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CHANGES IN THE SELECTION CRITERIA OF A MANAGEMENT CONSULTANT IN NORTH-EASTERN HUNGARY 2001-2016

Ágnes Tokár-Szadai, PhD¹

Abstract

The Institute of Business Sciences of the University of Miskolc conducted a survey in 2001, 2005-06, 2011-12 and 2015-16 among consultants and their clients. In this study, the author presents on the basis of which aspects the clients choose a consultant, what the difference is between the opinion of the consultants and their clients, how these aspects changed in the examined period, and how the consultants would be able to meet their clients' requirements. According to the surveys, consultants – in the case of most selection criteria – see the importance of the single criteria similarly to their clients and perceive its change similarly. More flexible, more complex, and more solution orientated proposals would make the consultants more convenient to their clients.

Keywords: management consultant, selection criteria, clients’ requirements, change 2001-2016, Client, North-Eastern Hungary

JEL classification: L84, M53, O15

Introduction

The aim and interest of the client seeking advice is to hire a consultant who is the best at solving his particular problem and can cooperate with the company’s co-workers and managers most efficiently. Clients are rarely asked how they see themselves as customers, how they see the client-consultant relationship, and what kind of uncertainties they encounter when hiring a consultant (Pemer-Werr, 2013).

The Institute of Business Sciences of the University of Miskolc conducted surveys in 2001, 2005/06, 2011/12, and 2015/16 among consultant companies and their clients. Hungary joined the European Union on May 1, 2004. Accession negotiations have been going on for more than 10 years and there have been more and more

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resources available for corporations. The transition period can be seen as continuous. Upon comparing the results of the 2001 survey with that of the 2005/06 one, it can be examined whether the impact of Hungary’s EU accession on the Hungarian consultancy market is measurable.

There have also been several international tendencies in between the two examined dates. The rapid development of information technology and the introduction of the euro in 2002 had a positive effect on the development of the consultancy market. Corporation scandals around the turn of the millennium (e.g. Enron, Tyco, WorldCom, etc.) (Szász, 2010) and the bankruptcy of the multinational consultant company Andersen put an end to the – up until then – continuous growth of the consultancy market, resulting in a decrease and stagnation for years. After the scandals, the consultancy market could just recover only to face a worldwide disaster: the global economic crisis in 2008. When comparing data of 2005/06 and 2011/12, the effect of the global economic crisis on the Hungarian consultancy market is perceivable.

The 2015/16 research aimed at analyzing the latest tendencies. As for enterprises, there were 362 in 2001, 294 in 2005/06, 77 in 2011/12, 48 in 2015/16; as for consultants, there were 83 in 2001, 88 in 2005/06, 58 in 2011/12, and 34 in 2015/16 involved in the research. My goal in this study is to analyze the changing of the selection criteria for consulting companies in the last one and a half decades according to the consultants’ and clients’ judgment.

**Literature review**

The terminology for the profession of consultancy is unified neither in the Hungarian, nor in the international literature. There are many variations (Tokár-Szadai, 2012). In the current article, as well as in the previous researches, Kubr’s (2002, p.10.) terminology is used, with the following definition for consultancy: “Management consulting is an independent, professional advisory service assisting managers and organizations to achieve organizational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes.” Kubr highlights the role of consultants in providing knowledge and information, in making decisions, and in reducing uncertainty during implementation.

However, according to literature, there are consultants who increase uncertainty (Sturdy, 1997). Pemer and Werr (2013) focus on hiring business consultants and cooperating with them; they highlight client uncertainty in relation to consulting services and how these uncertainties are connected to hiring consultants and consultant-client relations.

According to previous research (Glückler – Armbrüster, 2003; Mitchell – Moutinho – Lewis, 2003), there are three types of uncertainties related to selecting and hiring consultants (Pemer – Werr, 2013). Performance uncertainty: the low-level institutionalization of the consultancy industry leads to a low entry level, which is seen as a significant asymmetry of information between consultants and clients. For the client, it is doubtful what he can expect from a consultant, how he can distinguish qualified consultants from unqualified ones, and how he can assess the level of professionalism and sustainability of the consulting company (Glückler – Armbrüster, 2003).
Relational uncertainty: many scholars (Maister, 2003; Sturdy, 1997) indicate that clients tend to doubt whether consultants take their clients' interest in the forefront or whether they act primarily according to their own interests. Although knowledge transfer is an important consultant function both outside and within the industry (Besant –Rush, 1995), clients are afraid that their competitors might take sensitive information (Glückler – Armbrüster, 2002; Kipping – Armbrüster, 2002).

Psychosocial uncertainty: it derives from the client’s own (psychological part) and his co-workers’ (social part) reaction to hiring a business consultant. Managers make an agreement with an outsider to the company to achieve results and this may result in distress and scepticism within the organization (Bergholz, 1999). Co-workers may deny cooperation, hide information, and be cynical, which may jeopardize the project (Mitchell, 1994).

To deal with these uncertainties, managers need to accept and make their co-workers accept the fact that they hire consultants (Bäcklund – Werr, 2008). These uncertainties affect clients’ behavior; managers can count only on their previous positive experience and on the consultant company’s reputation (Glückler – Armbrüster, 2003). These conditions guarantee competence, loyalty, and supportiveness; managers consider these key factors in choosing and successfully commissioning consultants (Pemer –Werr, 2013; Kubr, 2002; Schein, 1999).

In order to be a successful consultant, beside factual knowledge (which includes methodological knowledge, professional practice, innovative thinking, and the ability to search for customized, modern solutions) one needs the ability to convince, which also requires adaptability, professional authenticity, and empathy, in order to make the client understand and apply, that is to adopt the consultant’s advice as his own. According to the model of consultancy competencies set by Frank Höselbarth’s system of criteria (Höselbarth, 2000), consultants need the following competencies for successful cooperation (Tokár-Szadai, 2013):

1. innovative idea, convincing presentation: enterprising spirit, good skills of communication, ability to change, openness to information technology, ability to adapt, courage, prominence
2. ability to create appropriate atmosphere: to provide a well-balanced, friendly atmosphere, social competence, team spirit, independence, the ability to resolve conflicts
3. future-oriented approach: vision, future prospects, strategic approach, project approach, cost-income approach
4. cooperative skills: leadership based on participation, cooperation (process-consultant role), ethics, loyalty
5. experience: asceticism (the needs of the client are top priority, everything else is secondary), age and experience
6. consultant prestige: clients can look up to and confide in their consultant (as a professional)

Before choosing the competent consultant, it is advisable to prepare the project properly to reach the aimed goal. The ten commandments of the choosing of the right consultant can be helpful (Kubr, 1996):
1. Get information about the consultant!
2. The problem has to be presented precisely!
3. Set your goals!
4. Choose the best consultant!
5. Plan and prepare the project properly!
6. Be proactive in the project!
7. Include the consultant into the implementation!
8. Keep an eye on the consultant’s work!
9. Evaluate the results and the consultant’s work!
10. Keep your independency from the consultant!

After the goals set during the preparation of the project and the consulting cooperation, the list of the considered consultants can be compiled. Table 1 summarizes the most important information sources of the consultants’ selection according to a Budapest’s survey in 2003. The survey confirms that the personal contacts and the vocational one reputation are much more important than the traditional marketing publications (Poór, 2005).

**Table 1. The first information sources of the consultant’s selection**

<table>
<thead>
<tr>
<th>Series</th>
<th>Information sources</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>acquaintances, colleagues</td>
<td>41%</td>
</tr>
<tr>
<td>2.</td>
<td>business partners</td>
<td>36%</td>
</tr>
<tr>
<td>3.</td>
<td>tenders</td>
<td>36%</td>
</tr>
<tr>
<td>4.</td>
<td>trade press</td>
<td>25%</td>
</tr>
<tr>
<td>5.</td>
<td>internet</td>
<td>14%</td>
</tr>
<tr>
<td>6.</td>
<td>direct mail</td>
<td>5%</td>
</tr>
<tr>
<td>7.</td>
<td>other consultants, chambers and professional associations</td>
<td>4%</td>
</tr>
</tbody>
</table>

*Source: Survey of the actual situation of the consulting and training market (2003): Ave-New-BKIK-TANOSZT, Budapest*

To choose the right consultant, it is necessary to analyze and evaluate several coherent criteria. According to the evaluation system of the World Bank, the methods in the quotation, the proposed approach, the consulting company and the suitability, references of the assigned to the fulfilment of the project have to be analyzed in the first steps. Afterwards, the financial part of the quotations of the competent companies must be evaluated. According to the two evaluation processes, the company with the most optimum score will fulfil the project (Poór, 1989).

*The World Bank (World Bank, 2011 p:19) advised to its creditors that the evaluation should be*

- 0-10% to the experience of the consulting company
- 20-50% to the methods
- 30-60% to the key consultant assigned to the project
- 0-10% to the transfer of knowledge
- 0-10% to the participation of the national specialists.
Therefore, a high-qualified consulting company barely has a chance in a selection process when not the perfect consultants are proposed for the project.

Some clients create sub-criteria from these criteria. The detailed list of these sub-criteria is not easy to confirm and use. Beyond this, it shapes the selection process into a simple arithmetic task instead of into a complex professional decision. The World Bank has the same opinion: “… the number of the sub-criteria should be kept to the essential. The Bank recommends against the use of exceedingly detailed lists of sub-criteria that may render the evaluation a mechanical exercise more than a professional assessment of the proposals.” (World Bank, 2011 P: 19)

A Swiss survey contributed by ASCO in 2003 (Bergmann, 2003) was based on the interview of the 55 biggest Swiss managements’ consultants. The survey is not representative, but we may deduce the tendencies, expectations, and attitudes. According to this survey, the ten most important expectations of the client in relation to the consultant, in order of priority are as follows:

1. Problem-solving skills
2. Project management experience
3. Coach, helper, leading ability
4. Honesty, respect
5. Authenticity, reliability
6. Practical usefulness and change-orientation
7. Empathy
8. High social competence
9. Functional knowledge
10. Branch knowledge

Nowadays, the consultants – expected by the market – have to be not only sharp minded analysts with conception skills, but also first of all “pragmatic coaches” and problem-solving specialists. Beside the management and consulting experience, they need to aim for practical usefulness by developing solutions. They have to have high social competence by handling clients.

The clients expect clearly structured knowledge transfer and empathy from the consultants, so that they could quickly understand and implement the solutions. According to the ASCO (2003) survey, decision-makers drew up the following requirements for the consulting service:

- fast results under short time
- concrete help in the changes, providing a fast pace in the introduction
- experienced consultant with high social competence
- unique recommendations, business-oriented solutions,
- high quality, at low price;

According to the 2003 survey, the Swiss market expects rapid, high-quality, solution-oriented performance, with the help of prompt and timely provision of assistance at a low price.

In Nádori (2005) survey, based on the sample of 25 consultants, 150 small and medium-sized enterprises and 25 large companies, she studied the aspects of the customer’s choice of consulting firm. The evaluation was based on a 7-grade Likert scale. The results are summarized in Table 2.
According to the survey of Nádori (2005), the aspects of choosing a consultant applied by clients differ in many cases from consultants’ opinions. The professional content of the offer, the consultant’s personality and the deadline for the submission are considered more important by customers than by the consultants. Consultants, on the other hand, have overrated the role of trust, company references, and corporate image compared to the value of their clients. Customers consider the professional content of the offer, the role of trust, and - in particular by smaller companies – the personality of the consultant, and - by larger ones - the amount of the commitment fee as the most important consultant choice criteria.

Nowadays, it is not enough for a client to be satisfied with his consultant’s work or loyal to the service. David Maister and his co-authors (2000) believe that truly successful consulting firms are trying to reach a “trusted advisor” status (Poór, 2010).

### Table 2. Evaluation of advisory election criteria

<table>
<thead>
<tr>
<th></th>
<th>Consultants n=25</th>
<th>SMEs n=150</th>
<th>Large Companies n=25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>6,5</td>
<td>6,0</td>
<td>6,0</td>
</tr>
<tr>
<td>Company reference</td>
<td>5,9</td>
<td>5,4</td>
<td>5,4</td>
</tr>
<tr>
<td>Professional content of the offer</td>
<td>5,5</td>
<td>6,3</td>
<td>6,1</td>
</tr>
<tr>
<td>Commitment fee</td>
<td>5,3</td>
<td>5,2</td>
<td>5,7</td>
</tr>
<tr>
<td>Company image</td>
<td>4,8</td>
<td>4,6</td>
<td>4,6</td>
</tr>
<tr>
<td>Consultant’s personality</td>
<td>4,8</td>
<td>5,7</td>
<td>5,3</td>
</tr>
<tr>
<td>Deadline</td>
<td>4,1</td>
<td>5,1</td>
<td>5,5</td>
</tr>
</tbody>
</table>

*Source: Nádori, 2005*

Research methodology

The Institute of Business Sciences of the University of Miskolc conducted a survey in 2001, 2005-06, 2011-12 and 2015-16 among consultants and their clients. The questionnaire, which served as the basis for the empirical research, was compiled keeping in view the lessons that could be drawn from previous foreign surveys known from the literature (Woog-Rüeger 1997, Hözelbarth 2000) and from other newer survey (Szilágyiné, 2015). An important aspect of structuring the questionnaire was approaching different questions from several points of view, increasing the reliability of the results and consequences to be drawn based on the answers. The original questionnaire is found in my PhD dissertation (Tokár-Szadai, 2010 pp. 187-232). This study is based on some important questions from the complex study. You can find the summary of our empirical surveys and questionnaires and the composition of the samples in the Journal of Contemporary Economic and Business Issues Volume 4, No 2. 2017 (Tokár-Szadai, 2017). Our empirical studies are summarized in Figure 1.
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Figure 1. Structure of empirical studies

Full range survey

- 2001: 199 consulting companies, completed rate: 41.7%, 83 answers
- 2005-06: 222 consulting companies, completed rate: 39.6%, 88 answers

Representative survey

- 2011-12: 600 enterprises with representative sampling, completed rate: 60.3% (362 answers)
- 2015-16: 48 clients

Source: Author's illustration

The research was extended on the one hand to consult Borsod-Abaúj-Zemplén county companies regarding the use of consulting services. The enterprises to be surveyed in 2001 and 2005-06 were chosen by their fields of activities, considering the distribution of geographical locations with a random sampling method. In both years, we made a full-scale survey of management consultants registered under the TEÁOR number 7414 „management consulting” in the Borsod-Abaúj-Zemplén County.

The empirical research carried out in 2011 and 2015-06 are based on not representative sampling. The surveyed consultants’ 1-2 clients completed the questionnaire on the “consulting experience of the consultants’ clients”. (We used the “snowball method” for sampling: consultants offered their clients, and entrepreneurs their consultants.) Former empirical research consisted of two major parts: it focused on consultants and enterprises, while the present surveys focus on the consultants and on their clients. The two surveys cannot be compared, but they can help us conclude what the trends are.

This paper makes use of the software package SPSS 14.0 for analysing the database. The hypotheses are tested by variance-analysis at the significance level 5%.
Results and Findings: The Criteria of Selecting a Management Consultant

We consulted among consulting firms and their clients to analyze what the criteria are upon which the clients choose consultants. Respondents evaluated different aspects on a “Likert scale of 1 to 5”, where “5” means this is a very important selection criterion, “1”: it does not play any role in the choice (Figure 2).

Figure 2. The criteria for selecting consulting firms based on the value of the consultants and their clients, 2015-2016

Source: Author’s illustration

Consultants basically correctly judge the importance or neglect of each factor in the choice of their company. The result of variance-analysis (F test): at the 5% significance level, differences are found only by 2 out of the 15 criteria. The consultants have slightly overestimated the significance of their previous working relationships (Sig: 4.4%) and their friends’ opinions (Sig: 2.5%) in the selection of their company. The deviation is not important at 5 degrees Likert scale under 1.

In the case of the other factors (the reputation of the consulting company, personal relationship, marked references and advertising, nationality, size, regional seat, regional office, relationship system, complexity of the service and price level offered, payment condition and deadline for submission), there is no significant difference in the value of consultants and their clients. The consultants were well aware of the importance of each factor. In the selection of the consulting firm, according to clients’ opinion, the most important viewpoints include:

- The **complexity of the service offered** and the **relationship system of the consulting company**: the customers like to use all the necessary services from the same consultant
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- **Personal contact** with the consultant: a fundamental condition for effective cooperation between the consultant and the client;
- **Deadline**: Customers want to get results within a tighter time frame than ever before;
- **Price level**: value-for-money is very important, especially in difficult times following the global economic crisis;
- **Friends’ opinion** and **previous working relationships**: the consultants, besides their personal relationship, think these are the most important aspects in the choice of their company, unlike their clients, who think that they are only slightly more important than average.

According to the value of the clients, the selection of the consultant is of moderate importance:

- **Payment terms**: There is no difference between the opinion of consultants and their clients at the 5% significance level, it was deemed to be of medium importance.
- **Consultant's regional seat and branch office**: consultants and clients are also of the medium importance, providing quick advice to the client, providing quick, personal assistance, if necessary, gives sense of security.

According to the value of the clients, the selection of a consultant is of less importance than the average:

- The **size** and **nationality** of the consultant is not an important decision criterion, but the consultant is judged by their client rather the quality of the offered service, the deadline for the submission and the price / performance relationship, than with a prejudice (e.g. “the big, foreign consulting firm gives safe, more professional advice” type thinking is not typical of businesses).
- **Consultants’ advertising**: Not the most typical contact mode, the role of personal relationship is much more important.

The change in the selection criteria of consulting firms is illustrated in Figure 3 on the basis of the value of clients between 2001 and 2016.
Figure 3. Changes in the selection criteria of consulting firms based on the value of clients 2001-2016

The result of variance-analysis (F test): according to the value of the entrepreneurs at a 5% significance level, the relationship between the evaluation of the importance of the consultant selection criterion and the date of survey is less than the average is that between 5 of the 15 criteria. There was a slight increase in the personal relationship with the consultant (Sig: 0.5%), the reputation of the consulting firm (Sig: 0.4%) and the friends’ opinion (Sig: 1.1%) in the selection. The significance of the consulting company’s nationality (Sig: 4.4%) and favorable payment conditions (Sig: 1.6%) has not increased since 2001 and since 2011 there has been a decrease. The change was low on all criteria (5 degrees Likert scale below 0.6).

At the 5% significance level, the date of survey does not affect the other selection criteria according to the value of the entrepreneurs: they have not changed in the 15 years examined.

In the consultant selection, the importance of various aspects (2015-16) and their change (between 2001 and 2016 at a 5% significance level) is summarized in Table 3, according to the value of entrepreneurs (E) and consultants (C).
Table 3: In the consultant selection, the importance of different aspects (2015-16) and its change (between 2001 and 2016) according to the value of Entrepreneurs (E) and Consultants (C)

<table>
<thead>
<tr>
<th>Increase</th>
<th>Nationality (C)</th>
<th>Size (C)</th>
<th>Personal relationship (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Reputation (E, C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Friends’ opinion (E, C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Service complexity (C)</td>
</tr>
<tr>
<td>Stagnate</td>
<td>Size (E)</td>
<td>Regional seat (E, C)</td>
<td>Service complexity(E)</td>
</tr>
<tr>
<td></td>
<td>Advertisement (E, C)</td>
<td>Regional office (E, C)</td>
<td>Relationship system (E, C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Payment condition (C)</td>
<td>Deadline (E, C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Price level (E, C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Former working relationships (E, C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Marked references (E,C)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Personal relationship (C)</td>
</tr>
<tr>
<td>Decrease</td>
<td>Nationality (E)</td>
<td>Payment condition (E)</td>
<td>Important</td>
</tr>
<tr>
<td>Less important</td>
<td>Medium important</td>
<td>Important</td>
<td></td>
</tr>
<tr>
<td>1,5-2,49</td>
<td>2,5-3,59</td>
<td>3,6-4,6</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s Illustration

Conclusion

When selecting a consulting company, it is important to take careful consideration and to take into account many aspects, because the client can only choose the most appropriate consultant to do so. There is not much difference between the value of consultants and their clients’ values, and they have not changed significantly during the one and half decade between 2001 and 2016: consultants have recognized the importance or neglect of each factor.

Hungarian Managers in consultant’s selection, in line with international surveys (Glückler-Armbrüster, 2003), can build on their positive experience of previous personal trust and the reputation of the consulting network. According to clients examined in the one and a half decade, the significance of 3 important aspects of the consultant’s selection has increased (in significance): the personal relationship with the consultant, the reputation of the consulting firm and the friends’ opinion. Other important factors in the consultant’s selection are the complexity of the offered service, the relationship system of the consulting firm, the deadline for the submission, the price level, the former working relationships and the assigned references.

The role of regional seat and branch offices in the election is of medium importance, and its role has not changed in the reviewed period. Quick access to a consultant and - if necessary - fast, personal support, gives clients a sense of security, although they
are right to see that these are not the most important selection criteria.

The applied payment conditions also play a medium role in the election, according to clients. Its significance increased especially in difficult times since the 2008 global economic crisis between 2005-06 and 2011-12, following the end of the crisis, in 2015-16 its role decreased.

According to our surveys, consultants - in the majority of their selection criteria - see the importance of each criterion as their clients and similarly perceive their change. Consultants would better meet the needs of their client with more flexible, more complex, solution-oriented, and more tailored advices.

It would probably be advisable for consultants to take advantage of the modern tools even better and more targeted than traditional methods, to make them more aware of the tenders and to make use of the possibilities of internet presence and search. Our survey did not cover this interesting topic; it would be a hypothesis of a future research.

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