

FOR REFERENCE

NOT TO BE TAKEN FROM THIS ROOM

A STUDY ON THE SUPPLY OF AND DEMAND FOR
MANAGEMENT CONSULTANCY SERVICES

by

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INTRODUCTION

Management consulting has long been recognised as a useful professional service that helps managers to analyse and solve problems in their organisations and to learn from the experience of other managers and organisations. Hundreds of thousands of private businesses and public organisations in both industrialised and less developed countries have used management consulting services, separately or in combination with training, feasibility and market studies, systems design, action research, engineering consulting and other professional services. (1)

Management consulting is practised in many different ways. These reflect the diversity of the business and management contexts in which consultants operate, the different personalities of clients and consultants, and the various conceptual approaches and invention methods developed by consultants. Therefore, to generalise about consulting and recommend a best way of approaching consulting is difficult and risky.

This thesis is divided into four sections which are followed by appendices.

Chapter I represents an overall view of management consulting as a profession emphasising how it has emerged and what state it has reached.

(1) Shapiro P. Benson, "Marketing for Nonprofit Operations", Harvard Business Review, September-October 1973, p. 123-132

Chapter II provides an introduction to management consulting environment in Turkey, the various consulting firms that are in existence and the way they operate.

Chapter III is about the empirical study conducted to see the reaction of firms towards consulting firms in Turkey. It focuses on the consultancy firm users versus non-users and tries to find out what the attitude of these firms are for using consultancy services in the future, which firms they have worked with in the past, what their satisfaction level was and what criterias are most important in the selection of consulting firms.

Chapter IV focuses on the results of the empirical study, the conclusions that can be drawn from the study and the various implications for future researchers and management consulting firms in Turkey.

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ABSTRACT

Management consulting is a very new subject in Turkey; therefore, the purpose of this thesis can be summarised by the following research questions:

- i) What is management consultancy?
- ii) Which consulting firms are there in Turkey?
- iii) Do companies know about management consulting firms and what is their attitude towards these firms?

Since there is not much work in this area, this study covers literature review to the extent possible. The field study was conducted by having interviews with consulting firm managers and by giving out questionnaires to firms which are potential clients or which have already used management consultancy services. The interpretations of the questionnaires was analysed on the computer and the implications of the findings were presented.

If the findings of this survey is to be briefly summarised, it is found out that there are very few professional management consulting firms in Turkey. It was also found out that at present there is no great demand for management consulting services but firms expect the demand for their services to increase significantly in a few years time as long as there is no unexpected change in the political and economic environment of the country.

The results of the analysis also showed that there will be high demand for management information consultancy with the development of need for information technology.

Future research in order to fill the present gaps in the literature should aim at providing comparative studies on company manager's willingness to use consultancy services, their satisfaction levels and the importance levels attributed to certain key factors. Therefore a lot of responsibility rests on the academicians and researchers for providing information on this subject.

Finally, management consulting firm managers should put a lot of effort for letting the market know about them and they should emphasise the importance of their services for giving assistance to companies which are in the process of expansion and development.

OZET

Yonetim danismanligi hizmetleri henuz Turkiye'de guncellik kazanmamis bir konudur. Bu tezin amaci asagidaki gibi ozetlenebilir.

- i) Yonetim danismanligi nedir?
- ii) Turkiye'de halihazirda hangi danismanlik sirketleri vardir?
- iii) Firmalar bu danismanlik sirketlerini taniyorlar mi ve bu sirketlere karsi tavirlari nedir?

Bu konuda gecmiste yapilmis calismalar yogun olmadigindan bu calismada da onceki calismalar mumkun oldugu kadar kapsanabilmistir. Saha calismasi sirket yoneticileriyle yapilan mulakatlar ve piyasada mevcut potansiyel musterilere dagitilan anketlerden olusmaktadir. Anket sonuclari bilgisayarda analiz edilmiş, verilerin yorum ve sonuclari da ayrica sunulmustur.

Bu calismanin bulgulari kisaca ozetlenecek olursa, Turkiye'de yonetim danismanligi hizmetlerinin gelismekte oldugunu soyleyebiliriz. Gunumuzde bu danismanlik hizmetlerine pek fazla talep olmamasina ragmen, Turkiye'nin politik ve ekonomik sartlari degismedigii taktirde talebin hizli bir artis gosterilmesi beklenmektedir.

Turkiye'de gelismekte olan bilgi akis konularinda danismanlik hizmetlerine talebin artacagi bu calismanin bulgulari arasindadir.

Bu konudaki bilgileri genişletmek için akademisyen ve arařtırmacılara büyük görevler düsmektedir.

Son olarak, yönetim danismanligi veren şirketlerin yöneticilerinin en çok önem vermeleri gereken konulardan biri firmalara kendi hizmetlerini tanıtmak ve onların büyüme ve gelişmelerinde kendilerine ne şekilde yardımcı olabileceklerini onlara aktarmaktır.

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Before I joined Guven ve Coopers & Lybrand I did not have the slightest idea of what management consultancy was; therefore, finally I would like to express my very special thanks, which I cannot even put into words, to Coopers & Lybrand for the never ending support they gave me in preparing this thesis.

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CHAPTER I

CONCEPT AND STATE OF MANAGEMENT CONSULTANCY

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CONCEPT AND STATE OF MANAGEMENT CONSULTANCY

This chapter aims at identifying what management consultancy is, how it has developed and what state management consultancy is at present. "Management Consulting, a Guide to the Profession" prepared by International Labour Office, Geneva has been used as a major source and the first three chapters have been summarised.

1.1 Definition of management consultancy

Management consulting is a professional service that helps managers to analyse and solve practical problems and transfer successful management practices from one enterprise to another. (2)

In the guide to membership, the Institute of Management Consultants in the United Kingdom defines management consulting as:

"The service provided by an independent and qualified person or persons in identifying and investigating problems concerned with policy, organisation, procedures and methods, recommending appropriate action and helping to implement these recommendations." (3)

(2) Management Consulting, A Guide to the Profession,
International Labour Office, Geneva, 1986, p. 3

(3) Guide to Membership, London, Institute of Management
Consultants, 1974, p. 116

Definitions used by other professional associates of management consultants, such as the Association of Consulting Management Engineers in the USA, are very similar. This shows management consulting to be a special service, to which managers can address themselves if they feel a need for help in problem solving. The consultant's work begins with some condition judged to be unsatisfactory and capable of amelioration; it ideally ends with a condition in which a change has taken place, a change that must be seen as an improvement.

Some particular features of management consulting need to be emphasised at the outset.(4)

First consulting is an independent service. This is characterised by the detachment of the consultant, which is the major feature of his role. But his independence means at the same time that consultants enter into a very complex relationship with their client organisations and the people working with them. The consultant has no direct authority to decide on changes and implement them but this must not be viewed as a weakness. He has master to the art of being a deeply concerned change agent without giving up his independence. He must, therefore, ensure the utmost involvement of the client in everything he does, so that ultimate success becomes a joint accomplishment.

Secondly, consulting is essentially an advisory service. This means that consultants are not recruited to run organisations or take delicate decision on behalf of desperate

(4) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 4-6

managers. They are advisors and their responsibility is for the quality and integrity of their advice; the clients carry all the responsibilities that accrue from taking it. Of course, in the practice of consulting there are many variations and degrees of advice. Not only to give the right way and at the right time this is a basic skill of a consultant. The client in his turn needs to become skillful in taking and utilising the consultant's advice.

Thirdly, consulting is a service providing professional knowledge and skills relevant to practical management problems. An individual becomes a management consultant in the full sense of the term by accumulating considerable knowledge of varying management situations and problems and acquiring skills needed for problem solving, for identifying problems, finding relevant information, analysing and synthesising, choosing between alternative solutions, communicating with people and so on. But managers, too, need to possess these particular types of skill. What is unique to consultants is that they have experience from various previous assignments to handle new assignments skillfully.

In addition to this, professional consultants keep continuously abreast of developments in management methods and techniques, including those that take place in universities and research institutions; make clients aware of them; and help in applications. They function thus as a link between the theory and the practice of management.

Fourthly, consulting is not a service providing miracle solutions to difficult managerial problems. It would be an error to assume that once a consultant is brought in, life becomes

easy for management. Consulting is difficult, systematic and disciplined work based on the analysis of hard facts and the search for imaginative but feasible solutions. Strong management commitment to solving the problems of the organisation and client-consultant cooperation are at least as important to the end result as the quality of the consultant's advice.

1.2 Reasons for using consultants

Managers would see no reason for using consultants if they do not expect changes in their organisation or if they had not aimed for reaching a particular mission in favour of their company. Consultants are used for one or more of the following reasons.

1.2.1 Providing special knowledge and skill (5)

Consultants are called in when an organisation is short of people able to tackle a given problem with the same chance of success. It may often involve new techniques and methods in which a consultant has acquired special expertise. In other cases, the problem submitted may be of a general nature, if the organisation is failing to achieve its principal purpose and the gaps in knowledge concerning general management policy, planning, coordination or leadership.

(5) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 6-8

1.2.2 Supplying intensive professional help on a temporary basis (6)

A deep examination of major problems, such as the company organisation or marketing policy, would require the full attention of senior management for long periods of time. But the day to day running of business leaves little time, and what is worse, it is difficult to concentrate on operational and conceptual problems simultaneously. Consultants not only provide the time but will leave the organisation once the job is completed. In some cases the consultant takes the role of training the person who is going to come to the organisation when he leaves and he controls this person from time to time giving him some advice on how to improve the company and make operate in the most efficient way.

1.2.3 Giving an impartial outside viewpoint (7)

Even the best people within an organisation may be too influenced by their personal involvement and existing traditions and habits to see a problem in its true light and propose feasible solutions. Because he is independent of the client organisation, a management consultant can be impartial in situations where no one from within the organisation would be.

(6) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 7

(7) Management Consulting, A Guide to the Profession, International Labour, Geneva, 1986, p. 7

1.2.4 Providing management with arguments which justify predetermined measures (8)

From time to time consultants are approached with a request to undertake assignments, and submit reports, so that a manager can justify his decision by referring to the consultants recommendation. In other words a manager may know exactly what he wants and what his decision will be, but prefers to order a consultant's report to obtain support for his views. This is a not unreasonable course but as a matter of principle and in their own interest, professional consultants should be careful not to accept assignments in which their services might be misused for in company politics. Author's experience in management consultancy has usually been such that the managers of organisations called in the consultant to justify their ideas and decisions at the point of critical decision making.

The above mentioned reasons may be present in such varying degrees and may be so inter-related that the consultant is confronted with quite a complex situation. He should nevertheless endeavour to maintain a clear view of the reasons for which his services are being used, even if in the course of an assignment the initial reasons change or entirely new ones are discovered.

(8) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 7

1.3 Areas a management consultant can help an organisation

There are a number of different areas a management consultant can help a business grow, improve and become more effective and efficient in its operations.

These areas broadly can be categorised as follows (9):

- * Corporate Development
- * Management Systems
- * Planning and Policy Studies
- * Functional Services

1.3.1 Corporate development (10)

Corporate strategy

In order to understand the long term growth prospects of the client's industry, whether he ("the client") be thinking of diversification, what the most attractive overseas investment opportunities are, how he will respond to increasing foreign

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- (9) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 4-12
- (10) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 4-5

competition, how his business would be affected by another round of energy price rises and how he can plan ahead more systematically despite the many future uncertainties, the consultants can:

- i) advise on the organisation and approaches required for effective forward planning;
- ii) carry out strategic market studies;
- iii) define the criteria to be used in identifying and evaluating diversification opportunities;
- iv) review the operations, financial performance and managerial effectiveness of proposed acquisitions.

Organisation development

The organisation might be too centralised and more authority could be safely delegated down the line. In order to understand how the company's overseas activities be grouped, by product division or on a geographic basis, what management structure will be appropriate for the companies' new venture and whether the client is developing enough of the kind of managers he will need in the future (11), the consultant can assist clients to:

- i) determine the management structure which is best suited to the particular needs of the business;

(11) "Service Management in a Changing World", International Management Consulting Services, Coopers & Lybrand Associates Publications, 1979, p. 3-9

- ii) establish overall and departmental organisations in which authority and responsibility are properly allocated, delegated and defined;
- iii) define the responsibilities of individual management positions and the qualities required for them;
- iv) introduce systematic procedures and programmes for assessing future managerial requirements and developing individual managers.

Business appraisal

In order to help the client to improve cash flow quickly so as to reduce borrowings, to understand which products and markets are really contributing satisfactory profits, whether managers should close down loss-making factories or depots, or where he can find spare manufacturing or distribution capacity, and to see how the firms' administrative overheads be reduced, consultants work closely with the client management to (12):

- i) review the operating and financial performance of a business as a whole or selected products, plants and organisational units;
- ii) determine the scope for reducing inventories and debtor in order to improve cash flow;

(12) Purtil S. John & Caggiano L. Robert, "How the CFO Can Lead a Business Turnaround", Journal of Accountancy, June 1986, p. 108-113

- iii) carry out comprehensive cost reduction and profit improvement studies;
- iv) establish tighter controls over administrative and overhead costs.

Effectiveness reviews

The costs involved in providing all the firm's present services might not be justified by the resulting benefits, or the company might not still need such a large headquarters organisation now that the field operations have been slimmed down, or there might be need for putting more teeth into the budgeting and manpower control procedures. Pressures to reduce expenditure have led private and public sector organisations to emphasise the need to review the justification for current and future expenditures and to get better value and return for money. In response to these crucial matters, the consultants can:

- i) review the policy and financial implications of changes in the range and level of services provided;
- ii) examine the cost-effectiveness of current activities and identify the scope for short and longer term improvements;
- iii) carry out comprehensive reviews of manpower utilisation;
- iv) assist in establishing an organised framework within which the justification for current as well as proposed activities can be challenged.

1.3.2 Management systems (13)

Financial planning and control

It is possible that the managers of companies are not satisfied with the quality of the financial and other information available to them and that the management reports could be produced more quickly and consist of more relevant information for decision making. The cash flow can be significantly improved by speeding up billing and collection and the firm's product costs might not properly reflect inflation, therefore, the management of cash resources should have to be improved. Consultants can help clients solve questions like these by:

- i) determining the management information needed for effective planning and control;
- ii) designing and implementing improved systems for
 - budgetary control
 - product and project costing
 - capital expenditure planning and control
 - cash flow planning and management;
- iii) developing accounting procedures manuals and coding systems, designing proper documentation to be used in business and using these as a means of implementing controls.

(13) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 6-7

Computing

The client might have doubts using computers in his business and he might not know what the new mini and micro computers have to offer or the client might consider decentralising his computer facilities. It is important to know which size and make of computers would suit the firm best, whether the client should lease or buy, whether he should develop his own systems or buy available software packages in the market. The client's present computer installation might not be working as efficiently as it might and serving the needs of the client in the most suitable and appropriate way.

Specialist computer consultants have wide experience of helping clients on all aspects of data processing from the initial decision to use computers through to the implementation of advanced systems. They can assist on (14):

- i) preparing or reviewing strategic and long term computer development plans;
- ii) advising on the selection of hardware and software;
- iii) project planning and management;
- iv) designing and programming computer systems;

(14) "Study Sees Opportunities for CPA's in Small Business MAS Consulting", Journal of Accountancy, January 1986, p. 40-41

- v) reviewing the efficiency and security of existing computer arrangements.

Office and communications systems (15)

The impact the "electronic office" could have on the way the client's business is organised, the developments in communications technology whether it would be feasible to locate some administrative functions away from head office, usage of word processing, facsimile transfer or similar equipment might be important for the client. If so, which machines the client should choose, how the client can reduce the space required for document filing and storage are areas a consultant can help the client.

In response to the growing demands by clients for assistance in answering such questions as these, consultant firms have established a group of consultants as experts in advising on how best to take advantage of the exciting opportunities offered by developments in office and communications technology. These consultants are involved in such projects as:

- i) comprehensive reviews of current and potential future communications requirements;
- ii) feasibility studies leading up to the selection of word processing and related equipment;

(15) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p.7

- iii) designing and implementing records management programmes aimed at cutting the cost of document filing and storage, while improving accessibility.

Production and distribution systems (16)

The client might improve the quality of customer service without increasing production and inventory costs. The client might run out of stock even though overall stock levels are high. In these cases computers could help the client in planning material requirements and production.

Competitive pressures coupled with the need to reduce working capital are leading many companies to review critically all aspects of their materials management, production and distribution systems. Specialist consulting groups which includes production engineers, management scientists, accountants and computer specialists helps clients improve profitability by assessing the need for, and designing and implementing systems covering:

- i) sales forecasting;
- ii) materials requirement planning;
- iii) production planning and control;
- iv) inventory management;
- v) distribution planning and control.

(16) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 7

1.3.3 Planning and policy studies

Economic development (17)

There might be problems in economic development and it might become important to find out ways for planning and controlling the economic and social development of a region or urban area. It might be important to learn whether the country's natural attractions would make it feasible to establish a successful industry such as tourism, how the country's energy needs are likely to develop in the future and how they can best be met, what can be done to create new employment opportunities to replace jobs lost through closures in existing industries or whether there is some form of new organisation required to promote economic development.

In helping national and local government organisations answer questions like these, economic and management consultants, on the other hand, can draw on their wide experience of studies aimed at promoting the development of particular industries or sectors or of whole regions or countries. Many of those studies have placed special emphasis on proposals for ensuring the effective implementation of developments proposed. To supplement their own experience, consultants often collaborate with engineering, planning and other specialist consultants.

(17) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 8

Project evaluation (18)

When the expected growth in demand will justify investment in additional capacity, what is likely to be the optimal timing and scale of any new investment, how it could be best financed, what wider economic and social benefits can be expected to result from a proposed transport project, how could an office or commercial development project be phased in order to minimise financing costs are kinds of matters consultants can help clients.

Consultants have extensive experience in evaluating both the financial and the economic cost versus benefit implications of proposed industrial, commercial, transport, power, infrastructure and property development projects. Consultants can:

- i) advise on the forecasting techniques and evaluation criteria most appropriate for particular projects;
- ii) assist in preparing demand, revenue and cost forecasts,
- iii) evaluate the implications of alternative investment options in both financial and economic terms;
- iv) formulate financing plans and advise on the presentation of projects to international aid agencies or other sources of project finance.

(18) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 9

Public policy (19)

The effectiveness of the present tax policies and financial incentives in stimulating new investment, the appropriateness of the local authority's housing policies to current and future needs and resources, what financial objectives and other policy guidelines should be set for state enterprises, what policy and other changes are needed to promote better use of the country's available energy or transport resources are public policy decisions.

Consultants have wide experience of helping central and local government organisations and public agencies by:

- i) advising on all aspects of public policy formulation and implementation;
- ii) reviewing the effectiveness of existing policies as well as proposing new policy initiatives;
- iii) recommending the institutional and other arrangements required for effective policy implementation.

(19) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p.9

Pricing and tariffs (20)

The level of tariffs needed to cover operating costs and financing charges, the introduction of some form of peak pricing help to promote more efficient use of the available capacity, factors to be taken into account in setting pricing policies for inter-company transfers or whether the client's market share and profits could be increased by changes in pricing strategy are important issues consultants could help clients.

The formulation of commercial pricing policies can involve consideration of both short and long term business objectives just as, in the public sector, social as well as financial objectives may need to be taken into account. Consultants can assist on all aspects of pricing policy in both public and private sectors including:

- i) assessing the likely response to increased charges;
- ii) determining cost characteristics and relationships;
- iii) evaluating social costs and benefits;
- iv) recommending future tariff structures and levels;
- v) establishing programmes for implementing new pricing and tariff policies.

(20) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 9

1.3.4 Functional services

Marketing (21)

The client may be interested in knowing, which are likely to be the most promising exports for the company's products, what would be the most effective form of marketing and sales organisation for the new venture, whether he should be getting out of some of its existing markets, whether his customer service arrangements is good enough in today's competitive conditions, how the sales force should be organised and motivated.

These are the sort of questions which specialist marketing consultants, often working with consultants of other disciplines, have to answer in helping clients improve the effectiveness of their marketing and sales operations. Marketing consultancy services cover (22):

- i) international market assessment;
- ii) sales forecasting and marketing planning;
- iii) product, market, customer profitability analysis;

(21) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 10

(22) Dr. Siegel, De Paul University, "Statements in Quotes", Journal of Accountancy, October 1986, p. 160-168

- iii) introduce improved maintenance, storage and materials handling methods;
- iv) evaluate proposals for introducing new manufacturing processes and plant;
- v) establish improved systems for labour planning, motivation and control.

Personnel (24)

The client might want to find out whether personnel policies and procedures well suited to present day needs, whether he could do a better job of forecasting future manpower requirements, whether he could get better value for the money he is currently spending on training, his present top management remuneration packages are competitive or whether his present salary structure properly reflect differing job requirements and responsibilities within his business.

Personnel consulting services are essentially aimed at helping clients plan to meet their staffing needs and to manage people more effectively. In addition to being able to advise on all aspects of personnel management, consultants have specialist experience in:

- i) manpower planning;

(24) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 10

- ii) remuneration structures and benefits for senior management;
- iii) staff development and management training;
- iv) employee communications.

Operations research (25)

It is important to find out what would be the effect on the client's cash flow requirements if inflation is higher than predicted, whether the sales forecasting could be improved by the use of statistical techniques, or there are opportunities for rerouting the company's vehicles on regular delivery runs to achieve higher load factors or whether the client could safely reduce the level of quality control sample checks.

Operations research consultants are concerned with applying mathematical and statistical techniques to help clients understand and resolve complex problems. This can involve:

- i) analysing past data as a basis for recommending the most appropriate methods for short and long-term forecasting;
- ii) developing financial and other models to enable management to assess the likely outcome of alternative policies, plans and key assumptions;

(25) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 10

- iii) determining how best to allocate limited resources to achieve stated objectives.

Executive selection (26)

The best ways of recruiting senior staff, the best media to use in advertising for specialist personnel overseas are important in executive selection. Whether the client should be looking for a different sort of person to fill that top management vacancy, or how he can reduce the amount of senior executive time spent in staff recruiting are matters of consideration.

Executive selection consultants have wide experience in helping clients on all aspects of executive recruitment including:

- i) defining the responsibilities of a post and the personal qualities, qualifications and experience for it;
- ii) advising on the remuneration package required to attract high quality candidates and on choice of media;
- iii) drafting and placing advertisements;
- iv) receiving and screening applications;

(26) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p.11

- v) interviewing candidates to prepare a short list;
- vi) arranging specialist personality or intelligence tests;
- vii) attending the client's interviews with the short listed candidates and checking references.

Pensions and actuarial services (27)

Consultants can help clients for evaluating the client's senior management employment package whether it includes a proper balance between salary, pensions and other benefits or whether the present level of pension contributions is adequate in view of the impact of recent inflation.

Specialist pension consultants have extensive experience of advising on:

- i) design and establishment of pension schemes;
- ii) negotiations with the pensions board;
- iii) pension fund administration;
- iv) investment strategy and performance.

Consultant can also carry out regular or special valuations of pension schemes.

(27) "Management Consulting Services", Coopers & Lybrand Associates Publication, 1979, p. 11

All the above consulting services aim at clients increase the effectiveness and profitability of their operations. Consultants help clients:

- * to make better informed decisions on policy and other issues they face in responding to change;
- * to establish effective management structures supported by sound personnel policies;
- * to ensure that their management systems match the needs of the organisation and take full advantage of the opportunities provided by developments in computer and related technologies.

1.4 Management consulting firm users

Management consulting as a professional service and method for implementing change is not confined to particular type of organisation or economy. In the course of its development consulting has been spreading to new areas of human activity and this has lead to varying patterns of specialisation (28).

1.4.1 Level of the country's economic development

The use of management consultants has become common practice in industrialised countries. In North America, there

(28) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 8-11

are about 3,500 management consulting firms which thus constitute a major sector of the professional services. The figures are relatively lower in Europe, but in the United Kingdom and many other European countries the growth of management consultancy has been quite impressive in the last twenty years. (29)

Consultants are closely associated with the design and diffusion of new management systems, methods and technologies, including the most advanced ones. A proper use of the consultant's knowledge and skills in order to complement those of the company's management has become a method of enhancing managerial effectiveness and competitive strength.

In developing countries the local consulting profession is a very young one. This is no doubt because management consulting can play a useful role in industrialisation and economic and social development generally. It can accelerate the transfer of management expertise and help to design and introduce management systems adjusted to the local setting. It helps thus to enhance the country's managerial competence, one of the key conditions of effective development. Turkey is an example of a developing country and one has to admit that there are very few consulting firms in Turkey and in fact management consulting was dormant until now but has started to gain initiation. (30)

(29) Harbison Frederic and Myers A. Charles, " Management in the Industrial World", New York Mc Graw Hill, 1959, p. 3

(30) Bayness Brian, Problems and Perspectives of Building a Management Consulting Practice in Developing Countries, p. 102-109

1.4.2 The economic and political setting of the country

(31)

Management consulting has its origin in free market economies, where independent business companies use consultants in many different ways at their own discretion. Over the years, however, consulting has spread from private business to government. At the present time the use of management consulting services by government administrations and by government controlled public enterprises is common practice.

In centrally planned socialist economies consulting has had its own history. There was little scope for such special advisory services in the period when the planning and control of all important economic activities were still highly centralised, and enterprises had only restricted economic autonomy. This situation started changing in the late 1950's. In more and more cases, enterprise management became able to consider alternative courses of action to increase efficiency. Furthermore, the sectoral ministries and other central bodies started attaching more importance to economic and financial analysis, and to the evaluation of the effects of alternative technological, investment and other policies. As a result, various specialised professional institutions started providing advisory services both to enterprises and to ministries.

The economic reforms implemented in the last decade have stimulated a further growth of demand for management consulting services. These have developed as special services in research and development institutions, in educational and training establishments and, in some cases, as separate units where consulting is the main function.

(31) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 10

1.4.3 Sectors of economic and social activity (32)

Most consulting assignments have traditionally been in industrial and commercial enterprises. But, from these sectors, consulting has spread to transport, catering, banking, insurance and so on. The growth of social organisations and services has led to demand for advice on their structuring and management. To give some examples, important management consulting assignments have been carried out for trade unions, sports and religious organisations, and international governmental organisations.

At the present time, management consultants are used in all sectors where management problems exist and have to be solved and this applies to all organised sectors of human activity.

While some consultants have remained generalists, others have preferred to specialise sectorally, e.g. in the management of construction work, hospitals, transport or banking.

1.4.4 Size of organisations (33)

Although large organisations possess considerable management experience and specialist staff in various management functions and techniques, they use consultants for reasons

(32) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, p. 10

(33) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 11

indicated before. Some large companies have their permanent consultants, available to provide help quickly if the need arises.

In a small enterprise the decision about the use of a management consultant may be a difficult one. The owner or manager may find such professional service too expensive, he often does not see how in his particular situation he could cooperate with a man from outside, the consultant. Nevertheless, a growing number of small enterprises in both industrialised and developing countries call for consultants' services, especially in matters of overall business policy or for the introduction of specific management techniques. Some management consultants specialise in problems of smaller companies and there are countries, particularly developing ones, where subsidised consulting services are available to the smaller companies as part of small enterprise promotion schemes.

1.5 External and internal consulting

Consulting has developed as an external and internal service, seen from the viewpoint of an organisation using consultants (34).

An external consultant is administratively and legally fully independent of the organisation for which he works. An internal consultant is part of a particular organisational entity, a company, a group of companies, a government ministry or department, and so on. But precise limits between the two are

(34) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 32-34

difficult to draw. An autonomous consulting bureau reporting to an industrial ministry might be viewed as an internal unit since it is part of the government services, but may have the same working relationship to the public enterprises reporting to this ministry as have independent consulting firms.

In the present day practice of consulting, larger organisations in the public and private sectors use both external and internal consultants.

Internal consulting services are often thought to be more appropriate for problems that require a deep knowledge of the highly complex internal relations, procedures and political factors in large organisations; and an awareness of the various functions of the organisation or of specific constraints affecting its operation. In government, they may be used for national security and interest reasons. If there is a steady demand for advice in special methods and techniques, an internal consulting service may be a cheaper and more productive management. External consultants are preferred, even by organisations which have some internal consulting capability, in situations where an internal consultant would not meet criteria of impartiality and confidentiality or would be short of particular expertise.

In some cases, complex assignments are entrusted jointly to external and internal consultants, or internal consultants may be requested to define precisely the assignment for an external consultant, and to collaborate with him in order to learn as much as possible from him during the assignment.

1.6 Range, scope and characteristics of consulting work

Managers call in consultants if they seek help in problem solving. The term "problem" is used here to indicate a situation about which management is concerned and which most probably requires some managerial action but is not quite clear what action to take, where to start and how to proceed. Therefore, the range of problems entrusted to consultants is extremely very broad, indeed.

1.6.1 Corrective, progressive and creative problems (35)

The consultant may be asked to rectify a deteriorated situation (corrective problem), improve an existing one (progressive problem) or create a totally new situation (creative problem).

In an enterprise, for example, difficulties may have arisen in marketing. The volume of sales of a product which has been manufactured and distributed successfully for several years suddenly drops and this starts causing serious financial difficulties. The reasons, in this case, may not be very clear. Everybody will agree that this is an urgent management problem which calls for immediate action. It is a corrective problem.

(35) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 9-10

This means that, with almost the same resources, a more satisfactory performance was achieved in the past than is the case now. The problem is clearly defined if it is accepted that restoration of the original condition is all that is required. This is trouble shooting, a terminology very commonly used by consultants. The process of solution is the tracking back of the deviations that have taken place, and finding and correcting the reasons for them. But it is more than likely that, while doing this, opportunities are found for ending with something better than the original.

Progressive problems represent another group. They involve the very common task of taking an existing condition, and improving it. They may concern partial elements of management, such as accounting techniques, administrative procedures or record keeping. For example, a company using historical costing feels that it should switch to standard costing to enhance the accuracy and efficiency of cost control and thus be in a better position to take cost saving measures when these are needed. In such cases the consultant may have models or standards used elsewhere and his main job will be to examine the conditions of their application, decide on necessary adjustments and help to persuade and train the staff directly concerned by an improved procedure.

But many progressive problems are less structured. A client organisation have to be set and measures devised in various areas of management. It may involve a whole network of technological, administrative, financial and personnel changes.

Creative problems provide the consultant with the least amount of starting information. There may be little more than a few desires and some bright ideas.

This applies, for example, to an enterprise with no operational or financial difficulties and no particular need for interventions that would improve its performance in the short run. The business forecast indicates that for some time there should be no trouble either with marketing or with the supply of raw materials and other resources. In spite of that, management feels that the enterprise has a much greater potential for development than has been realised so far. But what should be done to anticipate future opportunities and be prepared to take them? Spend more on research and product development? Build a new plant to expand capacity for the existing products? What type of market research should be undertaken? Are there measures by which the enterprise itself could influence future demand for its products?

In such a case, the consultant may have to do a great deal of creative thinking and have to recourse to unconventional ways of developing solutions to problems.

Needless to say many assignments will have elements of all three types of problem mentioned. While working on an apparently progressive type, the consultant may discover that many corrective measures are needed first. Or, on the contrary, a corrective problem may require an entirely new, creative approach, since otherwise it would no longer be possible to stop the process of continuing deterioration.

The nature of consulting requires that any situation is seen in the perspective of future opportunities. If called on to deal with a corrective problem, the consultant will always ask

whether a rectification of a deteriorated situation is really what is needed, or whether instead the organisation should not look for new ways of defining its purpose and objectives, and enhancing the effectiveness of its activities. A basically corrective problem may thus be turned into a progressive or creative one.

1.6.2 Basic types of consulting assignments (36)

In practice, it is most common to see the management consultant to undertake the following assignments.

A management survey

Consultants are most commonly involved in management surveys. (37) The consultant surveys the organisation's resources, results, management policies and patterns, with a view to identifying, or defining more precisely, its strengths and weaknesses and key problems that inhibit smooth operation or further growth. Some courses of action might be suggested. In most cases such a survey is undertaken as the first stage of a consulting assignment, which would continue once the conclusions of the survey were agreed between the consultant and the client. But an assignment may also consist of a survey only, and suggested action being left entirely to the client for detailed specification and implementation.

(36) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 45-50

(37) Other terms like management audit, consulting survey, diagnostic survey, diagnostic evaluation, business diagnosis, pilot study, company appraisal and so on are synonymous.

While a survey which is the first step in an assignment is usually very short, some complex surveys of large organisations whose performance is seen as unsatisfactory may take several months.

Special surveys and studies

Special surveys and studies may be commissioned from consultants in any management area. Examples are feasibility studies for new investment, market research studies, surveys of consumer attitudes to the company's products, collection and analysis of information for long-term planning or studies of trends in the supply of raw materials.

These studies might go into great detail and depth, both in the collection of information and in the analysis. The consultant completes his work by submitting the study report and discussing it with the client.

Working out solutions to defined problems

In most cases the client wants more help than a survey of his problems. He asks the consultant to work out solutions to the problem, to draw up a new organisation for the company, redesign an information system, prepare a new wage scheme, devise a training programme for supervisors, propose a new plant layout and material flow, and so on.

Assisting in implementation

The consultant may be requested to stay in the organisation while his proposals are being put into effect. He may be involved in implementation in many different ways,

including selecting and training personnel, helping management to persuade people about the priorities of the new system and correcting the system on the basis of first experience with implementation.

Acting as an advisor

Every consultant is an advisor, but consultants have advisory capacity in the narrower sense, as well, such as answering questions when asked and probably also expressing certain views on his own initiative, but not directly undertaking new systems development and application.

For example, top managers in many important firms like to sound out a consultant before launching new projects or presenting various proposals to the board of directors. Management or worker's representatives may agree on the use of an expert in a dispute concerning norms and wages. However, in all instances such as this, the consultant will need to exercise care that he does not slip inadvertently from his advisory role into the role of arbitrator in the course of preventing his findings forcefully.

In different assignments these activity types are combined in varying ways. Every client has the right to decide how far he wants the consultant to go - if he wants to receive a survey report with some criticism and recommendation, or detailed proposals for changes to be prepared, and if he wishes the consultant to participate in implementation, and if so, how.

Experience shows that clarity on this point is vital for effectiveness in consulting. In preparing an assignment and the terms of reference for the consultant, it is essential to define precisely what is to be considered as the end result and at what

stage management wants the consultant to leave the organisation. This helps to avoid misunderstanding - cases when consultants submit global reports while management was looking for detailed proposals for action, and situations where consultants are trying to see their proposals through the implementation phase while management would prefer to be left alone.

1.7 Management consulting as a profession

The growth of management consulting has given ample evidence that at one time anyone could call himself a consultant. In its early years the business attracted the good, the bad and the indifferent. Professional awareness and behaviour come when the early juggling with a little knowledge gives way to skilled application of a generally accepted body of knowledge according to acknowledged standards of integrity.

The development of management consulting towards professionalism is part of a wider movement which aims at developing management into a profession.(38) As advisors to managers on the application of the science and art of managing, consultants follow the major trends that affect management practice and theory. In many respects consulting can advance, and become more professional, only if the whole field of management is making headway towards professionalism. At the same time consultants constitute a specialised group, which has

(38) Management Consulting, A Guide to the Profession
International Labour Office, Geneva, 1976, p. 93-106

its own way of operating and has adopted a set of its own behavioral rules and working procedures. The problem of professionalising management consultancy is therefore not completely identical with professionalising management as such. It is even necessary to recognise that in most countries management consultants are aiming at professionalism with more vigour than the practising managers and that they play a pioneering role in professionalising management at large. Following are the key aspects of professionalism in consulting.

1.7.1 Knowledge and skills

As consultants influence managerial decisions, of which some may be very important for the future life of organisations, it is fully justified to require them to possess the professional knowledge and skills needed for this role.

Some professional associations of management consultants try to define and continuously "update a common body of knowledge for consultants"(39) and consulting organisations that want to achieve a high professional reputation require a new consultant to possess a certain amount of depth of knowledge through initial and further training programmes. An individual engaged in consulting develops his knowledge by drawing lessons from new assignments and through further study.

However, the common body of knowledge for consultants has not been generally adopted and what associations of consultants have compiled is used rather for broad guidance of their members when binding a standard.

(39) Shay P.W., The Common Body of Knowledge for Consultants, New York, Association of Consulting Management Engineers, 1974, p. 242-244

The problem of consulting skills is quite delicate. While it is possible to decide in a particular case whether a consultant has the skills needed to handle an assignment is a matter of professional judgement.

As a general rule, and this is the major feature of professionalism, a consultant must be able and willing to critically examine his own knowledge and skills when considering assignments. Quite often a potential client approaches a consultant with full confidence in his competence and he may even be unable to judge the competence. A professional consultant, however, would refrain from assignments that for any reasons do not lie in his field of competence. He may decline the assignment, suggest the use of specialists for some parts of the job, or try to propose another arrangement convenient to the client.

1.7.2 Objectivity

It is often stated that consultants are objective in their analysis, judgement and conclusions. This is certainly true in most cases as far as the consultant's will to avoid any bias is concerned. But consultants do not possess absolute, ideal skills of handling various situations and their attitudes have been moulded by their life experience, like attitudes of any other persons. Consciously or unconsciously, they develop not only certain work patterns but also beliefs in certain types of methods and solutions because they and their colleagues have applied such methods or solutions successfully in previous cases. (40)

(40) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 97-99

Occasionally this can go quite far. Some consultants even clearly favour one methodological approach which they consider as the most powerful tool for solving management problems. The same situation might be viewed by one consultant as a matter of diagnosing future business prospects and defining strategies, by another consultant or an organisation development, team building exercise, and by a third one as a typical case for the introduction of management by objectives throughout the organisation. Some consultants are strong believers in the behavioral sciences and pay great attention to the psycho-sociological aspects of change, while others prefer the traditional approach using job analysis, time and methods study.

By emphasising that consultants may use very different approaches to the same problems, their value of advice is now decreased, but the word objective is to be used with extreme caution. If a consultant decides to approach his client's business and organisational problems in one particular way, although there may be other options, he should:

- * inform the client about such a choice,
- * give his reasons.

1.7.3 Chances of success in assignments

While most assignments lead to improvements, there are also assignments that cannot produce any results for a variety of reasons and the money spent would be wasted.

For example, a client may want to make a change which is overdue and which cannot stop the overall deterioration of the firm's situation. Or improvements are possible, but would require drastic personnel measures which the client is unable to

consider. Or the benefits from tackling the problem may be so small that the consultancy fees are not justified.

If a professional consultant discovers such a situation in preparing the assignment, or even after he has started work, he informs the client candidly and suggest cancelling the contract.

1.7.4 Teaching people to work without consultants

No professional consultant would perpetuate his assignments by making the client dependent on his advice. "The only work that is really worth doing as a consultant is that which educates-which teaches clients and their staff to manage better for themselves" said L. Urwick, one of the major contributors to the development of management consulting. The transmission assignment, and the training of the client's staff so that they can repeat the same operations without consultants, is a key element in the consultant's professional approach.

This does not mean that the better the consultant teaches the client and his staff the less work he will have in the future. Clients will have new sorts of problems, and if the consultant continues to improve his competence he may be called again. Other clients will come and so on.

1.7.5 Length of assignments

Consulting services are not inexpensive and professional consultants do not try to stabilise their income by extending assignments beyond necessary time limits. For example, they do not suggest that they supervise the implementation of proposals if they can train the client's staff to do this without any external help.

Another case is that of urgent assignments, in which advice is needed very quickly so that serious financial or other trouble is avoided. A consultant must never take longer than the problem warrants, and make every effort to organise his work in accordance with the urgency of the situation.

1.7.6 Confidentiality

Management consultants engage themselves not to disclose any confidential information about clients, nor to make any use of this information, to obtain benefits or advantages. The clients must be convinced that they can trust consultants, otherwise consulting cannot get off the ground. (41)

In internal consulting the situation with regard to confidentiality is complicated. In certain cases consultants have an obligation, or a possibility, to disclose information on client organisations to a common superior. But under such circumstances managers are reluctant to use consultants. There has been, therefore, a tendency in a number of countries to apply confidentiality also to the public sector consulting services.

Confidentiality is still an issue in many developing countries, where some local businessmen do not feel sure that information given to consultants coming from management or productivity centers will not be passed on government-controlled bodies or tax collectors.

(41) Management Consulting, A Guide to the Profession, International Labour Office, Geneva, 1986, p. 99

1.7.7 Social implications

Assignments undertaken by management consultants may affect the position and interest of people working in organisations and have important implications of a social nature for the environment in which a given organisation operates. This raises the very important issue of consultants' social responsibility. Are they responsible merely to the clients who pay them for the advice or is their responsibility broader?

The current trend is towards increased awareness of the social consequences of managerial decisions and the enhanced social responsibility of managers. Professional management consultants cannot stand aside. They have to make client managers sensitive to the social consequences of various decisions that may be taken as a result of consulting assignments. Whenever possible, the solution of social and environmental problems which arise from the envisaged technological and organisational measures should be embraced by the assignment, thus giving the consultant the opportunity to suggest measures that are not only technically or financially feasible, but also socially desirable.

It is fully justified to request consultants to warn managers strongly before decisions are taken whose social implications are likely to be negative - greater pollution, excessive physical or mental strain on the workers, more unemployment, etc.

1.8 The client's contribution to consulting ethics

As management consulting is a partnership between consultant and client, it cannot become more professional and

ethical without the client's help (42). In particular, consultants can adopt and effectively apply such standards as will be seen to be realistic and sound in the management community that uses consultants. Members of the management community have then to observe these standards themselves and put no pressure on consultants in order to obtain confidential information on former clients, or reports and other services that are in contradiction with the adapted standards. Managers also help to promote professional standards by controlling the consultant's behavior during assignments and conveying any dissatisfaction to the consultants' association. To be able to do that, managers who intend to use consultants should be familiar with the code of conduct applied by consultants in a given country.

Of particular importance is the choice of consultants. By requesting and thoroughly examining information on consulting units whose use is envisaged, the client can eliminate those who do not meet the established professional criteria.

Having defined what management consulting is, in which areas it can help an organisation and how the profession is at present it is necessary to know how management consulting has developed and is developing in Turkey and which management consulting firms are in existence in Turkey. These issues will be dealt with in the following chapter.

(42) Shay P.W., How to Get Best Results From Management Consultants, New York Association of Consulting Management Engineers, 1974, p. 166-168

CHAPTER II

DEVELOPMENT OF

MANAGEMENT CONSULTANCY SERVICES

IN TURKEY

CHAPTER II

DEVELOPMENT OF MANAGEMENT CONSULTANCY SERVICES IN TURKEY

The objective of this section is to give a brief overview of the consulting firms and the current market in which they operate in Turkey.

2.1 Management consulting environment

For preparing this part of the thesis, in general (43):

- i) the performance of the management consultancy market has been reviewed;
- ii) the top executives of firms operating in this field have been interviewed;
- iii) the present and future markets for consultancy work in Turkey has been assessed.

The major field survey work was carried out in Istanbul at the end of January. This timing had the disadvantage that:

- i) It coincided with the period in which all the firm managers were very busy with their audits as of December 31 1986.

(43) The Development of Management Consulting Services in Revispana Y Coopers & Lybrand S.A. (1977 - 1981), August 1977, p. 1

ii) 1986 and 1987 was a year in which many important economic policy decisions were taken by the government such as privatisation and the audit requirement for banks, two crucial issues which create a potential market for auditing and consulting firms. Therefore, firm managers did not want to disclose information on confidential matters.

These factors taken together mean that this analysis and survey can only be tentative and incomplete.

During this exploratory study, 18 interviews were held with the chief executives of competing consulting organisations, mainly partners, managers in these firms.

The survey brought into focus the difficulties of getting reliable statistics on the Turkish economy and its various sectors and also on the size of accounting and consulting professions and their main firms.

Further information remain to be gathered. However, one can confidently state that the political and economic background, and the new regime offers significant larger opportunities for professionalism and professional services in the management of economic and financial fields, since there is:

- i) greater need for professionalism in the management and administration of the public sector;
- ii) improvement in the coordination of the relationships between the state and multinational companies and between the state and the major lending agencies.

In this study no interviews were held with any central government personnel, consequently the extent to which the government uses outside consultants is particularly incomplete. However in the past relatively little use has been made of consultants due to the absence of government funds for this purpose. With the new government pledges to greater efficiency and professional management prospects may improve since there is a tendency of privatising many industries though it needs greater investment. In the process of privatisation, public sector definitely needs consultants for financial assessment, systems review, strategic planning and reorganisation.

In the past little or no use has been made of consultants by local government since there has been no development of electronic data processing (EDP) work, financial planning and control, which, in fact, has in other countries formed a substantial part of the market for consulting services. Political interests and financial bankruptcy are two obvious reasons for the failure of consultants to develop this market in the past.

The major commercial banks have a dominant role in the Turkish economy and control directly or indirectly at least 50% of the industry. They represent individually and together an important avenue to accounting and management consulting services work in the Turkish private sector. The law which was in action since 1986 about the requirement of banks' audits related to the transparency of financial statements in this sector is also a big opportunity for auditing firms giving consulting services as well.

The public banks, on the other hand, which have been badly managed up to date and which have given tremendous amounts of

credits to customers without making any risk assessments are now being saved by the government by use of consulting firms.

It is also clear that consulting firms do not find the private sector market easy, especially small businesses. There is little appetite among Turkish businessmen particularly in the many family enterprises in the way they run their businesses. There is however some optimism that Turkey is open to foreign investment. Many multinationals have formed subsidiaries in Turkey and they still find Turkey very attractive for investment. This forces companies to put their record keeping in a suitable form and this, of course, requires the help of consultants.

2.2 Target market and market segmentation

Target market, is the segment of the market consulting firms are aiming at, and trying to capture. In other words, it is the market which consist of clients that the consulting firms will try to satisfy the needs of.

Marketing strategies are classified into three broad categories as (44):

- undifferentrated
- differentrated
- concentrated

(44) Helgeson G. James and Birrer G. Eddy, "Marketing Plans For Accounting Firms", Journal of Accountancy, September 1986, p. 115-126

Consulting firms that follow an undifferentiated target market approach view the entire market as a single entity. Such firms assume that their firms and their services are acceptable to the entire market without taking into consideration the varying characteristics of the clients in the market. Under the differentiated approach firms try to satisfy the varying need of several market segments. In contrast, the concentrated approach requires that firms select one specific segment and focus attention on servicing only clients in that segment.

It can be said that in Turkey, the target markets of the consulting firms are undifferentiated which means they view the entire market as a single entity and they assume that their services are acceptable to the entire market.

There are several characteristics or variables that consulting firms would use as a basis for segmenting their client markets, however, in Turkey these characteristics do not affect the firms in their decision making process.

- i) The consulting firms in Turkey do not take the geographic characteristics into consideration. Being the commercial centre of Turkey, all the consulting firms have chosen to locate their offices in Istanbul except for Price Waterhouse which also has offices in Izmir and Adana. The consulting firms serve Istanbul market but when offered a job in another city, they will not refuse to go. Actually it is observed that all consulting firms are giving services to several clients in Anatolia.
- ii) The type of the client, whether an individual, partnership, corporation, a governmental body or a not-for-profit organisation is not an important

variable, either. As long as clients accept the services and are ready to pay the fees, the consulting firms will provide services to them. Having said this, government organisations will always be classified amongst the most important clients in terms of accessibility to a lot of new and valuable opportunities since there is a central government in Turkey and 50% of the economy is state owned.

- iii) Another important factor is the characteristics of the market. Although the firms do not consider clients' industry or the time they have been in the market, their size happens to be an important factor to the consulting firms for the basic reason of high fees and reputation. Although it is a common practice to bill the clients according to clients' ability to pay, the consulting firms accept to serve prestigious clients even if they would make a loss.

Considering the internal strenghts and weaknesses in choosing target market option, the basic problem faced by most of the consulting firms is the availability of human resources. The key constraint at present is the shortage of suitably skilled staff at all levels in consulting firms due to the high turnover rate. Consulting is not established in Turkey and factors relevant to the availability of suitable staff also include:

- i) a general shortage of skilled consultants in Turkey;
- ii) a particularly acute shortage of experienced consultants;
- iii) competition for personnel from other consulting firms, or other firms in the market.

As a result, it is very difficult for a consulting firm to have a team experienced on a specific industry and automatically its target market becomes undifferentiated.

On the other hand, all the consulting firms have more or less the same characteristics in terms of services provided and expertise in various service areas. Some provide audit and tax consultancy as well as management consultancy. Their management consultancy practices are not fully developed yet and all of them are supported by their international firms if an opportunity arises.

In terms of external considerations, the most important factor which will affect the consulting firms is the economic environment and anticipated public policy decisions.

Very briefly, following a period characterised by recurring problems of high inflation, public sector and budget deficits, organisational short-comings leading to long delays in competing investment projects, increasing unemployment, a heavy burden of external debts and large balance of payments deficits, policies in Turkey have been replaced by more market-oriented ones. Starting in 1980, a comprehensive economic recovery and structural adjustment programme was adapted which quickly proved successful in terms of a renewed impetus to economic growth, better balance of payments performance and enhanced external credit worthiness.

Recently the Central bank introduced a more effective system of controlling the credit expansion through new reserve requirements and regulations for commercial banks and is planning to intervene more actively in financial markets through open-market operations. In order to boost private investment, the existing regulations for foreign direct investment have been

streamlined further; customs-free, industrial zones were established in four coastal towns by the Mediterranean, and preparations have started for the privatisation of several state owned enterprises. Privatisation offers strong possibilities for the future. The government has published a list of state bodies which it intends to privatise over the next few years and is aware of the need to appoint reporting accountants and consultants.

In addition, a law, known as the Rescue Operations Law, has recently been enacted which seeks to save companies in financial difficulties from liquidation by allowing loans to be converted into equity and be rescheduled. Furthermore, starting in 1987, banks in Turkey are obliged to have their financial statements audited by independent auditors as defined in a decree issued on 16 January 1987.

The companies open to public are being audited by the Capital Market Board ("CMB") auditors. CMB with the approval of the Ministry of Finance can request these companies to be audited by the independent auditors which are defined in the decree mentioned above and may ask the firm to use an outside consultant, if necessary. These are the highlights of a large number of legislative changes, and structural policy moves that have been implemented in the last two and a half years or will soon be operational.

This is an indication that demand from firms in difficulty, banks, public firms in the process of privatisation and firms in the CMB will increase and these firms will become the target markets of present consulting firms.

2.3 Market Positioning

Market positioning is the way firms and their services are viewed by clients. In Turkey, consulting firms are expected to assess the present situation of business and give constructive advices for the clients' future development. When working on an assignment, they are expected to know what is effective in business, what their client is missing at present and how to provide it. Moreover, their assignments are expected to be of high quality. But since the market is extremely price sensitive, there is a lot of competition among the international consulting firms to reduce their fees at the price of decreasing quality. Arthur Young, for example, is viewed as a small and low fee charging accounting firm whereas Arthur Andersen is perceived to be the biggest with relatively high level of fees.

Number of professional staff which is parallel with the number of clients and hence the fees generated from these is the key factor in determining the size of a consulting firm in Turkey.

Arthur Andersen being the market leader, is followed by Price Waterhouse, Guven ve Coopers & Lybrand whereas Peat Marvick and Mitchell, Ernst & Whinney and Arthur Young are relatively small in terms of size.

These international firms are considered to have only audit and tax consultancy services. Very few have management consultancy, investigations and small business group but most clients are not aware of these and they do not even know what these firms do in reality and that these firms can give help to their companies.

When looking at the market positioning issue from a more subjective aspect, all of the international firms are assessed as very fashionable, modern and up to date institutions, but it is however, clear that small businesses in the private sector do not favour to work with accounting firms since they are very expensive.

On the other hand, top executives of large Turkish private enterprises and multinationals which have subsidiaries in Turkey rely heavily on consulting firms and management consultancy services in putting their organisation in accordance with international standards. These companies depend on accounting firms' knowledge of the various economic, social and cultural differences at large in today's business environment and they believe the critical issues in their development can be addressed to professional independent consulting firms understanding their business and appreciating their profit objectives.

On the whole, international consulting firms are perceived as very aggressive and prestigious institutions but it is impossible for some Turkish companies to work with these accounting firms since they consider them as non-affordable

2.4 Service mix

The combination of factors such as variety of services provided to clients, level of fees charged, location of facilities and forms of communications with clients form a firm's service mix.

The service mix of international consulting firms in Turkey, though very similar in general, have some distinguishing aspects.

2.4.1 Service provided

As mentioned before, all international consulting firms have audit and tax consultancy services but very few offer management consultancy. Arthur Andersen has a locally established management information consultancy department which is supported by six local staff and a foreign partner. Price Waterhouse, which used to have a partnership with a local consulting firm, on the other hand, has concentrated all its operations towards auditing. Peat Marvick offers auditing services mainly to banks but also has a consulting department whose operations is tried to be expanded recently. Ernst and Whinney is another firm offering a limited set of auditing services to a limited number of clients. Guven ve Coopers & Lybrand, Arthur Andersen, Price Waterhouse and Ernst and Whinney are the firms which provide recruitment services to their clients but it should be noted that recruitment services provided by Guven ve Coopers & Lybrand have been more significant so far. Therefore it can be said that the market is diversified in terms of variety of services and all these consulting firms need external support from their headquarters for any type of large and unusual assignments.

Arthur Andersen can be thought as the most innovative firm since it was involved to a large extent in preparing the standard chart of accounts which all banks operating in Turkey are required to use.

None of the firms have developed products or services, such as computer auditing and software packages, that can be readily identified with them (45).

(45) "The need for Management Services", Management Services, p. 74-78

2.4.2 Fees charged

Though a high price, high quality strategy is applied by the consulting firms, lower-cost services in order to generate business is also offered. Although all firms consider costs and overheads in setting their fees, it is very common to bill clients according to what the firm believes the client will pay. In tenders opened by state-owned enterprises, there is usually high competition between consulting firms to offer low fees since it is a common belief that these assignments are very prestigious and will bring along new opportunities. Traditionally, negotiation is very widespread in Turkey. Even in the field of consulting, firms determine appropriate fees by negotiating with their clients.

It is not common for consulting firms to offer any kind of discounts and usually fees are proposed on lump sum basis instead of detailed listings.

2.4.3 Location of facilities

Consulting firms, nowadays, have become aware of the fact that location can convey a great deal about the firm's image; therefore some firms have changed their location so that the firm and its services are accessible to clients. Since the firm's proximity to important clients, competitors, legal institutions, restaurants and hotel facilities have become significant, they have established their offices in major trade and entertainment areas of the city.

2.4.4 Promotion

Since the target markets of international consulting firms are undifferentiated, firms get involved in overall communication with clients.

Personal contacts to spread information about a consulting firm's services is the most effective way of communication in Turkey. Most firm managers and partners are very social people having contacts from both public and private enterprises.

All firms have promotion tools such as notepads, pens, appointment books and business cards. None of the consulting firms in Turkey publish magazines, brochures or bulletins, but some firms do send tax circulars to their clients and it has been observed that this is an effective promotion tool in Turkey.

Few firms give speeches, training programmes or seminars but the fact that these events are mentioned on daily newspapers emphasises the need for such activities for a firm aiming to be well known in the market.

Since it is not common to do financial work for charity organisations, donations and sponsorship of activities are events which rarely take place.

Firms do not usually advertise their services through mass media such as newspapers, magazines, radio or television. Although there is no legal prohibition against advertising, it might create a negative effect on potential clients. Consulting firms use advertising media indirectly by giving newspapers notices of recruitment on behalf of their clients.

On the whole, it can be said that consulting firms do not use sophisticated ways of communication for their services in Turkey although there is wide scope of getting clients through advertising and promotion.

2.5 Consulting firms

The consultancy profession is very new and small in Turkey and it is, in fact, unknown to many individuals or entities. There is no professional representative body or institute for management consultants. Though very new there is a lot of competition in the consulting market. This competition can be conveniently classified into three groups each of which is considered below:

- i) indigenous Turkish firms of consultants;
- ii) international consulting firms with no connection with major public accounting firms;
- iii) international firms affiliated to major public accounting firms.

2.5.1 Turkish firms

The following are the major Turkish consultancy firms:

The Bosphorus Institute
Etud, Egitim, Pazarlama ve Organizasyon Hizmetleri
Industrial Development Bank of Turkey
Muhas
Obey Management Consultants Incorporated
Poyraz Musavirlik
Research Consulting Marketing
Sevk ve Idare
Yonetim Gelistirme Merkezi

A description of each firm based upon the interviews held is provided in the following pages.

THE BOSPHORUS INSTITUTE (*)

The Bosphorus Institute was established in February of 1984, in Istanbul as an independent consulting group specialising in corporate advisory services. There are five major consultants working for the institute. From time to time part-time consultants are employed.

During 1985, the institute provided variety of services to major Turkish and foreign corporations.

The areas of specialisation of the Bosphorus Institute may be listed as follows:

- * Foreign investment counselling
- * Joint ventures
- * Project evaluation and feasibility studies
- * Market analysis
- * Mergers, acquisitions and divestitures
- * Capital markets
- * International finance

(*) Interview held with Mehmet Gun Calika, Chairman and Managing Director, January 1987

Some examples of the type of work that has been conducted are as follows:

- i) The establishment, on a "turn-key" basis, of a fully staffed and organised capital markets unit for a major Turkish bank.
- ii) Advisory support provided to a newly established Turkish bank specialising in trade finance.
- iii) Long-term consulting arrangement with a major British concern involved in the contracting sector, with the objective of developing opportunities within the Turkish market.
- iv) Long-term agreement with a U.S. firm desiring to establish a joint venture in Turkey in the energy field.
- v) Consulting agreement with a Turkish Commercial group desiring to establish a Turkish merchant bank with foreign partners.
- vi) Long-term consulting agreement with a Kuwaiti group wishing to establish an Islamic organisation ("special finance institution") in Turkey.
- vii) International financial consulting arrangement with one of Turkey's largest contracting groups.
- viii) A market survey conducted for one of the largest U.S. multinationals.

- ix) A long-term arrangement with a foreign economic information group for the provision of a systematic and detailed flow of information pertaining to the Turkish business and economic environment.

In addition to its Board of Directors, the institute is supported by a Board of Advisors who have had substantial experience in Turkey, and retain a strong interest in developments affecting the Turkish economy.

The Bosphorus Institute has a subsidiary called the World Consulting, Representation and Trade Incorporation. Established at the beginning of 1985, this company acts as the Turkish affiliate of Boston Trade Venturers, Inc., which in turn is 100% subsidiary of the First National Bank of Boston.

World Consulting specialises in market analysis and research, distributor location searches and feasibility on an intermediary basis, in trade brokerage activities for clients wishing to develop new export markets.

During 1985, the company has been involved in the following activities:

- i) An advisory arrangement with the State Planning Organisation of the Prime Ministry of the Republic of Turkey, concerning the promotion of the Turkish free trade zones.
- ii) A six-city market survey in Turkey for a major U.S. multinational in the business of equipment field.
- iii) A market appraisal study in Turkey for one of the largest U.S. multinationals in computer sector.

- iv) An advisory relationship with a major U.S. fast-food company, with the objective of establishing a Turkish operation.
- v) The discounting, through the Turkish banking system, of Iraqi trade receivables.

In February of 1985, World Consulting and the First National Bank of Boston arranged a highly successful conference on Investment in Turkey. In addition to prominent government figures from Turkey, over 200 high level executives from major U.S. firms were in attendance.

On the whole, the Bosphorus Institute and its subsidiary is directed to foreign companies in areas of investment, capital markets, financial issues and market surveys. There is no recruitment or training services since managers think profit margin is rather low in these areas. They know that they are a niche in the market rather than a leader or follower but since their area of operations is completely different from other consulting firms in Turkey and since they have very good contacts they have got no problems in finding clients and marketing their services.

ETUD, EGITIM, PAZARLAMA VE ORGANIZASYON HIZMETLERI A.S.
("EPO") (*)

EPO was established for the purpose of giving assistance to private and public enterprises which were in the process of investment. EPO, established in 1970's with six people was formed by a group of academicians who believed that any implementation in practice had a theoretical background. Therefore these people thought that any research should be done with its methodology to cure the maladies firms were facing. This way EPO established a link between the industry and the university.

EPO has been specialised in giving the following services during these years:

- * Investment planning and feasibility studies
- * Management sciences, technical and management consultancy
- * Market research
- * Organisation and reorganisation projects
- * Seminar preparations

EPO managers give a lot of consideration to have the experienced and suitable people for projects. They act as

(*) Interview held with Erkunt Tamer, Chairman of Board, January 1987

independents and they give the highest importance to confidentiality.

EPO employs nine permanent people at present but on project basis this number increases. Furthermore EPO has special agreements with other local and foreign firms who are operating in the same field. These parties act as subcontractors and EPO has the right to plan and control their activities. EPO has also got some agreements with consultants who work with EPO whenever they are asked.

EPO is widely known for market researches it conducts. In these kinds of studies, questionnaires are prepared and distributed. In these cases, people are employed for administering the questionnaires.

EPO also gives training services but these are usually forwarded to top executives. EPO does not give training to lower levels in any kind of organisation.

EPO usually gives consultancy to firms who come to them to ask for help. Otherwise, EPO managers do not like to get involved in any kind of tenders and bids.

Although EPO managers think that they are not widely known, it has been observed that they have enormous number of clients from different industries such as agriculture, mining, chemicals, construction, pharmaceuticals, electronics, press, textiles, services and many others.

EPO used to have seniority levels such as project researcher, manager and director and fees were calculated on the basis of man weeks according to these levels. They charged all expenses to the client. At present, EPO is calculating fees on

the basis of director's weeks only. If any kind of research is needed, then people for distributing the questionnaires are employed and all the related expenses are charged to the client.

Usually in a project there is a group doing field work and another doing desk research. These people are usually very experienced but they do not give any kind of consultancy. They are responsible for giving information and update the project managers who will give consultancy after reviewing and evaluating all the information that is available.

"There is no advertising in consultancy" believe EPO staff. The only way of having new clients for EPO is getting good results on previous assignments, giving seminars and publishing bulletins.

EPO managers are also owners of the firm. They do not take salaries and no dividends are distributed. They think that one must love his job and must sacrifice certain things in order to be successful.

INDUSTRIAL DEVELOPMENT BANK OF TURKEY ("TSKB") (*)

Although TSKB is a bank providing funds for purposes of industrial development, the bank has a research and consulting department. Fields of activities of the consultancy services department of TSKB may be summarised as follows:

i) Market studies

Market studies can be undertaken on a product, subsector or sectoral level either in Turkey or abroad. Previous experience in this field are two studies on the Iran market, sectoral market studies in Iraq, Egypt, Saudi Arabia, Algeria, Germany, Belgium and England.

ii) Sectoral diagnostic studies

The department has successfully completed six diagnostic studies on electrical equipment manufacturing, marble processing, food processing, castings, furniture manufacturing and agricultural implement manufacturing. Studies on subsectoral level such as fish processing, copper wire production and textiles were also undertaken. The aim of the studies are:

- (a) to diagnose the factors that have a major impact on the performance of sectors.

(*) Interview held with Dundar Aytar, Research Specialist, January 1987

(b) to state remedial measures to be taken to make the sector more competitive.

iii) Valuations

TSKB is well experienced in valuations of the firms, land, factories or equipment. Now that there is a boom in the real estate market, a lot of demand is expected in the area of valuations.

iv) Feasibility and productivity studies

All types of feasibility reports are being prepared on new or on expansion projects. The department has up to date technological data on manufacturing processes and was instrumental in setting up new plants. This experience can be used for the completion of preliminary feasibility and engineering studies. Productivity studies the results of which are used to evaluate the performance of a plant or a firm are also undertaken. The existing data base on performance figures of major manufacturing units can then be used to pinpoint the competitive position of the plant or the firm and suggestion can then be made on how to increase the productivity.

Technical projects, organisations of management, settling up accounting systems, data processing, construction and erection contacts manufacturing of machines can be undertaken where TSKB can be either the contractor or subcontractor. TSKB can and will form a consortium of firms in these fields:

- * textiles and ready wear,
- * cement,
- * animal feed,
- * macaroni,
- * agricultural implements,
- * wood working machinery,
- * engineering products,
- * prefabricated housing,
- * pulp and paper,
- * aluminium products.

MUHAS (*)

Muhas is a consulting firm which is mainly specialised in accounting and finance.

Muhas was formed by Yuksel Nedim Yalcin who used to work for Touche Ross. Touche Ross has come to Turkey many years ago for providing audit and consultancy services to Turkish enterprises but since the demand was low it has left Turkey. The general manager of Muhas who used to work with Touche Ross has established Muhas for the sole purpose of giving consultancy services but having noticed that there was a high demand for auditing as well, it has joined with Price Waterhouse International three years ago, but then having realised that auditing was not profitable and that it did not carry along new opportunities for consulting Price Waterhouse and Muhas separated their activities recently. At present Muhas is giving only consultancy services whereas Price Waterhouse is giving audit and tax consultancy services to some extent.

Muhas has provided many consulting services in finance, accounting and reorganisation areas and is mostly famous for the reorganisation studies it has conducted for the State Economic Enterprises. Now that the State Economic Enterprises are being privatised, it is expected that Muhas will get many potential new clients or conduct studies for the old clients which are at the process of privatisation.

Most of the consultancy projects Muhas has been involved in

(*) Interview held with Ismet Dincer, Assistant General Manager, January 1987

have been demanded by third parties. For example, firms getting loans from international finance organisations have been subject to some surveys conducted by Muhas as to assess the financial position of these companies.

At present, Muhas does not have many small clients since they do not afford to have consultancy services, but Muhas thinks that in the future (5 or 6 years time) firms will not be able to employ many staff therefore there will be a great tendency to utilise management consulting firms.

Muhas has ten professional staff at present of which four are working at the Ankara office. The company employs additional staff such as academicians on project basis. Most of the staff employed by Muhas have MBA or doctorates degrees. They usually have very intensive trainings on management consultancy issues. Sometimes a part of the consulting projects are given to subcontractors (ie for marketing projects).

Now that computer usage is increasing in Turkey, Muhas managers believe that there will be greater need for consulting services in the areas of selection and implementation of software and hardware which will require a walk-through work of the organisations' financial and accounting systems. Muhas is aiming at this fact of the market and is trying to get specialised in the area of selecting and implementing suitable software for organisations.

OBEY MANAGEMENT CONSULTANTS INCORPORATED ("OBEY") (*)

Obey is a group of professionals, academicians, entrepreneurs, former bureaucrats, business executives, advertisers and researchers organised under a single roof to provide comprehensive consulting, management and representational services in Turkey and the Middle East, to the local economies as well as to the incoming investment from elsewhere.

Obey has three partners, two of them being husband and wife, and fourteen associates from different industries such as construction, manufacturing, textiles.

The services provided by Obey to its clients are planning of resources, management of their organisation, remedy for seemingly hopeless financial malady, tracing the safest path leading to the fulfillment of firm's plans and expectations in the form of setting up a joint venture or assigning a local representative.

As far the Obey client's, they are as diverse as a foreign bank in Turkey getting status reports from Obey on major industries; an industrial group using them for a market segmentation analysis; a group of Taiwanese emigrants wishing to make their home in Turkey and bring along 20 million \$ to be used through Obey guidance; two industrialists (father and son) wishing to be converted into an efficiently structured and professionally managed corporation.

(*) Interview held with Oktay Bora Yagiz, Managing Partner, January 1987

Obey offers the following services:

- * Prefeasibility, feasibility, site selection and effluent treatment studies.
- * Legal and procedural work leading to the formation of publicly licensed companies or joint ventures chartered to benefit from maximum economic advantages and government incentives.
- * Local counsel and guidance for the foreign investment, through the legal and procedural network.
- * Status reports, sectoral studies and trend analyses on major industries.
- * Review, appraisal and planning of human resources and productivity promotion schemes.
- * Management structure and informative systems design.
- * Economic and corporate planning.
- * Marketing strategy development, product promotion and PR management geared to serve sales policies and company image.
- * Project management for capital investment programs.
- * A broad range of consultancy work related to materials, maintenance and energy management and procurement and quality control.

- * A comprehensive range of services in management information system and communications (starting all the way from systems analysis and leading to the supply of advanced software and turnkey communications and computer systems) in joint effort with the regional extension of a multinational known to have excelled in information technology.
- * Auditing service for firms wishing external audit or lacking sufficient system or adequate staff for internal control.
- * Executive help for newly founded companies with no or inadequate staffing (or for those with temporary openings) through the lending of full time or part time (long term or short term) Obey staff whose full capability will be secured through a comprehensive support from Obey management.
- * A department for drafting preliminary studies assigned by overseas investors for Turkey; for furnishing the "foreign businessman" with services of a liaison office and staff in Istanbul; for offering the foreign investor and initial orientation with the social and economic milieu; and finally, as a full fledged representative or joint venture partner to act countrywide or regionally.

As mentioned before there are many people working for Obey but most of them are not fully employed. They work in assignments whenever required. Sometimes even additional staff are employed on project basis.

Obey has got involved in many investment and promotion projects up to now. They have conducted a customer tendency survey for the Sabanci group in which the project director and manager were people who were originally employed by Obey. In this study fourtysix people were trained in order to conduct the survey. They also conducted a portfolio restructuring analysis for a small bank for customer selection. A reorganisation study has been conducted for a group of fourteen firms.

Obey managers think that the best way of getting new jobs is getting good results on previous assignments and having good relations with firm's executives. Obey is very advantageous in this since all people working for Obey have worked and are still working in the industry either as managers, board members or partners.

Obey does not have very many small clients since they find the fees very high. Now the firm is in the process of forming a joint venture with an English firm (name not disclosed) for running projects related to the World Bank.

They will also prepare a point costing system for a cement manufacturer. They will give consultancy to a public bank on merchant banking.

POYRAZ MUSAVIRLIK(*)

Poyraz was established in 1973 for the purpose of giving services in the following areas:

- * Research and surveys
- * Management consultancy
- * Real estate
- * Human resources and training

These four services cannot be considered separately since staff employed by Poyraz get involved in all these types of activities. There are 46 people employed by Poyraz, who have a wide experience in those four areas.

Poyraz is very famous for the general surveys it conducts on wage and salary levels. Apart from this, it conducts some surveys for individual firms such as market research, and feasibility studies on investments. On some statistical issues such as wage levels even the government takes the information from Poyraz. Poyraz do not employ part time staff for giving out questionnaires used in the surveys. The 46 people employed by Poyraz actively conduct the research themselves.

The management consultancy services offered by Poyraz are usually in the areas of production and marketing. These are

(*) Interview held with Ali Ihsan Poyraz, Managing Partner,
January 1987

usually related to giving remedy to firms with difficulties instead of planning the future operations of a firm which is doing well. Furthermore, Poyraz gives consultancy on real estate sales and purchases and in fact gets involved in these kinds of operations.

Last, Poyraz is also very well known on human resources activities such as recruitment and training. They only do top management recruitment. They have two foreign editors who are responsible for advertisements and publications.

They charge their clients according to men weeks. Their fees are considered to be rather high in the market and this is the reason they do not get involved in any tenders.

They believe that the Turkish market is very unstable at present and that management consulting will stay at a very primitive level for long years. Firms utilise academicians as consultants by taking them into their board of directors. This is the extent of consulting in Turkey and it will take some time to establish management consulting in Turkey as it is in western countries.

RESEARCH CONSULTING MARKETING LTD. (RCM) (*)

RCM was established on 1 January 1985. It is a small firm with three consultants and a typist. There is one person working for RCM in Ankara who is responsible for following up the Treasury, State Planning Organisation and other similar governmental institutions. The number of people working for RCM have increased up to six people on project basis in the past. They have only got ten clients. They are conducting market research for five of them. They have had no recruitment activities up to now but they are in the process of recruiting some staff for one of their clients.

The consultants working for RCM are specialised in different areas being social sciences and engineering mainly. The firm was established for the purpose of conducting surveys on political issues but the market has directed their operations towards more economical issues.

They have given an advertisement on a newspaper in Switzerland and that is the way they got their clients. They are giving services to foreign clients mostly on investment issues and market surveys.

They believe that there are too many small consulting firms in Turkey which are not qualified enough. Since Turkey is expanding and becoming western oriented, there will be a great need of consulting services in the future. Therefore they think that consulting firms should try to associate with international

(*) Interview held with Aydin Cingi, Managing Partner, January 1987

consulting firms in order to benefit from their wide experience.

RCM does on the job costing on projects and they operate with a very low profit margin in order to increase their reputation and attract new clients. Their target market is mainly foreign firms which are planning to invest in Turkey.

SEVK VE IDARE MUSAVIRLIK EGITIM ARASTIRMA A.S. (*)

Sevk ve Idare A.S. (Management consultancy, Training and Research) was founded in 1977 and it is the oldest and the most experienced management consultancy firm giving training, consulting and research services to commercial and industrial companies, service and government organisations. At the establishment of the company there were three people working. This number increased to four and five in 1978 and 1979 respectively. Now there are seven people working for the firm and they hope to be fifteen by the end of 1988.

Sevk ve Idare A.S. is a descendant of the Turk Sevk ve Idare Dernegi which was established by the World Bank, Ford Foundation and the Ministry of Industry and Commerce in 1963. The goal of this fund was to give training and experience to consultants who were in turn going to give assistance to Turkish firms. The fund was closed in 1975 due to a strike when there was no demand for consultancy and the Turkish culture was not even aware of consultancy services.

Sevk ve Idare managers strongly believe that every organisation is unique, the problems that it faces are usually specific to its particular situation; solutions cannot be packaged. This perception is central to their approach to management consultancy, training and research.

(*) Interview held with Guney Cavusoglu, Managing Partner, January 1987

Sevk ve Idare offers management consultancy services in the following areas mainly.

- * General management
- * Marketing and sales management
- * Production management
- * Financial management
- * Personnel management
- * Computer selection and data processing management
- * Feasibility studies

Since developments in management area as in every human activity is continuous, continuity and success of the organisations and professional managers depend upon how well both renew and adapt themselves to the changes occurring round them. Sevk ve Idare consultants and training experts renew and adapt to the changes through public and in-plant training sessions.

Sevk ve Idare experts analyse and identify the training needs of their clients, prepare and present their proposals, when their proposal is accepted, they train the client's personnel in "adults learn by doing" principle. There are usually case studies in these training courses.

They also analyse and identify the general training trends in management semi-annually and then prepare their semi-annual

public seminar programs. Managers from every management level in the organisation can take part in those public seminars.

They carry out general and specific research according to the needs of their client before they start to an activity such as selling their products or services that they have to know the prospective developments. Through a well designed and administrated research Sevk ve Idare consultants change the direction of their client's future activities.

Selection of personnel for clients according to man-job specifications is another area of service offered by Sevk ve Idare consultants. This area needs a technical and rational approach which Sevk ve Idare managers believe to have and in fact they are rather famous for recruitment services. They only consider Poyraz Musavirlik as a competitor in this area. Every small data from manners to specific knowledge required for that post are analysed and checked during the selection process. Through its management selection services, Sevk ve Idare provides logical and technical approach to selection plus savings in time and money to their clients. They have loaded on to their computer every single person who can be recruited. All the advertising and other expenses are paid by the client. Sevk ve Idare also conducts some research on wages and salary levels in Turkey which every organisation can use.

Furthermore, in order to maintain flow of information among managers, Sevk ve Idare has introduced its publications since 1981. The existing publications are monthly management bulletins and management books, which are sent to managers upon their requests. About 2,500 managers are reading these monthly bulletins.

Sevk ve Idare has seniority levels as junior, resident and senior consultants. One becomes a resident consultant in three

to five years depending on his skills. It takes five years to become a senior consultant.

Clients are charged on man week fee basis but the firm is working with 65% efficiency (27 man weeks). All the consultants in Sevk ve Idare are specialised in different areas. They all know English and all of them are university graduates. The consultants have 3 months training courses when they join Sevk ve Idare. Moreover, they are given formal trainings in Turkey and abroad periodically.

Sevk ve Idare does not consider foreign auditing and consulting firms as competitors since they do not have a lot of experience in Turkey. It does not consider Turkish consulting firms such as Muhas as competitor either since this firm's studies are based too much on statistical data and research whereas Sevk ve Idare gives advice to its clients according to the needs of the market.

They usually get clients by way of personal relations, word of mouth advertising and from the relations they have had at the time the Sevk ve Idare Dernegi was established. They do not have any publicity arrangements since they believe it is not proper to have advertising in consultancy services. They have got involved in some tenders since 1986 but they have no chance in government tenders as long as foreign consulting firms also apply to these tenders.

YONETİM GELİSTİRME MERKEZİ(*)

Yonetim Gelistirme was established in 1982 by the old managers of Sevk ve Idare Dernegi. These people consider themselves to be the most experienced people in consultancy in Turkey.

Yonetim Gelistirme has ten people employed of which eight are consultants but on project basis this number increases to thirty except for the people who are responsible for giving out the questionnaires. 80% of the staff who are employed on part time basis are academicians whereas the rest are people who are very knowledgeable in their area. They also have an agreement with Internal Business Service.

Yonetim Gelistirme provides the following services to today's managers.

- * Books, magazines and other publications,
- * Audio and video bands,
- * Conferences, seminars and courses,
- * Recruitment,
- * General or special research,

(*) Interview held with Ahmet Levent Oner, Senior Consultant, January 1987

- * Consultancy services for problem solving in enterprises,
- * The application of the Japanese Quality Control Circles (QCC) method.

Performance evaluation, job evaluation, design of organisation system, management information system, cost accounting systems are among the management consultancy services offered by Yonetim Gelistirme.

Among the training services offered by Yonetim Gelistirme, there is the training of any level of staff from secretaries to general managers. Some of these training programs are open to public whereas the rest are tailor made for specific enterprises. These can be called in plant training programs. Yonetim Gelistirme has given in plant training programs to firms such as Turyag, Lassa, Kordsa, Bimsa, Pirelli and many others.

Yonetim Gelistirme has recruitment services as well and is very well known for this kind of service. Although they think that this kind of service is not very profitable at present they accept to work at breakeven in order to increase their library of people who can be recruited on behalf of clients. They think that this will be very useful to them since there is a high demand for recruitment. The reason for the demand is the inexperience and inadequacy of people and therefore Yonetim Gelistirme managers think this will create a potential market for consulting services. Yonetim Gelistirme has disclosed the prices for recruitment and they are relatively low when compared

to other firms doing recruitment. The fees except for the expenses and excluding VAT are as follows:

	<u>TL</u>
Low level staff	100,000
Chief	150,000
Manager	200,000
Assistant General Manager	250,000
General Manager	300,000

Yonetim Gelistirme is the first firm to apply QCC in Turkey. QCC is used by most of the Japanese firms and is becoming increasingly used in the world. It helps in:

- * increasing the quality of products or service,
- * increasing sales,
- * decreasing costs,
- * increasing efficiency,
- * motivating personnel and increasing their creativity,
- * creating good relations.

Yonetim Gelistirme has also got some research activities such as salary levels, demand-supply analysis, market research on consumer preferences, effects of advertising, distribution channels and so on.

At present Yonetim Gelistirme do not have a regular publication since they do not get advertisement which is expected to cover to 10-50% of their costs. Therefore, they only give out publications on seminars.

Yonetim Gelistirme has hierarchy levels as assistant consultant, consultant and senior consultant. One can become a senior consultant in four years. All the consultants working for Yonetim Gelistirme have had some sort of experience in the industry and that is why they consider themselves better than academicians. They give a lot of importance to confidentiality and dead lines.

Fees are charged on project basis and usually they cannot charge the client if expenses are over the projected level.

They almost never get involved in tenders since they think there are briberies going on and they do not have time to work for tenders. Furthermore, they believe that State Economic Enterprises do not have a tendency to use consulting firms of their nature. During the last four years they joined only three bids.

They think that their prices are not very cheap but their work is very high quality. Furthermore, they follow up what has happened even if their agreement is over.

2.5.2 International non-accounting firms

There is little evidence from this brief review of successful penetration of the Turkish market by the large U.S. consulting firms such as McKinsey, A.D. Little, Booze Allen & Hamilton and the Boston Consulting Group. They may have been active in the market temporarily but their profile is low. Boston Consulting group, for example, has conducted a market

research for the Turkish textile industry for the Industrial Development Bank of Turkey but they did not set up a company or an office in Turkey. When the assignment was complete, they have left the market. Morgan Grenfell, on the other hand, is working in the Anadolu Bankasi reorganisation project but it also intends to leave the market when the work has been completed. Deloitte Haskins and Sells is working on a project related to Desiyab right now but it is unknown whether the company intends to continue its operations in Turkey or not. The Morgan Guarantee group conducted a research on the viability of the privatisation project in Turkey but is planning to leave the market as soon as the project is over.

2.5.3 International accounting based firms

The following are the major international accounting based consulting firms in Turkey.

Arthur Andersen
Arthur Young
Cevdet Suner Denetim ve Musavirlik AS
Dearden Farrow
Güven ve Coopers & Lybrand AS
International Business Service
Moore Stephens
Peat Marvick & Denet
Price Waterhouse

A description of each firm based upon the interviews held is provided on the following pages.

ARTHUR ANDERSEN MUHASEBE VE MUSAVIRLIK LTD. STI. (*)

Arthur Andersen Muhasebe ve Musavirlik Ltd. Sti. is a member of Arthur Andersen & Co., Societe Cooperative which is a worldwide partnership of dedicated business professionals with the analytical skills, personal integrity and objectivity needed to serve clients and public interest. As all the other national practices which are partners of the cooperation, Arthur Andersen also seeks to provide the highest quality service to each of its clients through a responsive and effective relationship led by a partner who understands and cares about client's business. Shared values enable them to bring Arthur Andersen the collective knowledge, expertise and resources of the worldwide organisation to each client engagement.

Arthur Andersen is the most widely known accounting firm in Turkey since it was established first (1975's) and had the advantage of being the first firm in the Turkish market. This is the basic reason as to why Arthur Andersen has a large number of clients when compared to other international accounting firms.

Arthur Andersen basicly offers 3 types of services which can be summarised as follows:

- * Auditing
- * Tax consultancy
- * Management consultancy which is basicly management information consultancy (about 70%)

(*) Interviews held with Fikret Gulsoy, Manager and Byron Tsinikas, Managing Partner, January 1987

The management consultancy department of the Turkish firm was formally established in June 1986 but preparations had been going on for three years. The department now employs 7 permanent people and 3 full time equivalents of foreign personnel. The foreign personnel are used on projects which the firm has had no experience before in Turkey. Arthur Andersen employs 80 people of which about 50 are professionals. They used to interchange staff between auditing and consultancy but now that the firm has established the management information consultancy department there is no more exchange of staff so that people can get specialised in their areas.

Arthur Andersen management think that with the explosion of the information industry in Turkey, many new ideas on how information should be captured, presented and used came out. New concepts, new technologies and new opportunities developed because information is a strategic and operational necessity.

Arthur Andersen is not solely a business consultant nor a computer consultant. It offers services to its clients ranging from systems planning to systems design. It conducts feasibility studies, gives advice on hardware and software selection. Banca Di Roma is an example of many firms which have used management information consulting from Arthur Andersen.

These management information consultancy services are provided using Method 1 which is a highly automated and structural systems development methodology that helps companies create quality system on time and within budget. Method 1 reflects over 30 years of experience by Arthur Andersen & Co., in developing and maintaining information systems in virtually every industry throughout the world. Many companies have successfully integrated Method 1 into their organisations and improved productivity, communication and control of their

information and many more companies nowadays are turning to Method 1 to cope with complex information needs and changing technologies.

Method 1 has 4 stages which can be summarised as:

- i) Project definition and planning ("PDP") which includes Information planning
- ii) Project development
- iii) Systems installation (either custom design or readily made available software)
- iv) Systems maintenance

Arthur Andersen prefers not to give systems maintenance since it is not within the firms' area of specialisation but it continues to have contacts with clients on other issues related to different stages in the management information consulting process.

Arthur Andersen's recruitment policy worldwide is attracting some of the very best graduating students who have no experience. An intensive training is given to new staff. For example for every new management information consultant there is a 3 weeks training abroad (USA) and 2 weeks training in Turkey. COBOL is taught in these trainings. Furthermore, these people are subject to 4-5 other courses in USA in the following 2-3 years.

Management thinks that audit assignments bring along consulting assignments. Although only two people are working in tax department taxation has the highest number of clients and is

the most profitable operation, in fact. In audit assignments, the firm works at breakeven level. Arthur Andersen has conducted a job for the Central Bank of Turkey, although they knew in advance that they were going to incur a loss, for the sake of advertisement. They have used Turkish consultants on this assignment and it has taken almost a year to complete the new system and chart of accounts for the bank. However, they agree that this has brought along many new opportunities for the firm.

Arthur Andersen thinks that they are not very well known in the Turkish market and they use no advertising media. They say that only multinationals work with them. Small Turkish firms do not know about Arthur Andersen and even the ones aware of their existence are not ready for the level of fees. They believe that the Turkish market is in need of consulting but there are no people who are experienced enough to solve the serious problems of the Turkish industry.

There are seniority levels in Arthur Andersen such as assistant, senior, manager and partner. They try to devote the minimum amount to quality control since they have developed high standards of quality.

Arthur Andersen is independent in internal matters therefore the general manager and managers decide on fee levels. They are not open to any bargains.

They get involved in some public tenders and recently they have got many new clients from the public enterprises which are in the process of privatisation. They believe that these assignments might bring along new assignments on consulting in the future.

ARTHUR YOUNG(*)

Arthur Young was established for giving mainly auditing and tax consultancy services to the Turkish enterprises and it is at present continuing these sorts of activities.

Arthur Young has about 15 professional staff at present. These staff are involved in auditing since there is no demand for management consulting. Arthur Young has had consulting assignments to a very limited extent and in these assignments they have used external consultants. Therefore, their fees were rather high. For example, they have made a reorganisation study for the STFA group, a major construction company in Turkey.

Arthur Young managers believe that there will not be any demand for management consulting in the following 10-15 years since there is no economic stability in Turkey. Furthermore, the fact that most Turkish enterprises are family-managed brings along a management which is not professionally oriented. These firms do not give any importance to planning, control and organisation.

Moreover, the quality of a consulting assignment depends on the money firms are willing to pay. At present, consulting fees are very high and most Turkish enterprises cannot afford to pay these level of fees.

They believe that there is a great potential for computer selection adaptation and implementation in Turkey. They might

(*) Interview held with Hakan Once, Manager, January 1987

give management information services in the future but at present this is not a very serious thought for Arthur Young.

Arthur Young has no recruitment services since they believe that the cost of recruitment is very high for a firm with few staff. They think that interviews are time consuming for Arthur Young staff.

There are fifteen professional staff at Arthur Young and these people are graded according to seniority levels which is typical in any international accounting firm. There are assistant, semi-senior, senior, supervisor and managers. One can become a manager in five years.

Arthur Young management disclosed the information that recently there has been an increase in demand from the public sector whereas demand from private sector is always the same although they offer price reductions to potential clients.

CEVDET SUNER DENETİM VE MUSAVİRLİK A.S. (*)

Cevdet Suner Denetim ve Musavirlik AS is correspondents for the Ernst & Whinney Worldwide and the KMG which is one of the most well-known accounting firms in Europe. The firm is mostly engaged in auditing activities and consultancy related to financial issues.

They use the uniform, worldwide audit approach of Ernst and Whinney International focusing on understanding the client's business and on those areas of operations that have the greatest potential risk. Their approach uses the most modern auditing techniques available and emphasises planning and coordination with the client on a continuing basis.

Cevdet Suner has ten professional staff for giving auditing and tax consultancy services. They do not give any kind of consultancy services other than those related to the accounting systems of their audit clients. The reason for this is that according to law enacted on 16 January 1987 auditing firms cannot give consultancy services to their audit clients. Although this law is valid only for banks they think that there is no need to get involved in other consulting works since there is no potential for management consulting in Turkey at present.

Cevdet Suner is very selective in choosing clients and they do not decrease their fees at the sake of getting new clients.

(*) Interview held with Cevdet Suner, Managing Partner, January 1987

The staff is organised according to seniority levels as in all the other accounting firms.

They do not have to obey to the standards of their parent companies unless the job is on behalf of the parent company.

DENET MALI DANISMANLIK A.S. (*)

Denet Mali Danismanlik A.S. was established in 1981 as a correspondent for the widely known international accounting firm Peat Marvick, Mitchell & Co. With effect from 1 August 1986 Peat Marvick has appointed Denet to act as exclusive correspondents for all audit, accounting, taxation and management consulting services required by Peat Marvick clients in Turkey.

According to the correspondent agreement, it is understood that Denet will carry out international standards and comply with its ethics and independence rules. Peat Marvick conducts periodic reviews of such work and provides the necessary technical and educational support to ensure the maintenance of a high level of quality services to clients. Peat Marvick also encourages appropriate Denet personnel to attend their in-house training programs.

The range of services offered by Denet can be summarised as follows:

- * Auditing
- * Tax planning, tax laws
- * Exchange regulations
- * Company formation and company law
- * Capital markets
- * Incentive measures
- * Accounting organisations
- * Financial analyses

(*) Interviews held with Dogu Onur, Manager and Iltter Erkan, Managing Partner, January 1987

- * Leasing
- * Regular newsletter on tax and legal matters

Denet has three offices of which one is located in Ankara and two in Istanbul. There are thirtytwo professional staff working for Denet who are graded according to seniority levels. Most of the staff have worked as financial controllers in the public sector for more than 10 years whereas the others are people who have had wide experience in different sectors of the industry.

Denet management thinks that there is no legal basis for management consultancy in Turkey. Although they were established for this purpose, only 20% of their turnover is from consulting assignments. They believe that consulting will be widespread in Turkey around 1990's. Among the consulting works conducted by Denet about 90% is the evaluation of accounting systems of firms and giving recommendations on control weaknesses.

They charge their clients either on man hours or on project basis and they usually collect their money on monthly installments. They are aware of the fact that their fees are very high and that is why they have very few clients. About 40% of their clients are banks and financial institutions but now they have started to give considerable effort for getting clients either manufacturing or giving services.

They have no way of advertising their services. They claim that good service is the best way of letting people know about them.

They have recently started getting involved with the public sector which is opening bids for the privatisation of the State Economic Enterprises.

ELIT VE DEARDEN FARROW MUHASEBE KONTROL LTD. (*)

Elit Muhasebe ve Kontrol Ltd. is a partnership which cooperates with the activities of an association of firms worldwide connected with Dearden Farrow International, one of the leading United Kingdom firms of Chartered Accountants. The international association exists to provide the clients of Elit with a high degree of expertise.

The main objective of Elit is to maintain the highest professional standards for accounting, auditing, management services, tax and related services and to arrange for those to be made available to all clients.

Elit was established in 1984 and started operations in 1985, therefore it is very small and unknown to many Turkish enterprises when compared to the other international accounting firms that are established in Turkey.

There are five consultants working in Elit, of which two are specialised in taxation matters. For consulting assignments they employ academicians from Istanbul University on part-time basis and they may get support from their London office. This support may increase up to fifteen consultants. There is also a continuous exchange of people between the Istanbul and Manchester office.

Elit managers think that auditing is never profitable in Turkey since there is a lot of training required and auditors

(*) Interview held with Mazhar Timhasli, Managing Partner, January 1987

still have to be paid in off seasons, therefore their target market is consulting mainly, which they think is very profitable in Turkey nowadays. The fact that most Turkish firms are taking long-term loans from the World Bank necessitates them to have some consultancy from third parties. Furthermore, in Turkey most firms are family owned and therefore there is no good management of sources. They will definitely need some sort of consultancy in a few years time. Right now, they think that there is not a great potential for consulting since Turkish firms prefer to employ academicians on a continuous basis.

However, Elit has conducted some consulting assignments in Turkey which were all subject to a partner's review from Dearden Farrow International and they think that they will be getting more consulting jobs in the future.

GUVEN VE COOPERS AND LYBRAND DENETIM VE DANISMANLIK A.S. (*)

Guven ve Coopers & Lybrand A.S. is a member of Coopers & Lybrand (International) and it has progressively developed its services to local Turkish companies and international companies seeking to establish or expand their operations in Turkey.

The local partner of the Turkish firm, Guven was established in 1951 by Fuat Somay as the first accounting and tax practice in Turkey with offices in Istanbul and Izmir. The Turkish firm has 3 partners and currently employs 30 professional staff and has auditing, tax and legal advice, executive search and business advice services to companies, including data processing.

Over the last 3 years the firm, has participated in a number of management consulting assignments in Turkey in a wide range of industrial sectors including pharmaceuticals, electronics, soft drinks, agriculture, livestock, industrial gases, cosmetics and toiletries, textiles, construction, consumer banking, financial services and tourism. In addition to using its own permanent staff, Guven ve Coopers & Lybrand is able to draw on the services of other local special organisations or associate with consultants for particular studies, as appropriate.

Guven ve Coopers & Lybrand has been developing special relationship with clients in the public sector. They were the

(*) Interview held with Vahyi Somay, Managing Partner, January 1987

first firm to audit a State Bank in Turkey and are undertaking consultancy work for a number of other state banks. They have also recently been appointed to conduct an economic review of the Turkish Republic of North Cyprus.

Güven ve Coopers & Lybrand's management consulting department has two people employed at present but whenever there is an assignment there are either transfers from the audit department. On very important assignments that the firm got involved during the last year, professionals have come from abroad to give assistance.

The firm gets clients usually through personal relations or the tenders that were opened to all accounting and consulting firms recently.

Fees are calculated according to man hours. Fees are usually high on management consulting assignments since the fee rates of foreign staff are relatively higher.

The firm showed significant growth over the last few years. They are getting more involved in management consulting and management information systems consulting since the demand for these areas are rapidly increasing.

INTERNATIONAL BUSINESS SERVICES A.S. ("IBS") (*)

IBS was organised in 1984 to assist the flow of capital, trade and technology between Turkey and outside world since Turkey was becoming increasingly open to foreign investment and business activity which in turn continued to present problems which required specialist knowledge.

IBS is a very small firm with a director, a managing consultant and two secretaries but it employs additional staff on project basis and have many strong links with other consulting firms.

The partners of IBS have two decades of experience in dealing with the public and private institutions of Turkey, and with the country's political and business leaders. They are associated with:

- i) The Reliance Consulting Group, part of the Reliance Financial Group, and including: Inbucon Management and Technology Services; Leasco Software; Fintrac agri-business and agro-industry consultants; Werner International textile services; Hagler Bailly energy consultants
- ii) TES A.S. of Istanbul, a business software and management systems consultancy firm, a member of the Kavala Group.

(*) Interview held with David Tonge, Director, January 1987

iii) Sada of Ankara, a representation and business consultancy firm, of which David Tonge was a founding partner in 1967.

iv) Dewe Rogerson, a leading London financial public relations company and architects of the launch of British Telecom.

IBS offers the following services for the potential investors and traders:

- * Identification of business opportunities
- * Choice of partners
- * Feasibility studies
- * Legal and tax guidance
- * Financial consultancy
- * Government relations
- * Market research and analysis
- * Selection of agents
- * Project and partner identification in tourism

IBS has given many services to the public and private sectors. It has conducted many assignments in the tourism sector such as the 800 bed Club Mediterranee at Kemer and its 100 bed expansion; the 900 bed hotel of Kuoni of Switzerland near Antalya; the 500 bed hotel being built by Iberotel at Side; Club

Robinson's 700 and 900 bed holiday villages at Camyuva and Side respectively.

Among works completed by IBS is the identification of local and foreign partners for a new export product for Turkey, a feasibility study covering the technical and market requirements. Credit and incentive certificate compliance was cleared and a company to realise the investment is being formed at present.

An examination of the possibilities for establishing a new financial institution was carried out on behalf of investors. Assistance was given in locating potential partners.

As part of a United Nations Habitat project of housing developments in Turkey, technical supervision was provided for a research project on the Batikent Mass Housing Development outside Istanbul.

Responsibility has been undertaken for researching the inter-institutional links in Ankara for the Turkish government commissioning major review of the operations and role of one of the state banks.

IBS is also getting involved in government bids recently but they said that their prices are high when compared to other consulting firms, especially the international ones.

They are now at the process of establishing a department which will be responsible for holding all the information on different sectors in Turkey.

MOORE STEPHENS A.S. (*)

Moore Stephens A.S. which was established at the end of 1986 is a member firm of the international accounting firm of Moore Stephens & Co. which is close knit organisations with over 180 representatives offices in 59 countries strategically located to fullfil the needs of business and government.

Although Moore Stephens is very new in Turkey, it is very well known without any publicity since one of the old partners of Arthur Andersen has established the firm.

Moore Stephens is very small. It is composed of a senior partner, one or two consultants and a secretary but management believes that it will grow in a very short period of time since they have very good contacts and public relations which is the most important thing in consultancy.

Moore Stephens managers believe that it will take some years for consultancy to expand in Turkey since there is lack of local expertise, training of staff is needed which requires investment. And even if there is an investment, it is very difficult to hold staff and most important of all Turkish firms are not ready to pay high level of fees for consulting. However, there is a potential market in the following areas:

- * Banking

- * Computerisation

(*) Interview held with Turhan Yetkin, Senior Partner, January 1988

- * Financial reporting

- * Reorganisation of family owned enterprises

Foreign international firms do not favor to give support to Turkish consulting firms since there is no quality control in Turkey and technical review of partners is very time consuming, thus increasing the costs of any kind of consulting arrangements.

Moore Stephens usually prepares its proposals on lump-sum basis but they think that gradually they will prepare proposals with different fees for review of situation, recommendations and implementation.

It is very confidential at present for which firms Moore Stephens is working for but according to some Turkish newspapers some small banks are among their auditing clients.

Since clients in Turkey are very price sensitive, they believe that they have to work in the most efficient way possible in order to attract potential clients.

PRICE WATERHOUSE AS (*)

Price Waterhouse is a member of an international accounting firm, as most of the other foreign accounting firms. As mentioned before it used to be affiliates with Muhas but they have become two separate entities since the end of 1986. Price Waterhouse offers auditing, tax consultancy and management consultancy. Services offered by the firm are related to the financial and accounting systems of their audit clients. Price Waterhouse has three offices in Istanbul, Izmir and Adana. It has very many clients, most of them being multinationals such as IBM, NCR, Shell, foreign banks, the biggest Turkish holdings, the Sabanci and Yasar Group and Eregli Demir Celik. Price Waterhouse employs about 25 professional staff at present of which 2 are tax consultants. Audit staff are graded according to seniority levels.

Training is given every year. Up to senior level training is given in Turkey. Supervisors and managers are given one week training abroad, usually in Paris. The firm has two people, one being the technical partner, who is in charge of the office and staff partner. They give a lot of importance to segregation of duties. They usually do not use any foreign staff since the costs are high. They offer a lot of fringe benefits to personnel in the form of cars, transportation etc.

Fees are calculated on man-hour basis and it is very rare that expenses are charged to clients. They usually get clients from personal contacts. They send out tax circulars to clients when there are changes in regulations.

(*) Interview held with Fusun Eysel, Former Supervisor, January 1987

They are planning to get more involved in management consultancy in the future since they think there is a potential market.

2.6 Conclusions

Improving yield whether in terms of human resources, services or profits is a key function in today's business environment. Though a more thorough research should be carried out by experts, in order to determine future development strategies, it is obvious that there is a need for investment in this field to satisfy both immediate and long-term objectives.

Together with investment, there are some strategic initiative for consulting firms which will lead to profitable growth in the future. These can be outlined as:

- (a) becoming increasingly market driven,
- (b) creating a climate open to innovation,
- (c) consulting to develop and enhance accounting and consulting services,
- (d) follow up and introduce information technology,
- (e) think and act as internationalists,
- (f) consider people as the most important asset.

CHAPTER III

EMPIRICAL STUDY

ON THE ATTITUDES OF FIRMS

TOWARDS CONSULTANCY SERVICES

CHAPTER III

EMPIRICAL STUDY ON THE ATTITUDES OF FIRMS TOWARDS CONSULTANCY SERVICES

3.1 Research design and methodology

In this chapter the methodology and findings of a survey conducted in Istanbul, in order to understand company attitudes towards management consulting, will be discussed.

3.1.1 Research objectives

The major purpose of this study is to give an idea on the extent of the developments in the Turkish management consulting market and understand whether there is any demand for such services.

The objective of the study was to find out the general attitude of firms towards management consulting firms.

The direction of this study can be explained by the following research questions?

- i) What kind of companies use management consultancy services?
- ii) Which consulting firms are best known in the market?
- iii) Do firms prefer to work with Turkish or international management consulting firms?

- iv) Which management consulting services are needed at present?

- v) What are the most important features for a firm to be satisfied with the management consulting service?

3.1.2 Data collection method

The study was initially planned in the form of a descriptive research in which the associations between several variables were investigated. Descriptive research is performed through a field study. Its realism in studying phenomena in its natural setting, and possibility of producing additional hypotheses are the basic advantages of field study whereas, overlapping effects of too many variables form the main setback of this type of study. (46)

The study then turned out to be exploratory since the subject is very new in Turkey and it is not really known what variables affect what features. Exploratory research is used for specifying problems. The purpose is to increase familiarity and clarify concepts.

3.1.3 Data collection procedure and instrument

Data used for the study were collected by a five page questionnaire administered to firm managers during May and June 1987 in Istanbul. The study was a crosssectional one which was conducted only once.

(46) Palumbo Dennis, Statistics in Political and Behavioral Science, Appleton Centry - Crofts, 1969, p. 21-31

Information was collected from primary sources by a self-administered, structured and undisguised questionnaire which is presented in Appendix 1. In this kind of a questionnaire, questions are presented with exactly the same wording and in exactly the same order to all respondents. The reason for standardisation is to ensure that all respondents are replying to the same question. Besides a few open ended questions, the responses as well as the questions are standardised which makes it simple to administer and easy to tabulate and analyse. (47)

The questionnaires were mailed to potential respondents, where possible, personal interviews or telephone conversations were conducted using the structured questionnaire. Apart from mailing, questionnaires had been distributed to firm managers on a computer seminar given by Guven ve Coopers & Lybrand at the Istanbul Etap in May 1987. As can be seen primary source of data was used.

All respondents received a questionnaire which consisted of 28 questions, in total (Appendix 1). List of respondent firms is given in Appendix 2.

Questions 1 to 4 are about the characteristics of the respondents whereas questions 5 to 8 are about the characteristics of the firms. Questions except for 3, 4 and 7 are open ended.

Questions 9 to 11 are forwarded to all respondents. Question 11 asks the respondents whether they have ever used

(47) Churchill Gilbert, Marketing Research, Methodological Foundations, 3rd Ed., The Dryden Press, 1983, p. 177

management consultancy service or not. If the answer to question 11 is "No" respondents are to answer questions 12 to 18. If the answer to question 11 is "Yes", on the other hand, they are to answer questions 19 to 28.

In question 12 name of consulting firms (Appendix 3) were give to non-users and asked whether or not they had heard of them and how their reputation was.

Question 14 to 16 were open ended questions asking on preferences for working with Turkish or international consulting firms and the reasons for it.

In question 20 the list of consulting firms (Appendix 3) were given again and company managers were to give their satisfactions level.

Question 27 had eight criterias in which company managers were asked to comment on the importance level given to these criterias and how satisfied they were on these criterias with the consulting firms they have used.

Among the close ended question, 12 and 20 had interval scales whereas the rest of the close ended questions were nominal.

Open ended questions were categorised according to responses received. The categorisation of all open ended questions are given in Appendix V.

The questionnaire was pre-tested before finalised and all necessary corrections and improvements were made accordingly.

3.1.4 Sampling plan

At the beginning of the survey the sampling method was decided to be a probabilistic systematic sampling. A sample was collected from the 250 biggest firms listed on the Istanbul Chamber of Industry ("ISO") by picking every second one on the list, but having realised that the response rate on a mail survey was very low, the sampling method was converted into a non-probability judgement sampling. This kind of sampling involves personal judgement somewhere in the selection process. These samples are often called purposive samples; the sample elements are hand picked because it is expected that they can serve the research purpose. Most typically the sample elements are selected because it is felt that they are representative of the population of interest.(48)

The population is the 250 largest firms in Istanbul. Sampling frame, the list of respondents, is presented in Appendix 2. Sampling unit is the firm manager who gives the answers to the questionnaires.

Out of 125 questionnaires distributed 33 (n=33) have been returned and all of them were usable in data analysis. Thus the response rate was 26% (which is expected in a mail survey) and 13% of the population was reached.

(48) Churchill Gillbert, Marketing Research, Methodological Foundations, p. 345

3.1.5 Demographics

Demographic variables related to sample profile are listed below.

TABLE 3.1
Demographics of Sample

About the Respondent

<u>Position</u>	<u>Frequency</u>	<u>%</u>
General manager	19	57.6
Marketing manager	2	6.1
Finance manager	7	21.2
Trade manager	1	3.0
Organisations and methods specialist	2	6.1
Internal auditor	1	3.0
Economist	1	3.0
	<u>33</u>	<u>100.0</u>

<u>Age Group</u>	<u>Frequency</u>	<u>%</u>
29 and below	5	15.2
30 - 39	8	24.2
40 - 49	11	33.4
50 - 59	8	24.2
60 and above	1	3.0
	<u>33</u>	<u>100.0</u>

<u>Education Level</u>	<u>Frequency</u>	<u>%</u>
High-school or less	-	-
College or university	<u>33</u>	<u>100.0</u>
	33	100.0
	=====	=====

<u>Field of Specialisation</u>	<u>Frequency</u>	<u>%</u>
Management	6	18.2
Marketing	5	15.2
Accounting and finance	9	27.3
Engineering	9	27.3
Production	3	9.0
International relations	<u>1</u>	<u>3.0</u>
	33	100.0
	=====	=====

About the Firm

<u>Field of Activity</u>	<u>Frequency</u>	<u>%</u>
Trade	5	15.2
Manufacturing	22	66.6
Services	<u>6</u>	<u>18.2</u>
	33	100.0
	=====	=====

<u>No of years in business</u>	<u>Frequency</u>	<u>%</u>
Less than 5	4	12.1
5 to 10	4	12.1
10 and more	<u>25</u>	<u>75.8</u>
	33	100.0
	<u><u> </u></u>	<u><u> </u></u>

<u>No of employees</u>	<u>Frequency</u>	<u>%</u>
Less than 50	5	15.2
50 to 200	4	12.1
200 and more	<u>24</u>	<u>72.7</u>
	33	100.0
	<u><u> </u></u>	<u><u> </u></u>

<u>Sales revenue</u>	<u>Frequency</u>	<u>%</u>
Less than 5 BTL	8	24.2
5 - 10 BTL	9	27.3
10 BTL and more	<u>16</u>	<u>48.5</u>
	33	100.0
	<u><u> </u></u>	<u><u> </u></u>

3.1.6 Data analysis methods

After all the questionnaires were coded, Statistical Package Program for Social Sciences (SPSS) has been utilised for analysing the data. In analysing the data the following statistical analysis were used.

i) Frequency Analysis: Extracting information from data generally begins with the frequency analysis which is a listing of the number of observations, the basic units being studied and the unit of measurement being used that fall into each of several categories or class intervals in the form of a table or chart are presented. (49)

ii) Cross Tabulations: A first stage in the search for relationships between two variables is to cross-classify each variable and present the results in a two-way table. A symmetrical relationship is one in which two variables fluctuate together but it is assumed that neither variable is due to the other. Symmetrical conditions are most often found because two variables are alternative indicators of the same common concept, or the effects of some common cause, or because of fortuitous circumstances. It might be concluded that a reciprocal relationship exists when the two variables mutually influence or reinforce each other. (50)

iii) Factor Analysis: Factor analysis is one of more popular "analysis of interdependence" techniques. In a factor

(49) D. Palumbo, Statistics in Political and Behavioral Science, p. 62

(50) C. William Emory, Business Research Methods, Washington University St. Louis, p. 389-390

analytic study, linear combinations of the variables are determined that assist in studying the interrelationships. That is what a factor is, linear combination of the variables. The purpose of factor analysis are two: data reduction and substantive interpretation. The first purpose concerns summarising the important information in a set of p variables by a set of less than p factors. The latter purpose is concerned with the search for and the testing of constructs that underlie observed variables.(51)

3.1.7 Limitations of the study

The limitations concerning the study fall on two main categories as the factors affecting the internal and external validity which closely relates to the soundness of the research. The study as a descriptive one aims to obtain complete and accurate information, therefore the research design has to consider much more provision for protection against bias than is required in experimental studies. As a field study, it is difficult to have complete control on company managers as well as conditions of contact.

Only 33 of company managers contacted in Istanbul were available for the analysis. This limited number of cases which are subject to sampling error affecting the accuracy of factor analysis employed.

The study used a non-probabilistic convenience sample of 33 people. The method and the sample size poses a major limitation on generalising the results to the population of interest which is closely related by external validity.

(50) G. Churchill, Marketing Research, Methodological Foundations, p. 621

The problems concerning internal validity for this study could be summarised as:

- i) History effect: External events and personal experiences unknown to the administrator may have altered the responses to specific items.
- ii) Testing effect: Because the subjects were aware of the testing process they might have been tempted to distort their actual opinions to sensitive questions.
- iii) Interviewee effect: The fact that the survey was conducted by somebody working for a management consulting firm (Güven ve Coopers & Lybrand) in Turkey, made respondents feel that it was conducted for the firm not for a master thesis.
- iv) Accuracy and precision level: The accuracy and precision level has been accepted at 90% confidence, in order to get most information out of the relations and potential variables. Therefore accuracy and precision has been traded off for more general information of potential variables.

3.2 Research findings

In this part, the results of the study will be discussed in detail mainly in three parts.

3.2.1 Frequency analysis of company characteristics

As indicated before, a total of 33 cases available for analysis were obtained from the survey conducted mainly by mailing.

Approximately 88.0% of the sample thought that management consultancy was an independent view to help management to improve efficiency of their organisation and profitability whereas only 3.0% thought it was application of specialised techniques of management.

Question 10 (Appendix I) was about the areas of business a consultant could help a firm. The question was closed-ended and every area of business was called as a different variable number.

Table 3.2
Areas of Business a Consultant Can Help

<u>Area</u>	<u>Scale values (*)</u>	<u>Rank</u>
	<u>1</u>	
Organisation management	17	1
Management information	13	2
Accounting	9	3
Finance	8	4
Research and development	7	5
Marketing planning	6	6
Personnel	6	6
Production	2	7
Exporting and importing	2	7

(*) 1= Yes, it can help

0= No, it cannot help

Table 3.2 shows that Turkish managers are in need of consultancy in organisation management area mostly. Management information, which is becoming increasingly important, is followed by accounting and finance. There is least demand for production, export and import consultancy.

Table 3.3 shows that nearly 58% of the firms sampled used consultancy services whereas the remaining did not.

TABLE 3.3
Consulting Firm Users versus Non-users

	<u>Frequency</u>	<u>%</u>
Users	19	57.6
Non-users	<u>14</u>	<u>42.4</u>
	33	100.0
	<u><u> </u></u>	<u><u> </u></u>

Question 12 (Appendix 1) dealt with non-users and tried to find out if these firms' managers have heard of any consulting firms and if yes what they thought about the reputation of each. The question had two parts, the first being nominal data (heard or not) and the second part evaluating the reputation of consulting firms with an interval scale ranging from 1 to 3, 1 being "good reputation" and 3 being "poor reputation". It was observed that most of the firms had good or medium reputation. It was very rare that consulting firms were known to be bad.

TABLE 3.4
Reputation of Consulting Firms

	Number of Companies Heard <u>About</u>	<u>Reputation</u>	
		$\bar{X}(*)$	σ
Arthur Andersen	14	1.143	.363
Güven ve Coopers & Lybrand	12	1.500	.522
Arthur Young	10	1.500	.527
Poyraz Musavirlik	9	1.667	.500
Ernst and Whinney	8	1.625	.518
Price Waterhouse	7	1.571	.202
Sevk ve Idare	7	1.625	.744
Peat Marvick, Denet	6	1.833	.753
Yönetim Gelistirme	6	2.000	.577
Peva	4	2.000	1.155
Bosphorus Institute	1	1.929	.267
EPO	1	1.000	0.000
International Business Service	1	2.000	0.000
Muhas	1	2.000	0.000
Obey	1	2.000	0.000
Arthur D. Little	1	2.000	0.000
Dearden Farrow	0	0.000	0.000
Moore Stephens	0	0.000	0.000
Research Marketing Consulting	0	0.000	0.000

(*) Scale values 1= Good reputation
 2= Neither good nor poor
 3= Poor reputation

When looked at the most famous three firms, table 3.4 shows that all of the non-users have heard Arthur Andersen. Arthur Andersen is followed by Guven ve Coopers & Lybrand, Arthur Young and Poyraz Musavirlik, a Turkish consulting firm. Dearden Farrow, Moore Stephens and Research Consulting and Marketing are the firms which none of the non-users have heard before. The basic reason for this is that these three firms are the newest firms in the market. This is an indication that history has an important impact on reputation.

When looked at mean reputation scores all results lie between 0 and 2. Arthur Andersen having a mean satisfaction score of 1.143 is the best well known firm. It is followed by Guven ve Coopers & Lybrand, Arthur Young and Price Waterhouse.

Of the 14 non-users 5 are planning to use consulting firms in the near future, 4 in a year and the rest in more than two years. This shows that there is a tendency among non-users to buy consultancy services in their firms.

64.3% of non-users prefer to work with international consulting firms. 57.1% of those who prefer to work with Turkish firms say that these firms know more about the Turkish market, its system and legal aspects. It was observed that 14.2% think that language and cost advantages are important. The most significant disadvantage of working with Turkish consulting firms was that they were regarded as inexperienced (50.0%) and they did not know the international markets (21.4%).

Question 17 was a nominal one which asked the non-users which firm they would prefer to work with. 10 people out of 14 (71.4%) preferred to work with Arthur Andersen which was the most well-known firm whereas 3 people preferred Guven ve Coopers & Lybrand, whose reputation was best and 1 person

preferred to work with Dearden Farrow, which was surprising since it was one of the least famous firms.

It was also found that 35.7% of non-users would need management information consultancy and 42.8% would need reorganisation, accounting and finance consultancy. Question 18, in a way, was a control question confirming the answers to question 10 asking in which areas consultants could help managers to improve their business. The answers to these two questions were in parallel and showed that there would be high demand for reorganisation and management information consultancy in the future.

Question 19 to 27 were forwarded to firms which have used management consultancy services before hand. These constituted 57.5% of the sample but this cannot be a representative of the whole Turkish industry since the sample was chosen among the biggest Turkish firms; therefore, it is expected that the users percentage in the whole population is lower than non-users since most of the small firms do not know about management consultancy.

It was found that 36.8% of the users have had consultancy in accounting and finance, 21.0% in marketing, 21.0% in reorganisation and 10.5% in management information systems.

Question 20 asked if companies have worked with any consulting firms and what their satisfaction level were.

TABLE 3.5
Satisfaction Level of Users

	Used		Satisfaction level	
	Yes	No	\bar{X} (*)	σ
Arthur Andersen	5	14	4.000	1.732
Güven ve Coopers & Lybrand	5	14	4.500	.577
Sevk ve İdare	3	16	4.000	.000
Muhas	2	17	4.500	.707
Peat Marvick, Denet	1	18	3.000	.000
Peva	1	19	4.000	.000
Price Waterhouse	1	18	4.000	.000
Obey	1	18	4.000	.000
Arthur Young	0	19	.000	.000
Bosphorus Institute	0	19	.000	.000
Dearden Farrow	0	19	.000	.000
EPO	0	19	.000	.000
Ernst and Whinney	0	19	.000	.000
International Business Service	0	19	.000	.000
Moore Stephens	0	19	.000	.000
Poyraz Musavirlik	0	19	.000	.000
Research Consulting Marketing	0	19	.000	.000
Yönetim Gelistirme	0	19	.000	.000

- (*) Scale values
- 1= Highly dissatisfied
 - 2= Dissatisfied
 - 3= Either dissatisfied nor satisfied
 - 4= Satisfied
 - 5= Highly satisfied

It was observed that Arthur Andersen and Guven ve Coopers & Lybrand were the widely used consulting firms. They were followed by Sevk ve Idare who are descendants of the first management consultants in Turkey. The satisfaction level which is highest for Arthur Andersen is followed by Guven ve Coopers & Lybrand, Sevk ve Idare and Muhas which is well known for its consultancy services. Firms in the sample have not been working with consulting firms such as Arthur Young, Bosphorus Institute Dearden Farrow, EPO, Ernst and Whinney, International Business Service, Moore Stephens, Poyraz, Research Consulting Marketing and Yonetim Gelistirme.

The most important reason for working with these firms was their good reference (47.3%), followed by the reason that these firms acted as external auditors to these companies (15.8%), and then followed by reasons like having had good relations with them in the past or that it was top management's decision.

All of the company managers believed that these consulting firms would be their first choice again and 68.4% would strongly recommend them to their colleagues whereas 31.6% would somewhat recommend them. This shows that all company managers were happy with their present consulting firms and that none of them thought they would not recommend them at all.

The thing that was most liked about these firms was their approach and familiarity with problems (52.6%), followed by quality of work (15.8%). Only 10.5% of the non-users thought that these firms presented no good support by facts and that they were being led instead of leading. The rest of the sample claimed that there was nothing they didn't like about these consulting firms' work, and advice.

Question 26 which was forwarded to find out the company's tendency to work with these consulting firms again came to the conclusion that 52.6% would probably work again in the future whereas 21.0% would definitely work. Only 5.2% of the sample

shared the view that they would not work with these consulting firms again.

Question 27 had a list of some concepts which were thought to be important for companies in choosing their consulting firms. The question asked company managers about the importance level attributed to these factors and how satisfied they were in their relations with consulting firms in respect of these factors.

TABLE 3.6
Importance and Satisfaction Levels on Criterias

	<u>Importance Level</u>	<u>Satisfaction Level</u>
	\bar{X} (*)	\bar{X} (**)
Client consultant relationship	1.556	4.706
Professional manner of staff	1.556	4.627
Achievement of objectives	1.111	4.529
Suitability of recommendation	1.294	4.563
Fees and expense level	2.056	4.353
Getting money's worth	1.471	4.563
Timeliness of report	1.778	4.471
Comprehensiveness of report	1.444	4.647

(*) Scales values 1= Very important
 2= Somewhat important
 3= Little important
 4= Not at all

(**) Scale values 1= Highly dissatisfied
 2= Dissatisfied
 3= Neither dissatisfied nor satisfied
 4= Satisfied
 5= Highly satisfied

It is observed that the meanscores of importance and satisfaction levels attributed to factors listed in Table 3.6 are very near to each other. Achievement of objectives is the most important factor and it is followed by suitability of recommendation, comprehensiveness of report and getting money's worth. Fees and expense level is the least important factor. Satisfaction levels are mostly clustered in the highly satisfied and satisfied range with managers having got highest satisfaction from client consultant relationship and professional manner of staff. The least satisfaction level is got from fees and expense level followed by timeliness of reports prepared and achievement of objectives.

3.2.2 Relationship between company characteristics and willingness to use consultants

Relationship between firm characteristics and willingness of companies to use management consultancy in certain areas of their business were tested using the crosstabulations subprogram in the SPSS. Crosstabulations table is a two dimensional table which allows the researcher to test for a hypothesised relationship between two sets of variables. (52)

Firm characteristics were taken to be the number of years the firm in business, the number of staff employed and the sales turnover in the past year. Consultancy areas were marketing, planning, finance, accounting, production, organisation management, personnel, research and development, exporting and importing, management information.

(52) C. William Emory, Business Research Methods, Washington University, p. 384

TABLE 3.7
Relation with Number of Years Firm in Business

<u>CROSSTABS</u>	<u>\bar{X}</u>	<u>D.F.</u>	<u>α</u>	<u>C.V</u>
Willingness to				
usage	3.79867	2	.1497	.33928
Marketing planning	3.69111	2	.1579	.34444
Finance	1.69125	2	.4293	.22638
Accounting	1.18708	2	.5524	.18966
Production	0.68129	2	.7113	.14368
Organisation				
management	4.97426	2	.0831	.38825
Personnel	2.34667	2	.3093	.26667
Research and				
development	1.22753	2	.5413	.19287
Exporting and				
importing	.68129	2	.7113	.14368
Management				
information	.91638	2	.6324	.16664

Degrees of freedom were always 2 which was $(r-1)(c-1)$. Cramer's V was used since $r=c$. When looked at significance levels it is observed that there is a significant relationship between the firm's size and their willingness to have organisation management consultancy. χ^2 table χ^2 (0.05,2) indicating significance level and degrees of freedom is 5.99 which is greater than χ^2 calculated indicating that there is no relationship between number of years company in business and the areas they would like to get management consultancy. This is accepting the null hypothesis, and rejecting alternative hypothesis.

Since there is no association between these variables Cramer's V has no meaning as to how strong the association is. Only the relationship between number of years firm in business and willingness to have organisation management consultancy is worth examining since significance level is less than 0.10.

It was observed that 88.2% of companies which were considered to be old (older than 10 years) which constituted 75.6% of my sample wanted management consultancy in the area of organisation management. This is very logical since many Turkish enterprises which were family owned were not efficiently managed up to date but company managers having realised the inefficiencies are in favor of having consultancy in organisation management. 40% of firms which are considered to be old do not think of using any organisation management consultancy. None of the firms which are of middle age think they would use any consultancy in this area. The opinion of willingness to usage of consultancy in organisation management is evenly spread out between tendency to use and not to use. 51.5% think that they would use organisation management consultancy whereas 48.5% would not.

TABLE 3.8
Relation with Number of Staff Employed

<u>CROSSTABS</u>	<u>\bar{X}</u>	<u>D.F</u>	<u>α</u>	<u>C.V.</u>
Willingness to use	5.74139	2	.0567	.41711
Marketing planning	3.25417	2	.1965	.31402
Finance	4.23225	2	.1205	.35812
Accounting	9.01007	2	.0111	.52253
Production	0.79839	2	.6709	.15554
Organisation management	1.83805	2	.3989	.23601
Personnel	2.75000	2	.2528	.28868
Research and development	1.58654	2	.4524	.21926
Exporting and importing	2.11573	2	.3472	.25321
Management information	1.55163	2	.4603	.21684

When the relation between size of company in terms of staff employed and willingness to use consultancy services is observed we see that there is a tendency for usage among large firms in terms of staff (72.2%) and the degree of association is strong since C.V. is .41711.

When the relationship between the size of company in terms of staff employed and the areas of management consultancy are observed we see that in the case of tendency for usage of accounting services there is a relationship since X^2 table (9.01 > 5.99) and the relationship is significant and the degree of association is strong since C.V is .52253.

It was found out that 57.6% of the sample is composed of large firms who are in favor of not using consultancy in accounting whereas 27.3% of the sample do intend to use consultancy in accounting and these firms are mostly large firms and small firms. 80.0% of the small firms thought they would be willing to use management consultancy in the area of accounting whereas the medium sized firms thought they would not. Small firms need consultancy since they are usually facing financing problems whereas large firms do have to control their financing activities in order to have a good cash flow in the future.

TABLE 3.9
Relation with Sales Revenue

<u>CROSSTABS</u>	<u>\bar{X}</u>	<u>D.F.</u>	<u>σ</u>	<u>C.V.</u>
Willingness to usage	.59329	2	.7433	.13408
Marketing planning	.97608	2	.6138	.17198
Finance	.67031	2	.7152	.14252
Accounting	2.78501	2	.2485	.29051
Production	2.26210	2	.3227	.26182
Organisation management	3.72312	2	.1554	.33589
Personnel	3.91705	2	.1411	.34453
Research and development	5.24313	2	.0727	.39860
Exporting and importing	.92036	2	.6312	.16700
Management information	.91755	2	.6321	.16675

When examining the relationship between firms' sales revenue in the past year and their tendency to use different management consultancy services, it was found out that there is no relationship between sales revenue and willingness. X^2 table which was 5.99 was always bigger than X^2 calculated in this case. It was observed that there was one significant relationship and that was with research and development. In total 78.8% thought that they would not use management consultancy for research and development whereas 21.2% would use. 85.7% of the ones who were willing to use research and development consultancy firms were the ones with highest sales revenue, which was above 10 BTL. 38.5% of the ones not willing to use management consultancy in the area of research and development were the firms with highest sales revenue, 30.8% of medium sales revenue between 5 and 10 BTL and the rest being firms with low sales revenues.

3.2.3 Salient factors for satisfaction

A factor analysis was conducted for each variable on question 27 for which importance and satisfaction levels were to be attributed. The aim was to understand whether the domains of satisfaction levels among factors could be clustered by factor analysis.

Results of the analysis showed that variables could be reduced to two factors.

Communalities usually show the percent of variation in each variable explained by factors.

TABLE 3.10
Factor Loadings of Satisfactions

	F1	F2	Communality
Professional manner of staff		.89153	.83637
Achievement of objectives	.90010		.84310
Suitability of recommendation		.83524	.76093
Fees and expense level	.71477		.62015
Getting money's worth	.90069		.81902
Comprehensiveness of report		.93249	.92459

PCT of VAR	61.4	17.0
CUM.PCT	61.4	78.4
EIGENVALUE	4.91389	1.63590

There were two factors with eigenvalues higher than 1. Factor 1 which is related to financial issues and achievement of objectives can be called the efficiency of management consulting assignment and it explains 61.4% of total variations. Factor 2 which is mainly related to professional manner of staff which is linked to suitability of recommendations and comprehensiveness of report can be called professionalism in management consulting and it explains 17.0% of total variations. In total these two factors explain 78.4% of total variations.

3.3 Conclusion

The most significant conclusion that can be drawn is that there will be a demand to management information services in the future. Also there is the impression that about 50% of firms in Turkey use management consultancy services. However, since the sample in this survey was firms with highest sales revenues, this should not be considered as a conclusion. One should not forget about the rest of the market which is composed of small manufacturers, industrialists, free lancers and so on.

The conclusions of the empirical study are summarised in the following chapter.

CHAPTER IV

CONCLUSIONS AND IMPLICATIONS

CHAPTER IV

CONCLUSIONS AND IMPLICATIONS

In this chapter, the conclusions drawn from the findings and implications for some concerned parties will be discussed.

4.1. Conclusions

This study had mainly two parts, one looking at the demand side of management consultancy market and the other at the supply side of the market.

When looking at the demand side of the management consultancy market, interviews were conducted with top executives of the consulting firms in order to understand how big their firms were, how personnel was graded, towards which kinds of services demand was increasing, how they viewed certain sectors of the economy in terms of their attractiveness, and how they charged their clients.

It was found out that not so many consulting firms existed in Turkey and in fact the ones that were in existence did not have a very old background. It was found out that six out of the big eight consulting firms in the world had come to Turkey since they had the impression that there was a potential market for consultancy services in Turkey. It was also found out that the international firms were better organised and more professional than the domestic consulting firms. Nearly all consulting firms were graded according to seniority levels and they charged their fees according to man hours. It was observed that consulting firms were usually not specialised in a certain sector of the economy and they wanted to get involved in every kind of

consulting arrangement without taking into consideration whether the client is located in big cities or in remote places in Anatolia.

Bearing in mind that the consultancy market is not well developed in Turkey one must admit that these consulting firms have brought a lot of technology to Turkey. By technology, in this case, the approach and the way to look at problems is meant. The way accounting departments of firms are to be organised, the way liquidity problems are to be solved, the way quality control circles are going to be used in production and quality control departments of organisations, the way management accounts are to be prepared are all new issues that have been brought to Turkey by way of management consulting firms.

This study aimed at finding what kind of firms use management consultancy services, which consulting firms are best known in the market, whether or not companies prefer to work with Turkish or international management consulting firms, which consulting services they need, what features are most significant for companies in choosing their consulting firm.

The study was conducted with 33 firms chosen among the 250 firms with highest sales volume in the Istanbul Chamber of Industry through a questionnaire. The questionnaire included questions forwarded to companies which have used consulting services in the past and to those which have never used management consulting services until the date the survey was conducted.

The data were analysed by computer programs like frequency distribution, cross-tabulations and factor analysis.

In this study it was found out that there was highest demand for management consultancy services in the areas of organisation management, management information systems, accounting and finance.

It was also observed that most of the sample (57.6%) have used management consultancy services in the past but this is no indication as to say that Turkish companies use consulting services since the sample is small and chosen among the biggest Turkish firms. It is usually normal to expect a high usage rate among the biggest firms in a country since they use consulting services in their process of expansion and development.

Results showed that non-users knew most about Arthur Andersen and the firm had the best reputation among consulting firms. Arthur Andersen was followed by Guven ve Coopers & Lybrand and Poyraz Musavirlik whereas Research Consulting Marketing, Dearden Farrow and Moore Stephens were not heard at all. The reason may be attributable to their short past in the Turkish market. On the whole it was observed that international consulting firms which are accounting based were better known than the Turkish consulting firms.

It was also found out that non-users are planning to have consulting services in the short term meaning in a year's time.

It is concluded from the frequency analysis that companies would rather work with international consulting firms since they are considered to be more experienced than Turkish firms and they know and understand international problems better. This analysis also got the result that language and cost advantages were not important factors in choosing a consulting firm to work with.

When companies which have worked with consulting firms are examined, it is found out that Arthur Andersen and Guven ve Coopers & Lybrand were the most popular, followed by Sevk ve Idare Dernegi, Muhas and the other consulting firms such as Peva, Peat Marvick, Price Waterhouse and Obey Danismanlik. None of the companies in the sample have ever worked with Bosphorus Institute, Dearden Farrow, EPO, Ernst and Whinney, International Business Service, Moore Stephens, Poyraz Musavirlik, Research Consulting Marketing and Yonetim Gelistirme. Companies worked with these firms since their reference was good. This is due to the results of previous tasks conducted and good relations with clients.

There was also an interesting finding that all companies were planning to work with the same consulting firm in the future that they have worked in the past.

The things that were widely appreciated by companies were the approach and familiarity with problems and quality of work. Most companies that have worked with consulting firms in the past claimed that there were no issues to be complained about their services.

It was also found out that more than half of these companies were prepared to work with consulting firms in the near future.

All of them gave the highest importance to the achievement of objectives and it was found out that their satisfaction level from this factor was quite high but not as high as expected.

Least importance was attributed to fees and expense level. This shows that companies are willing to pay any level of fees as long as management consulting firms help them to achieve their company missions and objectives.

There were some significant findings extracted from crosstabulations as well. It was found that there is a relationship between the number of years company in business and its tendency to use consultancy in organisation management since old management systems have to be replaced by the newer and more modern ones. Also the fact that most companies are managed by family members in Turkey enforces and supports the idea that old styled management have to be replaced by more efficient, up to date and energetic management.

It was interesting to find out at the factor analysis that concepts defining satisfaction level of companies were loaded to two factors. These factors were called efficiency in management assignments and professionalism in management consultancy and they explained 78.4% of total variations. The first factor was related to fee and expense level, getting money's worth and achievement of objectives whereas the second factor was related to comprehensiveness of report, professionalism of staff and suitability of recommendations.

The implications of these findings and recommendations will be discussed in the following section.

4.2 Implications of the study

The findings of this study may have implications for concerned parties as management consulting firms and marketing researchers.

4.2.1 Implications for consulting firms

The results of the study has many immediate and specific implications for the management consulting firms in Turkey.

It is rather obvious that companies do not have a clear understanding of what management consultancy is and which consultant firms are in the market. However, they plan to use consulting services in the very near future and especially in the areas of organisation management and management information systems which is a very new concept in Turkey since information technology has evolved very recently in Turkey.

Therefore it is very clear that consulting firms which are very new or unknown have to prepare themselves a base of advertising their services. This may be achieved by publications, giving seminars, very good quality of work, good relations with public and private sector. Of course, these are not enough. Since demand for management consultancy, especially in the areas of organisation and management information systems are going to increase in the near future, consulting firms should have adequate number of staff with a wide experience in these areas.

At present some firms are more well known than others and companies prefer to work with them but in the future with the emergence of the idea of what consulting is companies will get more sensitive to prices. The market will be very competitive. Companies would be asking for good quality of work as well as low level of fees and in this case Turkish consulting firms might be more advantageous since their fees would be lower due to employment of Turkish staff. Therefore, even if foreign consulting firms are more advantageous now they should not

heavily depend on their headquarters for getting any kind of experience and technical knowledge. They should be prepared to give good service with in house personnel.

4.2.2 Implications for Marketing Researchers

Marketing researchers should keep in mind the fact that there was no similar work conducted in the past and that there is lack of information in this area in Turkey.

Marketing researchers should give a lot of emphasis to conducting their work with larger sample size which would be a better representative of the whole population. Further research must be carried out and relationships such as type of firm and consulting firms they would demand, or the kind of consulting services they would like to work with, which can be of importance for consulting firms should be investigated. In a way, a descriptive survey should be tried to be conducted rather than an exploratory one. Since this survey was the first one of its kind in Turkey, more emphasis was given to find out which consulting firms were in Turkey, their size and their way of operations but now that there is some information on the market, future research should be conducted in such a way as to give some recommendations to consulting firms. Consulting firms should conduct periodic research to determine their right service mix on their product, marketing tools, fee structure and promotion tools.

Finally, it should be noted that the results of this study may have its limitations. Therefore, these results cannot be generalised among all consulting firms in the Turkish market.

On the whole, this study aimed at understanding the Turkish market for management consulting firms, both the supply and demand side of the market. One should always bear in mind that this study was the first of its kind, therefore, he should keep in mind how he should consider the effects of liberalisation of the Turkish economy on the demand side and his competitors, how they would make an attack to market their services in an increasingly potential and competitive market.

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APPENDICES

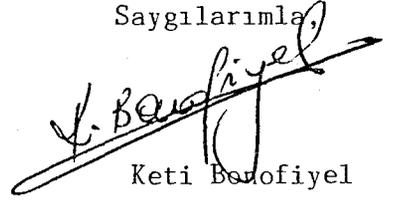
APPENDIX I

QUESTIONNAIRE

22 Mayıs 1987

Bu anket Boğaziçi Üniversitesi İktisadi ve İdari Bilimler Fakültesi İşletme Master tezinde kullanılmak üzere hazırlanmıştır. Amacı siz firma üst düzey yöneticilerinin Türkiye'deki danışmanlık hizmetleri hakkında düşüncelerini öğrenmek ve mevcut danışmanlık piyasasının potansiyeli hakkında bilgi sahibi olmaktır. Anketi en geç 5 Haziran tarihine dek cevaplandırıp, aşağıdaki adrese göndermenizi rica eder, yardımlarınız için şimdiden teşekkür ederim.

Saygılarımla,


Keti Bonofiyel

Adres : Güven ve Coopers & Lybrand A.Ş.
Büyükdere Cad.
Kocabaş İşhanı No: 111/3
Gayrettepe - İSTANBUL

Not: Ankette açık olmayan noktaları 173 28 40'tan Keti Bonofiyel'e sorabilirsiniz.

QUESTIONNAIRE

- Name of firm :
- 1) Respondent's name :
- 2) Respondent's position in the firm :
- 3) Respondent's age : 29 and below
..... 30-39
..... 40-49
..... 50-59
..... 60 and above
- 4)
(a) Respondent's education level (last degree earned):
..... high school or less
..... college or university
- (b) Respondents field of specialization
- 5) Field of activity of the firm:
- 6) The firm has been in business for:.....years
- 7) Total number of people working in your firm:
..... workers
..... employees
..... top executives
- 8) What was your firm's sales revenue for the past year ?
- 9) What do you think management consultancy is ?
-
-
-
-

10) In which areas of your business can a consultant help you ?

- | | |
|-------------------------------|--------------------------------|
| Marketing planning | Personnel |
| Finance | Research and development |
| Accounting | Exporting and importing |
| Production | Management information |
| Organisation management | If other, specify |

11) Have you ever used a management consultancy service ?

- Yes
 No

If your answer to question 11 is No, please answer questions 12 to 18.
 If your answer to question 11 is Yes, then go to questions 19 to 28.

12) For each of the following consulting firms indicate whether or not you have heard of it and then evaluate its reputation.

Firm	Heard		Reputation		
	Yes	No	Good	NG/NB	Bad
Arthur Andersen	Y	N	1	2	3
Arthur Young	Y	N	1	2	3
Bosfor Enstitüsü	Y	N	1	2	3
Dearden Farrow	Y	N	1	2	3
EPO	Y	N	1	2	3
Ernst and Whinney	Y	N	1	2	3
Güven ve Coopers & Lybrand	Y	N	1	2	3
International Business Service	Y	N	1	2	3
Moore Stephens	Y	N	1	2	3
Muhas	Y	N	1	2	3
Peat Marwick , Denet	Y	N	1	2	3
Peva	Y	N	1	2	3
Poyraz Musavirlik	Y	N	1	2	3
Price Waterhouse	Y	N	1	2	3
Research Consulting Marketing	Y	N	1	2	3
Sevk ve Idare	Y	N	1	2	3
Yonetim Gelistirme	Y	N	1	2	3
Obey	Y	N	1	2	3
Other, specify	Y	N	1	2	3

13) When do you think your firm will need management consultancy ?

- at present
 in a year
 in two years time
 in three to five years time

14) Would you rather work with a Turkish or international management consulting firm ?

15) What are the advantages of working with a Turkish consultancy firm ?
.....
.....

16) What are the disadvantages of working with a Turkish consulting firm ?
.....
.....

17) With which firm would you rather work with ?

- Arthur Anderson
- Arthur Young
- Bosfor Enstitusu
- Dearden Farrow
- EPO
- Ernst and Whinney
- Guven ve Coopers & Lybrand
- International Business Service
- Moore Stephens
- Muhas
- Peat Marwick, Denet
- Peva
- Poyraz Musavirlik
- Price Waterhouse
- Research Consulting Marketing
- Sevk ve Idare
- Yonetim Gelistirme
- Obey
- Other, specify

18) Which services might you need from a consulting firm ?

If your answer to question 11 is Yes, please answer questions 19 to 28.

19) On what occasion did you work with a management consultancy firm ?
.....
.....
.....

20) Below you will find a list of management consulting firms. Indicate which ones you have used and how satisfied you are with their services. For your responses circle the letter and number which best explains your opinion.

- | | |
|--------|--------------------------------------|
| Y- Yes | 1- Highly dissatisfied |
| N- No | 2- Dissatisfied |
| | 3- Either dissatisfied nor satisfied |
| | 4- Satisfied |
| | 5- Highly satisfied |

Firms	Have you		Your satisfaction level				
	Y	N	1	2	3	4	5
Arthur Anderson	Y	N	1	2	3	4	5
Arthur Young	Y	N	1	2	3	4	5
Bosfor Enstitusu	Y	N	1	2	3	4	5
Dearden Farrow	Y	N	1	2	3	4	5
EPO	Y	N	1	2	3	4	5
Ernst and Whinney	Y	N	1	2	3	4	5
Güven ve Coopers & Lybrand	Y	N	1	2	3	4	5
International Business Service	Y	N	1	2	3	4	5
Moore Stephens	Y	N	1	2	3	4	5
Muhas	Y	N	1	2	3	4	5
Pnat Marwick, Denet	Y	N	1	2	3	4	5
Peva	Y	N	1	2	3	4	5
Boyraz Musavirlik	Y	N	1	2	3	4	5
Price Waterhouse	Y	N	1	2	3	4	5
Research Consulting Marketing	Y	N	1	2	3	4	5
Sevk ve Idare	Y	N	1	2	3	4	5
Yönetim Gelistirme	Y	N	1	2	3	4	5
Obey	Y	N	1	2	3	4	5
Other, specify	Y	N	1	2	3	4	5

21) Why did you work with that firm ?

22) If you were to work with a consulting firm again, that firm would be your choice.
 1st 2nd 3rd

If not your first choice, which firm will it be ?

23) Would you recommend that firm to your colleagues ?
 strongly recommended
 somewhat recommend
 not at all

24) List the things you liked most about this firm.

25) List the things you liked least about this firm.

26) Do you intend to work with this firm again in the near future ?
 Yes, definitely
 Yes, probably
 No, probably not
 No, definitely not

27) Below you will find a list of concepts. First indicate how important each is for you and then indicate how satisfied you were by these with the way that they were provided by your consulting firm. For your responses circle the number which best explains your opinion.

- | | |
|---------------------|---------------------------------------|
| 1- Very important | 1- Highly dissatisfied |
| 2- Somewhat | 2- Dissatisfied |
| 3- Little important | 3- Neither dissatisfied nor satisfied |
| 4- Not at all | 4- Satisfied |
| | 5- Highly dissatisfied |

Issues	Importance level				Your satisfaction level				
Client-consultant relationship	1	2	3	4	1	2	3	4	5
Professional manner of staff	1	2	3	4	1	2	3	4	5
Achievement of objectives	1	2	3	4	1	2	3	4	5
Suitability of recommendation	1	2	3	4	1	2	3	4	5
Fees and expense level	1	2	3	4	1	2	3	4	5
Getting money's worth	1	2	3	4	1	2	3	4	5
Timeliness of report	1	2	3	4	1	2	3	4	5
Comprehensiveness of report	1	2	3	4	1	2	3	4	5

28) Any important information you would like to add ?

- THANK YOU -

A P P E N D I X II

LIST OF RESPONDENT FIRMS

LIST OF RESPONDENT FIRMS

- 1) Izocam A.S.
- 2) Canakkale Seramik
- 3) Istanbul Porselen San. A.S.
- 4) Turk Ytong San. A.S.
- 5) Mako Elektrik San. ve Tic. A.S.
- 6) Yunsa Yunlu San. ve Tic. A.S.
- 7) Altron Alarko Elektronik San. ve Tic. A.S.
- 8) Celik San. A.S.
- 9) Abfar Ilac San. ve Tic. A.S.
- 10) Eczacibasi Ilac San. A.S.
- 11) Hurriyet Gazetecilik ve Matbaacilik
- 12) Emboy - Yuntas Birlesik A.S.
- 13) Esas Elektrik San. ve Tic. A.S.
- 14) Telra Elektronik San. ve Tic. A.S.
- 15) Kordsa Tire Cord Manufacturing Inc.
- 16) Atabay Kimya San. ve Tic. A.S.
- 17) Turk Elektrik Endustrisi A.S.
- 18) Borusan Holding A.S.
- 19) Gida Pazarlama A.S.
- 20) Bank of Boston
- 21) Turk Garanti Bankasi
- 22) Turkiye Is Bankasi
- 23) Johnson Wax A.S.
- 24) Supsan Motor Supaplari A.S.
- 25) Prestij Kozmetik A.S.
- 26) Borusan Oto
- 27) Nixdorf Computer
- 28) Imperial Chemical Industries
- 29) Anadolu Bankasi
- 30) Turk Hoechst
- 31) Profilo Holding A.S.
- 32) Otosan
- 33) Trakya Cam San. A.S.

A P P E N D I X I I I

CONSULTING FIRMS CONTACTED

IN THE FIELD STUDY

CONSULTING FIRMS CONTACTED IN THE FIELD STUDY

- 1) Arthur Andersen
- 2) Arthur Young
- 3) Bosphorus Institute
- 4) Dearden Farrow
- 5) EPO
- 6) Ernst and Whinney
- 7) Guven ve Coopers & Lybrand
- 8) International Business Service
- 9) Moore Stephens
- 10) Muhas
- 11) Obey
- 12) Peat Marvick, Denet
- 13) Peva
- 14) Poyraz Musavirlik
- 15) Price Waterhouse
- 16) Research Consulting Marketing
- 17) Sevk ve Idare
- 18) Yonetim Gelistirme

A P P E N D I X I V

LIST OF SYMBOLS

LIST OF SYMBOLS

n	Sample size
σ	Standard deviation
α	Significance level
X	Mean score
%	Percent
X ²	Chi-Square
D.F.	Degrees of Freedom
C.V.	Cramer's V
r	Row
c	Column

A P P E N D I X V

CATEGORISATION OF OPEN ENDED QUESTIONS

CATEGORISATION OF OPEN ENDED QUESTIONS

<u>QUESTION NO</u>	<u>QUESTION</u>	<u>CATEGORISATION</u>
2	Respondent's position	1= General manager 2= Marketing 3= Finance 4= Trade 5= Organisation and methods specialist 6= Internal auditor
4 (b)	Respondent's field of specialisation	1= Management 2= Marketing 3= Accounting and finance 4= Engineering 5= Production 6= International relations
5	Field of activity of company	1= Trade 2= Manufacturing 3= Services
6	Number of years company is in business	1= Less than 5 2= 5 to 10 3= 10 and more
7	Number of people working	1= less than 50 2= 50 to 200 3= 200 and more

- 19 Occasions worked with consulting firms
- 1= Marketing
 - 2= Accounting and finance
 - 3= Production
 - 4= Management information
 - 5= Reorganisation
 - 6= Research and development
 - 7= Training
- 21 Why worked with particular firm
- 1= Good reference
 - 2= Good relations with them
 - 3= They were external auditors
 - 4= Necessity of working
 - 5= Top management's decision
- 24 Things liked most
- 1= Approach and familiarity with problems.
 - 2= Experience
 - 3= Quality of work
 - 4= Timeliness of work
 - 5= Quality of reports
 - 6= None.
- 25 Things liked least
- 1= No good support by facts
 - 2= Led instead of leading
 - 3= None.

A P P E N D I X VI

C R O S S T A B U L A T I O N S

CROSTABULATIONS

V14

	0	1	
1	2 50.0 12.5 6.1	2 50.0 11.8 6.1	4 12.1
2	4 100.0 25.0 12.1		4 12.1
3	10 40.0 62.5 30.3	15 60.0 88.2 45.5	25 75.8
	16 48.5	17 51.5	33 100.0

V14 = Organisation management

0 = No willingness

1 = Willingness

V06 = Number of years firm in business

1 = 5 years

2 = 5 to 10 years

3 = Over 10 years

V12

	0	1	
1	1 20.0 4.2 3.0	4 80.0 44.4 12.1	5 15.2
2	4 100.0 16.7 12.1		4 12.1
3	19 79.2 79.2 57.6	5 20.8 55.6 15.2	24 72.7
	24 72.7	9 27.3	33 100.0

V12 = Accounting

0 = No willingness

1 = Willingness

V07 = Number of staff employed

1 = Less than 50

2 = 50 to 200

3 = More than 200

V19

		1	2	
V07	1	1 20.0 5.6 3.0	4 80.0 26.7 12.1	5 15.2
	2	4 100.0 22.2 12.1		4 12.1
	3	13 54.2 72.2 39.4	11 45.8 73.3 33.3	24 72.7
		18 54.5	15 45.5	33 100.0

V19 = Willingness to use consulting services

1 = Yes

2 = No

V07 = Number of staff employed

1 = Less than 50

2 = 50 to 200

3 = More than 200

V16

		0	1	
V08	1	8 100.0 30.8 24.2		8 24.2
	2	8 88.9 30.8 24.2	1 11.1 14.3 3.0	9 27.3
	3	10 62.5 38.5 30.3	6 37.5 85.7 18.2	16 48.5
		26 78.8	7 21.2	33 100.0

V16 = Research and development

0 = No willingness

1 = Willingness

V08 = Sales revenue

1 = Less than 5 BTL

2 = 5 to 10 BTL

3 = 10 BTL and more