

Vadym Y. Aftandilyants<sup>1</sup>

## MANAGEMENT CONSULTING FOR PUBLIC SECTOR

*This paper addresses the issues and peculiarities of interaction between management consultants and the public sector. The role, impact and process of management consulting within the public sector are determined. Factors of success or failure of a consulting project in the public sector are also considered.*

*Keywords: management consulting; public sector; consulting process.*

Вадим Е. Афтанділянц

## МЕНЕДЖМЕНТ-КОНСАЛТИНГ ДЛЯ ДЕРЖАВНОГО СЕКТОРУ

*У статті розглянуто особливості взаємодії між консультантами та державним сектором. Визначено ролі, вплив і процес консультування в рамках державного сектору, а також фактори успіху та невдачі консалтингового проекту в державному секторі.*

*Ключові слова: консалтинг; державний сектор; консалтинговий процес.*

*Табл. 1. Літ. 10.*

Вадим Е. Афтанділянц

## МЕНЕДЖМЕНТ-КОНСАЛТИНГ ДЛЯ ГОСУДАРСТВЕННОГО СЕКТОРА

*В статье рассмотрены особенности взаимодействия между консультантами и государственным сектором. Определены роли, влияние и процесс консультирования в рамках государственного сектора, а также факторы успеха и неудачи консалтингового проекта в государственном секторе.*

*Ключевые слова: консалтинг; государственный сектор; консалтинговый процесс.*

**Problem statement.** The current conditions in which the Ukrainian economy has to operate are extremely difficult. Regardless a number of changes and transformations in economy and public services since gaining independence, there is still much to be done. Now reforms in the public sector are becoming crucial with pressure from investors and international donors. Management consulting experience might speed up improvements in the public sector. But there is not much information on the ways management consultants interact with the public sector.

In today's turbulent environment management consulting companies may help Ukrainian public sector reach European standards. Thus, there is also a chance for young Ukrainian consultancies to enter the market and have success from reformed government organisation.

**Latest research and publications analysis.** As management consulting is still developing in Ukraine, it is not surprising that there is a lack of publications on the topic. Though, there is a growing number of studies on business management consulting, its trends in industry, there is little information on management consulting interaction and projects with public sector. Among the authors addressing this issue the following names should be mentioned: L. Greiner and F. Poulfelt (2010), P. Sandler (1998), L. Dobes (2007), M. Kubr (2002) and others.

**Unresolved issues.** Recent changes in economic, social and political environment, both foreign and domestic, clearly showed a need for rapid reforms in public sector. While business already successfully works with management consultants, public sector only starts to familiarize with external advisors. At present, governmental

<sup>1</sup> Kyiv National University of Technologies and Design, Ukraine.

agencies need to use any help available to build strong institutions by European standards. Lack of experience in institutional development may be compensated by the involvement of outside advisors from management consulting companies who have necessary capabilities and expertise. However, shortage of information about consulting process and particularly interactions with public sector may jeopardize such efforts.

**The research objective is** to lay the foundations for involvement of management consultants in the development of Ukrainian public sector and address the peculiarities of such interactions.

**Key research findings.** Public sector is defined as a part of the economy providing governmental services and basically consists of such services as police, military, public roads, public transit, primary education, healthcare etc. In dynamic environment government constantly faces a number of challenges and competing objectives. These problems and challenges arise not only from economic, social and political context but also from increasing external complexity of new and emerging managerial and organizational models, as well as the need for cost reduction.

Government turns to management consultants because right responses to challenges they face are difficult to find in the absence of precedents, experience and resources for adequate analytical work (Sandler, 1998: 387).

Governments around the globe have been using management consultants for a long time already. The worldwide market of consulting to the public sector was about 39 bln USD in 2014. (Kennedy Information, 2011: 84). In Europe, according to European Federation of Management Consultancies Association (FEACO) the demand from public sector in 2011 was 14% of the total market size (FEACO, 2012: 14). Despite the work of consultants with Ukrainian national railways company "Ukrzaliznytsia" (Ukrainian Railways, 2011), Kyiv state city administration (KSCA, 2011) and State Agency for Investment and National Projects of Ukraine (SAINPU, 2014) the results of their projects were hardly noticeable and consulting projects for public sector were neither seen in national market reports.

Main areas of consulting interactions in public sector are:

- Strategy and policy advice, generally related to wide social or administrative problems facing the public sector. Management consulting services are generally bought by the top echelon of public sector managers and politicians, who aim to clarify options and determine the optimum direction in a highly complex environment. This market is small, and is generally limited to consultants with publicly recognized experience in politics.

- Designing, developing and managing programmes and operations is the area in which there are far more frequent requests for management consulting assistance. These requests may be made by public managers in reaction to evaluation or audit, or may be triggered by consultant marketing.

- Adjustment of the "machinery" of public sector organizations. These adjustments usually focus on organizational structures, processes and supporting systems such as finance, procurement and HR management. Concerns regarding increase in productivity and the use of new information technologies in full have greatly intensified the pressures on public sector managers concerning the restructuring of processes and systems for which they are responsible.

- Facilitating change processes in public sector organizations. Whether a change is to the structure of the organization and its way of doing business, or to supporting systems, management of change process itself is critical for the success of the organization. Consulting support in establishing continuous learning, total quality and performance management processes can provide the framework for change process. With the reduction of in-house services, public sector organizations are increasingly retaining consultants to provide training and counseling services to their staff. Training is frequently needed in management and communication skills for new organizational processes, as well as in standard management and technical areas (Kubr, 2002: 588).

Many opportunities for consulting are now occurring within the framework "Reinventing Government" which is generally referred to as a movement designed to 1) meet increased service demands from the public; 2) through the application of information-age technologies, and thereby; 3) enable major changes in public sector organizations, their cultures and workplace processes that serve the public (Greiner and Poulfelt, 2010: 256).

For successful cooperation between a consultant and a client it is crucial to maintain very close relations throughout the consulting project. Different approaches on different stages of consulting in public sector are shown in Table 1.

**Table 1. Differences in consulting focus** (Sandler, 1998: 397)

Stages of consulting	Dominant model	Systemic and psychodynamic approaches
Entry	Establish relationship with a client as the basis for further involvement	Focus on client problem, acknowledge feelings, explore nature
Contracting	Developing a mutual contract, clarifying expectations and modus operandi	Establish needs and wants. Agree processes and milestones, not just outputs
Data Collection	Measuring organizational indices and variables	Emphasis on understanding, "listening with the intent to understand" the social and political system and learn its history
Diagnosis	Interpret data and feedback to client, developing a joint understanding	Develop and test working hypotheses, take open systems model, interpret the psychosocial dynamics and the impact on the primary task
Implementation	Plan and carry out intervention	Participative, inclusive of organizational stakeholders and agents. Model conflict handling, value difference and validate all parties
Review	Evaluate the success of interventions	Dialogue and feedback sessions. Collective involvement
Termination	Withdraw leaving the system able to manage its own future changes	Ending is as important as entry. Provide sustainability for insight and learning

Things can go wrong at any stage of a project. Any of the following may (or may not) prestage a problem:

- An exclusive approach by the consultant, often characterised by the "just leave it all to us, we'll fix it" attitude. It is often accompanied by an attitude that public servants don't really know what they are doing.

- The corollary is a dismissive attitude by government agencies whose staff treat consultants with contempt. Treat consultants as you would your own staff. Good people management practice ultimately generates better results.

- A breakdown in communication. Good consultants make a point of regularly (at least once a week, on a daily basis for some projects) checking with the client that everything is proceeding satisfactorily. Not touching base may be a sign that things are not going too well. Take the initiative to re-establish contact yourself, and find out how things are going.

- The corollary from the consultant's perspective is when the client begins to walk away from the job. When clients plead too much work make them unable to take direct interest, or suggest that the consultant "just get on with it yourself", or find some other means of distancing themselves from the project, consultants begin to worry about being able to achieve a successful outcome.

- Excessive "library research". Too much general research may indicate that the consultant does not have sufficient expertise in the area.

- Excessive focus on producing a report, rather than dealing with issues or people. This is particularly relevant in choosing consultants to implement programs that involve organizational change. Unless there is a shortage of reports on your bookshelf, look for a consultant who is geared to solving problems rather than just analyzing them.

- The use of "guru language". If a consultant suggests "leveraging off the knowledge base to achieve optimal organizational alignment in a contextual framework", find the one who uses plain language.

- Undue focus on the use of software or an analytical package as the primary means of analyzing issues or solving problems. Analytical framework is essential in problem solving, but beware the "package bender" who only knows one technique and tries to adapt it to every situation. A good check during the selection process is to ask what alternative approaches could be used.

- A too-ready willingness to drop the bid price during negotiations may indicate that a consultant has difficulty in finding other work at the bid price. Good, sought-after consulting firms will often refuse to materially alter their bid price without also redefining the scope of the project.

- Staff nominated by the client to work alongside the consultant find it difficult to contribute, because of insufficient skills or because of other work priorities. Unless alternative resources are made available to the consultant, delay (or higher cost) is likely.

- The client, or a steering committee, focuses on red herrings, avoid or postpone taking decisions, or vacillate in providing sign-off as the stages of a project are completed.

- Persistent delays or regular attempts to redefine the scope of the work. On the other hand, occasional delays, or necessary redefinition of issues may be a good indication of a high quality consultant.

- Once a client or a consultant have started to refer to the provisions of the contract, the relationship is probably in trouble (Kubr, 2002: 69).

**Conclusions.** Management consulting may be very helpful in developing public sector. Consultants help develop strategy and policy advice, designing, developing

and managing programmes and operations, adjust the machinery and facilitate change processes of public sector organizations. Successful consulting project requires close ties between a client and a consultant at every stage of the consulting process. To avoid problems at early stages both the client and the consultant should constantly look for specific signals that may be resolved before it is too late.

#### References:

Держінвестпроект створить експертну раду з числа фахівців "Великої четвірки" та провідних юридичних і консалтингових компаній // Прес-служба Державного агентства з інвестицій та управління національними проектами України // [www.kmu.gov.ua](http://www.kmu.gov.ua).

Для розробки стратегії розвитку Києва до 2025 року буде створений консорціум // Прес-служба КМДА // [www.kmu.gov.ua](http://www.kmu.gov.ua).

Наші партнери // Державне агентство з інвестицій та управління національними проектами України // [www.ukrproject.gov.ua](http://www.ukrproject.gov.ua).

Укрзалізниця співпрацює з А.Т. Kearney у питаннях розробки стратегії реформування галузі // Прес-служба Укрзалізниці // [www.uz.gov.ua](http://www.uz.gov.ua).

*Dobes, L.* (2007). *Managing Consultants: A Practical Guide for Busy Public Sector Managers*. Canberra: ANU E Press. 80 p.

FEACO (2012). *Survey of the European Management Consultancy 2011/2012* // [www.feaco.org](http://www.feaco.org).

*Greiner, L., Poulfelt, F.* (2010). *Management Consulting Today and Tomorrow: Perspectives and Advice from 27 Leading World Experts*. New York and London: Routledge. 506 p.

Kennedy information (2011). *Global Consulting Marketplace 2011–2014: Key Trends, Profiles and Forecasts*. Peterborough: Kennedy information. 196 p.

*Kubr, M.* (2002). *Management Consulting: A Guide to the Profession*. Geneva: International Labour Organization. 904 p.

*Sandler, P.* (1998). *Management Consultancy: A handbook of best practice*. London: Kogan Page. 468 p.

Стаття надійшла до редакції 18.02.2015.