

# Assessing the Role of Management Consultants in Creating a Valuable Knowledge to Clients Through Knowledge

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## **Abstract**

This paper examines, from a critical perspective, the nature of management consultancy and the way consultants contribute to the organisational performance of their clients. It addresses the issue of management knowledge creation as the basis for the growth of the consultancy industry and it then questions how such knowledge is currently communicated through a codified product that is often expressed through consultancy packages. The paper questions whether this approach creates a valuable service, and it then introduces the term of *substantiation* of knowledge as one way of assessing the assumed valuable contribution to clients. Finally, it recognises the social aspects of the consultant-client interaction, which are outside the immediate performance results anticipated by the clients.

Given the limitations of the consultancy packages and the difficulty in substantiating knowledge to the individual and unique needs of the clients, the argument of this paper is that consultants do not provide a valuable service solely on the basis of their knowledge. Consultants manage to create a managerial identity that they project against their clients' needs in order to reduce their anxieties and degree of uncertainty. The paper emphasises the social aspects, management consultants cover through their services, and which are often found outside the organisational matrix of managers. In this sense, clients may perceive that receive a valuable service not because of concrete performance results but because they are influenced by the culture of their broader social environment. Examples of this influence are, firstly, when clients want to associate their organisations with the prestigious image of the consultants, secondly, when clients want to attain the present fashionable consultancy packages, and thirdly, when clients want to reaffirm their own identities, as managers, for the challenging decisions that have to be made in their firms. Even though the demand for consultancy services will still remain in the future, we highlight the reasons that clients should be cautious in using them and become aware of what they want to achieve through them.

**Keywords:** Management Consultancy, Knowledge, Codification and Distribution of Knowledge

## **Introduction**

The market of management consultancy has seen an enormous growth in the last two decades (Abrahamson, 1996; Clark and Fincham, 2002). With a 20 per cent rise per year in the past decade, and revenues of \$62 billion in 2001, management consultancy has been one of the fastest growing sectors in the world (Maitland, 1999; Wagner, 1998; Sturdy 1997). What has made the consultants so popular? The role of consultants can be characterised as providing managerial advice, or specialised knowledge to business clients, so that they can improve their organisational performance at the present or future time (Berglund and Werr, 2000; Anderson, 2001). The growth of management consultancy is related to a turbulent business environment in the last two decades (Sarvary, 1999). Rapid developments in information technology systems, Internet branding, globalisation, and the deregulation of various industries, have become both a challenge and an opportunity for many companies (Clark 1995). Managers feel more anxious and uncertain in today's environment about the decisions that have to be made. This in turn encourages the demand for outside advice (Sturdy, 1997).

The aim of this paper is to examine the role of management consultants in contributing a valuable service to clients through business knowledge. In the first part of the paper we examine the rise of management consultancy and the importance of knowledge (Nonaka,

1994). The assumption here is that by increasing the stock of knowledge within clients we can also expect a growth of performance or financial profit (Newell, et. al, 2000). In the second part we examine the way that consultants distribute their knowledge to clients through certain consultancy packages. The abstraction, codification and distribution of knowledge through certain business frameworks has become the primary channel that consultants operate within clients. However, we will question this approach, and particularly the idea of knowledge distribution as a precondition to positive performance (Suddaby and Greenwood, 200). The passing of knowledge from consultants to clients is not adequate for the clients to being able to exercise consultants' knowledge themselves (Ibid.) In this sense we should differentiate between the idea of giving advice and the issue of organisational improvement (Alvesson, 2001). In the last part of the paper we look at the social dimension of the consultants-client interaction and particularly focus on

the social satisfaction provided by the consultants to clients (Carter and Crowther, 2000).

A number of issues that emerge here relate to managerial identity, issues of image, and the use of consultants in reducing managers' anxiety when taking important decisions. The contribution of the paper is twofold. Firstly, by introducing the term 'substantiation' of knowledge as a criterion for assessing consultants' knowledge contribution to clients. The idea of substantiation refers to the degree that the consultants' knowledge covers the individual needs of the clients and becomes an intangible resource that can be exercised (by the clients) without the consultants' continuing involvement. Secondly, I argue for the clients' active involvement during the knowledge generation process and in collaboration with the consultants. To what extent clients contribute to the knowledge generation process prior to any implementation of the consultants' advice will have a consequent impact on the substantiation of consultants' knowledge in their firms (see Schein, 1999)<sup>1</sup>. By understanding the different stages by which consultants contribute to clients it helps us to make the nature of this interaction more transparent (Szulanski, 1996). This is important as the number of consultancy firms rise, and more organisations invest on the notion of intellectual capital or knowledge management.

### **The Role And Growth of the Management Consultancy Firms**

The importance of management consultancy can be characterised as the objective and independent contribution of managerially qualified persons in identifying, analysing, and providing solutions to the problems of an organisation (Clark, 1995; Fincham, 1999; Lowendahl *et al.*, 2001; Empson, 2001). Management consultants have become popular in the business world because of the belief that they can enhance the performance of an organisation through their knowledge expertise (Creplet *et al.*, 2001). This advisory service is dealing, in particular, with the innovation and analysis of management theories that are thought to correspond with the positive performance of organisations (Simon and Kumar, 2001). It has been argued that after consultants have accumulated managerial knowledge and experience from various projects, "they commodify it into a routinized product", that is later sold to the clients (Suddaby and Greenwood, 2001: 933). Consultants attempt to implement their knowledge in response to particular or general organisational problems by applying the qualities of their consultancy package in the best way they think necessary and in collaboration with the clients (Salaman, 2002.)

In this part of the paper, the rationale behind the existence of consultancy firms will be focused upon by exploring the importance of management knowledge creation (Alvesson, 1999). The significance of knowledge comes as a result of the fact that most of today's businesses are driven on the basis of their ability to innovate and distribute new ideas that are believed to help them become more productive (Abrahamson, 1996). Furthermore, consultants are supposed to deal effectively with their clients' organisational problems, by providing advice in light of their wealth of knowledge in the particular field (Czarniawska

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<sup>1</sup> Schein discusses the notion of 'process consulting' that aims to clarify the clients' involvement in generating knowledge. He argues not so for the existence of objectivity of knowledge but for the social interaction that takes place between the two parties.

and Mazza, 2003). Identifying how consultants innovate their ideas, therefore, helps us to assess better their contribution to clients. However, the creation of knowledge is not the only concern, as the *rationale* behind the correspondence of this knowledge to the environment must also be considered. In other words, in what way can consultancy knowledge have a positive effect on organisations? Once this is identified, we can examine closely how the consultants *process* it towards the clients in the form of managerial packages (Suddaby and Greenwood, 2001; Werr and Docherty, 1997).

Two primary reasons that can help us understand the rapid growth of the management consultancy industry is the changes in the business environment and increase need for advice. Firstly, we need to take into account how the big economic changes in the business environment, such as globalisation, new information technology systems, the opening of the Internet market, e-commerce, and deregulation, have created apprehensive confusion and perplexity among clients (Archer and Bowker, 1995). The fear of managers that they may not be able to respond adequately to such changes and overcome their competitors has made them feel “knowledge or resource deficiencies” (Werr and Styhre, 2003; 48). The fierce competition between organisations, and the supply of solutions through a higher managerial knowledge by consultants have been the main factors that have encouraged demand for the consultancy industry (Lundberg and Young, 2001; Clark, 1995; Martin *et al.*, 2001). Secondly, in the process of retaining a competitive advantage against its competitors, an organisation is likely to believe that it needs to change and attain new skills, knowledge, qualities and structures, that will enable it to face up to new challenges. The belief in the need for change as a necessary precondition for survival has been a major factor in the demand for consultants (Clark and Fincham 2002, Sturdy 1997). Consultants have been portrayed as ‘agents of change’ that can adequately help organisations change, and thus, *survive*. (Porter and Ciancarelli, 1997)

One major thread that revolutionised the way companies operate in the last decade was the growth of information technology systems that, in part, replaced human labour with automated systems (Morten and Nohria, 1999). Regardless of the positive or negative performance of IT systems, the important point is that they have provided a huge opportunity for the growth of management consultancy (Fincham, 1999). By projecting themselves as proficient in using and deploying IT systems, consultants managed to gain the trust of clients despite the great costs involved (Schaffer, 1998). Thus, the rapid growth of the management consultancy industry can be explained when seen in correlation to the attempt to project new ideas to clients as the only way to go forward. Maitland (1999) reports that the consultancy industry as been growing at 20 % a year over the past decade, “fuelled by the boom in IT consultancy and the lightning pace of global mergers, acquisitions and alliances” (Maitland, 1999: 1). According to an industry newsletter from Management Consultant International, the fee income of the top 20 consultancy companies reached \$43.5 billion in 1998, a threefold increase since 1990 (Maitland, 1999). The figure for 2001 was \$62 billion, in contrast to the \$3 billion estimate of worldwide revenues in 1980 (Fincham and Clark, 2003). The growing development in IT systems has impacted the swift growth of globalisation, e-commerce, and Internet branding. In order to provide the necessary capabilities for an organisation to respond to the above challenges, consultants have focused on certain managerial theories that are thought to provide the clients with the necessary knowledge (Koudsi 2001).

\*\*\*\*\*Place Figure 1 Here\*\*\*\*\*

### **Assumptions and the Importance of Knowledge**

At the beginning of this paper, the importance of knowledge in the management consultancy industry was mentioned briefly. Now the reasons why knowledge seems to constitute a resource of competitive advantage will be looked at, along with the valuable service it is supposed to provide to clients. If we look at the development of management ideas, starting with the works of Ford and Frederick Taylor, we notice the attempt to move away from a traditional and intuitive way of ‘doing things’ to an attempt to scientifically/rationally analyse the different tasks, the links between them, and the ensuing overall performance (Newell, et. al., 2002) The attempt is to *conceptualise* the organisation as an open system, which consists of a number of variables such as: its resources, its formal structure, its culture, and its policies and procedures (Shaw 1997). By conceptualising its functions, the managers are thought to be able to intervene and adjust an organisation’s behaviour to their desires, accurately, at the present or future time (Cecez-Kecmanovic *et al.*, 2002). This rationalisation of organisations proved very popular at the beginning of the last century, with the time-and-motion studies “pioneered by Charles Bedaux, Harrigton Emerson, Frank and Lillian Gilbreth, and Frederick Taylor” (Fincham and Clark, 2003:7; Hassard, 1999).

The assumption of the correspondence between knowledge and performance was influenced by the broader rationale of Modernism at the beginning of the last century, which argued that, by the use of reason and scientific method, we can have access to the real state of the outside environment (see Hassard, 1999). A central aspect of this approach has been the concept of “structural differentiation”. By this, we mean the division of an organisation into certain procedures found within a hierarchical form (Hassard, 1999: 179). In reviewing Clegg’s argument on this issue, Hassard states that: “organisations *are* the frameworks that link these differentiations, and the management of modernity involves practices for integrating the core processes of differentiation” (Hassard, 1999: 179) (Italics Added). The concept of differentiation described is important, because it helps us to understand, characteristically, this greater human attempt to contextualize the functions and variables of an organisation, so that interference with them can be easily accessible and successful. This conceptualisation of organisations, further, helps us to find a ‘dynamic equilibrium’ between the dynamics of the organisation and its outside environment (Shaw, 1997). The dynamic equilibrium concerns the capabilities of an organisation in correspondence to the threats and opportunities of its environment (Huff, 2001). By finding an aligned “fit” between the two it is assumed that success and positive performance can be attained.

In exploring the different characteristics in the use of knowledge as an asset and as a process, Empson argues that knowledge represents a highly valuable organisational resource (Empson, 2001). What makes it *valuable* in particular is that it contributes to the competitive advantage of the organisation in the same way as any other resource. Furthermore, the mechanisms behind the creation of knowledge gain further importance because they do not only assist in the innovation of knowledge, but also its management (Donaldson, 2001). The way through which knowledge is accumulated about an organisation’s resources and performance has changed (Newell, et. al, 2002). With the growth in IT, which provides new tools with which to build knowledge capital, and with the growth and globalisation of companies by which managers can access benchmark characteristics across the globe, knowledge becomes a *key* precondition to a company’s competitiveness (Suddaby and Greenwood, 2001).

What role do consultants now play within the context of knowledge, as a resource of competitive advantage, and in relation to their interactions with their clients? Sarvary argues that the core product of consultancy is knowledge itself. “Consultants live and breathe knowledge management because they sell business solutions and knowledge itself” (Sarvary, 1999: 97). For Sarvary, management consultancy is a business process in which the use of knowledge can have a great influence on how these processes are conducted. The re-engineering of business processes makes the consultants a significant channel in the

transmission of this higher quality of knowledge to the clients (Ibid). In this sense, consultants not only assist clients with simple advice, but also with a kind of superior knowledge that is assumed to have a direct affect on the current structure, and thus, the performance of the organisation. In stating that: “knowledge management *is a business process*”, Sarvary (1999) implies, furthermore, that the essence of all organisational activities could be contextualised with the framework of a number of “mechanical processes”. If the consultants know how things run in an organisation, they can rationally have access to the causes for its current performance. If the consultants have the knowledge to *change* these processes through the advanced methods of collecting information, they can consequently have a *determinable* effect on positive performance (Czarniawska and Mazza, 2003; Deakins and Makgill, 1997).

The issue of change has been a central concept in management consultancy discussions (see Ash and Salaman, 2003). It is argued that, because organisations are subject to the external environment that constantly changes, in order to survive they have to adapt effectively (Johnson, 1998). Hence, the introduction of new skills, values and qualities are necessary not only for the organisation’s own survival but also for outperforming its competitors. Is change a *necessary* precondition for the success of an organisation? If the answer is ‘yes’, how often does this change have to take place, and should it be implemented by “agents” from *outside*? Fincham argues that: “change techniques are developed as proprietary systems, in order to substantiate consultants’ claim to be able to pass on to clients the capability to change” (Fincham, 1997: 336). In other words, consultants systematise knowledge and emphasise their techniques, not because they are necessary, but because they want to sell or persuade the clients firstly for the need to change, and secondly that they would be of assistance in implementing change (Fincham, 1997). Schaffer agrees with Fincham, arguing that successful change programmes begin with results for what the client is capable of doing, and not for what the consultants recommend. Many hours of presentation and research by the consultants do not have any substantial effect because, according to Schaffer, they do not begin by taking into consideration the clients’ capabilities for implementing the change programmes (see Schaffer, 1992). On a similar tone, Lowendahl *et al.* (2001) argue for the interrelationship between the process of knowledge creation and the value creation for organisations. In particular, they argue that the ultimate benefit in the process of knowledge creation is to help their clients create value for themselves.

It is not clear to what extent the consultants become simply a resource of knowledge by which clients generate their value, or whether consultants have to actively contribute to the particular value creation process for clients. Nevertheless, the critical issue is how and why the creation of managerial knowledge has to have an impact in the value creation of a client. It is important to realise that even though consultants often attempt to innovate new managerial techniques or models in general, most of the clients assume that these techniques will, nevertheless, still be made applicable, and commonly effective, to the particular needs of their organisations. Alvesson disagrees with the view of modernism that often takes the positive effects of management knowledge for granted. He takes a sceptical view on the “functionality” (Alvesson, 2001: 864) of knowledge, and highlights the difficulty that consultants have in determining the results of their knowledge. He argues that knowledge cannot be measured concretely, and as a result we cannot be sure of its effects on decisions made by the consultants. Furthermore, he argues for the elements of “slipperiness and ambiguity” contained in knowledge, which can become an easy ground for consultants’ use of rhetoric and impression methods as an attempt to win the clients’ trust (Alvesson, 2001: 863). What makes the generation of knowledge difficult to be applied and thus become a source of success is that each client is *unique*. As such, the generation of knowledge in general does not necessarily become applicable to their specific needs.

### **The Codification and Distribution of Consultancy Knowledge**

Thus far, the purpose and nature of management consultancy has been viewed in this paper from a generic perspective. Here, the focus will narrow to how the consultants *communicate* their knowledge to clients, by looking at the issue of consultancy packages and/or the codification/commodification of knowledge (Suddaby and Greenwood, 2001). In this sense,

the concept of managerial knowledge should not be viewed within the context of simply providing advice, but should be extended to the various *forms* of knowledge that are codified and commodified (Ibid.) The study of the commodification of knowledge plays a crucial role in discussions of management consultancy (Empson, 2001; Abrahamson, 1996), the reason for this being that it constitutes *the* primary channel by which consultants intervene and create value for their clients. Hence, close identification of how this is achieved is necessary for the assessment of the quality of the contribution provided. Consultants respond to the clients' needs by commodifying managerial theories into certain formulas or models, which are, in turn, sold to the clients (Suddaby and Greenwood, 2001). Why does the commodification of consultancy knowledge take place, and what does it try to achieve? In the plethora of managerial knowledge used by the consultants, the commodification of knowledge is the tendency to *reduce* knowledge to a codified product (Ibid.). In this product consultants encapsulate certain managerial models or techniques that will enable them to deal with the various organisational problems of the client. The importance of the commodification of knowledge is that it constitutes the primary channel through which consultants intervene in an organisation and attempt to create value for the client (Ibid.) The principle behind the value creation process is based firstly on the possession of managerial knowledge, and secondly on the exercise of this knowledge by the consultant against the needs of the client.

The commodification process plays the role of *extracting* what is supposed to be the 'essential qualities of knowledge' in terms of the formulas/techniques needed, so that consultants can deal with the clients' problems effectively (Hansen *et al.*, 1999). This formulated knowledge is applied and sold to the clients, in terms of "packages" or "packages of change", such as Total Quality Management (TQM), Knowledge Management (KM), and Business Process Reengineering (BPR), under an assigned contract (Clark, 1995). The attempt to commodify managerial knowledge is related to the notion of contextualising it into such a format that it can be used in many cases, by different clients and for different problems with the same positive results (Lowendahl *et al.*, 2001.<sup>2</sup> The consultants' attempt to *abstract* any managerial knowledge and codify it, shows a close association between, firstly, their assumed "expertise" to be able to determine the types of formulas required, and secondly, their assumed capability to make them *applicable* to the specific needs of the clients in the form of a 'sold package'. Regardless of how consultants decide on particular packages, it is important to find their *scope use*. In other words, what overall purpose could commodifying consultancy knowledge serve for clients?

Management consultancy firms represent more than the mere selling of consultancy packages or packages of change to the clients. They rather represent a "sign value" or cultural image with which the clients can associate their individual organisations (Carter and Crowther, 2000). This image can be projected within their consultancy packages or in the advertising of their services. Apart from the managerial contribution of the consultants to the performance of a client, image is a central theme that drives the purchasing of the consultancy services in the first place. This is because the commodification of the consultancy knowledge into products does not differ, to a large extent, from the rest of the products in the market (Ibid). In this sense, when consumers purchase a product, they not only buy it for its service but the greater value and image the company behind it represents (see Bryson and Wellington, 2003).

#### *How Are We to Understand Knowledge as an Intangible Resource?*

At this point, we come to a critical theme central to the discussion of this paper and which deals with the substantiation of the consultancy knowledge to clients. In a previous section, it was noted that knowledge is an important part of the intangible resources of an organisation, and thus contributes to the creation of its competitive advantage (Tsoukas and Vladimirou

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<sup>2</sup> Suddaby and Greenwood (2001) describe knowledge commodification as: "the process by which managerial knowledge is *abstracted* from context and reduced to a transparent and generic format that can be more easily leveraged within [professional service firms] PSFs and sold in the market place" (Suddaby and Greenwood, 2001: 934) (Italics Added).

2001). The next critical question to be addressed is *when* does knowledge constitute a source of competitive advantage for the client? In addressing this question, Lowendahl *et.al* (2001) use the classic work of Penrose, who states that: “resources have no intrinsic value per se; resources are valuable only to the extent that they can deliver *valuable services*” (Lowendahl *et.al* 2001; 915) (Italics added). A valuable service is an important indication for the efficient use of a tangible or intangible resources. In dealing with the issue of knowledge and the consultancy firms, it must be determined how to perceive the expression of a valuable service in relation to knowledge. Adding to Penrose’s thought, the type of “valuable service” that clients get from the use of knowledge provided by consultants should be explored in detail. Hence, the close relationship between the possession of theoretical managerial knowledge and the impact it has on organisations must be assessed. Does the existence of excess knowledge imply a more positive result in dealing with particular problems?

### **The Substantiation of Knowledge as a Criterion for a Valuable Service**

To answer the previous question posed, the concept of “valuable service” that comes as a potential result to the use of consultancy knowledge must be defined. Following the rationale behind the existence of consultancy companies presented at the start of this paper, and the correspondence between the study of management theory and the business environment, it can be argued that consultancy knowledge can only provide a valuable service when the knowledge provided is *substantiated* to the needs of the client, so that it can have an affect on performance. By “substantiation” I mean the extent to which the consultancy knowledge is integrated to the needs of clients to the extent that the clients can exercise this knowledge to their advantage and hence, constitute an intangible resource. (Kieser, 2002; Schein, 1999). From figure 2 we can see how the term of substantiation could account for influencing the way clients’ needs are fulfilled and their performance improved. In addition to this it is important to state that the terms does not stand on its own but in relation to three other important variables that contribute in the consultancy process. These are, i) The extent by which clients’ needs are being fulfilled, ii) the clients’ performance in their specific business market after the consultants’ intervention, iii) and the overall constitution of the consultant providing a ‘valuable service’ on basis of knowledge. If the consultants fulfil their clients’ organisational needs to the extent that they improve their performance, we can then characterise it as a valuable service contribution by the consultants.

\*\*\*\*\* Place Figure 2 Here\*\*\*\*\*

In this sense and from the above argument it follows that the substantiation of knowledge can constitute a possible *criterion* for *measuring* whether the knowledge codified by consultants has indeed provided a valuable service to clients. An important reason for giving emphasis on this term has to do with how consultants are limited to understanding the particular and individual culture of every client. As a result consultants become limited to understanding what kind of tacit knowledge is exactly required to add competitive advantage in that particular organisation (Alvesson, 2001). The giving of advice in itself does not necessarily imply an improvement on the clients’ performance unless the advice is integrated and exercised by the client. Furthermore, the term of substantiation of consultants’ knowledge is not the same with the idea of consultants’ *implementation* of knowledge. The theme of substantiation attempts to identify in what way the consultants’ knowledge has been *integrated* in the clients’ needs (Kieser, 2002). Whereas implementation would indicate how clients exercise the advice or recommendations given by consultants, substantiation attempts to go further than this. It attempts to identify the *impact* and the way consultants’ knowledge has also become clients’ own knowledge. In this sense I argue that the clients need to be able to exercise the knowledge received by the consultants without the consultants’ continuing assistance. In order for this to take place, however, the clients need to have internalised not just the recommendations or solutions to their problems but also to internalise the *tacitness* of this knowledge ( see Nonaka, 1994; Spender and Grant; 1996). In addition to this, it is also argued that the process of substantiation needs to be accompanied by the clients’ contribution

in generating knowledge in the first place. The clients need to know the process *prior* to the generation of knowledge and not just the eventual outcome of it. A likely way to achieve this is by applying an inside-out approach (for extracting knowledge from the client) and constituting the client as an equally important party to generating new knowledge. It is only when the clients can exercise the knowledge provided by the consultants on their own that we can conclude for the consultants' efficient knowledge contribution to clients.

Kieser (2002) introduces us to the concept of *competence*, and how competence is an indication of the ability of clients to apply their knowledge to the needs of their organisation. He states: "A child can learn the rules of chess in that it can learn the rules governing the moving of individual chess pieces. However, it takes several years and considerable efforts to become a good chess player. Learning the rules is only a necessary, not a sufficient condition for becoming a good chess player who is able to develop strategies that take advantage of the potential of a game whose rules they hardly know" (Kieser, 2002: 217). The substantiation of consultancy knowledge therefore is an indication of how competent clients have become. Karreman *et al.* (2002) argue that one of the reasons knowledge creation has received so much attention from Knowledge Intensive Firms (KIF), is because of "the assumption that this kind of [knowledge] work, and this kind of environment [of Knowledge intensive firms], contains *unique essential qualities*" (Karreman *et al.*, 2002: 71) (Italics Added). With the phrase: "unique and essential qualities", the authors imply the positive and anticipated results from the possession and exercise of managerial knowledge. Even though the transition from the one claim (emphasising knowledge as a resource of competitive advantage and the valuable service as an expression of it to the other (emphasising the process of substantiation as an expression of a valuable service) seems straightforward, we need to highlight the *ambiguous* factor of knowledge that can complicate and confuse its implementation. Alvesson (2001) argues that knowledge is a highly ambiguous concept because we cannot determine or empirically assess how and in what way it can be used by an organisation.<sup>3</sup>

Concluding this point, it must be clarified whether the substantiation of knowledge by the consultants is the only criterion by which clients assess the value of the consultants' services. If we assess the usefulness of management consultancy by the managerial knowledge and ideas it provides, then the substantiation of knowledge becomes an important aspect. If, however, we try to see clients beyond a managerial or organisational scale and in relation to the broader social environment, then management knowledge does not comprise the central contribution to a clients' performance. Providing help for clients to deal effectively with the anxiety, uncertainty and frustration of dealing with managerial decisions can also be a valuable service. Even though we should take both managerial and sociological factors into account, it is critical to understand the level at which consultants claim to contribute to the performance of an organisation, and at which level they contribute in reality.

### **The Social Dimensions of the Consultant –Client Interaction**

In this part of the paper we will focus on the social dimensions of the consultant-client interaction and the consultants' contribution to creating a satisfactory service to clients. Even though consultants often operate through certain consultancy packages, they also provide an important sociological and psychological satisfaction to clients that is difficult to separate from within the contractual business interaction. The issue of importance for us is to identify the degree of influence by the social dimensions on the relationship apart from the profit performance results expected by the clients upon receiving 'professional advice'.

In assessing Baudrillard's position, Carter and Crowther argue that the sign value of commodities is of greater importance than the product itself (Carter and Crowther, 2000). This is because the goods, in general, have come to a stage where they act as *communicators* of cultural values between the customer and the manufacturer, and go beyond serving the material needs of the customer. In exploring further this idea, Carter and Crowther notice the

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<sup>3</sup> He states: "knowledge itself encourages a *subjective* judgment of its qualities, rather than the provision of facts. In this respect, we cannot reduce the ambiguity of knowledge simply by introducing new forms of knowledge (see Alvesson, 2001:863; Karreman *et al.*, 2001).



paradigm shift from the old to the new industrial revolution, and they state that: “what is being consumed is not products nor even commodified knowledge but rather the signs of cultural capital that are created by cultural intermediaries” (Carter and Crowther, 2000: 630). The construction of the signs of cultural capital through cultural intermediaries, and the communication of them through a product, is an important differentiation that is made for the contribution of the consultants to the clients. Even though the signs of cultural capital and identity are not directly influenced by the consultant or clients, but by the broader social environment, they still have an indirect influence on the clients’ *perception* of their organisation. By recognising this insight, we can explain better the inner dynamics behind the consultants’ operations with the clients as well as their *limitations*. When the client wants to consume part of the consultancy service it is important to identify what exactly these needs are. From a managerial point of view, it could be argued, clients want only to satisfy their organisational and business needs. From a sociological point of view, the clients want to consume part of the values or *image* that consultants portray (Ernst and Kieser, 2002). Because we cannot separate these two approaches completely, it is important to distinguish how much they overlap with each other. In this respect, organisational problems can become personal for the client when their managerial identity is at stake. On the other hand, we cannot be totally sure as to how much the clients are influenced by the signs of cultural capital that are created by cultural intermediaries (Stirrat, 2000). Nevertheless we can be certain that because recently greater emphasis has been given to the mode of consumerism and not to the mode of production clients do not purchase consultancy knowledge necessarily for the use value of it but rather because of the cultural values attached to the firm (Bryson and Wellington, 2003).

### **The Role of Aesthetics**

The role of aesthetics provides an important insight into the dynamics of the consumption of consultancy knowledge by the clients. This is because we move further from the strict understanding of the consultants in terms of their managerial contribution through knowledge to our association with the image or cultural value that they represent. The term aesthetics refers to the characteristics outside of the consultants’ services that aim to attract the clients’ interests. The importance of aesthetics for consultancy knowledge is that it can project certain quality futures that may be absent in its practical implementation. When clients are confronted with an organisational problem the valuable service that they receive according to this perspective, does not necessarily have to be defined with the solving of the problem, but in becoming connected with the image of the consultancy firm and its reputation in the market (Asch and Salaman, 2003). The reason for the new emphasis in what consultants represent is that clients are influenced in their decisions by the power of the aesthetics of the consultancy firm (Carter and Crowther, 1998, Stirrat, 2000). Furthermore, it could be argued that most companies, when selling their products, give greater emphasis to their brand and the image that is behind their products rather than to the products themselves. If an organisation operates in this respect in selling its own products, it is likely that it will operate in a similar way when it comes to the interaction with the consultants. Greater emphasis will be given to the aesthetics of the image of the consultant, rather than to the products of knowledge themselves. In a similar vein, Stirrat (2000) argues that consultancy does not provide any pragmatic contribution to the life of the external organisations; however, “their [consultants’] work is judged more by aesthetic than pragmatic criteria” (Stirrat, 2000: 31). The shift of emphasis from pragmatic to aesthetic derives from a particular vision of modernity, which in turn informs the culture of consultancy, “a culture which sees itself as the epitome of rationality” (Stirrat, 2000: 32). In this sense, the developmental impact may not be quite what was planned as management consultancy may also present a cultural function. According to Stirrat consultants do not contribute in a ‘pragmatic’ way to the life of an organisation but instead operate in a form of aesthetics which is full of rationalism and typical professionalism and style. When consultants are criticised, “it is because their reports, in one way or another, fail to live up to these aesthetic standards, and not because their reports fail to reduce ‘abject poverty’ or whatever” (Stirrat, 2000: 42).

## **Anxiety, Frustration and the Psychological Comfort by the Consultants**

How can the consultancy packages be used in order to reduce the degree of uncertainty and anxiety in clients? In an attempt to answer this question, Lundberg (1997) and Sturdy (1997) focus on the influence of the factors of uncertainty and anxiety which are created through constant competition and changes in the business environment. These are two of the continuing threats that managers face in contrast to major decisions that have to be made in the organisation.

Uncertainty is the condition in which a person is unable to measure the probabilities correlated with a particular experience or activity (Ernst and Kieser, 2002). In this case, when the clients cannot predict accurately what is going to happen at a particular point in time, or in a specific project/situation, and/or in relation to their rivals' strategic moves, anxiety and distress are often created. Because complexity creates confusion and uncertainty creates fear, both create a booming *demand* for outside advice (*The Economist*, 1997). Clients often go to the consultants in their attempt to reduce the degree of anxiety and complexity in handling managerial challenges (Clark and Fincham, 2002). Lundberg (1997) emphasises the creation of *roles* that is taking place within this process, and the game of power between the clients and the consultants (Lundberg, 1997). He states that: "power accrues to those persons who can or do reduce the uncertainty of others. *Power* is the potential to influence" (Lundberg, 1997: 194). On a similar note, Sturdy gives emphasis to the insecurity and vulnerability of the managers when using the consultants. The question is whether the qualities of service consultants claim to provide are just an impression effect created in the minds of the clients, or whether they have any deeper organisational effect. Sturdy argues for the psychodynamic interpretation of management, that is, when managers call upon consultants because they *feel* they will get help and direction for their problems, even though, in effect, they do not get any substantial improvements in their performance.<sup>4</sup>

The important point here is that the emergence of management consulting advice activities can, to a certain extent, be explained as a psychological phenomenon and not as a managerial necessity (Clark, 1995). The difficulty comes when we have to differentiate the two aspects within the business environment because of the overlap that occurs between psychological and business needs. Carter and Crowther (2000) argue that the creation of a feeling of order (in an increasingly uncertain world), whilst perhaps illusory, helps to explain why consultants are increasingly drawn upon as a resource by organisations (Carter and Crowther, 2000). The conclusion is that the more complexity and confusion increases in the business environment, the greater the demand for consultancy services will become (Brierley and Gwilliam, 2001). Hence, it is useful to differentiate between the sociological effects that consultancy has on clients, in contrast to the knowledge - performance effect on clients were it to be perceived rationally. Since consultants are not able to substantiate their knowledge, they use their image, through the consultancy packages, as a means of reducing the anxieties and uncertainties of management (Donaldson, 2001; Suddaby and Greenwood, 2000). In this way, Clark argues, consultants do not only comfort their clients' anxieties at a certain point in time, but also *sustain* a managerial image over the long term. As a result of this, the image that consultants portray starts to become internalised in their clients' perceptions, and thus, consultants manage to gain clients' trust in the long term (Clark and Fincham, 2002; Clark, 1995; Clark and Salaman, 1998).

## **Conclusion**

The rapid growth of the management consultancy firms and the increased emphasis in knowledge make it necessary for us to understand the different stages of the consultants' contribution to clients (Ernst and Kieser, 2002). The increased popularity of 'knowledge economy' and the large investments on knowledge development, make it imperative for us to

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<sup>4</sup> Sturdy states: "both the adoption and discarding of ideas are based on largely subconscious processes – managerial anxiety over the uncertainty surrounding their careers, work role and organisational environment" (Sturdy, 1997: 511).

understand the different process of knowledge development. In the first part of the paper we focused on the relationship between the consultants and the business environment for generating business knowledge (Scarborough and Swan, 2001). Here, we focused on the importance of knowledge and the assumptions for having a positive correspondence to a firm's performance (Sarvary, 1999). In the second part we focused on how knowledge is distributed between consultants and clients and how knowledge is supposed to have a positive impact on clients.

(Lowendahl et. al., 2001). A central theme in this part was the process of abstraction and codification of knowledge as well as the issue of how we define the notion of a valuable service (Suddaby and Greenwood, 2001).

The increased emphasis on business knowledge influences the authority of consultants in providing advice and solutions to clients (Donaldson, 2001). Knowledge itself however is an inadequate measure in order for the clients to improve their performance (Alvesson, 2001). This is because there is a difference between the wide applicability of the consultancy business frameworks and the particular culture of the firm that the packages have to apply. In the last part we looked at the social dimensions of the consultant-client relationship and the influences coming from the broader social environment as well as from the culture of the firm (Stirrat, 2000). Consultants often provide a satisfactory service to clients not because of their knowledge distribution but because they enable clients to sustain their managerial identity, to reduce their anxiety against important decisions that have to be made and take responsibility for consequences from the decisions made, thus, avoiding potential tensions in the firm (Kieser, 2002). In addition to this, we have noted how clients want to associate their firm with the image of the consultants and acquire the most recent consultancy packages. The issue of aesthetics is important in this context, as people often associate themselves with the image that a firm portrays through the product rather than with the product itself (Carter and Crowther, 2000). In this respect, the management consultancy products are not very different from other consuming products that are being purchased. The contribution of the paper has been to make the consultant-client interaction more transparent, as well as the different stages of knowledge development. The argument of the paper is that consultants do not distribute a valuable service to clients through knowledge but when clients are able to exercise this knowledge themselves. This is not often the case however as most consultancy firms provide the advice and solutions to the organisational problems, and it is the clients' responsibility to implement them successfully (Kieser, 2002). In order to understand the consultants' contribution to clients more clearly I have argued for the term of substantiation, which aims to demonstrate the degree that consultants' knowledge covers the needs of the clients. Secondly, I have argued for the generation of consultancy knowledge where the clients become an equally important party to the consultant during this process (Schein, 1999). In this respect, clients should actively collaborate with the consultants in generating knowledge against their needs. There is a great need for further research in the area of measuring the consultants' performance with clients, and about the positive or negative contribution of the consultants' to clients after the completion of an assignment (Nachum, 1999).

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## Figures

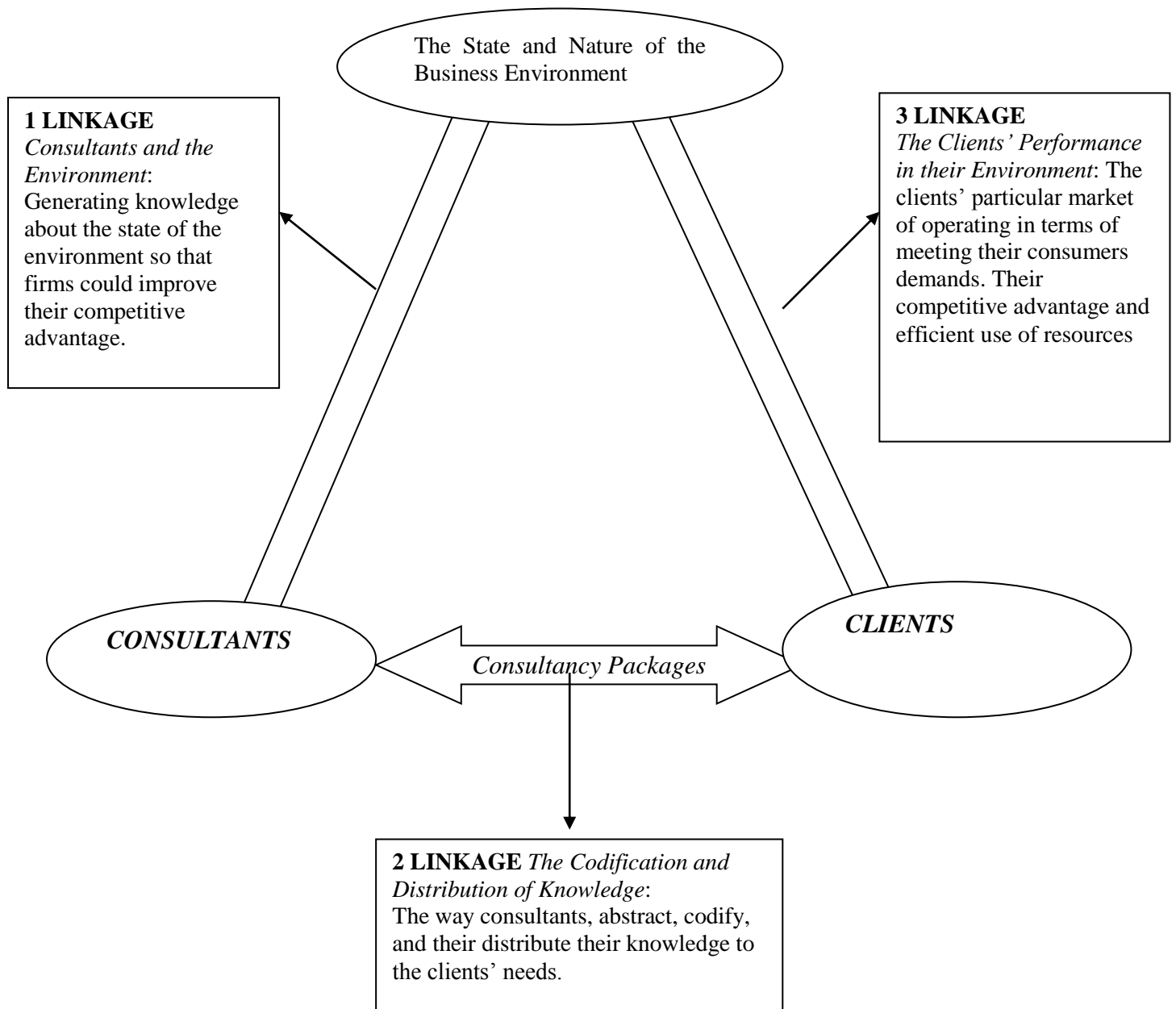
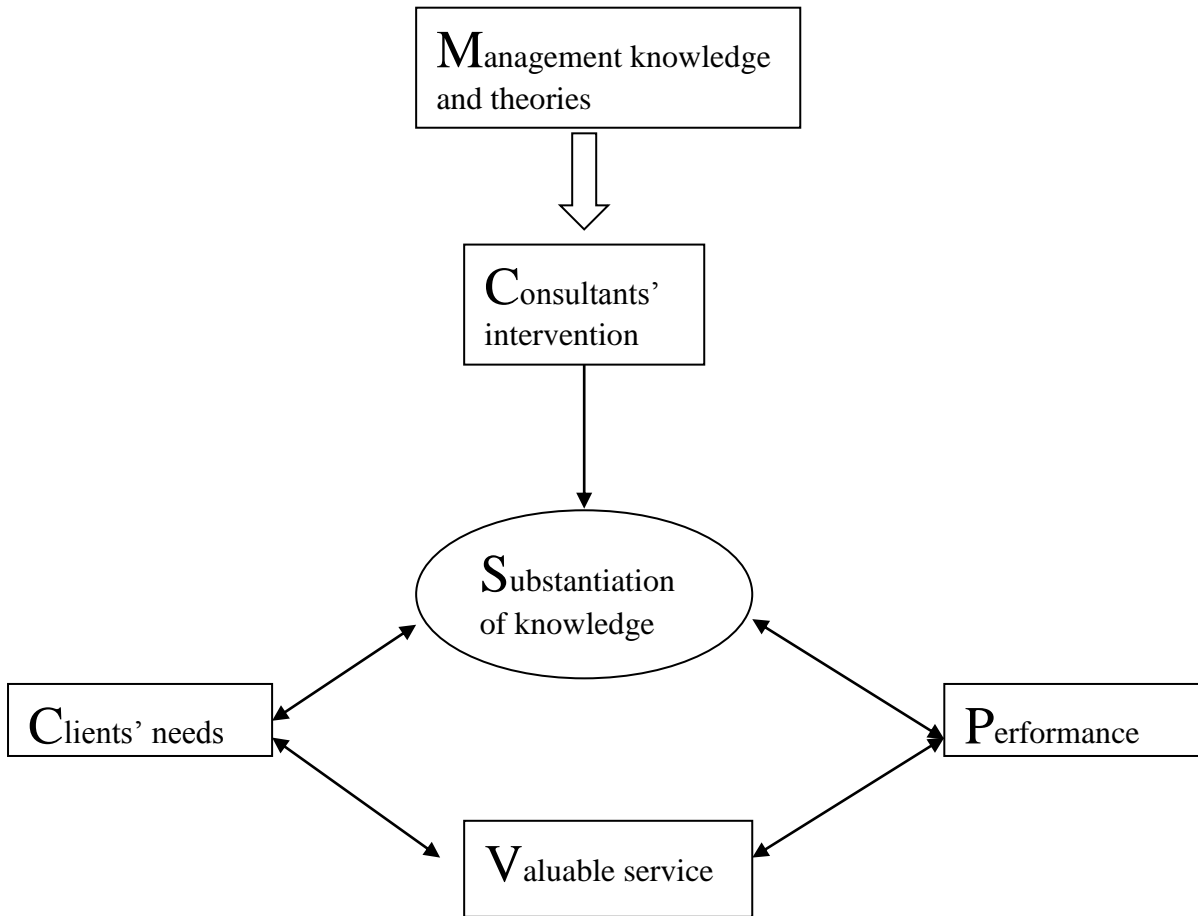


Figure 1: “*Consultants’ Knowledge Generation and Dissemination*”.

From this figure we can see the importance of the different *linkages* between consultants, clients and the business environment. In particular we see the consultants’ interaction with the environment for creating new ideas and knowledge in order to improve the clients’ performance, or generate solutions to organisational problems. Then, we see the transfer of this knowledge to the clients through certain business frameworks that represent ‘consultancy packages’. And the contribution that this knowledge should have to the clients in relation, to their activity in the market, meeting consumer’s demands, and increasing their competitive advantage against competitors. The overall importance of this framework is that it that the individuals’ *approaches* behind their activities have to be examined for whether they meet the equal anticipations expected from the other party.



**Figure 2.** “The Substantiation of Knowledge to Clients’ Needs”. This figure shows the way knowledge is directed and distributed from consultants to clients. If knowledge is being substantiated in the client can also help improve the performance of the organisation, cover its needs and provide a valuable service in the way that has been argued by Penrose.