Abstract: Management consultancy profession in developing countries is of more recent origin, and the development process has been more compressed and professional standards have not yet been fully developed, because universities, professional societies and associations, have not achieved the status that enables them to perform a supportive role. The general objective of the study was to assess the possible challenges that management consultancy profession is facing in Ethiopia and identify the root causes of the challenges and to achieve the objectives, exploratory survey research approach was applied and questionnaires were distributed to 42 MCF/Is during the period May 2010 as well interviews were conducted to selected consultants. In conclusion the following factors were identified as challenges/problems such as inability to get the first assignment, financial uncertainty, gaps between assignments, new skills sets are required, lack of professionalism, poor network with well-known international management consultancy firms, lack of technical and financial support from government.

Keywords: Management Consultancy Firms (MCF), Management Consulting (MC), Consultants, Client, Term of Reference (ToR)

1. Introduction

1.1. Background of the study

Management consultancy is an exciting profession that can offer a great variety and intellectual challenge for the consultant, whilst also making a very positive impact on clients and society as a whole. Consultants can enjoy applying their knowledge to a broad range of problems in widely differing situations. They are able to use their highly specialist knowledge and experience in a wider context than one firm can provide, and they are able to gain a more varied experience of management problems (Christensen, 2006).

According to Kirmani and Baum (2006), the consulting profession in developing countries is of more recent origin, and the development process has been more compressed. Professional standards have not yet been fully developed. While in developed countries consulting emerged primarily through private enterprise, in many developing countries the profession developed in the form of public sector enterprises, often as off-shoots of public works departments, and has lacked the discipline and stimulus of competition. Universities, and professional societies and associations, have not achieved the status that enables them to perform a supportive role. Governments, while active in protecting domestic firms from foreign competition, have otherwise done relatively little to nurture a strong profession.

The size of the economy of a developing country and its stage and pattern of development has a critical impact on the growth of the consulting profession. The size of the public and private investment programs influences the demand for consulting services; the educational system, notably the universities and professional schools, influences the availability of personnel to staff the profession; and the openness of the economy influences the flow of technology and training from abroad and the potential for development of the private sector, in which a healthy domestic profession is most likely to take root (Kirmani and Baum, 2006).

The rapid change in the economic policy and business environment in Ethiopia is bound to create greater need for services of management consultants and also give the right fillip for the profession to grow.

According to Brixiova (2009), the sectors which show high potential for management consultancy services growth in Ethiopia are: agriculture and rural development, tourism, manufacturing sector, geology and mining, transportation sector, energy, water management, telecommunication, construction and health and flourishing private business firms. However, the quality of performance of foreigners or local consulting firms has not, unfortunately, kept pace with the growth in numbers. Surveys of the construction industry in developing countries carried out by World Bank during the late 2000s revealed that the inefficiency and poor quality of the domestic consulting profession was a major impediment to the development of the construction and other industry. Subsequent surveys of the
domestic consulting profession by the Bank and other institutions confirmed these findings and showed that the performance of domestic consulting firms was seriously constrained by governments’ inefficient policies and practices, by weaknesses in their own staffing and management, and by the lack of a supportive environment for quality work. Despite the number, size and business volumes of the firms, their technical and professional standards remain undeveloped. Past efforts to address these problems have met with little success (Kirmianiand and Baum, 2006).

### 1.2. Statement of the Problem

In today’s complex business environment the survival of the business is highly dependent on the managers decision making skill. Management consultancy profession is indispensable to support the decision making process. Consultants play key roles in planning, designing and implementing development projects and business projects. During the past two decades, the number of domestic consulting firms, in developing countries like Ethiopia and other sub-Saharan countries has increased phenomenally (Kirmianiand and Baum, 2006).

However, the profession of management consultancy in Ethiopia has been seriously constrained by various challenges that consultancy firms facing. Given the importance of an efficient consulting profession for economic development, this study seeks to identify the challenges of the management consultancy profession in Ethiopia and root causes of the challenges and in addition, to propose a possible alternative ways of mitigating the problems.

### 1.3. Objective of the Study

The general objective of the study is to assess the possible challenges that management consultancy profession is facing in Ethiopia and identify the root causes of the challenges. Moreover the study was also proposing possible alternative ways of mitigating the challenges.

The study has the following specific objectives:

- To assess the possible challenges of management consultancy firms in Ethiopia.
- To examine the root causes of the challenges of management consultancy firms.
- To examine service infrastructure, consultancy skills and client relations of management consultancy firms.
- To assess the roles of consultant and client in consultancy process.
- To examine the environment of the management consultancy firms.
- To examine the interaction between the consultants and clients.

### 1.4. Assumptions and Delimitations

The delimitation of the study was confined to selected management consultancy firms which were certified by Ethiopia Management Institute (hereafter referred to as EMI) for management consulting skill competencies and those which renew their license in 2009/10 and located in Addis Ababa especially Bole, Yeka, and Arada sub-cities. The study only focused on identification of the major challenges of management consultancy in Ethiopian context and proposes possible alternative ways of tackling the challenges, and the challenges may not hold true for other countries. To this effect, the study took sample Management Consultancy Firms/Institutions (hereafter referred to as MCFs/Is) in the industry.

Whilst there are numerous types of consultants in almost all fields, the type of consultant this study project focused on was a management consultant. Henceforth any reference to a consultant implies a management consultant, unless stated otherwise. And MCFs/Is denote local or foreigner, and individuals, or groups. And consulting firms implies that management consultancy firms.

The limitations of the study were Lack of up to date literatures in the areas, lack of access to the consulting firms, negligence of some respondents to respond to the questionnaire openly and timely, lack of sufficient time and finance to conduct the study were among the various problems encountered by the researcher during his study.

### 1.5. Significance of the Study

Since management consultancy is relatively a new phenomenon in Ethiopia, Infancy of the profession has contributed to existence of many challenges that hinder the development of the profession. Accordingly, it is believed that this study contribute to the effort of management consultancy development in the country by pinpointing some challenges/problems of the profession. Moreover, it will also help as a ground on which to conduct further study on the topic. Identification of major challenges of the profession helps all stakeholders to contribute their part to mitigate the problems that specifically require their contribution. In general this study provided a basic starting point to assess challenges of the profession and work towards development of the profession by mitigating the problems.

### 1.6. Definition of Terms

**Consultant:** A person in a position with some influence over an individual, a group, or an organization, but with no direct power (this is the
client’s responsibility) to make changes or implement programmes (Anand, 1999).

In addition, due to the recent popularization of the term, it is necessary to distinguish between internal consultants who are directly employed by the organizations they provide services to and external consultants who are contracted by organizations (Anand, 1999). This study focused predominantly on external/independent consultants, specifically management consultants.

Management consultant: Management consulting is the provision of independent advice to persons with management responsibilities. Taken a bit further, it is a professional service provided by objective, independent, qualified persons concerned with strategy, policy, organization, technology, procedure and methods, recommending appropriate action and even helping implement these recommendations (Barcus and Wilkinson, 1995).

Management consulting: Refers to the intervention by an independent, objective and suitably qualified person to assist in the management of an organization to investigate problems and identify appropriate solutions (Barcus and Wilkinson, 1995).

Client: A generic term that pertains to a manager, firm or organization in either the private or public sector which makes use of the services of management consultants (Barcus and Wilkinson, 1995).

1.7. Research Methodology

1.7.1. Research Approach. An exploratory research approach was applied to assess the challenges of the management consultancy profession in Ethiopia, more specifically in Addis Ababa. This approach used method of inquiry to collect data on predetermined instrument i.e. questionnaire and structured interviews were conduct to consultants in consulting firms.

1.7.2. Subjects of the Study. The targets for the study were sole business owners, private limited companies and public enterprises. The respondents for this study were Management Consultancy Firms (MCFs/I) in Bole, Yeka and Arada sub-cities of Addis Ababa.

1.7.3. Data source. The study used both secondary and primary data. The secondary data were obtained by consulting different literatures and unpublished materials from EMI and MCFs, and searching on internet. Primary data were gathered through questionnaires distributed to sample MCFs/consultants, and interviews were also used in gathering primary data by interviewing the consultants.

1.7.4. Sample Size and Procedures. Currently, management consulting services have been practiced by more than 1206 management consulting firms/institutions (MCFs/I) in Ethiopia, which are certified for management consulting skills/competencies. Out of these, a sample of 50 MCFs/I were taken to conduct the survey. A total of 50 questionnaires were distributed to sample MCFs/consultants and structured and semi-structured interviews were conducted.

Both cluster and convenience sampling method were used to select the sample MCFs/I. First MCFs/I were clustered based on their ownership structure and location. Some of these clusters were selected and then sample elements were selected from the selected clusters based on convenience sampling method. The samples were drawn from all forms of the MCFs/I, which renewed their license in 2009 & 2010 and located in Addis Ababa specifically in Bole, Yeka and Arada sub-city. The sample comprises local and foreign sole business owners, private limited companies and a public Institute (EMI) found in Bole, Yeka and Arada sub-cities. This technique helps to collect data which can give optimally real information to the study and to avoid bias of sampling.

The questionnaires were filled by consultants of the sample MCFs/I. And interviews were conducted with senior consultants of the sample MCFs/I. Moreover discussions were conducted with consultants of the sample MCFs/I.

1.7.5. Method of Data Analysis. The analysis of data is basic and important to the study’s conclusion and recommendation. By using data tabulation, percent methods and charts were used to analyze data. This method clarifies the relation of data with the study topic.

1.8. Organization of the Paper

This study has four chapters. The first chapter contained the background of the study, statement of the problem, objectives of the study, assumption and delimitations of the study, significance of the study, definition of terms, methodology used. The second chapter dealt with review of literature. The third chapter deals with the analysis and interpretation of the data. While the last chapter, chapter four concluded the results obtained from the research and provides appropriate recommendations.

2. Review of Literature

2.1. Introduction to Management Consultancy Profession

The literature review aims to provide insight into the topic at hand, specifically to examine any challenges regarding management consulting
profession and provides an introduction to the concept of management consultancy profession.

Whilst conducting the literature review, it became apparent that very little actual theory exists regarding the management consulting field, but rather the information available on the topic is gleaned from relevant consultancy profession and non-consultancy profession sources (such as clients, consultants, journalists, academics). Barcus, and Wilkinson, maintain that while management consulting had experienced significant growth around the world, it was not a mature consultancy profession at this time – rather “an adolescent venturing eagerly into the future” (Barcus and Wilkinson, 1995). The consultancy profession was said to be an elusive consultancy profession that had raced ahead of an established body of knowledge and, unfortunately, a codification of standards of excellence (Barcus and Wilkinson, 1995). Since the early 1980’s, the consultancy profession has come some way towards an established body, with the establishment of institutes of management consultants around the world. Yet it seems that very little exists in the area of theoretical concepts and standards on the consultancy profession.

Numerous texts, study projects, research reports, journals, newspapers and websites were consulted for the purpose of conducting the literature review, to gain a deeper understanding of the management consultancy profession, to identify the key issues facing the consultancy profession and to understand the various perspectives of the relevant players (consultants and clients). The literature review provides important groundwork for the main part of the study (the primary data), as the issues and perspectives identified here were examined and tested during the interviews with consulting firms (consultants) and consultancy profession experts, in order to identify the major challenges of the consultancy profession and future potential of using the management consultancy services, generally in Ethiopia.

2.2. Management Consulting Defined

Management consulting is the provision of independent advice to persons with management responsibilities. Taken a bit further, it is a professional service provided by objective, independent, qualified persons concerned with strategy, policy, organization, technology, procedure and methods, recommending appropriate action and even helping implement these recommendations (Barcus and Wilkinson, 1995).

The task of management consulting is defined, by (Barcus and Wilkinson, 1995) as “an independent and objective advisory service provided by qualified persons to clients in order to help them identify and analyze management problems or opportunities”. Essentially, they “help to effect constructive change in various organizations through their sound application of substantive and process skills” (Barcus and Wilkinson, 1995).

2.2. Understanding the Consultancy Profession, Roles and Responsibilities

It is important to include this section, in order to gain a deeper understanding of the role consultants play in an organization, their key functions, features and responsibilities. Whilst some of the content below may appear common sense to those intimately involved in the consultancy profession, there may be others who know little about the management consulting profession and about consultants’ roles and responsibilities within the client organization.

2.2.1. Consulting as an International Professional Service. Management consulting is just one of the wide ranges of professional services that are available to decision makers in private businesses and the public sector. In developed economies, the professional service infrastructure includes a number of other services in addition to management consulting (Visscher, 2006). These are identified in Figure 2.1 below.

**Figure 2.1: The international professional service infrastructure**

![Image](https://example.com/image.png)

Source: Barcus, S.W. and Wilkinson, J.W. 2nd ed. 1995

2.2.2. How a Consultant can assist an Organization. The changes in the business and management environment have stimulated developments in managerial concepts, techniques...
and practices and management consultants aim to keep abreast of these developments, helping clients find new responses to the challenges of the changing business environment (Klyver and Christensen, 2006).

According to Klyver and Christensen (2006) all successful organizations need the objective advice a consultant can provide. A consultant can assist an organization in many ways, such as:
- Offer prior experience to meet a new situation
- Act as a sounding board for ideas and provide independent opinions
- Provide specific skill for a specific project
- Act as an additional source at times of peak activity.

2.2.3. The Consulting Process and Client Demand. According to Klyver and Christensen (2006) Clients are willing to pay competitive rates to consultants for the following reasons:
- Their organization is a complex system that is awash with information and dynamics that influence performance. They want someone who is capable of coming into their organization and “seeing the patterns within chaos and complexity”.
- Clients want to receive quick and insightful information about how they can resolve a particular problem or improve performance.
- Clients expect that the consultant will look after their problems through certain “filters or frameworks” that uncover and present problems in a new light.
- Clients want concrete suggestions on how to resolve the problems.

2.2.4. Consulting Specialties. Modern organizations are confronted with accelerating change and increasing competitiveness in the market. The need for rapid response to client’s needs requires both in-house and access to external competencies, i.e. management consultants (Klyver and Christensen, 2006).

Management consultants engage in two types of consulting activity: strategic consulting (generalist) or specialist consulting. Strategic consulting is work with top management to advice on broad strategy formulation and tactical interventions related to business performance. Specialist consulting is advice and intervention related to a particular discipline.

According to Klyver and Christensen (2006) Common consulting specialties include:
- Strategic development
- Logistics
- Financial planning and control
- Sales and marketing
- Human resources and labor relations
- Administration
- Manufacturing production
- Information management
- Compensation administration
- Risk evaluation and control
- Incentives

The assignments to management consultants can differ significantly, and can include:
- Personnel related issues,
- Organizational design challenges,
- Timely responses to changes in competitive conditions,
- Adjustments to rapid technological progress,
- Customizing new business software to meet client needs,
- Optimizing operational processes along the business value chain,
- Assessing strategy for both the domestic and international market.

The issue is not one of the generalist versus the specialist, but rather how to combine skills and perspectives to achieve a better total effect. Clients expect that the generalist will suggest the participation of a specialist whenever a need arises, just as they expect that the specialist will exercise self-discipline and refrain from giving advice in areas beyond his special competence (Klyver and Christensen, 2006).

2.2.5. Distinction between Types of Consultants. In the quest for knowledge management, firms can be distinguished between those who adopt the knowledge warehousing approach and those who rethink new processes. The former type of consultants can solve common problems; they re-use old or existing knowledge and are highly efficient in doing so. And tends to employ fresh graduates with the ability to learn and develop their approach to consulting. The latter type of consultant takes the existing knowledge and does not categorize, warehouse or rehash it for the client – they rethink the knowledge and turn it into sense-making and value-creating strategies. And tend to take on experienced professionals and postgraduate students, who have more business experience and who generally have a greater ability to think on their feet (www.mckinsey.co.za).

Whilst there is no criticism towards either approach, the client must be aware of the distinction between these approaches and determine which will best suit his company’s requirements.

In addition, due to the recent popularization of the term, it is necessary to distinguish between internal consultants who are directly employed by the organizations they provide services to and external consultants who are contracted by organizations (Visscher, 2006).

2.2.6. How to choose the right Management Consultant. Once a company recognizes that it
requires the services of an outside, specialist or
generalist consultant, it is important to ensure that
the right one is selected. Finding the right
consultant is easier if the client has thought through
the problem and has a firm grasp on his needs
(Barcus and Wilkinson, 1995).

Business management consultancy/Consultancy
has seen mushroom over the last decade, prompted
in no small measure by the flight of skills coupled
to the rather forced pace of so called Black
Economic Empowerment and Affirmative Action.
The inevitable has happened, i.e. there are loads of
self-styled experts who have leapt onto the service
consultation bandwagon, referred to somewhat
scathingly by some local consultancy profession
experts as "the shiny shoe brigade" who saw the
gap and climbed in. Sadly some of these 'consultants',
working independently from home, have done untold
damage to the consultancy profession, as the strong
majority of them have "very little experience, charge silly fees and take no
accountability for outcomes” (Kirmani and Baum,
2006).

Thus there is a growing wariness about
management consulting, resulting in the need to
choose not only a good consultant, but also the
right one. The correct client-consultant match is
complex and dynamic (Cohen, 1991). There are
several opposing views on to how to find the right
consultant:

- One school of thought states that the first step
  is to identify which consultant has the
capabilities and experience one requires. Some
  of the main aspects to consider include:
  - How long has the consultant been in business?
  - What is the scale of his operations?
  - Does he have the experience, competence and
    resources to handle the type of assignment one
    has in mind?
  - Are his staff of the highest caliber and what
    kind of training does he provide?
  - What are his credentials and reputation?
  - Is he familiar with the best international
    management practices and is he capable of
    adapting these for local requirements?
  - Can he introduce changes smoothly and
effectively?
  - What kind of clients has he served?
  - What do his clients say about him (Barcus and
    Wilkinson, 1995)

An opposing view, as discussed in Cohen,
(1991) states that the real issues are not
international or local, racial composition, large
or small consulting firms, past client lists, or
even reputation. Rather, the following
characteristics are the ones to look for in a
consultant:

- A fearless, provocative and different style;
- Transmit learning (a determination to transmit
  learning by working with one’s own people,
developing their skills and reducing their
dependence as quickly as possible);
- An ability to interact both at the task and
  relationship levels;
- Integrity;
- Partnership (willingness to partner with a
  client);
- Customer satisfaction.

One has to realize that business is entering a
new consulting era. If one wants a considerably
more than average consulting input, then sufficient
steps must be taken to weed out the flyby- nights,
the leeches, the dinosaurs and the politically
correct. Ultimately, engaging a consultant is about
selecting a person or people for a very special job,
for a time and not about engaging a firm (Cohen,
1991)

2.3. Types of Consulting Firms

Management consulting profession consists of a
large, diverse collection of individuals, firms and
associations. In spite of the diversity of the
profession, its basic structural composition is
reality apparent. The following categories reflect
this structure (Appelbaum, 2004).

1. Generalist management consulting firms: this
category consists of several large, medium
sized and small firms. The services they
provide can be extremely varied. Some firms
offer engineering, scientific and management
consulting services (Barcus and Wilkinson,
1995).

2. Public Accounting firms: this category
constitutes the largest identifiable segment of
the management consulting profession while
these categories provide some Management
consulting service, like auditing and tax
services.

3. Specialized management consulting firms: it
provide generalized services spanning the
entire system development life cycle from
planning to implementation.

4. Individual practitioners: they provide services
in the limited areas with which they are
familiar and in which they skilled.

5. Internal consulting groups: consultants who
are employees of a non-consulting firm. They
provide services to other departments of the
organization that employ them.

6. Research oriented organizations: a small
number of institutes and other organizations
undertake engagements that look beyond
specific short-range internal problem
situations. The term 'Management Consultancy' covers a wide range of functional areas and in many cases includes technical consultancy (Barcus and Wilkinson, 1995).

2.4. Types of Management Consulting Clients

Who uses the services of consultants? While the mix of clients will vary from one consultant to another, the types of clients served by the management consulting professional as a whole including the following.

I. Private owned business firms: every firm organized for the purpose of earning profits through commerce and industry is a potential client. Thus a consultant might have clients that are involved in merchandising, banking, transportation, insurance, food services education and other industries (Barcus and Wilkinson, 1995).

II. Government agencies and organizations: most if not all government organizations engage management consultants at one time or another. The client may be government agencies at the local, state, national or international level (Barcus and Wilkinson, 1995).

III. Non-for-profit non-government organizations: organizations such as hospitals, universities, research institute and charitable institutions are increasingly using management advisory and consulting services. Many such organizations are under private ownership. In recent years private not for profit organizations have been faced with problems of raising funds and revenues while reducing costs; in attempting to solve such problems, they often turn to consultants for advice and assistance (Barcus and Wilkinson, 1995).

IV. Professional Associations: numerous groups and association that provide professional services are private and organized for profit and others are for nonprofit. Even though such groups and associations generally include highly trained and skilled personnel, they often need advice and assistance with management and organizational problems and issues (Barcus and Wilkinson, 1995).

V. Other types: Although every potential client will probably fit into one of the above categories, it is useful to include a catchall category. This category might contain such as labor unions, sports organizations, and religious organizations (Barcus and Wilkinson, 1995).

2.5. Common Features and Roles of Consultants

Some common features of consultants include:

- Independent orientation: consultants do not automatically accept the problem as given by the client, but form their own opinion and appraisal of the problem at hand.
- Special training and qualifications: in order for a consultant to form his or her appraisal, he must possess a certain amount of skill.
- An advisory service: management consulting is performed in co-operation with the client, who bears final responsibility for hiring and using the consultant and accepting or rejecting his recommendations.
- Problem identification and analysis: the consultant is hired to solve a specific problem. He is to reformulate the problem and identify its underlying causes.
- Problem solving and implementation: consultants are not hired to perpetuate the status quo. They are to recommend solutions and even to help the client when asked to do so in the implementation phase (Barcus and Wilkinson, 1995).

In addition, the consultant has a number of roles:

- Advocate: the consultant influences the client.
- Technical expert: here the consultant is a technical specialist.
- Trainer and educator: the consultant must apply the required training methodologies.
- Collaborator in problem solving: the consultant assumes the role of devil’s advocate.
- Alternative identifier: in this role the consultant does not directly participate in decision making; he is rather a source of alternatives.
- Fact finder: in this role the consultant functions as a researcher.
- Reflector: here he is an overseer as well as a philosopher.

Consulting roles are constantly changing, as in every profession. The market is integrating forward, backward and forming partnerships. Competitors are co-operating, potentially due to a lack of critical mass or simply to survive. Vendors are consulting, consultants are selling products: it is all driven by revenue streams (Appelbaum, 2004)
2.6. Responsibilities of the Management Consultant

According to Canback (1998) the consultant must operate with four levels of management responsibility. These are:

- Economic - a responsibility to ensure that the projects advocated are in the best interests of the client business.
- Legal - a responsibility to ensure that projects operate within the law.
- Moral - a responsibility to ensure that project outcomes meet with the moral and ethical expectations of the client.
- Discretionary - the right of the consultant to select or reject projects on the basis of personal ethical considerations.

2.7. Skill profile of a Consultant

In order to meet the challenge of managing the consulting project, the consultant must develop a skill profile that allows him to call upon abilities in three key areas, which are general management skills:

- An ability to manage the consulting exercise as a formal project;
- An ability to manage the analytical skills necessary to gain an understanding of the client business and the possibilities it faces;
- An ability to communicate ideas and positively influence others (Appelbaum, 2004)

2.8. Consultants as Multi-disciplinary Professionals

In recent years there has been a shift away from consultants providing generalist advice. The need for more specialized advice has given rise to the multi-disciplinary professional. Because the old trend was to provide storage tower of expertise, clients did not always obtain the professional advice they required as quickly as they would have wished. There were often delays because the client could not always identify the problem and therefore did not know whom to approach to find a solution. Within the consulting firm itself, it could take some time to obtain the correct answer because people within the organization did not always know who to contact. Many clients have developed a resistance to dealing with individuals in a consulting firm, with clients demanding a seamless service delivery. This has created a niche for the multi-disciplinary professional (Barcus and Wilkinson, 1995).

The multi-disciplinary professional fulfills the role of trusted business advisor, serving as the client’s entry point to a wide range of specialized service lines within the firm. It is the multidisciplinary professional’s role to understand the client’s needs, to develop a project plan in conjunction with specialists, and then manage the entire project (Barcus and Wilkinson, 1995).

Certain qualities and capabilities are essential:

- The ability to delegate (there is no place for territoriality),
- Wide vision (as opposed to tunnel vision),
- Self-confidence,
- The necessary professional and technical skills,
- Exceptional interpersonal and relationship-building skills,
- Client management and nurturing,
- The ability to spot new opportunities (thus often adding value, as the client is not always able to spot certain opportunities (Barcus and Wilkinson, 1995).

Senior management is usually extremely busy, and coupled with the fact that there is a shortage of top management skills; the multi-disciplinary professional fulfils an important role. By appointing a multi-disciplinary professional to look after their needs, the client no longer has to assume the management role, and the client still only has to deal with one contact person – the multi-disciplinary professional.

2.9. Reasons for Hiring a Consultant

The decision to call in consultants is like the decision to buy anything else for the business. It happens after a consideration of the costs and benefits involved and a conclusion that the benefits outweigh the costs (De Jong and Van Eckelen, 1999).

Among the innumerable reasons for hiring a consultant, it is clear that if management feels inadequate in a certain area, it calls in external expertise to help solve the problem. Some of the valid reasons for calling in a consultant are:

- The consultant is required to help achieve the company’s profit plan.
- The consultant is to be involved in developing long-term corporate strategies.
- Staff discussions and resolutions at meetings confirm the need for using a consultant.
- There is no in-house capability to solve an unplanned technical problem requiring specialized skill.
- The company faces unforeseen economic, consultancy profession or market conditions.
- There are no internal resources to cope with a rapid deterioration of profits.
- The board of directors has approved the use of a consultant.

In addition, there are numerous reasons for enlisting the help of consultants:

- Clients need extra help for a period of time.
Clients need specialized skills not available in the organization.
Clients who cannot or will not find out what to do from an insider.
Clients who need an outside evaluation of their company’s performance, plans, decisions or internal conflicts.
Clients who need someone to take the ‘political heat’ in sensitive areas.
Clients who need someone to rescue them from losing their jobs or ruining their careers.
Clients who experience ‘sudden availability’ of funds.
Clients who need stimulation or specialized training.
Clients who are going bankrupt and have nothing to lose by calling in a consultant (De Jong and Van Eekelen, 1999)

2.10. A Balance Sheet of Consultants

According to De Jong and Van Eekelen (1999) consultants can be an asset when used as:
- Extra brains - to supplement and challenge current thinking; to create a fact base; to provide new ideas or different ways to look at the data.
- Extra arms and legs - to supplement current executional capacity for decisions that have already been made or decisions that have already been set.
- Independent eyes and ears – to create an independent fact base, especially where insiders might receive distorted data, as with sensitive information from employees or customers.
- Preachers or teachers – to disseminate and teach new ideas and techniques.

Consultants can be a liability when used as:
- Structural capacity/competence – though it would be more economical and effective to have the competence on the payroll, the organization continues to rely on consulting teams.
- Rubber stamps – management wants an external source to lend credibility and packaging to decisions that have already been made.
- Security blankets – not confident of their own decisions or too busy with day-to-day responsibilities, managers use outsiders to provide guidance on major issues.
- Insurance policies – those interested in upward mobility see a book of recommendations from a consulting firm as the best defensive policy.

2.11. The Consultation Process

During a typical consulting intervention, the consultant and the client undertake a set of activities required for achieving the desired purposes and changes. These activities are normally known as “the consulting process”. This process has a clear beginning (the relationship is established and work starts) and end (the consultant departs). Between these two points the process can be subdivided into several phases, which helps both the consultant and the client to be systematic and methodical, proceeding from phase to phase, and from operation to operation.

Many different ways of subdividing the consulting process, or cycle, into major phases can be found in the literature. Various authors suggest models ranging from three to ten phases. According to Barcus, and Wilkinson (1995) the consultation process consists of five distinct phases namely: entry, diagnosis, action planning, implementation and termination: This model, shown in figure 2.2, will be used consistently in this study.

1. Entry: In this phase the consultant has to be introduced to the power structure, learn the
culture, discuss and define the problem and determine the approach to be followed. This phase establishes the basis for the consultant to proceed into the next phase of more extensive problem diagnosis.

2. Diagnosis: The purpose of this phase is to examine the problem and identify the factors that cause the problem, and to prepare all information needed to decide how to orientate work towards solving the problem. This phase is used as a means to establish initial awareness and understanding of growth in the client as well as to influence the client to feel responsible for ensuring a successful outcome. This phase is important for feedback, where the client now decides whether to continue with the assignment or not.

3. Action planning: This phase includes developing one or more solutions to the problem diagnosed, choosing among alternative solutions, presenting the proposals to the client and preparing for the implementation of the solution accepted by the client. Clients should be even more involved at this phase.

4. Implementation: This phase is the culmination of the consultant and client’s joint effort. Implementation affecting change to the good is the \textit{raison d’être} of management consulting. This phase distinguishes good consultants from the mediocre ones. Change can involve any aspect or factor of an organization, including: basic set-up of the organization, tasks and activities, technology used, management structures and processes, organizational cultures, people, organizational performance, image of the organization.

5. Termination: Once the desired proposal has been implemented, the client terminates the services of the consultant. This stage has to be fully professional and must be settled to the mutual satisfaction of client and consultant. Disengagement is characterized by a period of testing whether or not the client and client system are able to function in the new situation and cope with the new relationships. (Barcus, and Wilkinson, 1995).

### 2.12. The Consulting Process Perspectives

A management consultant engages in a clearly defined process when he/she performs a management consulting service. Since the service is performed for the process of solving a problem facing a client, it can be labeled a problem-solving process. Since it is performed by a consultant, it can also be called a consulting process. The process encompasses three perspectives: Analytical perspectives, Administrative perspectives and Communicative perspectives (Barcus, and Wilkinson, 1995).

#### Analytical elements of the Consulting Process

Analytical elements of the consulting process consists of

- Identifying the objectives to be achieved
- Defining the problem or opportunity improvement
- Ascertaining and then analyzing the fact
- Determining and evaluating solution alternatives and then formulating preferred solution or proposal action.
- Communicating the result of the formulation
- Implementing solution the solution or proposed action, if appropriate.

These elements may be combined, their scope or expanded or contracted and their sequence altered to fit specific problem situations. All must be completed for a satisfactory resolution of a problem. The analytical elements are extremely important in the performance of consulting services (Barcus and Wilkinson, 1995).

#### Administrative element of Consulting Process

A consulting engagement, regardless of its technical nature, requires sound and effective managing if the engagement is to accomplish its objective. Most consulting engagements include the following or administrative activities:

- Engagement planning, including a work plan, that leads to a letter of understanding or a contract with client
- Engagement operations and control, including productively following the work plan, preparing papers and interim reports, and controlling and expense.
- Engagement reporting and evaluation, including documenting the conclusions, preparing the final report, and assessing the performance of participants and effectiveness of the result (Barcus and Wilkinson, 1995).

#### Communicative elements of the Consulting Process

Ineffective communication during a consulting engagement and especially at the end of an engagement can impair the result. In fact, proficiency in communication is essential to the successful completion of every phase of the consulting. A management consultant must be able
to speak, write, and listen effectively (Barcus and Wilkinson, 1995). In management consultancy cultural and individual economic achievement have high importance so the consultants have to take in to account the specific socio-political-economic environmental factors and specific organizational cultures while making recommendations for changes in structures, systems and policies in the course of consultancy service implementation (De Jong and Van Eekelen, 1999).

2.13. Structure and Development of Competencies in MCFs.

Management Consultancy (MC) is very much a people’s business. Human resources are not only the main production factor in MC but work time itself, in terms of billable hours, is usually the ‘product’ sold. Human competencies are therefore the pivot for eventual strategic management is MC. Getting and training the right people for the job, although being most important, is not only think that counts, however. The set of relevant competencies in MC and the set of relevant tools to develop these competencies are more complex factors that are not always recognized as such by consultants. This section provides a general conceptual framework (Tordoir, 1995).

Management Consultancy Competencies

The basic form of the consultancy Competencies consists of three elements: the service infrastructure, the consultancy services proper and, subsequently, the client functions subject to (implementation of) the consultations. Each of these three links demands a particular set of competencies. Moreover, procedures and communicative and managerial competencies are needed to forge efficient links between these three parts (Fig 2.3).

Consultancy skills are without doubt the central competence in MC. According to Tordoir, author of the professional knowledge economy, consultancy skills are a mix of ‘three’s: experience, expertise and efficiency (Tordoir, 1995). Certainly, a consultant or MCF may have developed one specific of these E’s more than the other two: consultants working in the same market may differ in this respect (Tordoir, 1995).

Support competencies within the service infrastructure are particularly important in large firms. Strength in support competencies, paired with strength in procedures to link these with personal consultancy skills, may provide logic for integrating consultants in the framework of a firm. Firm reputation is another factor in this respect. Consultants can use outside sources for information, research, and other support, however; support competencies may be made or bought without any consequences for client connection or firm reputation – if such outsourcing is well done. That is, the division to make or by support service – such as risers or data processing is not strategically relevant (or – rater – if only economically relevant) as long as the client by consultancy competencies and not the infer stretcher or support capacities. If, however, multi-, establishment client organization want to be serviced by more than one office, in more than one country, an consultancy office network will indeed be valued by the client and thus strategically relevant in that case (Tordoir, 1995).

Figure 2.3: Management Consultancy Competencies

Source: Tordoir (1995)

Procedures are required to link between human consultancies skills with organizational support competencies. They can be more or less elaborated and more or less fixed in routines and formulae. In any case, whether professionals support is created internally or bought from an outside consultant, some procedures is always needed to use the support capacity. Consultants use cognitive and operational procedures (Tordoir, 1995).

Cognitive procedures are ‘formulae’, cognitive routines used by the consultant to search and tailor information and tools that are otherwise stored in the support infrastructure of the consultancy firm, such as a databank.

Operational procedures are the routines, written or unwritten rules, by which the organization is temporarily tailored for an assignment.

Client relation are certainly an asset for any MCF, as was discussed in the preceding section of this asset is particular in that it is not de facto owned by the MCF but by the client organization. Client organizations invest time in building up relation, in which information, expert and experience(s) are exchanged. More over consultant depend on client competencies concerning the control, eventual co-production and implementation of the consultancy output. The quality of the consults as well as the reputation of the consultant or consultancy firm depends partly on the qualities of client organization (Tordoir, 1995).

Communication and therefore communicative skills are needed to manage the client interface consultancy process.

Management skills are more or less important in MC, depending on the complexity of the assignment’s on the one hand and the complexity...
of the service infrastructure on the other the consultant in charge of an assignment is de facto the project manager of all relevant competencies along the value chain this consultant has only one ultimate executive manager and the client organization. In this respect management skill belong to the set of fundamental consultancy skills. All other sources of management skills are supportive, and not directive, except in the special case when the firm serves a product function. When assignments are either very complex, demanding a multitude of different cognitive and human inputs and tools, or very much standardized, the management skills of the project leader in charge may be decisive for the quality of the consultancy process (Tordoir, 1995).

Professional executive firm management, in the sense of a separate and specialized function such as is common among producer of standardized products and services, is only relevant in MC in case where firm own a more or less complex service infrastructure. Even then, however, such management has a back-office role and a supportive function.

The only competencies which are always owed by an MCF itself are consultancy skill (including skills for projects management), the procedure skill to interface with support service (on the left hand of figure 2.3), and the communicative skills to interface with the client organization. Client the competencies are relevant for the quality of consultation, but they are of course not owned by the latter, depending on administrative and economic considerations (Tordoir, 1995).

**Development of Competencies**

Basically, according to Tordoir (1995) there are three sources for competencies development within a Management Consultancy firm:

- The client organization
- The personal development of consultants (including hiring new people on the labor market) and
- The service infrastructure. These three sources interact by mutually reinforcing each other. The role of client organization is crucial as a source for the development of competencies.

**2.14. Sources of Knowledge Development in Management Consultancy Profession**

Particular clients, research and development, hiring of specialist personnel, relation with universities, internal training, conferences and external training courses, and exchanges of expertise with other firms are important sources of knowledge development in management consultancy profession.

The role of universities especially underlines the personal character of competencies build up in management consultancy; relations with universities are most often part of personal networks of consultants.

**2.15. Barriers to Competencies Development**

According to Tordoir, (1995) there are formidable barriers preventing firms from developing optimal competency are:

- Lack of time
- Insufficient of human resources
- Firm growth is too fast
- Lack of financial resources
- Insufficient internal interaction
- Too high rates of personnel turnover

**2.16. Factors for Consulting Engagement Success**

A consulting engagement may be considered successful if the client is satisfied that the consultant has met expectations and the consultant is satisfied that his reputation has been enhanced, with expectations of future revenue streams (Barcus and Wilkinson, 1995).

The basic flaw of conventional consulting are:

- The project being defined in terms of the consultant’s expertise or products, not in terms of specific client results to be achieved;
- The project’s scope being determined solely by the subject to be studied or the problem to be solved, ignoring the client’s readiness for change;
- The project aiming for one big solution, rather than incremental successes;
- The project entailing a sharp division of responsibility between the client and consultant, with no partnership between them;
- The project making labor-intensive rather than leverage use of consultants.

Canback’s paper essentially suggests six propositions for a successful consulting engagement that seem universal, namely that it is necessary but not sufficient that:

- The consultant exhibits integrity (motivation, ethics, objectivity, honesty, loyalty and confidentiality), in particular putting the client’s best interests first;
- The client be involved and ready to change;
- There be a clear agreement, which may or may not be a formal contract, concerning requirements and expectations;
- The client controls the engagement, partly by using clear and limited assignments;
The consultant be competent;
There be a good fit between client and consultant along a number of dimensions, including models of consultancy, client expectations, consultant capabilities and consultant type (Canback, 1998)

2.17. Strategic Capabilities which lead to Management Consulting Success

A study conducted in 2000 by academics at Monash University, Australia, to identify the strategic capabilities that lead to management consulting success generated the following findings:
- The three most critical functions identified, in descending order were: quality of service, setting objectives and solving problems.
- The three most crucial skills or values were integrity and honesty, client-consultant communication and credibility.
- The three most critical performance indicators were customer satisfaction, profitability and repeat business. (Visscher, 2006).

2.18. Critical Success Factors for Consulting Businesses

Basing on the current and possible future situation of the industry Appelbaum (2004) identified the following critical success factors:

Knowledge and knowledge management
The industry is highly based on experience and brainpower. In a world of growing complexity it is critical to ensure sufficient distribution of the existing knowledge throughout the company. This allows an optimal utilization of the internal resources and the staffing of each assignment with the best available people.

Innovation
Innovation includes the constant monitoring of the environment. It is important to develop solution for new issues as soon as possible to have them at hand when the clients realise the problems. Ongoing in house adoption of latest developments in economical science and technology also provides skills and experiences that can be sold to the clients.

Reputation/quality
As a service industry consultancies rely much more on the clients’ perception of their work and on their reputation. This is the basis for the acquisition of new clients as well as for the development of long-lasting relationships with existing clients.

Networking/alliances
Especially smaller consultancies need to develop a network of alliances to create awareness for themselves and to increase their range of services offered through cooperation with other consultants.

2.19. Models of Consultation

Management Consultancy is an exciting profession that can offer a great variety and intellectual challenge for the consultant, whilst also making a very positive impact on clients and society as a whole. Appelbaum (2004) has identified three broadly accepted models of consultation: Purchase of expertise, Doctor-patient, and Process consultation:

1) Purchase-of-expertise suggests that clients are looking for consultants to provide independent perspective to bear on specific challenges hand. There is no expectation to focus on the client relationship per se (in itself), but rather to provide expertise in a detached manner (Appelbaum, 2004).

2) The doctor-patient model has the consultant focusing on using a diagnostic approach to examine the client organization’s problems. From their distinct experience, knowledge and diagnostic abilities the consultants identify strategic and organizational problems. This model emphasizes the importance of building a strong relationships and developing trust between the client and the consultant (Appelbaum, 2004).

3) The process consultation model considers the consultant as a facilitator with the client actually providing much of the relevant expertise. There is a clear distinction of roles and tasks. In the end the client chooses what to do about the problem. The consultant provides more of the framework and methodology for defining the problem and the best possible alternatives. Management consulting differs from many other types of service. A basic typology developed first by Schmenner (1986) and later by Collier and Meyer (1998) may be useful as a first proximity to the interactive characteristics of management consulting (Appelbaum, 2004).

2.20. Responsibilities of the Client and Consultant

The responsibility of a consultant is to supply creativity and competence in developing solutions to management problems. His sole concern is the welfare of his client. He must therefore work with integrity, objectivity, according to professional standards, and must satisfy his client if he is to be successful. The parameters of every job must be explicit and fully understood by both parties. It is
just as important to specify areas that are not the consultant’s responsibility as it is to define those that are. Decision making, however, remains the responsibility of management and not the consultant. Whilst the consultant’s role is to act as knowledge broker and process input for the client, the client however ultimately remains accountable (Cohen, 1991).

The consultant’s approach should not be based on searching for mistakes and blaming somebody for them, but on fostering ideas for improvement. Consultants should train the client to resolve other similar problems that may arise in the future, enabling him to use diagnostic models that will allow him to make good decisions (Cohen, 1991).

The central notion of consultant integrity is to put the client’s needs first. Putting the client first is not necessarily the same as doing what the client wants. Rather, it refers to putting the client’s best interests first, which could mean convincing the client that long-term needs are more important than immediate wants (Cohen, 1991).

The truly competent management consultant, as a multi-disciplinary professional, would fully earn his fee to the extent that he acts as a reliable guide (one of many) for the organization in plotting its future course (Cohen, 1991).

Responsibility of a client: There are several positive things which management can do to help assure the successful completion of a consulting engagement:

- Enlist the co-operation of all company people with whom the consultant must work to develop inputs and make recommendations.
- Inform all concerned, either through a general meeting or personal memos, that a consultant has been engaged and explain the nature or purpose of the engagement.
- Allay any individual anxiety that may result when people learn that a consultant has been engaged.
- Be available to the consultant when he asks for time to review progress, clarify information that has been developed or to ask for help in resolving temporary difficulties.
- Do not pressure the consultant unnecessarily to disclose the nature of his findings or recommendations until he has thoroughly researched the situation.

Clients must be clear about why consulting help is being considered and what the consultant is expected to do, rather than simply proceeding with a vague notion that obtaining outside help might be beneficial (Cohen, 1991).

In a nutshell, the client is accountable for his own decisions (it is a tough, but logical concept), whilst the consultant is clearly accountable for the quality of advice he gives. That is consulting in its purest form (Barcus and Wilkinson, 1995).

To achieve the necessary organizational symbiosis between the consultant and client firm requires top level person-to-person interaction, and not a horde of junior though smart consultants running through the organization with their number crunching clipboards and laptops (Barcus and Wilkinson, 1995).

2.21. Alignment of Client and Consultant Objectives

In a good consulting exercise, the client and consultant/s work together as part of a team. Although each brings along their own, distinct objectives to the project and these are usually compatible. Parties can agree on a set of coordinated actions and common outcomes.

Occasionally, there will be a misalignment and the parties must negotiate the objectives of the project so that they are reconciled (Cohen, 1991). This process is illustrated overleaf In Figure 2.5:

Figure 2.4: Negotiating objectives

The client’s picture objectives

The consultant’s objectives

Area of mutual interest


Misalignments occur for a number of reasons, the most common of which are as follows:

- The client expects too much of the consultant/s.
- The client expects too much of the project.
- The project does not have sufficient scope.
- The client is not willing to define specific outcomes.

With a little thought, it is quite easy to deal with these situations. Some useful rules of thumb are as follows:

- Agree on aims before discussing objectives.
- Break down projects into sub projects.
- Get the client to prioritize outcomes.
- Use the proposal.
- Understand the client’s desired outcomes.
2.22. Association of Management Consultants (AMC)

The management consultancy profession has come some way towards an established body, with the establishment of association of management consultants in many countries around the world. It provides a forum for all stakeholders to share their views and has stringent entry criteria, especially for certification. The EMI and Ethiopian Management Professional Association (EMPA) are crucial players in this self-regulated profession and strive to improve its contribution on a continuous basis.

The institute has established professional standards of competence, experience and ethics for the profession. To the achievement of these objectives, the institute encompasses the following activities:

- The setting of standards for entry to the Institute to promote public confidence in the work of its members;
- The certification of candidates for membership;
- The maintenance of a code of ethics and an effective disciplinary procedure;
- The provision of an education programme for members;
- The maintenance of a register of skills for public inspection.

2.23. Code of Ethics

A consultant is a knowledge broker. He advises and assists his clients, but the client remains responsible for the decisions. At the heart of this process is a critical requirement for ethical and professional conduct (Barcus and Wilkinson, 1995).

The institutes of management consultants worldwide have formulated a ‘code of ethics’ for the profession and every member must sign this before becoming a member. Certification adds the requirement of proven competence to the equation before a member can bear the mark of Certified Management Consultant (CMC) (Barcus and Wilkinson, 1995).

The consulting profession is self-regulating and requires no statutory enforcement of its principles. Every potential entrant to the profession must provide a complete set of references and credentials and may be struck off the role for unprofessional conduct. Conflicts of interest and lack of confidentiality are considered serious offences (Cohen, 1991).

The best advice for consultants is to recognize that reputation is almost everything in consulting, with word of mouth being the most effective practice development. It is worth doing almost anything to establish and maintain one’s reputation for integrity and competence (Cohen, 1991). A consultant’s reputation will be created by thousands of actions, but may be lost by only one – it is therefore imperative that consultants always model their high standards with clients, other consultants and the general public (Cohen, 1991).

2.24. Terms of Reference (ToR)

When a consultant is engaged, and once management authorizes the consulting project, the consultant prepares a proposal for the client, which provides the ‘terms of reference’ (Cohen, 1991).

This is a core document that defines roles and responsibility, expected outcomes, points of measurement and the definition of the problem to be solved. There should be no grey areas here. Agreeing the content of this document is a critical first step to engagement and an ongoing relationship. Managing the terms of reference is itself an exercise in managing change as expectations may change (Cohen, 1991).

Definitions will need constant re-evaluation as the environment changes. The term of reference is a moral contract that may be renegotiated under changing circumstances. In large consulting assignments, audit and quality control committees should be established to ensure sound management of the change process (Cohen, 1991).

2.25. Guidelines Regarding Billings

There are few guidelines regarding billings for consulting engagements. Few organizations in the world have a fixed fee structure and market forces and the nature of the assignment play a large role in determining fees. Measuring consulting value for money requires continuous referral to the terms of reference, which acts as a baseline for measurement (Cohen, 1991).

3. Data Presentation, Analysis and Interpretation

3.1. Data Presentation

The objective of the study is to investigate the challenges/problems that influence the development of management consultancy profession in Ethiopia, moreover to identify the root cause of the problems. To achieve these objectives data were collected from MCFs/consultants found in Addis Ababa, particularly in Bole, Yeka, and Arada Sub cities through questionnaire and interview during the
period may 2010 and analyzed using descriptive statistics such as tabulation, percentage and charts.

The questionnaire was designed to gather information that achieves the objectives of the study. Although 50 questionnaires were expected as stated in the original research proposal, only 45 were completed and returned during the data collection. Out of these, 42 (93 percent) were found useable for the study. Only 3 questionnaires were discarded due to incompleteness and large number of missing items. Information gathered from respondents was presented in tables form with percent computation. Look at appendix I

3.2. Analysis and Interpretation

The analysis and interpretations of the study were based on the data presentation using descriptive statistics such as tables, charts and percent.

3.2.1. Positions and Education level of the Respondents

<table>
<thead>
<tr>
<th>Positions</th>
<th>Owner</th>
<th>Owner- manager</th>
<th>Professional manager</th>
<th>Senior consultant</th>
<th>Junior consultant</th>
<th>Part time consultant</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1st Degree</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>11</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Masters</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>Ph.D</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of consultant</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>11</td>
<td>15</td>
<td>2</td>
<td>42</td>
</tr>
<tr>
<td>Total percent</td>
<td>7</td>
<td>12</td>
<td>14</td>
<td>26</td>
<td>36</td>
<td>5</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: questionnaire

As shown in above bar chart, the sample firms make up different position of consultants. Out of 42 consultants 7 percent were owners who are masters degree holders, 12 percent were owner-managers, of which 60 percent of them were masters degree holders and the remaining 40 percent were Ph.D holders, 14 percent were professional managers, of which 50 percent were 1st degree holders and the remaining 50 percent were masters degree holders, 26 percent were senior consultant, of which 10 percent were 1st degree holders and the remaining 90 percent were masters degree holders, 36 percent were junior consultants, of which 73 percent were 1st degree holders and 27 percent were masters degree holders and the remaining 5 percent of the consultants were masters degree holders part time consultants.
With respect to the educational level/qualification, majority of the consultants about 64 percent were MBA, MSC degree, and Ph.D holders whereas the remaining 36 percent of the consultants were BA/BSC degree holders. This classification helps to identify the challenges/problems of the consulting firm from qualification point of view and management point of view. And the study also shows that out of 42 consultants, 26 percent of them were senior professional consultants, 36 percent were junior professional consultants and 5 percent of them are part time consultants. From this it is inferred that professional consultants dominate the consulting firms.

3.2.2. Level/time of Work Experiences

The respondents were also asked to indicate whether they have experience on previous MCF, current MCF and other field with the corresponding time of work. As shown in above bar chart 36 percent, 31 percent, 28 percent, and 5 percent of them replied as they have previous MCF experience with less than two, Two to five, Six to ten, Six to ten, above ten years respectively. And it also shows that 21 percent, 48 percent, 19 percent, and 12 percent of them respond as they have current MCF experience with less than two, Two to five, Six to ten, Six to ten, above ten years respectively. In addition to this 61 percent, 23 percent, 12 percent, and 5 percent of them responded as they have other field/firm experience with less than two, Two to five, Six to ten, Six to ten, above ten years respectively. From this it is inferred that consultants start consulting business with different level of work experience with different qualification and most of the MCFs operated by consultants whose work experience were from other field rather than management consulting field, however, the pervasive constraint of the consultants were lack of experience in all aspects of an assignment, from drafting proposals to supervising work in the field.

3.2.3. Types of Client

The respondents were also asked to identify their (management consulting firm) clients. The study shows that 100 percent, 83 percent, 71 percent of the respondents respectively replied that Private business organizations, government agencies and organizations, non-government organizations are clients of their consulting firm in addition 7 percent of the respondents identified associations as other client of their consulting firms. From this it can be inferred that the key clients of MCFs are Private business organizations, government agencies and organizations, non-government organizations.

Source: questionnaire

The interview analysis the Ethiopian investment program determines the nature and volume of demand for consulting services. Most of the demand comes from investment programs of the public sector; demand in the private sector, though significant varies according to the size of the economy and the degree of privatization of industries and services. Semi-autonomous public sector corporations such as water, power, or irrigation authorities, Telecommunication Corporation use more consultants than the latter in implementing their investment programs. Other sources of demand are (NGO) the technical and financial assistance programs of international financial institutions and donor countries. Their funded projects are included in the country's public.
and private sector programs, and they also use foreign and local consultants for preparatory work. From this it can be inferred that the changing nature of investment programs, lack of information on the types of services required, and the absence of published data on past years seriously constrain consulting firms in planning for the future.

3.2.4. Management Consultancy Basic Competencies

The respondents were asked to evaluate whether their management consulting firm establish link among the basic competencies of the consulting firm. The study shows that as shown in bellow bar chart 48 percent of the MCFs are on process to develop links among the supportive competencies such as office infrastructure, IT infrastructure, information infrastructure and research and development whereas the rest of 52 percent of the MCFs have already established the link. And it also shows that 10 percent of the MCFs are on process to develop links among the Consultancy skills such as expertise, experience and efficiency whereas 90 percent of them have already established the links among consultancy skills. Finally the study also shows that 12 percent on process, 28 percent of the MCFs start to launch the links with client organization such as information about client, client capability and relation/ reputation whereas 60 percent of them have already established among the client relation. From this it can be inferred that MCFs that are on the process and start to launch their link on the basic competencies of management consultancy indicates the management consultancy profession is still in infancy stage.

3.2.5. Training for development of Management Consulting Competencies

From the interview analysis it is conclude that in Ethiopia demand for management consulting has grown and will continue to grow on account of competition, changing investment program, required skills to run a business and changes in technology. It will increase sharply as business organizations grow in size and the environment becomes competitive. Improvement in the quality of consulting service in Ethiopia will depend on conscious efforts to develop consulting as a profession. Hence training for consulting will require many kinds of inputs. Subject knowledge is common to all consulting work. The knowledge may be acquired through academic study or practical work experience, or a combination of both. Theoretical knowledge is useful for the understanding of the problems from an overall perspective, while practical experience helps in identifying feasible solutions and implementation strategies. However in Ethiopia a combination of both is rarely available and this lack remains a severe limitation in the development of effective consulting services in the country. The experience of training for consulting highlights three critical aspects:

- Necessity of strong knowledge base in the subject of specialization.
- Need of a package of consulting skills depending upon the nature of the project.
- Programs that involve the total organization need process skills i.e. understanding of why and how things happen, besides the diagnostic skills.
Respondents were asked whether they take or their firm participate in training for the development of management consultancy competencies, the study shows that most (67 percent) of the consulting firms participate in training program where as the rest of (33 percent) did not take training/ participate training program because the training content did not match for some MCFs and lack of resources and expertise to train the staff. From this it is conclude that the training program in Ethiopia found to be poor and the MCFs/Is did not benefited from the training and the profession also faces this constraints.

3.2.6. Contribution of Universities, Professional societies and Associations

From interview analysis and open discussion with consultants universities, professional societies, associations of consulting firms and others, have played a crucial role in disseminating knowledge, promoting high technical and professional standards, and enhancing the level of competence of the profession, however, the contribution of these entities to the development of management consulting profession in Ethiopia is insignificant because there is weak link among the institutions and consulting business.

Respondents were also asked to judge the contribution of universities, professional societies and associations that in terms of their performance to play a supportive role to MCFs/Is, the study shows that 7 percent, 9 percent, 44 percent and 40 percent of the respondents replied that the contribution are very good, good, poor and very poor respectively. From this it is concluded that the contribution of universities, professional societies and associations that in terms of their performance to play a supportive role to development of the profession are weak/poor, because there is not conducive environment and there is no also link between them.

3.2.7. Professional and Ethical Standards

From interview and open ended questions analysis, it is identified that professional and ethical standards are important to the development of the profession, so consulting firm is part of a larger consulting profession. The profession sets the professional and ethical standards required of its members and undertakes to enforce them, directly or indirectly, through such means as government regulations, registration membership in an association or professional society, and Peer pressure. However, the implementations through these means are weak/poor.

From the questionnaire analysis respondents were asked their opinion about which one should be compromised if conflict occurred between professional standards and business interest, most (52 percent) of the respondents replied that the business interest where as 29 percent of the respondents replied that both should be compromised and the remaining 19 percent of the respondent replied that professional standards should be compromised. This implies that even if the consultants are aware of the consequences of infringing the ethical and professional standards, they are doing so because of lack of no strong association, government regulations and membership and peer pressure to review and enforce the implementation of the standards.
Source: questionnaire
As shown in figure 3.9, respondents were asked to evaluate the implementation of professional and ethical standards required of its members and undertake to enforce them, directly or indirectly, through government regulations, registration membership in professional association (PA) and peer pressure, the study shows that 71 percent of the respondents replied that government regulations are poor in enforcing the implementation of ethical and professional standards whereas the rest 29 percent said good. And 64 percent of the respondents also replied that membership in professional association also poor whereas the rest 10 percent and 26 percent of them said that very good and good respectively. They also judge the peer pressure 67 percent, 23 percent, and 10 percent as poor, good and very good respectively. From this it can be inferred that the implementations through these means are weak/poor.

3.2.8. The scope of management consulting services
The Services of management consulting firm are ranges from general services to conglomerating service.
As shown in figure 3.10, respondents were asked to identify the scope of the service that their consulting firm would provide to the client organization. The study shows that 31 percent, 43 percent, 21 percent and 5 percent of the respondents replied that MCFs/Is provide general, specialist, full and conglomerate services to their client organization respectively. From this it is conclude that most of (74 percent) of MCFs/Is provide general and specialist service where as 26 percent provide full and conglomerate services because of their limited capability and capacity.
3.2.9. The Clients’ organization selection criterion and the MCF billing criterion
From interview analysis and open ended questions it is conclude that the procedures followed in selecting consultants and paying for their services compound the problems. Selection procedures, which are often haphazard, leave too much room for considerations other than merit and qualification. There is excessive reliance on network/relation, to the detriment of quality of service. On the other hand Successful bidders, however selected, may be forced during contract negotiations to lower their bid to an uneconomical level. Long delays in payment for services rendered, and reimbursement at less than the cost actually incurred, further impair the financial viability of the smaller firms.

As shown in figure 3.11, respondents were asked to judge the selection criterion of the clients’ organization; the study shows that 48 percent, 100 percent, 100 percent and 12 percent of them replied that the client organization selects the consulting firm on the bases of direct negotiation, competitive bidding, previous relation/experience and other respectively. However the selection procedures are haphazard, leave too much room for considerations other than merit and qualification; from this it can be inferred that such kind of selection procedure has negative impact to the development of the profession.

3.2.10. Association with other Management Consulting Firms/Institutions
Respondents were asked whether the MCFs create association with other consulting firms or not, the study shows that 76 percent management
consulting firms establish or member of associations like Ethiopian Management Professional Association (EMPA) and Ethiopian Professional Association (EPA).

### Figure 3.13: Management Consulting Association

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>76%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: questionnaire

On the other hand 24 percent of the MCFs did not create any association because of various reasons such as lack of professionalism in consultants side, lack of commitment, lack of technical and financial support from government agencies, weak promotion of association to increase their members, and inability of consulting firms in recognizing the importance of organized associations. From this it is conclude that most of consultants in Ethiopia create management consulting associations, but the associations are still weak. This were manifested by

- Lack of ethical and professional standards competencies
- Lack organized training program for members
- Lack of professionalism in consultants
- Lack of public confidence in consulting firms
- Poor network/relation with foreign consulting firms and client relation.

#### 3.2.11. Reputation and client relation

As shown below in figure 3.14, Respondents were asked the extent of good reputation and good client relation importance to the success of management consulting firms, the study shows that 86 percent and 14 percent of them strongly agree and agree respectively. From this it is found to be necessary MCFs to create good reputation and client relation by giving tailor-made services and showing them the ability of solving problems and create the sense of partnership with them. However the question of creating good reputation and client relation in Ethiopia is doubtful.

#### 3.2.12. Recruitment Criterion of Consultants

Respondents were asked the recruitment criterion of the consulting firm in which they work, the study shows that most of the MCFs/I used all criterion except some 56% of the respondents exclude the trust, honest criterion in selection criterion. And 11% of the respondents also incorporate other criterion such as training experience. From this it is concluded that the majority of the Ethiopian management consultancy firms recruit their consultant based on educational background and work experience. Moreover training experience is given due emphasis.

### Figure 3.14: Opinion on good reputation and good client relation

<table>
<thead>
<tr>
<th>Agree</th>
<th>Somewhat Agree</th>
<th>Undecided</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>14%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Strongly agree 86%

Source: questionnaire

### Figure 3.15: Recruitment criterion of consultants

<table>
<thead>
<tr>
<th>Number of MCFs</th>
<th>Based on educational background</th>
<th>Based on work experience</th>
<th>Based on trust, honesty and...</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>100</td>
<td>48</td>
<td>42</td>
<td>5</td>
</tr>
</tbody>
</table>

| Criterion percent | 42 | 42 | 20 | 5  |

Source: questionnaire
3.2.13. Environmental Factors

From the interview analysis and open ended questions the future of any organization depends upon the quality of business decisions it makes. These decisions are influenced by the business environment in which the organization operates. The environment of an organization can be classified as shown in figure 3.16.

**Figure 3.16: Environmental Factors**

<table>
<thead>
<tr>
<th>Environmental Factors</th>
<th>Number of MCFs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Very Strong</strong> (5)</td>
<td>105 91212</td>
</tr>
<tr>
<td><strong>Strong</strong> (4)</td>
<td>81322014</td>
</tr>
<tr>
<td><strong>Medium</strong> (3)</td>
<td>14128612</td>
</tr>
<tr>
<td><strong>Weak</strong> (2)</td>
<td>8422</td>
</tr>
<tr>
<td><strong>Very weak</strong> (1)</td>
<td>240220</td>
</tr>
</tbody>
</table>

Source: questionnaire

**Internal Environment:** From interview analysis and open ended questions it is concluded that internal environment determines the strength and weakness of the organization. The internal environment of an organization consists of factors such as management structure, financial strength, human resource, R&D as well as technical capabilities and the likes. Internal factors are controllable and can be modified by the management to suit the environment.

Respondents were asked to evaluate the challenges of management structure on the consultancy business in Ethiopia, and they replied that 22%, 18%, 31%, 18% and 11% of the respondents said that management structure influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the management structure influence on the development of the management consulting profession in Ethiopia.

Respondents were asked to evaluate the challenges of human resource on the consultancy business in Ethiopia, and they replied that 11%, 36%, 27%, 18% and 9% of the respondents said that financial strength influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the financial strength influence on the development of the management consulting profession in Ethiopia and they have been working in such way that alleviate their financial constraints.

Respondents were asked to evaluate the challenges of technical capability on the consultancy business in Ethiopia, and they replied that 27%, 44%, 13%, 11% and 5% of the respondents said that human resource influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that since management consultancy is intellectual based activities, most of the MCFs are aware of the human resource influence on the development of the management consulting profession in Ethiopia and they have been recruiting high caliber consultants based on educational background and work experience. Moreover training experience is given due emphasis.

Respondents were asked to evaluate the challenges of technical capability on the consultancy business in Ethiopia, and they replied that 27%, 44%, 13%, 11% and 5% of the respondents said that technical capability influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that the MCFs are dependent on technical capability of the human resources on the development of the management consulting profession in Ethiopia, however most of MCFs failed to build the technical capability of their staffs through in local and foreign countries because of their limited financial strength and inadequate training facilities in the country.

**External Environment:** From interview analysis and open ended questions it is concluded that external environment provides the opportunities and threats to the organization. The external
environment consists of factors that are largely beyond the control of the management and the organization needs to adjust itself to respond to the changes. Opportunities or Threats (O/T) presented by the dynamic environment. It can be classified further into direct forces and indirect forces.

A. Direct Forces:
Direct forces also known as micro-environmental variables, have close and direct influence on the activities of the organization. These include:

Customers/ Clients: They are the purchasers/users of the company’s services. The company needs to focus itself constantly to the changing wants and demands of its clients. There are four types of client:
- Government agencies and organization
- Non-Government Organization
- Private business Organization
- Others such as associations and charitable organizations

Respondents were asked to evaluate the challenges of Clients on the consultancy business in Ethiopia, and they replied that 44%, 11%, 36%, 9% and 0% of the respondents said that Clients influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the Clients organizations’ influence. The performance and the survival of the firm depends on the client overall relation, so the consulting firm should create good relationship with trusted and honest clients. This will facilitate the development of the Management Consulting Profession in Ethiopia.

Competitors: They are consulting business organizations that compete against each other for the target markets and resources.

Respondents were asked to evaluate the challenges of competitors on the consultancy business in Ethiopia, and they replied that 16%, 44%, 29%, 11% and 0% of the respondents said that competitors influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the competitors influence on the development of the management consulting profession in Ethiopia. From the interview analysis it is found that Economic forces shape the state of economy. They include economic system, rate of growth of economy, size of economy, rate of inflation, per capita income, etc. When there is economic boom, business organizations enjoy a growing demand for their services. Funds also become easily available for the expansion and other investments. On the contrary, if economic recession sets in, the demand of products or services climb down, profits shrink and funds become scarce. Therefore, consulting business firms should continuously monitor changes in economic variables and capitalize on opportunities while minimize on threats posed.

Respondents were asked to evaluate the challenges of economic environment on the consultancy business in Ethiopia, and they replied that 20%, 36%, 44%, 0% and 0% of the respondents said that economic environment influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the economic environment influence on the development of the management consulting profession in Ethiopia and they should adjust themselves to economic environment. However the trends of the economy may not affect the demands of consulting industry, because business organization always worried about their profitability in either growth or declined trends of the economy.

Socio-cultural Environment: Society we live is also influences performance of business through its aspirations and goals. Culture is that complex whole that includes knowledge, beliefs, values, customs, traditions, art, moral and other capabilities and habits acquired by members of society. Culture is learned and is passed on to the next generation. It is shared and influences the behavior of group members in more or less predictable way. Business organizations have to adapt themselves to the socio-cultural environment of the country especially in international context (Mescon, 1999).

Respondents were asked to evaluate the challenges of socio-cultural environment on the consultancy business in Ethiopia, and they replied that 38%, 29%, 33%, 0% and 0% of the respondents said that Socio-cultural environment influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the Socio-cultural environment influence on the development of the management consulting profession in Ethiopia. However the awareness of the business society towards consulting services is tied up with the norm of the society and most of the
societies are intend to get the service for free of charge. This discourages the consulting firm/consultant in practicing their skills and knowledge for free or less attractive price.

**Technological Environment**: from interview analysis it is found that the type of technology in use, the level of technological development, the speed with which new technologies are adopted and diffused, the type of technology that are appropriate, the technology policy, etc. are important to the consulting business. Every new technology is a force for creative destruction. It may be viewed as opportunity by companies that can capitalize on it and threats by the established leaders in services. New technology can have impact on organization in two ways:

- It can influence an organization’s use of knowledge and techniques of consulting.
- It can affect the characteristics of an organization’s services.

Respondents were asked to evaluate the challenges of Technological environment on the consultancy business in Ethiopia, and they replied that 22%, 44%, 16%, 18% and 0% of the respondents said that Technological environment influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the Technological environment influence on the development of the management consulting profession in Ethiopia. So at least the consulting firm should equip and use the technology of the client organizations.

**Political/Legal Environment**: The political and legal environment, including the characteristics and policies, legal regulations, nature of constitution also affect business strategies and goals of an organization (Mescon, 1999)

From interview analysis and open ended questions it is found that recently, the Ethiopian government systems are making rapid developments in embracing liberal policies towards investments and foreign capital & technological flow. However, still, there are quite variations in the policies and regulations regarding the conduct of the business. Similarly, regulations of quality, prices etc. are quite common. Therefore the government of Ethiopia does not support the local consulting firm. This is manifested from

- Lack of training program conducted by government agencies
- Lack of ethical and consultancy industry standards in Ethiopia.
- Inappropriate training contents

Respondents were asked to evaluate the challenges of political / legal environment on the consultancy business in Ethiopia, and they replied that 18%, 40%, 31%, 11% and 0% of the respondents replied that political / legal environment influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the political / legal environment influence on the development of the management consulting profession in Ethiopia. Even if the consulting firms were aware of the importance of the political/ legal environment, it is still poor for their advancement.

**International Environment**: International environment includes such factors as trade barriers, trade agreements, trading blocks, cartels, multilateral trade agreements, international links and the likes. Since most of the countries have integrated themselves with the global trade, so any changes in it is bound to have impact on the performance of business. Any favorable multilateral agreement can give major boost to member nations while seriously affecting the existing business of a non-member country (Mescon, 1999)

Respondents were asked to evaluate the challenges of international environment on the consultancy business in Ethiopia, and they replied that 0%, 44%, 56%, 0% and 0% of the respondents said that International environment influences the development of consultancy business in Ethiopia very strongly, strongly, medium, weak and very weak respectively. From this it is conclude that most of the MCFs are aware of the international environment influence on the development of the management consulting profession in Ethiopia, however, most of MCFs unable to create international links for their advancement.

From overall environmental factors, it is conclude that most of MCFs are dependent on internal and external business environment just like other business. Here the Most important issues are the size of the economy and its stage and pattern of economic development has a critical impact on the growth of the consulting profession. This is manifested in several areas:

- a) The size of the public and private investment programs, which influences the demand for consulting services;
- b) The educational system, and in particular the status of universities and professional schools, which influences the availability of personnel to staff the profession; and
- c) the openness of the economy, which influences the flow of technology and training from abroad and the potential for development of the private sector, in which a healthy domestic profession is most likely to take root.

Generally the challenges and problems of the management consultancy profession in Ethiopia are associated with technological change, knowledge and technical skills of the consultants, relation with client, economic development, socio-cultural, political/legal environment of the country and competencies of consultants.

From the interview and open ended questions analysis the challenges/problems of management consulting profession/firms/ were identified hereunder.

- Unable to get the first assignment: since consulting activities are relation and trust based business unless MCFs/ consultants create/develop good faith and smooth relation with clients prior to the opening of the business, most of them suffered from getting the first assignment.

- Financial uncertainty: as a result of being unable to get the assignment most of the MCFs/consultants suffer from financial constraints and they do not create network with others in the industry and finally they withdraw from the business without contributing professional inputs to the development of the profession.

- Gaps between assignments: the other terrifying problem of the consulting firms in Ethiopia is the long duration of getting successive assignments in the market.

- Over emphasis on short term profitability: most of the MCFs are interested in short term profit rather than emphasizing long term development of the profession because of their limited capacities.

- New skills sets are required: consultants in consulting firms need to up-date themselves in new skills set such as computer literacy, positioning your services, Sales skills, Writing winning proposals, handling money and time management and discipline, however most of the MCFs/consultants were found unable to update themselves in new skills.

- Lack of developing strategic alliances: MCFs/consultants unable to develop mutually beneficial business relationship with their peers in the consulting world that can help them to add value to assignment, provide referrals where and when they can’t handle an assignment and offer reciprocity with finder’s fee to provide financial incentives.

- Lack of developing relationships that lead to business success:
  - Lack of trust/public
  - Lack of commitment within the staff:
  - Lack of adequate resources to discharge the contractual agreement

- Lack of Capacity and capability: most of the MCFs/consultants lack capacity and capability to carry out full and conglomerate consulting services, Because they have not yet organized in such a way to collaborate when it is necessary to carry out such consulting services.

- Lack of transparency in client organizations in selection procedures of the consultants

- Lack of professionalism: it is found that most of consultants in Ethiopia failed to act as professional because they give due emphasis to business interest than professional standards.

- Lack of self development: due to inefficient educational system in this field, consultants did not upgrade themselves.

- Lack of well-organized and integrated market: the economy of the country is not strong enough to absorb the service of all consulting firms in the market.

- Lack of consulting services awareness of the business community: since in Ethiopia people run business in traditional way, the level of consultancy services awareness of the business community is indeed limited.

- Managers of client organization fail to use professional Advices: most of the MCFs’/consultants’ terrible challenges are the manager of the client organization unable to accept the professional advices of the consultant because they think they can manage on their own.

- Poor network with well-known international management consultancy firms.

- Lack of up-to-date statistical data and Poor filing system when conducting consulting activities.

- Lack of professional standards competencies: due the infancy of the profession, poor status of universities, professional schools, associations and ignorance of the government agencies, professional standards competencies have not yet been established.

- Lack of common data base system for most public and private business organization

- The clients inability in identifying their specific needs and unable to accept the consultants suggestion

- Lack of technical and financial support from government side

- Weak association with other professional institutions: due to poor awareness of the importance of association, most of the MCFs have not yet been associated with other professional institutions.

- Lack of a supportive environment for quality work. Despite the number, size and business volumes of the firms, their technical and professional standards remain undeveloped.
Analysis of the interviews suggests that value creation by management consultancy firms is mostly dependent on the network/link and the reputation of the firm. Items relating to this reputation mentioned are:

- The ability to create support
- The ability to cooperate with the client
- Approach of client as a relation
- Tailor-made services
- Ability to transfer knowledge
- Values
- Preferred level of analysis (strategic, tactical, operational)
- The ability to define the problem of the client firm

However, the status of the MCFs/consultants in value creation from the network/link and the reputation perspectives were found to be questionable.

4. Summary, Conclusion and Recommendation

4.1. Summary

Having conducted an in-depth investigation of the management consulting profession, by means of primary and secondary data sources, a summary of the key findings are presented, from which overall conclusions and recommendations for this Study Project would be drawn.

From the literature search (secondary sources), firstly, various definitions of management consulting were presented; with the most simplistic definition of management consulting being that it is the provision of independent advice to persons with management responsibilities.

A detailed investigation was then conducted into the topic of management consulting in general, in order to understand the industry’s role within the business context, its players (consultants), the role consultants play in an organization, their responsibilities, characteristics, functions and such issues. This area highlighted the differences between generalist and specialist consultants (which tend to be selected based on the client’s requirements), how a company goes about selecting the appropriate consultant to suit his organization’s needs (as the success of a project is largely determined by having the right client-consultant match), as well as highlighting some of the common features of consultants (such as independence, an advisory service, problem identification, problem solving, strategic analysis and implementation). Consulting thus requires the skills of a multi-disciplinary professional, to assist top management of organizations in their broad-level strategic problem solving, or in more specialist problem areas (for example human resources, information technology, distribution and marketing). A guide to the consultation process of the consulting service was provided, taking one through the entry, diagnosis, action planning, and implementation and termination phases of the process. A key issue in any consulting service is the ultimate success of the consulting project, and, as such, issues on this important area of success were covered, including: how to successfully engage the correct consultant, how to get the best results from the consultant, what strategic capabilities the consultants require, and what outcomes are required for the project to be considered a success. Both the client and consultant have distinct responsibilities, and these were highlighted to indicate the relevance of these responsibilities to a successful consulting project. Consulting specifics/essentials such as the code of ethics, terms of reference and billing guidelines were also discussed in the review of literature.

Finally, the study tried to recommend that MCFs should create awareness through promotion and participation of social works, create association with each other in the form of a joint venture, consultancy firms need to develop a network of alliances to create awareness for themselves, The government should provide technical and financial support to MCFs/consultants through training, short term courses and forum, the government and EMPA/EMI should prepare the ethical and professional standards that enforce their potential and existing members, Universities and professional school should incorporate management consultancy courses in their curriculum to promote the development of the management consultancy profession, MCFs/consultants should create strong link with universities and professional schools to facilitate the development of the profession in such a way that promote themselves in technical skills and theoretical knowledge which are the most important competencies of consultants.

4.2. Conclusion

Based on the data presented and analyzed in chapter three of the study, the following conclusions were drawn:

- Most of the respondents (64 percent) were MBA degree and Ph.D holders whereas the remaining 36 percent of the consultants were 1st degree holders. However, the pervasive constraints of the consultants were lack of experiences in all aspects of an assignment, from drafting proposals to supervising work in the field.
The majority of consulting firms’ key clients as shown in figure 4, were Private business organizations, government agencies and organizations, Non Government organizations.

The changing nature of investment programs, lack of information on the types of services required and the absence of published data on past years activities seriously constrain consulting firms in planning for the future.

Majority of the respondents (52 percent) replied that most of the MCFs have already established the link on the basic competencies of management consultancy and the rest 48 percent of the respondents replied that, MCFs were on the process to establish the link on the basic competencies of management consultancy. This indicates that the management consultancy profession is still in infancy stage and suffered from various problems: lack of professional standards, lack of professionalism, and the like.

Improvement in the quality of consulting services in Ethiopia will depend on conscious efforts to develop consulting as a profession. Hence training for consulting will require many kinds of inputs. Subject knowledge is common to all consulting work. The knowledge may be acquired through academic study or practical work experience, or a combination of both. Theoretical knowledge is useful for the understanding of the problems from an overall perspective, while practical experience helps in identifying feasible solutions and implementation strategies. However in Ethiopia a combination of both is rarely available and this lack remains a severe limitation in the development of effective consulting services in the country.

Most (67 percent) of the consulting firms participate in training programs whereas the rest (33 percent) did not take training/participate in training programs because the training content did not match the need of some MCFs and lack of resources and expertise to train the staff. From this it is conclude that the training program in Ethiopia found to be poor/weak and the MCFs/Is did not benefited from the training and the profession also faces this constraints.

Universities, professional societies, associations of consulting firms and others, have played a crucial role in disseminating knowledge, promoting high technical and professional standards, and enhancing the level of competence of the profession, however, the contribution of these entities to the development of management consulting profession in Ethiopia is insignificant because there is poor/weak link among the institutions and consulting businesses.

Most (84 percent) of the respondents judge the contribution of universities, professional societies and associations that in terms of their performance to play a supportive role to MCFs/Is were poor and very poor.

Respondents suggested that Association, government regulations and membership and peer pressure are not committed to review and enforce the implementation of the professional standards.

Most (74 percent) of MCFs/Is provide general and specialist service where as 26 percent provide full and conglomerate services because of their limited capability and capacity.

Even if the selection criteria were found to be direct negotiation, competitive bidding, previous experience and relation/network, the respondents were judging the selection procedures of the client organizations are haphazard, leave too much room for considerations on network/relation rather than merit and qualification; it has negative impact to the development of the profession.

Most of the MCFs billing criteria were fixed pricing method.

Most (76 percent) of MCFs/consultants establish or member of associations like Ethiopian Management Professional Association (EMPA) and Ethiopian Professional Association (EPA), but the associations are still weak. This were manifested by Lack of ethical and professional standards competence, Lack of organized training program for member, Lack of professionalism in consultants, Lack of public confidence in consulting firms, Poor network/relation with foreign consulting firms and client relation.

On the other hand 24 percent of them have-not established association because of lack of professionalism in consultants side, lack of commitment, lack of technical and financial support from government agencies, weak promotion of association to increase their members, and inability of consulting firms in recognizing the importance of organized in association.

Majority of the Ethiopian management consultancy firms recruit their consultant based on educational background and work experience. Moreover training experience is given due emphasis.

The future of any organization depends upon the quality of business decisions it makes. These decisions are influenced by the business environment in which the organization operates.
Most of the MCFs/consultants are dependent on the internal and external business environments just like other business.

Here the most important issues are the size of the economy, its stage and pattern of economic development has a critical impact on the growth of the consulting profession. This is manifested in several areas:

- The size of the public and private investment programs, which influences the demand for consulting services;
- The educational system, and in particular the status of universities and professional schools, which influences the availability of personnel to staff the profession; and
- The openness of the economy, which influences the flow of technology and training from abroad and the potential for development of the private sector, in which a healthy domestic profession is most likely to take root.

Generally the challenges and problems of the management consultancy profession in Ethiopia are associated with technological change, knowledge and technical skills, competencies of consultants, relation with client, economic development, and socio-cultural, political/legal environment of the country. Value creation by management consultancy firms is mostly dependent on the network/link and the reputation of the firm, however the status of the MCFs/consultants in value creation from the network/link and the reputation perspectives were found to be questionable.

4.3. Recommendation

On the basis of the findings and conclusions reached, the following recommendations were forwarded in order to reduce the Challenges of the management consultancy profession in such a way to alleviate the consulting firms’ problems. The study suggests the possible solution for aforementioned challenges and problems

- The MCFs/consultants should create awareness of business community towards consultancy services through promotion, participation in social activities that increases the net work of the consultants and public confidence.
- Especially smaller consultancy firms need to develop a network of alliances to create awareness for themselves and to increase their range of services offered through cooperation with other consultants.
- MCFs/Consultants should associate with each other in the form of a joint venture or of a sub-consultancy agreement to complement their respective areas of expertise, strengthen the technical responsiveness of their proposals and make available bigger pools of experts, provide better approaches and methodologies, and, in some cases, to offer lower prices. Such an association may be for the long term (independent of any particular assignment) or for a specific assignment. The government should provide technical and financial support to MCFs/consultants financial through training, short term courses and forum, symposia in such a way that promotes the development of management consultancy profession.
- The Ethiopian Management Professional Association (EMPA)/EMI should give training to consultants to fill the gap in knowledge and skills of the profession.
- The government and EMPA/EMI should prepare the ethical and professional standards that enforce their potential and current members. Moreover, the consultant should evoke these bodies towards the outlining and ratifying of the professional standards and code of ethics.
- Since universities and professional schools are responsible for theoretical knowledge and technical skills, they should incorporate management consultancy courses in their curriculum to promote the development of the management consultancy profession.
- MCFs/consultants should create strong link with universities and professional schools to facilitate the development of the profession in such a way that promote themselves in technical skills and theoretical knowledge.

5. References


[26] www2.uih.fi/projects/metodi