



STANDARDIZATION VERSUS INNOVATION IN MANAGEMENT CONSULTANCY

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Rezumat

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În cadrul acestui articol propunem unele puncte de vedere cu privire la relația dintre standardizare și inovare în cadrul activității de consultanță în management. Majoritatea serviciilor de consultanță se situează undeva între standardizarea absolută și inovarea absolută. Aproximarea de oricare din acești poli aduce unele avantaje și dezavantaje atât furnizorilor de servicii de consultanță cât și clienților acestora. Este important să se găsească un echilibru între inovare și standardizare, care să permită maximizarea rezultatelor tuturor agenților implicați.

Abstract

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In this paper we propose some perspectives on the relationship between standardization and innovation in the management consulting business. Most of the consulting services are situated somewhere between absolute standardization and absolute innovation. Approaching any of these poles brings some advantages and disadvantages, both to the service providers and to their customers. It is important to find a balance between innovation and standardization to maximize the results of all agents involved.

Keywords: management consultancy, innovation, standardization

JEL classification: L15, L84, M10, O31

We propose in this article some point of view on the relation between standardization and management consultancy. The consultants are asked to give advice, to discover and propose solutions and to participate in their implementation in a wide range of issues related to company management. If we are to look just at the pole of the field of action of the consultants we may say that they can offer either classical solution, tested methods, properly defined instruments, in a standardized format, or new methods, solutions and instruments tailored to the specific situation of a client. Certainly, in real life, most cases are somewhere in the middle. Both innovative and standardized elements can be identified within the same mission of consultancy.

Currently, the innovative approaches are indispensable in all fields of activity because they can open the road to growth and development. At the same time, though, the importance of standardization must not be overlooked in the attempt to increase the efficiency and ensure a consistent quality of the products and services. Between the two concepts – innovation and standardization – there seem to be some kind of incompatibility, the perception being that as standardization increases, innovation decreases, and vice versa. Nevertheless, there is a market with demand and offer both for the new, innovative solutions, and for the already established ones.

From some perspectives, standardization can be considered as **inhibitor of innovation**, limiting some alternative lines of development (Blind, 2003). According to Hamel (2006), an important problem in connection with standardization is that it may lead to an over attachment to conformity, causing the rejection of the new seen as a dangerous deviation from the accepted norms. In the case of innovation too, we may say that the varied activities and approaches more are a more fertile field than the uniformized, standardized ones. Accordingly, some organisational environments tend to stimulate standardization, while others favour innovation. However, there is a danger that by innovative approach one may understand a disordered approach of the problems, lacking structure, which we think may not lead to their proper solving.

We may speak of benefits and lacks both in the case of innovation and of standardization, which can be identified both for the clients of the services of consultancy and for their suppliers.

Benefits of standardization

The benefits of the repeated application of similar managerial methods, instruments or solutions may be identified both at the consultants, and at their clients. An advantage for the clients is that the repeated utilisation of standardized methods and instruments allows the management consultants producing better results than when they are confronted for the first time with a problem. On the hand, the consultants are **exposed** (Drucker, 1979) to a higher number of similar managerial problems, which gives them expertise. Another benefit, when rather standardized services are used, is that the results are more predictable; they may lack the potential to be as spectacular as in the case of innovative solutions, but they are easier to anticipate, being thus easier to promote within the internal bureaucracy of the client firm. We may refer here to the so-called managerial “fashions” (Birkinshaw et al. 2008), when some solutions are copied from one company to another, knowing, largely, what will result. For consultants, an important benefit of using properly defined recipes is that they increase profitability obtaining large savings. They sell repeatedly the same service with marginal modifications and thus focus on selling to clients rather than on developing new concepts and solutions. A complementary benefit is that they can delimit rather

clearly an area of competence, which they promote intensely among their clients.

Problems of standardization

Often, the consultant-client relation is compared with the doctor-patient relation. Same as the patient expects the doctor to treat his/her disorder which he can't do by himself/herself, but for which the doctor has the necessary expertise, the client too, expects the consultant to support him/her in the problems pertaining to his/her expertise. Expanding the analogy we may also notice some problems, contrary to the benefits mentioned earlier. There clearly is a problem when a doctor prescribes a limited number of medicines or treatments for a wide range of diseases. Similarly, the consultants who attempt to solve a multitude of managerial problems with a limited number of standardized solutions have a professional problem, and may an ethic one too.

We must not overlook either that the clients may have unrealistic expectations, maybe naive even, when they ask for a fashionable receipt which may not be suitable for their company. Actually, the problems often appear to resemble from company to company, but there may still be significant differences. The companies may have complex internal environments which absorb differently the standard solutions.

Benefits of innovation

For the consultants, the benefits developing innovative services and proposing new solutions to their clients may be substantial. First, innovation may be a safe way towards differentiation. Actually, under the conditions of the asymmetric flow of information in the field of services, as Cristureanu noticed (2004) , the competition is not in the field of the prices, but on the field of the credibility and professional qualification of the bidders. What other can bestow more credibility than a series of successful innovations? Then, the discovery of valuable solutions may produce substantially higher incomes (particularly if there is a direct relation between the income of the consultant and the improvement of client performance). Given the fierce competition on the market of consultancy, such advantages may be decisive.

For the clients, the benefits of using innovative solutions may also be important. On the one hand, it seems that innovation in

management, when it is done successfully, may provide a long-lasting competitive advantage (Mol, Birkinshaw, 2006; Hamel, 2006). Furthermore, the use of tailored solutions may lead to a much better melioration of company performance than the use of “ready-made” solutions. Of course, the consultants are not the only source of managerial innovation available to the company. Anyhow, the generation of managerial innovation is not one of their explicit missions, rather solving the problems arising in the current managerial system of the company (even if this sometimes presumes the partial or even total replacement of the management). At the basic level of the client-consultant relation, the mere fact of using consultants and allocating results, makes the clients more receptive to the new, determining them to seek information from other sources too (Studry et al., 2008). Another potential benefit of innovation is that it may provide real solutions in a moment in which the standardized approaches no longer function. Otherwise said, in a discontinuous world, only the radical innovation may generate wealth (Crainer, 2003).

Problems of the innovation

The preference for innovative solutions may, however, be accompanied by disadvantages. First, we must mention the cost of innovation. Innovation in consultancy presumes the allocation of resources to this purpose. The main resource of the consultants consists of their knowledge and expertise, applicable to the problems of their clients. The main unit of measure is the time (hours or days of consultancy which they bill the clients). The benefits brought to the client organisation may be an alternative, but measuring them is very difficult in most cases. Therefore, the consultants are pressed to sell to their clients as much time as possible, which they charge. This fact reduces the volume of time available for innovation and “pure” research. According to O’Mahoney (2011), innovation is a rather inexpensive process in the consultancy companies, because unlike the technological innovation, there are no raw materials, long processes of development or complex testing procedures. However, we must not neglect the use of a raw material which can be very valuable and limited as volume: the time, knowledge and experience of the consultants.

Besides the cost, we must not overlook the difficulties of acceptance and implementation of the new solutions. Particularly the large, rigid organisations may display high resistance to the new solutions, untried before. Besides this resistance, the client organisations must also take into account the risks associated to the innovation. Actually, as we already mentioned, in consultancy there are no complex testing procedures. Testing is largely done directly on the “patient”. The consultants may possibly test again a concept which failed the first time, but it is unlikely that the client company will display the same availability. The implementation of innovative solutions presumes therefore, besides the promise of long-lasting competitive advantages, the acceptance of significant risks.

Sources of standardization

From the perspective of the consultancy firm, standardization may be seen both as an *external* impulse and as an *internal* impulse. Externally, standardization might be imposed by specific standards or regulations. For instance, the consultancy services in management are regulated by the European standard EN 16114:2011. However, this is a guidance tool which can be implemented voluntarily and which doesn't require any kind of certification. It supports and protects explicitly the “innovation and differentiation” among the suppliers of consultancy services in management (CEN, 2011). This standard is not meant to prevent the suppliers of consultancy services in management to use own methods and approaches or to prevent innovation and diversification.

Another external source of standardization is the specificity of the problems which the consultants must solve together with, and for their clients. In some cases, these problems presume the use of standardized approaches and solutions. When European funds are to be obtained, for instance, the activity of the consultants must follow specific, strictly delimited coordinates. There are several aspects of the consultancy activity in this field which cannot have an innovative character and the procedures are to be followed strictly. The main reason for consultancy is, after all, the existence of the scale economies which stimulates them to develop and propose standardized solutions to their clients.

The characteristics of the demand from the clients also have an important role for the standardized character of the services provided

by the consultants. The clients are often not receptive to innovative solutions, demanding exactly the same services which they received in the past or which they have noticed to other parties (recurring here is the notion of management **fashion**).

There also are several internal elements which lead to the trend of standardizing the services. First, it is the specificity of the consultancy firm, the type of services in which it is specialised. Some consultancy services in management leave more room for innovation than other. The capacity and availability of the consultants to generate innovative solutions is another element. This latter factor can be nuanced and seen from the perspective of the **preferences** for the generation of innovative solutions or for the use of standardized solutions.

Sources of innovation

First, the clients themselves are important sources of innovation for the consultants (Taminiau et al., 2009). The exposure of the consultants to different situation, in different companies, helps them sometimes reach solutions which can be regarded as innovative. Of course, for this to happen, these consultants must have the proper aptitudes and motivation. They also must benefit of a proper organisational (and social) environment. The attempt of a consultant to transfer good practices from outstanding companies to mediocre companies is not an innovation in management (Hamel, Breen, 2010).

The demand from the clients is another fundamental source of innovation. It is one thing to attempt promoting an innovative solution for a client and completely something else when the client expects only an innovative, fully tailored solution. For exemplification, we may look at other markets where the desire of the clients for personalization is very strong. On the clothing market, for instance, there are ready-made garments and there are garments tailored for a specific customer. The purpose of the clothes is always the same, but the way to accomplish this purpose differs from customer to customer. Likewise, but in a more complex way, is the problem of the services of consultancy in management.

Which are the borders between innovation and standardization? The natural trend of any consultant is that when he/she found an new, innovating solution which yielded good results in the client

organisation, is to encode the elements of the solution in a way which to allow its subsequent replication in another organisation. Ultimately, by a process of refining and adaptation, a “standardized” solution is obtained. We must not neglect the fact that the consultancy companies do not develop new concepts for the sake of innovation or for scientific or academic acknowledgement; they do it in order to acquire visibility among the customers, thus increasing their profits. The specific knowledge acquire a higher commercial value when they are transformed into **merchandise** and condensed into an organisational concept which can be sold on the market of the managerial solutions (Heusinkveld, Benders, 2003). Therefore, usually, once a valuable innovation has been identified, the interest of the consultant is not to go on and look for new innovations, but to get the maximum (financial) results from the exploitation of that discovery. The success innovations are accompanied (or preceded) most times by failed attempts, which incur costs that must be covered. The capacity of any company to bear such costs is, certainly, limited.

Reverting to the [previous question, we consider that the border between innovation and standardization in management consultancy is diffuse. New ideas are generated periodically and many of the best such ideas and by being applied repeatedly in different organisations, closing thus the stats of standardized solution. However, these solutions must stand up to the competition generated by new innovations which tend to acquire a higher importance for the consultants. The question is, however, if the rate of generation of new ideas is sufficiently high and if the people generating these innovations do it to the maximum of their capacity. Otherwise said, question is whether the consultants just offer the solutions which are most convenient to them, not necessarily those which are most necessary to their clients. This idea is also supported by Mol and Birkinshaw (2006), according to whom the consultants prefer rather to disseminate the existing practices, which allow them selling repeatedly the same package of services, rather than getting involved in the generation of new practices. Thus, the provision of standardized services may also raise ethical problems. Question is whether the services provided to the client are supplied at the highest capacity of the consultant, or just at the optimal level for the consultant. In

conclusion, we may accept the perspective according to which the consultants have potentially opposite roles: on the one hand they may reduce the level of novelty of the solutions chosen by the companies by offering their own standardized solutions, irrespective of the necessities of the client, or they may increase the level of novelty by encouraging the companies to find new, individual solutions (Birkinshaw et al. 2008).

A very important question is if innovation and standardization can coexist within the same consultancy company. A firm may provide only standardized services, therefore it may show a poor professional capacity. However, we do not think that a company can supply only innovative solutions, at least not from an exclusivist acceptance of the term **innovative**. The services which a company provides may be particularized so as to serve the needs of each individual client, but it is difficult to imagine the situation in which a consultancy firm has the generation to generate fully innovative and valuable solutions for each customer. Ultimately, the important problem is that of the old to new ratio, of the general to particular ratio, in the offer of that company. The development of innovative products and services using the knowledge and ideas of the consultants is not a linear process with any difficulties; a substantial organisation effort is needed in order to transform an idea into a product (Heusinkveld, Benders, 2005). This effort must be supported by a proper use of the valuable results. We must also take into consideration the asymmetry of information existing in the client-consultant relation: the consultants have more and better information than their clients about the professional relation between them. Actually, it is important to have a clearly identified border beyond which the interests of the consultant and of the client cease to converge, and the solutions proposed by the consultant would serve just his/her interests, due to the higher sales.

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