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**The World's Newest Profession: Management Consulting in the Twentieth Century**

*Christopher McKenna (Cambridge University Press, New York; 2003; ISBN 0521810396) \$25*

**The Rise of Management Consulting in Britain**

*Michael Ferguson (Ashgate Publishing, Burlington, VT; 2002; ISBN 0754605612) \$84.95*

**Management Consulting: Emergence and Dynamics of a Knowledge Industry**

*Matthias Kipping and Lars Engwall, Editors (Oxford University Press, New York; 2002; ISBN 0199242852) \$75*

REVIEWED BY FIONA CZERNIAWSKA

**H**istory is not bunk. “Those who forget the past have no future” is an epigram from the Old Court House in Vicksburg, Mississippi. It is also the opening line of George Armstrong’s 1962 autobiography in which he describes how he left National City Bank, where he had been vice president in charge of industry investigations in the

1920s, to form his own highly successful consulting firm. And it’s quoted by Christopher McKenna, an Oxford academic, in his strikingly good book on the history of management consultancy, *The World’s Newest Profession*.

Consultancy, McKenna argues, is the logical consequence of organizations’ attempts to minimize their transaction costs: Consulting firms offer “economies of knowledge” that clients cannot match internally. In the course of pursuing this argument, McKenna turns several accepted myths on their heads. He argues that, contrary to popular belief, management consulting in the United States did not grow out of Taylorism but was an amalgam of three professions—engineering, law, and accountancy—combined with the consultative role of investment bankers. The rapid growth of the consulting industry was not fueled by Depression-era corporations’ extraordinary need to cut costs, but by the “regulatory and commercial vacuum” that resulted from the Glass-Steagall Act. “Management consultancy,” he writes, “grew not through a gradual process of linear evolution, but instead emerged from a competitive equilibrium shattered by regulatory change in the 1930s,” just as an antitrust ruling against IBM in 1956 (which prohibited IBM from offering

advice on the purchase and implementation of information technology) paved the way for Arthur Andersen’s involvement in IT implementation.

Now, with Glass-Steagall repealed and the aftershocks of the Enron scandal by no means over, the timing of *The World’s Newest Profession* could hardly be more fortuitous. McKenna accuses the industry of collective amnesia, of ignoring—at its peril—the extent to which past success has been aided by regulatory barriers to competition that are now largely dismantled. “Without any institutional memory of how consulting emerged as a distinct professional field,” he argues, “the large management consulting firms will most likely find themselves competing against the same professional rivals that they accidentally defeated more than 60 years ago.” It was a point, too, made by the above-mentioned Armstrong 40 years earlier: The “economies of knowledge” argument might explain why organizations bring in external advisors, but it was regulatory prohibition that gave consulting firms the edge over other potential knowledge brokers.

Nowhere is McKenna’s breadth of scholarship and clarity of argument used to better effect than when he comes to consulting firms’ reluctance to professionalize. Management consultancy, he

suggests, is not a profession because the people running the major firms in the aftermath of the Great Depression chose to professionalize their firms—to rely on their corporate brand, in effect—rather than rely on the professionalism of the individuals who worked within these firms. “In contrast to lawyers and accountants, the leaders of the management consultancy profession believed their firms were more important” than the reputations of the individuals in them. The most prestigious firms did not require their employees to be certified; indeed, some actively campaigned against individual states’ proposals for licensing, despite client concern over aggressive selling and rogue practitioners in the 1930s and 1940s. As a result, the collective reputation of the consulting industry has been protected by spin rather than substance. “The objective standards of professionalism,” says McKenna, “were not as important as recasting the public perception of consulting as a professional activity.” If nothing else, Enron has served to demonstrate that businesses whose reputations are maintained by cleverly promoted brands rather than personal integrity are built on sand.

McKenna is not alone in arguing that the evolution of consulting has important bearing on an industry facing internal and external pressures to change. Michael Ferguson’s *The Rise of Management Consulting in Britain* is more a straightforward history and less a polemic—a Boswell to McKenna’s Dr. Johnson. Yet here too are surprises. Like McKenna, Ferguson debunks the idea that management consulting is an offshoot of Scientific Management. Instead, he tracks its origins to the second half of the 19th century, when Great Britain was bogged down by laissez-faire paternalism and self-help economics and was losing the grip the industrial revolution had given it. Ferguson also reveals just how uneven the development of the

consulting industry has been. The Bedeaux approach to industrial efficiency, widely promulgated in the Depression era, failed largely because of a lack of communication between consultants and employees. This, in turn, led to significant misunderstandings about the work involved and unrealistic expectations about its impact. Secrecy was so endemic that, when the wives of two consultants, separately staying in a small provincial hotel while their husbands were occupied on client work, got to know each other, it took them several weeks to realize that their husbands were employed by the same firm.

While McKenna looks at the role that consulting firms played in disseminating American management philosophy, Kipping and Engwall’s book, *Management Consulting: Emergence and Dynamics of a Knowledge Industry*, provides a series of European perspectives on the development of consulting. Placing itself against a context in which the “literature on the consulting industry has taken a very critical tone,” *Management Consulting* aims to show that the “establishment [of consulting] as a recognized and legitimate knowledge carrier was not simple and straightforward, but a long and often conflictual process.” In France, prewar “consulting engineers” were originally stigmatized as “commercial” because their ranks were largely populated by people who had failed to graduate from the *grandes écoles*. In Sweden, it was the symbiotic relationship between consulting firms and academia that set the pattern for what continues to be one of the most “intellectual” consulting markets in Europe. In Finland, a “few great men,” drawn together by their common experience in resisting Nazi Germany and the Soviet Union in the Second World War, developed a “specifically Finnish rhetoric of management.”

Kipping and Engwall’s book also

examines the role consulting firms play in creating and disseminating knowledge, again from a national viewpoint. Articles here range from studying how a small Italian consulting firm adapts the templates of international consultancy to its national context, to analyzing the extent to which the German media regard consultants as experts. But there’s a problem of largess here. Kipping and Engwall’s book is as frustrating as it is fascinating: What they gain by demonstrating the heterogeneity of the European consulting industry, they lose in terms of a single, coherent message. That may be intentional: With such an *embarras des richesses*, the editors may believe that any such conclusion would fly simplistically in the face of irreducible complexity. But it places their book at a disadvantage when compared to McKenna’s, which will undoubtedly sit, like Banquo’s ghost, at the consulting banquet for years to come.

But whatever their individual strengths and weaknesses, all three books are a salutary reminder of the dangers of taking for granted the past evolution and future development of the consulting industry. Consciously or unconsciously, the consulting industry has been rewriting its past, choosing to believe a single coherent—and convenient—story about its origins in Scientific Management. In fact, its real past may be murkier and more complex than we like to think. That the industry may not have some Darwinian-like right to exist, at least in its present form, is something that should give considerable food for thought during the current recession.

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