

The Adaptation of Management Consultant Profession from International Trends to Romanian Market Conditions

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Abstract

As a point of reference on the Romanian market for management consulting services, it can be stated that its evolution over the last years has suffered a positive impact, in principle, due to the relative overcoming of the period of economic recession. Of course, this does not mean that the situation of client companies is extremely favorable, because it is precisely this period of return and re-adjustment to market requirements that has led to cost cutting measures, including management consulting costs.

Keywords: management, consulting, profession, market, Romania.

1 Introduction

In order to understand such a general concept like management consulting, a broader definition given by specialists assimilates it to “*an added value, an optimizing factor of the resources of organizations in the public and private environment, an instrument of human and material resource efficiency, adapting technological processes to market conditions and needs*” [1]. Although it may sound like an eulogy, rather than a definition, other specialists think bigger when it comes to acknowledging the benefits of management consultancy by saying that a company is similar to the human body. “*When a dysfunction occurs, it can be repaired following treatment. Similarly, in a company, many types of problems can arise: many companies are quite healthy although a little physical exercise and a change in diet would make them stronger*” [1].

The two definitions denote an evolution on the perception of consulting services, from simple research projects, in the past, to increasingly complex organizational transformation processes - from a personal point of view, from here a question can be raised: *does economic growth generate the gradual development of the consulting services, or the benefits of the consulting services determine the economic growth?*, question that we have tried to answer in a previous paper [4], in relation to the Structural and Cohesion funds consultancy sector in Romania.

If we look in the past, we would find that in the early 1900's, management was strongly related to technologies, in other words, the US initiators of this science like F. Taylor, H. Gantt, A. Little, H. Emerson [2] called it management engineering, only years later being transformed into a more commercial meaning, that of management consulting.

There was also a generational shift in the existence of management consulting market, because during that period most of the companies were working with the industrial and the governmental sector, like the company of A. Little or E. Booz [2]. Then there started to appear companies mainly focused on strategic management, like those of J. McKinsey or Boston Consulting Group [2]. But why are we talking only on the US side? Because, in the American leadership psychology, the gesture to appeal to competences from outside the organization was seen as a normal solution to solve the respective problem.

The introverted leaders were found in Europe, where it was not acceptable to call for help from outside the organization and even worse, to pay for it. In France or Germany, there was a higher self-esteem among the business sector and it was promoted the idea that European leaders were better trained than the fellow Americans.

Indeed, if we analyze the creation of the global market for management consulting services, it can be observed that international trade expansion has left aside this kind of vanities and has permitted American management consulting companies to go deep into the European market, most of them gaining good reputation until present.

2 The birth of management consultancy in Romania, during the transition from the state centralized economy to the market economy

2.1 *The introduction of management consultancy standards and the development of regulations regarding the management consultant profession in Romania*

In Romania of the mid 1900s, the state centralized economy did not have anything to do with the concept of management consulting, so the United Nations tried to implement this concept by establishing a Center for Professional Development [1] in Bucharest, with the aim of bringing in foreign lecturers. The late 1900s caused the fall of the communist regime and the institute, even if it changed its name into Romanian Institute of Management [1], it gradually lost its market and staff, facing direct competition from numerous American consulting and training companies installing on the Romanian liberalized market.

Following its accession to the European Union in 2007, Romania adopted the liberal professions code, according to the Directive of the European Commission on the Recognition of Professional Qualifications (2005/36/EC) [3]. Even if Romanians were getting used to the idea that liberal professions were provided on the basis of a relevant professional qualification by those who provide intellectual and / or creative services, in the interests of clients, it was difficult to understand why management consulting was a liberal profession self-regulated through industry bodies, and not by laws.

From this point of view, the transition from a state-centralized economy to the market economy gave some headaches in understanding the new forms of legal organization and functioning in Romania, and it became much easier for larger companies - which had their own procedures for attesting the consultants or were part of professional associations in which the ability of members to provide consulting services was verified and attested - to expand in the field of consultancy. At the opposite pole there were the small companies, recently established, which were not part of professional associations and did not know how management consulting should look like.

The counter-offensive came along with the establishment of the Romanian Association of Management Consultants at beginning of the 1990s, which has strived, or better said, tried to make efforts to define the profession of management consultant and to inform the market and clients about the ways of working with a management consultant. The first normal steps resulted in the successful registration of the occupations of Management Consultant and ICT Consultant in the Romanian Classification of Occupations (CAEN code 7022) [6]. The liberalization of the Romanian market meant that more and more management consulting companies started to accommodate in, so it was necessary to implement a procedure of professional attestation according to European standards, which would assess the ethics, the logistics and the know-how- of the candidate company [6]. However, these procedures were not mandatory and newcomers did not have to obey all the rules, if they did not want to.

In order to professionalize the market, there was borrowed again the American perception on management and was wide spread through all Europe the international certification specific to the profession of consultant and trainer in management, that was the CMC, meaning Certified

Management Consultant [6], which was worldwide accepted. But the European Union wanted more, so they issued an own European standard for management consulting service, through the European Committee for Standardization. As if it was not sufficient enough, each Member State approved its own standard for management consulting, so Romania's liberalized market looked a bit odd, because at the end it has made a shift from a state-centralized economy to a European super state centralized economy.

2.2 The characteristics of Romanian management consultancy market, between big international players and local newcomers

In the Romanian market of management consulting services, the big players started to have a high degree of competitiveness, because, as we said before, they were subsidiaries of large consulting companies in the international environment, they had an extended portfolio of external clients and their employees had a reputation in the consulting profession. But this fact it should not be seen as a negative fact, because most of the international consultancy firms contributed to the early stages of Romania's negotiations and compliances for the accession to the European Union. Even after this major step, these companies continued to carry out multiple activities, especially in international assistance projects.

As it has succeeded to the European market, the first management consulting companies in Romania were subsidiaries of American companies such as McKinsey, Roland Berger, or AT Kearney [7]. At present, exact figures of the total number of management consulting companies in Romania is not known, because most of them have multiple CAEN codes.

In the current period of stabilization of the annual growth of the market of management consulting services in Romania, the external companies of profile have the opportunity to develop, as close strategies for entering this market, the opening of a commercial office in Romania, the implementation of direct exports, the development of a chain of smaller companies by regions, as well as another form not yet fully exploited: the association or partnership with foreign consulting firms. This model is also applicable in reverse sense, taking into account the case of local consulting firms with smaller financial possibilities, who try to implement strategies of direct / indirect exports of consulting services outside Romania.

There are also contradictory discussions about the fact that management consulting services would be substitutable. Indeed, each consulting firm has a different approach, offers different solutions as a method of application and logic, some services being of higher quality than others. But, even in a narrow field as management consulting, the sub-domains are different, ranging from management, accounting, taxation, insurance, to customs consultancy, therefore they cannot be substituted for each other, but they can be mutually complementary. At the same time, in the field of management consulting, most specialized companies offer services in approximately the same structural branches of a firm (management; financial; human resources; strategies; operations). A threat with substitutes would be the possibility for some companies to set up their own internal consulting departments or their own consultant employees, in this case not needing the services of the consulting companies from the external environment. Another case of substitutes is represented by the increasingly common practice of some accountants or lawyers, who, in addition to their specialized services, usually take over the consulting part in management, human resources, financial, fiscal, etc. Another case of substitutes is represented by the departments or offices / consultancy divisions within some public administration institutions or banks, which offer clients competitive services.

Competitive rivalry in the field of management consulting services should not be viewed as an unwanted thing, as an obstacle or as a fact that impedes the development of this sector of activity, but on the contrary, as long as the multinational consulting companies decide to open their offices or consultants on the Romanian market, the quality of these services will increase considerably, because these services involve an increasing rate of updating knowledge in

management, a vast and continuously developing experience in management processes and strategies and a continuous need for market research. Indeed, the profits of the companies may fluctuate, but the demand for consultancy services will not show a high degree of affect, as the Romanian managerial culture is still in a stage of development and needs continuous support, with fundamental areas not yet fully exploited (agriculture, health, industry, ICTs).

2.3 Doing business as a management consultant in Romania: high consulting fees versus high expectations of clients

For Romanian clients, it was hard to understand, at the beginning, that management consultancy is a service with results that are more difficult to quantify and sometimes even materialize on paper, especially in the long term. According to some specialists [5], there was also a big gap in the mindset between the providers and beneficiaries of these kind of services, because for the client the fee was interpreted as a global cost, but the consultant does not fully benefit from it, due to the fact that there are other associated costs of the company.

To clear up this misunderstanding, in each agreement, regulation or deontological code of the professional associations in a certain branch, it is mentioned that: “the liberal service provider can fix his desired fee and this must be made known to the client, clearly explaining the weight and the size of the component cost elements” [1]. In Romania, the most common fee systems are: days-consultant (man-days) and success fee [5]. The man-days pricing system starts from the premise that any consulting activity can be broken down into days worked for the benefit of the client, and the fee is determined by multiplying the number of days worked with the daily fee [1]. The success-fee system tries to correlate the results obtained in the consulting mission with the consultant's fee, but presents some implementation and uses abnormalities [5], in the sense that the effects of a consulting service do not appear immediately after the completion of a consulting mission (or during the course of the mission). Romanian consulting firms have not taken any American or European organization model, some of them having permanent consultants in management, other working mostly with collaborators. The same can be said about the specialization of the consultants, most of them having training in the economic field or technical training, and the others in approximate proportions equally, having training either in the legal field or in the field of social sciences.

3 Conclusions

In the period before the economic recession, management consulting services went through a profitable period on the Romanian market, determined by the expansion of large corporations, which could not produce the management competence within the company as quickly as they developed. According to some specialists [7], this type of clients used appealed to management consultants in order to complete their management teams on different projects where they did not have sufficient or specialized resources. In other cases, clients just wanted to confirm certain managerial decisions that had to be implemented without further testing.

However, with the economic downturn, the global consulting market contracted and the growth rates for the successive years were very low, therefore, the competition remained high, directly influenced by the contraction of the labor market and the changes in the consumer behavior, in the sense that client companies have not experienced such spectacular growth rates, so they started to cut any unnecessary expenses. Limiting the budgets has inevitably led to a reduction of demand for management consulting services.

It is necessary to understand that, although the recession has passed, the economic situation of the businesses sector is difficult. Romania faces many challenges: each macro-sector of the economy urgently demands the definition and pursuit of clear objectives, and maybe this is the point where management consulting companies should bring decisive options and the ability to plan in the medium and long term, by capitalizing on strengths and opportunities.

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