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The Role of the Consultant

Business Consulting has seen a phenomenal growth in Europe in the past decade. According to FEACO (European Consultants Confederation) the Consulting industry contributes 0.4% of European GDP and provides employment for 280,000 people. Its size has quadrupled in the last 7 years.

At this growth rate, it is hardly surprising that there are many myths and false impressions about the role of the Consultant. These myths and impressions are best expressed in 2 extreme views: before assigning a job to a Consultant, there are high hopes that "the Consultant will solve all the problems". This leads to a wrong perception of the role and function of the Consultant. To be more specific, it leads to the expectation that the Consultant will bear responsibilities, which can only be borne by the Executives of the Company. On the other hand, after completion of a job, disappointment is often expressed in the form "after all, what was the Consultant's contribution?" As a result of this disappointment, companies tend to either use Consultants where they should not, or avoid using them even in cases where a co-operation with them would be profitable.

So, when can a Consultant be useful to a Company? As in all business decisions, it is a matter of cost-benefit analysis: the value that the Consultant adds to the Company must exceed the cost of his employment. This value can be reflected in the form of:

- **presenting new opportunities to the Company and preparing for their effective exploitation** (e.g. identifying new markets and preparing an effective marketing plan for entering them),



- **helping avoid serious mistakes** (e.g. a feasibility study proving that the planned investment does not yield the necessary returns, therefore, preventing management from taking a harmful investment decision).

Two prerequisites for the value of the Consultant's services to exceed their cost are:

- **the exploitation of specialised know-how and skills of the Consultant** that are either missing from the Company or are in limited supply and, therefore, not adequate to tackle complicated problems. Detailed financial analysis of a complicated or important investment plan may be such a case. Even if the financial department of the Company has the technical ability to perform the required analysis, it is possible that day-to-day duties of the department prevent it from preparing the required analysis within the timeframe required for submission to the Board or the Investors.
- **The rendering of an independent opinion and the facilitation of problem-solving processes** for issues the Company faces. The issue can be a problem (e.g. reorganizing the Company), or the need to examine anticipated developments from an independent outsider's perspective. For example, one of our clients assigned us the market research of the European construction and energy sectors. This research aimed at mapping the sector in a complete and objective way, so that the client could base his next moves on a solid basis and not just on anecdotal evidence derived from daily practice. On the basis of this research, we assisted our client with formulating and executing his strategy.

Of course, the Consultant's opinion may very well differ from that of the Company's executives. It is also not unusual to conflict with vested interests in the Company and, therefore, create strong negative reactions or be sabotaged. These cases are more frequent when the Consultant suggests actions that lead to changes in established practices or balances within the Company.

None of the two above-mentioned examples is "pure". In both the financial analysis and the market research and elaboration of strategy examples, the independence of opinion and the rendering of special know-how and skills by the Consultant are very important: if the Consultant does not have the appropriate knowledge and independence of opinion, it is possible that he will not evaluate the facts correctly or



that he will submit, perhaps even on purpose, a misleading opinion. **Therefore, the role of the Consultant is not to be pleasant but to give his independent, well-documented opinion. Even when the Management of the Company does not agree with the Consultant's opinion, if it is well-documented it will always lead to a better understanding of the underlying circumstances and help in formulating a better course of action.**

In any case, a prerequisite for the co-operation with the Consultant to be effective is that **the Company knows what it is looking for and can effectively communicate it to the Consultant.** If, on the other hand, the Company does not have a clear understanding of its needs, it is impossible to communicate them to the Consultant and ask for his support. The incapability of a Company to formulate its needs and communicate them effectively to a Consultant, is one of the most important causes for the two extreme perceptions mentioned at the beginning of this article. The other two causes refer to lack of professionalism and independence of opinion by the Consultant.

If, on the other hand, the conditions set above for effectively employing a Consultant are met and, in addition, the Consultant has **creative imagination and knowledge of the issue that he is going to handle**, it is almost certain that the value will exceed the cost of his services. **The importance of creative imagination and knowledge of the issue increases when dealing with complicated problems and higher demands are placed on the Consultant.** Very different profiles are required from two Consultants one of which is required to contribute to the creation and implementation of a new strategy for the Company, while the other is engaged in the financial analysis of a simple investment plan. However, neither of them can perform the job adequately, if they are not given the data of the problem and are not left to perform their own analysis and offer their opinion on an independent basis. Of course, the final decision as to whether these opinions are adopted or not is the right and obligation of the Management of the Company, which is the only one bearing the responsibility for the business decisions made.



Summarising, the effective use of a Consultant presumes:

- Giving a clear and concise brief to the Consultant;
- Assigning the brief to a Consultant competent to handle it. The best indication, as to the suitability of the Consultant, is his previous handling of similar situations. It is also very important to have the correct “chemistry” since the Consultant is not a simple supplier but works together with the Company;
- That the Consultant must get a clear understanding of the issue he is facing;
- That the Consultant will be allowed to form his opinion and offer solutions on an independent basis. However he must be checked as to whether he has examined all the parameters of the problem.

If the above conditions are met, it is almost certain that the combination of Creative Imagination, Independence, Technical Knowledge and Professionalism by the Consultant, will lead to solutions far exceeding the cost of his services.