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Prof MW van Wyk

Submissions and correspondence to

Prof MW van Wyk

Graduate School of Business Leadership

Unisa

PO Box 392

Pretoria 0001

Tel: +27.11.652 0000

Fax: +27.11.652 0299

e-mail: vwykmw@alpha.unisa.ac.za

<http://www.sblunisa.ac.za>

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A critical analysis of some popular objections to affirmative action

MW van Wyk

Unisa Graduate School of Business Leadership

The most common arguments against affirmative action are stated and evaluated. These are that affirmative action tends to be permanent; affirmative action helps the wrong people; affirmative action will lead to inefficiency and a lowering of standards; affirmative action stigmatises its beneficiaries; affirmative action causes racism; affirmative action undermines democratic values; affirmative action amounts to reverse discrimination; and affirmative action is ineffective. The conclusion is that, while most of these objections may have some validity, these are premature because affirmative action has not been implemented for a sufficient period to justify conclusions about its effects. Implicit in this analysis of objections to affirmative action is the plea that South Africa should try to look beyond group-based notions of affirmative action because such programmes will inevitably entrench race as a permanent feature of society. A colour-blind 'rainbow nation' will only be achieved if a class-conscious colour-blind form of affirmative action is adopted. Unfortunately, political reality indicates that this option will not be pursued.

Introduction

Proponents of affirmative action argue that such programmes will result in benefits to society greater than the costs of implementing such policies. Some of the alleged benefits are: greater cultural diversity; the breaking down of racial stereotypes; the importance of providing black role models for other blacks to identify with; blacks in decision-making positions will be better able to influence policy to cater for the needs of their group, and so forth. The argument that the advancement of blacks will be at the expense of whites resulting in a mere shifting of poverty from one group to another, is countered by the claim that the marginal utility of improving the quality of life of poor blacks will be much greater than the marginal disutility among whites. The social utility argument for affirmative action consists of the claim that the aggregate well being of society will exceed the aggregate costs, and will therefore be in the public interest or for the common good. Opponents of affirmative action will of course dispute these claims. The problem with these claims and counterclaims is that while they are popular and frequently persuasive, they are based mostly on conjecture. The result is a dialogue of the deaf in which neither side

is able to convince the other of the validity of its set of arguments.

In this article the most common arguments against affirmative action are stated and evaluated in an effort to contribute to the quality of the public debate that inevitably will follow upon the enactment of employment equity legislation later in 1998 by Parliament.

Affirmative action tends to be permanent

Politicians find it useful to sell affirmative action to the majority on the basis that it is a temporary remedial device for past injustices. But is this true or do such programmes have a natural tendency to become permanent? Opponents of affirmative action cite India, Malaysia, and Pakistan as instances where preferential programmes with legally mandated cut off dates have continued far past those dates by subsequent extensions. Even supporters of affirmative action concede that privileges once enjoyed are not easily removed, even in situations where the political majority conferred these privileges and in theory can withdraw these. (Fullinwider 1980: 248-249; Sloom 1986: 284-285. Also see Thompson's discussion of affirmative action in Malaysia and India (1993: 21-46).)

A response to the tendency-to-permanency criticism of affirmative action may take many forms. Firstly, have affirmative action programmes been in operation long enough to achieve

their remedial goals? This amounts to saying that the permanency argument is premature.¹ The fact that some countries had included statutory cutoff dates can be viewed either as political expediency when such programmes were installed or that the sponsors of these programmes underestimated the obduracy of the evil such programmes had to address. In America it is estimated that the achievement of substantive equality on the most optimistic estimates will take another sixty years (see Bentz 1988: 388–397). If, in South Africa, the Afrikaner group could not achieve economic parity with the English group in more than seventy years, even with the massive affirmative action of state-driven apartheid in their favour, it is difficult to argue that affirmative action programmes have outlived their professed goals and are therefore continued unjustifiably (Peron 1992).²

Secondly, it may be claimed that affirmative action as a social intervention should be permanent, although not necessarily serving the interests of a fixed group. Say, for instance, that at the introduction of social welfare laws these laws, for whatever political reason, contained an expiry date. Would one then argue that in the face of people still in need of these laws, such laws should be abolished even though they had not become redundant? Surely not, as the social condition that gave rise to these laws in the first place still prevails. At most one could say that the sponsors of such legislation should have foreseen the permanent nature of their welfare laws or, that if they did, they were guilty of duplicity in their pretence of temporariness. The reality of shifting social perceptions is another reason why affirmative action should be seen as a nonspecific but permanent corrective for discrimination.

But the opponents of affirmative action will reply, by arguing thus, that you are simply sidestepping the real issue: what if the present beneficiaries of affirmative action remain the beneficiaries even though they, through the benevolent working of affirmative action, have ceased to be in need of such programmes? Worse, how is one to determine when the need for affirmative action in respect of any group is past?³ Furthermore, if the opponent is a white South African, he or she may raise the valid point that in countries, such as America, where the beneficiaries of affirmative action are also not the political majority, there is a built-in check against large-scale abuse of the affirmative action policy. In countries where the politically powerful group and the group of beneficiaries of affirmative action do not coincide, it is admitted that it would be difficult to remove preferential treatment. Once granted, is this not tantamount to admitting that in countries where the political power base and the beneficiaries of affirmative action overlap, it would be politically impossible for the government to abandon such programmes since the group who keep them in power will not tolerate their group being deprived of this privilege?⁴ As the Malaysian experience illustrates, in a situation where the politically powerful group is also the group that benefits from preferential treatment, it can be very difficult, if not impossible, to abolish or reverse affirmative action programmes.

If it is conceded that there is a point where affirmative action in respect of a group cannot be justified on the grounds that there are still lingering effects of discrimination, and that, notwithstanding this, persistence with affirmative action would amount to unacceptable discrimination, the fear of whites in South Africa that affirmative action may in time become true reverse discrimination, should be taken seriously.

The conclusion is, therefore, that the fear of permanency⁵ of affirmative action programmes is valid in so far as it emanates from affirmative action programmes directed at **specific** ethnic or racial groups, especially in situations where beneficiaries of such programmes also hold political power.

Affirmative action helps the wrong people

This argument is based on the view that the people within the protected group that were least prejudiced by discrimination are the people that stand to gain most from affirmative action.⁶ The logic of this argument is that affirmative action programmes do not mandate the employment of the wholly unqualified and it is these people who are in real need of preferential treatment and not those at the top end of the social scale within the protected group. Evidence in support of this view cites studies done in America in which it was found that although blacks as a group may have marginally improved⁷ their position relative to whites, the disparity within the black group increased.⁸ It is further alleged that not only do affirmative action programmes not assist the most disadvantaged, but, in fact, by giving preference to the better-qualified in the protected group, they push the worst-off even lower down (Friedman 1993: 2–3; Peron 1992: 6). Asmal (1992: 10) disputes the accuracy of these findings on the basis that the positive income effects of affirmative action have been obscured by a macroeconomic downswing and changes in government policies.

It must be noted that this claim against affirmative action is based on at least two assumptions: firstly, it is assumed that an individual's qualifications (or lack of these) are a direct inverse consequence of the degree to which he or she suffered under discrimination, and, secondly, it is assumed that it is the aim of affirmative action to focus on individuals at the bottom end of the protected group, rather than to improve the average relative position of the group as a whole. In the South African context an application of the 'wrong beneficiaries' argument could be that the people who are the least qualified to benefit from preferential hiring are those who remained in the country as opposed to the exiles and their children who have returned with good international qualifications and are thus poised to benefit from affirmative action to the exclusion of the under- or unqualified who bore the brunt of apartheid.

In view of the above-mentioned assumptions, it is in fact open to question whether it is scientifically correct to ascribe all unexplained differences between two groups to a factor 'X' and then to label that unknown factor⁹ 'discrimination'. Such a methodology aprioristically assumes that groups may not on average diverge on other legitimate life choices and cultural values that may influence each other.¹⁰ It seems somewhat denigrating of the group to deny their right to culturally distinct characteristics. On the other hand, if society unfairly discriminates against a group by virtue of the fact that it underrates the value of these distinct group differences, it may justly be asserted that such discrimination should be addressed by affirmative action. This discourse more properly falls within the scope of sociology and social psychology and will not be pursued further. The point is that, scientifically, this assumption is open to attack.¹¹

The second assumption can also be brought into question. It may be that the nature of affirmative action, in the employment field at any rate, limits its scope to preference being given to the best qualified within the protected group. The 'social

utility argument' is just such an argument.¹² The fact that preferential hiring will result in benefiting the better qualified members of the protected group is consistent with the reasons for extending preferences, since there will be greater social utility in preferring the best-qualified members of the protected group (Fullinwider 1980: 91). To this may be added the supposed societal advantages of diversity and role modelling, both of which could be obtained at much less cost if the better-qualified were selected rather than burdening society with the task of uplifting the bottom end of the protected group to the point where they can fulfil these functions. Thus, one may argue that affirmative action should not be aimed at the bottom end of the social spectrum but at the top end, as this will be a more efficient allocation of scarce resources and that benefits from this approach will filter down to the bottom.¹³ The problem of the least qualified should be addressed by other means such as increased social welfare and state-run development programmes. In short, employment equity does not demand that employers embark on preferential hiring of people who are manifestly incapable of doing the job; other agencies should take this task upon them.

The conclusion is that group-based affirmative action programmes do, in fact, favour the best-qualified within the protected group, and, if it is assumed that this is not the goal of affirmative action programmes, this is a valid criticism. However, this is not a criticism that can validly be raised against affirmative action generally, but only against certain forms of affirmative action programmes.

Affirmative action will lead to inefficiency and a lowering of standards

One of the most common objections to preferential hiring is that it entails the lowering of standards which leads to the hiring of unqualified or underqualified persons, which, in turn, will result in decreased productivity and a lowering of international competitiveness. By definition, preferential hiring does result in less than the best-qualified applicant being appointed. Employers need to identify qualifications relevant to the job and in some cases, because of considerations of costs, they rely on generalisations when selecting, for example on height or weight generalisations. The law, however, outlaws reliance on certain generalisations, although these may have relevance for employers on purely commercial grounds. Fullinwider (1980: 75) gives the example of an employer who finds a positive correlation between absenteeism and race. In such a case the employer would have a commercial rationale for using race as an element of his selection process; society, however, forbids the employer to do this. A further point to note is that race may itself be a job-related qualification, for instance where a service to a community is concerned or where role modelling is of importance or where diversity in workforce composition may lead to greater creativity, for example the staff of a university. It should be borne in mind that once race is admitted as a genuine job-related qualification, it should be applied both ways, that is, there may be situations where it can be argued that a white person, by virtue of his or her whiteness, has a qualification that gives him or her an edge over a black applicant.

In addition to the cases where race itself is a genuine job-related qualification, it is also possible that the overall efficiency of the employer's enterprise is enhanced by a racially-mixed workforce rather than by one that is homogeneous, for example where the employer serves a racially-heterogeneous

market. From this it follows that the assertion that preferential hiring will always result in lower efficiency is putting it too strongly. A third consideration in evaluating the reduced efficiency claim against preferential hiring is the effect of the nature of the job in question: it seems at least plausibly logical that if preferential hiring is applied for unskilled jobs, the drop in efficiency should be minimal, if not zero. Lastly, in the utility calculus it may be found that the slight drop in efficiency occasioned by preferential hiring is more than justified by the social utility of such a programme. Smith (1992), among others, sees the main justification of affirmative action in its potential to facilitate the development of a fully integrated society. Also see Asmal (1993) for a similar argument.

Other arguments raised in refutation of the lowering-of-standards criticism of affirmative action are the following: standards were never based solely on considerations of merit¹⁴ and efficiency since nepotism¹⁵ occurred and invalid selection devices were used¹⁶; South Africa's per capita productivity is very low and therefore it does not behove employers to defend the status quo standards (Blumrosen 1993). Those who defend discriminatory hiring practices on racial or gender grounds are themselves prepared to sacrifice merit and effectiveness as hiring standards; in some situations the most efficient themselves regard other rules of distribution to be more just than allocation on the basis of equity (Deutch 1985: 196-204; for a general perspective, see Peron 1992). Studies have shown that to postulate a direct negative correlation between employment equity programmes and productivity/efficiency is at best a gross oversimplification and at worst simply not true. (See Schotter & Weigelt (1988: 45-47); Goldstein & Patterson (1988: 452-462) and also the research reported by Deutsch (1985).)

As regards the latter claim concerning the alleged trade-off between employment equity and efficiency, the following empirical evidence is offered. There is research support for the proposition that **antidiscrimination laws**¹⁷ improve the overall efficiency of an enterprise because it provides an incentive for the disadvantaged group members to work harder, which in turn acts as a competitive spur¹⁸ for employees belonging to the majority group (Schotter & Weigelt 1988: 45-47). The findings regarding **affirmative action** are more complex. If the amount of historical discrimination in the company or society is not great, there are indications that while such programmes do increase the probability that members of protected groups get promoted, they tend to reduce productivity and hence the profitability of the organisation. However, if such a programme is instituted against the backdrop of **extensive** historical discrimination, these preferential affirmative action programmes not only help the protected group members but also increase the productivity and profits of the firms instituting them (Blumrosen 1993: 45). In addition to studies refuting the claim of decreasing standards and productivity, supporters of affirmative action also point to the dearth of studies¹⁹ by opponents in support of their claims, for example Goldstein & Patterson (1988). The fact that it has been shown by many surveys that American companies want to retain their affirmative action programmes (see, for example, Thomas 1990) and that affirmative action has improved the upward mobility of blacks is also frequently cited by supporters, but this is not really germane as a counter to the efficiency argument.

The conclusion as regards the lowering-of-standards argument against affirmative action is that more than intuition and/or superficially rational arguments will be required for

this argument to constitute a serious impediment to affirmative action programmes. More specifically, the predictive and possible differential validity of current South African selection techniques will have to be determined; the concept of standards of efficiency will have to be re-examined and the question of whether there are other societal interests other than efficiency that need to be taken into account, will have to be settled.²⁰

As regards standards, proponents of affirmative action can move from the defensive to the offensive and claim that instead of compromising organisational effectiveness and equity norms, good affirmative action programmes promote effectiveness, firstly, by expanding standards so that they can apply to individuals who deviate from the white male standard (which, after all, is a standard based on a minority of the population) and, secondly, by making the organisation more thoughtful about what precisely it wishes to recognise and reward.²¹ In short, two major goals of affirmative action are to alert employers to the previously unobserved abilities of underutilised groups and to foster a critical re-evaluation of standards and policies²² to promote substantive equality of opportunity in the work place (Holloway 1989).

Affirmative action stigmatises its beneficiaries

The stigmatisation argument against affirmative action holds that all the members of the protected group are assumed²³ by out-group members to hold their positions in virtue of affirmative action and not because of their own efforts and abilities (Hugo (1986: 62)). This is seen as particularly unfair to those protected group members of outstanding ability in that they are assumed to be incompetent while they are not. Support for this view is found by citing prominent American blacks who are opposed to affirmative action. These black 'neoconservatives' include Sowell (see Peron 1992) and Williams (Carter 1991) and the last Bush administration Supreme Court appointee, Clarence Thomas. Sowell (1990) argues that any mandated preference for any race – from apartheid in South Africa to affirmative action in the United States – causes further inequities. Steele, in a May issue of *The New York Times Magazine*, calls affirmative action 'something of a Faustian bargain' in which black applicants gain a job or admission to college, but must suffer 'racial self-doubt' for having succeeded through means other than merit. It is further alleged that the suspicion of undeserved status results in undue scrutiny being placed on protected group members in the expectation of their failing sooner rather than later. Furthermore, if a protected group member fails, his or her failure is invariably attributed to affirmative action and generalised to other beneficiaries of affirmative action, irrespective of the particular factors giving rise to the failure and the differential individual attributes of the protected group members.

Responses to the stigmatisation argument include the fact that in lower-level unskilled jobs it will not be a factor.²⁴ In South Africa this counter-argument is particularly apposite in that our main challenge is at the entry level of unskilled jobs; the most pressing need is to absorb the millions of unskilled blacks into the economy. Even if a stigma attaches to obtaining a job in these lower-level situations, this is preferable to the deleterious psychological effects that long-term unemployment has on a person.²⁵ It is also telling that the generations of Afrikaners that were assisted by the so-called 'civilised labour policy' in the 1920s and through various job-creation pro-

grammes of the 1930s and 1940s, for example the 'bob-a-day-army' created in the 1930s to provide largely rural Afrikaner whites with some income, do not mention 'stigmatisation' as an issue. Rather, they or their descendants will reminisce about how poor they were then and refer with pride to how they 'worked their way up', forgetting that it was these affirmative action programmes that gave them their initial entry into the labour force.²⁶

Secondly, the observation has been made that, with the exception of a handful of blacks, the stigmatisation argument is mostly used by white males and not by the allegedly 'stigmatised'. This concern for the 'stigmatised' is regarded as disingenuous and hypocritical. It seems plausible to argue that if stigmatisation were such an issue, more beneficiaries of affirmative action would have objected to preferential programmes on these grounds.

Apart from the view that affirmative action delegitimises the achievements of members of a protected group because others presume that those hired through affirmative action are underqualified, it has also been claimed²⁷ that affirmative action can undermine the self-confidence of the beneficiaries of such programmes (the so-called 'impostor syndrome' (Nacoste 1989: 103–104); Asmal (1992: 6) refers to the 'Token Black Syndrome'). Research indicates that the effect of affirmative action on the self-image of its beneficiary is contingent upon the person's evaluations of the fairness of the policy. An interesting side-effect found in Nacoste's research (1989: 107) was that subjects who perceived affirmative action to be unfair and who were selected by affirmative action criteria were more efficient than the other subjects (as if their self-doubt prompted them to compensate for some possible injustice).

Affirmative action causes racism

A variant of this argument is that if the ideal is a colour-blind society, it is contradictory and counterproductive to elevate race²⁸ to the position of determining entitlement to preferential treatment.²⁹ Peron (1992: 19–20), for instance, holds the view that affirmative action 'cause[s] rather than cure[s] racism' and cites examples of increased incidents of racism on American university campuses where affirmative action is most rigorously applied, in support of his contention.

Sloot (1986: 287) also makes the point that racially- or sexually-based affirmative action programmes in a certain sense promote new race and gender issues in public discourse³⁰ which may lead to heightened awareness of race and gender. A response to this criticism may be as follows: one may take the sanguine approach of Justice Blackmun and simply say that there is no other way to address the evil of race- and gender-based discrimination. ('In order to get beyond racism, we must first take account of race. There is no other way' (Justice Blackmun in *Bakke v Regents of the University of California* (1978 438 US 265: 407).) Such a response, even if it is correct as a matter of practical necessity, can in no way refute the proposition that if we want to remove race and gender as important dividing factors from society,³¹ we should de-emphasise rather than emphasise them.

It is asserted that where a group feels threatened it will naturally seek to identify a source to blame as a first step in isolating and countering the threat.³² To attenuate this tendency it would be preferable to formulate an affirmative action programme that goes across well-identified social classifications

such as ethnicity and gender, so as to render the beneficiaries a more amorphous group not as easily identified as the object of the opprobrium of the majority group. Traditional dividing lines in a fragmented society should not be reinforced by a preferential programme; the programme should rather be instrumental in providing an overarching goal to attenuate these divisions. An affirmative action model that does not employ race or gender (exclusively) as identifiers of group-based beneficiaries but which rather makes use of socioeconomic criteria to identify individual beneficiaries as a means of overcoming the common problem of poverty and deprivation that transcends racial and gender boundaries, could be a more appropriate measure to address the deep-seated inequalities in our society.

Affirmative action undermines democratic values

Mansfield claims that it is the underhandedness and duplicity of American affirmative action policy, more than its injustice, that pose the real danger to democratic society. According to Mansfield, a constitutional democracy is based on the principles of public debate, persuasion, and the consent of the governed; the affirmative action policies of successive American Administrations violated these basic democratic values since affirmative action 'never made its way through the legislative process with public notice and debate' (Mansfield 1991: 127). By focusing on equality of result, affirmative action encourages indifference to the means as long as the desired end is achieved. Mansfield (1991: 139) warns that violation of these procedural safeguards in a democracy in pursuit of the desired ends may lead to a norm that 'freedom is doing as one pleases, or doing what one thinks is required by justice'. He also remarks that 'beneficiaries are encouraged to think that they got jobs or promotions not on merit but as punitive compensation, like the recovery of stolen goods from thieves' and the consequent humiliation and resentment felt by the non-beneficiaries (Mansfield 1991:132). While one may not be wholly in agreement with Mansfield, certain pronouncements by public figures in South Africa should serve as a warning that the sentiments expressed in Mansfield's article cannot summarily be dismissed as the ravings of a conservative libertarian. In South Africa there are ample indications of an expectation of entitlements based on the harm inflicted by apartheid and greater government intrusion in the process of resource allocation and social redistribution.

Affirmative action amounts to reverse discrimination

According to the reverse discrimination view, 'affirmative action is a device to penalize the innocent and to reward the unfortunate' (Jones 1978: 710); as such it is a violation of our precepts of individual merit and equality before the law. This view is based on the belief that the past is past and that we should wipe the slate clean and start afresh with a society devoid of any form of discrimination.

This is possibly the most popular criticism of affirmative action; it is the libertarian's unreflective kneejerk response to the subject of affirmative action. The assertion that affirmative action amounts to reverse discrimination normally serves as the deontological introduction to the libertarian attack followed by the consequentialist arguments discussed so far. If it was wrong to disadvantage a group of people because of an immutable characteristic, it must also be wrong to discriminate

in their favour (and by necessary implication to discriminate against the previously favoured group).³³ The facial symmetry of this argument is deceptively appealing. On a deontological level the response may be that affirmative action does not denigrate the nonbeneficiary group in that its procedures are inclusionary as opposed to the exclusionary nature of discrimination proper. On a utilitarian basis it may be argued that affirmative action is in pursuit of a social good whereas discrimination did not have such an aim in mind. *In casu* this social good will be 'the desirable end of a society characterized by good social relations' (Brown 1986: 199).

It is indubitably true that some people would be the 'victims of reverse discrimination' and that it is best to be honest about it. To try and sell affirmative action on the presumption of an 'ever-increasing pie' is to indulge in dangerous gerrymandering and is not likely to convince the average sceptical white male (at any rate not in South Africa). It is better to admit this short-term consequence and to concentrate on the long-term advantages for society as a whole. It is suggested that one should try to eliminate this objection to affirmative action in the development of an affirmative action programme that does not reinforce the perception that it operates to the absolute exclusion of any group.

Affirmative action is ineffective

The problem with evaluating the effectiveness of affirmative action is that one needs a standard against which to measure its impact. Such a measure is not available, as it is impossible to compare reality with a hypothetical society that differs from the society under investigation only in that it was not subject to affirmative action intervention. Consequently the evaluator is left with the scientifically unappetising expedient of comparing society with itself at different points in time. The problem with this approach is, firstly, that it is impossible to control for all extraneous variables, and, secondly, even if this were possible, it would still yield only correlational data and as such would not permit an inference of causation. A related problem is that, quite apart from the measurement issue, the very choice of a standard is problematical inasmuch as the selection of a standard will depend on one's conception of the goal(s) of affirmative action.

A fair summary of econometric studies of the effect of affirmative action programmes on some variables³⁴ could be that internationally affirmative action yields qualified positive consequences: disappointingly less than anticipated (and possibly skewed within protected groups in favour of the better qualified), yet enough to refute the claim by its opponents that affirmative action is an unmitigated failure.

A further problem with the evaluation of the effectiveness of affirmative action programmes is that it may be premature to evaluate such programmes a few decades after their implementation. It is overly optimistic to expect any programme to remedy an age-old ill in such a short space of time.³⁵ A last problem with the evaluation of affirmative action programmes is that it is impossible to partial out the effects of antidiscrimination measures. The effect of this inextricable link between antidiscrimination measures and affirmative action is that even if positive results are obtained, a libertarian could still attribute this to 'colour-blind policies' (which he or she supports) rather than to 'reverse discrimination' (which he or she rejects).

It can be concluded from the preceding discussion of the methodological problems associated with the measurement of the effectiveness and impact of affirmative action programmes that, firstly, there seems to be moderate gains by the beneficiaries of such programmes but that these gains cannot necessarily be ascribed to preferential programmes, and that, secondly, it is in all probability premature to empirically verify and quantify the effectiveness of these programmes.³⁶

Conclusion

In this article we have seen that the objections to affirmative action based on consequentialist grounds are either not persuasive or not scientifically verified, or, where they are valid, these objections assume a particular **class**³⁷ of affirmative action programmes rather than constituting a rejection of the affirmative action **principle** as such. The weakness of this conclusion may be that it is an inevitable outcome of the fact that opponents had only one class of affirmative action programmes to attack, namely racial- and/or gender-group-based programmes. While this is conceded, it will, nevertheless, be sensible to take those valid objections to group-based affirmative action programmes seriously and try to answer them in constructing a new model. There is no doubt that such a model will generate its own detractors and exhibit new weaknesses, but, should it be an improvement on the traditional models, such an endeavour will be justified.

Implicit in this analysis of objections to affirmative action is the plea that South Africa should try to look beyond group-based notions of affirmative action because such programmes will inevitably entrench race as a permanent feature of our society. If we seriously wish to become a colour-blind 'rainbow nation', a class-conscious colour-blind form of affirmative action should be opted for. Unfortunately, the proposals at present on the table indicate that we will end up with a colour-conscious class-blind type of affirmative action model that will divide rather than unite. However, even under such a regime, we can more fruitfully debate the issues if we refrain from using arguments for or against affirmative action that, despite its populist appeal, do not stand up to rigorous analysis. It is hoped that this essay can contribute to this debate.

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Endnotes

¹ Asmal (1992: 9) makes the same point in refuting the claim that affirmative action spawns its own bureaucracy which extends the life of affirmative action 'beyond its natural point'.

² Add to this the fact that the beneficiaries of apartheid were a relatively small group who could plunder the human and capital resources of the large industries and the African population. It seems as if affirmative action in countries where the opposite holds, such as India, the charge of permanency is unrealistically premature.

³ Sloot (1986: 285) points out that the criteria to determine whether parity has been reached (therefore mandating the cessation of affirmative action programmes) will typically be vague and susceptible to differing interpretations. This will inevitably lead to an outcry of discrimination by the beneficiaries of affirmative action should the abolition of the affirmative action programme be mooted.

⁴ Sloot (1986: 285): 'Afschaffing van positieve discriminatie zal door de voorstanders ervan worden bestempeld als discriminatie en zal daarom politiek en beleidsmatig onpopulair zijn. Dat laatste zal in versterkte mate het geval wanneer het toezicht op de naleving van een positieve discriminatie-beleid vooral in handen wordt gelegd van mensen uit de kring van positief gediscrimineerden.'

⁵ That is, that such programmes will outlive their justification and in time become true reverse discrimination.

⁶ Race-based affirmative action is thus viewed as over-inclusive (See Belz 1991: 246).

⁷ 'Improve' as used here refers to indicators of social standing such as average or median income and employment figures.

⁸ See for instance Peron (1992: 5-9); Hammerman (1988: 133): 'But something else was also revealed by the earnings data: a bimodal movement in black family earnings, with more families on the top and more on the bottom'; Friedman (1993: 2): 'This is why studies have repeatedly shown that affirmative action does not benefit all sections of "disadvantaged" groups - it invariably helps the middle classes who, in some cases, make sure that it does not stop benefiting them when they are no longer disadvantaged'.

⁹ See Finkelstein (1980: 739) for a discussion of statistical techniques and the law and, in particular, the issue of the 'tainted variable objection' levied at multiple regression.

¹⁰ Peron (1992: 23) questions the validity of the 'assumption behind affirmative action ... that wealth disparities are simply the result of discrimination when there exists a great deal of evidence to show that other factors are far more important'. Examples of such factors discussed by Peron are differences in cultural values, in family lives, in occupational distribution, age distribution, and whether a person lives in a rural or urban area (Peron 1992: 24-38). Although some, if not all, of these factors will be affected by discrimination, it is not to be denied that they can have an independent main effect on wage differentials apart from their interaction effect.

¹¹ Also see Belz (1991: 246-247): '... affirmative action rests on erroneous social science. Disparate impact theory holds that racial group differences in income, occupation, educational achievement, test scores, and other indicators are the result of discrimination. Opponents of preference contend, on the contrary, that to a considerable extent group differences are based on aptitude, ability, taste, and opportunity. ... critics claim that education, cultural values, age,

geographic location and the character of the labor market are causes of racial group disparities. Moreover, it is false to assume that without discrimination, one can expect a nearly random distribution of women and minorities in all jobs.'

¹² Fullinwider comes to the conclusion that the social utility argument for preferential hiring is a stronger one than the argument based on compensatory justice. It should be noted that if the legitimacy of preferential hiring is derived from the fact that it is in the public interest, this implies, firstly, that no black can lay claim to preferential hiring as an individual right and, secondly, that public interests may change, thereby obviating the necessity for preferential hiring on a racial basis. 'There certainly is a closer fit between instrument and aim on the Social Utility Argument. The instrument is preferential hiring and the aim, according to the argument from compensatory Justice, is to compensate. But preferential hiring is weakly compensatory. The instrument is not well-fitted to the aim. On the Social Utility Argument, on the other hand, the aim of preferential hiring of blacks is to quickly increase the number of blacks in certain jobs. The instrument is well suited to the aim which allegedly justifies its use. Moreover, the fact that preferential hiring will tend to benefit the better qualified blacks is perfectly consistent with the reasons for extending preferences, since there will be greater overall social utility in preferring the best qualified blacks' (Fullinwider 1980: 90-91) (Author's emphasis).

¹³ According to Asmal, the view that affirmative action should be rejected because it benefits primarily the better-qualified within the protected group '... completely overlooks the gain to society in general that arises from middle class blacks attaining positions of respect and power' (Asmal 1992: 11).

¹⁴ A related attack directed at the claim that preferential hiring is a violation of the principle of hiring by competence, is that this will be true only if the presently accepted evidence/standards/predictors of competence are in fact accurate indicators of competence. This attack then proceeds by alleging that many of the 'paper credentials' of competence are themselves inaccurate indicators and, in any case, tainted by discrimination (see Jaggar 1977).

¹⁵ 'Thus merit has never really been vigorously applied as the sole criterion for job selection and promotion in South Africa. Rather, race and language differences seem to have played an inordinately prominent role in these processes, with consequential detrimental affects on standards' (Innes 1992: 18).

¹⁶ Deutsch (1985); also the following quotation: '... employment system has always relied upon such non-merit-related criteria as nepotism, cronyism and the "old boy network"' (Klug 1992: 138).

¹⁷ That discrimination is an inefficient and costly way of running a business in a capitalist society is beyond dispute. See Peron (1992: 43-59) for the costs apartheid exacted from the South African economy.

¹⁸ 'Increasing the pool of candidates will increase the competition among workers in the pool, with the result that white, as well as black workers will seek to improve their performance' (Blumrosen 1993: 11).

¹⁹ There are many excellent contributions based on theoretical statistical analysis and models to show why affirmative action is costly to companies. See for instance Hunter & Schmidt (1982). It is precisely the seeming cogency of the theoretical arguments and the extravagant claims of researchers like Hunter & Schmidt that make the lack of empirical evidence surprising.

²⁰ Shearing (1991: 80-81) sees affirmative action as a tool for cultural transformation: 'This conception of affirmative action sees it not as a strategy that must be subservient to standards but as a strategy that should be used in the transformation of standards. ... Rather it requires a reassessment of what constitutes merit. ... Affirmative action is not contrary to competence. Rather it requires competence to be placed within a broader framework of values.'

- 21 Blanchard & Crosby (1989: 6): 'At the very least, affirmative action programs force us to examine the standards we use both when rewarding past performances and predicting future performances. At the most, affirmative action programs promote both true equity and effectiveness.'
- 22 'The implementation of affirmative action in South Africa will encourage employers to re-evaluate their qualifications standards so that they more accurately reflect the true requirements of a job. Employers will need to look beyond traditional criteria to those characteristics that directly impact on job performance. This will allow employers to spot black and female candidates who have the ability and potential to succeed' (Asmal 1992: 14).
- 23 Sloat (1986: 285) characterises this as the 'paternalistic' effect of affirmative action: it reverses the burden of proof in that a person cannot opt out of being a beneficiary; the burden of proving that he obtained his position by virtue of his own deserts is reversed.
- 24 Sloat (1986: 284). Also the following comment by Kennedy (1991: 47): 'The stigma problem, moreover, is mainly an affliction besetting elite occupations. There are a great many jobs, generally those requiring relatively little specialized training, to which the problem of stigma is largely irrelevant. After all, when an occupation requires no more than on-the-job training, there is little reason to suspect that blacks who have undergone such training are any less qualified than their white counterparts'.
- 25 These can be likened to some of the psychological processes that terminal patients go through, as described by Kübler-Ross (1989). The unemployed person moves from anger and denial of the reality of being unemployed to eventual apathy and depression. In these latter stages he or she makes no effort to find new employment and the incidence of suicide increases.
- 26 These are personal observations of the author. I am not aware of any literature that proves that Afrikaners were stigmatised by getting jobs through government policy and programmes. There are a number of Afrikaans novels about the stigmatic affect of being poor, unemployed or marginally employed, and backward, albeit written with a romantic slant, for example Van Bruggen's *Ampie* and 'Mikro's' *Mattewis en Meraai* (Van Bruggen 1934; Pienaar 1983).
- 27 For example, Howard & Hammond (1991) claim that blacks have internalised the image of black intellectual inferiority and that this produces a self-defeating fear and avoidance of intellectual competition. The authors contend that many blacks do not perform to their true potential because they subconsciously believe that they lack the required aptitude to succeed in intellectual competition with whites.
- 28 'Affirmative action not only contradicts social science, it disregards the lesson of history that race and ethnicity as principles of social organization result in hostility and repression. ... whereas the historic achievement of liberalism was to eliminate native differences like race as determinants of social roles and benefits, affirmative action reversed this trend. ... the affirmative action strategy of using racial criteria to eliminate racial discrimination is inherently contradictory and futile' (Belz 1991: 247).
- 29 'Affirmative action reinforces and places a premium on racial consciousness and prejudice. It encourages an attitude of victimization among blacks and other protected groups whom it regards as dependent and - if not inferior - then at least incapable of competing on their own' (Belz 1991: 252).
- 30 Asmal (1992: 13) glibly rejects the possibility that racial tension may be increased because of affirmative action by asserting that affirmative action is implicated 'because the Bush and Reagan administrations have purposefully cast doubt on affirmative action'.
- Furthermore, Asmal states that all a new South African government will have to do to avert racial tension from arising 'is for the new government to communicate to whites that affirmative action is both **essential** and **just**'. The Nationalist Party tried for decades to little effect to convince blacks and the world that apartheid was 'both necessary and just'. Both the Nationalist Party and Asmal share the inability to comprehend that other people may hold views of justness differing from their own, so that all that is required is to communicate ('tell' or 'dictate?') the self-evident justness of their views to the other group to relieve the latter of their misconceptions.
- 31 'Once preferences or quotas are established, people will choose to identify themselves as members of a particular group if there are benefits to be derived. The system of preferences invariably strengthens identities on the basis of race, religion, language, and caste. It is in the self-interest of politicians to mobilise groups along these lines, and for individuals to assert group claims and group identities' (Weiner 1993: 12).
- 32 An example of this may be the Germans blaming the Jews for Germany's defeat in the First World War.
- 33 This argument will normally have a deontological component ('discrimination of whatever hue is wrong') as well as a teleological element ('reverse discrimination will lead to white males losing their jobs').
- 34 That is, differential employment figures, proportional vertical representativeness, wage differentials and equal pay for work of equal value (see the preceding 'operational definition' in the text).
- 35 'To ascribe blacks' worsening position to affirmative action is to credit it with too much power and racism with too little. My guess is that 20 years of affirmative action, particularly in the on-again, off-again way it's been implemented, is far too little for it to have a statistical effect of any kind. Racism - and sexism, for that matter - is too deeply rooted in our lives to be weeded out quite so easily' (A response by Minda Zetlin (1990: 42) on the allegations by American black conservative writers that affirmative action is bad for blacks.).
- 36 Brown (1986: 199-200) comes to the conclusion that the answer to the question whether affirmative action is an effective means to the goal of a society characterised by good social relations will depend on the severity of the original discrimination and the obstacles which the protected group faces in achieving parity. It is, nevertheless, better to conduct the social experiment of affirmative action (although its success will only be certain in retrospect) for the following reasons: '... to adopt a wait-and-see attitude concerning the effectiveness of a straightforward anti-discrimination policy may condemn many to a less good life than otherwise. For they need more in the way of encouragement than this. They need to see examples of their own kind in successful positions'; '... discrimination may have been so bad that it has created deep-rooted hatred and resentment. Just to remove the causes of discrimination may not be enough to heal such social wounds. An act of real commitment, like reverse discrimination, will win many more friends immediately, and help to prevent any more serious breakdown of social relations'; '... the sooner adequate numbers of such groups attain the desirable positions in society, the sooner we shall all come to accept and respect them. This is an enormous social benefit. ... the best way to ensure that there is no real discrimination ... is to ensure adequate representation of disadvantaged groups in positions of power ... it is to be hoped that we shall all benefit from this fresh perspective through its impact on social structures' (Brown 1986: 199-200).
- 37 That is, group-based affirmative action programmes, and more specifically, group-based programmes of the quota type have been the object of particularly virulent attacks.

Building capacity in a developing economy through outsourcing: a Supply Management perspective

WMJ Hugo

Unisa Graduate School of Business Leadership

JA Badenhorst

Department of Business Management, Unisa

Outsourcing is not a new phenomenon in the business world. However, the growing interest in outsourcing in South Africa is a fairly recent development and its complexity is increased by involving aims that are not entirely related to the normal sphere of business activities. Outsourcing in a developing economy can contribute much to capacity building in small, medium and micro enterprises (SMMEs). Supply Management whose normal operating responsibility is in the interface between large organisations and SMMEs should be in a position to make a meaningful contribution to the outsourcing strategies of large organisations both in formulating and in implementing strategies. Supply Management has a dual role to fulfil in outsourcing a macroeconomic involvement in the broader national strategy of small business development and also, but perhaps particularly, in creating a supplier base which can provide in the needs of large organisations and in ensuring their global competitiveness.

Introduction

One of the most interesting developments of the 1990s is that a great number of business organisations reviewed their traditional approach to managing the supply side of the firm and entered into a variety of integrative and cooperative business relationships. Outsourcing is a prime example of the conceptually new approach to supply relationships.

Outsourcing is not a new phenomenon in the business world however. The concept emerged during the past decade as a specific business strategy aimed at improving global competitiveness and structural flexibility. Outsourcing continues to grow at a phenomenal rate with virtually no organisation in the commercial spectrum excluded (Bedford 1996: 14). Market research reports estimate worldwide revenue from outsourcing will continue to grow at 15 per cent to 20 per cent in the foreseeable future (Lapcewich 1994: 25-26).

The initial emergence of outsourcing in its new role in the international business sphere can be attributed to the trend towards downsizing and rightsizing. Although downsizing and rightsizing have cost reduction and productivity improve-

ment as fundamental driving forces, the realisation that outsourcing offers an opportunity to focus on core competencies soon became the overriding consideration in the outsourcing strategies for many organisations. Organisations are looking at it strategically. They are turning to outsourcing not only as a supply strategy or a cost-saving initiative but as an overall business strategy so that they can focus on what really differentiates them from their global competitors. 'Outsourcing is nothing less than a basic redefinition of the organisation. Outsourcing suggests an organisation focused on a few well-chosen core competencies supported by long-term *outside relationships* for many of its other activities and resources' (Outsourcing: How does it all come together? 1996: 40).

It is in the outside relationships that small, medium and micro enterprises (SMMEs) have a major role to play. The obvious success of firms in, for example, Japan and Europe in gaining a competitive advantage through outsourcing to small business did not escape strategists. Outsourcing to SMMEs soon developed into a global economic trend. From a business management perspective outsourcing to small business means gaining the cost advantages of organisations with lower overhead cost, gaining leverage through buying in technology and skills which are not available in-house and taking advantage of a wider and more competitive supply pool. From a broader macroeconomic point of view, the ability of SMMEs to create new jobs, stimulate economic growth, penetrate new markets,

and generally expanding economies focused the attention of authorities in developing economies on the potential of outsourcing to SMMEs in increasing wealth.

Research (Egan 1993: 22) indicates that outsourcing in South Africa is making little headway in an economy dominated by big business with, in many instances, outdated philosophies aimed at keeping all resources and activities within the organisation. If this is compared to the official government policy which states that SMMEs represent an important vehicle to address challenges of job creation, economic growth and equity and that SMMEs in this country can follow the example in other countries, the gap in national perspectives on the role of outsourcing to SMMEs is obvious.

It is generally expected that Supply Management has a crucial role to play in using the purchasing power of large organisations in developing SMMEs through outsourcing to small business. Theoretically, as a larger percentage of an organisation's revenue stream is diverted to suppliers in the small business sector in South Africa, the more complex the supply function will become due to the twin factors of the relatively unsophisticated small business sector in this country and the inexperience of large organisations in dealing with an SMME supply market.

Against this background the problem statement of this article is as follows:

Assuming specific constraints in the development of SMMEs in South Africa, what meaningful involvement is there for Supply Management in developing the small business sector through outsourcing in the domestic economy?

Outsourcing for capacity building

Bedford (1996: 13) claims that there is no perfect outsourcing model or panacea. Outsourcing is unique for each specific application and for individual organisations. Hence the diversity of activities included under the concept of outsourcing.

From the literature it is also evident that the term outsourcing has different connotations in various circumstances. For example, some authorities claim that it is a term used mainly to describe the activities of third party suppliers in the service industry (see for example 'Outsourcing: How does it all come together?' 1996: 40). Others maintain that outsourcing applies to transferring administrative functions such as purchasing, marketing or payroll from a function performed by internal divisions to an outside service (Karoway 1995: 54). In the developing world outsourcing tends to have a much broader meaning which may even include the 'privatisation' of previously government-owned entities or divisions of such entities.

Since the term outsourcing originated in the automotive manufacturing environment, the roots of the concept is clearly in the manufacturing industry and obviously linked to Supply Management. For the purposes of this article the following framework was assumed (Egan 1993: 22; Halbach 1989: 4): Outsourcing differs from the more familiar contracting and subcontracting only in so far as it encompasses both and is actively promoted by big business *as part of their corporate strategy to enhance organisational flexibility*.

Contracting as a component of outsourcing is broadly defined as an arrangement between two manufacturing units under which one of the units (usually a small business) provides the other (mostly a big business and the principal) on

agreed terms and conditions with products (components or final goods) and services that are used or marketed under the sole responsibility of the purchasing organisation (principal). *Subcontracting* can be defined as the shedding of select business resources and activities to small organisations, often former or retrenched employees and freelancers. Subcontracting in many cases entails direct assistance by the principal to the two last-mentioned to transform their activities into independent and successful businesses.

In the case of the South African environment with its strong emphasis on a developing economy, the following additional perspectives on outsourcing should be borne in mind in the analysis of the role of outsourcing as a Supply Management responsibility:

- Outsourcing is regarded as a powerful tool for attaining macroeconomic objectives by the government.
- Due to the peculiar characteristics of the industrial sector in South Africa (see below), outsourcing will invariably imply that products and services that could be (and often have been) provided in-house are outsourced to contractors and subcontractors.
- Outsourcing is less likely to be motivated by strategic considerations and more likely to be undertaken for reasons such as cost savings, organisational restructuring and productivity enhancement.

Additional perspectives on the above framework for outsourcing may be gained from the results of a number of scientific studies conducted on outsourcing to Third World economies. These studies seem to indicate that the following fundamental characteristics apply to outsourcing in the developing economies of Third World countries (Halbach 1989: 6-9):

- The overall economic and specific industrial level of development in any one country would appear to be a decisive factor for its interindustrial linkage capacity.
- Determinants for the nature and intensity of the evolving subcontracting relations are company size, the degree of technological specialisation, and product quality. It is also probable that the outsourcing requirements for different types of organisations and industries will differ and therefore that industry- and product-specific differences in the intensity of subcontracting relations are likely to occur.
- A target-oriented economic policy by the host country is of paramount importance for the development of subcontracting relations and consequently for the growing interindustrial linkages.
- Independent market forces can also automatically lead to growing local inter industrial linkages over time. If free market forces are allowed to interact without interference, it is probable that over time outsourcing and other industrial linkages will evolve naturally.
- Investment aimed at import substitution takes less time to lead to much more intensive local linkages than if production is mainly or totally export-oriented.
- The speed with which outsourcing evolves would also seem to be strongly influenced by the importance that a business enterprise attaches to a more or less development-oriented general policy of its own.
- The indirect effect on employment attributable to backward linkages or foreign investments reaches a level of

between 25 and 75 per cent of the jobs directly created depending on the respective branch of industry.

- The most important forms of assistance extended to subcontractors by their principals are technical consultation and product design, the provision of technical equipment, and support related to production/process/quality control.
- The problem for multinationals resulting from local subcontracting (outsourcing) above all relates to quality and cost aspects. Difficulties on the part of the subcontractors to meet agreed delivery dates are also an inhibiting factor.

In the introduction it was stated that outsourcing has gained strategic significance because of the opportunity which it affords business organisations in focusing on core competencies. In this regard Bettis & Ouchi (1992: 7) emphasise the following: 'Treating outsourcing decisions strategically most fundamentally implies an in-depth understanding of the core competencies on which the firm intends to build its future competitive advantage.'

Over and above this dominating reason for adopting outsourcing as a strategy there seems to be consensus internationally that outsourcing programmes are being implemented for the following additional reasons (Leenders 1995: 26; Outsourcing Institute 1996: 1; Brandes & Lilliecreutz 1995: 274):

- Improve company focus
- Access to world-class capabilities
- Accelerate reengineering benefits
- Share risks
- Free resources for other purposes
- Make capital funds available
- Cash infusion
- Reduce and control operating costs
- Resources not available internally
- Function difficult to manage or out of control
- Staff reduction
- Reduce problems related to internal inefficiencies.

In view of the above, the question that now arises is whether the reasons for outsourcing in a developing economy such as the South African economy are likely to differ substantially from those in developed economies.

Since the South African economy is an open economy, it could evidently be argued that the reasons for implementing outsourcing internationally would also be valid for all competitors in the global marketplace and therefore also for South African business. However, the need in the domestic economy (for business economic reasons and for macroeconomic reasons) to build capacities in the small business sector will in all probability provide the following additional incentives, not only for business in South Africa but also for organisations in the developing economies in the southern subcontinent:

- The need for big business in South Africa to broaden the supplier base particularly in the small business sector in order to create a more competitive domestic and international cost structure for the economy in general and for particular industries.

- The need to upgrade the domestic level of technology in all economic sectors in order to create a technologically advanced supplier base.
- The need to conform with government conditions of a supplier base in small business firms in order to gain access to government contracts worth more than R60 billion annually.
- The need to fulfil social responsibility obligations through stimulating employment opportunities in the small business sector.
- The need to comply with government and social pressures to assist in creating a business society which provides equal opportunities for all citizens and equity in opportunities to participate in business activities.

It is clear that in its endeavour to build capacities of technology, service, human resources, processes, competitiveness, and ultimately entrepreneurial spirit through the outsourcing concept, South African business faces a different set of challenges than those encountered by business in developed economies. The important perspective, however, is the role of Supply Management in building capacities in the small business sector.

The South African perspective on outsourcing to SMMEs

Outsourcing as a business practice in South Africa

In order to clearly understand the role of Supply Management in outsourcing to SMMEs in South Africa, it is essential to provide background information on two crucial elements of the question: firstly, the current status of outsourcing in South Africa and secondly, the forces driving small business development in the country.

Contemporary approaches to outsourcing in South Africa are the consequence of geographical isolation, historical circumstances, and political dogma that resulted in an economy completely dominated by large organisations. Large organisations in the heavy industry sector were the result of the specific requirements of the mining industry that is the historical foundation of industrial development in the country. The geographic location made it difficult for all but the largest organisations in Europe and other Western developed countries to locate in South Africa. Finally, political dogma resulted in international isolation that fuelled a management philosophy of self-sufficiency where there is little scope for outsourcing. As recently as 1993 researchers concluded that 'outsourcing is making little headway in an economy where protectionism prevails and the formal sector is heavily concentrated with controls and restrictive practices' (Egan 1993: 22). The same researcher also found that outdated management philosophies aimed at keeping all activities and resources in-house still predominated.

While elsewhere in the industrialised world outsourcing developed into a global economic trend where organisations on average realised 9 per cent in cost savings and 15 per cent in increases in capacity and quality, South African business lagged behind (Outsourcing Institute 1996: 1).

Although much of the above has changed recently, it is to be expected that outsourcing in South Africa is still in an early stage. Mapheto (1994: 312) observes that the most common

areas in which outsourcing has been used have been catering, cleaning, security, and road haulage. Veldsman (in Egan 1993: 22) also points out that corporate interest in outsourcing is centred mainly on the reduction of overheads and cost savings. The obvious danger of such an approach is that the supply base for outsourcing can grow to such proportions that the cost of managing outsourcing may become prohibitive.

The predicament in which outsourcing in South Africa finds itself can best be explained by the relationships illustrated in Figure 1 (Quin & Hilmer 1994: 43). In this figure the authors demonstrate the type of contractual relationships which can form the basis of outsourcing under varying circumstances of the need for control and flexibility. The figure illustrates, for example, that if the control need is low and the flexibility need is high, one can make use of short-term contracts with suppliers (therefore a temporary outsourcing relationship). In South African business the need for flexibility is indeed very high due to the pressures of international competition. On the other hand, because of the circumstances described above, the market for outsourcing products and services in which Supply Management must find outsourcing opportunities is unsophisticated and therefore requires a high degree of control. It is abundantly clear that two directly opposing forces have to be dealt with by Supply Management.

Finally, it should be realised that outsourcing in South Africa is mainly between large financially strong corporations and small financially weak contractors/subcontractors. This unequal situation is bound to create tensions in outsourcing relationships. In addition, strained outsourcing relationships may be aggravated by the typical problems experienced by subcontractors in developing economies. Firm-specific problems relate to technical (production process, quality), financial (equity capital, liquidity) and management aspects. Small-scale enterprises in developing economies also complain about pricing pressures, delayed payments, and extremely high quality standards demanded by large contracting firms (Halbach 1989: 8). It is more than likely that these difficulties will also occur in South African outsourcing relationships.

Small business development and outsourcing in South Africa

The importance of small business in developed and developing economies and in relation to outsourcing is internationally accepted. Warner (1996: 4510) mentions, for example, that in the United Kingdom well over 90 per cent of all business have fewer than twenty employees and in the European Union businesses with under ten employees create job opportunities for about one third of the workforce. In Japan, which can be regarded as the oldest and most successful country in practis-

ing modern outsourcing strategies, 85 per cent of all jobs are being provided by SMMEs (Egan 1993: 22). Varamäki (1996: 5) reports strong support from public organisations through outsourcing-type relationships for the success and survival of small business in Italy, Denmark, and Finland and concludes that it is indeed a European phenomenon. Some of the reasons for the increasing importance of small business on a global scale are the ability of SMMEs to create employment opportunities (this is particularly true for developing economies) and the fact that outsourcing to small business establishes a supplier network which enables big business to gear its own capacity in terms of, for example, technology, specialist human resources skills, and manufacturing capabilities. Finally, purely from a cost-saving perspective, large organisations do not gain any advantage by outsourcing to another large firm that may have the same fixed cost and overhead cost structure. SMMEs are more likely to provide a cost advantage attributable to lower cost structures (Karoway 1995: 55). 'In virtually every economy, therefore regardless of its development or political character small-scale enterprise is important' (Warner 1996: 4511).

It was stated earlier that as recently as 1993 there was limited outsourcing activity between large business and small-scale enterprise in South Africa. This state of affairs was the direct result of management perception that a small business unit should be regarded as a cost centre and that outsourcing relationships with small businesses were bound to place additional burdens regarding finance, quality control, and management support on large organisations (Egan 1993: 23).

This state of affairs has been drastically changed by government initiative and particularly with the publication of a White Paper formulating a National Strategy for the Development and Promotion of Small Business in South Africa (Department of Trade and Industry August 1996). The White Paper clearly expresses the view of government regarding SMMEs and their role in South Africa (Department of Trade and Industry 1996: 1):

Small, medium and micro-enterprises (SMMEs) represent an important vehicle to address challenges of job creation, economic growth and equity in our country. Throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways.

From an outsourcing point of view some of the objectives of the National Strategy in particular are of great importance (Department of Trade and Industry 1996: 1). The strategy is *inter alia* aimed at the following:

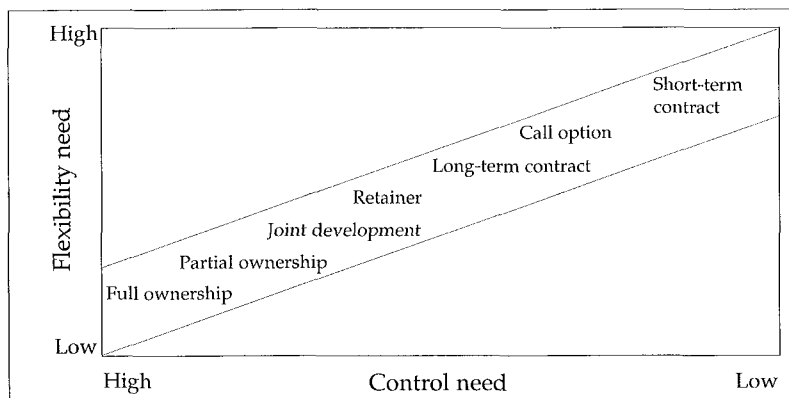


Figure 1. Potential contract relationships for outsourcing partners (Quin & Hilmer 1994)

- to create an enabling environment for small business
- to level the playing fields between bigger and small businesses as well as between rural and urban businesses
- to create long-term jobs
- to stimulate sector-focused economic growth
- to prepare small business to comply with the challenges of an internationally competitive economy.

From a Supply Management point of view the implementation programme of the strategy creates important expectations. Among other things it envisages a programme of procurement reform which will favour small business and bring large organisations, government and small business closer together, and it proposes greater integration of the economy with a well-managed small business sector and with good links between small-scale enterprises and large organisations. Structures were also created which aim to assist SMMEs in increasing capacity, capabilities, performance, and profitability.

The crucial question seems to be whether a small business sector that has been neglected over decades can now fulfil the role of outsourcing partner. This is particularly true for the manufacturing industry that is regarded as the most important economic sector (Department of Trade and Industry 1997: 6). Some indications may be obtained by analysing the current situation in the small business sector.

The information in Table 1 provides insight into the significance of SMMEs in the South African economy and compares these perspectives with the situation in Europe.

The table indicates that in the case of four important variables the South African situation differs substantially from the position in the European Union. In the first instance the share of employment in South Africa is smaller for small and medium enterprises than for large firms (44.8% compared to 55.2%). This differs from the situation in Europe and certainly from the situation in the rest of the developed countries. The same inverse situation applies with regard to the contribution to the GDP if South Africa is compared with Europe. It is also clear that comparable average wages in the SMME sector is much lower in South Africa than in Europe. It can also be calculated that the average wage levels in the SMME sector in South Africa compared to the wage levels in large organisations is lower in South Africa than in Europe (68% compared to 84%). Finally, the productivity of labour in the small and medium organisations in South Africa is much lower than that in larger organisations in the country and also lower than the productivity of the small business sector in Europe.

Additional pertinent information about the small business sector in South Africa is that there are currently approximately 800 000 small business enterprises in the country of which 111 950 (13.4% of all private sector enterprises) are active in the manufacturing industry. The largest number of small businesses is active in the retail trade sector, the second largest in the manufacturing sector and the third most important component of the small businesses is active in agriculture.

With a view to developing outsourcing as a means of economic and small business growth, what are the most important implications for large organisations of the information in the preceding paragraphs?

- It challenges South African executives in large organisations to re-evaluate the traditional vertically-integrated organisation in favour of a more flexible organisation structured around core competencies and long-term relationships with the SMME supply market. Part of this challenge is to move away from the current focus on cost savings in outsourcing relationships.
- It is clear that government has thrown down the gauntlet to large business enterprises to review their traditional approach to outsourcing to small business and to actively participate in outsourcing activities with SMMEs. Pressure to achieve this objective can be expected to increase in future.
- Benchmarking against international standards the SMME sector is still largely underdeveloped and therefore offers a major opportunity to big business in developing suitable outsourcing partners.
- From a profitability perspective it is clear that at least as far as labour cost is concerned there are opportunities for cost savings in outsourcing to small business. In this regard it should be noted that the government is adamant that outsourcing to SMMEs should be based on sound economic principles. In this regard Mantle & Ryan (1994: 9) echo government policy in stating that 'the point cannot be emphasised too strenuously: small business development programmes are not corporate charity'.
- There are obvious concerns about the productivity of labour in the SMME sector. Although human resources development in the national context cannot be regarded as the sole responsibility of large business enterprises, technology transfer, skills enhancement and assistance in quality control and general management procedures in small business are certainly in the interest of large firms.

Table 1. Importance of the SMME sector in South Africa (South African Department of Trade and Industry 1997: 20)

Variables	South Africa		European Union	
	SMME	Large enterprises	SMME	Large enterprises
No of enterprises (% of total in the private sector)	96.5	3.5	99.8	0.2
Share of employment (%)	44.8	55.2	66.5	33.5
Contribution to the GDP (%)	32.7	67.3	62.5	37.5
Labour productivity (output per employee)	R48 000	R80 000	R212 000	R253 000
Average wages	R28 000	R41 000	R124 000	R147 000

Empirical verification

Research plan

From the discussion above it is clear that very little is known about outsourcing as a means of building capacities in the SMME sector in South Africa. It is also clear that a comprehensive database on SMME activities or about their interaction with large organisations is almost nonexistent because of the fairly recent formal structuring of this sector.

Since Supply Management logically functions in the interface between small and big business it can be expected that some answers regarding the central problem formulation of this study could be found in investigating and analysing the interface. It is for this reason also that outsourcing is analysed from the perspective of a large organisation in general and its Supply Management operation in particular.

The research objectives of this study can consequently be grouped into four main categories:

- To identify the major impediments limiting outsourcing relations between SMMEs and large organisations in the private sector of the South African economy.
- To obtain insight in current experience of outsourcing relationships between SMMEs and large organisations.
- To determine if there are mutual advantages in outsourcing relationships and if so what the advantages are.
- To establish areas where Supply Management can make a meaningful contribution.

The research methodology chosen for this study comprises two phases:

Phase one consists of a fairly unorthodox adaptation of the case study methodology. It was decided to analyse the research results of three recent studies (1995–1996) by MBL-students of the Unisa Graduate School of Business Leadership. The three studies were chosen because of their relevance to outsourcing and also on the grounds of the industrial sectors which were investigated.

- *Automobile manufacturers:* The automobile industry belongs to the most internationalised branch of industry and it has favourable prerequisites for the evolution of local subcontracting on account of its highly divisible process of production (Halbach 1989: 8).
- *Pharmaceutical industry:* Like the automotive industry the pharmaceutical industry in South Africa is dominated by a relatively small number of major suppliers many of whom are subsidiaries of international pharmaceutical groups. The pharmaceutical industry, from the point of view of the deployment of the National Health Policy, is of vital importance.
- *Telecommunications industry:* Manufacturers in the telecommunications industry in South Africa are for the most part linked to multinational organisations, they operate in an extremely competitive global environment, and they have been involved in outsourcing for a number of years.

Phase two consists of a questionnaire survey conducted with five large organisations which were already involved in outsourcing to SMMEs through a formal small business development unit. The questionnaire was aimed at soliciting information which could be used to verify some of the results and conclusions generated by the first phase. In particular questions

were asked about the impediments to outsourcing, the reasons for outsourcing, advantages gained from outsourcing, difficulties encountered with outsourcing by large organisations, and about the characteristics of the outsourcing programmes. A five-point scale was used and ranking of the responses was thought to be important.

It should be noted that the first phase of the study was limited to the manufacturing industry since it is undoubtedly the industry which is of vital importance to South Africa and because of the major role that SMMEs in this sector play in the national economy. It should also be noted that due to the extremely heterogeneous nature of the studies and the varying research methodologies that were followed no claim can be made with regard to the general validity of the results. The study could at best be regarded as exploratory and as an effort to generate more logical postulates for future investigations. The second phase of the study was conducted with large organisations in the brewery, transport, mining, electricity generating, and petroleum industries since these were some of the leading organisations in outsourcing to small businesses.

Research results

1. Impediments to outsourcing

Information regarding impediments to outsourcing is important to Supply Management because it is these factors which will have to be surmounted if outsourcing to SMMEs is to be successful.

The information in Table 2 primarily provides insight into the impediments to outsourcing relationships in the automotive industry. The perspectives of development organisations in the field of small business in South Africa (mostly government-funded), the six big automotive manufacturers, and ten subcontractors are summarised.

In the case of both the studies in the pharmaceutical industry and in the telecommunications industry the impediments to outsourcing were not explicitly researched. However, the following deductions regarding the impediments to outsourcing could also be made from the research results of these studies (Parekh 1995; Delpont 1996):

- Quality assurance procedures/capabilities of SMMEs are inadequate (pharmaceutical).
- Reliability of subcontractors (lead times, delivery quantities, and delivery dates) (pharmaceutical).
- High product cost is **not** an impediment to outsourcing (pharmaceutical and telecommunications).
- Inadequate technology is **not** an impediment to outsourcing (telecommunications).

In analysing the information in Table 2 the perceptions of the development organisations are of passing interest only since the structure of support organisations has changed dramatically since the study was completed. The first two impediments in the table can also be ignored since comprehensive legislation regarding SMME development has since been promulgated in South Africa. In Table 2 there are therefore three impediments on which there are agreement between large and small organisations that they really represent obstacles to outsourcing. They are lack of financial acumen, lack of management skills, and finally, the difficulties encountered by outsourcing to a large number of SMMEs.

The results of the questionnaire survey in the second phase of the study conducted with large firms only, provided a ranking of the importance of impediments to outsourcing (refer to Table 3). The table clearly stresses a strong agreement on the first four impediments.

If the information in Tables 2 and 3 is combined with that of the studies in the telecommunications and pharmaceutical industries, it can be included that the following are probably important impediments in the outsourcing drive of large organisations with SMMEs:

- Information on suitable SMME suppliers is not easily available.
- The quality assurance and quality standards of SMMEs are inadequate.
- User departments within the organisations are reluctant to participate in an outsourcing programme with SMMEs.
- The management skills of SMMEs are a limiting factor.
- Reliability (e.g. lead times, inventory holding, delivery quantities) of SMMEs is not satisfactory.
- Lack of financial acumen in SMMEs.
- Outsourcing to a large number of suppliers is problematic.

The information from the four studies reveals two important differences of the SMME market if compared to the Halbach study (1993) and the expectations of the Department of Trade and Industry's White Paper (1996). It appears as if poor technological capabilities of SMMEs and excessively high costs are not serious inhibiting factors in outsourcing by large organisations to SMMEs in South Africa. The conclusion about the cost associated with outsourcing seems to support the information on the competitive advantage of labour cost provided in Table 1.

The information in Table 1 creates the following challenges for Supply Management in South Africa:

- The need to develop an effective and relevant supply research organisation in large enterprises.
- The need to institute a comprehensive and cost-effective supplier development programme designed to address the needs of the SMME market.
- The need to develop a specific quality awareness and quality assurance programme for SMMEs (integrated with the supplier development programme).
- The need to communicate internally in the organisation information on the advantages of outsourcing and the implications of outsourcing in view of government initiatives as well as on the importance of the need to maintain a strategic perspective on outsourcing and not to regard it as a short-term cost-saving drive.

2. Reasons for outsourcing to SMMEs

The above discussion on the impediments to outsourcing already implies that Supply Management should be aware of the reasons for outsourcing by large organisations to the SMME market since it could provide motivation for internal departments who are reluctant to support outsourcing programmes to SMMEs.

The analysis of the three existing studies in phase one revealed that one of the studies, the study of the telecommunications industry, ranked the reasons for outsourcing of large organisations in that industry (Delpont 1996: 159):

- There are cost savings to be achieved through outsourcing.
- The technology of the subcontractor is better.
- Work gets done quicker when it is outsourced.
- The drive to upliftment of previously disadvantaged communities (in SMMEs).

Again, no specific investigation into the reasons for outsourcing by large firms were undertaken in the case of the studies of

Table 2. Impediments to outsourcing in the automobile industry (Nardini 1994: 117 adapted)

Nature of impediment	Category of respondent		
	Developing organisation	Large firm	Small firm
Legislation unsupportive of SMMEs	Agree strongly	Agree strongly	Agree strongly
Lack of government support	Agree strongly	Agree strongly	Agree strongly
SMME technology questionable	Disagree	Agree	Disagree
Unacceptable quality by SMMEs	Disagree	Agree strongly	Disagree strongly
Lack of financial acumen in SMMEs	Disagree strongly	Agree strongly	Agree strongly
Lack of management skills in SMMEs	Neutral	Agree strongly	Agree strongly
Outsourcing to a large number of suppliers is problematic	Agree strongly	Agree strongly	Agree strongly
Outsourcing creates future competitors	Neutral	Disagree strongly	Disagree strongly
Internal disagreements in large firms inhibits outsourcing	Neutral	Disagree strongly	Disagree strongly
Outsourcing is not financially viable	Disagree strongly	Disagree strongly	Disagree strongly

the automobile industry and the pharmaceutical industry. However, it was possible to deduce the following reasons for outsourcing to SMMEs from the discussion and results of the studies:

- Financial benefits for both big and small enterprises (automobile manufacturers and pharmaceutical).
- Increase in manufacturing capacity (pharmaceutical).

In phase two of the study participating firms were also asked to prioritise their reasons for being involved in outsourcing programmes. Based on this information the following reasons ranked from most important to least important were identified:

- Outsourcing is aimed at developing future suppliers.
- Outsourcing is part of the organisation’s support of the government’s policy of developing small business.
- Outsourcing is part of the strategy of concentrating on core competencies.
- Outsourcing is mainly aimed at cost savings.
- Outsourcing is aimed at acquiring competencies/skills/technology that are not available in-house.

In comparing the results generated by phase one of the study with those of phase two of the study there is again a major overlap. However, there is also a clear difference in the priorities of the reasons for outsourcing. The first phase studies revealed an emphasis on short-term reasons (particularly financial benefits and technological gains) while the second phase study clearly illustrated a more mature approach to outsourcing in the emphasis being placed on longer term strategic reasons such the development of the supply base, the concentration on core competencies, and the macroeconomic reason aimed at creating a small business sector in the national interest. Some of the reasons for this discrepancy may be the lapse of almost two years between the studies, a period in which major changes in national policy and legislation were introduced. It could also be attributed to the limited scope of the studies. There is, however, a strong possibility that the data from the second phase study reflect a longer period of outsourcing experience and a change in management perceptions of the importance of outsourcing.

Whatever the reasons may be, the information again poses very specific challenges for Supply Management:

- The need to be actively involved in a supplier base development programme based on specific needs.
- The need to be aware of and, if required, to become involved in government-initiated programmes aimed at creating a base of SMMEs that can compete in global terms. In this regard the regionalised Local Business Support Centres (LBSCs) envisaged in the White Paper offers specific opportunities.
- In view of the persisting strong emphasis by top management on cost savings from outsourcing, Supply Management should endeavour to achieve such cost savings. If this does not occur, a specific outsourcing programme may be prematurely scrapped.

3. Experience of outsourcing to SMMEs by South African firms

The actual experience of large South African organisations in outsourcing programmes with SMMEs can contribute much towards clarifying the role of Supply Management in promoting the aims of the organisation, the aims of the Supply Management division itself, and finally, the macroeconomic goals of industrial development.

The phase one analysis revealed very specific experiences in the three industrial sectors involved. These experiences, for example difficulties experienced, advantages realised, disadvantages, and perceived opportunities, are listed and categorised below without any effort to prioritise them.

Experience related to financial benefits and costs

- There are financial benefits for both large organisations and small businesses in outsourcing (automobile manufacturers, pharmaceutical industry and telecommunications). SMMEs seldom exceed budgeted cost and when it occurs cost overruns are by a small margin only.
- Product quality and defective production are the highest occurring causes of cost increases when outsourcing (automobile industry).

Table 3. Impediments to outsourcing as perceived by large organisations

Impediments to outsourcing	Importance of impediment (ranking)
• Information on suitable SMME suppliers is not easily available	1
• The quality assurance and quality standards of SMMEs are inadequate	2
• User departments within the organisations are reluctant to participate in an outsourcing programme with SMMEs	2
• The management skills of SMMEs is a limiting factor	4
• Reliability (e.g. lead times, inventory holding, delivery quantities) of SMMEs is not satisfactory	4
• Technology/specialised skills available in the SMME market are unacceptable	6
• The transaction costs of outsourcing to SMMEs are prohibitive	7
• Prices in the SMME market is not competitive	7
• Appropriate legislation in this regard has not been passed	7

Experience related to general management skills

- There are limited difficulties related to full delivery quantities, meeting of specified dates and other delays (pharmaceutical industry).
- The majority of prime contractors have developed policies and procedures to regulate the outsourcing relationship (pharmaceutical industry).
- Cost-effectiveness, on-time delivery, quality management, good manufacturing practice, and inventory management are the key success factors of outsourcing as perceived by a prime contractor (automobile industry).

Experience related to quality and efficiency

- Generally, quality performance is adequate but there are some areas of the quality assurance programme such as performance self-audits and documentation regarding quality records that cause difficulties (pharmaceutical industry).
- Subcontractors work faster than their principals could (telecommunications).
- The technology provided by subcontractors is superior to that which is available in-house (telecommunications).

General comments

- Partners in outsourcing relationships were not involved in research and development projects (telecommunications).
- Outsourcing did not cause a loss of essential skills (telecommunications).

Phase two of the research generated some additional information on the experience of outsourcing of large organisations to SMMEs. For convenience the same categorising is used as for the phase one analysis and only the most important experiences are listed.

Experience related to financial benefits and costs

- Subcontractors provide in the requirements at a lower cost than in-house costs.
- SMME suppliers require high development costs.

Experience related to general management skills

- SMME suppliers require increased effort in finalising contracts.
- SMME outsourcing programmes require high management inputs from the firm.

Experience related to quality and efficiency

- Outsourcing provides the firm with access to superior quality.
- Quality performance is usually unsatisfactory.
- Subcontractors can provide services/materials faster than their principals can.

General comments

- Subcontractors provide the organisation with speciality skills/technology.
- Outsourcing provides access to a broader supply base.

Finally, the second phase of the research also provided the information that outsourcing programmes are almost never the main responsibility of Supply Management and that these programmes usually form part of the overall strategy of the organisation.

An overview of the experiences of large organisations of outsourcing to SMMEs in South Africa has some valuable lessons for future planning in Supply Management:

- Outsourcing to SMMEs should always be preceded by a thorough investigation of the small enterprise's quality capabilities. Qualification of a supplier on the basis of quality performance should be a priority.
- Supply Management can be confident that much can be gained in terms of cost reduction, efficiencies, and technological competencies through outsourcing to SMMEs. This market is therefore well worth including in future planning of the supply base.
- Large organisations should realise that the traditional supply relationship between principal and subcontractor should be expanded in an outsourcing relationship. Knowledge transfer in terms of, for example, general management, financial management, quality management procedures, and inventory management are of necessity part of the outsourcing relationship with SMMEs.

Meaningful involvement of Supply Management in outsourcing

'The existence of meaningful involvement for supply really requires that strong evidence must exist that the organisation has committed to the idea that suppliers and the way it relates to them is vital to its success' (Leenders 1995: 19).

There can be little doubt that economic, social and government pressures to develop the SMME market through outsourcing are compelling large organisations in South Africa to accept the importance of small enterprises as suppliers. Supply Management in this country is therefore in a unique position to make a meaningful contribution.

Based on the evidence of the research meaningful involvement by Supply Management can occur in two broad fields. Promoting the interest of the organisation is certainly the first and foremost responsibility, but in a broader perspective Supply Management should also be involved in the development of SMMEs as a national priority in South Africa.

The first and foremost need is for Supply Management to be able to provide information on suitable SMME suppliers to the user departments in the organisation and to top management. Since the SMME market as an outsourcing opportunity is in the first development stages, there is a unique opportunity for Supply Management to influence decision making by providing information on, for example, the availability of SMME suppliers, the relative strengths and weaknesses of individual suppliers, the priorities in developing suppliers, the costs related to outsourcing to a specific SMME partner, and the strategies of competitors in this regard. To be able to do this, supply managers should make more resources available for research and revise the role of research units in the supply department.

Secondly, Supply Management should take cognisance of the fact that there are already indications of limited involvement of supply departments in the small business development units of large organisations. Only by bringing unique skills and knowledge about outsourcing and SMMEs to these units can Supply Management expect to make a meaningful contribution. These skills and knowledge may include supplier evaluation, partnership relations building, value analysis, knowledge about international market trends, availability of materials, products and services, and how to develop suppli-

ers. The message to Supply Management is clear: get involved or get by-passed, perhaps permanently.

Thirdly, the research results clearly indicate an urgent need for quality improvement in the SMME market. Supply Management can make a meaningful contribution in the development of quality assurance capabilities as part of the overall supplier development programme of the SMMEs. Supplier development and quality improvement are basic skills in Supply Management and should also be made available to the SMME outsourcing programme.

Fourthly, it is clear that SMMEs in South Africa are in need of management assistance in several areas. Undoubtedly this will call for a team effort from large organisations in rendering assistance if outsourcing to SMMEs is to be successful. Supply Management can be meaningfully involved in such a team, particularly in assisting the SMME in solving supply problems. There are already indications that some of the difficulties experienced by SMME suppliers of outsourced products are being caused by the contractor, particularly where the principal is providing raw materials to the subcontractor (Parekh 1995: 74). A meaningful role is obvious in cases where the SMME is weak in managing the supply chain. Also, since productivity is an issue, it should be borne in mind that labour productivity is only one element in the productivity equation. The productivity of inputs in terms of materials, products, and services for the SMME's operation is crucially important and represents an area for meaningful involvement for Supply Management of large organisations.

Fifthly, as indicated earlier, outsourcing can really make a meaningful contribution to international competitiveness when large organisations move away from the short-term cost-saving perspective to a more strategic focus on outsourcing non-core competencies to SMMEs. The results of the second phase study clearly indicate that this trend is already establishing itself in large firms in the South African economy. The next development phase in outsourcing is involving SMMEs in the provision of requirements that are directly linked to the core competencies of the outsourcing organisation. Supply Management can be meaningfully involved in anticipating this development and in developing a suitable supply base for this development.

Sixthly, Supply Management should be directly involved in creating a more integrated SMME supplier base for South Africa as a whole. Meaningful involvement implies being actively involved in Local Business Support Centres, in local Chambers of Commerce and in government initiatives aimed at uplifting SMMEs in previously disadvantaged communities. It should be emphasised that such involvement by Supply Management of large firms is not altogether altruistic, since gaining access to government contracts and projects funded by local authorities is a natural spin-off of such activities.

Finally, Supply Management can be meaningfully involved in developing the overall outsourcing strategy of the firm by continually benchmarking the performance of domestic SMMEs against international competitors. Information provided by such benchmarking procedures can influence the direction of the outsourcing strategy on the one hand but it can also influence the broader national plan for SMME development.

Conclusion

Outsourcing in South Africa is a fairly recent development and its complexity is increased by involving aims that are not entirely related to the normal sphere of business activities. This article has shown that outsourcing in a developing economy can contribute much to capacity building in SMMEs. It also found that large organisations are currently not really strategically focused in the implementation of their outsourcing programmes. Supply Management whose normal operational responsibility is in the interface between large organisations and SMMEs should be in a position to make a meaningful contribution to the outsourcing strategies of large organisations both in formulating and in implementing strategies. Supply Management has a dual role to fulfil in outsourcing a macro-economic involvement in the broader national strategy of small business development and also, but perhaps particularly, in creating a supplier base which can provide in the needs of large organisations and in ensuring their global competitiveness.

This article establishes the fact that Supply Management in South Africa is indeed in a unique position to become meaningfully involved in outsourcing and it explores some critical areas of meaningful involvement. The future of Supply Management may to an important extent be determined by how successful this involvement really is.

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Network computers: the future computer generation

René Pellissier

Unisa Graduate School of Business Leadership

Inecke Snyder

IBM South Africa

The business drivers that are compelling corporations to change their computing environment, and the network computer as a solution which helps to implement an optimal strategy for a corporation are investigated. The evaluation of the network computer and the motivating factors resulting in the possible shift from desktop-based computing are explored. The network computer, as a new type of desktop computing device that has a very low cost of ownership, that provides better security than a personal computer, and that is designed specifically for Intranets and the Internet, is introduced. This leads to the business reasons, including, amongst others, costs and manageability, favouring the network computer as the choice of the future. Furthermore, the early adopters of this new technology are identified and a possible framework for deployment thereof is presented. The functional advantages of the network computer will be significant for many environments (e.g. Webtop computing), and can gradually be adopted. The network computer can coexist with personal computers already in use because both desktop devices are capable of accessing Internet- and Intranet-based applications.

Introduction

Corporations continually have to change their working environments, including their computer environment, as Information Technology (IT) plays an important part in a corporation's strategy. For management to make sound business decisions, they have to be fully informed of all that is new in the business realm. Network computers constitute a small area within this realm. However, understanding this can greatly enhance the corporation's ability to do business effectively and efficiently. The idea behind a network computer is simple in that it tries to marry the decentralisation advantages of the personal computer (PC) environment with the centralisation virtues of the nonprogrammable terminal. In other words, the network computer functions to help the corporation manage the desktop more effectively, while providing ease of use, flexibility, and access to all information.

Objectives

The purpose of this article is to assist management in understanding the business and information technology implications of network computers by researching the business

drivers that are causing corporations to change their computing environment, and by determining how the network computer helps corporations optimise their strategy by allowing them to:

- invigorate existing applications;
- extend organisational boundaries;
- provide ubiquitous Internet and Intranet access;
- support low-cost information dissemination.

The objective of the article is further to provide a high-level understanding of how network computers can be deployed within the corporation.

Problem statement

The Internet/Intranet has made information, services, and products accessible to millions of people. At present, the primary means of accessing the Internet/Intranets is through personal computers. Various organisations estimate that the total cost of ownership of personal computers can range from US\$5 000 to over \$15 000 a year (IDC: 1997). These figures make it impractical for organisations to deploy personal computers wherever they might want them. There is an increasing need to deploy desktop computing devices in far greater numbers, especially as more and more people need or desire access to Web-based/Multimedia applications.

Results

Figure 1 depicts the evolution of the computing industry in which the number of users plays an important role. Over the past ten years client/server application developers have learnt that 'fat clients' (a computer device that requires operating systems where the applications are stored on the hard drive of the machine) are:

- difficult to secure;
- complex to maintain;
- difficult to upgrade;
- difficult to use (especially in light of the fact that the underlying operating environment is constantly changing, with knowledge becoming obsolete on a biannual basis);
- overworked networks (because of the large amount of messages that are transmitted back and forth between the client application and the backend server);
- not able to reliably support high-transaction systems;
- able to create situations where it is difficult to share data.

For these and other reasons there has been a shift from desktop-based computing – which began with the introduction of personal computers, where application logic and databases reside on the personal computer – to server-based models. At closer inspection, one will notice that client/server applications are actually very server-oriented (depending on the model of the client server). In fact, they have laid the groundwork for network computers that are based on the assumption that applications and databases are being deployed in networked environments such as local area networks (LANs) and the Internet. Because applications and data are being shared, the desktop device must be simplified and optimised for networks so as to maximise performance, security, reliability, and maintainability. Finkelstein (1997) suggests that the evolution of client/server computing will help explain this trend:

Stage 1: File server deployment. People needed to share information and, therefore, files were off-loaded from the personal computer to the server, and users could share files and printer resources.

Stage 2: Database servers. Database servers moved databases and database management tasks off the desktop to the server; thus, both file management and database management have become more server-oriented.

Stage 3: Application partitioning. The object of application partitioning is to minimise network traffic and off-load work from the desktop by moving application logic in part or in total to the server.

Stage 4: The Internet/Intranet Web model. With the introduction of the Internet/Intranet, applications are now fully deployed on Web servers, which can be either existing (legacy) applications or entirely new applications.

Network computers constitute a new phylum of computing devices. They are divided into two broad classes, namely business and/or consumer-based. Some network computer devices are the desktop network computer for the business sector as they use personal computer technologies (monitors, keyboards, network interface cards, and expansion slots) providing higher bandwidth network access, greater functionality, better graphics resolution, and more expandability than the network computers for the consumer market. Other network computers, sometimes called 'Internet appliances', focus on the consumer market in that they include an Internet browser, but exclude text-terminal emulation and LAN attachment. They typically use television as displays and modems connected to dial-up telephone connections for Internet access. These would include devices such as set-top boxes (e.g. WebTV).

It is important to understand the difference between 'fat clients' (personal computer) and 'thin clients' (network computer, NetPC). As a general rule, personal computers are more expensive to acquire, more complex to install and manage, and

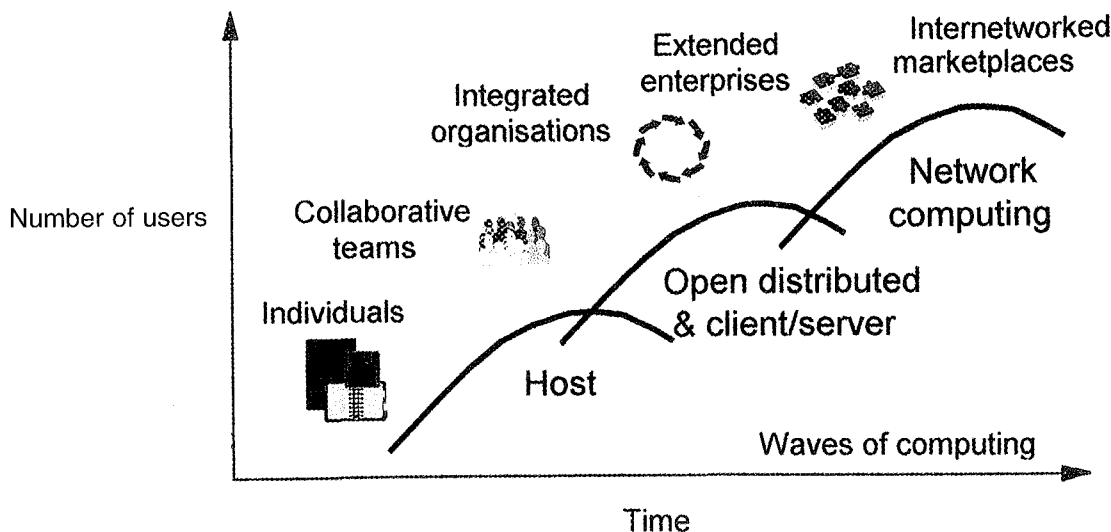


Figure 1. The evolution of the computing industry

provide more flexibility than network computers in terms of the ability to attach a wide variety of hardware devices (Christiansen & O'Brien 1996). The focus of personal computers is on personal applications, personal data, and end user independence though it may come at the expense of manageability and inflated cost of ownership. Personal computers tend to be clientcentric in that most of the applications are stored on the desktop and executed there rather than on the servers in the network. Network computers are focused on access to applications served from the network. There is greater emphasis on centralised management and control to reduce cost of ownership and there is some reduction in flexibility of end users to install whatever they want, whenever they want, and however they want (which also reduces the associated administration complexity, security issues, and cost).

The NetPC is a different subcategory of 'thin clients'. These are Intel machines that typically use personal computer applications and are not oriented towards the JAVA development paradigm. They may have 'sealed' disks that store programs and/or operating systems like NT 5.0.

Business drivers that could change the organisation's computing environment

Barrie (1996) as well as Christiansen & O'Brien (1996) found some overwhelming reasons and benefits as to why Internet/Intranet-based applications make business sense for the future:

- *Affordability* – Internet/Intranet applications leverage existing server hardware, software and organisational computing knowledge.
- *Rapid deployment* – The Internet/Intranet encourages rapid application deployment. Unlike traditional client/server applications where newly developed software must be installed on each and every desktop personal computer (by IS staff), Internet/Intranet applications are only installed in one place – the server. Once installed, the application is immediately accessible by any authorised user who has Web-browsing capabilities.
- *Scalability* – Internet/Intranet applications can run on local area networks, private wide area networks (WANs), or the Internet. Intranets (private networks) are more secure and easier to manage when highly predictable service rates are required (connect time, response time, et cetera).
- *Access and usability* – With the Internet/Intranets, organisations can deliver new kinds of information, services, and products directly to the customer. Customers can do their own account inquiries, order entries and information queries. Network computers support many types of common network protocols and all types of applications.
- *Maintainability* – Internet/Intranet applications are installed, upgraded, and corrected on the server. Most network computers contain no moving parts and, thus, further help in the maintenance function. Set-up time for a personal computer is generally longer than that of a network computer.
- *Reliability* – It is far easier to design, test and debug application software that resides on a single server compared to application software that must be installed on thousands of desktops ('fat clients'). The chaotic nature of personal

computer environments makes it very difficult, if not impossible, to test new software for every possible permutation. As a result, applications installed on desktop personal computers frequently exhibit unpredictable behaviour or do not work at all.

- *Security* – Because databases and applications are installed on servers, it is possible to build layers of security protection around sensitive information.
- *Network bandwidth control* – Most organisations already have network infrastructures capable of handling Internet/Intranet traffic. In many cases Internet/Intranet traffic is actually less than what is currently required by client/server applications that are continuously sending messages back and forth. Internet/Intranet applications reduce network traffic by positioning applications and data sources in close proximity to each other and by making use of Java front-end applets.

The network computer – the future Internet/Intranet device

The majority of information workers need a graphically-oriented desktop device that can be effectively maintained by IS professionals and that allows them to run whatever applications and access whatever data are needed that day or in the future. The corporation that employs these individuals would like to provide their information workers with a desktop client that can be cost-effectively supported and upgraded in order that it will not become obsolete within two to three years.

Atre (1996) suggests that there are more than sixteen million nonprogrammable terminals (worldwide) and probably twenty to thirty million 286 and 386 computers, along with millions of low-end 486 machines that cannot run Windows 95 and will ultimately need to be replaced or upgraded. All of these terminals and low-end personal computers are prime candidates for replacement by a network access device like the network computer.

Customers with terminals can feel comfortable that they can upgrade to network computers without disrupting business operations. IS decision makers who understand that the current versions of Windows 95, Windows NT, OS/2, and Mac OS will be obsolete by their supplier's next generation operating systems within the following 18 months, can commit to network computers with minimal risk. As new Java-based applications and Web-based electronic commerce become the norm in the near future, some network computers are already fully capable of meeting information workers' new requirements without any changes.

Network computers fill the gap between a native terminal and a full-fledged personal computer desktop by providing users with:

- easy access to multiple application environments through the use of 5250 and 3270 (green screened text-based non-programmable terminals), ASCII, and/or -terminal emulation; users merely click on the appropriate terminal icon and, if authorised, are connected to the application environment of their choice;
- transparent use of client/server and personal productivity environments including access to any Windows-based applications (including word processing, spreadsheets, e-mail, graphics presentations, project scheduling, et cetera) that run on a centralised Windows NT server;

- a growth path to new and evolving Java application environments, Java-based programs, Internet applications, and numerous third party packaged applications.

Advantages in using network computers

While network computers and personal computers have comparable capabilities, e.g. display GUI (generic user interface), execute applications (these could be Java applets), access and share centralised databases, files, and printers, there is a significant business and technical rationale for adopting network computers.

Cost issues

Figure 2 provides a client/cost-to-use ratio. Since few sites have been functioning for an extended period, there is a limited body of experience as to the savings network computers will deliver. Therefore the figures quoted include some speculation and educated guesswork. One has to bear in mind that the figures for ownership of personal computers do not constitute an exact science either. For client/server, there are so many differences between organisations in terms of number of users, kinds and importance of applications, configuration, legacy system access, et cetera, that it is difficult to calculate exact costs.

Training

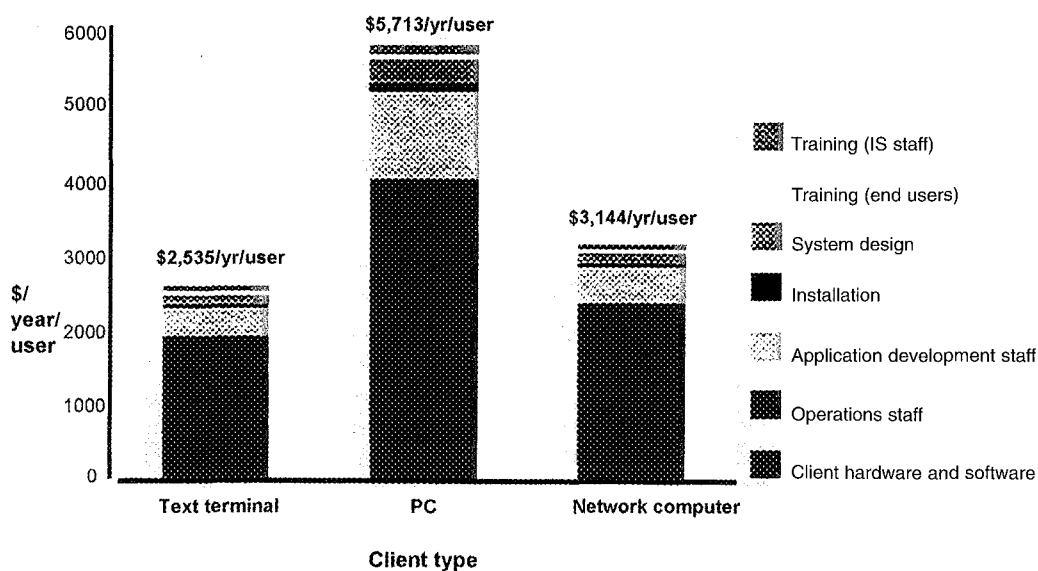
Atre (1996) found that training costs expressed in days over five years are 102 days for personal computers and 37-75 days for network computers. Moreover, with the network computer, there is no operating system to learn, formally or informally. (Operating systems include MS DOS, OS/2 Warp, Microsoft NT, et cetera.) The cost of insufficient training cannot be easily captured in an audit. Many users operate the personal computer software as if it were a typewriter and use none of the productivity features. Users also waste time through the incorrect usage of software. A major training cost factor is the time users spend assisting each other.

Operation and upgrades

There is no local storage or operating system with the network computer, and applications and files are stored on the server and centrally administrated. If so authorised by the administrators, users can change their network computer desktop using all the traditional personalisation of the personal computer desktop as well as customising their access for personal computer application.

A significant cost is the time lost when personal computers crash or freeze. These costs do not appear in any budget and are not directly transferable in terms of profitability. When the client or server is unavailable because either device has unexpectedly failed, this unscheduled downtime is of major annoyance to users. Some end users spend much time performing multiple log-ons and log-outs to legacy systems.

The useful life of a personal computer with native operating environment and applications seems to be approximately three years, when it is typically time to replace or to upgrade. The network computer cuts out most of the time lost to personal computer hardware and software upgrades. These costs result when users are denied access to their clients during upgrades (known as scheduled downtime). The benefit of network computers is that upgrades are commonly handled at the server without disrupting the user and, furthermore, the user's custom setup (on his or her individual station) is maintained at the server level. Therefore, the user is presented with his or her individual profile regardless of the desktop device or the physical location. It is important to bear in mind that this is the case provided these upgrades do not require an upgrade to the server's power. Personal computer vendors are struggling to include features in their personal computers that will automate the setup, administration and maintenance of personal computers, especially for corporations with extensive networks. The savings that the network computer delivers at the desktop will be offset to some degree by increased costs at the server, where most function will reside.



Source: International Data Corporation, 1996

Figure 2. Client/cost-to-use comparison (International Data Corporation 1996)

Software development

This is the second largest cost category, including systems programmers, application developers, database development, and applications development management. In the network computer environment, all application development efforts are centred on the server, whereas in the personal computer environment, there is much emphasis on running large portions of client/server applications on the personal computer (for some applications, this distribution of work has its benefits, but it introduces a high degree of development cost into IS budgets).

Other cost factors

There are other areas where costs are also effected. These cost factors are listed for completeness:

- Bandwidth requirements.
- Software acquisition cost.
- Administrative labour related to personal computer acquisition and support.
- Third party training.
- Application testing.

Environmental conditions

Network computers have a simple hardware architecture that minimises or eliminates mechanical devices, such as fans and disk drives, which are sensitive to poor environmental conditions. This makes network computers ideal for factories and small remote offices, for example police stations, that require information from the organisation's databases.

Security and administration issues

All data and software programs are secured on servers. This is in contrast to the personal computer model, where data and programs are widely distributed on tens of thousands of personal computers, making it physically impossible to secure data and programs. Organisations have the option of using Intranets and the Internet without having to worry about their data because of the security layers available. Different types of security layers are the following:

- Database and individual data element level security.
- Application security.
- Network access security (Internet firewalls).
- Network data traffic security (data encryption).

Because of the lack of local disk drives, the network computer inhibits users from tampering with their desktop configuration settings and prevents them from loading rogue, maverick, and often unauthorised personal computer software programs (sometimes viruses) that can result in hours of unnecessary personal computer desktop troubleshooting. The only way in which the new software could be introduced to the system is either by way of file downloads from the Internet or from extra attachments sent through e-mail. The network administrator can easily monitor all of this and user rights can be set very tightly if called for. Network computers prevent users from walking away with corporate data, nor can corporate data that is stored on laptops be stolen.

Network computers are configured and managed from the central designated server. It is important to remember that these servers need to be powerful if they are to provide the promised benefits. Any problems or errors are dealt with on the server. The network computer environment is more homogeneous, thus making it easier to replicate, isolate, and fix problems. Problem resolution is more predictable and timely.

Management

A Java- and HTML-based Internet management tool can ensure that users get a high level of desktop service and remain in compliance with corporate desktop standards. With this tool, IS administrators can configure user desktops, establish application and server authorisation rights, manage desktop display options, and provide users with information access services they need. They can also prevent users from modifying or breaking their desktops and thereby increasing IS service costs and the time spent on correcting and maintaining the desktops. It is the experience that many managers believe that the deployment of network computer devices will actually lead to a higher level of desktop service for their end-user communication at far less cost; applications can be better managed and more easily installed when located on a centralised server environment.

Organisations that can benefit from network computers

Network computers are not required by users who perform the same basic, character-driven task within the boundaries of a constant environment, for instance data input/retrieval and point-of-sale transaction processing. Users who perform these tasks under the auspices of a single server usually only require a simple terminal or display device to do their jobs.

Network computers are also not currently designed to fulfil the needs of mobile users (those who live by the laptop) and those information workers who require personal computer-grade programmability, display, and computational storage capabilities or the attachment of nonstandard peripherals. The Aberdeen Group (1997) found that personal computers are still needed by end users who require one or more of the following features:

- local programmability using personal computer-based programming tools and utilities, for instance to write and run complex decision support queries or to develop software;
- advanced desktop computational and graphical display capabilities, especially for use in individualised engineering and creative design applications;
- local storage for certain branch office or home applications where remote storage would be inconvenient;
- specialised peripheral attachment for function-specific peripheral environments that are not currently supported.

Remote users can, in many cases, benefit from the network computer, but operating and application requirements should be carefully examined. Since the network computer boots from a server, performance of the boot process may not be acceptable across slow-speed network connections. In the future, certain network computers will have support for flash memory cards inserted into the PCMCIA slot. These cards will allow the network computer to boot from that card rather than a

network server, making it more user-friendly for remote users. According to the Aberdeen Group (1997), it is thought that early adopters of the network computer environment include:

- *health-care-related industries* that need to provide their users (internally and externally) with the ability to access multiple platforms and support leading-edge application technologies, without compromising security. (Physicians will be able to use Internet applications for patient verification, claims status inquiry, and claims processing.)
- *government and non-profit organisations* which are fundamentally information providers. Network computers can be deployed in libraries, schools and universities, government agency offices, research laboratories – wherever access to government-provided information is required.
- *educational institutions* can use network computers as a lower-cost desktop alternative for students and faculty. Eventually primary and secondary schools – now using antiquated personal computers because of the prohibitive cost of upgrades – may soon also adopt network computers.
- *hotel chains and airports*, which will allow business travellers to access e-mail and other corporate information from hotel rooms without having to lug around expensive and fragile laptops wherever they go. (Personal computer laptops not only pose a reliability issue – regular backups – but they are also an enormous security risk because they can easily be stolen.)

Other early adopters are banking, security, consumer finance, and distribution companies who are all in the position where they can replace their millions of terminals with GUI-enhanced applications running on network computers.

Initially, network computers will be deployed in locations where there are not existing personal computers or to replace green-screen dumb terminals. Over time, as existing personal computers become obsolete, rather than replacing them with new personal computers, they can be replaced with network computers. All Internet/Intranet applications will continue to run unchanged on the network computers. In order to prepare for this eventuality, many organisations are now planning their current and future application development and deploy-

ment around the Internet/Intranet model. Figure 3 provides a framework for the deployment of network computers.

Conclusion

The functional advantages of network computers will be significant for many environments (e.g. Webtop computing), and can gradually be adopted. They can coexist with personal computers already in use, because both desktop devices are capable of accessing Internet/Intranet-based applications. Although the network computer does not run Intel (Microsoft and Lotus) applications, it does provide access to these applications on a network server running certain software. The software allows a personal computer to become a shared application server; this machine then supports any application that will run under Windows 3.1, Windows 95 or Windows NT. Both devices are highly functional, intelligent, and capable of running a wide variety of applications. The network computer should hold great appeal to organisations that want robust application delivery to the desktop, with GUI, but do not want to spend money for their users and IT staff to become 'PC gurus by default'.

With the central administration of applications, network computers enable corporations to keep applications current. Server-based functionality also minimises the downtime that results when personal computers crash or freeze. The business needs that the network computer fills are in terms of the provision of graphical interfaces, connecting them to enterprise systems, and thus providing a substantial cost saving.

The network computer could require only a third (or less) of the labour requirements for personal computer support. The Gartner Group has estimated that, overall, network computers will cost a fifth as much to own as personal computers over five years. Network computers offer reliable operation and advanced functionality and consume far less of end users' and IT staff's time.

Although the network computer offers significant advantages to the corporation, it should be seen as part of an overall managerial strategy balancing many variables, including budget control and IT service skills.

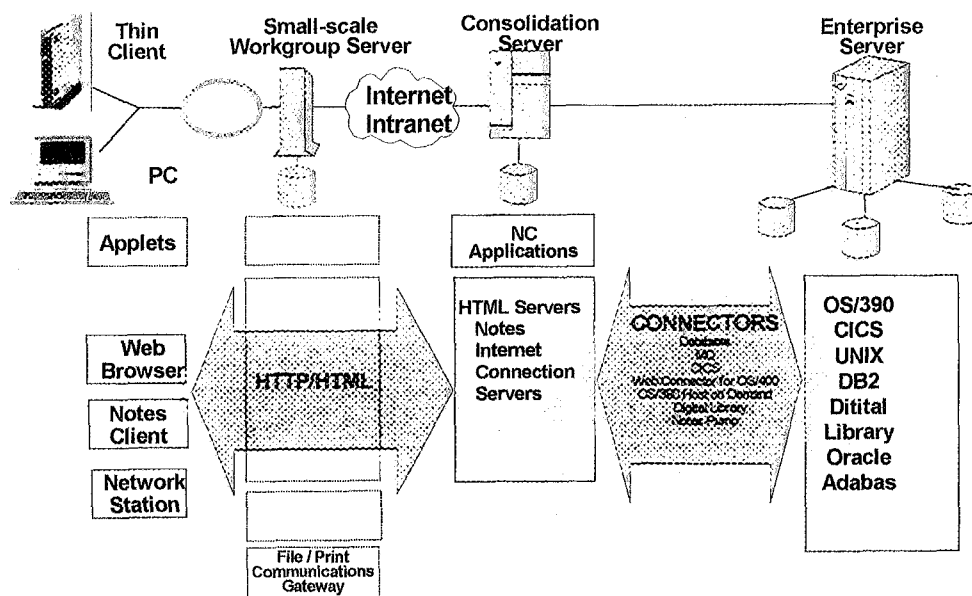


Figure 3. Framework for the development of network computers

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The concepts of vision and mission revisited

JJ Murphy

It is contended that debated differences between Vision, Purpose, Paradigm, Strategic Intent, and Mission are either peripheral or semantic. They represent the same essential concept with the exception of Mission. The analogy of how the infant brain rapidly creates neural pathways to recognise, preserve, construct and interact with the language, culture, beliefs and values of its immediate environment is used to describe how the infant organisation, through the stages of its life cycle, similarly constructs a language, culture, and belief and value system derivative of its environment. It is a paradigm for survival that, ironically, can become so resistant to change that the organisation is imprisoned in a 'paradigm box'. Case studies of Wal-Mart, Hewlett Packard, Matsushita Appliances, and The Body Shop demonstrate this evolution of Vision and the way it encapsulates culture, values and beliefs. It is explained how a company can change its Vision and break free of a 'paradigm box' by means of the Focused Approach. Conditions prevalent at the foundation of the company are compared with those of the present to ascertain the degree of paradigm shift, and practical steps to implement change in a controlled way are presented. The three views of Mission, namely strategic, philosophical/ethical, and military, are discussed. It is concluded that Mission stands as a separate concept because it embodies the 'do' function of an organisation, and should not be clouded with attributes such as values, ethics, and so forth which properly belong in the Vision statement.

Introduction

'After many years of research, a plethora of books and articles on the subject, nearly a decade of being the genesis of most strategy sessions with companies, we still find that the concepts of Vision, Purpose and Mission are open to a wide variety of interpretations' (Murphy 1997). This debate has been further complicated by best-selling authors Gary Hamel and C. K. Prahalad in their *Harvard Business Review* article 'Strategic Intent'.

An inspection of recent research reports and textbooks on Strategy, Vision and Mission, such as Thompson & Strickland (1997), Snyder, Dowd & Houghton (1994), Campbell, Devine & Young (1990), and Quigley (1993) to name a few, would seem to substantiate the above statement by Murphy.

The concepts of purpose and vision

Purpose

Why does the company exist? Who should benefit most from all the effort that is put into the company? Why should a manager or an employee do more than the minimum required?

Who owns the company? These questions are deeply philosophical and spiritual and sometimes evoke long and acrimonious debate. The debate appears to resolve itself into three broad categories that vary from the materialistic and selfish at one end of the spectrum to the more altruistic at the other.

Firstly, there are those who claim that the company exists for the benefit of the owner or shareholders. 'Maximisation of shareholders' value' is a phrase often quoted by managers and academics who hold this viewpoint (see Rappaport 1986).

Most managers and academics, however, have rejected this single-minded approach. They do not believe that the company's only purpose is to create wealth for the owners or shareholders. They acknowledge the claims of other stakeholders such as customers, employees, suppliers, and the community. The second view of the company's purpose, therefore, is that it exists to satisfy in more than a material sense all its stakeholders (Stakeholder theory, Pearce & Robinson 1991).

The third viewpoint aims at identifying a purpose that is greater than the combined needs of the stakeholders and something to which all the stakeholders can feel proud to contribute. They aim towards a higher ideal. At The Body Shop, a retailer of cosmetics, the managers promote 'products that do not hurt the environment'. Matsushita maintain they only manufacture products that will enhance the quality of life of the Japanese people. It is clear that, in these companies, each

stakeholder can feel that the company supports some goal at a level higher than the monetary, a goal which reaches out to a wider audience, and even to society as a whole.

Vision

Warren Bennis and Burt Nanus, authors of *Leaders: the strategies for taking charge*, identify Vision as a concept central to their theory of leadership. 'To choose a direction, a leader must first develop a mental image of a possible and desirable future state of the organisation. This *image, which we call vision*, may be as vague as a dream or as precise as a goal statement. *The critical point is that Vision articulates a credible, realistic attractive future for the organisation*' (author's emphasis).

Robert H. Miles, in an article entitled 'Corporate Transformation', states that all successful transformations are Vision-led. He defines Vision in the following way: 'It requires projection into a dimly outlined future. It requires the creation of goals that stretch the organisation beyond its current comprehension and capabilities' (author's emphasis).

Stephen R. Covey stresses the symbiotic relationship between Vision and Values in an article called 'Ethical Vertigo' (1997).

The book of Proverbs warns us: 'Where there is no vision, people will perish', while Martin Luther King demonstrated the power of Vision when he immortalised his vision with the words 'I have a dream' and unleashed forces that changed a nation.

Quigley (1994) defines corporate values as 'the rules or guidelines by which a corporation exhorts its members to behaviour consistent with its order, security, and growth ... Values and beliefs are the most fundamental of the three elements of Vision' (author's emphasis).

It is true to say that most Vision statements express an element of ambition. Whether it is to be 'bigger than', to 'go from number two to number one', or even 'to be the best', an element of achievement is always present. Komatsu set out to 'encircle' Caterpillar (David vs Goliath), Canon sought to 'Beat Xerox', Panasonic has 'the quest for zero defect', while Cray Computers 'manufactures the best computers in the world'.

It is obvious from the discussion so far that a Vision is more than unfettered ambition or being future-oriented. It incorporates cultures, beliefs, value systems, and a myriad of force fields. To clarify our thoughts on this, we must digress temporarily into the field of neuroscience.

Zohar (1997) states the following: 'Today neuroscience teaches that from the moment of conception we are born with sufficient neural connections to regulate our breathing, our body temperature and the beating of our heart, but nearly everything else is pure potentiality. What diet we will be fed, what climactic conditions and germs we will encounter, what language we will be exposed to – all these and much more are uncertain at the moment of birth'. Therefore, the infant brain is genetically hard-wired and activated. The interaction between the infant and the environment (stimuli) enables the brain to adapt to whatever physical and cultural conditions it finds. It allows the brain to wire itself, as it evolves, in accordance with its experience. In effect, the human operating system is operational, but no application programs have been installed yet.

Experiments on the language learning abilities of human infants, based on the recorded sounds that infants make in the

first months after birth, reveal that every human infant, regardless of where on this planet it is born, utters the approximately eight hundred sound patterns found in the totality of all human languages. The infant's brain has the capacity to range freely across the spectrum of all the possible linguistic sounds. Yet, within the first year of its life, the infant singles out those sound patterns relevant to the language of its own culture. It lays down neural pathways for the recognition and use of those sounds – it wires its brain according to its environment – and loses the ability to recognise and use those sounds not used by the surrounding culture. The infant constructs its world at a wonderfully rapid rate. The infant must grow new neural connections in its brain if it is to have a world' (Zohar 1997).

In Western cultures, most young people of 16 or 18 years, or, in their early twenties if they continued with higher education, have grown enough neural connections to "coast" for the rest of their lives. In short, they have wired in their basic life's paradigm' (Zohar 1997).

If we hypothesise that the newborn organisation can be equated with an infant (the analogy between biological systems, quantum physics, and business systems has received increasing attention in recent years, for example in *Leadership and the new science* by Margaret Wheatly, in *Rewiring the corporate brain* by Danah Zohar, and in *The Quark and the jaguar* by Murray Gell-Mann), it is reasonable to apply the conclusions drawn above with regard to the hard and soft wiring of the infant brain to a business organisation. It is probable that the newborn organisation similarly constructs its world at a very rapid rate in terms of the environment in which it is enmeshed. However, the institutionalisation of the paradigm must, of necessity, go through the same growth cycle, i.e., infancy, childhood, puberty, adolescence, and maturity. The organisational life cycle can, of course, be equated with this. We postulate from this that the paradigm of the organisation will be embedded by the end of the embryonic or early growth phase of the organisation.

In practical terms this means that the newly formed business will rapidly create and construct a language, a culture, and a belief and value system that are a derivative of the environment as defined firstly by the leader or founder, secondly by the social and ethical values of the society (the business environment), and thirdly by any other force fields that interface or interact with the infant organisation.

Paradigm

The concept 'paradigm' entered into the previous discussion. It is a fact that although many business people are familiar with the term, few truly understand it.

When we speak of our paradigm, we use it in the original sense given it by the American philosopher of science, Thomas Kuhn, in *The structure of scientific revolutions* (1970). It means the whole conceptual framework embracing our most deeply held, unconscious assumptions and values. It encompasses the things we take for granted in any situation. It therefore determines our expectations, frames the questions we ask, and structures the way we do things.

Kuhn points out that the paradigm becomes so embedded that new ideas that do not fit the paradigm are not welcome, and are treated as anomalies. It is only as the anomalies, the things that will not fit the old paradigm, mount up to cause

major disruption, that changes can occur and a paradigm shift can take place. This is sometimes referred to as the 'paradigm box'. We need our paradigms to make sense of the world, yet, because of these, we become trapped or constrained (Kuhn 1970).

The next question to ask is whether there is any difference between the concepts of vision and paradigm. The only difference would seem to be a semantic one as:

- both Vision and Paradigm are constraints on the way we do things;
- both have been 'installed' over the early phases of the organisation's life cycle;
- both are combinations of potentialities and such entities as values, ethics, social norms, et cetera;
- both can be, but are not easily, changed, and normally only after major disruption;
- both are the ultimate function in the measure of acceptable strategies.

There are two major conclusions to be drawn from the above. Firstly, Paradigm and Vision can be seen as two sides of the same coin, and, secondly, it is obvious that if there is a dysfunction between the strategy and the vision/paradigm, then one or the other, or both, must change.

It would be prudent at this stage to refer to the concept 'Strategic Intent' coined by Hamel & Prahalad. On the one hand, strategic intent envisions a desired leadership position and establishes the criteria the organisation will use to chart its progress. However, at the same time, according to these authors, strategic intent is more than unfettered ambition. The concept also encompasses focusing the organisation's attention on the essence of winning; motivating people by communicating the value of the target; sustaining enthusiasm, and using intent consistently to guide resource allocation.

Campbell et al. (1990) state that strategic intent is a concept that draws from both vision and mission, but it is closer in concept to the traditional definition of mission. The major conclusion of Campbell et al. is that strategic intent is a 'less powerful concept'. Their major criticism is that the concept fails to include values and behaviour standards.

A more serious problem is embedded in the phrase 'strategic intent'. Strategic intent, in essence, means 'the intent of the strategy', that is, when we have formulated strategies, we ascertain the direction and intent of such strategies. This is contrary to the viewpoint of most academics and managers. You have to know where you want to go before you can decide how to get there!

Case studies

Further insight into the concept of Vision may be gained if we look at some real-life case studies.

Case histories: Wal-Mart, Hewlett Packard, Matsushita Appliances and The Body Shop.

In the 1950s Sam Walton worked, *inter alia*, in the retail trade for the Chicago-based Ben Franklin Stores. It was during this period that he formulated his vision for a discount store. It was a deceptively simple idea: a discount store with wholesale margins on every product, a store that simultaneously offered easy shopping and friendly service. The linchpin, or critical

success factor, was that these stores would be situated in small towns. Sam Walton believed that 'there was a lot more business in those towns than people ever thought' (Snyder et al. 1994).

At the heart of Walton's vision for Wal-Mart were his rock-solid personal values of humility, honesty, frugality, and trust. Despite his \$9 billion family fortune, Sam held onto his Ford truck, casual clothes, modest ranch style house, and simple, no-frills headquarters in out-of-the-way Bentonville.

Walton's personal values were translated into three key business principles:

- provide the customer with value and service in a clean and friendly shopping environment;
- create a partnership with associates; and
- maintain commitment to the community.

The critical and irreplaceable ingredient of Wal-Mart's success were the strengths and virtues of Sam Walton himself – his overriding vision and unwavering values, his courage to take action, and his uncanny ability to motivate and inspire his 'associates'.

Walton was more than a great leader. He was an astute strategist. He searched with painstaking care for every individual who made up his management team. He sought individuals who believed in the discount concept and were dedicated to working long hours to see the vision become a reality. He created an organisation that thrived on innovation in an atmosphere where people believed in themselves. He embraced technology as a change agent for innovation and for remaining competitive.

The results speak for themselves. Wal-Mart has succeeded in satisfying not only its customers, but its employees, suppliers, investors, and host communities. Wal-Mart outshines the rest of the industry in growth, sales, earnings, margins, and employee and floor productivity.

The paradigm that Sam Walton established has been a winner. The question that remains, however, is the following: Will this paradigm still hold in our rapidly changing world or will there come a time when even Wal-Mart will need to break out of its paradigm box?

Bill Hewlett, Konosuke Matsushita and Anita Rodick all tell the same story. 'We did what we thought was right and what came naturally to us. We believe strongly in some key principles and we have worked hard to stamp these on the company. We believe the principles we have been following are the most important part of our business'.

Hewlett Packard, Matsushita Appliances and The Body Shop were young organisations with no entrenched views and no established culture. The neural connections they made depended on the environment as embodied in the founders, extended stakeholders, and the influence of the political, demographic, economic, social and technological forces active at birth. The paradigm was being constructed, but it would take years for it to solidify into the so-called 'paradigm box'.

Conclusions as related to Purpose, Vision, and Paradigm

A number of conclusions can be drawn from the above discussion. The most important is that these apparently different concepts are essentially the same, and the differences between

them that do exist are at the periphery and are not significant enough to warrant being treated differently. Purpose, Vision, and Paradigm are so much the same that the many arguments to differentiate between them become semantic exercises and academic jargon. Strategic Intent would seem to fall into this category and might be called an exercise in repackaging.

It is possible to postulate that the concept of Vision goes beyond profits and stakeholders, although these are an inherent part of it. Vision also addresses the community and in some instances even the society as a whole (The Body Shop, Wal-Mart).

Ambition and the future are essential elements of any vision. Whether this ambition should be fettered or unlimited is open to debate. Hamel & Prahalad would have it unfettered, whilst Campbell et al. state that it should be a stretch, but achievable.

The case studies reveal that Vision encapsulates culture and values and beliefs. Just as the atom contains enormous energy which, when unleashed, can be beneficial or destructive, so the paradigm box contains enormous latent power or energy which, if unleashed, can be a powerful force for achievement or disruption.

We know and understand why the development and institution of the Vision takes time. There are no short cuts. More importantly, because it takes so much time to create the paradigm box, the act of breaking out of it requires tremendous energy and effort. This has serious implications for change programmes.

Finally, the law of causality insists that if we are to understand the present paradigm box or Vision, we need to return to the genesis of the company and reconstruct the initial conditions. Any changes from those initial conditions must be a result of the dynamics of the various force fields and their interaction. We will revisit this important conclusion when we look at how to change the Vision of a company.

Creating and institutionalising the Vision

The importance of the creation of a Vision is abundantly clear from the discussion thus far. What we need to discuss at this point is how to establish a Vision for a company. There are two important aspects to this problem:

- establishing a Vision for a newly formed company; and
- changing the Vision of an old, established company.

Creating a Vision for a newly formed company

As indicated, the neural connections that set up the vision/paradigm of the newly created company, form in the formative or embryonic and early growth phase of the company. We must ensure that the force fields, which interact with our newly established company, are the correct ones. The leader plays the dominant role in this regard. Witness the way in which Henry Ford's paradigm was for decades the paradigm of the Ford Motor Company, the same applies to Sam Walton (Wal Mart), Watson (IBM), Ray Crock (MacDonald's), Anita Rodick (The Body Shop), et cetera.

In these early stages, the vision is installed by both design and adaptation. It is the leader who installs a vision by design when the neural pathways or architecture is constructed. The adaptation occurs when the external fields exert pressure on the organisation to adapt and thus influence the vision/paradigm and this will hold as long as the paradigm

accommodates the changes taking place within the force fields that envelop the organisation.

Changing the Vision/Paradigm of an established company

How does one change the Vision/Paradigm of a well-established company that has been around for quite some time? We have noted that the ability to change is very much restricted by the 'paradigm box'.

In the established organisation the founder approach is obviously not possible. Management has to work within the constraints of the existing paradigm and bring about change in an orderly manner.

Upon inspection, the literature seems to favour two possible approaches. The first is the Intellectual Process. This approach brings top management together who use techniques such as brainstorming to formulate a new vision, which they then communicate throughout the organisation. The second method is the Focused Approach. It is a more holistic approach, in so far as due recognition is given to all the possible relationships that exist and interact with one another. For the purposes of this article, we will give no further attention to the Intellectual Process. Most writing on the subject of Vision favours this approach and therefore it is well described in the literature.

The Focused Approach recognises the existence of a whole range of neural networks. This recognition of the principles, that make the founder approach so successful, means that leaders who turn to the Focused Approach can likewise 'found' a new vision, even if it involves radical change.

The starting point of the Focused Approach is to establish the initial conditions. Who was the founder of the organisation? What values, beliefs and ethics did that person hold especially important? What was the environment like? What were the driving forces? Who were the stakeholders? What was happening in the social, political, economic and technological environment?

The next step is to do the same analysis for the conditions of the present in order to determine what dynamics have been active and whether the original paradigm has shifted.

With this information as backdrop, we are ready to initiate the necessary change programme. Although we show the change programme as a process, it must be remembered that the steps are not necessarily sequential and, in all probability, will be iterative.

- Select an initial strategic focus point, something that is very necessary to change in terms of the survival of the organisation. At South African Airways, the initial focus will have to be to get the aircraft off on time, to improve the service delivered by cabin crew and frontline staff, and to ensure that SAA remains competitive. At the finance division of a major South African bank, the focus was to consolidate fourteen general ledgers into one, to supply accurate and timeous financial information to the operating divisions and the Reserve Bank, and to supply the divisions with financial intelligence to improve their decision-making ability. In both these cases, no formal Vision statement should be, or was drafted in the initial stages of the realignment of the corporate direction. When selecting a strategic focus point, the following aspects should be borne in mind:

- the focus point must be at the core of both the future strategy and the future value system;
 - it should be easy to translate into standards of behaviour;
 - it should have strong value associations that are attractive to large sections of management and staff;
 - it should be non-controversial and be able to elicit a wide base of support.
- Included in most company Vision statements is some form of slogan, for example 'The quest for zero defect'. This slogan, although it might not appear so at first glance, is crucial to the establishment of the *new Vision*. The word 'slogan' originates from the Gaelic 'army shout', or Scottish Highland war cry. Therefore, the slogan literally becomes the rallying cry of the organisation. The redirection or new focus the company is embarking upon (the creation of new neural connections), must be brought to the attention of the stakeholders continuously until the paradigm shift that needs to take place is completed and institutionalised. This means that the slogan becomes an instrument not only of change but also of indoctrination. At British Airways, the challenge of improving frontline service was linked to the slogan 'Putting people first'. All communications, training, et cetera conveyed the idea (the value set) that people are important. This gave a rationale for the changes in the behaviour that were demanded, and for some they became an inspiration. The new Vision grew because the new behaviour standards were underpinned by organisational values that were attractive to the staff (Campbell et al. 1990). 'Putting people first' is a slogan acceptable not only to the customer but also to employees. Note that, in this process, the slogan is created before the formalisation of the Vision per se.
 - Have an action orientation. This approach is, by definition, action-oriented. This is in distinct contrast to the Intellectual Process which begins with an intellectual exercise, followed by the downward communication of the results until the majority have bought in, and culminating in the operationalisation of these ideas in terms of the actions to be taken. With the Focused Approach, management get on with the job of making the new 'Focus' work. In practice, they get the planes off the ground on schedule (British Airways), they reengineer the general ledgers so that there is only one (Bank), they supply the necessary training to carry out the reengineering, and so forth. The message to all stakeholders is unambiguous: problems that affect customers must be resolved.
 - Communications must be 'Focus'-oriented. The reasons for changes to be made at the operational level must be explained as opposed to exhorting people to change, or worse, explaining some intellectual exercise that most find difficult to comprehend. In a sense, this continuous focus-oriented communication can be equated to the concept of evangelism and indoctrination. Communicating the tangible changes that are being made in order to achieve certain operational goals is the transparent end of the change programme. The changes that are taking place in the culture, values, ethical norms, and social architecture are in most cases only apparent to a few at the time of the change. Repetitiveness and focused communication are some of the underlying pillars of success.
 - Concentrate on behaviour. An acceptance of the Vision comes from the link between behaviour, organisational values, and personal values. Michael Beer states: 'Those who implement successful transformations, focus on behaviour rather than simply talk about it' (1988: 34). 'Only a change in the context – structure, system, staffing patterns and management process – in which employees function can stimulate and sustain new management approaches' (1988: 35). An often underrated mechanism to change the culture is to change the people (see *Corporate recovery*, Slatter 1984). Sometimes the crisis at hand mitigates the normal time frame of change, or it could be that the paradigm is so entrenched in the old staff that radical surgery is required (Leavitt).
 - Expect it to take time. The time it takes to establish the neural connections or paradigm box and to institutionalise the initial Vision stretches well into the early growth phase of the corporate life cycle. It stands to reason that any change programme will similarly take time. The time it takes will be dependent upon the amount of change that has to take place. If it is major, as in a crisis situation, it is conceivable that the duration will be prolonged.
 - Build and sustain trust. Building trust, according to Beer (1988), is a key element in the mobilisation of energy for change. The concept of trust must be seen in its wider context. Transparency, open communications, and the sharing of information are all part of the trust-building process. However, let us reiterate an earlier comment. The focal point of everything being implemented in the organisation must be the 'focus' programme. Let us not get carried away in the early stages with nice sounding rhetoric and political statements.
 - Create the Vision statement. At some stage, the Vision statement can be formalised and hung on the wall, included in the company's financial statements, and reiterated in the chairperson's report. The change agent will know when the company has travelled far enough down the road of change; when the new paradigm is sufficiently on track not to jump off the rails; when it has become 'the way we do things here'; and when the conversion to the new religion has been accomplished.

The concept of Mission

The literature identifies three basic schools of thought that apply to the concept of Mission. Broadly speaking, one school of thought describes Mission in terms of business strategy. The second school describes it in terms of philosophy, values, and ethics. The third school, the military, looks at Mission as the ultimate function of operational effectiveness.

The strategic view

The genesis of the strategic approach was an article by Theodore Levit entitled 'Marketing Myopia' which appeared in the *Harvard Business Review* in 1960. This was later expanded upon by Abel & Hammond in their book *Strategic market planning* (1979). According to this approach, a Mission is defined in terms of the product or service, the clients to be served, and the technology used to deliver the product or service to the customer. To do it this way, Abel & Hammond argue, avoids the problem of being too vague or generalised; 'being in the transport business' is the oft-quoted example.

When the Mission is anchored to products and services, clients or customers, and to delivery technology, it gives, at the same time, a clear statement of strategic direction. The interface between strategy and Mission is very concrete.

Philosophical and ethical view

By contrast, the philosophical, social values and ethical view argues that Mission is the cultural 'glue' that enables an organisation to function as a collective unity. This cultural 'glue' consists of strong norms and values that influence the way people behave, how they work together, and how they pursue the goals of the organisation. This approach sees Mission as encapsulating some of the emotional aspects of the organisation. We see that, in this respect, the approach encompasses many of the core concepts of Vision as we have discussed it.

Military perspective

Military historians such as Little Hart, Von Clausewitz, and many others have, after studying many 'wars', deduced what is commonly referred to as the 'ten principles of war'. The first and major principle is 'the selection and maintenance of the aim'. In order to achieve the aim it is essential that strategies be formulated. The execution and achievement of these strategies are, in turn, dependent on the successful completion of one or more missions. Tactical adaptations to the execution parameters of these missions will in most cases be a distinct possibility.

It will be obvious from the above that 'aim' is synonymous with Vision, and that the military consider Mission as an operational subset of Vision. It is the 'do', or objective, function.

The military view is closely allied to the Abel & Hammond-approach discussed above. The Abel & Hammond-approach also incorporates a 'do' function in that it defines products and services, customers, and technology in a three-dimensional, isometric spatial diagram. This spatial diagram can be related directly to the strategy of the organisation.

Conclusion as related to Mission

The military and strategic approach have much in common. In both, the ultimate function of the Mission is the achievement of an objective or goal which contributes directly to successful strategy implementation. By definition, they are both very much functional in content and are therefore referred to as functional strategies.

The philosophical and ethical approach has three distinct drawbacks:

1. It contains many of the elements of the Vision which could be very confusing.
2. It lacks an action orientation.
3. The interface with the strategy of the organisation is not clear.

The ethical and philosophical approach does not add value or any further insight to the academic discussion on Mission and, if anything, would confuse rather than clarify the situation.

Summary

In this article the concepts of Purpose, Vision, Paradigm, and Mission were dissected. Although these have been discussed in academic as well as management circles for many years, one

still finds a wide variety of opinions and departure points in both content and process.

It is contended that the concepts of Purpose, Vision, and Paradigm are very similar at the core. The differences that exist are at the periphery and do not warrant the distinction between the concepts that are being placed on it at the moment.

Mission, however, does warrant distinction. It is very much a 'do' function and does not include all the other attributes of values, ethics, beliefs, et cetera. (Some authors, however, do include these attributes.) There is a very definite action orientation in a mission statement and it should not be contaminated by moral, social or other force fields which are best suited to the Vision statement.

Organisations can change their Vision by means of a structured but flexible approach. Breaking out of an existing paradigm box requires careful execution. Forces will be unleashed that can be very destructive if left undirected; if one is able to control the energy release, one can ensure constructive application of this energy.

To this end, issues such as strategic thrust areas, repetitive communication, behavioural norms, noncontroversial programmes, building of trust, and messianic leadership need to be addressed.

Finally, creating a new Vision for a company is not something that can be undertaken lightly, nor is it something that can be achieved at a two-day seminar. It needs strategic thinking and the creation of something that everybody can buy into, it needs time, but, most of all, it needs passion!

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Aspects critical to the successful marketing of professional consulting services

AK Bouwer & PJ du Plessis

Unisa Graduate School of Business Leadership

There have been significant changes regarding the lifting of marketing restrictions on professional services over the past two decades. The development of a marketing plan has become more critical for these firms if they intend to grow or maintain market share and therefore survive the fierce competition for clients in future. Whatever service a firm offers, professional firms will require an aggressive strategic marketing plan that involves and challenges everyone in the firm. This article addresses various aspects critical to the marketing of professional consulting services. Issues that should be included in a marketing plan, such as the various strategies that can be adopted, deciding on the firm's direction, and developing a sound strategy and marketing mix for the consulting firm, are investigated. Implementation issues, such as how to manage the gap between what clients expect and what they experience, how to handle the situations where the firm can only partially satisfy client requirements, and managing the relationship with the client as well as the dimensions clients use in the selection of professional services, are also discussed.

Introduction

The firm that offers professional services can no longer disregard marketing if it intends to survive the fierce competition for clients in the coming decades. Whatever service a firm offers, whether it is in the legal, accounting, engineering, architectural, project management or management consulting field, professional firms in future will require an aggressive strategic marketing plan that involves and challenges everyone in the firm. Many professionals will still yearn to return to the 'more civilised days' before professional institutes and courts eased rules on direct solicitation (Suarez 1987). That was when 'marketing' required nothing more than lunch with a potential client or a casual chat at the country club.

The professional firm that continues to rely only on an individual to obtain new business will not achieve the same growth levels as firms that involve everyone in the marketing effort – from the telephonist to the senior partner. The emphasis on marketing has become so pronounced that many professional firms now turn to marketing counsellors to assist in attracting new clients.

The lifting of marketing restrictions for professional services initially in the United States and also in certain professions in South Africa has led to increased competition in the industry for consulting services. Firms that have traditionally relied on their reputation to get work find that they are not obtaining the results when compared to rivals who have solid marketing plans and aggressive marketing strategies. The focus of this article is how to develop and implement strategies when considering the traditional and professional nature of the industry. Although there is no one correct solution, certain relevant issues will be discussed in an attempt to provide guidelines for the professional in the development of a firm's marketing plan.

Objectives

The purpose of this article is to alert professional consulting firms of the need for a marketing plan, provide some guidelines for the professional service firm in developing this strategic marketing plan as well as address practical issues that will affect the success of the plan, such as proposal writing, dealing with client expectations and ethical issues, and why professional service firms fail at marketing. In short, the aim is to provide the nonmarketing professional with a consolidated framework for understanding and developing a marketing plan, as well as insight into the implementation thereof for the future success of a professional consulting firm.

Methodology

Literature on the marketing of professional services including journal articles, books, and manuals were reviewed. Semistructured personal interviews were also conducted with various senior professionals in successful consulting firms offering professional services in the areas of accounting, project management, engineering, legal, and management consulting. These respondents' perceptions were determined regarding the marketing of professional services. The results were utilised for in-depth investigations to identify further issues that were perceived to be of importance to these professionals as well as to their clients and which related to the marketing of a professional consulting firm. The most important aspects raised during these interviews are outlined in this article. The opinions of these professionals were combined with the opinions of various authors of the relevant literature.

Because the views of these professionals and authors were not always consistent, only those areas in which there were mutual agreement are covered in this article. Industry-specific aspects appear to be the most common cause for the differences in opinion. As this article is generally aimed at most types of professional consulting firms reflecting the combined theoretical and practical viewpoints shared by most, these differences of opinion were not included and could be an area of future research.

Industry background

With the internationalisation of many professional consulting services (e.g. Andersen Consulting, Ernst and Young, Deloitte and Touche, Coopers and Lybrand) the trends in first world countries are rapidly becoming international trends (Bouchard 1992).

The lifting of marketing restrictions for professionals started when attorney Van O'Steen and another lawyer opened a legal clinic in Phoenix, Arizona, to provide legal services to the poor. In 1977 O'Steen's concept of a high-volume, low-fee law practice was failing dismally, leaving him with two choices: either to go out of business or attract more clients through advertising – then an illegal practice in the United States. He opted for the latter, challenging the entire legal profession by running a full-page advertisement in the *Arizona Republic*.

This move marked the start of a contentious legal battle as to whether lawyers had the right to advertise their services. The case went to the highest court and became a landmark case known as *Bates and O'Steen v State Bar of Arizona*. The US Supreme Court ruled that a ban on marketing in the legal profession was unconstitutional.

The trend in the United States has become apparent in South Africa in the 1980s with many professional societies lifting and others not enforcing the traditional ban on the advertising of professional services. Certain professional institutions in South Africa still reprimand members for direct solicitation, but many of these members are experiencing that the benefits of advertising outweigh the costs, even if it means having their names removed from the institute's role. On the other hand many professionals regularly advertise their services under the name of their company or closed corporation, which is not a member of a professional council and which acts as the legal person, thereby protecting themselves from any action from the professional council or institute. While most consultants are professionals registered with their respective professional

councils, many market their services in the 'grey areas' or partially acceptable zone which will not put them in a position to be reprimanded. In general, most professionals maintain the status quo and many councils are reluctant to take strict action against their members or enforce marketing restrictions unless they feel the professional image of the council is being seriously tarnished.

Conservative professional councils will find themselves compelled to lift all marketing restrictions because an increased number of professional firms will be benefiting from this and will experience increases in their profitability. If the councils decide to remove members from the role, these members will more than likely continue with their marketing strategies resulting in a situation where members who do adhere to the council's regulations, lose market share in the long run.

The long-term trend in the industry is the closing of the gap between companies or closed corporations marketing their professional services and professionals marketing their services in a personal capacity. Both will in the long term be considered equally acceptable as councils officially lift all restrictions on advertising and marketing. When this materialises, professionals will find increased competition in the industry and only those with a sound marketing strategy will be able to maintain or increase their market share.

Conceptual backup

Characteristics of a successful marketing programme

When they plan marketing programmes, professional firms often err by focusing on their abilities to provide solutions, rather than on the problems they can solve for prospective clients. Therefore, they should first address clients' or market needs, then present solutions.

According to Suarez (1987), programmes that successfully market professional services share several elements:

- The programmes have an overall marketing philosophy that reflects a system of thought, one that acts as a basis for all marketing decisions.
- The programme must support the firm's long-term objectives. Without objectives, marketing effort by definition cannot be successful.
- The firms give their marketing programmes financial, organisational and cultural support. Whether a firm's culture is sensitive to marketing or not, it can mean the difference between a successful programme and a failed one.
- Firms with successful marketing efforts are client-driven or market-driven, and move quickly to service the needs of identified market segments.
- Executives in the firms are willing to take risks. Leaders who take risks might fail, but risky decisions that are correct place firms ahead of the competition.
- Successful marketers are decision makers. Too many organisations, especially professional firms, suffer from 'analysis paralysis'. Good managers know when is the time to make a decision, they make it, and then go on to the next course of business.
- Developing an effective marketing programme is the product of effective planning and research.

Why professional service firms fail at marketing

Many service firms have attempted to implement a marketing programme or what they considered to be a marketing programme, but have failed in their attempts. The main reason for their apparent failure lies in the implementation phase. The specific reasons for failure are numerous and there is mostly no single one to isolate. However, whether they occur individually or in combination, the same problems seem to reoccur. Based on past experience the following reasons may be surmised:

- The professional status problem

As highly educated individuals, professionals believe they belong to the elite sector of the community and that marketing is beneath them. They believe that what may be acceptable for the business community may not necessarily be appropriate for professionals (Brown 1988). Even if they attempt to perform some form of marketing, it is usually neither planned nor structured and it does not amount to much in the way of results.
- Limited by tradition

Networking and referrals have often been viewed by professionals as their only source of business. Professionals with these views are usually trapped in the past. With the majority of professional associations lifting the marketing restrictions placed on their members, professionals who hold these traditional values will be limited by decreasing market share due to increased competition.
- Lack of understanding of a marketing plan

More often than not marketing is understood as advertisements or publicity print material or a newsletter. Competitive analysis or market research reports, positioning statements or a marketing action plan are seldom visible. In fact, the professionals will have a basic misconception of what marketing actually is. They will usually have a simplified view that leads to programmes that are ineffective or produce relatively low returns.
- The importance of strategy is underrated (Weiner 1987)

Many consulting firms that have a marketing programme measure its success on the physical evidence of executions. They look at the direct mail letters, seminar invitations, publicity releases, or a new brochure. They neglect analysis, strategy and planning that should underlie all these issues. The focus is more on the tools of marketing and not on the process, which usually materialises in a situation that lacks unified effort.
- Lack of senior management commitment

In these organisations marketing is viewed as an idea worth trying, and not as a concept that must be integrated into every function of the organisation. If marketing is not viewed as everyone's responsibility, the success of any programme will be limited.
- Lack of programme resources (Ansoff 1984)

A good plan requires sufficient resources to be budgeted for as an essential part of successful implementation.
- Assignment of marketing responsibility to those who are not skilled in this area

Firms create the structures required to implement the marketing function or responsibility but they staff it with

people having little or limited marketing training or experience. The result is a structure that might look acceptable but which does not produce the desired results.

- Instant results are expected from the programme

Immediate results are expected and when they do not materialise, the plan is aborted.
- Professionals do not always know where to seek advice (Isaacson 1987)

The organisation realises it should take action, but cannot determine how to get started. It could find help by reading appropriate literature on the marketing of professional services, by attending a course or seminar, by consulting an acquaintance with marketing experience, or by seeking advice from a consultant or from a local marketing association.
- Very often firms decide to send a promising staff member on a marketing course. While that person may have a fair idea of what marketing is all about, he or she would hardly be in a position to implement or manage a marketing programme. It would probably have been more cost-effective to get professional help.
- It has been said that 'getting the work is harder than doing the work'. While this statement is probably true, this article will attempt to take the mystery out of promoting professional services and it will outline the development of a solid strategic marketing plan.

Conceptual framework

A marketing strategy sets a target market and a marketing mix; that is the big picture of what a firm will do with a particular market. A marketing plan is a written statement of a marketing strategy and the time-related details for carrying out this strategy. It should describe what marketing mix will be offered, to whom and for how long, what resources will be needed, and what the expected results are. Figure 1 outlines the development of a firm's marketing programme.

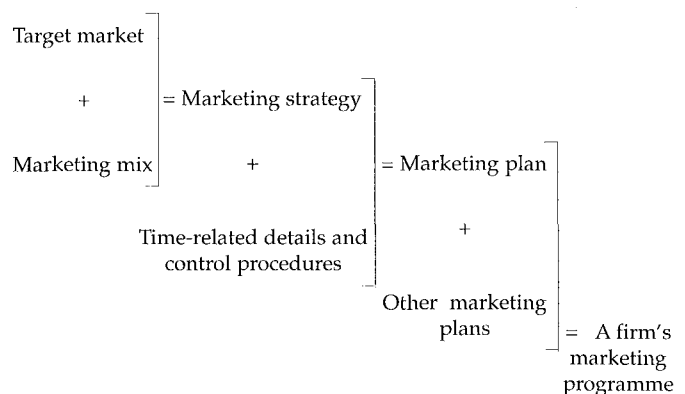


Figure 1. The development of a firm's marketing programme (McCarthy & Perreault 1993)

If a consulting firm has one target market and service offering, it will only have one marketing plan. If the firm has more than one target market and respective service offerings, it will be required to develop more than one marketing plan. The combination of various marketing plans results in the firm's marketing programme.

Strategic issues

The first step in developing a marketing programme is to evaluate the firm's current situation which includes determining its strengths, weaknesses, and current resources, as well as evaluating the firm's external environment, industry trends, and key success factors (Ohmae 1982). Comparing the firm to the competition, and deciding what the firm's core competencies are (Prahalad & Hamel 1990), are extremely important. This is followed by evaluating the firm's current strategy and its driving forces. The professional leading the firm then has to decide on a direction for the firm, setting its future vision and getting everyone's commitment to this vision. Once this is achieved the firm can go about developing a sound strategy which will include segmentation of the market to determine potential target markets and positioning its service to target a selected market or markets.

Evaluating the firm's current situation

Strengths and weaknesses are internal factors that the professional service firm should identify. Strengths should be capitalised on, while weaknesses point to areas the marketing plan should correct. The firm's staff, their knowledge, attitude and skills, along with the firm's reputation, systems, image, client base, financial stability, and past experience all form part of the firm's resources which need to be evaluated.

Evaluating the external environment

Opportunities and threats refer to outside factors that can affect the future of the firm and over which it has very little control. Opportunities can be possible trends in the market that could be attractive to the firm, while threats are possible trends in the environment that could be detrimental to the firm. Marketing plans could consider taking advantage of future opportunities while they should prioritise threats in order of likelihood of occurrence so that possible contingency plans can be devised. However, it is not possible to protect the firm against all possible threats. Above all, this exercise forces the firm to become 'strategically aware' (Thompson 1994) of its environment.

Comparing the firm to the competition

What sets the firm apart from the rest, or what does it have that the competitors lack? Is it resources, geographic location, experience, expertise or the quality of service? Comparing the firm's professional service with its competitors could point out some area of specialisation on which could be concentrated.

What are the firm's core competencies?

Does the firm have a core competence or special strategic capabilities (Prahalad & Hamel 1990) i.e. the ability to excel in a set of distinctive capabilities as viewed by the external environment? Strategic excellence (Pumpin 1987) should form the basis on which the firm must now set its mission to achieve superior results. This could be excellence in service innovation, superior position in customer service or particularly outstanding marketing achievements. Strengths of the organisation that may previously have been ignored must be examined at this time.

Evaluating the firm's current strategy

One also needs to evaluate the firm's drivers, its current strat-

egy, and the motivation behind it. Alternative strategies are discussed below.

A *product-driven strategy* can be defined as taking products or services already developed, whether or not they are mature or consumers have shown any interest in them, and then hoping that room can be found for them in the marketplace (McCarthy & Perreault 1993). An example of this is a consulting company that may have developed a range of specialised services that made the firm successful in meeting the needs of the South African defence industry. Unless the consultants saw the warning signs as they developed and diversified into other types of products or services, they may be in a position today where their service is, at best in a slump, or at worse no longer required.

A *resource-driven strategy* can be defined as taking the firm's existing strengths in human and other resources and following the road that best employs those resources. This can lead to another set of problems. Although a firm's resources are important, it tends to draw on the same people and products it has always used with some degree of success without paying any attention to the changes in the needs of the clients. The firm's managers do not listen to their employees at all levels of the company and miss the chance to take advantage of opportunities at their disposal. They do not fully grasp the importance of collecting information from lost clients and they ignore what the competition is offering. They believe their own research is sufficient and do not learn from the findings of industry or trade groups. As a result, they do not comprehend the latest developments, and also do not take advantage of opportunities for joint ventures. In short, they leave themselves open to attack and will be left behind by the more aggressive competitors.

A *market-driven strategy* (Tierno 1987) develops a product or service based on the needs of the market. While there may indeed be a need for a product or service, there are other factors that must be considered, such as how many other professional firms are targeting or attempting to meet the same needs, and what is the expected life cycle (duration) for that service. The basic problem is that this strategy encourages a 'crowd mentality' which can lead to increased competition and a weaker customer base resulting in lower profits than expected.

Using a *contrarian strategy* can be defined as going in completely the opposite direction to avoid the pitfalls of following the majority. This can be successful only if sound logic is behind the strategy. If the professional service firm fails to evaluate carefully the profitability of the potential market, it can lead to a miscalculation of the odds and result in a bad investment decision.

A *client-driven strategy* (Conner & Davidson 1985) develops services around a defined market and focuses efforts on what a specific group of clients wants and needs. It can be closely associated with a market-driven strategy, but a client-driven strategy focuses more on the needs of a particular group of clients and adapts its resources to meet those needs. The problem with a client-oriented strategy is that one becomes dependent on a particular group of clients whose investment resources may vary from time to time. In lean periods one may find that income is lacking, e.g. consultants that focus on doing work for a government may do well when that government's spending is at a peak, but will experience limited income when they decide to cut spending.

Growth opportunities for a firm that can be applied to consulting firms are depicted in Table 1.

Table 1. Growth opportunities for a firm (After McCarthy & Perreault 1993)

New markets	Market development	Diversification
Existing markets	Market penetration	Service development
	Existing service	New service

Where the demand for a service is not stable in one particular market, the firm may consider a market development strategy. If the service it is providing is nearing the end of its life cycle, a service development strategy that is offering a new service to existing clients would probably be more appropriate. A market penetration strategy involves giving the same service to more clients in the same market. A diversification strategy is the most difficult and risky from a professional's viewpoint with the consultant entering a new market with a new service. To offer a completely unrelated service is at most times quite difficult with the professional not having much experience in the service offering or the clients and market. With strengths in neither the market nor the service, a diversification strategy should only be embarked upon with caution.

Porter (1980) refers to two generic types of strategies namely low cost and differentiation (with a broad or narrow market focus). A differentiation strategy would probably be more appropriate for a consultant than a low-cost strategy. Because the nature of a consultant's service offering is generally specialised, low cost is usually less important to the client than the perceived quality of the service offering. A broad market focus would generally go hand in hand with a standardised service offering. (Standardized services run gamut... 1987). Although standards are important in many consulting services, clients require a service tailored to meet their specific requirements.

Although no strategy is without shortcomings, a client- or market-driven strategy is more favourable as it focuses on the needs of the client or market, taking into consideration the firm's own strengths and strategic positioning, as opposed to simply the resources or products that it has to offer. A solid strategy takes into account the potential of the current as well as the future market scene, and forges a position of strength which can easily be adapted as the market trends change.

It is essential before deciding that the firm's current strategy is wrong and rushing off to change the focus towards a new market-driven or client-driven approach, to take a closer look at the direction the firm wishes to follow.

Setting the firm's vision and mission

It is important to know where one wants one's service firm to go and if one is presently heading in the right direction. A vision of simply 'being the best in a particular field' is not of much use as it is too broad. When one's focus is as narrow as possible, resources are not spent in areas that do not help to reach the goal. Obviously the vision must not be so narrow as

to exclude most opportunities or be so broad as to include all possible opportunities.

The firm's mission should drive it and keep it focused. A consulting or professional service firm should not allow the various functions, i.e. marketing, product, support, and finance, to go in different directions. They should work together towards a common goal. For example, if a product is developed and it is not known how to market or support it, the question should be asked why the venture was undertaken in the first place. Does it relate to the firm's goals? If it does not, it is doubtful whether the product or service should ever have been developed.

Commitment to this vision and mission

Senior management's commitment to the vision is essential if it is to be supported by the rest of the company. Everyone in the organisation must believe in this long-term view, whilst at the same time realising that returns on this investment will not be immediate. It is also important to encourage staff at all levels of the organisation to play a role in the formulation of the strategy, obtaining their inputs and approval before implementation.

Maintaining the firm's present competitive advantage

There is no guarantee that because a firm is enjoying success in a certain market segment at present it will be the leader in that segment indefinitely. Even differentiation has a 'life cycle' that can become obsolete as more and more firms offer their own unique variety of services along with the same level of quality (Clow & Vorhies 1993). Specialisation, be it geographic location, industry, product, or special application, can be a means of staying ahead of the competition. It can also mean not entering a market or pruning the product line and services that are too far ahead of the firm's vision. This should also include expansion into areas that would be logical extensions of the company's areas of expertise previously identified.

Defending the firm's current position

If it appears that the firm cannot do something better than anyone else, then it is in a position of severe weakness that must be quickly remedied. If a firm's strengths are no better than the competition's, then the occasions when the company has to defend itself will no doubt increase (Porter 1980).

Developing a sound strategy

Segmenting the market

The market segments for consulting services will vary according to the service the consulting or professional firm is offering. These segments will differ in accordance with a number of variables of which only a few are mentioned:

- Type of customer: government, quasi-government, mining, industrial, petrochemical, transport, financial, property development, chemical, and engineering to name only a few.
- Size of customer: sales volume, number of employees, number of production facilities, and the number of sales offices.
- Type of consulting service required: engineering, accounting, legal, management consulting, et cetera.

A firm would generally segment the market relating to the type of category of service they intend delivering to the client market segments. This segmentation exercise, if thoroughly done, will probably require a fair amount of research and often firms have this done by marketing consultants. However, it is also worthwhile for a firm to categorise its present client base into market segments and to determine the contribution per market segment of its existing markets. Total reliance on a particular market segment would probably indicate a sharp market focus. However, as previously mentioned, this heavy reliance could be a problem in itself if demand in this market segment fluctuates.

Selecting the firm's target market

What the firm is selling and who it is selling to invariably go hand in hand. Defining exactly who comprises a firm's potential market is of course a primary task of the marketing planning process. When selecting a client, a consultant should keep in mind that there are basically two types of clients. The most popular type is where the client does not have the necessary expertise to do a specialised job. The second type of client is the one who does have the necessary expertise but does not have the time or staff.

A Pareto analysis of present clients should be performed categorising clients in terms of type to determine which group of clients contributes to 80 per cent of the firm's income and profitability. Potential growth of the various client markets should be considered in both the short- and the long-term. A decision needs to be made if the consultant is prepared to serve only its present market in both the short- and the long-term. If the answer is no, other potential markets will have to be explored.

An inexpensive way of exploring potential markets is to consult key clients, industry associates, corporate and industry directories such as association directories (*Braby's business directory* and *Yellow Pages*), and so on.

Sustaining competitive advantage

How does a firm protect its market when other service firms are offering the same quality service and are prepared to discount their fees offering more for the same price?

Competitive advantage can be sustained by offering a distinctive service to a particular segment of the market. A firm needs to choose a market that is not only profitable but which can be protected from competitors (Ohmae 1982). This will result in the firm offering not a commodity type service that can be substituted with another commodity, but a service of unique value that clients are willing to pay for.

This can be accomplished by developing skills internally, or by developing a joint venture with other firms that have specialised skills (that complement one's own firm's skills), or by developing a skill that is not readily available. According to Tierno (1987), the national director of the management consultants Arthur Young, 'one needs to make sure that one's strategy is leading somewhere or homing in on a specific segment of the market that the consulting or professional service company has been serving on a broader scale'.

It is difficult not to embark on a market that is receiving much publicity or the market that everyone notices or is talking about. The problem with pursuing this market is that it attracts competition which leads to price discounting and lost profitability. The niche in the market that a consultant or pro-

fessional service can call 'his own' will most likely be more profitable. Having a niche that is easier to protect may not put a firm in the spotlight with regard to publicity, but it can result in long-term success.

Positioning

Positioning is integrating the market or external analysis, internal analysis, and competitor analysis into a statement that articulates the desired position of an organisation in the marketplace and that of each of the component services that it offers (Lovelock 1991).

It is important to focus one's efforts on the desired market, developing expertise and market share in a particular market and not be spread too thin by attempting to do a little work in all possible markets (Suarez 1987). By becoming a specialist rather than a generalist, a professional service firm can harness its resources so that those resources not only work for the market but for the service firm as well. A firm needs to direct its marketing resources at a well-targeted segment of the market.

Image positioning

A successful professional firm realises that the perceptions of potential clients are of vital importance to the firm. Creating a good image does not occur overnight, but requires a very clearly thought-out plan as to how the firm wants these clients to perceive it. An image is not easily changeable and it is unlikely that a desired image will just be achieved (Cohen 1985). The most successful companies know that they have to decide how they want the outside world to perceive them, and work towards that perception.

Developing the marketing mix

The marketing mix comprises the controllable variables that the firm puts together to satisfy a target group (McCarthy & Perreault 1993). The aspects addressed in this section are issues to bear in mind when developing a marketing mix. However, the firm's marketing mix has to be developed in conjunction with the desired target market. Many professionals believe that promotion is marketing. This is clearly not the case. While promotion is an important component of marketing, developing a marketing mix addresses critical aspects of the service offering including people, product or service, place, physical presence, promotion, process, and price.

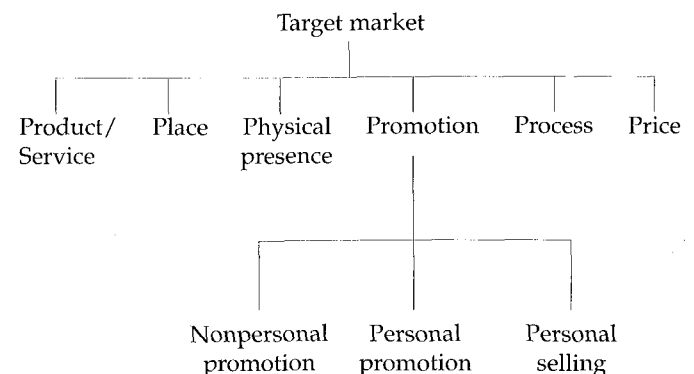


Figure 2. Developing the marketing mix (After McCarthy & Perreault 1993)

Product/Service (What are you selling?)

What are you selling? A consultant's speciality is usually a subject area, skill or some combination thereof. The consultant must be careful not to specialise so narrowly as to exclude almost all the potential markets nor must he or she attempt to satisfy too wide a range of market segments. Offering an excessively broad range of services increases the risks of being associated with not being able to carry out the work successfully. It also moves the consultant away from being a specialist, and more towards a generalist which is a harder position to market successfully.

As technology progresses, the needs and the market for specialised skills change. It is therefore necessary for the consultant to know what services currently exist for which markets, and to consider developing a service to satisfy market needs that are currently unsatisfied (Jonson 1982).

The best way for consultants to evaluate what they are really selling is to see things from the client's viewpoint. As professional services can be a vague or undefined concept, it is far more useful to quantify the *benefits* clients can expect as a result of the provision of the professional service. Consultants must thus attempt to think about the service being offered in the same way that prospective clients do.

Many clients have the problem of attempting to interface two or more consultants working on the same project. This can often become a nightmare for the client especially if the two consulting parties are potential competitors. For the client to force a working relationship between the consultants is almost impossible. Clients who have had this experience once will be attracted by a firm offering a package deal, i.e. those who are able to cover all aspects of the project or job, for future work. If the firm is too small to handle all aspects, it should set up a strategic alliance with other supporting (not competing) firms, thereby offering package deals to the clients who require it.

Place

A number of professionals that were interviewed stated that their past success had been based on 'being in the right place at the right time'. They could not identify the right place, but from their discussions it very often appeared to be at locations away from the office. The right places seem to range from conferences, new product launches, trade shows, sporting clubs, community functions, social functions, et cetera. The more informal the function and the more social the event, the more business people are present and the higher the probability of being in the 'right place at the right time'. Professionals often use these social events and consciously evaluate conversation seeking for potential business opportunities.

Most consulting firms are not always targeting the private consumer; therefore having the offices positioned for passing trade is seldom necessary. A potential corporate client will usually make initial communication with the firm by phone, written correspondence, or with one of the firm's employees, if the firm does not do so first. Clients usually visit with prior appointments at which time it is possible to give clients directions to the physical location of the firm's offices. It is important for a consulting firm to have premises that are accessible to clients in terms of transportation and/or parking. The location should possibly provide a refreshing setting for potential clients as well as a convenient location for the entertainment of clients.

However, with the current trend in computer technology it is possible with specialised skills to serve clients from any location in the world. Clients need not visit the office; all they need is the firm's Internet address to make initial contact. Virtual offices are becoming more common with consultants working at the client's premises, and thereby saving on overheads.

Physical presence

If the firm decides that a physical office is essential, then this location will tell the client something about the firm. It is important for a consultant that location conveys the message the firm wants the client to comprehend.

The entrance gives a client a first impression of the firm. The entrance hall should present a professional image, clearly displaying awards or prestigious designs that the firm has undertaken. The boardroom should also be clean and neat displaying work that the firm is proud of. A potential client should be attended to immediately and not kept waiting. However, if the client has to wait for some particular reason, he or she must be able to do so in comfort. Literature in the entrance hall should tell the client what the consultant wants the client to believe, the main aim being to satisfy the client's expectations.

Process

The delivery process for consulting services would normally be classified as customised – involving some level of adaptation or tailoring of the process to the individual customer (Lovelock 1991). While the concept of 'standardised professionalism' is introduced in *Marketing News* (Standardized services run gamut... 1987), the degree to which a firm can standardise its service offering depends on the type of service being rendered, the type of client contact, and the client's expectations. Each professional consulting firm will have to decide what part or parts of the service process can be standardised and what has to be tailored to meet individual client differences.

Promotion

Promotion can be divided into nonpersonal promotion which includes publicity, brochures, newsletters, and advertising, and personal promotion which includes referrals and contacts, client-focused action letters, professional memberships, public speaking, and proposal writing. Personal selling is an important aspect of promotion and very often is the deciding factor that results in a sale. Seldom are new consulting agreements concluded without some form of personal selling.

Nonpersonal promotion

Consultants are able to leverage their marketing efforts by means of various forms of promotion by keeping their name visible at every potential business opportunity. Under this form of promotion one may find trade shows, the advertising of speciality items, business cards, magazine articles, books, and newsletters. Some of these forms of promotion can in fact be an extra source of income when business is slow and there is a substantial drop in revenue, while others merely serve as reminders to those who are favourably influenced towards the consultant, and are simply an extra overall marketing effort. Publishing books or other written material can build a consultant's reputation, thereby establishing credentials and creating a favourable impression. They can also generate enquiries that

can lead to business. Additionally, published articles can also be used to enhance the consultant's promotional brochure.

Publicity: This type of promotion of professional services will include news releases to the media. There is usually little cost to the firm and items that make good press releases embrace contract awards, joint ventures, large projects, relocation of offices, expansion of services, et cetera. A letter to one's local editor can be a dynamic marketing device (Davidson 1991).

Brochures: A brochure is certainly a consultant's best form of indirect promotion. It serves as an elaborate calling card, conveying information about the consulting firm, including organisation, structure, and service areas. The consultant could also include some information on the history and philosophy of the firm. Essentially, a brochure should contain information such as office location, qualifications, quality of service, range of services, reputation, experience, length of time in business, and past clients or projects.

The brochure should be designed to arouse interest and grab people's attention. Minimum use must be made of phrases such as 'outstanding authority', 'experts', and 'leading'. The brochure should focus on the benefits promised and provide credible evidence that the consultant can and will deliver favourable results. A consultant should concentrate on content and presentation in developing the brochure.

Finally, a consultant should remember that there is no point in taking the time to prepare and print brochures if these are not distributed to all target clients and they are definitely of little use just stacked in a storeroom.

Newsletters: Distributing a periodic newsletter is an effective means of staying in touch with past, present and prospective clients. The newsletter can contain analyses or advice as well as information on new developments or projects and industry trends. Newsletters that are self-serving in appearance should be avoided.

Smaller consulting firms can get together with other similar firms to compile a joint newsletter. They should be targeting roughly the same market segments, but should not be competitors. An architectural, quantity surveying and civil and electrical engineering firm working as a team on projects can, for example, publish a joint newsletter. The success of a joint project could reassure the client that there will not be interfacing problems if he or she makes use of the same team of consultants.

Advertising: Direct mail advertising can be effective for maintaining contact with present clients, reaching new clients, developing and enhancing the consultant's image, and introducing new consulting services. Mailing lists should preferably be developed by the consultant, but they can also be rented or purchased from firms specialising in maintaining data lists. Direct mail should be client- focused, seeking to encourage enquiries, and not directly sell professional or consulting services (Weinberg 1985).

Several other forms of advertising in addition to direct mail are available and the firm will have to evaluate what form of advertising is most appropriate to the business. Radio, television, magazines, newspapers, the *Yellow Pages*, and directory listings are all valid means of advertising depending on one's target market. Many consultants have found that the relatively high cost of advertising in the *Yellow Pages* is not justified by its benefits. Directory listings – the kind published for no charge in trade magazines and professional journals – are generally a good choice. Such listings can indeed be effective,

because the nature of the publication is directed at certain markets. Professionals should however bear in mind the type of market they intend targeting when selecting journal listings as a source of advertising. The Internet has recently become an important medium that many consultants are using to advertise their specialised services.

Radio and television are both inappropriate forms of advertising for most small consultants as they are generally expensive and require costly repetition to achieve results. An international management-consulting firm has recently engaged in television advertising in South Africa. The screening time for these advertisements is when there is the greatest opportunity of getting the businessperson's attention, that is before news and economic reports. However, most smaller consulting companies will simply not be able to afford such mass media advertising.

Conventional newspaper and magazine advertisements are not always suitable for consulting services. Newspaper and other forms of advertising that reach a very wide market or have extremely short shelf life are often of little value. There are many other speciality magazines and the consultant will very likely find a publication that reaches the target market. Professional journals and certain magazines have a relatively long shelf life and the chances that the target audience will see an advertisement are much greater than in newspapers. It will usually take a certain amount of trial and error to determine which form of advertising works best, but obtaining feedback from new clients as to how they came to hear about the firm will be helpful.

Other nonpersonal promotional forms: Other promotional forms exist that can help keep the firm or the consultant abreast of potential business opportunities. These include business cards, advertising speciality items, and trade shows. Business cards support the consultant's overall marketing and promotional efforts. They serve as reminders to those who are favourably influenced towards the consultant and who are likely to contact him or her. Advertising speciality items are promotional giveaways such as calendars, rulers, notepads, et cetera. There is often no clear effect on the consultant's marketing efforts from these items. However, exhibiting at trade shows may be beneficial for consultants offering certain skills in certain fields. Most consultants would be better off by attending such trade shows to meet with exhibitors who may be potential clients.

Personal promotion

The most traditional forms of marketing professional services lie with promoting the practice on a personal basis. Often referred to as 'networking', this type of promotion includes referrals, contacts, professional memberships, letter writing, and public speaking.

Referrals and contacts: Staying in touch with past clients and industry contacts should be an active pursuit that, although presented on a casual and informal basis, is part of one's daily routine. Establishing new relationships and strengthening existing ones are some of the best ways to promote a consulting practice (Cucka 1993). The telephone is an effective tool in networking. The best approach is to call when one has information the client is likely to be interested in, rather than simply asking if there is any need for one's services.

Short, friendly letters to clients, both current and past, extending congratulations on promotions or new business

ventures or to inform them about projects they could be interested in, are also an effective means of personal promotion.

Professional memberships: Top professionals in any field also tend to be the leaders of professional societies. It is from these opportunities and places of influence that a consultant stands a very good chance of getting work and/or solid referrals. The key to professional membership is to participate. Simply joining a few societies and attending a few meetings will not yield fruitful results. The consultant who wants his or her practice to benefit from memberships must get involved actively in the committees and in special events.

Client-focused letters: Differentiated from a nonpersonal direct mail campaign, these letters are targeted and tailored to specific prospective clients. These types of letters usually precede or follow a personal selling opportunity (Shenson 1985). The purpose of the letter is to persuade the client of the benefits associated with a consulting engagement, and the possible implementation of some of the recommendations.

Public speaking and seminars: This is an extremely effective means of personal promotion as well as being an external source of income to a consultant. It would be advisable to begin with small, nonpaid engagements to gain experience in speaking before addressing larger and/or paying audiences. Depending on the nature of the consulting practice, these groups could include community meetings, professional society meetings, industry workshops, and so on. Many consultants have found that the seminar business, along with the additional sales of books, pamphlets, and tapes, is sometimes more lucrative than the consulting practice itself.

Proposal writing: It has been found that it is quite often the best proposal writer that wins a contract, and not necessarily always the best performers or most qualified proposers. The key element in writing a winning proposal is to seek out all available information on the nature, scope and needs of the target client, and then to convince this client that one's firm is the most qualified to do the work (Holtz 1987). The professional's specialised knowledge or experience must be capitalised on to keep him or her a step ahead of the competition.

Consulting firms most often include the following typical information in their proposals:

1. Introduction – defines the background and discussion leading up to the proposal.
2. Scope and objectives – describes in explicit detail the services to be performed and what is to be achieved. It often includes a list of 'deliverables' (drawings, specifications, et cetera). A statement of work must clearly define and limit the technical scope of the work.
3. Approach – clarifies how the objectives are to be achieved, why this approach is preferred and the advantages of using this approach for the client.
4. Resources – who will do the work, their previous experience with similar types of work and the advantage of having these resources involved with achieving the objectives.
5. Price and delivery – an explanation of how much the work will cost, what the basis is of this price, who will do the work, and when it will be completed.
6. Billing terms – approximates how often the consultant will invoice the client and how soon the payments must be made.

7. Other contractual issues – the client needs to be made aware of other issues, for example patent rights or property rights, in an attempt to avoid presenting the client with unpleasant surprises.

One of the key responsibilities in writing a good proposal is the ability to accurately estimate the time required to do the job. The consultant must develop a proposal plan and the questions below can serve as a guide to estimating time and developing this plan:

- Has the project been attempted previously, as there may be hidden problem areas?
- Where is the work to be done? Is one required to travel to the client's site as this could affect travelling time?
- How many people will one be reporting to? Will it be only one person, or a whole committee, as large committees tend to slow progress down?
- How much travel will be involved, as this is a time-wasting factor?
- What supporting services and infrastructure are available? The less support and infrastructure one receives, the more time and money one will have to spend.
- Will the client's key people be available at all times? If they are usually busy, the project will take a lot longer to complete.

Personal selling

All professionals in the organisation who have the potential for client contact should involve themselves in personal selling. Staff at all levels of the organisation should support and reinforce these personal selling efforts. Every professional firm requires an ongoing effort to obtain new clients or engagements. A consultant seldom gets work without some form of personal selling. Because of the importance of personal selling, this will be reviewed in a fair amount of detail. Various practical stages include identifying potential clients, learning about the client, meeting with the client, presenting solutions to the client's problem, handling objections, closing the sale, and follow-up service. These practical selling steps are outlined below:

Identifying potential prospects: As previously discussed, there are many ways of identifying prospects. These include asking current clients for the names of other possible clients; cultivating other referral sources such as bankers, suppliers, and professional association executives; joining the right organisations; engaging in speaking and writing activities that will draw favourable attention to one's practice; and examining various sources of data – from newspapers to professional journals, even direct mail – which can be used to generate leads (Bly 1989).

Learning about one's client: This stage encourages you to learn as much as possible about the organisation (or individual) one intends approaching. This may include ascertaining who the buying decision makers are, what their needs are, and what their buying styles and organisational characteristics are (Bayer 1992). Some points that will be helpful once one has decided to make the contact are the following:

- Should the approach be by mail, telephone, third party introduction or personal visit?
- Who will be the first person to contact, and why?

- Prepare an effective opening statement.
- Develop probing questions and prepare your sales message.
- Ascertain the best time to make the contact.

Meeting with the client: This is the stage where the sales process begins and it is usually one's first direct meeting with the new customer. First impressions do matter, and personal appearance, poise, opening lines, and follow-up remarks will definitely be an influencing factor (Fram & Oliver 1988).

It is important to identify the client's needs and evaluate one's ability to serve them. Opening questions and other subtle probes should help one obtain the appropriate information which will enable one to focus attention on the customer's problems and needs. Careful listening and use of a checklist are important at this stage. Part of the qualifying activity is to establish that one is speaking to the right person, someone who has the authority to engage or influence the engagement of one's services.

Do not make the fatal mistake of beginning the sales presentation until all the relevant areas of concern have been identified, and a confirmed agreement of an acceptable solution has been reached (Weinberg 1985). Ask the following questions:

- What are the factors that are important to you in making your decision?
- What requirements are you now seeking to satisfy with a professional service like this?

Summarise with the client the major points that have emerged from the conversation thus far. Summarising, along with repetition and reinforcement, are important principles that enhance buyer understanding. This is because the interaction is verbal, and it is necessary to confirm understanding, reidentify the main points discussed, and make sure that nothing has been omitted. From this it can be seen that a truly professional 'business-getter' is not only an excellent communicator and listener, but a teacher as well. If the client does not understand the want-satisfying capabilities of one's professional service, then there will be little value perceived in engaging the consulting firm.

Presenting solutions to the client's problems: Otherwise known as the 'telling and selling' phase, the sales presentation sequence includes all of those activities involved in presenting oneself and one's firm as professional problem solvers, rather than product pushers. This stage requires excellent oral communication and negotiation skills. Based upon the previous input received from one's new client, one now presents oneself and the firm's professional service capabilities as the logical solution to the client's business problems (Cucka 1993).

There are guidelines that can be followed:

Try to solve the problems by linking one's professional service features to client benefits. One is selling benefits and timely solutions to previously identified problems. One's earlier questioning technique helped one to identify what is needed or desired, as opposed to what has been delivered. If one can make the prospective client aware of this gap, dissatisfaction will become evident, along with a desire to overcome it. One must also show competitive distinctiveness, be prepared for any objections, and involve the client in the discussion. Give the most desirable information first, while using two-sided arguments. Try to draw conclusions whenever possible so that

one is always summarising for agreement. Make the buying decision easy by creating a positive and accepting atmosphere (Metzger 1988).

It is important to remember that in deciding to engage a firm, the client wants to satisfy both personal and operational requirements. It is for this reason that it is imperative to discover the factors that motivate the individual before one launches into a full-blown proposal. When purchasing an intangible service, there is a lot of buyer uncertainty, because buyers do not really know what they are getting, or whether they have in fact received what they have paid for. The sales presentation is therefore the heart of the selling process. There will of course be many ways to approach prospective buyers depending on one's relationship with them, their maturity, expertise and experience, one's attitude, and one's own objectives (Jonson 1982). One should always make sure that one has covered all the ground necessary to consummate negotiations. At this point, one will either get the engagement, or an objection.

Handling objections: The next step in the selling process is handling objections. Objections are to be expected, and overcoming them is mandatory for success in selling. Do not become discouraged if the client starts objecting before one has even finished one's presentation. Objections are statements, comments and requests for more information, or simply the clarification of unclear statements.

Because there is a big difference between an excuse and an objection, the following points serve as a recommended set of procedures for handling objections (Ades 1989):

- Listen carefully before answering. Starting to formulate an opinion and resulting argument before the objection is heard in its entirety could in fact aggravate matters.
- Act interested in the objections. Do not attempt to either magnify or belittle it. The opinion of the client must always be viewed as more important than one's own for the time being.
- Restate the objection before answering it. Make sure that one fully understands it. If not, get clarification.
- Isolate the objection while trying to determine whether or not it is real, or whether there is perhaps another, more hidden objection.
- Convert the objection into some form of question.
- Answer the question, and then ask the customer: 'Does that answer your question?' or 'Does that satisfy your concern?'
- One may now proceed with the rest of the presentation, or ask for the engagement.
- Most important to remember is that an objection is not to be taken personally – it is an integrating part of selling.

Closing the sale: Closing the sale, or consummating the negotiations, means resolving doubts, reassuring the client, and obtaining the engagement decision. Getting the client's commitment should always be the ultimate goal of all one's selling efforts. Closing is not the art of getting the decision, but rather making a decision that one's client will approve of. One's effectiveness as a 'closer' is directly determined by one's attitude toward the client, oneself, the firm, and to the selling process itself. One must view it as a legitimate and necessary function.

Follow-up measures: After the sale, following through is probably the most crucial of all the various stages in the selling process. One's new clients' post-purchase behaviour will affect all future relations one may have with them, and it is vital that one reduces any cognitive dissonance that they may be experiencing. One's firm and its professional services were probably one of several alternatives that the client selected from. Therefore, it is one's duty to alleviate any second thoughts or doubts that they may have. This is often called 'buyers' remorse' (Ades 1989).

When buying an intangible service, a client will never know for sure what he or she is buying, and is still not quite sure afterwards either. One must constantly reinforce their buying decision, since one is selling the 'promise of a benefit', which cannot be seen, tasted or tested. There will be a great deal of uncertainty throughout the presentation, but most noticeably after the buying decision has been made. It is most important that one reassures the new client and positively reinforces their buying decision during both the closing and follow-up stage. One must pay particular attention to their needs and continue contact during the early stages of this new professional relationship. By initiating periodic 'follow-up' meetings with the client, one is validating one's original commitment to them, and thereby minimises the possibility of losing them to a competitor.

There simply is no substitute for professional salesmanship. It would be foolish to assume that brochures, proposals, or the firm's reputation alone will be responsible for all of one's sales. No piece of paper or advertisement will be as effective as a carefully planned and executed sales presentation. Understanding and implementing the process and guidelines outlined above will help one successfully increase one's client base.

Price

Traditionally professional councils have given strict guidelines on fee structure. Recently the fee structure has generally not been adhered to by many consultants (Waddel 1987) as firms are prepared to negotiate fees or offer a combination of lower commission coupled with other supporting service fees.

Consulting services are typically offered either on an hourly (or daily) basis or on fixed price terms. There are also two other forms of pricing – retainers and performance-related payment – but these are not commonly used.

Billing on a time-expended basis is very common with consultants if the client does not insist on a fixed price contract. A time-and-materials (T&M) proposal is made on a 'best effort' basis. An estimate of the time required to complete each item in the scope is prepared, but there is no guarantee that the consultant will complete the work within the estimated hours. Sometimes a 'not-to-exceed' amount is quoted as a maximum amount that the client will be charged. T&M has the flexibility to estimate a number of different situations (including follow-on work) and it presents fewer liabilities in the event of unforeseen difficulties in performing the actual work.

With fixed price terms, the consultant agrees to do a certain job for which he or she is to receive a certain amount. The client only wants to know what it will cost to have the job done. The actual number of hours worked is up to the consultant. The opportunity to make more money is present, but then there is always a greater risk. For fixed price work to be prof-

itable, the following points should be followed:

- Include contingencies in estimations to allow for miscalculations and unknown factors.
- Use proper estimating techniques, including PERT and other scientific management tools (Kaye 1986).
- Control costs closely.
- Make sure the proposal clearly documents exactly what services will be performed.
- Obtain any changes of project scope in writing.

When the scope of work is known, fixed price terms are more suitable and more accurate estimation is possible. If the proposed work cannot be concisely defined, a time-and-materials billing approach is more acceptable.

'Beyond a perfunctory mention payment appears to be the area least likely to be dealt with by the individual selling a service. Advised by professionals in marketing to talk about benefits, not costs, they may not mention money at all unless the client does' (Gelb, Smith & Gelb 1988). The client may assume there is a standard charge for such things and he or she may be right. However, the client may assume the standard fee R200 for an hour of service that turns out to cost R400. A professional may quote a fixed fee per hour but neglect a discussion on the number of hours the assignment is meant to take. When the client receives the bill, he or she is surprised, if not shocked. One of the most important factors regarding price is to ensure that one shapes realistic expectations for the client and avoid any form of surprise that could significantly affect future client relationships.

People and culture

Implementation of a new strategy will inevitably involve a certain amount of change that will, in turn, impact on the people in the organisation. This change will be affected by and will affect the organisational culture. Changes in most organisations are difficult if not almost impossible. This change needs to be managed and a professional should start by identifying which aspects are most critical to the success of the new strategy and start managing change with respect to these aspects.

The leadership in the organisation has to initiate the change, creating an environmental culture that drives the firm into the future. For a marketing programme to succeed, the professional or consultant must have the support of the entire organisation, which is only possible if senior management understands and is fully committed to the organisation's goals. This will inspire the rest of the organisation to give their full support to these objectives.

The leadership of the firm will have to engage in 'internal marketing' which has been defined by Berry & Parasuraman (1991) as 'attracting, developing, motivating, and retaining employees through job products that satisfy their needs. Internal marketing is the philosophy of treating employees as customers – indeed, wooing employees ... and it is the strategy of shaping job products to fit customers' needs'. By providing a vision that brings purpose to the workplace, by encouraging teamwork while equipping people with the skills and knowledge to perform their work, and by encouraging achievement through measurement and reward, employers can create an environment and culture that will result in higher levels of service quality (Kroon 1990).

Before the change strategy can be implemented, lines of communication need to be clearly defined throughout the entire organisation. Apart from internal communication and coordination of the functions of the service firm, training and rewards have to be congruent with the new direction the firm intends following. A culture of creativity, risk taking, and initiative should be encouraged by rewarding employees who demonstrate these characteristics.

Work must never just become mechanistic. Being enthusiastic about change is crucial to the promotion of any strategy involving change. Progress will be limited in a company with a status quo culture or mentality for living in the past. Understanding the market and keeping in touch with environmental changes are crucial if one wants to grow or maintain market share.

Managerial issues

Implementation

Before considering the implementation of any new strategy, one must consider how it will fit into the current organisation (Ansoff 1987):

- Do current employees have the skills and knowledge to implement this new strategy?
- Does the organisation have the necessary resources?
- If not, how will one go about getting them?
- How much training will be involved?
- Is a joint venture or strategic alliance feasible or how will one go about getting the necessary resources?

There is nothing worse for the firm's reputation than to overpromise and underdeliver. It affects not only the clients' present image of the firm but their future impressions as well.

It is important to decide whether the objectives that have been set are realistic. One should not attempt to be everything to all clients. Never give clients less than they expect. At the outset get a clear understanding of clients' expectations. A monitoring system must also be put in place to measure performance against client expectations. Consultants or professionals should never lead clients to believe they will solve all their problems if they have no intention of keeping their end of the bargain.

Measurement and control

Once the consultant has identified the target market, he or she must position the service offering and marketing mix to attract this target market in the best way by the development of a strategic marketing plan. This written document, which establishes activities by priorities, should be kept simple but must not overlook any of the important components. It will be the consultant's map to a successful marketing campaign. Finally, the consultant should schedule and implement the various marketing-related activities. Regular progress reviews will help keep the programme on track or provide an opportunity to alter the plan to meet the changing conditions or market feedback.

Successful marketing of professional services requires ongoing effort. Consultants cannot expect that a haphazard, casual approach to marketing will result in long-term growth or even survival of their practice. Consultants should forge a habit of

continually marketing their services. The worst thing to do is to become completely immersed in a long-term project only to discover at its completion that no other work has been cultivated.

Ethical guidelines

Upholding ethical standards is critical and should need no further explanation. Consultants must never waver from maintaining only the highest standards, because not only are their personal reputations at stake but also that of the organisation they represent, and therefore their livelihoods as well (Conner & Davidson 1985). Some ethical guidelines are the following:

- Always put clients' interests ahead of one's own.
- Never disclose confidential information.
- Fully disclose any possible conflict of interest.
- Do not engage in work one is unqualified to perform.
- Never accept more work than one can handle.
- Always maintain a fair fee schedule.
- Never undertake unnecessary work or 'milk' contracts. Only do work that is required.
- Do not try to cover up errors.

To a great extent, integrity is the only thing a consultant has to sell. As long as consultants keep this in mind, they will continue to thrive. Cast integrity aside, however, and there will be very little to keep current clients or attract any new ones.

How to shape realistic expectations

It has been said that of all the sectors of the economy, the service profession has the furthest to go in developing genuine client sensitivity. Unlike other fields, the educational experience of professionals suggests to them that they know what is best. This elitism makes it almost strange for them to be client-oriented (Brown 1989). In an attempt to market their services many professionals overstate or overpromise what they can deliver. It is not possible for an attorney to win all his or her cases or for a surgeon to have perfect success with every operation. All too often promotional efforts imply success, resulting in the client getting unrealistically high expectations. When the provider does not deliver, the client is dissatisfied. The greater the client dissatisfaction, the higher the likelihood of losing the client's business or even risking a malpractice suit. Therefore, how can a professional narrow the gap between what clients expect and what they experience?

Altering the behaviour of professionals, as difficult as it may seem, is probably easier than attempting to change client attitudes or behaviour. The professional can determine what he or she wants client relationships to be and can then make arrangements to change, to reach whatever goal is set.

It has been found that professionals generally view relationships more narrowly than their clients do. Professionals believe the only significant experience takes place when they are in conference with the company's CEO or in the examining room with a patient. However, clients tend to judge service quality throughout the process, beginning with the handling of telephone contacts and the appearance of the reception area and all other events up to their departure. Many professionals thus undervalue many of the indicators of quality that clients readily use to evaluate them. It is very important for professionals to appreciate these indicators and take steps to narrow

the perceptual gaps. The following are some suggested methods for narrowing these gaps:

- Determine what the client wants and expects before undertaking any promotion.
- Evaluate what is said in marketing activities so as not to create expectations that exceed what one is able to deliver (Gelb et al. 1988).
- Obtain the client's input in decision-making processes. More and more professionals are explaining parameters of situation, outlining alternatives, projecting results, and making decisions jointly with clients, some even asking the clients which route they would prefer to take. This is the basis of a more positive client experience than the age-old saying: 'Trust me, I'm a professional'.
- Establish the clients' perceptions of the firm and staff (professionals) and try to incorporate these evaluations into incentive systems and performance evaluations. Client sensitivity will certainly be enhanced if it is formally linked to rewards (Lovelock 1991).
- The process can often be more important than the outcome, and for this reason it is imperative that professionals communicate all the possible outcomes of a situation to clients. Professionals who show more sensitivity to their clients are less likely to be sued, regardless of the outcome of any situation.
- Consultants should become genuine service marketers rather than just legal, accounting or engineering professionals (Brown 1989). They can and must learn from what is going on outside their own discipline. The enlightened professional marketer is interested in what other service firms are doing and considers the implications of other service efforts for his or her own firm or practice.

How to handle situations where one can only partially satisfy client requirements

Certain professionals can sometimes only partially satisfy a client's needs because of ethical, legal, or professional constraints, thereby violating the fundamental service philosophy of giving customers what they want. Physicians cannot prescribe and pharmacists cannot dispense drugs where their professional judgement deems them inappropriate. The obligations of independent auditors can prevent them from providing all the benefits the client desires. These similar situations also arise with professional consultants.

When a client's needs and benefits can be matched, full satisfaction is achieved. However, when certain benefits are not available to the client, satisfaction is limited. Partial client satisfaction can lead to conflicts between clients and the providers of professional services. Professionals facing these situations can become involved in a win-lose outcome with clients. Yet a number of tactics will improve the level of satisfaction and reduce friction.

One of the best ways of managing conflict is in a preventative manner (Fram & Oliver 1988) by the professional or seller educating the client or buyer. Once a conflict arises, clients are less likely to take the time to analyse the seller's perspective. Before potential problems arise, sellers need to educate the client with respect to the constraints that can result in partial client satisfaction. The following factors will help prevent a potential conflict situation:

- Training should be given to all personnel who have contact with clients. All employees need to understand that they constitute a real marketing arm of the firm. It is important to consider any legal or ethical alternatives to present to clients (Fram & Oliver 1988).
- The professional's standards and constraints need to be clearly communicated to clients. If this communication took place over a long period of time, the client should be more understanding of the marketer's position if a conflict issue arises. Most of this communication will have to take place on a face-to-face basis as it is unlikely the clients will read and digest written information on, for example, an accounting firm or its obligation to present fair financial statements or its ethical position. A professional service firm will find it worthwhile to educate staff in explaining these issues to clients as well as in preventing a potential conflict situation.

Managing one's relationship with the client

Bloom (1984) noted that 'some professional services are so poorly understood that they must be taken on faith'. Consequently, a job well done is not good enough to create a satisfied buyer. The professional must consider other aftersale issues, ranging from perceived communication style to billing policies. Two important reasons why people changed use of professionals were that the professional did not have a friendly personality or they did not answer questions honestly or completely, showing that technical skill is not enough to create satisfaction.

Results of a study conducted with 16 respondents in various professional categories indicated that three actions by professional consultants stand out as important in client satisfaction or dissatisfaction with the professional service provider. They are the following:

- shaping realistic expectations or correcting those that are unrealistic;
- emphasising communication not only during service delivery but also after delivery;
- focusing service to provide a successful outcome on the client's terms, not just on the providers'.

It is ultimately the client that determines the success of a professional firm. Getting to know the client better will give the professional a clearer idea of what the client's criteria for success are. The client's definition of success is seldom given in the consulting agreement between the two parties.

The following quotation from the president of an industrial coatings firm reflects his views of professional consultants (Gelb et al. 1988):

'These people came down from Chicago' reported the disgruntled president of an industrial coatings firm, describing his only experience with professional consultants. 'They stayed in a fancy hotel, and of course I had to pay for that. They left me a report that has a bunch of numbers written in pencil, all sorts of calculations that don't mean anything to me. Basically, they looked at the way we work, and how our accounting was set up, and they told me everything was fine. But they charged me \$13 000. Do you know what I got out of that whole thing? I learned that you can spend \$13 000 and not get a thing for it.'

It illustrates a problem common to professional firms in a wide range of fields: they are likely to be judged by criteria they will find irrelevant and perhaps will ignore. In the example the client felt cheated because the consulting team evaluating his accounting procedures and process efficiency turned in a report that included a spreadsheet done in pencil and told him that his procedures and process efficiency were satisfactory. His criteria for service quality were apparently the number of suggested changes offered to him and the quality of the visual presentation of the consultant's report, not the technical knowledge the consulting firm thought he would value.

Dimensions clients use in the selection of professional or consulting services

One of the many aspects of professional and consulting services is the concept of intangibility. Because of the intangibility and technical complexity of professional services, Brown & Swartz (1989) suggested that clients base their service selection on such surrogate indicators of quality as corporate image, office ambience, décor and support staff performance.

Dimensions for service selection should be similar to those of quality; hence the literature relating to the service quality dimension is of relevance if one examines the dimensions of service selection. Parasuraman, Zeithaml & Berry (1988) have proposed five underlying dimensions for service quality as tangibles, reliability, responsiveness, assurance, and empathy. Gronroos (1990), on the other hand, suggested that service quality is made up of two dimensions, namely technical quality or what is delivered and functional quality or how it is delivered. Gronroos (1990) also suggested image as being a general dimension of satisfaction with service quality.

Scott (1995) has found that image is an important selection criterion as well as personal recommendation. Zeithaml (1981) found that consumers of services relied more on information from personal sources than nonpersonal sources when evaluating services prior to purchasing. The implications for managers are that they must realise that their present clients can play an important promotional role to potential clients in the marketing of the firm's service.

Summary of findings

Some professional consultants will agree that marketing is an important function to be performed by their firm. Others will admit: 'I do not believe in marketing but everybody else is doing it, so I guess I will too'. Most are at least superficially interested in marketing as a way of meeting the pressures of deregulation, intensifying competition and consumer interest. Many have a distorted view of what marketing is or what marketing can do. They also have the tendency to be preoccupied with one or two aspects of marketing such as selling or advertising, which is often mistaken for marketing as a whole (Brown 1988). Marketing has also been oversimplified and sold to professionals in the form of quick fixes or an instant remedy for a stagnating business. These misconceptions need to be addressed and professionals must understand that marketing is not a label to be pasted on the services they offer, but it is an attitude that is integrated with the service itself. Everyone in the firm needs to be enthusiastic and committed to marketing and this has to be reflected in their actions and decisions.

Professionals need to accept certain realities:

1. Professionals can no longer depend solely on the quality of their technical skills and clinical skills to assure success.
2. Professionals need to understand that marketing programmes should be based on matching the client's needs with the distinctive market advantages of the practice.
3. Professional skills cannot be stockpiled and they are only as good as the current impression made on clients and other referral sources.
4. Knowing and understanding its clients better will help the firm to serve them better and make the practice more profitable. Research of existing and potential clients through surveys, focus groups, and potential for profitability will help with this.
5. Professionals need to understand that relationships with referral sources cannot be taken for granted. Professional and referral colleagues in every field must be systematically informed of the firm's evolving skills, services, and special interests.
6. They must also be taught that marketing extends to human resources. Professionals and staff members must be trained in their interpersonal skills as well as their technical ability. All individuals must convey an attitude of warmth, courtesy and professionalism with every client.

Firms whose professionals consistently exhibit marketing attitudes and actions compound the benefits of the visible promotional strategies, achieving growth in the market, improved professional fulfilment, and resulting client satisfaction.

Conclusion

Most experts agree that for a plan to be effective it must be in writing. A strategic marketing plan converts intentions into commitments and insights into actions. The components of a marketing plan have been outlined above as well as some practical implementation guidelines. The professional consultant needs to use these components as the building blocks of the firm's marketing plan.

The consultant should first review the current strategy of the business. He or she should examine both the internal and the external environment. This examination should quantify the internal strengths and weaknesses as well as the external opportunities and threats associated with both environments. Based on this information and a market segmentation exercise, the consultant can identify the target market and position his or her service offering and marketing mix to attract this target market by the development of a strategic marketing plan. The written document that establishes activities by priorities should be kept simple but should not overlook any of the important components. This document will be the consultant's map to a successful marketing campaign. Finally, the consultant should schedule and implement the various marketing-related activities. Regular progress reviews will help keep the programme on track or provide an opportunity to alter the plan to meet the changing conditions or market feedback.

Successful marketing of professional services requires ongoing effort. Consultants cannot expect that a haphazard, casual

approach to marketing will result in long-term growth or even survival of their practice. Consultants should forge a habit of continually marketing their services. The worst thing to do is to become completely immersed in a long-term project only to discover at its completion that no other work has been cultivated. The guidelines and practical implementation issues presented in this article should make the marketing effort easier for the professional, and when the firm reaches the point that clients want someone specific and no one else, one will know that the marketing efforts have been successful.

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