MANAGEMENT CONSULTING ORGANIZATIONS

by

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Abstract

This paper describes large international management consulting organizations such as McKinsey, BCG, and their competitors. The paper focuses on the internal functioning of these organization, looking first at their organization structure, and then at professional roles within the firm, internal communication patterns, and the evolution of individuals and firms over time. As these firms are highly efficient and effective assemblers and distributors of knowledge and information, the characteristics which support this capability receive particular attention. In addition, these organizations operate simultaneously according to three organizing principles. They are, simultaneously, traditional power-based hierarchies, sets of task-oriented case teams, and sets of diverse interest groups which build up knowledge and expertise on particular industries and functions. These three aspects of the firms' functioning is described briefly. Finally, the limitations of mono-disciplinary research on business decisions are discussed, and furhter research topics are suggested.

Introduction

Large management consulting firms specializing in strategy (McKinsey, BCG, etc.) play a significant, but often overlooked role in modern Western business. This role has at least five parts.

First, top managements look to these consultants for help in making decisions. Second, consultants help train corporate personnel in business analysis methods. Third, consultants sometimes help managers "transform" their organizations. Such transformations can involve a juggling of the organization chart or a thorough reworking of attitudes and role sets. Fourth, worldwide consulting firms disseminate business knowledge and techniques between companies and countries. Fifth, consulting firms hire large numbers of young people, both university and MBA graduates, and train them. Many of these people spend only two or three years in consulting and then go on to other firms. Consultants are, thus, a training ground for many of the West's future managers.

Given the important roles consultants play in Western business, it is perhaps surprising that academics have paid little attention to them. This paper will describe the firms' organizational structure, the roles of individuals within that structure, the functioning of work groups, communications patterns, and the evolution of firms over time. Working from this descriptive base, I will discuss some of the implications for the structuring of a knowledge organization, for organization theory, and for academic research.

The reader should note that the large management consulting firms vary. This paper does not look at their differences, but rather describes a "typical" large firm, which corresponds most closely to BCG or McKinsey. These two firms are chosen as the focus because of their large size and prominence in the field, their similarities as information networks, and their centrality in the network of spin-offs (they fathered many other firms).

Previous Literature

The business press has devoted considerable space to discussions of consulting firms. A complete list of references is impossible. Articles have typically described the industry (Burt, 1988), described individual firms, (Byrne & McWilliams, 1993; Milbank, 1993), or

discussed how client firms should manage their relationships with consultants (Caveat on the Consultants, 1991). I have found no articles which describe the internal workings of these firms in much detail, however.

The academic literature has very little about consultants at all. In her dissertation, Yakura (1992) developed an inductive theory of symbolic power based on ethnographic research at four information technology consulting firms (i.e., consultants who help firms develop computer systems). In her bibliography, Yakura found only a handful of previous works on the IT consulting (Yakura cited Moore, 1984; Orlikowski, 1988; and Czarniawska-Joerges, 1990), none of which described the internal workings of these firms in the manner of this paper.

The IT firms studied by Yakura are different from the strategy management consultants studied in this paper. A library search revealed no studies of the internal workings of these strategy management consulting firms. The author would appreciate hearing about any references known to the reader.

Methodology

This paper is based on six years of participant observation, including two years of full time employment at a large consulting firm as an associate (see below for an explanation of titles); one and one-half years completing an MBA (this period included employment interviews and other contacts with more than a dozen management consulting firms); and two and one half years of full time work at a second large consulting firm as a consultant and team leader. During these six years (and since), the author has had occasion to interview more than a dozen alumni of a third firm on the internal workings of that firm, while also engaging in conversations of somewhat lesser depth with dozens of active and former consultants from McKinsey, BCG, Booz Allen, Bain, and numerous other firms.

A Brief History of Consulting

The first modern management consulting firms, McKinsey and Booz Allen, were founded in the 1920s in the United States. These firms played major roles in disseminating

fundamental management techniques, such as cost accounting, within the United States. After the Second World War, McKinsey played a large role in disseminating US management techniques abroad. Many European and Japanese firms adopted multidivisional structures following McKinsey advice.

A second wave of consulting firms was founded beginning in the mid 1960s. This wave began with Bruce Henderson's founding of the Boston Consulting Group (1964). Through the late 1960s and early 1970s, BCG invented and/or popularized such well known analytic concepts as the experience curve and the growth-share matrix.

Unlike McKinsey and Booz, which had been relatively stable organizations for several decades, BCG in the 1970s resembled a volcano. Numerous people left, not to join large business firms (the traditional path out), but to form their own consulting firms. Bain and SPA are two of the best known BCG spin-offs. Some BCG spin-offs had their own spin-offs.

In part because of this spin-off activity, there is much organizational consistancy in the consulting world. Many aspects of the description below could describe any of the well known consulting firms. These firms hire people from the same sources, and use them in the same ways. They sell similar products to similar clients. They face many of the same economic constraints, and react to them in the same ways.

The Organizational Structure of Consulting Firms

Formal Structure

Most consulting firms have four, or four and a half, organizational levels among the professional staff. (All of this discussion will refer only to the professional staff.) In addition, there are various specialized, administrative roles played by the most senior people. I will focus most of my attention on the standard professional roles.

The four standard, hierarchical roles, present in virtually all firms, are the following (the first title given for each role is that used at BCG and most BCG jspin-offs; titles used at McKinsey follow in parentheses):

1. Associates (research associates at McKinsey).

2. Consultants (associates).

3. Managers (engagement managers).

4. Vice Presidents (McKinsey divides this group into two, Principals are the junior group, Directors are the senior group).

The transition from consultant to manager is sufficiently important that many firms have a separate name for those undergoing this transition. BCG's qualified case leaders are formally consultants, but they operate as apprentice managers. In effect, they must prove their ability to run case teams by doing it over a number of months before receiving the official title of manager.

Around these four organizational roles are built case teams. A true task force, the case team is assembled for the purpose of addressing a specific client problem, and can be disbanded once the problem is solved. Many firms try to maintain continuity in the membership of case teams, in order to avoid breaking established working relationships. Others believe people should be forced to work with a variety of others, and thus mix people up at the end of each engagement.

Case teams constitute one of the essential building blocks of all consulting firms. Not only do these teams constitute the firm's response to client needs, they also constitute the forum for the bulk of firm members' interactions. This is particularly true for junior members of the firm. A young consultant's reputation is made or broken on the basis of how he performs on assignments for clients, assignments which are invariably performed in a case team context.

In multi-office firms, case teams sometimes include members from several offices. In some firms, case team assignments are made on a firm-wide basis, with most teams containing people from several offices. In other firms, local offices control case assignments, and draw on other offices only when the local office sells more work than it can staff.

Vice-Presidents have more complex roles than other firm members. They are not only consultants, relating to the outside world, but also administrators who control the functioning of the firm itself. Common administrative roles relate to hierarchical control of an office and its day to day activities, and to the development of the practice.

Any consulting office with more than a handful of Vice-Presidents will have an office head. Larger offices may have VP's in charge of personnel assignments, training, or other specialized matters. Larger firms with many offices will have a corporate and perhaps regional administrative structure on top of the office administrators.

In many large firms, there are additional formal cross-office links. Such links are often provided through the formation of "practice groups." The key person in a practice group is the practice head. A practice head is typically a VP who has develeped an unusual level of expertise in some business discipline (e.g., marketing) or in a particular industry (e.g., steel). This VP becomes a designated expert, and serves as a resource for other firm members in his/her specialized area. When practice groups exist, they consist of consultants, managers and VPs who share the same specialized interest. Practice group membership invariably crosses office boundaries. The practice head will organize inter-office practice group meetings once or twice each year. Such meetings serve to build inter-office networks, as well as providing a forum for the direct exchange of information and techniques. In effect practice groups constitute formally established networks for the dissemination of information and techniques related to specialized aspects of the practice.

This finishes my overview of the consulting firm's formal organizational structure. In a discussion of another industry, this section on the formal structure might be followed by a section on the informal, underground structure. That will not be the case in this paper. The reasons for this are simple.

The informal structure of a consulting firm closely matches the formal structure. This is due to the fact that the formal structure is, itself, quite informal, and many aspects of what would be informal structure in another firm have been folded into the formal structure. Factions, for instance, may exist in larger consulting firms. But a typical factional issue might revolve around the issue of how to conduct the practice, or how to serve certain kinds of clients. The independence of VPs in most firms allows both, or all, factions to develop and use their own methods.

Factional battles are not normally won by argument within the firm, but rather by selling projects to clients. Whoever generates sufficient revenue survives, and whoever

generates the most revenue has the most influence. Differences of approach are not only tolerated, but even valued, as no one can know with certainty which methods will prove successful in the future. As a result, what could be a hidden part of the informal structure of another type of firm becomes an open, valued part of a consulting firm.

Individual Roles

Associates (research associates at McKinsey). The youngest entrants into the professional ranks are new university graduates who choose consulting as their first job. They typically graduated from "elite" universities. They have a general interest in business, but often do not want to specialize in any particular aspect of business. The multi-industry, multi-discipline nature of consulting work appeals to them. They view it not only as a lucrative, short-term occupation, but also as an opportunity to learn about business.

Most new associates view consulting, not as a career, but as a step on the path towards a career. They view consulting as having a high resume (CV) value. They view consulting as good preparation for business school, and for other business jobs.

Firms view associates in three ways. First, they do much of the data gathering and analytic work which forms the basis of a consulting firm's work. Second, in the US and some other countries, associates typically leave the firm to earn MBA's after three years' experience. Here they are viewed as missionaries for the firm in MBA schools, missionaries who will speak positively about the firm to other potential recruits. Third, firms hope that some of their associates will return after business school and move up the professional ranks. In some firms, associates can move up the ranks without passing through business school.

Consultants (associates at McKinsey). The consultant's role is similar to that of the associate, but consultants are hired from different sources, and take considerably more responsiblity on client projects. Consultants are viewed as the workhorses of the firm. The most difficult analytic tasks are assigned to experienced consultants. Consultants must manage relationships with client staff as well.

Consultants typically MBAs from prestigious schools. Virtually all MBA hires have worked for several years prior to the MBA. Some consultants are hired, not from MBA

schools, but from private industry. Such hires typically have profiles similar to their MBA brethren: degrees from good schools and good work experience.

Consultants' motivations are similar to those of associates. Many view consulting as a way to get good experience on the way to a career in another industry. A few hope to stay in consulting for a long time.

Structurally, the consultant's role differs from the associate's in two ways. The consultant has much more responsibility for contacts with clients, and the consultant sometimes has subordinates. The consultant is, thus, more independent, and carries more weight within the firm. Like associates, however, consultants have little control over their time. Neither associates nor consultants have much time for family and community concerns.

Socializaton of associates and consultants. The socialization processes for associates and consultants are similar. Short (1-2 week) training programs are followed by total immersion in client work. Continued immersion in work is the norm, at least for the first two years. Few people at these levels have significant time available for family or community concerns.

The separation of the new associate or consultant from the outside world is reinforced by considerable travel. In some companies these junior people may spent two to four days per week away from their home city. In busy periods, ties with family are stretched, and ties with friends and community may be broken completely. Ties with other members of the firm, by contrast, are constantly reinforced. Survival in such an environment demands a near total acceptance of values and modes of behavior of the firm.

A mitigating aspect of the time and travel demands is the access consultants have to generous expense accounts. In most firms, consultants fly first class and stay in first class hotels. When they have time to eat, they eat in the best restaurants. They can telephone whomever they want, whenever they want, at firm or client expense.

This access to generous expense money provides both an outlet for frustration ("This client doesn't appreciate my work, but at least he's paying for a good meal for me tonight"), and a recognized means of non-monetary compensation ("You may work hard and be away from home a lot while you're with us, but at least you will live well while you are away from

home"). The experience of staying in first class hotels and eating at first class restaurants makes it easier to tolerate the demands of the job.

The transition to manager. In most firms, the role of manager is viewed as being qualitatively different from that of consultant. The consultant is mainly concerned with doing good analysis. Interpersonal skill is important, but the bulk of the consultant's role involves analytic work. For the manager, by contrast, interpersonal skill is primary, as the manager is constantly involved in managing relationships with people inside and outside the firm.

In addition, in most firms the promotion to manager is a major step toward acceptance into the inner circle of the firm. A consulting firm can be viewed as a series of concentric circles. The vice presidents form a core of people who have been accepted more or less permanently into the firm. Within this core there may be several levels of centrality, with the founder and a few key colleagues forming an inner circle.

Outside the vice presidents is another ring made up of managers. Managers do not have the level of permanent acceptance accorded to vice presidents. They are not allowed to own a piece of the firm. But they are allowed to represent the vice presidents and the firm both to clients and within the firm itself. Thus, promotion to manager is not granted unless it is seen that the promotee has accepted the core values and practices of the firm, and made them his or her own.

Thus, promotion to manager is a major hurdle in a consultant's career. This hurdle usually involves two steps. First, a promising consultant will be given a chance to lead case teams. This usually involves first leading small groups of associates or consultants (1, 2 or 3 people at a time), and later graduating to leadership of a full case team, with all the responsibility for client interface that this implies.

The second step is the evaluation of one's work as an apprentice manager. Was the work good enough? Does the prospective manager display the qualities the firm wants to see in its managers? No consultant becomes a manager unless the answer to both questions is "yes."

In most firms, the promotion to manager is a major watershed. Probably less than half of the new consultants hired by major firms ever become managers. Those who do not

become managers by the end of their third or fourth year typically leave consulting, either by their own choice or at the firm's request. As a result, the third year is typically a period of high turnover.

Managers. Much of the manager's role has already been described. The manager manages case teams of consultants and associates, both managing their analytic work and their interface with client personnel. More specific aspects of the manager's role must be considered as well.

Managers are responsible for training and evaluating people on their case teams. Senior consultants may aid in this task, but the responsibility belongs to the manager. Managers share their evaluations with each other, thus developing shared opinions about the quality of the work produced by each junior member of the firm.

As managers are also work leaders, in operational control of each project, they have an enormous impact on output quality. They can encourage consultants to be creative or to use routine methods. They can push for high quality work, or they can relax and let the work slide. They can act to integrate the work of various subteams, or allow them to go off in different directions.

Junior people are dependent on their case team manager. She/he evaluates them and determines whether their career within consulting will be long or short, pleasant or unpleasant. As a result, junior people typically listen to a manager's words very carefully. Most team members deal with managers in a highly deferential way. A manager may find that his/her slightest whims are treated as orders by subordinates, with the latter staying up all night, if necessary, to do whatever they think the manager wants. In short, managers are in a position of considerable power over their subordinates, and the subordinates' behavior toward them reflects that.

Managers play their role in different ways. Some act as filters for the demands made on the case team by clients and VPs. Multiple, extreme demands on the case team's time are turned into managable demands or otherwise deflected. Such managers may go to considerable lengths to be sure that their case team's work is interesting and managable. Other managers may specialize in saying "yes" to clients and superiors. Far from filtering

extreme demands, they may amplify them in the interest of convincing clients and superiors that they are doing the best possible job. Such managers' case teams may find that their work load vastly exceeds the 24-hour day.

In some firms, consultants and associates may work for the same manager for several years. In others, there is a forced rotation. In all cases, being assigned to a particular manager can be a matter of considerable interest to the consultant (associate), and he/she may go to considerable lengths (lobbying, extra work) to be assigned to a preferred manager.

Vice-Presidents (McKinsey has two levels corresponding to vice president, Principals being the junior group, and Directors being the senior group). As they gain experience, managers are slowly given (or proactively take) more and more responsibility for selling work. First, they help vice presidents sell projects to clients. Then, after several years, successful managers sell work on their own. If they succeed, they become vice presidents. In most firms, the VP position is a tenured one. Only in the rarest of circumstances would a vice president be asked to leave a firm.

In most firms, VPs have considerable independence. While they may work together to sell projects, they typically have considerable independence to choose what type of projects they want to sell. In a few firms the independence of VPs is circumscribed. For instance, for many years a multilevel hierarchy among VPs existed at Bain. Junior VPs had relatively little opportunity or need to develop their own clients.

In most firms, a VP's status relative to other VPs is determined by his effectiveness in selling projects to clients. As a result, the VP's main preoccupation is not with pleasing his hierarchical superiors (or peers) within the firm, but with pleasing his/her clients and potential clients.

Work Groups

Case teams are normally made up of people from all hierarchical levels. The essential components are a manager and one or more consultants or associates. They may vary in size from two people to twenty or more, though a case team of more than eight people is usually two or more closely linked teams, rather than one big team. Case teams almost always have a

link with a VP, either with the VP who sold the case, or with a VP assigned to supervise the work. But VPs do not necessarily participate in ongoing case work. Many leave it to the manager to supervise week to week activity.

Case teams are defined by and built around client problems. Team size, and the roles of people on the team, are determined by the nature of the problem. The consulting office functions as a repository of resources from which the case team manager chooses components.

Case team activities revolve around internal meetings, data gathering, analysis, and meetings with clients. The frequency and nature of internal meetings can vary widely between case teams. This depends on the manager's preference and on firm style. At one company, the author participated in a start up of a client relationship which involved daily internal meetings of the full case team for the first two weeks. Biweekly meetings continued for several months. At another company, the author participated in a two month long case in which the manager met with individual case team members weekly, but there were no meetings of the full case team during the entire project. The typical pattern falls between these extremes.

Case team meetings offer a forum for communication across hierarchical levels. Associates, consultants, managers, and sometimes VPs all meet together to discuss a case. In all firms that the author is familiar with, all members of any case team are expected and encouraged to speak and share their data and opinions freely. The information necessary to solve a client problem is usually far more than any one person can gather. The analyses which must be done are also beyond any one person's capacity. Since there is little or no redundancy in roles, each team member has a unique role. Thus, each team member's contribution is viewed as essential.

Data gathering and analysis are normally performed by individuals acting alone or in groups of two. The intensity and frequency of supervision varies by manager and by firm. Some managers develop precise work plans, specifying in great detail the output to be produced. Other managers may give subordinates a problem without giving even a hint of how to approach it. At the firm level, some firms require managers to produce formal,

detailed work plans. Others have established norms which obligate managers to give subordinates much more independence.

Meetings with clients are the most important part of a case team's, and a consultant's, performance. If the client is satisfied with the work, all is well. If the client is not satisfied, all is hell.

The case team is dependent on the opinions of outsiders (clients) who are often unfamiliar to team members. This often leads to the placement of extreme demands on the case team. The team's leaders must not only expect the case team to live up to the consulting firm's standards, they must also push the team to live up to the client's standards, whatever those standards might be. Since the client is always, at least in part, an unknown quantity, team leaders push their teams to fulfill whatever expectations the client might, plausibly or implausibly, be imagined to have. Any question the client might ask is a question that should be answered in advance. Any objection that the client might raise is an objection which must be met in advance. The economic survival of the firm, the team, and every member of the team depends on the team's collective ability to answer client questions and meet client objections. As a result, there is intense pressure to explore every facet of every problem in the finest possible detail, within the time allocated for the project. The shared danger of a failed case is a very powerful force which unites case team members and forces them to cooperate to accomplish difficult goals.

Case teams typically develop a high level of familiarity with a client's industry, and with the specific business disciplines that are involved in solving a client's problem. This knowledge, which resides with the individuals on the case team, is viewed as a firm asset. People's experience is noted and tracked. The tracking is informal in small firms, formal in larger firms. How this knowledge is used is part of the story of communication with the firm.

Communications within the Firm

Consulting firms have to deal with two contradictory tensions with respect to sharing information. On the one hand, they deal with confidential client data, data which cannot be shared freely within the firm. The importance of this confidentiality rule, and the extent of its

effects on the firm, should not be underestimated. Even the recommendations the consultant makes to the client are confidential. In fact, since they relate to the client's future behavior, they may be the most confidential data the consultant deals with. The need for confidentiality in each client relationship, and the fact that this confidentiality may extend even to the nature of the work done for the client, can greatly limit data sharing within the consulting firm.

But consulting firms face pressures to communicate as well. These firms are in the business of helping clients solve problems. Often, certain members of a consulting firm may have resources which would be helpful to other members of the firm in selling a project, or in solving a client's problem. Thus, consulting firms must insure that information about firm member's capabilities is widely shared within the firm. The capabilities themselves must also be shared. If Joe knows about marketing in the perfume business, and Vera needs to know about it, then Joe must find a way to share his information and capabilities without betraying any confidential data.

Different firms have different mechanisms for dealing with the need to share information without betraying client confidentiality. In a few firms, particularly smaller firms, the problem is less intense. All members of the firm are known and trusted by everyone, and the few clients do not compete with each other. In such firms, information is likely to be widely and freely shared. By contrast, large consulting firms may serve several competing clients in the same industry. Consultants working for competing firms must be particularly careful to avoid leaking confidential information to their colleagues. In this case, the information shared may be limited to discussions of public sources of information about the industry.

While, in small firms, everyone may know what everyone else is doing and has done, in large firms no one person can keep track of this. Firm members may depend on intra-organizational networks to keep them informed. If they need a specific type of information, they may call people they know on several continents and ask them for the names of people who might help them. Such requests are usually made by VPs and channeled through office heads. Networks may exist at lower levels (particularly at the manager level) which serve as information-search paths as well.

Very large firms (over 400 professionals) are likely to go beyond informal networks to set up formal experience tracking mechanisms. Another means of coping with information complexity is to set up centers of experience in particular business disciplines or industries (the practice groups discussed above). Specific individuals are designated as respositories of data and techniques related to a specific function or industry. Such individuals may lead practice groups, which function as semi-formal inter-office networks set up to facilitate the sharing of information on a specific topic. These functional and industry groups will be discussed in more detail below.

Dynamic Aspects of Consulting Firm Management

Evolution of Personnel over Time

The roles and job titles discussed earlier are linked like rungs on a ladder. One can start as an associate or as a consultant. An associate must usually get an MBA before moving up to consultant. A consultant must perform well for several years before being given a chance to move up to manager. The testing period for promotion to manager may last from six to twelve months. A further two to three year evolution occurs before the manager is promoted to vice president. At certain firms (i.e., McKinsey), there is a further rung before the vice president (Principal) is given full tenure (as a Director).

Virtually all consulting firms operate this career ladder as an up-or-out system. Large numbers of young people join the firm, there is a filtering process, and "the best" stay. At least that is how the firm hopes the system will work. Few are forced out, except in times of great economic distress. Rather, some decide that they would rather do other things, and leave. Others notice that they are being surpassed by people junior to them, and they leave. A few of the lesser performers may fail to catch the hints and be told explicitly to leave. But in most firms, most of the time, the system regulates itself with few formal firings or "requests for resignations."

While many people doubtless leave because of changing personal interests, and not because of failure, there is a stigma attached to leaving. Most consulting firms think they are "the best." They constantly hint, or declare openly, that they hire only "the best people," and

that they want to keep only the best of those they hire. Leaving, by implication, is failure: failure to be one of "the best."

For those who leave, there are only a few ways avoid this stigma. First, a consultant can announce to his/her friends well in advance of leaving that he is tired of the job and looking for something else. Then, when s/he finds a new job which matches his/her announced preferences it will be seen as a personal success. But this only works if one is visibly doing well. In fact, such a public announcement is dangerous. In most firms, as soon as rumors start that someone wants to leave, that person's career within the firm is over. He/she will no longer be considered for promotion or for desirable assignments. This occurs because the intensity of the work is seen as demanding total dedication. Anything less than total dedication (to the work and to the firm) is considered grounds for dismissal.

The second way to leave without stigma is to find a job that is markedly better, in terms of both pay and responsibility, than the one left behind. Since consulting jobs are highly paid and desireable, this is difficult. Such jobs usually involve line management positions in firms or industries where the individual has prior experience.

A third way to leave without stigma is not under the individual's control. If the individual's superiors express visible chagrin at the departure, it will be clear that the departure does not represent failure. But this happens rarely. The norms of most firms prevent the open expression of disappointment at someone's departure. If too many good people are seen to leave, the firm's image of itself as a repository of the best people will be undermined.

Firms' formal mechanisms for dealing with this stigmatization vary. Some firms try to limit stigmatization by publishing departure notices that say, "X has gone on to pursue long-held personal goals" or "personal projects," or has "decided he was more interested in something else." One firm for a time practiced a policy of openly stigmatizing those who leave, in order to convince those who stayed that they were indeed at "the best firm" (confidential private conversation).

An aspect of the up-or-out policy which can have considerable impact on a consultant's daily life is the competition it engenders within the firm. New consultants are

particularly prone to see each other as rivals. Only a few will get promoted. Many will leave. It is easy for competitive feelings to arise.

Firms vary in how they deal with such competitive feelings. Some ignore them or let them run their course. Others attempt to limit them by carefully managing case assignments, counseling aggrieved individuals, and separating individuals who have developed a conflictual relationship. Screening during the hiring process also serves to eliminate individuals who are prone to deal with colleagues in a competitive, rather than cooperative, fashion.

The consultant's willingness, even eagerness, to endure the competition and pressure of the up-or-out system may be surprise some readers. It is not surprising to those who know consultants well. People who join consulting firms almost universally enjoy competition. They almost universally think that they will win. The long hours and extensive travel bothers them less than it would the average person because they are young and have few family ties. They are, in addition, motivated by the learning and challenge involved in the job. They see the long hours as an investment which will pay off in quicker career advancement. Many, in addition, view consulting as an experiment, something they will try for a while to see if they like it. If the experiment fails, they may be disappointed, but they are prepared to go on to something else.

Evolution of a Consulting Practice

Over time, consulting firms visibly change. People come and go. Clients come and go. Whole practice areas, even whole companies, can come and go as client needs change and consultants are differentially able to adapt to change.

For larger firms, staying in the consulting game involves continuous learning and the development of new insights. Smaller firms can survive as niche players, serving one client or working on one type of problem. A larger or more ambitious firm faces the problem of maintaining credibility with a variety of clients in a number of different problem areas. Such a firm must have an effective learning and idea development process in order to keep up with its market.

A new firm's challenge looks like this. First, the firm must establish credibility by doing successful projects for several clients. With that, it will have a tenuous hold on the market. To grow, it will have to convince other firms that it can help them. In this, it will be competing against more established firms. The new firm must learn a lot quickly for its product offering to be comparable to that of larger firms.

Established firms have their own problems. Suppose an established firm discovers a way to solve a particular type of problem. As soon as this firm has helped a few clients, descriptions of its techniques will disseminate rapidly. Other consultants will copy the new methods. Soon, numerous consultants will have products comparable to the innovator's. Clients themselves will learn the techniques and solve their problems themselves. Soon, the problem will not even exist in its original form, and the innovative consultant will have run out of work.

The only solution to this problem is the constant development of new techniques. Large consulting firms must keep track of business trends, business problems, and problem solving techniques in industries throughout the world. A large firm must, in addition, foster an internal climate of communication and creativity, to maximize the chance that it will be the mother of the next innovation. This is a difficult task, even for the best firms.

This pressure to keep up with a volatile market adds an additional source of pressure to the others already described. Not only are the members of the consulting profession beholden to their clients, they are also constantly in danger of being matched and surpassed by their competitors, a danger which forces them to exert considerable effort to develop and maintain their skills.

Consulting Firms as Non-Traditional Organizations

Consulting Firms as Information Networks

Consulting firms make their living by being among the world's best information mangers. Some aspects of their information management systems have already been mentioned. Essential components of these systems will be summarized below.

The main ways in which consultants manage information are the following. First, at

the initiation of a project selling effort, any expertise in the firm related to the potential client's industry and problem are assembled by the prospective case team and used to develop a selling presentation. Information (and personnel) may be drawn from throughout the firm.

Second, throughout the life of a project, team members may draw on other people from anywhere within the firm's worldwide network for help or information related to specific aspects of the problem studied. Such referrals are usually done through gatekeepers, who typically will be upper-level members of the hierarchy, or members of functional or industry practice groups. The referrals typically follow pre-established networks, where a VP in one office asks a VP he knows in another office for the name of someone who could help on a particular project. However the pre-established tie is not absolutely necessary. The norm for information sharing within the firm is strong enough that referrals and information will be given even when people are not personnaly acquainted.

In the author's experience, the process of looking for help and obtaining it would take only one or two days. Today it takes even less time. A senior Vice-President at a large firm recently said that such referalls typically take only hours now, due to the universal use of such direct means of communication as phone mail (private conversation).

Third, the functional and industry practice groups assemble and disseminate information related to their specialty areas. Certain managers and VPs in the firm are designated as "leaders" of a practice and they make it their business to collect information and case experience related to the practice area. Others interested in the area are invited to conferences where the latest developments in the area are presented and discussed. Referral networks are developed through practice group meetings.

Fourth, in many firms and offices, weekly or monthly meetings occur in which case teams or individuals present specific, interesting pieces of work to their colleagues. These meetings involve sharing of expertise on a local scale across the whole population of an office.

The building up of inter-office networks and the ethic of information sharing are supported through a variety of means:

1. Common language. All firm members speak English, and are trained in a common core set of business skills and business vocabulary, roughly defined by the MBA curriculum, with the addition of numerous firm-specific concepts and analytic techniques.

2. Common training. Besides the MBA or equivalent training for Consultants and above, firm-wide training occurs at each promotional level. This helps build the common language and horizontal contacts.

3. Practice group meetings help to build further horizontal contacts.

4. Evaluation and promotion systems typically put some value on an individual's willingness to share information when needed.

5. Clear messages from hierarchical superiors stress the importance of sharing information when other members of the firm need it.

6. Effective means of communication. Voice mail and fax machines allow spoken or written messages to be transmitted instantaneously throughout the world at low cost. Frequent consultation of voice mail assures rapid communication.

Authority, Knowledge and Task Management

Consulting firms are simultaneously organized according to three different organizing principles. The first is the traditional hierarchy, based on authority. The hierarchy is responsible for such important issues as assignments, compensation and promotion. Major policy issues of firm-wide or office-wide importance are decided by the hierarchy.

The firm's task activity is performed, however, not within the structure of the hierarchy, but rather within the case team structure. The case teams, in effect, have internal hierarchies which parallel the firm's overall hierarchy, but each team is independent of the other teams, and team members often have considerable independence as well. Power within the teams is diffused during the performance of a task because of the necessity for each member of the team to develop expertise in a specific area. Experienced team members are often given wide latitude to perform their tasks as they see fit, with any evaluation occurring only after task performance is over.

Most of the individual professional's effort is organized in the task environment of the case teams. The overall firm hierarchy impacts the individual only during assignment, compensation, evaluation and promotion. The importance of the case team structure is reinforced during compensation, evaluation and promotion decisions, however, as it is the case team leaders the individual has worked with who will have the greatest impact on these decisions.

In the background in larger firms is a parallel organization based on expertise, organized within the practice groups. These are focal points of the organization and dissemination of knowledge in the larger firms. Firm members with several years seniority will become members of one or more practice groups, and will find that their activities and their career are, in part, defined by their practice group affiliation. They will work, more often than not, on projects related to their practice group. They will be looked to for specialized expertise by others in the firm. They will be evaluated, in part, on their contribution to thier practice groups, as well as on their project work.

The typical professional in a large consulting organization is, thus, simultaneously a member of an overall hierarchy, a member of one or more case teams, and (after several years experience) a member of a practice group. Each form of organization plays an important role in his work life. Each form of organization is essential to the effective working of the overall firm.

Future Research

Mono- Versus Multi-Disciplinary Approaches

After presenting an early version of this paper, the author overhead a conversation between two members of the audience. One stated that, in his view, the consulting firms had taken a wrong turn in adopting up-or-out strategies. They would get more commitment and cooperation from their people if they changed this policy. His listener responded that, economically, they had little choice. If they kept people on, average salaries would increase and the firms would become unprofitable. They needed large numbers of lesser paid junior people and small numbers of better paid senior people to keep a financial balance.

This exchange is worth remarking because it illustrates the limitations of mono-disciplinary preparation for business research. Most of us are mono-disciplinary by training, experience and/or taste. But business decisions typically have implications both for firm economics and for organizational issues. A study of the business decision involved in choosing to have (or not have) an up-or-out policy cannot afford to ignore either the economic perspective or the organizational perspective. Thus, if we limit ourselves to mono-disciplinary approaches, we risk missing important features of business decisions.

Possible Topics

The above sections have given an overview of management consulting firms and how they work. Many topics could be covered in far greater depth. Future research could focus on the consultant-client interface. The broader role of consultants in the Western capitalist system has not been looked at. Why do most large Western firms use consultants? Do consultants mainly disseminate information and expertise between firms, or do they predominantly develop original, creative contributions? Do consultants represent an intellectual form of Taylorism, where responsibility for strategic thinking is concentrated in a few heads, or do they actually help firms develop more widespread skills at strategic thinking? Or, looking at the individual level, what is the impact of consulting experience on an individual career?

Other research could focus on the similarities and differences between consulting organizations and other knowledge management organizations, such as academia itself. Both consultants and academics do research on business phenomena and business organizations. But their goals, research methods, training methods, proof criteria, and methods of presentation to and interaction with business people are different. Both parties could probably learn from a comparison between the two.

Other questions could be added. The author hopes that this paper will stimulate further contributions, both descriptive and analytical, in this area.

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