

Integrity in management consulting: a contradiction in terms?

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Introduction

More and more management consultants are digging deep to unearth profound answers to ethical issues in the consulting business. Searching questions are being asked about how they perceive themselves. A number of failed consulting projects with dramatic consequences such as Swissair Group or Enron have recently hit the headlines and often brought questionable 'principles of consulting' to light (e.g. Byrne 2000, 2002). A tarnished image and eroding confidence have affected this industry especially hard: the whole business stands or falls by the consultant's reputation, because consulting performance can only be 'measured' by approximation and estimation (cf. O'Shea & Madigan 1997, Ernst 2002). Increasingly, therefore, consultants are looking to a new, ethically more robust understanding of what they do.

Morality without the pointing finger?

Ethics *per se* is a controversial issue these days. People are constantly taking decisions that have ethical dimensions, although this mostly occurs on a subconscious level. Every action that might affect other people has an ethical side to it: others can judge these actions to be good or bad, just or

unjust, moral or immoral, ethically favourable or ethically questionable. Paradoxically, most people do not want to be bothered with moral and ethical issues. Ethics is all too quickly equated with the pointing finger of well-meaning or religious know-it-alls. It is felt to be antiquated, unrealistic, surplus to requirements.

The differing moral perceptions of different cultures muddy the waters still further. What is condemned as immoral in one country may be more or less *de rigueur* in another. Faced with concrete moral demands, it is thus perfectly understandable when people question whether morality and ethics are not far removed from the realities we know – as well as being the seemingly random product of different cultures.

Integrity

Such doubts are particularly disconcerting to people who want to remain 'whole' and therefore lay claim to the virtue of 'integrity', the root meaning of which is 'wholeness'. These people contend that, while naturally motivated by the desire for self-realization and self-assertion, their actions also show them to be responsible members of the community of human beings. They do not want to sacrifice the one aspect unthinkingly to the other. They evidence the will and the strength of character not to let social values such as dignity, fairness and justice be wantonly trampled

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underfoot by their own striving for success, nor by the pressure of life's apparent compulsions.

If they do not know where they are going, however, their efforts resemble scaling a perilous mountain ridge in thick fog. To the left, they risk tumbling into the chasm of heroic self-sacrifice and self-denial. Yet, an ill-considered step to the right could just as easily precipitate them into the abyss of cynical, stop-at-nothing *arrivisme*. It would thus seem that some kind of moral compass is necessary after all: some guiding principle that transcends the cultural arbitrariness of traditional or religious value systems – that enables a justifiable self-assertion in front of all other human beings.

Ethics

Trying to nail down this generally valid guiding principle is what modern ethics is all about. Unlike concrete value systems that are rooted in specific traditions and religious worldviews, it refrains from stipulating precise modes of action that – as in a 'holy book of commandments' – prescribe 'correct behaviour' in this or that difficult situation. On the contrary, the discipline of ethics formulates a process by which to arrive at an ethical judgement of an action. This process is posited on general, fundamental principles of humanity that are perceivable to common sense: humankind's physical and psychological vulnerability and the consequential merits of protection are among these principles. So is the ability to empathize with the feelings of a specific other, to abstract and to generalize. This process thus postulates objectives for dignified human co-existence: maximum autonomy, freedom and equality of opportunities.

Jürgen Habermas' and Karl-Otto Apel's 'discourse ethics' is widely regarded as the most advanced form of such a generally valid process (e.g. Habermas 1994). Expressed in overly blunt terms, their theory says that, to judge whether an action is ethically favourable, it must be possible for the people affected by that action to justify it in a discourse that is guided by reason. As the participants alternately assert their claims in an

attitude that seeks understanding, one will ideally arrive at a *consensus* that all concerned can acknowledge as appropriate, justifiable and hence also responsible and reasonable. Owing to the manifest limitations of real life, this ideal situation never actually occurs, of course. Accordingly, discourse ethics does not claim to be a patent recipe for consensus in practice. What it does do, however, is claim to provide orientation. Without signposts to the peak of Mount Everest, explorers would never even reach the base camp.

This approach clears the way for justifiable self-assertion: in a discourse that is guided by reason, arguments that advocate striving for one's own success certainly have their validity. However, they must also be accepted as justifiable in the eyes of the other parties affected. In other words, a completely new perspective is needed if success is to be regarded as ethically justifiable: the legitimate claims of others have to be respected and taken into consideration when pursuing one's own success. Following the compass of discourse ethics helps remove the filter of egocentric, strategic one-upmanship and allows 'success' to be judged through the lens of justifiable self-assertion.

Corporate ethics

In the integrative economic ethics he formulated at the University of St. Gallen, Peter Ulrich logically develops this fundamental notion of justifiable self-assertion (Ulrich 2007). If the process of reasoned discourse itself claims to be universally valid, then it must also apply to business activity. It follows that, in the form of the justifiability issue, ethics has always been an integral part of business activity and is not some alien substance that has been artificially grafted onto economic thought.

For corporate entities, this means that the goal of profitability must inevitably be subject to ethical, self-imposed limits. Ruthless profit maximization cannot be justified in a reasoned discourse as described. Notwithstanding, Peter Ulrich's integrative economic ethics does not call for 'self-limitation to the point of utter selflessness'. In a corporate context, justifiable

self-assertion necessarily also involves earning an adequate profit. Reasonable discourse between all parties affected by a company's business activities will undoubtedly place strong emphasis on the argument for an adequate return on capital used. This argument alone cannot, however, be given precedence as a matter of course.

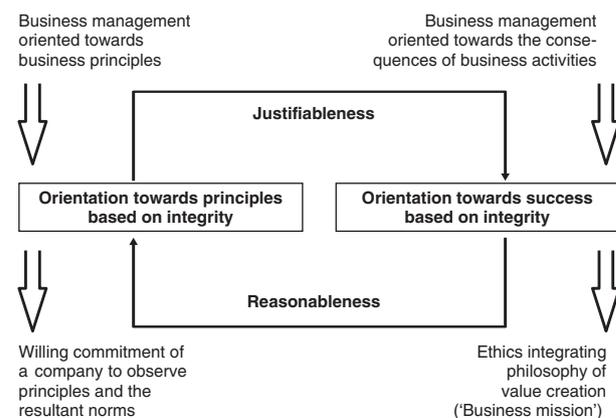
Justifiability *and* profitability are therefore the keynote of integrative economic ethics. The ethics also define a clear order of priorities, however: justifiability always takes precedence over profitability. It thus presents companies with a dual challenge: to be both ethically justifiable and to assert themselves against competition on the open market. To express this another way, companies are under obligation to pursue business strategies that are profitable and at the same time ethically justifiable. In Ulrich's own words: 'Workable syntheses of business ethics and performance-oriented logic are the goal'.

Both aspects of business activity – business principles and the business mission of creating value (in the form of a product or service provided to a customer) – must prove themselves justifiable. By this measure, it would be difficult to justify either a manufacturer who paid bribes in the process of making an AIDS vaccine (dubious business principles, although the business mission may be justifiable) or a cocaine producer who worked to high social and environmental standards (a questionable business mission, although the business principles may be ethically justifiable). Integrity in management is indivisible. Such management will always lead a company to apply justifiable principles in pursuit of a justifiable business mission (see Figure 1). In addition, a business mission that can be justified to the public at large must serve the common good, as the general public is usually affected by the consequences of business activity.

Consulting

If ethical guidelines designed to foster management integrity are to be formulated for consulting firms and individual consultants, it is first essential to define exactly what is meant when talking about

Figure 1: Integrity in business management is indivisible



Source: cf. Ulrich (2001)

consulting. Only when the characteristic features of a consulting situation – and, by analogy, of a management consulting situation – can be clearly identified is it possible to make an ethical judgement on the behaviour of its proponents.

Deliberation on what constitutes consulting goes back a long way. Aristotle and Thomas Aquinas are both on record as pondering the nature of advice and consulting. Their writings make it clear that consulting is necessary only for important decisions, i.e. when it is difficult to choose between possible courses of action, and when great significance is attached to their potential repercussions. When people about to make action feel unable to assess the available options appropriately, they turn often to someone who can offer an outside perspective to help them make their decision. Usually, this 'outsider' is regarded as an expert in the matter.

Accordingly, advice is solicited in unwieldy, extremely complex situations. This explains why advice is always situation-specific. It provides help by opening up possible courses of action that had been overlooked or perhaps discarded as irrelevant. People in need of advice only turn to someone from whom they expect genuinely useful assistance. That person or instance must therefore be as independent as possible of any putative personal gains that may be tied to the advice given.

Consulting is therefore a form of situation-specific assistance provided by an independent expert that

enables the person seeking advice to act in an 'overcomplex' situation in which they did not feel competent to act in isolation.

(Hagenmeyer 2004)

Management consulting

The characteristic features of a general consulting situation are equally valid for the more specialized case of professional management consulting situations. Here, the advice-seeker is the management team of an organization faced with an overcomplex management situation. The expert providing the external angle on the situation is an independent, professional consultant who specializes in actively intervening in such situations.

Management consulting is thus a form of situation-specific assistance provided by an independent, external and professional intervention-expert who enables the management of a client's organization to take action in an overcomplex management situation.

(Hagenmeyer 2004)

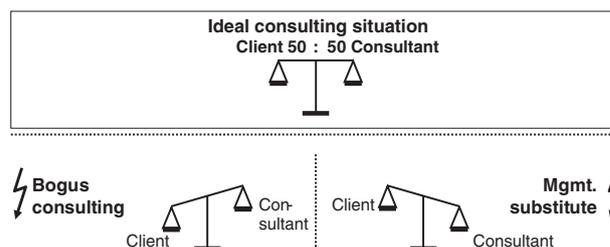
This clear definition of management consulting situations immediately shows that genuine management consulting can never be a substitute for management or leadership. As soon as consultants start taking decisions in the management's stead, they effectively become integrated in the company and forfeit their independence and external status. At the same time, it is equally apparent that genuine management consulting can never be 'bogus consulting'. If consultants merely 'recommend' actions that the management has already decided to pursue anyway, it is not possible to speak of an extremely complex situation in which the management was unable to act in isolation. This is the case if management calls in consultants either to pretend to be active without any consequences in order to calm down the owners or the governing body, or to ensure acceptance for decisions already taken or to use consultants as scapegoats for uncomfortable decisions such as lay-offs or the relocation or closing of whole sites.

Ethics in management consulting

That is why, when seeking to craft an integrative management consulting ethics as a guiding principle, it is imperative first to focus on the fundamental justifiability of a management consultant's specific consulting understanding. The characteristic features of a genuine management consulting situation that we have just described highlight the intrinsic instability of such situations. In an 'ideal consulting situation', the steady equilibrium arrived at by sharing out responsibility in equal parts keeps the consultant-client relationship on an even keel. The relationship is, however, constantly in danger of slipping either into a bogus consulting situation on the one hand (where the client assumes too much responsibility and is not open to arguments of the consultant due to his preconceived position) or of mutating into a management substitute on the other (where the client shoulders too little responsibility and is not willing to examine critically the arguments of the consultant; see Figure 2). Ultimately, the autonomous client alone is responsible for deciding to implement recommendations. Both parties nevertheless share equal responsibility for designing the consulting process – i.e. in relation to the content and relevance of the data and information provided. The clear distribution and transparency of responsibility as understood above is the core of ethically oriented consulting – because it avoids the main ethical danger of every consulting situation: the diffusion of responsibility that ends up as a 'responsibility switchyard' (Resch 2005) where nobody seems to be accountable for the results and effects of consulting projects.

Therefore, the consultant accepts for his part full responsibility for the way in which he collaborates

Figure 2: In an ideal consulting situation, responsibility for the consulting process is equally shared



with the client. This also includes dealing responsibly with the degree to which an actual consulting situation deviates from the theoretical ideal of collaboration and responsibility in equal parts. It would be far from reality to presume that, in practice, consulting can and does only ever take place under ideal conditions. At the same time, however, it would be distant from any human value for consultants to pursue an opportunistic strategy, alternately playing the bogus consultant or the substitute manager. In seeking to define an ethically justifiable form of management consulting, it is thus particularly important to have a justifiable consulting situation, i.e. a justifiable consultant–client relationship. It must therefore be clarified in advance whether, at the very least, a consulting-like situation does in fact exist!

Building on the integrative economic ethics, it is again essential to commit to justifiable business principles when realizing specific consulting projects. Consulting firms face a fundamental moral dilemma: they, like their clients, compete directly with other players in their chosen market. As such, they are permanently in danger of providing advice that runs counter to their clients' best interests – of seeking to optimize their own sales and profits rather than (primarily) to solve the customer's problem. The following ethical business principles can help them resist this temptation (cf. ACME 1991, BDU n.d.):

- Generally avoid conflicts of interest that could influence the consulting service provided.
- Do not link inappropriate economic interests on the part of the consultant to the consulting services provided.
- Do not foster unrealistic expectations.
- Only take on consulting jobs where consultants have the right expertise and experience and sufficient capacity.
- Clearly define the objectives, scope, procedure and fees for each project.
- Treat clients' information with absolute professional confidentiality (especially in respect of a client's competitors).
- Do not poach clients' staff.

The ethical nature of these business principles alone says nothing about the consequences of consulting activity, however. In order to be in line strictly with the integrative business ethics, justifiable success must also translate into a justifiable business mission. In other words, ethically favourable principles do not justify ethically questionable ends. As management consulting can have an exceptionally powerful commercial and economic impact on the common good, consultants must be exceptionally responsible in their dealings with the general public.

The initial point of departure for justifiable consulting that serves the common good is the consulting philosophy adopted by firms in this industry. Every consulting practice pursues some philosophy or other, even if it remains unwritten. This philosophy determines how consultants observe client companies, what they see, what conclusions they draw from their observations and the form in which they actively intervene. In justifiable cases, a focus on the common good is rooted in the consultants' worldview – its fundamental assumptions, its values and its ideal of a 'well-run' company. It is precisely this frame of reference that allows them to map out over-complex situations in a way that enables their clients to take confident action. From an ethical point of view, it is therefore singularly important for the consultant to adhere to a transparent philosophy.

The principal ethical challenge to consultants thus lies in the consequences of their consulting activity, which in turn depend essentially on their underlying philosophy. The very interests pursued by consultants as they seek to formulate problem-solving strategies are of fundamental importance. Their project involvement gives them a measure of responsibility in determining which avenues of thought and discussion are kept open and which are closed off. Their ethical commitment expresses itself in a willingness to examine whether the claims being asserted in a given consulting situation are justifiable in light of the common good. This is the case – generally speaking – if those claims support the security of the basic needs of people's lives or the expansion of their cultural richness (cf. Ulrich 2007). According to

the principles of discourse ethics, this means actively discussing and reflecting on the real-world claims of the people and organizations who will be affected by the consulting project in an understanding-oriented attitude. Room for such discussion and reflection must be opened – or should at least not be closed off prematurely. In this way, consultants of integrity can clearly show that ethically favourable consulting cannot be reduced to resolving specific problems with a bias towards standard business management solutions.

Integrity in management consulting

The guiding idea of an integrative management consulting ethics provides consultants who want to understand themselves as people of integrity with a compass to guide them through their daily consulting activities. It helps them to reflect on their own self-image and arrive at independent judgements among the potential conflicts of interest they encounter in practice. It also helps them identify ethically justifiable courses of action.

Management consultants with this level of self-enlightened integrity will, however, largely be able to avoid such conflicts of interest in the first place. They can do this because, drawing on the same guiding principle, they can also derive highly practical guidelines for hands-on project implementation. For the purposes of this article, it is sufficient to touch on the most important of these guidelines.

Management consultants who exhibit integrity always see their clients as equals and regard consulting as a way to reinforce their clients' autonomy. In other words, consulting helps clients to help themselves. They understand consulting as a learning process that should empower the client company to act independently as quickly as possible. To this end, they must activate the client company's self-healing powers by pursuing process-oriented forms of consulting. Where consulting is required to focus on specific content issues, they will clearly distinguish between facts and evaluations of those facts. In so

doing, they will at the same time clearly state the theoretical and practical premises that underpin their evaluations. They will see themselves as essentially neutral and independent. As such, they will also have the courage to confront clients with uncomfortable insights.

In light of the above, integrity-oriented consultants will verify whether a true consulting situation really does exist as early as the project acquisition phase. They will refuse to take jobs that seem to be bogus consulting or management substitute or contradict their ethical business principles and their philosophy, which should focus on the common good. From the very outset and for the entire duration of a project, they will give due consideration to the claims of the people and organizations affected by the project and of the public at large. They will also represent these interests, for example by actively involving these 'stakeholders' and engaging in dialogue with the aim of reaching, understanding and ensuring that the results of the consulting project are ethically favourable. They will act responsibly by clearly distinguishing between consulting services and body leasing services that temporarily boost a client's management capacity. They will also critically examine follow-up orders to verify whether these might undermine the client's own management autonomy – and whether there is a genuine need for consulting services.

This kind of justifiable consulting activity is essential to the exercise of integrity in management consulting. As companies in this line of business stand or fall by their reputation, this practice is very likely to produce the side-effect of sustainable and justifiable business success – thereby resolving the apparent contradiction between integrity and management consulting.

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