



Consultancy in a Globalised World

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Undoubtedly, there has been a trend towards a more globalised economy within the last few decades. Today, this trend seems nowhere close to an end, but rather is accelerating. In general, many production and service processes have become more interdependent and internationally interconnected. The phenomenon of economic globalisation raises the question of how the consulting industry is affected, which demands it faces and how it reacts to those demands.

But first, let us examine exactly what international consulting means. Unfortunately, there is no common definition for the term, but for the sake of this article one could say that it is simply the sum of cross-border international consulting activities. Examples of this could include consulting a company with regards to their outsourcing processes, offering services to a company that operates with a common strategy in several countries or employees working abroad for a foreign branch of their company.

To further clarify this question, the authors had the opportunity to speak with Professor Theresia Theurl, director of the Institute of Cooperative Business (Institut für Genossenschaftswesen or IfG) at the University of Münster, who focuses her research on inter-corporate cooperation. Her understanding of international consulting includes the cooperative aspect. "A virtual network of consulting firms enables its participants to provide an individual consulting solution for each of its clients first hand, taking into account the national or local challenges which the client faces – concerning both regulatory and cultural requirements. The globalisation and internationalisation of corporate activities necessitate the internationalisation of the consulting business."

Tobias Hübner, an alumnus of the Münster-based student consultancy, move, and an international consultant himself, shares some interesting insights into the practical side of cross-border consulting. He works as a project manager for the Deutsche Post DHL Inhouse Consultancy, and while he is based in Bonn, Germany, he works on projects all over the world. He defines international consulting as managing projects abroad without being able to rely on an office in that particular country. For him, it is completely normal to work in Bonn one day and in southern Europe the next, all while preparing for his subsequent project in the U.S.

But let us take a closer look at the issue. Our primary interest is the changing demand for management consultancy services and how firms meet that demand.

The Demand-Side Perspective

Always under pressure to acquire new clients and projects, consulting firms tend to respond to demand and the

applicable budgetary conditions for new projects abroad (assuming they are able to operate globally). This means either looking for new clients abroad or securing projects with domestic companies operating globally. Therefore, consulting internationally is an opportunity for tapping into a high demand for consulting services.

China's consultancy market, for example, is growing and changing at a fast pace. Having become a major economic power in the last two decades, China also became a rewarding environment for consulting firms. More often than not, western companies need support in understanding how to succeed within the Chinese culture and economic system, while Chinese ventures want to become more competitive as they face new challenges on the global market. International consulting projects can potentially serve both needs. This, of course, applies to other emerging economies as well.

As they often lack relevant experience, many companies working in emerging markets may need consulting to help them apply strategic or conceptual knowledge in their management. Thus, consulting projects often become more integrated as they implement the lessons learned in previous projects.

Having been preoccupied with cost cutting projects over the past few years thanks to the global financial crisis, an increasing demand for consulting services in growing branches and emerging foreign economies presents interesting opportunities for consultants. However, it is unclear how demand will develop in the next few years. Consulting agencies will have to adapt to future trends as well as they can. The management consulting firm Capgemini, for example, expects two new meta-trends to emerge soon, the first based on the changes precipitated by technological advancements, the second on the specific trends within individual industries. This view was expressed by Capgemini's CEO for Germany, Austria and Switzerland, Dr. Michael Schulte, in an interview with the Frankfurter Allgemeine Zeitung in late 2010. The first type of trend is expected to improve communication with customers and to enable higher levels of efficiency. The second type implies specific trends within an industry, such as changes in the banking industry as a result of the recent financial crisis.

The Supply-Side Perspective

Just as like any other industry today, the consulting world changes very quickly. Globalisation not only boosts cross-border economic interdependence, but has already revolutionised the way successful consulting companies work.

But how do these companies react to new challenges? Which measures do today's management consultants take to meet new demands? Amid all the talk about BRIC markets and their great importance in the future, how does a consultant take obscure and vague predictions and use them to create a competitive advantage at home and abroad?

Most importantly, European management consultants need partners in the market they wish to penetrate. Successful work abroad depends upon trusted allies who know the country and its market inside and out. As always, an effective and efficient network is indispensable, or in this case, an absolute prerequisite. When working in a foreign market, the bar is raised and the communication problems resulting from differences in both spoken and body languages must be overcome. Cultural differences further complicate the situation. Only those who are able to cope under these circumstances will survive in the long run. In this case, a consultancy firm faces the same difficulties as those companies needing their services – their clients. In order to win over these potential clients, they must get a head start.

Professor Theurl comments, "On the one hand, consulting standards seem to align internationally because of an increasing number of globally operating companies. On the other hand, there is an apparent trend towards a greater differentiation of the knowledge-based core-competencies in consulting firms. Thus, specialised local knowledge of the target markets becomes a decisive competitive factor. Even for larger consulting firms, it seems inefficient to acquire this knowledge oneself on a broad base. Rather, it is important to win cooperating partners possessing key knowledge. The future is in linking knowledge in expanded partner networks."

To this end, consultancy firms not only look for institutional partners such as chambers of commerce and industry, companies, or formal and informal business networks, but also need to find especially highly qualified employees in their target countries. The qualifications these employees must demonstrate include a degree from an internationally recognised high-profile university, perfect English language skills, as well as the social skills needed to be successful in the often harsh consulting industry.

McKinsey even went so far as to open an Asia Center in Frankfurt. This center of excellence focuses especially on the Chinese market, employing more than 50 consultants, primarily of Chinese heritage. The idea is that they work

together with western consultants on projects across Europe in order to learn from one another and gain valuable experience in cross-cultural teams and work environments.

At the DHL Inhouse Consultancy, even teams for national projects always include international members, allowing German consultants to get to know other cultures and their working styles easily.

Not only must internationally established best practices be used, but they must also be successfully implemented in the relevant markets. A thorough understanding of the mechanisms of foreign markets is required and usually a given. It is much harder to learn and work with the above-mentioned cultural differences.

Professor Theurl agrees on the importance of soft factors in intercultural cooperation. "Quite often, soft factors are decisive for the success or failure of an international project. Therefore, they must be approached with the highest sensitivity. A minimum level of cultural knowledge is a basic requirement for any international business activity. This applies to consulting firms as well as to all other branches. A lack of these competencies will keep you from forming promising alliances and from learning the vital rules of the game. But daily operative decisions will also be impaired. Local consulting partners can help reduce the risk of these problems, but they are not able to compensate for a complete lack of cultural sensitivity."

Most people have heard that the Chinese consider it almost impossible to openly criticize one's boss or business partner. While this is no problem in most of the western business world, it would almost certainly end cooperation elsewhere. Etiquette training for employees working in cross-cultural settings, consulting for post-merger integration and the achievement of synergies through diversity are all issues gaining in popularity.

In the end, the challenges facing internationally active consultancies are not only of a technical nature, but rather include both networking and intercultural knowledge. Of all his past projects, Tobias Hübner says he probably enjoyed one in Dubai the most. "The most interesting projects are those outside of Europe, in regions where the culture is different and where you get to work with the local businessmen. One has to accept the differences in other economic areas and adapt to them." /

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