

AN EXPLORATORY STUDY OF THE RELATIONSHIP BETWEEN MANAGEMENT
CONSULTANTS AND SMALL MANUFACTURING INDUSTRIES
IN KANSAS

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CHAPTER I

THE PROBLEM AND DEFINITIONS OF TERMS USED

Consulting the oracle was popular among the ancient Greeks, and it seems likely that before them, the earliest hunters were blessed with wise men who were always willing to tell them how to do their work. The witch doctor and the priest seem to have been concerned with economic advice in most stages of history and to have possessed some characteristics of the consultant.

In recent years, giving advice to management has become a big business. In an article appearing in the December 1, 1960 issue of Iron Age, Baxter reports that United States businessmen paid approximately 475 million dollars to management consultants. He estimated this to be almost 100 million dollars more than was paid for consulting services in 1953.¹ Another interesting statement made on this subject concerned the fact that billings are increasing nearly 5 per cent annually.²

Men working as management consultants have succeeded in selling their time and brainpower to many of the nation's

¹J. D. Baxter, "The Right Consultant Can Help," Iron Age, 187:102, December 1, 1960.

²Ibid.

larger companies and to a sizeable minority of the smaller companies.³ Yet for many years a difference of opinion has existed regarding the relative effectiveness and value of management consultants.

In order to determine the various attitudes concerning management consultants in the state of Kansas, a survey was made of small, Kansas manufacturing industries with twenty-five to ninety-nine employees located in the state. The survey was an inquiry into the factors affecting the relationship of small manufacturing industries and consultants. It also probed into their experiences and expectations regarding the usefulness of outside help.

I. THE PROBLEM

Statement of the problem. It is the purpose of this study (1) to determine the use or non-use of management consultants by small manufacturing industries in Kansas; and (2) to identify factors contributing to this use or non-use. The hypothesis of the study is that management in the average small manufacturing industry in Kansas does not employ the services of consultants as a source of aid in solving management problems.

³David R. Mayne, "Specialized Help for Small Business," Small Marketers Aids (Washington: Small Business Administration, 1961), pp. 1-4.

Importance of the study. Some indication of the businessman's problems may be gained from a panoramic view of the various advisory services that exist and are employed today. This view demonstrates that the management consultant provides merely one of many external services that are available to management for its use. The extent to which they exist shows that they seem to fill a need which an individual organization cannot satisfy from its own resources.

The head of a small firm, constantly under pressure, faces a daily barrage of operating problems. Today, he is faced with technological revolution, strong competition, and new patterns of demand never before experienced in this country. Because of these complexities, it becomes necessary for a corporation and its management to use the most effective tools available if it is to survive and to achieve maximum profitability with its resources. Even so, more often than not, the head of a small firm stands alone with staff assistance at a minimum and with virtually no reserves in either time or money.⁴

A Dun and Bradstreet study indicates that "inexperience and incompetence" accounted for 92 per cent of the business failures in 1962.⁵ Liabilities of failing businesses

⁴George W. Ahl, Jr., "Management-by-Objectives," Connecticut Industry, 110:3, May, 1964.

⁵"How Small Businesses Can Stay Healthy," The Management Review, 52:28, October, 1963.

reached 1.3 billion dollars in 1963. This figure was the highest on record and was double the figure of 1959.⁶ Analysis of the court records of sixty small business bankruptcy cases showed that the management practices of these firms were of poorer quality and of less comprehensive scope than the practices of firms enjoying greater degrees of success.⁷

In spite of his difficulties, the executive of a small business is probably better informed about the specifics of his own industry. However, a consultant may offer a fresh point of view and a broad understanding of management. He may also be able to exercise an objective, unbiased point of view. Therefore, the consultant represents a potential source of help.

For these reasons, it has become increasingly important for small manufacturing industries in Kansas to obtain a better perspective of the services that can be provided by management consultants. It is hoped that this knowledge might be of benefit to both the management consultants and to the small manufacturing industries in Kansas.

⁶"Business Failures: The Pitfalls of Prosperity," The Management Review, 53:27, May, 1964.

⁷Janet M. Pomeranz and Leonard W. Prestwich, "Outside Management Counsel for Small Business," Management Research Summary (Washington: Small Business Administration, 1962), p. 2.

II. DEFINITIONS OF TERMS USED

Management consultant. The term has been defined by Krentzman as follows:

An individual qualified by education, experience, technical ability, and temperament to advise or assist on a professional basis in identifying, defining, and solving specific management problems involving the organization, planning, direction, control, and operation of the enterprise. He serves the enterprise as an impartial, objective advisor and is not an employee of its organization.⁸

Management. Throughout this study, the term "management" shall be interpreted as meaning a person or group of persons involved in the process of initiating, organizing, and controlling purposive group activity.⁹

Manufacturing industry. A manufacturing industry is the combination of organizations that, through effective co-ordination of materials, capital, management, and labor, produces goods to meet the needs and desires of society.¹⁰

⁸Harvey C. Krentzman, "Pioneering in Strengthening Small Business," Harvard Business School Bulletin (Cambridge: Harvard University Printing Office, July-August, 1963), p. 1.

⁹Stanley Hyman, An Introduction to Management Consultancy (London: William Heinemann Ltd, 1961), p. 2.

¹⁰Carter V. Good, Dictionary of Education (New York: McGraw-Hill Book Company, 1959), p. 285.

Average. The word "average" will be used as a general term applied to something typical of a group, indicating that it is not out of the ordinary.¹¹

III. METHOD OF PROCEDURE

This research project is sub-divided into five distinct phases. A step-by-step method of procedure is as follows:

1. A survey of previous studies concerning management consultants was made to determine any relationship to this project. This phase also includes a review of published materials.

2. Discussions were held with selected personnel of the Kansas Department of Economic Development and the Kansas Chamber of Commerce. The primary purposes of these discussions were: (1) to determine if either of the associations had conducted research in the area of management consultants in Kansas; (2) to obtain related literature published by the associations, and (3) to secure a listing of the manufacturing industries meeting the requirements of the study.

3. A questionnaire was used for gathering data.¹² One copy of the questionnaire, a letter of transmittal,¹³ and a

¹¹Webster's Seventh New Collegiate Dictionary (Springfield, Massachusetts: G. and C. Merriam Company, 1963), p. 61.

¹²Appendix B, pp. 71-75.

¹³Appendix A, p. 64.

self-addressed stamped envelope were mailed to each of the manufacturing industries included in the survey. A follow-up letter was mailed after an interval of two weeks.¹⁴ A complete discussion of the design of the study follows in Chapter III.

4. After a period of four weeks had passed from the time that the original inquiry forms were sent, the data were sorted and tabulated. Full discussion and analysis of these data follow in Chapter IV of this study.

5. A summary of the study, conclusions, and recommendations make up the final phase. They are presented in Chapter V.

IV. DELIMITATION OF THE STUDY

Of the 659 firms in Kansas with twenty-five to ninety-nine employees which were listed in the Directory of Kansas Manufacturers and Products,¹⁵ 100 were selected for the study by random sampling. The selection of the firms is explained in Chapter III.

The survey was limited by the absence of responses to certain items in the questionnaires returned by some of the

¹⁴Appendix A, p. 65.

¹⁵Department of Economic Development, Directory of Kansas Manufacturers and Products, 1964-65 Edition (Topeka: Kansas State Printing Office, 1964), pp. 7-58.

respondents. It was further limited because five questionnaires were returned undelivered. Three of the envelopes of this number were stamped "Out of Business" by the postal authorities.

CHAPTER II

REVIEW OF THE LITERATURE

Until early in the 1950's, there was a noticeable lack of research on the subject. Since that time, studies and related literature have taken a wide variety of approaches to the topic of management consultants.

I. OVERVIEW OF RELATED LITERATURE

The development of management consultancy appears to have been greatly influenced by Frederick W. Taylor. One of the first to recognize Taylor's effect on consultancy was Frank B. Copley in his book entitled Frederick W. Taylor. He writes that although Taylor's management service specialty could be described as pertaining principally to manufacturing efficiency, there seems to be a rather universal agreement that Taylor, often referred to as "the father of Scientific Management," is also the father of the consulting industry.¹

Copley's opinion is reinforced by Stanley Hyman in An Introduction to Management Consultancy. In the introductory chapter he says:

Consultancy is a logical accompaniment of scientific management and this movement originated,

¹Frank B. Copley, Frederick W. Taylor (New York: The American Society of Mechanical Engineers, Inc., 1923), p. 388.

at least in its modern form, in America. Because of F. W. Taylor's engineering bias, the professional body of American management consultants is known as the Association of Consulting Management Engineers.²

Hyman continues his discussion by adding that the Association of Consulting Management Engineers, Incorporated, was informally organized in 1929.³ He makes specific reference to the Code of Ethics by which the Association is bound.⁴ The Code contains sixteen articles which establish standards of professional behavior requiring every member to act as a faithful agent and trustee for his clients.⁵

In his thesis, Norbert F. Vasil reports that while the Code of Ethics is an expression of a relatively small group of the total firms in the industry, it is apparently quite well received within the industry.

It is interesting to note that in the author's survey of consulting firms a substantial number of firms which reported belonging to no association, in answering the question, "Briefly, what is your firm's philosophy concerning the 'ethical question' involved in a management consulting firm advertising its services?" mentioned the ACME Code.⁶

²Stanley Hyman, An Introduction to Management Consultancy (London: William Heineman Ltd, 1961), p. 10.

³Ibid.

⁴Appendix C, pp. 76-81.

⁵Hyman, op. cit., pp. 10-12.

⁶Norbert Francis Vasil, "An Assessment of the Advertising and Promotion Practices in the Management Consulting Field" (unpublished Master's thesis, The George Washington University, Washington, D. C., 1963), p. 26.

An organization similar to the Association of Consulting Management Engineers, Incorporated, was developed in August, 1959.⁷ The Association of Management Consultants, Incorporated, was described by Krentzman, the second president of the organization, as a nonprofit organization of professional management consultants. The aims of the Association were to maintain a code of professional standards of practice and to act as an information clearing house for small firms seeking management advice at prices within reach.⁸ Collectively, the rules of conduct for the Association are called the Code of Professional Practice.⁹ Krentzman indicated that the end product of the Code is a truly professional attitude which guides each consultant's actions.¹⁰

The consulting business is growing by more than 10 per cent a year. In 1947 management consultants in the United States could be counted in hundreds. By 1957 there were 13,000, and present estimates put the total between 30,000

⁷Harvey C. Krentzman, "Pioneering in Strengthening Small Business," Harvard Business School Bulletin (Cambridge: Harvard University Printing Office, August, 1963), p. 2.

⁸Ibid., p. 1.

⁹Appendix D, p. 83.

¹⁰Krentzman, op. cit., p. 4.

and 40,000 which are organized in approximately 1,700 firms or practicing as individuals.¹¹

As the profession's fast-growing influence shows signs of expanding still more, it is clear that businessmen are going to have to know more about management consultants. Approaches to an understanding of this subject include literature dealing with three major areas: (1) defining the problem, (2) selecting a management consultant, and (3) evaluating the results.

Defining the problem. Perhaps the most important step toward hiring a consultant is understanding the problem. Often the prospective client searches for a consultant to solve the wrong problem or even to handle a difficulty that does not exist.¹² Tilles emphasizes this point in an article which appeared in Business Horizons entitled "Ideas For a Better Consultant-Client Relationship." He presents the opinion that one important aspect of learning to use the services of outside advisers in a problem-solving situation is increased skill in explicitly stating exactly what is

¹¹Stanley Arnold, "New Super Salesman," Challenge, 11:32, January, 1963.

¹²Leonard Stevens, "They Solve Business Dilemmas," Think, 26:13, March, 1960.

wanted. Such a statement aids the mutual understanding of the consulting assignment.¹³

Executives must determine the results they wish to obtain from their relationship with their consultant.¹⁴ Harold L. Green, distribution planning manager for Ford Motor Company, concurs that if a client hires a consultant without rigorous definition of his problem, the engagement of a consultant may or may not answer his needs.¹⁵

Part of the difficulty in defining the problem is determining when a consultant should be called. Most of the articles agree that management could optimize its return on an investment of this kind by taking a more preventive philosophy of contacting a consultant before trouble is at its peak. At such times the visiting expert could make his analysis and recommendations without working under the pressure of a crisis.¹⁶

¹³Seymour Tilles, "Ideas for a Better Consultant-Client Relationship," Business Horizons, 6:40, Summer, 1963.

¹⁴Seymour Tilles, "Understanding the Consultant's Role," Harvard Business Review, 39:92, November, 1961.

¹⁵Howard L. Green, "Management Consultants: How to Know What You're Getting and Get What You Pay For," Management Review, 52:7, December, 1963.

¹⁶Chris Argyris, "Explorations in Consulting-Client Relationships," Human Organization, 20:132, Fall, 1961; "Executive Trends," Nation's Business, 45:114, May, 1957; and Gerald P. Burns, "How Consultants can Help Solve Problems of Higher Education," College and University Business, 37:55, September, 1964.

Many articles have appeared in business magazines dealing with the various problems which merit the consideration of a management consultant. A company may have one or a combination of reasons for using a consultant. The problems often involve the following reasons: the need to apply specialized knowledge to a problem; the necessity to apply comparative judgment based on experience in the handling of similar problems; and the desire to apply to a specific situation analytical techniques not available within the company.¹⁷

The Association of Consulting Management Engineers, Incorporated, sums up the importance of a careful definition of the problem as a requirement for the effective use of consultants.

Complete definition of a problem is generally achieved only after the consultant has been retained and has gathered and studied the facts necessary to isolate the real problem and its causes. However, management should have thought through its situation with sufficient thoroughness to arrive at a tentative definition, including estimates of the potential values to be achieved by solving the problem, and the desirability of tackling the job at all. . . . There should be specific reasons for considering the use of outside assistance in any situation. . . . Failure to indicate

¹⁷ "Managements Call on Experts," Financial World, 113: 10, April 13, 1960.

what is ailing will almost certainly invite confusion and dissatisfaction on both sides.¹⁸

Selecting a management consultant. Once a businessman has decided he needs a consultant, he has the problem of finding a good one. Anyone can hang out a shingle as a management consultant, and the quality of counseling ranges from brilliant to worthless.¹⁹

For an overview of the manner in which to select a management consultant, the editors of Executive's Bulletin interviewed Joseph Schifffenhaus, President, Schifffenhaus Brothers (Newark, New Jersey), whose two hundred employees manufacture corrugated cartons and displays. When asked how to find the right man for the job, his answer was:

Reputation and cost are the key factors in selecting a management consultant. We hear about reputation through business or trade associations. Frequently, too, other firms will recommend consultants. Then we call in two or three to discuss the job. Consultants sell their services just like anyone else. During the interviews, they will give us a list of their clients and we can call and check their work.²⁰

¹⁸Association of Consulting Management Engineers, Inc., Directory of Membership and Services (New York: Association of Consulting Management Engineers, Inc., 1964), p. 7.

¹⁹"The M. D.'s for Management," Newsweek, 50:87, October 28, 1957.

²⁰"How to Choose and Use a Management Consultant," Executive Bulletin, 218:4, November 30, 1964.

Concerning the knowledge of a consultant's ethical standards, Stevens indicates that the best reference sources are a list of a man's clients and the number of repeat engagements he obtains. Stevens also indicates that the nearest Better Business Bureau should have a record of complaints made against specific firms.²¹

Stryker states that there are many other ways management can check its judgment concerning the ability and reliability of consultants. One of his suggestions is to see if the firm is willing to have its proposed recommendations and program investigated by another firm.²²

Moreover, the problem of selecting a consultant is compounded by the fact that there is an increasing number of individuals and firms offering management advice on new methods.²³ In general, reports Green, there are four types of persons (or groups) serving as consultants: university faculty members, retired businessmen, small (usually one-man) consulting firms, and large consulting organizations.²⁴

²¹Leonard Stevens, "They Solve Business Dilemmas," Think, 26:13, March, 1960.

²²Perrin Stryker, A Guide to Modern Management Methods (New York: McGraw-Hill Book Company, Inc., 1954), p. 138.

²³Ibid., p. 129.

²⁴Howard L. Green, "Management Consultants: How to Know What You're Getting and Get What You Pay For," Management Review, 52:9, December, 1963.

Klaw examines the university professor in the role of a management consultant. He reports:

A professor may earn the equivalent of his academic salary in consulting fees. Naturally it is more advantageous for some professors than for others. The changes taking place have as yet had little effect on the faculties of most liberal-arts colleges. Most professors who consult are retained by private industryThe need to supplement low academic salaries is only one of the reasons why professors consult. Professors point out that consulting can be exciting, intellectually stimulating, and good for their teaching.²⁵

Consulting services by retired executives can fill an urgent need among small businesses which could not afford regular consultant fees. This situation also gives the retired executive a warm feeling of being useful in business life. Many management consulting groups built around retired executives have sprung up across the country. Some offer free services; others expect the client to cover expenses; still others are frankly out to make a profit.²⁶

Literature concerning the size of management consulting firms is quite divided as to which size offers the greatest advantage to the small firm. Marting reports that a firm can generally get more attention from a small organization because the company will be dealing with one of the

²⁵Spencer Klaw, "The Affluent Professors," The Reporter, 22:16, June 23, 1960.

²⁶"Business Advice from the Shelf," Business Week, 1475:74, December 7, 1957.

principals. Although big firms are usually good, a staff man is generally assigned to handle the problems of the smaller companies. However, Marting maintains that the larger firms are able to offer multiple services, whereas the small organizations are limited in the assistance which they may provide.²⁷

The main point to be made is that there are various kinds of expert counsel, each possessing specific strengths and weaknesses depending upon the situation.²⁸

Evaluating the results. When an engagement is completed, the management should measure its choice of the consultant and its own part in making the project a success. The article "Managements Call on Experts," appearing in Financial World, contends that any achievements resulting from the engaging of a consultant must be considered joint achievements. The article also points out that both the consultant and the manager must make significant contributions in order to achieve satisfactory results.²⁹

²⁷Elizabeth Marting, Management for the Smaller Company (New York: American Management Association, 1959), p. 3-6.

²⁸Green, loc. cit.

²⁹"Managements Call on Experts," Financial World, 113:10, April 13, 1960.

Specific literature on the manner in which to measure the results of consulting engagements has been published by the Association of Consulting Management Engineers, Incorporated. One of its publications, written by Philip W. Shay, "How to Get the Best Results from Management Consultants," deals directly with this topic. In his opening remarks, Shay stresses that an evaluation should be inherent in the consulting relationship from beginning to end. Much of his discussion centers around the fact that there may be immediate evidence of dollars-and-cents savings; or the improvements effected may not pay off until sometime later, and then only as one of many contributions to the company's success. He concludes that the final measure of value of the consultant's assistance is that which an organization's members learn from it.³⁰

Shay offers fifteen sets of questions to be used in evaluating the results of a consulting experience. Some of the more significant items to look for are that:

1. The engagement has been carried out with a minimum of disruption in the organization.
2. The cost and time estimates were realistic.
3. The consultant's recommendations have been largely implemented.

³⁰ Philip W. Shay, How to Get the Best Results from Management Consultants (New York: Association of Consulting Management Engineers, Inc., 1964), pp. 27-28.

4. The organization accepts the recommendations as practical and is willing to "live with them."
5. Management has received a stimulus to its own thinking.
6. The company is willing to employ the same consultant again.³¹

II. RELATED RESEARCH FINDINGS

A survey of seven hundred small businesses located throughout the United States was conducted and the findings were reported in an article entitled "Can Small Businesses Use Consultants?" which appeared in an issue of Harvard Business Review.³² The article, written by Harvey C. Krentzman and John N. Samaras, is particularly meaningful to this study. The questionnaire used in their survey of seven hundred small businesses was also used in this study to obtain the data from one hundred small manufacturing industries in Kansas.³³ Permission for the use of the questionnaire was obtained from the authors, Krentzman and Samaras.

The close relationship of the studies and the use of the same questionnaire attaches particular significance to the findings and implications reported in the article.

³¹Ibid., p. 33.

³²Harvey C. Krentzman and John N. Samaras, "Can Small Businesses Use Consultants?" Harvard Business Review, 38: 126-136, May-June, 1960.

³³Appendix B, pp. 71-75.

The authors present a brief outline concerning the size of the dilemma in which small business executives find themselves. They recognize the fact that to the manager of a small business, solving his problems is a matter of great personal concern. The cumulative importance of small businesses to the progressive economy of our country is also stressed. The authors report that more than 4.3 million small companies account for 96 per cent of the businesses in the country and 50 per cent of the total economic activity.³⁴

At this point, their attention turns to outside agencies from which management may receive assistance. Some of the sources listed are: business friends, bankers, lawyers, accountants, and in some cases the company's board of directors. The Small Business Administration is an additional agency which they mentioned.

After noting the limitations of these sources of aid, Krentzman and Samaras indicate that what management needs, in many cases, is not only creative advice, but on-the-job assistance in seeing that projects are followed through to completion.

In their opinion a consultant offers a fresh point of view and a broad understanding of management instead of technical knowledge in a specific industry.³⁵

³⁴Krentzman and Samaras, op. cit., p. 128.

³⁵Ibid., pp. 128-129.

After presenting this background, they report the findings which emerged from the survey of seven hundred managers located in every state. The basic facts are that only 32 per cent of the responding firms had used consulting services, and that the smaller the number of employees, the less use was made of management consultants.

Brochures from consultants had been received by 93 per cent of the respondents, and 84 per cent had been approached directly. Of the nonusers, 77 per cent had been contacted by both mail and personal call; however, only 6 per cent reported negotiations with a consulting firm. The authors contrast these percentages with the 42 per cent of nonusers who have contemplated the use of a consultant and the 65 per cent who would consider using a consultant who understood the nature of their firms' problems.

With this information in mind, the authors discuss some of the possible reasons for management's rejection of help from consultants. Of the nonusers, 87 per cent claimed that the fee was an important consideration. This percentage compared to only 24 per cent of those respondents using consultants who stated that cost was a significant factor. It was generally agreed by both users and nonusers that a charge of one hundred dollars per day was reasonable.³⁶

³⁶Ibid., p. 130.

The article revealed that 77 per cent of the nonusers of consultants preferred to be assisted by a small consulting firm. Krentzman and Samaras interpret this as a possible indication of the opinion that the small consultant company would charge a lower fee or that small businessmen would receive more sympathy and understanding from the smaller consultant. The authors noted that the reputation of the consulting firm was a significant factor for 90 per cent of the users and 95 per cent of the nonusers of consultants.

The survey also showed that 76 per cent of the group using consultants felt that they could define their problem before hiring a consultant; yet 70 per cent of the same men indicated that additional problem areas were discovered through the consultant's efforts. Of the managers using consultants, 81 per cent rated the consultant's performance as good or better than expected. A report of satisfaction as to their consultant's performance was received from 78 per cent of the users.³⁷ Krentzman and Samaras report that owner-managers are typically sensitive of their operating figures and mistakes. They continue by explaining that this may partially be the reason why only 75 per cent of the users would recommend their consultants to another company.³⁸

³⁷ Ibid., pp. 131-133.

³⁸ Ibid., p. 134.

CHAPTER III

DESIGN OF THE STUDY

Recognition of the need for further research on the subject of management consultants in Kansas led to the selection of the problem which resulted in this study.

After the preliminary steps in preparing for the study were completed, the specific problem was stated, and the hypothesis was formulated. The significance of the problem was noted; terms were defined; and the problem was delimited. The procedures followed in making the study were outlined in order to place the study in the proper perspective.

I. SELECTION OF THE QUESTIONNAIRE

Due to the extensive area involved in the study, a questionnaire was chosen as the method of securing the data. In reviewing the related literature, it was found that a study of a similar nature, but on a much broader scope, had been completed in 1960. The findings were reported in an article entitled "Can Small Businesses Use Consultants?". The article was written by Harvey C. Krentzman and John N. Samaras and appeared in the May-June, 1960, issue of Harvard Business Review.

Krentzman and Samaras both have impressive credentials which qualify them for a study of this type. At the time

that the article was written, Krentzman was the president of the Association of Management Consultants, Incorporated, and had had ten years of experience in consulting exclusively with small businesses. Samaras was completing a doctoral thesis on the relationship between small businessmen and consultants.¹

The questionnaire employed by Krentzman and Samaras was sent to seven hundred managers of small businesses located in every state. On September 18, 1964, Krentzman and Samaras were contacted by letter requesting permission to use their questionnaire in this study.² Permission was received in letters dated September 29, 1964,³ and October 6, 1964.⁴

The questionnaire was divided into two major sections. The first section was to be completed by firms having used consulting services. The second section was designed for firms which had not used a management consultant. Both sections consisted primarily of closed-form items requiring a "yes" or "no" response. Open-form items, which received longer responses, were also included in the questionnaire.

¹Harvey C. Krentzman and John N. Samaras, "Can Small Business Use Consultants?" Harvard Business Review, 38:126, May-June, 1960.

²Appendix A, pp. 66-67.

³Appendix A, p. 68.

⁴Appendix A, p. 70.

The questionnaire was duplicated and copies of it were numbered from one to one hundred, corresponding with the one hundred manufacturing industries selected for the study by random sampling.

II. SELECTION OF THE SAMPLE

Determination of industries to be surveyed. It was determined from the Directory of Kansas Manufacturers and Products that there were 659 firms in Kansas with twenty-five to ninety-nine employees.⁵ These firms, in the alphabetical order in which they were listed in the directory, were assigned consecutive numbers from 00 to 658.

The random sampling. It was decided that one hundred firms should compose the sample for the survey. These firms were selected by random sampling; a table of random numbers, with the accompanying directions for the use of the table, was used in the selection of the sample.⁶

⁵Department of Economic Development, Directory of Kansas Manufacturers and Products, 1964-65 Edition (Topeka: Kansas State Printing Office, 1964), pp. 7-58.

⁶E. F. Linquist, Statistical Analysis in Educational Research (Boston: Houghton Mifflin Company, 1940), pp. 262-264 and 27-28.

III. PREPARATION FOR COLLECTION OF THE DATA

Following the completion of the random sampling and the duplication of the questionnaires, the forms were mailed to the selected firms.

The mailing of questionnaires. One copy of the questionnaire was mailed to each of the one hundred firms selected.⁷ Each questionnaire was accompanied by a letter of transmittal, which explained the purpose of the study, and a self-addressed, stamped envelope.⁸ The questionnaires were mailed on November 24, 1964.

The follow-up procedure. A follow-up letter was mailed two weeks later to each of the fifty-seven firms which had failed to respond.⁹ Included in this letter also was a self-addressed, stamped envelope.

⁷Appendix B, pp. 71-75.

⁸Appendix A, p. 64.

⁹Appendix A, p. 65.

CHAPTER IV

PRESENTATION OF DATA

The purpose of this study was to determine the use or non-use of management consultants by small manufacturing industries in Kansas and to identify factors which contributed to this use or non-use. An attempt to reveal any statistical significance was not made. The nature of the study and its relationship to a previous study by Krentzman and Samaras did not indicate a need for statistical analysis.

I. THE QUESTIONNAIRE

The survey of one hundred small manufacturing industries in Kansas was conducted during the last two months of 1964. Table I indicates the return of the questionnaires. Of the one hundred questionnaires which were mailed to industries selected by random sampling, forty-six or 46.0 per cent were completed and returned. This compares favorably with the survey taken by Krentzman and Samaras in which 30 per cent of those surveyed filled out and returned the questionnaire.¹

¹Harvey C. Krentzman and John N. Samaras, "Can Small Business Use Consultants?" Harvard Business Review, 38:127, May-June, 1960.

Of the fifty-four questionnaires which were not completed, forty-nine were not returned. Five questionnaires were returned undelivered. A stamp by the postal authorities which indicated that the companies were "Out of Business" appeared on three of the undelivered envelopes.

TABLE I

THE RETURN OF QUESTIONNAIRES IN THE SURVEY OF
SMALL MANUFACTURING INDUSTRIES IN KANSAS

Questionnaires	Number of questionnaires	Per cent of total questionnaires
Questionnaires completed and returned	46	46.0
Questionnaires not returned	49	49.0
Questionnaires returned undelivered	5*	5.0
Total questionnaires	100	100.0

*Three of the questionnaires returned undelivered were in envelopes stamped "Out of Business" by the postal authorities.

The data regarding respondents who were using consulting services as compared to those who had not used a management consultant are presented in Table II. Of the forty-six responses to the questionnaire, seventeen or 37.0 per cent of the respondents completed the first page of the questionnaire by indicating that they had used consulting services in the past. Table II shows that twenty-nine or 63.0 per cent of the companies answering the questionnaire

had not used the services of a management consultant. The survey by Krentzman and Samaras revealed that only 27 per cent of the firms in this size category had used consulting services.²

TABLE II

NUMBERS AND PERCENTAGES OF RESPONDING COMPANIES USING CONSULTANTS AND THOSE NOT USING CONSULTANTS

Classification of companies	Number of responses	Per cent of total responses
Used consulting services	17	37.0
Had not used consulting services	29	63.0
Totals	46	100.0

II. DATA CONCERNING INDUSTRIES USING CONSULTING SERVICES

Table II indicates that seventeen or 37.0 per cent of the forty-six firms which responded had used consulting services. Firms employing between twenty-five and forty-nine employees represent seven or 41.2 per cent of the seventeen respondents who had used consultant services. In classifying the companies by gross sales, eleven or 64.7 per cent of the

²Ibid., p. 129.

companies which had used consultant services reported that their gross sales were two million dollars or less. Three or 17.6 per cent of the respondents reported gross sales of three million dollars; two or 11.8 per cent reported gross sales of four million dollars; one or 5.9 per cent reported gross sales in excess of five million dollars.

Table III shows the sources of the recommendations upon which the choice of a consultant was based. The table indicates that in eight or 47.1 per cent of the responses, the choice of consultants was based upon recommendations from sources other than friends, other firms, lawyers, or bankers.

TABLE III
SOURCES OF RECOMMENDATIONS IN THE CHOICE
OF A CONSULTANT

Sources of recommendations	Number of responses	Per cent of total responses
Friends	2	11.7
Other firms	6	35.3
Lawyers	0	0.0
Bankers	1	5.9
Other	8	47.1
Totals	17	100.0

Other sources which were mentioned were accountants and solicitors from consulting firms. Recommendations from other firms were used in six or 35.3 per cent of the times reported. Recommendations from friends and bankers constituted the remaining 17.6 per cent.

The factors considered in the selection of a consultant are shown in Table IV. A total of seventeen responses to each question was received. The affirmative responses were compared to this total in order to arrive at the percentage shown in Table IV. The percentage indicates the significance of each factor as reported by the respondents. Table IV shows that seventeen or 100.0 per cent of the respondents considered the reputation of the consulting firm a significant factor in choosing a consultant. Of the responding firms, six or 35.3 per cent considered the consultant's fee as being a factor in the selection of a consultant.

TABLE IV

FACTORS CONSIDERED IN SELECTING A CONSULTANT
(By All Seventeen Respondents)

Factors in selection of consultant	Number of "yes" responses	Number of "no" responses	Percentage of affirmative responses
Consultant's fee	6	11	35.3
Size of consulting firm	5	12	29.4
Reputation of consulting firm	17	0	100.0
Method of payment	4	13	23.5

The size of the consulting firm was a determining factor to five or 29.4 per cent of the seventeen firms which responded. Method of payment was a factor to four or 23.5 per cent of the responding firms.

Table V shows the responses concerned with the method of payment for consultant services. No preponderant method

of fee payment was revealed. The choice of weekly payments received five or 29.4 per cent of the responses as did payment at the time the work was performed. Monthly payments received four or 23.5 per cent of the responses while payments over a long period of time received three or 17.7 per cent of the responses.

TABLE V

METHODS OF PAYMENT FOR CONSULTANT SERVICES

Methods of payment	Number of responses	Per cent of total responses
Weekly	5	29.3
Monthly	4	23.5
Work performed	5	29.4
Over long period	3	17.7
Totals	17	100.0

In determining fair payment for one consultant's daily work, ten or 58.8 per cent of the responding firms agreed on a charge of one hundred twenty-five dollars per day. Responses from the other firms ranged from a low of fifty dollars per day to a high of two hundred dollars per day.

Of the group using consultants, fourteen or 82.4 per cent reported that they felt they could define their problem before the consultant was hired; yet twelve or 70.6 per cent of the same companies reported that the consultant discovered new problem areas during the course of his work. The consultant was hired to investigate the operations of the firm

in thirteen or 76.5 per cent of the firms in this category. Of the responses received, twelve or 70.6 per cent indicated that their problem required the services of a technical consultant. In twelve or 70.6 per cent of the respondents, additional problem areas were discovered by the consultant. Nine or 52.9 per cent considered these discoveries a part of the consultant's job although fourteen or 82.4 per cent had hired the consultant for a specific job.

It was reported by nine or 52.9 per cent of the respondents who had used consultants, that once employed, the consultant had remained on the job for a longer period of time than was originally anticipated. One report indicated that the consultant was permanently employed as the sales manager. Disruption to the organization during the course of the consultant's employment was reported in twelve or 70.6 per cent of the responses.

The performances of the consultants were rated by twelve or 70.6 per cent of the respondents as being as good or better than expected. A total of eleven or 64.7 per cent of the firms responding felt that the consultant's efforts had resulted in better controls. Other advantages including increased profits and more time for executives were indicated.

Of the firms who had used consultants, twelve or 70.6 per cent reported that they were satisfied with the

consultants' performances and that they would recommend their consultants to other firms.

III. DATA CONCERNING INDUSTRIES NOT USING CONSULTING SERVICES

Table II, page 30, shows that twenty-nine or 63.0 per cent of the forty-six firms returning the questionnaire had not used consulting services. Of these firms, those employing between twenty-five and forty-nine employees represent eighteen or 62.1 per cent. Ten or 34.5 per cent of the firms not using consultants employed fifty to ninety-nine employees. One of the responding firms did not answer the question. In classifying the companies by gross sales, fifteen or 51.7 per cent of the companies not using consultant services reported their gross sales to be two million dollars or less. Five or 17.2 per cent of this group reported gross sales of three million dollars; three or 10.4 per cent reported gross sales of four million dollars; four or 13.8 per cent reported gross sales of five million dollars; two or 6.9 per cent reported gross sales in excess of five million dollars.

Twenty-three or 79.3 per cent of the firms which had not used consultant services gave a negative response to the question, "Has your firm ever contemplated using a management consultant?" Of the twenty-nine responses to the

question, "Has your firm ever desired information about consultants?", seven or 24.1 per cent replied that information of that kind would be desirable. These companies indicated that to obtain this information they would refer to advertisements on consultants, trade associations, competing companies, and friends in business.

Consultants had approached seventeen or 58.6 per cent of the twenty-nine firms who reported no use of a management consultant. Advertising material had been received by twenty or 69.0 per cent of these firms. Further information was desired by eleven or 55.0 per cent of the twenty who received the advertising material. Additional information concerning fees and the consultants' abilities was most frequently mentioned.

Of the twenty-nine responses to the question, "Is your firm now involved in negotiations with a consulting firm?", 100.0 per cent of the firms gave a negative response. Although none of the firms was involved in negotiations with a consulting firm, nine or 31.0 per cent of the respondents indicated that their firm could use the services of a consulting firm. When asked "What factor is preventing usage?", the primary factor in preventing the usage of a consultant was the cost of these services. Other responses indicated a lack of confidence in the consultant's ability.

Most of the firms replied that they would not use a consultant even if one could be found who understood the particular nature of their operations. However, eight or 27.6 per cent of the responses indicated that they would employ a consultant if he understood the particular nature of the firm's operations. The same eight or 27.6 per cent of the twenty-nine respondents replied that they would hire a consultant to "check up" on the firm's operations.

The size of the consultant firm did not appear to be a significant factor to twenty-six or 89.7 per cent of the responding firms who had not used consulting services. The firms indicating a preference as to size found individual consultants or medium-sized firms most desirable. The fee charged by a consultant was a determining factor to nineteen or 65.6 per cent of the respondents. When asked, "What fee would you be willing to pay a consultant?", only six firms responded. In no case did a firm indicate a willingness to pay over one hundred dollars. One of the respondents replied that he would want the fee to be as low as possible.

Table VI shows the numbers and percentages of consultant employment periods desired by firms who had not used consulting services. In most cases a preference was not indicated since sixteen or 55.2 per cent of the twenty-nine respondents did not answer the question, "If a consultant were to be hired, what period would you hire him?" Of the

thirteen responses to the question, nine or 69.2 per cent preferred hiring a consultant for a specific job. Weekly or monthly employment was the choice of one or 7.7 per cent of those answering the question; three or 23.1 per cent of the firms selected an arrangement of employing the consultant for several days at a time as most desirable.

When asked, "Would you hire a consultant who could get results quickly but not necessarily profits?", eleven or 37.9 per cent of the respondents who were not using consultants answered the question. Of this number, seven or 63.6 per cent gave an affirmative reply. One respondent replied that he was not interested in results which were unrelated to profits.

TABLE VI

CONSULTANT EMPLOYMENT PERIODS DESIRED BY FIRMS
NOT USING CONSULTING SERVICES

Period of employment	Number of responses	Per cent of total responses
Specific job	9	69.2
Weekly or monthly	1	7.7
Several days at a time	3	23.1
Totals	13	100.0
No response to question	16	

Table VII indicates the responses which were given to the question, "What results would you expect from the employment of a consultant?" Multiple responses were given by some

of the respondents; for this reason percentages were not given in this table. A total of nineteen responses were received from eleven firms answering the question. There was no response to the question from eighteen firms. Of the nineteen responses contributing criteria to the evaluation, increased profits were reported six times; practical and realistic solutions to the problems involved were reported four times. Better personnel relationships were mentioned three times. Improvement in operations and quality control, location of management weaknesses, and reduction of management burdens were each mentioned two times by the responding firms.

TABLE VII

DESIRED RESULTS FROM EMPLOYMENT OF A CONSULTANT AS
INDICATED BY RESPONDENTS NOT USING A CONSULTANT

Desired results	Number of times response given
Improvement in operations and quality control	2
Better personnel relationships	3
Practical and realistic solution to problem involved	4
Increased profits	6
Locate weaknesses in management	2
Reduce management burdens	2
Total responses*	19
Total respondents	11
No response to question	18

*The number of responses does not indicate the number of respondents answering the question. Multiple responses were given by some respondents.

Firms who had not used consulting services were asked "Which of the following magazines do you find time to read?"

in order to determine the extent and type of outside reading. Responses were received from eleven of the twenty-nine firms returning the questionnaire. National Business News and Market Report had the widest readership receiving eleven responses. Time, Life, and Business Week each received nine responses. Of the eleven respondents, six reported reading Fortuna, and three reported that they read Newsweek.

IV. COMPARISON OF DATA BETWEEN USERS AND NON-USERS OF CONSULTANTS

Of the firms which had used consulting services, seven or 41.2 per cent employed between twenty-five and forty-nine employees. Those firms not using consulting services reported eighteen or 62.5 per cent employed between twenty-five and forty-nine employees.

In classifying the companies by gross sales, eleven or 64.7 per cent of the companies who had used consultant services reported their gross sales were two million dollars or less. Of the companies not using consultant services, fifteen or 51.7 per cent reported gross sales of two million dollars or less.

The study revealed that while six or 35.3 per cent of those using consultants claimed that the consultant's fee was a factor in the selection of a consultant, nineteen or 65.6 per cent of the non-users stated that the cost of a

consultant would be a determining factor. Both users and non-users of consultants were asked to indicate the size of fee that could be considered their payment for one consultant's daily work. Of the respondents who had used consultant services, ten or 58.8 per cent agreed on a charge of one hundred twenty-five dollars per day. In no case did a firm that had not used consultant services indicate a willingness to pay over one hundred dollars.

The size of the consulting firm was a determining factor to five or 29.4 per cent of the seventeen firms which had used consultants. The size of the consultant firm did not appear to be a determining factor to twenty-six or 39.7 per cent of the responding firms which had not used consulting services. This may be compared to 12 or 20.6 per cent of the firms using consulting services that did not consider size as an important factor in selecting a consultant.

The consultant was hired to investigate the operations of the firm in thirteen or 76.5 per cent of the firms using consultants. Of the firms not using a consultant, eight or 27.6 per cent replied that they would hire a consultant to check up on the firm's operations.

V. COMPARISON OF DATA BETWEEN NATIONAL AND STATE STUDIES

The study conducted by Krentzman and Samuels involved seven hundred managers of small businesses located throughout

the United States. The same questionnaire employed by Krentzman and Samaras was sent to one hundred firms in Kansas in order to collect the data for this study. These one hundred firms were selected by a random sampling of six hundred fifty-nine firms listed in the Directory of Kansas Manufacturers and Products.

In comparing the data of these studies, the study conducted by Krentzman and Samaras is referred to as the "national study." The survey of Kansas firms is referred to as the "state study."

Of the one hundred questionnaires which were mailed to Kansas industries in the state study, forty-six or 46.0 per cent were completed and returned. Of those surveyed in the national study, 30 per cent filled out and returned the questionnaire.

Consulting services had been used in the past by seventeen or 37.0 per cent of the respondents in the state study. Results from the national study indicate that 27 per cent of the firms in this category had used consulting services.

In the state study consultants had approached seventeen or 58.6 per cent of the twenty-nine firms who reported not using a management consultant. Advertising material had been received by twenty or 69.0 per cent of the firms. In the national study, 84 per cent had been approached directly, and

93 per cent of the respondents had received brochures from consultants.

Although nine or 91.0 per cent of the respondents not using consultants in the state study reported that their firm could use the services of a consultant, only eight or 29.6 per cent of this group indicated that they would consider using a consultant if he understood the particular nature of the firm's operations. In the national study 42 per cent of the non-users of consultants had contemplated using a consultant, and 65 per cent would consider using one who understood the nature of their firm's operations.

In the state study, the size of the consultant firm was not a determining factor to twenty-six or 89.7 per cent of the firms not using consulting services. The national study revealed that 77 per cent of the non-users of consultants had a definite preference to be served by a small consulting firm.

Responding firms in the state study indicated that seventeen or 100.0 per cent of those who used consultants considered the reputation of the consulting firm to be the most important factor in the selection of a consultant. The reputation of the consulting firm was a determining factor to 90 per cent of the users of consultants in the national study.

Of the group in the state study who reported using consultants, twelve or 70.6 per cent indicated that the consultant discovered new problem areas during the course of his work. These results are almost identical to the results in the national study. Of the group using consultants in the national study, 70 per cent admitted that other problem areas had been found by the consultant.

Respondents in both groups who had used consultants indicated satisfaction with the consultant's performance. In the state study, twelve or 70.6 per cent reported satisfaction. Of this same group in the national study, 78 per cent reported satisfaction with their consultant's performance.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

I. SUMMARY

The primary purpose of this study was (1) to determine the relationship between management consultants and small manufacturing industries in Kansas, and (2) to identify factors contributing to this relationship.

Conducting the Survey

An inquiry form, which was used as a questionnaire, was obtained from Krentzman and Samaras. A sample of one hundred small manufacturing industries, representing approximately one-sixth of the industries included in the study, was selected by employing a table of random numbers.

Follow-up procedures consisted of the use of a letter that was sent to the firms which failed to respond. After a period of time which was considered adequate for the return of all possible responses, the responses to each item in the questionnaire were counted and recorded separately; the data were tabulated. The data collected in the survey were analyzed and presented in Chapter IV.

As an expression of appreciation for their assistance in making the study possible, a summary of the findings of

the study was mailed to each of the forty-six respondents who had returned completed questionnaires.

Review of the Literature

An investigation of previous research and other literature related to the problem of the relationship of management consultants to small manufacturing industries in Kansas was conducted. After the available sources of information were thoroughly explored, the pertinent data were summarized and presented in Chapter III.

Findings of the Survey

Of the one hundred questionnaires which were mailed to Kansas industries selected by random sampling, 46.0 per cent were completed and returned. The responses showed that 69.0 per cent of the companies completing the questionnaire had not used the services of a management consultant. This compared to 37.0 per cent of the respondents reporting the use of consulting services.

Industry & plant consultant services. Firms employing twenty-five to forty-nine employees represented 41.2 per cent of the respondents who were using consultant services. Gross sales were reported to be less than two million dollars by 64.7 per cent of the respondents who were using consulting services. Other respondents reported gross sales ranging

from three million dollars to an excess of five million dollars.

The choice of a consultant was based on recommendations of other firms, friends, and bankers. However, 47.1 per cent of the firms using a consultant based their choice of a consultant on recommendations from other areas such as accountants and solicitors from consulting firms.

The reputation of the consulting firm was a determining factor in selecting a consultant for 100.0 per cent of the seventeen responding firms. Other factors considered were the consultant's fee, the size of the consulting firm, and the method of payment.

The survey did not reveal a preference for a particular method of fee payment. However, 50.8 per cent of the responding firms did agree that a charge of one hundred twenty-five dollars per day would be fair payment for one day of work performed by a consultant.

Of the group using consultants, 70.6 per cent reported that the consultant discovered new problem areas during the course of his work. This situation occurred even though 82.4 per cent of the responding firms reported that they felt they could define their problem before the consultant was hired. The consultant was hired to investigate the operations of the firm by 76.5 per cent of the respondents. The services

of a technical consultant were required by 70.6 per cent of the firms which were using consulting services.

The consultant remained on the job longer than was originally anticipated in 52.9 per cent of the firms. The organization of the firm was disrupted during the course of the consultant's employment in 70.6 per cent of the responses.

The consultants' performance was rated as good or better than expected by 70.6 per cent of the respondents. Of the firms using consultants, 70.6 per cent reported that they were satisfied with the consultant and would recommend his services to another firm.

Insurance not using consultant service. Of the forty-six firms returning the questionnaire, 63.0 per cent had not used consulting services. Of these firms, 52.1 per cent employed between twenty-five to forty-nine employees. Gross sales were reported to be one million dollars or less by 51.7 per cent of the twenty-nine firms in this group. Other respondents reported gross sales ranging from three million dollars to an excess of five million dollars.

The use of a consultant had not been considered by 79.3 per cent of the firms. However, 24.1 per cent of respondents indicated that information concerning consultants would be desirable. Consultants had approached 58.6

per cent of the respondents. Advertising material had been received by 69.0 per cent of the responding firms.

Comparison based upon the utilization of consultants.

Of the firms which had used consultant services, 41.2 per cent reported employment of between twenty-five and forty-nine employees. Firms in this same size category represented 62.5 per cent of the firms not using a consultant. Gross sales were reported to be two million dollars or less by 64.7 per cent of the firms using a consultant. Gross sales of two million dollars or less were reported by 51.7 per cent of the respondents not using consulting services.

The consultant's fee was a factor in the selection of a consultant for 35.3 per cent of those using consultants. The fee was important to 65.6 per cent of the non-users. Another factor in the selection of a consultant was the size of the consulting firm. Of the firms which had used consultants, 70.6 per cent did not consider the size to be a determining factor. Of the firms which had not used a consultant, 89.7 per cent had no preference as to the size of the consulting firm.

The operations of the firm were checked on by consultants in 76.5 per cent of the responding firms using consultants. Of the firms not using consultants, 27.6 per cent replied that a consultant might be hired to check up on the firm's operations.

Comparison Between National and State Studies. For purposes of comparison, the study by Macmillan and Somaras was referred to as the "national study." The survey of Kansas firms was referred to as the "state study."

In the state study 46.0 per cent of the questionnaires were completed and returned. This compares to a response of 30 per cent in the national study. Consulting services had been used by 37.0 per cent of the respondents in the state study as compared to 27 per cent of the respondents using consultants in the national study.

The state study revealed that 58.6 per cent of the firms not using consulting services had been approached by a consultant. Advertising material had been received by 69.0 per cent of these firms. In the national study 64 per cent of this group had been approached directly, and 99 per cent had received brochures from consultants.

Respondents in the state study who had not used consultants reported that 31.0 per cent could use the services of a consultant. Of this group, 27.6 per cent indicated that they would consider using a consultant if he understood the firm's operations. The national study revealed that 42 per cent of the non-users of consultants had considered using a consultant. In the national study, 65 per cent of the firms not using consulting services would consider a consultant who understood the firm's operations.

In the state study, 100.0 per cent of the firms having used consulting services considered the reputation of the consulting firm to be a determining factor in the selection of a consultant. The national study indicated that 96 per cent of the users of consultants considered the reputation of the consulting firms to be a determining factor.

The state study indicated that 70.6 per cent of the firms using consulting services were satisfied with the performance of the consultant. In the national study, 70 per cent of the firms using a consultant reported satisfaction with the consultant's performance.

When asked if the firm was presently involved in negotiations with a consultant, 100.0 per cent of the firms not using such services gave a negative response; however, 31.0 per cent of the respondents indicated that their firms could use the services of a consultant. Responses indicated that 27.6 per cent of the firms which did not employ a consultant would do so if a consultant could be found who understood the particular nature of the firm's operations.

Cost of the services was reported as being a determining factor for not using consulting services by 35.5 per cent of the respondents. The size of the consultant firm was not a determining factor to 89.7 per cent of the respondents.

In considering the question of employment 69.2 per cent of the respondents preferred hiring a consultant for a specific job. Results such as increased profits and practical solutions to the problems under consideration were most frequently mentioned by the respondents.

III. CONCLUSIONS

It was the purpose of this study to determine the relationships which exist between management consultants and small manufacturing industries in Illinois and to identify factors contributing to this relationship. Part of the information for this determination consisted of responses to the questionnaire by firms which had used consulting services. Another part of the information came from firms who completed and returned the questionnaire but had not used the services of a management consultant.

Conclusions drawn from the information obtained by the questionnaires are as follows:

1. Of the firms completing and returning the questionnaire, 37.0 per cent had used services of a management consultant. However, in classifying companies by gross sales, 64.7 per cent of the companies who had used consultant services reported gross sales of two million dollars or less. Of the companies not using consultants services, 51.7 per cent reported gross sales of two million dollars or less. The

study did not reveal any meaningful distinction as to those between the users and non-users of consultants. It did show that a larger percentage of the responding firms had not used the services of a consultant. However, this percentage could not be interpreted as being conclusive.

Since the data revealed that 37.0 per cent of the firms in the study had used consultants, the major hypothesis of this study, that management in the average small manufacturing industry does not employ the services of consultants as a source of aid in solving management problems, is not correct.

2. While 65.5 per cent of the firms not using consulting services claimed that the fee was of significant concern to them, only 35.5 per cent of those using a consultant stated that the fee was an important factor in the selection of a consultant.

It would seem that the lack of the cost of consulting services inhibits potential users of consultants. The firms which have used consultants seem less concerned about the size of the fee. This could mean that these firms have received a proper return on their investment.

3. Although 82.4 per cent of the group which had used consultants reported that they felt they could identify their problem before hiring a consultant, 75.6 per cent of the same firms admitted that other problem areas had been discovered by the consultant during his period of inquiry.

These results would indicate that there are undoubtedly undisclosed problem areas which are not being recognized by the manager of the firm. The question arises as to how many problem areas remain undiscovered even though the manager thought all phases of the operation were under control.

4. The consultant's performance was rated as being as good or better than expected by 70.6 per cent of the respondents. Satisfaction with the consultant's efforts was reported by 70.6 per cent of the responding firms.

This would seem to indicate that the expectations of firms using consultants were fairly realistic.

5. Of the firms which had not used consulting services, 69.0 per cent had received advertising material. Further information was desired by 53.0 per cent of the responding firms which had not used consulting services. Of these firms, 31.0 per cent indicated that their firm could use the services of a consulting firm.

These results would indicate that the firms had not received complete information and that further information was desired. Results also indicate that further use of consulting services would result if this information was received.

VIII. RECOMMENDATIONS

One fact that most research projects end by presenting additional areas remaining to be researched is somewhat ironic. A great deal remains to be learned about the relationship between the small manufacturing firm and the consultant. As an exploratory study, this research has served to provide an insight regarding this relationship and to identify a number of factors related to it which appear to be important. The limited objectives established for this research project have therefore been attained. However, the findings of this study become the basis for indicating further problems for study concerning the management consultant's relationship to small manufacturing industries in Kansas.

1. It is recommended that studies be made to examine the results experienced by Kansas industries which have used the services of a consultant. A close look at these results, based on actual case histories, would probably add a great deal to the understanding of both the processes involved in the use of a consultant and the technique of assistance. Up to now, most of the studies have tended to take an external viewpoint. A close look from an internal viewpoint could add significant new insights regarding this client-consultant relationship.

2. It is recommended that studies be made to determine the promotion practices employed by consulting firms in Kansas. The findings of such a study should possibly be of benefit, not only to the consulting industry, but to manufacturing firms in Kansas as well. Such a study could make a significant contribution to the future direction of the consulting industry's advertising and promotion practices.

3. It is recommended that studies be made to determine the significance of the contribution made by management consultants to the economy of Kansas. The economy of Kansas depends, in increasing proportions, on new and expanding industry. Companies which are growing are confronted with new problems. As the industry becomes larger, the previous methods of operation are no longer applicable. Changes are required which may lead to the invitation of a consultant. Unfortunately, many small manufacturing companies are also engaged in a grim contest to survive. This, too, may lead to the invitation of a consultant. The extent to which the consultant has achieved positive results in those areas contributes in direct measure to the economy of Kansas.

4. It is recommended that studies be made to determine the frequency and type of problem areas which have been disclosed by consultants while employed by Kansas manufacturing firms. Results of such a study could reveal undisclosed problem areas and common trends in industry. A study

of this nature could make a significant contribution to the future development of industry in Malawi.

5. It is recommended that similar research studies be conducted so that current information is available for analysis. The findings presented in this book, become obsolete in a relatively short period of time and should be revised periodically.

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APPENDIX A
Correspondence

1533 Merchant, Apt. 11-W
Emporia, Kansas
November 24, 1964

Dear Sir:

Management is faced with technological revolution, challenging competition, and new patterns of demand never before experienced in this country. To men in management, beset by constant problems, the use of a management consultant becomes a possibility they may wish to consider.

Although businessmen spent in excess of \$600 million dollars with management consultants in 1963, their services are not fully understood. For this reason, a study of management consultants and their relationship to small manufacturing industries in Kansas is being conducted through the use of the enclosed inquiry form. Your firm has been selected by random sampling to participate in this study.

Would you please complete the inquiry form and return it at your earliest convenience? A self-addressed, stamped envelope is enclosed. Your name and that of your firm will be held in strictest confidence in the treatment of the information which you contribute.

The study is sponsored by the Kansas Department of Economic Development and has been undertaken as partial fulfillment of the requirements for a Master of Science Degree in Business Administration at the Kansas State Teachers College. The Kansas Department of Economic Development expressed the feeling that this study will be very valuable in their efforts to support and develop industry in Kansas.

You will receive a summary of this study when it is completed. The information which you contribute will be greatly appreciated.

Sincerely yours,

Roger Eickhoff

Enclosure

1533 Merchant, Apt. 11-W
Emporia, Kansas
December 8, 1964

Dear Sir:

Please find enclosed a second copy of the inquiry form which was mailed to you on November 24, 1964.

Realizing that many demands are made upon your time, the questionnaire has been kept brief in order that it may be completed with a minimum of time and effort. Your responses to the questions are necessary for an accurate and complete study of management consultants and their relationship to small manufacturing industries in Kansas.

Because of an urgent deadline, I would appreciate receiving your reply within two weeks. A stamped, self-addressed envelope has been enclosed for your convenience. Please accept my thanks for the time and thought which you have contributed to this study.

Sincerely yours,

Roger Eickhoff

Enclosure

1533 Merchant, Apt. 11-W
Emporia, Kansas
September 18, 1964

Mr. Harvey C. Krentzman
Harvard Business Review
Soldiers Field Station
Boston, Massachusetts

Dear Mr. Krentzman:

As co-author of the article, "Can Small Businesses Use Consultants?", which appeared in the May-June, 1960, issue of Harvard Business Review, you can provide a significant contribution to my research effort. With your permission I would like to use the same questionnaire employed by you in gathering the data which appeared in that article.

The questionnaire would represent one phase of the research I am conducting in connection with the preparation of my Master's Thesis titled "An Exploratory Study of the Relationships Between Management Consultants and Small Manufacturing Industries in Kansas." The thesis itself is a partial requirement for a Master of Science Degree in Business Administration from the Kansas State Teachers College, Emporia, Kansas. Professor Herman Baehr is directing the study.

The use of your questionnaire would greatly benefit my research efforts. Thank you very much for whatever help you may be willing to give.

Sincerely yours,

Roger Eickhoff

RE:mb

1533 Merchant, Apt. 11-W
Emporia, Kansas
September 18, 1964

Mr. John N. Samaras
Harvard Business Review
Soldiers Field Station
Boston, Massachusetts

Dear Mr. Samaras:

As co-author of the article, "Can Small Businesses Use Consultants?", which appeared in the May-June, 1960, issue of Harvard Business Review, you can provide a significant contribution to my research effort. With your permission I would like to use the same questionnaire employed by you in gathering the data which appeared in that article.

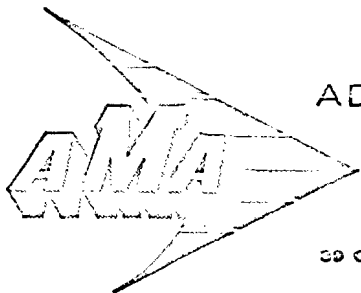
The questionnaire would represent one phase of the research I am conducting in connection with the preparation of my Master's Thesis titled "An Exploratory Study of the Relationships Between Management Consultants and Small Manufacturing Industries in Kansas." The thesis itself is a partial requirement for a Master of Science Degree in Business Administration from the Kansas State Teachers College, Emporia, Kansas. Professor Herman Baehr is directing the study.

The use of your questionnaire would greatly benefit my research efforts. Thank you very much for whatever help you may be willing to give.

Sincerely yours,

Roger Eickhoff

RE:mb



ADVANCED MANAGEMENT ASSOCIATES

Consultants to Industry

68

59 OLD COLONY ROAD, CHESTNUT HILL 07, MASS.

(AREA CODE 617)
DECATUR 2-0141

September 29, 1964

Mr. Roger Eickhoff
1533 Merchant, Apt. 11-W
Emporia, Kansas

Dear Mr. Eickhoff:

The portion of the article, "Can Small Businesses Use Consultants" involving the questionnaire you refer to was developed by Dr. John Samaras who is now a member of the staff at Boston University, College of Business Administration, Commonwealth Ave., Boston, Mass.

I suggest you write to him to see if he has the material you asked for. I am enclosing a reprint of the Harvard Business School Bulletin, "Pioneering in Strengthening Small Business" which may be of interest to you.

Lots of good luck in your thesis.

Very truly yours,

ADVANCED MANAGEMENT ASSOCIATES

Harvey C. Krentzman

HCK:eja
encl.

1533 Merchants, Apt. 11-W
Imperia, Kansas
October 7, 1964

Dr. John Samaras
Boston University
College of Business Administration
Commonwealth Avenue
Boston, Massachusetts

Dear Dr. Samaras:

Recently Mr. Krentzman informed me that the portion of the article, "Can Small Businesses Use Consultants?" involving the questionnaire was developed by you. He suggested that I write to you to see if you have retained the questionnaire.

On September 18, 1964, I attempted to contact you by registered mail, but was apparently unsuccessful. With your permission, I would like to use your questionnaire in gathering data in connection with the preparation of my Master's Thesis titled "An Exploratory Study of the Relationships Between Management Consultants and Small Manufacturing Industries in Kansas."

The use of your questionnaire would greatly benefit my research efforts. I would be very appreciative of any assistance you may be willing to give.

Sincerely yours,

Roger Eickhoff

RE:bjc



Boston University

COLLEGE OF BUSINESS ADMINISTRATION

CHARLES RIVER CAMPUS • 685 COMMONWEALTH AVENUE • BOSTON 15, MASSACHUSETTS

October 6, 1964

Mr. Roger Eickhoff
1533 Merchant, Apt. 11-W
Emporia, Kansas

Dear Mr. Eickhoff:

I hope that the enclosed will
provide the information you desire.

Very truly yours,

John N. Samaras
John N. Samaras
Asst. Professor
of Finance

JNS:t
enc.

APPENDIX B

Questionnaire

USED CONSULTING SERVICES

PAGE 1

(Circle or check correct choice)

1. Was your choice of the consultant based upon the recommendation of: Friend, Another Firm, Lawyer, Banker, Other_____
2. Was the consultant's fee a determining factor in the selection? Yes No
3. Was the size of the consulting firm a factor in choosing the consultant? Yes No
4. Was the reputation of the consulting firm a factor in the selection? Yes No
5. Was the method of fee payment a factor in choosing the consultant? Yes No
6. What do you feel is fair payment for one consultant's daily work? \$50, \$75, \$100, \$125, \$150, \$175, \$200, \$225, \$250, \$275, \$300
7. Which method of payment do you prefer? Weekly, Monthly, Work performed, Over long period, Other_____
8. Were you able to define your problem before using the consultant? Yes No
9. Was your problem one which required the services of a technical consultant? Yes No
10. Did you hire the consultant to check up on your operations? Yes No
11. Once employed, did the consultant remain on the job longer than was originally anticipated: Yes - how much _____ No
12. Was there any disruption to your organization during the course of the consultant's employment? Yes (Serious, Moderate, Minor) No
13. Did the consultant discover other problems or problem areas during the course of his work? Yes - Did you consider this part of his job? _____ No

USED CONSULTING SERVICES

PAGE 2

14. Have you been or are you being serviced by a consultant:
Over a period of time, On a continuing basis, For a
specific job?
15. Did the consultant perform: As well as expected, Not as
well as expected, Better than expected, Other _____
16. Did the consultant's efforts result in: Increased
profits, Better controls, More time for executives,
Neither, Other _____
17. Was your firm satisfied with the consultant's efforts?
Yes No
18. Would you recommend to another firm: Your consultant,
Another consultant, Neither?
19. For classification:
Gross sales (Approximately in millions): 1 2 3 4
5 Over 5
Number of employees: 25 - 49 50 - 99

NEVER USED A MANAGEMENT CONSULTANT

(Circle or check correct choice)

1. Has your firm ever contemplated
using a management consultant? Yes No
2. Has your firm ever desired informa-
tion about consultants? Yes No
(see 2a)
- 2a. What source would you refer to? _____
3. Has your firm ever received adver-
tising from consultants? Yes No
(see 3a)
- 3a. Did the advertising provide
information you wanted? Yes No
(see 3b)
- 3b. What kind of information did
you want? _____
4. Has your firm ever been directly
approached by a consultant?

NEVER USED A MANAGEMENT CONSULTANT

PAGE 3

5. Is your firm now involved in negotiations with a consulting firm? Yes No
6. Could your firm use the services of a consulting firm? Yes No
(see 6a)
- 6a. What factor is preventing usage? _____
7. Would you hire a consultant to "check up" on operations? Yes No
8. Would you use a consultant if one could be found that understood the particular nature of your operations? Yes No
9. Would the size of the consultant firm be a factor if you decided to select a consultant? Yes No
(see 9a)
- 9a. Size preferred? Large Medium
Small Individual
10. Would the fee be a determining factor in selecting a consultant? Yes No
11. What fee would you be willing to pay a consultant? \$25, \$50, \$75, \$100, \$125, \$150, \$175, \$200, \$225, \$250, \$275, \$300
12. If a consultant were to be hired, what period would you hire him? Specific job
Weekly Monthly Several days at a time
13. Would you hire a consultant who could get results quickly but not necessarily profits? Yes No
14. What results would you expect from employment of a consultant?

APPENDIX C

Association of Consulting Management Engineers,
Incorporated; Revised Code of Professional
Ethics and Obligations of Good Practice

REVISED CODE OF PROFESSIONAL ETHICS
AND OBLIGATIONS OF GOOD PRACTICE
APPROVED BY BOARD OF DIRECTORS AND MEMBERS
ON JANUARY 14, 1963

Preamble

The following articles are intended to aid management consultants individually and collectively in maintaining a high level of ethical conduct. They are standards by which a consultant may determine the propriety of his conduct in his relationships with prospective clients, clients, colleagues, members of allied professions, and the public.

These standards have evolved out of the experience of the members since the Association was incorporated in 1933, and are binding on all member firms and the consultants on their staffs.

Article I

We believe that the principal objective of the profession of management consulting is to help owners and managers in commerce, industry, government and nonprofit organizations analyze and solve management and related operating and technical problems. The chief characteristics of the professional management consultant are integrity, objectivity, analytical skill, specialized knowledge, broad experience, and a practical approach to the solution of management problems.

Article II

We will further the public interest by contributing through research and competent counsel on management problems to the development and better understanding of the art and science, practice and role of management in the economic and social systems of the free world.

Article III

We will publicize our firm or services only in a manner upholding the dignity of the profession. We will present our qualifications to prospective clients solely in terms of our ability, experience, and reputation. We will not guarantee any specific amount of cost reduction or increase

in profits from our efforts, nor will we accept an engagement where the fee is related to any cost reduction that may result.

Article IV

We will accept only those engagements we are qualified to undertake and which are in the best interests of clients. We will assign personnel qualified by knowledge, experience, and character to give effective service in analyzing and solving the particular problem or problems involved. We will carry out each engagement under the direction of a principal of the firm.

Article V

We will charge reasonable fees which are commensurate with the nature of the services performed and the responsibility assumed, and which, whenever feasible, have been agreed upon in advance of the engagement. We will not allow any person to practice in our name who is not in our employ. We will neither accept nor pay fees to persons outside our firm for referral of clients. Nor will we accept fees, commissions, or other valuable consideration from individuals or organizations whose equipment, supplies, or services we may recommend in the course of our work with clients.

Article VI

We will guard as confidential all information concerning the business and affairs of clients coming to us in the course of professional engagements.

Article VII

We will not serve clients under terms or conditions which tend to interfere with or impair our objectivity, independence, or integrity.

Article VIII

We will negotiate for possible work with a client where another firm is currently engaged only when we are assured there is no reason for conflict between the two engagements.

Article IX

We will serve two or more competing clients at the same time on problems in a sensitive area only with their knowledge.

Article X

We will not make direct or indirect offers of employment to employees of clients. If we are approached by employees of clients regarding employment in our firm or in that of another client, we will make certain that we have our clients' consent before entering into any negotiations with such employees.

Article XI

We will make certain that the members of our professional staff, in order to insure their continuing objectivity, shall under no circumstances use a consulting engagement as a means of seeking new employment for themselves.

Article XII

We will not use data, technical material, procedures, or developments originated by other consulting firms but not released by them for public use, without their written permission.

Article XIII

We will review for a client the work of another consulting firm currently employed by him only with the other consultant's knowledge.

Article XIV

We will not make direct or indirect offers of employment to consultants on the staff of other consulting firms. If we are approached by consultants of other consulting firms regarding employment in our firm or in that of a client, we will handle each situation in a way that will be fair to the consultant and his firm.

Article XV

We will administer the internal and external affairs of our firm in the best interests of the profession at all times.

Article XVI

We will endeavor to safeguard clients, the public and ourselves against consultants deficient in moral character or professional competence. We will observe all laws, uphold the honor and dignity of the profession, and accept

self-imposed disciplines. We will respect the professional reputation and practice of other consultants. But we will expose, without hesitation, illegal or unethical conduct of fellow members of the profession to the proper ACNE authority.

Article XVII

We will strive continually to improve our knowledge, skills, and techniques, and will make available to our clients the benefits of our professional attainments.

* * *

Communications concerning any apparent departures from this Code of Professional Ethics may be addressed to the Chairman, Committee on Professional Ethics, ACNE, 347 Madison Avenue, New York 17, New York.

OBLIGATIONS OF GOOD PRACTICE

In order to promote highest quality of performance in the practice of management consulting, ACNE has formulated the following standards of good practice for the guidance of the profession. The member firms subscribe to these practices because they believe they make for equitable and satisfactory client relationships and contribute to success in management consulting.

1. We make it a practice to confer with an organization that is considering the use of a management consultant, to discuss the nature and scope of the assistance that may be required and to explore the benefits that may be attained. This preliminary discussion may be undertaken without obligation to the prospective client.
2. We recommend the engagement of our services only if we believe that real financial or other benefits will be realized by the client.
3. We make certain that the client receives a clear statement of the objectives and scope of the proposed engagement and when feasible its approximate cost and cover this in writing by an initial proposal or a letter of confirmation when we accept the engagement.

4. We endeavor to accomplish our work expeditiously, consistent with professional thoroughness and without disrupting the daily operations of the client organization.
5. We believe that the primary purpose of each engagement is to develop complete and practical solutions for the problems under study, including a realistic program for putting them into effect. Our professional staff is available to help implement them and to provide continuing counsel to management.
6. We discuss in detail with the client any important changes in the nature, scope, timing, or other aspects of an engagement, and obtain his understanding and agreement before we take any action on them.
7. We acquaint client personnel with the principles, methods, and techniques applied, so that the improvements suggested or installed may be properly managed and continued after completion of the engagement.
8. We maintain continuity of understanding and knowledge of clients' problems and the work that has been done to solve them by maintaining appropriate files of reports submitted to clients. These are protected against unauthorized access and supported by files of working papers, consultants' log-books, and similar recorded data.
9. We continually evaluate the quality of the work done by our staff to insure insofar as is possible that all of our engagements are conducted in a competent manner.
10. We endeavor to provide opportunity for the professional development of those men who enter the profession, by assisting them to acquire a full understanding of the functions, duties, and responsibilities of management consultants, and to keep up with significant advances in their areas of practice.
11. We endeavor to practice justice, courtesy, and sincerity in our profession. In the conduct of our practice, we strive to maintain a wholly professional attitude toward those we serve, toward those who assist us in our practice, toward our fellow consultants, toward the members of other professions, and the practitioners of allied arts and sciences.

APPENDIX D

Association of Management Consultants'
Code of Professional Practice

ASSOCIATION OF MANAGEMENT CONSULTANTS'
CODE OF PROFESSIONAL PRACTICE

- Management Consulting is a profession and therefore members must adhere to professional standards of practice.
- A member will not accept an engagement unless he has reason to believe tangible results can be obtained for the client.
- Information gathered on assignments will be held in strictest confidence.
- A member will not accept an assignment to serve as a tool for management to carry out plans which it has agreed to in advance, and to which the member disagrees.
- A member will advertise and promote his business in a professional way only.
- A member will not accept fees, commissions, or kickbacks as a result of recommending equipment, supplies, or services.
- A member will not, at the same time, serve two or more clients who compete with each other without the full knowledge of all parties.
- Members will strive to improve the effectiveness of the work of all Management Consultants.
- Failure to adhere to the foregoing Code of Professional Practice is a basis for expulsion.

Adopted June 9, 1959