



## STANDARDIZATION IN THE FIELD OF MANAGEMENT CONSULTING SERVICES

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### **Rezumat**

La nivelul Uniunii Europene se recunoaște importanța deosebită a consultanței în management, parte a sectorului serviciilor. Pentru a facilita compatibilizarea serviciilor de consultanță în management, la nivel european se desfășoară activități ce vizează elaborarea unui standard în domeniu, standard care să devină un ghid de bune practici pentru furnizorii acestor servicii. Standardul propus are atât avantaje certe cât și dezavantaje. Constituie în principal o soluție de reducere a asimetriei informațiilor între furnizorii de consultanță și clienții lor, alternativă la implementarea unor reglementări legale.

### **Abstract**

The EU recognizes the importance of management consultancy, part of the services sector. To facilitate the matching of management consulting services at European level, work is carried out to develop an industry standard, which is meant to become a best practice guide for providers of these services. The proposed standard has both clear advantages and disadvantages. It represents essentially a solution for reducing information asymmetry between providers of consultancy services and their customers, an alternative to the implementation of legal regulations.

**Keywords:** management consultancy, standardization, CEN, ICMCI, regulation.

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The development of management consultancy in Romania will take place more and more in line with the European and global consultancy sector. At an international level there is an increasingly powerful current advocating for the establishment of professional standards in management consultancy. At European level, for example, it is believed that standardization is essential for creating a single market for services.

According to the Romanian Standards Association (ASRO) standardization is the specific activity which sets, for actual or potential problems, provisions for a common and repeated use, aimed at achieving an optimum degree of order in a given context. A standard, according to the ASRO, represents the document established by consensus and approved by a recognized body that establishes, for common and repeated use, rules, prescriptions or characteristics for activities or their results, in order to obtain an optimum degree of order in a given context. Standards are created by bringing together all stakeholders such as producers, consumers and regulators for that specific product or service. In the European Union most standards are developed by the European Committee for Standardization (CEN). Standards developed by CEN achieve status of national standards in member states.

Noting that services have come to represent about 70% of the economic activity of the Member States, the European Union began to pay special attention to this sector. It was found that the development of voluntary standards remained behind the economic importance and potential of the services sector. Therefore the desire to create a free market for services received a very clear form of manifestation through the Services Directive 2006/123/EC. The text of the Directive (Article 26, par. 5) declares that Member States, in cooperation with the Commission encourage the development of voluntary European standards in order to facilitate compatibility between the services supplied by providers in different Member States, information to the recipient and the quality of service provision. Consequence of this provision of the Directive, CEN started developing a set of service standards, management consulting being among the services considered in these standards.

Developing standards for services represents a further step in the standardization process. While previous generations of standards focused on the quality of the products, service standards focus on the client's perspective on the service. Service standards are more a set of guidelines, a collection of best practices, non-certifiable, in the sense of obtaining a classical certification by the suppliers.

The process of developing service standards for liberal professions began with management consultancy. An explanation for this fact (ICMCI, 2006) is that other liberal professions have very strong associations, which may have a very defensive behavior when it comes to certain regulations applicable to their profession. Management consultancy is not as strongly organized, making it easier for CEN to develop a standard that could become a model for other professions. Finally, the fundamental objective of this standard is to create a framework for the expression of best practices in the field of management consultancy.

Discussions about creating the standard for management consulting have begun before the Directive on Services appeared (2006), although the actual work of developing it began in 2008. The global association of national management consulting institutes ICMCI decided to be actively involved in the development of the standard. It acknowledged the fact that the standard will be developed with or without its input, the decision to be involved giving it the chance to assert its views on the subject (ICMCI, 2006). Initially the European Federation of Management Consultancies Association FEACO was against the proposed standard, their initial position being finally amended. It is considered that although the standardization initiative has started in Europe, it has global importance, given that it is expected for the CEN standard to receive ISO status after it will be adopted (possibly in 2012).

At the beginning of 2008 CEN established a project committee under the name PC 381 with the mission to develop the European standard "Management consultancy services". The initial plan for achieving the standard was as follows (European Committee for Standardization, 2008b):

- September 2008: First meeting;
- April 2009: The first working document;
- December 2009: Draft standard available for formal consultation;
- October 2010: Draft standard available for formal vote;

- June 2011: Publication of the European standard.

The reasons for the development of this standard are to demonstrate that management consultancy profession complies with the Services Directive and also to share best practices in the field. It is expected that with the use of this standard barriers in consultancy services trade will be eliminated and service providers will be enabled to offer management consulting services of better quality. This way it is estimated that risks associated with management consultancy missions will be reduced, the quality and professionalism of the consulting services will be improved and transparency among service providers and their customers will be increased.

It should be noted that it is intended to write the standard as a guide for the suppliers of management consulting services, which would not require a special certification and which would be based on the results of the consultancy process. The aim is to underline the importance of understanding customer needs, while protecting innovation and differentiation (European Committee for Standardization, 2009). The optimal development of the standard is difficult because many important aspects must be considered. It is intended that with the use of this standard to foster the customer's ability to differentiate between suppliers of consultancy, but without reducing the degree of innovation and individuality of their offers. The standard should be suitable for customers and suppliers of all types and sizes. The standard should have the quality of not being depreciated by evolutions in time of the management consultancy industry. The standard should include recommendations and requirements for the stages of offer development, services rendering and their evaluation.

The target group for this standard is represented by the suppliers of management consultancy services. However, in the development of the standard other parties are involved, such as their clients and other stakeholders. It is considered that the standard should be suitable for all European countries, taking into account existing national and cultural differences. Given these requirements, the standard will provide a very general description of management consulting.

In the working document drafted by the project committee in May 2009 (European Committee for Standardization, 2009) a series of benefits from this standard are anticipated:

- Removing barriers in the supply of management consulting services between countries;
- Encouraging suppliers of management consulting services to provide services of better quality to their customers;
- Improving the quality and maturity of management consulting services in Europe;
- Reducing the risks associated with management consultancy missions;
- Increasing transparency between suppliers and customers of management consulting services.

There were identified many advantages but also disadvantages of standards in the services sector (Blind, 2003, pp 13-15). Thus, the benefits – especially those that apply more to the management consulting services – include:

- Standards increase productivity of service providers, improving the quality of internal processes;
- Standards enable focus on efficiency in providing standardized aspects of the services and on improvement on the other characteristics of services;
- The use of standards gives confidence to customers, making services more transparent, which is very important, taking into account the immateriality of the services;
- Standards lead to a reduction in information and transaction costs for the potential customers, costs which are higher in services compared to physical products;
- Standards can support government policies.

Among the disadvantages of the standards cited by Blind, we mention:

- Standards reduce the variety and quality of services;
- Over-early standardization of a service area that grows rapidly may limit alternative lines of development and may discourage innovative activities;
- The standards limit the rapid adaptation to consumer preferences because of the time-consuming nature of the standardization process.

The advantages and disadvantages mentioned above do not necessarily apply to the standardization process in management consulting field. They represent a (partial) review of some elements that should be considered during the standardization process.

As a result of the debate on the subject a draft standard is currently available and – with any last-minute changes – it will be subject to formal consultations, the last step before the official vote of the standard scheduled to take place in standard in October 2010. The preliminary structure of the standard for management consulting services, as shown in the latest documents available (European Committee for Standardization, 2009) includes the following elements:

1. Scope of the standard;
2. Specific normative references;
3. Specific terms and definitions;
4. The general framework that includes specific policies (regarding communication, ethics and environment) and consultancy life cycle;
5. The offering of consulting services, which includes the description of the purpose, inputs and results, the content, deliverables, methods used, the terms and conditions applicable;
6. Execution of the service with the description of the purpose of the consulting mission, inputs and results, description of content, mission management and monitoring, approval and acceptance of the results and completion of the mission;
7. Evaluation of the consultancy process, with assessment of the consulting mission and evaluation of the service providers' performance.

Consultancy is not a regulated profession – in the true sense of the word – almost anywhere in the world. There are many reasons for this, as there are reasons for maintaining this state of affairs or for changing it. Perhaps the most important problem related to the consultants' relationship with their customers, a main argument for those who support industry regulation, is represented by the existence of asymmetric information. Consultants have more and better information than their customers about the professional relationship between the parties. In general, to solve problems related to asymmetric information solutions involving various degrees of regulation are recommended. Standardization of consultancy can be regarded as a form of quasi-regulation in the sense described by Coghlan (2000, p. 38). Thus, through standardization recommendations are made without any strict legal requirements and the application of the standard is voluntary and not mandatory. Or, to

use the words of CEN, the expert-designed, consensus-built nature of standards make them an effective tool for forging trust in the marketplace – with a lighter touch than regulations.

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