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# AGRIBUSINESS MANAGEMENT

## A CONSULTANT ON CONSULTING

Reviewing the decade of the 1960's, one might describe it as the era during which the profession of management consulting became "of age." In no previous decade had more businessmen turned to management consultants more often in search of solutions to increasingly complex personnel, organizational, financial and technological problems. It was during the 1960's that management consulting became a multi-million dollar business of its own.

Consultants were being called on to provide assistance on specific problem areas and offer guidance in making decisions affecting the long-run position of the firm, e.g., those regarding diversification, acquisition, or merger.

Many American firms continue to benefit greatly from the use of management consultants. Their continued use during the decade of the 1970's will be further testimony that an outside expert can provide useful recommendations and initiate needed changes. The agribusiness industry, however, has not used management consultants extensively. There are, of course, several reasons why management consulting in the agribusiness industry remains an immature profession. First, the agribusiness industry is composed of many relatively small firms; too small, in fact, to warrant the expense of outside counsel. Second, many agribusiness firms operate as cooperatives which are often characterized by widely dispersed managerial control. Third, few management consultants with a combined knowledge of management and the peculiarities of agriculture are available.

Fourth, the agricultural economy has long been the recipient of tax-supported guidance and counsel from numerous institutions including land-grant universities and the Federal Government. Finally, in my opinion, the agribusiness industry has not been well prepared to receive and make best use of management consulting services. Moreover, many agribusiness managers are unaware of the functions of a management consultant.

During the decade of the 1970's, the agribusiness industry will experience many changes. Some smaller agribusiness firms will disappear. Those remaining in operation, although fewer in number will be large enough to justify the services of a consultant. Agricultural cooperatives will become more susceptible to outside influences on their management practices. More consultants with combined talents in the fields of management and agriculture are being trained. Hence, all but the final reason listed above will fail to persist into this decade. The only remaining barrier to a greater acceptance of management consulting in the agribusiness industry will be each firm's need of outside assistance, its receptiveness of such counsel, and its ability to make good use of that guidance once it is provided. This paper is designed to remove this final barrier. My objective is to provide agribusiness managers with a better understanding of: 1) what management consultants can and cannot do, 2) what factors must be considered when hiring a consultant, and 3) how to make more effective use of a consultant's services. In short, I wish to provide advice and counsel for those managers considering the use of a

management consultant (hence I am acting as a “consultant on consulting”).

### **Why a Consultant?**

In the September 1969 issue of *Agribusiness Management* I discussed a biblical reference to the first recorded incidence of management consulting. After observing Moses for some time, Jethro recommended to Moses that he might improve his management ability through a proper delegation of authority. After implementing the proposal, Moses found that management fragmentation was no longer a problem and his functions as an administrator were improved.

A modern-day consultant does not function much differently than did Jethro many centuries ago. Why are his services needed? The answer to this question is tied to the nature of the world in which we live -- a world of specialization. Your automobile is no longer repaired by a general mechanic, but by a cooling system analyst, a transmission technician or an axle expert. Modern man has determined that in such a complex world, certain benefits are to be derived from the services of “specialists.” The specialist title is earned after a long apprenticeship or training period during which one’s activities are supervised by someone more knowledgeable. Having once achieved a specified level of competence in a select profession, the graduate-specialist is released to serve the masses -- but at a price.

The advantage to the agribusiness firm of hiring a management consultant in problem solving is that suggestions are made by a man who, because of his knowledge of and experience with similar problems, is likely to add new ideas to those already offered by the firm’s own management team. This is not to say that the consultant will bring with him answers to each and every problem

confronting an agribusiness firm. He will bring experience and expertise of a type which the manager does not possess or is unable to obtain internally. The good consultant also brings with him a sincere interest to participate in solving those problems confronting his client. Perhaps even more important is the fact that the consultant has no need to perpetuate a self-interest in the firm. His actions are open for appraisal on their merits, alone.

### **Guidance and Counsel -- But at a Price**

Ultimately, management is faced with the question of whether its own staff resources should be devoted to a project or external resources (in the form of a management consultant) should be used. In debating this issue, all factors must be considered. Internal staff has a more direct responsibility for the implementation of those solutions required. They also have a more intimate knowledge of the inner workings of the firm and may, therefore, be more proficient in conducting those projects where considerable “wheel-greasing” is needed. The work of the staff however is sometimes hindered by the fact that they know the firm too well. Some alternative solutions are discounted because they would break tradition or intrude into someone’s private domain. An external management consultant, on the other hand, is not burdened in his work by any preconceptions of who and what is important to the firm. His appraisal of the problem is less biased and he may come up with a broader range of alternative solutions. Suffice it to say, however, that the services of a management consultant are usually expensive. Many of my colleagues would ask, “expensive relative to what?” While their skepticism is justifiable, the total daily charge for the services of a management consultant may average over \$300. This will represent a “substantial sum” for many agribusiness firms. In the final analysis, the

answer to the question of whether staff resources or a consultant should be employed will depend on management's ability to weigh all positive and negative factors in light of the severity of the problem being confronted.

### **What Will a Consultant Do?**

What will a management consultant do for you? The answer to this depends, of course, on the nature of his assigned task. Generally speaking, most consultants begin with an initial fact-finding study. This study will, in varying degrees, pursue the identification and evaluation of general work flow patterns within your firm. This information will provide the consultant with a better understanding of the sequence of business activities and the personnel involved. His analysis will be devoted to those factors which determine the what, who, why and how much of your firm's operations. The study may be an attempt to isolate a particular managerial problem, or it may be designed to provide an overall appraisal of the business with a view toward improving operations.

Once the initial study has been completed, the consultant may rely on various so-called "tools of the trade" to accomplish the specific task assigned to him. These tools include activity flow charts, transaction analysis, time and motion studies, psychological reaction testing, systems analysis, work sampling, benchmark validation and many other procedures with equally baffling names. These techniques of analysis are designed to determine: 1) how work is, or should be done, 2) base volume operations, 3) cyclical or seasonal fluctuations, 4) work load constraints, and 5) personnel performance.

At this point, the consultant may begin to enter a more meaningful phase of his work. Now that his comprehension of the business and detailed analysis of the problem are complete, he is ready to prepare and present his findings and recommendations. But the most difficult task of all -- that of selling his suggestions to management -- still remains.

Basic to human reaction is a resistance to change. With the thought in mind that management's positive reaction to his suggestions will be in direct proportion to the degree of positive stress, the consultant will spend considerable time convincing those to be affected by his suggestions that his efforts are in pursuit of real improvement.

There is considerable professional debate as to whether or not a consultant should be held responsible for the implementation of his recommendations. Some consultants, by personal choice, enter into the implementation process while others do not. Regardless, a good consultant will, where possible and desirable, pave the way for the adaptation of any major change which might be included in his final report to management.

### **Caveat Emptor**

Economists are fond of using the term "caveat emptor" to refer to the phenomenon whereby the buyer (not the seller) of a product is solely responsible for the resultant quality of his purchase. When employing a management consultant, the manager of an agribusiness firm is also subject to this economic admonition. Deception exists in even our most honored professions.

Management consulting is no exception. In fact, the rapid rise in the popularity of consulting during the past decade has led toward the establishment of some fly-by-night consulting operations. While the profession has been fairly successful in

policing its own ranks, a few scattered cases of deception can still be uncovered.

To avoid being taken in by such operators, agribusiness managers should be aware of certain factors when hiring a consultant. First of all, you should be suspicious of the “promise you anything” type of consultant. Shopping for a bargain may work well when purchasing supplies for your firm, but it will rarely work when you are in search of a management consultant. A bargain consultant, if you find one, may be inadequately trained, conduct an incomplete analysis of your firm or simply fail totally to perform up to your expectations. Scrutinize the credentials of potential consultants closely. If he is a fully qualified individual, he will be only too happy to permit you to check with his previous clients for references.

Second, you should be aware of the individual who appears overly confident of his own abilities. While this person may be fully qualified, he may have a tendency to play “God” with your firm and the careers of your personnel. These wizards often appear on the scene, in two days conduct a barrage of psychological tests on your employees, and then return on the third day to present the bill for their services along with a recommendation that half of your staff be fired, promoted or shifted to a different position. A two-day evaluation of financial facts and figures is barely within the realm of possibilities. The proper evaluation of personnel within this brief time period is almost inconceivable.

### **Make Better Use of Their Services**

Let’s assume that your agribusiness firm has reviewed the features surrounding what a management consultant can and cannot contribute to your operation. Furthermore, let’s assume that a good consultant has been

hired and that the proper precautionary measures were taken prior to initiating this action. One final question confronts the management team: How can the firm make the most effective use of the consultant’s services? In an article appearing in the May 1970 issue of *Management Review*, Richard F. Messing offers some assistance in answering this final question. As vice president of Arthur D. Little, Inc., Mr. Messing believes that by following ten simple guidelines, managers will be able to utilize the services of a consultant much more effectively.

The first guideline suggested by Mr. Messing is that the client should present a candid statement of the problem facing the firm. This frank disclosure of the problem and its background will enable the consultant to focus his talents on relevant factors early in his investigations. In some cases, the consultant’s explorations will reveal that the problem is really not what it was thought to be. Rarely will the consultant find a problem so narrow that it can be neatly isolated from the rest of the business. Regardless, the consultant should have a clear understanding of what his client expects him to do. Written specifications in the form of a consulting contract is one possibility. Unfortunately, candor can be as conspicuously absent from the written word as from the oral one. Furthermore, written specifications may tend to institutionalize the agreement, thereby restricting the flexibility of the client-consultant relationship.

Mr. Messing’s second guideline is that the client should allow a reasonable time for the completion of the consultant’s task. He should also be tolerant of modest delays when the task is found to entail more investigations than first envisioned by either client or consultant. In many instances, consultants are able to launch and complete

rather grandiose projects over a relatively short period of time because their job demands proficiency and versatility. However, the manager of a firm should not over-extend his authority by asking for a premature completion of a project.

Again we return to financial matters. The third guideline concerns management's ability to supply a consulting budget adequate enough for the consultant to do a reasonable job. Competitive bidding for the services of a consultant is rarely practiced because this procedure cannot take into consideration differing views of the scope of the task to be performed nor the degree of reliability required. Consulting services cannot be purchased on the same basis as products. Management often decides to change the nature of the assignment after the consultant has begun his investigations. The client-consultant relationship should be flexible enough to permit this and be accompanied by a budget adequate enough so that a revised statement of expected charges is necessary only when a major change is agreed upon.

An effective consulting assignment must include some designation as to who, within the firm's management team, will serve as contact man or liaison with the consultant. This designation gives the consultant a means of access to those with whom he must work. It also provides a point of contact for the firm so that management is kept informed about the efforts of the consultant.

When negotiating a contract, clients often pay lip service regarding their willingness to coordinate, involve themselves, or assist the activities of the consultant. The fifth guideline states that both the consultant and the client are responsible for keeping the channels of communication open and free-

flowing during the duration of the assignment.

The discovery that the other consultants have (or had) been retained to do work that duplicates his own is distracting to a consultant and makes it difficult to perform his task as effectively as he might. Another guideline for management is that each consultant should be advised of the efforts of others in a particular area of investigation.

As we indicated earlier, there is some disagreement as to whether or not consultants should engage themselves in the implementation of their recommendations. To avoid giving the impression that these recommendations are being received by uninterested parties, management may wish to involve the consultant in implementation planning during which the consultant's guidance may still be useful and appreciated.

A consultant's recommendations may not always agree with those anticipated by management. In fact, they may be in direct contradiction with management's expectations. When this occurs, the client always has the prerogative to reject the consultant's suggestions. Management's open-mindedness at this stage is a very important guideline. Before rejecting the ideas as being out of order, management should give the consultant a chance to defend his position. Remember, the single fact that a consultant's conclusions disagree with your own do not make his opinions less valid.

The ninth guideline for management is to make fair use of the consultant's results. A consultant's brief and highly qualified investigation of an existing situation should not be used by management as a lever to encourage large expenditures of funds. Although a later and more thorough investigation may produce substantiating

conclusions, the reduced reliability of a brief preliminary study does not warrant its use in reaching major decisions.

The tenth and final guideline concerns most consultants' interest in knowing how their efforts were used and the degree of effectiveness achieved. In brief, consultants are curious about the ultimate results of their efforts. Even after the completion of the consulting contract, management may wish to keep the consultant informed of the firm's progress. It is likely that this practice will also prove rewarding to management because rarely will such an interchange take place without the transfer of some "free" advice and counsel.

### Summary

In the future, agribusiness management will turn more and more to outside consultants for assistance in taking advantage of marketing opportunities and in coping with organizational, financial and personnel problems. Before an agribusiness firm can take advantage of consulting services, it must be aware of: 1) what consultants can and cannot do, 2) those factors to be considered when employing a consultant, and 3) how to make more effective use of a consultant's services.

This paper has shown that the major benefit to be derived from employing a management consultant evolves from a specialist's

contribution to problem-solving. Besides being a specialist in matters relating to business management and agriculture, the consultant is also able to conduct an unbiased appraisal of a firm. Agribusiness managers should be skeptical of the promise-you-anything or the over-confident type of consultant. They are likely to perform below expectations or create havoc among a firm's management personnel. Ten management guidelines for making better use of a consultant's services were presented. They were: 1) management should make a candid statement of the firm's problem, 2) allow reasonable time for the consultant to perform his task, 3) an adequate budget must be provided for the consulting contract, 4) management should designate a person as the liaison for firm-consultant relations, 5) an attempt should be made to keep client-consultant communication flowing smoothly, 6) duplicate work of other consultants should be acknowledged, 7) consultants should be asked to participate in implementation planning, 8) management should remain open-minded in its reaction to the consultant's efforts, 9) make proper use of the consultant's findings, and 10) keep the consultant informed of the results of his efforts.



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