Cosmopolitan Consultants? Ethical Individualisation in the UK Consulting Industry

Abstract

Theorists have long argued that a process of individualization is inherent in conditions of late modernity. Whilst individualization has been acknowledged in the business ethics literature, studies lack empirical investigations of the organizational processes that enable and constrain what is termed here as 'ethical individualization'. Drawing on Beck's notions of Cosmopolitization and Individualization, this paper examines how ethical responsibility is being devolved in the UK consulting industry. The paper argues that an individualized ethics is incapable of preventing malpractice in the face of institutional conflicts of interest.

Key Words

Beck; Consulting; Cosmopolitanization; Ethics; Individualization; Professional Service Firms.

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Introduction

Global risks such as climate change and nuclear weapons have changed the consequences and control of risk, with nation states having to reassess their mediation of the relationship between individuals and society (Beck 1992). The implications for the individual are not simply to be felt in the material consequences of a world without borders but also in the very identities people construct to cope with risk at an individualised level (Beck and Beck-Gernsheim 2002). A major theme in this analysis is the shift of ethical responsibility from the institution, (the expectations of society or the edicts of the church), to the individual who must seek biographical, reflexive solutions to questions of risk and ethics. This process of individualization, celebrated by Beck and others as a 'process in which agency is set free from structure' (Lash and Urry 1994: 5), has been explored primarily as a relationship between an increasingly globalised society and an increasingly individualised subject, what Beck terms *Cosmopolitization* (2006).

The role of corporations within the individualization thesis is somewhat awkward. The analyses by Beck, Giddens and other proponents of hyper/reflexive/second modernity tend to focus either on increasingly transnational operations as another nail in the coffin of the nation-state (Giddens 1999) or on their role as knowledge experts, increasingly questioned by the lay public in their quest to understand and manage risk (Beck 1992). Otherwise, organizations and corporations are conspicuous by the absence from the individualization thesis. Such an absence is lamentable. In recent years, as Beck (1992) predicted, the consequences of financial irregularities at companies such as Enron (Fusaro et al. 2002) and Lehman Brothers (Sorkin 2009) have made clear the global risks involved with global

capitalism in late modernity, raising important questions of how organizations manage their impact on society and how individualisation impacts this process. Yet, whilst the impact of individualisation in society has been linked to changing ethics norms (Elliott and Lemert 2006), analyses within organisations are rarer. Whilst some writers have sought to celebrate processes of individualisation in organisations by commentators (Ghoshall and Bartlett 1999), more critical studies have examined its effect on organizational practices (Barclay and Smith 2003), employee insecurity (Brown 2005) and human resource management (Taskin and Davos 2005). However, whilst such studies have developed our understanding of individualisation in organisations, few have focused explicitly on the individualization of *ethical* responsibility and fewer still have provided primary empirical data to show how such processes operate in practice. It is this gap that this paper seeks to fill with reference to the UK consulting industry.

Drawing on research from a two year project, the paper makes two substantive points with regard to individualization and ethical practice. The first is that consultancies are increasingly devolving responsibility for ethics to the individual consultant generating, in some cases, what Giddens (1991: 113) terms *ontological insecurity* for the individuals involved. The second is that, contrary to those who suggest individualisation offers greater opportunities for 'the power of the individual as the driver of value creation' (Ghoshall and Bartlett 1999: 63) or 'self-leadership' (VanSandt and Neck 2003), this process can only ever be a partial solution to achieving ethical practice as, the paper argues, many of the ethical problems in the industry result from conflicts of interest at the institutional level. Unless

these are tackled adequately it is unlikely and unrealistic that individuals will act differently.

The paper first introduces the key concepts in Beck's individualization thesis and argues that the consulting industry provides a good test bed for some of these ideas. Second, the methodology is outlined as drawing on a wide-range of sources to gain up-to-date material relevant to rather secretive industry. Third, the processes of ethical individualization within the consulting firms are described. Next, the paper argues that the individualisation project is insufficient to achieve ethical practice or to avoid the risks associated with globalised corporations. Finally, the implications for theory and practice are outlined with suggestions that the individualization thesis must take greater account of the power of organizations to hijack the Cosmopolitan project and that consequentially institutional-level controls should be considered if the risks outlined in the paper are going to be tackled.

In making the argument that the individualization of ethics is inherently risky the paper moves beyond mere description and analysis to a more radical positioning (Burrell and Morgan 1979). The basis for this prescriptive positioning, however, is less philosophical than pragmatic: *if* societies seek to minimise the risks involved in global corporations *then* controls at the level of the institution, as well as the individual, are necessary.

Ethical Individualization

Individualization, in Beck's work, is conceptually different from that associated with neo-classical economics and neo-liberal governance (individualism). Rather than the atomizing reductionism associated with the latter, Beck's conceptualization concerns a reformatting of the relationship between society and individuals where individualization is celebrated as

representing a shift towards a 'legally binding world society of individuals' (Scott 1990: 4) where institutions 'are no longer seen as *managers* of risk, but also as *sources* of risk' (Beck 2009: 54). These processes fit with Beck's conception of individualization as a feature of late modernity: because organizations, experts and governments "dump their contradictions and conflicts at the feet of the individual" (Beck 1992:137), he or she has to find biographical solutions to handle risks. The burden for assessing and managing the risk is, therefore, placed firmly upon the shoulders of the individual.

Such an individualisation redefines the relationships, and therefore the identities, of the self. The traditional relationships of the individual to class, religion and the state are replaced with a relationship between, and a heightened awareness of, the individual and the global. Thus, a reformulation of both rights and risks occurs through mass-media, internet communications, globalised tourism and transnational governance, that could not have existed one hundred years ago. This results in a 'cosmopolitanization that transforms everyday consciousness and identities significantly. Issues of global concern are becoming part of the everyday local experiences and the 'moral life-worlds' of the people' (Beck and Beck-Gernsheim 2002:17). Cosmopolitanism disrupts the relationships between the individual and local institutions, such as employers, and instead, 'my life, my body, my 'individual existence' become part of another world, or foreign cultures, religions, histories and global interdependencies, without my realising it or expressly wishing it. (2006:19). Cosmopolitanism, for Beck, is an inherently ethical project as it raises the individual awareness of global human rights against a common back-drop of local abuses 'human rights are no longer associated with citizenship status, and inequalities in life opportunities

are not experienced solely within national contexts' (Beck 2005: 31). The consequences are reminiscent of Kant's *Perpetual Peace* where global principles would "finally bring the human race ever closer to a cosmopolitan constitution" (Kant 1999: 329).

Perhaps as a consequence of Beck's focus on the micro and the macro, there have been but a few analyses of his individualization thesis in organisations, despite the acceptance that corporations, as globalised and politicised entities have greater controls over individuals as both employees and customers (Klein 2000, Ulrich 2002; Sennett 1998). Those that have studied individualization in organizations have fallen into two camps. The first argue that individualization offers liberationist opportunities for the individual and the organisation. Ghoshall and Bartlett (1999) for example argue that the 'individualised organisation' offers the opportunity to free individuals from bureaucratic shackles whilst simultaneously boosting profits. The second group emphasizes the role of individualizing practices inherent in new management systems such as HRM (Guest 1990; Taskin and Devos 2005) or Lean (Jenkins and Delbridge 2007) as an enhanced method of control, where a combination of declining unionisation, flexible working practices and performance management systems "replace previous more collective-based reward systems with individual-centred systems" (Korczynski and Ott 2006: 917). Although such studies have contributed much to our understanding of both the process and outcomes of individualisation, a gap still exists in understanding the impact of individualization on ethics in organizations, and the role of ethics on the process of individualization. If, as Beck argues, transnational industries are inherently risky in their potential impact on society and if cosmopolitan individuals are increasingly accountable for ethical decision-making (2006:22), how is the relationship

between the organisation and the employee changing? It is here, that this study seeks to locate its contribution.

The UK Consulting Industry

The UK consulting industry is one of the great success stories of the post-war economy. In 1956, the UK consulting industry comprised around 800 consultants generating an income of £4 million (Tisdal 1982). By 2006, this market was worth around £7.7bn (MCA 2007) making it the second largest market for consultancy after the USA (O'Mahoney 2010). This phenomenal rise of the consultancy industry is both reflective and constitutive of its role in a globalised economy and, as such, an integral part of Beck's conception of second modernity. Consultancy, along with the medical, accounting and research professions, one of the areas of expertise that have characterised the development and commodification of knowledge that is contested in hypermodernity (Beck 1995). In its role as consigliere to the major transnational corporations of the world, consultancy has developed a key position with regard to both risk and ethics. The growth of consultancy in the last twenty years has also resulted in an increase in its ability to do harm and, therefore, a sharper focus on the ways in which ethics are controlled in the profession. This attention has come from all directions. Whilst the popular press made much of the involvement of consultancies such as Accenture and McKinsey in the downfall of Enron, the Dotcom crash and the demise of Northern Rock, recent populist exposés (Craig 2005; Craig and Brooks 2006) have detailed the unethical and occasionally illegal practices of consultancies in the pursuit of wealth. Additionally, as public sector spending on consultancies increased, often with high profile

failures, bodies responsible for promoting value for money in government such as the National Audit Office (NAO) and the Public Accounts Committee (PAC) have become increasingly vociferous in their condemnation of the sums spent on consultancies.

It is of little surprise then, that ethics in the consulting industry has been a prominent area of concern for both practitioners and academics over the last decade. However, what is noticeable about most of the changes which have occurred is that they have focused on the individual consultant rather than the institutions of consultancy with the result, this paper suggests, that many of the changes have had little substantial effect. This focus on individualization in the consulting industry can be evidenced in three ways which are examined in turn below: the development of ethical codes of practice, the segmentation of ethical work, and finally, the professionalisation of consultants. The subsequent argument suggests that these are potential distractions from the institutional relationships that are the source of risk for both individuals and society.

Methodology

The research presented here is part of a wider exploratory study examining the challenges of the consulting industry in the UK. The study is a qualitative and inductive study seeking to understand changes to the industry in recent years and the reasons for these changes. One theme that has emerged in the project has been the ethical challenges that the industry faces and the ways in which the industry has met, or avoided, these challenges. The research used a number of different methods and was undertaken by the author between 2008 - 2010.

The project began with a literature review of the industry which involved academic publications, industry reports, websites, practitioner journals and consultancy blogs[1], representing over 450 sources (O'Mahoney 2010). Due to the fact that many consultancies are partnerships and therefore free from many disclosure rules, many sources of information were derived from news reports and legal judgements. The next step involved open, unstructured interviewed with twenty senior representatives of the industry, ranging from partners at large firms, owners in small companies, CEOs of professional bodies and representative organisations. These interviews, averaging 56 minutes in length, were focused on understanding the general themes and challenges of the industry and the different perspectives stakeholders had on these. Once some tentative themes were established, these were explored in more detail with a second round of thirty-five interviews. These semi-structured interviews, focused on exploring key themes with consultants at different levels in a range employees in consultancies including consultants, partners, HR managers and other functional managers. The questions on ethics focused on ethical policies in the firms, the individual's experiences of ethical situations, the operational and HR processes within the firm, their thoughts on ethical issues such as conflicts of interest and issues such as professionalisation.

Data analysis occurred in three stages. First the interview transcripts and related literature were read and matched to find themes that appeared to 'make a difference' in the management of ethics. These were turned into draft documents were then used as discussion

[1] For example blogs, see: www.covertconsultant.blogspot.com, www.corporatewhore.blog.com, and www.gettingdrunkinfirstclass.com. The titles of the blogs indicate the writers' own views of the ethical standards of the consulting profession.

documents with the interviewees to understand if I had understood their concerns correctly and to elicit further responses to the material. A constant iteration occurred between emerging themes and what the literature review was unearthing. Finally, a final draft of the analysis was distributed for discussion with six senior stakeholders outside the industry, bringing the total number of interviewees to 61. In total 18 consultancies and 4 industry institutions were interviewed. For reasons that will become obvious, all sources have chosen to remain anonymous.

Table 1 Interviewee Breakdown

By Function	**Number**
Partner / Owner	15
Senior Consultant	13
Consultant	15
Other Consultancy Employee	5
Industry Representative	7
Other	6
By Size of Consultancy	**Number**
0-10 employees	8
11-100 employees	5
100+ employees	5

Non-consultancy	4

The empirical data is used mostly to support the individualisation thesis in the next section. The subsequent section concerning institutional conflicts of interest relies less on interview data and more on legal reports and government committee publications.

A Few Bad Apples? The Individualization of Ethical Responsibility

The involvement in consultancies in the collapse of high level institutions such as Enron and Northern Rock has placed an emphasis on the management of ethics in the consulting industry. Many consultants that were interviewed believed that the industry had considerable work to do to repair its tarnished reputation. An interviewee from an industry body stated, *'I would like to be able to go to a dinner party and when someone asks "what do you do?", not to be embarrassed'*. It is perhaps unsurprising that the research discovered several schemes in consultancies that were associated with ethics but many of these were seen by the participants as unrelated the actual practice of consultancy. Instead, several of the ethical innovations appeared to be devolving responsibility for ethics to the individual consultant rather than making it a central concern for the institution. Some of these practices are outlined below.

Ethical Codes of Practice

Despite academic analyses finding little evidence that ethical codes are effective (Kaptein and Schwatrz 2008), they are increasingly commonplace in consultancies and their professional bodies. The Management Consultancy Association (MCA) in the US, for example, has a (voluntary) code of conduct which stipulates that its members shall:

- only accept work for which they are qualified and have the capacity to undertake
- act with fairness and integrity towards all persons with whom their work is connected
- reject any business practice which might reasonably be deemed improper

This type of code is mirrored, in different ways, in all the major consultancies. Accenture, for example, has a 44 page Code of Ethics with an *Ethical Fitness Decision-Making Model* amended from the Institute of Global Ethics. All the major consultancies reviewed not only have similar codes but have increasingly adopted schemes which talk about work / life balance, corporate citizenship and work in the community. The code of ethics is usually linked with an Ethical Committee that oversees reported violations and provides advice to employees that raise ethical dilemmas.

Yet the functioning of the codes and committees very much made the individual consultants, rather than the institution, responsible for their activity. In Consultancy A, for example, which was a large audit consultancy, the code of ethics could only be triggered by an individual consultant taking an issue to their line manager who would then advise on whether it should be taken to the ethics committee. This was seen as completely pointless by the consultants that were interviewed in the firm:

> *'…I don't see why it should be down to one of us to raise the alarm. If you did, then your number would be marked. There's no way you would go to the* [ethics] *committee and say "I don't think we should be working with this client" when some partner has spent six months landing the contract…in effect, it's you, as a person, saying the company is doing something wrong - it automatically places you in the opponent position'*

Not only did the code of ethics place the responsibility on the individual, rather than the corporation, but the perception was that the consequences of complaining would be negative for the individual concerned. At the twelve other consultancies that had ethical codes a similar process took place. In the words of one partner: *'it's not common practice to have the ethics committee scanning the company for unethical practice, this isn't within their remit - instead they respond to concerns that individuals have'.*

Yet when asked about the types of concerns that were raised, they usually concerned specific individual situations rather than institutional or strategic issues. One member of an IT consultancy's ethics committee stated '*it's much more likely to be "Can I receive this gift?" rather than "We shouldn't be doing business with this client".*

The detail of the codes supports the view that they are primarily concerned with individuals. Indeed, the Deloitte Code of Ethics is actually titled 'Personal accountability: recognizing the power of one'. PWC, for example, has a number of ethical questions that individuals should ask themselves that are highly subjective and individualised, such as

- Does it feel right?

- Would you be embarrassed if others knew you had taken this action?
- How would it look in the newspapers?
- Can you sleep at night?

Such as presentation frames ethical dilemmas, in effect, appeared to separate the ethics from the boardroom and place it at the feet of individuals. As one senior consultant from an IT consultancy suggested:

> *"Nowhere in the code does it say, [Consultancy 2] will not recommend its own IT over superior versions elsewhere, or [Consultancy 2] will not do business with clients that arm third world countries. These things happen here but you'll never see them in the Code of Ethics".*

Two consultants that were interviewed went further, suggesting that the codes were specifically designed to avoid corporate malpractice claims:

> *"It's written like that so that if something goes wrong, the company can wash its hands of you and say 'according to the ethical code, they should have come forward', which makes you as a consultant liable rather than them".*

> *"When Enron went down, it was Lay and Skilling that went to court. Nobody looked at the system and said, there's something rotten with the tree. You can guarantee that if [Consultancy 3] gets in the press due to a*

conflict of interest or paying bribes, someone will get sacked but the system won't change".

Another issue that was evident in the individualisation of the codes is the extent that they were open for interpretation. Many of the codes comprised incredibly vague principles such as:

> *We will put client interests first, doing whatever it takes to serve them to the highest possible standards at all times* (IBC Code p.3)

> *Uphold absolute integrity. Show respect to local custom and culture, as long as we don't compromise our integrity.*(McKinsey)

These, and other similar statements, can easily be interpreted in many different ways. For example, who is the client: the business owner, the shareholders, the funder of the project or the shareholders? Should 'the highest possible standards' include considerations of time and cost? The ambiguity involved necessitates a personal and highly subjective interpretation that is easily flexed to suit the occasion.

The main point made about the codes is that they held little power when compared to boosting profits for the company. As the codes are not enforced in law, they are usually administered in-house and are there, in the words of one consultant: *'to convince the public the company is ethical'.*

Training

Out of the forty-three consultants that were interviewed, nineteen had received some training in ethical aspects of consulting practice which consisted primarily of two drives. The first was to communicate the code of ethics which, as we have seen, generally focused on individuals. The second, was what was termed 'ethical cases' or 'ethical scenarios' by the interviewees. These were scenarios that individual consultants might come across in their day-to-day practice that were designed to provide ethical challenges.

Examples included:

- You discover that your client is involved in fraudulent activity, what do you do?
- It is your client manager's birthday - is it okay to buy them a gift?
- Your client manager offers you a job, what should you do?

What was noticeable about the examples provided by the interviewees, at all levels of seniority, was that all of the examples were low-level, highly personalised instances of ethical questions at an operational level. All of the examples assumed that the individual concerned was at the beginning of their career and none of the cases implied a senior sales, strategy or decision-making role. Thus, no examples were given that were institutional or strategic in nature such as selling consulting services to a company that was being audited by the firm or providing kick-backs for work in countries where such practices are commonplace.

What was much more prominent in consultants' training was sales - where all but one of the consultants had received some form of instruction. A common mantra was repeated to me in

different companies that ‘every consultant sells’. The underlying theme being that sales opportunities present themselves with every encounter a consultant has with a client employee, so sales cannot simply be left to the business development function. A consequence of this is that, regardless of their competence on the job, promotion is primarily based upon the amount of sales a consultant can make, especially in senior levels. This in turn prioritises sales over ethics but, again, at a highly individualised level. One senior consultant stated:

> *“the ethical issues…. happen at a micro-level so the organization isn’t aware of them. But they don’t WANT to be aware of them. It’s a case of “don’t ask, don’t tell”. No one actually tells you to exaggerate a client problem or to sell them things they don’t need, but no-one needs to. They just reward you for selling, so that’s your priority…sell, sell, sell”.*

Thus, we can see the functional benefits to the organization for individualizing ethical responsibility. It is not simply an ‘outsourcing’ of liability, but more importantly, it enables profits to be placed above ethics without having to make this explicit at a strategic level.

Ethical Volunteering

A recent trend by consultancies in presenting an ethical face to the media and to potential recruits is to provide ‘ethical work’ for their employees. This usually consists of providing consultants with time to engage with ethical work which is supported and publicized by the company. Here are a few examples taken from the websites of various consultancies:

> *"Accenture's Community Teach Program which will place select Accenture executives in teaching roles and other educational activities at local community colleges".*

> *"Deloitte's Community Days provide an opportunity for teams of Deloitte people to get involved in their local community for a day …1,500 of our people have undertaken a variety of highly enjoyable and rewarding indoor and outdoor community and environment projects"*

> *"PWC offices in Scotland organized a number of team volunteering days".*

Whilst such activities clearly help in developing an ethical corporate image it is individualised in two respects. Firstly, and most obviously, such schemes rely on individuals volunteering their services over a period of time which will hit their utilisation rates - an important metric for an aspiring consultant:

> *"the trouble is, that these things are seen as icing on the cake, but the cake is your utilisation and sales….At the end of the day, its your time, your effort and your career at stake…..you need to be seen to do enough of this type of thing to show you're a good person, but not so much that it eats into your revenue targets".*

Secondly, and more insidiously, this type of work provides both a segmentation and an individualization of ethics by which the ethical concerns of the individual can be assuaged.

When asked about whether their work was ethical, several consultants pointed to this type of scheme to demonstrate a balance with what they do day to day:

> *"Yeah, pretty ethical… I mean we do lots of ethical work…. I guess that makes you ethical… at least it makes up for what you do at the clients!"*
>
> *"I suppose I see it as giving something back….the public has a pretty poor image of consultants, and to some extent, that's justified. But you do this type of thing to remind yourself you're human".*

By providing 'ethical time' for employees, the consultancy both commodifies the individual's good-will, turning it into a PR coup for the company, but also detracts attention away from operational practices which may be less than ethical. For the individual employee, the association of ethical work with the employer is thus reinforced, enabling the consultant to consider their workplace ethical. This is not to say that consultancies don't pay a premium for this kind of work, or that it is not a good thing, however, it does contribute to making the individual responsible for the firm's ethical reputation.

The Issue of Professionalisation

The impact of the individualisation of ethics in the consulting industry has more of an impact that other industries because of its lack of professionalisation. Unlike the accounting, legal and medical professions, consultancy has no compulsory external accreditors for practicing professionals. In more professionalised industries, compulsory registration and training means that individuals are not only made aware of minimum ethical standards but they can be struck off for professional misconduct if they place profit or ambition above

ethical standards. Although there are professional institutes for consultants, these are not compulsory, have no power to prevent people practicing and have no sanctions against firms or consultants that fail to live up to their codes of ethics. Indeed, the professional body for consultants, the International Council of Management Consulting Institutes (ICMCI) represents only around 30,000 consultants, approximately 2% of the consulting workforce (O'Mahoney 2010).

Moreover, interviews with partners, representative institutions and ICMCI members indicate that many of the large consultancies have actively resisted external accreditation precisely because they are concerned about the loss of jurisdiction over their own consultants abilities to practice. A top executive at one of the institutions informed me:

> *"imagine if* [the ICMCI] *could audit the ethical practices of McKinsey and then strike off consultants it found wanting…. the loss of power would be incredible…It is not a surprise then that no large consultancies ask for their staff to be accredited".*

This lack in the consulting industry means that consultancies themselves are responsible for both incentivising consultants to put profits and sales first and for judging the ethicality of their actions. It should be surprising to no-one then if the individualisation of ethics in the consulting industry fails to generate ethical outcomes when income and ethics come into conflict.

The Invisible Hand: Institutional Conflicts of Interest

Thus far, the paper has argued that ethics, in the consulting industry, has been made the responsibility of individual consultants rather than being tackled at a strategic or institutional level. This section seeks to show the inadequacy of that approach by illustrating three institutional conflicts of interest which can only be tackled at a strategic, institutional level rather than through individual actions. However, before this is attempted, we will first, briefly, deal with the objection that could be made that institutional activities are mere amalgamations of individual actions.

To counter this, the paper uses a critical realist approach to institutional analysis (Leca and Naccache 2006) that insists on an ontological distinction between structure and agency. Thus whilst institutions are reproduced via individual agency, they should be analysed at a different ontological level that has its own patterns, structures and mechanisms. It is incorrect, therefore, to assume that if everyone in an organisation were ethical, this would produce an ethical organisation. Such a conflation misses out on the structural and institutional positions that generate unethical behaviour in the first place. In the consulting industry, for example, this paper will now outline three conflicts of interest that take place at a strategic or institutional level that encourage, though do not determine, unethical activities.

Audit vs. Consultancy

For professional business service companies with deep relationships with blue-chip clients, the post-war boom in the consulting industry offered a strategically aligned market for expansion. Thus, from the 1960s onwards, large audit firms realized that they already had a captive market for cross-selling consulting services into existing clients and from the 1960s

began to move into the consulting industry. Whilst initially, additional profits were negligible, the growth in consultancy markets meant that by the 1990s, the five big audit companies dominated the consultancy market. However, to some extent they were victims of their own success. The regulators of financial institutions such as the SEC and the FSA became worried about the apparent conflict between consulting and audit when practiced in the same corporation (UK HCTC 2008; US SCGA 2002). Their central concern was that organizations that received significant consulting fees from a client might be less inclined to do a thorough job in auditing their accounts and exposing any malpractice that was found. Indeed, there was mounting evidence, leading up to the turn of the millennium, that such conflicts of interest were, indeed, taking place. For example, in 1998, a company called Waste Management was found to have exaggerated its earnings by $1.7bn with the help of Arthur Andersen, who was simultaneously receiving large consultancy fees from the company (Collins 2000).

Wise to the conflict of interest between audit and consulting functions, the SEC, at the end of the 1990s, advised audit houses such as KPMG, PWC and Arthur Anderson to divest their consulting arms. All of these firms (apart from Deloitte) began the process of selling off these lucrative departments leaving the firms with audit, accountancy and tax functions but with no management consultants in sight. The consulting division of the soon-to-be bankrupt Andersen became Accenture; KPMG's consulting arm became BearingPoint; Ernst & Young's consulting unit was sold to Cap Gemini; and PricewaterhouseCoopers sold its consultancy wing to IBM. As this process was progressing, the collapse of Enron occurred for precisely the reasons that the SEC was concerned about: Andersen at best overlooked,

and at worst encouraged, illegal financial reporting in exchange for hefty consultancy fees (Cruver 2003). At the time, this appeared to validate and strengthen the SEC's insistence that consultancy and audit should not be performed by the same companies. However, by 2005, after the non-competition clauses between the audit companies and those who bought their consultancies expired, all the major auditors had begun to rebuild their consulting capacity, by re-hiring senior consultants, taking over small consultancies and (re)starting their graduate recruitment for consultancy. Unsurprisingly, their established relationships enabled them to quickly rebuild both capacity and profits in their consulting divisions.

The minimal restrictions which do apply to audit firms can be found in the Sarbanes-Oxley Act (2002) which prevents, for example, the sale of financial consultancy to clients that auditor was responsible for auditing. However, it is still possible for a company auditing a client to sell many other consulting services to that client and auditors can still refer such consulting work to their consultant arms and, indirectly, benefit from this work. Moreover, under the SOX legislation the most common arbitrator of what is ethical or not is the firms' own audit committee. Much of the time, the consultant-client-audit relationship is so complex and confidential that conflicts of interest are hard for external bodies to detect. For example, when Agilent Technologies decided to split-up into three different companies, Deloitte had 200 people working in several different roles, advising on the IPO of one company, the supply chain of one of the companies, and the tax burden of another company - Deloitte also audited the company which was buying one of the spin-offs. The lack of external audit of such arrangements meant that the firm managed its own ethical compliance processes (Business Week 2007). It is perhaps unsurprising then that the auditor that failed

to note the fragile finances of the failed bank, Northern Rock, had received £1.3m in consultancy fees (UK Parliament 2008).

Government vs. Consultancies

In 2008, the public sector spent around $57bn on consulting services (Kennedy Information 2008) which represents 19 per cent of consultancy revenues (Gross and Poor 2008). The UK Government spending on consultants increased from £20,000 in 1964 to almost £4bn in 2008. As this exponential increase in spending took place, the public sector market became a key battle ground for consultancies seeking to influence government decision-making and agenda setting. For companies such as Logica, EDS, Accenture and PA Consulting, which rely on over half of their income from public sector projects, building relationships with central government can make the difference of millions on the balance sheet.

These relationships are central to the power relations which govern, not only the decision-making as to whether which projects are initiated and run by which company, but also the discourse and agenda-setting of modernization which provides much of the culture for outsourcing work to consultancies in the first place. These relationships not only involve consultants becoming close to ministers through the usual forms of entertainment budgets, but also by consultants actually becoming ministers themselves. Horrocks (2009) gives a number of examples of key government decision-makers who championed large consultancy projects but who had significant careers as consultants prior to their government positions. These include:

Table 2: Movement of Consultants into Key Government Positions

Consultancy Role	**Government Role**
Former UK boss of Accenture, Ian Watmore	Head of the government's e-government project
Former senior executive with Accenture	Director-General of Personnel and Head of the Civil Service Capability Group
Former senior executive with Accenture	Change Director: Cabinet Office
Former managing director at Accenture	Chief Executive: Identity and Passport Service
Former head of a 'procurement solutions unit' at Accenture	Commercial Director: Home Office
Former head of research for Andersen Consulting	The Secretary of State: Health Secretary of State: Trade and Industry
Senior executive, McKinsey	The head of No. 10 Policy Directorate
Partner, Deloitte	Director General of NHS IT, and Head of CfH

Many of these went on to provide large consultancy and IT contracts to the firms that had recently left. Both Horrocks (2009) and Craig and Brooks (2006) also outline a number of government advisors who moved to senior consultancy positions (albeit, usually after a 'cooling-off' period). The danger (and reality) here is that ex-ministers then lobby their

former colleagues on behalf of the consultancy that they are working for: arranging meetings, influencing policy and setting agendas. As Horrocks points out, even the advisory board on such transfers admits that it sees 'a significant number of appointments being offered to former Ministers which will probably entail lobbying current Ministers or officials.' (ACOBA 2004:8).

Table 3: Movement of Government Advisors into Key Government Positions

Government Role	Consultancy Role
e-Envoy: NHS IT strategy	Consultant at BT (responsible for delivering NHS IT Program)
Head: Prime Minister's Delivery Unit	Expert principal at McKinsey
Director-General: BBC and Strategy advisor to Tony Blair	Consultant at McKinsey and Partner at CapGemini

Perhaps unsurprisingly, the enquiry set up by Tony Blair into the appointment of government ministers and advisors to consultancy and lobbying positions was chaired by Sir Patrick Brown, who himself was a former Permanent Secretary at the Department of Transport who had moved to non-executive chairman at one of the largest public-transport companies. Indeed, it was only the loud protests of the Public Administration Select Committee (PASC) that prevented the removal of the rule that ministers should seek approval for their business appointments (Hencke 2004). Even so, several peripheral, yet

powerful, advisors, such as Lord Birt - who worked for McKinsey whilst occupying a No. 10 office - were allowed to maintain their employment as management consultants, whilst providing strategic advice to government ministers.

A further bond which arguably accentuates conflicts of interest in this sphere are the financial interests that many of the public officials have in these consultancies. Several of the major consultancies undertaking government work have either directly or indirectly made donations to the party in power. The Capita Chairman, Rod Aldridge, for example, was forced to resign when it was discovered he had donated £1m to the Labour Party. Furthermore, several key public decision-makers, such as the ex-chief executive of the Immigration and Passport Service (IPS), the ex-head of personnel in the Cabinet Office and the ex-director of Border and Immigration control, have share-holdings worth several million pounds in the consultancy companies which work in their departments (Craig and Brooks 2006).

IT Companies vs. Consultancies

Over the last thirty years many consultancy companies have moved into the IT space (e.g. Accenture) and many IT companies have moved into the consulting space (e.g. IBM). The obvious reason for this is that there is considerable consistency between the two endeavors. From the consultancy perspective, it is important that IT solutions are aligned with the business strategy and business needs. Consultancies, therefore, are often asked by clients to get involved in:

- Defining an IT strategy

- Aligning IT to the organization
- Designing a business architecture to guide IT work
- Selecting IT and outsourcing systems and providers
- Helping ease the business change through IT implementations

However, whereas ‘pure’ management consultancies usually hand-off to IT and technology companies at the point where the IT development or implementation begins, companies like Accenture have decided it is in their interests to do the IT work itself. Their rationale for this is that they know best what the business wants and would be better placed than a ‘pure’ IT company to ensure that any implementation or development is aligned with the business need. Conversely, companies like IBM, have traditionally been given a business need, defined either through requirements, plans or strategies, and have had to align their IT implementation to fit the business need. However, arguing that they know technology better than any ‘pure’ management consultancy, these technologist have moved into the consulting space to provide advice on how best to fit business and IT together.

The difficulty with this arrangement, in terms of ethics, is twofold. First, there is the question of how a company that employs Accenture for advice on an IT implementation, knows that it is getting independent advice on the best type of implementation when Accenture has a vested interest in selling its own solutions. Whilst it is relatively rare for clients to use a service provider to give independent advice, these types of consultancies are capable of setting agendas indirectly. For example, if Accenture is asked to come in and give advice on cutting costs in a HRM department, it is likely they will recommend an

outsourced program where Accenture ends up running the HR for the company. Whilst this practice is not necessarily unethical, there is potentially a conflict of interest in the role of advisor and the solution provider.

The second issue with the IT / consultancy combination is to be found in what is commonly known as kickbacks. A kickback is secret rebate of part of a purchase price by the seller to the buyer or to the one who directed or influenced the purchaser to buy from such seller. In the consulting world this often refers to consultants giving 'independent' advice to clients on the best IT provider for their problems, whilst receiving payments from that provider. For example, two cases which have occurred recently:

- In 2001, for example, a US army Colonel, Moran, was entertained and offered a job by a consultancy called ISS who wanted to install a global command and control centre. As a result Moran overturned the army evaluation board's recommendation and awarded the contract to ISS (DOJ 2005).

- In 2007, IBM, PWC, CSC, Accenture, Hewlett-Packard and Sun Microsystems were all charged by the US Department of Justice for making and receiving 'improper payments' to vendors and suppliers whilst working for the US government. The payments, it is alleged, were made from systems integrators for preferential treatment in dividing up government contracts. IBM, PWC and CSC all settled by paying several million dollars apiece (DOJ 2008)

- In 2006, Bearingpoint, KPMG, BAH and Ernst and Young paid around $25m in compensation to the US government who argued that rebates from travel and

> credit card companies weren't passed on to them. In other words PWC was charging its clients full-whack expenses but getting rebates from hotels, restaurants and credit cards that they did not pass on (DOJ 2006)

An example of how the institutional relationships between consultancies and IT companies can lead to catastrophic levels of risk can be evidenced in their involvement in the Dotcom bubble of the late 1990s. Then, consultancies, along with investment banks, venture capital and the entrepreneurs themselves, worked to hype the Dotcom boom to ensure they received growing fees in aiding start-up companies (Cassidy 2005). The impact of the over-hyping was felt by the whole IT sector and much of the rest of the economy as billions were wiped off the share-price of companies that had dabbled in anything preceded by e- or i-. Central to the hyping of the dotcom phenomenon was the involvement of thousands of consultants paid for by venture-capital money to help start-up and promote e-businesses. Consultancies were charged (rightly or wrongly) with excessive fees, building unrealistic business cases and contributing to the hyping of e-business generally, resulting in unsound investment and excessive share-prices. Such accusations are difficult to prove and it is unlikely that hype expounded by consultants was any more excitable than that of the media or even the general public. However, perhaps, they, more than anyone should have known better.

Ownership

A brief point might also be made here that acts as a meta-narrative to some of the institutional issues that have been identified. Although only one of the consultancies in

the study had made the transition from a private partnership to a publicly listed institution, both interviewees in that consultancy mentioned the impact this transition had had on the practices within the company. One stated:

> *"Since we were floated, the focus has been entirely on the share price - you are managed much more tightly… the focus on metrics, income and sales is nothing like it was…. Before it seemed to be on the long term values and you felt much more of a professional. Now it's all utilization targets and revenue".*

The other stated:

> *"The partnership was like an old gentleman's club - you made a lot of money but that wasn't the focus of the company. Now, they still call us a partnership, but we're not. We're obsessed with share price".*

These comments parallel findings by academics who have found that publicly listed consultancies tend to produce a shorter-term focus on profits rather than a focus on the values and a professional culture (Greenwood et al. 1990; Adams and Zanzi 2005; Richter et al. 2008). As the last fifty years has seen the proportion of the top consultancies which are privately-owned partnerships drop from around 85% to 40% (Kennedy Information 2008) it would perhaps not be surprising if the balance between profit and ethics may also have shifted in this period.

Considering Institutional Ethics

This paper has made two related arguments. The first is that the responsibility for ethics in the consulting industry is highly, though not entirely, individualised, through ethical codes, voluntary work and training. This benefits the organization by devolving responsibility for ethical decision-making and by ensuring the prioritisation of profit over ethics is diffused throughout the organisation by incentivising sales. The lack of compulsory professionalisation in the industry accentuates the impact these policies have, effectively ensuring that there is no external institution that promotes or legislates for ethical action. The second argument suggests that these individualized practices do not tackle the institutional conflicts of interest that frequently compromise the industry. Whilst individualization of ethical responsibility may be a symptom of modernity, the consequence is that the institutional relationships and conflicts of interest which can encourage unethical behavior get neglected by consultancies, legislators and educators. The result is an industry that, despite its complicity in the dotcom crash, Enron and the collapse of Northern Rock, presents little evidence that the inherent risks invoked individualization will be addressed.

The assumption behind this individualization is that if consultants themselves are ethically responsible, then consulting practice will be ethical. To borrow a consulting phrase, this is a form of *outsourcing of ethics* by institutions which has parallels with the use of contractors in Iraq (where they and not government troops are given the ethically dubious tasks), the use of sweatshops in India (where the factory rather than the retailer is made responsible for checking working conditions) and the introduction of ethics committees in universities (thereby relieving the researcher of ethical concerns in day-to-day practice). Ethics, as a

concern gets moved away from institutional or systemic operation and instead gets pushed out to individuals or groups that can be held responsible when things go wrong. The benefit of this for the organization is high. Where unethical practice does take place, the metaphor commonly used is that of the 'bad apple' an errant individual who failed to practice ethical standards. To extend the organic metaphor, such a convenient scapegoat relieves both the company and regulators from undertaking a more time-consuming and expensive assessment of the environment, the irrigation systems and the competence of the gardener who is charged with preventing bad produce.

A similar process was noted by Feldman (2002: 85) when he complained that '[b]y one-sidedly pursuing individual autonomy and rationality, they [organisations] take for granted the moral character of the individual and greatly de-emphasize the accomplishments of previous generations. This is, in my opinion, surely to result in a lowering of moral standards and a vulnerability toward extreme individualism'. This is not to say that organizations are no longer held accountable by the courts when illegal activity takes place, though legal cases are increasingly targeted at key personnel, but that not enough emphasis is placed on the systems which encourage individuals to act in an unethical manner.

There are three consequences of this study. The first concerns Beck's theory. The evidence presented here, parallels, but also extends, Beck's individualization thesis. The parallels are striking: in 'second modernity' responsibility is moved from institutions to individuals forcing 'biographical' attempts to solve ethical dilemmas. The corresponding increase in risk associated with combining reflexive modernity with individualism is played out in the

exaggerated effects individuals can effect in economic and social systems.

> 'the reflexive individualization of second modernity presumes the existence of non-linear systems…..the feedback loop…passes through the individual. Individualization now is at the same time destabilization…. The individual is the point of passage for unintended consequences that lead to system dis-equilibrium' (Beck and Beck-Gernsheim 2002*:* 9)

For the consulting industry, the trans-national and multi-billion pound nature of many projects are a new phenomena, reflecting the globalised nature of capitalism. Such projects imply systemic risks that have global consequences. The consequence, therefore, of unethical practice at an individualised level can quickly translates into global consequences, with geography and temporality rendered irrelevant.

Yet to infer that the process of ethical individualisation will move consultants, or knowledge professionals more widely, to some cosmopolitan ideal by prioritising the relationship between individual and a globalised citizenship, is to both under-estimate the power of organizations and to over-estimate the global interests of workers. For Beck's Cosmopolitanism, the mediating influence of capitalism displays itself primarily at the state-level, mediating and competing with state interests (2006: 83, 101) and is virtually invisible in an analysis of capital-labour relations.

It is clear here that the process of individualization cannot ignore the primary role of organisations in both minimising their liability for risks and maximising profits over and beyond ethical considerations. The decline of moral(ising) institutions such as the church,

class or the state has not, I would argue, left the atomised individual alone in their moral engagement with the 'global', but has opened opportunities for capitalism to manipulate and individualise ethics in the pursuit of profit. The individualisation of ethics is mirrored in other instances of 'ethical failure'. The blame of Ken Lay for the fall of Enron, of Lynndie England for the Abu Grahib abuses and of Nick Leeson for the collapse of Barings Bank. However, this paper has argued that the 'few bad apples' thesis fails because it does not take into account the well documented role of organisations and other institutions in encouraging, though not determining, agency (Seo and Creed 2002).

The second implication of the study concerns the need to address institutional bases of ethical risk. The consulting industry has, thus far, avoided the institutional-level regulations that have been placed upon banks and accounting firms. This lack of institutional accountability places the individual as the arbitrator of risk: it is they, rather than the company or the government, that becomes responsible for ethical behaviour. Not only does such individualized responsibility rarely 'work' (Jackall 2000) but it also lacks the social and institutional grounding which enables the establishment and (re)production of ethical norms:

> 'the value system of individualisation also contains the elements of a new ethics, which is based on the principle of "duty to oneself". Of course this completely contradicts the traditional view of ethics in which duties are necessarily social in character' (Beck and Beck-Gernsheim 2002: 38).

The individualisation of ethics does not simply relate to consulting firms, however. The

‘ethics training’ interviewees received in business schools was equally focused on the micro-level. Whilst ‘ethical dilemmas’ are an important way of showing students the conflicts in day-to-day operations, they are only part of the story. Business schools have a responsibility to engage students with structural concerns such as ownership, reward systems and legislation.

Finally, a point can be made concerning the ontological assumptions necessary to support this analysis. The political work of Beck and Giddens in frequently used in conjunction with Giddens’ notion of structuration, where structure and agency are manifest in the same ‘instantiation’. Yet the two arguments are distinct. This paper has shown that the ontology of ethical analysis must consider both an individualised pragmatism emphasizing subjectivity, reflexivity and incentives, *and* an institutionalized hierarchy centred on laws, strategies and capital (Hendry 2004; Clegg 2005). This indicates that individualised and institutional ethics, whilst mutually constitutive, should be analysed separately as the relationships between the two can then be better understood.

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