



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.

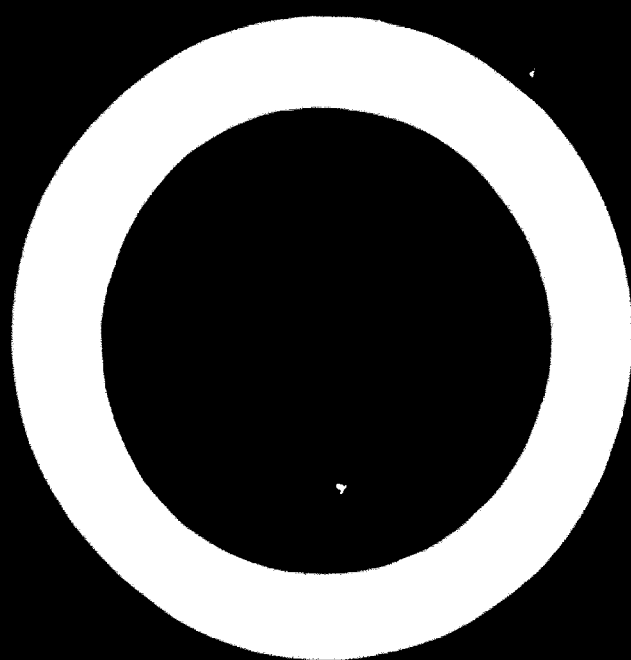
For more information about UNIDO, please visit us at www.unido.org

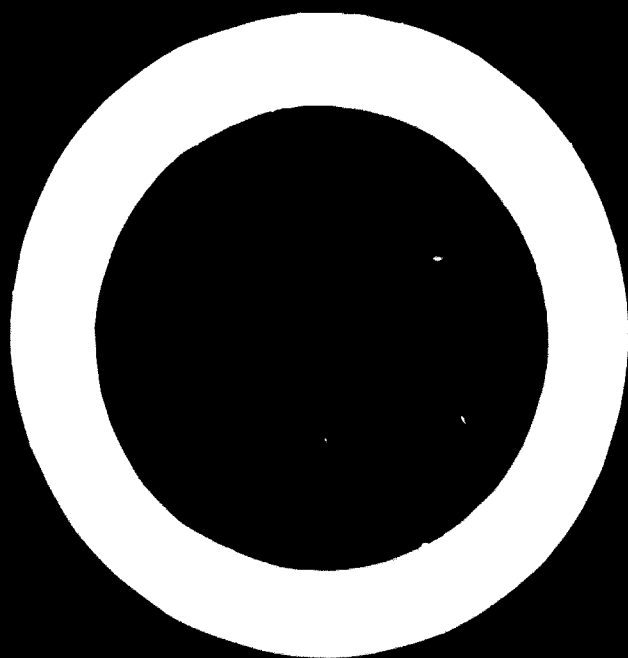
003737

THE
DEVELOPMENT
OF
MANAGEMENT
CONSULTANCY
IN
LATIN AMERICA

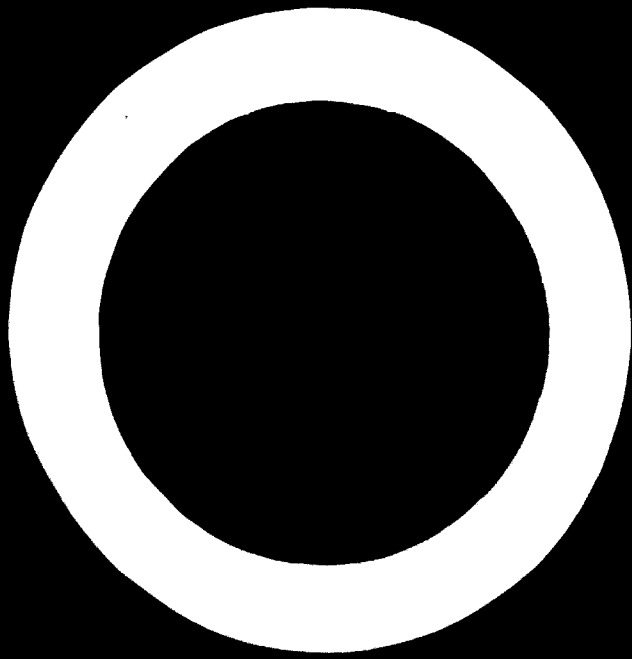


UNITED NATIONS





**THE DEVELOPMENT
OF MANAGEMENT CONSULTANCY
IN LATIN AMERICA**



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
VIENNA

**THE DEVELOPMENT
OF MANAGEMENT CONSULTANCY
IN LATIN AMERICA**

*Report of UNIDO meeting held in Santiago, Chile
5-9 July 1971*



UNITED NATIONS
New York, 1972

Material in this publication may be freely quoted or reprinted, but acknowledgement is requested, together with a copy of the publication containing the quotation or reprint.

ID/89

UNITED NATIONS PUBLICATION

Sales No.: E.72.II.B.20

Price: S.U.S. 1.00 (or equivalent in other currencies)

PREFACE

The exponential growth of science and technology during the twentieth century has resulted in an unprecedented expansion in industry, accompanied by an impressive development of management functions. In conjunction with and to some extent as a result of this growth, management consulting has achieved professional recognition from government agencies and industrial corporations for its professional capability in the timely analysis and definition of problem areas; for its objective evaluation of alternative solutions; and for its interpretation to management of the benefits and penalties associated with each of the alternative solutions considered.

The primary advantages of management consulting are:

The immediate availability of specialized knowledge, based on the specialized education and experience of the consultants;

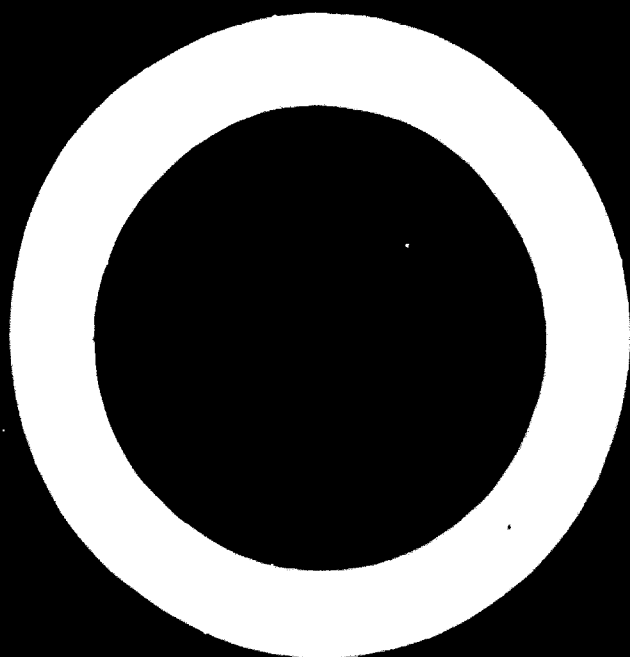
The application of this knowledge to management problems;

The use of the objective, scientific approach; and

The professional ethics and the high degree of motivation of the experienced consultant.

There is a common tendency in many industrial sectors for management, concerned with day-to-day crises, to lose touch with advanced management techniques and the latest scientific and technological developments. When this occurs, industrial products may lose their competitive characteristics; sales may drop, production slacken and costs rise; and new products may not be developed when required.

Under the continuous pressure of such crises, management is often unaware of the real problems behind their difficulties, or else aware but unable to develop effective solutions. UNIDO has a management section geared to assisting the responsible manager in defining problems and selecting an appropriate course of action. The UNIDO programme provides management with direct and tangible illustrations of the value of modern management techniques as applied to individual industrial problems, including full utilization of labour. When applied to an industrial sector, such techniques can often improve the quality of performance of the over-all sector and assist in the development of a stable base for controlled industrial expansion.

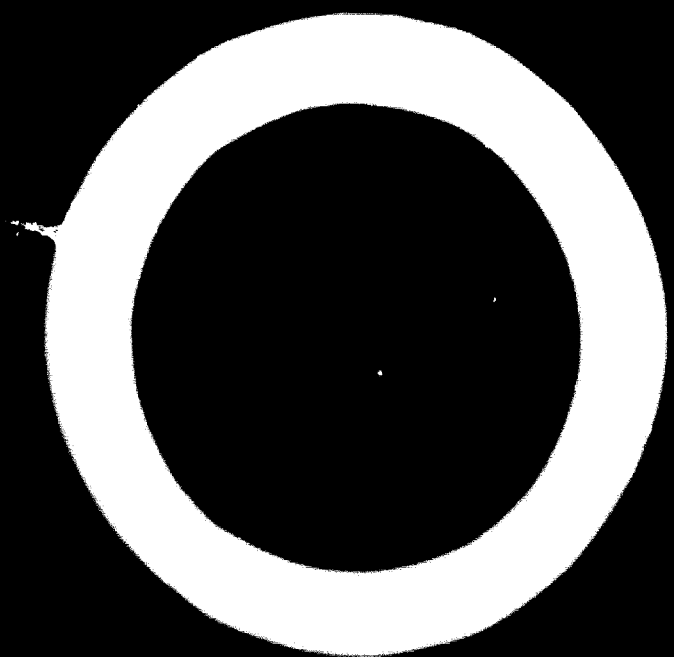


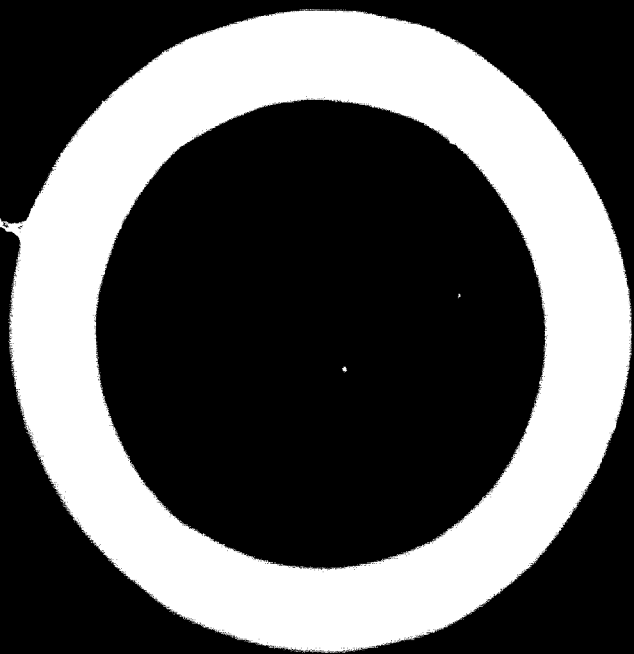
CONTENTS

<i>Chapter 1</i>	BACKGROUND, OBJECTIVES AND ORGANIZATION OF THE MEETING	<i>Page</i> 1
<i>Chapter 2</i>	CONCLUSIONS AND RECOMMENDATIONS	3
<i>Chapter 3</i>	DISCUSSION	6
	The development of professionals for management consultancy	8
	Universities and consultants	8
	Education for effective management to meet immediate needs of economic development	9
	Diagnostic management consulting	10
	The cross-transfer of management skills and know-how	11
	Problems and perspectives on building a management consulting practice in developing countries	12
	Management science—systems science and management consulting	13
	The role of Japan in international management consulting	14
	Management consulting in Europe	15
	The impact of the management technology gap on the development of management consultancy in Latin America	16
	Management consulting in Chile	18
	The development of industrial consultancy in Colombia	18
	The development of a management consulting service for industry in Uruguay	20

ANNEXES

1.	List of papers presented to the meeting	21
2.	List of participants	23
3.	Officers of the meeting and working group membership	27





BACKGROUND, OBJECTIVES AND ORGANIZATION OF THE MEETING

To promote the development of competent management consulting resources in Latin America, UNIDO sponsored an international meeting on this subject in Santiago, Chile, 5-9 July 1971. Meetings were held in the conference rooms of the Economic Commission for Latin America.

The meeting was a continuation of a programme initiated by the United Nations Centre for Industrial Development in New York in 1966 and continued by UNIDO after its inception in 1967. A similar meeting was held in Tokyo in 1969.

The precise objective of the Santiago meeting was the preparation of a composite and timely plan for the growth and improvement of management consultancy in Latin America. Such a plan would involve consideration of the professional, industrial, business and legal aspects of establishing guidelines and policies for the development of management consultant resources to suit the needs of Latin American business and industry. To bring such a composite plan to fruition, it would be necessary to create in the foreseeable future a system of management consultancy that is commercially sound and financially self-sustaining. Proposals for such a system, discussed in the meeting, appear in chapter 2 of this report.¹

The Santiago meeting considered the application of the management approach to the industrial development of an entire subcontinent. The results of the meeting are considered an important step forward in providing agencies of industry and government with effective means for the application of constantly changing technologies and management innovations to Latin American problems.

Organization of the meeting

In preparation for the meeting, UNIDO selected a team of twelve international consultants to:

Review previous accomplishments;

Survey the problems of management consulting in Latin America;

¹Subsequent to the Santiago meeting, a Congress of Consulting Engineers organized by the Chilean Association of Engineers, was held in Chile in October 1971. The data on consulting firms presented at that congress are available to support further efforts to develop management consultancy in Latin America.

Synthesize and evaluate relevant and credible alternative concepts for the resolution of these problems; and

Provide a technologically feasible and economically viable plan for effective application of the management consulting profession to the Latin American environment.

The team of consultants included experts from both the academic and professional consulting fields. UNIDO also invited selected Latin American representatives from consulting, industrial and governmental organizations to foster the transfer of management technology to the Latin American cultural background.

The conference was organized so as to permit maximum participation of each conferee. Business was conducted in plenary sessions and in working group sessions.

Plenary sessions were held in the main conference room. In these sessions, individual papers were presented by the respective authors outlining their basic concepts of management consultancy in general and their thoughts on the development of management consultancy in Latin America in particular.² A different session chairman and rapporteur were assigned for each session.

Working group sessions were held in separate conference rooms, each group pursuing its own method of considering the various concepts presented and reaching its own conclusions and recommendations. Two working groups were established, and, as in the plenary sessions, a different session chairman and rapporteur were assigned for each working group session. The membership of each working group is given in annex 3.

At the final plenary session, the consolidated conclusions and recommendations of the working groups were presented and were incorporated into the summary of the proceedings. These conclusions and recommendations are contained in chapter 2 of this report.

Mr. Lubor Karlik, UNIDO Industrial Development Officer, served as director of the meeting.

The list of participants is attached as annex 2.

²The views expressed in the papers (listed in annex 1) and in the discussions as summarized in this report are those of the individual authors and participants and do not necessarily reflect the views of the secretariat of UNIDO.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The major conclusions reached by the group were as follows:

The use of efficient management techniques is extremely important to the effective development of public and private sector organizations in Latin America.

Management consulting in Latin America is not at present sufficiently well developed to provide effective consultancy on management problems; when the available consultancy services are utilized, they are generally applied to feasibility and marketing studies.

As a result of the inefficient utilization of management consultants in Latin America, some consulting firms accept contracts abroad and a substantial number of consultants migrate from Latin America.

An effective, economically viable management consulting system is an essential element for the economic, social and industrial development of Latin America. It is therefore imperative that the use of advanced management techniques be improved among Latin American public and private institutions, and that the Latin American management consulting capability be materially improved, both qualitatively and quantitatively, and generally expanded in scope.

In view of the lack of an effective Latin American consulting capability, the assistance of international management consulting specialists should be enlisted to orient and implement the development of an indigenous Latin American consulting capability.

The development of management consultancy in Latin America is a desirable field for sponsorship by UNIDO, which could be useful in developing the basic organizational structure and associated procedures for its implementation.

Sponsorship by the United Nations will be required only during the initial development phase, and should continue only until the resulting consultancy becomes economically self-sufficient.

Recommendations

It is recommended that UNIDO sponsor the initial development of an effective indigenous Latin American management consulting capability, for which the conferees proposed a basic organizational structure and procedures as outlined below.

Organization

The United Nations should nominate a working commission to initiate the working policies and programme for the development of an improved Latin American consultancy. The commission should enlist the co-operation of various international agencies and of relevant national agencies in Latin America.

The commission should establish a diagnostic consulting operation under the general direction of a consultant appointed by UNIDO. The director should be an individual of world renown, one who is thoroughly familiar with application of the scientific method and the systems approach to the solution of complex management problems, and who has earned a reputation for getting things done.

A technical staff, reporting to the director, would consist of a small group of competent professional consultants and educators, comprising representatives of: regional Latin American consulting organizations; potential Latin American users of consultants (both public and private sector); Latin American educators; foreign educators (i.e. United States, European, Asian etc.); and international consulting organizations. Each staff member appointed to the commission by UNIDO should be approved by the commission chairman.

In addition to his normal staff duties, as assigned by the director, each staff member should be assigned to one or more operating subcommittees, depending upon his particular discipline.

Subcommittees should be established in the areas of: education, scientific management, systems science, social science, business operations and engineering operations. Inter-committee co-ordination will be effected by the service of each of the staff members on several committees.

Procedure

The operational procedures and functions of the commission should be as follows:

Problem definition

Survey and identification of the basic goals, objectives and policies for the development of an improved Latin American consultancy.

Development of an integrated data bank (IDB) for collection and collation of all data associated with the development of an effective Latin American consultancy. This data bank should be compiled in accordance with the format required by the specific computer system to be used in the conduct of the programme and should include a method for continuous updating of the information.

Analysis and definition of the consultancy, i.e. the fundamental functional and operational requirements, including the educational requirements, for the particular Latin American public and private sector problems. This analysis and definition of requirements should be guided by the UNIDO paper on the diagnostic analysis function and could be expected to assist in identifying the potential uses for management consultancy in Latin America generally. These requirements should become a part of the integrated data bank.

Survey and prepare a roster of Latin American consultants, indicating their specialties. The roster data should be collated and introduced into an integrated data bank as part of the over-all programme.

Definition of the basic criteria for the particular consultancy required for resolution of Latin American problems, these criteria to become a part of the integrated data bank, to be used in evaluating the alternative consultancy concepts under consideration.

Synthesis of solutions

Conduct design and feasibility analyses of alternative methods to satisfy the consultancy requirements. The feasibility analyses should include technical performance, management performance, cost analyses, and an alternative *modus operandi* for the programme.

Prepare a register of Latin American consultants, based upon the roster previously prepared, in order to facilitate the establishment of an eventual consultants' exchange if desired. For this purpose the consultants registered would be classified into various categories based on their respective capabilities.

Develop the design for a dynamic Management Consultancy Information System (MCIS) capable of automated computer operation for the analysis and evaluation of Latin American management consulting problems.

Evaluation

Conduct an evaluation of the consequences (benefits and penalties) associated with each of the alternative solutions considered.

Test feasible and economically viable solutions by applying them to consultancy problems in those countries where the local consulting capability is inadequate.

Select and recommend the preferred consultancy solution to UNIDO for subsequent implementation.

Prepare an implementation plan for the preferred solution, including definition of the programme elements, the schedule for development and operation, and the associated costs. The plan should also provide the schedule and procedure for co-ordinating the development of an integrated management consulting exchange, if this is deemed feasible.

Constraints

Consideration must be given to a variety of limiting factors. Recommendations for action must take these factors into account and give them their due weight. A partial, but by no means all-inclusive, list of these considerations is suggested below:

Cultural affinity (Andean region, Atlantic region etc.);

Size and type of operations affected;

Size and type of consulting firms (availability, optimum dimensions, local-foreign);

- Environmental conditions, including inflation;
- Education of consultants and clients, including the possibility of an inter-American graduate university;
- Emotional factors and local peculiarities;
- Characteristics and dimensions of potential markets for consulting services in both the private and public sectors;
- National sentiment;
- An awareness that logic is controlled by ethics and that ethics form the fundamental reference frame for other value systems;
- Problems created by language barriers;
- Seminars and workshops to disseminate information and knowledge—their potential and limitations, present and future;
- The distinction to be drawn between managerial factors (which are by definition universal and thus transferable) and non-managerial factors (which are more intimately related to a particular cultural environment);
- Level and quality of existing educational facilities;
- The effective use of academic and non-academic teachers (i.e. professional teachers with or without practical experience and professional managers with or without teaching experience), and the extent to which the two may be blended successfully in the development of executive and consulting talent;
- Legal problems, particularly as these may be related to the movement of exports from one country to the other, and as they relate to international trade and to the problems of multinational companies;
- Tax problems, including those relating to the legal problems noted above;
- The fact that in some countries there appears to be a surplus of management consulting capability while in others there appears to be a scarcity even though the economy of the less advantaged country may be more advanced in other respects.

Operational implementation

Latin American countries should be assisted in the development of an Initial Operation Capability (IOC) for the preferred solution recommended in the evaluation phase. The operational system developed should be monitored, evaluated and revised as necessary to achieve the desired balance between operational effectiveness and operational cost. The over-all development of improved management consultancy in Latin America should be reviewed in the light of long-range and short-range tasks as shown below:

Short-range tasks

Foster development of management consultant capabilities
Diagnostic activities
Management consultant pool
Education of clients

Long-range tasks

Foster management education
Productivity centres
Consultant associations
Universities
Development centres

Documentation

Documentation on all aspects of the development and operational programme should be prepared in order to provide a record of the total programme development and operation, and to provide a method for recommending the succeeding steps in progressive system growth.

DISCUSSION

The report of discussions as set out in this chapter combines the views expressed in the working groups and in the plenary sessions. The order of discussion followed the substance of the papers as each was presented by its author. (Annex 1 lists the papers and their authors.)

The development of professionals for management consultancy

In discussing the basic development of professional management, the consultants noted the complexity of educational problems in South America and called attention to the traditional tendency to teach facts instead of improving analytical abilities. They noted also the tendency to give importance to political factors and public relations as factors in economic success, rather than purely technical proficiency.

There is a distinct difference between the mere desire for economic growth and the effective will to take required measures. The traditional approach of solving development problems through concentration of capital investment is doomed to failure, for if the conventional management techniques are concerned primarily with the symptoms rather than with the basic problems, no amount of investment will accomplish the desired objective. Hence the importance of management consultants capable of focusing on the basic problems and approaching them objectively.

Fundamentals of management are universal and are applicable equally to corporate management and management consulting. Since training for management must be both theoretical and practical, both academic institutions and industrial concerns must be involved. Training in foreign countries is desirable, and graduate schools of business administration are becoming more and more involved in education. Emphasis should be on problem-solving and decision-making, on training generalists rather than specialists. The case method, combining practice and theory, has met with considerable success in providing students with the over-all visualization of the multiple facets of broad complex problems.

Universities and consultants

The professional school in a university setting is in an enviable, although difficult, position. It is essential that its faculty maintain liaison linkages with both (a) faculty in other disciplines within the university and with (b) professional practitioners wherever they may be engaged in industry, government or as private

consultants. This necessary liaison may be achieved through a variety of means: seminars involving both professors and practising consultants and executives; professional leaves for professors to work on consulting and/or research assignments in industry; and leaves for consultants and executives to spend some periods of time as consultants or executives-in-residence in university professional schools (e.g. business and engineering).

For example, at the University of Washington, graduate students are given opportunities to work as junior consultants in industry, and some faculty members work in advisory capacities with industries on a continuous basis. By maintaining such links with the university, industry provides, in effect, laboratories for management. The establishment of university advisory boards composed of industrial leaders can also be effective in linking industry and the university. Moreover, executives-in-residence can and are invited to participate in school activities.

Schools of business administration are an important source of management consultants, and it would be desirable to establish such professional schools in developing countries. Graduate schools are generally regarded as more efficient in producing effective consultants and represent a reservoir of potential consultants capable of a high degree of co-operation with the universities.

Regarding the nature of the classroom-industry combination, the University of Washington experience indicates that a multidisciplinary team approach is required. Involvement of the faculty in guiding the graduate students is generally desirable where the results must be documented; and sufficient time must be provided (usually two to three months) for the faculty to become acquainted with the technical terminology of the problem. Concerning the procedural problems of university-industry co-operation, the group noted that adequate protective mechanisms must be established to ensure that the university teaching duties are not neglected, while at the same time industry obtains the desired benefits from the university. In this connexion, it was noted that many younger faculty members with rather limited qualifications seek part-time assignments as consultants to industry. There was general agreement on the desirability of using industry as a laboratory for schools of business administration, since real-life cases are vastly superior to hypothetical classroom cases in the development of management and management-consulting proficiency.

Education for effective management to meet immediate needs of economic development

The benefits of modern science and technology are easily lost, natural resources are wasted, and capital is underutilized if administrative procedures are not perfected. Case studies indicate that the transfer of science and technology is most rapidly achieved by scientists with entrepreneurial instincts. Managers have to be scientifically motivated and trained in finance and administrative procedures if scientific and technological advances are to result in increases in per capita income, which is the ultimate measure of economic progress.

Mathematics, procedures, and psychology are the three basic dimensions of the process of economic development, of the management process as a whole, of planning, budgeting and control, and of the curriculum here suggested. It is possible to change attitudes towards economic endeavours through curriculum design, but the foundation of the entire curriculum is its business-administrative content.

The problem of economic development is essentially behavioural. Planning, budgeting and control are central to management as are also the mathematical and technological content of management training and the related productivity of labour.

Introduction of new technology is important for economic progress. For this, the co-operation of industry with the universities is essential. The proposed training programme is divided, therefore, into general and problem-oriented parts. Each student is expected to define a real-life problem, solve it and implement the solution. Through the participation of the university in the production process of a developing country, it is possible for the country to create technological solutions well suited to its needs. What are the tasks involved in such co-operation? First, it is necessary to define precisely the programme suitable for a particular stage of economic development in a particular country, the sequence of courses and their content. Second, it is necessary to write management texts, for the major fields of economic development. Lack of textbooks has been a serious handicap in most management programmes. Third, it is necessary to train faculties, providing them with the practical experience required for university-industry co-operation. And fourth, it is necessary to awaken industry's interest and willingness to co-operate with the universities, not only nominally but also in substance.

During the initial stages of economic development, homespun management consulting should be advanced on campuses of universities. At a later stage, management consulting in the form of university-industry co-operation is essential for the acquisition of new technologies for production as well as for advances in administration.

Diagnostic management consulting

The rapid technological advances of the past two decades and corresponding organizational changes in industry have compelled management to rely more heavily on the expert knowledge of consultants. Management consulting has been recognized as a problem-solving profession that can quickly execute assignments and submit to management either a set of alternatives or the most feasible solution. The advantages of management consulting are acknowledged mainly to be the immediate availability of specialized skills and the consultant's objective approach to the problems as well as his accumulation of experience.

The reasons for acceptance of management consulting have been compelling and profound. The evolution of technology and the complementary evolution of organizational structures based on a division of labour and specialization of functions made it necessary to cope with increasingly complex problems. Difficulties arose, however, in the co-ordination of the various functions. Complex organizations, like complex machines, suffer from complex problems, which can no longer be resolved without the co-ordinated efforts of specialists. The more complex the problem the greater the expertise required. Since expertise implies also narrower specialization, the remedial actions required larger teams of experts. The need for specialization outgrew the range and depth of knowledge of any individual. It was no longer possible for a consultant to take care of the entire cycle of functions from diagnosis of the problem to the execution or even the implementation of a project. The various tasks had to be distributed to various professions or experts.

The trend towards increasing specialization gave rise in time to a new problem, the "technocratic tower of Babel". Each expert tended to view the over-all problem in terms of his own specialization and gave disproportionate weight to his functions.

As a result, the co-ordinating function emerged as increasingly important, calling for management to supervise the specialized functions of various disciplines and co-ordinate them through a team approach.

The role of management consultancy has increased proportionately with the development of organization structures. The division of labour and the specialization of functions has resulted in a complex relationship which has had to be integrated into a viable and synchronized whole. Management consultants have had to command expert knowledge so that through objectivity and instant availability of professional skills they could reshape and maintain the organizational posture to meet the predetermined goals.

A new relationship between the client and consultant is now emerging. "Diagnostic management consulting" is the newly defined role of the consultant in which the clients' needs for consulting assistance are established by making a routine check even before serious problems arise. The objective assessment makes it possible to select consultants who are best qualified to resolve the specific problem. This type of diagnostic work requires a high level of professional skills from many disciplines in order to establish positively the scope and requirements of the consulting work. Such consulting services evaluate and tie together the resources needed to meet the demand in a co-ordinated and well-integrated fashion through the consolidation of resources which are often scattered among numerous smaller firms.

The cross-transfer of management skills and know-how

The discussion centred on a long-range study which had been made by one of the consultants on the relationship of knowledge and the ability to adapt as influencing the manager's decision-making capability. The study considers the consultant's problems in being effective in the context of various cultures,—"culture" in this sense involving both the total culture (ideas, habits, beliefs etc.) and the individual aspects of elemental cultures. The closer the new culture is to the native culture of the consultant the easier it is for the consultant to be effective. The more diverse the cultures, the more difficult the adaptation.

A trained consultant must be perceptive to significant cultural influences but should take care not to overemphasize the cultural differences. A successful consultant must generate the client's trust in him as a person as well as in his ability, and of course the consultant will not stress that he believes his own culture to be the best.

The growth of economic development tends to bridge cultural gaps and makes it easier for the international consultant to be effective. Along with economic development, cultures will continue to draw closer, but they will not become entirely alike. It is relatively easy to adapt to superficial cultural differences, such as food and art, but more difficult to adjust to differences in values. It appears that it is easier to move from an old culture to a new one than the reverse. An important influence on the consultant's effectiveness is exerted by economic cultural values, which have a great deal of influence; and technological values, which have an important influence because they may create risks people are not willing to take when there is the possibility of a failure. However, the consultant's economic philosophy has little influence on his effectiveness.

The educational level of a given society influences the means or methods of adaptability, while the spiritual values influence the philosophy which determines

whether the adaptations will be attempted. Knowledge of languages is valuable, but the desire to know and understand the new culture is the most valuable asset for the consultant.

A manager's behavioural responsibility and his ability to apply the basic principles of management determines his calibre. A manager's philosophy of life greatly influences his method of operating. Each must have his philosophy. The manager's environment has considerable influence on his actions. His cultural background and environment have a significant influence on his decision-making mechanism. The culture may vary within a region, country and state.

Problems and perspectives on building a management consulting practice in developing countries

A wide range of problems faces the management consultant in the context of the current environment. Most management consulting firms have a basic problem of establishing their image and reputation in the client's eyes.

Management consulting organizations can offer the following services to developing countries: productivity studies; organization and policy studies; feasibility studies; industrial development studies; diagnostic analyses and problem definition. The last two types are among the more important services that can be accomplished for international and national business firms. It is becoming more and more important to have a blending of consulting firms on an international basis.

The advantages of international consulting are many and varied, irrespective of the country of origin of the consultant. There are, however, some serious problems, for example:

Quality control: Up to the age of 32, the consultant is willing to accept foreign assignments, and again after the age of 50. There is a tendency, therefore, for the best people to be kept in the home office.

Problems of obtaining reliable local information: Statistics may be misleading; information may be hard to find; local information may be hard to interpret.

Consultants tend to try to solve problems as they would in their own countries.

The lack of ability of local industrial concerns to make use of consultants' services. Joint responsibilities and client involvement often help.

The follow-up programme should be included in the original contract; a return visit is advisable six months and again one year after the consulting engagement is completed.

The difficulty of adapting to local culture, e.g. understanding the particular polite forms and manners of the local people.

The language difficulty.

The difficulty of estimating the time needed to work with the local staff and under the local conditions.

The tax status of the consultant and local residency regulations.

The *esprit de corps* of the consulting team as influencing the success of the assignment.

The problem of maintaining objectivity and integrity on the foreign assignment. Unless the consulting firm maintains long-term growth, it will not attract the best staff nor the best clients.

Foreign assignment makes it difficult for the consultant to readjust to the home working environment and may, therefore, interrupt his long-range professional growth.

The international consulting firm needs to become acquainted with the developing regions and maintain a current knowledge of the regions. The home office should keep in regular touch with its foreign branches and maintain continuous documentation on the living and working conditions in local areas.

Management science—systems science and management consulting

The importance of change in the development of management consulting capability must be recognized. The growth of science in the twentieth century has been the basis of a tremendous change in the total environment and has thus contributed to the development of management. This same scientific growth has provided the tools for improved management decision-making. This is fortunate because the problems facing management today are becoming increasingly complex and sophisticated.

The growth and development of the sciences has been influential in the application of the scientific method to broader aspects of social, economic, business and management problems. In considering the types of problems faced by management and the types of problems that management consultants must be capable of resolving, it is obvious that these problems again involve many different and yet interdependent facets. Their resolution requires objective consideration of the multi-faceted problems in a multidisciplinary approach that is defined as the systems approach.

Essentially the systems approach involves the interaction of scientific, social, economic and political aspects of the complete problem. It considers the total environment; it is deductive in nature and yet action-oriented. In one sense it represents a pragmatist's scientific approach in that it is concerned with science for society's sake. The systems approach is based upon systems theory, which consists of an integrated body of knowledge concerned with the development of basic orienting and unifying concepts from the various disciplines of natural and social sciences. The "system" provides the central unifying concept for systems theory, while "systems" science provides the development methodology. The primary characteristics of systems science are that it is action-oriented, utilizes advanced technology, is applicable to large, complex problems and can deal effectively with large numbers of variables involving physical, social, economic, environmental and fiscal factors. The principal elements of systems science are:

Systems analysis, which is concerned with defining the problem and evaluating its consequences (benefits and penalties) associated with alternative solutions to the problem;

Systems engineering, which implements the preferred solution to the problem, including establishing the implementation schedules and costs; and

Systems management, which controls the programme, the schedule and the cost.

The dual potential of systems science and management science provides the competent and up-to-date management consultant with effective and powerful tools for the resolution of the current complex problems faced by management. These tools basically permit responsible management to pose and answer the "What if?" questions: "What if this decision were made?" or "What if that decision were made?" This capability then permits management to assess the consequences of a particular set of decisions prior to taking the final decision.

The role of Japan in international management consulting

Ten to twenty years ago the management consulting services in Japan were primarily conducted by government extension offices and there were only a very small number of management consulting firms. While both types of services were extended to small business enterprises, the specialists in industrial engineering, quality control etc. provided consulting services to management in particular enterprises. This form of business counselling is gradually disappearing as the realization grows that tax-supported government services should not be limited to assisting only a few enterprises. While there is no clear distinction between government counsellors and private management consultants in the area of small and medium-size business, some private management consultants specialize in large companies. In the future most enterprises may be expected to require an integrated general management consulting service.

International management consultants are continually faced with the problem of becoming familiar with the culture and background of the clients, particularly if the clients are residents of a developing country. The Japanese Productivity Center and several Japanese consulting agencies are devoting some consideration to this problem. While this is a controversial issue, certain recommended courses of action relative to international problem-solving are evolving, including the following:

When a consultant is assigned to a programme in a country foreign to his background and experience, he should establish residence there for a period of three to four years in order to become integrated into the community.

The consultant should not attempt to participate in the programme to any major extent until he becomes familiar with the local customs and reasonably fluent in the local language. The consultant is expected to expand this proficiency during the assignment.

Consideration should be given to obtaining a consultant from a country with similar cultural and social background. The senior general management of the consulting agency should concern itself with identification of the types of special consultants required.

The question of criteria for measuring the effectiveness of management consulting is critical to the success of any consulting venture. One simple criterion is the amount of resources to be saved through effective management consulting.

However, even this simple, logical measurement implies the existence of a basic reference frame from which to measure the incremental amount of resources saved. Such a frame of reference requires in turn the development of a long-range plan based on analysis of the problem and evaluation of potential alternative solutions. Analysis of this type could normally be expected to be a part of the consulting services offered, thus placing the consultant in the position of evaluating the effectiveness of his own services. While this may appear desirable at first glance, it does raise the question of the objectivity of the services offered.

Japan has established a Research Institute in International Management as a non-profit private company. An organization known as FIMCO (Federation of International Management Consulting Organizations) conducts training courses in Japan and invites other Asians to participate in Asian Productivity Courses. Members of FIMCO have at times advised other members on business opportunities that they themselves were in no position to handle. In response to a query, the author said that Japanese management consultants have not up to the present contributed much to the development of South-east Asia, in part because of the language barrier.

To assist their clients, Japanese consultants have developed a computer-oriented business evaluation system that provides a fast response for the analysis of business problems with automatic computer plotting of the results. The most successful agencies maintain staffs of fewer than thirty consultants per office. However, some agencies operate offices in several cities. It was noted that some foreign international agencies had two to three thousand professionals.

Management consulting in Europe

Before management consultancy could develop, entrepreneurs had to become aware of management as an art. In most countries of Western Europe management consultancy began between the two world wars. By 1964, there were about 6,000 consultants in all of Western Europe. National associations of consultants were founded after the Second World War. In Scandinavia management consultancy has grown rapidly since then. Western European national consulting associations formed in 1960 a union of European associations of general management consultants, FEACO (Fédération Européenne des Associations de Conseils en Organisation, Paris).

In several countries of Western Europe most consulting firms are under single ownership, while in others they are mainly under partnership arrangements. In Scandinavia and Great Britain, consulting firms are mainly limited companies.

In Eastern European countries the consulting institutions are official but self-sustaining, and there is a growing exchange of experience with Western Europe. In Romania consultants tend to be trained for internal use only and are employed within a firm or by a group of firms. Moreover, consulting operations tend to be directed towards ministries, trusts etc. In Czechoslovakia both external and internal consultants are employed and more are being trained. With respect to group work in Eastern European countries, the clients are receiving outside assistance, that is, there is considerable interest and activity in these countries in seeking assistance from consulting agencies located outside the area. Foreign consulting firms are also showing interest in assisting these countries.

In most European countries management consultants are working in all fields of management, i.e. apart from management consulting *per se*, their activities include

the training of the client's staff, the organization of courses and seminars, the construction of tools and machinery, editing and publishing and research. Most European Governments have operations and methods bureaux offering management consulting services to public institutions and training personnel for this purpose.

In most Western European countries there is no governmental licensing of consultants: anyone who feels qualified to set himself up as a consultant may do so. Consultants sometimes receive commissions in addition to their salaries.

Most companies, and especially consulting engineers, e.g. in Austria and Denmark, require a university degree as qualification for a management consultant to be employed. In many European countries there are training courses for management consultants. Education in management sciences is offered by several universities (e.g. in Aachen, Berlin, Darmstadt, Graz, Karlsruhe, Lisbon, Mannheim, Paris, Vienna and Zurich) and by several institutes for advanced studies (e.g. INSEAD, Paris; IESE, Barcelona; IMEDE, Lausanne; and SIOO, Delft).

Associations for management consultants have established codes of ethics and policies governing their work. The fees for consulting average from US \$60 to \$300 per day. Public relations efforts vary widely: there are hardly any in Austria, the Federal Republic of Germany, Finland and Norway, but intensive public relations activities are associated with management consulting in Great Britain (advertising, publications, press comments, luncheon meetings, official contacts etc.).

The prestige of management consultants is rising slowly. The most important clients are generally medium-size firms, though in some countries (e.g. Netherlands) big firms also seek consulting services.

Many consulting firms "export" their services. France, for example, has a considerable number of Latin American clients. The greatest foreign competition comes from United States consultants, who work increasingly in the Netherlands and Switzerland. Reputable foreign firms (both European and non-European) have subsidiaries in European countries, employing consultants both from the firm country and locally. There is very little co-operation between European and non-European consultants.

Part of the work done by management consultants today will be done in the future by experts employed by the client firms. This loss of market will be compensated by new activities of management consulting firms, e.g. in the development of management techniques. The future management consultant is seen primarily as an assistant in developing special techniques. Future trends should also include improvement of professional standards, intensification of training courses, and European collaboration.

The impact of the management technology gap on the development of management consultancy in Latin America

The technology gap between the university personnel and the businessman occurs because of the difference in their interests and reward systems. The businessman is interested in solving operational problems, whereas the academician is interested in and has a need to publish papers. These different sets of value systems and reward mechanisms are the primary contributors to the gap. The generalized knowledge developed and/or documented at the university level requires a consultant

or someone bridging the gap who translates the generalized knowledge into practical applications.

Technological change is the most powerful influence on the business world today, and it poses many new problems for top management. The demand for consultancy service stems from the growing burdens imposed on managers by these technological changes.

In bridging these many gaps the consultant becomes a valuable resource to the businessman because of his skills and experience. A consultant who serves many clients often works with situations that may confront a given company only once in a decade. Therefore, the consultant develops a special talent and is able to maintain his expertise. He is able to "keep up" in a technical speciality. From such broad experience he learns what problems to anticipate, what actions to take when obstacles occur, and what reactions to anticipate from the individuals involved.

In addition to his broad experience, the professional consultant possesses valuable analytical skills. Although he does not have a monopoly on analytical skills, it is his business to know how to uncover the real issues of a problem and its underlying causes, determine the conditions of its solution, and the end results which are to be obtained. Thus, it is possible for a firm to obtain special talents without retaining the consultants beyond the period that is economic to the firm.

A third basic value offered by the consultant is objectivity. Because of his independent position, a consultant can provide a candid evaluation of a firm that cannot be obtained from an employee within the firm. The employees generally tell the boss what he wants to hear. The impartial viewpoint, free of personal interests, internal political loyalties and company traditions, is truly a valuable service. Often the consultant assumes the role of the "bad guy" and becomes the scapegoat for management. By such action he can take the "heat off" of management.

The impact of the management technology gap in developing countries, where the manager has had minimum exposure to scientific management techniques, is even greater than in developed countries, and the responsibility of the management consultant to help bridge the gap is accordingly greater.

Joint-venture consulting projects are recommended, where foreign firms and local Latin American firms will join forces and provide the best opportunity for rapid development of skills and reliability in the field of consultancy. The advantages of such collaboration are many, e.g.:

The foreign firm can help Latin America to avoid the evolutionary stages of management technology and to avoid making the mistakes already made elsewhere, both in the management and operation of the consulting firm and in solution of the clients' problems.

Those who are developing the management consultant structure will be able to obtain the best known state-of-the-art by "standing on the shoulders" of the present forerunners in the field. An example was noted in the Japanese coming to the United States Steel Company after the Second World War to learn where the United States steel industry stood so they could start from that point. The advantage of this procedure is seen in the dynamic steel industry in Japan today.

It is possible to obtain foreign expertise without the cost of foreign ownership. The foreign expert is permitted to teach the local consultant techniques to be applied by local people. The application of the technique must be modified by the conditions of the country and adapted to the local culture, weaving the new techniques into the fabric of the local area with the purpose of developing new local skills.

Management consulting in Chile

SCT (Servicio de Cooperación Técnica) is engaged in consulting programmes, as are the universities and other institutions that are in competition with the independent consulting firms. An estimated forty firms are engaged in the field of technological consulting in Chile, and about ten in the administrative field. Most large industrial firms have their own industrial engineering departments, staffed with personnel some of whom possess advanced degrees.

While both specialized skills and teamwork are important in management consulting, the opinion was expressed that in Chile at present the management consulting market is too small for sophisticated methods, although there is a recognized need for such methods. Currently, the generalist predominates in this field. For the foreseeable future the greatest opportunity for management consulting exists in the public sector rather than the private sector. Small businesses, of which there are some 30,000 in Chile, seem to prefer group consultancy, and most of these firms are served by SCT. (Small firms in Chile were defined by the author as those with fewer than fifty working employees and with a capital of less than \$30,000.)

Management consultancy is generally concentrated in three areas. Most of the effort is in the financial field. Management consulting in the marketing area is increasing while the effort in the industrial engineering area is decreasing, the latter reflecting primarily the fact that the larger industrial firms have their own industrial engineering departments. Initially, private management consultants came from SCT, although the universities subsequently instituted courses in finance and cost analysis. At the present time the technical universities offer courses in management science, i.e. marketing, finance, industrial engineering etc. Consultants enrolled in these courses must be members of the Association of Engineers.

The development of industrial consultancy in Colombia

One of the most difficult tasks in Colombia is with the top management of the client firm. Experience has shown that unless the top executives of the client firm are emotionally as well as intellectually involved, the consulting effort will not be successful. In many cases the executive will commit himself at the intellectual level, but does not follow through in the practical aspects. In some cases a diagnostic approach is used to provide the top management with the tools (forms) to perform a self-analysis of self-diagnosis. The team approach is stressed, and a profile of organization is often used through which each executive must diagnose the centre of power or the source of authority. This exercise provides an awareness of group dynamics and gives the members of the team some perception of each other's jobs.

Although feasibility studies are usually made to provide a basis for the client to obtain financing, a part of the problem is how to change the client's motivation from a need for financing to a need for consulting assistance. In Colombia, great emphasis is given to status and authority. In "E-group sessions" and sensitivity training, some executives feel that their status may be threatened, so that the desired results are not obtained.

FICITEC (Fundación para el Fomento de la Investigación Científica y Tecnológica) is a non-profit diagnostic firm in Colombia, supported by the national banks. It performs a diagnostic guidance service for industry by making a preliminary analysis of the problems of industrial firms and identifying the consulting firms that can perform the required services. The cost of the diagnostic services are shared by the banks and the industrial firms.

FICITEC is currently preparing a study and register of consultants in Colombia, which, when completed, could be a significant part of an integrated Latin American registry of consultants. The Colombian study and registry represents an attempt to identify skills, experience and types of firms, and to classify the work they are performing. Some 120 consulting firms have been identified, 5 per cent of which were established in 1950; 10 per cent in 1960 and 85 per cent in 1965. Approximately 12 firms are effectively doing management consulting. About 80 per cent of all the consulting work is in economic feasibility studies for the purpose of justifying financial loans. Little true scientific management consulting is being done.

The government demand for consulting has not been of major importance, and the consulting firms have had little opportunity to work with large industrial firms. This is primarily because these firms have large staffs who perform this work. While these firms use consultants, the consulting firms are usually given too short a time to do a good job and thus fall into poor repute.

The small and medium-size industrial concerns usually fall into three major categories:

Companies with no budget, no accounting system, no production plan and no production control;

Companies possessing budgets, accounting systems, production plans and production control systems, but poorly organized so that their programmes, plans and systems are ineffective; and

Companies better organized than those above, but generally headed by poorly trained personnel.

The study analyses the conditions in the industrial firms considered in Colombia, such as the lack of good layout, the lack of valid studies for marketing and product development, poor production control or none at all, and lack of quality and cost control systems.

Consulting firms in Colombia have problems in finding experienced personnel and also suffer the normal problems of such firms in personnel training and high personnel turnover because many consultants join the operating firms.

While the study being prepared by FICITEC is limited by the fact that only a relatively small percentage of the industrial firms can be serviced by management consultants, it is nevertheless opening doors for private consulting firms and performing a worth-while diagnostic service. This study is accomplishing in Colombia what UNIDO proposes should be done throughout Latin America.

The development of a management consulting service for industry in Uruguay

While the climate for private consultants was inappropriate three or four years ago, executives are increasingly aware of the need for consulting assistance, with the result that several individual firms have been established in the past two or three years. Most consultants lack sufficient work, and few of the consulting agencies have a very broad capability so that several firms must combine their professional capabilities to furnish consulting services in broad fields.

The individual client firms, and groups of firms as well, request consulting assistance. Problems must be solved at the highest possible level— the sectoral level if possible. Problems involving the detection of needs for improved technology in a given industry can be solved at a sectoral level where they can be considered on a more rational basis, assuming that adequate financing is available. Uruguay has a diagnostic service which takes problems to consulting firms and helps to analyse them. Such diagnoses are now being made, for example, in exporting. However, diagnostic services are generally not readily accepted at the present time.

LIST OF PAPERS PRESENTED TO THE MEETING*

General aspects of management consulting	<i>Presented by</i>
1. The development of professionals for management consultancy	L. Dusmet
2. Universities and consultants	K. O. Hanson
3. Management education and effectiveness of management consulting to meet the immediate needs of economic development	R. Skandera
4. Diagnostic management consulting	UNIDO secretariat
5. The cultural aspects of, and problems associated with, the cross-transfer of management skills and know-how	L. C. Megginson
6. Problems and opportunities of indigenous consulting services in developing countries	J. C. O'Melia
7. Some perspectives on building a management consulting practice in developing countries	B. W. Scott
8. Management science—systems science and management consulting	G. L. Rounds
9. Management consulting in Japan	A. Takanaka
10. Management consulting in Europe	E. Kosmath

Management consulting in Latin America

11. The impact of the management technology gap on the development of management consultancy in Latin America	E. Jewell
---	-----------

*These papers were distributed to participants only and are not generally available.

- | | |
|---|---------------|
| 12. Management consulting in Chile | R. Aguado-Jou |
| 13. Report on the development of industrial consultancy in Colombia | H. Plazas |
| 14. Some aspects of consultancy in Colombia | P. Dueñas |
| 15. The development of a management consultancy service for industry in Uruguay | B. Wittich |

LIST OF PARTICIPANTS

Consultants

- DUEÑAS, P.**
Subdirector
FICITEC
Calle 14 N° 7-19, Piso 14
Bogotá
Colombia
- DUSMET, L.**
Director
IMEDE (Management Development Institute)
P.O. Box 1059
CH-1001, Lausanne
Switzerland
- HANSON, K. O.**
Dean
Graduate School of Business Administration
University of Washington
Seattle, Washington 98105
United States
- JEWELL, E.**
Senior Associate
Engineering and Management Sciences
Corporation
21044 Ventura Boulevard
Woodland Hills, California 91364
United States
- KOSMATH, E. F.**
Consulting Engineer VOeB (Union of
Austrian Management Consultants)
Project Manager of Semperit Rubber, Inc.
Bräuhausgasse 49
A-1050, Vienna
Austria
- MEGGINSON, L. C.**
Professor of Management
Louisiana State University
Baton Rouge, Louisiana 70803
United States

O'MELIA, J. C., Jr. Director
Center for International Management Studies
291 Broadway
New York, New York 10007
United States

PLAZAS, H. Psychologist
INCOLDA
K 9a. N° 16 - 21 PIO
Colombia

ROUNDS, G. L. Vice-President
TEMPS Research, Inc.
1120 Plaza 600 Building
Sixth and Stewart
Seattle, Washington 98101

SCOTT, B. W. Director
W. D. Scott & Co. Pty. Ltd.
(International Management Consultants)
100 Pacific Highway
North Sydney
Australia

SKANDERA, R. Departamento de Engenharia Industrial
Pontifícia Universidade Católica do
Rio de Janeiro
Rua Marques de São Vicente 209/263
ZC- 20 Rio de Janeiro, Brazil

TAKANAKA, A. Executive Director
Central Japan Institute of Industrial
Management
Central Japan Industries Association
P.O. Box 155
Nagoya Higashi
Japan

Other participants

BLOJ, C. Engineer
Casilla 2034
Santiago
Chile

CARCAMO, L. Engineer
Asociación Ingenieros Consulta
Avda. Bulnes 377, Of. 405
Santiago
Chile

- CISTERNAS, J.** Commercial Engineer
Servicio de Cooperación Técnica
CORFO
Huérfanos 1117, Piso 9°
Santiago
Chile
- CORREA, J. E** Consulting Engineer
I. Consultores A. "ICA-ADELA"
Moneda 856, Of. 206
Santiago
Chile
- DUXBURY, E. L.** Regional Manager
Edwards & Kelcey, Inc.
8 Park Place
Newark, New Jersey
United States
- CONTRERAS, I.** Technical Manager
Servicio de Cooperación Técnica
CORFO
Huérfanos 1117, Piso 9°
Santiago
Chile
- GHIRLANDA, H.** Subdirector
Banco Nacional de Desarrollo
25 de Mayo 145, 4° Piso, Of. 407
Buenos Aires
Argentina
- OVIEDO, R.** Regional Adviser
Unidad Administración Pública
CEPAL
Casilla 179-D
Santiago
Chile
- PARDO, J.** Engineer
Pto X 2455
Santiago
Chile
- PICKER, H.** Director
Comité Latinoamericano de Decanos
de Escuelas de Administración, CLADEA
Casilla 114-D
Santiago
Chile

- POSSEL, G.** Director
Asociación de Consultores
de Chile
Avda. Bulnes 166, Of. 21
Santiago
Chile
- SANTANDER, R.** Chief, Productivity Division
Industria Azucarera Nacional
IANSA
Bustamante 26
Santiago
Chile

United Nations and specialized agencies

- UNIDO** Karlik, L. J.
Industrial Development Officer
Industrial Management Section
UNIDO
Vienna, Austria
- ECLA** Eyzaguirre, J.
Conference Officer
ECLA
Santiago, Chile
- ILO/UNDP** Aguado-Jou, R.
Project Manager
UNDP/ILO
Casilla 14383
Santiago
Chile
- Wittich, B.
Project Manager
ILO/UNDP
Casilla 1211
Montevideo
Uruguay

OFFICERS OF THE MEETING AND WORKING GROUP MEMBERSHIP

Officers

Director	Karlik, L. J. Industrial Development Officer, UNIDO, Vienna
Moderator and rapporteur	Rounds, G. L. TEMPS Research, Inc., Seattle, Washington
Conference and admini- strative officer	Eyzaguirre, J., ECLA

Working Group membership

Working Group A

Aguado-Jou, R.
Carcamo, L.
Contreras, I.
Dueñas, P.
Duxbury, E. L.
Jewell, E.
Karlik, L. J.
Megginson, L. C.
Oviedo, R.
Picker, H.
Possel, G.
Santander, R.
Wittici B.

Working Group B

Bloj, C.
Cisternas, J.
Correa, J. E.
Dusmet, L.
Hanson, K. O.
Kosmath, E. F.
O'Melia, J. C.
Pardo, J.
Plazas, H.
Rounds, G. L.
Scott, B. W.
Skandera, R.
Takanaka, A.

Co-ordination committee

Chairman	Rounds, G. L.
Group A	Santander, R.
Group B	Correa, J. E.

HOW TO OBTAIN UNITED NATIONS PUBLICATIONS

United Nations publications may be obtained from bookstores and distributors throughout the world. Consult your bookstore or write to: United Nations, Sales Section, New York or Geneva.

COMMENT SE PROCURER LES PUBLICATIONS DES NATIONS UNIES

Les publications des Nations Unies sont en vente dans les librairies et les agences dépositaires du monde entier. Informez-vous auprès de votre librairie ou adressez-vous à: Nations Unies, Section des ventes, New York ou Genève.

КАК ПОЛУЧИТЬ ИЗДАНИЯ ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ

Издания Организации Объединенных Наций можно купить в книжных магазинах и агентствах во всех районах мира. Наводите справки об изданиях в вашем книжном магазине или пишите по адресу: Организация Объединенных Наций, Секция по продаже изданий, Нью-Йорк или Женева.

COMO CONSEGUIR PUBLICACIONES DE LAS NACIONES UNIDAS

Las publicaciones de las Naciones Unidas están en venta en librerías y casas distribuidoras en todas partes del mundo. Consulte a su librero o diríjase a: Naciones Unidas, Sección de Ventas, Nueva York o Ginebra.

Printed in Austria

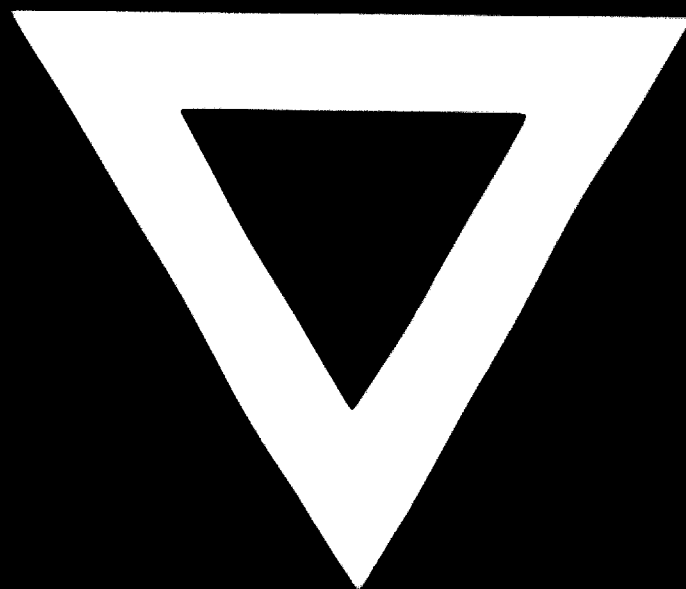
Price: \$U.S. 1.00
(or equivalent in other currencies)

United Nations publication

71-8713 July 1972 3,700

Sales No. E.72.II.B.20

ID/89



4 . 9 . 7 4