



Articles & Commentaries



p-Guru



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Providing Consultancy Services: A Must Role for NPOs (Part I)

Introduction

There is a view currently held in some quarters that it is no longer necessary for the public sector to provide productivity enhancement services as these are being taken care of by the market. I doubt if this view is valid even in advanced countries, let alone developing economies in Asia. A prime example is in the field of lifelong learning, education and training, typified in the establishment of state universities and the implementation of government-sponsored training schemes. Many governments also place emphasis on the need for innovation, and they provide substantial funds in the setting up of R & D schemes, often in co-operation with enterprises in the private sector. In this article, I shall outline the case for the provision of productivity enhancement services by the national productivity organizations (NPOs) and argue that without an adequate knowledge base of how enterprises function, it is not possible for NPOs to promote productivity effectively. How can NPOs promote a concept if they do not themselves understand it?

The Case for Productivity Services

The macro-economic environment largely determines the level of investment and productivity as it comprises a set of factors that directly influences investment decisions. It is clear that economic conditions alone do not fully explain why some companies are successful in the very same sectors in which others are failing. Unless NPOs look at what actually takes place at the enterprise level, they will not be able to understand factors that promote or impede productivity in their respective countries. The case for public involvement in providing productivity services rests on:

▶ **Market failure**

The majority of developing economies are not served by many of the techniques and approaches which are widely adopted by best practice companies in advanced countries. This is essentially because the market is either too small or too underdeveloped to be attractive to service providers.

Moreover, many companies in these countries do not perceive the full value of adopting some productivity improving approaches because they cannot measure the benefits against the costs involved. Even if some service providers exist, they only serve the existing needs of enterprises without providing leadership for the next stage of productivity enhancement.

► ***Small and medium enterprises (SMEs)***

They usually form the backbone of the economy in developing countries. It is through the development of SMEs that the developing countries can create more employment and generate an additional momentum to export growth. SMEs require both management and technological upgrading in order to improve their competitive strength but they do not have sufficient resources or the necessary knowledge and motivation to seek the needed assistance.

► ***Multiplier effect***

There is usually a limit to the number of companies that an NPO can effectively serve. It is therefore important for NPOs to devise methods which will enable them to reach as many companies as possible. One effective way is to convert the knowledge gained through consultancy and disseminate it as widely as possible through training packages, information kits and software development programs, etc.

The Case for Consultancies

Concern has been raised from time to time about the role of the NPOs in consultancies, as there are times when it appears that the NPOs are competing with private sector companies in securing consultancy assignments. This is not true. My own experience indicates that very often NPOs are successful in promoting the value of consultancy and, in this process, instrumental in creating a large market for all the providers of this service. In fact, it does not make commercial sense for NPOs to be involved in consultancy activities. Private consultants are able to make a profit because they do not accept projects below a certain optimum size and, more importantly, because they focus on a narrow range of competencies (e.g., human resource development, IT applications, financial management). Thus they are able to use a narrow but deep knowledge base on a repetitive basis to minimize the learning costs. Neither conditions apply in the case of the NPOs. They are usually required by their charter to provide support to small and medium industries. NPOs are unable to turn down projects of an uneconomic size. The problems faced by industries are as varied as they are numerous, and the learning costs involved in surmounting these problems are substantial. The costs involved in servicing small projects are enormous as they include prospecting, which is provided free of charge, the preparation of proposals and very detailed after-sales service.

Despite these commercial disadvantages, I do not think there are viable alternatives. The NPOs must be involved in consultancy services because:

- They must acquire practical knowledge from direct experience in resolving the productivity problems encountered by industries;
- They cannot promote productivity effectively without this knowledge base because they cannot preach what they do not understand;
- It is necessary for them to build up credibility as a competent source of knowledge on productivity before they can discharge their other broader responsibilities, such as advising their governments on productivity related matters;

- ▶ Without the support of consultancies, it will be difficult for them to engage in development work, which requires an accurate definition of the problem areas and an insight into their possible solutions; and
- ▶ Without this knowledge base, it is impossible for them to generate the necessary multiplier effect. The NPOs should not regard consultancies as an end in themselves. Consultancy is only a means to an end. The purpose is to acquire and assimilate practical knowledge about productivity improvement, and to repackage this knowledge in various forms, e.g. software programs, reports, distance learning materials, self-learning kits, seminars and workshops, for widest possible dissemination in order to create the greatest impact.

(In [Part II](#), to be featured in the October issue of the APO News, Mr. S.K. Chan will present four case examples based on the HKPC experience to illustrate the points he made in this Part I of the article.)



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