

CHANGES IN THE SATISFACTION WITH CONSULTING SERVICES ACCORDING TO THE OPINION OF ENTREPRENEURS IN NORTH-EASTERN HUNGARY 2001-2016

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Abstract

The Institute of Business Sciences of the University of Miskolc carried out a survey of management consulting firms and enterprises in 2001, 2005-2006 (Szadai, 2007), 2011-2012 (Tokár-Szadai, 2014), and 2015-16 in North-eastern Hungary. The goal of our surveys was to determine the status (importance) of business consulting in our region (North-eastern Hungary) and examine the changes in the entrepreneurs' experiences with consulting services over the last 15 years. The satisfaction with consultants and the results of consulting services have improved a little, but haven't changed significantly in the last 15 years. According to our surveys, more solution-oriented proposals would make the consultants more convenient to their clients.

Key words: survey, satisfaction, management consulting service, client, northeastern Hungary

JEL Classification: L84, M53, O15

Introduction: The management consultancy

There are two main approaches in the relevant literature on consulting: The first approach takes a broad view of consulting. Peter Block suggests that “You are consulting any time you are trying to change or improve a situation but have no direct control over the implementation... Most people in staff roles in organizations are really consultants even if they don't officially call themselves consultants” (Block 2000, p. 2).

The second approach views consulting as a special professional service and emphasises the characteristics that the consultant must possess. The essential points and the fundamental principle of management consulting are included in the definition of Larry Greiner and Robert Metzger, which has been quoted in a number of books and articles: “Management consulting is an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyse such problems, recommend solutions to these problems, and help,

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when requested, in the implementation of solutions” (Greiner and Metzger 1983, p. 7.)

The first approach emphasises that consultants are helpers: they help managers or anyone else solve problems. Under this approach, a manager can also act as a consultant if he or she gives advice and help to employees rather than direct orders. The second approach views consulting as a special profession. This approach is used by professional associations and institutes of management consultants. According to the European Federation of Management Consultancies Associations (Federation Européenne des Associations de Conseils en Organisation, or FEACO), “These services help private and public organisations to analyse and redefine their strategies, to improve the efficiency of their business operations and to optimize their technical and human resources.” (FEACO 2012, p.11).

The two approaches can be regarded as complementary rather than conflicting. Management consulting can be viewed as a professional service and as a method of assisting organisations to improve their management and business practices.

Literature review

According to Milan Kubr (2002). the aim of consultancy is to fulfil organisational objectives and tasks. It includes not only the resolution of problems, but also the identification of new opportunities, accumulation of knowledge, and making the necessary changes.

The knowledge of KIBS firms (knowledge-intensive service firms) can take many forms, “such as individual expertise and talent, firm-level methodologies or ‘tool-kits’, IT-based information and knowledge-sharing systems, and project management techniques and support systems... KIBS firms have to not only apply their knowledge in value co-production with clients.... but also develop new knowledge and further enhance their knowledge base.” (Skjolsvik, T. at al., 2007 p. 111)

Wohlgemuth (1991) defined management consultancy as a project-oriented process of interactions among the members of the consultancy system, the customer, and the consultant. He focused on three aspects when phrasing the definition (institutional, functional and device).

By summarizing and integrating the theoretical approaches of the English, German, and Hungarian literature on business consulting, we can devise the model of the Business Consulting System (Tokár-Szadai, 2013). This model shows the Business Consulting System from 5 different aspects (consultant’s, client’s, instrument, environmental, and efficiency aspect): it is defined as a system of interactions among persons, systems and factors, and emphasizes the importance of the contribution of management consultants to the innovation of the clients’ organisation.

According to Perner-Werr, “surprisingly, seldom are the clients themselves asked in a more systematic way about their understanding of their role as buyer, of the consultant-client relationship, or the uncertainties they associate with using consultants.” (Perner-Werr, 2013 p. 23)

Based on previous research (Glückler-Armbrüster, 2003, Mitchell-Moutinho-Lewis,

2003, Pemier-Werr, 2013), three categories of uncertainties are involved in the use of management consulting services:

- Performance uncertainty,
- Relational uncertainty, and
- Psychosocial uncertainty.

In dealing with these uncertainties, the clients need to legitimize their use of consultants both by themselves and by their environment (Bäcklund-Werr, 2008).

According to Kubr (2002), different methods can be used in the evaluation of the consulting process and the "process can be more or less collaborative and participative, and more or less effective." (Kubr, 2002 p. 251). The principal dimensions of the consulting process include:

- the design of the assignment (the contract),
- the quantity and quality of inputs,
- the consulting mode (style) used, and
- the management of the assignment by the consultant and the client.

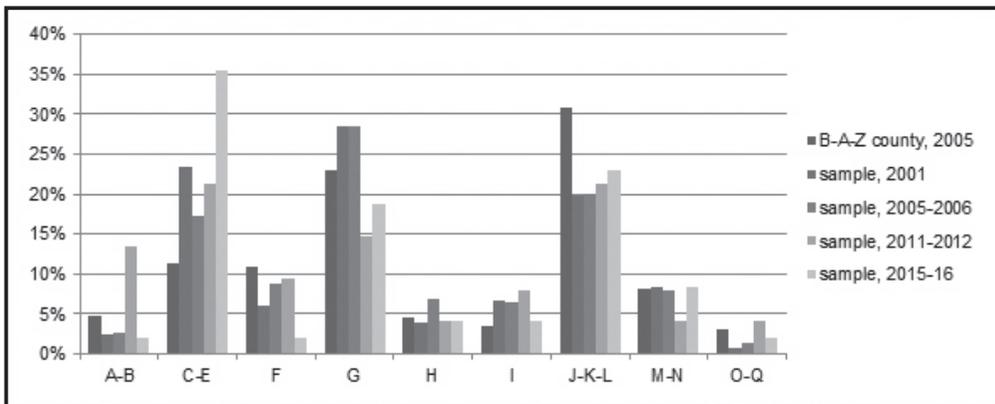
Research methodology

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, Hőzelbarth 2000). 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 (Appendix 1). The empirical research consisted of two major parts.

The aim was to collect an evaluable, 300-member sample of enterprises located in Borsod-Abaúj-Zemplén County in Hungary. Based on the experience we had from previous surveys, an approximately 50% response rate could be expected from the personal contact with enterprises. This is why we chose 600 enterprises² from the 2000/12 and 2005 editions of Cegtar (Enterprise Catalogue of enterprises registered by the registration court as active ones located in B-A-Z County), and visited them in person. The enterprises to be surveyed were chosen by their fields of activities, considering the distribution of geographical locations under a random sampling method. This way, we managed to receive 362 responses in 2001 and 294 in 2005-2006. The response rate was 60.3% in 2001 and 49% in 2005-2006. Due to the great variety of responses, the service sector was slightly under-, while industry and trade were slightly overrepresented in 2001 and 2005, but the difference was not significant and followed the ratios in the region well (Figure 1).

² 3.5% of all active enterprises in B-A-Z County

Figure 1. Composition of the sample and enterprises according to their fields of activities in 2001, 2005-2006, 2011-2012, and 2015-16

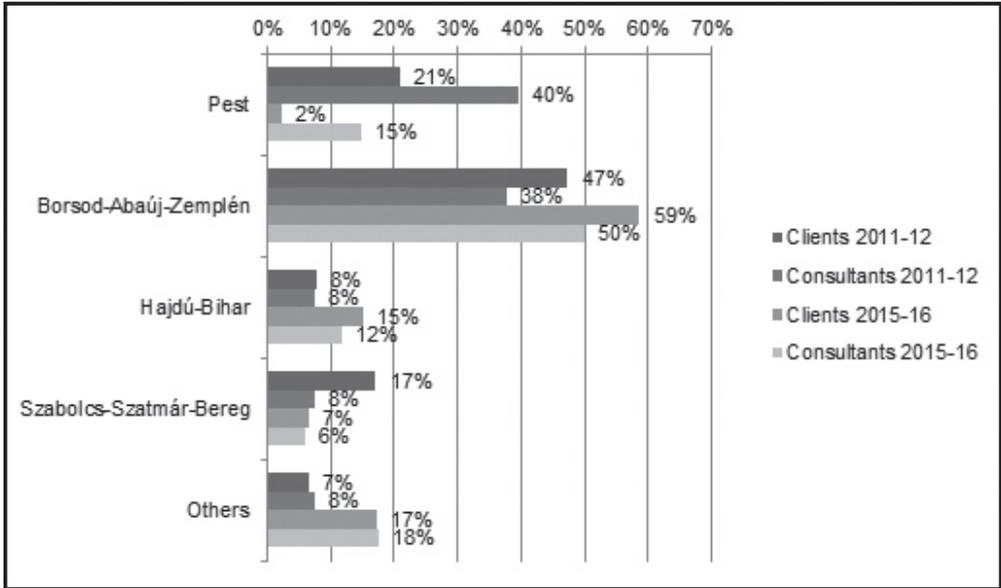


A,B	<i>Agriculture, hunting, forestry, and fishing</i>	I	<i>Transport, storage, postal services, and telecommunications</i>
C-E	<i>Mining and quarrying, manufacturing, electricity, gas, steam, and water supply;</i>	J,K,L	<i>Financial intermediation; real estate, renting, and business activities;</i>
F	<i>Construction</i>	M,N	<i>Education, healthcare, and social welfare</i>
G	<i>Trade, repair of motor vehicles, motorcycles, and personal and household goods;</i>	O-Q	<i>Other community, social, and personal service activities</i>
H	<i>Hotels and restaurants</i>		

Source: Author's illustration

In both years we made a full-scale survey of management consultants registered under the TEÁOR number 7414 „management consulting” in Borsod-Abaúj-Zemplén County. In December 2000, 199 management consultants were registered in our county, while in 2005 there were 222, and we visited all of them. 83 of the registered consultants agreed to fill in the questionnaire in 2001, while 88 of them did so in 2005. The response rate was lower than in the case of the enterprises - it was only approximately 40% (41.7% in 2001, and 39.6% in 2005-2006).

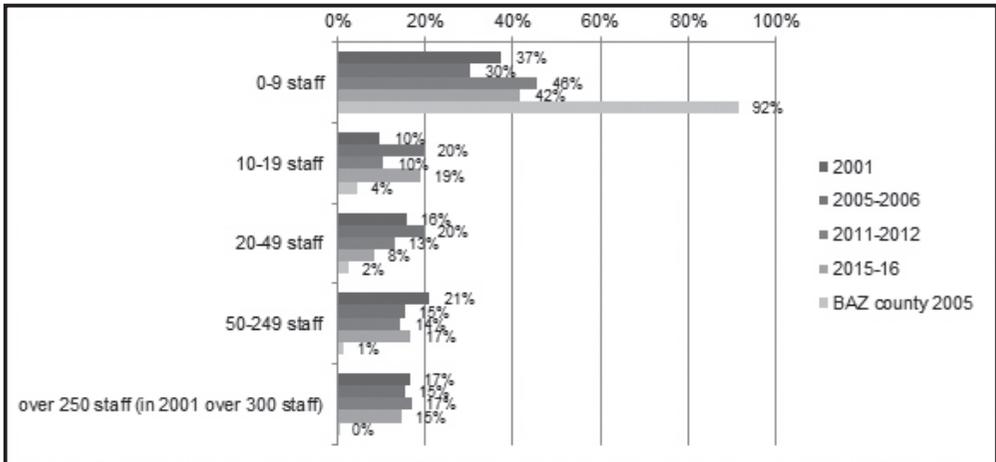
Figure 2. Breakdown of the consultants surveyed and their clients by location, 2011-2012, and 2015-16



Source: Author's illustration

The response rate was higher among larger companies than among the smaller ones; therefore, larger companies are overrepresented (Figure 3).

Figure 3. Distribution of the companies in B-A-Z county (2005) and the companies examined (consultants' clients) by staff in 2001, 2005-06, 2011-12, and 2015-16



Source: Author's illustration

The empirical research carried out in 2001 and 2005-2006 and other surveys (Szilágyiné, 2015) served as the basis of some new empirical research in 2011-2012

and in 2015-16. 58 consultants agreed to fill in the questionnaire between December 2011 and May 2012, and 34 between September 2015 and April 2016. One or two clients of the consultants surveyed filled in the questionnaire regarding their experience with consulting, so the opinion of consultants and the experience of their clients are comparable. We managed to receive 77 responses in 2011-12 and 48 in 2015-16. All sectors are represented by the clients of the consultants surveyed (Figure 1). The comparability with our former surveys is restricted, because the samples are different: the surveys in 2001 and 2005 focused only on Borsod-Abaúj-Zemplén County, while the samples in 2011-2012 and in 2015-16 were from different counties (Figure 2). Our 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.

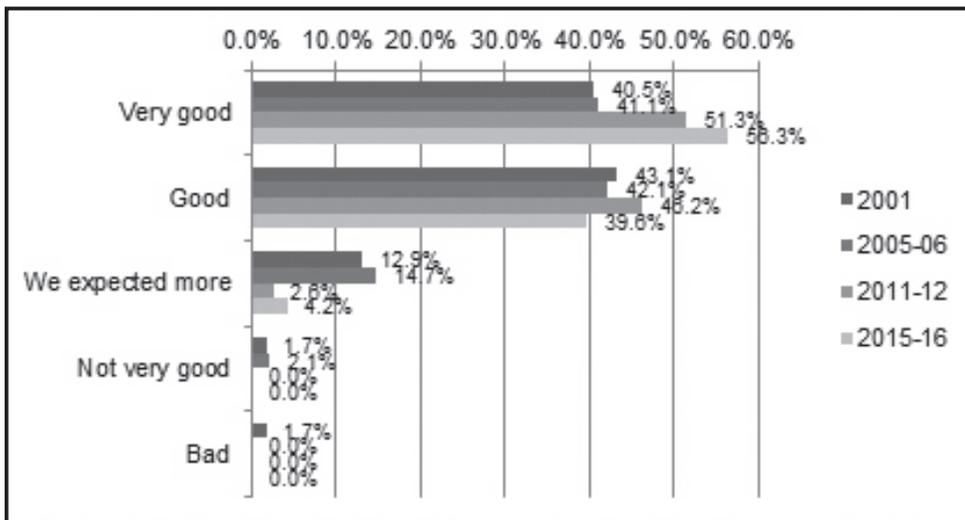
More than one-third (30-46 %) of the companies examined are micro-enterprises (0-9 staff), 26-40% are small enterprises (10-49 staff), 14-21% are medium size enterprises (staff of 50-249), and 15-17% are large companies. This overrepresentation is justified, because larger companies can more easily afford hiring consulting companies than smaller ones.

This paper makes use of the SPSS 14.0 software package for analysing the database. The hypotheses are tested by a cross-table analysis (independence analysis), variance-analysis, and correlation analysis at the 5% significance level.

Discussion: Experiences with Management Consulting Services

Entrepreneur’s experiences with consulting services and consultants haven’t changed significantly in the last 15 years. Figure 4 shows the clients’ experiences with consulting services in 2001, 2005-06, 2011-12, and in 2015-16.

Figure 4. Clients’ experiences with management consulting services 2001-2016

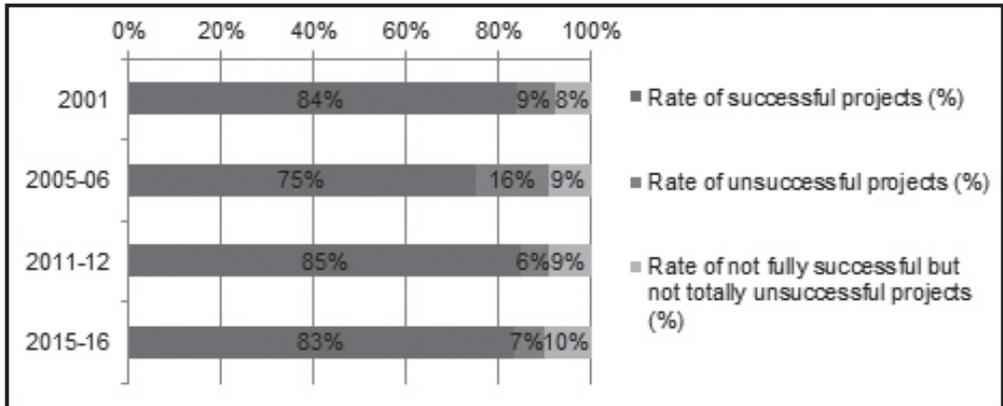


Source: Author’s illustration

Almost all surveyed entrepreneurs (95.9% in 2015-16) were satisfied with the consultant and, based on their experiences, they would engage him again. 56.3% were so satisfied, that they recommended to others to engage a consultant. An insignificant part of the entrepreneurs (3.4% in 2001, 2.1% in 2005-06, and none in 2011-12 and in 2015-16) were disappointed with the consultant and, judging from the bad experiences, only 2% in 2001 (none in 2005, 2011-12, and 2015-16) ruin the reputation of the whole consulting profession.

Clients' satisfaction with management consulting services is increasing in each new study. To enhance the efficiency of cooperation between the consultants and their customers, it is essential to get to know each others' value systems and expectations, and to construct common understanding and common language of the actors and society; thus, this preferential tendency will hopefully be stable and long-lasting. Figure 5 shows the rate of successful, unsuccessful, and not fully successful but not totally unsuccessful projects, according to the opinion of clients in 2001, in 2005-06, in 2011-12 and in 2015-16.

Figure 5. Effectiveness of consulting projects

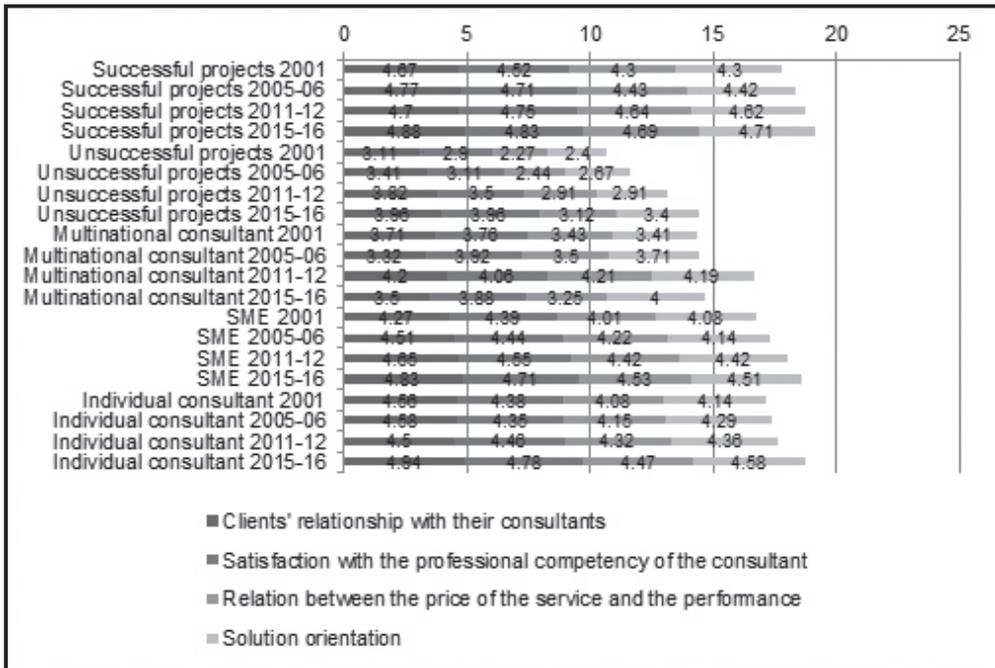


Source: Author's illustration

Figure 4 and 5 show similar tendencies: clients evaluate their consultants and the consulting service based on the rate of successful and unsuccessful projects. The rate of successful projects is dominant: in all the periods examined (in 2001, 2005-06, 2011-12, and 2015-16), it was between 75% and 85%, and the rate of unsuccessful projects was only between 6% and 16%.

Based on their experience, entrepreneurs evaluated on a 1-5 scale how solution-oriented the proposals of the consultant were, the relation between the price of the service and performance, how they view their relationship with their consultant, and the professional competences of consultants. '1' means: they are fully dissatisfied and '5' means: they are fully satisfied and would engage him again. Figure 6 shows the average mark of the examined clients' evaluation in terms of successful and unsuccessful projects and in terms of engaging different types of consultants:

Figure 6. Satisfaction with the consulting service and consultants



Source: Author's illustration

The satisfaction with: successful and unsuccessful projects; the professional competency of their consultants; the solution-oriented approach of the proposals; and the relation between the price of the service and performance, as well as with the personal relationship with small and medium sized consultants have improved a little, but haven't changed significantly over the last 15 years.

The entrepreneurs examined are fully satisfied with the successful projects; while not being satisfied with the unsuccessful projects, they still did not assess them as totally useless and waste of money. In the case of unsuccessful projects, they did not completely lose confidence in their consultant (they evaluated him as medium). The reason behind this is that the majority of the examined companies have been in a good working relationship with their consultants for years, they have carried out a lot of successful projects together, and they haven't changed their mind because of an unsuccessful project. The cause of the failure isn't the personal relationship or professional competency of the consultant, but lack of a solution-oriented approach, and the relation between the price of the service and the performance.

According to our surveys, the companies in our region were more satisfied with the work of the small and medium-sized consulting companies in the region and the individual consultants. It is worth noting that it isn't the bad experiences that are at the background of this; instead, the reason is that significantly fewer enterprises have already had business relations with multinational consulting firms: in 2015-16, 77.5% of the enterprises surveyed engaged smaller consulting firms (SMEs or individual consultants) and only 14.2% have experiences with multinational consulting firms.

Conclusion

Each consulting process is a consultant-client interaction, involving an exchange of the client's money and the consultant's time from an efficiency aspect. Consultants expect a fee from the client as well as information, which is necessary for their work (data and cooperation); as an added value, they do the required survey analyses and evaluations, recommend solutions to achieve goals, identify and seize new opportunities and, when requested, help in the implementation of solutions (Tokár-Szadai, 2013).

According to our surveys in 2001, 2005-06, 2011-12, and 2015-16, the entrepreneurs were more satisfied with the personal relationship and professional competency of their consultant than with the solution-orientated approach of the proposals and the relation between the price of the service and the performance; fundamentally, however, they were also satisfied with it.

In all the periods examined, they were more satisfied with the service of smaller business consulting companies than with that of multinational consultants: their working relationship with individual consultants is more personal and, according to their experiences, smaller consultant's performance is on a high level, and they can better accommodate themselves to the special local conditions: their flexibility and knowledge of the local problems make them more convenient to the clients.

According to our surveys, more solution-oriented proposals would make the consultants more convenient to their clients.

The empirical research – which was exclusively aimed at the analysis of enterprises and consultants located in North-eastern Hungary – is not suitable for drawing more general conclusions on national or international levels.

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APPENDIX 1

Part of the questionnaire

This study is a part of a complex research. The original questionnaire may be found in my PhD dissertation (Tokár-Szadai, 2010 pp. 187-232). This article is based on the following questions:

General questions

1. Size of enterprise
 - 0-9 staff
 - 10-19 staff
 - 20-49 staff
 - 50-249 staff
 - over 250 staff
2. Location of enterprise: Country, and town:.....
3. Sector of enterprise

<input type="checkbox"/>	Agriculture, hunting, forestry, and fishing
<input type="checkbox"/>	Mining and quarrying, manufacturing, electricity, gas, steam, and water supply;
<input type="checkbox"/>	Construction
<input type="checkbox"/>	Trade, repair of motor vehicles, motorcycles, and personal and household goods;
<input type="checkbox"/>	Hotels and restaurants;
<input type="checkbox"/>	Transport, storage, post, and telecommunications
<input type="checkbox"/>	Financial intermediation; real estate, renting, and business activities;
<input type="checkbox"/>	Education, healthcare, and social welfare
<input type="checkbox"/>	Other community, social, and personal service activities

TEÁOR Number of the main activity:

Experiences with management consulting services

4. Which type of consultant (consulting firm) have you already engaged? (You can give more answers)
 - Multinational consultant
 - SMEs (Small and medium sized) consultants
 - Individual consultant
 - Other:.....
5. Please evaluate your experiences with management consulting services:
 - Very good: we recommend to others to engage a consultant
 - Good: we will engage him again (when we need)
 - We expected more
 - Not very good: I wouldn't trust him again
 - Bad: I talk others out of consulting
6. Please evaluate the effectiveness of consulting projects (aggregate 100%):
 - Rate of successful projects:.....
 - Rate of unsuccessful projects:.....
 - Rate of not fully successful, but not totally unsuccessful projects:.....

7. Please evaluate on a 1-5 scale your personal relationship with your consultant ('5' means: informal, personal, partner; '3' means: I engaged the consulting firm, the personality of the consultant doesn't matter; '1' means: bad, we weren't able to collaborate)

Scale	1	2	3	4	5
Successful projects					
Unsuccessful projects					
Multinational consultant					
SME consultant					
Individual consultant					

8. Please evaluate on a scale 1-5 the professional competences of your consultants ('5' means: we are fully satisfied we would engage him again; '1' means: we are fully dissatisfied, I talk others out of engaging him)

Scale	1	2	3	4	5
Successful projects					
Unsuccessful projects					
Multinational consultant					
SME consultant					
Individual consultant					

9. Please evaluate on a 1-5 scale the relation between the price of the service and the performance ('5' means: the consulting service was a good investment, '1' means: the consulting was a waste of money)

Scale	1	2	3	4	5
Successful projects					
Unsuccessful projects					
Multinational consultant					
SME consultant					
Individual consultant					

10. Please evaluate on a 1-5 scale how solution-oriented the proposals of the consultant were ('5' means: proposals were fully solution-oriented, realizable, '1' means: proposals were totally unrealistic, nothing can be realised)

Scale	1	2	3	4	5
Successful projects					
Unsuccessful projects					
Multinational consultant					
SME consultant					
Individual consultant					