

# Knowledge Transfer, Consulting Modes and Learning

## Do the Codes of Conduct and Ethics reflect Reality in Management Consulting?

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### *Document Version*

Final published version

### *Publication date:*

2000

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### *Citation for published version (APA):*

Maula, M., & Poulfelt, F. (2000). *Knowledge Transfer, Consulting Modes and Learning: Do the Codes of Conduct and Ethics reflect Reality in Management Consulting?*. Paper presented at Seventh Annual International Conference Promoting Business Ethics, Sept. 21-23, 2000. Hosted by St. John's University, New York N.Y..

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***Knowledge Transfer, Consulting Modes  
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*Do the Codes of Conduct and Ethics Reflect Reality  
in Management Consulting?*

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**WP 9/2000**

*August 2000*

**MPP Working Paper No. 9/2000 ©**

August 2000

**ISBN: 87-90403-77-0**

**ISSN: 1396-2817**

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**Knowledge Transfer, Consulting Modes and Learning**  
**- Do the Codes of Conduct and Ethics reflect Reality in Management Consulting?**

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**Abstract**

The management consulting firms' competence and capacity to provide high quality services and thereby create, transfer and develop managerial knowledge have an important role for the client firms and the society. The international management consulting associations have formulated Codes of Conduct and Codes of Ethics that aim to regulate and provide guidelines for the management consulting firms' activities. This paper investigates whether there is a fit between the Codes and (a) the current modes of management consulting, and (b) the needs of the consulting firms to learn and develop continually their knowledge base and competencies. The analysis indicates that the majority of the Codes tend to support one-directional, i.e., 'directive', 'content-based', and 'transplantation-based' type of consulting. In the cases where the Codes recommend interaction, they could emphasize two-directionality and mutual interaction between the consultant and the client more clearly and explicitly, in the spirit of 'non-directive', 'process-based', and 'translation-based' consulting models. As to the development of the consulting firms' knowledge and competencies, the analysis reveals that the Codes emphasize necessary qualifications and the quality of advice. With two exceptions the Codes do not directly and explicitly indicate the dynamic aspect, i.e., that the consulting firms should develop their skills and knowledge continually. Also, there is variation concerning the methods to develop competencies. Therefore, there

are several unutilized opportunities to develop the Codes to meet better the needs of the knowledge society.

## **Introduction**

The creation and transfer of knowledge is an increasingly important aspect of the modern society, as new knowledge helps renewing forms of production and management (Nonaka & Takeuchi, 1995). This trend is reflected in the increased focus on the knowledge economy (Gibbons et al., 1994, Stehr, 1994; Tordoir, 1995), competence management (Prahalad & Hamel, 1990; Sanchez & Heene, 1997) and knowledge management (Prusak, 1997; Davenport & Prusak, 1998; Choo, 1998; von Krogh et al., 1998). Many firms, especially in knowledge-intensive industries have implemented or are implementing new management models that support excellence, quality management, knowledge creation, or organizational learning. The impetus behind this development signals a growing awareness that continuous learning and knowing about knowledge are critical to business success.

Management consultants are among the important carriers of new managerial knowledge (Clark, 1995) as their prime function is to help the clients improving their businesses (Appendix 1). The management consulting industry has over the past ten years experienced a tremendous growth indicating the importance of new concepts and consulting in the corporate world (Scott, 1999). The consequence of this development has been an industry that expands both in scale and scope by inventing an abundance of new services and modes of consulting (Poulfelt, 1999).

At the same time management consulting has been characterized as an industry of mystery where secrecy and client privilege have been dominant issues (O'Shea & Madigan, 1997). In addition there has been an increased focus on moral standards and ethical behavior of management consultants (Poulfelt, 1997). In a profession where the working environment often is characterized by ambiguity, ignorance and uncertainty this might be expectable, but what are the implications for knowledge creation and transfer between the consultant and the client, and for the learning and development of knowledge and competencies in the consulting firms?

Even though management consulting in general is a non-regulated business, a number of professional consulting associations have throughout the years formulated and published Codes of Conduct and Code of Ethics for their members. The original purpose has been firstly to provide guidelines for professional business behavior (Gallessich, 1982) and secondly to promote the management consulting industry that is multifaceted and immature as a profession (Kyrö, 1994). These Codes seem primarily anchored in the theories of professions, also indicating the strive for turning the occupation of consulting into a more professional business.

In their work with the clients, consultants are using several modes of consulting, partly to address various types of problem situations within the client organizations, and partly to provide different problem solving approaches. The socio-technical development (ICT) and the pressures from the clients increase the polarization of the consulting styles (Czerniawska, 1999). However, it is not clear whether the Codes reflect the new alternative modes of consulting and the requirements of the knowledge society as they seem to be based largely upon a traditional perception of professions and professionalization (Moore, 1970; Abbott, 1988).

Because the world is changing the consultants' knowledge easily becomes outdated. Therefore, it is important that the industry in such a central position continually develops its knowledge base and competencies. Moreover, the consulting firms themselves operate in a

globalized knowledge-based industry and their competitiveness depends on the continual improvement of their competencies, knowledge base and learning skills. As a response, especially the big, progressive consulting firms have developed different strategies to evolve and learn from the client assignments and internal knowledge sharing (Maula, 1999, 2000). However, it's not clear whether the Codes reflect this new reality and the consulting firms' responsibility and opportunities to develop their knowledge base and competencies.

The purpose of the paper is therefore to explore whether there is a fit between the Codes of Conduct and Ethics and (a) the current modes of management consulting, and (b) the needs and opportunities of the consulting firms to learn and develop continually their knowledge base and competencies.

The Codes of Conduct and Ethics are being mapped in order to outline their key characteristics. Based upon a framework for consultancy, different management consulting modes are being identified and related to the knowledge creation and transfer processes. Firstly, it will be investigated how the Codes regulate the transfer of knowledge between consultants and their clients. The paper indicates some discrepancies between the consulting modes, the type of knowledge processes and the content of various Codes. Secondly, the paper explores to what extent the Codes reflect the consulting firms' own learning processes, in the light of the new understanding of knowledge creation and learning through interaction.

The paper is a part of a large study focusing on the production and consumption of management knowledge with the case of management consultancy as the focal of the project. The content and the data of the paper are based on material from literature studies, and material collected on the web sites of professional consulting associations and management consulting firms.

### **Codes of Conduct and Ethics of the Selected Consulting Associations**

The oldest existing management consulting firm (Arthur D. Little) was founded in 1887. Compared to that, the international management consulting associations are a relatively new phenomenon. This paper will analyze the Codes of Conduct and Ethics of the following associations (the year of foundation is presented in the parenthesis):

- **ICMCI** International Council of Management Consulting Institutes (1987)
- **FEACO** The European Federation of Management Consulting Associations (1980)
- **AMCF** The Association of Management Consulting Firms (Earlier: ACME) (1929)
- **IMC** The Institute of Management Consultants (1968)
- **PATCA** The Professional and Technical Consultants Association (1975)<sup>1</sup>
- **PMI®** The Project Management Institute (1969).

These associations have been selected because they are established, well-known and influential international associations in the management consulting industry, and they have published a Code of Conduct or a Code of Ethics. The associations differ from each other, for example with respect to their geographic coverage, type of members and scale of consulting services (Appendix 2).

The international Codes aim at influencing the national associations and individual firms. Also some national consulting organizations and individual consulting firms have formulated their own Codes that aim at reflecting local needs (Andersen, 2000).

The Codes differ considerably from each other. For example ICMCI's Code is quite general and provides only few main guidelines whereas PATCA's and PMI's Codes are more detailed and reflect new consulting practices.

The Codes provide guidelines for the consulting firms and individual consultants concerning, for example:

- the objectives and standards of consulting work and profession<sup>2</sup>,
- cooperation with colleagues,
- assignments and interaction with clients,
- fees,
- responsibilities towards the community.

More specifically, the content of the Codes can be organized into five groups:

1. *'The client relationship'* contains guidelines concerning the interaction with the clients, concerning the following aspects:
  - 1.1. Clients' interests and consultants' responsibilities
  - 1.2. Qualifications and competencies
  - 1.3. Conferring with the client, and agreeing on consequences and expectations
  - 1.4. Quality of the advice
  - 1.5. Maintenance of skills
  - 1.6. Confidentiality
  - 1.7. Respecting the intellectual property rights (IPR).
2. *'Fees and remuneration'* includes two guidelines:
  - 2.1. The fees and the basis thereof should be negotiated in advance (FEACO, AMCF, IMC), and compensation should be 'adequate' (PATCA). PMI emphasizes the need to keep cost and time objectives by applying tools and project leadership, and to minimize costs.
  - 2.2. The consulting firms should not give or accept compensation to/from a third party, because this may cause conflict of interest (ICMCI, PMI).
3. *'Interaction and other internal aspects within the consulting firm'* includes, for example, principles for treating colleagues fairly and assisting them in professional development (PATCA, PMI).
4. *'The society'* includes ethical and other aspects that relate the consulting firm to the society and its values.
5. *'The Code and professional societies'* includes guidelines for protecting the profession and the Code from violation.

The further analysis will primarily concern categories 1-3, as the other categories are less relevant for the purpose of this paper.

## **The Management Consulting Industry**

Management consulting is a relatively young industry. The oldest firms that still exist today were established at the end of the 1880s and the beginning of the 20<sup>th</sup> century. The industry has grown and globalized considerably during the 1980s and 1990s. In 1999, the industry sold services worth about 100 billion US \$ (89 billion US \$ in 1998). The world's 50 biggest management consulting firms grew in average 27% in 1998 (22% in 1997) (Tholstrup, 1999, based on Kennedy Information Group).

The management consulting business has expanded in terms of size, type of services and modes of consulting. New services have constantly been developed in order to be at the forefront of the managerial world, and new modes for delivering the services have been created to meet different client situations and problems. As a consequence the classic 'specialist role' has been replaced by a broader role spectrum. In the 1950s and 1960s the consultant role still had reminiscences left of a consultant style based on techniques and rationality originating from scientific management and the expert society. However, a kind of combined evolution and revolution happened during the 1960s and 1970s in the perception of the consultant role. New values and other theories from the behavioral field were included in the universe of management consultants, and roles putting more emphasis on processes were included in their repertoire (Sadler, 1998). Since then, the role spectrum of consultants has been further refined both in theory and practice up through the 1980s and 1990s. Today, the 'raison d'être' of the consultant role can be characterized in terms of change and multiprofessional aspects (Kubr, 1996).

## **One-directional and Two-directional Consulting Modes**

Management consulting firms produce and deliver their services by using different modes of consulting, such as 'directive' versus 'non-directive' consulting (Lippitt & Lippitt, 1979; Kubr, 1996), 'content-based' versus 'process-based' consulting (Schein, 1987), or 'transplantation' vs. 'translation' (Berg, Poulfelt & Sevón, 1998). These modes reflect the level of interaction and the activity of the consultant versus the client in the problem solving. They also reflect the degree of 'global' models versus 'local' interpretation and modification of the solution. Consulting can be perceived as a 'transplantation' of new ideas into the client firm, or as a 'translation' of those ideas in/by the client firm (Berg, Poulfelt & Sevón, 1998). They represent two perspectives of change. The 'transplantation' approach - applied especially by the big management consulting firms - can lead to homogenization and institutionalization of the client firms. The 'translation' approach allows local adaptation and heterogenization.

These modes of consulting are related to the knowledge flows between the consultant and the client in the following ways:

1. One-directional knowledge flows, 'from the consultant to the client':
  - 'directive' consulting



- ‘content-based’ consulting
  - ‘transplantation-based’ consulting
2. Two-directional knowledge flows, interaction and feedback between the consultant and the client; possibly the creation of new knowledge in the interaction:
- ‘non-directive’ consulting
  - ‘process-based’ consulting
  - ‘translation-based’ consulting

Originally the consulting practices have been based on the one-directional, directive and content-based modes. The two-directional, interactive modes are a relatively new phenomenon, based on the increasing understanding of the clients’ role in implementing the changes successfully. Currently, both modes are presented on the consulting market, for example by the worldwide implementation of standardized ‘enterprise systems’ on one hand, and exploratory and innovative process consulting projects on the other, where the consulting rationality can be outlined as ‘procedure based consulting’ or ‘creativity grounded consulting’ (Lilja & Poulfelt, 2000).

### **Consulting Modes According to the Codes**

The ethical standards and principles as they are outlined in the different Codes might be expected to be the meta guidelines for the different consulting modes. In the following, the different modes of consulting are therefore being analyzed from the perspective of how the Codes regulate what happen in the collaboration between the consultant and the client.

### **The Clients’ Interests and Consultants’ Responsibilities**

Most Codes mention that the consulting firm has *to guard clients’ interests* (FEACO) or to *‘act as a faithful agent/trustee for the client’* (PATCA, PMI). This implies that the consulting firm:

1. clarifies the clients’ interests,
2. interprets these interests correctly so that the client firm can accept the interpretation,
3. is able to set the priorities and preferences in potential conflict situations so that the client’s interests are not violated.

The client’s interests - other than the most obvious ones - may be difficult to define explicitly. Therefore the interaction may depend on mutual trust. Long client relationships may improve knowledge about each other and help avoiding misinterpretations. In a situation where the client does not know exactly her/his interests and alternative solutions, it may be necessary to negotiate with the client, to proceed stepwise, and to alter the plans if needed.

Some Codes (PATCA, PMI) mention that the consulting firms should apply *responsibility for their actions*. This may mean that the consulting firm should clarify the expected and actual outcomes of the consulting process. Also, it is necessary to take into account that conventionally:

- the consultant is responsible for the solution, his data, analysis, advise and the feasibility of the recommended solution,
- the client is responsible for the decision and its practical implementation,
- both parties are responsible for the cooperation (Poulfelt et al., 1999).

### **Conferring with the Client, and Agreeing on Consequences and Expectations**

One Code recommends *conferring with the client in advance* (ICMCI). This implies that “before accepting any engagement, a mutual understanding of the objectives, scope, work plan, and fee arrangements has been established, and that any personal, financial, or other interest which might influence the conduct of the work has been disclosed”. Another Code refers to the cost and time objectives that are to be set forth in the project plan (PMI). In reality, it may often be impossible to obtain complete information about the various aspects and to confer with the client in advance, for example because the objectives may not be fully clear and they may change during the consulting project because the business environment are changing quickly. Therefore, it may be important to formulate the agreement so that it helps adjusting the objectives and process during the consulting process. Therefore, the term ‘in advance’ could be interpreted as a series of checkpoints where current situations and objectives are evaluated.

IMC emphasizes the *realisticness and practicality of the solutions, claims and estimates*, and PATCA mentions also *honesty* as a required characteristic. PMI emphasizes *honesty in reporting the project quality, cost and time*, but does not refer in that context explicitly to the content and implications of consulting. Realisticness and practicality of the recommendations and their potential consequences may be quite opaque at the beginning of the project. In order to obtain these qualities, a two-directional process mode may be necessary. Therefore, this aspect implies interaction between the consulting firms and their clients.

One association recommends its members to assist and advise the clients of *direct and indirect as well as immediate and remote consequences* (PATCA). Another one recommends that the consultants *refrain from encouraging unrealistic expectations or promising clients that benefits are certain from specific management consulting services* (ICMCI). Knowledge about consequences is invaluable for the clients who expect that the consulting project satisfy their needs. As a specialist organization the consulting firm should naturally be capable of predicting the implications of the consulting project. However, providing such information may sometimes be challenging, risky and even impossible for the consulting firm. Especially the indirect consequences may be difficult to estimate. For example, in the implementation of an extensive and complex IT-system the indirect consequences to various parties may be considerable. In simple one-directional, i.e. ‘directive’, ‘content-based’, and ‘transplantation-based’ cases it may be easier to estimate the consequences, provided that the relevant aspects have been taken into account in the plans. In the more complex and ambiguous cases the two-directional, interactive ‘non-directive’, ‘process-based’, and ‘translation-based’ consulting processes may be more successful, but this solution implies that the consequences be specified stepwise during the project.

## **Confidentiality**

*Confidentiality* is mentioned in all Codes. On one hand, trust among the parties help conveying specific confidential knowledge that is relevant for a successful consulting project. On the other hand, confidentiality may restrict communication, knowledge flows, and publication of the results and other aspects of the assignment.

In general, the client firms' own approach to confidentiality may have become somewhat more relaxed because of their need to 'benchmark' and share knowledge with other firms. The global knowledge bases that contain 'best practices' act as tools for sharing management knowledge. Moreover, the changes on the market are so rapid that instead of hiding knowledge several firms advertise their strategic solutions and cannibalize their own products in order to create gap to their competitors. Therefore, the perception of confidentiality may have changed to some extent. Careful negotiation is required in individual cases so that trust and learning capability can be maintained simultaneously in the client relationship.

## **Negotiating Fees**

Fees and remuneration are mentioned in all Codes. The commissions and the basis thereof should be defined in advance (ICMCI, FEACO AMCF and IMC). It may be difficult to know exactly the scope of the assignment, especially in the two-directional consulting processes. Therefore, it may be necessary to formulate the agreement so that the fee is flexibly and stepwise adjusted according to the real process and outcome. Moreover, it is often necessary to specify the final fees at the end of the project. Especially the contingency based invoicing practice requires a careful definition of the principles that will be applied when the amount of the invoice is to be determined.

## **Conclusions (a): Connectivity between Consulting Modes and the Codes**

The first purpose of this paper was to explore whether there is a fit between the Codes of Conduct and Ethics and the current modes of management consulting. Based on the previous analysis, the majority of the Codes do not explicitly mention the need to interact with the clients during the consulting process (ICMCI, FEACO, AMCF, IMC). Of these, one requests for realisticness and practicality of the solutions, which refers to at least checking the outcomes with the client (IMC). Therefore, these Codes probably tend to support one-directional, i.e. 'directive', 'content-based', and 'transplantation-based' type of consulting.

Compared to these, some Codes are much more detailed and contain rules that refer to two-directional knowledge flows, such as seeking honest criticism for the work, accepting responsibility for the actions, and assisting and advising the client of the consequences (PATCA and PMI). However, also these Codes could emphasize the two-directionality and mutual interaction between the consultant and the client more clearly and explicitly, in the spirit of the 'non-directive', 'process-based', and 'translation-based' consulting models.

## **Learning and the Development of Knowledge and Competencies**

Besides that the Codes of Ethics and Codes of Conduct act as guidelines for consulting behavior, they may also be related to the issues of developing consulting knowledge and competence. These issues are interesting to explore because they have received increased attention in the discourse concerning knowledge.

Continuous learning, competence management and the creation and transfer of knowledge are important aspects of the knowledge economy (Gibbons, 1994; Stehr, 1994; Tordoir, 1995). The firms are aware of the need to implement management models and organizational solutions that help operationalize the ideals. The earlier concept 'organizational learning' has been supplemented by 'learning organization'. Inspired, for example, by the ideas of 'business excellence' and Total Quality Management, new management models have emerged, such as knowledge management, competence management and value-based management.

Management consulting firms that help their clients survive and become more competitive, are increasingly aware of the criticality of continuous learning and knowledge also to their own business success. Their need to manage better their knowledge is reflected in the recent literature about management consultants and management knowledge (Kipping & Armbrüster, 2000). Big consulting companies have invested in developing 'world class' solutions. However, the industry is very polarized and the majority of management consulting firms is very small. While the needs to develop knowledge and competencies may be equally acute, the methods and solutions may vary considerably among small and big firms.

As to knowledge, one major line in the literature concerns the value of intellectual capital (Sveiby, 1997; Edvinsson & Malone, 1997; Roos et al., 1997). This approach emphasizes the economic value of human capital, knowledge and other kinds of intangible resources for a company. While the consulting firms do not normally use patenting to measure and protect their intellectual property, they may have trademarks, knowledge bases, expert knowledge and other resources that require protection. The issue is relevant for the clients because of the availability of knowledge on one hand, and confidentiality on the other.

Part of consulting knowledge may become quickly outdated and lose its value. Therefore, it is necessary for the consulting firm and the client alike that management knowledge is continually updated. The literature about knowledge creation (Nonaka & Takeuchi, 1995) and knowledge management (Davenport & Prusak, 1997; Choo, 1998; von Krogh et al., 1998) emphasizes, for example, the firms' capabilities to organize their internal communication, processes and knowledge flows to continually support knowledge management, creativity and innovation. Knowledge sharing has proven to be an efficient method to utilize existing knowledge and facilitate innovation in management consulting firms.

Since the beginning of the 1990's organizational competence and competence-based competition have become popular themes in the literature about strategic business management (Prahalad & Hamel, 1990; Hamel & Heene 1994). Recent approaches emphasize competence management and the dynamic and systemic nature of competence-based competition (Sanchez & Heene, 1997). A recent study on four multinational management consulting firms (Maula, 1999) shows that the firms have developed various innovative methods to accumulate, share and distribute knowledge. However, they all can be understood in the light of a theory concerning autonomous systems that produce and renew themselves continually<sup>3</sup>. The analysis shows that they evolve and renew themselves by coordinating two major knowledge flows. One flow is related to the firm's reciprocal interaction with the environment (for example with the clients), and the other one provides access to the firm's existing knowledge. The interaction with the clients may provide a powerful way to improve organizational knowledge base (Sivula et al., 1997).

## **Learning and the Development of Consulting Knowledge According to the Codes**

The Codes of Ethics and Codes of Conduct might provide guidelines for improving, managing and using the key asset of management consulting firms, their knowledge and competencies. In the following, some key issues of knowledge management will be analyzed in the light of the Codes, attempting to reveal what the Codes mention about consulting knowledge and competencies and their management.

## **Qualifications and Competencies**

All Codes mention that the consultants have to possess necessary *qualifications* for conducting the assignment. ICMCI's code presents that the consultant shall maintain a fully professional approach in all dealings with clients, the general public, and fellow members. Some of the Codes specify further that the firm must not take an assignment if the competence is not sufficient in terms of skills and knowledge (ICMCI), competence and experience (AMCF), experience, expertise and knowledge (IMC), or training and experience (PATCA and PMI). This implies, yet indirectly, the responsibility for the consulting firm to continually update and develop their knowledge base and competencies of the consulting staff.

## **Quality of the Advice**

All Codes except ICMCI provide guidelines for the *quality of advice*. They mention several aspects such as objectivity, impartiality, integrity, independence, competence, diligence, creativity, productivity, and quality in general. However, the rules do not explicitly refer to quality management and they leave open how these aspects are measured and maintained.

PATCA and PMI recommend *seeking for honest criticism of the work and crediting for others*. However, the formulation of the Code leaves open whether the criticism should be sought from the peers, clients, or some other sources.

## **Maintenance of the Skills**

Two codes (PATCA and PMI) emphasize explicitly the need to *develop the skills continually at the level of the state of the art*. However, the means for achieving this goal differ from each other. PMI recommends continued personal development and education. PATCA emphasizes the 'importance of current events in the work', which may be interpreted as the opportunity to learn from practice and each other's experiences (knowledge sharing). PATCA recommends that consultants "report, publish, and disseminate, freely, information to others subject to legal and proprietary restraints".

## **Respecting the Intellectual Property Rights (IPR)**

Intellectual property rights represent often an important part of a firm's 'intellectual capital'. While the protection of the rights may restrict the free flow of knowledge, they are a necessary precondition for publishing necessary knowledge and providing access to it, yet against payment. Therefore *respecting intellectual property rights* is an important aspect of the knowledge-based society, industries and firms. This applies also for management consulting firms and their clients, whose competitiveness often depends on the development of new concepts and methods. AMCF and IMC mentioned intellectual property rights in their Codes. They specify further that respecting should cover the rights of the clients, other consulting firms and sole practitioners, and the consultants should not use proprietary information or methodologies without permission.

## **Interaction among the colleagues**

Interaction among the colleagues is a necessary prerequisite for knowledge sharing. Some Codes (PATCA, PMI) include principles for *treating colleagues fairly* and *assisting them in professional development*. This aspect is relevant for creating a good climate for organizational learning and for facilitating the internal exchange and sharing of knowledge.

## **Conclusions (b): Connectivity between Learning and the Codes**

The second purpose of this paper was to explore whether there is a fit between the Codes of Conduct and Ethics and the needs of the consulting firms to learn and develop their knowledge continually. The analysis reveals that all Codes emphasize the *static* needs for the consulting firms to *possess* necessary qualifications for conducting an assignment and to ensure the quality of advice (except ICMCI). Two Codes (AMCF and IMC) refer to the Intellectual Property Rights (IPR) that is a central institutionalized and formalized characteristic of the knowledge society.

Only two Codes mention explicitly the more *dynamic* aspect, that the consulting firms should *develop* their skills and knowledge continually (PATCA and PMI). However, their recommendations differ considerably, concerning personal development and education (= abstract knowledge) versus learning from the current events in the work (= pragmatic knowledge). These approaches might be cultivated simultaneously since they supplement each other. The two associations also identify the value of internal knowledge sharing and learning, such as assisting the colleagues in professional development, seeking, accepting and offering honest criticism of work, and properly crediting the contribution of others. One association encourages consultants explicitly to disseminate information (PATCA).

As a summary, the analysis indicates that only few Codes recognize the dynamic learning aspect and the consulting firms' responsibility to develop their knowledge and competencies. Therefore, there are several unutilized opportunities to develop the Codes to meet better the needs of the knowledge society.

## **Perspectives**

The management consulting business has developed dramatically in scope and scale during the last decade. Although management consulting is an unregulated business, several professional associations and organizations have formed standards for professional behavior anchored in the theories of professions. Based upon these Codes the paper has explored to which extent the Codes reflect the reality of consulting as well as the new principles of knowledge transfer and learning in the knowledge economy.

The analysis indicated that the Codes primarily are based on a conventional one-directional communication from the consultant to the client. The analysis also revealed that only few Codes emphasize the dynamic learning aspect and the consulting firms' responsibility to develop their knowledge and competencies. The Codes could be improved by adopting more explicitly a two-directional approach concerning knowledge flows from consultant to client, and from client to consultant, and by including dynamic elements.

However, even this feedback-approach may be too narrow and 'mechanistic' to provide a solid basis for the Codes and to support the consulting firms' own learning and competence development. It could be replaced or supplemented by a theoretical model that reflects better the new understanding of autonomous organizations that continually renew themselves. The new thinking emphasizes the importance of the firms' reciprocal interaction with the business

environment, especially with the clients. It recognizes the need to facilitate knowledge sharing and to organize access to the existing knowledge. It supports the processes of 'knowing' and innovating that supplement the earlier focus on representing 'external reality'. Therefore, the Codes would benefit from the renewing and systematizing of their theoretical foundation, i.e., creating a modern picture about the consulting process as a mutual learning process in a changing context. From this foundation, it could be possible to pinpoint the aspects that are critical for maintaining the learning process and continual improvement of both parties.

The analysis shows that compared to the current situation in the industry, the Codes are behind in relation to the big management consulting firms that have implemented sophisticated, global knowledge and competence systems. In this perspective, the Codes could be updated to correspond to the actual standard in the industry. As to the large majority of middle-sized and small firms, some of them may be very advanced in their thinking whereas others are lagging behind. For the last group, updated Codes could provide important signals and guidelines. Thereby the updating would improve the standard in the industry.

Therefore, one of the key challenges for the management consulting industry will be to revise the professional platform of the Codes to ensure a fit between the guidelines for professional practice and the reality of consulting in the new economy.

## **Appendix 1. THE DEFINITION OF MANAGEMENT CONSULTING**

**ICMCI** The International Council of Management Consulting Institutes defines management consulting as “the rendering of independent advice and assistance about the process of management to clients with management responsibilities”.<sup>4</sup>

**FEACO** The European Federation of Management Consulting Associations defines Management Consultancy for the purposes of membership of the Federation as follows: “Management consultancy is the rendering of independent advice and assistance about management issues. This typically includes identifying and investigating problems and/or opportunities, recommending appropriate action and helping to implement those recommendations”.<sup>5</sup>

FEACO considers the following fields of activity as Management Consultancy:

- 1.** Corporate strategy and organisation development
- 2.** Financial and administrative systems
- 3.** Human resources (including executive search and interim management)
- 4.** Production and services management (including technology, logistics, R&D and quality control)
- 5.** Marketing and corporate communication
- 6.** Information technology and systems
- 7.** Project management
- 8.** Economic and environmental studies



## **Appendix 2. THE SELECTION OF THE ASSOCIATIONS**

This paper investigates the Codes of Conduct and Ethics of the following associations (the year of foundation is presented in the parenthesis):

- ICMCI International Council of Management Consulting Institutes (1987)
- FEACO The European Federation of Management Consulting Associations (1980)
- AMCF The Association of Management Consulting Firms (Earlier: ACME) (1929)
- IMC The Institute of Management Consultants (1968)
- PATCA The Professional and Technical Consultants Association (1975)
- PMI® The Project Management Institute (1969)

The associations have been included because they are established, well-known and influential international associations in the management consulting industry, and they have published a Code of Conduct or a Code of Ethics. The characteristics of the selected associations vary, for example according to:

- *Geographic coverage*: global associations (ICMCI, PMI), the US-originated and internationally oriented associations (IMC)<sup>6</sup> and regionally focused associations (FEACO in the Europe)
- *Type of members*: associations where the members consist of national associations (ICMCI, FEACO), individual firms (AMCF, IMC, PMI), and specifically on small and medium-sized firms (PATCA)
- *Scale of consulting services*: associations that cover a broad range of consulting services (ICMCI, FEACO, AMCF, IMC, PATCA) and a selected field of expertise (PMI, concerning project management).

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<sup>1</sup> The Codes of PATCA and PMI are very close to each other.

<sup>2</sup> The certification of the consultants and consulting organizations is not included in the Codes.

<sup>3</sup> More specifically: autopoiesis theory, the theory of "self-producing" systems.

<sup>4</sup> Source: (<http://www2.vivid.net/icmci/icmciinfo.html> 3.7.1996).

<sup>5</sup> Source: the Internet, FEACO homepage 18.1.2000.

It was not possible to find the definition of management consulting on the home pages of AMCF, IMC and PATCA, and the definition of project management on the homepage of PMI.

Czerniawska (1999) defines management consulting along the lines of several US consulting associations in the mid-1980s as follows: 'Management consultancy is an independent and objective advisory service provided by qualified persons to clients in order to help them identify and analyse management problems and opportunities. Management consultancies also recommend solutions or suggested actions with respect to these issues, and help, when requested, in their implementation.'

<sup>6</sup> Potentially also AMCF and PATCA