

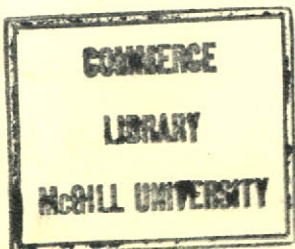
*progress
report 1968*



amc



*canadian
association
of management
consultants*



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president's report

Management consulting has become one of the fastest growing professions in Canada, but it is also one of the least well known. From its beginnings with a handful of practitioners in the early thirties, it has grown to well over 1,000 professional consultants today. In the past four years, the staff, number of assignments and gross billings of major Canadian consulting firms have more than doubled.

But despite this rapid growth, the consulting profession is still somewhat of a mystery to many Canadian businessmen. The work of management consultants, because of its highly confidential nature, is little known outside of the senior company management group.

This Progress Report is the first publication in Canada to describe and document facts and case histories of the work management consultants are doing for Canadian business, industry and government. It has been prepared by the Canadian Association of Management Consultants, which represents the 11 leading management consulting firms in Canada. The statistics it contains, and the case histories of consulting assignments have all come from the files of these firms, which handle approximately 60% of the management consulting work done in Canada. The remainder is undertaken by smaller specialized firms and by some consultants from other countries.

The rapid growth of management consulting has stemmed from the increasing demand from Canadian industry and government for assistance in adapting the newest management techniques and technological developments to meet the changing needs of their organizations. CAMC member firms last year provided assistance to companies in each of the 36 industrial classifications listed by the Dominion Bureau of Statistics. The greatest demand came from manufacturing industries which accounted for one-third of the 2,000 companies for which consultants completed assignments. The smallest was the fishing industry which involved only 13 studies.

The size of companies served by consultants varied from those rated at under \$1 million annual volume (17% of all companies) to large corporations rated at over \$100 million annual volume (5% of all companies). In the past three years consultants have completed assignments for 82 of the top 100 companies in Canada. However, the majority of their assignments (52%) were conducted for companies in the \$1 million to \$30 million rating.

Non profit-making organizations, such as hospitals, universities and government departments, accounted for 11% of their work.

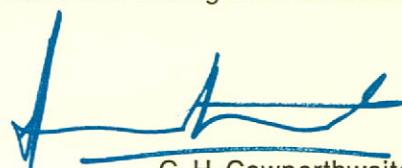
The types of services offered by consultants have changed considerably over the years. Consulting began with a concern for improving the efficiency of manufacturing procedures, but last year consultants conducted only 13% of their studies in the production area. Of major concern today, is the field of computer applications and management science, which barely existed 15 years ago. Last year it accounted for 24% of consultants' fees.

Another new, but rapidly growing consulting service is resource development, which includes regional economic studies, transportation planning and tourist studies. Last year it accounted for 6% of revenue. The mainstay of the consulting profession, however, is its services in general management and organization, and in finance and control. These two services account for 29% of the revenue of CAMC firms.

While statistics on management consulting may paint a bright picture of the growth of the profession, they fail to depict the actual work consultants are doing. The case history section of this report is designed to provide more factual information on the nature and scope of consulting work. It describes studies on increasing productivity, long range planning, export marketing and many other facets of consulting.

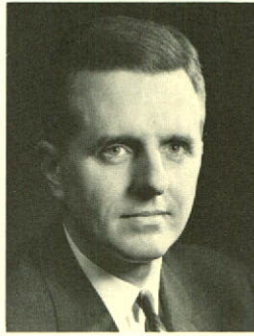
The final section describes the work consultants are doing in the field of management education. Consultants conduct courses in many areas of management as a part of their work for clients, as well as to keep their own staff up to date on new management developments. But they are also making their specialized knowledge of business available to a wider audience through a program of public speaking and through writing articles for business magazines.

The Canadian Association of Management Consultants, and its Board of Directors, hope that this report will prove to be another worthwhile contribution to the field of management education in Canada.

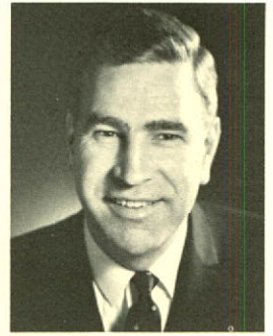


G. H. Cowperthwaite
President 1967-1968

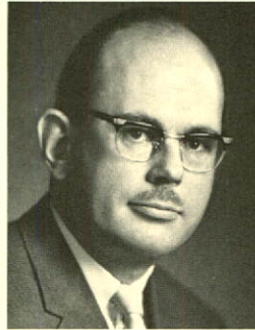
board of directors
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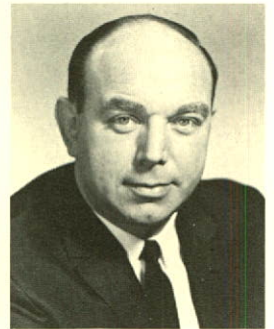
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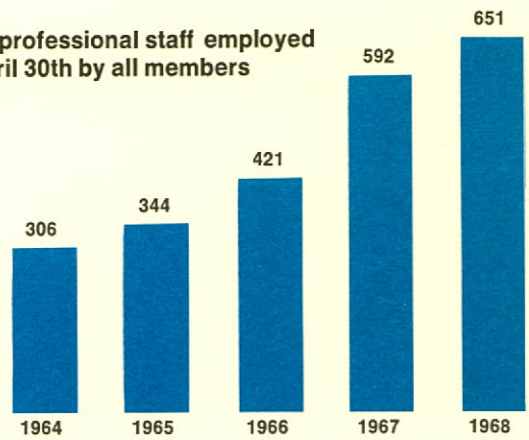
R. A. Read



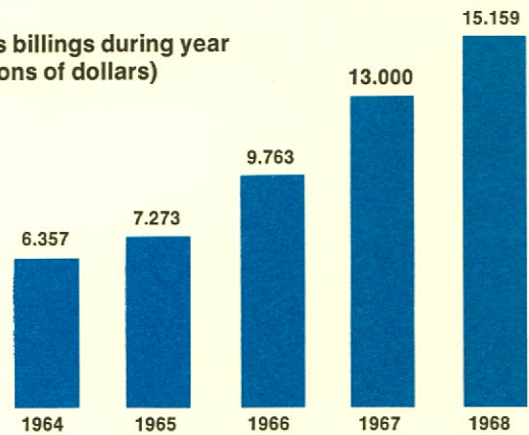
K. G. Belbeck

*the growth of
management consulting
in canada 1964-1968*

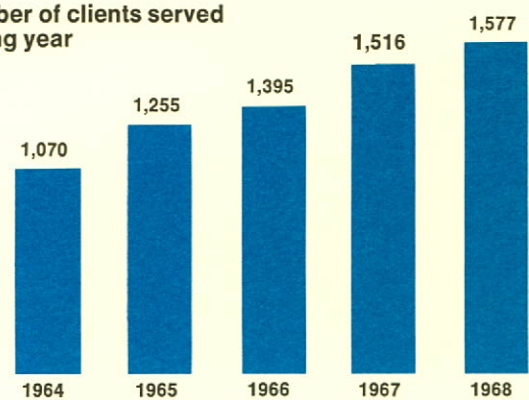
**Total professional staff employed
at April 30th by all members**



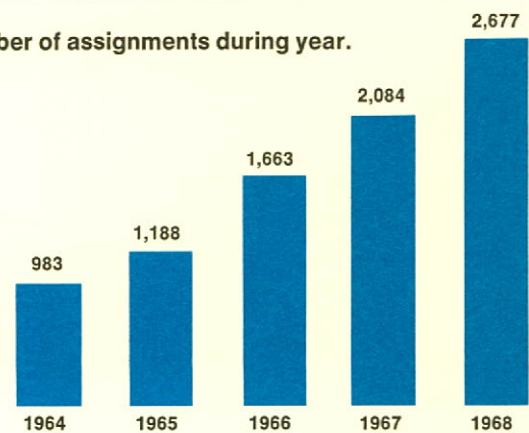
**Gross billings during year
(millions of dollars)**



**Number of clients served
during year**



Number of assignments during year.



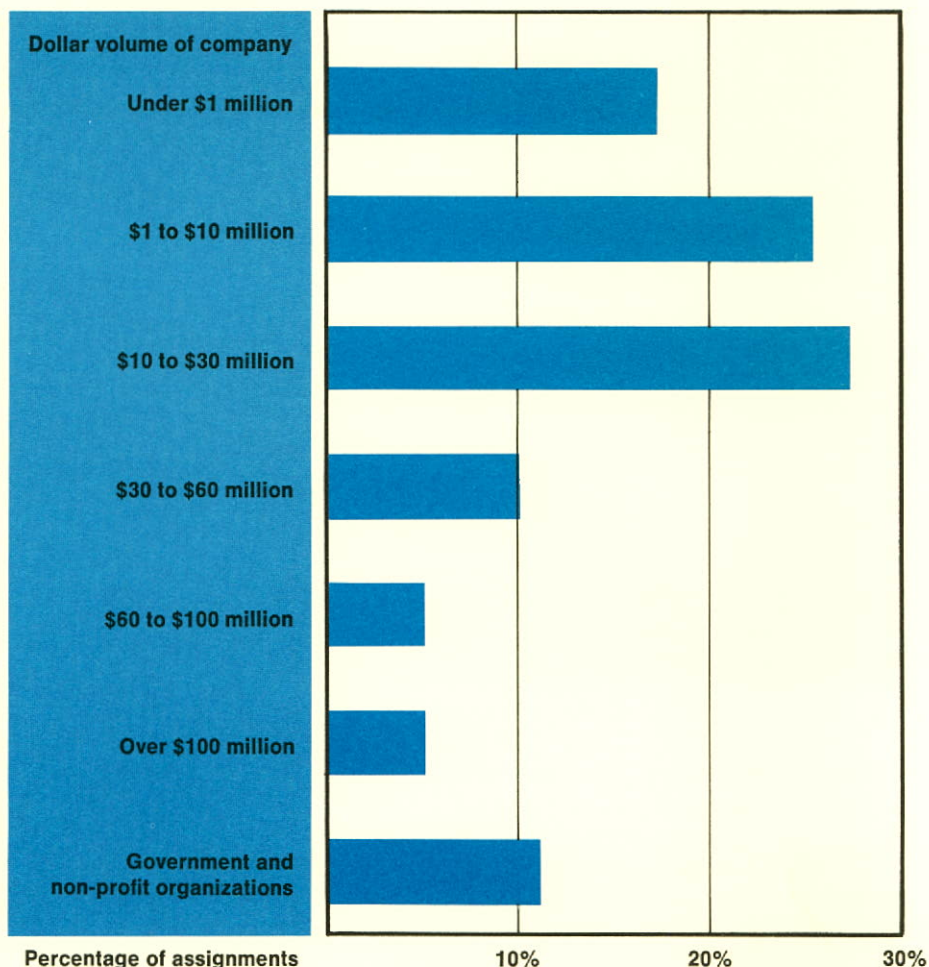
types of industry served by consultants

The diversity of industry served by CAMC consultants during 1967 is illustrated in this chart. It lists the number of companies served by CAMC's eleven member firms, classified according to the Dominion Bureau of Statistics Standard Industrial Classification.

1. agriculture	20
2. forestry (pulp and paper, sawmills, etc.)	22
3. fishing and trapping	13
4. mines, quarries and oil wells	34
5. manufacturing industries	631
food, beverage and tobacco	61
rubber and leather products	32
textiles, knitting and clothing	32
wood industries and furniture	36
paper products	40
printing and publishing	36
primary metal industries	32
metal fabricating industries (except machinery and transportation equipment industries)	83
machinery industries (except electrical machinery)	54
transportation equipment industries	31
electrical products industries	50
non-metallic mineral products industries	12
petroleum and coal products industries	15
chemical and chemical products industries	56
miscellaneous manufacturing industries	61
6. construction	74
7. transportation, communication and other utilities	106
8. trade	140
wholesale	71
retail	69
9. finance, insurance and real estate	156
10. community, business and personal service industries	435
education and related services	70
health and welfare services	161
charitable and religious organizations	10
motion picture and recreational services	42
services to business management	69
personal services (hotels, restaurants, laundries)	39
miscellaneous services	44
11. public administration and defence	164
federal administration	55
provincial administration	53
local administration	53
other government offices	3
12. industry unspecified or undefined	289
Total	2,084

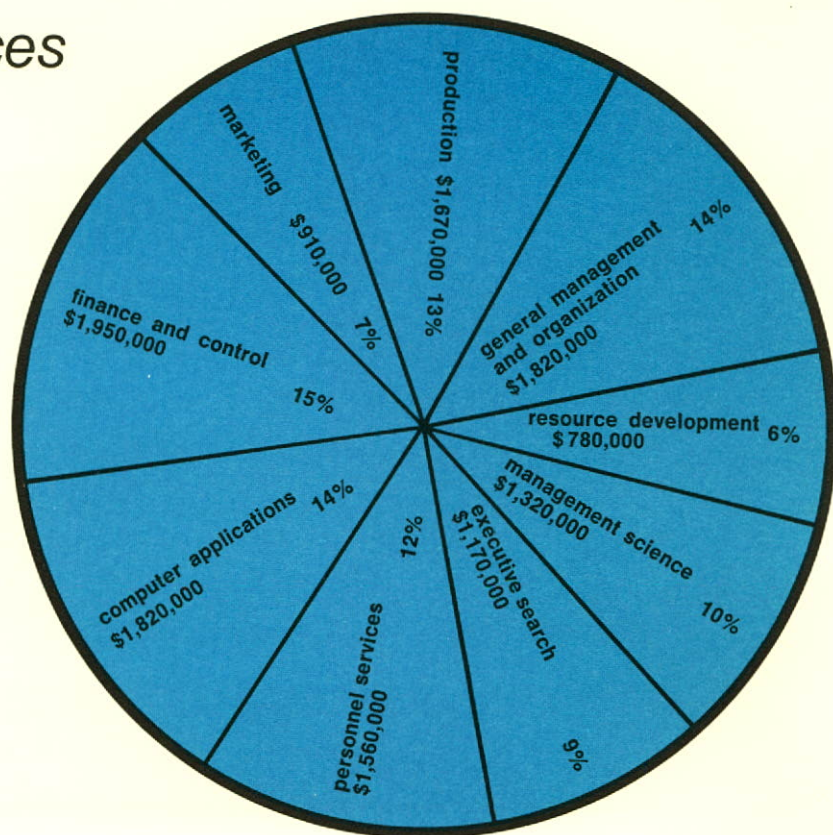
size of companies using consultants

This graph classifies the assignments of CAMC member firms according to the size of the companies for which they worked in 1967. They varied from those rated at under \$1 million in annual dollar volume (17% of all assignments) to giant corporations rated at over \$100 million annually (5% of assignments). The majority of assignments (52%) were conducted for companies in the \$1 million to \$30 million rating.



the consulting services they use

The consulting services offered by CAMC member firms were grouped into nine main categories for this breakdown of their use by Canadian business. The figures are based on fees earned by CAMC member firms. Indicative of the changing nature of consulting is the fact that several of these services, such as management sciences and computer applications, which did not even exist 15 years ago, today account for 24% of consultants' revenue.



how are management consultants helping industry?



1. Increasing Productivity

The problem of increasing productivity is of prime importance to management in every type of enterprise. It is also of primary concern to management consultants whose hundreds of assignments each year almost invariably involve improving the efficiency, and thus the productivity, of one or many areas of a company.

The industries for which they have provided this type of service vary from resource industries, such as mining and oil companies, to manufacturers of every type and financial institutions such as banks.

Typical of their assignments in reducing costs, was a clerical work study conducted last year for one division of a large insurance company. To ensure the participation and cooperation of the company staff, the consultants began by training a group of insurance company personnel as measurement analysts. Working with this group, the consultants developed measured work standards for the clerical staff, and then designed and implemented a reporting and control system based on these standards.

Savings following the implementation of the clerical performance improvement program reached approximately 31% of total clerical salary costs. Productivity increases, which varied by department, averaged 13% throughout the division. Greater savings are expected as the improvement program, now being implemented by the company's own analysts, takes effect in other areas of the company.

2. Long Range Planning

The rapidly changing nature of today's business environment has made the twelve-month planning period of yesterday obsolete. Companies are now looking ahead five or ten years, or even more, to plan their marketing, their production facilities and their financing. They are finding that this long range view is essential if they are to gauge, with any degree of accuracy, the business world in which they must operate.

During the past year management consultants have conducted many long range planning studies for Canadian companies that have ranged from a grain elevator network to a financial corporation.

An example of the type of research and assistance provided by consultants is this case history of a major Canadian manufacturer. He retained consultants to conduct a comprehensive study of the current state of the market for his products and the potential market in five years time. Consultants, through their access to and familiarity with statistics on many different industry trends, were able to provide the manufacturer with a detailed forecast of the market size and structure for the next five years.

They then showed company management how to implement a detailed five-year marketing plan for the future.

3. New Computer Applications

Canadian business has been accused of lagging behind the United States in using computers for other than routine clerical and accounting work. But the charge is rapidly being refuted by Canadian management consultants who last year designed some of the most advanced and imaginative computer applications in existence anywhere in the world.

One of these is a computer system to catalogue in standard form the millions of geological facts that are available from every source in Canada, including field geologists, mining and oil firms, government mining departments and universities. Work on the system has been in progress for two years and is expected to be a world first when the system becomes operational in less than five years.

Other new applications developed by consultants in the past year include an on-line banking system which ties together all branches of a Canadian trust company, process control systems for manufacturers, and inventory control and distribution systems for major liquor distributors.

The automation and remote control of an 1800-mile oil pipe line, to make it the longest automated oil pipe line in the world, is another outstanding computer application developed by a Canadian management consulting firm. The system, which includes 26 pumping stations between Edmonton and Sarnia, was converted to automatic control by installing small computers in each pumping station and connecting them to a large computer in the company's Edmonton office. The small computers operate the control equipment at each station on command from the large computer. They also supply all the necessary information for controlling the flow of oil in the line.





4. Distribution Planning

The rising cost of distribution and the need for better customer service is leading many manufacturers to search for more modern tools of distribution planning. The most important of these is not a bigger and better transport truck, or even better containerization, but rather, the computer. The computer's ability to store massive amounts of data, to rapidly compute the advantages of various methods of distribution, and to choose the most efficient, is making it an indispensable tool in the distribution field.

Typical of the improvements which can be achieved is this case study of a large Canadian manufacturing company which sells 80% of its production in the United States. Consultants, who were retained to modernize the company's distribution system, began with a detailed analysis of costs, operation and organization of the company's present system. Then they developed simple inventory and transportation models which were used in computer programs to determine the results of implementing improved management methods and recommended new practices. As a result of these tests the company is radically altering its distribution system to implement the new methods. Savings are expected to be in excess of \$2.5 million.

In another study, to determine the most economical delivery routes for a large Ontario-wide bakery, consultants developed a computer-based program which examines the thousands of possible, practical truck routes and chooses the least-cost or least-mileage combination for each truck. The new system has resulted in substantial savings for the company and has assisted in the planning of a stage-by-stage expansion program up to 1975.



5. Export Marketing

The tariff changes that will result from the Kennedy Round are leading Canadian businessmen to renewed efforts to invade new export markets. Their major targets are the convenient, and lucrative markets of the United States. The market research required to enter these markets is coming in many cases from Canadian management consultants. During the past year consultants have surveyed such widely diversified fields as steel distribution, the specialized instrument market, and the prospects for selling different types of Canadian farm produce.

One of the produce marketing studies was conducted to assist a provincial produce marketing group to find a method of selling an anticipated 50% increase in their product in the U.S. market. In the first part of the study consultants interviewed the province's major growers, processors, assemblers and shippers. Then they moved to the U.S. where they interviewed produce commission merchants in major cities as well as buyers and merchandisers for chain supermarkets. With this information the consultants prepared detailed guidelines to show how to package and market the produce in this new market.

Another consulting study, on steel distribution in the U.S., helped a Canadian steel distributor to assess the value of adding new product lines and services and to plan long-term strategies for continued growth.



6. Small Companies

The complexity of many of the assignments which management consultants carry out for large companies often leads the small businessman to conclude that consulting is not for him. He does not realize that assignments for small and medium size companies are the real mainstay of the consulting profession in Canada. Seventy per cent of assignments of CAMC firms last year were for companies rated at \$30 million volume or less, and 17% were for companies that do less than \$1 million annually.

One of the most satisfying assignments of last year enabled consultants to save a badly failing company from extinction. A wholesaler of radio and television parts, the company had shown steadily declining profits for six years, and by 1967 began to lose money. At this point, lightning caused heavy fire damage to the company's premises.

An insurance settlement provided sufficient funds to carry on the business, but the owner sought the advice of management consultants to help him decide whether it could be operated profitably, and to provide short and long range plans for future growth and improved prosperity.

After a detailed study of the company and the market for its products, consultants concluded that profitable operation of the company was possible. Their recommendations included suggested staffing levels, sales and expense budgets, and assistance in control of cash, purchasing and inventory levels. Consultants also helped management to establish corporate objectives, wrote job descriptions and developed an organization structure for short and long term requirements, established salary and wage scales, and developed profit-sharing and bonus plans.

The company has now been restored to profitable operation, morale is high and prospects for the future look good.

how are management consultants aiding government, institutions and management education?



1. Government Assignments

The wide-ranging variety of government assignments being undertaken by management consultants today is taking them far from the government offices of federal, provincial or municipal seats of power. Many involve research into every conceivable area of Canadian endeavour. Management consultants last year conducted the first complete review of the entire Canadian shipbuilding industry to determine its capabilities, its problems, and its future participation in building military vessels. They also conducted a feasibility study for the building industry to study the possibility of developing a computer system to supply information for manufacturers and users of building equipment and materials. They conducted an extensive study of tourism and recreational activities for the Maritime provinces, and a study of the resources and employment opportunities of five Ontario Indian reserves.

Some of their major work for municipalities, such as Toronto and Winnipeg, has been in transportation planning through the use of computer models to predict future traffic needs.

Other government assignments have been concerned with increasing the efficiency of government departments, assisting in long range planning, or in the implementation of new services. Recent projects include the development of the machinery to run Quebec's new pension plan and studies for Manitoba's Targets for Economic Development Commission.

2. Private Institutions

Private institutions, such as hospitals, universities and school boards, are growing so rapidly today that their problems are often similar to those of big business. As a result, management consultants are being retained by many institutions to modernize and expand their organization and accounting systems, to improve their work methods, and to conduct research into future trends in their various fields. CAMC member firms conducted 11% of their assignments last year for non profit-making organizations.

Typical of the wide range of consulting services that can be combined in one assignment was this project in facilities planning carried out for a Canadian hospital. The consultants were asked to define the future volume and range of services to be provided by the hospital and then to develop a program outlining its future space needs and systems requirements. This program became the basis for a master plan for the hospital's future growth which consultants drew up in conjunction with hospital personnel, architects and consulting engineers. This group developed projections of future workloads, staffing patterns and staff members which are being utilized in planning for future expansion of the hospital.

Another study involved a work scheduling and simplification project for a hospital dietary department which resulted in improved service, reduced staffing levels and more than double productivity of the remaining positions.

3. Management Education

In the hundreds of assignments consultants undertake each year a large percentage involve the education of company management and supervisory personnel. Consultants are teaching them how to adapt the newest management theories and technological developments to help solve the problems of their own particular companies. Last year the 122 courses CAMC member firms conducted for clients provided 6400 man-days of training for Canadian businessmen. The average cost per man-day was \$29.

Similarly, management consultants themselves attend regular courses designed to keep them up-to-date on new developments. Last year 60% of the staff of CAMC firms attended courses, averaging seven days for each consultant. Over 250 courses, which provided 2500 man-days of training, were given for consulting staff.

Management consultants are also making their specialized knowledge of business available to a larger audience through their program of public speaking and through the publication of articles in business magazines. Last year the 11 member firms of CAMC contributed speakers, free of charge, to 315 meetings and 88 seminars of business associations across Canada. Their staff also wrote 131 articles for management magazines.



the professional objectives of CAMC

The Canadian Association of Management Consultants was founded in 1963 by ten of the leading Canadian management consulting firms whose principals believed that the rapid growth in management consulting necessitated a professional association to exercise control over its future as a profession. Management consulting, since its beginnings in Canada in the 1930's has grown steadily. In the past four years the consulting staff of CAMC member firms has more than doubled.

The purpose of the association is to establish standards that will ensure the orderly growth and development of consulting and that will assure the public of competent and ethical practice. It is the hope of the association that membership in CAMC will become a mark of excellence in the field of management consulting.

To that end, the following objectives have been set:

- To foster among management consultants the highest standards of quality and competence in their services to their clients.
- To establish, maintain and enforce upon all members strict rules of professional conduct and ethical practice in their relations with clients, other members and the public generally.
- To disseminate, to the business community and the public, information regarding the services offered by the management consulting profession in Canada.
- To represent, fairly, and act as authoritative spokesman for, the management consulting profession in all parts of Canada.

membership requirements

Membership is open to any management consulting firm in Canada which has recognized standing in the profession and whose practice conforms with the standards of ethical and professional conduct and meets the admission requirements prescribed by the Association.

- The firm must have been engaged in management consulting in Canada for at least five years. (This period is reduced to three years for firms of known reputation previously established in other countries.)
- For a continuous period of three years preceding the application, the firm must have maintained a minimum full-time staff of eight professional consultants.

- The firm must serve clients in at least two areas of management, such as: general management, production, marketing, finance and controls, and personnel administration.
- The persons employed in the direction, control and execution of consulting assignments must be recognized by the Association as experienced and competent in their particular fields of management consulting.
- The firm must have recognized standing in the field of management consulting, as evidenced by its activities in a number of spheres toward the advancement of the profession.
- The firm must provide evidence to the Association of a record of competence, ethical conduct, high standards, independence and stability.

code of ethics

Members of the Association subscribe to this code:

- All information relating to the affairs of a client obtained in the course of a professional engagement shall be treated as confidential.
- In arranging professional engagements, all reasonable steps shall be taken by the member to ensure that the client and the member have a mutual and clear understanding of the scope and objectives of the work before it is commenced, and that the client is furnished with an estimate of its cost, desirably

before the engagement is commenced, but in any event as soon as possible thereafter.

- No professional services shall be rendered for a fee, the amount of which is contingent upon the results of the work.
- Members shall inform clients of any business connections, affiliations or interests of the member, of which clients would have a reasonable expectation to be made aware.
- Members shall not adopt any practices in obtaining engagements, nor in any other way so act, as to reflect on the public or professional reputation of the Association or its members.

CAMC information services

CAMC maintains two offices, one in Toronto and one in Montreal, for the purpose of answering queries about management consulting. Information is available for businessmen seeking to find the names of reputable management consulting firms and for members of the press who require information about consulting.

For further information about the services of CAMC consulting firms write or phone:

The Canadian Association of Management Consultants
Box 61, Toronto-Dominion Centre,
Toronto 1, Ontario • 416-368-1487
Suite 2165, 630 Dorchester Boulevard
West, Montreal, Que. • 514-861-7082

Canadian Association of Management Consultants