

Chapter 5

The Role of the Consultant in Enterprise Development

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ABSTRACT

Business failure crisis is not a new phenomenon. The competitive dynamism to which businesses are susceptible exposes free economic agents to the vagaries of the marketplace, encompassing problems of growth, sustainability, and paradoxically, failure. However, the problems are more exacerbated in small-to-medium sized enterprises (SMEs) than large businesses, which is why they have continued to experience disproportionately high failure rates. Set against this background, this chapter focuses on the role of early consultancy intervention in securing sustainable development of SMEs. It does this by analysing SME growth strategies with respect to the interface with consultants. Using the ‘embedded case study’ approach and leaning significantly on the author’s consultancy undertakings with SMEs in the UK, the chapter provides refreshing perspectives on the nature of consultancy, strategic options open to SMEs, entrepreneurial competences and characteristics, the need for consultants, and an assessment of role effectiveness in the SME sector.

INTRODUCTION

In 1971, the Bolton Report entitled, ‘The Committee of Inquiry on Small Firms in Britain’, stated categorically that,

We believe that the health of the economy requires the birth of new enterprises in substantial numbers and the growth of some to a position from which they are able to challenge and supplant the existing leaders of industry. We fear that an economy totally dominated by large firms could not for long avoid ossification and decay... (Bolton, 1971)

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Whilst this cannot be disputed, as evidenced by the growth in SMEs over the past 30 years, accepted knowledge is that up to 80% of new businesses/SMEs fail in their first two years of existence. One of the reasons for this failure, the report states, is that a large proportion of SME owners lack the relevant management knowledge and skills to grow the business.

The majority of small firms' proprietors have no professional or other formal qualifications and only a tiny majority have specific qualifications in management. They run their business on the basis of their experience and common sense (Bolton 1971:78).

The key skill areas Bolton defined as, 'finance, costing and control information, organisation and delegation, marketing, information use and retrieval, personnel management, technological change and production scheduling and purchase control'.

Lack of management training and support in these areas was an obstacle to improved performance. This is as true today as it was 41 years ago. One way of acquiring these skills is to go back to school/attend relevant training seminars accessed through local Government agencies and Universities. However, the entrepreneurial characteristics and skill sets of the typical SME owner/manager are that such skills are acquired over a longer time period than conveniently fits their time horizons. Once an SMEs growth has reached a plateau then these skills become vital in ensuring continued growth and success. A number of academics have sought to explain the phases of growth and management stages of SMEs and typical growth-inducing problems faced at each stage (Leach and Kenny, 2000); Vyakarnam, Jacobs and Handelberg, 1996; Churchill and Lewis, 1983; Scott and Bruce, 1987; Greiner, 1972).

The quickest and most productive way of accessing growth-enhancing skills is to buy-in the knowledge in the form of Professional Advisors

and/or Consultants. The difference between the two is that the former can be rather short term in nature and be delivered as part of a package of services, for example, as a small business adviser from a Bank. The latter can take place over a longer period of time and can be delivered by a Professional Consultancy firm such as McKinsey or by individual practitioners. Regardless of which option is chosen the consultancy sector as a whole has experienced substantial growth and can be said to include, accountants, bankers, business consultants, lawyers, and educators. Therefore access and availability to consultancy advice has never been easier. Considering that over 90% of all businesses are small then it can be seen that the market potential for consultancy/advice is great. However, despite contradictory research as to the effectiveness of that advice (e.g. Bennett and Robson, 2003), it can be said in general that 'consultancy' can be a critical factor for the survival and growth of SMEs. Consultancy services then, rather than being seen as a bought in 'cost' should rather be seen by owner/managers as a potential resource. The key word here is 'service'. The service that a consultant brings to the client is at best intangible and results in a reciprocal exchange between both parties. The exchange that takes place is a transfer of knowledge in one direction and fees and experience from the other which can provide the impetus for further SME growth.

The aim of this chapter then is to examine the context of the SME/Consultant relationship from the perspective of

- The sector as a whole,
- The characteristics and competence skill sets of the SME,
- The role of the consultant,
- The differing perspectives of the service from an SME and Consultant's stance,
- The nature of the service and the key resource issues.
- Growth strategies for SMEs.

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