Management Consulting as a Form of Entrepreneurial Learning and a Source of Business Knowledge

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Abstract
Management consultancy, since its start as a profession and as a business 150 years ago, is expanding rapidly throughout the world. Management consulting is the rendering of assistance and independent advice about management issues.
Management consultants have skills in research, analysis, communication and change management. They are able to identify problems, find relevant data, synthesize information, develop proposals for improvement, overcome resistance, transfer management techniques, and help clients to learn from experience.
Besides traditional management consulting (e.g. strategy, organization, HR, change management, IT advice and project management) new service lines (e.g. development and integration excluding software development and outsourcing) also belong to this profession (Niedereichholz, 1996).
Management consultants are agents in the dissemination of business knowledge thanks to their expertise and knowledge management practices. However, relatively few studies focus specifically on their role in projects with entrepreneurs and their organisations. Knowledge transferred by a management consultant consists of two main types:

- **Explicit knowledge** that can be transferred to an entrepreneur through different media as reports, books, archives, databases and IT groupware technology
- **Tacit knowledge** that can be transferred to an entrepreneur through personnel contact and collaboration

In the paper the implementation of management consulting as a form of business knowledge source for entrepreneurs is explored. The framework for management consultancy in sense of entrepreneurial learning is based on extensive professional experience in the region, multi-year surveys, and a review of the literature.
The paper highlights the important role of management consultants as disseminators of information and new practices, and of independent advice to entrepreneurs as a subset of manager’s population.

Key words: entrepreneurship, entrepreneurial learning, management consulting, knowledge dissemination, JEL Code: L26, L84, I25

1. Introduction

Although management practice is as old as society itself, management theory and management consulting are of more recent origin. In that sense, management consulting is less than 150 years old, but real growth has been exercised in the 20th century. However, recent further rapid developments and refinements in all three above mentioned areas, with diversification, transpa-
rency, and accountability as emerging trends, have made giant strides in the West, especially in the United States, from the 1930s to the present and in Western Europe since the 1950s. In that sense, managers, academics, and consultants are valued in terms of expertise, trust, and coaching along with implementation of their consulting assignments.

The growth of management consulting industry in great measure is a result of its successful stringent practices with clients in bringing new knowledge as well as a consolidation of their roles in confirming or legitimating senior client knowledge and preferences (McKenna, 2006). Also, as a result of overall developments in the society in terms of growth of management discourse in the public, clients are more familiar with some of the types of knowledge and tools typically associated with consultants (Kennedy Information, 2004; Kitay and Wright, 2004).

2. Management consulting

In general, consulting is a knowledge-based service that can be sold and bought, but because being often intangible, it is difficult to demonstrate its advantages to potential clients. Miles (1999) highlights four aspects of consultancy as important:

- human capital and knowledge intensive,
- high degree of intangible activities and services,
- difficulties in standardization of the consulting process and procedures
- intensive interaction between consultants and clients.

According to Schein, (1996), consultancy is considered as a helping with an aim. In this process a special interaction develops between the consultant and the client. Therefore, in consultancy, besides recognizing the problem of the client, it is also important to recognize the interaction between consultant and client. Kubr, (1996), says that regardless of semantic and stylistic differences, approaches and conceptions related to the basic concept of management consulting, it can be basically divide into two groups: functional and independent professional services. In that respect he has developed a definition of management consulting saying that management consultancy is a professional service, which is rendered to organizations and their top executives with the aim of giving assistance to the relevant organizations in achieving their goals, identifying their problems, solving these problems, identifying new possibilities, acquiring necessary abilities and in accomplishing changes.

From the client side it is important to define what types of products and services consultants deliver to the clients. Markham (1999), suggests that management consultancy interventions, by its nature, can involve a number of levels (providing information, conducting planning, managing changes, developing learning capabilities). The levels of consulting interventions are shown in the diagram bellow
Figure 1 Levels of consulting interventions

Source: Markham, (1999), p.2

Management Consulting is a professional service that helps entrepreneurs to:
- Analyze and diagnose problems and conditions,
- Develop solutions, and
- Implement changes in their enterprises

In providing those services, management consultants are seen as knowledge workers conveying knowledge to the clients. In offering and proposing their advices, management consultants are asked to cover a range of topics, making the perishable facets of their services tangible and lasting. The major management consultancy service categories are traditionally divided into four groups:
- strategy,
- human resources,
- operations, and
- information technology

The last two categories have become dominant in the past 10 years worldwide. Further development has expanded the scope of services to customer relations, finance, strategy, supply chain management. (Gross, Poor, 2008)

3. Management consultants as a source of knowledge

Management consultants are professionals who bring specialized knowledge and a set of skills to the client organization in a way that moves the organization forward. Greiner – Metzger, (1983), describe the management consultant as “someone, who is in possession of the competence, status, reputation and recognition needed for his job”.

Consultants generally have an educational background relevant to the area they consult in. Because consultants work with numerous organizations, they bring knowledge and experience from past assignments to help their clients in new situations, such as business growth, crisis management, etc. In that sense, consultants are valuable source of business knowledge for entrepreneurs.
Consultants know how to capitalize on client strengths and realize opportunities while addressing weaknesses and mitigating threats, all in exploring and identifying an appropriate solution.

Consultants usually have skills in research, analysis, communication and change management. They are able to identify problems, find relevant data, synthesize information, develop proposals for improvement, overcome resistance, transfer management techniques, and help clients to learn from experience. They know how to engage the client to participate as closely and intensively as possible in the assignment. They understand the linkages in the client’s business value chain, rigorously apply relevant toolkits and packages, and have extensive knowledge of the dynamics and direction of the industry client belongs to.

Related to the character of their work, consultants can basically be divided in the two big groups:

- **Resource consultant**, suggesting solutions based on his expertise and experience and persuading clients about the correctness of these solutions and gives assistance in the implementation,

- **Process consultant**, assisting the client in searching for solutions with methods that facilitate and raise creativity of the client, and as a consequence of that approach, the clients themselves will be able to implement solutions.

Management consultancy market is extremely competitive and clients are increasingly selective and demanding which requires from management consultants to reflect continuously on their acting, performance and value added to clients. They have to consider how to improve client satisfaction developing in the same time the image of the profession and strengthening the credibility of management consultants.

Establishing a benchmark in terms of raising professional standards for the whole management consulting industry aligned with increasing public transparency and accountability can help clients to recognize professionalism and ethics of consultants

In order to encourage continuous professional development by striving for high standards, and foster the continuing evolution of management consultancy practice, **International Council of Management Consulting Institutes developed** internationally recognised set of core standards for management consultants defining competences for the profession presented in the figure 2.
Management consulting competency model represents a framework consisting of guidelines, tools, and techniques for managing the application of knowledge and skills to address all or part of a business issues. A methodology serves to help translate industry knowledge and technical competencies into an approach for the delivery of a service.” (Lucia and Lepsinger 1999),

This competence model as a form of professional standard and ethics of the practice, when implemented broadly, will be the resulting in high level of consultant competences and reliable consultancy services, improving the consistency and quality of services under predefined criteria for the knowledge, skills and abilities, the consultants are expected to exercise in their work with clients.

3.1. Knowledge transfer and role of consultants

Knowledge transfer

The conventional view describes consultants as disseminators of business knowledge, following evidence of knowledge flow in the form of clients acquiring new or increased knowledge from their interactions with expert consultants in the formal knowledge domain of the consulting assignment. In that sense, concepts, frameworks, processes/options, tools, skills and languages associated with procurement, systems design and management, strategic portfolio analysis were developed. Client learning is not always an explicit or contractual element in assignments. In identifying the dominant domain of entrepreneurial learning claimed from consulting assignments as being that of processes rather than what might be expected from the conventional view of con-
sultancy as the clients – experts relationship, other significant although neglected, knowledge flow channels and directions are evident:

- **From consultants to clients** - Aside from what might be expected in terms of consultants bringing sector knowledge to assignments, in the strategy case, they also provide internal organisational knowledge in the form of client procedures, personnel and strategic data. In this way, the consultants can be considered to be behaving as an organisational library or memory.

- **Among consultants and clients** - general and consultancy project management knowledge and responsibility are reported to have been gained by clients

- **From clients to consultants** – as it is acknowledged in the literature, consultants gain client organisation and contextual knowledge especially from participation in contextualising their analyses and prescriptions as well as in seeking to identify future business opportunities

- **Among clients** - the very act of commissioning consultants, dedicating financial and other resources to it, prompted reflection among clients and seeking out other sources of information

- **Among consultants** – learning is evident among consultants in terms of incidental observation and coaching with respect to client, process and testing and using tools and frameworks.

In consulting the knowledge, experience and personality of a consultant is more important than any procedure or technical instrument, and that can be assured with adequate training and experience. Management consulting nowadays is the most important manufacturer of new management science, beyond researches done at universities.

**Role of Management Consultants**

Consultants are considered as core agents in the dissemination of business knowledge because of their relative expertise and knowledge of management practices. However, relatively few studies focus specifically on their role in projects with client organisations. According to Meister (1993) and Poór-Gross, (2003) in terms of the consulting process, in general, the consultant can act in three roles

- **Expert/ Resource consultant**, preparing and suggesting solutions based on his very expertise and experience, convincing clients about the effectiveness of proposed solutions and assisting in the implementation (if required). An expert consultant transfers usually tacit knowledge (Polanyi, 1967)

- **Process/People consultant**, assisting the client in searching for solutions with techniques and methods that facilitate and increase the creativity of the client, enabling the clients themselves to implement solutions. The process consulting is inevitable part in some consulting disciplines as organizational development and change consulting projects (Schein, 2002). Working with a client a process consultant typically transfers explicit knowledge.

- **Mix consultant**, combining both, the tacit and explicit knowledge for the success of consulting intervention with client

Depending to the needs of the entrepreneur and in line with nature of the assignment, a management consultant can change his/her role, and apply different skills during an assignment in client organization. The Figure 4 demonstrates a model of skills used related to level of engagement with client.
The precise combination of skill mix will vary according discipline and level of engagement with client

4. Characteristics of entrepreneurial learning

Entrepreneurial learning is an important area which is not well understood in either the academic study of entrepreneurship or the practical development of new entrepreneurs. The main conclusion coming from the extensive literature on entrepreneurship education is that while education can provide cultural awareness, knowledge and skills for entrepreneurship, the “art” of entrepreneurial practice is learned experientially in business rather than the educational environment (Gibb, 1996; Gorman et al., 1997; Jack and Anderson, 1999), Learning must be understood as a contextual and active rather than a purely educational process.

Rae, (2005) identified three major themes related to the entrepreneurs’ learning. These themes consist of personal and social emergence, the negotiated enterprise, and contextual learning. Within these major themes, a total of 11 subsidiary themes were identified and Triadic model of entrepreneurial learning was developed. The figure 5 shows the model of entrepreneurial learning.
Figure 4. Triadic model of entrepreneurial learning

Contextual learning occurs through participation in community, industry and other networks in which individual experiences are related, compared and shared meaning is constructed. Through these situated experiences and relationships people can develop intuition and the ability to recognise opportunities.

The negotiated enterprise concept emphasises that the business venture is not enacted by one person alone, but through negotiated relationships with others. The ideas and aspirations of individuals are realised through interactive processes of exchange with others within and around the enterprise, including customers, investors and co-actors such as partners or employees.

Personal and social emergence is the development of entrepreneurial identity, including early life and family experiences, education and career formation, and social relationships. It includes the formation of a sense of self and of future aspirations.

Following recommendations and implementing above explained learning model, a set of competencies required for entrepreneurs to exercise during their entrepreneurial career can be developed to help them to improve overall performance of their businesses.

Competency based performance is a concept that is used widely within the world of business. One comprehensive definition of „competency“ proposed by Parry, (1996) says that competence is a cluster of related knowledge, skills, and abilities that affects a major part of one’s job (a role or responsibility), that correlates with performance on the job, that can be measured against well-accepted standards, and that can be improved via training and development.

4.1 Entrepreneurship competences model

Competencies often serve as the basis for identifying critical skills that are needed in the workplace. One might suspect, competencies are gained through a variety of channels – life experience, formal education; apprenticeship; on-the-job experience; as well as training and development programs. Of course, all of these channels come together and contribute to overall

Source: Rae, 2005, pp. 326
job competence. In this sense, competencies represent the “glue” that ties work activity to the bottom line of a business.

The Entrepreneurship Competency Model is depicted in a diagram consisting of nine layers. The arrangement of the layers is not meant to be hierarchical, or to imply that competencies at the top are at a higher level of skill. The model represents the increasing specialization and specificity in the application of skills as moving up the layers. Layers 1-4 are divided into blocks. The blocks represent competency areas, that is, the applied skills, knowledge, abilities essential to successful entrepreneurial performance. The entrepreneurship competency model is shown in figure 5.

The both models demonstrate similarities in competences required for both consultants and entrepreneurs to successfully perform “critical work functions” or tasks in defined work environment or context. For entrepreneurs this makes the process of learning and transfer of knowledge more effective.

**Figure 5: The Entrepreneurship Competency Model**

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<th>Personal Effectiveness Competencies</th>
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Source: author based on ETA, 2004
First three layers contain foundation competencies needed to be ready to enter the workplace.

- **Layer 1** – Personal Effectiveness Competencies representing personal attributes are essential for all life roles. Usually referred to as “soft skills,” personal effectiveness competencies are generally learned in the home or community and reinforced at school and in the workplace.

- **Layer 2** – Academic Competencies are critical competencies primarily learned in formal education settings, and they include cognitive functions and thinking styles. Those competencies are likely to apply to all occupations and industry sectors.

- **Layer 3** – Workplace Competencies represent motives and traits, as well as interpersonal and self-management styles. They generally are applicable to a large number of occupations and industries.

Layers 4 and 5 contain Industry Competencies, which are specific to an industry or industry sector. Since entrepreneurship is not an industry, those layers are broken out as follows:

- **Layer 4** – Entrepreneurship Technical Competencies represent the knowledge and skills that are common to all entrepreneurial activities. These technical competencies build on, but are more specific than, competencies represented on lower layers.

- **Layer 5** – Entrepreneurial Focus Areas represent types of enterprise. Related competencies may be developed by interest groups or communities of practice.

Layers 6 through 9 represent the specialization that occurs within specific *occupations* within an industry.

- Analysis
- Oral Communication
- Customer Service Orientation
- Judgment
- Quality Management
- Managing Work
- Teamwork
- Maximizing Performance
- Written Communication
- Follow-up
- Negotiation

The entrepreneur as well as management of any organization has to make decisions about the business or organization’s future, although there are numerous important influences that cannot be appropriately predicted.

The many different forms of uncertainty that organizations constantly have to deal with stem from sources such as the market environment, networks and competitive structures in which organizations operate (Beckman, Haunschild, & Philipps, 2004; Jauch & Kraft, 1985), as well as on the inherent ambiguities and complexities of management and entrepreneurship itself (Mosakowski, 1997; Pich, Loch, & De Meyer, 2002).

In that respect, organizations hire management consultants for a multitude of reasons. The most frequently mentioned benefits to the client are:

- **To gain access to specialized knowledge and industry best practices:** Consultants possess unique knowledge and skills to help a firm seize new business opportunities.

- **To facilitate the process of change:** Consultants master special methods and techniques to improve current business performance. Most managers and entrepreneurs find it extremely difficult to implement change at the same time they focus on managing day-to-day operations.
• To obtain an impartial outside viewpoint: Being independent from a client organization and not invested in its culture, a management consultant provides a fresh viewpoint and is impartial in situations where no insider of the organization would be.

• To acquire learning through the consulting process: Clients may turn to consultants not to find a solution to one distinct problem but to benefit from the consultant’s special knowledge and methods used to identify problems and implement changes (interviewing, diagnosis, communication, persuasion, feedback, evaluation). Consulting assignments become learning assignments; they bring new competence into the organization and help managers and staff to learn from their own experience.

• To acquire intensive professional services on a temporary basis: Clients benefit from a consultant’s expertise and services without adding an expensive permanent employee to the payroll.

5. Conclusion

There are numerous reasons why entrepreneurs and organizations turn to consultants. In the past decades companies have undergone significant changes. More and more companies outsource services of some of their internal organizational departments that were created in previous years. Areas of management are getting more and more specialized. According to Markham (1999) there are three factors that make the intervention of a consultant absolutely necessary.

These are as follows:
• Objectivity provided by outside, independent persons.
• Uncertainty of projects can be significantly reduced by the assignment of outside consultants.
• The intervention of a consultant can facilitate organizational learning and knowledge transfer.

Kubr (1996) emphasizes the work of consultants as a source of business knowledge to the entrepreneurs giving five reasons for why consultancy, this very particular and special business activity is needed:
• giving assistance to an organization to reach its goals,
• solving management and business problems,
• identifying new possibilities
• facilitating learning
• preparing and implementing changes.

Until the 1980’s the function of the consultant in the consultant-client relationship was basically in many ways similar to the role of the supplier, who rendered different products and services.

Over the past years this relationship has gradually become a mutual partnership, and the goal has more and more become raising the effectiveness of the client. Maister, (1993), emphasises three basic commonalities of the mission of consulting as a profession: advice, satisfaction and success. The management of these commonalities requires a delicate balancing between the client demands and the realities of the market and client organisation.

Bower (1982) explains with the following six factors how clients can use consultants as a source of business knowledge:
• Consultants possess competencies that clients do not.
• They have knowledge of previously successful methods in case of other companies.
They devote enough time to examine the relevant problem.
They have adequate professional background.
They are independent.
They are able to draw up actions that assist them in the implementation of their suggestions.

In a highly competitive environment, enterprises need to continually change and evolve. Survival and growth require an effort to re-evaluate and reaffirm their competitive advantages and positions in the market. Managers and entrepreneurs must deal with numerous problems, and consultants can assist them in dealing with:

- Corrective problems – trouble-shooting and/or turnaround
- Progressive problems – continuous improvement
- Creative problems – new strategies and initiatives

**Menadžment konzalting kao oblik poduzetničkog učenja i izvor poslovnog znanja**

**Sažetak**
Menadžment konzalting se, još od svog početka prije 150 godina, razvija vrlo brzo. U osnovi je to isporuka usluga i neovisno savjetovanje o problemima upravljanja organizacijama. Menadžment konzultanti posjeduju znanje, vještine i sposobnosti u istraživanju, analizi, komunikaciji i upravljanju promjenama. U stanju su identificirati probleme, naći relevantne podatke, sintetizirati informacije i temeljem toga ponuditi prijedloge za poboljšanje, prevladavanje otpora i pomoći klijentima učiti iz iskustva.

Po strani od klasičnog savjetovanja (strategija, organizacija, ljudski resursi, IT, upravljanje promjenama i upravljanje projektima) uvedene su i nove usluge (razvoj i integracija) koje su obogatile profesiju. (Niedereicholz, 1996.).

Menadžment konzultanti su, zahvaljujući njihовоj stručnosti i znanju o praksama upravljanja, agenti u diseminaciji znanja o poslovanju. Unatoč tome, vrlo je mali broj studija usmjeren na ulogu konzultanata u projektima s poduzetnicima i njihovim organizacijama. Znanje posredovano od strane konzultanata može se podijeliti u dva tipa:

- **Eksplicitno znanje** posredovano poduzetniku putem različitih medija kao što su izvjesca, knjige, baze podataka i IT tehnologije
- **Tacitno znanje** koje se može posredovati jedino osobnim kontaktom i suradnjom

U radu se istražuje primjena menadžment konzaltinga kao oblika poduzetničkog učenja i izvora znanja o poslovanju. Menadžment konzalting kao okvir za poduzetničko učenje temelji se na opsežnom profesionalnom iskustvu u regiji, višegodišnjim istraživanjima i analizi stručno-znanstvene literature. Rad naglašava važnost uloge koju konzultant ima za poduzetnika kao diseminator informacija i novih praksi o upravljanju i egzekuciji poslovnih procesa i upravljanju organizacijama.

Ključne riječi: poduzetništvo, poduzetničko učenje, menadžment konzalting, diseminacija znanja  JEL Code: L26, L84, I25
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