

Mixing Methods to Investigate the Effective Engagement of Management Consultants

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This paper recognizes the important role played in the business community by external management consultants and seeks to improve understanding of how this role can be performed. Insight from the change management and management consulting literature is used to further develop a general model of planned change including the phases of entering, contracting, diagnosing, leading, intervening and evaluating. Mixed methods blending a quantitative survey and qualitative interviews were combined to provide the data for this study. A quantitative survey was completed by a stratified sample of 198 company directors, chief executive officers, top managers, internal consultants and line managers in relation to the practice of external management consultants. Qualitative interviews with 16 leading figures in the Australian business community provide further insight. There is useful support for the model of planned change in the empirical results.

Field of Research: Strategy Practice, External Consultants, Mixed Methods

1. Introduction

Management consultants can and do make an important contribution to strategy development in client organizations (De Wit and Meyer, 2004). Corporations spend a considerable amount of money each year on the engagement of these external management consultants to assist them in formulating and implementing strategy. However not all corporations are satisfied with the quality of management consulting services provided (Schaffer, 1998). Company directors, top managers, internal strategists and line managers often do not fully understand how to use management consultants effectively, nor do they fully understand the many types of roles management consultants can play in their professional practice. The other side of the story on this debate is that management consultants can better understand the needs of their clients to help achieve better outcomes for these clients.

Against this background the purpose of this paper is to theoretically and empirically explore developments in the practice of the external management consultant. The general model of planned change articulated by Cummings and Worley (1993) and adapted by Lacey (1995) is further developed in this paper. The consulting phases of entering, contracting, diagnosing, leading, intervening and evaluating are explained and

explored. Mixed methods blending a quantitative survey and qualitative interviews (Punch, 1998) are combined to provide the data for analysis. The key research questions (RQs) addressed in this paper are:

RQ1: What is the role of the external management consultant in the modern practice of strategy?

RQ2: How can hiring organizations get more value from the engagement of external consultants?

RQ3: How can external consultants engage more effectively with client and/or potential client organizations?

2. Literature Review

The contribution of external consultants from leading firms such as McKinsey and Company and Boston Consulting Group to their client organizations has been criticized over the past two decades for focusing on the 'best solution' with little consideration given to a client's capacity to change. External consultants have also lacked accountability for the execution (or otherwise) of this solution (Schaffer 1998). An issue here is that external consultants have in the past had little interaction with the line managers of the client organization and this has contributed to this shortcoming in consulting solutions and project outcomes. On the other hand external consultants have perceived professional managers as shortsighted and lacking backbone to make the right decisions (Turner 1982).

In a more contemporary view of the role of external consultants there is more engagement with line managers in the client organization, consultants have a stronger appreciation of the client's capacity to change, and there is greater consultant involvement in implementation of the solution (Delany 1995). Professional managers and external consultants are encouraged to work together to best identify needs, solve strategic problems, and structure the engagement accordingly (Turner 1982). Lacey (1995) expands on how this can be done this in *Journal of Organizational Change Management* with the general model of planned change. *Entering* involves the marketing, relationship building and clarifying of the organizational issues that need to be resolved. The managerial problem is identified, client organization 'jargon' identified and the consultant makes the decision on accepting the project or otherwise. *Contracting* requires the clarification of goals, roles, rules of engagement and resource issues. The external consultant uses letters, proposals and legal contracts to document client expectations and ensure initial expenses and up-front development costs are met. Once the engagement is contracted the leadership style of the consultant comes to the fore. The new element to the model, *leading*, may be based on expert knowledge, skill and reputation, clear communication style and/or charismatic appeal. There is no single formula here with different consultants exhibiting different strengths in these areas (De Wit and Meyer, 2004). The credibility of the consultant with top management can also determine influence benefiting from referent power. *Diagnosing* requires the gathering and analyzing of data, preparation of feedback and developing an implementation plan. The consultant meets many organization stakeholders at this time. The next stage is *intervening*. There is a participative aspect to this activity where external consultants can

also help internal stakeholders with information, learning and feedback (Hart 1992), in particular sharing expert information within the consultancy to enhance the quality of the project outcome for the client (Haas and Hansen 2005) and persuade internal stakeholders to make a commitment to the change and improvement process. Finally *evaluation* is undertaken in relation to the recommendations of the consultancy. This can be an iterative process with several cycles to allow for commencement of the consulting intervention then further refinement of the consulting intervention (Beckhard and Harris, 1977).

3. Methodology

Mixed methods were used for this study with a quantitative survey and semi-structured qualitative interviews. The quantitative analysis reported emerges from a survey completed by a stratified sample of 198 company directors, chief executive officers, top managers, internal consultants and line managers on their use of external consultants. A total of 94 responses were obtained from an administration on site to Master of Business Administration students at RMIT Business. A further 104 responses were obtained from a general mail out to the Australian business community in a national study across industries. The sample includes 25% of the Australian Stock Exchange Top 150 companies. The response rate on the survey relevant to this paper is 20.8%. Descriptive statistics were prepared using SPSS FREQUENCIES to facilitate the analysis (Coakes and Steed, 2001). In terms of the qualitative component of the study the interviewees whose insights are reported in this paper agreed to participate in a major multi-method Australian study investigating the practice of strategic thinking and strategic planning and key stakeholders in strategy process. Demographic data of the interviewees is detailed below in Table 1. The interviewees include a number of leading figures in the Australian business community. Representatives from 12 of the Australian Stock Exchange Top 100 listed companies are included in the sample. Two small and/or medium size enterprise executives and two external consultants (i.e. companies with fewer than 100 employees) are also included among the 16 interviewees to increase the generalizability of results.

Qualitative interviews were undertaken either in the researcher's office at RMIT University or in the professional office of the interviewee. All interviewees consented to the interview being taped. An easy and professional rapport was established with all interviewees which assisted the efficiency and effectiveness of the interview process. The interviewer prepared a summary note on each interview within 24 hours and forwarded the tapes to a transcriber to prepare the interview transcripts which were then checked by the interviewer for accuracy and quality. A more objective, standardized, analytical style of analysis was used for this research given that the qualitative interviews were conducted in conjunction with the major concurrent quantitative survey, the existing body of theory and research on the topic and the impressive rigor of the Miles and Huberman (1994) method adopted here. The three research questions above were put to interviewees. Data analysis commenced with identification of key words and themes from the theoretical background. These key words and themes provided the basis for the preparation of decision rules and summary matrices to facilitate data

reduction. Then a range of tactics were applied to the analysis in an iterative activity. Initially counting and clustering was undertaken, then noting patterns and

Table 1 Qualitative Interviews Respondent Demographic Data

Position	Sex	Industry	No. of Employees	Total Sales	Years Experience
Chairman	M	Healthcare	100-1000	>A\$20 mill.	11 Years
Executive Chairman	M	Engineering	<100	<A\$1 mill.	14 Years
Company Director 1 and CEO1 (CEO 1)	M	Business Services	<100	<A\$1 mill.	30 Years
Company Director 2	M	Insurance	>1000	>A\$20 mill.	20 Years
Company Director 3 and CEO 2 (CEO 2)	M	Manufacturing	>1000	>A\$20 mill.	30 Years
Company Director 4 and Top Manager 1 (Top Manager 1)	F	Manufacturing	>1000	>A\$20 mill.	27 Years
Top Manager 2	M	Healthcare	100-1,000	A\$1 -20 mill.	15 Years
Top Manager 3	M	Manufacturing	>1000	>A\$20 mill.	13 Years
Top Manager 4	M	Retail	>1000	>A\$20 mill.	20 Years
Internal Consultant 1	M	Tele-Communications	>1000	>A\$20 mill.	5 Years
Internal Consultant 2	M	Building Products	>1000	>A\$20 mill.	17 Years
Internal Consultant 3	M	Transport	>1000	>A\$20 mill.	21 Years
Internal Consultant 4	M	Banking & Finance	>1,000	>A\$20 mill.	18 Year
Internal Consultant 5	M	Mining	>1,000	>A\$20 mill.	16 Years
External Consultant 1	M	Consulting	<100	<A\$1 mill.	16 Years
External Consultant 2	M	Consulting	<100	<A\$1 mill.	28 years

themes in a memoing activity, then contrasting and weighing the evidence seeking plausibility in the explanation to conclude the memos and facilitate write up (Miles and Huberman, 1994). Certain excerpts included in the analysis are lengthy however the quality of the insight into the practice of strategy is exceptional given the quality of interviewees and the subtleties and nuances evident in the stratified results which follow.

4. Findings and Discussion

The findings are set out in two parts. First the quantitative findings are set out, then the qualitative findings. This is followed by a discussion of the findings in the context of the received literature in the change management and management consulting fields. Table 2 below shows quantitative results for how client organizations perceive the role of external consultants in a client engagement. The first selection of internal stakeholders as to how they use external consultants was in order of frequency 'facilitators', 'analysts', 'generator of ideas' and an 'information source'. The second selection was 'problem solver', 'information source', 'analyst' and 'generator of ideas'. In the third selection 'analyst' was most popular.

Table 2 External Consultant's Role in Strategy Process

	What role do these external consultant's play?					
	1 st Selection		2 nd Selection		3 rd Selection	
	Frequency	%	Frequency	%	Frequency	%
Doer	3	1.5	1	0.5	5	2.5
Coordinator	3	1.5	6	3.0	4	2.0
Facilitator	21	10.6	11	5.6	10	5.1
Guardian	0	0.0	1	0.5	0	0
Communicator	1	0.5	5	2.5	12	6.1
Influencer	8	4.0	10	5.1	14	7.1
Problem Solver	8	4.0	18	9.1	11	5.6
Analyst	19	9.6	16	8.1	18	9.1
Information Source	15	7.6	17	8.6	12	6.1
Generator of Ideas	27	13.6	15	7.6	11	5.6
Supplier	2	1.0	3	1.5	3	1.5
Controller/Monitor	0	0	2	1.0	3	1.5
Missing/System	91	46.0	93	47.0	98	47.5
	N = 198	100	N = 198	100	N = 198	100

Table 3 below indicates the use of external consultants by a respondent's level in the organization. Clearly there is room for improved engagement by the consulting community with company directors, executive directors, CEOs, top managers and line managers. Engagement was much stronger with internal consultants.

Table 3 Using External Consultants

	Yes	No	% Yes	N
Company Directors	15	10	60	25
CEOs and Executive Director	18	14	52.9	34
Top, National and Senior Manager	23	13	62.2	37
Internal Consultants	24	6	80	30
Line Managers	40	32	55.6	72

In terms of qualitative results the analysis has been undertaken and presented at four levels - the Director and CEO level, top manager level, internal consultant level and external consultant level. This multi-layered approach assisted the development of insight from the interviews. A theme identified by CEO 1 in his interview is that the CEO must be comfortable with the organization's strategy. The CEO should not accept a strategy devised by a management consultant unless he or she is committed to that strategy and believes that strategy will achieve the desired outcome. The CEO should take ownership of the strategy. Having identified this central theme at this level of the analysis, management consultants were broadly identified as playing a valuable role in many respects. This included working with management to generate creative strategy ideas, surfacing contentious strategy, delivering a major analytical report and supplementing internal company resources. A further theme was for companies to choose the right consultant or consultants carefully, controlling and focusing their input

with a view to efficient use of time and resources, especially the corporation's consulting budget. This was articulated particularly well by CEO 1:

Yes they can be of use...in several ways...they need to be controlled and focused by management and often they aren't but strategy has to be the CEO's – not consultants. It doesn't mean that it cannot be initiated...but...management must understand it and understand the implications and how it is going to be implemented... they are often very useful as a catalyst to initiate change and a process of change, and by introducing them they heighten the tension...and they shorten timeframes if they are used well...So I think there is a role for them but you need to understand what it is as you bring them in. Make sure you...(state) what you want...Usually their strengths and weaknesses are pretty obvious...the problem with most consultants or consulting houses rather than an individual...is finding the right guys in the organization...spend the money wisely...and get the right people (CEO 1/Business Services/14-15).

This analysis evidences insight on the importance of the entering, contracting, leading, diagnosing and intervening aspects of management consulting work, especially the need to build relationships, engender trust, communicate well and work with the professional managers. There was also evidence of the hiring organization evaluating the performance of the consultant in terms of the use of time, resources and the consulting budget. Perception varied on the true value of consultants. The Chairman, the Executive Chairman and CEO 1 were quite positive about the value of consultants when the time, circumstances and choice of consultant giving the advice was right. Company Director 2 and CEO 2 were both less enthusiastic. Top managers strongly supported the notion of external consultants adding value to the organization with three of four directly addressing this theme. Three of four top managers argued that management needed to be proactive during the entering and contracting phase with external consultants, making sure their attention is properly focused:

Yes...In the areas we use – we use them in legal, we use them in finance, we use them...we have to be very clear what we want from them...we use a lot of external consultants for research...product research...(Top Manager 1/Manufacturing/19-20);

External consultants were used mainly for specific research, functional (e.g. finance, marketing, human resource), operational and/or technical projects at this level of the analysis:

...we use accounting services and legal services and we'll use specific consultants when the time is right...we're going through an HR process at the moment so we need to actually get some HR resource in here... (Top Manager 2/Healthcare/9).

Here it is evident the leading and intervening aspects of a consultant's work were emphasized. Three of the four top managers reported a bad experience with consultants. Top Manager 4 does not use consultants. Top Manager 1 and Top Manager 2 are becoming increasingly cautious in engaging external consultants. Internal consultants unanimously confirmed that external consultants could be used for a strategic, functional, operational and/or technical project. Internal Consultant 2 articulated clearly the influential role of head office executives in selecting and using external consultants during the entering and contracting phases, and also the timing of head office intervention in the business units:

We use external consultants, some which are targeting strategy, some of which have particular functional skills, they may be process improvement or cost reduction, and all of those resources are used in the strategic planning process. The ones particularly targeting a strategy tend to be used more by us and the head office when we have a problem child and we need external resources to sort out a division...when it's top down, it's forced upon them...the businesses tend to employ more tactical functional skill people, (when) they feel that they're comfortable (with)...the strategic planning process so they want particular (functional) skills that they engage (Building Products/9).

Clearly in the world of Internal Consultant 2 when confronted by an underperforming business unit, head office can and will take a stronger role in strategy process. External consultants can be hired to deliver a range of services (four of five interviewees at this level). Well known global brand names (e.g. McKinsey and Company, Boston Consulting Group) and local niche providers can be used for strategy and/or functional projects. Leadership in the knowledge domain and reputation and networks in the market are critical success factors for consultants in this respect. Internal Consultant 4 indicated he is somewhat wary when working through the entering and contracting phases with external consultants. Internal Consultant 4 also questioned the quality of output from consulting projects and the manner in which the consulting firms manage the consulting 'house' - client relationship:

I'm pretty anti-consultants...we've used them on a lot of things...I think the problem with consultants is they tend to...do things to you rather than for you, particularly when they're brought in at a group level...consultants always want to come back and be the one...to say everyone else is stupid but don't worry...you really need us...and we've done things that you couldn't have done...They're all about justifying their next engagement (Internal Consultant 4/Banking and Finance/9).

The theme emerging is that external consultants focusing too much on sales now and in the future can impair the quality of the existing engagement and project, as well as their working relationships with the client. This distraction serves to undermine the efforts of the consultant at all phases of the consultant-client planned change interaction. There was a change management role for external consultants evident in the responses of both external consultants. External Consultant 1 also highlighted the value of learning and development interventions. External Consultant 2 highlighted the benefit of the fresh perspective of the consultant and the political aspects of an engagement:

...an external (consultant) can facilitate the surfacing and the discussion in an uncompromised environment, and an open and independent environment...Often that in certain corporations is regarded as important because the political environment is important (Business Services/24).

This excerpt evidences the value of the sound practice of entering, contracting, leading and intervening well – building trust. Again this is grounded in the specialist knowledge and skill the consultant may have. In terms of discussion a clear theme emerged in the qualitative results in that the overall engagement between an organization and external consultants can be either productive or disastrous. There was a range of influences at play. External consultants are often engaged on strategy assignments reported directly by eight of 14 interviewees (i.e. excluding External Consultant 1 and External Consultant 2). Functional, operational and/or technical projects were reported directly by 10 of 14 internal stakeholders. Three of the 14 internal stakeholders observed that any consulting engagement had to be managed carefully. Three of the 14 internal stakeholders reported that their organization did not use consultants. Three of 14 internal stakeholders reported that they did not like consultants. Four of the 16 internal stakeholders reported a bad experience with consultants due to shortcoming in the application of the planned change model. The primary theme in criticism of external consultants was that the commercial link was compromised by the external consultants focus on justification of the current engagement rather than simply directing attention to achieving a strong outcome on the present engagement. So primarily entering, contracting, leading and intervening was undermined as the attention of the consultant was not properly focused and the client quickly identified this. External consultants were also perceived as seeking to justify the next engagement and their immediate revenue objective. This evidences poor consultant-client relationship management including poor entering and contracting skills. Admittedly these criticisms are based on opinion from a small number of interviewees but they are relevant to the future practice of external consultants. Documenting these criticisms of external consultants in their professional practice in this paper can assist the consulting profession in better addressing client needs. Documenting these criticisms can also assist corporations in using external consultants better. The harsh aspects of these insights go a little further than those available in the existing literature (Schaffer 1998; Delany 1995; Turner 1982).

In the quantitative study external consultants role in the strategy process was identified by internal stakeholders in order of frequency was 'facilitators', 'analysts', 'generator of ideas' and an 'information source'. The use of external consultants proved to be a contentious issue with mixed feelings in the business community on their use. Internal consultants were the most likely internal stakeholder to engage the use of external consultants followed by top, state and senior managers. Again, these statistics evidence the community of external consultants still have some progress to make in fulfilling the needs of the business community. This outcome could be interpreted as a professional, and potentially a commercial, opportunity for the consulting community and confirms insight from Haas and Hansen (2005).

5. Conclusion

The role management consultants can play for client organizations is both important and complex to understand. This paper has set out to make a useful contribution in this area and exhibits a number of strengths. Most notable is the access to the Australian business community from the quantitative and qualitative data collection. The statistics from the survey and interview excerpts provides a fresh perspective on the tensions that exist between external management consultants and client organizations and the results and discussion provides several suggestions as to how to resolve these tensions in response to RQ1-RQ3.

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