Management Innovation and the Role of Management Consulting Firms [1]

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[1] This paper draws on previous research on management consulting and more precisely on the role of large US-based management consulting firms in the diffusion of managerial archetypes. The preliminary results are part of the project entitle "Dynamic Capabilities and Long-Term Competitiveness of European Firms and Policy Implications " supported by the DGXII, TSER, European Commission.

"The crucial question to ask to management consulting is not whether is valuable, but whether it is sometimes useful"

1. Introduction

Certainly, the debate on the competitiveness of firms has fueled the search for new approaches to management and organization. There is a growing management literature focusing on organizational innovations as critical factors underlying the transformation of large corporations. Scholars, the business press, management consultants and executives speak about organizational innovations and new management styles as if they represented a new business reality. Thus, while it is widely accepted that successful firms need "good management", and most feel that organizational innovation is a crucial feature of innovation and firms' performance, there are not yet any accepted measure of its effects, its mechanisms, or even its definition (Wolfe, 1994).

A closer examination at the literature shows that some analysis refer to organizational innovations as to include, from a historical perspective, the emergence of the multidivisional structure and subsequent transformations (i.e. outsourcing, flattering, and so forth) while a vast number of analysis take organizational innovations as the adoption of a set of new managerial practices, including new work practices and internal control systems from TQM or BPR to ABC. Therefore, organizational innovations include both profound changes in corporate structures and a second level transformation which refers to administrative tools aimed at improving organizational effectiveness. First level transformations refer to competitiveness enhancing changes including corporate visions and strategy development. Second level transformations are aimed at changing operational routines and management methods.

This paper focuses on the mechanisms and factors enhancing the adoption of administrative technologies and organizational innovations as well as on the characteristics of management consulting as central actors in the provision of new managerial discourses and techniques. Management consulting products are both managerial ideas and tools designed and created to assist managers in their problem solving activities.

Moreover, beyond the effects of management consulting on firms' performance, increasing consumption and reliance on external consultants cannot be dissociated from legitimacy pressures and the symbolic value on managerial and social competence that managers and organizations derive from the adoption of such administrative technologies (Feldman and March, 1981).

Altogether, there is a substantial lack within the scholarly literature on the analysis of the consulting industry, its role and effects on corporate change. That is due, in part, to our limited understanding of the management process itself, and particularly to the dominant vision of management as an internal function of the organization. In the other hand, the analysis of management consulting as merely a fashion-setting business (Abrahamson, 1996), nurtured by guru like theories (Case, 1999), has obscured the dynamics and nature of the management consulting business and innovation processes.

In this paper we understand management consulting as a knowledge and information intensive industry aimed at providing insight as well as a set of practices that have specialize in developing specific approaches and visions to organizational problems and to monitor external and environmental changes within particular industries. Finally, the role of management consulting cannot be analyzed without accounting for the social mechanisms - legitimacy, social imitation and ideologies that characterize management.

We have focused on the management consulting industry for several reasons. First, it is a flourishing industry all over the world. Second, new management practices and business solutions provided by large US-based consulting firms have become dominant in the last ten years as American and European corporations were lagging behind their Japanese counterparts according to world performance indicators. Third, management techniques conceived by expert consultants have been marketed with success all over the world as "programs of change" for corporations in crisis, or under major restructuring process but their effects on clients' performace remain questioned. Fourth, there is an unsolved tension between the increasing standardization of management practices as management consulting became dominated by a few global consulting firms and the uniqueness of clients' problems and solutions.

In this paper we shall address two basic questions. First, we focus on the demand-side of management consulting accounting for both organizational and environmental factors explaining, in one hand, the increasing demand of managerial practices, and in the other hand, why top managers rely more and more on external advice and consultants. Second, we shall focus on the management consulting industry itself in an attempt to capture the specificity and advantages of large scale and global consultancies based on their knowledge-information processing capabilities and internal knowledge management practices.

Our analysis differ significantly from previous studies in two ways. First, we understand the increasing demand of management consulting services linked to managerial search triggered both by internal and external pressures while, traditionally, the emphasis has been on symbolic consumption and legitimacy pressures (Meyer and Rowan, 1977; Oliver, 1991). Secondly, our understanding of the ever changing repertoire of managerial techniques does not emphasize exclusively their fashion/fad nature, but the dynamics of managerial problem-solving search and how it intersects with the dynamics of innovation within management consulting firms themselves.

2. Framing the question: The consumption of management consulting

The business context in which organizational innovations and new management techniques emerged in the 1980s-1990s was dominated by two factors: (1) the productivity decline registered by US large corporations and (2) the sharp contrast between the dominant US management model and Japanese management. Consequently, the management literature experienced a major increase of comparative analysis between US and Japanese firms focusing on innovation capabilities, human resource management, incentives and reward systems, and production standards. Moreover, an increasing focus on innovation and firms' innovative capabilities have shifted attention of scholars and business managers from operations research and financial and accounting systems towards human resources management (Barley and Kunda, 1992).

In Europe such interests have been reinforced by empirical observations on differential returns to innovation efforts undertaken by European large corporations; the loss of market share and leadership in specific industries; the constant decline of the manufacturing sector; and debates about European industrial and technological policies. Factors that have largely contributed to form the impression that European firms are lagging behind their rivals in what the management literature identify as "dynamic capabilities".

The learning organization, the knowledge-based firm, the resource-based view of business strategy, the exploitation of organizational intelligence and memory, time-based competition, the value creating company, competition through quality, and so forth, are part of a new managerial discourse in which organizational change and the adoption of new management techniques are embedded (Coopey, Keegan and Emler, 1998).

However, managerial innovations do not emerge in isolation; management can not be disconnected from R&D investments and strategies, human resources and previously acquired technological and commercial capabilities as well as from the characteristics of external environments and markets in which firms compete (Hayes and Abernathy, 1980). The acquired set of routines, the sense of loyalty to corporate traditions, products and major customers, and major focus on established interests' groups, and the current distribution of power within organizational units will erode the potential for an organization to adapt to new technological and market opportunities and institutional conditions. Therefore, organizational innovations represent but one step in the process of organizational adaptation.

Moreover, there are substantial complementarities between technological innovation and the search for new management styles, techniques and methods. As long as managers, from large corporations face major competitive challenges and pressures to improve economic and financial performance, have been increasing the amount of corporate resources devoted to new product and process development they searched for new management techniques, styles and approaches. Organizational and managerial innovations are related to the increasing diversification of the sources of innovation and a greater involvement of social sources instead of purely technological. Our analysis does not reject the idea that internal forces might prompt the search of new management models though it emphasizes the influence that environmental actors, such as private investors, governmental bodies, consultants and other interest groups, pose on the adoption of organizational practices.

It is largely acknowledge, by management and organizational scholars, that management knowledge or management is more than distinctive collection of practical skills and a repertoire of instrumental tools. Though its own nature is very difficult to be defined with any precision, and the causal relationships between management knowledge and organizational performance seem to be rather suspicious. Basically, management is about two different but related dimensions (Guillén, 1994). First, it comprises a managerial ideology or discourse. Secondly, it is understood as a set of rational techniques used in the pursuit of organizational goals or, more precisely, methods and tools for *"rationally"* solving organizational problems[2].

Management is aimed at solving emerging organizational problems which result from the perceived presence of, at least, one of the three following conditions: (1) structural-economic changes including the de-bureaucratization of organizational structures and control mechanisms, the transformation of ownership, and any increase in size and complexity including product diversification; (2) labor unrest, and (3) external and international pressures and opportunities.

Search of new management discourses, techniques and methods has been fueled by change, though there are three factors that might help to explain the dramatic relevance of a heterogeneous set of management practices and approaches: (1) changes in the nature of

[2] Rational in this context refers to an appealing façade that may be important for the internal acceptance of new management models (Demski, Lewis, Yao and Yildrin, 1999).

work and critical inputs; (2) the tightening of corporate control exercise by external investors and stakeholders over large publicly listed firms; and (3) institutional changes.

Search and adoption of new administrative technologies cannot be isolated from the primary concern of large corporations' managers, the effectiveness of control mechanisms within the organization. During the 1980s and the 1990s, as result of the competitive challenges faced by US organizations pointed at the beginning of this section, it has been noticed (Ocasio and Kim, 1999) a significant shift from the finance conception of control, that takes the corporation as set of assets that could be managed through the use of economic and financial indicators (Fligstein, 1990) towards alternative conceptions not yet perfectly defined or institutionalized but grounded on the value of human capital, intangible and uncontestable resources, innovation, learning and knowledge creation. Finally, more dramatic and structural changes on corporate governance have occurred challenging corporate financial control such hostile takeovers, mergers and acquisitions.

Changes in the composition of the workforce, and the increasing reliance on knowledge assets, demands new control mechanisms as the nature of tasks are more difficult to monitor throughout traditional bureaucratic and financial mechanisms. Internal control mechanisms have evolved towards subtle forms, as new managerial discourses emphasizing culture, values, empowerment and team work indicate (Jermier, 1998). A wide range of methods, such as quality circles, team-based incentives, management by objectives and so forth, have been introduced in modern corporations (Ezzamel and Willmott, 1998). They represent new forms of control and show the inherently duality in human resources strategic management: the use of rational considerations together with collaborative dimensions (Gooderham, Nordhaug and Ringdal, 1999).

However, it may be wrong to focus exclusively on new human resource practices, organizational culture ideologies as the dominant internal control mechanisms in corporations. Simultaneously, there is an increasing appeal and interests on new corporate visions as well as on new managerial techniques designed to accomplish with the goals of financial control, such as ABC (Activity Based Costing) and other cost control methods, implemented by large and diversified corporations.

Large corporations, and their managers, are confronted not only with external pressures such technological race, or global competition but those exercised by institutional investors and the popular business press, claiming the failure of governance mechanisms to promote managerial accountability to stockholders. This concern has been reinforced by academic research on the lack of effectiveness of current governance structures to monitor and control managers' misbehavior, and moral hazard problems associated to information and power asymmetries. External pressures of this kind have lead to the adoption of new formal practices (i.e. executive compensation methods) as well as the use of socially accepted managerial discourses which play a significant role in the social construction of corporations' market value (Kumar and Sopariwala, 1992). External pressures on corporate governance have been also accompanied by new government interventions and initiatives as those concerning the composition of the board of directors, information requirements on internal activities and some times on highly sensitive internal policies reinforcing the role of accountability and liability (Westphal and Zajac, 1998).

The effects of external constituencies on the adoption of new managerial practices are twofold. First, managers may adopt and implement new techniques to make their actions more accountable. Secondly, managers may just adopt new language that are seen as socially legitimate, and therefore they will be willing to shift from one ideology to another as they gain social acceptance (Peffer, 1981; Astly and Zammuto, 1992). Insofar, capital market reactions to the adoption of corporate governance innovations such executive compensation are positive[3]; and they could be interpreted as the recognition that the effects of such practices and strategies would result in performance benefits in the long rung. Though, these effects might indicate but be the social acceptance in the short run of management and managers under conditions of uncertainty and ambiguity. Despite these very different reasons, both the adoption and implementation of practices and the symbolic adoption of managerial discourses, lead to the same outcome: increasing demand of new management practices and models as means to prevent the negative effects of the social perception of corporate management. These negative effects influence the market value of the corporation

[3] Though, the adoption of other management practices such TQM did not have the same excepected results (Hackman and Wageman, 1995; Zabaracki, 1998).

and at the same time they clearly undermine the internal basis on which managers base their authority (Schuman, 1995).

Thus, the consumption of management practices and tools may not be aimed at increasing economic performance or but to create the collective illusion and confidence on management within both internal and external constituencies (Kraatz and Zajac, 1996).

Finally, the internal dimension of corporate control and external control mechanisms and social pressures act in quite opposite directions on the time horizon of managers' actions and decisions, as reflected in the imaginery of managerial discourses. The pressures and demands of institutional investors (financial external control) on those firms which depend on public equity, are almost incompatible with the idea that repositioning the competitive position of firms in a global and dynamic market might take more than a few years as internal control mechanisms seem to be designed for. Therefore, the cost of being large, public, visible and profitable in the short run might be very high in the long run as opportunities for corporate renewal are lost.

Search of new managerial practices is clearly triggered either when performance falls below some acceptable range, when internal control mechanisms fail to achieve organizational goals and when organizations face dramatic institutional and environmental changes (Armour and Teece, 1978).

Periods of turbulent change are characterized by the emergence of new managerial discourses and practices (Kimberly, 1981). The 1980s and the 1990s have been years of turbulent change, specially for European firms, including hanges in their legal and regulatory environments, pressures on new product development, and changes in the competitive landscape after several waves of global mergers and acquisitions. Mergers and acquisitions, often quoted as a significant source in the growth of management consulting, are more linked to the audit business. However, mergers and acquisitions clearly introduced changes in corporate control and consequently specific management styles and practices are likely to be adopted and implemented, particularly in the post mergers and acquisitions phase. Therefore, one of the major factors underlying the expansion of management consulting in

Europe is the deregulation of markets and the application of a new body of antitrust legislation. Managers of large corporations traditionally operating in regulated markets face three basic problems: (a) the design of effective and efficient pricing policies; (b) how to sustain economic profitability in a competitive environment; and (c) how to define new long term strategies.

Finally, increasing demand of managerial innovations and techniques has to be related to the internationalization and globalization of business. Globalization requires the adoption of new business process, product development and marketing strategies as well as new strategies such global sourcing, adoption of global standards and the redesign of logistics.

Thus, search of new management practices and methods is problem-driven, and exploration will be sustained until a new satisfactory alternative is found. Consequently, managerial techniques and practices might emerge and vanish rapidly not just as a consequence of their fashion/fad nature (Abrahamson, 1991) but as result of two factors: (1) their causal ambiguity when evaluating their effects on organizational performance, and (2) the lost of investors' confidence on specific techniques when their effects do not appear quickly. Altogether, the search and adoption of new administrative technologies is fostered by legitimacy pressures and the symbolic dimension that the adoption of the latest "business solution" conveys. The adoption of a administrative technology, that may be eventually successful, is both the result of systematic search actions or bandwagon effects and rational imitation behavior (Abrahamson and Rosenkopf, 1993; Hëdstrom, 1994).

Both fad and fashion perspectives have become widely used to analysis and explain how specific administrative technologies are diffused among organizations, assuming that the diffusion of innovations occurs under conditions of uncertainty and institutional pressures (Hauschild and Miner, 1997). Managers and companies proceed under the "emulate the winners" approach, without accounting for the specific cultural, structural and cognitive patterns that contribute to their uniqueness. This suggests that the spectacular growth of the management consulting industry is but one piece of evidence that managers have internalized the belief that if they could somehow come up with the right strategy they too could be successful. In such context, often good management has been replace by a repertoire of quick fixes (Hilmer and Donaldson, 1996).

Lastly, the increasing relevance of management consulting firms rests upon both their technical ability and reputation. Consulting firms based their business through the generation and maintenance of demand for their services, and they do that not always based on objective facts but through the social construction of what is useful for managers or will add value to the organization. What matters is the company's ability to convince clients of the value of long-term relationships.

3. The advantages of external management consulting. What do management consulting has to offer?

Management consultancies provide advisory services by specially trained and qualified personnel who assist, in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions.

External management consulting is more likely to appeal organizations characterized by major knowledge gaps concerning environment monitoring –i.e. market competition and the structure of the industry within which the firm conducts its business, or facing internal conflicts on the allocation of power within different organizational coalitions. A management knowledge gap refers to incomplete, fuzzy or wrong representations of both the internal and external environment of the firm. Knowledge gaps concerning management are likely to emerge because knowledge is unevenly distributed and imperfectly shared across agents, firms and industries. Such gaps might be filled by actors who act as brokers, and benefit by transferring ideas from those who have them to those who lack of those ideas.

In such context, management consulting firms provide managers with both information and legitimacy. Since legitimacy issues concerning management and the adoption of managerial practices have been of major interest within the management literature (Tolbert and Zucker, 1983; Hauschild and Miner, 1997) in this section we shall focus more on the characteristics of management knowledge and how consulting firms benefit from such traits. The debate in management and business studies on organizational innovations has left unexamined the process through which consulting firms and consultants create new managerial knowledge and tools or just transform existing practices and patterns into commercially relevant expertise.

Organizational and managerial scholars claim that management knowledge is the outcome of a developmental process in which what is learned, and the body of knowledge produced, is profoundly grounded in the social conditions and contexts in which such knowledge is embedded. Management knowledge, and their corresponding learning processes, are linked to the framing of specific decisions-actions sets. From this perspective, management knowledge is far more than a set of technical tasks, it is a "cultural frame". However, without rejecting the links between framing processes and the social embeddedness of both managerial cognition and action, it is worth noticing the increasing role played by experience distant management knowledge.

The idea of management as "experience-near" knowledge contrasts with the characteristics of management knowledge of large consulting firms ("experience-distant") in which ideas and knowledge are produced as the outcome of interactions with different and heterogeneous agents and organizational contexts. One of the crucial features of consulting firms rests up on their ability to develop, maintain and enhance the conditions under which management knowledge and ideas are spread and can be used to solve different organizational problems face by a universe of business organizations operating in high velocity environments. And they might do so by combining ideas produced by different groups to solve the problems of other organizations (Hargadon & Sutton, 1997).

Management consulting firms do more than just disseminating and transferring management ideas across organizations, industries and countries. They often provide management basic insights that help companies to tap into their hidden resources and reserves and achieve their transformations (Schaffer, 1997). Management consulting firms acquire information at any time, store it and retrieve it to create new combinations of old ideas, in a process that might be described as of the routine creation and, therefore, evolutionary.

Management consulting firms might be thought as specific cognitive structures able to recognize, seize and face environmental changes and pressures faced by other organizations, and to provide knowledge, ideas and sometimes techniques based on wisdom, experience and some other analytical tools that may reduce uncertainty and adaptation problems of client's organizations. However, it may happen, that because of causal ambiguity between problems and solutions, the factors noticed by external consultants may not be the factors that enable these companies to achieve success or to increase their performance levels. That lead us to consider that management is an unclear technology. Unclear means that the causal relationships between specific management practices implemented and their outcomes are often ambiguous or largely unstable. The market for management consulting increases as result of the lack of a clear and direct matching between problems and solutions.

Professional consultants are trained to solve problems that require constructing a coherent account of problems and malfunctions out of the limited understanding of data and documentation provided by a single firm [4]. They make a diagnosis about a particular organization through the evocation of old experiences and new insights. Separate, different and similar experiences converge, leading to a coherent diagnosis and shared vision of problems and solutions.

Management consulting services are rendered by firms which have large mixed knowledge and facilities in all the major transnational business locations. The development of management consulting may be explained from the economics of string, retrieving, and exchanging valuable knowledge about the structure and the viability of organizational practices at international level. Management consulting firms, and more specifically large or global consulting firms, perform the role of connecting ideas, agents and organizations and, therefore, provide *solutions*, either new or old, to identified problems, or conversely, they identify problems for which they may have solutions.

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[4] Fortunately, management consulting firms have biographies and archives, and their factual experiences account regularly for about 70,000-80,000 management consulting projects conducted in a quite similar number of firms. Therefore, the value added by the consultant is one of systematizing and organizing such huge amount of information and know-how.

Misrecognition is one of the limiting factors faced by individual managers, who might wrongly assume that new management solutions can be generated and successfully implemented from a set of canonical steps (Kiesler and Sproull, 1982; Zajac and Bazerman, 1991). Therefore, one of the advantages of management consulting firms is to reduce the effects of "isolation errors" that may appear when managers treat their organizations' problems sequentially and as unique (March, Sproull and Tamuz, 1991).

Managers operates on the basis of trial-and-error procedures, the residue of learning from past experiences and accidents, rational imitation and the inventions born of necessity (Cohen and March, 1974/1986). In such process, individual decision making might be limited by the required interpolation between abstract accounts and specific demands to achieve success. Avoidance of misrecognition costs make managers, at their best, quite conservative in their actions, and constraining the introduction of organizational shocks, and organizational innovations start with shocks. Consultants might organize sequential shocks of innovation as a continuum in which they supervise performance and suggest incremental improvement either if endogenous failures are recognized or exogenous changes take place.

Moreover, management consulting play a significant role by reducing the associated costs of search and limiting the range of potential solutions in a context dominated by both uncertainty and ambiguity (March and Olsen, 1976), and therefore they seek to imitate other organizations.

In addition, the role of management consulting should be related to what has been termed a normative theory of managerial attention (Ocasio, 1997). External management consultants help top managers to identify relevant issues (Weick, 1992) in a process of issue-selling (Dutton & Ashford, 1993). However, it would imply that diagnosis, expertise and use can be decoupled. To the extent that expertise and use can be decoupled, the process of diffusion of managerial practices is accelerated (Attewell, 1992; O'Neil, Pouder and Buchholz, 1998).

4. Management knowledge creation and accumulation and the basis for management consulting advantages

The association of management knowledge and techniques with practical experience and, therefore, tacit knowledge and experiential knowledge as pointed in the section above, is widely acknowledge, though rather odd with the idea that such knowledge can be created, codified, accumulated and diffused all through an exchange mechanism governed by market rules. Top management consulting firms are characterized by a specific set of capabilities by which they convert tacit and highly specific knowledge and experiences into codified knowledge, and therefore it can be marketed or transferred through market mechanisms.

Additionally, management knowledge, both tacit and explicit, implies the capability to scan the external and internal environment of the business organization to leverage and enhance firms' resources and to be able to act according to expected changes and challenges. From such perspective, management knowledge combines: (1) *insight*, defined as the ability to identify potential useful alternatives; (2) *competence* or the ability to execute plans and routines and, (3) *initiative* or the ability to act on these potential alternatives. Consequently, management requires both abstract and analytical thinking as well as a constant learning process based upon cognition. Competence and initiative rest upon the firm's management structure, while insight is often provided by consultants as a way of looking outside the company for keys to improvement and perceived needs. Insight is what adds value to the client organization rather than any other information of management method.

Here, we assume that perception as a basic trait of management consulting firms consists in an interpretation of the problem faced by a specific organization and, consequently, perception refers to a mental construction based on knowledge and information structures (Langlois, 1997). Thus, management consulting firms may be defined as "systems of interpretation" in which sense making is particularly important (Hayek, 1978).

However, there is a basic question to ask around this observation on what makes a management consulting firm different in its recognition and perception capabilities? Do management consulting firms have developed a higher perception apparatus than other firms? If so what are the reasons behind? Do they have superior information processing capabilities and how such organizational routines develop? Thus, we must focus on the specific processes within management consulting firms that yield to the development and enhancement of such capabilities.

The management consulting firm dependence on its own "cognitive map" built up on past experiences, and the categories created from them, implies limitations on the firms' ability to anticipate and respond appropriately to entirely new stimuli[5]. Constraints on perception capabilities may explain the burgeoning business of small management consultants and solos, highly specialized in the supply of particular rules of action (Kennedy Information, 1999).

Management consulting companies are based one expert knowledge and on information as they provide innovative solutions from recombination of knowledge or ideas. Because of recombination, they will scarcely ever respond twice in exactly the same manner to clients' needs even if they have develop internal procedures aimed at providing standardized solutions.

The identification of problems and the subsequent matching of problems and solutions within consulting firms is characterized as one of logical/analogical chaining but it may well be a matter of timing (Eisenhardt, 1989); that will allow the application of garbage can models (Cohen, March and Olsen, 1972). In this paper, however, we do not take this perspective but a simplified model of knowledge creation within management consulting firms which emphasizes their advantages and relative superior capabilities to monitor corporate change. Based on the definition of top management consulting [6], our model is based on five critical steps: (1) Access; (2) Learning; (3) Bridging; (4) Marketing and (5) Monitoring.

Access is defined by the specific position of a management consulting firm in a particular network of social actors (i.e. large corporations, their competitors and legal or regulatory

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[5] A good example on this limiting factors can be foind in McKinsey and Co. and the restructuirng process on their internal consulting business undertaken by the firm as the diffusion of the M-form has lost acceptance as basic organizational structure (Kipping, 1996).

[6] "Our practice depends heavily on interpersonal skills, the experience of our consultants, our collective ability to market our services, the methodologies we use to consult with and ultimately on quality ehen it comes to delivery and implementation" (Kennedy Information, 1999)

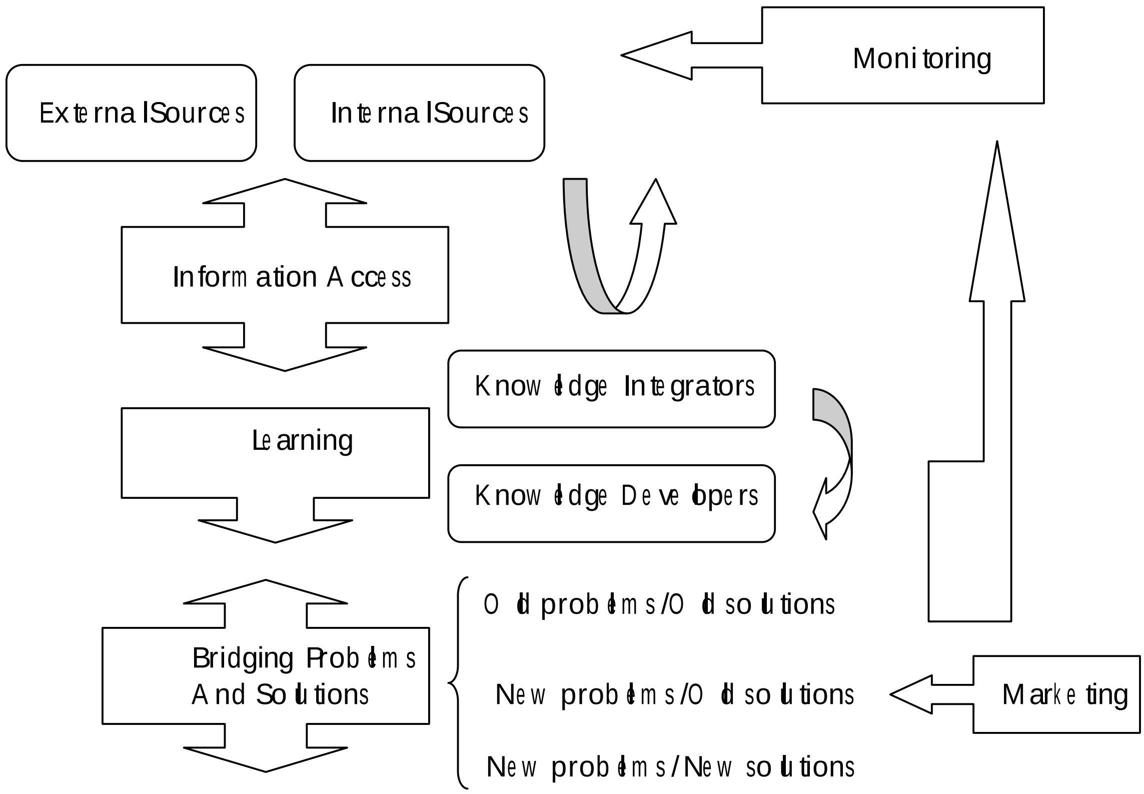
bodies). That access implies that a management consulting firm in a core position has information advantages either on different managerial domains, different industries or different organizations. The position of large management consulting firms in a social network helps to understand their role in fulfilling legitimate interventions.

Learning within management consulting firms is a critical process, and it refers to how ideas, concepts, and methods enter into the firm, are held, stored and shared, and finally used through recombination in different consulting projects. This internal learning process requires the institutionalization of practices, codification of experiences, a set of incentives for sharing information and experiences as well as formal processes for collecting the best experiences. There are two basic types of roles: the knowledge integrator and the knowledge developer. Knowledge integrators are critical to provide adequate standardization and consistency for the consulting services and, therefore, for the institutionalization of experience and timeless working of organizational memory. Knowledge developers are in charge of defining specific contents for specific projects and demands, they work at the interface with major clients. Knowledge developers are dependent very often on knowledge integrators.

Bridging refers to internal processes of adaptation of old problems and solutions to new demands. It is a process of matching clients and firms. Linking past experiences to new and perceived needs is mainly a process of combination and recombination that rests upon recognition and identification of similar features. This step requires codification of experiences and standardization of what is learned from specific projects. However, linking ideas often includes finding non obvious links between problems and solutions. Additionally, the ability of consultancies to succeed will also depends on its clients that, in turn, affect their attractiveness (Demski et al, 1999).

Marketing as a basic function of management consulting and it is understood as the efforts and resources devoted to successfully market selected business solutions as to become one of the most relevant paths in the diffusion of managerial innovations. Large marketing and client channels are a basic building block in product innovation strategies. Marketing includes the development of large and stable networks of clients, such large and stable network of clients has to be built on trust and reputation.

Monitoring, which is often associated to the implementation of management practices within specific organizational settings. Implementation is often reported as the last step in the consulting process while for us monitoring is a basic step in the learning process of consulting firms. From monitoring, consultants gather new information on the effectiveness and usefulness of the services they provide. Monitoring largely serves to make possible organizational shocks in a basic organizational continuum in which specialists prevent the organization from harmful measures and suggest incremental improvements.



The aim of management consulting is, basically, the combination -production and diffusion- of ideas -managerial knowledge- and techniques. Management consulting firms are based on knowledge work to supply knowledge-based products for which timing is becoming the most relevant variable to increase the market value of their products and to capitalize on specific market opportunities. However, as important as timing is the particular position the consulting firm occupies in a broader network of social actors which account for the social acceptance and legitimacy of their on going business.

Nevertheless, because the creation of managerial knowledge can hardly be speed up, such competitive advantage will be captured by the distribution channels -connectivity and connections- between the consulting firm and other relevant players. In such context outplacement policies implemented by large consulting and auditing firms becomes meaningful.

The continuos updating of information and knowledge, and the ability to benchmark such internal and factual experiences provide the basis for improving the quality of consulting firms business solutions and allow them to innovate in the field of administrative technologies. In short, management consulting have a pragmatic general theory; they look for particular solutions for specific purposes and the matching or fitting between problems and solutions depends on: (1) the number of solutions or alternative modes of organizational design and management available; (2) their ability to discover new management practices or solutions; (3) the proper understanding of the managerial practices or business solutions they provide; (4) the ability to foresight the viability and implementation of new practices; (4) the capability to convey symbolic value based on social construction of management, and (5) the capability to introduce shocks within an stable organizational setting and to monitor long term effects.

5. Knowledge driven and methodology based consulting: The globalization of management consulting.

Management consulting firms specialized in the marketing of management concepts, techniques and solutions; their primary function is to successfully commercialize and exploit "management" knowledge, ideas and experiences. Consulting must provides information as well as non-standard problem solving services. However, often what large management consulting firms do is vastly profitable but mostly neutral in terms of achieved performance for clients.

Management consultancies specialize both in specific industries and/or in particular services or tools such as economic value added, activity based costing, time-based competition. Hence, the market niche of management consulting firms has at least two dimensions: (a) industry-expertise, and (b) technical expertise. Such distinction lead us to question whether management consulting firms act as cross pollinators across firms within the same industry or across industries [7]. It may be the case that a particular consulting firm may have a broad niche with respect to one dimension (i.e. industry) and a narrow niche with respect to the other one (i.e. IT). Thus, which dimension to emphasize will be an important substantive question not only for the purposes of our analysis but for our understanding of the business of management consulting. Typically, large and global management consulting firms claim to have expertise in "an array of services" while having expertise and credibility in a short-list of industries.

Management consulting are increasingly differentiated on the basis of their expert knowledge or on the methods and techniques they specialize upon. The first type refers to strategic advice aimed at improving a firm's competitive position while the second refers to either incremental or radical changes in work processes, organization of production, and information technologies (Figure 2).In practice, management consulting firms are much more complex; not all management consulting activities exhibit the same characteristics and constrains on knowledge creation, not all of them act as catalyst nor as knowledge brokers and therefore the levels of client involvement and application of highly standardized practices vary according to the set of problems and solutions management consulting is aimed at. Therefore, we must differentiate between:

(a) ***Management models and strategic management consulting*** in which professional knowledge is complex, based in direct client involvement and aimed at introducing shocks within the organizational continuum as to provide the basis for further organizational innovations and introduction of new management practices.

[7] Thus, it may be misleading to consider that there is a set of new management techniques, with a growing significance which is not limited to one economic sector or country. Such perspective subtly denigrate the nature of management and managerial knowledge by the simple adoption of a canned technique.

(b) ***Business processes and products development*** in which management consulting firms offer a set of techniques to improve identified production problems within the organization.

(c) ***Systems development/IT***, highly specialized consulting and often identified as the hottest area in consulting today though of low value added even if they represent a significant portion of total revenues of large and global consulting firms. There is general trend within management consulting firms to contract out the most basic information technology services and to subscribe international alliances, and collusive agreements, with the big global players for systems development software.

Concept	*Help organizations to define*	*Consulting Firms*	*Type*
Vision Formulation	• *Values and culture* • *Mission and objectives* • *Corporate structure and governance*	• *McKinsey & Co.* • *The Boston Consulting Group*	*Knowledge Driven: Insight and diagnosis (problem identification)*
Strategy Development	• *Markets and competitors* • *Core capabilities* • *Financial goals* • *Acquisitions and Divestitures* • *Top level organization*	• *McKinsey & Co.* • *The Boston Consulting Group* • *Andersen Consulting* • *Arthur Andersen* • *Booz Allen and Hamilton* • *KPMG*	
Development and Implementation Process and Products	• *Business process optimization techniques* • *Integrated Manufacturing Systems* • *"Benchmarking"*	• *Price Waterhouse & Coopers and Lybran* • *Andersen Consulting* • *Ernst & Young* • *Deloitte & Touche* • *KPMG*	***Methodology Driven*** *Business solutions provided to identified needs*
Systems Development (Information Technologies)	• *Systems integration* • *Information systems architecture development*	• *Andersen Consulting* • *Price Waterhouse & Coopers and Lybrand* • *Ernst & Young*	

Figure 2. A Classification of Management Consulting Firms

6. Different models of knowledge management within large management consulting firms

It is worth noticing the critical role played by knowledge management within consulting firms and aimed at: (a) building unique data set of information based on the best experiences and projects run by the company everywhere and available on line that allows consulting firms to benchmark on the basis of best practices and a variety of experiences; (b) the creation of their own "knowledge basis" that generate new practices, methods, tools and procedures to ensure homogeneity among business units operating worldwide and based on highly specialized knowledge hold by expert consultants; and (c) knowledge production in management consulting firms do not follow a general pattern; some consulting firms made a strong defense of consulting-universities cross fertilization while for other consultancies such ties are of minor interest because of the substantial gap in the development of expert business knowledge within traditional academic structures.

However, even if management consulting firms exhibit high advantages in the provision of professional knowledge and expertise, and they achieve high flexibility by pooling expertise, in order to maintain its revenue stream and reputation they have to solve clients' problems effectively. These two characteristics are crucial to understand the organizational structure of consulting firms as well as how the function in the final market.

The standardization or level of standardization of management products/services by consulting firms would be a function of internal organizational processes, and how knowledge and information is stored, organized and distributed within consulting firms.

Theories of the MNCs suggest that the parent organization is the major provider of new knowledge subsequently exploited abroad through the international expansion. In contrast, alternative models have been proposed seeing the multinational corporation as exploiting and maximizing its "combinative capacity", or the ability to generate innovative combinations based on knowledge and capabilities distributed throughout the multinational system (Nohria and Goshal, 1997). Based in this analysis, management consulting firms might organize their knowledge and information processing capabilities accordingly to three different organizational structures: (a) global for global; (b) center for global; and (c) local-for-global. The application of such model to the MNCs management consulting firms already investigated shows the following characteristics:

(a) The emergence and diffusion of new management practices and models respond mainly to the "global-for-global" innovation processes [8] They require a huge amount of resources devoted to the creation of strong communication links within subsidiaries, among subsidiaries and between the headquarters and the subsidiaries. The continuous up dating of information and relevant experiences makes possible this procedure. That requires also intensive training both collective and individual among consultants operating in different countries and two-ways transfer of consultants among headquarters and the different national facilities. This type of knowledge production or innovation process is quite significant for management practices when applied to global industries.

(b) Second, some large management consulting firms engage in a process of management knowledge based on "center-for-global" strategies in which a central facility such as a "knowledge center" is managed by the central partner generating a set of practices for worldwide use. Partners or subsidiaries operating in different countries are just responsible for the implementation of the new services provided by the company, though they often may select the range of services and practices to be supplied in a particular location from a general portfolio of activities supplied by the U.S.-based central organization.

(c) The specific nature of the management consulting business allow for some "local-for-local" solutions ; local consultants innovate by adapting global managerial practices to local specific needs. Generally, the process of local adaptation is imposed by customers' specificity, and they are particularly relevant in traditional industries in which country-specific factors are still important. Though, local innovations often are combined with global solutions. Additionally, local facilities of global consulting firms exhibit a relative independence in the development and adoption of a limited number of practices that are both country and industry specific.

8 Global for global means that *"instead of finding individual local solutions or imposing a central solution on different subsidiaries, innovations are created by pooling the resources and capabilities of many different organizational units of the multinational corporation to arrive at a jointly developed general solution to an emerging global opportunity"* (Nohria and Goshal, 1997).

Therefore, differences across multinational consulting firms in the production of new knowledge and innovation have to be related to differences in : (1) organizational design and the relationships between central and peripheral operations, thus for firms organized like "federations" rather than as headquarter-subsidiaries networks knowledge production is still dominated by central-to-local models; (2) patterns of communication between different units and the organization of internal systems of information and processes of information accumulation; (3) socialization process and international experiences of senior consultants; and (4) distribution of knowledge assets.

7. Final remarks

Summarizing, in the existing literature there are two conflicting dominant views of management consulting firms: (a) A native perspective which emphasize their role as "agents of change" (Schaffer, 1997); and (b) a rather skeptical vision of management consulting in which consulting is the outcome of institutional pressures on existing organizations and managers and, consequently, consulting is used as a device in a continuous process of legitimation. Finally, as there is a substantial lack of evidence on the effects of management consulting, specially of strategic management consulting, on firms' performance, consultants are thought as social actors engage in rent seeking activities. Often consulting is seen as a failure to consistently produce significant results but it has been able to convince most clients to accept as success the delivery of its services rather than the actual achievement of some measurable result. However, a closest analysis to the relationships between external management consulting activities and managers duties may bring a different perspective. As shown in this paper, management consulting provides insight and it helps managers to focus their attention on what are the most relevant challenges faced by the organization and what could be some of the most commonly and socially accepted solutions. Solutions are not understood in terms of economic efficiency but in terms of organizational effectiveness. In the other hand, management consulting has become crucial as there are significant costs associated to managerial search for new organizational solutions. In this paper we claim that search and demand of management practices is fostered by ambiguity or causal ambiguity between practices and performance as well as by bandwagon effects and rational imitation processes explaining managers' patterns of behavior. Social legitimation arguments have been widely applied to the adoption and diffusion of managerial practices (DiMaggio & Powell, 1983; Meyer & Rowan, 1977 or Zucker, 1977). However, while certain kind of practices are adopted because of social pressures while others do not follow such pattern.

Secondly, we might approach shifts in management orientation and practices, as a change in managerial discourses. Frequently, the terms management and management models are used as interchangeable to convey at least two different concepts. First, they refer to a body of general and technical knowledge applicable to specific and practical situations. Secondly, they refer to denote a concept of a system of control and authority and, in such context, a model of management is in fact an ideology aimed at establishing legitimacy and reinforcing credibility. Managerial ideologies and discourses based on corporate culture have fostered a flourishing industry in management research and consulting during the last ten years. Management practices and innovations in this field are characterized by the relative scarcity of general patterns but they have become standardized over time. It seems that, today, such standardization arise from within global management consulting firms operating in the field. Thus, we might suggest that the initial locus for the routinization of management practices lay within a few central "intermediary" consultancies rather than within individual organizations. Organizational theorists have suggested that fashion setters -i.e. consulting firms, may market only the most technically efficient administrative technologies favoring the rejection of inefficient ones (Abrahamson, 1996). However, it is worth noticing that such argument is shaped by the innovation processes within management consulting firms. In fact, they select only those practices they can market profitably, regardless of how technically efficient the technologies would be for organizations. In the other hand, managerial practices are often used "to bottle old wine into new bottles" and, consequently, they are purely marketing terms. The basic quest is how this idea would be supported on the basis of repeated market interactions and long lasting commercial relationships.

The management consulting industry is not free from the impact of management fads and fashions; new small consulting firms and solos boom and vanish as the tools and methods go out of fashion. And, though large and well established management consulting might profit from managerial fashions, they based their superior advantages in their knowledge and information basis. The question is why firms demand administrative models promoted and provided by consultants? If consulting firms were acting as fashion setters, their power will rests upon their capacity to inspire organizations to trust their choices of technologies and practice, and trust is largely a function of reputational and relational capital.

The common feature between management consulting firms and other professional service firms such as accounting, audit, advertising, engineering and architecture is the professional base of the knowledge they use and produce. Such knowledge products are highly flexible as defined by the several ways in which they can bundle expertise and information as to provide customize solutions just by combining highly standard solutions or practices. However, piecemeal fashion is at the basis of the profitable business of consulting while it also entails high levels of risk and failure from the point of view of the expected effects of any particular consulting product.

Lastly, management consulting firms, unlike other professional service firms providing expert knowledge to business firms such as accounting and audit, are characterized by low levels of external control over the effects of their actions and the credits for their professional knowledge is often based on social perceptions and collective imaginery.

Thus, the most relevant aspects to be pointed out from our analysis are: (1) management knowledge emerge as a combination of theoretical principles, judgement and experiential knowledge; (2) the existing menu of solutions is not always useful and consulting firms become involve in a process of knowledge creation by working at the interface with clients; (3) applying even standardized solutions or tools requires the consideration of clients' idiosyncrasies; (4) prestige and status is a strategic asset for management consulting firms, specially for those operating in the top levels of strategic management consulting.

8. References

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