

## AN APPLICATION OF BUSINESS CONSULTING PROCEDURES IN PUBLIC ADMINISTRATION

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**Abstract.** This paper identifies and discusses the application of management consulting procedures that are applied most frequent in public administration. Hence, the main types, methods and best practice in the field are analyzed. Management consulting approach is used to implement substantial changes in public sector organizations; whereas other types of consulting are designed for empowering and engaging citizens. Suggestions are made on how to improve the quality of identifying, expressing and developing consulting procedures, whereas management consulting approach is been cultivated only fragmentary in public administration. Concerning the case analysis, the success of applying management consulting procedures in public administration is determined by clear objectives, long period of consulting and permanent consultants' work during the whole period of consulting. Paper utilises two argumentation methods: the arguments are based on content analysis of examples concerning particular challenges and peculiarities of consulting practice in public sector; and the case study that represents the best practice of consulting in public institutions.

**Keywords:** management consulting, consulting procedures, public administration, a case study.

**Jel classification:** M10

### 1. Introduction

Public institutions are in a change, due to the increasingly rapid pace of social, political and technological change. Notably, over the past decades in public sector reforms took place in almost all fields of public administration, and they are still going on. On one hand, these reforms were initiated by the political and economic changes and the increased need to control public spending. On the other hand, the negative influences of the global economic crisis that increase state budget deficit and migration, promote further reforms. It is worth noticing that, public sector organizations face the need to introduce the new technologies and management systems. Ongoing changes make a direct impact on the institutions of public administration. There is no coincidence that the institutions have an *increasing demand for consulting services*. In addition, some public-sector organizations in their daily activities rely on the consultants' knowledge and competencies. At the same time, employees of public sector organizations are assigned to perform functions and responsibility of consultants for society.

The paper identifies and discusses the application of management consulting procedures that are applied most frequent in public administration. Hence, the main types, methods and best practice

in the field are analyzed. Accordingly, the paper presents the classification of consulting practice in public institutions. The research and argumentation are based on qualitative content analysis and case study analysis. The applied methods enable us to develop reliable conclusions grounded on objective and systematic examination of various documents and interviews. According to the recommendations of methodologists (Denzin, Lincoln 2008), the research is performed with the texts where researchers conducting the research find the meaningful evidence of the analyzed problem. The method was chosen taking into account its historical determinacy, striving to avoid subjectivity when examining the documents.

The article is primarily a conceptual explorative one, but it also draws on a set of new empirical data gathered on case analysis. The database consists of public documents, interviews, and existing scholarly literature in the field. The paper is organized into sections: it starts with the discussion on consulting in public administration and continues with case analysis. This paper utilizes two argumentation methods: the arguments are based on examples concerning particular challenges and peculiarities of consulting practice in public sector; and the case study that represents the best practice of consulting in public institutions.

## 2. Management consulting: the concept and its modification in public administration

The theoretical field dealing with the character of management consulting is vast, ranging over multiple disciplines with the special emphasis on finance and engineering sectors (Lepkova, Bigelis 2007; Kanapeckiene *et al.* 2010; Ginevičius 2011; Kapliński, Tamošaitiene 2010). At the same time, management consulting and its methodology is only fragmentally analyzed in public sector. Nevertheless, this “unspoken agenda” (Buono 2004) is expanding. During past two decades, the application of management consulting in public administration is growing continuously and bringing new insights for research and investigation. In the following section, we focus on two views towards consulting in public administration that built on fundamentally different assumptions and methods. Without going into a theoretical debate, we assume that the consulting is a service activity performed on an independent from, and it consists of providing opinions in order to facilitate the consultee to identify and solve problems, using a progressive approach. (Anderson 2009; Buono 2009; Jakubavičius *et al.* 2005; Kubr, Kubr 2002; McKenna 2010; Melnikas 2011; Merron 2005). Going deeper into the public sector, consulting practice is distinguished into two different and at the same time complementary activities: management consulting and citizens’ consulting. The management consulting basically has no difference with consulting in business (Christensen, Parker 2010; Saint-Martin 2000; Jorge 2008). Therefore, the principles applied are directly taken from a business or consulting companies; using ordinary techniques of management consulting and the course inherent to business counseling, the process of management consulting is ongoing in public institutions. This type of consulting we propose to call as a management consulting. Commonly, such type of consulting is used during realization of various projects aimed at implementing significant changes in public sector institutions or individual units of the institutions. The second type of the consulting practice is typical for the public sector and presents citizens’ engagement. The purpose of this type of consulting is to empower certain groups of inhabitants to self-control of processes that affect directly their welfare (Heintzman, Marson 2005, Denhardt, Denhardt 2011). In the next chapters we focus on this type of consulting – management consulting in public administration.

## 3. Management consulting in public administration: specific features and best practices

Management consulting in public administration has specific features, which are formed by the specificity of the *consulting needs, specific of the activity and factors of political environment*. First of all, the peculiarity of management consulting in public administration is formed by the specificity of the consulting needs. Existing opinion implies that traditional public sector institution, body or public authority institution is ineffective. Thus, the new and more effective forms are needed (Lane 2009; Kipping, Engwall, 2003).). In this way, the need of reforms occurs, and consulting firms or other public administration consulting institutions perform the role of reform consultants. The example of such a consulting is an EU project CARDS “Assistance in implementation of civil-service reform in Albania” (2005). The executors of the project – Danish consulting firm “Ramboll Management” and Lithuanian Institute of Public Administration – have developed a training needs analysis system and provided the Albanian public administration training Institute with advice of strategic nature. During the consultation such forms of consulting were used: presentation of methodology examples and discussion with the representatives of interest groups, the manager training, training seminars for the directors of human resources services, staff, target groups representing the main six civil-service levels; the business trip for the staff and assistance in strategic plan preparation. When consulting the institutions of public administration, institutionalizing “best practice” was used: it is characterized as describing of the new principles of activity introduced and embedding them as an integral part of organization culture.

Peculiarities of management consulting in public administration occurred for the specifics of institutions’ activities as well. Public administration, such as a municipality responsible for the social, cultural and infrastructural projects developments are likely to consult with specialists in different fields or specialized consulting firms. Consulting may be performed only in the idea generation stage or may become a long-term consulting. In all cases, the reasons for consulting are topical problems faced by a municipality that require additional knowledge and experience. For example, when the challenges in the field of housing renovation occur, administration of a municipality invites business consultants considering the best ways of reconciliation and exploitation of different sources of projects financing to address the problem of housing renovation in the area. In order

to obtain additional financial resources, public administration institutions provide projects for EU structural assistance. To this end, the municipal administration purchases consulting services and in conjunction with the business consulting firm develops projects. Municipalities are used to be consulted by consulting companies in case of developing projects for towns and villages infrastructure (Iankova 2009). The same approach may be applied to compensate any lack of knowledge and experience faced by public administration institution when performing specific tasks. As the procedure of public procurement is quite complex, public administration institution may purchase consulting for public procurement documentation preparation; e.g. while implementing the project of electronic archive infrastructure development.

While participating in international projects, municipal administrations expand the opportunities of consulting and can receive complex consulting services based on the best international practices. An example of such consulting may be Kaunas municipality participation in an international project, which aims to tackle urban traffic congestion problem (Commerce 2008). The project is financed under the European Commission program “Progressive energy for Europe”; the developers of the project are the most experienced in this field London and Paris municipalities. During the implementation of the project mobility forum bridging second largest Lithuanian city municipality and representatives of local business is being created. Local urban action plan is being developed under the references and standards of the project.

In summing up the practice of management consulting in public administration we can make a statement that the need for consulting in public administration has a direct dependence on the problems arising; these problems in public administration institutions are of different nature and depend on the particularities of their activities and on environmental factors. The need for management advice in public administration depends not only on the problems in social and economic fields, but on the politics chosen as well. State and public authorities are inclined to consult with private consultants or other institutions, when face new and complex problems or face political pressure and criticism on work efficiency (Denhardt, Denhardt 2008; Coleman, Götze, 2001). This may be a political decision on public administration entities demonopolisation or transformation. In this context, the task for management consulting in public administration is not related with the improvement of public administration, but also with the political fending.

#### 4. Methodology: case study

Management consulting may be identified in many institutions of public administration. Hence, for the case analysis, it is important to develop case selection criteria (Creswell 2003). We developed three criteria for choosing the case for analysis. Firstly, institution activities are directly related to consulting services. Secondly, institution is involved in citizens' engagement. Thirdly, institution activities are recognized as the best practice in public sector. The State Tax Inspectorate under the Ministry of Finances of Republic of Lithuania (hereinafter – *STI*) was chosen for case analysis. Firstly, is that one of the main functions of STI is to provide services and consulting on all tax calculation, declaration and payment issues, namely the STI activities are directly related to consulting services. In addition, activities of STI are directly related to the tax payers' education and training to enable them exercising independently tax liability function. The third reason leading to the choice of this case is that even several projects of this institution directly related to the consulting and quality of consulting services were recognized as the best practice and are included to the database of public administration sector quality initiatives. The examples of the best practice are the projects “Electronic public services for taxpayers: electronic declaration system project” (Best practice examples 2005) and “Standards of services provided for taxpayers implementation in State Tax Inspectorate” (Best practice examples 2009). Service standard introduced in the institution is recognized as the exemplary model; it is ascertained that the process of consulting became shorter and of higher quality, i.e. the greater efficiency of the activities was achieved.

Another equally important reason for choosing this institution as a case for examination is that these projects extensively introduced in media and other projects and initiatives that were given less publicity, allowed the institution to face changes and to create a positive image, changing it from the “punitive battalion” to a position of consultant, i.e. the culture of trust between STI and taxpayers citizens' engaging the consulting process of high quality was created. The “secret client's” survey carried out showed that the level of services in STI is higher than average. High evaluation results were achieved by successful implementation of systematic and specific measures for improvement the quality of services. For these performances the case of STI may be examined as the best practice. The case study was performed on the ground of the Finance Ministry and the STI staff interviews, annual reports and other secondary data sources.

## **5. Management consulting: case study analysis**

In order to obtain long-term, high-quality management consulting, the project was initiated to develop the Tax Information Centre (hereinafter referred to - TIC). During implementation the PHARE Twinning project for TIC development, consulting, methodological support, seminars and business trips arranged by the experts from Great Britain, and Northern Ireland helped in development the centre admissible for the Tax Inspectorate as well as taxpayers. Throughout the project implementation period, the STI had a permanent adviser to the Twinning project and a number of strategic planning, taxpayer service, personnel selection and training, information technology and other technical experts. This consulting was based on the procedural model of consultation to which is characteristic that the client (in this case STI) is involved actively in all phases of problem-solving and agrees that the consultant will not provide the only correct answer: the decision should be made by the client himself. When the consulting is intended to initiate long-term changes in institutional performance, many sources of information are used. A trust-based environment is been created in which the changes and progress are permanently assessed (Czerniawska 2006); the main behavior patterns in institution are induced to cause substantial changes in the deep (Merron 2005). In the case examined all classical phases of consulting are reflected: the consultant performs analysis of the main areas of organization activities, makes a recommendation on structural changes, provides support in implementation and enables performance of new roles. TIC instructor training program illustrates the phase of empowerment: during this program consultants instructed TIC staff on call service's principles as well as transmitted the method how to impart this information when training future TIC consultants.

TIC project of 5.7 million litas (1,6 mln. €) value was financed by means of PHARE program; part of money was allocated by Government. The TIC development project consists of three stages; during these stages, the information provision by phone on tax issues function was completely taken over from the counties' State Tax Inspectorate. On the first stage of development by 1st August 2006, the TIC has taken over the function of informing on personal income tax, Taxes administration law provisions and general information on phones, working times and tax procedures from the counties' STI. By the 1st quarter of 2007, the phone consulting on VAT issues was taken over from the counties' education and consulting divisions; from the 3rd quarter of 2007 – consulting on corporate

income tax and other issues. Implementation of the project has led to a higher standard of service quality, when calling the same short number of all Lithuanian taxpayers receive the telephone consulting of the same quality.

The consultation process created new knowledge and new institutional competence. Based on this competence STI has implemented variety of technical and management projects that made a positive impact on the quality of the institution's work. According to results of longitudinal research, performed in 2008, the change in services provided to taxpayers, was statistically significant. The assumption was made, that significantly higher results of the research performed after the implementation of the measures discussed were achieved by the successful implementation of systematic and specific measures to improve the quality of services: "Standard of services provided for taxpayers" was introduced, staff trainings, research results presentation for the specialists of the counties STIs and discussions on service's improvement; nominations for the best officials; sharing the best practices between the counties, etc. The case of STI still may be examined as the best practice as the further activities for consulting quality improvement are envisaged. Instead of the current territorial offices of counties STI the new tax liabilities units will be set up. Specialist of the new tax liabilities offices will monitor taxpayers, will communicate more directly with taxpayers, will examine the issues on which they cannot carry the tax burden and will solve these problems at the spot. Organizational – structural changes promote the staff number optimization as well. By the end of the year 2008 in STI there were 3985 employees; in 2009 this number has decreased by 247 employees; it is planned the further reduce of this number by 59 employees. In order to ensure higher level of specialization in consulting on tax issues, in 2010 the project "Development and maintenance of consulting centre for public sector entities on the accounting and financial reporting and information systems installation" was presented and granted the EU structural assistance. The objective of the project is to provide consulting services to public administration bodies, in order to strengthen their capacity to implement public sector accounting and financial accountability system reform. In addition to technical works on setting up call centre, it is envisaged to train two employees for consulting, to prepare a description of consulting procedures and database of initial consulting materials. On the first stage, it is envisaged to provide 240 consultations and organize 60 seminars for training specialists of state and municipal institutions of higher level. Activities envisaged in the

projects are mainly based on existing best practice; they consistently integrate effectively operating parts of existing system and cause further objectives taking into account the results of previous projects.

## 6. Conclusions

The need for management consulting is recognized in some public sector organizations, but is not expressed clearly; moreover, consulting activity is being cultivated only fragmentary, in the frameworks of particular projects. In this way succession of the progressive practices from public as well as a private sector is being considered as feasible and timely. Further development of management consulting in public sector should be based on the elements of a procedural consulting model; many elements of consulting may be adopted directly from the business practice. In essence, the success of consulting process will depend largely on the competence of consultants, on result-orientation, clear and well-communicated expectations, the apparent support of public organization authorities, consultants' adaptation to public organization's readiness for changes, partnership with consultants and consultants' involvement in the stage of implementation.

Management consulting in public administration should involve such the stages as: preparation, during which stakeholders and extent of changes are identified; current situation analysis, during which not only the information is analyzed, but also meetings with the personnel are organized to identify possible changes; the future status description, which includes the preliminary plan of changes; implementation and continuous improvement, aiming to continuous improvement of performance.

The consulting system of the public sector should be envisaged a possibility for organizations to use not only local, but also foreign consultants' services, expanding opportunities for consulting and meeting better specific needs of public sector organization for consultations. With reference to the public administration institution case study, it may be stated that success of management consulting is determined by clear objectivities, quite long period of consulting and permanent consultants' work during the whole period of consulting. In essence, these requirements are expressed in theoretical descriptions of procedural consulting based on the business consulting practice; their efficiency in public administration proves universality of these requirements and the appropriateness of their compliance and other public sector bodies.

Ways of consulting may vary from informing to decision delegation or to thematic analysis networks, dependently on problem's depth. In essence, all the main methods of consulting used in public administration and business are already known, so it would be considered appropriate to concentrate on the procedural application of these methods. Analysis of residents empowering practice in public administration has revealed that this consulting, unlike management consulting, is strongly affected by optimization and standardization. The quality of empowering consulting is determined by following the standard of services provided for clients and accessibility of comprehensive examined information for the consultant and client. These particular aspects should be paid the greatest attention while developing consulting space in public sector.

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