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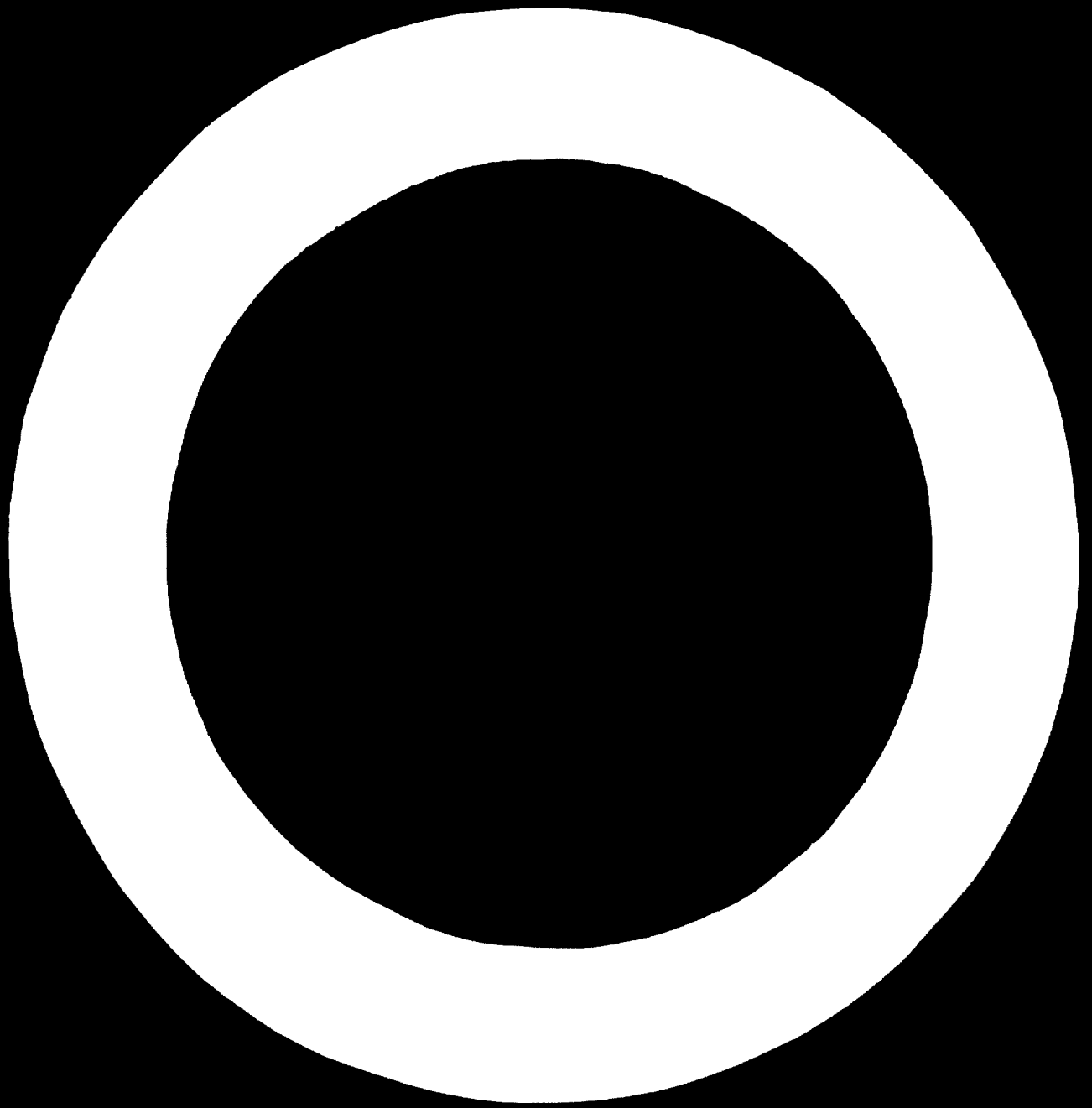
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THE IMPACT OF EUROPEAN CONSULTANCY  
ON INDUSTRY IN THE DEVELOPING COUNTRIES  
SOME EXAMPLES AND EXPERIENCES <sup>1/</sup>

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## INTRODUCTION

The concept of providing assistance to a number of companies in a very short time, by means of a clinic team, is rather different to the normal management consultancy approach to assisting industrial management. Usually the assistance to a particular client is in considerable depth, not only in helping to define policies but also in diagnosing problems, designing organisation structures, operating systems and supervising their implementation. A consultant can, of course, be with one particular client for many months and even for more than one year. In the more advanced companies consultancy services are used almost continuously covering a variety of skills.

After considering at rather short notice, what sort of contribution I might make to the panel's deliberations, it seems that an analysis of the problems we in the UK firm of Peat, Marwick, Mitchell have encountered in the developing countries in management consultancy would be useful because it serves to illustrate, almost as it were from the grass roots, the background against which management development is taking place. Further, I propose to consider the alternative courses of action which can be adopted to speed up the development of existing management potential.

PARTICULAR PROBLEMS IN CONSULTANCY IN THE DEVELOPING COUNTRIES

The title of this paper is the impact of European consultancy in industry in the developing countries but in considering the problems of assignments in these countries, the impact of the country, its people, culture and business methods on the consultant is almost one of the largest problems. A change of emphasis in the method of approach is required in the different environment; European consultancy as discussed in this paper refers particularly to management consultancy from the more highly developed countries.

The experience on assignments carried out by our firm includes the following countries:

- Botswana, Zambia, Lesotho, Kuwait, Iran, India, Nepal, Pakistan and Hong Kong.

The scope of the assignments is very broad but they are mainly for government owned service industries involving management consultants in the following areas:

- organisation studies;
- financial controls;
- management accounting;
- production management;
- data processing;
- operations research.

In considering the problems peculiar to these countries rather than the normal problems we encounter in an assignment in the UK we might ask what sort of problems can be common to so many countries and varied assignments?

Our experience is that there are common problems, apart from climate and physical ones, which may be summarised as follows:

### Government policy

In many cases governments are comparatively inexperienced and often insecure. Many industrial operations are hampered by what appear to be bureaucratic methods of administration, often due to a lack of experienced civil servants.

### Culture - religion

In almost every case there are factors which will have an effect on the way management and staff approach a problem. For example, in many cases decisions cannot be taken on particular days without advice from an official of a religious body.

### Language - communications

Almost all our assignments have been conducted with English as the common language, but the scope for misunderstanding can be considerable. Fact-finding through an interpreter is difficult; considerable skill is required to establish whether the person being interviewed is telling the consultant what really happens or what he thinks the consultant wants him to say.

Similarly where difficult problems are being resolved the language barrier can be used as an excuse for a change of mind, with frustrating consequences.

### Quality of management

There are usually a number of senior managers who understand modern management techniques and at the same time fully realise the limitations of the basic data and staff available in their organisation. There are many managers, however, who have some understanding of these

techniques but do not recognise where and when their application is relevant. This can result at the worst in badly installed systems and at the best in a great deal of time being lost in arriving at the proper solution for a given situation and proceeding with a logical implementation.

The greatest problems arise in the middle management area. In many instances promotion has been governed by political and family considerations to a far greater extent than we are used to in the UK or other European countries. When promotion is on merit it is often given to the person with the appropriate theoretical qualifications but with almost no regard to his ability to manage or his practical experience in that area.

In some countries there are considerable restrictions on the employment of foreign nationals, understandably, but to such an extent that there are insufficient staff with suitable training and experience to ensure successful implementation of even the most simple systems of control.

The need for training is obvious, but in many cases training is difficult because of the methods of basic education. Knowledge is obtained by rote, by memorising exactly particular examples and case studies. To teach methods of problem identification, analysis and solving requiring initiative, is most difficult against this background.

One of the results of this problem of quality of management and difficulties in training is that the consultant is often faced with problem diagnosis and solution without participation or with very little participation from the client's middle management. This tends to re-inforce the image of the consultant as some kind of omnipotent being who produces all-wise instructions which must be obeyed to the letter.



### Employer/employee relationships

Because of the social structure and sometimes the political and religious background, the relationship between the various levels of management is very different from the one we are accustomed to in the UK. Consultation has not been the rule: instructions are issued and these are carried out without question. Initiative has been discouraged.

A direct result of this is the need to issue very detailed instructions, a time-consuming process, essential but not very interesting.

### Under-employment

An increasing problem, which some of our staff have noted, particularly in East Africa, is the large number of people drifting into the towns who have previously lived as peasants but now wish to obtain their share of the benefits of national development. Each industrial and government organisation is charged with the task of increasing their labour force by 10% per annum. The problem therefore is to provide useful employment for an increasing labour force rather than the problem in developed countries of obtaining great productivity from a slowly increasing or static labour force.

To summarise, there are many factors which restrict the impact of the European consultant in industry in the developing countries but most important is the lack of trained managers and facilities for developing existing managers.

## THE FUTURE USE OF FOREIGN MANAGEMENT CONSULTANTS IN THE DEVELOPING COUNTRIES

Having stated a number of the problems, it is logical to profit from experience and look to the future. What benefits arise from consultants' work in these countries? In what particular assignments are the consultants best employed? How can the consultants obtain the assignments in the right places?

I should like to suggest some answers to these questions:

The most important benefit foreign consultants can bring is to firmly encourage management and skilled staff to introduce change and improve results. The local national skilled manager or specialist is usually a rare commodity who can pick and choose posts and is not therefore under the pressure to 'stay in the race' which is usual in the U.K. Another vital contribution made by the consultant is in training local staff. With the considerable limitation on the use of ex-patriate staff in many countries the use of management consultants is probably the only way in which foreign assistance can be provided. The consultant must always be well briefed on the history and culture of the country and its business practices to eliminate much frustration and waste of valuable effort.

Some of the assignments which are likely to be of major importance are as follows:

- first aid operations for existing organisations where the shortage of skilled managers and trained staff is leading to the near breakdown of existing systems;

- long and detailed implementation assignments which will require the services of a different type of consultant, who is prepared to spend long periods, say two to three years, in one particular place with one group of people rather than on a number of problem solving assignments;
- training and development of local management consultants and instructors for training organisations. This is likely to be particularly important as the problem of underemployment, mentioned earlier, becomes more evident;
- marketing surveys, before, and not after, heavy capital commitments have been accepted;
- project co-ordination, during the building stage of capital construction;
- maintenance and planning, a matter to which developing countries do not easily take;
- the design and installation of suitable management structures;
- pricing and costing exercises.

Having suggested the benefits of using foreign management consultants and some of the possible best applications, how can work be obtained for them? These appear to be three courses of action.

1. Management consultancy (M.C.) firms can undertake, and many will do so, assignments wherever they can get them and to whatever depth of sophistication the client may request, whether or not the client really needs such services or is able to benefit from them.
  
2. M.C. firms can concentrate on the more sophisticated assignments only, with well established national companies or branches of international companies. At the same time they can assist in management training by providing lecturers on secondment to business schools, and other higher educational establishments.
  
3. Provided that there is sufficient encouragement, M.C. firms can set up subsidiaries staffed in the main by nationals of the country. This would involve using management consultants from European or more industrialised countries as consultant trainers and for the more sophisticated assignments.


Each of these courses of action is the present basis of policy for different consultancy firms in different countries. There is a fourth action which is rather negative, that is 'do nothing, because there is no profit in it'. Leaving that aside, the first course of action is bound to continue where the government of the country does not have a policy for the best use of management consultancy.

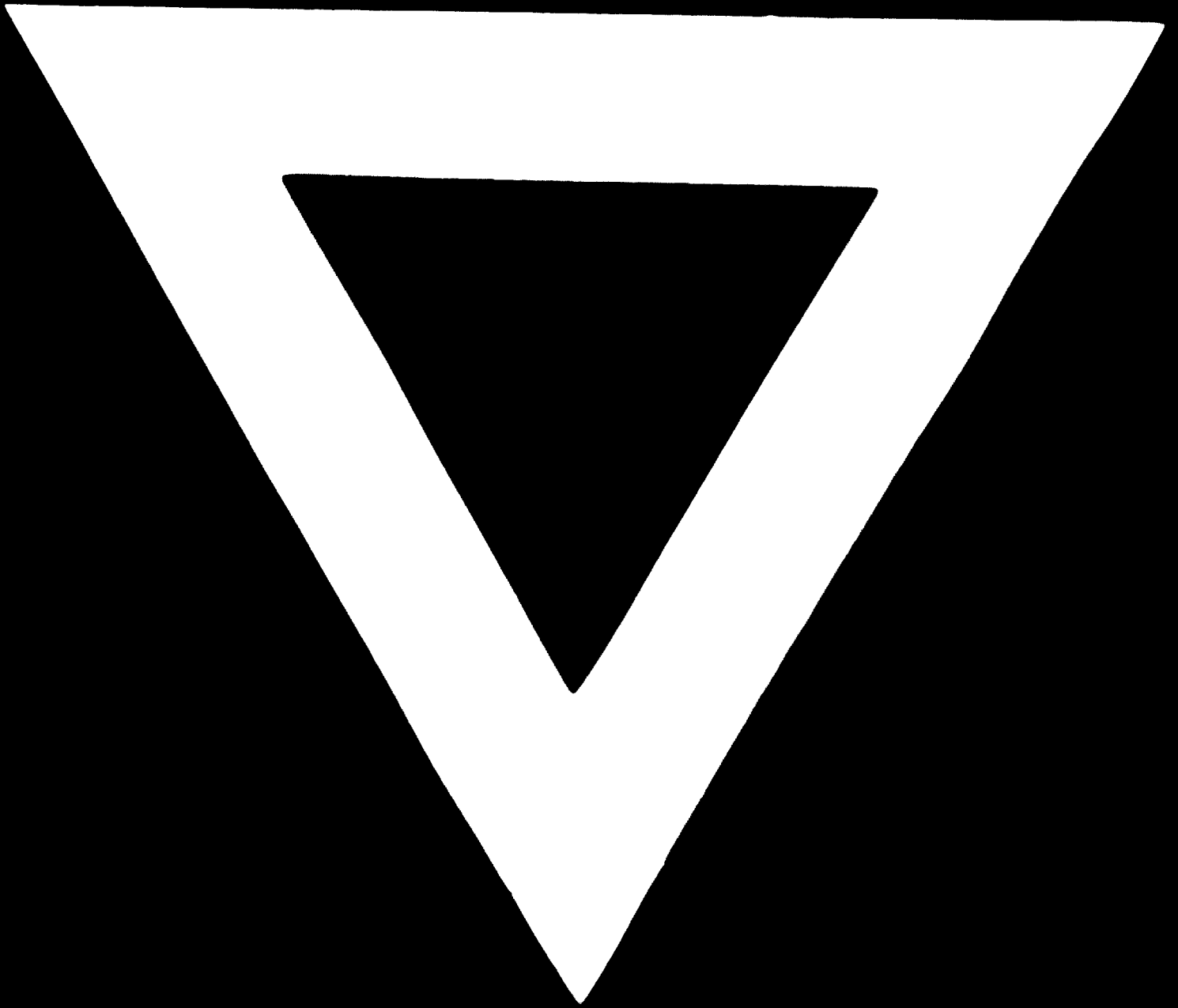
The second course of action, selective consultancy, is the policy to be pursued by the more professional firms.

The third course of action, which means that the management consultancy firm will have to make a more definite stake in the country in setting up a local operation, depends on the government laying down a policy which will encourage the greater use of management consultants. With its accent on training this last alternative could mean a more rapid growth in the introduction of improved methods of management than the other two courses of action.

If we accept that this introduction of locally manned management consultancy firms into the developing countries, plus the use of foreign consultants on training and specialist assignments, should be pursued then how are we to create the right conditions for this development? It may be that the U.N.I.D.O. industrial management clinics can provide a means of demonstrating to the governments of the developing countries the importance of the collaboration between government and industry to improve management methods. In some cases industry may be thinking further ahead than government. Either way, the result should be the formulation of a policy for management training and improvement in methods in which foreign management consultants can have an important part to play.

To sum up, the purpose of this paper has been to be to set down the views of a U.K. management consultant on some of the problems in helping the developing countries and future courses of action. I shall be interested to see whether I am on common ground with our competitors from Europe or whether there are divergent views. Most of all, I look forward to hearing the views of members of the panel with practical experience in the operation of management clinics.





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