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THE WESTERN WAYS OF MANAGEMENT CONSULTANCY: SHIFTING FROM CREDENTIALS TO COMPETENCY AND CREATIVITY

How to be entrepreneurial in the field of management consultancy during an economic downturn, while new technologies come to the forefront? Much of the answer lies in stepped up marketing efforts and in cost-cutting measures. In addition, however, it is crucial to embrace new ideas and techniques. The large consultancies as well as small firms or individual practitioners from the West will have to adjust their philosophy and style to this new environment – by emphasizing their industry and functional competencies along with creativity and innovation, rather than their credentials. By data mining, we have been fortunate to come across three Western nations, the United Kingdom, France, and Spain that provide recent statistics on management consultancy. The future will depend not only on the success of existing firms, but on opportunities for the rise of new ventures. The future contours of management consultancy are being carved steadily by organizations, large and small. The large consultancies seek to avoid regulation at all costs. How can small management consultants prosper now and later? They can adopt the credo of marketing orientation and entrepreneurship to heart: they must be proactive, innovative, and risk-taking.

A brief history of management consultancy

While commercial activity is as old as civilization itself, management consultancy is of more recent vintage. Business historians put the origins of consultancy in the mid-19th century when Samuel Price, Foster Higgins, James Sedgwick and others began operating "advisory practices" in England and the United States. Many historians also agree that Arthur Little was the founder of the first pure consultancy in the USA in the 1880s with a focus on technology and engineering economics.

In the 1890s, George Touche and William Deloitte started accounting practices and by the first two decades of the 20th century they expanded into auditing and advising, focusing on large clients, offering assistance on financing, taxation, and corporate strategy. Just about all of the early accountancy firms or partnerships, with such hallowed names as Arthur Andersen, Arthur Young, Cooper Brothers, Ernst & Ernst, Peat Marwick, Touche Ross, have entered into the realm of "advice business". Meanwhile, technology firms, and institutes, such as Stanford Research and Battelle Memorial, joined the fray, marketing themselves as technical-managerial counselors (Biswas and Twitchell, 2002; Gross and Poor, 2008).

The appearance of "true" management consultants is traced to Edwin Booz in the 1910s and to James McKinsey, and Andrew Kearney in the 1920s in the USA (Kipping and Clark, 2012). Their names survive to this day in partnerships or companies, but others have not fared as well. These pioneers also started with assistance on finances and taxes, but they soon got involved in long-term corporate strategy and short-term operations. In the 1930s, sensing opportunity in an era of depression, Marvin Bower took charge of McKinsey & Company. He hired graduates from top business schools, mostly from Harvard Business School, put them to work as analysts, then later as consultants, emphasizing repeatedly that "the firm" was to be the locus and focus of professionalism (Bower, 1998; Higdon, 1969; McKenna, 2006; O'Mahoney, 2010).

Even in these early years there was much debate about credentials, qualifications, and branding, followed by heated discussion about accountability, client cultivation, and "proper" competition. The Association of Consulting Management Firms (ACME) was formed in 1929 to serve as both "spokesman and policeman"; its current name is the Association of Management Consulting Firms (AMCF). Since then several other associations arose in both USA and Europe.

The driving forces behind the growth of management consultancy in the USA have been analyzed in two doctoral dissertations (David, 2001; McKenna, 2000). David identified four major forces that fueled the growth of consultancy during 1930-1960: the increasing number and complexity of companies; the spread of corporate ideology to non-corporate sectors; the organization for the World War II; and the growing impact of business education and the business press. McKenna, on the other hand, emphasized that entry and expansion of consultancies came from emulating the patterns set by three professions: accounting, engineering, and law.

In contrast to both David and McKenna, several European authors (e.g. Kipping and Engwall, 2001) found that consultancies in that region owe much to the work of Taylor, Emerson, and the Gilbreths, that is the "scientific management" movement that had its start in the USA. They cite the examples of the firms of Morrini, Urwick Orr, and the REFA Institute from Italy, the UK, and Germany, respectively, to show that emphasis on efficiency, cost containment and strict work rules held sway in Europe during 1915–1965. While this signifies disagreement in regard to the forces that influence consultancies, the debate is about the impact of each specific factor.

On a worldwide basis, it is estimated that revenues for management consultancies grew from about $1 billion in 1955 to over $150 billion by 2005 or at an annual rate –nearly 11 percent- that is in excess of the growth rate of global trade, output, or investment. (Czerniawska, 2006; FEACO, 2008; Kennedy Information, 2009). New firms were formed during this period, primarily in the USA, such as Bain & Company, Boston Consulting Group, and the Monitor Group. Older firms, such as McKinsey, Kearney, Booz Allen, ADLittle and others also did well; McKinsey was especially successful invading the UK. Specialists did well too e.g. Hay, Hewitt, Mercer, and Watson Wyatt in human resources. The big accounting firms are still doing consultancy and high-tech firms such as IBM are now at the top of the list.

Several books (and, of course, many articles) published in the past fifteen years analyzed the growth of consultancy in the second half of the 20th century. These volumes fall into three distinct categories: (1) "panorama" books that deal with major trends, corporate practices, cases, and profiles of key firms (Biswas and Twitchell, 2002; Curnow and Reuvid, 2001; Fombrum and Nevins, 2004); (2) "revelation" books that emphasize the politics of the sector and major missteps by consultants and/or their clients (Kiln, 2006; Micklethwait and Wooldridge, 1996; O'Shea and Madigan, 1997; Pinault, 2000); and, (3) "update" books that show the state of the art and recent activities of companies, along with expansion of business in a given region (Armbruster, 2006; Ferguson, 2002; Kipping and Engwall, 2001; O'Mahoney, 2010; Poor and Gross, 2003; Thommen and Richter, 2004). In contrast, the doctoral theses written during this period emphasized the international expansion of consultancies (Backlund, 2004; McKaig-Berliner, 2001; Wood, 2001).

Record-keeping firms also appeared in this era e.g. Kennedy Information (KI) and the Vault in the USA, Datamonitor and the Management Consulting Association (MCA) in the UK, and the European Federation of Management Consulting Associations (FEACO) in Belgium. These organizations make a valiant attempt to gather good data on firm revenues and related statistics; but problems arise in regard to terminology, classification, and data collection. Recently, these firms, much like the consultancies they survey, expanded the scope of the sector to include outsourcing; it was simply added to the traditional four areas of strategy, operations, human resources, and information technology. We found some outright errors as well as lack of consistency and transparency in the published data. Finally, there is a tendency to exaggerate growth rates, "hot fields," and opportunities in developing nations.

The current competitive landscape

As we noted, management consulting got its strongest impetus in the USA and the revenues from clients in this nation still account for about one half of the worldwide total. Competition now takes place globally among major firms. The leading organizations are information technology firms such as Accenture, CSC and IBM and firms with a strong accounting background, such as Deloitte, KPMG, and PWC have occupied the leading ranks. Global revenues and steady growth in sales, along with market share and contracts won, are objective measures of success on an annual basis. Yet longevity and recruiting are still of great importance and on these facets the old-line firm such as McKinsey, Boston Consulting Group (BCG), Bain, and Booz have done very well. They prospered by recruiting at top business schools, granting generous salaries and bonuses, stressing long-run strategy, and cultivating top management clientele (Datamonitor, 2008; Gross and Poor, 2008; O'Mahoney, 2010, Vault, 2008; etc.).

Both the business and popular press in the USA espouse rankings such as "ten largest" or "twenty best," so publishers started to evaluate not just cars and appliances, but institutions, such as colleges and hospitals. Reaction to such rankings is predictably in a dual mode; decrying them as simplistic or even misleading, while embracing them for promotional goals when one's rank improved or is high. Kennedy Information, Vault and others now rank management consultants and report that McKinsey, BCG, Bain, and Booz are still at the top in terms of prestige, both in the USA and in Europe, but the information technology firms of Accenture, IBM, and others are making inroads in this largest sub-sector. Roland Berger of Germany was rated the top non-U.S. consultant.

Observers argue that beyond financial indicators and subjective rankings lie "the true measure" of success for organizations— in building corporate culture, reputation, competence, and a solid base of loyal clients. The early pioneers of such thinking were James McKinsey and Marvin Bower, under whom McKinsey & Company became known as "The Firm." They argued that status and success should be achieved by strong governance and reputation-building at the level of the firm. They also sought jurisdictional control, while opposing any outside regulation. Finally, they thought that emulation of accounting, engineering, law, and medicine would lead to professional recognition (McKenna, 2000; Bower, 1998). Others, including James Allen, chief executive of Booz Allen Hamilton in 1960, argued that consultancy did not possess admission and performance standards comparable to the older, established professions and that consultancy was a business. However, both sides were determined to chase out self-styled experts, aggressive salesmen, and especially charlatans.

The debate continues on where consulting really belongs and has not been settled. Hallmarks of a profession are formal education, full-time occupation, a vast body of specialized and published knowledge, and a code of conduct. In addition, regulatory bodies and associations or special groups emerge that strive to restrict entry and establish some monopoly rights. There are complex issues that have been debated at much length (Blair and Rubin, 1980; Shimberg et al., 1972). Various degrees of occupational regulation exist, e.g. licensure, certification, and registration for doctors, accountants, and engineers, respectively (Hollings and Pike-Nase, 1997). But so far, states and nations have not enacted legislation for consultancies, in part due to practitioners opposing such moves and in part –as many case studies indicate- because the old-line firms contend that they are the locus of professionalism and that they would enforce rules of conduct and high standards (McKenna, 2000, Rasiel, 1999; O'Mahoney, 2010).

Government bodies in the USA and Western Europe generally declined to take a regulatory role vis-à-vis consulting firms or individual consultants. But at the same time, associations have stepped in to represent them and to act as spokespersons for members, at times becoming aggressive lobbyists. Over time, many associations take on bargaining for their members. They also assume an institutional role and can turn into bureaucracies protecting the interest of administrators more so than that of their members. Traditionally, business or industry associations enroll companies, while professional associations recruit individuals, but there are some hybrids. Associations in North America are especially popular, but they are visible in Europe as well; over 20,000 said to be functioning on both continents (Gordon, 1997; Schaus, 2004; Svevo-Cianci, 1995).

The two types of associations in the field of consultancy follow the pattern described above. Representing companies in the USA is the Association of Management Consulting Firms (AMCF) with a current membership of around 30 organizations, ranging from small entities to large ones such as CapGemini, Deloitte, and even IBM. However, many of the old-line, "hallowed" firms, namely Bain, Booz, BCG, and McKinsey did not join. In the UK, the Management Consultancies Association (MCA) signed up about 60 firms, including those belonging to AMCF; but, once again, the old-line firms are conspicuously absent. Still, the MCA can claim, per classification in UK occupational statistics, that it advances this specific profession as well as business interests.

Examples of the second type of association, those catering to individuals, are the Institute of Management Consultants-USA (IMC-USA) and its counterparts around the world with similar names. They belong to an umbrella group, founded in the 1980s, the International Council of Management Consulting Institutes (ICMCI). It has 45 national groups as its members, including even IMC-USA. At this point, IMC-USA has about 2,000 individual members, a decline from 2,800 a few years back. This is remarkable, since IMC-USA absorbed other organizations recently in the consulting field. Furthermore, we would expect individuals to seek security and status as well as networking opportunities by joining. In contrast, we found that in Central Europe, including Germany, membership in associations has risen during 1989-2009.

Both IMC-USA and ICMCI are dedicated to "advancing the consulting profession" via the routes of advocacy, skill building, networking, and business development. However, the strongest suit in their arsenal is the designation of members as "certified management consultants" or CMCs. This designation is said to confer credibility, visibility, and status. Certification can be achieved through fulfilling specific requirements, such as testing and experience. While IMC-USA is part of ICMCI, their standards for achieving CMC status appear to differ in certain respects as illustrated in Table 1.

In Germany, the BDU, the federation of management consultancies, requires its 550 member firms to require the CMC designation from its 15,000 individual members. The BDU developed stringent conditions of admission. Right now, only about 300 consultants acquired the CMC designation. There is definite reluctance on the part of states or national governments to mandate certification for consultants. This trend is true for Germany as shown in the details of Table 2 (which also applies to Austria).

As seen in the table, the rules are that those with education who work for a consultancy can claim the designation as consultant, though not as a CMC. In the USA, the CMC designation is rated highly by both small firms and individuals; the old-line consultancies, as we noted earlier, see the firm as the locus of professionalism. Still, IMC-USA is working hard to promote the attainment of CMC status.

Standard	IMCIC.org (EU/Int'l)	IMC-USA.org
Experience	Three years as management consultant	Three years in practice as a fulltime responsible consultant
Education	Recognized degree or prof'l qualification or five years in consulting in lieu of degree	Degree from a four-year college
Time	1200 hours/year in active mgmt. consulting during three qualifying years over preceding five years & currently active in mgmt. consulting	No such heading
Engagement	No such heading	Written summaries and discussion with panel of 5 client assignments
Independence	Owner or employee of a firm in independent practice or internal consultant in an organization that meets the Institute's criteria	No such heading
Application	No such heading	Written response to an engagement case study & presentation to a panel
Examination	Written examination or structured interview to test knowledge of the code of professional conduct & common body of knowledge	Qualifying written examination and oral review by senior CMCs to show competence, currency, understanding process & written exams & oral interviews on code of ethics
Sponsors	Two sponsors who are full members or fellows as CMC, FCMC, FIMC	No such heading
References	Written descriptions of five assignments and five client references (verification)	Five satisfactory references from officers or executives of client organization

Table 1. Standards Set by Two Major Associations for Qualification as Certified Management Consultant (CMC)
Source: www.icmci.org for ICMCI plus interviews with members
http://www.imcusa.org for IMC-USA plus interviews with members

- There is no certification system; staff members at a consultancy can call themselves consultants. However, as discussed in the text, the BDU, the German Management Consulting Association does require the CMC designation for individuals at firms.
- Usually a business degree is required by most consulting firms; however, engineers, scientists, et al. working there are consultants as they provide value and possess professional knowledge; and, only 50% of consultants have a business degree.
- Consultants are regarded as working full-time if they work a minimum of 150 days per year and do a minimum of 30 hours of continuing education.
- Typical career steps in a consulting firm are as follows (guideline, not mandatory):

Level	**Experience**
Business analyst	1–2 years
Junior consultant	3 years
Consultant	3–4 years
Senior consultant	5–7 years
Managing consultant	5 or more years
Principal	6–15 years
Partner	over 10 years

Table 2. Rules Regarding Management Consultants in Germany and Austria
Sources: www.bdu.de for Germany; www.ubit.at for Austria; http://en.wikipedia.org (German edition)
Authors' experience from conversation(s) with German consultants

Currently, creative individuals wanting to consult can promote themselves today in many specific ways, with a variety of newly available tools, including e-commerce techniques, as shown in Table 3. This business, except for some countries, has been non-regulated service-sector (Brooks and Edwards, 2014). In Table 3 we classify promotional efforts into three distinct categories that should appeal to those consultants that follow the three basic tenets of entrepreneurial orientation: being pro-active; being innovative; and, being risk-taking. Pro-active means seeking client assignments and building relationships. Innovative means adopting a combination of ideas and procedures that take advantage of tested techniques along with new ones. Risk-taking means investing for the long run, not just for short-term gains, yet maintaining cash flow.

Take the idea of appearance or 'image'—one can appear in person, on-line, in print or even a combination of these at the same time! Lectures at seminars can be coupled and harmonized with websites and blogs, news releases, "learned" articles, citations, and testimonials (note the various journals started by McKinsey, Ernst & Young, et al. and books published by their staff, dating back to Peters and Waterman, 1980). These techniques have been favored lately by both Western firms moving into the transitional economies of Eastern Europe and into the emerging markets of Asia, Latin America, and Africa (Poor and Gross, 2003; Czerniawska, 2006; O'Mahoney, 2010; and others). But the global crisis and recession of 2008–2010 brought additional challenges.

In-Person	Electronic/Print Media	Combination/Other
Client presentations	Websites, blogs	Memberships
Seminar speeches	Advertising	Referrals
Conferences, trade shows	Directory listings	Automated calls
Social gatherings	Newsletters, podcasts	Sample proposals
Cold calls	Brochures, flyers	Donations, grants
Word-of-mouth	Books, journal articles	Testimonials
Class lectures	Professional networks	Giveaways, souvenirs
Charity work	Social networks	Brokers, agents
Radio, TV talk shows	Bids, auctions	Global/virtual travel

Table 3. Promotion Methods Available to Creative Consultancies, 2012
Source: Authors' compilation based on primary research in USA and Central Europe

From credentials to competency and creativity

How to be entrepreneurial in the field of management consultancy during an economic downturn, while new technologies come to the forefront? This is the question we wish to address in the remaining paragraphs, having absorbed the lessons of history as outlined in the previous pages. We also looked at the practices of small, medium, and large consultancies in North America and Europe, especially those in Central and Eastern Europe where the field of consultancy is relatively recent. Much of the answer lies in stepped up marketing efforts and in cost-cutting measures. In addition, however, it is crucial to embrace new ideas and techniques.

According to a respected newsletter (Kennedy, 2009), enhancing sales effectiveness is at the top of measures taken by nearly 300 practicing consultants in the USA. Yet as costs are reduced, firms are also cutting back on investments made in sales training; this can easily backfire. In this issue, the head of Potter Advisors recommends: (1) focusing on "rainmakers" who bring in the lucrative contracts; (2) providing client testimonials and documented benchmark gains to potential clients from prior projects; and, (3) aligning the client firm's capabilities with its proposed objectives. Yet another, parallel finding that emerges from the practitioner literature is that consultants should never use "canned methodologies." Old templates need revisions; transfer of ideas from one sector to another must be adjusted or adapted. This means, there is room for solo experts who can specialize in one area and thrive with deep industry or functional knowledge.

The academic literature supports the practitioner journals. In case studies conducted at Accenture and CapGemini, Swedish researchers found that articulate and tacit knowledge can enhance experience rather than replace it (Werr and Stjernberg, 2003). German academics reported that in management consulting the main drivers of competitiveness are neither price nor measurable quality, but experience-based trust and 'network reputation' (Gluckler and Armbruster, 2003). Finally, a U.S.-French team reported that competitive performance in consultancies depends not on how much firms know, but on how they use what they know (Haas and Hansen, 2004). But there is even more.

An in-depth article emphasized idea generation in the corporate world (Segal, 2010). Specifically, quoting academic gurus and creative practitioners, the author wants consultants not to go beyond advising, but to stop short of that step! In the words of V. Govindarajan at Dartmouth: "What I want is for companies to self-diagnose their problems and self-discover their own solutions through my thought leadership." And R. Mudambi of Temple is quoted, stating that "traditional consulting firms talked and advised about innovating for years, but the advice was usually that it was dangerous for a large company to innovate from within; rather they should buy new ideas, small firms." Finally, C. Christensen of Harvard sums it up this way: "Innovate or die."

The new "idea entrepreneurs" from firms such as Jump, Ideo, and Kotter International do not wish to be called consultants. They shy away from old-fashioned brain-storming and group-think sessions. Instead, they wish to practice an "abstract-expressionist era of management" and yet, Segal says, that they are "squarely in the management consultants' space." The central thread running through the discourse is innovative design, with ideas coming from "non-linear connections" and meditative states. The firms cited above are proud to have landed major contracts to deliver value with their "blue sky thinking."

Taking a historical perspective, one could argue that India and China dominated the world economy between year 1 and 1820. If one considers that they "paused" for 200 years, it is possible they may resume their reign after 2020. Put differently, the British Empire prevailed in the 19th century; the USA proved to be the dominant power in the 20th; and the 21st will belong to the Asia-Pacific region as well as to Latin America and Africa. Applying this to management consultancy, Accenture, IBM, CSC, and other Western firms now face competition from Infosys and Wipro, while McKinsey, Bain, BCG and others encounter competition from Tata Consultants. To stay "healthy and wealthy," the large consultancies as well as small firms or individual practitioners from the West will have to adjust their philosophy and style to this new environment – by emphasizing their industry and functional competencies along with creativity and innovation, rather than their credentials. Then they can build bridges to overseas clients in emerging economies with the result of strengthening long-run relationships.

Management Consulting Across Three European Union Nations

By data mining, we have been fortunate to come across three Western nations, the United Kingdom, France, and Spain that provide recent statistics on the management consulting sector (Gross et al., 2013). In Tables 4–6, we offer data from the national statistical bureaus, supplemented by our own computation of growth rates plus two ratios: the number of staff (persons, employees) per enterprise and revenue per staff member. Please note that the time horizon is different for the United Kingdom than for France and Spain. Further, the terms or codes in each table are those used by the respective agencies and are not fully explained. However, we can still draw meaningful comparisons.

In Table 4, we note that in the UK management consultants employed 373,000–406,000 persons working in about 113,000–116,000 enterprises. Total turnover has been relatively steady during 2008–2010. The number of firms and staff size is notable, since managers of large firms some-times go into self-employment or start a small enterprise. Thus, there are only 3–4 employees per enterprise. Earnings per employee are approximately 105,000 pounds. These remuneration patterns may reflect demand-supply facets as well as institutional context.

In Table 5, we are looking at data from France during 2002–2010, noting that some of the numbers are questionable despite our best efforts to ascertain them (as indicated by e). There are between 100,000 and 120,000 workers in management consulting , while the enterprise numbers range from around 65,000 to 95,000. The worker to enterprise ration is between one and two. The revenue per worker statistics show relatively low remuneration in management consulting, which is not at all surprising given both the tradition in labor market conditions and the recent rise in supply of management consultants in this nation.

Table 6 presents data for Spain, a nation that has had a high unemployment rate recently (over 25 percent), especially for those under 25 (over 50 percent). In our data set, we find the number of employed personnel in management consultancy only around 40,000–60,000. The number of management consultancy firms shows a steady increase, from 40,000 in 2002 to over 58,000 in 2010. The average personnel per company was steady 4–5, with revenue per person increasing from 69,000 in 2002 to 106,000 in 2010.

Looking at Tables 4-6 in terms of ratios and growth rates, we find either stability or steady growth, with a minor decrease in employees per enterprise. The revenue per employee data shows higher remuneration rates in United Kingdom and France than in Spain (although only slightly in 2010), which is not surprising in light of economic development, tradition, and "customary" remuneration patterns. All in all, we are encouraged by the increase in the number of enterprises, the relatively steady state of turnover, and the stability in employment that is reflected.

	2008	**2009**	**2010**	**Percent Annual Growth**
Number employed (000s)	383.0	406.0	373.0	−1.3%
Number of enterprises (000s)	114.4	113.6	116.2	0.8
Total turnover (billion pounds)	43.2	41.3	41.1	−2.5
Employee/enterprise	3.3	3.6	3.2	−0.1
Turnover/employee (000s pounds)	112.8	101.7	110.2	−1.2

Table 4. Management Consultancy Services, United Kingdom, 2008–2010
Source: Gross et al., 2013, p. 254

	2002	**2006**	**2010**	**Percent Annual Growth**
Number of workers (000s)	113.7	99.4	117.4	0.4%
Number of enterprises (000s)	59.2	77.9	94.7	6.0
Total revenue (billion euros)	6.2e*	7.5e	8.8*e	4.4
Worker/enterprise	1.9	1.3	1.2	−5.8
Revenue/worker (000s euros)	54.4	75.8	75.2	3.9

Table 5. Management Consultancy Services, France, 2002–2010
Source: Gross et al., 2013, p. 255

	2002	2006	2010	Percent Annual Growth
Number of personnel (000s)	40.2	55.0	58.4	4.8%
Number of companies (000s)	8.5	11.7	13.4	5.8
Total revenue (billion euros)	2.9	3.9	6.2e	9.9
Personnel/company	4.7	4.7	4.4	–0.9
Revenue/personnel (000s euros)	69.0	70.0	106.1	5.5

Table 6. Management Consultancy Services, Spain, 2002–2010
Source: Gross et al., 2013, p. 256

The Path for Professional Enterprises in the West

In Table 7, we summarize our findings regarding external challenges, industry drivers, and the currently important issues of ethics and trust. The roadmap for the future will depend on how management consultancy addresses its challenges. The most intriguing facet, however, is likely to be the question of competition not just within one field, but rivalry among the sectors in the future. Fundamentally, other consultancy sectors (e.g., engineering, legal, and accountancy) also are advising business clients about strategy and tactics in planning and managing. It is likely that they will invade management consultancy's turf in an aggressive way in the near future - especially in the West with its mature markets.

External Challenges	Industry Drivers	Ethics/Trust Issues
Mixed reputation	Professionalism: firm or person	Public vs. client interest
Ease of entry	Reputation vs. certification	Self-regulation
Lack of regulation	Alumni placement	Excessive billing
Self-sufficient clients		Revolving door
Friends in high places		

Table 7. Management Consultancy: Challenges, Drivers, and Issues
Source: Gross et al., 2013, p. 257

The future of will depend not only on the success of existing firms, but on opportunities for the rise of new ventures. Entrepreneurship looms significant for both industrialized and industrializing nations, in both mature and emerging industry sectors. Small and medium enterprises account for 99 percent of all nonfinancial firms; the challenge is to increase their share of the labor force and of value added. In this task, both private sector enterprises and government agencies will play a key role for many years to come.

Toward A Global Reach

The future contours of management consultancy are being carved steadily by organizations, large and small (Gross and Poor, 2008). The top 50 firms in the field "follow the money"—the top 500 U.S. firms and the top 200 global companies. They are set to cater to national governments, state enterprises, and sovereign funds in all emerging large markets. In the emerging countries, they prefer the Asia-Pacific region most, followed by Eastern Europe, Latin America, and Africa. While consultants made inroads, they are likely to face at least four barriers in the coming years.

First, there are long-established networks of a domestic nature in each nation—family firms, interlocking directorates, and the tradition of doing business only with family members, trusted friends, and domestic partners. Second, some Asian information technology and consulting companies, already cited, are established on their home turf and are moving abroad to compete. Third, there are relatively few multibillion dollar enterprises or public agencies to which bids can be tendered. Fourth, growth rates are bound to slow down worldwide as a result of the current financial crisis, scarcity of resources, emphasis on curbing consumption and "going green," and transparency demanded by customers. Just the same, the 13 companies listed in Gross & Poor (2008), plus the other top 37, will do well, but their revenues will be growing annually at 5 to 10 percent, not 10 to 20 percent.

The large consultancies seek to avoid regulation at all costs. They pursue firm reputation or corporate brand equity via core (or unique) competencies. Partners, consultants, associates, and analysts seldom seek recognition beyond a generous base salary and a hefty bonus. Of course, those figures are important, and they are indeed high at the top firms (based now mostly in the Boston-New York-Washington corridor). Young MBA graduates often earn \$150,000 per year or more; hourly billing rates charged to clients go from \$100 for analysts to \$500 for senior managers; and annual revenue per employee now exceeds \$350,000 at McKinsey, according to TBR.

How can small management consultants prosper now and later, be they in North America, Eastern Europe, or South-East Asia? They can adopt the credo of marketing orientation and entrepreneurship to heart: they must be proactive, innovative, and risk-taking. In fact, they are following this path, hanging out their shingles, offering ideas, going into debt, networking at seminars, and seeking out small clients that look promising in terms of past growth or potential business. They also join associations in the home country, seek reciprocity in neighbor nations, and make good use of the Web/Internet.

In our native Hungary, several consulting courses are offered at public institutions such as University of Pecs, Szent István University and Corvinus University and at the private Central European University. These courses focus on methodology (ranging from problem formulation to execution of the project), functional areas, and use of technology, "client cultivation," as well as field trips to established consultancies. The emphasis is on good diagnostic skills and implementation of tasks. What students need to discover, of course, is that while their learning is important, what ultimately matters even more is the client's learning. This is achieved by offering insights from psychology, organizational behavior, and role-playing. The perennial debate of "content versus process" is discussed, as is the notion of acting less as an expert and more as a coach.

Taking the long-run view, it is fair to say that for economic prominence in general and management consultancy in particular, the nineteenth century was that of Britain, while the twentieth belonged to the United States. The twenty-first century is likely to belong to Asia, specifically India and China. We are talking about the rise and domestic dominance of companies within these two giant nations, especially the ones from India (such as TCS, Infosys, Wipro, and many others). Further, their "global reach" will become evident as they expand their reputation for high talent, low(er) cost, and effective service offerings across the whole wide spectrum of management consultancy. However, the story does not end there.

Besides large and small Indian and Chinese firms, we shall also see professional business services arise in the major emerging markets of Brazil, Russia, and elsewhere. We illustrate this in Table 8 where we use the data presented in National Science Board (2008) on the knowledge-intensive service sector in seven major nations during the1995-2005 period. The appendix to this report offers rich details on both market and public-oriented categories. Note that, contrary to popular notion, China has experienced slightly higher growth rates in knowledge-intensive services than India, though both are doing quite well. The pace in Russia is picking up again; the situation in the other nations is mixed; but overall, it is encouraging.

VALUE-ADDED REVENUE FOR KNOWLEDGE-INTENSIVE SERVICES, SELECTED MAJOR EMERGING NATIONS 1995–2005 (BIL 2000$ AND %)					
Country	1995	2000	2005	2000/1995	2005/2000
China	147.0	252.9	449.4	11.4	12.2
India	46.6	76.9	113.8	10.5	8.1
Indonesia	17.2	19.7	28.7	2.7	7.8
Brazil	129.8	135.1	158.8	0.8	3.3
Mexico	84.8	103.1	116.0	4.0	2.4
Russia	39.1	40.2	56.6	0.6	7.1
Turkey	26.4	35.2	43.2	5.9	4.2

Table 8.
Source: Javalgi, et al., 2011, p. 175

In the future, management consultancy is going to be an integral part of such service offerings, with consulting opportunities in information technology and outsourcing, followed by operations, strategy, and human resources. It is quite likely that the boundaries among these categories will fade, as will the borders between management consulting and a host of related professional services that range from advertising to law, from accountancy to engineering. In sum, consultancy will remain a significant practice as well as asserting itself more and more as a profession (through standards, licensing, certification, inside and outside recognition). We plead at this time for more transparency and accuracy in the generation and distribution of statistics about the field.

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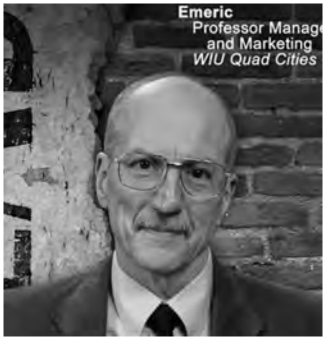

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