Beneath fashion: why is there a market for management consulting services?

Betsy J Blunsdon

Faculty of Business and Law

Deakin University,

Victoria, Australia

Professional Service Firms Workshop

University of Alberta, Edmonton, Canada

August 2002
There has been widespread interest in the role of consultants in shaping and spreading management ideas and practice (Gibson and Tesone 2001; Abrahamson 1991; 1996; Crucini and Kipping 2001). In particular, there has been recent attention given to the role that consultants play in the homogenisation of management or more specifically, the Americanisation of management given the dominance of US based global consulting organisations (O’Shea and Madigan 1997). Management consulting has been defined as:

…and an advisory service contracted for and provided to organizations by specifically trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyse such problems, recommend solutions to these problems, recommend solutions to these problems and help when requested in the implementation of solutions (Greiner and Metzger, 1983: 7).

Others present a more critical perspective. For example, Alvesson (1993) argues that consulting involves the ability and experience in adapting to new situations rather than cultivating a narrow and specific knowledge base. This is not unlike the metaphor offered by Schuyt and Schuijt (1998) of consultants as magicians, witch doctors or medicine men. A more extreme position is offered by O’Shea and Madigan (1997) who argue that although the industry only has good things to say about itself “…there is a growing sense of unease about this exploding, and occasionally explosive, enterprise, a feeling that it is a palace build on a foundation of shifting sand. From a distance, it glistens like alabaster. Up close, a different image emerges.” (1997: ix)

Although there is disagreement about what consulting firms actually are and whose interests they serve there seems to be general agreement that consultants play an important role in developing, disseminating and translating management techniques and tools into current and desirable ‘fads’ and ‘fashion’ (Barley and Kunda 1992; Abrahamson 1991; 1996). O’Shea and Madigan (1997) argue that the management consulting industry requires higher levels of scrutiny precisely because of the expansion of its influence all around the world and in all sectors of the economy. Kipping (1994) outlines the growth of the influence of American management consulting firms in Europe and concludes that their dominance remained unabated, threatened only after the 1980s by the consulting divisions of international accountancy firms.
To date there has been less work which seeks to go beneath the fad and fashion arguments to explore why there is a market for the types of services which consultants provide. There has been some, but limited, work which has tracked the history of consultants in different regions (Kipping 1996, 1999; Crucini and Kipping 2001) and work which analyses consulting from a transaction cost perspective (Williamson 1975, 1985; Canback 1998). This work generally reveals that first, management consulting is older in many areas of the world than it is normally portrayed and two, that the growth of consulting at different points in time is related to vulnerabilities created by the complex interactions of organisations and their environments.

The aim of this paper is to explore the issue of why there is a market for management consultants and to outline a framework in which to understand the structure of this market. This extends the work of Abrahamson and others (Abrahamson 1991, 1996a and 1996b; Abrahamson and Fairchild 1997; Barley and Kunda 1992; Alvesson 1993; Gibson and Tesone 2001) which focuses on the cultural, political and other institutional processes which underpin consulting work (Di Maggio and Powell 1983). The argument presented here posits that these social, political and cultural processes overlay the market created by the underlying and ongoing tensions and vulnerabilities inherent in the interaction between organisations and their environments. These unstable, unpredictable and always, and at times rapidly, changing relationships create the opportunity for a management consulting industry characterised by a number of submarkets and specialisms.

Consulting firms as fashion setters and disseminators

Abrahamson’s work (1991, 1996) on management fashion is the most well known framework in which to position management consulting. Abrahamson argues that management consultants are influential management ‘fashion setters’ that set the trends in management tools and techniques. Consultants are defined as one type of ‘knowledge entrepreneur’, with others being prestigious business schools, ‘gurus’ (successful leaders who go on the international speaking circuit) and the mass media, who create and diffuse management fads and fashions. Consultants then play an important role in defining what
management techniques and practices are ‘fashionable’ at any point in time. ‘Fashionable’, according to Abrahamson, means rational (an efficient means to important goals) and progressive (techniques that improve over time). The market for consultants then becomes legitimised and viable because of the perceived need for progressive and rational solutions to the problems which managers face.

The argument developed in this paper complements Abrahamson’s work, and other similar work such as Mazza and Alvarez’s (2000) study of the role of the popular press in disseminating ideas about management, by articulating the types of challenges which create the market for normative, progressive and seemingly ‘rational’ solutions. It begins with the premise that organisations face persistent and retractable problems but that these problems are different at different points in time as a result of the complex interaction, and mutual dependency, of organisations and their environments. This creates a market for solutions to organisational and managerial problems which take many forms including fads, often defined as short lived popularised phenomena, crazes or ‘…transitory, collective beliefs’ (Gibson and Tesone 2001) or alternatively some solutions become well established and widely accepted.

The emergence and persistence of the multi-divisional form of organisational structure (or the M-form) is one example of a fashionable solution which has become a well established structural answer to issues of uncertainty caused by environmental complexity. The multi-divisional form was the management answer to administrative crises that arose as organisations grew in size and complexity (or what Chandler (1962) calls a change in strategy). The emergence of a national railway system provided the opportunity for organisations to grow from regional to national producers. This rapid growth created administrative confusion, particularly around issues of efficiency and effectiveness. This confusion was reduced by adjusting the organisational structure and introducing a series of quasi independent divisions. Kipping, in his study of the growth of American consulting firms in Western Europe, argues:

During the 1930s, the United States had seen the emergence of a new kind of consulting company, no longer interested in efficiency improvements on the shop floor or in offices, but focusing on wider organizational and strategic issues. An important driver for these developments were the changes in the environment in which U.S. consultancies operated.
In response to the challenges of increasing size, diversification, and competition, from the 1920s onwards, American companies such as GM and Du Pont developed the multidivisional structure, or M-form. In its subsequent dissemination and popularization, consulting companies played an important role. “ (1999: 3)

The divisional form remains a structural solution to increasing organisational complexity and has received renewed attention given issues of internationalisation and globalisation (Chandler 1990; Jacques 1990; Ritzer 1993).

Consulting as a ‘knowledge industry’

The management consulting industry exists because of the presence of persistent organisational and management problems which creates an atmosphere of uncertainty and exerts pressure on managers to be seen to be acting both rationally and innovatively. Hilmer and Donaldson (1996) argue that management is particularly subject to fads because of this pressure. Drawing on Huczynski (1993) they note:

…management is a fertile field for fads and quick fixes because the problems are intractable, yet the pressure to be seen to be ‘doing something’ is intense…because many management problems are complex and persistent, executives often become frustrated (Hilmer and Donaldson 1997: 8-9).

Management consulting firms are ‘knowledge intensive’ in that they seek to sell ‘knowledge’ about the types of challenges that plague organisations (see Dunford (2000) for an overview of the focus in management consulting firms on knowledge management as a basis of competitive advantage and Kipping and Engwall 2001) and sell ‘answers’ to the organisational and management problems. This knowledge is often in the form of collective wisdom, vast experience and what Kipping describes as “…intellectual, reputational and relational capital” (1999: 4). Sarvary argues that consulting has changed

Originally the consulting firm’s proposition was to provide a resource: smart people to solve the client’s problem. …Finding smart people is no longer a problem. Rather, clients want to benefit from the consulting firms’ broad experience and, more importantly, have access to the knowledge that emerges from this experience…the firm must demonstrate the power of its collective knowledge base. This requires experience (exposure to many real life problems); synthesis (ability to adapt known solutions to new problems); and availability (ability to distribute the firms knowledge). (1999: 1)

Others (Crucini and Kipping 2001) argue that consultants not only sell knowledge as answers to problems in the form of “…tools, techniques, plans and strategies…” (585) but they also translate and simplify management ideas. They claim this is especially true
for small, locally based consultants (they studied small, regional consultancies in Italy). De Jong and Van Eekelen (1999) find that structuring information and data utilisation is one of the major components of consulting work and Greiner and Metzger (1983) focus on consultants as “advisors”.

Management consulting is portrayed in a variety of guises—fashion creators and setters, magicians, soothsayers, and as ‘dangerous’ as well as rational and constructive. There is general agreement that consulting firms aim to become increasingly knowledge intensive in order to more efficiently sell answers to recurring organisational problems and management challenges. In addition, there is general agreement that most organisational problems are not new, nor or the techniques devised to solve them. Rather, the problems occur in ongoing cycles and the solutions are packaged and repackaged as fashionable solutions. Yet, to understand what is underneath the fad and fashion one must consider the nature and type of these retractable and recurring organisational problems and management challenges.

Persistent organisational problems

Organisations face a number of persistent yet variable problems that create an atmosphere of uncertainty, risk and vulnerability particularly in relation to the organisations’ dynamic interaction with the environment. Two examples of this dynamic lie in (1) organisations’ dependence on their environments for resources and (2) environments creating conditions of uncertainty for organisations. Organisations require resources from the environment, raw materials, labour, know-how, land, in order to remain viable. In addition, the environments of organisations always create some degree of uncertainty because change in the environment is unpredictable, to some extent, and the actions and relationships between other elements in the environment are unknown and dynamic. Therefore, dependency and uncertainty are two threats to organisations.

Organisations face a range of problems in addition to those posed by scarce resources and uncertainty, including pressures for legitimacy from the wider system and the political, economic and social and cultural systems, manifesting as hostility, to the
internal normative order of the organisation. Organisational survival depends on the capacity to solve such problems in the form of systems, procedures, regulations, norms and ideology and the pressure to be seen to be ‘acting’ most often lies with managers. This is compounded by the pressure on managers to be seen to be action oriented, enterprising and innovative (Hilmer and Donaldson 1996). Figure 1 below depicts four persistent organisational problems and the organisational and management requirement to deal with each problem.

*Figure 1: Categories of persistent organisational problems*

<table>
<thead>
<tr>
<th>Scarcity</th>
<th>Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirement:</td>
<td>Requirement:</td>
</tr>
<tr>
<td>efficiencies</td>
<td>effectiveness</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Instability</th>
<th>Conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirement:</td>
<td>Requirement:</td>
</tr>
<tr>
<td>legitimacy</td>
<td>compliance/</td>
</tr>
<tr>
<td></td>
<td>conformity</td>
</tr>
</tbody>
</table>

**Scarcity**

Resource limitations and the associated problems of scarcity have long plagued organisations. A threat to organisational viability results from limited or scarce inputs for 'production' and a lack of demand for organisational outputs. Organisations require inputs such as labour, technology, know-how and information and assets such as land and raw material (see Marshall 1958, Boulding 1981, Parsons 1960; Kast and Rosenzweig 1973). Organisational viability and survival can be threatened due to scarcity of essential resources. If resources are unlimited and available at no cost to the organisation in time, money or effort the organisation is at no risk of the environment with respect to that resource. But, these conditions are rarely met and so, the problem of scarcity creates opportunities, or a 'market', for solutions in the form of techniques and tools that focus on organisational efficiency in order to manage the problems associated with resource scarcity.

A recurring management issue is the problem of scarcity of raw materials, information, essential labour and critical expertise. Managers attempt to control resources in order to guard against resource scarcity by ensuring a predictable supply or flow of
these resources and efficient utilisation of these resources. At a micro level time
management systems are classic individual ‘control’ systems designed to ‘manage’ risks
of scarcity of ‘time.’

Management consulting has long acted on the risk of scarcity by focusing on
issues of 'organisational efficiency'. A seminal example is Taylor's (1911, 1947) work
where he takes the role of a consultant concerned with performance control and
production efficiency. He focuses on the modification of technical processes after
'rational' analysis according to 'scientific management principles' and 'time and motion
studies'. Taylor, and his followers such as the Gilbreths spawned a whole consulting
industry. Kipping (1996,1999) describes the role that US consultancies played in Europe
in spreading scientific management principles in order to increase labour productivity and
drive down production costs. He goes on to argue that there was a high demand for
consultants during the war due to a shortage of skilled labour:

…male workers were increasingly drafted into the military and replaced by female labor.
Since the latter were largely unskilled, their performance had to be organized and measured
in a more systematic way, namely by introducing piece rate or payment-by-result systems.
In Britain, the government actively encouraged and promoted the use of consultants, who
were exempted from miliary service, for these purposes. (1999: 3)

Other examples of the consulting tools that flourish under perceived conditions of
resource scarcity include statistical process control for operational efficiency; business
process re-engineering and total quality systems.

Uncertainty

Organisations can also be threatened due to the uncertainty posed by internal
organisational and external environmental change. Organisational members seek
information about the environment in order to make decisions about plans, strategies and
activities. If perfect information is available and there is certainty about the consequences
of managerial action then there is little ambiguity about what comprises rational decision-
making and the best course of action. However, organisations operate in complex
environments and information is required to reduce organisational uncertainty in order to
establish appropriate goals and allocate sufficient resources. Organisations face
uncertainty due to information scarcity and imperfect information creating an atmosphere where management decision-making is at best ‘boundedly rational’, and subject to political processes and power plays, because of incomplete and imperfect (or distorted) information, the lack of decision criteria, a failure to evaluate alternatives and the absence of clear choice (Simon 1947; March and Simon 1958). O’Shea and Madigan (1997) argue that consultants exploited the uncertainty created by the economic downturns and market deregulation that characterised the late 1980s and early 1990s with their focus and downsizing and the push for structural change.

The organisational challenges that emerge from information scarcity and organisational uncertainty create an opportunity for management consultants to deal with problems concerned with decision-making, structure, communication processes, information gathering and analyses, and strategy and goal attainment. For example, team briefing, planning and strategy consulting, market-industry intelligence and analysis, structural change and implementation, and decision-making change and implementation, all reflect a focus on the problems created by environmental complexity that manifest as organisational uncertainty.

Conflict

Organisations are also faced with recurring problems of conflict, tensions and divergent interests that occur as a natural consequence of the employee-management relationship, the concerns of special interest groups and other pluralist interests. External, institutional normative pressure creates a need for organisations to conform, or at least present an image of conformity, to the wider institutional environment (for example, the industrial relations complex).

Organisations therefore, have to deal with two issues. One is the challenge in extracting compliance from employees to exert labour power and in organising employees to work. The second issue is the need for conformity to the constraints imposed by the wider regulatory system. Failure to gain compliance threatens the internal cohesion of the organisation and can manifest as industrial action. Failure to conform to
the wider regulatory environment can leave the organisation vulnerable to external conflict. So, managers seek the means to channel diverse motivations into compliance with organisational rules and norms, and transforming institutional conformity into external support (an example, is the notion of being ‘socially responsible’).

The risk of conflict requires a focus on compliance and conformity. Human resource consulting is an example of the market for solutions to organisational risks of conflict. For example, search and recruitment consultants aim to ‘match’ a person to an organisation; job design and skills audits match current and future individual skills with current and forecasted organisational requirements; industrial relations and employee relations consultants monitor and manage compliance with wider institutional demands. In addition, remuneration consultants design ‘rational’ reward systems in the name of ‘equity’, ‘retention’ and ‘satisfaction’; organisational morale, industrial relations climate and a focus on quality of work life and ‘wellness’ issues all espouse concern with the intersection of the individual and organisation in order to channel diverse motivation into organisational requirements.

Instability

In recent years management consulting has responded to problems of organisational instability by focussing on internal issues, for example in attempting to inculcate shared values and beliefs, and external issues, such as organisational legitimacy in terms of the wider environment. From an organisational point of view, shared ideologies, well-understood theories of action, experiences in the form of myths and tradition, and developed paradigms can provide a cohesion that potentially integrates an organisation even without standardised rules, procedures and policies. Weick (1995) describes this challenge as organisational sensemaking — the way in which the world makes sense of the organisation and the way organisational members make sense of the world. In addition, organisations face a risk of instability from wider institutional forces. Institutional theorists emphasise the importance of external legitimacy for organisational action and outcomes given that organisations are faced with varying degrees of institutional pressure to conform to the norms, paradigms and ideologies of the wider
environment (DiMaggio and Powell 1983). Therefore, organisations face varying degrees of hostility from the wider environment depending on organisational purpose.

Management consultants in the name of ‘team building’, organisational induction and training, ‘leadership’ programs and 'management' training address potential organisational problems of internal stability. According to O’Shea and Madigan (1997) the focus of consulting in the mid 1990s changed to respond to problems of internal instability that resulted from the massive downsizing that had occurred. Consultants had a “…new direction [which] was to value employees and help them become more productive…” (1997: 3). Management consulting also responds to threats of instability in the external normative order, (or creates demand by capitalising on the chance of this type of threat) through public relations, international management consulting (particularly in response to host country threats and issues) and strategic positioning (for example, transforming cigarette manufacturers into generic manufacturing and service organisations.) This concern is external organisational image and legitimacy.

Management consultants therefore concern themselves with issues of internal integration and trust, as well as external trustworthiness or goodwill. Techniques, tools and programs are developed that are concerned with how organisational members form the basis of commitment to the organisation and the organisation’s public face or image. Some management consultants attempt to influence and manipulate the organisational framework by which action is translated into meaning within and outside of the organisation.

The market

Underneath the processes which give rise to management fads and fashion is the unpredictable organisational-environment relationship. As a result of this volatility organisational systems face recurring problems of scarcity, uncertainty, conflict and instability. The management consulting industry depends on the presence of persistent organisational problems by creating the need and opportunity for rational, progressive solutions (‘fashionable’), as per Abrahamson and by responding to gaps in what organisations perceive they have and require in terms of management expertise to deal
with organisational challenges. Consultants therefore exploit and manipulate the market for management knowledge and expertise. ‘Exploit’ in this context means ‘acting on an opportunity’. This could be supply driven — creating demand to sell tools and techniques — or demand driven — responding to perceived management deficiencies at an organisational or institutional level. The opportunity that the consulting industry depends on is that organisations as they interact with their environment face pressures in the form of scarcity, uncertainty, conflict and legitimacy and this creates a market for solutions to these challenges. This does not imply that organisations are constantly under threat or that management consulting is always a rational response to problems. Rather, the nature of the organisation-environment interaction is a dynamic that creates a market for ‘solutions’ and for the development of various submarkets or specialisms. Crucini and Kipping (2001) find that the Italian market is made up of both ‘hard’ issues and solutions—focusing on technology and efficiency — and ‘soft’ — focusing on people and their actions. This is the diagonal between the scarcity and conflict cells in Figure 2 below. Yet, the classification developed here includes the uncertainty –instability diagonal as two further management consulting specialisms. Figure 2 below depicts the various specialisms in management consulting categorised according to the type of organisational problems and management challenge.
Figure 2: A classification of management consulting specialisms based on the type of organisational problem

<table>
<thead>
<tr>
<th>Scarcity</th>
<th>Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus: efficiency</td>
<td>Focus: effectiveness</td>
</tr>
<tr>
<td>Business process re-engineering</td>
<td>Team briefing/communication</td>
</tr>
<tr>
<td>Statistical process control</td>
<td>Strategic planning</td>
</tr>
<tr>
<td>Total quality</td>
<td>Structure and design</td>
</tr>
<tr>
<td>Standards</td>
<td>Management by objectives</td>
</tr>
<tr>
<td></td>
<td>Scenario planning</td>
</tr>
<tr>
<td></td>
<td>Market-industry intelligence</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Instability</th>
<th>Conflict</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus: legitimacy</td>
<td>Focus: compliance/conformity</td>
</tr>
<tr>
<td>Teambuilding</td>
<td>Job design (job size)</td>
</tr>
<tr>
<td>Public relations</td>
<td>Remuneration</td>
</tr>
<tr>
<td>Motivational sessions</td>
<td>EEO</td>
</tr>
<tr>
<td>Leadership including</td>
<td>Recruitment/search</td>
</tr>
<tr>
<td>transformational</td>
<td>Employee</td>
</tr>
<tr>
<td>Best practice</td>
<td>satisfaction/climate/attitude</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>IR negotiation</td>
</tr>
<tr>
<td>Organisational learning</td>
<td></td>
</tr>
<tr>
<td>International management (the</td>
<td></td>
</tr>
<tr>
<td>host country, political risk)</td>
<td></td>
</tr>
</tbody>
</table>

A hierarchy of management consulting: fashion setter and followers

The framework presented above provides a basis on which to classify the management consulting industry according to submarket or specialism. But, this does not address the argument posed by Abrahamson (1991, 1996) that management consultants are ‘fashion setters’ that define and bound what is both rationale and efficient. The framework above extends this idea by presenting an argument as to why there is a market for ‘fashionable’ solutions but it does not address the question of consultants as ‘knowledge entrepreneurs’. This requires consideration of whether or not there is a hierarchy of consulting activities made up of powerful, influential global consultants as ‘fashion setters’ with local, smaller, less powerful providers as fashion ‘followers’ and ‘takers’. Both have a role in disseminating management tools and techniques but those at the top of the hierarchy define the ‘fashionable’ and acceptable solutions while the others mimic, disseminate, translate or legitimate certain managerial practices. Large, influential and powerful international consulting firms may be at the top of a pyramid or hierarchy while ‘follower’ firms may act as disseminators and diffusers of trends set by global
management fashion setters. The management consulting industry may have a dual structure made up of large-core and smaller-peripheral organisations (Averitt 1968; Bowering 1986). Crucini and Kipping (2001) identify different ‘species’ of management consulting firms in Italy and identify a two tiered, bipolar and heterogeneous structure where US firms dominant at the top with a large number of locally or regionally based small and medium sized companies operating around the periphery of these dominant firms. Future work needs to investigate the structure of the market in other contexts and regions.

Conclusion

The aim of this paper has been to consider the question of why there is a market for management consulting services including the fads and fashions which get traded as ‘new and innovative’ management ideas. The argument presented here is that the unpredictable and dynamic relationship between organisations and their environments create conditions conducive to exploitation by consultants and others such as ‘gurus’. Organisations face recurring and unpredictable problems caused by conditions of scarcity, uncertainty, conflict and instability. This, coupled with the pressure on managers to be seen to be acting rationally and progressively, creates a market for solutions and answers to retractable challenges. These tools and techniques take many forms including fads, fashion, crazes and at times, well established solutions to the particular organisational and management problems. Identifying the organisational problems underneath the market for fads provides the opportunity to classify the market according to specialism, investigate historical trends in consulting and to analyse many aspects of the industry.

References


