

How Consultants Outcompete Management Scientists on the Market of Management Knowledge^{*}

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Abstract:

An attempt is made to explain why the consultancy market is exploding while, at the same time, the demand for consulting by management scientists working in management schools is declining. The basic hypothesis is that consultants are much more skilled than scientists in creating and serving their market. Five different perspectives are chosen in order to explain the consulting explosion: a view on the growing complexity of the environment, an analysis of what functions consultants perform for their clients and of how they enhance the demand for these services, a discussion of what difficulties clients may face when trying to evaluate the consultants' performance and, finally, a psychological view on managers' motivation to increasingly and repeatedly contract consultants. A model is then proposed that draws on this analysis and offers a dynamic explanation of the "consulting explosion". Finally, it is pointed out that management scientists have to serve their own market, the academic market, which follows laws that are different from the laws of the consulting market. Efforts for one market are conflicting with work for the other one. Management scientists are hopelessly inferior to consultants in selling their kind of knowledge to practitioners.

THE CONSULTING EXPLOSION AND THE SLOW DISAPPEARANCE OF MANAGEMENT SCIENTISTS FROM THE MARKET OF MANAGEMENT KNOWLEDGE

The management consultancy industry has enjoyed a spectacular growth for the past two or three decades. Most estimates accredit a double digit increase in yearly revenues which ranges between 10 and 30 percent, varying by source and country (Bundesverband Deutscher Unternehmensberater BDU e.V., 1998; Hasek, 1997; Rassam and Oates, 1991). Compared to most industries' or to GDP growth rates, this means that advisers often grow at least twice as fast as their clients. The entire market volume is now estimated to be 62 billion dollars worldwide (Consultants News 1999).

While in 1980, less than five consultancy firms with more than 1000 consultants existed, in 1997 there were more than 30. In simple terms, this implies that 80 percent of all consulting experience was generated in the years between 1980 and 1997 and only 20 percent in the period from 1886 (when the first consultancy was started) to 1980 (Canback, 1998). We are facing a veritable burst of consulting activities.

This consulting explosion is impressive enough by itself. What makes it even more remarkable, however, is the fact that nobody actually *has* to employ a consultant: Unlike lawyers or accountants, consultants may be contracted or not, and while many companies seem not to be able to do without them, a few (such as General Electric or Procter and Gamble) pride themselves on hardly using them at all (Wooldridge, 1997). What we are observing is a growth phenomenon that seems to exhibit a self-sustaining inherent dynamic, and which is puzzling many observers.

While the consultancy market is growing at incredible rates, the impact of management science on practice is declining. Faust (1999) analyzed the representation of consultants and management scientists in several media (book programs, journals, magazines) and arenas that are related to management practice. He found that the more practitioner oriented the media is, the more contributions of consultants are likely to be observed. The same applies to arenas.

The organizers of conferences express their dedication to management practice by increasingly inviting practitioners and consultants. Some years ago, professors were more frequently invited as speakers at conferences of this kind.

More specifically: an analysis of titles in a book program for practitioners (*Campus Wirtschaftspraxis*) from 1983 to 1997 produced the following trends (Figure 1): (1) a decreasing share of academic authors, (2) an increasing share of consultancy-based authors and (3) of practitioners. In another analysis Faust counted how often practitioners, consultants, and academics are cited as experts in the *manager magazin* from 1980 to 1996 (Figure 2). The results show: (1) Managers are the major group to which the journalists refer to as experts of management and business issues, but within the period covered by the analysis they become significantly less appreciated as experts of their own business. (2) Since the mid-eighties consultants have been increasingly acknowledged as experts. They are considered more frequently as experts than are management scientists.

In the following we discuss why consultants are enjoying an explosive-like growth. To large extent, their success explains the losses of management science on the market of management knowledge. Management Scientists simply cannot compete successfully against consultants.

IN SEARCH OF EXPLANATIONS FOR THE CONSULTING EXPLOSION

Experts and Supra-Experts for an Increasingly Complex and Dynamic World

A frequently discussed explanation of the consulting explosion points to the continuously increasing complexity and dynamics of the environment businesses are operating in. Developments such as globalization, new technologies, notably information technology, the deregulation of markets and the intensification of competition are some of the most important factors generally associated with the consultancies' growth (e.g. Hasek, 1997; Jackson, 1997). It is argued that this increase in complexity forces management to seek professional advice.

We argue that, to some extent, complexity is the result of attempts to reduce complexity, and consultants who are called into a company in order to reduce complexity, contribute to its increase.

According to Luhmann (1993), functional differentiation represents an attempt to reduce the world's complexity by dividing a problem into sub-problems which are then tackled by specialized groups of people. This leads to the creation of sub-systems which operate autonomously and are dedicated to the selective fulfillment of a specific social function. While at first sight, complexity split in parts seems to imply reduced complexity, exactly the opposite is the case: as each sub-group is devoted to only an aspect of the entire problem, more capacities become available to create a specific complexity for each sub-problem. In this case, the overall complexity (defined as the amount of possible problem definitions and solutions which exceed those that can be realized) has grown (Luhmann, 1993). As paradoxical as it may sound: functional differentiation implies that complexity is increased through efforts aiming at its reduction.

Organizations create specialized departments in order to deal with environmental complexity. Each department absorbs the uncertainty of a certain section of the environment (March and Simon, 1958). When functional departments are established by companies of a certain importance and/or visibility, other companies are triggered to draw level in a process of mimetic isomorphism (Powell and DiMaggio, 1991). The rationale behind such processes lies in the fact that the risk of decisions under uncertainty is reduced by monitoring and imitating the actions of other companies. One can never be certain whether particular design features have lead to a competitive advantage. If they have, the imitating company has not fallen

behind. If, on the other hand, a decision leads to negative effects, the imitating company is not alone in having to bear these. In short: the advantage of adopting lies in not being at a disadvantage. At the same time, a public discourse of rationality evolves around the establishment of certain functions (Baron et al., 1986; Baron, Dobbin, and Jennings, 1988; Baron, Dobbin, and Jennings, 1988; 1988).

From the perspective of top management, it becomes more and more difficult to understand and control the complex and highly specialized systems of knowledge created through functional differentiation. As a result, the question of allocating resources to a particular function or to a technique proposed by certain functional experts is laden with insecurity. While functional departments have come into existence in order to buffer the company from the complexity of its external environment, they have created an internal environment that tends to be even more complex and dynamic.

In this situation, a need emerges for an agent who is able to make decisions based on a holistic understanding of a given problem. External consultants are expected to fulfill this need.¹ This, however, does not lead to a solution of the complexity problem and the resulting insecurity:

- Although consultants are called in to reduce complexity, they are bound to contribute to its increase as management gets aware of the possibilities the field of management consulting has to offer.
- In particular, consultants as supra-experts have infinite possibilities to combine and make sense of existing expert knowledge (which is dynamic in itself). The process of sense-making ultimately magnifies the problem of complexity, as every new interpretation links the elements of knowledge in a different way.
- Consultants have an interest in a highly dynamic production of knowledge, as this guarantees managers' need for orientation and, as a result, a source of demand for consultants. They continuously create new management knowledge and fashions (Kieser, 1997). These fashions usually also play into the hands of the internal specialists.
- Environmental dynamics and complexity are constantly dramatized by the "siren voices of management commentators and consultants" (Clark, 1995; Deutschmann, 1997). Consultants not only instrumentalize *existing* complexity, they also attempt to intensify managers' *perception* of overall complexity.

How Consultants Transfer Knowledge and Which Other Official and Unofficial Functions They Fulfill for Their Clients

Knowledge Transfer and Commodification

Most definitions of management agree that the main *raison d'être* of consultants is to provide knowledge that their clients do not have (e.g. Greiner and Metzger, 1983). Consultants stress that they do not transfer ordinary knowledge but knowledge of "best practices". They create the expectation that they are able to extract knowledge on practices from "most successful companies", store it, and use it to solve their clients' problems. This is in line with their role as supra-experts, which implies that they know how to select superior and appropriate knowledge from a confusing variety of possibilities. However, it is not at all clear what a practice is, how a "best practice" can be identified, and how a "best practice" can be

¹ Consultants appeal to this expectation when they market their services as integrated or holistic. This is the case in Germany where hardly a word is so frequently used by consultants as "ganzheitlich" (holistic).

transferred, for example, from a General Electric plant in North Carolina to a small company in the Black Forest.

Consultancies strive to “commodify” the knowledge that they use in transfer processes. That is, they try to transform unstructured problems and problem solutions into standardized problems and solutions (Elkjær et al., 1991; Fincham, 1995; Werr, Stjernberg, and Docherty, 1997). They offer their clients “package approaches” (Dichtl, 1998). However, by no means should the clients get the impression that the solution that is finally implemented is off the shelf. The consultants claim that they apply standardized instruments in order to tailor customized solutions for each client.

Commodified or packaged approaches offer a number of advantages for consultancies: (1) *Greater potential for attracting clients.* For consultancies it is easier to convince clients of the value of specific products than just of their competence with regard to specific management concepts, philosophies, or areas as such. Commodified products appear more tangible. (2) *Greater potential for marketing.* A “package product” can be marketed like a branded article. (3) *Facilitation of coordination within the consultancy.* An exchange of personnel between projects in different client organizations is much easier when the consultants of a consultancy work with the same schemas, and instruments (Hansen, Nohria, and Tierney, 1999). (4) *Substitution of work by experienced consultants through work by less experienced consultants, by the clients’ employees, and computers.*

Consultants have more to offer than just the transfer of knowledge, they also offer:

(1) *Legitimization.* The separation of ownership and management created a problem of legitimization (Faust, 1998). Analysts, shareholders and an increasingly critical public need to be convinced that management efficiently uses state of the art practices and acts in the interests of all stakeholders. Consultants increasingly take over the role of certifiers of rationality. They signal internal and external constituencies that expert knowledge is being applied to all functions and at all levels of an organization. Certificates of this kind, to a certain extent, buffer against the consequences of unsuccessfulness. Of course, management has to justify the choice of a consultancy. However, as long as the chosen one enjoys a reputation – and all the bigger ones do – it is not too difficult to defend this choice.

The management system is both audited *and* repaired by consultants. This implies that consultants certify standards of rationality which they have set and implemented themselves. Thus the use of consultants has common traits with those observed by Power (1997: 123) in the general context of auditing: It exhibits “the character of a certain kind of organizational script whose dramaturgical essence is in the production of comfort”.

(2) *Providing temporary management capacity.* Consultants can help clients to overcome bottlenecks in management capacity.

(3) *Communication and stimulation of acceptance after top management has decided on a change process with well-tried presentation techniques and rhetoric.*

In addition, consultants provide *latent functions*: providing weapons for politics, promoting the careers of managers who sponsor them, and providing interpretation, simplification, reassurance (Kieser, 2000). Consultants offer “ideas, metaphors, models, and words that impose order on a confusing world, thus reconstructing our appreciation of experience” (March, 1991: 29). The interpretation function can become instrumental for getting managers to accept problem definitions for which the consultant has packaged, standardized solutions. Consultants “do not so much target themselves at a particular niche as they seek to create a niche and persuade clients that they are within” (Bloomfield and Danieli, 1995: 28; see also “Bloomfield and Best, 1992).

The (demand producing) skill of the consultant consists in recognizing the distribution of power in the client organization, in sounding out the expectations of the powerful actors, and in handling these expectations in such a way that client satisfaction is maximized while the interests of her company are also being taken care of. Maximizing client satisfaction is the dominant long-term goal of consultants, since the satisfied customer is likely to prolong the cooperation with the consultancy. Consultants not only teach their clients how to establish long-lasting customer relationships, they also use this knowledge for themselves. Most consultancies pay incentives to the consultants who are successful in selling additional projects to a client.

Creating Demand by Defining New Problem Areas That Are in Need of Expertise and by Creating Management Fashions

Consultants try to expand the scope of their services by colonizing new areas of knowledge. As companies undergo functional differentiation, so do consultancies which propose solutions for new areas of specialization, such as new practices in human resource management or, most notably, information technology (Biswas and Twitchell, 1999). Each new specialization is a claim that a function that hitherto has not been subjected to professional expertise has now become one and that companies should take advantage of this. Usually, it is emphasized that enormous gains in efficiency can be realized by subjecting this function that has been neglected so far to a thorough professional analysis. It is this context that fosters a trend towards a dualistic industry where huge one-stop suppliers cater to the need for supra-experts on the one hand and small consultancies occupy specialist niches on the other (Wooldridge, 1997). Internal differentiation and specialization of companies and specialization as well as consolidation of consultancies are mutually reinforcing each other.

Management fashions represent a highly important mechanism to boost the demand for consulting even further (Abrahamson, 1996; Kieser, 1997). A management fashion develops out of a discourse around a buzzword like Scientific Management, Fordism, Lean Production, or Reengineering. This discourse is triggered by and produces texts in many different forms – management books, articles in manager magazines, talks, workshops, comments in internet forums, etc. Usually, many texts on management concepts simultaneously compete for the attention of managers. In this sense, they increase the complexity of the environment as it is perceived by managers. Concepts that relatively speedily gain large shares in the public management discourse are called management fashions. Whether texts are able to attract the attention of managers to a large extent depends on their rhetorical quality (Furusten, 1998; Røvik, 1999) and their timeliness – they must hit a nerve (Barley and Kunda, 1992; Swanson and Ramiller, 1997).

In the majority of cases consultants are the originators of texts of this sort. Usually the texts contain a number of expressions or principles that are vague like “empowerment”, “internal customers”, or “process ownership”. Vagueness is a strength since it triggers discussions among the recipients of the texts and increases their desire to learn more about the concept in question. At certain points in time, it appears inevitable to consult experts, and the best experts are the creators of the texts who usually also claim to possess knowledge from successful implementations of this concept. The skill of the experts – the consultants – is to increase the plausibility of the concept while maintaining the impression that outside help is necessary to implement it.

The wave of a management fashion gains momentum through adoptions. The more companies that are reported as having achieved competitive advantages through the implementation of a management concept – and the consultancies are eager to spread success stories – the higher

the propensity of non-adopters to get on to the bandwagon until saturation and disillusionment sets in ((Loh and Venkatraman, 1992); (Strang and Macy, 1999); Zbaracki, 1998(Zbaracki, 1998).

All that Glitters is not Gold – Difficulties in Evaluating Consultants' Performance

An organization that finds out that a consulting project did not improve its performance would probably not give this consultancy another contract. If this experience was repeated with other projects and other consultancies it would probably stop hiring consultants altogether or would at least reduce its budget for consulting considerably. The problem is that it is extremely difficult for clients to evaluate the performance of consulting with regard to effectiveness and efficiency.² This has strong implications for the demand for consultancy services.

The difficulty of evaluating consultants' performance results from three underlying problems, which can be summed up as follows (Starbuck, 1992; Clark, 1995; March and Sutton, 1997; Selchert, 1997): (1) *The problem of judging organizational effectiveness*: Which criteria are to be employed in order to find out whether a new concept is worth something or that an organizational decision is right? (2) *The problem of judging consultants' effectiveness*: How can clients assess whether a consultant is performing well when she has been called in because she has knowledge that the client does not have? (3) *The problem of effectiveness as a concept applied to consultancy work*: Is effectiveness the appropriate concept to address the performance of consultants if latent functions are an essential part of consulting?

Why Managers Increasingly Need Consulting

To achieve control over events that impinge on the realization of one's plans can be regarded as one of the strongest human motives (Nietzsche, 1912; Adler, 1929; Malinowski, 1955; White, 1959; deCharms, 1968). As a consequence, the perception of a control loss is experienced as an undesirable state of being and leads to intensive efforts to escape this situation (Thompson, 1981). This should especially hold for managers, since to "have things under control" is what everybody expects from members of this species. Successes and failures of organizations are generally attributed to the managers on top. The favorite motto of Jack Welch, the most successful manager of present times, expresses what all managers are supposed to believe: "Control you destiny or someone else will" (Tichy and Sherman, 1995). However, their need for control is, as we have shown above, confronted with the perception of an increasingly complex and dynamic inner and outer organizational environment.

According to Thompson (1981) individuals have, in principle, four possibilities to enhance their perception of control: (1) They can identify new control options, i.e. courses of action that appear suitable to reconstitute or increase control (behavioral control). (2) They can resort to reevaluations, i.e. to cognitive strategies that reduce the aversiveness of control loss (cognitive control). Strategies of this kind help one to ignore, deny, disassociate, or distract oneself from control loss. (3) They can try to get hold of information that signals control losses and thereby enables them to prepare for their occurrence (preventive control). (4) They can reduce the aversiveness of events involving control loss by finding plausible explanations retrospectively (retrospective control). Individuals usually find control loss which they can explain less menacing than unexplainable control loss.

² In the following analysis, only the term "effectiveness" will be employed, as in the given context, it represents the wider concept. It also encompasses the notion of performance quality (cf. Cameron, 1986).

Consultants can serve as facilitators for all four strategies: (1) Consultants offer managers new approaches like reengineering, total (!) quality management, or target costing that promise to secure their control over organizational processes. Instruments like the BCG “share-growth matrix” that most effectively simplify complex management problems create the impression that processes that hitherto appeared difficult to manage are kept under control. (2) The sheer presence of experts is often sufficient to heighten managers’ perceptions of controllability. A consultant is seen as an experienced repairperson who will install powerful control instruments. Consultants also usually provide information that the situation of the client organization is not worse or is even better than that of most competitors. They point out that the organization has specific strengths on which it can build. Thus, consultants strengthen or even restore managers’ confidence. Moreover, they introduce new frames of reference and a new language that symbolically expresses the notion of control. As a manager comments: “Sometimes you need a new set of terms, a new framework – something you can get hold of” (cited after “Watson, 1994: 903). (3) Managers who associate with consultants are often convinced that they profit from their ability to foresee the threats of the future, as this will ensure that they will be prepared. (4) The approaches that are propagated by consultants are usually based on descriptions of typical management problems. Managers who read publications by consultants or listen to their presentations usually can easily project the problems they have identified in their organizations into the general problem scheme provided. Averse situations in the past which managers had difficulties explaining to themselves and others now make sense as a clear relation between cause and effect is established by consultants. Also, managers often learn that the problems they were facing did not represent anything unusual and need not be attributed to personal failure.

Whether managers experience their situation negatively as a threatening loss of control or positively as a need and an opportunity to act in order to secure control can be seen as depending upon the perceptions of their ability to exercise control over the environment.³ The construct of locus of control (Rotter, 1966) suggests that individuals who believe that external factors (which they cannot influence) are accountable for their successes are more likely to experience distress in situations of change, while internally controlled individuals attribute outcome to their actions and adopt a more positive and proactive stance. Research in organizational settings shows that an internal locus of control is associated with problem-focused coping strategies (Anderson, 1977; Callan, Terry, and Schweitzer, 1994; Judge et al., 1999). Accordingly, it is likely that internally controlled managers resort to the behavioral and preventive strategies of control enhancement, while externally controlled ones will tend towards retrospective and cognitive strategies associated more with interpretation than with action. As a result, consultants will be used in very different ways by different managers.

A Model for the Explanation of the Consulting Explosion

We argue that managers’ need to maintain control vis à vis the perception of an increasingly complex inner and outer environment, on the one hand, and the consultants’ reputation as experts for the reconstitution of management control are the most important factors in explanations of the growth of the consulting market (Fig. 3). However, this relationship alone

³ In a previous version of this paper, we only included the first reaction, emphasizing the insecurity of managers. At the SCANCOR workshop (Stanford University, Sept. 1999), however, John Meyer and other participants pointed out that this is likely to be the result of a “teutonic depressive” bias and that another, more positive (“Californian”) type of manager exists. An insightful discussion of managers’ insecurity and their relation to consultants is also given by Sturdy (1997).

does not suffice to explain the dynamics of the market for consulting, its explosion, that we have sketched in section 1. We have to include the specific effects that consulting creates for the conditions that produce demand for consulting. In other words, we have to include feedback loops.

The problem is that the perception of an enhancement of control does not last. As soon as the consultants are gone, questions come up that are bound to trigger insecurity: Has the project led to a lasting improvement vis à vis competitors, the majority of which have implemented similar projects? A proper evaluation of the project is, as we have seen, extremely difficult. The perception of increased control does not last because the wave of projects along the current fashion is likely to have intensified competition with regard to criteria that had been in the center of this fashion. Most competitors have, for example, improved quality, reduced personnel costs, speeded up processes or increased customer orientation. What now? In this situation, receptivity towards a new management fashion tends to increase again. It will be launched by consultancies and for those managers who needed consultants to get to grips with the last fashion it is pretty obvious that they will need consultants again in order to implement it. They have gained the impression that consultants are necessary to keep up with competitors that increasingly engage consultants. They have become dependent on consultants.

CONCLUSION: WHY THE POSITION OF MANAGEMENT SCIENTISTS IN THEIR COMPETITION AGAINST CONSULTANTS IS HOPELESSLY WEAK

We have tried to explain the consulting explosion by generating assumptions on the basis of a number of theoretical frameworks as well as descriptive findings about the consultancy industry. It was our aim to create a basic model which opens up a new understanding on the growing demand for consultants by integrating various perspectives in a dynamic way. As we have worked in a deductive manner, it is clear that the proposed framework can only be considered a possible (and, hopefully, plausible) explanation which does not claim validity or completeness. These limitations can only be overcome through the provision of empirical evidence, which despite a growing scientific interest in consulting-related issues is still scarce. Accordingly, empirical analyses should be high on the agenda of researchers focusing on management consultancy in order to substantiate and redefine the large amount of highly interesting theoretical propositions that have been made by different contributors to date.

The breathtaking success of the consultants to a large extent explains why management science is losing ground on the practitioner oriented market of management knowledge. The powerful consultancies determine what kind of service clients expect in the market of management knowledge.

Management scientists cannot claim to have access on a worldwide basis to best practices nor are they able to commodify their knowledge. Consultancies usually employ large teams over an extended period of time in order to perform this task.

An individual academic can provide legitimization – the legitimization of science. However, one can raise the question whether this legitimization is as valuable as that of a big consultancy which has global players among its clients. The general loss of influence of management scientists has an impact on the value of scientific legitimization.

Management scientists are also at a disadvantage as far as the invention and launching of management fashions is concerned. They do not have the manpower to develop fashions of this kind. Many presentations and revisions of texts are necessary before it has the power to trigger a discourse that leads to a fashion (Crainer, 1997). What is even more important: the jargon of these texts is radically different from the jargon of science. What appeals to

practitioners does not at all appeal to the reviewers and editors of prestigious scientific journals. Academics usually do not have the resources that are needed to launch management concepts and turn them into management fashions.

A scientist who does not completely switch over to the consulting mode when conferring with practitioners rather increases than decreases their insecurity *during* the consulting process (after its completion it is good for additional business). The language game of science is radically different from that of consulting (Kieser, 1999; Kieser, 2000). In comparison to consultants, scientists cannot simplify, they have to problematize. Their solutions have to be based on theories, while for the consultants' solutions it suffices to be practical, to work. Scientists always have to admit that solutions derived from theories are not exact and highly contradicting, while consultants assure their client that their solutions are definitively "best practices".

What professors as consultants can do, of course, is to copy the concepts of the big consultancies and to become one of the many one-person shows (plus assistants) in this market. They find their clients by exploiting the still existing aura of management science. The share of revenue of the consulting market that goes to management scientists is, however, negligible. This species of consultants normally is not breaking new grounds in the consultancy market.

Some claim that consultants are popularizing theoretical concepts. It is extremely difficult to produce evidence in support of this claim. Most of the recent management fashions – reengineering, TQM, portfolio analysis, outsourcing, downsizing, or overhead value analysis – originated with consultancies and found their ways from there into academia. The team that wrote the book which triggered the lean production fashion (Womack, Jones, and Roos, 1990) was aiming at the market of popular management books right from the beginning (see the foreword) and violated many principles of research (Kieser, 1993).

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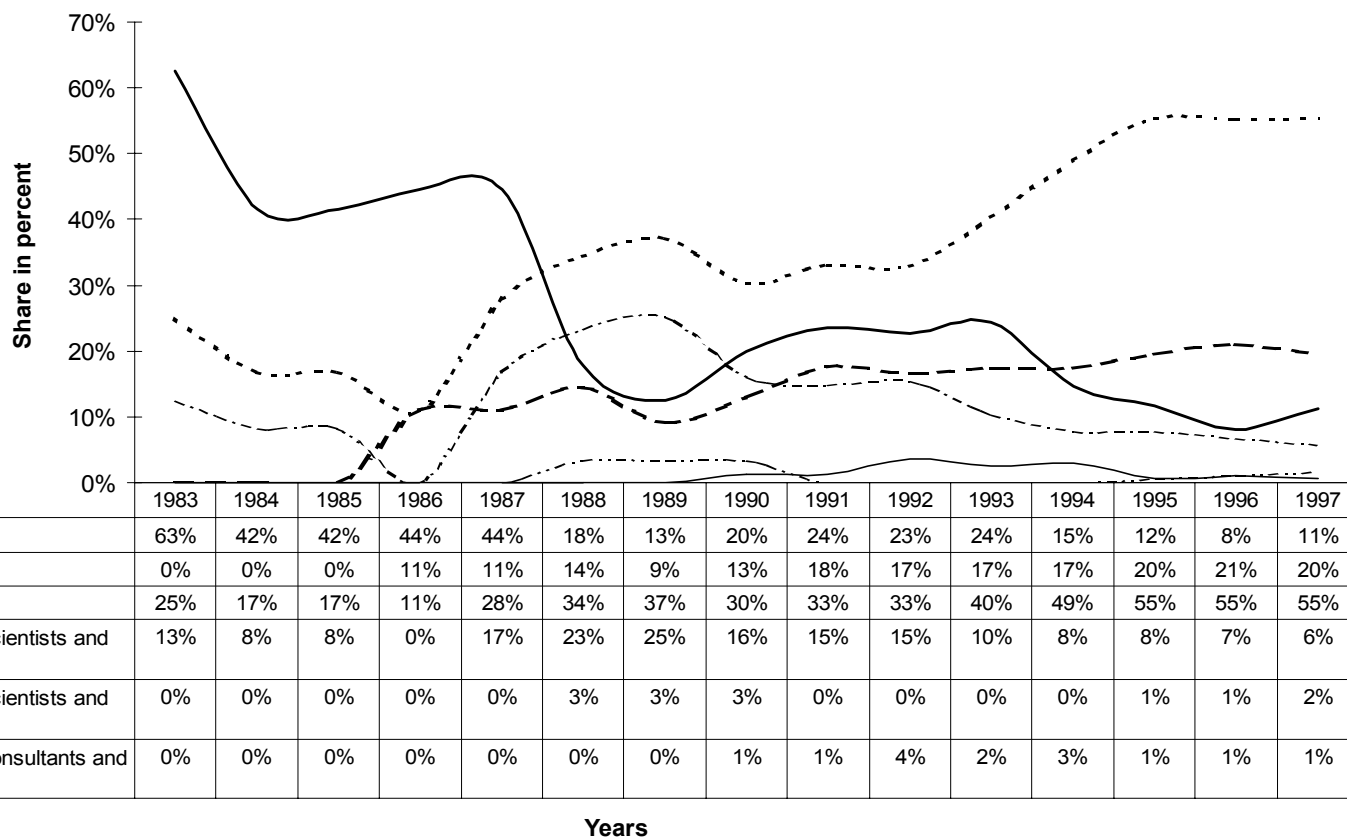
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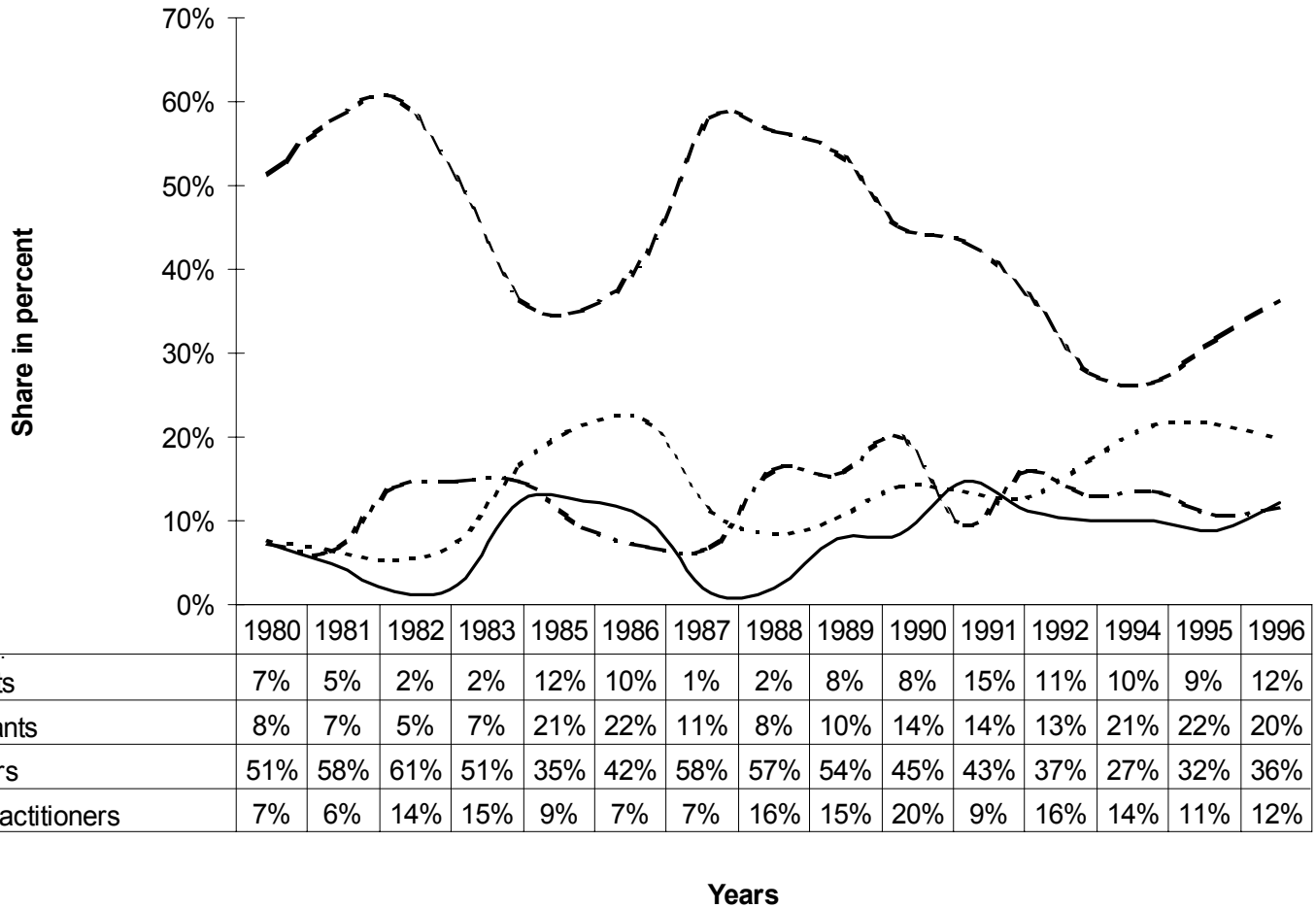
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Figure 1: "Campus" publishing house Authors of the program "Wirtschaftspraxis" (Source: Faust 1999)



Shares are computed as a gliding 3-years average.

**Figure 2: "manager magazine" - cited experts
(Source: Faust 1999)**



Main groups of cited experts.
Shares do not sum up to 100%.

Analysis based on "title stories" of the same four editions each year.
Shares are computed as a gliding 3-years average. .

Figure 3: A Model of the Consulting Explosion

