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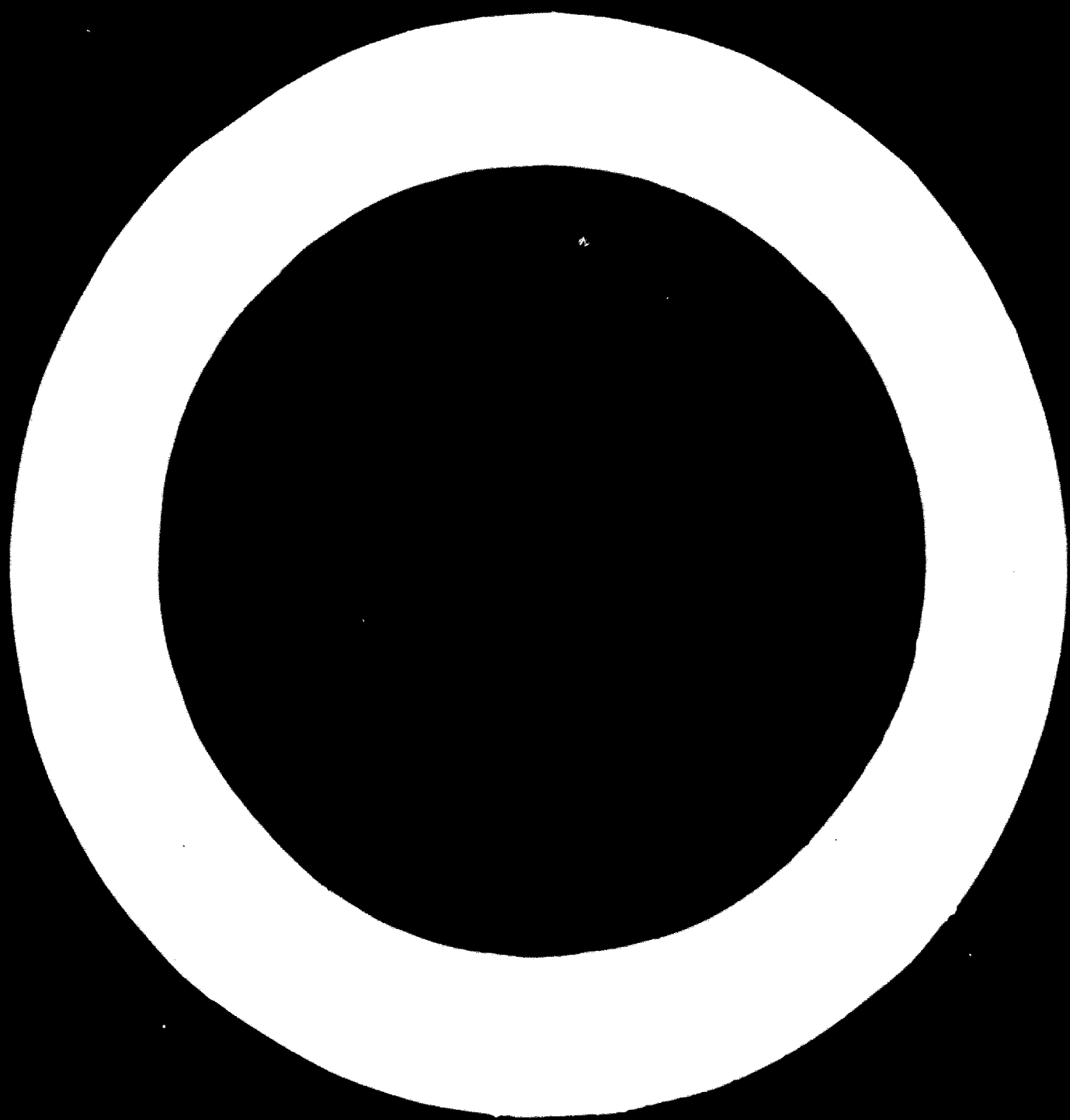
GROWTH, ORGANIZATION AND ADMINISTRATION
OF CONSULTING SERVICES
IN PAKISTAN ^{1/}

by

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I. INTRODUCTION

The modern industrialization in the world has put up great demands on existing institutions in all countries. The industrialization has been so rapid that the pre-existing institutional framework in developing countries could not cope with the demands put upon it. It was, therefore, necessary for all developing countries to develop various institutions in the field of industrial services so that these could maintain the industrial progress thus far achieved, and also keep the industrial growth at the rate and along the lines deemed fit in the larger interest of economies of the respective countries.

Pakistan's industrial development started only about twenty-three years ago. Initially, Pakistan's economy has been largely land-oriented, but is now being transformed into an industrial economy. This has brought about, as typical to any developing country, innumerable changes in the country's requirements. In these circumstances, it was essential to provide an elaborate institutional framework to accelerate the process of the industrialization.

(a) Availability of Industrial Services

In the process of industrialization in Pakistan, the Government has taken a significant initiative by setting up an institutional framework which has been rendering services to the industrial sector. The existing industrial services could distinctly be grouped in three categories:

1. Financial Institutions
2. Industrial Development Agencies
3. Research, Technical Information and Consultancy Services.

These three categories include several institutions in each case. Details of these institutions do not fall in the purview of the present paper. However, a brief enumeration is not out of place.

(1) Financial Institutions

The Government of Pakistan has helped in establishing a number of financial institutions which have been providing local as well as foreign finances for establishing new industries and balancing and modernization of the existing ones.

The most prominent amongst such institutions are Pakistan Industrial Credit and Investment Corporation (PICIC) and Industrial Development Bank of Pakistan (IDBP). Besides these two development banks, there are three other financial institutions which help in floating new companies through underwriting, guaranteeing a minimum lifting of shares issued and other such measures connected with investment aspects as opposed to credit aspects. These are National Investment Trust (NIT), Investment Corporation of Pakistan (ICP) and Equity Participation Fund which has just been established.

(2) Industrial Development Agencies

In the early stages of industrialization of Pakistan there was a great dearth of capital formation with the result that adequate capital and even entrepreneurship were not available for development of industries. This was particularly more pressing in the case of industries which were highly capital-intensive and sufficient profitability was not expected within the first few years of operation. To meet this situation, the Government set up Pakistan Industrial Development Corporation (PIDC), which was subsequently bifurcated in West Pakistan Industrial Development Corporation (WPIDC) and East Pakistan Industrial Development Corporation (EPIDC). This institution established a number of industries and operated them initially. When in due course, private investors came forward to purchase the industries established by the WPIDC or EPIDC, many of these were transferred to the private sector.

(3) Research, Technical Information and Consultancy Services

Along with the industrialisation process there are a number of problems which have to be tackled in order to ensure a smooth and profitable operation. For this purpose, institutions with various objectives were established for rendering such services. Among these were included mainly Pakistan Industrial Technical Assistance Centre (PITAC), Pakistan Council of Scientific and Industrial Research (PCSIR), and Investment Advisory Centre of Pakistan (IACP).

(b) Purpose of the Paper

Among the industrial services, consultancy is an important and rather sophisticated service which is coming up in many developing countries.

The purpose of the paper is to present a case study of Pakistan in respect of growth as well as organization and administration of industrial consultancy services in Pakistan. After discussing the development of consultancy business in Pakistan and various kinds of industrial consulting organizations available in the country, the paper discusses the problems of organization and administration of industrial services with a special reference to the leading consulting organization in the country, namely Investment Advisory Centre of Pakistan (IACP).

In the early stages of industrialization in Pakistan, there was a time when almost all consulting services were conducted by foreign consultants. However, the conditions have greatly changed now and except for highly sophisticated industries Pakistan has gained sufficient experience in consultancy services which are rendering adequate support to the industrialization process. The paper also aims at discussing as to how the existing consulting services could be improved and expanded in order to play a greater role in the future.

(c) Definition and Scope of Consultancy Services

The consulting services help investigate fields for new investment and prepare feasibility reports, or prepare special studies on specific topics which could help management of industrial enterprises as well as the Government authorities in taking realistic decisions regarding industrial operations. Consulting houses are applied research organizations consisting of professional experts not only in Economics, Market Research and Finance, but also in various disciplines of Engineering and Operating Research.

The principal objectives of industrial consulting services as such may be described as follows:

- (1) Develop short-term and long-term organizational objectives and detailed plans to implement them in the form of feasibility reports and other studies.
- (2) Help clients in public or in private sectors in improving existing operations and keep them updated.
- (3) Help clients in identifying operational or organisational problems and suggest measures whereby bottlenecks could be removed and the organization earns increasingly higher business and profit.

(4) Assist new investors, local as well as foreign, for profitable investments, through detailed guidance and planning based on research, study and surveys.

(5) Assist the entrepreneurs and the Government in expanding existing activities with business profits and national benefits.

For the purpose of the present paper, it is proposed to concentrate on industrial consulting organizations which have an orientation to "micro" approach to a greater extent. The generally understood term of consulting houses emphasizes this kind of research and professional organizations. However, "macro" aspects are not ignored altogether by industrial consultants. Those of the research activities of consultants, moreover, are based on specific assignments from entrepreneurs or the government which use the end products made available by the consultants and pay for the services rendered. Consulting services thus constitute an important service industry that has developed in the process of industrialisation.

II. GROWTH OF INDUSTRIAL CONSULTANCY IN PAKISTAN

In the above background, a review of the development of consulting business in Pakistan and the composition or structure of the existing consulting services would be interesting to those interested in consulting services in developing countries.

(a) Challenges of Industrialisation

During the last two decades, particularly since 1953, Pakistan has experienced tremendous growth in the field of industrialization. With 1950 as base (i.e. 1950 = 100) the index number of industrial production stood at 510 in 1960. Similarly, with 1959-60 as base (i.e. 100), the index number has risen to 305 in 1970. There was thus, a very significantly rapid growth of industries in Pakistan. This growth has been possible because of good performance on the part of entrepreneurs in the private sector as well as availability of various industrial services and institutional framework provided by the Government. Growth of industries, however, has not been very easy. Many technical and managerial problems of business concerns have grown with it. Hence, the need for consulting business has also grown.

There were hardly any consulting services of repute available in Pakistan in the 1950's. The main reason for this was that during the 1950's, industrialization was in the initial stages and the producers usually had the sellers' market wherein they were able to sell any commodity they produced at a comparatively higher price. For this reason the development of consulting services in Pakistan was slow and there was lack of direction and co-ordination. But the consulting services now occupy an important place in the over-all activity of business in Pakistan and many businessmen heavily depend on consulting services to improve their business operations and to guide their investment plans.

The role of consultants in a business is the professional work performed by specially trained and experienced persons in helping management and technicians of various enterprises to solve business problems and maximize the benefits from economic opportunities. They do it by systematic analysis of facts and the application of objective judgement based on specialized knowledge, skills and techniques. The activity of consultants is not confined to solving the problems in a purely theoretical, abstract or technical sense. They do these things, it is true; but the problem with which consultants deal are action-oriented, and their thinking is directed towards improved managerial and economic performance and results for the client. The role of consultants in developing countries is a little different from that in developed countries. The most important function of the consultants in a developing country is that of urging and persuading the clients to go about their operations in a scientific and planned manner and, when necessary, helping them towards a sound course of action.

With the pace of economic development, Pakistan's economy is undergoing structural changes and new types of manufacturing industries are emerging. Diversification in the production of new consumer and industrial products are taking Pakistani manufacturers into new and unfamiliar fields and even different markets. As the new shape of industrialization is developing, the need for consulting services is expanding with it. More and more business enterprises need it; they need it in greater detail, with a high degree of accuracy, supported by facts that are as current as possible. This means that the room for consulting business is expanding. It is proposed in the following text to analyse the growth of consulting business in Pakistan.

(b) Types of Consulting Services

Industrial development in Pakistan owes a great deal to the facilities and institutional framework provided by the Government. Briefly speaking the Government provided its vital help in the following forms:

(1) Industrial financing agencies such as Industrial Development Bank of Pakistan and Pakistan Industrial Credit and Investment Corporation. These organizations provide loans in local and foreign currencies;

(2) Industrial development agencies such as Pakistan Industrial Development Corporation - now two of them, one for East Pakistan and another for West Pakistan. These agencies actually establish industrial units in fields where private sector on its own is looking;

(3) Other industrial services such as industrial consultancy and technical guidance.

In this paper we will discuss in great detail about industrial consultancy services. Speaking historically, the need for business consulting services was always felt, but in the initial stage of industrialization, Pakistani investors depended almost exclusively on foreign consultants for guiding them in investment plans. The main reasons for looking towards foreign consultants was that at that time no Pakistani consulting firm existed in the country. It was realised very soon that the services of foreign consultants were highly expensive and not up to the requirements of Pakistani condition. The main problems in using the services of foreign consulting firms were:

(1) Foreign consultants' charged prohibitively high fees, and the payment had to be made mostly in foreign exchange;

(2) It was found that many times the reports they prepared were not quite suitable for the requirements of Pakistan, some of them being of little use in implementation of the project.

It was on this realization that in 1963 the Government of Pakistan decided to establish an organization capable of rendering professional advice in all industrial activities. This organization was to work in close collaboration with

various government and semi-government organizations connected with industrial development. This organization was established by the Ministry of Industries and Natural Resources, in co-operation with the Economic Affairs Division and was named Investment Advisory Centre of Pakistan (IACP).

(1) Investment Advisory Centre of Pakistan

This is the only elaborate consulting organization which is working in both the wings of the country and covers all industrial fields. It has professional staff in all fields of engineering (civil, electrical, mechanical and chemical), market research, agriculture-based industry, industrial economics, finance and general management. The technical personnel of IACP have had the benefit of professional training in the United States of America and other advanced countries. IACP has now covered almost seven years of its existence and during this span it has completed about 400 projects of different kinds. The majority of these projects were for clients in the private sector. IACP observes strict secrecy and rules of professional ethics. The private sector projects, therefore, cannot be discussed in detail. This organization has made a definite impact on industrialization in the country and has successfully and objectively filled up the vacuum of consultants in Pakistan up to a large extent. The scope of surveys and feasibility reports ranges from ordinary consumer and industrial goods to a huge survey of electric power for the entire East Pakistan including projections up to 1985.

It has conducted complicated and elaborate feasibility studies not only for Pakistani organizations operating in Pakistan, but also for international agencies. For example, IACP has completed five projects for the RCD, two of them were "Tungsten Filaments" and "Static Electric Equipment". Similarly, IACP has conducted three surveys in Indonesia on behalf of IPCCC (Indonesia-Pakistan Economic and Cultural Co-operation). These studies were with special reference to (a) textile, (b) fish catching, (c) rubber processing. Among other things the studies recommended establishment of nine joint ventures between the two countries in the field of the above-mentioned three industries. Among other international assignments were a couple of surveys covering Afghanistan. IACP has also completed a survey of petrochemical industries on behalf of UNIDO, and another study on "Petrochemical End Products". It also prepared for UNIDO a study on the joint ventures in Pakistan.

Besides preparing feasibility reports and market surveys for various business organizations and autonomous agencies, this organization has completed a large number of assignments given to it by the Department of Investment Promotion and Supplies, relating to the preparation of general studies on various industries, meant for guidance of Pakistani and foreign investors unfamiliar with the market position of any industry. Furthermore, IACP has also undertaken and published certain self-initiated studies found to be interesting and useful for potential investors as well as the existing entrepreneurs. Being the largest organization engaged in applied research, IACP has conducted several studies of over-all social and economic significance for the country. It has prepared several studies for guidance of the Planning Commission in the formulation of the Fourth Five-Year Plan. It has also conducted studies for regional development of less developed areas in East and West Pakistan. Similarly, it has conducted a socio-economic survey of greater Karachi area to enable development of a Master Plan for Karachi.

(2) Other Consulting Organizations

In addition to the Investment Advisory Centre of Pakistan, there are about twenty other consulting organizations and/or departments operating in Pakistan. These other institutions generally tend to offer specialized services in specific fields only. Then, there are small consulting departments within big establishments for conducting studies but these organizations rarely go out to have their work conducted by outside professional consultants. The consulting organizations other than the IACP could be briefly described as follows:

a. Consulting Departments and Agencies within Organizations

Under this category come such government departments as WPSIC, EPSIC, PICIC, IDBP and some business organizations. All these organizations have research cells and they take care of all activities relating to different industrial activities; but their services are not available to other organizations.

Similarly, the WPIDC and EPIDC have set up consulting agencies. These organizations have full-fledged consulting departments. In addition to feeding their parent organizations, their services are sometimes also available to outside prospective investors.

b. Consulting Agencies Affiliated to Other Organizations

An important joint venture of Pakistani and foreign collaboration (Lever Brothers) has recently established a research bureau to undertake various surveys not only for its parent organization but also for other clients. Similarly, there are certain advertising agencies in Pakistan which undertake marketing surveys and studies for their parent departments as well as other clients.

c. Independent Consulting Organizations

In addition to the above, there are a number of independent privately-owned consulting organizations of various sizes, mostly specializing in some specific fields. These are classified and described as:

(i) Construction and Engineering

There are two relatively large Pakistani consulting organizations (Associated Consulting Engineers and Techno Consultants) which specialize in construction and allied aspects of engineering. Sometimes they take up assignments on industrial consultancy as a part of large construction projects for industrial units. Their activity in such cases extends to detailed designing of plants. Besides undertaking projects within the country, they have also worked on international projects in different parts of the world. Their number is growing gradually in both wings of the country.

(ii) Chemical Engineering

One organization (Chemical Consultants Pak.Ltd.) primarily specializes in the field of chemicals and chemical engineering, although it occasionally accepts other jobs on preparation of feasibility reports.

(iii) Accounting-oriented Consultants

Several auditing firms of Chartered Accountants have started undertaking consulting assignments for their clients. This occurs specially when new companies are incorporated and their firms of accountants are

preparing registration documents for the new companies. Because of their auditing relationship with companies, they also get other consulting assignments from time to time.

(iv) Marketing and Management Consultants

There is one reputed consulting organization (Nasiruddin Associates) concentrating on marketing and management fields. This is a fairly large organization and has worked on a number of projects. Their specialization is in consumer items and brand preferences besides personnel selection for business companies and review of operations.

(v) General Consulting Services

There are other consulting organizations handling over-all economic and business feasibility work for new and existing projects, working on behalf of the Government and semi-government organizations in addition to private ones. The largest of these organizations is Industrial Promotion Services, which in addition to offering general consulting services, offers its collaboration in the form of financial and technical assistance.

The other consulting organizations have limited operations and in quite a few instances they have only one or two consultants who are actually engaged in the assignments. Whenever necessary, these organizations hire the services of other consultants on a part-time or job basis to supplement their own staff.

d. Problems and Prospects of Consulting Business

As of now a number of consulting agencies have come up and most of them are doing excellent work in scrutinizing investment opportunities, thus utilizing country resources most economically. Speaking commercially, the consulting organizations are doing reasonably well. However, there are certain problems in the development of consulting business as a whole. If efforts are made to remove these obstacles, the consulting business will be still more flourishing. The two principal problems are as follows:

(1) Need for Greater Recognition

Consulting business has not yet found general acceptability in the entrepreneur class. Substantial time has been spent in appraising prospective investors about the role that a business consulting organization can play in furthering the cause of the investors in employing their resources most intelligently. Undoubtedly, a high degree of salesmanship is required on the part of consulting organizations, but at the same time the work should be assigned to the different consultants on the basis of merit alone. There is a need that the Government makes it compulsory for investors to get a feasibility report prepared from "approved and accredited" consultants. This would require two things:

a. Government and government-sponsored financing and development agencies should not entertain any application for investment projects unless it is accompanied by a feasibility report.

b. Government should set up criteria and introduce a system of approved consultants as it does in case of architects who have to certify soundness of any construction plan.

(2) Need for Consultants' Organizations

Consulting organizations in Pakistan have got a setback on account of their not having a representative organization entrusted with the task of looking after the consulting business as a whole. Such an association of consulting organizations is very essential and in developed countries like the United States of America there are organizations, such as Association of Consulting Management Engineers. Such associations, besides protecting the interest of principal consultants, also develop a code of ethics which is required to be followed by all associates. If such an organization is set up in Pakistan, the consulting business will be very much streamlined and grievances on the part of entrepreneurs will be reduced substantially.

(3) Outlook for the Future

It is heartening to note that gradually the Government of Pakistan is recognizing the importance of business consulting services in the face of new problems emerging in the field of industries. With growing consciousness

of the need for cost reduction and increasing competitiveness in business as a whole, the scope for industrial consultancy is expanding. Government has been constantly emphasizing efficiency, better utilization of capacity and checking of prices. These developments are conducive to growth of consultancy business in Pakistan. How the consulting business develops in Pakistan in the future will in fact depend upon the necessary protection from the Government and the ability of the consultants themselves as suggested above.

III. ORGANIZATION AND ADMINISTRATION OF CONSULTING HOUSES : A CASE STUDY OF IACP

The above discussion has indicated that the Investment Advisory Centre of Pakistan (IACP) is the largest organization in the field of industrial consultancy. It will therefore be interesting to discuss now the organizational and administrative patterns and problems of consulting houses based on the example of IACP.

(a) Organization setup of IACP

The management of IACP rests with the Board of Managers. The Board comprises the following:

1. A highly senior official of the Ministry of Industries is nominated by the Government of Pakistan to act as Chairman of the Board.
2. Managing Directors of PICIC and IDBP.
3. Secretaries of Industries for Governments of East Pakistan and other provinces.
4. Chief of the Industries Division in the Planning Commission, Government of Pakistan.
5. Financial Advisor, Ministry of Industries and Natural Resources, Government of Pakistan.
6. President of the Federation of Chambers of Commerce and Industry.
7. Four private industrialists nominated by the Government of Pakistan in consultation with the provincial governments.

A General Manager is appointed by the Board for implementation and execution of the policies laid down by it. The General Manager is responsible for the overall efficient performance of the Centre to the Chairman and the Board. In this

capacity he is the chief executive and thus supervises and controls the day-to-day operations of the Centre. Besides the usual administrative staff, the General Manager is assisted by senior consultants. For technical operations the Centre's activities are broadly grouped in two divisions:

1. Business Division
2. Engineering Division.

IACP also has a regional office in Dacca. An organizational chart of IACP is given on page 14.

(b) Departmentalization of Technical Activities

The Investment Advisory Centre of Pakistan conducts its operation through several departments or cells. A brief description of these departments is given below:

(1) Business Division

a. Economics

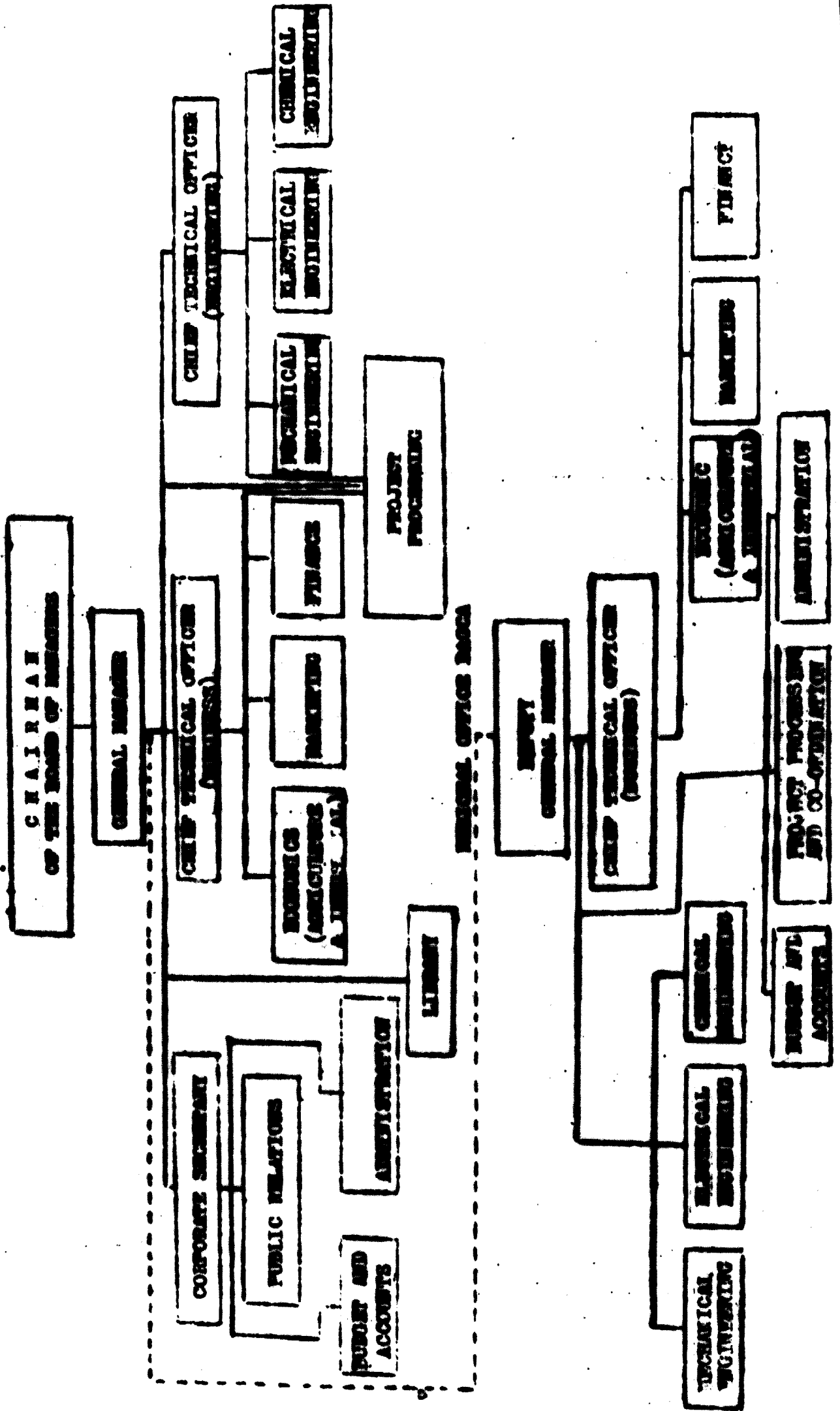
The functions of the Economics Cell include the following:

- (i) Collect and collate available statistics as well as statistics not now available but which may be required for the development of industries;
- (ii) Conduct sectoral studies for specific industries and define opportunities for investment within Pakistan keeping in view various economic and financial policies of the Government as well as broad economic trends within the country and abroad;
- (iii) Assess and review from time to time the available and likely to develop natural and human resources in the country and abroad which can help in industrial development.

b. Finance

The Finance Cell of the Centre has the following broad responsibilities:

ORGANIZATION CHART
INVESTMENT ADVISORY CENTRE OF PAKISTAN
(HEAD OFFICE KARACHI REGIONAL OFFICE DACCA)



- 1 -
- (i) Predict needs and amounts of funds required for any particular investment and suggest the most advantageous methods for raising them;
 - (ii) Establish reasonably accurate estimates of future break-even points and cash flow statements.

c. Marketing

The Marketing Cell bears the responsibility for determining the nature of existing and potential markets within and outside the country for products presently being manufactured locally or for products as imported into or exported from the country. Hence, the functions have been defined as follows:

- (i) Measure and evaluate the extent of local and foreign markets to determine their characteristics and forecast future markets within the country and abroad;
- (ii) Develop marketing budgets, including distribution cost and other details, to help the clients;
- (iii) Recommend marketing policies, plans and strategies.

(2) Engineering Division

The Engineering Division comprises three main cells:

- a. Industrial and Mechanical Engineering
- b. Electrical Engineering
- c. Chemical Engineering.

Broad functions of these cells are given below:

- (i) Evaluate the relative merits of different processes and equipment for the manufacture of specific products or product lines and to create new or modify existing products and processes;
- (ii) Estimate costs of construction and manufacturing facilities including plant and machinery;

- (iii) Design new and improved manufacturing systems, operations and facilities so that they best achieve performance standards;
- (iv) Develop the most economical methods and plans for manufacturing specific products, including the definition of manpower requirements, general specification of materials, facilities and utilities.

(3) Projects Department

In addition to the above two divisions there is another department called Project Processing and Co-ordination Section (PPCS) which operates on behalf of and directly under the guidance of the General Manager. The department performs the following functions:

- a. Receive the requests of the clients by person or mail, arrange their meeting with the professional experts and General Manager and finalize a proposal of work. Prepare project initiation forms after the client has accepted work proposals, signifying start of work.
- b. Co-ordinate technical activities and arrange review meetings.
- c. After reports are written by projects leaders but prior to printing or stencilling, review and edit these reports and be responsible for the format and their distribution.
- d. Compile general statistics on technical activities of the Centre.

(c) Operations : A Typical Example of Client Contact in Investment Advisory Centre of Pakistan

Whenever IACP undertakes a job on behalf of a client and until such time as it is completed and the report finally handed over to the client, the entire process passes through a number of steps. A brief discussion of these steps is given below:

Step No. 1

When a client approaches IACP for undertaking a job, a meeting for him is arranged with the General Manager, PPCS and other professional experts. After it is clearly determined what would be the most suitable project for the client and its scope is understood by all concerned, the respective consultants work out specific plans of

work. Such meetings are followed by a written proposal of work prepared by the participating departments and co-ordinated by the PPCS. In this proposal are included the scope of work, period required for completing the report, fee for the project and terms of payment. As soon as this proposal is accepted by the client, the proposal is formally initiated in the Centre.

Step No. 2

For the formal initiation of the project within the organization a Project Initiation Form is issued which outlines the background, scope and objective of the study, name of the participants along with the names of the project leader and other associates and the time within which the project will be completed. During the course of research and investigations, if and when required, meetings are arranged between the client and the IACP experts and periodically clarifications made about the conduct of the study. Needless to say, reliance is placed mostly on first-hand information collected from field work instead of desk research alone.

Step No. 3

On the completion of field work report writing starts with each participant working on his portion of the report. All the portions of the report are then co-ordinated by the Project Leader and sent to PPCS for editing and finalization. After editing, the report is cleared with the General Manager and if there are any extensive changes in the editing, the report is referred back to the authors and finally cleared with them. This process over, the report is mimeographed or printed.

Step No. 4

As soon as the report is ready, the clients are contacted and the report delivered to them on payment of the balance fee outstanding against them. The reports are prepared for various purposes and whenever a client needs any clarification with respect to presentation of our findings to any other agency, IACI takes the responsibility of these clarifications. After delivery of the reports, PPCS also keeps in touch with the clients to find out how the client has utilized IACP findings and the state of implementation of these findings. A continued relationship is maintained with the clients through follow-up and any subsequent problems of the clients are attended to.

(d) Financial Aspects

A brief discussion on financial aspects of administration of consulting services is also called for. We will now discuss the financial aspects of IACP operations.

(1) Income and Financial Requirements

The financial sources of a consulting organization, which are also typical to IACP, are the fees charged from clients for the work carried out on their behalf. In case of IACP, however, the position is with a difference. Being a Government-sponsored organization, it operates on a "no-profit, no-loss" basis and it receives a certain amount of subsidy from the Government of Pakistan to meet the overheads. In due course as the business has expanded, the ratio of Government subsidy has also declined.

IACP was sponsored by the Government of Pakistan with an aim to being a financially self-sufficient organization in due course. In the two initial years the Government subsidized 100 per cent for its operation. In the ensuing years, the Centre started charging fees to its clients including the Government departments. During the past three years IACP has been able to generate its finances and consequently subsidy of the Government has declined. In the current financial year the earnings of IACP, from services rendered to private and public clients, came to 60 per cent while the subsidy constitutes 40 per cent of its finances. If the same trend continues, it is hoped that the Centre will be able to achieve self-sufficiency in the next five years or so.

(2) Determination of Fees

An important task of the administration of a consulting organization is to determine the fees to be charged for an assignment. Some consultants determine fees on the basis of a rule of thumb formula by charging a certain percentage (i.e. 0.5 per cent) of the amount of investment which the client wants to undertake. However, IACP follows a scientific and realistic method, namely estimating the time cost of professional man-days required for any assignment. To this are added travelling expenses and overheads. Thus the following are the components of the fee estimates:

- (a) The costing of the time spent by consultant or consultants while developing information for the project and writing the reports.
- (b) Expenses incurred on account of travelling within the country or abroad including the daily travel allowance payable to the personnel over and above their regular salaries.
- (c) The expenditure comprising overheads to be incurred in the preparation of the report.

This method of determining the fees, it may be mentioned, is also adopted by architects and public auditors.

(e) Staffing and Personnel Problems

In a service industry staffing is a very crucial part of administration in a particular unit. In consulting business, however, staffing assumes even a greater importance because the quality of the personnel determines the quality of consulting service which can possibly be rendered by a consulting organization. Paradoxically, a consulting organization may not be able to afford very attractive emoluments to the prospective personnel. Some of the criteria that need to be applied rigorously in selection of personnel and staffing would be:

1. Professional training and background of personnel has to be excellent. The basic abilities acquired for carrying out the responsibilities of consultants and the impressiveness of the background in terms of training and professional attainments, as well as experience, will help prospective clients to look at their plans with greater confidence and also understand as to how consultants would be helpful to them.
2. Most of the professionally well-qualified personnel suitable for creative work needed in consulting tend to have a strong ego in terms of the approach of their studies and also their position in the organizational structure. These candidates would require a certain adjustment in their working habits to suit requirements of a consulting house. At the same time management has to make their best use in organization in spite of their psychology.

3. The consulting organization while considering the case of a possible appointment of a suitable person may be tempted to use the services of a person. However, the management has to make sure whether his time would be fully utilized in the organization. No business, much less a consulting house, can afford an idle capacity.

4. Departmentalization of consulting staff into various divisions and sections is also not a simple exercise. Many a time the management may choose a good person in a department where he may find less opportunity of demonstrating his abilities or he may not be able to adjust himself with others in that particular department. Hence, the person may have to be transferred to any other department; alternatively, an altogether new department may have to be opened for the best utilization of a particular person.

5. Finally, from the financial point of view a consulting organization may have to settle down with the second best possible persons in selection of personnel inasmuch as it may not be able to compete with other organizations able to pay more attractive salaries.

In brief, staffing problems from the point of view of a consulting organization would aim at attracting talents that enjoy creative work and are research oriented to an extent that they would be willing to sacrifice higher salaries and other benefits which they would be able to enjoy in alternative employment opportunities. Fortunately, in every society there are some people with a bug for research and independent work, away from the hub of manufacturing and administrative assignments. It is this small section of professional people which a consulting organization will have to look for.

(f) Challenges for the Management in a Consulting Organization

The foregoing discussion has attempted to bring forth some of the serious problems in the organization and administration of a consulting organization. The administrator or the management in a consulting organization specially in developing countries has certain very serious challenges. Some of these challenges could be mentioned as follows:

1. Promotional Work Versus Administration and Routine Work

The first challenge for the manager of a consulting organization is the balance that he has to maintain between business development and internal administration. Both of them have to be handled with great attention and abilities. Business development is important because bread and butter for the entire organization come from these efforts. On the other hand keeping the house in order is a basic internal requirement for any organization specially a consulting organization which has so many personnel problems mentioned above. It is true that the top management can share some of its burden with senior staff members in other levels of management.

As far as the business development is concerned, it is more than a mere truism that the best business development comes from the impression that the individual consultants make upon the prospective clients. To some extent the individual consultants can also share the burden of the management by undertaking trips to prospective clients and impressing upon them the desirability and utility of assigning projects to them and suggesting creative ideas. However, time allocation between promotional activities and the actual research and consulting work is a very delicate problem for the individual consultants too. Ideally, one-fourth of the time is devoted to promotional activities and three-fourths to the main research in a consulting organization. Needless to say, this distribution applies to relatively senior personnel who do come in touch with the clients and who are expected to undertake some promotional work for the organization.

As far as the top management is concerned, at least two-thirds of the time should be devoted to business development and one-third for internal administration. On the face of it, one-third may seem to be a very moderate proportion for internal administration in view of all the important problems mentioned in the following section. However, for most of the administrative problems other administrative help is usually available to the top management and only special cases are likely to be referred to them. Moreover, the mere fact that in certain promotional activities and programmes of business development, the top management would like to associate the senior personnel with itself. There is an adequate opportunity of personnel development as well as acquiring itself with progress, performance and any possible problems that may come up from time to time.

In the case of prominent consulting organizations - particularly the Government-sponsored ones - business development and promotional activities include another discussion which is to keep liaison with relevant government departments and other autonomous bodies which have been also divided into three categories:

- (a) Financing institutions
- (b) Research and Technical organizations
- (c) Other essential industries.

Keeping liaison with such organizations is important not only for promotional purposes in the sense that business may generate from some of these organisations, or because of certain policies of these organisations, but also for the reason that a consulting organization can keep itself abreast of some technical developments in the relevant fields. This kind of liaison with sister organisations, however, can be maintained at two levels:

- (a) At the level of top management
- (b) At the level of senior personnel.

At both these levels the liaison will pay high dividends.

2. Expansion Versus Consolidation

Another related problem for the management of a consulting organization is planning of expansion of consulting services. With the growth of business, expansion in consulting services in the sense of opening more offices within the country or abroad is a very attractive prospect.

However, apart from financial implications, expansion also presents serious problems from the point of view of time and attention of the top management itself. The decision regarding consolidation versus expansion is a crucial part of the management decision in a consulting organisation.

3. Quality Control

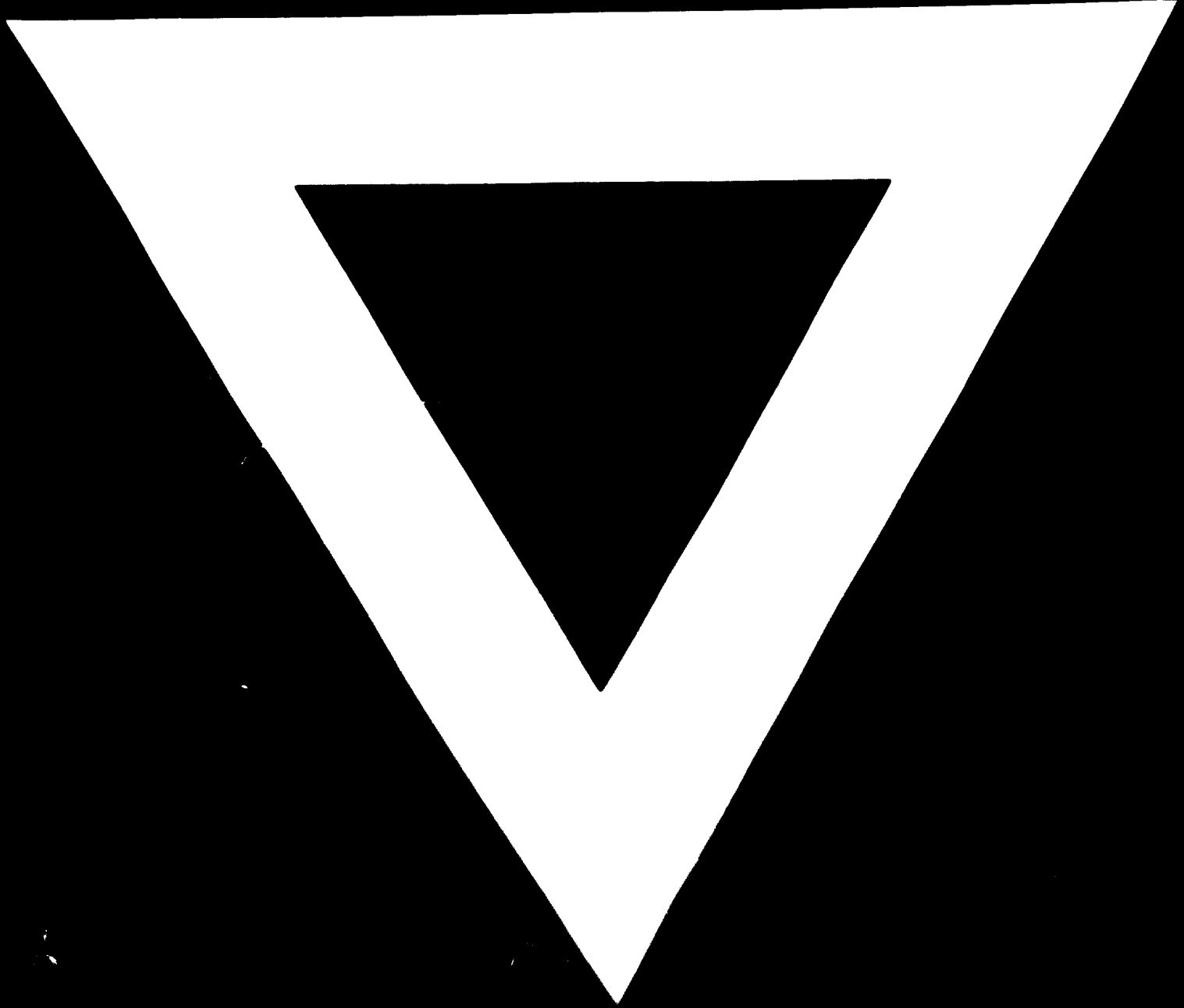
This brings us to a very important problem in a consulting organisation. Quality control is a very great concern to the management of consulting services as indeed in any other service industry. Growth and expansion of a consulting

organization are contingent upon the quality that can be maintained. As discussed earlier, demands on the time of management of a consulting organization are heavy from the point of view of business development and promotion as well as internal personnel problems. Of the one-third time available to top management for internal administration, at least two-thirds would have to be devoted to quality control. Quality control, needless to say, encompasses a very wide sphere of responsibilities and activities. This includes not only the depth of the research that has gone into the preparation of any study through consulting organizations, but also includes the presentation and even the final setup of the reports that are prepared. Management has to make sure that the consultants have put their best efforts into it with respect to accuracy of forecast, soundness of the advice and relevancy of the findings. As far as the presentation is concerned, a thorough editing of the report is required before it is finally printed or otherwise reproduced. The final responsibility about the quality of the assignment by a consulting organization lies with top management in the internal control process. Therefore, the management has to make sure that the report has been well presented and well produced.

The above was indeed a very brief analysis of problems and challenges of administration of consulting services. Consultancy is a sophisticated service industry even in highly industrialized economies. Since consultancy has started developing in developing countries like Pakistan, the challenges are more serious than in developed countries. The administration of consultancy services in developing countries is subject to two tests and scrutinies from two quarters:

1. From the foreign consultants whose business is being taken away and,
2. from the clients themselves who may say "Physician, heal thyself".

There is, however, no doubt that the challenges will be met as easily as was the initial challenge of starting consulting services in developing countries.



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