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Management consultancy: Issues, perspectives, and agendas [Preface]

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This issue of International Studies of Management and Organization brings together five articles that reflect the rich array of contemporary research that is being conducted into the activities of the management consultancy industry. Management consultancy, in various forms, has existed for as long as complex organizations. However, its increasing economic significance, associated with the rapid expansion in the number of consultancies and the rise of large multinational consultancy firms, as well as the influence and impact of the fashionable management knowledge and techniques on which much of their work is based, are more recent phenomena. To date, detailed conceptual and empirical research into the work of consultants has been slight (for a summary, see Clark and Fincham 2002; Kipping and Engwall 2002). Much, therefore, remains to be done if we are to develop a more penetrating and nuanced understanding of this activity. This special issue begins to rectify this situation by bringing together in one volume original and innovative contributions from leading academics in this emerging field.

Our purpose in this introduction is to set the scene for the issue as whole. We begin by discussing the nature of management consultancy, and relate this to some of the recent developments within the industry. We then review the reasons why management consultancy work is increasingly attracting academic attention. Following this, we examine the possible consequences of a downturn for management consultancy services. Finally, we outline the content of the individual contributions that comprise this issue.

Industry differentiation

One way of understanding management consultancy is to see it as a clearly bounded "occupation," and to define characteristics and factors that account for its unique occupational identity. The problem with this view is that consultancy then tends to be seen in relatively narrow professional or clinical terms. The consultant role is akin to that of medical practitioners, in that they diagnose organizational illnesses and prescribe appropriate remedies. In contrast, drawing parallels with the wider management structure paints a different picture and emphasizes, instead, the depth and complexity of a whole industry. References to the "management advice industry," or to consultancy as a part of the broader business services industry, suggest that this is a differentiated structure that encompasses a broad group of occupations; what defines "consultancy" is thus a relationship to a market in knowledge, rather than a static skills set. The boundaries of this cluster of activities are themselves complex and overlapping. At the lower end of the industry, for example, a multitude of medium-size and small firms, and many sole practitioners, supply a bewildering range of services such as executive search and selection, psychometric testing, process consultancy, and coaching and training (e.g., Sturdy 2002).

At the large-firm end of the spectrum is a range of technical and specialist activities (in areas such as construction and engineering) that do not overlap much with management consultancy per se, but which are still part of the broader "consulting" industry. Even within what would normally be regarded as management consultancy, a range of specialties, such as information technology (IT) and finance, are based on specialized skills that are formalized and accredited by separate professional bodies. But others, like strategy and change management, which constitute what is often regarded as mainstream management consulting, closely parallel general managerial rather than professional skills, in that they require no special accreditation.

However, if "management consultancy" is this highly differentiated cluster of activities, to date it is the firms at the top end of the industry, which represent a significant proportion of industry earnings, where most attention has been focused. While the industry is composed of many thousands of firms, it is primarily the giant international firms, and the major strategy and systems firms, that have been the focus of commentaries and research. While the ideas and concepts they develop are sometimes adopted from external sources, and reflect famous and familiar fashionable acronyms such as BPR, TQM, and KM, these are mixed with specialized and proprietary ideas. As described by Heusinkveld and Benders in this issue, these are outputs of well-resourced internal functions for delivering new concepts. Furthermore, as Armbrüster and Kipping (also in this issue) argue, these giant firms bear a considerable part of the responsibility for disseminating management ideas internationally. They have spread to and penetrated different countries, often acquiring or merging with local consultancies; and they have spearheaded the transmission of global best practices and new organizational designs, channeling the competitive forces of the world economy (see also Kipping and Engwall 2002).

In addition to being an influential disseminator of knowledge, big firm management consultancy is also highly dynamic and continually changing its structure and functions. Until recently this sector of the industry was dominated by the so-called Big Five global accountancy firms. These were large international accounting practices that expanded into management consultancy on the basis of a symbiosis (some would say an "unholy alliance") between the two activities. The more stable, but slower growing, auditing business facilitated an entrée into client firms that permitted the consultancy divisions of these firms to expand rapidly. The Big Five were Arthur Andersen, Deloitte & Touche, Ernst & Young, KPMG, and PricewaterhouseCoopers (PwC). However, these five firms were themselves formed through a series of mergers and acquisitions, and at various times in the past twenty years have been the Big Eight and the Big Six (Stevens 1981). These firms came to dominate the consulting industry league tables, occupying five of the top six places (Kipping 2002). They have employed tens of thousands of consultants all over the world, and have had multi-billion dollar revenues. One consequence of this development has been that the traditional audit came to represent a smaller and smaller proportion of the revenues of accountancy firms, with the consequence that these firms were seen to be developing a new and highly successful business model. In conjunction with this change, they became re-labeled as "global multidisciplinary partnerships" or "professional service firms" (PSFs) as they sought to further diversify into other areas, such as legal services.

However, this issue of the journal is being published at a time when this sector of the industry has been undergoing rapid and radical transformation, in major part as a result of the corporate scandals at Enron, WorldCom, Tyco, and Adelphia Communication. These events have undermined the premises upon which the diversification strategies of the Big Five were based and, consequently, the business model itself. In 2000, for example, Arthur Andersen earned $25 million from auditing Enron's books and another $27 million from providing various consulting services.[1] The idea that managers could pay their auditors to give them advice has come to be seen as a major source of conflict of interest, particularly if the audit fee is smaller than the consulting fee. Consequently, the large accountancy firms have given up arguing that that there is no conflict of interest between auditing a company's books and providing consulting advice. In addition, the Sarbanes-Oxley Act,[2] which became law in the United States in July 2002, makes it "unlawful" for accounting firms to offer a number of other kinds of services to companies whose accounts they audit. In response to fierce public criticism and legislation, the large accounting firms have generally separated their audit and consulting practices. In 2000, Cap Gemini acquired the consulting business of Ernst & Young. In the first part of 2002, PricewaterhouseCoopers announced an initial public offering for PwC Consulting, to be branded “Monday.” However, several months later PwC Consulting was sold to IBM. Also in 2002, KPMG sold its U.K. and Dutch practices to Atos Origin, to form Atos KPMG Consulting. The remaining parts of KPMG Consulting renamed themselves BearingPoint.[3] Before Arthur Andersen ceased trading its stock in August 2002, its consultancy practice was incorporated into that owned by Deloitte & Touche. Despite announcing the sale of Deloitte Consulting in 2002, its parent company presently has no plans to separate the businesses.

Table 1: Strategic activities and firms in top level management consultancy

Area of activity	Firm
Corporate strategy	McKinsey, Bain, BCG
Accounting/IT	Big Five
IT/Systems	Cap Gemini Ernst & Young, EDS, IBM, SAP

While the global accounting-and-consulting firms have tended to dominate in terms of sheer size (e.g., number of consultants employed, volume of business, turnover), firms at the top end of the industry reflect at least three areas of strategic activity (see Table 1). Traditionally, the highest-profile firms in management consultancy were the strategy firms that specialized in corporate advice and were influential in delivering new knowledge into board rooms. The doyen of all strategy firms was (and is) McKinsey; but others, such as Bain and the Boston Consulting Group, also pioneered basic strategic concepts and brought the industry to public attention. Kipping (2002) has argued that, more recently, we have seen competitive interaction between corporate strategizing as a key consultancy activity, and newer activities around IT and information systems (IS), and this is now the fundamental dynamic within the sector. As we noted above, the Big Five moved into high-level management consultancy on the back of massive auditing businesses. But their spectacular growth also reflected, in part, their capacity to develop activities in commercial computing. (Groups like Anderson/Accenture, for example, specialized in very large IT projects.)

The reason the Big Five were able to move so successfully into this area of consulting is an interesting issue, particularly since there was a distinctive group of very large IT/IS firms (such as Cap Gemini, EDS, the reconfigured IBM, and the German software giant SAP) in occupancy. These firms grew out of software houses and the computer industry itself, and were already performing IT/systems consulting. It may be that the sheer size and longevity of the IT boom allowed room for all, or that the traditional links between accounting and computing helped the Big Five to manage IT-related activity. At any rate, as Kipping (2002) has suggested, what we currently see in the sector is the working through of these competitive forces and, in particular, the possible erosion of the high-status-strategy firms’ market position. This thesis, extended in this issue by Armbrüster and Kipping, points out that traditional-strategy firms seem unable to change their cultures to capitalize on the growth in technology consultancy, and seem to be ineffectually tinkering with IT/systems. In fact, in the latest mergers, it has been IT-related consulting and elements of the Big Five that have come together—for example, Cap Gemini with Ernst & Young, and IBM with PriceWaterhouseCoopers. This latest stage in market restructuring seems to have left the traditional-strategy firms even more vulnerable.

Reasons for increasing academic interest

Growth and economic significance of the industry

Of primary importance has been the increased economic significance of the industry. The origins of management consulting lie in the efficiency and time-and motion studies pioneered by Charles Bedaux, Harrington Emerson, Frank and Lillian Gilbreth, and Frederick Taylor at the turn of the last century (Henry 2002; Kipping 2002; McKenna 1995; Wright 2000). For example, in the United Kingdom, prior to the entry of the leading U.S. consultancies, in 1956 the four founding members of the Management Consultancies Association (Associated Industrial Consultants, Urwick Orr & Partners, Personnel Administration, Production Engineering) employed around 800 consultants and accounted for three quarters of a total market estimated at £4 million (Tisdall 1982). In the early 1960s Booz, Allen & Hamilton, founded in 1914 and the largest member of the U.S.-based Association of Consulting Management Engineers, employed 800 professional staff in the United States and seventy overseas. McKinsey, founded in 1926 and perhaps the archetypal consulting firm, at the same time employed about 200 consultants, fifteen of whom were based in Europe (Kipping 1999). So, for much of the twentieth century the consulting industry was dominated by a small number of firms who, although they consulted to large multinational organizations, were themselves not that big in terms of numbers of staff and revenues. All this changed in the 1980s.

During the 1980s and continuing into the 1990s, the management consultancy industry was one of the fastest growing sectors of many advanced economies. In 1980, worldwide revenues were estimated to be $3 billion. By 2001 this figure had grown to around $62 billion (Kennedy Information 2002). The spectacular growth of the industry during this period is further evidenced by the fact that approximately 80 percent of firms operating in the industry were established after 1980 (Ernst and Kieser 2002).

This astonishing transformation indicates that the industry has come to represent a significant element of the now-dominant service sector, or "knowledge economy," within many advanced economies. However, behind it many believe lies an increasing power over managerial thinking and action. Consultancy is intimately linked with new forms of "fashionable" management knowledge. Indeed, many people, whether in their roles as employees or citizens, will have experienced the effects of some kind of consultancy-led initiative. Alongside management gurus, the business media, and business academics, consultants have been attributed a key role as agents in the creation, dissemination, and transfer of new management ideas (Abrahamson and Fairchild 1999). Recent discussions relating to management fashion and diffusion of business knowledge mean that we now have a more differentiated concept of managerial knowledge, one that extends to forms of knowledge that are packaged and commodified and traded in a marketplace for management ideas (Abrahamson 1996a and 1996b; Suddaby and Greenwood 2001). Consultants are not only traders in ideas, of course, but in ideas that have consequences and take shape as management practices. Thus, interest has grown in management consultancy both as an influencer and carrier of new organizational forms and strategies between organizations and nations (Kipping 1997).

Negative image of consultancy

In addition what we might consider more material reasons for pursuing an interest in consultancy, there is also a fascination with management consultancy that derives from a raft of factors making it the center of interesting puzzles and dilemmas, and tying them in with wider concerns in the study of management and organization. The suspicion has grown, particularly in the media, that consultants exercise influence at the highest levels of corporations and, moreover, that this represents a covert and unaccountable influence over policies, programs, and strategies. The characterization of management consultancy in the media, even before the emergence of a series of corporate scandals in the United States in 2001, has been extremely poor. They have been consistently portrayed as: expensive (i.e., charging exorbitant fees) and ineffective (i.e., their advice rarely works); as destroying organizations; as repackaging old ideas and developing empty buzzwords; as running amok if not tightly controlled; as undermining the quality of management; as lacking independent insight; as acting in their own interest, rather than the client's, and so forth. Thus, part of the interest in consultancy stems from the "masters of the universe" view of them, and from beliefs about the insidious and unaccountable power they might command within global capitalism (Ashford 1998; Byrne 2002; Micklethwait and Wooldridge 1996; O'Shea and Madigan 1997; Skapinker 2002).

In Jackall's (1988) seminal study of corporate power and politics, consultants are heavily implicated in the Byzantine and Machiavellian world of U.S. corporate life. He saw them as a kind of benign parasite, living off the power process that wholly defines interaction at these levels of management. In this sense, consultants seem to "crop up everywhere," and seem to be key actors or bit players in many current management dramas being played out in the world's media. It has been pointed out, for example, that consultancy deeply resonates with the myths and narratives of organizational change (Clark 1995). In response to radical discontinuities in market environments, organizations have increasingly embarked on programs of fundamental change, so much so that "change management" is now seen by many as a specialized skill that only outsiders possess. The narratives of change that dominate modern managerialism are also dominant within the discourses of management consultancy, and constitute the organizing themes and issues in consulting work (Tienari et al. 2001).

Emergence of the critical approach

A further reason for the intensification of academic interest in consultancy work has been a growing dissatisfaction with the dominant approach prevalent in the literature from the late 1950s until the mid-1980s. This literature was primarily concerned with one approach to consultancy—organization development (OD). There is not space here to summarize the voluminous literature on this consultancy approach; however, its main preoccupation was with identifying and examining those factors that were perceived as maximizing its effectiveness to organizational interventions. In essence, much of the OD literature has been concerned with identifying and then proposing solutions to particular problems. In this respect, it is highly normative and targeted at practitioners.

More recently, another approach to examining consultancy work has emerged that is very different in character, tone, and focus. This is termed the "critical perspective." It differs from the OD approach in a number of important ways. First, whereas the OD literature gained much of its purchase and value from the fact that many leading commentators were at one time successful practicing consultants themselves, in the more recent literature this has been viewed as a key weakness. Instead, it has been argued that a narrow concern with prescriptive and formulaic advice to clients and practitioners is, at the very least, limited in its contribution to a thorough conceptualization and understanding of the nature of consultancy work. This arises because the OD literature is located, as it were, inside the activity itself. It assumes that management consultants have already convinced clients as to their value and "know-how." These are second-order problems. That is, they arise once it has been accepted by clients that consultants have something useful to offer. In this respect, it is argued that the real problem faced by consultants is how they demonstrate their value to clients in the first instance. This is a major focus of the critical literature that examines the strategies and techniques employed by consultants to convince clients that they have something of value to offer (Alvesson 1993; Clark 1995; Starbuck 1992).

A second major difference between the OD literature and the more recent critical literature has been the status of consultancy knowledge and, consequently, the problematization of any claims to being a professional occupation. The OD literature was grounded in a root metaphor of the consultant as professional helper. Consultants were therefore presented as drawing on an expert body of knowledge based on advances in behavioral sciences in order to solve client problems. Their activities were seen as synonymous with the role of professional helpers remedying illnesses in client organizations. Much of this derived from the normative and self-congratulatory nature of this literature, which was often written by practicing consultants about their own interventions and experiences. On the other hand the critical literature has argued that management consultancy is not a profession, since it does not have access to a unique, esoteric, and defendable knowledge-base. A key focus of this literature has been on how consultants sustain their knowledge claims. In this sense, claims of professionalism have been seen as one resource that management consultants can draw upon to sustain their claims of authority, status, and credibility (Alvesson and Johansson 2002).

Finally, the critical literature has not been concerned with the effectiveness of consultancy work or, generally, has been motivated by a wish to improve or at least influence practice. Rather, commentators have primarily sought to utilize the example of the consultancy industry to contribute to a range of debates concerned with the changing nature and location of knowledge production in a number of discipline areas, particularly geography, history, management, and sociology. Thus, the growth of the management consultancy industry has been seen to indicate broader changes in the advanced Western nations with the shift in the axes of these economies from manufacturing to services. It has also been related to the increasing importance of knowledge, and to the debates surrounding the nature and deployment of knowledge within, and between, organizations and nations.

Consultancy exposes the nature of management

Finally, academic researchers are drawn to the study of management consultancy because it tells us much about management itself. Consultancy is an externalized form of management—and, more than that (as Fincham argues, in this issue), there exists a parallelism between consultancy issues and central managerial structures and processes. The latter are often expressed in a sharpened or stylized form within consultancy. In particular, many comparisons center on the "ambivalent" status of management consultancy (which itself mirrors management's own uncertain standing). Consultants are "love-hate" figures who occupy a highly marginalized position. Are they expert and essential helpers, or parasites whose skills are little better than those of the con man? Does the knowledge they disseminate—influential fashions in modern management—constitute a set of powerful organizational techniques, or is it snake oil? And if it is the latter (or if this view is only partly true), how does one explain the ascendancy of the consultancy industry? The related issue of professionalism within management consultancy itself poses interesting and complex questions: Should consultancy be thought of as a profession (albeit an emerging one), or is some other occupational designation more accurate? Fascinating questions in their own right, they have strong parallels with the issue of professionalism in management. These are some of the concerns that motivate the emerging literature on management consultancy, and which make up core themes in the articles that follow in this issue.

Consulting in a downturn?

Presently, the entire business advice industry is struggling to maintain revenues in the face of a severe economic downturn. Volumes of business and partner profits have fallen since 2000, and the all-important "leverage" figures (i.e., billable hours per consultant) have started to slip (Byrnes 2003). Many firms are now "stuck with far too many consultants and not nearly enough assignments" (Byrne 2002, 68). All this follows a series of hammer blows to corporate activity: the collapse of the "dotcom," Internet, and telecommunications boom, the wave of corporate scandals (e.g., Enron, WorldCom), and the aftermath of the September 11 terrorist attacks. In some ways, consultants (like undertakers and accountants) always hope to benefit from hard times; after all, they are supposed to create efficiencies and cut costs and enhance competitive advantage, which is the current agenda in many firms. Nevertheless, the prosaic truth is that firms are examining their spending on consultancy services much more carefully as the general level of business activity declines. But there is also a more critical atmosphere with respect to the utility and value of consultancy work that is making clients more hesitant in commissioning assignments.

This situation has considerable significance for modern management consultancy, the identity of which has been defined in large part by an era of apparently unending exponential growth. But whether this represents a temporary setback, or a long-lasting shift in the nature of the demand for consultancy services, remains to be seen. On the one hand, management consultancy is not simply a "big" industry; to an extent, it has become inextricably intertwined into the fabric of the economic system. The advice and opinions supplied, especially by the major firms, are frequently an integral part of the relationship between firms and sources of institutional finance (so that it is an understatement to say that there is a mere "appetite" for advice). Also, "outsourcing" to consultancies is not just a management choice, but a prerequisite of certain organizational strategies and designs (for example, lean production).

On the other hand, the recent decline in demand for consultancy may itself be more structural. Some suggest that present market uncertainties prefigure the end of a long economic upswing, and the beginning of a period of market uncertainty that may be equally long-lived. But while it may be fanciful to propose any simple connection between the consultancy boom and a twenty-year bull market, there may be some historical constraints operating. There are uncanny parallels between the growth of the past two decades and the appearance on the scene of figures like consultants and management gurus, and the fashionable knowledge they trade in. In any case, the straightforward reason for wanting to study management consultancy—the double-digit growth that this astonishing industry has sustained—may eventually need to be reassessed.

The impact of current and recent events on the reputation of the management consultancy industry, more broadly, also remains open-ended. At Enron, as Byrne (2002) pointed out, McKinsey was central to the evolution of corporate thinking. Furthermore, Jeffrey K. Skilling, Enron's former CEO, was once a McKinsey partner. While not implicated in the controversial accounting and reporting model and the actual fraud, the consulting firm was the architect of many corporate strategies (e.g., securitized credit, the contracts strategy, and the so-called asset-light strategy) that had helped to transform Enron into a giant energy trader. McKinsey's role, therefore, must call into question the whole issue of the quality of expensive corporate advice. While a consultancy may duck the blame for this or that failed strategy, the more general point is what such episodes say about the prescience of consultants, or their claims to put the client's interests first. In the Enron case, the world's pre-eminent strategy firm had intimate contact with a client that was heading for the abyss, but apparently saw none of it coming, nor issued any cautionary advice. The ambivalent status of management consultants betokens a considerable capacity to deflect blame when the magic doesn't work. Nevertheless, changes in the broad economic climate in which they will increasingly have to operate may be a constraint on the bloated reputations of recent years.

Articles in this issue

Having discussed some of the key developments and issues that confront the industry and researchers, it remains to outline the way in which the articles in this issue contribute to our understanding.

We begin with an article that links the developments in the consultancy industry noted above with an investigation into the consequences of these for the top-tier strategy-consulting firms. These firms have long been considered the archetypal consultancies and have occupied a central position in the broad perceptions of the industry. For many, consulting is synonymous with the activities of these firms. However, they are facing intense competition from large multinational IT/IS consultancies that is threatening their long-term survival as independent entities. As Kipping (2002) has previously argued, in response to periodic changes in the interests of clients, the industry's development has been characterized by three main phases: (1) scientific management, where the key issue was shop-floor efficiency; (2) an organization and strategy phase; and (3) the current phase, founded on IT-based networks and enterprise-wide systems. A key conclusion of this analysis is that, during each phase, the pre-eminent consultancies have been different firms. While some consultancies may survive from one wave to another, they are unable to maintain their leading position in successive waves. He identified three reasons for this. First, the reputations of consultancies that come to the fore in any one wave are difficult to change; second, because the waves reflect distinctive managerial problems, the skills of consultants change from one wave to another; finally, the ratio of junior to senior staff, which Maister (1993) termed "leverage," varies between waves, so that consultancies are not structured to offer services in different phases. He concluded that these barriers are virtually insurmountable; firms are locked into their waves, and it is all but impossible for consultancies in one wave to compete with the succeeding generation. This creates the irony that consultancies seem unable to do for themselves what they sell to clients—namely, the ability to manage and survive change.

Building on this argument, in this issue Armbrüster and Kipping examine the consequences of the inexorable movement toward the pre-eminence of IT/IS advice for the future of the second-phase consulting firms, which they term "traditional strategy-and-organization consultancies" (TSOCs). Using evolutionary economics, information economics, and embeddedness theory, they argue that TSOCs have a number of survival options: entering IT consulting and price competition, a divisionalization strategy, a niche strategy, and an alliance strategy. Each of these possibilities has different upsides and downsides. However, they conclude that these choices may themselves become transformed by broader changes in the management consultancy market (e.g., recent corporate scandals, economic downturn, entry of hardware/software firms into consultancy, regional differences in the market). These, in turn, create further uncertainties for the future of TSOCs.

Werr and Styhre examine how managers discursively construct the client-consultant relationship. This issue has been a major concern of the consultancy literature to date. Building on the argument that contemporary discourses about organizations have shifted from bureaucratic to network, they argue that these imply different constructions of the client-consultant relationship. In the former discourse, the relationship is portrayed as essentially contractual, arms-length, and temporary. The client is pictured as in control, with the ability to hire and fire the consultant. Given the consultant's dependence on repeat business, this places the consultant in a subordinate position. Thus, the consultant is hired to assist with a specific organizational problem and essentially remains an outsider. In contrast, in the latter discourse, although the relationship is characterized more as a partnership, the consultant is portrayed as being dominant, with the client pictured as the naïve victim of the consultant's powerful rhetoric and impression-management skills. The consultant, therefore, becomes more integrated into the client organization.

Drawing upon interviews with experienced users of consultancy services in two Swedish telecom organizations, Werr and Styhre conclude that both views of the client-consultant relationship are held, often simultaneously. They conclude that these two contrasting views exist in parallel because bureaucratic notions are used when describing the desired relationship, whereas network notions relate to the actual use of consultants. This may arise because the former in actuality may not encourage a close, productive, and long-term relationship between client and consultant.

Fincham draws attention to another aspect of the critical literature—namely, the extent to which "metaphors" of consultancy are employed. Management consultants are frequently allegorized as witchdoctors, performers, and so forth, suggesting a need for contrasting images and a symbolic language with which to describe this complex of occupations and activities. Developing this view, Fincham suggests a comparative concept that aims to describe consultancy work more accurately and fully. Consultants might be envisaged as the "agents' agent"—in other words, as agents of management, who are themselves agents of capital. Agency theory draws an analogy between the client-consultant relationship and the principal-agent relationship, and it allies itself with those who see consultancy as "relational work," the parameters of which are bound up with the links with managerial clients. (Interestingly, too, agency theory also stresses tenuous status: The agent, like the consultant, is a marginalized figure, accepted into neither the class of principals whose interests they represent, nor the "lower" economic groups.)

The use of an "agency problematic" to understand consultancy highlights forms of uncertainty and, more especially, power and knowledge as twin dimensions that underlie general uncertainty. Using an interview study of consultants from large accounting and IT-based firms, Fincham first explores the ways in which consultants relate to the power game waged by internal groups, and the ambivalent position of consultants in relation to these principals. Second, consultant knowledge is contrasted with local forms of knowledge that client managers possess. Combining these two forms of knowledge represents another problematic area, as the representative role of the consultant-as-agent ties their knowledge to that of the principal. So while consultants certainly work within a political map, they do not see themselves as power brokers or as independent of political sponsorship. Likewise, they vigorously market their "knowledge base," while having few pretensions to a monopoly of knowledge. Thus, the idea of consultants as agents of managerial power suggests consultancy as a kind of "extrusion" of this power base; management itself rests on attenuated forms of power, and the doubtful legitimacy of consultancy is only superimposed on the original mandate from capital.

Scarbrough places consultants in a broader context as knowledge intermediaries, and contrasts their role in developing management knowledge with another intermediate group, namely professionals. This comparison is explored against the background of knowledge management (KM), a recent and influential fashion. So this article provides a specific fashion example, but also a new angle on the relationship between consultancy work and professional activity. The article develops an "institutional change perspective" on managerial knowledge and expounds a three-stage model. New management knowledge develops via a series of "episodes"—theorization, diffusion, and institutionalization—wherein professionals and consultants play different roles. Professionals mainly instigate the theorization of fashions; consultants' role is diffusion; and both groups institutionalize fashion. Thus, stepping back from the model for a moment, we see some significant implications. The creation of fashionable knowledge is viewed in terms of "theorizing" its components (with the implications this has for how we think of the creation of new knowledge, and for the kinds of intermediary groups capable of conducting such an exercise). Also, while many studies simply regard "diffusion" as the general spreading and popularizing of new knowledge, the suggestion here is that diffusion really needs to be differentiated from the actual embedding of knowledge in practical settings.

In relation to knowledge management, Scarbrough points out that one professional group in particular—the information systems profession—was responsible for an "outpouring" of publications that originally constituted the KM discourse. Following this initial theorization, in the diffusion episode KM became a core product of major consultancies, which were heavily involved in getting the bandwagon rolling (the use of rhetorical strategies was crucial in this phase). And finally, the fashion was institutionalized within organizations by both groups; but evidence suggests that internal systems groups played the biggest role. In fact, the empirical evidence (some of which comes from Scarbrough's own extensive studies of KM) indicates that KM was only weakly institutionalized; this high-profile fashion achieved only low user satisfaction and utilization. What happened in several cases was that expectations created in the diffusion phase were not delivered—promises of knowledge sharing degenerated into technology-driven systems (e.g., Internet sites and the like). Hence, Scarbrough sketches a complex and dynamic relationship between the episodes and intermediaries. The different groups helped each other along in respective episodes (i.e., theorizing and diffusing); but in the final phase, tensions between "the colonizing efforts of professionals and the commodifying activities of consultants" constrained the legitimacy of KM.

In contrast to the previous two articles, Heusinkveld and Benders focus internally on processes within consultancies. What they call “new concept development,” in effect, represents the production process of this business service industry. Their analysis draws extremely useful parallels with the innovation literature. In particular, they propose a phased model of innovation that proceeds from the creative initiation of new concepts, through intermediate development stages, to their shaping as marketable techniques. The value of making these discriminations is that particular internal cultures and repertoires are seen to be associated with each stage, and these demonstrate how conflicts and problems in the management of concept innovation arise. Interviews with consultants in twenty-four Dutch consultancies are used to test and explore this model.

The data provide a rich descriptive account of new concept development, showing how specific tensions resolve themselves into contrasting repertoires of activity. In particular, the researchers distinguished between a “professional” and a “corporate” repertoire, which reflects the fundamental divide between the demands of spontaneous creativity and corporate control over vital development processes. Consultancies are never able finally to resolve these basic problems; they persist in a state of creative tension; but consultancies have a range of more or less successful strategies to alleviate conflict. They can start with an approach to innovation that emphasizes professional freedom, and gradually switch to a more administrative one. (Here, consultants’ “hobbies” are gradually brought under corporate control.). They can designate a few specialist innovators (effectively allowing a professional repertoire to operate within a corporate one); and sometimes a deus ex machina, in the shape of an innovation champion, builds common ground between conflicting groups.

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Notes

1. Disclosures to the Securities and Exchange Commission in 2000, on the fees paid to accountancy firms for audit and consulting work, revealed that they were paid an average $2.2 million for each corporate audit, and $5.9 million for selling other services to the audit client.

2. This act was named after its lead sponsors, U.S. Senate Banking Committee chairman Paul Sarbanes (D-MD) and House Financial Services Committee chairman Michael G. Oxley (R-OH). It creates an oversight committee for the accounting industry; establishes or increases criminal penalties for corporate fraud; prohibits external auditors from performing internal audits or consulting on seven other services, including financial information system design; and codifies the investment banking analyst rules promulgated by the Securities and Exchange Commission. A parallel can be can be drawn between this legislation and the Glass-Steagall Banking Act of 1933. McKenna (1995) has argued that this act, by separating commercial and investment banking, and by prohibiting commercial banks from engaging in “non-banking activities,” provided an impetus for the expansion of management consulting in the United States in the mid-1930s, a period when many of the leading firms over the next fifty years were founded.

3. These international accountancy firms are often networks of national partnerships, rather than single-owner multinational firms. In these circumstances, it is the partners from the different national practices in the network who decide which firm to sell their consultancy business to. This may vary, depending upon local strengths.

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