

# “Management Consulting Firms in Turkey”

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## Management Consulting Firms in Turkey

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### Abstract

Rising trend of management consulting all over the world – and in Turkey – causes the sector be analysed from different perspectives. In popular literature mostly the subjects such as favours of management consulting service, the way which the process should be followed etc. are emphasized. In this study, giving general information about the management consulting firms in Turkey and their functioning (their works) is aimed at.

**Key words:** management consulting firms, consulting in Turkey, role of consultants, historical development of management consulting sector in Turkey, consulting firms' functions

### A Brief View of Historical Development of Management Consulting Sector in Turkey

The first serious attempt in education and consulting sector in Turkey is the Turkish Management Association which was established by means of the efforts of some businessmen in the very beginning of 1960s.

The association was closed down and eliminated before the 1980s due to social, political and in connection to these, financial problems experienced by the country. Great number of management consultants educated by this association in USA and in the UK, have taken part in private sector as high level business administrators. Some of the management consultants of the association have preferred to stay at consulting and instruction sector. While some of them provided consulting service alone by themselves, some of them established consulting firms as coming together. Owing to the rapid progress in foreign affairs as a result of financial decisions and developments of Turkey, the necessity of works that are more scientific and more “inclined towards customer” has been increased, and as a result of this natural progress, the concern towards consulting and instruction sector has been increased. As for 1990s, while the interests of foreign companies towards Turkey improved as well, a great number of consulting foundations arrived at Turkey either as partnerships or as distributors. Management consultants are active in various cities whom have been educated through the project that was organized by Exports Improvement Centre (IGEME) in the year 1989 and which was financed by the World Bank (Dünya, 3rd April 2000).

Main state based developments in counselling sector have been the establishments of National Productivity Centre (MPM) (1965), Industrial Instruction and Improvement Centre (SEGEM) (1978), Lower Industry Improving Organization (KUSGET) (1983), Republic of Turkey Ministry of Industry and Trade – Small and Medium Industry Development Organization (KOSGEB) (1990). Facilities in entering the sector and opportunity of alluring revenue have increased the concern of private sector gradually towards this area.

Popularization of foreign technique discourse in Turkey is a reality that cannot be ignored in any way. Nourishing of consulting firms and their rendering this discourse progressive is in question. Ozen (1999), determines the fact that the accelerating structural element of the process which resulted in the popularization of foreign technique discourse in Turkey is a transition from importation based policy of 1980s into external open growing policy. Imports substitution policy that was choked by crisis of exchange and foreign debt was left through the 24th January decisions, customs house walls protecting the local capital were built, importation restrictions were lightened, exports and foreign capital investments were encouraged. This radical alteration was intensified with European Customs Treaty in 1995 and economy of Turkey became a part of capitalist order of the world. Native consulting firms were also attracted towards this area through the adaptation efforts of local capital to the changing financial circumstances in 1980s as they

rearranged their management systems with the help of some foreign consulting firms, they found the opportunity of applying brand new management techniques and they employed these techniques in time in constituting firm images. Due to the fact that the investment costs were rather low, number of firms entering into this market rapidly increased.

It is set forth that the establishments which form the supply side of Turkish management fashion market are sometimes formal, sometimes actual agents of foreign consulting, broadcasting and educational organizations. Namely they import the demanded foreign recipes and again they present them to the users by means of the imported methods. Demand for fashionable techniques are already constituted as the pushing force of foreign trade. Therefore, what the supply organizations ought solely to do is importing these techniques as competing with each other and presenting them to users. Whereas "fashion" provides high status for its followers. Tact of applying foreign techniques by consulting, education and publication establishments both turned out to be a profitable market that meets the available demand, and it also functions as an aid to increase the demand for basic products of these foundations in a competitive manner (Özen, 1999: 112).

Such an increase in the number of organizations and abstract quality of the presented product, directed the establishments taking part in this sector towards "organizing" as gathering under the name of an association (Management Consultants Association) which would determine the norms and standards providing the self-control of this sector.

General profile of management consulting firms in Turkey is tried to be given during the following chapter.

### **A Search on Management Consulting Firms in Turkey**

Putting forward the profile of management consulting firms is aimed at through this study (Erdost, 2003). It is assumed that the firms accessed from [www.turkindex.com](http://www.turkindex.com) and from Turkish Management Consultants Catalogue 98-99 were representatives of investigating universe and the mass answering the inquiry has got the ability of representing the main mass (universe).

The exact number of management consulting firms in unknown in Turkey and in the world. Such a situation is the natural consequence of different definitions and perceptions within the sector. Licence applications for consultants and firms have not been settled yet. Inconsistent numbers can be seen in different resources owing to the aforementioned reasons. Acting from this point, the prepared inquiry form has been sent by mail to the management consulting firms (135 firms) that are determined through the abovementioned resources.

The original inquiry form has got a style that judges the general characteristics of the firms, their working areas and their connections with customers.

135 inquiry forms were sent but 34 of them were returned either because of an occupational change or due to mistakes in addresses. Thus, 101 firms were on target in the investigation and 43 responded inquiry forms were received. At this stage the rate of return equals to 42,57 per cent.

Dispersions of the 43 firms according to some variables in the comprise of the investigation are presented in the following tables.

Table 1

Dispersion of the participating firms as regards of foundation dates

Foundation Date	Frequency	%
1977	1	2,3
1981	1	2,3
1982	1	2,3
1983	1	2,3
1984	2	4,7
1985	1	2,3

Table 1 (continuous)

Foundation Date	Frequency	%
1987	1	2,3
1989	4	9,3
1990	1	2,3
1991	2	4,7
1992	3	7,0
1993	4	9,3
1994	2	4,7
1995	3	7,0
1996	3	7,0
1997	5	11,6
1998	4	9,3
1999	2	4,7
2000	1	2,3
Missed	1	2,3
Total	43	100,0

Table 2

## Dispersion of the firms according to their juridical status

Legal Structure	Frequency	%
Limited Partnership	31	72,1
Joint-Stock Company	12	27,9
Toplam	43	100,0

Table 3

## Dispersion as regards to structures of the firms

Structure of the firm	Frequency	%
A native firm	36	83,7
"Franchise" administration of a foreign firm	4	9,3
Associate of a foreign firm	1	2,3
Branch of a foreign firm	1	2,3
Associate of native firm	-	-
Branch of a native firm	-	-
"Franchise" administration of a native firm	-	-
Other	1	2,3
Total	43	100,0

When the target customer masses of consulting firms are considered the large scaled firms are at the first, middle scaled firms are at the second row in terms of the number of workers and endorsement. The situation of the available customer portfolio of the participating firms in terms of private sector, public sector and the other sub-sectors is presented in Table 4 and 5.

Table 4

## Situation in terms of the available customer portfolio

Dispersion of available customers	Frequency	%
More than 70% of its portfolio are private sector costumers.	41	95,3
Share of private sector in its portfolio is 35-70%	1	2,3
Share of public sector is more than 70%	1	2,3
Total	43	100,0

Table 5

## Situation in terms of sector(s) that are to be dealt

Sector(s) on target	Frequency	%
Manufactural Industry	36	83,7
Sector of Service	33	76,7
Agricultural Sector	6	14,0
Political Parties	3	7,0

It has been investigated to what extent / how often the service areas of consulting firms are made use of and it is determined that reorganization works are fulfilled the most, and human resource management, administration policy and strategical planning, and modern management techniques follow after that. Demand for services in vital phases of administration such as uniting and purchasing, business establishment or elimination, is relatively low.

Service is provided at the customer's office with a rate of 60,5% This number turns out to be 73,3 together with the service rate at the third place. Space of consulting firm is just like a coordinating centre.

What is the role/position that the consultant perceive themselves to be in? The group with a rate of 39,5% regard themselves as professionals who are at equal levels with the managers while the group of 20,9% put forward the idea that the role which is played is optional to the approach of the customer.

Table 6

## Situation in terms of role/position perceived by consultant in the client organization

The role perceived by the consultant	Frequency	%
A professional in equality with managers	17	39,5
Played role depends on the approach/with of the customer	9	20,9
Master/ Expert working for managers	7	16,3
That is the individualistic preference of the consultant and it may be any one of them	6	14,0
An expert with a higher position than managers	4	9,3

Consulting services in terms of intensities of the firms respectively are:

1. Long- run project.
2. Theoretical and /or applicational education.
3. Short-run aid with technical quality.
4. Employment Services.

Establishments demanding management consulting respectively are:

1. Administrations having intense capital and high tecnology in manufacturing sector.
2. Administrations providing high technology in service sector.
3. Administrations applying intense and medium level technology and labour in service sector.
4. Administrations providing medium level technology in the sector of service.

Table 7

## Dispersion of consultants in terms of educational status

Educational status of the counsellors	Number of Firms
Business Administration/ Economics licence	22
Licence in other social sciences	12
Engineering licence	21
Business Administration /Economics Master of Philosophy	17
Master of Arts / Philosophy in other social sciences	9
Engineering Master of Philosophy	23
Business Administration/ Economics doctorate	8
Doctorate in other social sciences	5
Engineering doctorate	7

Two of the firms have not given convenient responses to be interpreted for the question about gender dispersion of the permanent consultants in these firms. Dispersion in 41 firms are like the following:

Table 8

## Gender dispersion of consultants in the firms

Gender	Number of People
Woman	192
Man	223
Total	415

Little scaled firms are extensive in the sector of management consulting 60,5% of the firms work with consultants through contracts.

Table 9

## Dispersion of firms in terms of the number of permanent consultants

The Number of Consultants in the firm	Frequency	Cumulative
1	2	2
2	5	7
3	6	13
4	9	22
5	5	27
6	3	30
8	1	31
11	2	33
12	1	34
14	1	35
20	4	39
22	1	40
24	1	41
130	1	42
No reply	1	43

Wage policies followed by the consultation firms for their temporary and permanent staff of consultants are also tried to be determined. The followed policies can be compared in Tables 10 and 11.

Table 10

## Situation in terms of wage policy for permanent consultants

Wage policy for the permanent consultants	Frequency	%
Fixed wage+share from his own project's income	14	32,6
Profit sharing from the project worked in	9	20,9
Fixed wage+ share from all incomes of projects in firm	7	16,3
Wage fixed as result of bargain between the firm and counsellor	6	14,0
Other (Fixed wage)	6	14,0
No Reply	1	2,3
Total	43	100,0

Table 11

## Situation in terms of wage policy for temporary consultants

Wage policy for temporary consultants	Frequency	%
Wage fixed as result of bargain between the firm and consultant	13	52,0
Profit sharing from the project worked in	8	32,0
Fixed wage + share from his own project's income	2	8,0
Fixed wage + share from all incomes of projects in the firm	2	8,0
Total	25	100,0

Wages of temporary consultants differ from the wage policy that is followed for the permanent staff consultants in the sense that they are determined by bargaining.

Temporary consultants in the sample are between the ages of 30-57, as for permanent consultants they take place between the ages of 21-29.

Table 12

## Situation in terms of specialising areas with sufficient number and quality of consultants in firms

Areas with sufficient number of counsellors	Frequency	%
General Management	30	69,8
Human Resources Management	24	55,8
Technical subjects	16	37,2
Accountancy- finance	15	34,9
Production	11	25,6
Marketing	11	25,6
Other	7	16,3

Firms providing service education constitute 74,4% of the ones within the investigation.

Generally at irregular periods namely in case of need instructional programmes are arranged in firms. How long this duration would last is uncertain.

Table 13

## Situation in terms of consultants performance appraising approaches

Evaluating the performances of counsellors	Frequency	%
Through reports taken from customer firms about the consultant	23	53,5
Through the degree the manage to achieve their projects within the borders of fixed time and budget	21	48,8
Through interpretations of other consultants in firm	16	37,2
Through their positions in instructional service programs	5	11,6
Other	3	7,0
No performance appraising	5	11,6

Opinions of customer firms about the consultants are the main interpretation criteria. Achieving the projects in coherence to time budget plan is the second factor.

Ways of establishing the first communication with potential customers for consulting firms are respectively:

1. Through the refrence of one of former customers.
2. By means of direct communication with potential customer firms.
3. Through establishing personal affairs.
4. Introducing the firm to the customer group by advertisements, folk relations and announces.
5. Through the customers learning the firm from Management Consultants Association Catalogue.

When it is taken into consideration that whether the first which supply their beginning of consulting process with the customer in this manner continue to remain in connection with their customers again or not even after the project is completed, two firms stated that they had no communication after the project is over, and three of the firms have given no response to this question. Firms generally prefer not to cut their connections. Then how they manage to do this?

Table 14

## Situation in terms of communication sorts after the projects

Communicating style after the project	Frequency	%
Paying visits whenever possible	33	76,7
Through telephone talks	27	62,8
Informing them about publications etc. that might be useful for them	20	46,5
Through providing invitations for former customers, by arranging common social activities	15	34,9
Other	4	9,3
Ones not continuing communication	2	4,7
Ones not replying	3	7,0

Most of the active firms within the sector provide education service. Demand for education mostly comes from the sectors of banking/ finance and electric- electronic; demand for project is mostly received from textile- ready made clothing, electric- electronic and machinery industry; and demand for employment is again mostly received from textile- ready made clothing, electric- electronic and machinery industry.

It has been determined that customers firms mostly demand education for their mid-level managers.

Table 15

Situation in terms of management degrees for which instruction is demanded by customer firms

The degree for which instruction is demanded	Frequency	%
For mid- level management	26	60,5
For high- level management	20	46,5
For sub- level management	9	20,9
For other workers	4	9,3
Consulting firms with no instrucional service	16	37,20

According to the authorities of consulting firms, the criteria that customers pay attention during the process of selecting the firms respectively are:

1. Their formerly working with the same firm and remaining satisfied,
2. References of known customers,
3. Its gaining fame in a certain specializing area,
4. Being known in general terms,
5. The customer's coming for certain consultant within the firm,
6. Age of the firm,
7. Number of the consultants in the firm,
8. Location of the firm.

When the matter is judged that whether the consulting firms investigate their shares in their own sectors or not and to what extent they hold erudite information on this point, it turned out to be clear that 72,1% of the firms do not provide any investigation on marketing positions.

Management consulting sector has got a developing trend in Turkey. It attaches importance that the firms which are active within the sector produce projects that should pay attention to particular conditions of the country's economy and culture and needs of customers.

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