

CHANGE OF CONSULTING METHODS AND APPROACHES IN HUNGARY

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Abstract

Over recent decades, technological and social progress have greatly enhanced the role of Business Consultant in the economy, as Foreign Direct Investment has also proved to be very important for economic development. Technological breakthroughs have enormously impacted consulting and yet its major factor is still the interaction between humans. Thus, technological dehumanization and the humanizing force of client-consultant interactions work in tandem. This paper describes key features of general consulting in Hungary with special emphasis on foreign-owned company's subsidiaries. Digital technology, which is now universal and new business models are radically changing both the workplace and the way in which work is done. We were looking for answers what practical methods the consultants used during the counselling process, what extent new consulting practices appeared at the implementation.

Key words

Management Consulting, Expert Consulting, Inquiry Consulting, Trend and Tendency

JEL Classification: L84, R34

Introduction

Management consultancy is a rapidly changing world into which new players, disciplines and capabilities are continuously being integrated, where borders are constantly expanding and where horizons are receding to the point where our profession has now become a global network of businesses, covering a wide spectrum of areas which only a few years ago, was not imagined (Jamieson et al; 2016).

Over recent decades, technological and social progress have greatly enhanced the role of Business Consultant in the economy, as Foreign Direct Investment has also proved to be very important for economic development.

This paper describes key features of general consulting in Hungary with special emphasis on foreign-owned company's subsidiaries. Digital technology, which is now universal and new business models are radically changing both the workplace and the way in which work is done. We were looking for answers what practical methods the consultants used during the counselling process, what extent new consulting practices appeared at the implementation.

The causes of the use of expert advice are the recognition and identification of problems and opportunities emerging within the organization, elaboration of responses to the problems by application of "best practice" within the industry. The change in the life of the organisations is a process which has a defined direction and the process consulting helps the organisations manage the current difficulties. During the practical application of inquiry

consultation, new practical methods are employed by the consultants as a result of the managerial know-how, which lead to the introduction of new practices.

Goal and Methodology

This study consists of two parts. On the one hand, this study introduced the literature. On the other hand, this study is based on own survey which was made at Hungarian Management Consultancy companies in 2015. The aim of the survey is to analyse know whether and to what extent the firms use various methods for practical guidance in the consultation process.

Based on the result, three research hypotheses were conceived.

- H1: The international consulting company used in new innovative solutions and methods with traditional consulting methods.
- H2: The exterior environment's changes and new innovative solutions resulted in the development of consulting skills, abilities and competencies.

Findings

The results of survey show that the expert counseling methods, the process counseling method and inquiry method were used by Management Consultancies independently of the ownership background. The Management Consulting will be

successful if it achieves a "win-win" outcome and if it is processed and integrated into the available know-how at client's companies. The main motivation of the consultants is to develop competence within the organizational structure. Counselling plays an important role in the life of organizations, by the words of Schopenhauer "Change alone is eternal, perpetual, immortal". Developing and implementing the right strategy at a company operating in a dynamic environment is of crucial importance. Responses to the new challenges and adaptation to the change require the development and renewal of management knowledge and the introduction of new practices. Knowledge and efficiency use the consulting know-how, which is the result of consultant multi-functional education and life-long learning.

1. Management Consulting

What does Business Consulting do? The aim and the role of the consulting are to provide the organization and its management with advice and support in the realization of the objectives. Beside exploring and solving the problems, it involves the exploration of new opportunities and the mastery of the necessary skills. We wanted to know whether and to what extent the firms use various methods for practical guidance in the consultation process. (www.feaco.com. Download time: 16.03.2017)

The Management Consultant companies provide to help for the following services:

1. *Strategy Consulting (SC)*, which targets the improvement of the long-term, strategic health of a company: strategic planning development; mergers & acquisitions; sales; marketing; corporate communication; financial advisory; HR strategy;
2. *Organisation/Operation Management (OM)* aims at the integration of business solutions through Business Process Re-engineering (BPR); customer/supplier relations management (CRM); turnaround/cost reduction and purchasing & supply management, as well as advice on outsourcing;
3. *Project Management (PM)*; The application of knowledge, skills, tools and techniques to a broad range of activities in order to meet the requirements of a particular project;
4. *Change Management (CM)*, this consists of services which, on top of any other type of consulting services, help an organisation deal with the effects that change has on the human element of the organisation;
5. *Human Resources Consulting (HR)*, Consulting services which target the improvement of the

'people' element of an organisation through performance measurement and management, reorganisation of benefits, compensations and retirement schemes, HR strategy and marketing, the development of talent strategies and executive coaching.

6. *Knowledge Management Consulting* is a consulting activity in which is maximize the organization's added value creation capabilities, the knowledge found inside and outside the organization is integrated, made applicable, the overall knowledge capital is interpreted and supported by IT solutions – it is made usable.
 7. *Coaching/team coaching* with the client (in the case of personal coaching with the coachee), namely with the manager or the employee; in the case of the team- coaching there is a partnership between coach and clients established on the basis of trust and strict ethical guidelines.
 8. *Information Technology Consulting (ITC)* helps organisations to evaluate their IT strategies with the objective of aligning technology with the business process. These services include strategic planning and conceptions, operations and implementations.
 9. *Development and Integration that concerns:*
 - the development of applications (excluding software);
 - the creation of new functionalities through, often tailored, process developments.
- Usually these developments integrate or unite internal or external business processes and can involve a conversion of applications so that they can be used for different platforms or conceptions,
- the design of services which integrate applications which were created in different existing IT applications or infrastructures (systems integration -development);
 - the deployment and integration of applications;
 - the implementation of new applications or infrastructures, which refers to the installation of hardware and/or software, their configuration or adaptation and the testing of their interoperability; and of services which integrate applications which were created in different existing IT applications or infrastructures and the management thereof (systems integration).
10. *Outsourcing, which consists of three types of activities:*
 - *IT management services*; among these are services for the operation of infrastructures (operation of systems,

administration and security, follow up of cost-effectiveness, configuration management, management of technology, etc.) applications management, and help desk management;

- *Applied Management Services (AMS)*; this concerns the outsourcing of the development and implementation of support services for hardware, applications, CRM and infrastructures (tools for the development of applications and middleware, as well as software for information management, storage or systems and networks);
- *Business Process Outsourcing (BPO)*; this service supposes the externalisation of a complete business process.

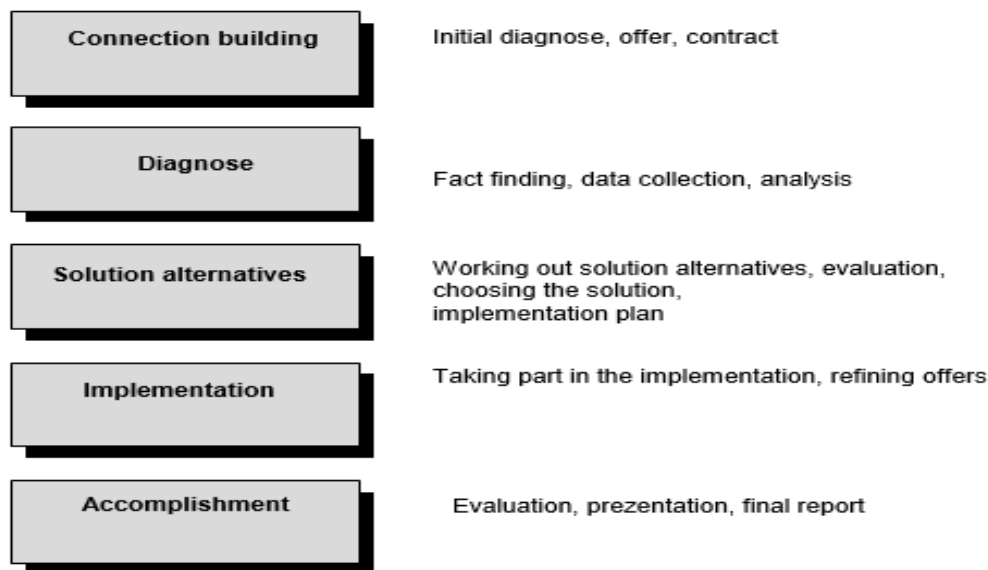
Other Services, which consist of a variety of offerings provided by many Management Consultancy companies that are generally complementary to Consulting, Development and Integration, and Outsourcing. Categories here include: Training, Engineering Consulting, Outplacement, Executive Selection and Recruitment and Audit and Accounting (www.feaco.com. Download time: 16.03.2017)

1.1. Expert consulting

The aim and the role of the consulting are to provide the organisation and its management with advice and support in the realization of the objectives. Beside exploring and solving the problems, it involves the exploration of new opportunities and the mastery of the necessary skills.

The causes of the use of expert advice are the recognition and the identification of problems and the opportunities emerging within the organization, elaboration of responses to the problems by application of "best practice" within the industry. Therefore, the most important task of consulting is the exact problem definition. According to the classic literature, the advisor takes the role of an expert who has special knowledge and experience which helps the client. The advisor collects information, plans new systems, proposes solutions and convinces the customer of their correctness and if necessary, helps with its implementation (Kubr; 2002; pp. 5-50). The Figure 1 shows the process of expert consulting.

Figure 1: Process of expert consulting



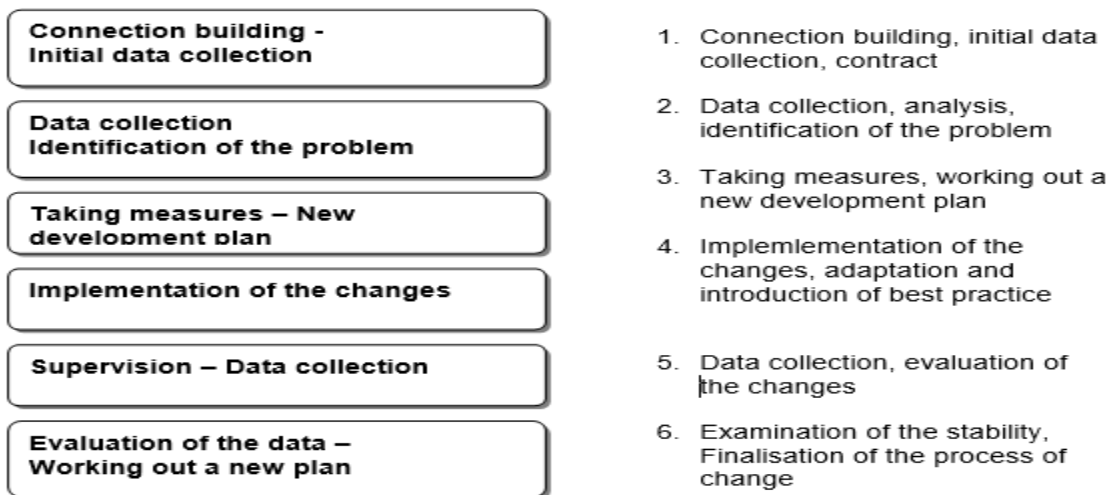
Source: Poór et al.: *Management Consulting Handbook in Hungary 2016*; pp. 45

1.2. Process Consulting

The change in the life of the organisations is a process which has a defined direction and the process consulting helps the organisations manage the current difficulties. In the field of the management consulting the process consulting/process management is also connected to the notion of change management.

Organizations need to adapt to the changes in the external environment, in order to maintain their competitiveness. In the course of the process consulting, it is the task of the consultant to assess and identification the situation on the basis of feelings and attitudes. The Figure 2 introduces the process of process consulting (Biswas-Twitchell: 1990; pp. 287).

Figure 2: Process consulting



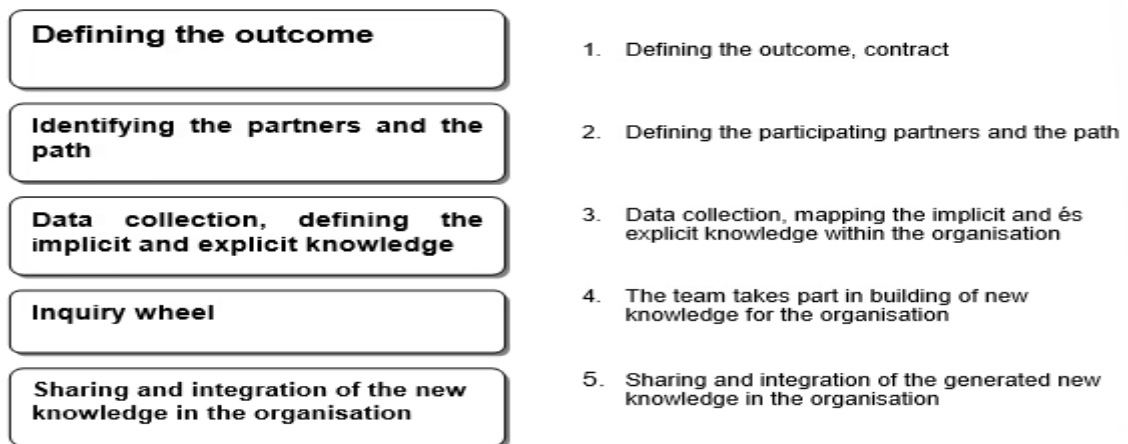
Source: Poór et al.: *Management Consulting Handbook in Hungary 2016*; pp. 75

1.3. Inquiry Consulting

During the practical application of inquiry consultation, new practical methods are employed by the consultants as a result of the managerial know-how, which leads to the introduction of new practices. The consultants play a key role in the implementation

of the proposed changes at the client organization. A successful consultant can offer the right solution, an alternative for customers; therefore consulting firms in practice evaluate and use all means and opportunities for a successful consulting. The Figure 3. depicts the process of inquiry consulting (*Brooks.-Edwards:2014 pp. 35-105*)

Figure3: Process of Inquiry consulting



Source: Brooks A.-Edwards K.:2014 pp. 95

2. Empirical research

The research is based on a questionnaire which involved three groups of questions. The findings of the report are based on the general use of statistical methods (mean, frequency and distribution). During the research, 130 questionnaires could be evaluated.

Our research was a kind of benchmark, to provide a basis of comparison for subsequent queries, and intended to depict what practical methods were applied by respondents who work in different areas of consulting. All respondents with valid answers received our survey (if they let us know their accessibility), as well as all partner organizations which provided our work with professional support.

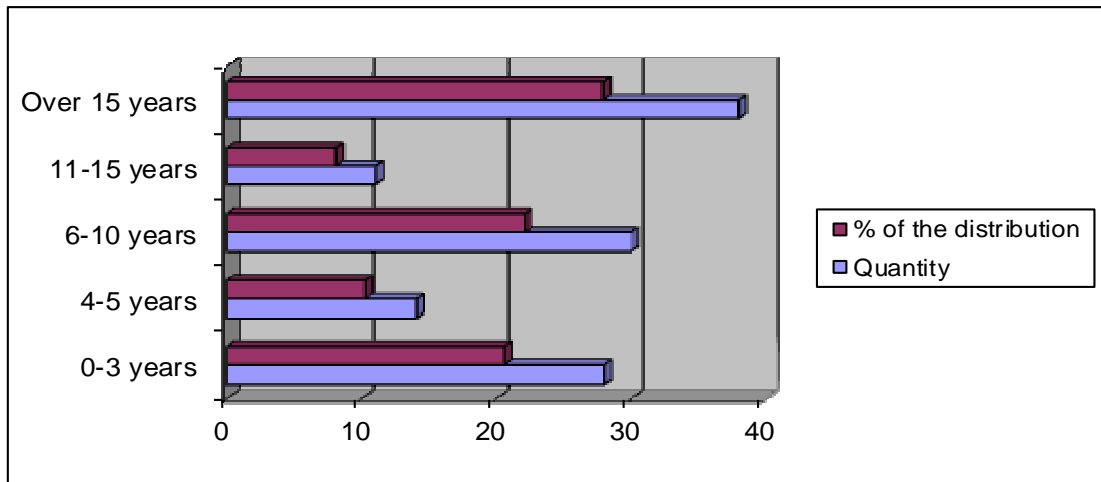
2.1. Characteristics of participating firms

2.1.1. Date of establishment

Figure 4 shows the time which has passed since the establishment of the respondents companies. One third of the respondent companies have been in the

market for more than ten years, 28 % of the companies for more than 15 years. 11 % of the respondents did not indicate their entrance into the market, though; in the light of the data we can say that consulting has an important role among the domestic companies.

Figure 4: Year of market entrance (year; %)



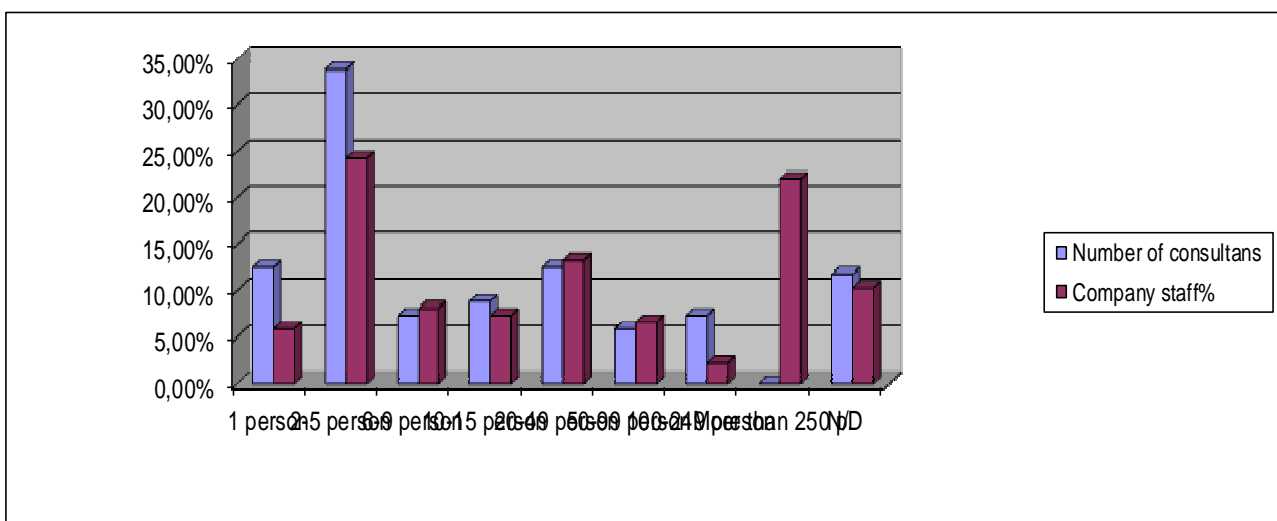
Source: Author's own research

2.1.2. Size

89% of the respondents gave an evaluable answer to the question on size and headcount. The size of the company can be inferred from the number of the employees. (Figure 5). Most respondents, 24%, work for companies with 2-5 people, however 22% of the respondent enterprises have a staff number over 250.

The number of consultants is shown by figure 5 as it is visible that an enterprise 2-5 men is the most common. 33% of the surveyed domestic-owned enterprises, are micro-enterprises with 2-5 men, 12% - 12% employ between 6-9 and 10-19 people and 8% have more than 250 employees. The surveyed foreign-owned enterprises typically operate with a staff number more than 250.

Figure 5. Company headcount – Consultant headcount



Source: Author's own research

2.1.3. Most typical consulting activities

consulting companies have Hungarian owners, while 18% of the companies are in the hands of foreign ones.

Table 1 shows the ownership structure of the surveyed companies. 60% of the interviewed

Table 1: Origin of key owner

		Frequency	%	Cum %
Origion of key owner	Local	82	60,29	60,29
	Foreign	25	18,38	78,67
	Mix	15	11,03	89,7
	Other	14	10,3	100
Total		136	100	

Source: Author's own research

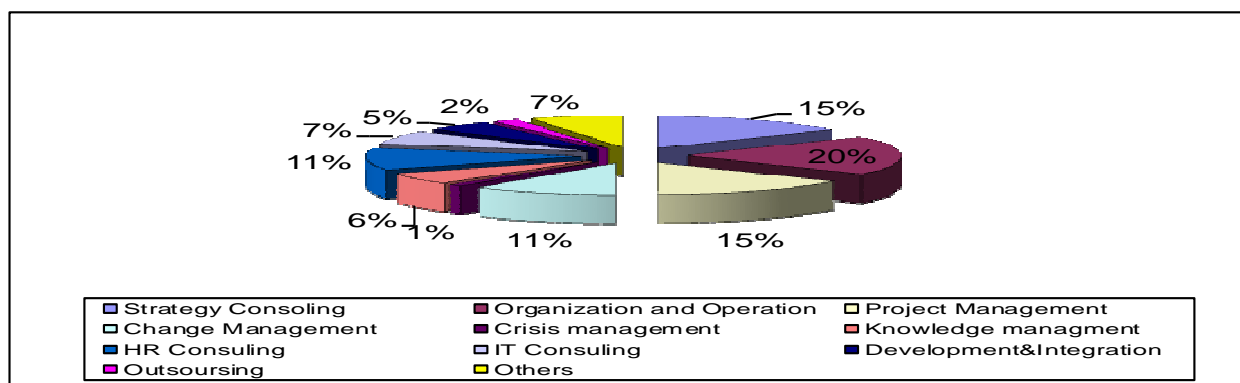
2.1.4. Most typical consulting activities

Figure 6 shows the typical consulting activities of the consulting companies participating in the survey (Note: three answers could be given by the respondents.) The following activities represented the largest proportion:

- strategic consulting and project management 15-15%
- change and HR Consulting 11-11%
- IT with systems engineering 12%
- Knowledge Management 6%
- while divorce counselling 1%

- operation and development consultancy 20%

Figure 6: Most typical consulting activities



Source: Author's own research

3. Consulting Approaches

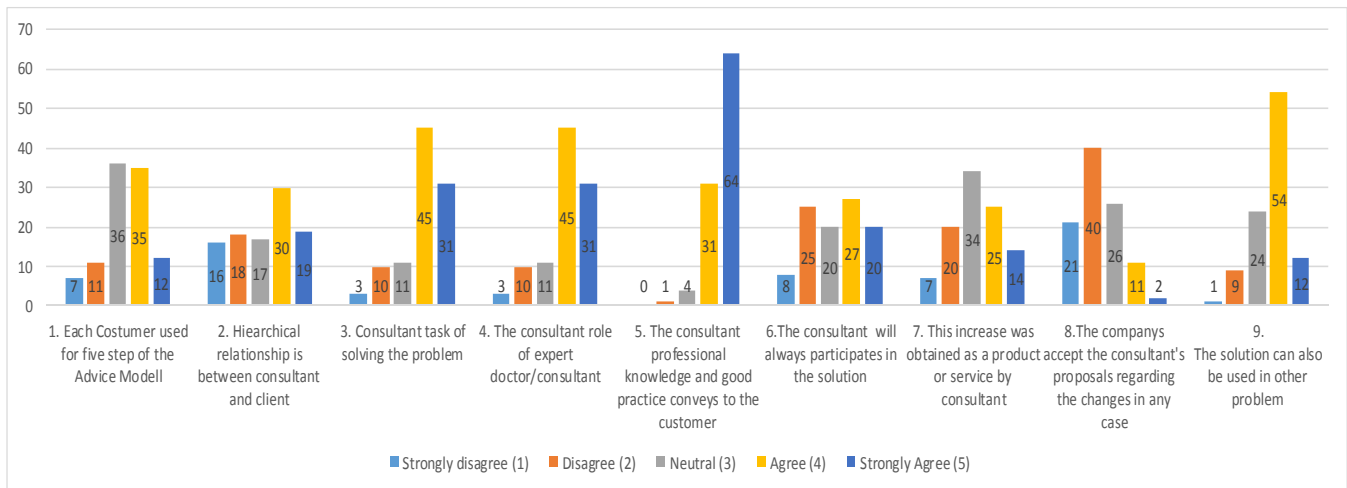
In the following group of questions we analysed, the practical application of methods based on the responses of the advisory business in the light of the ownership structure. We wanted to know whether and to what extent the firms use various methods for practical guidance in the consultation process.

3.1.1. Usage of expert Consulting at domestic users

The domestic owned consulting firms use the practice of expert advice methods in the course of their daily work. According to 40% of the respondent companies, the five steps of the expert advisory model are suitable for all clients.

3.1. Expert Consulting

Figure 7: Usage of expert consulting at domestic users



Source: Author's own research

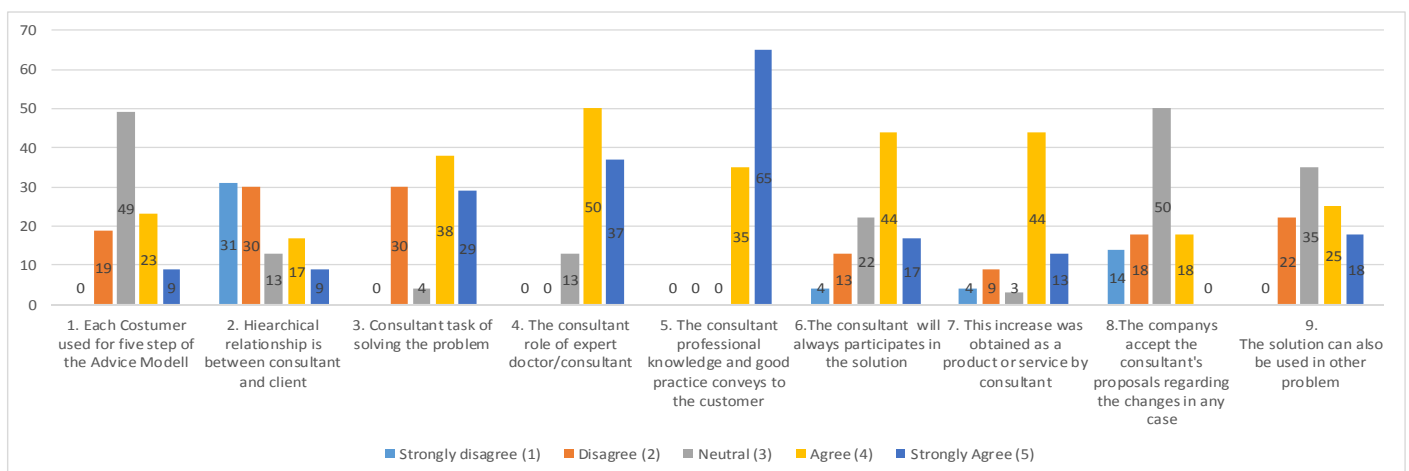
According to more than 70% of the respondents, the task of the advisor is problem solving, the consultant follows his professional knowledge and transmits the good practice to the client, where the expert – with a medical analogy – plays the role of the "doctor".

According to 50% of the respondents, the advisor participates in the implementation of the solution, but only 30% of the customers receive the solution in the form of a product or service. According to 50% of the surveyed Hungarian-owned management consulting firms, the customer does not accept the proposed solution in all cases (Figure 7).

The foreign-owned companies interpret the practical application of expert consulting a little differently, they represent a different perspective. According to 70% of the surveyed consultants, the 5 steps of the advisory model are not suitable for all customers. 60% of the respondents think that the relationship between the client and the consultant is not hierarchical, but vertical and functionality is characteristic, the consultant participates in the solution. The counsellor's responsibility is problem solving and according to more than 80% of the interviewed consultants, the consultant acts as an expert/doctor, where the consultant's professional knowledge and good practice is conveyed towards the direction of the client.

3.1.2. Usage of expert consulting at foreign owned users

Figure 8: Usage of expert consulting at foreign owned users



Source: Author's own research

3.1.3. Usage of expert consulting at jointly owned users

The practical application of expert advice differs in the case of jointly-owned enterprises from domestic and foreign-owned ones. More than 40% of the interviewed consultants think that the five steps of the consulting model are applicable to all clients, but according to more than 50% of the consultants, the relationship between the client and counselor is not hierarchical. This confirms the fact that the customer should be treated as a partner and must be involved in the consultation and implementation process. In this form of cooperation, the problems become more visible and understandable for the client. More than 50% of the interviewed consultants said that the task of the consultant was problem solving and, according to 2/3 of the interviewed consultants claimed that the consultant filled the role of the expert/doctor in the consultation process, where the consultant conveys professional knowledge and professional experience to the customer.

3.2. Process Consulting

Based on the responses of the surveyed management consultants, they focus on problem-solving and on improving the customer's problem-solving ability. The consultant works together with the client in the consulting process and encourages the client to carry out the problem-solving actively.

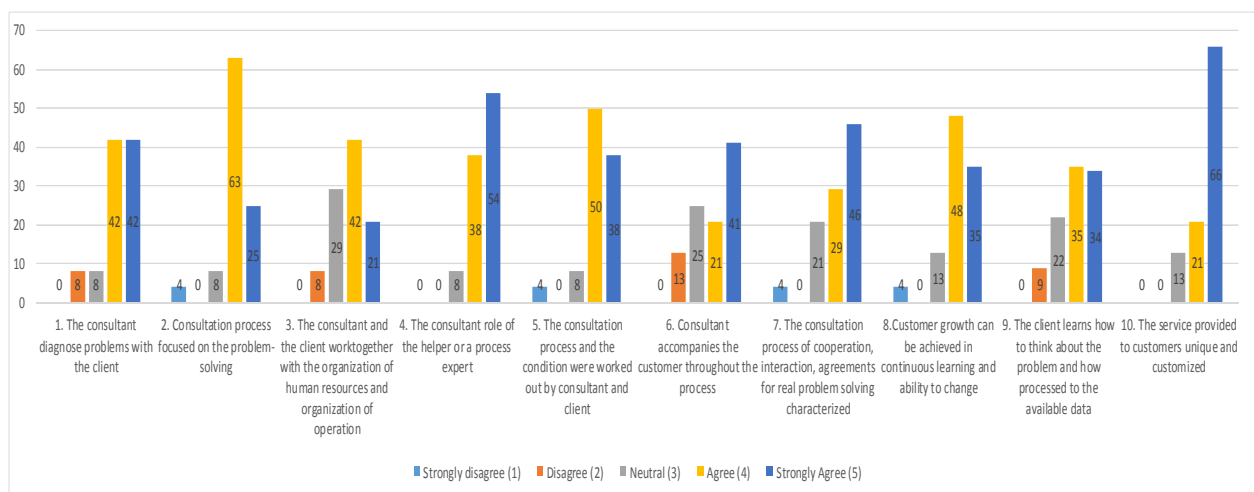
3.2.1. Usage of process consulting at domestic users

The results also show that the interviewed consultants agree that the consultant diagnoses the problem together with the customer. For this reason, a personal, long-term, and process-oriented, direct relationship develops between the consultant and the client. The consultant attempts during the implementation process to make the client understand the connection between the received and the processed data and relationships. As a result, the client learns how to think about the problem and how to process the available data. The responses of the interviewed consultants indicate that the consultants develop the solution jointly with the clients and accompany them during the solution process. Therefore, we can say that process consulting offers unique, customized solutions to those companies and enterprises which enlist the services of consultants.

3.2.2. Usage of process consulting at foreign owned users

The responses received from management consultants of foreign-owned enterprises also show similar results as in the cases of the domestic- or jointly-owned enterprises in the process of consulting experience. 80% of the interviewed consultants claim the process consultant diagnoses the problem jointly with the client, which is an important element of this type of consulting for. The focus here is a problem, where an organization, a department or an organizational process, will be restructured and the appropriate operational will be implemented. These changes will not produce immediate results, as the processes need time for being converted (Figure 9).

Figure 9: Usage of process consulting at foreign owned users



Source: Author's own research

3.2.3. Usage of process consulting at jointly owned users

The responses received from the consultants of jointly owned companies clearly show that in practice the identifying of the problem is the assessment of the situation, which is based on feelings and attitudes. More than two thirds of the interviewed consultants think that the growth in terms of the number of clients can be achieved with common work and continuous learning and with the ability to change. The uniqueness of the solutions requires the establishment of an open relationship and mutual trust between the client and the consultant. The practical application of process consulting also requires continuous development and learning on behalf on the consultant's part. In our rapidly changing and developing world, a consultant must be familiar with the latest theoretical and practical solutions, research findings.

3.3. Inquiry Consulting

The most important characteristic of inquiry consulting is that the emphasis is not on the problem but on the achievement of the desired result. In practice, this means that it targets the result; the determination of the best and shortest way to the result. The most characteristic part of the consulting process that the consultant and the client are equal partners in the consultation process, they work together as partners on the issues regarding the changes. Combined knowledge will lead to the desired goal. The consultant is able to determine the client's knowledge within the organization by questioning. During the elaboration of the solution processes, the exploration and exploitation of explicit and implicit knowledge contribute significantly to the success of the final result. In the implementation of the final results, it is very important to take into account the external effects that require processing and the development of alternative scenario-related opportunities and outcomes.

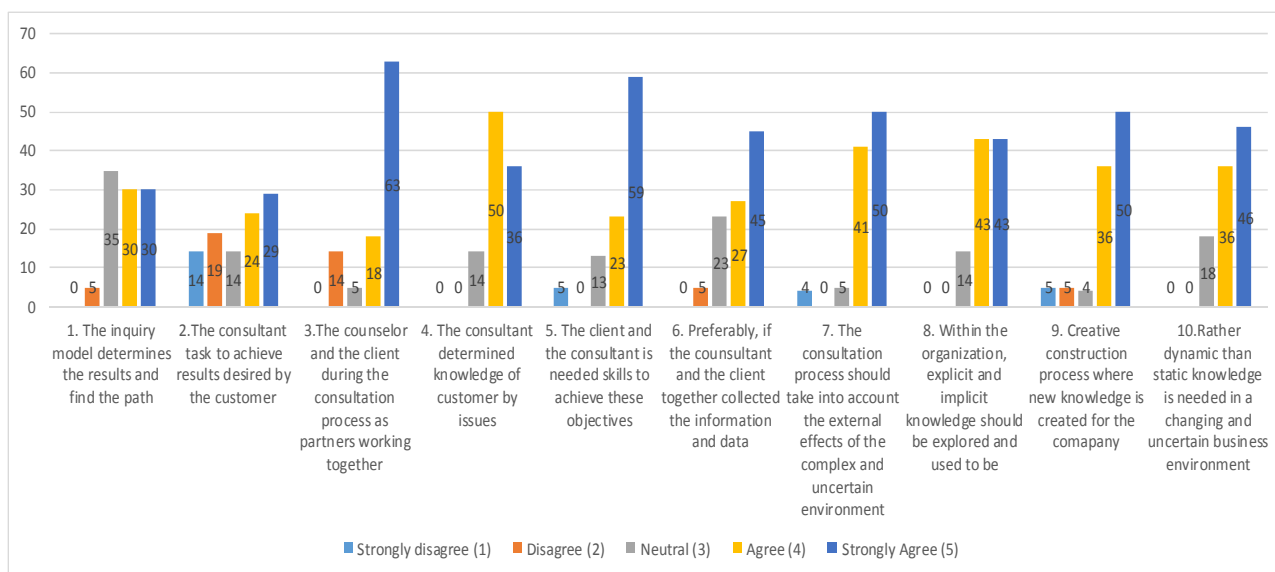
3.3.1. Usage of Inquiry consulting at domestic users

65% of the surveyed domestic owned consulting organizations are of the opinion that the objective determines the path, but only 45% of them think that the consultant's responsibility is to assure the achievement of the desired objectives. Respondents are strongly of the opinion that the consultant and the client work together as partners in the consultation process. According to nearly two thirds of the respondents processing of the combined knowledge and the jointly collected information are needed to achieve the targets. Understanding and use of explicit and implicit knowledge produced by the organisation are part of a building process where new knowledge is created for the organisation. In a rapidly changing world an organization and an individual need rather dynamic knowledge than one. The ability of continuous learning and adaptation are essential for the organizations in order to respond to the challenges of the future.

3.3.2. Usage of Inquiry consulting at foreign owned users

According to 60% of the consultants working at the surveyed foreign-owned enterprises the result determines by the path. It is a very important aspect for them to set the desired results and ensure the implementation in cooperation with the client. Based on their opinions and practices they identify the problem together and so do they in the process of implementation. It is important to recognize the quality and quantity of this knowledge within the organization and to use it during the implementation of the solution processes. In the estimation of the knowledge, existence and application of dynamic knowledge is essential for a successful implementation (Figure 10).

Figure 10: Usage of inquiry consulting at foreign owned users



Source: Author's own research

3.3.3. Usage of Inquiry consulting at jointly owned users

According to 2/3 of consultants employed by jointly owned enterprises, the consultant and the client work together as partners within an organisation, where, in the achievement of the goal the common knowledge is crucial in the implementation process. The consultants are of the opinion, that if they work properly the organisation thrives on knowledge and they have an influential role in the creation of the attitudes within the organization and in the implementation and monitoring of the process of change. The knowledge provided by the consultant is only partly used for those problems that arise later, but the organizational knowledge is expanded. The consultant should have a wide range of knowledge in order to integrate "best practise" properly within the organization in the problem solving processes.

Conclusion - General situation in Management Consulting in Hungary

In connection with the management consulting, the results of the questionnaire-related analysis show us the experience of the development and introduction of new practices. The research field of the questionnaire is how the Hungarian consultant market interprets the practical models and whether the professionals see the consultant-client relationship similarly compared to the descriptive expert opinions. The research provides the opportunity to explore the

differences and the correlations between the theoretical and practical methods. The interviewed consultants work in the private- and public sector and present their practical experiences, which are included in this part of the analysis. The 50 used interpretations show a mixed picture of the field of practice, generally speaking, all types of practical methods are applied by the consultants in order to use the "best practice" for a successful consulting and to process and integrate the know-how successfully.

The practical application of consulting methods can be classified, depending on the kind of problems that arise. In connection with these filling the expert roles, managing the processes and changes or application of inquiry methods mean the differences. In all cases, the models have their own characteristics which the consultant applies in the very situation in order to achieve the required success. The results of the analyses show clearly that there is an overlapping in the practical application of hard and soft elements. Process- and inquiry consulting will take over the role of implementation of operational tasks and topics. It can be claimed that the cooperation between the client and the consultant is getting a more and more important role on the basis of which, emphasis shifts from a generalist focus towards an operational focus and the counsellor-client relationship is vertical.

The interviewed consultants deal with processes in process consulting and the main motivator is problem solving. Consultants and clients develop jointly the conditions and the whole process of consultation. The whole process is characterised by cooperation, interaction and agreements for real

problem solving where the creativity of the consultant is of great importance as well as the close cooperation between consultant and client, the precondition of which is the openness of the client. In these processes, the consultant fills the role of an assistant who helps the client learn how to work together effectively, though it is a complex challenge for both of them. The consultant must learn how to develop the skills to achieve growth, for continual learning, as the environment continues to evolve and it is essential to follow changes. During the whole process of consulting the client learns how to think about problems, how to process the available data, which means the customer will be able to solve further similar problems which may arise – this is the real knowledge transfer. During the process consulting both the client and the counselor should provide significant resources.

It is a characteristic of the inquiry consulting that the consulting moves from the orientation consulting in the direction of the inquiry questioning, the aim of

which is problem solving, which means that the client wants to achieve the set goals and results. While applying the model, it is important that the consultant use not only professional knowledge, but also the explicit and implicit knowledge within the organization during the implementation process. However, it is a very important factor to the client to track the current trends and to be open to the development and to be able to see opportunities for further development. The collective knowledge will lead to the achievement of objectives, in which different experiences are combined. The consultant needs dynamic consulting skills, but we can say that there are no identical problems within the industry, since the consultant acquires broader and deeper skills/knowledge by the use this inquiry method. Thus, the consultants become deeply familiar with the organization and by receiving relevant information and data the consultant becomes aware of the complexity of the problems.

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