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ETHICAL LIMITATIONS OF SELF-REGULATION AND GUIDELINES FOR
COLLABORATIVE REGULATORY DEVELOPMENT
IN EU MANAGEMENT CONSULTING

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Abstract: This research examines the ethical limitations of self-regulation in the European Union management consulting industry and compares regulatory approaches to foster ethical behavior. Analyzing 30 management consultancies' and industry associations' codes of conduct, the study reveals significant gaps in current self-regulatory frameworks. The research identifies the need for enhanced oversight mechanisms, as ethical shortfalls in the industry evidence that current self-regulation seems insufficient in preventing ethical misconduct. The study proposes collaborative regulation that balances ethical governance with industry innovation and develops guidelines for collaborative regulatory development. All aim to strengthen professional standards while maintaining competitiveness in the management consulting sector.

Keywords: Management Consulting, Ethical Consulting, Business Ethics, Code of Conduct, Code of Ethics, EU Regulation, Collaborative Regulation

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1. Introduction

The management consulting industry (MCI) has evolved into a cornerstone of modern business, fundamentally shaping how organizations operate, innovate, and transform (Mordor Intelligence 2024). Management consulting, defined as "an independent professional advisory service assisting managers and organizations to achieve organizational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes," (Kubr 2002, 10) has become an integral component of Western economies. The industry's influence extends across diverse domains, from strategy development and operations management to financial advisory and technology implementation, serving both private corporations and public sector entities (Kubr 2002).

The MCI operates with distinctive characteristics that set it apart from traditional professions. Unlike established professions, consulting embraces a more flexible approach to knowledge and practices, allowing for innovative solutions tailored to specific client needs. This adaptability, combined with the inherently complex nature of client-consultant relationships, creates unique opportunities and challenges in maintaining professional standards (Sturdy et al. 2014).

Recent cases of ethical misconduct have drawn attention to areas where the industry could benefit from enhanced governance frameworks. The industry's sophisticated methodologies and specialized expertise, while highly effective, can sometimes appear as a "black box" to outside observers, raising questions about transparency and accountability (McGinn 2013).

This work contributes to the industry's evolution by examining the potential for regulatory development in the European Union (EU) management consulting sector. The work explores two critical research questions:

1. The limitations in the content of current codes of conduct in management consulting under the hypothesis of higher effectiveness of more comprehensive codes

2. The appropriate form of regulation to promote ethical behavior in the industry at the EU level

The relevance of this research is underscored by the industry's continued growth and increasing importance in shaping business decisions (Mordor Intelligence 2024). As consulting firms expand their service offerings and global reach, the balance between maintaining professional independence and meeting commercial objectives becomes increasingly important.

This research contributes to the current academic discourse by helping to comprehend the content and efficacy limitations of current self-regulation, by analyzing codes of conduct in the MCI. The work's inclusion of collaborative regulation offers a novel view on regulating the industry. It develops guidelines on how to foster ethical behavior in the industry by increasing oversight and stakeholder collaboration.

The findings will be particularly relevant for policymakers, industry associations, and consulting firms seeking to strengthen professional practices while maintaining the industry's ability to innovate and compete effectively. By examining both the current regulatory landscape and the potential for more structured oversight, this work aims to contribute to the development of more robust and effective frameworks for the MCI.

2. Literature review

To establish an understanding of current academia on the topics under investigation, the literature review introduces broad academic views on the relevant aspects of analysis.

2.1 Business ethics in management consulting

To understand the ethical challenges in management consulting, we must first examine the fundamental principles of business ethics in the industry. Shaw (2019) contends that the unique attributes of management consulting, including the challenges in objectively evaluating outcomes, make ethical considerations especially crucial. The author suggests that Aristotelian virtue ethics provides a viable framework for ethical conduct in consulting, highlighting the

significance of consultants' character in fostering trustworthiness (Shaw 2019). A summary of the general frameworks used in business ethics can be found in Appendix 1.1, while Appendix 1.2 gives insights into ethical theories and concepts and their business connection. The ethical underpinnings of consulting are based on principles including professional independence, objectivity, and client confidentiality (Kipping and Clark 2012). As the industry evolves, maintaining ethical principles has grown challenging, with consulting firm leaders treating ethics as individual responsibility while implementing performance systems that prioritize commercial goals over ethical concerns (O'Mahoney 2011). Poulfelt (1997) emphasizes the necessity for consultants to reconcile their dual roles as advisors and business professionals while underscoring the significance of ethical guidelines and professional standards in managing the intricate relationships among consultants, clients, and other stakeholders.

Management consultants encounter numerous ethical challenges in their profession, frequently arising from tensions between commercial requirements and professional responsibilities. Greiner and Metzger (1983) delineate various prospective ethical challenges in consulting, including conflicts of interest, expertise misrepresentation, confidentiality breaches, billing issues, and unnecessary service recommendations. Kipping and Engwall (2002) contend that the tension between impartial advice and the financial objectives of the company has escalated. The capacity to offer unbiased counsel is being potentially undermined as consulting firms have expanded and become increasingly profit-oriented (Kipping and Engwall 2002). A notable moral conflict is preserving professional autonomy amidst client pressure. Kubr (2002) analyzes this principle via consequentialism and stakeholder theory, highlighting the conflicts between preserving objectivity and yielding to client pressures, which may result in adverse consequences for multiple stakeholders.

Several high-profile cases have highlighted ethical breaches in the MCI. A list of recent examples of ethical misconduct is provided in Appendix 2. A highly covered case is McKinsey & Company's involvement with Purdue Pharma during the opioid crisis in the United States.

McKinsey ultimately agreed to pay nearly \$600 million to settle investigations into its role in helping fuel the opioid epidemic, highlighting the severe consequences of ethical lapses in the consulting industry (Forsyth and Bogdanich 2021).

2.2 Regulatory theory

Given these ethical challenges, examining regulatory frameworks becomes crucial for developing potential solutions. Regulation can take several forms, from statutory regulation (SR by government agencies to self-regulation at the company or industry level.

2.2.1 Statutory regulation

Statutory regulation refers to the oversight and control exercised by a governmental entity to ensure compliance by businesses or professions with officially established rules and standards enacted through legislation (Kosti, Levi-Faur, and Mor 2019). Legislation and governmental regulations profoundly influence corporate conduct and ethics, outlining the environment in which businesses function and make decisions. Regulatory theory posits that the principal aim of government intervention is to rectify market failures and safeguard public interests (Baldwin, Cave, and Lodge 2011). The relationship between regulation and ethical business conduct is complex and multifaceted. Hodges (2015) argues that a regulatory system based on ethical norms and practices is essential for success, as it aligns with people's innate sense of fairness and justice. This view suggests that well-designed regulations can encourage businesses to adopt ethical practices beyond mere compliance.

On the other hand, some scholars contend that an overreliance on rules and regulations may inadvertently hinder ethical decision-making. Michael (2006) explores how certain characteristics of rules can interfere with the process of reaching and implementing ethical decisions. He suggests that when rules become the primary focus, they may become the ceiling rather than the floor for desired conduct, potentially limiting ethical considerations to legal compliance rather than broader moral principles.

Effective regulatory frameworks can foster ethical behavior; however, they must be carefully developed and executed to prevent unintended repercussions that could reduce ethical considerations to mere legal compliance (Asia-Pacific Economic Cooperation 2020; Michael 2006). A holistic approach that merges regulatory standards with efforts for ethical business cultures is expected to be the most effective in fostering ethical conduct within organizations.

2.2.2 Self-regulation

Unlike conventional statutory regulation, self-regulation does not necessitate state interference in company practices. Self-regulation is described as "the normative orders of private governments (such as corporations [...]), and the normative orders of professional communities and business networks" (Huysse and Parmentier 1990, 259). Self-regulation may manifest in various forms. Individual self-regulation (when an entity autonomously governs itself, irrespective of external influences) and group self-regulation (Huysse and Parmentier 1990). A prominent mechanism with significant potential as an instrument for social policy is industry self-regulation (Cunningham and Rees 1997). This can be characterized as a regulatory mechanism in which an industry-level organization establishes norms and standards (codes of conduct) governing the behavior of enterprises within the industry (Cunningham and Rees 1997). This definition indicates that industry self-regulation necessitates enterprises within the industry to choose to collaborate.

2.2.3 Collaborative regulation

Present regulatory theory has historically regarded voluntary self-regulation and direct government oversight as opposing extremes of a regulatory continuum (Rubinstein 2018). A development in regulatory theory is a hybrid approach combining statutory- and self-regulation through a government agency or an industry association (Vrieling, Van Montfort, and Bokhorst 2011). According to Ansell and Gash (2008, 544), collaborative- or hybrid regulation is "[a] governing arrangement where one or more public agencies directly engage non-state

stakeholders in a collective decision-making process that is formal, consensus-oriented, and deliberative and that aims to make or implement public policy”.

Civil society organizations are crucial in the hybridization of legislation, advocating for users and interacting with public authorities, to improve transparency, public participation, and accountability (Vrielink, Van Montfort, and Bokhorst 2011). Cross-fertilization in collaborative regulation (CR) transpires when self-regulatory activities provoke legislative action (Senden et al. 2015). Moreover, the temporal aspect is essential: self-regulation initiatives, being empirical, often advance more rapidly than the complicated legislative process (European Economic and Social Committee, n.d.).

2.2.4 Success factors for regulatory effectiveness

In the development of regulation, it is necessary to understand scientific best practices in regulation for effective regulatory frameworks. According to the OECD (2012), effective regulation requires high-level political commitment and a comprehensive government approach. The literature identifies fundamental attributes of effective regulatory systems, with proportionality emerging as a central principle. Mumford (2011) states that the burden of rules and enforcement must match expected benefits through risk-based approaches that consider both the likelihood and consequences of adverse events. Regulatory frameworks must balance certainty with flexibility. While regulated entities require predictability to reduce compliance costs and risks, especially for long-term investment decisions, the system must maintain the capacity to evolve with changing circumstances (Mumford 2011). A critical theme is the importance of transparency and accountability, with research showing that regulators must justify decisions and be subject to public scrutiny through systematic stakeholder engagement (OECD 2019).

Recent research emphasizes that regulatory success depends heavily on systematic review mechanisms and robust Regulatory Impact Assessment (RIA) systems. RIA should be integrated into policy formulation, with clear identification of policy goals and evaluation of

whether regulation is necessary and how it can most effectively achieve those goals (OECD 2012). This includes conducting proportional benefit-cost analyses while identifying alternative regulatory approaches to determine optimal solutions.

2.3 Codes of conduct

Dubin (1999) defines a code of conduct (CoC) as a documented policy or declaration of values intended to serve as the basis for a commitment to specific behavior. A CoC must encompass procedures for implementation, monitoring, enforcement, and review, alongside delineating the principles that should regulate behavior to serve as an effective regulatory instrument (Wawryk 2003). Some researchers contend that corporations ought to establish a code for altruistic motives because it is ethically essential (L'Etang 1992) or as a means to exhibit and oversee their moral obligation to address social issues (Logsdon and Wood 2005).

2.3.1 Effectiveness in promoting ethical behavior

Research on the effectiveness of corporate codes of conduct on affecting behavior has yielded mixed results. A comprehensive meta-analysis of 79 empirical studies by Kaptein and Schwartz (2007) across different industries revealed varying conclusions about the impact of ethical codes in organizations. The findings showed that approximately one-third of studies demonstrated positive effectiveness, while another third found no meaningful correlation. A smaller portion (16%) identified only minimal impact, and the remaining 14% produced inconclusive results. O'Mahoney and Markham (2013) argue that the prevalence of ethical codes in consulting firms has been largely ineffective in preventing misconduct, suggesting that vague ethical guidelines coupled with specific performance targets create an environment where consultants prioritize meeting financial goals over adhering to ethical standards. Additional studies, not specifically tailored to management consulting, suggest limited direct impact on ethical behavior (Marnburg 2000; Weaver 2014).

Other studies indicate that the influence depends on contextual factors. Codes of conduct and ethical climate can foster ethical behavior, reduce deviance, and improve organizational performance, though their effectiveness may be moderated by existing informal norms and prior experiences within the organization (Frostenson, Helin, and Sandström 2012; Weaver 2014). Sturdy (2020) posits that within management consulting, codes of ethics place increased responsibility on the individual consultant, neglecting the role of the organization in fostering a culture of ethics. Weaver (2014) emphasizes that, generally, CoC alone are insufficient to promote ethical behavior but may be more effective within a highly ethical organizational climate. A significant weakness of self-regulation through CoC lies in the lack of external enforcement mechanisms. The absence of external oversight means that compliance largely depends on self-regulation, which can be inconsistent and ineffective (Sethi 2011). To be truly effective, codes must be integrated with strategies and processes that ensure their practical application, including the diffusion of ethical culture, alignment with critical success dimensions, and monitoring of ethical parameters (Salvioni, Astori, Cassano 2014).

2.4 Current regulatory landscape in the management consulting industry

It is crucial to assess the regulatory status quo in the MCI to gain an understanding of the current legislation and potential gaps in regulation.

2.4.1 Statutory regulation in the management consulting industry

Across all member states of the EU, management consultancies must abide by general national and EU laws of business conduct (Sturdy 2022). On an EU level, limited restrictions apply, for example, through the Reform of the EU Statutory Audit Market of 2016, effectively limiting the provision of non-auditing services (NAS) of auditing- and mixed services firms (European Parliament and Council of the European Union 2014a). Besides, on an EU level, no regulation specifically addresses the MCI, however overlap exists with financial advisory. Financial advisory services in the EU are governed by specific directives, particularly the Markets in

Financial Instruments Directive, which establishes qualification requirements and standards for financial advisors (European Parliament and Council of the European Union 2014b). Further, conducted research did not show significant national variations in the regulatory landscape for management consulting in the EU.

2.4.2 Self-regulation in the management consulting industry

Self-regulation in the MCI is primarily driven by professional associations, self-redacted CoC, and standards. Industry associations play a crucial role in shaping ethical standards in the MCI. The International Council of Management Consulting Institutes (ICMCI), operating in 48 countries with 13 EU member institutes, develops professional standards and certifications for management consultants (ICMCI, n.d. a), notably creating ISO 20700:2017 (ISO, n.d.). The global organization works through national institutes to implement its standards and CoC (ICMCI, n.d. b). With approximately 9,000 CMC-certified consultants, primarily from SMEs, major consulting firms have largely avoided the certification, preferring their internal systems (Zaman, Howlett, and Migone 2024), highlighting challenges in establishing unified professional standards in the MCI.

The European Federation of Management Consultancies Associations (FEACO), representing over 3,500 consulting firms, operates near EU institutions in Brussels to enhance the industry's profile, advocate sector interests, and facilitate networking (FEACO, n.d. a). Through specialized working groups, FEACO actively engages in EU policy dialogue and stakeholder interactions (FEACO Procurement Committee, n.d). The organization implements self-regulation through its CoC and membership requirements, though its regulatory influence focuses primarily on policy advocacy rather than direct industry oversight (FEACO, n.d. b).

FEACO and ICMCI serve complementary roles: FEACO operates as a European industry federation focused on EU policy advocacy and inter-association cooperation, while ICMCI functions globally, emphasizing professional certification and standardization through CMC designation and ISO standards.

2.5 Regulating the management consulting industry

Research suggests the MCI requires regulation due to its global influence and inadequate oversight mechanisms. Current self-regulation fails to address inherent conflicts of interest in consulting work. (Asadov 2023; Wainwright 2022).

Several ethical shortcomings in recent years (see Appendix 2) suggest potential concerns regarding consultants' performance and conduct, which may be connected to the current lack of legislative regulatory frameworks (Zaman, Howlett, and Migone 2023). The distinctive traits of the management consulting profession, such as the difficulties in objectively assessing results and the complex client-consultant dynamic, render ethical considerations vital (Shaw 2019).

2.5.1 Goals of regulating the management consulting industry

Regulation should seek to enhance public confidence in the MCI and ensure ethical behavior, while simultaneously promoting competition and innovation within the sector (Baldwin, Cave, and Lodge 2011; Michael 2006). Additionally, it should aim to, at best, increase the service quality in the industry and at least ensure a minimum acceptable level of quality to increase public welfare (Shchepanskiy 2021).

A common point of industry criticism is the black-box procedures, effectively lacking transparency for clients, as well as industry outsiders (McGinn 2013). Without external oversight bodies, self-regulated industries lack enforceability and accountability. Effective regulation must introduce measures to assess conduct and involvement to create mechanisms to enforce and penalize unethical conduct at the expense of public welfare. At the same time, firm independence in decision-making must be protected (Lemos 2016).

2.5.2 Challenges in regulating the management consulting industry

In regulating the MCI, inherent challenges stemming from multiple sources can be identified. As defined by Kubr (2002), management consulting services span diverse fields. The vast array of services complicates the formulation of comprehensive regulatory standards that effectively

encompass all service types (Kipping and Kirkpatrick 2012). Regulation needs to establish universally applicable standards that are uniformly effective regardless of the consultancy's size. The concentration of market power (Research and Markets 2023) creates a distorted regulatory landscape in which large firms exert considerable influence over industry practices. In contrast with regulated professions, the industry does not possess a universally acknowledged body of management consultancy knowledge (Kipping and Kirkpatrick 2012), resulting in significant challenges in formulating effective regulatory frameworks, such as standardized qualification criteria, uniform quality benchmarks, and quantifiable performance metrics. The consulting industry's service delivery model further complicates regulatory efforts through its inherently customized nature, with each client engagement requiring tailored solutions (McGinn 2013). The extensive customization complicates the objective assessment of services. Historically, large consulting firms actively opposed external regulation, opting instead to establish their internal labor markets and control mechanisms for consultants (Kipping and Engwall 2011). This aligns with the prevailing preferences of enterprises to oppose SR and oversight (Kinderman 2016), apprehensive of constraints on growth and profitability.

Lastly, the MCI is undergoing constant change and evolution. The industry adapts its knowledge, and client services, and redefines itself with current business needs (Armbruester and Kipping 2001).

2.6 Research questions

The theoretical foundations and regulatory frameworks lead us to critical questions about the industry's future. This work aims to answer the following relevant questions throughout the analysis.

RQ1: What specific limitations exist in the content of current management consulting codes of conduct, considering evidence demonstrating the ineffectiveness of vaguely formulated ethical guidelines?

RQ2: Comparing statutory regulation and collaborative regulation through an industry association, which regulatory approach is best suitable to promote ethical behavior in the MCI on the EU level.

3. Methodology

This study employs a comprehensive methodological approach to address these research questions systematically. It utilizes a qualitative research approach to analyze self-regulatory limitations on ethical behavior in the EU MCI, establish how to best regulate the industry, and develop guidelines for effective regulation.

To identify content gaps and potential vagueness in current CoC, an empirical analysis of 30 management consultancies' and industry associations' codes of conduct was conducted. The developed ethical theory framework examines the codes for socially desirable conduct along key dimensions including articulated ethical principles and values, specific behavioral guidelines provided, enforcement and compliance mechanisms, and stakeholder orientations. The assessment framework is designed to recognize that questions derived from different normative ethical theories, though sometimes appearing contradictory in their philosophical foundations, can coexist and complement each other in practice. For instance, a code of conduct can simultaneously address both utilitarian principles (focusing on outcomes and collective benefit) and deontological requirements (emphasizing duty and universal rules). The questionnaire structure acknowledges that ethical guidelines need not exclusively align with a single normative theory. Rather, codes of conduct can, and should, incorporate multiple ethical perspectives simultaneously. This means that scoring high on questions rooted in one ethical framework does not preclude high scores on questions derived from another framework. A

qualitative content analysis methodology is applied to systematically code and categorize the content of the codes of conduct. By integrating insights from the literature with the empirical analysis of codes of conduct, this study aims to generate a new theoretical understanding of regulatory limitations in the industry.

As for the second RQ, a comparative analysis (Drobnič 2014) was performed, by evaluating similarities and differences and to evaluate the effectiveness of statutory- versus collaborative regulation approaches for the EU MCI. The regulatory theories are analyzed along key dimensions for effective regulation and applied to the context of the EU MCI. This involves the analysis of industry structures and their compatibility with regulatory theories.

By combining systematic empirical analysis with theory extension, this methodology enables a comprehensive examination of the research questions. The qualitative approach allows for a nuanced exploration of the complex regulatory dynamics and ethical considerations in management consulting. As a result, guidelines for effective regulation emerge from synthesizing ethical principles, assessing current regulation (within and outside the MCI), incorporating stakeholder needs, and examining EU regulatory contexts.

3.1 Limitations

The methodology employed in this thesis, while comprehensive and tailored to the research objectives, faces several constraints that impact the interpretation and generalizability of its findings. These limitations stem from the inherent characteristics of qualitative research, data source selection, and contextual focus. Secondary data analysis faces inherent limitations including data quality, reliability concerns, and incomplete datasets that may not align with research objectives (Kelly, Martin-Peters, and Farber 2024). Qualitative research limitations stem from potential researcher bias, challenges in data interpretation, and difficulties in establishing generalizability. Both approaches can suffer from access restrictions and missing contextual information (Queirós, Faria, and Almeida 2017).

The reliance on public documents in this analysis may overlook confidential industry practices and fail to account for individuals' ethical convictions that exist independently of formal corporate guidelines. This methodological limitation poses significant challenges in accurately measuring and comparing the effectiveness of ethical guidelines, as personal motivations and undocumented practices could substantially influence adherence to ethical standards. The dynamic nature of management consulting and business ethics, along with the EU's complex regulatory landscape, presents temporal and implementation challenges across member states with varying legal traditions and business cultures. While these constraints affect the interpretation and generalizability of findings, they also indicate valuable opportunities for future research through primary data collection, expanded geographical scope, and longitudinal studies to document industry evolution and ethical frameworks over time.

4. Results

4.1 Code of conduct analysis

Central to understanding self-regulation in the MCI is the analysis of existing codes of conduct. A detailed description of the structure of the analysis is provided in Appendix 3.1. The analytical questions are grounded in the dominant ethical theories and concepts within the realm of business ethics. The questionnaire and the connection of each question to the corresponding ethical concept are displayed in Appendix 3.2. The analysis delineates the current state of minimal self-regulation within the industry, thereby offering insights into potential deficiencies that could be addressed through regulatory measures. It focuses on examining gaps in the content of the CoC to assess potential limitations of the influence these CoC can exert on (non-) ethical behavior.

Initial observations revealed that small and local consultancies typically lack publicly accessible codes of conduct, correlating with their limited online presence. Most multinational consultancies, including the Big Four (namely: KPMG, PwC, EY, and Deloitte), include

comprehensive codes of conduct that encompass the entirety of the firm. In some instances, regionally tailored rules of conduct exist, which may suggest some inclination in the direction of ethical relativism. CoC impose substantial responsibility on individual consultants, potentially limiting the organization's role in promoting ethical behavior. Conversely, consultancies typically delineate enforcement and disciplinary actions (e.g., termination from the firm) for violations of the CoC (McKinsey & Company 2023; PwC 2023).

This study's findings on the CoC in the MCI indicate substantial discrepancies between the presence of these codes and their actual implementation, as demonstrated by instances of ethical violations (see Appendix 2). This research investigates the data at both the individual question level and the aggregated level according to ethical theories to identify the origins of these gaps and their manifestations.

4.1.1 Group-level analysis by ethical theories

When grouped by ethical theories, the analysis reveals imbalances in content focus. The findings are visualized in Appendix 3.3:

1. *Utilitarianism*: The codes exhibit some alignment with utilitarian principles (45%), emphasizing the maximization of benefits for both clients and stakeholders. Nonetheless, considerable gaps persist. The welfare of client staff during organizational change is disregarded (0%), and assistance in reconciling short-term and long-term implications is insufficient (13%).

2. *Deontological Ethics*: Deontological principles constitute the predominant coverage (75%) among the examined ethical frameworks. However, only a moderate emphasis on non-negotiable ethical principles (67%) and maintaining professional standards under client pressure (43%) exist.

3. *Virtue Ethics*: Virtue ethics receives moderate attention (48%), emphasizing the character traits of consultants (77%). Nevertheless, hardly 7% of CoC acknowledge the

significance of consultants exercising professional scepticism and only 33% cover guidance on developing ethical judgment in complex consulting scenarios.

4. *Stakeholder Theory*: Stakeholder considerations are addressed least of all analyzed dimensions (35%). Although most regulations (77%) offer guidelines on addressing conflicts of interest, hardly any (3%) address the interconnections across various stakeholder groups. Furthermore, little adoption is evident regarding the influence of advice on all stakeholders (17%) and the obligation of consultants to consumers (10%).

5. *Rights Theory*: Rights theory is inconsistently represented at 47%, with minimal discourse on labor rights at 37% and a mere 7% concerning the rights of client employees. There is a significant prevalence of high adoption in safeguarding client intellectual property (77%), possibly indicating a higher inclination towards the needs of corporate clients.

6. *Social Contract Theory*: The concepts of the social contract are somewhat represented (44%). Gaps are especially evident in the firm's role in promoting ethical business practices in client organizations (23%) and the influence of consulting companies on the establishment of industry standards (13%). Nonetheless, the codes address the company's broader responsibilities to society (93%).

4.1.2 Comparing industry associations and consultancies

Industry associations and consulting firms differ in their ethical codes (Appendix 3.4): associations establish broad standards while consultancies focus on operational ethics within their specific organizational contexts. Associations typically prioritize fundamental principles, including the preservation of public trust (50% vs. 4%) and the acknowledgement of labor rights within client firms (33% vs. 0%). Nonetheless, they are less inclined to offer comprehensive advice on practical difficulties, such as delineating zero-tolerance policies (33% vs. 96%).

4.1.3 Findings by firm specialization

Mixed service organizations, exhibit the most extensive coverage across the examined dimensions, encompassing 87% of Deontological features and 77% of virtue-related elements (see Appendix 3.5). Conversely, firms specializing in technology and digital transformation only cover 30% of virtue-related elements and score below average in 5 out of 6 categories, possibly due to a comparatively higher focus on technological systems and processes. Strategy consultancies universally establish non-negotiable rules (100%) and more often than not include going beyond contractual obligations for client success (67%). On the other hand, solely marketing consultancies cover the responsibility to end consumers (50%), with all other consultancies not covering end consumers as stakeholders of their work.

4.1.4 Additional findings

Compared to large firms, medium-sized firms show notably lower coverage across most ethical dimensions, with particularly significant gaps in Deontological Ethics (-19% p.) and Virtue Ethics (-17% p.). The complete absence of provisions for consultants' right to refuse unethical work in medium-sized firms, compared to 71% coverage in large consultancies, highlights a concerning disparity in ethical protections. Consultancies based in the EU have consistently inferior ethical coverage relative to their US and UK counterparts, with significant deficiencies in Social Contract Theory (-12% p.) and moderate deficiencies in Utilitarianism and Virtue Ethics (-7% p.). This geographic gap suggests fundamental variations in ethical priorities among regions.

4.1.5 Discussion of the code of conduct analysis

All in all, the analysis demonstrates a significant disparity in ethical governance across the industry. To answer RQ1, the CoC show deficiencies in the content across all ethical theories and concepts covered in the analysis. Under the premise of O'Mahoney and Markham (2013), the lack of coverage and specificity of ethically desirable conduct indicates limited

effectiveness in positively affecting behavior. Lacking coverage of key stakeholders (such as end consumers) indicates that individual and organizational behavior is not steered to positively affect these stakeholder groups. Further, missing coverage directly negatively affects, for instance, the enforceability of CoC. Significant gaps can be seen in several dimensions, most notably in Stakeholder Theory. Across all dimensions, 27% of the questions under analysis were covered in less than 20% of the CoC.

Large consulting firms, particularly the Big Four, maintain the most comprehensive codes of conduct, while smaller firms often fall behind in their ethical guidelines. This creates an asymmetry in ethical standards across the industry that could potentially impact service quality and client protection. The content analysis reveals that current codes overemphasize individual responsibility while underplaying organizational accountability, creating potential gaps in ethical governance when organizational pressures conflict with individual ethics. The analysis of MCI regulation reveals significant gaps in oversight and accountability mechanisms, despite the industry's substantial influence on global business practices. While self-regulation through professional associations and voluntary CoC provides some framework for ethical behavior, evidence on the effectiveness of these measures remains questionable.

4.2 Assessment of possible forms of regulation

Evidence of ethical deficiencies and limitations in the current content of the CoC underscores the necessity for improved regulation within the MCI. Nonetheless, the MCI presents considerable obstacles for regulation at the EU level. Determining the suitable type of industry regulation is essential for successful and effective governance. Research indicates that the current self-regulation has been inefficient in attaining the desired results for both the industry and society (Zaman, Howlett, and Migone 2023). The need for enhanced monitoring necessitates either potential SR through an EU oversight body or CR arising from cooperation between non-state actors and EU regulators, culminating in oversight by an industry

association. To answer RQ2, a comparative analysis of SR and CR was made, integrating regulatory theory and industry structure to determine the more suitable regulatory approach at the EU level. In light of the defined goals and challenges in regulating the MCI, the subsequent elements are analyzed: the role of government agencies, its effect on behavior, enforceability, flexibility and adaptability, stakeholder consideration, and adverse impacts. Appendix 5 elaborates on the relevance of each dimension for consideration in the analysis.

1. *Role of government agencies*: In conventional SR, the governmental agency assumes comprehensive responsibility for regulatory formulation and subsequent enforcement. As the exclusive regulatory body, it takes charge of overseeing the MCI, necessitating comprehensive expertise in the regulated domain (Leal 2021). In CR, the governmental agency functions as a facilitator and collaborator. It enables stakeholder participation and collaborates in regulatory development. Furthermore, it participates in the formulation of the industry association responsible for oversight (Leal 2021).

2. *Effect on behavior of industry players*: The binding aspect of legislation, which explicitly delineates accountability, significantly influences behavior. The efficacy mostly depends on the collaboration of the regulated entities and organizations (Doyle 1997). Conversely, in CR, the industry association oversees regulation and impact assessment, maintaining a close relationship with the industry while possessing extensive industry expertise (Leal 2021). This facilitates an increased impact on behavior, even with an emphasis on soft regulations (e.g., binding codes of conduct) in contrast to EU legislation.

3. *Enforceability of regulation*: SR demonstrates significant enforceability via universally applicable regulations across member states and consistent enforcement mechanisms through governmental bodies. The standardized structure of SR enhances transparency and creates consistent standards across the sector (Bux and Maciejewski 2024; Jones, Dohler, and Pate 2022). CR, imposed by an industry organization, typically exhibits diminished enforceability because of the absence of direct legislative and policing authority.

4. *Flexibility and adaptability of regulation:* Given the issue of swift industry evolution in the MCI, regulatory flexibility is a crucial determinant for good governance. SR must consolidate various disciplines, including law, economics, sociology, and politics (Leal 2021), into comprehensive EU legal instruments relevant to the vast domain of the MCI (Kubr 2002). The rapidly evolving consulting services sector makes rigid regulatory frameworks potentially detrimental, since they may not adapt to industry advancements and changing market demands (Armbruster and Kipping 2001; Compass Advocacy, n.d.).

CR, via soft regulations, can more flexibly and responsively tackle sector difficulties, potentially enhancing effectiveness and application for all enterprises within the EU MCI. An additional concern regarding SR is its deficiency of flexibility. The development of SR is a lengthy regulatory process, and amendments to EU legislation entail intricate procedures in the implementation (European Commission 2021). Conversely, CR advantages from enhanced reactivity to changes and unexpected disruptive events (Doyle 1997).

5. *Stakeholder consideration:* Stakeholder consideration in regulatory development has traditionally been limited in SR but has increased with better regulation initiatives (European Commission 2021). It implies the consultation of stakeholders in the regulatory development to increase effectiveness. CR is a concept based on stakeholder consideration and shared responsibility through tight collaboration of industry stakeholders with government agencies (Doyle 1997; Leal 2021)

6. *Potential adverse impacts:* Notwithstanding well-meaning objectives, regulation can negatively affect the industry (Banks 2004). SR in its inflexible form presents the risk of under- or over-regulation, which may result in increased compliance costs and/or inefficient regulation (Compass Advocacy, n.d.). Excessive regulation might foster a "tick box mentality" focused solely on compliance, diminishing individual motivation for ethical conduct (Asia-Pacific Economic Cooperation 2020). Nevertheless, CR presents issues, including potential conflicts of interest among stakeholders and difficulties in maintaining regulatory independence (Leal

2021). This may stem from resistance to the regulation of industry participants (Kipping and Engwall 2011).

4.2.1 Disucssion of the appropriate form of regulation

Given the industry's characteristics and the need for adaptability, CR seems to be a more suitable approach, but with its own constraints. Effective regulation necessitates transparent communication with stakeholders, strong enforcement, and adaptation to industry fluctuations (Leal 2021). While CR appears to offer enhanced flexibility and stakeholder engagement, its effectiveness will ultimately depend on the meticulous equilibrium between oversight and innovation (Kjaer 2013; Leal 2021). This conclusively addresses RQ2 in support of CR. SR seems to be a less effective method for governing the MCI in comparison to CR. Meanwhile, SR could potentially be instituted for the MCI, CR appears to provide a flexible and cooperative approach to industry regulation. Involving all stakeholders in the policy formulation process ensures that the requirements of each party are considered, facilitating advantageous outcomes for all involved.

5. Implications for the industry and directions for future research

Developing CR for the MCI across all EU member states is a challenging endeavor. The project's scope does not permit the formulation of such regulation, nor is that its purpose. Having identified limitations in the effectiveness of current (self-)regulation, this chapter develops fundamental guidelines to facilitate effective CR of the MCI based on success factors in regulation and the uncovered necessities for regulation in the MCI. A goal-oriented methodology is employed, delineating the intended regulatory outcome and identifying necessary institutions and methods (OSCE Office for Democratic Institutions and Human Rights 2023). The goals and challenges of regulating the MCI are stated in Appendix 4.

1. *Institute a new governing body in the EU MCI:* Effective CR depends on a governing body to engage in the co-development and implementation of policies. I propose an industry

association under EU monitoring as a suitable self-regulatory entity for the MCI. This method of CR has proven effective in industries such as the EU advertising industry. Appendix 6.1 provides an overview of the industry association and its structure and workings within the industry as a potential role model for regulating the EU MCI.

The newly established agency assumes responsibility for co-developing policies and regulatory mechanisms, implementing industry standards, and enforcing ethical conduct. It also serves as a vital platform facilitating continuous interaction and meaningful collaboration between industry stakeholders and EU regulators, ensuring effective oversight and development of the sector.

2. *Critically assess and build on current self-regulation:* This work engages in a critical evaluation of the present condition of self-regulation. To establish dependable CR, the existing self-regulatory framework must be rigorously evaluated (European Commission 2021). The strengths and shortcomings of the current method must be assessed to capitalize on existing strengths, and implement strategies to mitigate the highlighted deficiencies. Efficient CR does not make redundant efforts but rather enhance existing self-regulatory measures. It should analyze the current practices of firms and industry associations to ensure ethical conduct, specifically existing CoC (European Commission 2021). Additionally, ISO 20700 can serve as a valuable foundation for policy design as independently produced management consulting standards. The guideline aims to enhance transparency and understanding between clients and consultants while promoting ethical behavior and service quality (ISO 2017).

3. *Establish a uniform and binding code of conduct:* Formulate an extensive CoC that establishes a common framework for management consultancies to adhere to. This unified CoC sets the minimal compliance standard for all industry players, as the CoC analysis has revealed considerable gaps in the existing codes within the MCI. Further, it should take into consideration the organizations and individual consultants alike. It should monitor CoC and the connected ethics training in the industry to ensure standards are met. Based on the findings, the

CoC should specify ethically desired conduct from all relevant ethical theories and concepts. The CoC must consider relevant stakeholders in the industry, including, for example, the often-unaddressed employees within client organizations, as well as the end-consumers (see CoC analysis).

4. *Actively collaborate with industry stakeholders:* EU authorities must proactively engage industry participants of all sizes in the formulation of new regulatory requirements (European Commission 2023). It is especially crucial to make the voices of small consultancies heard to ensure equitable and fair regulation for all participants. The requirements of large and medium-sized enterprises must be considered concurrently. However, regulation should always follow its set out objectives. It cannot succumb to the influence and market power of leading industry players, traditionally opposing more stringent regulation (Kipping and Engwall 2011).

5. *Perform substantial regulatory impact assessment:* Regulation must promote competition and innovation in the MCI (Baldwin, Cave, and Lodge 2011). Consequently, it must meticulously evaluate the requirements and limitations of industry stakeholders when instituting new standards to avoid hindering international competitiveness. A regulatory impact assessment (RIA) of the proposed CR must be conducted to evaluate the overall effect on industry players (European Commission 2023; OECD 2012; OECD 2019). It must recognize potential adverse externalities and establish ways to mitigate them accordingly.

6. *Develop enforcement mechanisms and procedures for penalties/punishment:* To strengthen present self-regulatory enforcement, the newly formed association must designate an entity responsible for enforcing ethical standards. It must establish explicit protocols for examining such ethical violations and possess the authority to impose sanctions (European Commission 2021). Sanctions should adhere to well-defined criteria, minimizing ambiguity. Furthermore, an arbitration mechanism may be established to confidentially resolve complaints of consulting clients against industry stakeholders (European Commission 2021). This enhances industry standards and fosters trust through professionalism.

7. *Review and periodically adapt regulatory efforts:* As the MCI poses the challenge of constant industry change, policies must allow for periodic adjustment and adaptation to changing industry demands. The governing body must continuously oversee all stakeholders to remain cognizant of evolving demands among all affected parties (European Commission 2021; OECD 2012). To guarantee the effectiveness of revisions, explicit procedures must be established within the governing body's statutes, minimizing ambiguity and explicitly delineating the interval between adaptations.

Building on these guidelines can lay the foundation for effective regulation of the MCI. These general principles outline an approach under consideration of legislative proportionality. They establish mechanisms for regulatory development and enforcement while taking the needs of all stakeholders into consideration and allowing for periodic regulatory adaptations to adapt to industry developments.

This work's systematic analysis of codes of conduct and regulatory approaches provides a methodological foundation for future studies on ethical governance in professional services industries. Future studies could examine the correlation between code comprehensiveness (as measured by this work's framework) and actual instances of ethical misconduct. Research could also investigate how different ethical theory coverage in codes affects consultant behavior and decision-making. On a practical side, the identified gaps in current codes can guide the development of more comprehensive ethical guidelines in the industry.

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7. Appendices

Appendix 1: Business ethics in management consulting

Appendix 1.1: General frameworks used in business ethics

In the field of business ethics, several ethical theories provide frameworks for analyzing moral dilemmas and guiding decision-making. The predominant normative ethical theories include consequentialism (particularly utilitarianism), deontology, and virtue ethics. Beyond these normative theories, additional concepts and frameworks for decision-making have been established (Donaldson 2018; Melé 2023). For instance, social contract theory provides a framework for understanding the implicit agreements between businesses and society (Fabre 2015). Metaethical considerations, while less directly applicable, inform the foundations of business ethics discourse. Moral relativism, for example, influence debates on universal ethical standards versus culturally specific business practices (Brady and Dunn 1995).

These diverse ethical theories offer multiple lenses through which to examine and address the complex moral challenges faced in the business world. While these diverse ethical frameworks provide theoretical foundations for academic research and practical application in corporate settings, it is important to acknowledge that these approaches often present contradictory prescriptions and incompatible moral reasoning methods, making their simultaneous application potentially problematic for coherent ethical analysis.

Appendix 1.2: Prevalent ethical theories, ethical concepts and their relevance to business ethics

Category	Ethical Theory / Concept	Definition	Relevance to Business Ethics
Normative Ethics	Utilitarianism	A consequentialist theory that aims to maximize the overall well-being for the greatest number of persons (Crisp and Mill 1998).	Guides decision-making processes that consider outcomes for all stakeholders. It provides a framework rooted in social benefit, directing businesses towards more ethical behavior (Gustafson 2013).
	Deontological Ethics	Rooted in Kantian philosophy, it emphasizes moral duty and the inherent rightness of actions, regardless of consequences, highlighting the importance of inner motives in decision-making (Bowie 2007; Vignini and Rusconi 2023).	Provides a framework for establishing and following unbreakable and absolute ethical principles in business practices (Vignini and Rusconi 2023).
	Virtue Ethics	Focuses on the moral character of individuals and the virtues they should embody (Hursthouse and Pettigrove 2016).	Provides a framework for developing praiseworthy character traits that influence ethical decision-making and conduct in business contexts, ultimately contributing to better management practices and business success (Audi 2012).

Category	Ethical Theory / Concept	Definition	Relevance to Business Ethics
	Rights Theory	Rights theory emphasizes the fundamental rights of individuals that should be respected. Natural rights theory posits that people possess inherent rights by virtue of being human, independent of government bestowal (Hussain and Akhtar 2023).	Informs policies on employee rights, consumer protection, and human rights in business operations (Bowie 2020).
Metaethics	Ethical Relativism	The view that moral truths are relative to cultural or individual beliefs (LaFollete 1991).	Global business presents challenges to universal ethical standards due to cross-cultural ethical differences. Businesses must balance respecting local customs with upholding universal ethical principles to operate responsibly across diverse cultural contexts (Donaldson and Dunfee 1999; Velasquez 1996).
Other ethical concepts	Social Contract Theory	Social contract theory posits that individuals implicitly agree to give up some freedoms in exchange for the benefits and protections of an organized society (Fabre 2015).	In business ethics, social contract theory suggests that corporations have implicit obligations to society in exchange for the legal and economic benefits they receive (Bishop 2008).
	Stakeholder Theory	Stakeholder theory in ethics posits that	In business ethics, stakeholder theory provides a framework

Category	Ethical Theory / Concept	Definition	Relevance to Business Ethics
		businesses have moral obligations to consider and balance the interests of all parties affected by their actions, not just shareholders (Langtry 1994).	for evaluating corporate decisions and practices based on their impact on various stakeholders (Phillips 2004; Cragg 2002). The approach tries to “create as much wealth as possible for stakeholders, without resorting to trade-off” (Freeman et al. 2010, 38).

Appendix 2: Recent examples of ethical shortfalls in management consulting

Company	Geography	Timeframe	Ethical misconduct
McKinsey & Company	United States	2004 - 2019	McKinsey advised Purdue on strategies to boost OxyContin sales, despite growing evidence of the drug's addictive nature, countering efforts to reduce abuse. This case highlighted prioritizing client profits over public health and safety, raising questions about moral responsibilities (Forsythe and Bogdanich 2021)
	France	2017 - 2021	The McKinsey Gate scandal in France revealed a troubling conflict of interest where the firm was given extensive influence over public policy and government spending, while allegedly avoiding taxes and leveraging personal connections to secure lucrative contracts (Caulcutt and Braun 2022)
Boston Consulting Group	Portugal and Angola	2011 - 2017	BCG's Lisbon office paid over \$4 million in bribes to an Angolan agent to secure government contracts. When internal questions arose, employees concealed the nature of these payments

Company	Geography	Timeframe	Ethical misconduct
			by backdating contracts and falsifying the agent's work product (Tokar 2024)
Bain & Company	South Africa	2015 - 2018	Bain & Company's involvement in South Africa raised ethical concerns as it advised on restructuring the South African Revenue Service in ways that appeared to weaken the institution's effectiveness, while questions emerged about the transparency of their engagement and the extent of their influence on government policy (Gumbi 2022)
PwC	Australia	2015 - 2016	PwC's actions in Australia raised significant ethical concerns regarding the misuse of privileged information, as the firm allegedly disclosed confidential government tax plans to corporate clients, potentially compromising the integrity of the tax system (Belot 2023b)
	Portugal and Angola	2016 - 2020	PwC Portugal's engagement with Isabel dos Santos, despite serious criminal allegations, raises significant ethical concerns regarding conflicts of interest, due diligence failures, and potential complicity in financial misconduct, as the firm simultaneously provided auditing and restructuring services to entities under her control while allegedly facilitating transactions that may have enabled illicit wealth accumulation and capital flight (Vinha, Caetano and Suspiro 2020)
Deloitte	Australia	2022	In the wake of broader industry scrutiny, Deloitte Australia's admission to misusing confidential government information, while claiming it was not for commercial gain, raises significant ethical concerns regarding the handling of privileged data and the maintenance of professional integrity in the consulting sector (Belot 2023a)

Company	Geography	Timeframe	Ethical misconduct
RBB Economics	EU-Offices	2021 - 2022	The potential conflict of interest arising from RBB Economics advising both tech giants on mergers and acquisitions and the European Commission on competition laws raises ethical concerns regarding the firm's ability to maintain impartiality and avoid undue influence in regulatory matters, potentially compromising the integrity of competition policy and market fairness (Corporate Europe Observatory 2023a; Corporate Europe Observatory 2023b)

Appendix 3: Code of conduct analysis

Appendix 3.1: Analysis structure for the code of conduct analysis

The CoC analysis consists of 30 questions, based on six ethical theories and concepts. It is applied to the codes of conduct of 24 management consulting firms and 6 industry associations. The questions are coded as dichotomous questions that allow for a “Yes” or “No” answer. The substance of each CoC is meticulously examined to determine whether the issues are addressed in the document.

A. Selection and grouping of the analyzed companies and associations:

The firms chosen for in-depth investigation account for approximately sixty per cent of the worldwide management consulting market share (Research and Markets 2023). This list includes 24 firms in 4 distinct areas of specialization. A number of the chosen organizations offer a diverse range of services across several industries. The companies are categorized based on their project focus and areas of specialization.

The four identified specializations are:

1. *Strategy consulting*: Concentrate on advising regarding corporate and business strategy, such as go-to-market strategy or company portfolio strategy.

2. *Mixed services*: Professional services firms possessing extensive service portfolios. For instance, considering the Big Four Accountancies, they provide services in management consulting, auditing, legal services, and additional areas.

3. *Marketing*: Concentrate on initiatives related to marketing, including brand strategy, digital marketing, and pricing.

4. *Technology & Digital*: Consulting initiatives focused on the digital transformation of systems and processes, along with the implementation or migration of software and systems.

Furthermore, the companies were categorized based on their size, namely by staff count. The analysis exclusively targets large and medium-sized firms that provide multinational services. The staff count varies from approximately 500 at Elixirr (Elixirr International PLC 2022) to more than 400,000 at Deloitte and Accenture (Accenture 2024; Deloitte Global 2024). The criterion for classifying a firm as large was established at above 10,000 employees, factoring in the geographical spread of the entities. Smaller organizations typically concentrate their services in certain countries or areas through fewer offices, while larger companies provide a global service offering.

To examine regional disparities in relation to two other OECD economies, the firms were categorized based on the location of their headquarters. Specifically, into enterprises headquartered in the EU, the United Kingdom, and the United States.

Six CoC from industry associations are examined. The ICMCI, the largest worldwide MCI association, encompasses the national industry associations of the four largest EU economies: Germany, France, Italy, and Spain. Furthermore, FEACO is examined as the European association representing the interests of the MCI.

B. Design of the questionnaire for analysis

The analysis consists of 30 questions that examine six ethical dimensions. The questionnaire design offers insights into different ethical theories that, by nature, can be contradictory to each

other. The questionnaire exclusively focuses on socially desirable outcomes and is designed that questions are complimentary to each other without contradictions within themselves.

Thus, the preferred outcome for a CoC is an exhaustive coverage of all aspects. This comprehensive perspective facilitates the examination of the implemented ethical principles in the Code of Conduct. The encompassed ethical ideas and concepts are:

1. *Utilitarianism*: Probes for relevant aspects of Utilitarianism, such as sustainable value creation, holistic organizational benefit, and employee and community welfare (Crisp and Mill 1998).

2. *Deontological Ethics*: Checks for the existence of clear moral duties and obligations, inviolable ethical rules (absolute boundaries), and professional standards that transcend consequences in accordance with Deontology (Bowie 2007; Vignini and Rusconi 2023).

3. *Virtue Ethics*: Analyzes for specific virtuous character traits including integrity, honesty, and professionalism. This aligns with Aristotelian virtue ethics by focusing on the moral character of consultants rather than just rules or outcomes (Audi 2012; Shaw 2019).

4. *Stakeholder Theory*: In line with Utilitarianism, it focuses on the balance between client and community welfare, the interrelation of different stakeholders in consulting project outcomes and the overall responsibility of a company to the society (Cragg 2002; Phillips 2004).

5. *Rights Theory*: Analyzes the protection of fundamental rights in a consulting context. Adherence to labor rights, protection of intellectual property, and the ethical autonomy of the consultant are part of the analysis (Hussain and Akhtar 2023).

6. *Social Contract Theory*: Addresses the profession's broader obligations to society, reflecting the social contract between the profession and the public it serves. Contains the role of consultants in ethical leadership, fulfilling contractual obligations and the role in shaping standards and practices (Bishop 2008; Fabre 2015).

Appendix 3.2: Questionnaire and connection to ethical concept of each question

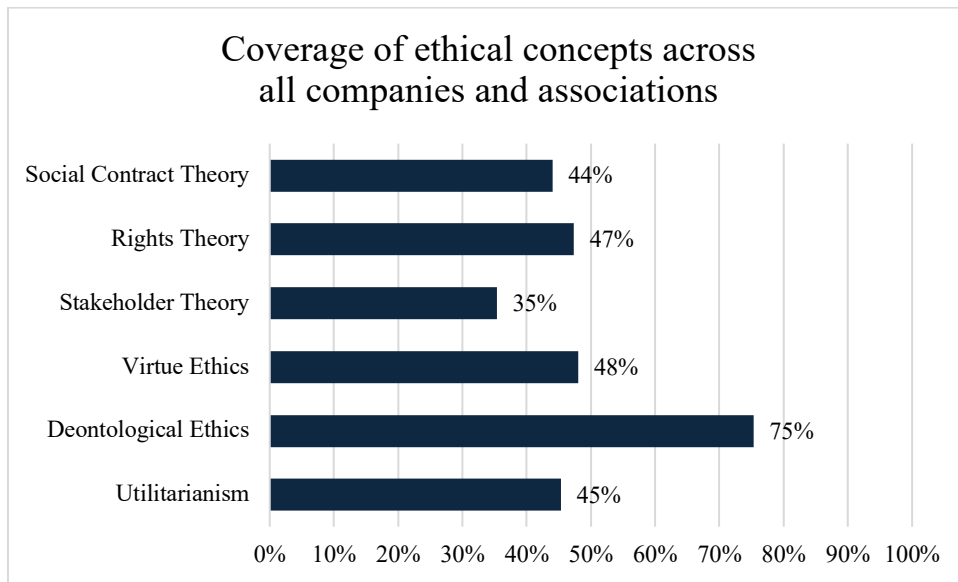
Ethical Theory	Question	Connection to ethical concept
<p>Utilitarianism</p>	<p>1. Does the code emphasize maximizing value for both the client and society at large?</p>	<p>Utilitarianism focuses on achieving the greatest good for the greatest number</p>
	<p>2. Is there guidance on balancing short-term client gains with long-term societal impacts?</p>	<p>Utilitarianism requires considering both immediate and future consequences</p>
	<p>3. Does the code mention considering the welfare of client employees when recommending organizational changes?</p>	<p>Utilitarianism is concerned with the well-being of all affected parties</p>
	<p>4. Is there emphasis on sustainable business practices that increase the welfare of multiple stakeholders?</p>	<p>Utilitarianism is concerned with the well-being of all affected parties</p>
	<p>5. Does the code prioritize solutions that provide the greatest benefit to the client organization as a whole, apart from maximizing shareholder value?</p>	<p>While utilitarianism considers overall happiness, this question asks if the code emphasizes maximizing benefits specifically for the client organization, ensuring that decisions lead to optimal outcomes for them</p>
<p>Deontological Ethics</p>	<p>6. Does the code establish non-negotiable ethical rules specific to management consulting?</p>	<p>Deontological ethics focuses on duties and rules. This question relates to whether the code sets clear, non-negotiable principles that consultants must follow regardless of outcomes or consequences</p>
	<p>7. Is there emphasis on maintaining client confidentiality regardless of potential benefits from disclosure?</p>	<p>Deontological ethics emphasizes adherence to duties (e.g., confidentiality) over consequences</p>

Ethical Theory	Question	Connection to ethical concept
	8. Does the code specify a zero-tolerance policy for falsifying or unethical behavior?	Deontology stresses honesty and integrity as moral imperatives
	9. Is there mention of upholding professional standards even when under pressure from clients?	Deontology believes in following ethical principles regardless of external pressures
	10. Does the code prioritize ethical obligations over client demands or financial incentives?	Deontological ethics requires adherence to moral duties over practical concerns like financial gain or client satisfaction
Virtue Ethics	11. Does the code list specific virtues or character traits that management consultants should embody?	Virtue ethics focuses on cultivating moral character and virtues such as honesty, integrity, and fairness
	12. Is there emphasis on consultants being trustworthy advisors rather than just service providers?	Virtue ethics emphasizes trustworthiness as a key virtue in relationships
	13. Does the code mention the importance of consultants maintaining professional scepticism?	Virtue ethics values critical thinking and prudence as virtues
	14. Is there guidance on developing ethical judgment in complex consulting scenarios?	Virtue ethics emphasizes practical wisdom (phronesis)—the ability to make sound judgments in difficult situations
	15. Does the code emphasize continuous improvement in both skills and ethical conduct?	Virtue ethics encourages personal growth and self-improvement in both moral character and professional skills
Stakeholder Theory	16. Does the code explicitly identify various stakeholders in consulting engagements?	Stakeholder theory argues that businesses should consider all

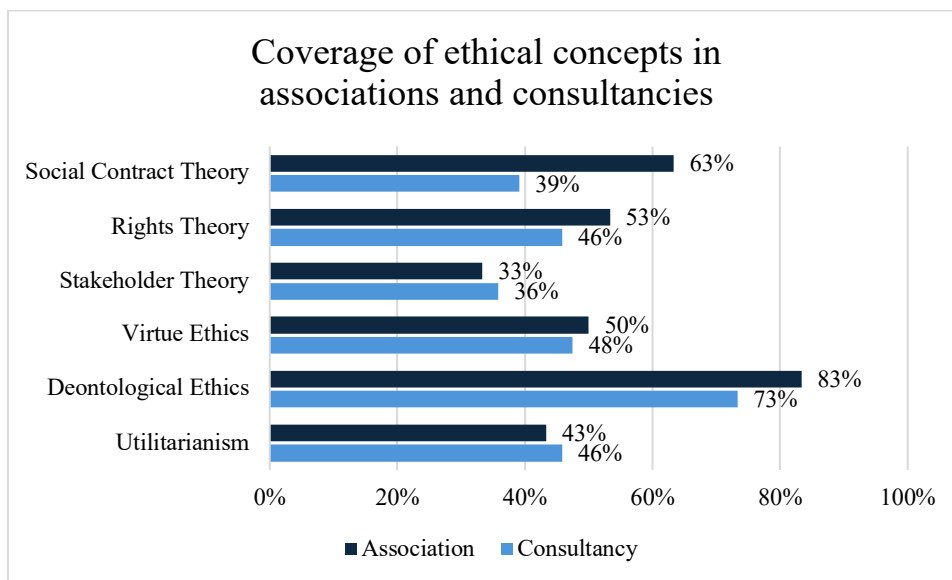
Ethical Theory	Question	Connection to ethical concept
		stakeholders (not just shareholders) in decision-making processes
	17. Is there guidance on managing conflicts between client interests and other stakeholders?	Stakeholder theory involves balancing competing interests among different groups (e.g., clients vs employees)
	18. Does the code mention the interrelation between different stakeholder groups?	Stakeholder theory promotes dialogue between different groups affected by business decisions
	19. Is there emphasis on considering the impact of recommendations on all stakeholder groups?	Stakeholder theory requires considering how decisions affect all parties involved (e.g., employees, customers, society)
	20. Does the code discuss the consultant's responsibility to the client's customers or end-users?	Customers are a key stakeholder group whose interests must be considered alongside those of shareholders or management
Rights Theory	21. Does the code explicitly mention respecting the rights of client employees/organization during consulting projects?	Rights theory emphasizes protecting individual rights (e.g., human rights; employee rights)
	22. Is there emphasis on protecting the intellectual property rights of both the firm and the client?	Rights theory includes respecting legal rights such as intellectual property rights, which are crucial in business contexts like consulting where proprietary information is often shared between firms and clients
	23. Does the code address the right of consultants to refuse work that violates their ethical principles?	Rights theory supports individuals' right to act according to their conscience without coercion or pressure from others (e.g., clients)

Ethical Theory	Question	Connection to ethical concept
	24. Is there mention of upholding labor rights in consulting projects?	Rights theory protects workers' rights during changes. For example, where job security may be at risk
	25. Does the code discuss balancing transparency with the right to withhold sensitive information?	Rights theory often involves balancing conflicting rights (e.g., transparency vs privacy)
Social Contract Theory	26. Does the code reference the consulting firm's broader obligations to society?	Social contract theory puts forward that businesses have implicit agreements with society about their responsibilities beyond profit-making (e.g., contributing positively)
	27. Is there mention of the firm's role in promoting ethical business practices in client organizations?	Social contract theory suggests that businesses should promote fairness and justice within society, including influencing others positively through their actions
	28. Does the code discuss maintaining public trust in the management consulting profession?	Social contract theory emphasizes maintaining trust between institutions (like consulting firms) and society at large by adhering to shared norms and expectations
	29. Is there emphasis on going beyond contractual obligations to ensure client success?	Social contract theory suggests that businesses have responsibilities beyond legal contracts, such as moral obligations, to ensure positive outcomes for clients and society alike
	30. Does the code mention the consulting firm's responsibility in shaping industry standards and practices?	Social contract theory involves shaping societal norms through responsible behavior, including influencing industry standards for betterment beyond individual business interests

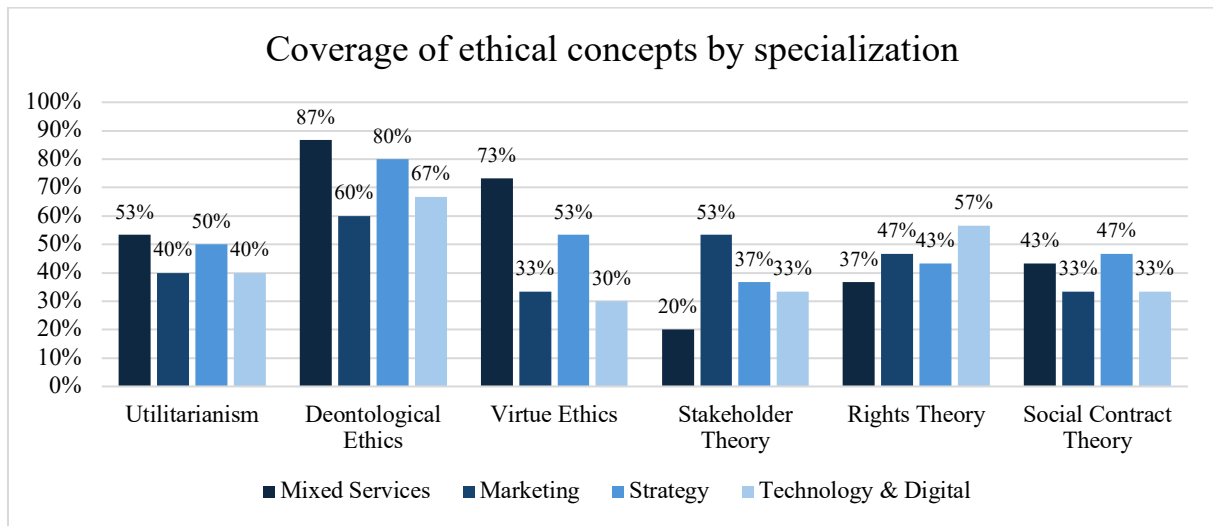
Appendix 3.3: Coverage of ethical concepts across all consultancies and associations



Appendix 3.4: Coverage of ethical concepts in associations and consultancies



Appendix 3.5: Coverage of ethical concepts by specialization



Appendix 4: Goals and challenges of regulating the management consulting industry

Goals of regulating the MCI	Challenges of regulating the MCI
<ul style="list-style-type: none"> • Increase public trust in the industry • Ensure ethical conduct • Promote competition and innovation • Ensure service quality • Increase transparency for consumers • Strengthen accountability 	<ul style="list-style-type: none"> • Diverse scope of the industry • Structure of the industry • Knowledge management • Tailored service delivery • Resistance to regulation • Constant industry change

Appendix 5: Dimensions for comparative analysis and relevance for consideration

(derived from the goals and challenges of regulating the EU MCI)

Dimensions for comparative analysis	Relevance for consideration
Role of government agencies	Compares the level of involvement of government agencies in the development, implementation, and enforcement of the different approaches to regulation
Effect on behavior	Positive effect on behavior displays one of the most important goals of regulation in ensuring ethical conduct

Enforceability	Enforceability is a key concern of regulation, especially considering the current self-regulatory nature of industry regulation
Flexibility and adaptability	Flexibility and adaptability are highly relevant due to the challenge of a vast MCI under constant change
Stakeholder consideration	Stakeholder consideration is vital in an industry with a diverse scope and tailored (and evolving) services. Further, it is necessary to adapt regulation to the needs of consultancies of all sizes
Adverse impacts	Potential adverse impacts are crucial to assess the effectiveness of regulation. They reveal factors of limitations and potential threats to the regulatory efforts

Appendix 6: The European Advertising Standards Alliance as an example of effective collaborative regulation

Appendix 6.1: Summary of the structure and workings of EASA

The European Advertising Standards Alliance (EASA) is the principal organization overseeing self-regulation within the EU advertising sector. Established in 1992, it aimed to self-regulate the advertising business and to present itself as a more effective form of regulation than comprehensive law (European Advertising Standards Alliance, n.d. a). EASA has evolved into the sole authoritative entity on advertising self-regulation, advocating for elevated ethical standards in commercial communications while consistently adapting to social and technological advancements (European Advertising Standards Alliance, n.d. b). It has instituted self-regulatory mechanisms to ensure ethical advertising practices, formulated a universal CoC for the industry, and has periodically revised its regulatory objectives and procedures over the past 30 years to adapt to evolving market trends, such as the digitalization of marketing (European Advertising Standards Alliance, n.d. a). The charter articulates ten principles for the practical application of self-regulation. For instance, the establishment of a code of advertising practice and the delivery of guidance and training to industry professionals to enhance standards (European Advertising Standards Alliance 2004). The principles are fully presented in

Appendix 7.2. EASA exemplifies 30 years of compliance regulation, integrating self-regulation with EU supervision. The industry, despite its considerable differences from the MCI, acts as a potential benchmark for CR within the MCI.

Appendix 6.2: EASA principles of practical operations of self-regulation

“To this end, recognising EASA’s statement of Common Principles and Operating Standards of Best Practice and EASA’s Best Practice Self-Regulatory model, we confirm our commitment to achieving in the practical operation of self-regulatory bodies and systems the following principles:

1. Comprehensive coverage by self-regulatory systems of all forms of advertising and all practitioners
2. Adequate and sustained funding by the advertising industry proportionate to advertising expenditure in each country
3. Comprehensive and effective codes of advertising practice
 - based on the globally accepted codes of marketing and advertising practice of the International Chamber of Commerce (ICC)
 - applicable to all forms of advertising
4. Broad consultation with interested parties during code development.
5. Due consideration of the involvement of independent, non-governmental lay persons in the complaint adjudication process.
6. Efficient and resourced administration of codes and handling of complaints thereon in an independent and impartial manner by a self-regulatory body set up for the purpose
7. Prompt and efficient complaint handling at no cost to the consumer
8. Provision of advice and training to industry practitioners in order to raise standards
9. Effective sanctions and enforcement, including the publication of decisions, combined with efficient compliance work and monitoring of codes

10. Effective awareness of the self-regulatory system by industry and consumers” (European Advertising Standards Alliance 2004, 2)