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206

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The Role of Management Consultants in the Indian Economy

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Till recently the work of business consultants in India was mainly concerned with time and motion study on the shop floor and the introduction of standards of production, labour and cost. This position, however, has changed during the last few years and today a management consultancy firm embraces as part of its services a much wider field of functions.

No authoritative survey has been made of the present position but a list compiled recently by the National Productivity Council shows that there are some fifty firms and individuals doing consultancy work. The fields of work of these vary a great deal. They may be in one or more particular management function such as production, engineering, marketing, personnel or finance. They may specialise in rendering advice and assistance in the introduction of specific management techniques such as production planning and control, job evaluation and incentives, standard costing and budgetary control, and so on.

Usefulness of Consultancy Services

There are various views expressed about the value of management consultants. At the one extreme, they are considered mercenary, sharks, "persons whose business it is to go wrong with confidence", or "persons who charge you more for telling you how to run your business than you could possibly make if you ran it the right way instead of the way they tell you"! At the other extreme, situations are not uncommon where they consider themselves supermen, full of new ideas, with the rare talent of being able to solve infallibly all problems of management. Neither of these extreme viewpoints has its roots in reality.

Consultants are useful in any given situation primarily because of their bringing an independent and unbiased viewpoint from outside. They bring "a trained eye and the detached mind of an experienced outsider to bear on problems with which everyone on the spot has become far too involved to see objective." They have the time to stand and watch and produce facts as the basis for further action. Their usefulness is heightened by the knowledge and skill they bring from their varied experience in the handling of similar situations elsewhere. It is their ability to analyse this diverse experience through the use of special tools developed over the years and to apply the results of analysis to a new situation that constitute the true competence of management consultants.

A management consultant has a unique advantage over the executive within the enterprise in being able to give a frank and independent opinion inasmuch as he is not personally involved in the situation. He enjoys an independence of judgement which the less fortunately placed executive is denied. He does not hesitate, when the occasion demands, to show up the failures of higher management in not utilising fully the available executive talent within the enterprise. As an independent adviser his comments are more welcome and readily acceptable to executives at all levels, although similar and even better suggestions may have already been available from within.

It is not the inefficient or the less progressive concern alone that needs the services of management consultants. Modern management has become such a complex function that the more progressive and enlightened the management of a particular enterprise, the more it seeks the counsel of independent consultants. The less enlightened the management of an enterprise, the less does it recognise the complexities of its own function and the need for consultants. To utilise the services of consultants is not a reflection on any one's competence.

Areas of Usefulness

Specifically, the management consultants' uses today include the provision of:

(i) Preventive service to ensure that situations do not lead to such a state as to necessitate costly and wasteful remedial action;

(ii) Remedial service when situations go out of control or beyond the competence of available men and resources;

(iii) Outside professional assistance of the type not available economically within the enterprise; and

(iv) Means of developing professional competence in new areas among men within the enterprise.

The most commonly recognised area of usefulness of consultants has unfortunately been the remedial aspect, which perhaps is the least effective part of their role. It is here that many of their recommendations remain unimplemented and their reputation is often at stake. Lack of appreciation on the part of many managements of the more fruitful and the more effective way in which consultants could be useful in the other three areas mentioned above has been the principal barrier to exploiting their full potentialities or to their being able to play their rightful role. Looking ahead to future needs and looking forward to the future health of the enterprise have not yet become a part of current thinking in management. Recognition that "an ounce of prevention is better than a pound of cure" as applied to business problems has been rather slow.

Status in India

Management consultancy has come into existence here as in other countries in fulfilment of certain needs. These are:

First, with the development of the country there are many new industries coming into existence. Many of these are modern enterprises built with foreign collaboration and with the latest technical knowhow. These can only be run with maximum efficiency if technical skill is matched by managerial skill. Management consultancy could greatly assist in the development of the latter.

Second, the older industries in order to survive competition from the newer ones cannot continue as they are. They have to meet the challenge of change, introduce newer methods and techniques, increase efficiency and productivity. Management consultants can be of assistance in this regard.

Foreign Example

The laws of economics are universal and what is applicable to other countries would also be true for us. There is no peculiar situation existing in our country, as may be supposed, which would require a distinctive role for management consultants here. It would be of great benefit to us if we learnt from the experience of other industrially advanced countries in regard to consultancy practices.

In the United States, management consultancy is practised in a big way. There are very few industries which have not at some time or the other made use of consultants. According to a survey reported in Time magazine as early as 1956, there were over 2,000 consultancy firms with an annual average business turnover of $400 million or Rs.200 crores. In the United Kingdom, the business is not so large but it is generally accepted as an important part of the economy. The extent to which it is used is reflected in an article in the Financial Times in 1956 when it was estimated that there were 64 firms having about 1,000 qualified consultants and doing an annual business worth £4 million or approximately Rs.5½ crores.

Compared to this we in India are in our infancy. Many of the fifty firms mentioned earlier are one man or two men organisations and the quantum of business is just a fraction of what it is even in the U.K. More use can be made of consultants in India if there is an appreciation on the part of business of the value of their services.

Present and Future

The role of the management consultant at present in India is primarily to be of service to business and industry, to assist them in attaining higher productivity for the national good. This role, however, is limited, unlike the United States, where consultants in addition function in schools, colleges and hospitals as also in politics. When Dwight Eisenhower was campaigning in 1952, business backers called in a firm of consultants to determine 250 top policymaking jobs through which the Republicans could make their policies felt. There is a recent trend there for consultants to take over an inefficient business and run it on behalf of management for a period of time. This concept is far ahead of us in India and seems to run counter to the concept that consultants must not seek to manage. One wonders whether such a role will be played by Indian management consultants in the forseeable future.