

## INTRODUCTION

Management consulting firms are often discussed as being the archetypes of knowledge-intensive firms (e.g., Alvesson, 1995; Crucini, 2002; Heller, 2002; Werr, 2002), or as the firms whose core product is knowledge itself (Sarvary, 1999). However, despite the fact that the literature offers a wide selection of studies into enterprise knowledge management (Abrahamson, 1996) and management consulting (Whittle, 2006)<sup>1</sup>, the subject of knowledge creation potential that can be activated through the concrete implementation of management consulting interventions still remains a largely unexplored research area.

Consulting firms are generally aware of the value of knowledge for their own organizations and for their clients<sup>2</sup>. However, notwithstanding the official claims of some consulting firms<sup>3</sup>, the empirical evidence (e.g., Linnarsson & Werr, 2002) shows that even today the (economic and, above all, cognitive) value-creation potential related to the transition from consulting

<sup>1</sup> Over the past ten years management consulting has been one of the most dynamic industries within the context of the advanced tertiary sector (in terms of revenues, new business start-ups, number of employees, range of services offered, etc.). The aggregate turnover in this industry reached about \$229 billion in 2017 (with an average annual increase of 3.6% in the 2012-2106 period) and in the next four years it is expected to see an annual growth rate of higher than 4 percent (IBIS World, 2016; Kennedy Information, 2017).

<sup>2</sup> The increasing awareness among consultancies of the knowledge creation potential of management consulting is confirmed, for example, by the progressive and empirically detectable change in the range of management consulting services offered and their modes of delivery: creating and sharing knowledge (in terms of exploration, development and exploitation) have now become key-channels for transferring value to clients (Davenport & Prusak, 2005). Moreover, many of the top consultancies now «offer knowledge management services for their clients, focusing on how they can develop their internal knowledge management practices» (Buono & Poulfelt, 2005, p. IX).

<sup>3</sup> In the communications to the market made by the big consultancies that offer «high knowledge creation potential» consulting services, we may often notice such claims as «Our clients outperform the market 3 to 1» (Bain), or «We are successful if our clients have built in-house capabilities to solve their own problems the next time around» (McKinsey). See Poulfelt, Greiner and Bhambri (2005, p. 14).

approaches geared to the transfer of ‘best practices’ (consultant as expert) to consulting approaches geared to the cooperative creation of new knowledge and managerial capabilities (consultant as a facilitator of new managerial knowledge and capabilities creation processes) is rarely consciously perceived and, consequently, is not adequately planned for and exploited.

This book interprets management consulting from a knowledge perspective, and proposes a general conceptual framework for investigating and interpreting that potential.

After presenting some reflections about the current and forward-looking relationships between academic research and management consulting (Chapter I), I propose a definition of management consulting (Chapter II) which aims to identify the distinctive ontological (real, essential and relatively stable) features of this particular service and emphasizes the mainly cognitive nature of its value-creation potential.

I go on to present a review of the literature regarding the relationships between knowledge creation and management consulting (Chapter III), and discuss two approaches to interpreting management consulting: the consulting process approach (Chapter IV), and the consulting models’ approach (Chapter V). I use these approaches to outline the essential variables of the consulting relational dynamics.

In the Chapter VI, I make use of the theories interpreting knowledge creation processes as knowledge conversion processes (Nonaka & Takeuchi, 1995), and apply them to the specific context of management consulting relationships. This allows me to propose a possible framework of the cognitive pathways along which knowledge can be created through management consulting. It highlights the fact that in ‘meta-’ (i.e., advanced) consultancy contexts the knowledge creation potential of consulting lies in the possibility that it can generate not only explicit knowledge but also (even, mainly) new tacit managerial knowledge, such as new interpretative abilities (vision of the firm’s structure and of the competitive environment), new experience-based diagnostic skills, and new capabilities to gain insights into solving managerial problems. The value of this knowledge for both the client and consultant goes far beyond the solution of the specific problem for which the consultant was engaged. The aim is not to demonstrate the absolute validity of this model, but more simply to highlight its internal theoretical consistency and to discuss the supporting evidence of a number of anecdotal cases<sup>4</sup>, which are used to better clarify the conceptual framework, rather than serving as empirical evidence for the validity

<sup>4</sup> The brief empirical evidences provided in this book are based on interviews by a group of researchers who have explored (under my guidance) the emerging issues in knowledge management within the context of the European management consulting industry. This research project has been conducted with two samples of firms; one comprising fifty management consultancies of various sizes, and the other with over one hundred large and medium-sized corporations.

of the model<sup>5</sup>. Perhaps a better understanding of the knowledge creation paths that can be activated by management consulting projects following the meta-consulting approach will allow both clients and consulting firms to increase their awareness of the entrepreneurial knowledge generation potential engrained in the dynamics of the consulting relationship. Clients and consultants might be better placed to consciously define knowledge creation goals for their consulting projects, to effectively design and manage the related cooperative learning dynamics, and to evaluate the cognitive value (rather than only the economic value) of the consulting intervention results. Client firms might come to regard the management consultant's work not simply as 'seeking a solution to a specific problem' but also as 'facilitating the endogenous development of their cognitive capacities' (and hence of their distinctive capabilities). They could then select the consultant and, above all, plan their active cooperation in the consulting process on this basis. Similarly, consultants may be encouraged to interpret the consulting relationship as an opportunity for cooperative learning. This may not only increase the client's cognitive resources, but also enable consulting firms to develop new and unique knowledge (which only the specific consulting context can induce), and, consequently, new distinctive consulting capabilities that may be fundamental for their competitive success. The proposed conceptual model may have two major limitations. First, it may be subject to the limitations that some authors (e.g., Gourlay & Nurse, 2005) attribute to Nonaka and Takeuchi's theory of organizational knowledge<sup>6</sup>. The second, and more important, limitation is that the individual knowledge creation pathways and the whole conceptual framework from which they stem still need to be more thoroughly investigated, so as to test their interpretation potential in diverse consulting settings (in terms of the consulting firm's size, structure and sector/specializations, and in terms of the client firm's size, structure and industry, for example).

Finally, after discussing two alternative knowledge management approaches typically adopted by management consulting firms (Chapter VII), in the last Chapter I outline the main dynamics of change that characterize today's demand for management consulting, and suggest that client firms are becoming increasingly aware of the real cognitive (rather than only the economic) value generation potential that can be activated through the consulting relationship. I also look at the possible pathways for evolutionary transformation of consulting practices, models and roles that consulting firms could follow if they want take advantage of the important changes that are taking place.

<sup>5</sup> This approach is frequent in management literature. See, for example, Normann (2001).

<sup>6</sup> To my mind, however, Nonaka and Takeuchi's organizational knowledge creation theory does still remain a very powerful tool for interpreting knowledge creation managerial processes.