

Do companies need consultancies?

In the coatings industry we are mainly concerned about ‘selling’ and ‘servicing’ a tangible product. We are what some call a ‘product-oriented business.’

However, in ours and other product-oriented businesses, we are finding it increasingly more difficult to compete with traditional selling and marketing techniques and some in our industry are struggling to transform their companies into solution-oriented ones. We have encouraged some of our clients to consider moving resources into complementary consulting rolls to enhance their value to its target markets.

COMPANY CONSULTANCIES

The first step in the process is to appreciate the need and subsequent benefits of being a ‘consultant’ first for your customers and then finding a place for your products and services. Second, establish a bona fide company consultancy.

So what exactly is a company consultancy (CC) and where does it fit?

CC is a unit whose main purpose is to provide solutions based on a traditional busi-

ness’s product or expertise.¹

To make the transition to a solutions-oriented business, companies must develop new capabilities and change their organization structure. These changes can be daunting challenges. Three challenges stand out.

- *Mission:* A clear understanding of the CC’s mission in relation to the product business. The purpose is to exploit synergies between the traditional product business and the customer-driven consulting operation.

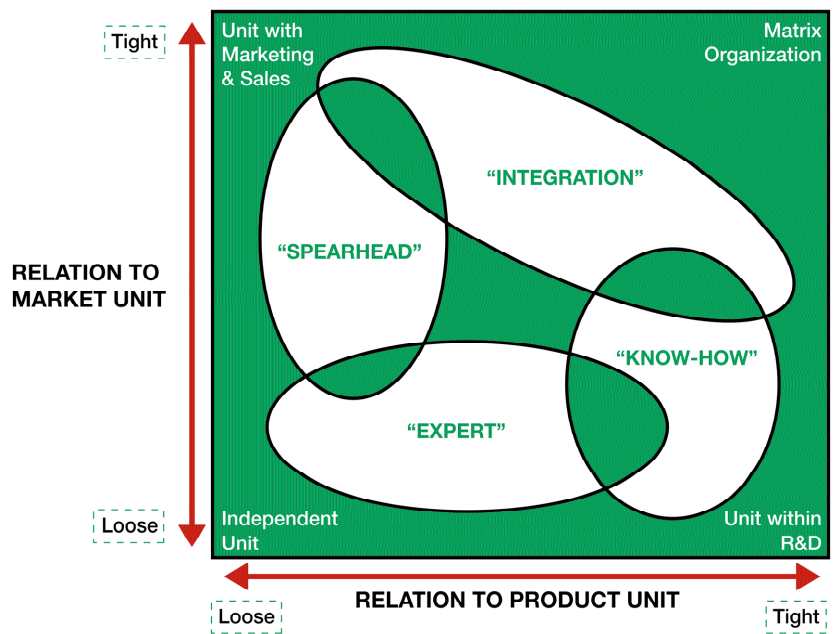
- *Identity:* To be successful, the company has to construct and nurture dual organization identities. However, NOT a consultant identity but a staff identity. A consultant ID implies ‘arms length’ involvement while a staff ID involves catering to the product business.

- *Structural:* Involves deciding on the consultancy’s organizational position, its access to client/customers, and its degree of freedom relative to the product line business.

TYPES OF COMPANY CONSULTANCIES

There are three types of consultancies—

Company consultancies provide added value for companies in increasingly competitive markets.



Expert, Know-How, Spearhead and Integration.

Expert CC's exploit their professional knowledge through marketing it to external clients beyond the product business's primary value chain.

Know-How CC's act as internal support units and mostly within R&D. They act as knowledge brokers between various company units.

Spearhead CC's complement the product business in the external market with services that are only loosely tied to the product business's value chain.

Integration CC's also extend the product business, but unlike Spearhead CC's services, theirs are more integrated with the product business, relying on company-specific knowledge.

LINKING COMPANY CONSULTANCIES TO PRODUCT BUSINESSES

CC's can be tightly or loosely tied to market and product units. This depends on their specific type. Tight links imply coordination of strategy and procedures; loose links allow for differences in those respects. CC's can be organized as independent units, as units within marketing and sales or R&D, or as part of a matrix structure (See chart on previous page).

SUMMARY

There are many potential advantages in creating an effective company consultative function, not-the-least of which is significant value increases for both the supplier companies (suppliers, formulators) and the end-users.

However, to be successful, recognizing the offsetting pitfalls and having a thorough understanding of them, by all the company participants in both the product and the consultative side of the ledger, is imperative.

We may readdress this topic provided we feel there is sufficient

interest in further details. **CW**

References: I. A.C. Hax & D.L. Wilde, "The

Delta Model: Adaptive Management for a Changing World," *Sloan Management Review*, Winter 1999.