

A Work Project, presented as part of the requirements for the Award of a Masters Degree in  
Management from the Faculdade de Economia da Universidade Nova de Lisboa.

---

Why Management Consultants?  
Between Functionalist and Critical Perspectives  
*A Literature Review*

---

Angelica Corsi  
Master in Management  
N° 305

A Project carried out with the supervision of:

Professor Álvaro Ferreira da Silva

6<sup>th</sup> January 2010

## Table of Contents

<b>ABSTRACT</b>	<b>3</b>
<b>1. INTRODUCTION</b>	<b>4</b>
<b>2. MANAGEMENT CONSULTING: LA RAISON D'ÊTRE</b>	<b>6</b>
2.1 MANAGEMENT CONSULTANTS: CHARACTERISTICS AND FUNCTIONS	7
2.2 TRANSACTION COST THEORY AND CONSULTANTS' ROLE IN TRANSACTION COST ECONOMICS	9
2.3 CONSULTANTS AS KNOWLEDGE BROKERS	12
2.4 ARE MANAGERS MARIONETTES?	15
2.5 ENFORCEMENT FUNCTION OF CONSULTANCIES, LEGITIMIZATION AND SCAPEGOATING	17
2.6 CLIENT-CONSULTANT RELATIONSHIP: A CHALLENGE	18
<b>3. SUMMARY AND CONCLUSIONS</b>	<b>20</b>
<b>BIBLIOGRAPHIC REFERENCES</b>	<b>23</b>

## Abstract

This work aims at answering the question posed by Peter Drucker in 1981: “Why Management Consultants?” In order to achieve this, the work, which will take the form of a literature review, will present a number of theories that are literature’s master pillars and that will help explain the fracture between critics and supporters of management consulting. The conclusions of the work seem to point to the insolvability of the critical-functionalist dichotomy, notwithstanding the possibility of making improvements on it.

**Key Words:** Management Consulting, Management Fads and Fashions, Knowledge Broker, Client-Consultant Relationship.

*“Of all the businesses, by far  
Consultancy’s the most bizarre.  
For to the penetrating eye,  
There’s no apparent reason why,  
With no more assets than a pen,  
This group of personable men  
Can sell to clients more than twice  
The same ridiculous advice,  
Or find, in such a rich profusion,  
Problems to fit their own solution.”*

Bernie Ramsbottom, “The Preying Mantis”, Financial Times, April 11, 1981.

## 1. Introduction

This work deals with the industry of management consulting<sup>1</sup> and with the professional figure of the management consultant and it attempts to provide an answer to the question presented by Peter Drucker in 1981: “Why Management Consultants?”

There exist plenty of reasons for discussing such a topic. First of all, there is a significant lack of literature dealing with it. In fact, despite Drucker’s fundamental contribution, a few other authors have devoted their attention to developing further such a broad topic, preferring instead to investigate specific dimensions of the consulting industry. Secondly, the existing literature appears biased. Some theories excessively glorify or despise the consulting profession and finding an objective perspective on the topic is very difficult, given that consultants and academics represent the vast majority of consulting literature’s authors. Thus, this literature review aims at providing a general overview of the reasons that may justify the existence of management consulting. The text presents two main approaches to the topic, a functionalist and a critical one, and elaborates with a coherent perspective on the most important pieces of the literature on consulting. A third fundamental reason for this review is the economic relevance of the consulting industry. Worldwide, the management consulting market has grown significantly faster than global GDP (Glückler and Armbrüster, 2003; Armbrüster and Kipping 2003), ten to fifteen per cent a year, appearing to the eyes of most as “a truly unique phenomenon” (Drucker, 1981). A further incentive to investigate the field comes from the great contribution that management consulting has

---

<sup>1</sup> Here, I report the definition of management consulting by Greiner and Metzger (1983), very commonly found in the literature: “management consulting is an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions.”

made to the transmission of management concepts (Armbrüster and Kipping 2003) and to management seen as a practice (Drucker, 1981).

When talking about management consulting, I will mainly refer to the strategy and organizational consulting segment, since some of the most well known consulting firms (established after 1930) belong to it and since this segment has been one of the fastest growing for many decades, greatly contributing to the development of the strategy field (Payne, 1986).

The division of the consulting industry into different segments can be drawn from a historical perspective that divides its evolution into generations, suggesting that consulting has undergone a number of periodical restructurings and that its non-linear growth was in part influenced by changes in the structure of capitalism (Kipping and Kirkpatrick, 2005). Specifically, three generations are identifiable, from the last decades of the nineteenth century (Canbäck, 1998 and Kipping and Kirkpatrick, 2005). These different generations offered new focuses for management consultants, and as a result, a differentiation of their activities. The first consulting wave was born out of scientific management and taylorism in 1890s, and its focus revolved around (shop floor) operational efficiency on “production processes, time and motion” (Glückler and Armbrüster, 2003). The second started in 1920s and was about organizational and strategic consulting. In fact, although still involved in scientific management, executives began concerning themselves with marketing and sales, corporate strategy and organizational structure, shifting consultants’ focus up the hierarchy. The third generation began in the 1960s and was marked by the need to acquire systematic ways to generate and manage knowledge (Kipping and Kirkpatrick, 2005). It is the wave of ICT-based consultancies, which found their massive development in the 1980s.

There exists, however, a second historical perspective that is worth mentioning. It takes a narrower look, adopting the 1930s as the birth of management consulting. After the 1929 crash, the American Congress passed the New Deal banking and securities regulations, among which, the 1933 Glass-Steagall Banking Act, separating investment from commercial banking and prohibiting them from engaging in non-banking activities (a prohibition that included management consulting services). Moreover, SEC regulations prevented underwriters from certifying securities internally and obliged them to perform external due diligence, opening “a sizeable market niche for independent management consulting firms” (Ruef, 2002). McKenna (1995, 2006) claims these U.S. legislative changes to be the main source of legitimization and the main catalyst of the consulting industry growth and development.

The sections that follow will firstly deal with the main characteristics and functions of the consultants; then, the most important theories about consultants’ *raison d’être* will be presented, beginning with those linked to the functionalist perspective and, subsequently, moving to those belonging to a more critical point of view. Afterwards, I will briefly treat the controversial client-consultants relationship, and, in the conclusions I will offer an overview of the entire work and some recommendations.

## **2. Management Consulting: La Raison d’Être**

In order to answer the question “Why Management Consultants?” it is important to describe consultants’ main characteristics and functions, approaching them both from a strictly professional perspective and from a broader market and societal point of view.

## 2.1 Management Consultants: Characteristics and Functions

A very recurrent element in the literature dealing with consultancy existence is the attempt to justify it in light of the presumably indisputable characteristics that distinguish consultants from those managers requiring their services.

Marvin Bower (1982), for instance, has provided six criteria that should in principle substantiate the choice of hiring consultants. He claims that consultants: 1) provide competences that are not available in the firm; 2) have varied experience in the world outside the client's firm; 3) have time to study problems; 4) are professionals; 5) are independent, and, 6) have the ability to create action based on their recommendations.

Canbäck (1998), however, questioned five of these points as Bower left them unproved and as they seem easily disputable “prima facie”, retaining only the second argument: consultants have a varied experience. This point is also confirmed by Peter Drucker (1981), who states that “the consultant is a practitioner and, in this respect, like any other executive. But unlike the executive in the organization, the consultant has *exposure*. [...] He has exposure in depth, but also in breadth and variety”. Thus, exposure is not a synonym of experience and it is not to be intended as mere practice. It is about gaining insight about management through varied cases and about developing a diagnostic capability and a body of knowledge normally not encountered in corporate executives. Consequently, the need to find advice in someone who has accumulated exposure appears a very good reason for choosing to hire an external consultant. However, there exist managers who possess such an exposure, thanks to their confrontation with a variety of environments and of situations. So, what could it be that, besides exposure, makes managers decide for external intervention?

Peter Drucker adds another essential feature that management consultants bring into each assignment: *detachment*. Drucker states the absolute need to stay “free of involvement”, because executives are part of their organizations and, as such, they are like those physicians who try to treat their own families: they are not able to diagnose with objectivity and their emotional involvement makes them diagnose with their heart (Drucker, 1981).

McKenna (1995) mentions uncertainty (mitigation), time compression, and legitimacy and reputation, as compelling for contracting external advisors. As uncertainty “mitigators”, consultants sort out organizational noise, in the attempt to give a structure and coherence to what appears chaotic. The concept of time compression stems from the impossibility to build up in time some necessary asset stocks, which can be represented either by intangibles (e.g. know-how, practice, etc) or by tangible assets (e.g. software or particular work implementation processes). Hence consultants offer value added by providing clients with the required asset stock in an efficient, timely manner (Hagedorn, 1982), thus allowing them to forgo the onerous task of developing it internally. Legitimacy and reputation are about deriving status or social capital, which can be defined as “the shared knowledge, understandings, norms, rules and expectations about patterns of interactions that groups of individuals bring to a recurrent activity” (Ostrom, 1999). Availing oneself of prestigious management consulting services produces additional benefits for the firm and for the decision maker, such as stakeholder support, in terms of consensus and financial backing for further investments.

In brief, a number of recurrent concepts about consultants should be kept in mind: their “varied experience” or “exposure” (Bower and Drucker); their “competences not available in the firm” (Bower and McKenna); their detachment; and their ability to

mitigate uncertainty and provide executives with legitimization and reputation through their interventions (McKenna). These peculiarities allow consultants to add value to society by making available to the market some combination of uncommon varied knowledge and capabilities that normally are not found in organizations. Moreover, they help firms create and enhance their social capital, a fact that testifies that consultants' importance does not only reside in the solutions they generate, but also in the highly symbolic role they perform in the society, which will be better explored later in the text.

Notwithstanding the value added by consultants, some doubt might emerge about whether the aforementioned facts truly justify consultants' existence. The next section will present Transaction Cost Theory, which represents a potentially stronger theoretical framework for explaining consultants' *raison d'être*.

## **2.2 Transaction Cost Theory and Consultants' Role in Transaction Cost Economics**

Transaction Cost Theory (TCT) was first theorized by Coase in the attempt to explicate why firms exist in the economy rather than having atomistic economic agents trade bilaterally to get what they need. Transaction costs were defined by Coase as “the cost of using the price mechanism” or “the cost of carrying out a transaction by means of an exchange on the open market”(Coase, 1937). Thus, transaction costs are those costs associated with the organization of the economic activity through arm's length transactions (Canbäck, 1998). They might be divided into external transaction costs, the costs of trading in the market represented by the price, and internal transaction costs or bureaucratic costs. Transaction costs “affect not only the contractual arrangement of production, but also the amount and type of goods and services that are produced and available on the market” (Wang, 2003). Therefore, according to transaction cost

economics, firms find their boundaries when the cost of carrying out an activity internally exceeds the cost of buying it from the market. This logic relies on three dimensions, namely, asset specificity, uncertainty and frequency of transactions (Williamson, 1979; David and Han, 2004; Wang, 2003), and, according to Williamson (1981), on two behavioural assumptions, namely opportunism (Wang, 2003) and bounded rationality.

In order to apply TCT to the consulting industry, two fundamental questions should be asked: 1) why the demand for consulting services is ever increasing? and 2) why the demand for these services is best satisfied by external consultant rather than internal ones?

The solution to the first question comes from the shifting nature of bureaucratic transaction costs, which has brought about important adjustments in organizational focus. As companies struggle to reach scope economies, they experience a progressive shift of focus from shop floor upgrading to the improvement of strategic and organizational capabilities (Canbäck, 1999); that is to say that they need to find new ways to remain competitive that go beyond perfectly efficient production. The result of this shift in focus is an ever-increasing need for coordination: more white collars are required for dealing with new and more abstract issues (e.g. issues like brand image rather than number of defective units per ton produced). All of this implies a dramatic change in top management's role that, for Canbäck (1999), is well synthesised through Reich's claim (1991) that it represents an emergent need for symbol manipulation, and, as a result, for the professional figure of the symbolic analyst. "Symbolic analysts solve, identify, and broker problems by manipulating symbols. They simplify reality into abstract images that can be rearranged, juggled, experimented with, communicated to

other specialists, and then, eventually, transformed back into reality” (Reich, 1991). As Canbäck (1999) puts it, “most companies’ [...] market value is embedded in abstractions such as brand image and intellectual capital”. Therefore, consultants have come to act as symbolic analysts, responding to this increase in demand for symbol manipulation.

For answering the second question, it is necessary to go back to TCT. Asset specificity, uncertainty and frequency of transactions were mentioned as fundamental dimensions for deciding whether to carry out transactions on the market.

The first variable – asset specificity of transactions – concerns the potential redeployment to different uses of the assets involved in the transactions or their allocation to alternative users without compromising their productive value (David and Han, 2004). Asset specificity is inversely related to redeployability (the greater the former, the lesser the degree of the latter). As a result, mutual dependency, potential for hazards and for hold-ups, as one of the two parties may try to exploit or “cheat” on the other, and the need of reciprocal monitoring and control increase (David and Han, 2004). In the client-consultant relationship, assets specificity is mainly represented by human assets specificity. Consequently, external consultancies’ contracting is more likely to take place in the case of low human assets specificity. Under these circumstances, consultants appear to solve more effectively those problems for which clients do not possess an appropriate knowledge, leveraging their exposure and experience.

According to Canbäck (1999), the second variable “uncertainty” exerts a weak influence on the hiring decision, while the last variable “frequency of transactions” operates similarly to assets specificity (David and Han, 2004): the less frequent the

transactions, the more it is efficient to carry them out on the market. Internalization costs would be recovered only by means of frequent transactions, and, therefore, very specific and unique (therefore low-frequency) problems are solved by way of external contracting (Canbäck, 1998).

Consequently, according to TCT, it may be concluded that consultancies help solve the trade-off and the opportunity cost issues existing between experiencing internal or external transaction costs (Tomenendal, 2007) by proposing themselves as the appropriate means to reduce bureaucratic transaction costs and firm's intestine difficulties. Moreover, the change in what is expected from top managers who have to deal with more abstract problems has called for the birth of the symbolic analyst, who has found its ideal incarnation in the management consultant.

The next section will deal with the figure of the knowledge broker, which, in the context of knowledge economics, performs an increasingly more important economic function.

### **2.3 Consultants as Knowledge Brokers**

McKenna (2006) claims that, although transaction costs present a good framework for explaining the ever growing demand for outside knowledge, they do not truly provide the answer to the question “why consultants?” In fact, there exists a number of other “institutional conduits” (McKenna, 2006) that would be capable of both carrying out consultants' role as outside knowledge providers and of serving as a viable economic solution to transaction costs. In this context, the reason why consultants are preferred as “preeminent knowledge brokers” (McKenna, 2006) to these alternative channels is linked to the legislative framework born from the Great Depression (McKenna 1995; 2006): the passage of anti-collusive and anti-monopolistic law would

have transformed consultants into a solution to executives' need to share "certain forms of inside information" (McKenna, 2006), given that "the politicians [...] installed curbs on the transmission of anticompetitive information by bankers". That is to say that management consultants were promoted to a legitimate status of knowledge brokers.

But, what is meant by knowledge brokers? A knowledge broker is a third party transferring knowledge (Werr and Linnarsson, 2002) "from where it is known to where it is not" (Hargadon, 1998), thus engaging in knowledge arbitrage (Semadeni, 2001). In the position of knowledge brokers involved in knowledge arbitrage, management consultants play two roles: the one of knowledge arbitrageur and the one of knowledge arbiter (Semadeni, 2001).

As knowledge arbitrageurs, management consultants configure themselves as simple knowledge conduits through which knowledge is exchanged. As a result, their importance lies in the fact that they allow this "trade" to happen. As knowledge arbiters consultants engage in a more judgemental role, by choosing which type of knowledge will proliferate among their clients by means of their intervention, and hence discriminating among the most valuable, worthwhile or simply marketable information. This fact appears relevant when taking into consideration real life networks (in which consultants move and act), naturally characterized by asymmetric information. There, knowledge arbiters find themselves in a very privileged position, as they might exploit the ignorance (or the gaps in information) of network members in their favour (Semadeni, 2001). Thus, attention should be called upon the impact of knowledge arbitrage on client organizations, on the entire network and on consultants themselves. Exposure of knowledge bearing or sustaining competitive advantage, isomorphism, knowledge cross-pollination and exposure to knowledge arbitrage motivated by

management fads or fashions, are the main dangers that might be incurred into (Semadeni, 2001).

Exposure of knowledge may happen since arbitrage information might be used in monitoring and benchmarking activities against competitor as well as for stealing rivals' competitive advantage knowledge. In these respects, consultants exert a great deal of power as they perform the role of knowledge gatekeepers.

Isomorphism is the organizational tendency to adopt similar structures, strategies and processes (Deephouse, 1996) and to reshape towards organizational resemblance when subjected to knowledge arbitrage for long time. This is particularly true when uncertainty and ambiguity are high, since companies start relying massively on knowledge brokers in order to sort out organizational noise, a fact that favours knowledge homogeneity and similarity in the long run.

Cross-Pollination is a consequence of consultants' boundary-spanning positions (Tushman and Scanlan, 1981) and is about recombining knowledge coming from inside and outside firms' boundaries (Semadeni, 2001). Such a recombination may produce either positive or negative effects.

The exposure of client organizations to knowledge arbitrage motivated by management fads or fashions, hinges on two fundamental points: 1) the power that consultants exert as knowledge brokers; 2) the "Norms of Rationality and Progress" (Abrahamson, 1996)<sup>2</sup>.

In periods of high ambiguity or uncertainty, these two norms become imperative in executives' mind, as they not only need to keep innovative, but they are also expected to

---

<sup>2</sup> The **Norm of Rationality** is the societal expectation that managers will use management techniques that are the most efficient means to important ends.

The **Norm of Progress** is the commonly spread management belief that in order to be a good manager – and to avoid being left behind or being called laggard - it is necessary to continuously innovate and use new and improved ideas or management concepts.

dissolve the uncertainty around them in the most efficient way (Abrahamson, 1996). Given this frenetic search, knowledge arbiters intervene by launching in a timely manner fads and fashions<sup>3</sup>, whose adoption fulfils a symbolic function “such as signalling innovativeness” (Abrahamson, 1991), but does not serve more concrete purposes (e.g. improving organizational performance). Consistent with this last argument, Graeme Salaman (2002) claims that consultancy knowledge is often considered as “flawed, fashionable, glib, and at odds with expert, scientific academic knowledge”. Kieser (1999), one of the main supporters of Management Fashion Industry theory, adds that consultants make managers addicted to their services by exploiting their fears, uncertainties and need of control (three redundant variables in this kind of literature). This will be expanded on in the following section.

#### 2.4 Are Managers Marionettes?

According to the fads and fashion theory, consultants engage in the dynamic production of new concepts in order to give executives the illusion of keeping control over their companies. Furthermore, they shape managers’ perception of the environmental complexity (Kieser, 2002; Ernst and Kieser, 2002), by instrumentalizing existing complexity and by enhancing the perception of overall complexity (Ernst and Kieser, 1999 and 2002). In their explanation for how this happens, Ernst and Kieser (1999) resort to *functional differentiation*, whose main aim is reducing complexity through the division of a problem into sub-problems, each of which to be tackled separately by specialists. This implies the creation of subsystems, where the capacities to develop further complexities emerge in later stages. The paradoxical result of functional differentiation is thus an increase in complexity, that, when transferred to

---

<sup>3</sup> “A management fashion is a management concept that has become fashionable” (Alfred Kieser, 2002).

executives, contributes to make them uncertain about the actions to take and about whether any competitor has already benefited from consultancies' intervention. In fact, the more executives hear histories of success of those concepts, the more they feel insecure, the more they tend to purchase new "best practices" to stay ahead of competitors and try and gain a competitive advantage over them (Ernst and Kieser, 2002). Two key emotions feed this cycle: fear and greed, which are the two main winning variables for breaking down resistance to organizational change (Kieser, 2002). Hope is a third important emotion, as consultants reassure managers that their intervention will give them back organizational control (Kieser, 2002). However, the perception of regained control is only temporary (Kieser, 2002), as consultants continuously plant new seeds for uncertainty and "indispensable concepts" for ensuring constant demand for their services. They therefore become addictive, in that managers are always facing newly born uncertainties and need to keep up with competitors who increasingly engage consultants. Managers are thus depicted as deceivable and naive victims of fashion setters (due to their fear of control loss) and as marionettes, susceptible to consultants' manipulative practices. As a consequence, consultants' *raison d'être* is merely reduced to the role of uncertainty and ambiguity mitigators, which ironically stems from consultancies' manipulative practices.

However, real life tells us that also executives are not immune to opportunism and, next section will present consultants' *enforcement function* (Nippa and Petzold, 2002), namely executives' deliberate use of consultants for keeping organizational and environmental power dynamics and political pressures in equilibrium.

## 2.5 Enforcement Function of Consultancies, Legitimization and Scapegoating

Both Edvardsson (1989) and Nippa and Petzold (2002) mention some important facts that help introduce consultancies' enforcement function. Among them: the need of a third party in the organization (Edvardsson, 1989) and the "confirmation and legitimization of restructuring decisions that have already been made" (Nippa and Petzold, 2002). Condensing the logic underlying these facts, it emerges that executives would be hiring consultants in order to have an external neutral third party provide some new knowledge and act in their position of experts as a legitimization source (Alvesson, 2001) and as certifiers of best practices (Ernst and Kieser, 2000). Such external figures, in fact, help executives counter agency problems and smooth the process of making decisions that are politically uncomfortable, difficult to justify or that encounter organizational resistance (e.g. restructuring and downsizing). Consultants' presence manages to guarantee that decisions are being taken based on good judgement and rationality (Kam, 2004). Moreover, they function as a buffer between executives and stakeholders, reducing the tensions and political distress that exist between the various vested interests and certifying the goodness of the decisions taken and implemented by managers.

Consultants may even act for opposite purposes, that is to say, increasing political conflicts, by proposing themselves as managers' political weapons inside the organization (Ernst and Kieser, 1999; Kam, 2004).

Another fundamental role performed by consultancies is scapegoating (Ernst and Kieser, 1999), which can be defined "as a concentration or polarisation of group aggression directed against a victim" aiming at maintaining group norms (Soila-Wadman, 2008). Specifically, it helps executives "assigning blame" to an external actor

thus releasing them from their sense of guilt (Soila-Wadman, 2008) and from accusations of incompetence in case of unsuccessful outcomes.

The preceding sections have focused on the many possible ways in which executives and consultants manipulate each other, moved by their need of self-preservation and by their interests. However, up to now, no clear reference to their relationship was made and to the dynamics that could turn it into a success or a complete failure. The next section will present an overview of client-consultants relationship, underlining all of those elements that make it uncertain and those dimensions on which both parties need to work for turning it into something productive.

Client-consultant relationship (CCR from here onwards) is undoubtedly a complex reality representing a significant future challenges for consultancies.

## **2.6 Client-consultant Relationship: a Challenge**

The client-consultant relationship may be conflictual and complicated by misunderstandings (Tomenendal, 2007). Two significant kinds of uncertainties haunting the consulting sector help explain this fact: *institutional* uncertainty and *transactional* uncertainty (Glückler and Armbrüster, 2003).

Institutional uncertainty derives from the lack of professionalization and institutionalization (Glückler and Armbrüster, 2003) embracing a clear definition of products standards and industry boundaries (Glückler and Armbrüster, 2003) that other professions possess and that, in circumstances where it is impossible to evaluate either performance or a set of skills, certifies that the members of that profession are capable and trustworthy (Alvesson and Johansson, 2000). In fact, the existence of formal institutions, certifying professional, legal, and product standards, can absorb part of the

asymmetry of information between clients and service providers (Glückler and Armbrüster, 2003).

Transactional uncertainty derives from the tendency to act opportunistically *ex ante* or *ex post* (Clark, 1993). This means that either adverse selection or moral hazard may characterize the transactions between clients and consultants, given especially the intangibility of the service, the impossibility to measure its quality and to standardize it, and given its “inherently social production” (Clark, 1993) i.e. the inseparability of production and consumption (Clark, 1993).

Generally speaking, institutional and transactional uncertainties imply low system and institutional trust, which is a prejudicial condition: trust is, in fact, an essential social institution, because, in the context of economic exchanges, it helps stabilize, control and attribute meaning to interaction over time (Glückler and Armbrüster, 2003). Furthermore, transactional uncertainty causes a market failure that is partly solved through social networks that are “supplementary activities that exploit monitoring devices not otherwise available” (Arrow, 1999). Specifically, networked reputation succeeds in substituting for service quality (Glückler and Armbrüster, 2003). As it might be inferred, consultants must stay attentive in their interaction with clients (Kam, 2004) in order to create trust and provide security and support in such ambiguous professional and relational conditions.

However, the long history of frictions (Tomenendal, 2007) between management consultants and clients tells a different story, made up of doubts about the overall efficacy of consultants, of management fads and fashions (aforementioned in the text), and of abuse of rhetoric, which not only helps consultants in their impression

management – buying them the contract – but it also creates expectations that often encounter a disappointing counterpart when they meet real life outcomes.

In this context, McKay (2002) cites four factors as being determinant for keeping a healthy and profitable CCR, namely, commitment, reliability, communication, and respect. Commitment implies alignment of interests and complementarities in action; reliability implies honesty and predictability (McKay, 2002) and avoiding engaging in “scope creeping” (that is, enlarging the breadth of the projects or the scope of the assignments); communication must be a two-way, clear process; respect rules out consultants’ “inflated ego” (Appelbaum and Steed, 2004) and their tendency to underestimate the importance of client’s knowledge and capabilities for the success of the projects, imposing their own knowledge with arrogance.

Notwithstanding the fact that consultants might be depicted in a great variety of guises (Blunsdon, 2002), they are frequently charged with violating the four basic principles listed above. Oftentimes, their controversial image only generates negatively biased opinions, which find their consolidation in labels like “shallow, faddish, greedy consultant-prostitute” (Alvesson and Johansson, 2001).

The next section will provide a brief summary of the points touched upon in the work and will present some reflections drawing from the theoretical overview. Some suggestions for both clients and consultants are then given, along with some speculations about what might look different in the future.

### **3. Summary and Conclusions**

The previous sections presented some prominent theories dealing with management consulting, the underlying reasons for its existence, and the intricacies of the relation that consultants establish with clients. Besides consultants’ characteristics

(exposure and detachment) and the functions they perform – which included uncertainty mitigation, the creation of legitimization, reputation and social capital for decision makers and for the organization itself – transaction cost economics was introduced. In particular, TCT maintains that client organizations economize on transaction costs through contracting consultancies on the market rather than performing the service in-house, “if the frequency, asset specificity, and uncertainty of transactions are comparably low” (Blunsdon, 2002; Glückler and Armbrüster, 2003). In line with knowledge economics, the figure of the knowledge broker was presented. Additionally, the dangers that CCR embeds for both clients and consultants were mentioned: consultants have at their disposal a considerable manipulative potential with respect to clients, and are simultaneously susceptible to political instrumentalization by client organizations (e.g. scapegoating, legitimization, etc...). Moreover, some important dimensions on which clients and consultants altogether should work at for improving their interaction were presented and expounded upon.

In the attempt to draw some conclusions, a first fundamental fact to understand is that the theories presented do not substitute for each other and none of them is better or more important than the others. Functionalist theories such as TCT and more critical approaches like fads and fashions, or knowledge economics, are all literature’s master pillars. Their belongingness to different fields only confirms the impossibility to define management consulting along a one-dimension perspective only. Besides the notions mentioned, there are a number of other important theories in the literature that have been left out purposely. For example, no reference was made to the ones linking the existence and survival of management consulting to the globalisation of the economy,

an explanation that appears excessively simplistic given that the birth of the consulting industry occurred when global economy was not as much integrated as nowadays.

A second fact to highlight is that both consultants and clients can extract some recommendations from this text. First and foremost, they must gain awareness of how powerful their mutual influence is and of how they can use it for making their relationship successful and mutually beneficial, keeping responsive to one another and to the environment. Secondly, clients should avoid portraying themselves as innocent victims of evil consultants whenever an engagement turns out to be a failure. As it was seen before, the results of CCR heavily depend on both parties. Thirdly, in the context of CCR, consultants can derive great value from giving up their inflated egos and from learning from their clients. They must use their knowledge broker position for enriching themselves and enhancing their capabilities while helping clients.

A third relevant fact must be observed: as the demand for consulting services grows, so does the scepticism about their value and quality (Nikolova, 2007). Consultants could in part remedy these inconsistencies by attempting to institutionalize their position. In fact, the actual lack of professionalization and institutionalization of consulting only signals how undefined the boundaries of the industry are: services, competences, practices, rights and duties are not officially established. Anyone can become a consultant. No entry barriers to the profession or specific educational requirements exist – a fact that in other professional fields, such as law or medicine seems unacceptable. Furthermore, the consequent transactional uncertainty coupled with the mistrust and the negativity spread by the media on some clamorous failures of consultants' engagements may dismantle consultants' credibility and make the system collapse. An institutionalization process would help build up credibility among sceptics

and would not harm – but instead strengthen – consultants’ reputation and consensus. However, the literature, which calls for the professionalization of the consultancy activity, is quite vague about how consultants could start such a process, which would indeed alter one of the very founding features of this business. Because the roots of management consulting have grown without any formal institutionalization, it appears unlikely that this change is truly feasible.

Further investigation should be directed towards a better understanding of the deep division existing between consulting detractors and supporters. Specifically, as the title of this work suggests, the consulting world tends to be viewed according to a critical perspective, questioning its real value and utility, and a functionalist one, recognizing the importance of consultancies’ roles. This divide has a great influence on the literature, which consists of extremely biased texts, and on public opinion, which either condemns or exalts consultants’ activities and interventions. Although consultants can take action in order to attempt to reconcile some elements generating this fracture (instances of potential beneficial actions have been provided above), the functionalist versus critical perspective dichotomy appears difficult to reconcile. The odds are that there will always be divergent opinions regarding whether consultants’ existence finds its *raison d’être* in real needs or whether it just serves reciprocal opportunism.

## Bibliographic References

- Abrahamson, Eric.** 1991. “Managerial Fads and Fashions: the Diffusion and Rejection of Innovations.” *The Academy of Management Review*, 16(3): 586-612.
- Abrahamson, Eric.** 1996. “Management Fashion.” *The Academy of Management Review*, 21(1): 254-285.
- Alvesson, Mats and Anders W. Johansson.** 2001. “Professionalism and Politics in Management Consultancy Work.” Working Paper Series, Institute of Economic Research, Lund University, Sweden, 1-22.

- Alvesson, Mats.** 2001. "Knowledge Work: Ambiguity, Image and Identity." Working Paper Series, Institute of Economic Research, University of Lund, Lund, Sweden, 1-25.
- Appelbaum, Steven H. and Anthony J. Steed.** 2004. "The Critical Success Factors in the Client-Consulting Relationship." *Journal of Management Development*, 24(1): 68-93.
- Armbrüster, Thomas and Matthias, Kipping.** 2003. "Strategy Consulting at the Crossroads. Technical Change and Shifting Market Conditions for Top-Level Advice." *International Studies of Management and Organization*, 32(4): 19-42.
- Arrow, Kenneth J.** 1999. "Observations on Social Capital." In *Social Capital. A Multifaceted Perspective*, ed. Partha Dasgupta and Ismail Serageldin, The World Bank, Washington D.C., 3-5.
- Blunsdon, Betsy J.** 2002. "Beneath Fashion: Why is There a Market for Management Consulting Services?" Paper presented at the Professional Service Firms Workshop, University of Alberta, Edmonton, Canada, 1-17.
- Bower, Marvin.** 1982. "The Forces That Launched Management Consulting Are Still at Work." *Journal of Management Consulting*, 1 (1): 4-6.
- Burnice McKay, Ruth.** 2002. "Hiring Consultants during Organizational Change: Politics and Amalgamation." *Journal of Behavioural and Applied Management*, 3(3): 231-247.
- Canbäck, Staffan.** 1998. "The Logic of Management Consulting (Part One)." *Journal of Management Consulting*, 10(2): 2-16.
- \_\_\_\_\_. "The Logic of Management Consulting (Part Two)." *Journal of Management Consulting*, 10(3): 1-9.
- \_\_\_\_\_. "Transaction Cost Theory and Management Consulting. Why Do Management Consultants Exist?" Brunel University. Henley Management College, pp. 1-56.
- Clark, Timothy.** 1993. "The Market Provision of Management Services, Information Asymmetry and Service Quality – Some Market Solutions: an Empirical Example." *British Journal of Management*, Vol.4: 235-251.
- Coase, R.H.** 1937. "The Nature of the Firm." *Economica, New Series*, 4(16): 386-405.
- David, Robert J. and Shin-Kap, Han.** 2004. "A Systematic Assessment of the Empirical Support for Transaction Cost Economics", *Strategic Management Journal*, Vol. 25: 39-58.
- Deephouse, David L.** 1996. "Does Isomorphism Legitimate?" *The Academy of Management Journal*, 39(4): 1024-1039.
- Drucker, P.F.** 1979. "Why Management Consultants?" In *The Evolving Science of Management*, ed. M. Zimer and H. Smiddy, New York: AMA COM, 475-478.
- Edvardsson, Bo.** 1989. "Management Consulting: Towards a Successful Relationship." *International Journal of Service Industry Management*, 1(3): 4-19.
- Ernst, Berit and Alfred, Kieser.** 1999. "In Search of Explanations for the Consulting Explosion. A Critical Perspective on Managers' Decisions to Contract a Consultancy." *Sonderforschungsbereich 504 Publications 99-87, Sonderforschungsbereich 504*,

Universität Mannheim and Sonderforschungsbereich 504, University of Mannheim.

- Ernst, Berit and Alfred, Kieser.** 2000. "How Consultants Outcompete Management Scientists on the Market of Management Knowledge." Paper prepared for presentation at the Workshop Kommission für Organisation, Zurich, March 3-4, 2000.
- Ernst, Berit and Alfred, Kieser.** 2002. "Consultants as Agents of Anxiety and Providers of Managerial Control." *Academy of Management Proceedings*, EBSCO Publishing, 1-6.
- Fincham, Robin and Timothy, Clark.** 2002. "Introduction: The Emergence of Critical Perspectives on Consulting." In *Critical Consulting: New Perspectives on the Management Advice Industry*. ed. R. Fincham and T. Clark Oxford: Blackwell Business, 1-18.
- Glückler, Johanness and Thomas, Armbrüster.** 2003. "Bridging Uncertainty in Management Consulting: The Mechanisms of Trust and Networked Reputation", *Organization Studies*, Sage Publications, 24(2): 269–297.
- Hagedorn, Homer J.** 1982. "The Anatomy of Ideas behind a Successful Consulting Firm." *Journal of Management Consulting*, 1(1): 49-59.
- Hargadon, Andrew B.** 1998. "Firms as Knowledge Brokers: Lessons in Pursuing Continuous Innovation." *California Management Review*, 40(3): 209-227.
- Kam, Jacqueline.** 2004. "Selling Professionalism? Image Making in the Management Consulting Industry." In *Creative Consulting: Innovative Perspectives on Management Consulting*, ed. Anthony F. Buono, Information Age Publishing, U.S.A.
- Kieser, Alfred.** 2002. "Managers as Marionettes? Using Fashion Theories to Explain the Success of Consultancies." In *Management Consulting. Emergence and Dynamics of a Knowledge Industry*, ed. Kipping, Matthias and Engwall, Lars, New York: Oxford University Press Inc.
- Kipping, Mathias and Ian, Kirkpatrick.** 2005. "The Development of the Management Consultancy Business: A Co-Evolution Perspective." *Paper for the 4th Critical Management Studies Conference, 4-6 July*.
- McKenna, Christopher D.** 1995. "The Origins of Modern Management Consulting." *Business and Economic History*, 24(1): 51-58
- McKenna, Christopher D.** 2006. "Economies of Knowledge. A Theory of Management Consulting." In *The World's Newest Profession. Management Consulting in the Twentieth Century*, ed. Galambos L. and Jones G., Cambridge: Cambridge University Press, 8-25.
- Nikolova, Natalia and Tomothy, Devinney.** 2007. "The Nature of Client-Consultant Interaction: A Critical Review." UTS: School of Management, Sidney, Working Paper 2007/3: 1-18.
- Nippa, Michael C. and Kerstin, Petzold.** 2002. "Economic Functions of Management Consulting Firms – An Integrative Theoretical Framework." *Academy of Management Best Paper Proceedings*, 1-6.
- Ostrom, Elinor.** 1999. "Social Capital: a Fad or a Fundamental Concept?" In *Social Capital. A*

- Multifaceted Perspective*, ed. Partha Dasgupta and Ismail Serageldin, The World Bank, Washington D.C., 172-214.
- Payne, A. T.** 1986. "New Trends in the Strategy Consulting Industry." *Journal of Business Strategy*, 7 (1): 43-55.
- Ruef, Martin.** 2002. "At the Interstices of Organizations: the Expansion of the Management Consulting Profession, 1933-1997." In *The Expansion of Management Knowledge*, ed. Sahlin-Andersson, Kerstin and Engwall, Lars, Stanford, California: Stanford University Press, 74-95.
- Salaman, Graeme.** 2002. "Towards a Sociology of Management." In *Critical Consulting: New Perspectives on the Management Advice Industry*, ed. T. Clark and R. Fincham Oxford: Blackwell Business, 247-259.
- Semadeni, Matthew.** 2001. "Toward a Theory of Knowledge Arbitrage: Examining Management Consultants as Knowledge Arbiters and Arbitrators." In *Current Trends in Management Consulting*. ed. A. F. Buono, Greenwich: Information Age Publishing, 43-70.
- Soila-Wadman, Marja.** 2008. "The Role of Scapegoats in Organizations." Paper for the Conference "The Dark Side of Organization", The University of York, the York Management School/ Wortley Hall, Sheffield, UK.
- Tomenendal, Matthias.** 2007. "The Consultant-Client Interface – A Theoretical Introduction to the Hot Spot of Management Consulting." Berlin School of Economics Working Papers, No. 31 2007/08, Berlin, Germany, 1-17.
- Turner, Arthur N.** 1982. "Consulting is More than Giving Advice." *Harvard Business Review*, September-October 1982, pp. 120-129.
- Tushman, Michael L. and Thomas J. Scanlan.** 1981. "Boundary Spanning Individuals: Their Role in Information Transfer and Their Antecedents." *The Academy of Management Journal*, 24(2): 289-305.
- Wang, Ning.** 2003. "Measuring Transaction Costs: An Incomplete Survey." Ronald Coase Institute, Working Paper No. 2: 1-14.
- Werr, Andreas and Håkan, Linnarsson.**2002. "Management Consulting for Client Learning? Clients' Perceptions of Learning in Management Consulting." In *Developing Knowledge and Value in Management Consulting*, ed. Anthony F. Buono, Information Age Publishing Inc. U.S.A., 3-31.
- Williamson, Oliver E.** 1979. "Transaction-cost Economics: The Governance of Contractual Relations." *Journal of Law and Economics*, Vol. 22: 233-261.
- Williamson, Oliver E.** 1981. "The Modern Corporation: Origins, Evolution, Attributes." *Journal of Economic Literature*, 19(4): 1537-1568.