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ADDIS ABABA UNIVERSITY
College of Business and Economics
Graduate Studies
Department of Marketing
Management
“Determinants of Profitability in
Management Consultancy Profession from
Employee Point of View”

**In partial Fulfillment of the Requirements of for the Award of
Master of Arts Degree in Marketing Management**

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June, 2019

Addis Ababa, Ethiopia

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Letter of certification

This is to certify that Abiy Degefe carried out this research on the topic entitled ***“Determinants of Profitability in Management Consultancy Profession from Employee Point of View”***. This work is original in nature and is suitable for submission for the award of Master of Arts degree in Marketing Management.

DECLARATION

I hereby declare that his research paper entitled ***“Determinants of Profitability in Management Consultancy Profession from Employee Point of View”*** Is ma work and suitable for submission for the award of master of art in marketing management (MA) and that to the best of my knowledge neither contain materials previously published by another person nor material which has been accepted for the award of any other degree of the university except where due acknowledgement has been made in the text.

Declared by: Abiy Degefe Gebreselasie

ACKNOWLEDGEMENT

First of I would like god to thank for helping me finalize this work successfully and also like to express my appreciation to my advisor Dr. Getie Andualem for his invaluable comment, encouragement and expert guidance during the whole process of research writing.

I also wish to thank all my instructors who have been incredibly supportive and collaborative over the last few years.

My special thanks goes to the consulting firm employees in Addis Ababa who gave me unreserved support during my data collection and giving my all the support for my thesis preparation.

Abstract:

Management consulting as a profession is a coveted aspiration for management professionals. This academic note seeks to define management consulting as an industry, draw its boundaries, highlight the unique contributions of management consultants and consulting firms, the profession in developing countries is of more recent origin, and the development process has been more slow and professional guidance and principles have not yet been fully developed, because universities, professional societies and associations, have not achieved the status that enables them to perform a supportive role. The general objective of the study was to describe and analyze the Determinants of Profitability in Management Consultancy Profession from Employee Point of View explanatory research approach was applied and questionnaires were distributed to 400 employees of management consulting firms in Addis Ababa. In conclusion the following factors were identified as determinants to profitability Operational, quality of personnel, competition, advertising and promotion.

Keywords: Management Consultancy Firms (MCF), Management Consulting (MC), Consultants, Client.

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CHAPTER ONE

1. Introduction

This chapter were contained introductory part of the entire study. It provides some insights about the ground and assumptions where the study is conducted. It states background of the study and the profession of management consultancy, statement of the problem, research questions, objectives of the study, hypothesis of the study, significance, scope, limitation, definition of key terms, and organizations of the study.

1.1 Background of the Study

Management consulting is the practice of helping organizations to improve their performance, operating primarily through the analysis of existing organizational problems and the development of plans for improvement Poulfelt (2005). Organizations may draw upon the services of management consultants for a number of reasons, including gaining external (and presumably objective) advice and access to the consultants' specialized expertise. As a result of their exposure to, and relationships with numerous organizations, consulting firms are typically aware of industry "best practices." However, the specific nature of situations under consideration may limit the ability to transfer such practices from one organization to another.

According to Poulfelt (2005), the origins of management consulting lie in the late 1800s. The first consulting firm, Arthur D. Little, was founded in 1886. The industry grew slowly for half a century, as consulting firms were founded either with specific customer opportunities in hand, or with a specific functional specialization. The industry experienced a surge of growth in the 1960s. A synergistic relationship between business schools and consulting firms developed, with top strategy consulting companies becoming the first job choice of MBAs in the United States. Nontraditional players began to enter the consulting industry: for instance, big accounting firms started launching

management consulting services, although their consulting divisions struggled to penetrate the elite strategy market. (Poulfelt, 2005).

The late 1980s marked the beginning of the golden era of management consulting. Through organic and inorganic growth, American consulting companies captured over 80 percent of the world consulting market. The business was driven by information technology, as management consulting firms began to provide outsourcing services and integrated IT solutions to their customers. By the end of the millennium, the world's management consulting market had grown into a \$100 billion business. (Poulfelt, 2005) The 21st century has been characterized by the dominance of a few large, primarily IT-oriented firms such as IBM, Accenture and Cap Gemini. In 2001-2002, the ten largest consulting firms recorded about 42 percent of the industry's total revenue. The only generalist firms among the top ten were McKinsey and Mercer consulting, the other eight being IT-oriented companies. (Poulfelt, 2005).

According to Kirmani and Baum (2006), the consulting profession in developing countries is of more recent origin, and the development process has been more compressed. Professional standards have not yet been fully developed. While in developed countries consulting emerged primarily through private enterprise, in many developing countries the profession developed in the form of public sector enterprises, often as off-shoots of public works departments, and has lacked the discipline and stimulus of competition. Universities, and professional societies and associations, have not achieved the status that enables them to perform a supportive role. Governments, while active in protecting domestic firms from foreign competition, have otherwise done relatively little to nurture a strong profession.

The size of the economy of a developing country and its stage and pattern of development has a critical impact on the growth of the consulting profession. The size of the public and private investment programs influences the demand

for consulting services; the educational system, notably the universities and professional schools, influences the availability of personnel to staff the profession; and the openness of the economy influences the flow of technology and training from abroad and the potential for development of the private sector, in which a healthy domestic profession is most likely to take root (Kirmaniand and Baum, 2006)

The rapid change in the economic policy and business environment in Ethiopia is bound to create greater need for services of management consultants and also give the right fillip for the profession to grow.

According to Brixiova (2009), the sectors which show high potential for management consultancy services growth in Ethiopia are: agriculture and rural development, tourism, manufacturing sector, geology and mining, transportation sector, energy, water management, telecommunication, construction and health and flourished private business firms. However, the quality of performance of foreigners or local consulting firms has not, unfortunately, kept pace with the growth in numbers. Surveys of the construction industry in developing countries carried out by World Bank during the late 2000s revealed that the inefficiency and poor quality of the domestic consulting profession was a major impediment to the development of the construction and other industry. Subsequent surveys of the domestic consulting profession by the Bank and other institutions confirmed these findings and showed that the performance of domestic consulting firms was seriously constrained by governments' inefficient policies and practices, by weaknesses in their own staffing and management, and by the lack of a supportive environment for quality work. Despite the number, size and business volumes of the firms, their technical and professional standards remain undeveloped. Past efforts to address these problems have met with little success (Kirmaniand and Baum, 2006).

1.2 Statement of the Problem

In today's complex business environment, the survival of the business is highly dependent on the manager's decision-making skill. Management consultancy profession is indispensable to support the decision-making process. Consultants play key roles in planning, designing and implementing development projects and business projects. During the past two decades, the number of domestic consulting firms, in developing countries like Ethiopia and other sub-Saharan countries has increased phenomenally (Kirmani and Baum, 2006).

As per the research preliminary investigation made by the researcher; there are some problems with regard to the value creation by management consultancy firms is mostly dependent from the network and the reputation of the firm. Items relating to this reputation mentioned are: the ability to create support, the ability to cooperate with the client, approach of client as a relation (instead of client or account), tailor-made services, ability to transfer knowledge (after care) - Realization power (focus on results), values, business philosophy, preferred level of analysis (strategic, tactical, operational), the ability to define the problem of the client firm Other important elements relating to value creation in the management consultancy industry are the form of contract between the management consultancy firm and the client, participation of individual consultants in the management consultancy firm, economies of scale.

In general, it can be concluded that even though there have been studies on the Consultants in developed and some developing nations, as per the knowledge of the researcher, there appear to be no studies that examine the determinants of profitability in management consultancy profession.

Therefore, this study was designed to examine determinants of profitability in management consultancy profession. As such, this research investigated the

determinants of profitability. To this end, this study tried to answer the following research questions:

1.3 Research Question

As it is already mentioned above the focus of this study is to try the following basic research questions.

1. To what extent Operational factors affect profitability of management consultancy profession?
2. To what extent quality of personnel affect profitability of management consultancy profession?
3. To what extent competition on profitability affect management consultancy profession?
4. To what extent advertising and promotion affect profitability of management consultancy profession?

1.4 Research Objectives

This study has general and specific objectives.

1.4.1 General Objectives of the Study

This study aims to examine the determinants of profitability at management consultancy profession.

1.4.2 Specific Objective of the Study

In trying to evaluate the determinants of profitability in management consultancy profession, this study was also specifically to address the following specific objectives:

1. To determine the effect of operational factors on profitability of management consultancy profession.
2. To determine the effect of personnel on profitability of management consultancy profession?
3. To find out the effect of competition on profitability of management consultancy profession?
4. To find out the effect of advertising and promotion on profitability of management consultancy profession?

1.5 Research Hypothesis

H1: Operational factors have positive and significant effect on profitability of management consultancy profession;

H1: Quality of personnel has positive and significant effect on profitability of management consultancy profession.

H1: Competition has positive and significant effect on profitability of management consultancy profession,

H1: Advertising and promotion have positive and significant effect on profitability of management consultancy profession.

1.6 Scope of the Study

1.6.1 Geographic Scope

Considering the fact Addis Ababa is the economic and political capital to the country and because of the fact most of management consulting firms reside, the geographic capital is limited to firms reside in Addis Ababa, but the firms under consideration are not limited in Addis Ababa in provision of service, this fact will help the scope to consider factors that are out of the capital.

1.6.2 Conceptual Scope

In terms of content/subjective scope, in this study, the factors that affect profitability in turn related to advertising and promotion, resulting in an identification of factors contributing to profitability of management consulting firms in the capital.

1.6.3 Time Scope

This research focused on cross sectional survey research design. Because, the study is cross sectional survey meaning it is end by one-year time period.

1.6.4 Methodological Scope

Methodologically this research will focus on cross sectional survey/explanatory research design.

1.7 Significance of the study

The value of this research; Firstly, the result of this research could take as a base for further research to any researcher who needs to see link of the result with other variables. Secondly, findings from data analysis interpretation assisted by literature review give guidance on improving the profitability of management consulting firms and further analysis and factors determining the profitability of management consulting firms in general, this study provided a basic starting point analyze and describe factors affecting the profitability of management consulting firms

1.8 Definition of key terms

Consultant: A person in a position with some influence over an individual, a group, or an organization, but with no direct power (this is the client's responsibility) to make changes or implement programs (Anand, 1999). In addition, due to the recent popularization of the term, it is necessary to distinguish between internal consultants who are directly employed by the organizations they provide services to and external consultants who are contracted by organizations (Anand, 1999). This study focused predominantly on external/independent consultants, specifically management consultants.

Management consultant: Management consulting is the provision of independent advice to persons with management responsibilities. Taken a bit further, it is a professional service provided by objective, independent, qualified persons concerned with strategy, policy, organization, technology, procedure and methods, recommending appropriate action and even helping implement these recommendations (Barcus and Wilkinson, 1995).

Management consulting: Refers to the intervention by an independent, objective and suitably qualified person to assist in the management of an organization to investigate problems and identify appropriate solutions (Barcus and Wilkinson, 1995).

Client: A generic term that pertains to a manager, firm or organization in either the private or public sector which makes use of the services of management consultants (Barcus and Wilkinson, 1995).

1.9 Organization of the Study

This research report comprises of five chapters. Chapter one consists of introduction that including background of the study, statement of the problem, objectives, research questions, hypothesis, significance of the study, definition of key terms, limitations and scope of the study. Chapter two consists of Review of Related Literature, Chapter Three Research Design and Methodology. This chapter includes research design, research approach, data gathering method and Instruments, the population and sample size. Chapter four shows data analysis and interpretation and Chapter five which is the last chapter consisting of summary of the major findings, conclusions and recommendations will be drawn based on the conclusions of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical review

2.1.2 What is consultant management?

According to Wikipedia (2008), management consulting refers to both the industry and practice of helping organizations improve their performance, primarily through the analysis of existing business problems and development of plans for improvement. The Oxford Dictionary for The Business World (1994) defines management consultant as a “professional adviser who specializes in giving advice to organizations on ways of improving their efficiency and hence their profitability.” Furthermore, Ainamo and Tienari, (2002) refer to modern management consulting as an institution carrying independent advice across time and place directly into the managerial boardroom. The main purpose of management consulting is the creation of management practice. To fulfill that purpose, management consulting competes but also cooperates with academic institutions and media companies, thus forming a part of the knowledge management industry. (Kipping & Engwall 2002.).

Kipping and Engwall (2002) argue that, among the consultancies’ symbiotic relationships displayed in Figure 1, the one with practice is of greatest importance. The rationale for their claim is that consultancies and media companies are subject to increasing pressures for adaptation from practice, and companies are continuously increasing their influence on the contents of education. Similarly, the relationship between management consultancies and academic institutions plays a particularly important role: academic institutions, primarily business schools, are significant producers of future consultants but also developers of management knowledge. (Kipping & Engwall 2002).

Management consulting is the provision of independent advice to persons with management responsibilities. Taken a bit further, it is a professional service provided by objective, independent, qualified persons concerned with strategy, policy, organization, technology, procedure and methods, recommending appropriate action and even helping implement these recommendations (Barcus and Wilkinson, 1995).

The task of management consulting is defined as “an independent and objective advisory service provided by qualified persons to clients in order to help them identify and analyze management problems or opportunities”. Essentially, they “help to effect constructive change in various organizations through their sound application of substantive and process skills” (Barcus and Wilkinson, 1995).

It is important to include this section, in order to gain a deeper understanding of the role consultants play in an organization, their key functions, features and responsibilities. Whilst some of the content below may appear common sense to those intimately involved in the consultancy profession, there may be others who know little about the management consulting profession and about consultants’ roles and responsibilities within the client organization.

Management consulting is just one of the wide ranges of professional services that are available to decision makers in private businesses and the public sector. In developed economies, the professional service infrastructure includes a number of other services in addition to management consulting (Visscher, 2006).

The changes in the business and management environment have stimulated developments in managerial concepts, techniques and practices and management consultants aim to keep abreast of these developments, helping

clients find new responses to the challenges continuous existence and profit ability of the changing business environment (Klyver and Christensen, 2006)

2.1.3 Roles of management consultants

When helping an individual, a group, or an organization, a consultant fulfills a number of roles that she finds appropriate for the client, the situation, and her style (Lippitt & Lippitt, 1986). Due to the variety of existing observations and interpretations, it is difficult to exhaustively define only one set of specific roles for a management consultant. This section outlines some of the roles presented in the literature on management consulting.

In one widely recognized dichotomy, consultative roles are divided into task-oriented and process-oriented roles (see e.g. Maister 2008, Schein 2000 and 1998, Margulies and Raia 1972). Margulies and Raia (1972) have compared the two roles on seven key dimensions.

Schein (1998), in his research on process consulting, argues that in practice most consultations call for a mix of the two roles: expert and process consulting. He has developed the dichotomy further by identifying three roles of management consultants:

1. Consultant as a doctor: The client gives the consultant the pain and asks the consultant to provide the cure and the treatment.
2. Consultant as an expert: The client expects that the consultant is the expert and asks her to carry out well-defined, measurable tasks.
3. Consultant as a process consultant: Consultant creates such a relationship with the client that permits the client to perceive, understand, and act on the process events that occur in the client's environment in order to improve the situation as defined by the client. Although the consultant must have the ability to move freely among the three roles, Schein argues that she must always begin in the process mode.

4. To find out in what way expertise or diagnosis and prescription are relevant to the client's needs, the consultant must establish a helping relationship with client, in which the client can safely reveal the real problem. (Schein 2000) Schein's (2000) argument regarding consultants starting out in the process mode is one of numerous views on how the consultant's role shifts over time along her relationship with the client (see Lundberg 2004, Poulfelt. 2005, Sheth & Sobel 2000).

Some common features of consultants include:

- ❖ Independent orientation: - consultants do not automatically accept the problem as given by the client, but form their own opinion and appraisal of the problem at hand.
- ❖ Special training and qualifications: - in order for a consultant to form his or her appraisal, he must possess a certain amount of skill.
- ❖ An advisory service: - management consulting is performed in co-operation with the client, who bears final responsibility for hiring and using the consultant and accepting or rejecting his recommendations.
- ❖ Problem identification and analysis: - the consultant is hired to solve a specific problem. He is to reformulate the problem and identify its underlying causes.
- ❖ Problem solving and implementation: - consultants are not hired to perpetuate the status quo. They are to recommend solutions and even to help the client when asked to do so in the implementation phase (Barcus and Wilkinson, 1995).
- ❖ Advocate: - the consultant influences the client.
- ❖ Technical expert: - here the consultant is a technical specialist.
- ❖ Trainer and educator: - the consultant must apply the required training methodologies.
- ❖ Collaborator in problem solving: - the consultant assumes the role of devil's advocate.
- ❖ Alternative identifier: - in this role the consultant does not directly participate in decision making; he is rather a source of alternatives.

- ❖ Fact finder: - in this role the consultant functions as a researcher.
- ❖ Reflector: - here he is an overseer as well as a philosopher.

Consulting roles are constantly changing, as in every profession. The market is integrating forward, backward and forming partnerships. Competitors are co-operating, potentially due to a lack of critical mass or simply to survive. Vendors are consulting, consultants are selling products: - it is all driven by revenue streams (Appelbaum, 2004)

2.1.4 What is consulting Styles

The literature research of this study revealed four dichotomies regarding management consultant roles:

1. Expert vs. process consulting,
2. Standard vs. tailored solutions,
3. Abundant vs. limited customer contact, and
4. Directive vs. in directive consulting style.

Here, the dichotomies are examined as consulting styles in a business transformation program. The research revealed that, in business transformation programs, management consultants are required to do expert as well as process consulting, depending on the situation. Firstly, the type of consulting depends on the phase the program is in: expert consulting is highlighted in the analysis and design phase, whereas process consulting is emphasized in the results delivery phase.

Secondly, the research revealed that the choice of either expert or process consulting depends on the organizational role of the management consultant. In the Program Director and Program Manager roles, the process mode is prevalent. In the Business Case Manager and Stream Lead roles the expert mode is highlighted. Thirdly, the type of consulting was found to depend on the customer. If the customer has identified the need for transformation before the management consultant is brought in, it is natural that the consultant will

assume primarily a process mode. If the consultant is used as an advisor in an earlier stage, she will act more in the expert mode.

Similarly, in business transformation programs, management consultants use standard as well as tailored solutions. On one hand, the consultant must have a set of ready-made tools ‘accelerators’ as well as the skills to use them. Examples of such accelerators include the change readiness assessment, the business case, the transformation map and the message plan. Furthermore, transformation programs have certain standardized organizational aspects such as the PMO and the program’s governance. On the other hand, transformation programs are ‘made-to-measure suits’, tailored to each client and situation. According to one interviewee, “it is especially important to show the client that the service is fully customized. It does not work if we suggest that such and such tools be applied here.” Another interviewee added to the point by emphasizing that the application of standardized tools and frameworks produces such unique outcomes in each transformation that it is more meaningful to talk about tailored than standardized solutions.

While the two previous dichotomies produced relatively versatile answers in the interviews, the interviewees were unanimous about the amount of client contact in a transformation program: there is “a lot of it”. One interviewee argued that, in all modern management consulting, close collaboration with the client is becoming increasingly common compared to earlier consulting eras”. The interviewee also stated that collaborating with the client is even more important in transformation programs than in analyst assignments. Similarly, clients’ readiness to use consultants has increased significantly from the old days: “Consultants are no longer perceived as the stars they once were,” as one interviewee put it.

The view was shared by many others, and one other interviewee declared having witnessed the “degeneration of management consulting into an ordinary industry”. Finally, management consulting in transformation programs was

found to contain directive as well as non-directive aspects, with the directive aspect more dominant. The two consulting styles alternate with the non-directive style being critical especially in analyzing stakeholders and designing interventions. The consulting style is also related to the functional role of the consultant. For instance, enablers act in a nondirective mode, while advisers have a directive style of consulting.

2.1.5 Consulting skills

The management consulting roles outlined in the three previous sections call for a specific set of consulting skills. The required skills are closely related to the success factors identified in section 4.2.4. Here, the skills are categorized in the same way as the success factors, i.e. into delivery related, customer relationship management related, and change management related consulting skills. Delivery related consulting skills include subject matter expertise and program management. The interviewees pointed out that the required skills vary depending on the organizational role: for instance, industry and functional expertise are key assets of Subject Matter Experts, while project management skills are critical for the Program Director, Program Manager and Stream Leads. Analytical and mathematical competences, on the other hand, are key attributes of the Business Case Manager. Interviewees also identified coaching as another delivery related consulting skill in transformation programs.

As the consulting team and client team work in unison, situations arise where a consultant must be able to coach e.g. the steering group or the client's Program Manager. In transformation programs, customer relationship management related consulting skills become highlighted. Since most of the work is carried out in direct collaboration with the client, adept social skills are required from every consultant regardless of their role. Furthermore, consultants must be mindful about the political issues at the client site and cautious not to create extra tension, as transformation programs are often received controversially in the client organization.

2.1.6 Objective of Advertising

According to Klyver and Christensen (2006) all successful organizations need the objective advice a consultant can provide. A consultant can assist an organization in many ways, such as:

- ❖ Offer prior experience to meet a new situation
- ❖ Act as a sounding board for ideas and provide independent opinions
- ❖ Provide specific skill for a specific project
- ❖ Act as an additional source at times of peak activity.

In a good consulting exercise, the client and consultant/s work together as part of a team. Although each brings along their own, distinct objectives to the project and these are usually compatible. Parties can agree on a set of coordinated actions and common outcomes. Occasionally, there will be a misalignment and the parties must negotiate the objectives of the project so that they are reconciled (Cohen, 1991). This process is illustrated overleaf in Misalignments occur for a number of reasons, the most common of which are as follows: The client expects too much of the consultant/s, the client expects too much of the project, the project does not have sufficient scope, the client is not willing to define specific outcomes. With a little thought, it is quite easy to deal with these situations. Some useful rules of thumb are as follows: agree on aims before discussing objectives, break down projects into sub projects, get the client to prioritize outcomes, use the proposal, understand the client's desired outcomes, and focus on win-win outcomes (Barcus and Wilkinson, 1995).

2.1.7 Importance of Management consulting

According to Klyver and Christensen (2006) Clients are willing to pay competitive rates to consultants for the following reasons: their organization is a complex system that is awash with information and dynamics that influence performance. They want someone who is capable of coming into their

organization and “seeing the patterns within chaos and complexity”. Clients want to receive quick and insightful information about how they can resolve a particular problem or improve performance. Clients expect that the consultant will look after their problems through certain “filters or frameworks” that uncover and present problems in a new light. Clients want concrete suggestions on how to resolve the problems.

2.1.8 Consulting Specialties

Modern organizations are confronted with accelerating change and increasing competitiveness in the market. The need for rapid response to client’s needs requires both in-house and access to external competencies, i.e. management consultants. Management consultants engage in two types of consulting activity: strategic consulting (generalist) or specialist consulting. Strategic consulting is work with top management to advice on broad strategy formulation and tactical interventions related to business performance. Specialist consulting is advice and intervention related to a particular discipline (Klyver and Christensen, 2006).

The issue is not one of the generalist versus the specialist, but rather how to combine skills and perspectives to achieve a better total effect. Clients expect that the generalist will suggest the participation of a specialist whenever a need arises, just as they expect that the specialist will exercise self-discipline and refrain from giving advice in areas beyond his special competence (Klyver and Christensen, 2006).

2.1.9 Types of Consulting Firms

Management consulting profession consists of a large, diverse collection of individuals, firms and associations. In spite of the diversity of the profession, its basic structural composition is reality apparent. The following categories reflect this structure (Appelbaum, 2004).

- ✓ Generalist management consulting firms: this category consists of several large, medium sized and small firms. The services they provide can be extremely varied. Some firms offer engineering, scientific and management consulting services (Barcus and Wilkinson, 1995).
- ✓ Public Accounting firms: this category constitutes the largest identifiable segment of the management consulting profession while these categories provide some Management consulting service, like auditing and tax services.
- ✓ Specialized management consulting firms: it provide generalized services spanning the entire system development life cycle from planning to implementation.
- ✓ Individual practitioners: they provide services in the limited areas with which they are familiar and in which they skilled.
- ✓ Internal consulting groups: consultants who are employees of a non-consulting firm. They provide services to other departments of the organization that employ them.
- ✓ Research oriented organizations: a small number of institutes and other organizations undertake engagements that look beyond specific short-range internal problem situations. The term 'Management Consultancy' covers a wide range of functional areas and in many cases includes technical consultancy (Barcus and Wilkinson, 1995).

2.1.10 Types of Management Consulting Clients

Who uses the services of consultants? While the mix of clients will vary from one consultant to another, the types of clients served by the management consulting professional as a whole including the following.

- I. Private owned business firms: every firm organized for the purpose of earning profits through commerce and industry is a potential client. Thus a consultant might have clients that are involved in merchandising, banking, transportation, insurance, food services education and other industries (Barcus and Wilkinson, 1995).

- II. Government agencies and organizations: most if not all government organizations engage management consultants at one time or another. The client may be government agencies at the local, state, national or international level (Barcus and Wilkinson, 1995).
- III. Non-for-profit non-government organizations: organizations such as hospitals, universities, research institute and charitable institutions are increasingly using management advisory and consulting services. Many such organizations are under private ownership. In recent years private not for profit organizations have been faced with problems of raising funds and revenues while reducing costs; in attempting to solve such problems, they often turn to consultants for advice and assistance (Barcus and Wilkinson, 1995).
- IV. Professional Associations: numerous groups and association that provide professional services are private and organized for profit and others are for nonprofit. Even though such groups and associations generally include highly trained and skilled personnel, they often need advice and assistance with management and organizational problems and issues (Barcus and Wilkinson, 1995).
- V. Other types: Although every potential client will probably fit into one of the above categories, it is useful to include a catchall category. This category might contain such as labor unions, sports organizations, and religious organizations (Barcus and Wilkinson, 1995).

2.1.11 Responsibilities of the Management Consultant

According to Canback (1998) the consultant must operate with four levels of management responsibility. These are:

Economic - a responsibility to ensure that the projects advocated are in the best interests of the client business.

Legal - a responsibility to ensure that projects operate within the law.

Moral - a responsibility to ensure that project outcomes meet with the moral and ethical expectations of the client.

Discretionary - the right of the consultant to select or reject projects on the basis of personal ethical considerations.

The responsibility of a consultant is to supply creativity and competence in developing solutions to management problems. His sole concern is the welfare of his client. He must therefore work with integrity, objectivity, according to professional standards, and must satisfy his client if he is to be successful. The parameters of every job must be explicit and fully understood by both parties. It is just as important to specify areas that are not the consultant's responsibility as it is to define those that are. Decision making, however, remains the responsibility of management and not the consultant. Whilst the consultant's role is to act as knowledge broker and process input for the client, the client however ultimately remains accountable (Cohen, 1991).

The consultant's approach should not be based on searching for mistakes and blaming somebody for them, but on fostering ideas for improvement. Consultants should train the client to resolve other similar problems that may arise in the future, enabling him to use diagnostic models that will allow him to make good decisions (Cohen, 1991).

The central notion of consultant integrity is to put the client's needs first. Putting the client first is not necessarily the same as doing what the client wants. Rather, it refers to putting the client's best interests first, which could mean convincing the client that long-term needs are more important than immediate wants (Cohen, 1991). The truly competent management consultant, as a multi-disciplinary professional, would fully earn his fee to the extent that he acts as a reliable guide (one of many) for the organization in plotting its future course (Cohen, 1991).

Responsibility of a client: There are several positive things which management can do to help assure the successful completion of a consulting engagement: Enlist the co-operation of all company people with whom the consultant must work to develop inputs and make recommendations, Inform all concerned, either through a general meeting or personal memos, that a consultant has been engaged and explain the nature or purpose of the engagement, Allay any individual anxiety that may result when people learn that a consultant has been engaged, Be available to the consultant when he asks for time to review progress, clarify information that has been developed or to ask for help in resolving temporary difficulties, Do not pressure the consultant unnecessarily to disclose the nature of his findings or recommendations until he has thoroughly researched the situation. Clients must be clear about why consulting help is being considered and what the consultant is expected to do, rather than simply proceeding with a vague notion that obtaining outside help might be beneficial (Cohen, 1991).

In a nutshell, the client is accountable for his own decisions (it is a tough, but logical concept), whilst the consultant is clearly accountable for the quality of advice he gives. That is consulting in its purest form (Barcus and Wilkinson, 1995). To achieve the necessary organizational symbiosis between the consultant and client firm requires top level person-to-person interaction, and not a horde of junior though smart consultants running through the organization with their number crunching clipboards and laptops (Barcus and Wilkinson, 1995).

Consultation Process

During a typical consulting intervention, the consultant and the client undertake a set of activities required for achieving the desired purposes and changes. These activities are normally known as “the consulting process”. This process has a clear beginning (the relationship is established and work starts) and end (the consultant departs). Between these two points the process can be subdivided into several phases, which helps both the consultant and the client

to be systematic and methodical, proceeding from phase to phase, and from operation to operation.

Many different ways of subdividing the consulting process, or cycle, into major phases can be found in the literature. Various authors suggest models ranging from three to ten phases. According to Barcus, and Wilkinson (1995) the consultation process consists of five distinct phases namely: entry, diagnosis, action planning, implementation and termination: This model, will be used consistently in this study.

Entry: In this phase the consultant has to be introduced to the power structure, learn the culture, discuss and define the problem and determine the approach to be followed. This phase establishes the basis for the consultant to proceed into the next phase of more extensive problem diagnosis.

Diagnosis: The purpose of this phase is to examine the problem and identify the factors that cause the problem, and to prepare all information needed to decide how to orientate work towards solving the problem. This phase is used as a means to establish initial awareness and understanding of growth in the client as well as to influence the client to feel responsible for ensuring a successful outcome. This phase is important for feedback, where the client now decides whether to continue with the assignment or not.

Action planning: This phase includes developing one or more solutions to the problem diagnosed, choosing among alternative solutions, presenting the proposals to the client and preparing for the implementation of the solution accepted by the client. Clients should be even more involved at this phase.

Implementation: This phase is the culmination of the consultant and client's joint effort. Implementation affecting change to the good is the *raison d'être* of management consulting. This phase distinguishes good consultants from the mediocre ones. Change can involve any aspect or factor of an organization,

including: basic set-up of the organization, tasks and activities, technology used, management structures and processes, organizational cultures, people, organizational performance, image of the organization.

Termination: Once the desired proposal has been implemented, the client terminates the services of the consultant. This stage has to be fully professional and must be settled to the mutual satisfaction of client and consultant. Disengagement is characterized by a period of testing whether or not the client and client system are able to function in the new situation and cope with the new relationships. (Barcus, and Wilkinson, 1995).

2.1.12. The Consulting Process Perspectives

A management consultant engages in a clearly defined process when he/she performs a management consulting service. Since the service is performed for the process of solving a problem facing a client, it can be labeled a problem-solving process. Since it is performed by a consultant, it can also be called a consulting process. The process encompasses three perspectives: Analytical perspectives, Administrative perspectives and Communicative perspectives (Barcus, and Wilkinson, 1995).

Analytical elements of the Consulting Process

An analytical element of the consulting process consists of:

- ✓ Identifying the objectives to be achieved
- ✓ Defining the problem or opportunity improvement
- ✓ Ascertaining and then analyzing the fact
- ✓ Determining and evaluating solution alternatives and then formulating preferred solution or proposal action.
- ✓ Communicating the result of the formulation
- ✓ Implementing solution the solution or proposed action, if appropriate.

These elements may be combined, their scope or expanded or contracted and their sequence altered to fit specific problem situations. All must be completed for a satisfactory resolution of a problem. The analytical elements

are extremely important in the performance of consulting services (Barcus and Wilkinson, 1995).

Administrative element of Consulting Process

A consulting engagement, regardless of its technical nature, requires sound and effective managing if the engagement is to accomplish its objective. Most consulting engagements include the following or administrative activities:

- ✓ Engagement planning, including a work plan, that leads to a letter of understanding or a contract with client
- ✓ Engagement operations and control, including productively following the work plan, preparing papers and interim reports, and controlling and expense.
- ✓ Engagement reporting and evaluation, including documenting the conclusions, preparing the final report, and assessing the performance of participants and effectiveness of the result (Barcus and Wilkinson, 1995).

Communicative elements of the Consulting Process

Ineffective communication during a consulting engagement and especially at the end of an engagement can impair the result. In fact, proficiency in communication is essential to the successful completion of every phase of the consulting. A management consultant must be able speak, write, and listen effectively (Barcus and Wilkinson, 1995). In management consultancy cultural and individual economic achievement have high importance so the consultants have to take in to account the specific socio-political-economic environmental factors and specific organizational cultures while making recommendations for changes in structures, systems and policies in the course of consultancy service implementation (De Jong and Van Eekelen ,1999).

2.1.13. Structure and Development of Competencies in MCFs.

Management Consultancy (MC) is very much a people's business. Human resources are not only the main production factor in MC but work time itself, in terms of billable hours, is usually the 'product' sold. Human competencies are therefore the pivot for eventual strategic management in MC. Getting and

training the right people for the job, although being most important, is the not only think that counts, however. The set of relevant competencies in MC and the set of relevant tools to develop these competencies are more complex factors that are not always recognized as such by consultants. This section provides a general conceptual framework (Tordoir, 1995).

2.1.14. Barriers to Competencies Development

According to Tordoir, (1995) there are formidable barriers preventing firms from developing optimal competency are: Lack of time, Insufficient of human resources, firm growth is too fast, lack of financial resources, insufficient internal interaction, and too high rates of personnel turnover

2.1.15. Factors for Consulting Engagement Success

A consulting engagement may be considered successful if the client is satisfied that the consultant has met expectations and the consultant is satisfied that his reputation has been enhanced, with expectations of future revenue streams (Barcus and Wilkinson, 1995).The basic flaw of conventional consulting are: The project being defined in terms of the consultant's expertise or products, not in terms of specific client results to be achieved; The project's scope being determined solely by the subject to be studied or the problem to be solved, ignoring the client's readiness for change; The project aiming for one big solution, rather than incremental successes; The project entailing a sharp division of responsibility between the client and consultant, with no partnership between them; The project making labor-intensive rather than leverage use of consultants.

Canback's paper essentially suggests six propositions for a successful consulting engagement that seem universal, namely that it is necessary but not sufficient that: The consultant exhibits integrity (motivation, ethics, objectivity, honesty, loyalty and confidentiality), in particular putting the client's best interests first; The client be involved and ready to change; There be a clear

agreement, which may or may not be a formal contract, concerning requirements and expectations; and the client controls the engagement, partly by using clear and limited assignments.

2.1.16. Terms of Reference (ToR)

When a consultant is engaged, and once management authorizes the consulting project, the consultant prepares a proposal for the client, which provides the 'terms of reference' (Cohen, 1991). This is a core document that defines roles and responsibility, expected outcomes, points of measurement and the definition of the problem to be solved. There should be no grey areas here. Agreeing the content of this document is a critical first step to engagement and an ongoing relationship. Managing the terms of reference is itself an exercise in managing change as expectations may change (Cohen, 1991).

2.1.17 Dimensions of consultant management profession

2.1.17.1 Operational factor

The theory that could explain, describe, help to understand and predict performance to operational management was the scientific management theory. Frederic Taylor's scientific management theory advocated for definition of daily tasks, use of appropriate tools and materials, pay commensurate with work done, and selection and training of staff, which are vital for good performance. All head teachers, teachers, and students needed to know school objectives, to work towards achieving them. Teachers need to scheme and prepare lessons daily. Students and teachers also need textbooks, visual aids, good science equipment, laboratories and the schools require trained teachers and school administrators to enhance good performance (Musaazi 1982: 28-29, Okumbe 1999:21). This theory was relevant to the study as it explained the relationship between management by educational personnel, instructional material, facilities, finance and academic performance in educational process.

2.1.17.2 Personnel quality

For a management consultancy to become a partner in business transformation, certain characteristics are required. The research singled out three characteristics as particularly important: that the consultancy is large enough, that it has an international resource pool, and that it has shared history with the client. Next, the three characteristics are discussed in greater detail. Firstly, the consultancy must be big enough.

In order to support the transformation program with the right resources, the consultancy needs a critical mass in terms of number of employees. As the consultant team consists of typically 5-7 consultants in a transformation program, the consultancy must have a vast enough resource pool to draw from. Furthermore, the consultancy needs to be established and have created its own set of transformation related tools and methodologies – an aspect that many smaller consultancies are lacking. Second, the consultancy needs to be an international player. To be able to provide the industry and process competence needed in a business transformation program, an international resource pool is typically required.

International staffing is especially common in the analysis and design phase where the content expertise is highlighted, and finding domestic resources with the right competence areas may become hard-pressed. Third, the consultancy needs to have shared history with the client. Before a transformation program can be sold to a client, the consultancy must become an interesting and trusted partner. Becoming a trusted partner takes place through a series of smaller engagements that the consultancy executes successfully. Typically, a transformation program is a natural continuation of an individual analysis and design engagement such as a Phase 1 project or a strategy project.

It is also important to build a social network at the client site during these smaller engagements. In conclusion, it would seem that a consultancy that

wishes to partake in a business transformation program must first evolve into a trusted adviser¹ to the client organization. Before turning the focus on individual consultants' roles in business transformations, it is worth noting that a consultant organization itself can play multiple roles in a transformation program.

First, a consultancy may act as an executive partner whose involvement is restricted on the executive and advisory level. As such, the consultancy is only accountable for providing advice and guidance to the client organization's executive team.

Second, a consultancy can be a tactical partner that provides content input reserved on program management level.

Third, a consultancy may act as a fully operational partner that has shared responsibility for program delivery and management with the client. Accountability for the program's success, along with the size of the participating team of consultants, grows considerably as the role shifts from a strategic to a tactical and eventually to an operational partner.

Although the consultancy's role in a business transformation has a direct impact on the roles consultants occupy in the program, it has only limited, if any, impact on the content and nature of any particular role. Hence, it is meaningful to investigate the roles of management consultants in business transformations without being overtly cognizant of the role of the consultancy itself.

2.1.17.3 Competition factor

The essence of the theory of the firm as it has become familiar in economic textbooks is as follows: The theory is only applicable under the assumptions of perfect competition. For an industry to be perfectly competitive two conditions must be met.

1. The product must be homogeneous so that the products of one firm will be perfectly substitutable in the minds of the buyers for the product of any other firm in the industry.
2. The most profitable output of the individual firm must be small relative to the total output coming onto the market. The latter condition will be fulfilled only if the average cost of production in each individual firm reaches its minimum at a relatively small output. It will also be fulfilled only if the commodity is readily transportable and if the buyers and sellers are in close physical proximity. Perfect competition is then an analytical 'model' of the pure form that a market would take if:

(a) there were many sellers of absolutely identical products in relation to their total sales so that none could influence market price by varying the quantity he was prepared to market, i. e. every seller is faced by a horizontal demand curve. It follows that a firm with perfect markets will not have any selling costs; there is no point in trying to increase the amount that can be sold at the market price when any amount within, the limits of the firm's capacity is saleable.

(b) buyers and sellers were aware with complete certainty of prices and opportunities available everywhere in this and other markets, i. e. there is perfect knowledge and therefore the absence of advertising and other marketing costs;

(c) Significant economies of scale were absent so that no one seller could grow to dominate the market (i. e. producers would remain relatively small-scale); and

(d) There were no barriers of-any kind to the movement of land, labor, and capital or of entrepreneurs from or to the rest of the economy. The assumption is also made-in this static. Theory that in the short run incomes and tastes remains the same and the state of technology is given. Under these circumstances competition among producers would in the long run ensure that

every producer was operating with the most efficient size of plant and equipment, producing the most efficient (low cost) output, and was earning only the minimum amount of profit necessary to maintain the minimum necessary number of producers in the industry. Equilibrium is reached when prices are such that supply of every commodity equals the demand for it, and no factors of production has any incentive to move into-another industry or occupation. It is true that the prices of products are related to the prices of the factors of production employed in producing them. But it is also true that the prices of those factors depend on the value of, their products both in the industry under consideration and in other industries. The prices of products in one industry are affected by the prices of the possible substitutes produced by other industries. Everything depends on everything else. The price system is a system; all prices are mutually dependent on one another.

2.1.17.4 Adverting and promotional factor

Today, we all have strong concepts of what advertising is, and we also tend to have very strong opinions and prejudices about it. Definitions of advertising are many and varied. It may be defined as a communication process, a marketing process, an economic and social process, a public relations process, or an information and persuasion process, depending on the point of view. Advertising is the non-personal communication of information, usually paid for and usually persuasive in nature, about products, services, or ideas by identified sponsors through various media (Bov'ee and Arens, 1989).

Advertising is a prominent feature of modern business operations. One can encounter advertising messages, while watching TV, reading magazines, listening to the radio, surfing the internet, or even simply while walking down the street, as advertisement has a stimulating influence on purchasing behavior of the customer. This mammoth surge of advertisements from every possible source is basically to fulfill the urge of marketers to reach to a large number of people so that their product may receive optimum exposure.

According to Wijaya (2012) a modern definition of advertising includes other important factors, such as media, audience, and goals. Advertising was defined in the journal as a paid form of persuasive communication that uses mass and interactive media to reach broad audiences in order to connect an identified sponsor with buyers (a target audience) and provide information about product (goods, service, and ideas). This definition has five basic factors: is usually paid by the advertiser, the sponsor is identified, generally reaches a broad audience of potential consumers, seeks to inform and also persuade or influence consumers, and the message is conveyed through many different kinds of mass media and also now interactive types of media.

Promotion is the direct way an organization tries to reach its public. This is performed through the five elements of the promotion mix including advertising, sales promotion, Personal selling, Public Relations and the direct marketing. (International journal of business, Humanities and Technology, Vol.2 No.5).

In short and precise manner, a promotion is defined as, It is a marketing function concerned with persuasively communicating to target audiences about the component of the marketing program in order to facilitate and exchange between the marketer and the consumer and to help satisfy the objectives of both.

A business' total marketing communications program is called the "Promotional Mix" and consists of a blend of advertising, personal selling, sales promotion, public relation and direct marketing tools. In this part, the seven promotional mix elements shall be discussed and the 1st four elements shall be discussed along with advantages and disadvantages.

Personal selling: - according to Ennew and Waite (2007), personal selling is an effective way to manage personal customer relationships. The sales person acts

on behalf of the organization. They tend to be well trained in the approaches and techniques of personal selling. However sales people are very expensive and should only be used where there is a genuine return on investment. In addition, due to its expensiveness the bank should only/may apply personal selling in order to approach and grasp potential customers who had the ability to attract others through word-of-mouth and the like means. For example salesman are often used to sell cars or home improvements where other service products where the margin is high.

Personal Selling could the following advantages; i.e. in personal selling there is a two-way interaction and tailoring of the message. During the activities, there is no distraction since it is face-to-face communication and there is also an involvement in the decision-making as a result sales could be granted. Having the above importance, messages that are conveyed in personal selling could be inconsistent; conflict may arise while managing the sales force, the cost committed is very high and it involves poor reach (*Belch & Belch, 1990*).

To conclude personal selling is the most effective form of promotion because it allows your approach to be tailored to the needs of an individual customer. Getting a sale is ultimately extremely important, but the process involves a lot more than this. It is about having a constructive dialogue with customers to listen to their needs, promote product & company benefits on an individual basis, answer any questions, resolve any problems and get their feedback before clinching a sale.

Sales Promotion: - Kotler (2000) states that sales promotion tends to be thought as being different than other all promotions, apart from advertising, personal selling and public relations. For example Buy One Get One Free. Others include couponing, money-off promotions, competition, free accessories (Such as free blades with new razors), introductory offers (Such as buying

digital TV and get free installation), and so on. Each sales promotion should be carefully casted and compared with the next best alternative.

In using sales promotion, a company must establish its objectives, select the tools, develop the program, pretest the program, implement and control it, and evaluate the results.

Sales-promotion objectives are derived from broader promotion objectives, which are derived from more basic marketing objectives that are developed for the product. The specific objectives for sales promotion vary with the target market.

- ✓ Selecting consumer promotion tools
- ✓ Selecting trade promotion tools
- ✓ Selecting business and sales force promotion tools
- ✓ Developing the program
- ✓ Pretesting the program
- ✓ Implementing and evaluating the program

Sales promotion is best described as a specific, usually short-term, promotion that is over and above what you would normally provide to the customer. Implementing and evaluating the plan. Public Relation implementation must be handled with care. A great story is easy to place, but other stories might not get past busy editors (*Kotler P., 2000*).

2.1.18 Profitability

For project focused businesses such as consulting firms, keeping a close eye on profitability metrics such as project performance, billable utilization of resources, write off hours that should be billed and working capital are a core part of solid project management. Maintaining complete visibility of projects and gaining tighter control over financial results is, however, a challenging task in practice (Fergus Gilmore, 2018).

Often times, businesses can struggle to clearly identify profitability and form a strategy around increasing profitability. Core metrics like customer acquisition (how much does it cost us to get a customer?), customer lifetime value (how much do we make over the lifetime of that customer?) tend to get ignored or quite frankly, the company can be too lazy to really dig in and find good answers to these questions. The bigger the company and its offerings, the more challenging it can be to identify such objectives.

These are not always easy metrics to get at and can be tough to identify solid numbers. But it is critical that these are tracked and tested against to the best of the company's ability. Failure to do so makes it easy to make poor strategic decisions. The old axiom of "garbage in equal's garbage out" holds painfully true.

Let's define some of metrics these up front:

Profitability: A set of financial metrics that are applied to a business's capability to make money, after all expenses and other costs have been subtracted over a specific period of time. Not to be confused with sales. Sales figures and growth can be misleading. While it shows that marketing may be working or there is a good product/market fit, it does little for the business's future to focus on this metric outside of profitability. Case in point: many companies go bankrupt in the midst of growth cycles by not closely tracking profitability.

In short: Profitability is how much you make from a sale after you subtract everything it costs to make that product – it's that simple. Don't forget hidden costs like accounting, rent, acquisition, etc. that need to be amortized over time.

To grow profitably in the increasingly complex world of professional services, consulting firms must, according to Fergus Gilmore, Vice President at Deltek, an IT services firm to the industry, maintain absolute control over five key areas to stand a chance at driving up profitability:

Win - finding and retaining clients is the primary means of growing your business

Manage – how do you maximize billable time, without overstretching your staff?

Develop – attract, nurture and retain talent to positively affect business

Deliver – be in total control of your financial position

Measure - track and pinpoint what works and what needs to change

Gilmore, who has over 20 years of experience working with consulting firms, says that all five areas are equally weighted in terms of controllability. “The leadership of any consultancy can successfully manage the business by making smart, effective decisions in how they deploy resources, allocate work, charge for services, nurture talent and measure results. However, management’s ability to fully control these levers varies because of external influences.”

“For example, fees are often driven by external factors, such as competition levels within the industry and the ‘going rate’ the market will bear. Consultancy firms certainly have control over what they choose to pay their people but they must optimize employee utilization to protect or improve margins,” he remarks.

How consulting firms can maintain consistent profitability

The expert highlights that, for maximum effect – for the consultancy and its clients – leaders of consultancies need to maximize real-time visibility and process execution around five levers to deploy resources. Gilmore explains: “it’s

much more pragmatic for consulting firms to focus on 2 key areas that cover all of the management levers, rather than spread their attention by dealing directly with all five. The two areas of recommended focus are Resource Management (manage) and Financial Management (deliver). Though notably more pragmatic, challenges in the existing environment make both of these key areas difficult to address.”

The resourcing challenge

The time-and-materials legacy within consulting has historically generated high margins for boutiques, sometimes exceeding 30% - 40%. Though this has been a common concern for firms in the past, consultancies have witnessed a tremendous change in the past five years regarding the way engagements are performed. The clients of consultancies have become more sophisticated about how they purchase professional services, engagements now see fewer team members on site, and projects have more built-in milestones, among others.

Gilmore remarks “not only are many client companies staffed with ex-consultants who work with external engagement teams, but the procurement departments within many companies have taken an active role in managing overall spending on consulting services. Facing these buy-side pressures, firms see internal issues as well. As they grow larger and expand into competitive markets where discounting eats into margins, holistic management is critical to remain profitable. Time and resources, and therefore profit margins, can be consumed by wasteful practices, such as poor prioritization or overstaffing/understaffing projects or not planning at all.”

How efficient resource management can drive consistent profitability

To optimize their processes, consulting firms have access to multiple business management applications. Project-based enterprise resource planning (ERP) and professional services automation (PSA) are two of the most comprehensive systems on the market.

Gilmore says “the unified approach of today’s business management applications not only allows firms to track operational metrics, but also provides firm leaders and engagement managers access to real-time information. Consultancies must recognize how these business solutions can streamline project management, and track operational metrics quickly and efficiently. A unified approach addresses one of the fundamental needs for effective resourcing: a holistic view of capacity and workload, including proposed work, engagements-in-process and past work. This 360-degree view of a unified resource management approach brings both the engagement manager and the CFO tighter control over costs and invoicing and enables project teams to remain agile and in control when it comes to delivering on the project’s agreed statement of work (SOW). Therefore, reducing the risk of scope creep and project failure, the silent killers of project-based businesses.”

Quote - Fergus Gilmore, Deltek

Stitching together original estimates with completed billable work and time remaining establishes cause-and-effect relationships between decisions and their impact on expected profit or service, while thresholds and associated alerts provide early warning of potential cost overruns or missed deadlines. “This visibility guides decisions such as adding resources, extending deadlines, billing time and even declining new work,” says Gilmore.

The financial management challenge

When consultancies first originate, many often build their own systems or adapt off-the-shelf solutions that are popular within key process areas. In these cases, the typical environment consists of multiple stand-alone products linked by people, not process. For example, a firm’s CRM processes may perform exceptionally well in client-tracking and prospecting, yet the CRM

system doesn't connect with expense and invoicing applications used by the finance department.

Gilmore indicates "the problem is that disconnected systems put a wrench in the works when it comes to data sharing. Because information can't be easily shared across processes and is often inaccessible to those who need it most, disconnected systems inevitably lead to inefficiency and inaccuracy. Consider the simple act of producing an invoice. When the accounting team needs to break down the billed work into tasks or verify expenses if questioned by the client, it must access the tasks and deliverables from the standalone project-management system. Inability to do this means a series of costly, yet non-billable, phone calls, e-mails or even internal meetings to identify and properly invoice the deliverables."

Disconnected processes– from planning to delivery to financial accounting – foster suboptimal decisions, which lead to higher than expected costs, say the Deltek Vice President. "Consider a consultant faced with recording or absorbing time associated with a moderate scope change on a given engagement. With the project management system detached from the financial system, the consultant can't see that the account is in arrears, or that the practice has hit its threshold of allowable non-billable time." With no way to establish process controls to identify – let alone limit – pro bono work, managing partners are "left in the dark until the engagement concludes, and anticipated profit isn't as expected."

How financial management & reporting can drive improved margins

According to Gilmore, today's business solutions can streamline financial management by unifying disconnected processes and fragmented information into a common, shared environment. "For decision-makers at all levels, such solutions present a current view of clients, workload, resources and finances." He adds, "Unified business solutions allow firms to better manage budgets,

create and consolidate reports and look for trends and relationships in all parts of the business. Firms also gain more visibility into financial and project accounting, allowing them to maintain tighter control over costs, shorten billing cycles and monitor variations in estimates.”

Optimizing project and financial management capabilities is a key success factor for consulting firms

A unified financial management approach also accelerates cash flow while streamlining administrative overhead. Time capture is immediate, so billability increases as billable hours are no longer “lost” when actual-worked time is forgotten at the end of a week. Billing becomes more efficient, since billable hours are immediately posted, eliminating phone calls and e-mails among finance staff and consultants which would otherwise be needed to identify, correct and reconcile billable time.

Moreover, clients nowadays are requesting complex and time-consuming project reporting and financial accounting. “Though critically important for client relations and compliance, this non-billable work is nonetheless an opportunity cost, in that, resources engaged in providing invoice transparency are not billable to other work that would otherwise be driving consultancies’ growth,” says Gilmore.

Modern financial management solutions take care of this, he points out, by placing controls on each engagement that enforce client requirements, enabling consultants to record billable time to the appropriate phase, task or cost-centre. “Correct and client-acceptable invoices enable accounting teams to bill faster, reducing service-delivery cash cycles while delivering a higher level of client satisfaction.”

Gilmore concludes “consulting is an industry that will always ride the economic roller coaster. But that doesn’t need to make management queasy. Consultancies must smooth the jagged peaks and fill the deep valleys of an otherwise cyclical business. The only way to accomplish this is by truly optimizing project and financial management capabilities. Only then will a firm be able to profit consistently.

2.2 Empirical review

Between the months of June 2002 and March 2003 an empirical investigation was carried out on 305 companies, certified ISO 9000, in the regions of Galicia (Northwest of Spain) and the North of Portugal. The object of the investigation, developed by a team from the School of Industrial Engineers from the University of Vigo, was to know the present-day situation and future perspectives in quality management of these companies. The role of the external consultancy in quality management was one of the aspects considered in the investigation. The increasing prominence and importance of the economic activity in this European area, both within the two regions which form it, as well as the trans-frontier relation between them both and, by extension, that of Spain and Portugal, were considered reasons more than enough to justify the carrying out of this study. Also, it is a pioneering work and, therefore, innovating, in the improvement of the knowledge of the social-economic structure of the area.

Huarng (1998), in a study of 370 companies in Taiwan, verified that the SMEs obtained less improvement in quality when they left their quality systems to depend strongly on external consultancy. Several authors have tried to explain the causes of these results. Following Karapetrovic (1999), the fundamental problem of the use of consultancy is that, in general, the consultants tend to use what we could call “ready-made packages” of implementation, which includes formative sessions, documentation models, software, methodology of internal audits, etc. That is to say, the consultants act in a predetermined way,

with scarce capacity of adaptation to the reality of the company that hires them. Also, the problems that some organizations have with consultants can be due to, at least in part, the lack of quality or competence of some of them. Companies, especially SMEs, do not usually have much judgment in selecting and hiring a consultant when initiating the ISO 9000 process, or, in general, when it concerns implementing or improving their practices of quality management. It must be taken into account that a great part of the companies that initiate the ISO 9000 process do so with great ignorance of the subject, which puts them at the mercy of consultants that know how to gain their trust by good commercial work, or those that offer more competitive prices.

Mo and Chan (1997), in a study carried out among Australian SMEs, observed that not all those that hired external consultants (approximately half) showed satisfaction with the performance of these consultants, considering them costly and not always useful. Other studies reach more conclusive results, such as that of Carlsson and Carlsson (1996), which in a study of a hundred Swedish companies found a negative influence in the process, although without a clear consensus among them in relation to this subject. In Van der Wiele and Brown's (1997) study of 160 certified companies from the West of Australia, the majority SMEs, a good number of them manifested criticisms of the consultant's role: lack of knowledge of the problems of certain sectors, promotion of an excessive documentation of the system, or different interpretations of the requirements of the standards. In Lipovatz's et al. (1999) investigation, of 111 Greek companies, three quarters of those questioned used the services of external consultants in the process of ISO 9000, and 70% considered it important. Nevertheless, this value went down to 47% in multinationals (since they usually have internally capacitated personnel). Also, the authors found a significant correlation between the presence of external consultants and the appearance of negative reactions on behalf of the personnel and middle management.

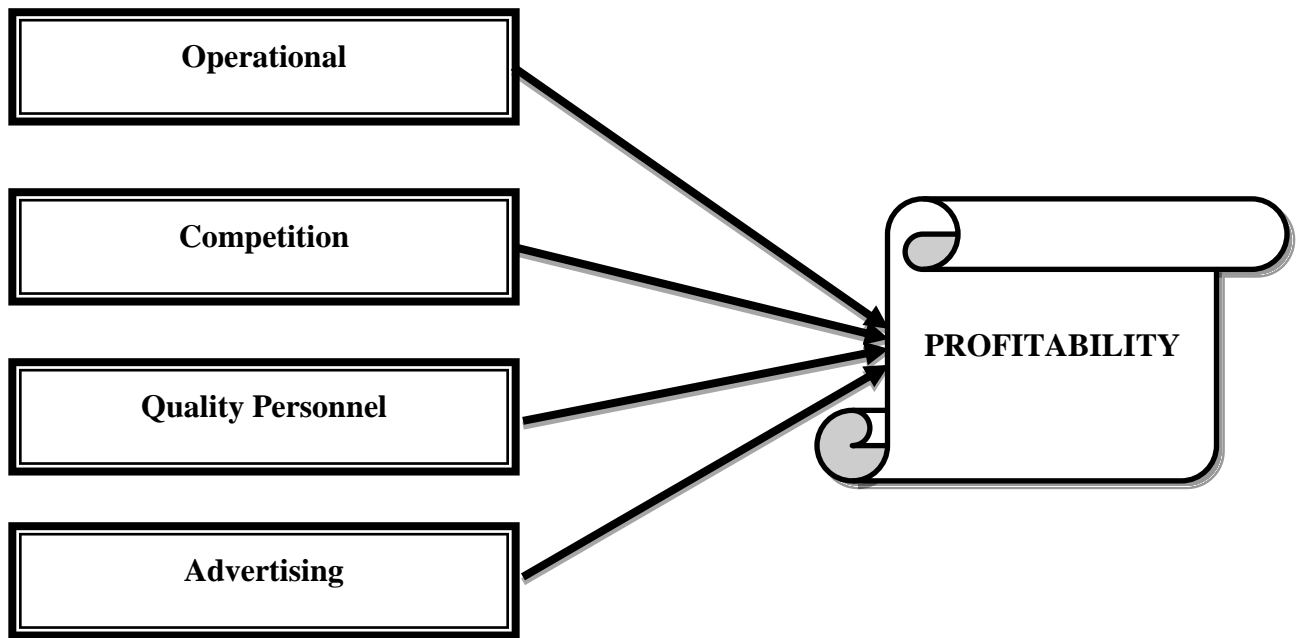
All this reinforces the results of Carlsson and Carlsson (1996) in Sweden, and leads to the conclusion that many times external consultants are seen as a “foreign body” by part of the organization, and that they do not make suitable the documentation and the implementation of the system to the companies’ individual characteristics, which makes for the creation of a more bureaucratic system and bears negatively on the support, participation and involvement of personnel (Lipovatz et al., 1999).

Nevertheless, for Gustafsson et al. (2001), in the light of the results of their study among 403 Swedish companies, the use of consultancy is expensive, but to bear the ISO 9000 process proves to be more expensive without external help. But putting all the weight or the majority of it onto consultants must be avoided, since once they abandon the company, once the process has finalized, they leave with the “know-how”. De Benito (1998) distinguishes two types of consultant, both with advantages and inconveniences. The “theorist” consultant, who usually takes more care of formative aspects and provides a standard methodology which will be carried out in detail by the personnel of the company. They tend to be “brilliant” and convincing, but less practical. ?? The “practical” consultant, who usually assumes the programme of development and implementation of the system like a director of the company and who gets involved directly, taking part in all the activities, both those of training and sensitization and those of wording and implementation. The inconvenience is that it tends to generate certain dependency, which could impede the company following its’ own path alone.

Huarng (1998), in a study in Taiwan, verified that many companies abandon their system of quality management once the consultants have gone. This dependency on external consultancy is one of the most important inconveniences that can be generated by its hiring. The empirical literature demonstrates, therefore, that the use of external consultancy presents pros and cons. In this work we intend to enlarge the existing knowledge on the

subject, presenting the findings of an empirical investigation on quality management which it has dealt with, and among other subjects, the use of external consultancy, and to offer some recommendations that may be helpful to managers and directors.

2.3 Conceptual framework of the study



Operational factor: Are processes and procedures implemented to initiate, develop and deliver solutions, process and procedures that mitigate or improve or introduce new methods and techniques that are needed by the client. Consulting firms and consultants need to provide significant value additions that outweigh the costs of engagement.

H1: Operational factors have positive and significant effect on profitability of management consultancy profession;

Competition: It is an attack comes from players in the consulting industry, either for one major client or overall market share. It determines future existence and profitability in the consulting market, assuming the limited market in Addis Ababa and Ethiopia.

H1: Competition has positive and significant effect on profitability of management consultancy profession,

Quality personnel: since consulting practice is an intellectual work success and failure fully dependent on delivery of methods and process that match the need of a client which is the product of personnel deployed (Education, experience,) for the delivery

H1: Quality of personnel has positive and significant effect on profitability of management consultancy profession.

Advertising: Is a prominent feature of modern business operations. One can encounter advertising messages, while watching TV, reading magazines, listening to the radio, surfing the internet, or even simply while walking down the street, as advertisement has a stimulating influence on purchasing behavior of the customer.

H1: Advertising and promotion have positive and significant effect on profitability of management consultancy profession.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

Methodology comprises the approach, strategy, methods and procedures adopted to conduct research (Chanston and Mangles, 2003). This chapter deals with the methods that will be used in this study. This chapter is organized under the following sub-headings: research design, method of data collection, sampling technique and sample size, data source, data processing and data analysis, validity and reliability, response rate and ethical consideration.

3.1. Research Design

Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money. The formidable problem that follows the task of defining the research problem is the preparation of the design of the research project, popularly known as the “research design” (Kothari, 2004).

From what has been stated above, this research project will be undertaken the descriptive and explanatory research design. The rationality for choice of descriptive research design is concerned with narration of facts and characteristics of the given target population and the descriptive studies are used in order to describe and interpret the trend of events that exists. (Creswell, 2003).

Explanatory research design looks for causes and effect relationship (Krueger and Neuman, 2006), Zegeye et al. (2009), cited in, Solomon, it's a good description provokes the `why' questions of explanatory research. Hence, to show the relation between variables explanatory research methods have been used.

3.2 Research approach

For the purpose of this study will be used quantitative research approach of doing research will employ. Quantitative approach will be used for statistical procedures to analyze and develop inferences from that data that's statistical models such as means, standard deviations, correlations and regressions analysis will be used.

3.3. Target Population

The target populations for this study will be employees of management consultancy profession in Addis Ababa. Management consultancy profession has 1206 employees. From the total of 1206 employees, 400 employees will be selected on the assumption that they represent the institutions. Simple random sampling will be applied to select target employees of management consultancy profession for the study.

3.4. Sampling Technique and Sample Size

Both cluster and convenience sampling method were used to select the sample MCFs/Is. First MCFs/Is were clustered based on their ownership structure and location. Some of these clusters were selected and then sample elements were selected from the selected clusters based on convenience sampling method. The samples were drawn from all forms of the MCFs/I, which renewed their license in 2009 & 2010 and located in Addis Ababa specifically in Bole, Yeka and Arada sub-city. The sample comprises local and foreign sole business owners, Private limited companies and a public Institute (EMI) found in Bole, Yeka and Arada sub-cities. This technique helps to collect data which can give optimally real information to the study and to avoid bias of sampling. To determine the sample size the research employed, from among different methods, the one which will be developed by Yamane (1967). The formula is stated below:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n= sample size

N= total number of employees of management consultancy profession

e= level of precision- 5% or 0.05

$$n = \frac{1206}{1 + 1206(0.05)^2} = 400$$

By using the above formula, 400 employees were selected from the total 1206 employees of management consultancy profession in order to collect relevant information.

3.4. Data Source

There are two sources of data; these are primary and secondary sources. Thus, the researcher will use both primary and secondary sources to collect data. Primary data is the information that the researcher finds out by him/herself regarding a specific topic. The main advantage with this type of data collection is that it is collected with the research's purpose in mind so it's more consistent with the research questions and purpose. The close ended questionnaires which are designed on an ordinal scale of measurement basis will be used to collect primary data, so that the variables could be ranked to measure the degree of the agreement or the disagreement of the respondents with the variables.

The source of primary data for this study will be employees of management consultancy profession. Primary data will be collected using questionnaires. A well-designed questionnaire will be used as the best instrument for the collection of primary data. This questionnaire will be completed by the employees of management consultancy profession. For the purpose of this study, a close ended questionnaire will be used as the measuring instrument. The appearance and layout of the questionnaire will be constructed to encourage participation of the respondents to complete the questionnaire, in

this study the questions will be kept as concise as possible through the actual wording and phrasing of the questions. Moreover, the variables will be measured using the above mentioned five point Likert scale (strongly disagree, disagree, neutral, agree, and strongly agree).

Secondary data are those which have already been collected by someone other than the investigator himself. The source of secondary data are library books, international journals, research papers, E-sources, research papers related to the topic, internet, etc...This data will be used to get better insight on the research topic, to establish the theoretical framework constituting the bases of this research, and to design the sample frame and questionnaire for retrieving the primary data. Another advantage of using secondary data will be to validate and compare the data collected through questionnaire to existing literature and articles.

3.6. Method of Data Collection

A structured close-ended questionnaire instrument with a five point Likert scale will be used to gather the data. The close-ended questionnaires will be used since they are less costly and less time consuming than other measuring instruments. The constructs in the questionnaire will be developed from the literature review. The questionnaire items will be adapted from different sources to suit the study.

The second part of the questionnaire consisted of questions on each of the independent variables of work-life conflict which are operational factor, competition, quality of personnel, and advertising.

3.7. Methods of Data Analysis

In order to facilitate the interpretation of the study both descriptive and inferential statistics will be employed in analyzing the data. The Statistical Package for Social Sciences (SPSS version 16.0) will be used to analyze the results

First, descriptive statistics of the variable will be calculated in line with Malhotra (2007), which states that using descriptive statistics method helps the researcher in picturing the existing situation and allows relevant information. In the descriptive analysis percentage, mean and standard deviation will be used the study

Frequency tables will be used to summarize the respondents profile in the form of frequency and percentages whereas the descriptive statistics such as mean and standard deviations of employees' answers to work-life conflict and employee commitment scales will be calculated in order to determine employees' perceptions of profitability.

According to Sekaran (2000), "inferential statistics allow researchers to infer from the data through analysis of the relationship between two variables; and how several independent variables might explain the variance in a dependent variable. Pearson's Product Moment Correlation will be used to determine the following relationships for the sample respondents.

- ✓ The relationship between operational factor and profitability.
- ✓ The relationship between competition and profitability.
- ✓ The relationship between quality of personnel and profitability.
- ✓ The relationships between advertising and profitability.

According to McDanail and Gates (2006), correlation coefficient can range from -1.00 to +1.00. Hence, Pearson's Product Moment correlation will be used to determine the following relationships for the sample respondents.

Multiple Regression Analysis

The term multiple regression first used by Pearson. The purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and dependent variable. Multiple regressions analysis takes into account the inter-correlations among all

variables involved. In multiple regressions analysis more than one predictor is jointly regressed against the dependent variable (Cohen & Swerdlik, 2002).

Regression Model Specification

The model of multiple regressions on this study is generally built around the dependent variable which is employee commitment and the dimensions of the independent variables (operational factor, competition, quality of personnel, advertising). Therefore the general formula will be used for the model:

$$Y_i = \alpha + \beta x_i + e$$

The left hand variable Y_i denote the dependent variable profitability, α is the intercept term which gives the mean or average effect on Y of all the variables excluded from the equation, although its interpretation is the average value of Y when the stated independent variables are set equal to zero; β is the coefficient of x variables (independent variables) which measures the change in the mean value of Y ; per unit change in their respective independent variables, x_i is the different independent variables which are operational factor, competition, quality of personnel, advertising and e is the error term. Finally, the above general least square model is converted to incorporate all the variables to test the hypothesis of the study as follows:

Profitability = f (operational factor, competition, quality personnel, and advertising)

$$Y_i = \beta_0 + \beta_1 X_1 (O) + \beta_2 X_2 (C) + \beta_3 X_3 (QP) + \beta_4 X_4 (A) + E...$$

Where

OF = Operational

C = Competition

QP = Quality of personnel

A = Advertising

e=Error Ter

3.8. Validity and Reliability

3.8.1 Validity

Validity refers to the extent to which a measurement tool measures what it's supposed to measure. That's it's concerned with the extent that the scale accurately represents the constructs of interest (Colin, 2005). This study will be conducted based on conceptual framework that clearly indicates the theoretical constructs. Pre questionnaire will be distributed to check the validity of questions. Thus, after comments and discussion with consultancy management experts and the questionnaire will be found valid by the researcher.

3.8.2 Reliability

Reliability is the degree to which a measurement tool produces stable and consistent result. That's reliability is concerned with the consistency of the score obtained from a measure(Christopher, 2015).The Cronbach Alpha technique will be applied to assess reliability of the measurement scales will be used in the study.

Table 3.1: Rule of thumb of Cronbach's Alpha

Cronbach's Alpha	Internal Consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Source: Cortina (1993)

Generally, a Cronbach Alpha greater than or equal to 0.7 can be regarded as an acceptable level of reliability in most social science research. If the

Cronbach Alpha is less than 0.7, the questions might be difficult for the respondents or the respondents didn't understand the questionnaire (Cronbach, 1951).

3.9. Ethical Consideration

A number of ethical considerations were taken into account throughout the study. The researcher made it clear in the questionnaire that participation is voluntary and the research is for academic purpose, and that confidentiality of participants will be assured. They will be briefed about the nature of the study being carried out. Participants will be assured that their responses would remain confidential. Therefore, the researcher has tried as much as possible to respect persons'/organizations that would provide information and on whom information would be collected.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0. Introduction

The center of focus of the presentation and analysis of data, this being the main objective of the study, are pieces of information only that are directly related to the determinant of profitability in management consultancy profession. This chapter deals with a discussion of the final results and the process through which the results were obtained. In addition to this, background information of respondents is presented. Finally, the descriptive analysis and statistical methods of analysis are discussed; including the result of correlation analysis and multiple regression analysis was conducted using SPSS version 16.0.

4.1. Response Rate

The sample consisted of employees of management consultancy profession. I distributed 400 questionnaires, out of which 400 questionnaires 324 questionnaires were successfully completed. Finally, the total of 324 respondents, were used in this study amounting to a response rate of approximately 81%.

4.2. Descriptive Analysis

Descriptive analysis was used to present the data collected in relation to the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered with the help of general or demographics questions. The demographics factors used in this research are gender, age, level of education and work experience of the respondents with the management consultancy profession and it is presented below.

Table 4.1: Demographic characteristics of respondents

		Frequency	Percent
Gender	Male	175	54.0
	Female	149	46.0
	Total	324	100.0
Age	20-25	63	19
	26-31	51	16
	32-37	109	34
	38-43	101	31
	Total	324	100
Education Level	Grade 12 and below	128	40
	Diploma	96	29.4
	Degree	72	22
	Masters	28	8.6
	Total	324	100.0
Working Experience	1-3	10	3
	4-6	99	30
	7-9	103	32
	10-12	112	35
	Total	324	100.0

Source: survey data, 2019

As shown in Table 4.1. Gender distribution of the sample, 175 (54%) of the total respondents are male; 149(46%) are female. This implies that the proportion of male employees is slightly larger than that of female employees in management consultancy profession.

The respondents' age is presented in the following table. The table shows that 34 % of the respondents are between the ages of 32-37 years, followed by the respondents who are between at 31% of the respondents are between the age of 38-43, 20-25 years age to be 19. %. The rest 16% are between 26-31 years old.

The educational level of the respondents looks like what is shown in table 4.1. As it can be seen from the table 69.4. % of the respondents holds a first degree. 22% of them are master's degree holder and the rest of 8.6% are diploma holders.

The data indicating the work experience of the respondents has with management consultancy profession is presented in Table 4.1. Accordingly 35% of the respondents have experience with the management consultancy profession which dates between 10 up to 12 years. While 32% of the respondent working experience obtained in the range of 7-9 years, 30% of the employees being regular staff with management consultancy profession are under the range of 4-6 and 3 % of them are employees for the past 3 years relationship/experience with management consultancy profession.

4.3 Reliability Analysis

Scale reliability test is done to check whether a scale applied in this research consistently reflect the subset it measures. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010) and according to Cronbach's (1951), a reliability value (α) greater than 0.600 is also acceptable. The accepted limit of Cronbach's α is 0.70 in this paper and was found to be more than 0.70 that was 0.700. Therefore data obtained using these scales are reliable to do further analysis.

Table 4.2: Reliability result

Independent Variable	Items	Cronbach's Alpha Result
Operational factor	6	.737
Competition factor	6	.765
Personnel quality	6	.700
Advertising	6	.764
Profitability	8	.788

Source: survey data, 2019

As can be seen in Table 4.2, the independent variables scored from good to acceptable alphas. Profitability has a high reliability compared to other independent variables with $\alpha = .788$, and this shows that Cronbach Alpha lays where $\alpha \geq 0.8$, so has a good reliability. Operational factor also has a good reliability with $\alpha = 0.737$, competition with $\alpha = 0.765$, personal quality with $\alpha = 0.700$, advertising has an acceptable reliability with Cronbach Alpha $\alpha = 0.764$. According to Cronbach (1951), a Cronbach Alpha of 0.70 is an acceptable level; this means that there is internal consistency in the items considered.

4.4 Descriptive Analysis

Descriptive statistics was assessed in an effort to examine the mean scores and the corresponding standard deviations under the respective scales of each of the measurement items of the dimensions. Hence, this particular attempt has the importance of addressing some of the research questions on the basis of the perceptions of the respondents on the level of profitability of the management consultancy profession. In the descriptive analysis mean and standard deviation will be used the study. whereas while making interpretation of the results of mean and standard deviation, the scales were reassigned as follows to make the interpretation easy and clear. 1.00 – 1.80 poor, 1.81 – 2.60 fair, 2.61 – 3.40 moderate, 3.41 – 4.20 good, 4.21 – 5.00 very good.

4.4.1 Descriptive statistics of operational factor

Table 4.3: Operational factor

	N	Mean	Std. D.
I'm interested in my work.	324	3.2562	1.10408
The quantity of tasks I'm performing is easy to handle.	324	3.6111	1.13895
I do have complete control on my work.	324	3.5062	1.14706
I'm well aware of my duties.	324	3.4877	1.04534
I'm allowed to decide on the methods to perform my work.	324	3.7222	.99379
I have part in decision making process.	324	3.9475	.96391
Cumulative of operational factor	324	3.5885	.70190

Source: survey data, 2019

The descriptive statistics or the means and standard deviations of the operational variable is displayed in Table 4.3. As shown descriptively the mean or the average response of the respondents about their operational in management consultancy profession was 3.588 (SD = .701). This indicates the respondents operational with the management consulting which specializes in devising operational and business strategies to solve operational, supply chain, and efficiency problems within different industries they observed in management consultancy profession is good. The standard deviation for operational is .701. This standard deviation is low meaning that there are no extremes in the positive and negative score and this implies that there was a variation of response among the respondents and this variation is acceptable and practice of operational is good.

4.4.2 Descriptive statistics of competition

Table 4.4: Competition

	N	Mean	Std. D.
Management consultancy profession collaborating effectively with clients.	324	3.864	.9573
Management consultancy profession aiming to exceed client expectations.	324	3.722	.9685
Management consultancy profession suggesting alternative approaches to clients.	324	3.768	.9695
Management consultancy profession is openness with clients about the firm's procedures.	324	3.623	.9443
Management consultancy profession provides excellent consulting services which deliver the outcomes clients seek and need.	324	3.518	1.0212
Management consultancy profession transparent with clients and respond to their concerns.	324	3.6914	1.0307
Cumulative of competition	324	3.6980	.6659

Source: survey data, 2019

The descriptive statistics or the means and standard deviations of the competition variable is displayed in Table 4.4. As shown descriptively the mean or the average response of the respondents about their long term orientation in management consultancy profession was 3.69(SD = .665). This indicates the respondents on competition with the anything that gives a company an edge over its *competitors*, helping it attract more customers and grow its market share they observed in management consultancy profession is good. The standard deviation for competition is .665. This standard deviation is low meaning that there are no extremes in the positive and negative score and this

implies that there was a variation of response among the respondents and this variation is acceptable and practice of competition is good.

4.4.3 Descriptive statistics of quality of personnel

Table 4.5: Quality of Personnel

	N	Mean	Std. D.
Reliability, adherence to project scope and agreed consultancy process.	324	3.4506	1.159
Consultant's motivation and persuasion is used to benefit the customer.	324	3.1296	1.093
Professional competence of the consultant in his or her areas of expertise.	324	3.5463	1.014
Acceptance of improvements by non-managerial staff.	324	3.6512	1.040
Acceptance of improvements by managerial staff.	324	3.4012	1.067
There is management consultancy profession reasonable division of tasks between consultant's and client's resources.	324	3.3395	1.068
Cumulative of quality personnel	324	3.4198	.674

Source: survey data, 2019

The descriptive statistics or the means and standard deviations of the quality personnel variable is displayed in Table 4.5. As shown descriptively the mean or the average response of the respondents about their quality personnel in management consultancy profession was 3.41 (SD = .674). This indicates the respondents had agreed with good result on quality personnel with the providing independent, objective advice to organizations on strategies to improve the quality of their products and services. They work for consulting firms or as independent, self-employed consultants. Line up your personal attributes to ensure that you have the skills to act as a consultant. They observed in management consultancy profession. The standard deviation

for quality personnel is .674. This standard deviation is low meaning that there is no extreme in the positive and negative score and this implies that there was a variation of response among the respondents and this variation is acceptable and practice of quality personnel is slightly good.

4.4.4 Descriptive statistics of Advertising

Table 4.6: Advertising factor

	N	Mean	Std. D.
Advertising of management consultancy profession is a powerful tool capable of persuading audiences.	324	3.018	1.27356
Advertising medium of management consultancy profession is appropriate to reach the majority customers.	324	3.805	1.01803
Management consultancy profession advertisement creates an emotional appeal.	324	3.638	.98715
Personal selling of Management consultancy profession is effective in creating customers awareness.	324	3.311	1.19793
Salespersons of management consultancy profession has a great role to persuade customers.	324	3.765	1.02925
Adverting by personal contact with the customer has an impact on the profitability of management consultancy profession.	324	3.827	1.03846
Cumulative of adverting	324	3.561	.74185

Source: survey data, 2019

The descriptive statistics or the means and standard deviations of the adverting variable is displayed in Table 4.6. As shown descriptively the mean or the average response of the respondents about their adverting in management consultancy profession was 3.561 (SD = .74185). This indicates the respondents has agreed with good result on adverting with the advertising

consultants are typically independent contractors, and have built up a network of potential employers who call upon them for short-term solutions they observed in management consultancy profession. The standard deviation for long term orientation is .741. This standard deviation is low meaning that there are no extremes in the positive and negative score and this implies that there was a variation of response among the respondents and this variation is acceptable and practice of adverting is good.

4.4.5 Descriptive statistics of Profitability

Table 4.7: Profitability

	N	Mean	Std. D.
Management Consultancy profession led to profitability in the short term or long term.	324	3.3025	1.053
Control mechanism of a large market gives an increase profit margin of the management consultancy profession.	324	3.3179	.9577
Management Consultancy profession is relatively higher due to operational factor.	324	3.3549	.8905
Management Consultancy profession's helps in retaining of customers.	324	3.8920	.9027
Management consultancy profession's helps in attracting of customers.	324	3.2407	.9878
Management consultancy profession helps in satisfying of customers.	324	3.4198	1.051
Management consultancy profession marketing strategy is successful in retaining customers.	324	3.3210	.9647
Due to management consultancy profession successful strategy in meeting the interest of customers.	324	3.8981	.8791
Cumulative of profitability	324	3.4684	.6110

Source: survey data, 2019

The descriptive statistics or the means and standard deviations of the profitability variable is displayed in Table 4.7. As shown descriptively the mean or the average response of the respondents about their profitability in management consultancy profession was 3.4684 (SD = .611). This indicates the respondents had agreed with moderate result on profitability with the range of areas of expertise covered by the term "consultant" is wide. One of the more common types is the management consultant. Consulting and the means by which the (external) consultant is engaged vary according to industry and local practice they observed in management consultancy profession. The standard deviation for long term orientation is .611. This standard deviation is low meaning that there are no extremes in the positive and negative score and this implies that there was a variation of response among the respondents and this variation is acceptable and practice of profitability is good.

4.5 Results of Inferential Statistics

4.5.1 Correlation analysis

This part shows the results of the inferential statistics conducted using the SPSS 16.0. To achieve the objective of this study indicated earlier, Pearson's Product Moment Correlation Coefficient, and multiple regression analysis were computed. The relationship between the different facets of profitability (operational factor, competition, quality personnel, and advertising and profitability was investigated.

4.5.1.1 Assessment of Autocorrelation

Data were assessed to ensure that the autocorrelation and this assumption can be tested with the Durbin-Watson test which test for serial correlation between errors and the value closer to 2 are acceptable (Field, 2009). If the Durbin-Watson is substantially less than 2, there is evidence of positive serial Correlation. The Durbin-Watson statistics value are 1.570 suggests that there is no severe autocorrelation among error terms.

Table 4.8: Correlation analysis

		Profitability
Operational factor	Pearson Correlation	.145**
	Sig. (2-tailed)	.009
Competition factor	Pearson Correlation	.690
	Sig. (2-tailed)	.000
Quality personnel	Pearson Correlation	.070
	Sig. (2-tailed)	.004
Adverting factor	Pearson Correlation	.196**
	Sig. (2-tailed)	.000

Source: survey data, 2019

Correlation analysis between operational factor and profitability

Pearson correlation test was conducted to know the degree of relationship between the independent variable, which is operational factor, and the dependent variable, profitability. The results of the correlation between these variables are shown in table 4.8. As it is indicated in the table there is a significant correlation between operational factor and profitability. In other words operational factor and profitability have relationship ($r = 0.145^{**}$ with $p < 0.05$, at 95 percent confidence level).

Correlation analysis between competition and profitability

Pearson correlation test was conducted to know the degree of relationship between the independent variable, which is competition, and the dependent variable, profitability. The results of the correlation between these variables are shown in table 4.8. As it is indicated in the table there is a significant correlation between competition and profitability. In other words competition and profitability have relationship ($r = 0.690$ with $p < 0.05$, at 95 percent confidence level).

Correlation analysis between quality personnel and profitability

Pearson correlation test was conducted to know the degree of relationship between the independent variable, which is quality personnel, and the dependent variable, profitability. The results of the correlation between these variables are shown in table 4.8. As it is indicated in the table there is a significant correlation between quality personnel and profitability. In other words quality personnel and profitability have relationship ($r = 0.070$ with $p < 0.05$, at 95 percent confidence level).

Correlation analysis between advertising and profitability

Pearson correlation test was conducted to know the degree of relationship between the independent variable, which is advertising, and the dependent variable, profitability. The results of the correlation between these variables are shown in table 4.8. As it is indicated in the table there is a significant correlation between advertising and profitability. In other words advertising and profitability have relationship ($r = 0.196^{**}$ with $p < 0.05$, at 95 percent confidence level).

4.5.2 Multiple Regressions

This regression is conducted to know how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (operational factor, competition, quality of personnel, and advertising) explains the dependent variable, which is profitability.

4.5.2.1 Diagnosis Tests/Assumption test

Before applying regression analysis to test factors that affect the determinants of profitability in management consultancy profession, some tests were conducted in order to ensure the appropriateness of data to assumptions regression analysis as follows.

Multi Collinearity is checked using correlations between the variables in the model. Independent variables show at least some relationship with dependent variable (above 0.3 preferably) Tabachnick and Fidell (2001). In this case all of the scales operational factor, completion, quality of personnel, and advertising).

Table 4.9: Multi collinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
Operational factor		.487	1.052
Competition		.527	1.066
Quality personnel		.581	1.033
Adverting		.441	1.076

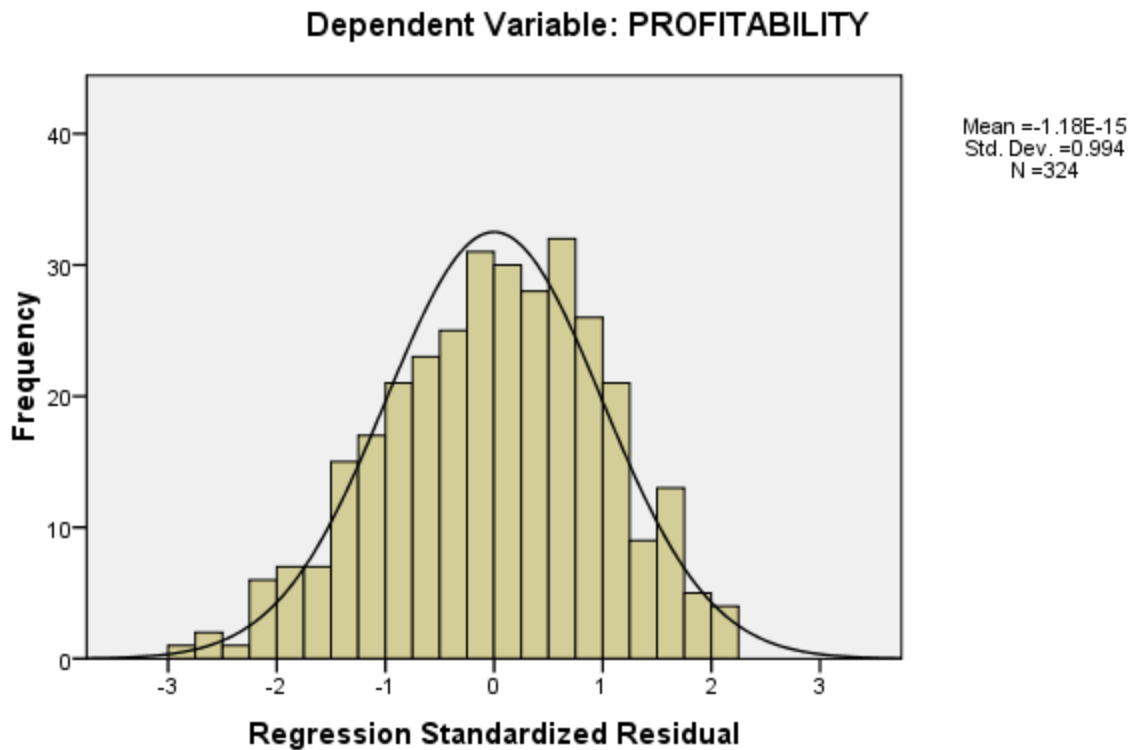
Source: survey data, 2019

This test seeks to see whether the regression model has a correlation between independent variables. The multicollinearity is used to show the linear relationship among those variables. As depicted in table the above, it is found that the multiple regression test has no Multi Collinearity problem because the VIF on operational factor, (1.05), completion (1.06), quality personnel (1.033), and Adverting (1.076) shows a value lower than a value of 10 and the values of tolerance statistics being well above 0.3 preferably.

Normality Test

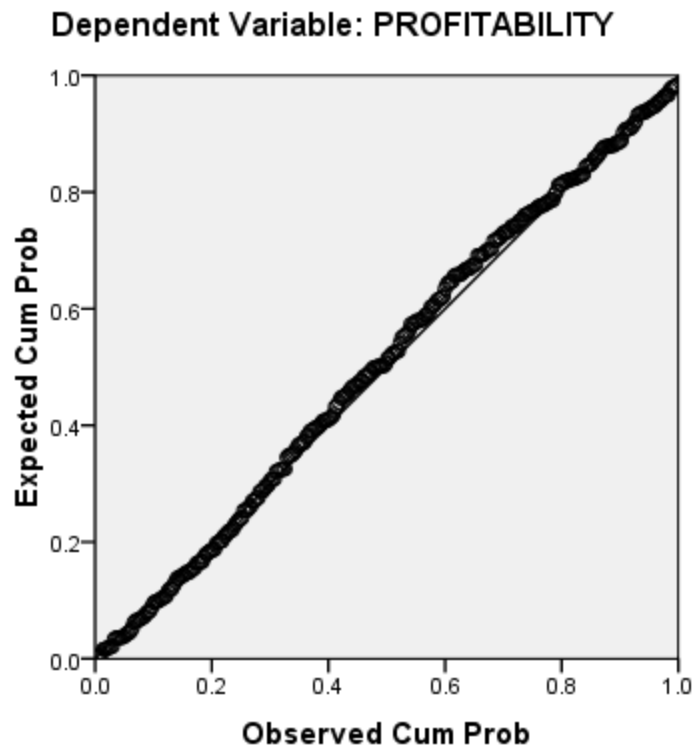
In order to determine normality graphically, we can use the output of a normal P-P Plot. If the data are normally distributed, the data points will be close to the diagonal line. If the data points stray from the line in an obvious non-linear fashion, the data are not normally distributed. As we can see from figure 4.1 the normal P-P plot above, the data is normally distributed.

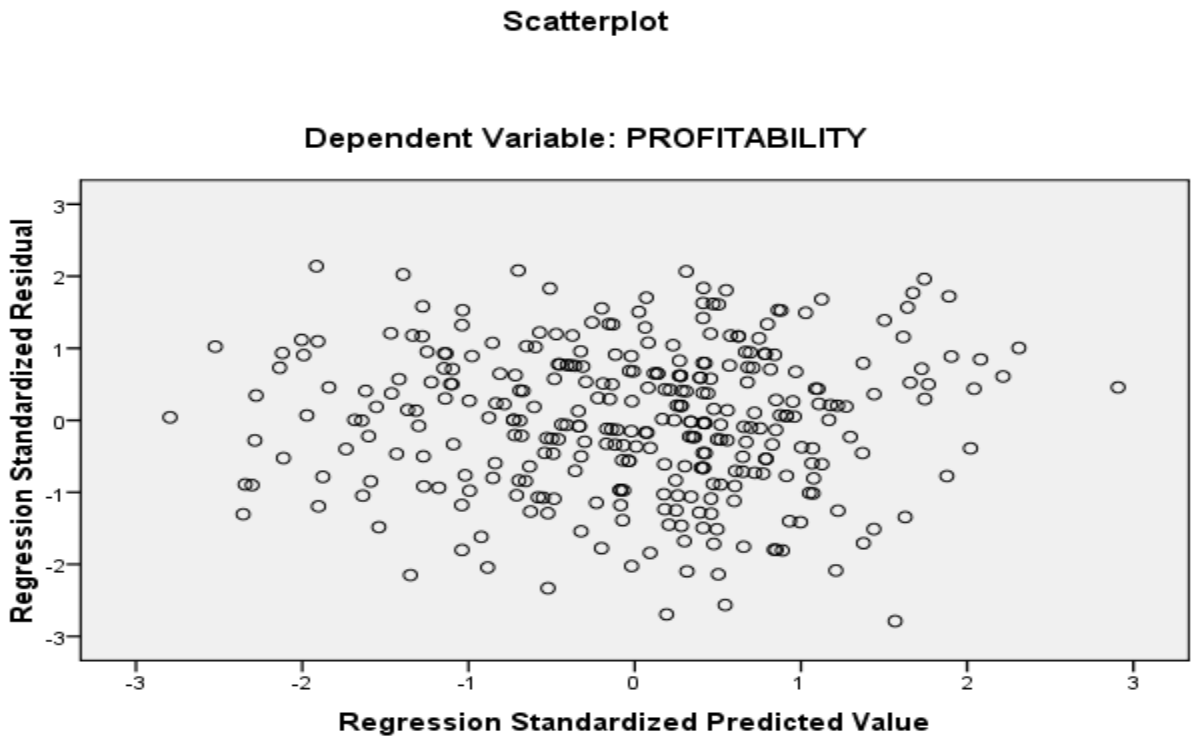
Histogram



Scatter plot analysis test: scatter plot graphs the actual values the data against the values predicted by the model. The scatter plot displays the actual values along the X-axis, and displays the predicted values along the Y-axis. It also displays a line that illustrates the perfect prediction, where the predicted value exactly matches the actual value.

Normal P-P Plot of Regression Standardized Residual





4.5.2.2 Model summary

Table 4.10: Model summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
.215	.464	.574	.60047	.464	7.878	4	319	.004	1.570

a. Predictors: (Constant), O, C, Q, P, Ad.

b. DV: Profitability

Source: survey data, 2019

As the result of the above multiple regression analysis the value of F statistics 7.878 is statistically significant at 95% confidence which means that the model is statistically significant. The R^2 of the model is 57.4, which show that 95% of

variance in profitability (dependent variable) can be explained by the linear combination of the independent variable (operational factor, competition, quality personnel, and advertising).

4.5.2.3 ANOVA Result

Table 4.11: ANOVA result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.593	4	1.398	7.878	.004 ^a
	Residual	115.020	319	.361		
	Total	120.613	323			
a. Predictors: (Constant), O, C, QP, A						
b. Dependent Variable: Profitability						

Source: survey data, 2019

According to table 4.11 the analysis of variance (ANOVA) for these data, the F-statistic of each independent variables is 7.878, which is more than 4 this indicates that the model is overall good fit and significant at $p < 0.05$. Therefore, it can be concluded that the regression model overall predicts profitability significantly well.

4.5.2.4 Regression coefficients

Table 4.12: Regression coefficients

Model	Unstandardized Coefficients		Standardize Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.031	.212		14.300	.000		
Operational	.569	.068	.385	.835	.044	.487	1.052
Competition	.726	.069	.291	1.050	.005	.527	1.066
Quality personnel	.579	.065	.459	.892	.000	.581	1.033
Adverting	.196	.068	.238	2.895	.150	.441	1.076

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Competition	.726	.069	.291	1.050	.005	.527	1.066
Quality personnel	.579	.065	.459	.892	.000	.581	1.033
Adverting	.196	.068	.238	2.895	.150	.441	1.076
a. DV: Profitability							

Source: survey data, 2019

Regression analysis of operational factor and organisational performance.

The Results of regression analysis against profitability can be seen in Table 4.12. The result shows that operational factor has the power to explain profitability. In this case the results of correlation of operational factor and profitability are taken into consideration. The R square is the explained variance. Therefore, it is pointed out that 38.5 percent of operational factor can explain the dependent variable that is profitability. As it is indicated in Table 4.11, total operational factor was considered as predictors of profitability and reported high level of significance $p < 0.05$. And also the R square value of 0.385 confirming that, 38.5% of the variation in profitability is explained by operational factor. Operational factor as used for prediction was found to be significantly related to profitability as the p-value is less than 0.05.

Regression analysis of competition and profitability

Table 4.12 shows the results of regression analysis for competition and profitability. In this case, the results of correlation of these two variables are taken into consideration. Therefore, it is possible to state that 29.1% of profitability is explained by competition. As it is indicated in Table 4.12,

competition was considered as a predictor of profitability and reported high level of significance $p < 0.05$. The R square value of 0.291 also confirms that, 29.1% of the variation in profitability is explained by competition. Competition as used for prediction was found to be significantly related to profitability as p-value is less than 0.05.

Regression analysis of the quality personnel and profitability.

The result of regression analysis of quality personnel and profitability indicates that quality personnel can explain profitability. In this case also, the correlation results of these two variables are taken. Therefore, it is possible to conclude that 45.9% of profitability is explained by quality personnel. As it is indicated in table 4.12, quality personnel were considered as a predictor of profitability and reported high level of significance $p < 0.05$. Quality personnel as used for prediction were found to be significantly related to profitability as p-value is less than 0.05.

Regression analysis of Advertising and organizational performance

The Results of regression analysis against profitability can be seen in Table 4.12. The result shows that advertising has the power to explain profitability. In this case the results of correlation of advertising and profitability are taken into consideration. Therefore, it is pointed out that 23.8 percent of advertising can explain the dependent variable that is profitability. As it is indicated in Table 4.12, total advertising was considered as predictors of profitability and reported low level of significance $p > 0.05$. And also the R square value of .238 confirming that, 23.8% of the variation in profitability is insignificantly explained by advertising. Advertising as used for prediction was not found to be significantly related to profitability as the p-value is greater than 0.05.

The coefficient of regression in table: 10 above were used in coming up with the model below:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + E \dots$$

$$Y_i = 3.031 + .385X_1 + .291X_2 + .459X_3 + .238X_4 + e$$

The Hypothesis Analyzed

H1: Operational factors has a positive and significant effect on profitability.

The result of regression coefficient analysis, in Table 4.12 shows that operational factors has a significant and positive prediction on profitability ($r^2 = .385$, $p < 0.05$). Thus, hypothesis 1 is accepted.

H2: Quality of personnel has a positive and significant effect on profitability.

The result of regression coefficient analysis, in Table 4.12 shows that quality of personnel has a significant and positive prediction in contribution on profitability ($r^2 = .291$, $p < 0.05$). Thus, hypothesis 2 is accepted.

H3: Competition has a positive and significant on profitability.

The result of regression coefficient analysis, in Table 4.12 shows that competition has a significant and positive prediction in direction of profitability ($r^2 = .459$, $p < 0.05$). Thus, hypothesis 3 is accepted.

H5: Advertising has a positive and significant effect on profitability.

The result of regression coefficient analysis, in Table 4.12 shows that advertising has a significant and positive prediction in direction of profitability ($r^2 = .238$, $p > 0.05$). Thus, hypothesis 4 is rejected.

Hypothesis Testing

Table 4.13: Hypothesis Testing Results

Hypothesis	Beta	Test	Sig	Result
H1: Operational factors have statistically positive and significant effect on organizational	.385	.835	.044 < 0.05	Accepted

H2: Quality of personnel has statistically positive and significant effect on organizational performance.	.291	1.050	.005<0.05	Accepted
H3: Competition has statistically positive and significant effect on organizational performance	.459	.892	.000<0.05	Accepted
H4: Advertising has statistically positive and significant effect on organizational performance	.238	2.895	.150>0.05	Rejected

Source: survey data, 2019

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter deals with conclusions and recommendations. The main purpose of the study was to evaluate the determinants of profitability of management consultancy profession. To achieve the objective of the study, relevant literatures were reviewed and quantitative data were collected through questionnaire filled by employee's respondents. The data collected through questionnaire were presented, analyzed, interpreted and discussed using statistical package for social science (SPSS 24.0) version. Thus, based on the analysis, the following, conclusions drawn, and recommendations forwarded for the practitioners of the management consultancy profession and researchers who are interested to conduct in-depth study.

5.2 Summary of findings

The following conclusions were proposed as follows.

- ✓ The mean score of operational factor (33.58), competition(3.69), quality personnel (3.419), advertising (3.561), and profitability (3.46) this indicated that most of employees were agreed with the determinants of profitability variables such as operational, competition, quality personnel, and advertising. Hence, as per the employee perception the existing profitability were demonstrating effectively.
- ✓ The correlation results show that there is positive and significant relationship between independent variables (operational, competition, quality personnel, and advertising) and profitability. The finding further indicates that the highest relationship is found between competition and profitability ($r = .690$, and $P < 0.05$). However, the lowest relationship exists between quality personnel and profitability ($r = .070^{**}$ and $P < 0.01$).

- ✓ Regarding to the regression result, the findings show that operational factor significantly explains 38.5% of the variation in profitability. Therefore H1: there is significant effect of operational factor on profitability is supported and concludes that operational factor has a significant effect on profitability.
- ✓ Regarding to the regression result, the findings show that competition significantly explains 29.1% of the variation in profitability. Therefore H1: there is significant effect of competition on profitability is supported and concludes that competition has a significant effect on profitability.
- ✓ Quality personnel plans were found to significantly explain 45% of the variation in profitability. Therefore hypothesis H1: there is significant effect of quality personnel on profitability is supported and concludes that quality personnel have a significant effect on profitability.
- ✓ Advertising was found to insignificantly explain 23.8% of the variation in profitability. As such, hypothesis H1: there is insignificant effect of advertising on profitability is rejected and concludes that advertising has insignificant effect on profitability.
- ✓ The overall, results revealed that all independent variables accounted for 67.8% of the variance in organizational performance ($R^2 = 0.574$). Thus, 57.4% of the variation in profitability can be explained by the four determinants of profitability dimensions and other unexplored factors may limit profitability which accounts for about 42.6%.

5.3 Conclusion

- ✓ Regarding to the regression result, the findings show that operational factor significantly explains 38.5% of the variation in profitability. Therefore the student researcher can understand that the major aim of an operation manager is ensure timely delivery of the products and to successfully turn the raw materials into the finished products (input to output). Operations Management plays a vital role to run any project successfully. Operation Management is important to improve the overall productivity.
- ✓ Regarding to the regression result, the findings show that competition significantly explains 29.1% of the variation in profitability. Therefore, the student researcher can concludes that when more people can afford to buy products, it encourages businesses to produce and boosts the economy in general. Better quality. Moreover, competition also encourages businesses to improve the quality of goods and services they sell to attract more customers and expand market share.
- ✓ Quality personnel plans were found to significantly explain 45% of the variation in profitability. Therefore the student researcher can close that business owners need employees that are able to get the job done, because employee performance is critical to the overall success of the company. Doing so helps determine strengths, weaknesses and potential managerial gaps in the business organization.
- ✓ Several key factors contributing to successfully consulting with customers have emerged here. First, while clients in general requested different types of information or required information to be presented in a different approach consultants still needed to implement good consultancy practices. For both groups it was important to establish the clients' goals and

objectives; identify constraints, risks, and resources; and modify advice accordingly.

- ✓ In conclusion, consultants who are successful with customers and also are likely to succeed with clients when dealing with a single entity. If the client is a trust or incorporation, the consultant is dealing with a more complex entity. To succeed here, the consultant must be able to deal with a group of people where there may be internal conflicts, some strengths, but possibly weaknesses also, in the organization. The skills needed to succeed in this situation are likely to be universal, and are likely applicable when dealing with any complex group of people. Those consultants with knowledge of client culture and protocol are likely to find this to be an advantage, and personally rewarding.

5.4 Recommendation

Based on the conclusion of the study, the following recommendations are forwarded to alleviate or at least to minimize currently encountered problems in the management consultancy profession that are related to determinants of profitability.

- Management consultancy profession corresponding to the advertising the company should confirm better attention in order to maintain the company advertising driver which is in consistent with the company vision to be accomplished what the company wants to reach. Thus, the management consultancy profession should supplementary warrant that they develop their customer by aggressive advertisement and can play a greater role in improving organizational profitability.
- Another important issue that is suggested to the case company's marketing department is improving the relationship with customers through a continuous information sharing, follow-up them and get feedback.

- More importantly, the case company is suggested to improve its relationship with customer through establishing strategic or long term relationship and continuous information sharing in order to minimize consultation of service delivery uncertainty which resulted in demand and supply mismatched of the case company.
- We should remark that it is difficult to generalize the results based on this single case study. Therefore, we suggest for further researches to demonstrate and evaluate the models on a diversified portfolio of companies including different sectors based on their business activities, different sizes, and different current determinants of profitability.
- This study found a gap in management consultancy profession concerning the variable which is, advertising is not well addressed by the management consultancy profession. Therefore, the coming researchers can study on those and fill the gap to the maximum extent and check if the company has filled its gap after 2019.
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Appendix One
QUESTIONNAIRE PART
ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MA PROGRAM

Dear Respondents

First of all my sincere gratitude goes to you. I am working on my thesis for Masters of Business Administration (MBA) at the Unity University (UU) and the title of my research is: **“Determinants of Profitability in Management Consultancy Profession from employee’s point of view”**. My first reader advisor is **DrGetie**. I conduct the research as partial fulfillment of the Masters of marketing management of the Addis Ababa University.

Thank You in Advance for Your Cooperation

Direction

- ✓ There is no need to write your name or other identity
- ✓ Your response will be kept confidential and will be used only for academic purpose

Please respond to the item in the questionnaire by putting a tick mark (✓) inside the box.

PART ONE: DEMOGRAPHIC VARIABLE

1).Gender:

Male

hale

2).Age:

20 - 25

30-35

25 -30

35-40

40-45

45 and above

Working Experience: 1-4 year 5-8 year 9- 12 year
 13 and above year

3). Level of Education

Grade 12 & below Diploma Bachelor Degree Masters

PART TWO: Please indicate your level of agreement (whether you agree or disagree) with each statement using the scale below as a guide: put (√) on your selection.

Independent variable	SD	D	N	A	SA
Operational factor	1	2	3	4	5
I'm interested in my work.					
The quantity of tasks I'm performing are easy to handle.					
I do have complete control on my work.					
I'm well aware of my duties.					
I'm allowed to decide on the methods to perform my work.					
I have part in decision making process.					
Competition	1	2	3	4	5
Management consultancy profession collaborating effectively with clients.					
Management consultancy profession aiming to exceed client expectations.					
Management consultancy profession suggesting alternative approaches to clients.					
Management consultancy profession is openness with clients about the firm's procedures.					
Management consultancy profession provides excellent consulting services which deliver the outcomes clients seek and need.					
Management consultancy profession transparent with clients and					

respond to their concerns.					
Quality of Personnel	1	2	3	4	5
Reliability, adherence to project scope and agreed consultancy process.					
Consultant's motivation and persuasion is used to benefit the customer.					
Professional competence of the consultant in his or her areas of expertise.					
Acceptance of improvements by non-managerial staff.					
Acceptance of improvements by managerial staff.					
There is management consultancy profession reasonable division of tasks between consultant's and client's resources.					
Advertising Factor	1	2	3	4	5
Advertising of management consultancy profession is a powerful tool capable of persuading audiences.					
Advertising medium of management consultancy profession is appropriate to reach the majority customers.					
Management consultancy profession advertisement creates an emotional appeal.					
Personal selling of Management consultancy profession is effective in creating customers awareness.					
Salespersons of management consultancy profession have a great role to persuade customers.					
Adverting by personal contact with the customer has an impact on the profitability of management consultancy profession.					
Profitability	1	2	3	4	5
Management Consultancy profession led to profitability in the short term or long term.					
Control mechanism of a large market gives an increase profit margin					

of the management consultancy profession.					
Management Consultancy profession is relatively higher due to operational factor.					
Management Consultancy profession's helps in retaining of customers.					
Management consultancy profession's helps in attracting of customers.					
Management consultancy profession helps in satisfying of customers.					
Management consultancy profession marketing strategy is successful in retaining customers.					
Due to management consultancy profession successful strategy in meeting the interest of customers.					