

# Unit 15 Consulting

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## The advice business



### Keynotes

**Professional-service firms** provide services to other companies, which often rely on **expert advice** from **consultants** who **advise** on strategy and policy making. **Investment banks** and **finance companies** offer advice on financial transactions, while bookkeeping and **auditing** are often **outsourced** to independent **accountants** or **auditors**. Legal matters are placed in the hands of **law firms**, and **information technology** systems are regularly looked after by external professionals. Some professional-service firms provide '**complete solutions**' by offering legal, accounting and strategic **expertise**. However, in the USA recent legislation limits the extent to which, for example, audit firms can give policy advice on other aspects of business due to the **conflict of interests** this practice gives rise to.

## Preview **Consulting services**

Match the services (1–6) that the Chicago Consultancy Group offers with the following areas of expertise.

branding  
retail

corporate development  
globalisation

pricing

strategy

- 1 We help firms to have a highly co-ordinated approach to the image they want to project.
- 2 Managers today often assume that they should focus on reducing costs to stay competitive. This is not the only course of action to consider. Sometimes choosing to have expensive products is the best option.
- 3 Creating above average shareholder value has moved to the centre of the senior-management agenda. We help managers to take the best expansion options.
- 4 Companies have to deal with many more markets than in the past, and at different levels of economic development.
- 5 Focusing on the changing needs and behaviour of consumers helps our clients emerge as leaders in this sector.
- 6 This is the core aspect of all our advice. We help clients plan for the future and put forward the best options to choose from in all areas of their business.

### Speaking

Read about consultants below. What arguments can you think of for and against employing them?

Some people are very sceptical about the value of consultants' advice. There are many jokes about them, such as 'A consultant is someone who borrows your watch to tell you the time.' Top consultancy firms charge clients up to \$10 million a year for advice, whether it improves performance or not.

### Reading

## **Cross-border consultants**

**1** Read the text on the opposite page. How did the strategies adopted by the accounting firms differ from those of professional-service firms in general?

**2** Read the following sentences taken from the text. Complete the text with the sentences.

- 1 A small group of firms is showing how this should be done.
- 2 Russian subsidiaries now tend to be run by Russians, who prefer to buy services from fellow nationals with detailed knowledge of local conditions and rules.
- 3 Wherever western multinationals went to set up or buy a new business, there too went their accountants, bankers, consultants and lawyers.
- 4 And what they are looking for is not the biggest global brand name in their neighbourhood directory, nor the firm with the broadest range of services on offer.
- 5 Things get done among such groups of individuals more by face-to-face persuasion than by impersonal commands used by their clients.
- 6 For the likes of Arthur Andersen, these problems and conflicts have already ended in disaster.



## Cross-border consultants

# Global professional-service firms

At last there is an international strategy that seems to be working

<sup>1</sup> LIKE the various groups of helpers that accompanied ancient armies on the march, professional-service firms followed their industrial clients as they expanded around the world in the 1980s and 1990s. (a) \_\_\_\_\_ From Moscow to Buenos Aires, the efficient professional-service firms were ready to advise on what deals to do, how to finance them, how to compute their consequences and how to solve any problems involved.

<sup>2</sup> It was heady stuff, and it led some professional-service firms to decide that they should follow their clients' example and go global as well. They dispatched their ambassadors around the world and waited for them to attract the new business that would justify their cost. The accounting firms, which were among the more aggressive globalisers, thought they could be likened to all the groups of helpers as well as to the armies themselves. They took over consultancy businesses, finance companies and law firms, setting themselves up as global chains of one-stop shops with a "we do everything" attitude: "While you're in for an audit why not buy a bit of litigation, too? And by the

way, today we have a special offer on restructuring your company."

<sup>3</sup> This was a strategy which created enormous managerial problems, in addition to introducing a cascade of potential conflicts of interest among firms' increasing regulatory and professional duties. (b) \_\_\_\_\_ For others, such conflicts are still being discovered, a process which is being speeded up by legislation. America's Sarbanes-Oxley Act bans accounting firms from carrying out certain consulting and legal services for their audit clients, and there are growing restrictions on the provision of tax services as well.

<sup>4</sup> The "do everything everywhere" strategy looks like a problem for professional-service firms, too, because no matter how multinational their clients, those clients buy very few of their professional services centrally. Purchases are, by and large, the responsibility of local managers. (c) \_\_\_\_\_ They want the best service for each individual task, and the nature of professional services is such that "the best" invariably involves a combination of superior local knowledge and close customer-client relationships.

## Glossary

*heady stuff* very exciting moment

*cascade* huge amount

*blue chip* well-known and successful

<sup>5</sup> Besides, the managers of multinationals' foreign operations are less and less likely to be expatriates these days. (d) \_\_\_\_\_ When those ancient armies had fought their battles and finally won, they left behind locals to run their hard-earned territories. The various groups of helpers returned home with the troops.

<sup>6</sup> Yet there is a need for professional-service firms to be international, to a limited extent. Firms in the European Union increasingly need to take a transnational view of things. And someone has to co-ordinate the multinationals' local service-providers, be they auditors or lawyers. (e) \_\_\_\_\_ The so-called "Charmed Circle" of blue-chip New York law firms has an enviable record of profitability, combined with modest international expansion. Most of these firms have also chosen to join an informal network of top-ranked firms around the world. The network's firms exchange lawyers and run joint training programmes. (f) \_\_\_\_\_ Until someone proves there is a better approach, this seems the way forward for most other professional-service firms as well ■



**3** Read the text again and answer the questions.

- 1 What kind of problems did the accounting firms' strategy create?
- 2 How has the US tried to solve some of these problems?
- 3 Why do some global companies not use the services of global consultancies?
- 4 Why is it necessary to have some international professional-service firms?
- 5 What have the top New York law firms managed to do successfully?

**4** The text refers to many different groups of people or institutions. Complete the statements below with the following.

Accounting firms      New York law firms      Arthur Andersen  
 Managers of foreign subsidiaries      The Sarbanes-Oxley Act  
 Industrial clients of professional-service firms

- 1 \_\_\_\_\_ decided to go global first.
- 2 \_\_\_\_\_ developed a takeover strategy to form conglomerates.
- 3 \_\_\_\_\_ prevents audit specialists from giving advice on certain strategic, tax and legal matters.
- 4 \_\_\_\_\_ closed after serious financial scandals.
- 5 \_\_\_\_\_ are rarely expatriates.
- 6 \_\_\_\_\_ have the best approach so far.

**Speaking**



**1** Do you think consultants can be objective when evaluating the strategies they have implemented?

**2** What advantages do you think 'face-to-face' persuasion has over impersonal commands from an unknown person in the hierarchy? How would you prefer to receive instructions?

**Vocabulary 1** Uses of *like*

**1** Study the examples taken from the text on page 129. They all contain expressions with *like*. Complete sentences 1-4 with the correct expressions with *like*.

- a *Like* the various groups of helpers that accompanied ancient armies ... (para 1)
- b The accounting firms ... thought they could be **likened to** all the groups of helpers as well as to the armies themselves. (para 2)
- c For **the likes of** Arthur Andersen, these problems and conflicts have already ended in disaster. (para 3 – missing sentence 6)
- d The "do everything everywhere" strategy **looks like** a problem for professional-service firms ... (para 4)

- 1 \_\_\_\_\_ is a synonym of to appear to be.
- 2 \_\_\_\_\_ is used to give an example.
- 3 \_\_\_\_\_ refers to a type of person or group of people.
- 4 \_\_\_\_\_ is used to compare one thing with another.

**2** Complete the article with the appropriate form of expressions with *like*.

Outsourcing to <sup>1</sup> \_\_\_\_\_ the Chicago Consultancy Group and other big consulting firms can sometimes have a negative impact on the morale of staff. They feel threatened and often <sup>2</sup> \_\_\_\_\_ consultants to messengers of bad news, expecting the 'downsizing' process to start soon after their arrival in the firm. It isn't always <sup>3</sup> \_\_\_\_\_ that, of course, but whatever the effect on individuals or on the company paying the high fees, consultancy <sup>4</sup> \_\_\_\_\_ being with us for some time to come.

**Vocabulary 2 Word building**

Complete the table with the other forms of the words taken from the text on page 129.

Verb	Noun (concept)	Noun (person)	Adjective
<u>manage</u>	<u>management</u>	manager	managerial/ <u>managing</u>
finance	_____	_____	_____
_____	_____ / _____ / _____	consultant	_____ / _____
_____	audit	_____	-
-	strategy	_____	_____
_____	_____	_____	regulatory
_____	knowledge	-	_____ / _____

**Practice** Complete the article with the appropriate form of words and phrases from Vocabulary 1 and 2.

## Controlling the controllers

Accounting firms who were originally hired to carry out independent <sup>1</sup> audits on the <sup>2</sup> \_\_\_\_\_ situations of companies saw that they could offer advice at the same time and increase their income through the provision of <sup>3</sup> \_\_\_\_\_ services. However, the Securities and Exchange Commission saw a potential conflict of interests as the big auditors couldn't be expected to give objective feedback on <sup>4</sup> \_\_\_\_\_ policies they themselves had suggested implementing. The SEC therefore decided to introduce restrictive measures to ban accounting firms from giving advice on matters other than accounting.

The accounting industry opposed the first attempt at <sup>5</sup> \_\_\_\_\_ by getting influential people <sup>6</sup> \_\_\_\_\_ congressmen and lawyers to write to the SEC opposing the ban. The SEC withdrew the proposal. Just when it <sup>7</sup> \_\_\_\_\_ victory for the accounting industry, a series of corporate scandals involving, among others, Enron and Arthur Andersen occurred. This led to the Sarbanes-Oxley Act, which ensured tighter control on financial statements, by making the senior <sup>8</sup> \_\_\_\_\_ staff of companies ultimately responsible for the accuracy of information concerning the value of shares and company performance.

## Language check **Reported speech**

When using reporting verbs like *say* and *tell* in the past, we generally make verb and time changes to the direct speech we are reporting.

'He was here yesterday.' → She said (that) he **had been there the day before**.

We don't always make these changes, especially when reporting a fact that is still true or when reporting very soon after the direct speech.

'Consultants **can** be helpful because they're objective.'

→ They told us (that) consultants **can** be helpful because they're objective.

→ ... consultants **could** be helpful because they **were** objective.

We often summarise and use different wording instead of reporting word for word.

'It is important to do some research and check as many of the facts as we can and only then discuss everything so that we can come to a decision about what course of action we should take.'

→ He said we should look into it all first and then decide what to do next.

We can use other reporting verbs, which can be followed by:

– an infinitive (*agree, ask, decide, demand, offer, promise, refuse, want*):

'I'll reduce the fees if you like.' → He agreed **to reduce** the fees.

– a gerund (*admit, deny, mention, recommend, suggest*):

'I made a mistake with the figures.' → He admitted **making** a mistake with the figures.

– an object + infinitive (*advise, ask, instruct, invite, remind, tell, warn*):

'You should lower your prices.' → They advised **us to lower** our prices.



For more information, see page 163.

### Listening 1

**1** Listen to the managing director of a department store talking to a consultant and take notes under the following headings.

- |                           |                       |
|---------------------------|-----------------------|
| 1 market share            | 4 options             |
| 2 pricing policy          | 5 consultant's advice |
| 3 customer survey results |                       |

**2** Summarise what the speakers said. Answer the questions below using reported speech and the reporting verbs in brackets.

- 1 What did the managing director say to the consultant concerning market share? (tell)
- 2 What did she say about their pricing policy? (admit)
- 3 Which results of the customer survey did she highlight? (point out)
- 4 How did the consultant react? (ask)
- 5 How did she answer him? (explain)
- 6 What did the consultant tell her to do? (advise)

### Speaking

If you were the managing director, would you take the consultant's advice? Why / Why not?

### Writing

You are the managing director in the conversation above. Write a formal email to your staff, summarising the conversation you had with the consultant. (See *Style guide*, page 20.)

## Reporting

A large part of office life is spent reporting back orally to one's colleagues and bosses about conversations at formal and informal meetings. Reporting back requires accurate observation and memory skills as well as summarising and communication skills. Sometimes the person reporting back is also expected to make a recommendation about a course of action or decision to be taken.

Look at the following useful phrases for reporting back on conversations and meetings.

- |   |  |   |                                      |
|---|--|---|--------------------------------------|
| a | <i>We finally all agreed to ...</i>      | e | <i>What he wants us to do is ...</i> |
| b | <i>He suggested telling them ...</i>     | f | <i>The bottom line is ...</i>        |
| c | <i>What he was trying to say was ...</i> | g | <i>I recommend / I suggest ...</i>   |
| d | <i>In short, she is refusing to ...</i>  |   |                                      |

Listening 2 

**1** Listen to a line manager reporting back to one of her team members and answer the questions.

- 1 What is the first speaker reporting on?
- 2 How does the second speaker react?

**2** Listen again. Which of phrases a–g above are used by the first speaker?

## Speaking

Work in pairs. Student A turn to page 139. Student B turn to page 144. Read the dialogue of the meeting. Imagine you were at the meeting too and report back on it.

Listening 3 

Listen to both dialogues and decide if your partner reported all the necessary information.

## Culture at work

**Reacting to change**

Some cultures adapt quickly to change and see it as a matter of course or even progress, development and growth. Some cultures are more conservative: they resist change where possible and perceive it as always being problematic and negative; and they don't like to take advice from an outsider. What is common in your culture? How might this difference cause misunderstanding in multicultural teams?

# Dilemma & Decision

## Dilemma: Consultant with a conscience

### Brief

CIC Consultants is proud of the performance of one of its main clients, Power US, a global energy trading company. They have reported high earnings and a 10 per cent growth rate since the consultants started advising them five years ago. CIC not only gives advice on strategy, but its auditing department produces the official figures for Power US as well. Sue Kelly, a senior accountant at the consultancy firm, was first alerted to problems when the CFO of Power US asked her to lie to one of the company's partners about an investment. She refused on moral grounds and soon after that her boss transferred her to another company.

Recently, she discovered that Power US is involved in massive fraud and she is now facing an ethical dilemma: should she report what she knows to an outside financial regulator? Both companies are very powerful and even though she can provide proof, her word may not be taken seriously and in that case, she will never find another job in consulting.

### Task 1

Work in small groups. Read the consequences of the two options open to Sue Kelly. Can you think of any other possible outcomes in each case?

**Option one** If Sue reports the problem to a regulator, and they open an investigation ...

- She will lose her job immediately.
- Power US and CIC Consultants may go bankrupt.
- She will have to testify in court against former colleagues.
- The bosses of both companies will have to pay huge fines and possibly go to prison.

**Option two** If Sue decides to say nothing and leave CIC Consultants ...

- It is possible that the fraud will never be discovered.
- It is also possible that things will get even worse as time goes on.
- She will feel responsible for not stopping a criminal activity.
- She could probably find work in another consultancy firm but would have to lie about her reasons for leaving CIC.

### Task 2

Hold a meeting to decide which option she should take.

### Task 3

Choose a spokesperson to report back to the other groups what was said and decided at your meeting.

### Write it up

Write the minutes of your meeting. (See *Style guide*, page 26.)

## Decision:

- Listen to what someone with a similar dilemma decided to do and what the consequences were.