industry, I.L.O., Geneva, pp. 57

² S. Hyman, "An Introduction to Management Consultancy", Heineman, London

³ ACME, Code of Ethics, Article 4

recommendations and working plans. In this respect, the mere diagnosis of an enterprise or the presentation of a list of recommendations is not sufficient to fulfil the professional obligation.

5 BUSINESS DIAGNOSTICIANS OR EXTENSION OFFICERS IN DEVELOPING COUNTRIES

Management consultancy services for small businesses in developing countries are usually conducted, free of charge, by government or public institutes, because small businesses cannot afford to pay the relatively expensive consultancy fees.

With a limited number of these officers and a limited budget, such institutes find it difficult to render thorough consulting services, i.e., covering all the consulting steps of diagnosis, implementation and follow-up. Usually they undertake diagnosis of an enterprise spending two to three days at the most, and therefore are sometimes referred to as Business Diagnosticians, instead of management consultants.

One of the disadvantages of asking for free consultancy service is that neither party feels very obligated. Unfortunately, it does occur that businessmen seek consulting services for another purpose. It may be the desire to obtain access to government officials in order to get a loan, or to lend weight to decisions already made. Officers rendering such consulting service do not feel the same degree of responsibility towards the client as a professional consultant does.

Due to the above-mentioned reasons, consultants catering for small businesses usually expand their activities beyond those given in chapter six. The extent of these additional activities may destroy the distinction between the management consultancy profession and that of the various other consultants.

As the problems of small businesses in developing countries are not confined within the limit of managerial know-how, but closely connected with economical, financial, technological and legal aspects, consultants are obliged to take part in solving these problems. Furthermore they cannot escape becoming involved very often, in acting as co-ordinator or even negotiator, to obtain financial, technical and other assistance from outside organizations. In some cases, public consultants belong to the organization authorised to give financial or technical assistance. Under such circumstances, the primary duty of the consultant may become that of an evaluator of enterprises for their eligibility to obtain the assistance available at his organisation (Feasibility study).

In the newly developing countries, the scope of a consultant's activities is more widely diversified. To quote Mr. P. P. Shrestha of the Nepal Industrial Development Corporation, "NIDC has to undertake more enterprising functions besides its normal functions, namely, financial and technical assistance".¹ This is because NIDC is the organisation devoted to the task of industrial development in the private sector, and perhaps because of the fact that the major concern of this country is to create suitable business rather than to re-organise the existing industries.²

On the other hand there are some consultants, catering for the small businesses, who do limit the scope of their activities to come into line with those of a professional management consultant. Due mainly to the excess demand, consultants belonging to public organisations usually do not get into business problems any further than presenting a cheque-list type of diagnosis report. They can hardly spare enough time to guide the client in implementing their recommendations. In some cases, a report may not contain any substantial recommendations or working plan for improvement, only a list of the rated efficiency of business functions and activities.

The extent of the terms of reference mentioned above may well be considered valid in view of the general conditions existing in developing countries. In some of these countries the consultancy service, or more precisely, the advisory service, is extended as part of government assistance programmes and is not always a private economical undertaking.

6 TYPE AND SCOPE OF THE CONSULTANCY SERVICE

a. Different approaches by small businesses for solving problems

Measures taken by those who are weak :-

- i. Seek help and assistance from others
- ii. Help each other among the weakest
- iii. Endeavour to develop their own strength

b. Measures taken by larger businesses to overcome their problems, are virtually the same as above,

- i. Ask outside assistance, e.g. finance technology facilities, manpower, materials, managerial know-how, etc.
- ii. Co-operative and joint activities for purchasing, distribution, equipment, utilization, information, etc.
- iii. Self development

¹ Document No. 600-1, AFO Symposium on Top Management, 1963

² Document No. 500-3, AFO Symposium on Top Management, 1963

It is advisable for small businesses to utilize these different measures tactfully and efficiently. Businessmen consider consulting services as outside assistance (category a.) but actually it should be used as a means for self development (category c.). By assisting in setting up industrial estates, co-operatives and similar establishments, many consultants are working for category (b). Therefore, small businesses utilize the consulting service in all measures taken to solve their problems.

c. Relationship between the Consultancy Service and other aids to small businesses

By virtue of the facts mentioned before, it is quite permissible to use the term 'consultant' in a broader sense, when dealing with the developing countries. Taking the term as a synonym of Advisor or Extension Officer, we could briefly describe the activities as under :

Different Types of Consulting Services

Type	Consulting service in the broader sense sometimes referred to as 'Extension' service		
Approach	Consulting	Training	Research
Individual	Diagnosis Advisory Service Consulting service Model Plant	Demonstration (Pilot Plant) Services for inter-plant training	Aid for a specific project.
Group	Diagnosis, advisory or consulting service as :- a. Trade wise b. Industry c. District - (Shopping center, etc.)	Training plan Itinerant team Marketing clinics Training course Seminars Discussion group	
	Meeting	Exhibition Meeting Radio, T.V. Publications	

If the definition of management consultant was strictly adhered to, its activities would be confined to the consulting services by individual approach, but as previously pointed out, because of the problems encountered by small businesses and enterprises in developing countries, the consultant must enlarge his field of activity.

The Korean Productivity Centre started consulting services in 1958. The purpose of this division is "To make an analysis, or on-the-spot inspection of governmental or private business enterprises and plants that are not operating well, or not operating to full capacity, and to give them proper and necessary suggestions or advice for the betterment of business management". They provide top management with recommendations and after the scheduled consultation period, render follow-up service as required. This is no different to the normal consultation service. However, during April, 1964, it also rendered services on the following :

- a. Providing information in the form of catalogues on doll makers in Europe and America
- b. Explanation of ideal management methods for firms producing foundry products and farm equipment
- c. Gave information concerning the optimum level of capital investment necessary to establish a light metal industry²

7

RESPONSIBILITY OF CONSULTANTS

In the words of Justice Brandeis, a profession is, "An occupation requiring extensive preliminary intellectual training, pursuit primarily for others and not merely oneself, and accepting as the measure of achievement, one's contribution to society rather than individual financial reward".

Based on this concept, professional consultants are required, not by legal obligation but self-imposed professional consciousness, not to commit unprofessional conduct. From a more practical standpoint we have the following excerpt from an ACME publication, "First, the client relies upon the reputation of the individual practitioner and the standard of the profession as a whole, as to the quality and value of the services to be received.

¹APO Report on Project 5/61

²APO Monthly Bulletin, May, 1964

The rule of caveat emptor does not apply. Second, the element of choice is frequently removed. If a man is sued, he must secure a lawyer, if he is sick, he must seek medical advice. Compliance with certain laws and statutes requires him to engage the services of a professional accountant. In such cases, the element of choice is hardly present".¹

According to the British Institute of Management, unprofessional acts of conduct are :-

- a. To advertise consultancy services in the public press, except in the case of classified advertising for staff
- b. To accept, or permit any of the staff to accept, trade commission, discount or consideration of any sort in connection with the supply of goods or services to clients
- c. To have any financial interest whatsoever in goods or in service (other than their own), recommend or supply to clients by them or to be controlled directly or indirectly, by a supplier of such goods
- d. To calculate their remuneration on any basis other than a fixed fee agreed in advance (which may be on a time basis)
- e. To disclose, or permit to be disclosed, confidential information regarding their clients' business
- f. To pay commission, or any other form of remuneration, to persons not on their staff for the introduction of clients, or
- g. To do anything likely to lower the status of Management and Industrial Consultancy as a profession.

Leading Management Consultancy organizations usually have their own Code of Ethics but they are quite similar in concept, and guiding policy to the above. (Refer to code of ethics of Central Japan Industries Association, Appendix).

Most of the articles contained in the code of ethics are self-explanatory, however I would like to enlarge on some of the more important ones.

As already mentioned, a management consultant does not guarantee any specific amount of cost reduction or increase in profit, due to his effort, nor does he accept an assignment fee related to any cost reduction that may result (contingent fee).

¹ Professional Practices in Management Consulting, ACME, New York, 1959, pp.6

However, he still endeavours to serve the client by bringing about benefit of a permanent nature. He should take it as his primary responsibility to guide the client's personnel while assisting them in implementing recommendations and working plans. In this way, mere diagnosis of a business, or the presentation of recommendations would not fulfill the professional obligation.

Although most of the ethical consultants and consulting firms usually adhere to the above code of conduct, there have frequently been objections and accusations, saying consultants who do not promise substantial results are excusing their incapability and trying to fool businessmen by telling them that the whole responsibility lies on the shoulder of the executive and not on their own.

There are some consultants who believe that charging a contingent fee is more reasonable and is a reflection of assuming responsibility for their services to the client, and the usefulness of their recommendations, and some are quite successful by taking a policy of implementation guarantee. Thus business ethics have been constantly a controversial issue.

An ethical consultant will, and is required to, confine his scope of activities within the limit of his major function. Therefore he accepts only those engagements that he is qualified to undertake, or can assign qualified personnel to. Because of this it is prohibited to use the client's firm as a consultant's training ground. However it is argued that this is too idealistic, because a consultant requires on-the-job training. The client's firm is always the training ground for any experienced, high calibre consultant.

If a consultant was an objective advisor, he would not undertake an assignment where it was evident the client's only purpose was to use his name and reputation. Often consultant services are used just to get financial assistance, technical aid, etc. Consultants are sometimes persuaded to prepare a report using top management's ideas and plans, and so become a tool to sell other people's ideas and remove opposition.

An ethical consulting firm will not advertise itself in a self-glorifying or exaggerated manner. The appropriate media for sales promotion is said to be writing books and/or articles in magazines, lecturing, or broadcasting in specialized fields and subjects. However there is some controversy on this subject, especially in developing countries, that people will not recognise the importance of consulting services unless disseminated.

APPENDIX

Code of Ethics

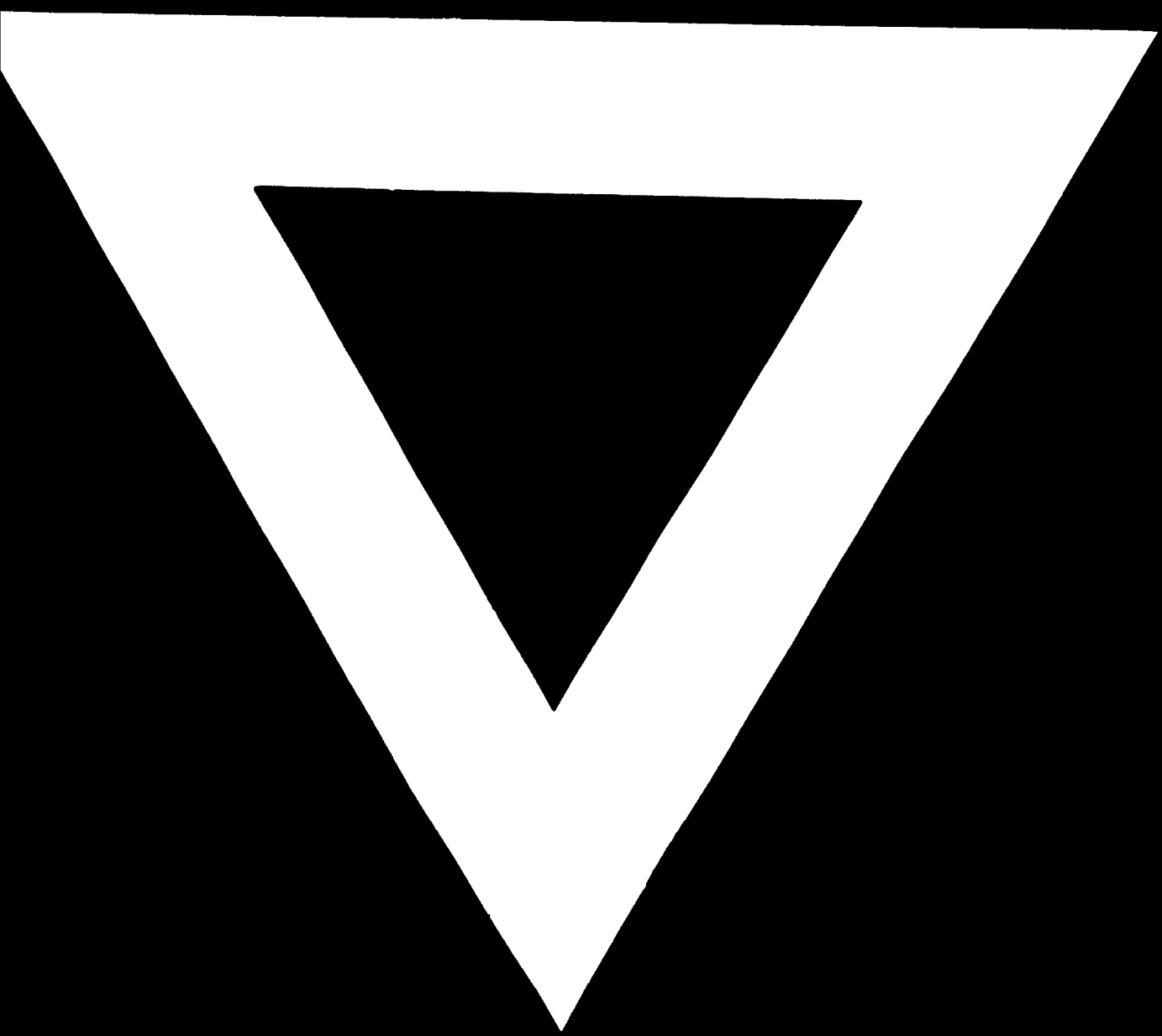
1. We will accept only those engagements that we are sure of satisfying by despatching qualified persons for effective services.
2. We will make sure that both parties, i.e., ourselves and the client, will clearly define and definitely understand the objective, scope and fees to be charged before the commencement of the engagement.
3. We will not undertake an engagement under any of the conditions listed below :-
 - (a) With a client who is a competitor of one of our present clients
 - (b) With a client with whom another consultant is currently engaged
 - (c) Under a condition where we realize that objectivity and integrity of our work will not be maintained because,
 - i. the client is seeking the use of our name and reputation for other purposes and is not duly interested in the consultation service itself
 - ii. the client has an intention of taking advantage of the fact of this engagement for such purposes as borrowing money, getting customers' orders, etc.
 - iii. the engagement is initiated by a third person, such as a banker, for his special interests, and it is clear that our freedom of independent work is endangered.
4. We will not disclose any business information, but keep it as confidential.
5. We will not use the client's business as a training ground for our staff.
6. We will render services specially designed for each client, so that he will receive permanent benefit.
7. We will not violate the authority of the top management of the client, nor take over his task,
8. We will not approach any employee of a client for his employment outside the firm.

APPENDIX

Code of Conduct

1. We will not approach a consultant of another firm with the intention of employing him, and will always take fair action with the employer in case the initiative is taken by an individual who wishes to join us.
2. We will not criticise or speak ill of other consultants, or interfere with their work.
3. We will not advertise our firm in a self-glorifying and exaggerated manner.
4. We will not get any compensation from outside by extending services other than consulting, to the client.
5. We will refrain from projects which require the services of outside agencies or persons not under our full control, and will not secure assignments on a commission, percentage or contingent fee basis.





12 . 12 . 73