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## **CHAPTER 4:   MACRO, MARKET AND MICRO ENVIRONMENT SEGMENTATION FOR CONSULTANCY INDUSTRY**

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## SYNOPSIS

This chapter outlines the major environmental changes that have affected and will continue to affect MCFs and will focus on the internal and external environments. It draws out the implications of these environmental changes for the consultancy industry.

Change brings with it new problems, the solutions to which cannot be derived from past experience. Many changes occurring simultaneously and interacting with each other give rise to complexity. The essence of consultancy lies in the twin activities of helping clients develop solutions to novel problems and in resolving complex issues. Thus the greater the change, the greater the demand for consultancy services.

Collectively, the above-mentioned focus areas support objective 3: To determine the impact of market segmentation, macro, market, and micro environments on the small MCF.



## 4.1 INTRODUCTION

*“The general environment is composed of elements in the broader society that can influence an industry and the firms within it”*

Fahey & Narayanan 1986:49

The environments of MCFs are depicted in figure 4-1, which indicates that the management consultancy environment consists of three components, namely the macro, market and micro environment. The micro environment refers to the internal forces of a MCF and the market environment and macro environment refers to the external forces. Internal forces of a MCF include: the entrance of rivals offering substitute products or services; innovations by suppliers, channels and customers; and changes by a MCF such as the development of new products and services. External forces of a MCF include: international, economical, socio-cultural, physical/demographic, political-governmental and technological change.

While current-driving forces can be identified, many important elements of the future can escape detection. Subtle but highly significant changes in the environment often go unnoticed when they first occur, and key events that create discontinuity and new circumstances may be impossible to foresee or anticipate.

Since the beginning of the 1990s, South Africa has entered into a period in which structural changes in economic, technological, institutional, social, political, physical and international environments are occurring much faster than normal. The market environment is also changing dramatically because of the increase in the general standard of living, especially of the black population, the increase in competition among organisations and the increase in consumerism (Nieman & Bennett 2002:29).



## 4.2 MACRO ENVIRONMENT SEGMENTATION

*“The macro environment containing variables and factors outside the business which have a positive or negative influence on the growth and continued existence of the business and which encourage or hinder the achievement of objectives”*

Le Roux et al. 1999:50

Marx et al. (1998:57) acknowledge “... these variables, which can also be described as sub-environments or forces and have an indirect effect on businesses, include technological, economic, demographic, political, institutional and other forces such as the economic system in a particular country.”

The essence of technology is applied knowledge and this can take the form of software (know-how of many kinds). Using the term in this way, there are all sorts of technological changes occurring today. Any technological change can lead to the emergence of many substitute products. Firstly, overnight delivery services compete against the fax machine, then against electronic mail, and now against satellite and cable broadcasting of text and video.

MCFs should constantly monitor the following macro environmental forces. These forces have a major impact and need to be considered in detail by MCF, as indicated in figure 4-1:

- *Technological environment:* are responsible for innovation, change the use of computers, and comprise all products and services which are the result of human expertise and skills. Key technological breakthroughs, developments in management consultancy industry and technological developments can have an affect on the future of a MCF. Ansoff (1984:18) states: “A strategy that makes sense in economic terms must also be technologically feasible. If it is not, it will be quickly outdated and the organisation endangered”. Any technological change can lead to the emergence of many substitute products. ERP (Enterprise Resource Programme) systems, the backbone of many organisations, are ever changing and

continuously upgraded with new technology. This entails that the environments in which MCF are operating are also changing.

- *Economic environment:* changes in general economic conditions and changes in patterns of income distribution as well as the operation of the economic system is responsible for a variety of economic phenomena in a specific society and involves factors such as fluctuations, interest rates, trade cycles, globalisation, economic growth rate, and inflation.
- *Social-cultural environment:* attitudes toward physical fitness and general wellness and individual ways of life and customs and standards formed by their cultures and changing social values.
- *Physical (demographic) environment:* comprises of natural resources such as mineral wealth and flora and fauna as well as the improvements and include demographic trends, which include the human population in terms of size, density, location, age, sex and profession. For instance, demographic shifts, such as the increasing number of elderly persons, have profoundly affected sales in many industry segments.
- *Political-governmental or institutional environment:* embraces the government with its political involvement and legislation as the main components and consist of political changes as well as change in party affiliation of those in power and change in the influence of key industry groups.
- *International environment:* concerns local and foreign political trends and events that influence organisations and the market environment. Local businesses should always be aware of international economic trends like inflation, recession and shortages of resources as well as international political developments.

Source: Strydom *et al.* 2000:40.

#### 4.2.1 Technological environment

*“There is a huge shortage of skills. We need to bring in skills and technology at the right level. This will benefit government and commerce”*

Keeton 2001:16

*“Technology is the most continuously and rapidly changing aspect of the environment”*

Rosenbloom 2004:89

The word *technology* is derived from the Greek word *techne*, which means art. The Greek *technologia* translates to systematic treatment. Keeton (2001:16) explains, “... from these roots, our modern understanding of technology is the science and study of the practical and industrial arts”. The fact that these knowledge tools exist and can be used repeatedly to accomplish objectives means that they can be applied to the accomplishment of a business strategy.

Technology is primarily responsible for changes in the environment and is continually responsible for the pace of innovation and change. Le Roux *et al.* (1999:56) defines technological environment as “*The technological environment embraces all variables that contribute to the emergence of new products and services in the market*”. According to Cronje *et al.* (2004:96) changes in the environment is generally a manifestation of technological innovation or the process through which human capabilities are enlarged.

The question that arises is, “How will technological innovation affect an MCF?” According to Cronje *et al.* (2004:97) and Smit & Cronje (1999:76) the most basic result for technological innovation, is higher productivity. Businesses are threatened by the ability to make more and sell better products in the following ways:

- *Keener competition*: to reassess the following matters, namely organisational structure, division of labour, appointment of staff, methods of production and different marketing strategies.
- *Creation of complexity*: a clearly discernible effect of technological innovation is the creation of complexity.

- *An insatiable demand for capital:* affects technological innovation in industries with advanced technology.

MCF needs to invest in the right technology, which can give MCF a competitive edge over rivals. An MCF must use and understand the latest information technology to simplify processes, enabling them to mitigate complexity and rapidly identifying solutions that satisfy the business requirements. As new technologically improved products are constantly introduced into the market, MCFs do not keep abreast of changes taking place on the technological front, it will soon find that its products/services are obsolete. Blanchard & Waghorn (1997:85) said, *“If you are not involved today in creating tomorrow’s markets, or knowledgeable about what’s happening in these markets, you are unlikely to find yourself competing in them.”*

Technology remains one of the single most powerful forces of change in the management consultancy industry, where technology is headed and the rate of technological change offers strategic opportunities for MCFs.

#### 4.2.2 Economic environment

*“Markets need purchasing power and people. The available purchasing power of economy is determined by a large variety of factors such as income, price savings and availability of credit”*

Marx et al. 1998:61

*“The economy is probably the most obvious and pervasive category of environmental variables affecting all companies”*

Rosenbloom 2004:75

The economic environment forms the central focus point for change in the macro-environment. It influences all the other environments and is in turn, influenced by them. The result of this interaction is a continually changing macro-environment, which complicates decision-making. Economic factors, such as the business cycle, inflation and recession, influence the demand for goods and services by compelling consumers to reassess priorities in terms of consumer products (Nieman & Bennett 2002:33).

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Each significant economic change requires appropriate reaction by an MCF. It is the responsibility of management not only to try to determine the intensity of the business cycle for a specific industry, but also to try to forecast the possible cycle of the economy for at least the following year. The following economic factors must be considered by MCFs:

- *Inflation*: price stability is an important part of the economic landscape. Inflation is described as a continual rise in the generic price level (Nieman & Bennett 2002:33). In practice, it is better for MCFs to recover sums owed by debtors as quickly as possible and keep stock levels as low as possible and postpone paying creditors for as long as possible.
- *The business cycle*: involves the pattern of expansion and contraction of economic activities around a long-term growth tendency. Western economies and including South Africa are harassed not only by the phenomenon of inflation, but also by periods of recession that follow each other in quick succession and are interrupted by short periods of economic growth (Nieman & Bennett 2002:34). The MCF and the client must make certain value adjustments during the various phases of the business cycle in order to adapt to emerging economic realities.
- *Interest rates*: interest is the price paid for money. The level of interest rates is largely determined by the demand for and the supply of funds. Both current and expected interest rate levels are important, since these have a marked influence on the cost of capital as well as on the expected minimum return on capital. Relatively high interest rates have the following implications on MCFs:
  - The use of debt financing becomes more expensive and places liquidity under pressure;
  - High interest rates can dissuade the consumer from buying durable consumer products like cars, or electrical household appliances. Many consumers purchase these items on a hire-purchase basis and an

increase interest rates discourages such purchasing. The same applies to interest on overdrawn bank accounts.

(Nieman & Bennett 2002:35)

- *The provision of employment:* unemployment is one of the biggest problems in the South African economy. An unemployment figure of 40% of the economically active population has enormous social implications. Crime is on the increase and is a problem not only for home-owners but also for the business community. Unemployment and its consequences influence every MCF. Management must adapt its employment policy accordingly to ensure a fair dispensation for both employer and employee.
- *Productivity and profitability:* even though productivity and profitability are not synonymous there is a strong relationship between these two phenomena. If productivity increases, profitability should also increase. Increased productivity enables the MCF to compete better in the market.

#### 4.2.3 Socio-cultural environment

*“... reflects the demographics of the market and the social and cultural aspects of it that influence the market”*

Le Roux *et al.* 1999:53

The social environment is important because of the products, services and standards of conduct it determines for the society, which it is likely to value. The social environment is where people's lifestyles, habits and values are shaped by the culture, therefore making certain demands on the business (Smit & Cronje 1999:68). This environment affects management indirectly through people as consumers and as employees that its ultimate effect on the strategy of the business should not be underestimated.

According to Moagi (2002:23) the emphasis in many consumer lifestyles have shifted from cost to time as the premium asset, with working mothers, single households, commuting and television all contributing to the limited time available for food

preparation and eating. Therefore today's generation is growing up in an environment driven by convenience. The expanding choices allow consumers access to wider product ranges and refinement of likes and dislikes resulting in a culture of customised products that satisfy individual needs and desires.

Social changes take various forms, according to Sadler (2002:11) and one aspect of social change is changes in people's attitudes, values and beliefs and includes:

- A much greater emphasis on health and safety;
- A growing demand, increasingly backed by legislation, on the part of women and members of ethnic minorities, for equality of treatment and equality of opportunity;
- Changing social values and attitudes affect people's lifestyles and hence such things as their purchasing habits and patterns;

Meulenberg & Viaene (2002:Internet) explain that there are two elements of the changing social environment of MCFs clients, namely:

- *changes in value*: values are the mental representations of important life goals that clients are trying to achieve and these values are relatively enduring;
- *changes in lifestyles*: is a summary as patterns in which people live and spend time and money. The lifestyles of people change more rapidly and are measured on the basis of activities, interests and opinions of people.

#### **4.2.4 Physical/demographic environment**

*"... refers to the physical resources that people need to support life and development, such as water, air, climate, the oceans, rivers, and forests"*

Cronje *et al.* 2004:109

According to Nieman & Bennett (2002:40) the physical environment includes the availability, conservation, improvement and utilisation of the limited natural resources a country possesses. The business obtains its raw materials from the physical environment in order to place a product on the market in combination with other factors of production. The shortage of basic factors of production influences the supply of

goods and contributes to large price increases and resultant high inflation. Consideration must be given to different and more sophisticated methods of production and even reorientation in marketing thinking. Each MCF should have a clear policy regarding its responsibility for the most judicious utilisation and conservation of the physical environment.

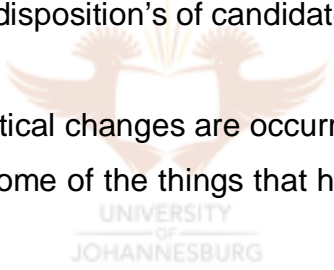
#### 4.2.5 Political/governmental environment

*“... encompasses complicated variables that are very difficult to control or predict”*

Nieman & Bennett 2002:40

The political environment according to Certo & Peter (1993:40) comprises those elements that are related to governmental affairs. Examples include the type of government in existence, governmental attitude towards various industries, lobbying efforts by interest groups, progress toward the passage of laws, platforms of political parties and sometimes the predisposition's of candidates running for office.

Sadler (2002:3) states that political changes are occurring at every level, namely global, regional, national and local. Some of the things that have affected many businesses in the past decade or so include:

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- The passing of power upwards to supra-national bodies, such as the European Union;
  - The passing of power downwards to regional government;
  - Privatisation of state-owned industries;
  - Deregulation in some respects, such as financial markets;
  - The reduction of East-West political tensions;
  - Various political decisions to purchase or not to purchase goods such as major infrastructure projects.

The political-governmental environment can create both opportunities and threats for MCFs. Firstly to create opportunities for MCFs, by establishing open international markets and secondly, providing threats such as government influences on Tenders.

MCFs should anticipate these changes in order to establish the functioning and future of their business.

#### **4.2.6 International environment**

*“In the world we live in today is an international or global dimension to each of the macro-environments”*

Marx *et al.* 1998:74

Coade (1997:1) has identified six key areas that have a direct impact on a business' understanding of the international business environment, namely:

- success and failure in understanding the business environment;
- the changing nature of the international business environment;
- the competitive factors influencing the business environment;
- the need for general environmental scanning;
- systemising the search for international business opportunities;
- the key factors driving the competitive environment.

MCFs should address these key issues and gather relevant information to facilitate market and competitor analysis as a basis for strategic planning and strategic formulation as part of effective international management.

### **4.3 MARKET ENVIRONMENT SEGMENTATION**

*“The environment that surrounds the business is known as the market or task environment”*

Smit & Cronje 1999:69

The ability of a MCF is to be competitive and is determined by the interaction between the business and its immediate environment, namely the market environment. The market environment surrounds the organisation and it forms the link between the business and the macro environment as can be seen from figure 4-1. The importance of environmental variables varies according to influence that they have on the MCF via the market environment. It is the responsibility of management not only to see to the

needs of the consumer within the market environment, but also to identify possible opportunities and threats, to convert threats into opportunities and to develop specific strategies to counteract competition.

The market environment consists of the market with all the forces and influences inherent in a capitalist order. The market environment surrounds the organisation and is located between the organisation and the macro environment. The market environment comprises the interest groups, consumers, competition, suppliers, labour force and strategic alliances that are the source of opportunities and threats to businesses (Nieman & Bennett 2002:42). These components must be analysed by management of MCFs:

- *Interest groups:* include institutions and groups who have an interest in the existence and future of the business.
- *Consumers:* have a major effect on the business performance through purchasing products and services. Effective managers realise the need to offer the consumer value for money.
- *Competition:* business must compete for customers. Effective managers develop strategies that offer a unique advantage over the competition in the market, because all businesses strive to increase market share, their market strategies are continually adjusted in order to ensure an advantage over competitors.
- *Suppliers:* an effective manager needs to realise the importance of suppliers and to develop close working relationships with them.
- *Labour force:* the employees of the MCF have a direct effect on its performance. The mission, its structure and its systems processes are major determining factors of the capability levels employees need in order to meet objectives.

- *Strategic alliances*: this refers to two or more companies that work together in joint ventures. Strategic alliances help organisations to obtain from other companies whatever expertise they lack.

The management of an MCF must look outside the organisation and be aware of trends in the market environment in order to utilise opportunities and to counteract threats. Knowledge, information and market research are thus extremely important for an MCF. The prediction of future trends in the market environment and the formulation of a marketing strategy is probably one of the biggest challenges facing the management of a MCF when it has to formulate a total strategy for the organisation.

#### 4.4 MICRO ENVIRONMENT SEGMENTATION

*“The micro-management environment encompasses all the functions of the organisation”*

Nieman & Bennett 2002:43

The micro environment may be viewed as an environment with three sets of variables: the mission and objectives of the business, its management and its resources (Cronje *et al.* (2004:888). These variable are responsible for the outputs of the business, and they are under the control of management. The influence of these variables on the outputs is simply whatever results from management actions. Each of the variables in the micro environment is linked to the external environment at a certain level and are influenced by the variables in the external environments and the variables in the micro environment, because of decisions made by management. And have an influence on the external environments of the business, that is, the market environment and the macro environment.

MCFs management decisions will influence the micro environment through strategy that it employs to protect, maintain or increase its share in the market. According to Cronje *et al.* (2004:888), the micro environments of many businesses all over the world have been subjected to changes relating to re-engineering, restructuring, discarding product lines and trimming workforces. The business world would no longer

accommodate the reality of a changing macro environment without these major changes.

The marketing function of a business is in close contact with the market, and marketing keeps an eye on consumers and their preferences as well as on the activities of the competitors. Therefore the business can develop strategies that will influence the market environment. The objective of an MCF is to make profits through satisfying customers. This is accomplished through the manipulation of the variables over which an MCF has control in such a way as to optimise this objective.

The business uses inputs from the environment and delivers output for which there is a need in the environment. Therefore the management task cannot be performed without taking the external factors into serious consideration. The business is part of the environment and is known as the decision-making or micro-management environment, states Kroon (1990:62). The MCF naturally makes and implement decisions connected with the strengths and weaknesses of the internal environment. The elements of the micro management environment are fully within the control of management.

#### **4.5 THE EFFECTIVE HABITS OF SMALLER MANAGEMENT CONSULTING FIRMS**

*"We are what we repeatedly do. Excellence, then, is not an act, but a habit"*

Covey 1994:46

According to Covey (1994:46), *the seven habits of highly effective people are "... powerful factors in our lives, because they are consistent, often unconscious patterns, they constantly, daily express our character and produce our effectiveness ... or ineffectiveness."* Covey (1994:47) states that a habit is the intersection of knowledge (theoretical paradigm), skill (how to do) and desire (motivation of the what to do). By working on knowledge, skill and desire, an MCF can break through to new levels of personal and interpersonal effectiveness as a firm. Ferguson (in Covey 1994:60) observed, *"No one can persuade another to change. Each of us guards a gate of change that can only be opened from the inside and we cannot open the gate of*

*another, either by argument or by emotional appeal.”* An MCF model opens a gate of change if it really understand and live the principles embodied in the Seven Habits as discussed in the next section.

#### **4.5.1 Habit 1: Be proactive**

*“I know of no more encouraging fact than the unquestionable ability of man to elevate his life by conscious endeavour”*

Thoreau (in Covey 1994:66)

In discovering the basic principle of the nature of man, Frankl (in Covey 1994:70) described an accurate self-map from which he began to develop the first and most basic habit of a highly effective person in any environment, namely the habit of proactivity. While the word proactivity is now fairly common in management literature, it is a word that will not be found in most dictionaries. It means more than merely taking initiative, it means that human beings are responsible for their own lives and their behaviour is a function of their decisions and not conditions. Covey (1994:71) states *“Because we are, by nature proactive, if our lives are a function of conditioning and conditions, it is because we have, by conscious decision or by default, chosen to empower those things to control us. In making such a choice, we are reactive.”*

Reactive people in MCFs are often affected by their physical environment. If the weather is good, then reactive people in MCFs feel good and if it is not then it affects their attitude and their performance. Reactive people in MCFs carry their own weather with them, whether it rains or shines makes no difference to them and they are value driven and if their value is to produce good quality work then it isn't a function of whether the weather is conducive to it or not. Reactive people in MCFs are also affected by their social environment. When people treat them well, they feel well, when people don't they become defensive or protective. Reactive people are driven by feelings, by circumstances, by conditions, by their environment. Whereas proactive people are driven by values, carefully thought about, selected and internalised values. As Eleanor Roosevelt (in Covey 1994:72) observed, *“No one can hurt you without your consent.”* Therefore MCFs need to understand impact of their choices that they make

on a daily basis and management has to be proactive in analysing the macro, market and micro environment as well as the attitude of their biggest asset, their employers.

#### **4.5.2 Habit 2: Begin with the end in mind**

*“What lies behind us and what lies before us are tiny matters compared to what lies within us”*

Holmes (in Covey 1994:96)

Although habit 2 applies to many different circumstances and levels of life, the most fundamental application of ‘begin with the end in mind’ is to begin today with the image, picture or paradigm of the end of a life as a frame of reference or the criterion by which everything else is examined. To begin with the end in mind means to start with a clear understanding of an MCF destination. The MCF needs to know where it is going so that it can better understand where it is now and so that the steps it takes are always in the right direction. If an MCF wants to be a successful business, then it needs to clearly define what it is trying to accomplish. An MCF will think through the product or service it would like to provide in terms of the market target and then the MCF will organize all the elements such as financial, research and development, operations, marketing, personnel, physical facilities and so on to meet that objective.

The extent to which an MCF begins with the end in mind often determines whether or not the MCF is able to create a successful business. Most business failures begin in the first creation, with problems such as undercapitalisation, misunderstanding of the market or lack of a business plan.

#### **4.5.3 Habit 3: Put first things first**

*“Things which matter most must never be at the mercy of things which matter least”*

Goethe (in Covey 1994:146)

Habit 3 is the physical creation the fulfilment, the actualisation, the natural emergence of habits 1 and 2. It is the exercise of independent will toward becoming principle-centred and it is the day-in, day-out, moment-to-moment doing it. If an MCF is living habit 3, it is practicing effective self-management. According to Covey (1994:148)

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effective management is putting first things first. While the leadership of an MCF decides what first things are, it is management of the MCF that puts them first, day-by-day, moment-by-moment. Management is a discipline, carrying it out.

Discipline derives from *disciple*: disciple to a philosophy; disciple to a set of principles/values; disciple to an overriding purpose, to a superordinate goal or a person who represents that goal. Therefore, if an employee of a MCF is an effective manager of themselves, then discipline comes from within and it is a function of independent will. The employees should therefore be well selected and trained.

#### 4.5.4 Habit 4: Think win/win

*"We have committed the Golden Rule to memory; let us now commit it to life"*

Markham (in Covey 1994:205)

Win/win is not a technique, it is a total philosophy of human interaction. In fact, it is one of six paradigms of interaction. The alternative paradigms for MCFs to consider are:

- *Win/win*: is a frame of mind and heart that constantly seeks mutual benefit in all human interactions. Win/win means that agreements or solutions are mutually beneficial, mutually satisfying. With a win/win solution, all parties feel good about the decision and feel committed to the action plan. Win/win sees life as a cooperative not a competitive arena, it is based on power and position rather than on principle. Win/win is based on the paradigm that there is plenty for everybody, that one MCFs success is not achieved at the expense or exclusion of the success of others. Win/win is a belief in the third alternative it is not a certain way, it is a better way, a higher way a win/win approach should also be well communicated to clients.
- *Win/lose*: In leadership style, win/lose is the authoritarian approach namely '*I get my way, you don't get yours.*' Win/lose MCFs are prone to use position, power, credentials, possessions or personality to get their way. Certainly there is a place for win/lose thinking in truly competitive and low-trust situations. Most of life is an interdependent, not an independent, reality. Most results are

cooperation between MCFs and its clients and the win/lose mentality is dysfunctional to that cooperation.

- *Lose/win*: Some MCFs are programmed the other way, lose/win namely '*I lose, you win.*' Lose/win is worse than win/lose because it has no standards, no demand, no expectations, no vision and are not quick to please or appease. Lose/win seeks strength from popularity or acceptance and has little courage to express own feelings and convictions and is easily intimidated by the ego strength of others. In negotiation, lose/win is seen as capitulation, giving in or giving up. In leadership style, it is permissiveness or indulgence. Lose/win means being a nice guy, even if nice guys finish last. Both win/lose and lose/win are weak positions, based in MCFs management insecurities. Therefore it is of the utmost importance that the management of the MCF has clear vision and gives direction to its firm.
- *Lose/lose*: when a win/lose MCFs and a win/lose client get together, that is, when two determined, stubborn, ego-invested companies interact, the result will be lose/lose. Both will lose and both will become vindictive and want to get back or get even, blind to the fact that murder is suicide, that revenge is a two-edged sword. Lose/lose is also the philosophy of the highly dependent MCF management without inner direction who is miserable and thinks everyone else should be too, '*If nobody ever wins, perhaps being a loser isn't so bad.*'
- *Win*: Another common alternative is simply to win. MCFs with the win mentality do not necessarily want someone else to lose. What matters is that they get what they want. When there is no sense of contest or competition, win is probably the most common approach in everyday negotiation. An MCF with a win mentality thinks in terms of securing its own ends and leaving it to others to secure theirs.
- *Win/Win or No deal*: basically means that if MCFs cannot find a solution that would benefit both parties, then agree to disagree agreeably, therefore no deal.

No expectations have been created, no performance contracts established. Where MCF has a no deal option, then it means they only want to go for win/win. Anything less than win/win in an interdependent reality is a poor second best that will have impact in the long-term relationship. The cost of that impact needs to be carefully considered. If an MCF cannot reach a true win/win, then they are very often better off to go for no deal. The emphasis of win/win is definitely focusing on a long relationship, than rather a quick buck.

(Covey 1994:207-214)

#### **4.5.5 Habit 5: Seek first to understand, then to be understood**

*"The heart has its reasons which reason knows not of"*

Pascal (in Covey 1994:236)

This habit is the key to effective interpersonal communication. As communication is the most important skill in life, all human beings spend most of their waking hours communicating. Although it is risky and hard, seek first to understand or diagnose before you prescribe, is a correct principle manifest in many areas of life. It is mark of all true professionals. This principle is also true in MCFs, whereby effective sales of a MCF first seeks to understand the needs, the concerns, the situation of the client. Seek first to understand is a correct principle evident in all areas and it is generic, common denominator principle, but it has its greatest power in the area of MCF client relations.

#### **4.5.6 Habit 6: Synergise**

*"I take as my guide the hope of a saint: in crucial things, unity  
in important things, diversity and in all things, generosity"*

Bush (in Covey 1994:262)

The highest forms of synergy focus on human endowments, the motive of win/win, and the skills of empathic communication on the toughest challenges MCFs face in business. What results is almost miraculous as human beings create new alternatives, something that was not there before. Synergy is the essence of principle-centred leadership and is the essence of principle-centred parenting. It catalyses, unifies, and unleashes the greatest powers within people. Synergy means that the whole is greater

than the sum of its parts. It means that the relationship, which the parts have to each other, is a part in and of itself. It is not only a part, but the most catalytic, the most empowering, the most unifying and the most exiting part (Covey 1994:262 & 263). Synergy is everywhere in nature. If you plant two plants close together, the roots commingle and improve the quality of the soil so that both plants will grow better than if they were separated. Thus the whole is greater than the sum of its parts.

The challenge is to apply the principles of creative cooperation, which MCFs learn from nature, in social interactions. The essence of synergy is to value differences to respect them, to build strengths, to compensate for weaknesses. MCFs know the possibility of having other such mind-expanding adventures in the future. Often attempts are made to recreate a particular synergistic experience, but this seldom can be done. However, the essential purpose behind creative work can be recaptured. Like the Far Eastern philosophy, *"We seek not to imitate the masters, rather we seek what they sought"* (Covey 1994:268). MCFs must seek not to imitate past creative synergistic experiences, rather to seek new ones.

#### 4.5.7 Habit 7: Sharpen the saw

*"Sometimes when I consider what tremendous consequences come from little things ...  
I am tempted to think ... there are no little things"*

Barton (in Covey 1994:287)

Habit 7 is taking time to sharpen the saw. It surrounds the other habits on the Seven Habits paradigm because it is the habit that makes all the others possible. Habit 7 is preserving and enhancing the greatest asset a human being have and it is renewing the four dimensions of nature namely, physical, spiritual, mental and social/emotional. Sharpen the saw basically means expressing all four motivations and it means exercising all four dimensions of nature, regularly and consistently in wise and balanced ways.

The physical dimension involves caring effectively for the physical body, namely eating the right kinds of foods, getting sufficient rest and relaxation and exercising on a regular basis. It is important for MCFs to encourage their employees to exercise. A good

exercise programme is one that you can do in your own home and one that will build the body in three areas, namely endurance, flexibility and strength (Covey 1994:289-290). Probably the greatest benefit MCF employees will experience from exercising will be the development of habit 1: muscles of proactivity. As the old saying says a healthy body houses a healthy mind. Covey (1994:292) contends “... *act based on the value of physical well-being instead of reacting to all the forces that keep you from exercising, your paradigm of yourself, your self-esteem, your self-confidence and your integrity will be profoundly affected.*” This relates to the strength of MCFs. It will be much stronger if focused on the outcome than on the negative obstacles.

The renewing of the spiritual dimension provides leadership to a MCF and it is highly related to habit 2. The spiritual dimension is the core, the centre, and the commitment to a value system. It is a very private area of life and a supremely important one. It draws upon the sources that inspire and uplift you and tie you to the timeless truths of all humanity. Spiritual renewal takes an investment of time. The great reformer Martin Luther is quoted as saying “*I have so much to do today, I’ll need to spend another hour on my knees*” (Covey 1994:294). To him, prayer was not a mechanical duty but rather a source of power in releasing and multiplying his energies. The MCF management has to lead and inspire the firm. This is usually a factor that is underplayed and management should be disciplined to continuously focus on it and find its source of power.

The mental dimension is the development and study discipline, which comes through formal education. Continuing education, continually honing and expanding the mind and is vital mental renewal. Sometimes that involves the external discipline of the systematized study programmes. Proactive people can figure out many ways to educate themselves. It is extremely valuable to train the mind to stand apart and examine its own programme. Training without such education, narrows and closes the mind so that the assumption underlying the training are never examined. That is why it is so valuable to read broadly and to expose employees of MCFs to great minds.

The social/emotional dimension focuses on habits 4, 5 and 6 and is centred in the principles of leadership, empathic communication and creative cooperation. The

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social/emotional dimensions of lives are tied together because emotional life is primarily, but not exclusively, developed out of and manifested in relationships with others, such as the client of the MCF.

## **4.6 CLOSURE**

It is impossible for any business to function in total isolation. Without interaction with the business environment, the business cannot continue to exist and grow. Together they form a complex dynamic business environment in which changes in environmental variables continually determine the success or failure of a MCF. Therefore, the business must constantly analyse the business environment that consists of the micro, market and macro environments.

The seven habits of highly effective people was a powerful instrument to provide smaller MCFs with necessary tools to implement, through repetition, the right principles and paradigms to be a successful business and to open a gate of change if a small MCF really understand and live the principles embodied in the seven habits.

To conclude, it is clear that the macro, market and micro environments contain many potentially significant opportunities, threats and constraints and that an important part of strategic management is identifying these and developing or adjusting strategies for the existence of smaller MCF to obtain a competitive advantage over rivals.

The speed with which the business environment is changing carries with it a number of implications for the consultancy industry, namely:

- To remain effective, smaller MCFs need to be fully aware of the major trends and able to assess the impact of these on the strategic positions of their clients;
- Smaller MCFs must develop considerable competence in the fields of change management if they are to be of real value to their clients. Successful implementation in today's climate calls for great sensitivity to the various causes of resistance to change, sensitivity of a kind that comes with considerable experience of change management in a range of situations;

- Smaller MCFs must also develop other skills in such diverse fields as information technology, working across cultures, using psychometric tools and survey research methods;
- Finally, the smaller MCF itself, must adapt to new environmental pressures and opportunities.

