MANAGEMENT CONSULTING

JOURNAL

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CMI Chartered Management Institute

CONTENTS

VOL 7 - JUN 2021
ISSN 2671-987

WELCOME TO THIS SEVENTH VOLUME OF THE MANAGEMENT CONSULTING JOURNAL.

Welcome to this seventh volume of the Management Consulting Journal, celebrating International Consultants Day (the first Thursday in June each year). International Consultants Day is acknowledged around the globe and is of particular relevance to countries in the world whose management consulting sectors are seeking to grow in step with the development of their local economy. This volume contains a range of papers from shorter reflective pieces up longer presentations of research projects.

This volume also marks the Journal's link with the British Academy of Management (BAM) initiative to create a Management Consultancy Special Interest Group (SIG). This forum will help academics and researchers with an interest in management consulting share perspectives and exchange knowledge on the subject. It is early days in this initiative, people interested in being involved should contact Calvert Markham (the author of this volume's first article) on **calvert@cmarkham.com**

The Management Consulting Journal is now also available on the Sciendo (our publishers) **website** and also that of the International Council of Management Consulting Institutes (ICMCI) **https://www.cmc-global.org/content/management-consulting-journal**

We are already receiving papers for our next volume. Author guidelines and a submissions template are available at **https://www.managers.org.uk/institute-of-consulting/management-consulting-journal/**

Thanks, as always to our sponsor and supporter the Institute of Consulting, and my colleagues on the editorial board.

Prof. Simon Haslam
Founding Editor

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WATCH NUMBER 290

Calvert Markham

Look at this picture of a stopwatch. It is clockwork and in small letters on the dial bears the words 'Swiss made' – a mark of excellence in a clockwork watch. It has a button at the top that you can use to wind it and start and stop it, and a further button on the side to allow further operations.

But look more carefully at the face of this stopwatch; instead of the dial showing 60 seconds, it is divided into one hundred – one hundredths of a minute. For this watch, with a serial number 290 on the back, was the single tool of the trade that I was given when I became a management consultant in 1974. We are all familiar with the march of technology since then, but as it is now almost 50 years since I became a management consultant, it's worth remarking on a few of the changes that I've noted personally over the intervening years.

THE RISE OF OFFICE AUTOMATION

Fifty years ago the equipment investment per office clerk was a fraction of that of a factory worker. Office machinery was limited to typewriters, which were largely manual, and photocopiers were relatively new; typists created carbon copies (and to this day copies of an email will be addressed in a line marked Cc - an abbreviation of 'carbon copy').

Offices are information processing factories and like their industrial equivalents two hundred years ago, there has been a revolution as computer-based systems have taken over clerical work. Consultants have been massive beneficiaries of this.

A MASSIVE GROWTH IN CONSULTING

In 1974 I joined a community of management consultants that numbered only a few thousand at most in the UK. In Agents of Change[1] published in 1982 Patricia Tisdall notes that the Management Consultants Association was founded in 1956 by the 'Big Four' consulting firms - PA Management Consultants (the firm I joined), P-E Consulting Group, Inbucon and Urwick Orr and Partners – but by the early 1980s the management services divisions of the major accounting firms were growing. By the end of the 1980s large computer firms such as IBM were joining the party. Commodification of hardware had reduced the margins available from large computer installations and previously bundled services from their systems engineers had to move from free to fee.

Tisdall reckoned the UK management consultancy market employed 5000 consultants and was worth about £200m in 1980 (£800m today); today there are an estimated 63,000 consultants in a market worth £11bn.

THE NATURE OF CONSULTANTS' WORK HAS CHANGED

Whereas nowadays a lot of consulting work is substitutional – projects are outsourced to a team of consultants – when I started as a consultant the work was navigational: the consultant worked with client staff to equip them with the skills needed to conduct the project. Teams of consultants working on a project were unusual; mostly you worked alone.

Back then, too, consultants were corporate magicians; working with clients they would share and apply arcane knowledge. The growth of management education and the ready availability of information on the internet has put an end to this; the important skill now is know-how, not know-what!

CONSULTANTS STILL GET A POOR PRESS!

Back in 1977 Anthony Jay wrote in Harvard Business Review [2]

> **There was a famous London management consultant in the 1950s whose craggy face, bushy eyebrows, deep perception, and penetrating analysis were almost hypnotically irresistible to the boards of large corporations. But once the corporation was hooked, he was never seen again. For the next 18 months the offices were overrun with hordes of young, fresh-faced business graduates completing their management education at the corporation's expense.**

More recently – 2018 – much press coverage was given to research[3] that concluded that 'using management consultants brings inefficiency to the NHS' – a claim vigorously denied both by the consultants and their NHS clients.

The popular trope is that consultants are snake-oil salesmen selling dubious solutions to unsuspecting clients, which says little for the wisdom of those managers who hire them and fails to explain the year-on-year growth of the industry. The fact is that clients engage consultants in client projects which often entail unpleasant change, so it is far easier to rail against those agents of change than against your employer!

And because the work that consultants carry out is on projects conceived and owned by their clients, it is difficult to assess consulting performance objectively; projects are joint ventures between client and consultant and require excellence from both.

MAYBE NOT A PROFESSION...

Anyone can call themselves a consultant and so there has over the years been a lot of effort to set performance standards and professionalise the role. It was only shortly before my time that fees were charged in guineas by consultants, as were those levied by other professionals such as surgeons and lawyers.

Membership of the Institute of Management Consultants (IMC) was originally conceived as a badge of competence. PA was a great supporter (and a source of many Presidents, of which I am the most recent), and so enrolled me and paid my membership fees. I could join the IMC as an Associate after one year's experience and then become a full Member after (I think) three years. This was simply a time qualification but then in its attempts to win a royal charter, examinations were introduced. Rather than increase the demand for membership, exams reduced it, and so they were removed. This pattern was repeated some years later when a formal qualification for membership was introduced – and then removed again.

[1] Agents of Change Patricia Tisdall, Heinemann, 1982 charting the history of management consultancy in the UK was commissioned by the Institute of Management Consultants to celebrate the 20th anniversary of its founding

[2] Rate Yourself as a Client Antony Jay, Harvard Business Review, July 1977

[3] The impact of management consultants on public service efficiency Kirkpatrick, I., Sturdy, A., Reguera Alvarado, N., Blanco-Oliver, A., & Veronesi, G.; published in Policy and Politics 2019

WATCH NUMBER 290 (CONTINUED)

Membership of an institute can offer three main benefits: affiliation, providing strength in numbers; association, providing the opportunity to engage with fellow professionals; and an indication of meeting standards of professionalism and competence. Those working in consulting practices will enjoy affiliation and association from their firms; and for the most part large consulting practices have chosen to provide their own validation of the professionalism and competence of their employees rather than seeking it from the IMC. In the early 1980s the fledgling consulting practices in the accounting firms were supportive of the IMC whilst getting established but withdrew thereafter. The upshot was that in 2005 when I was involved in a project studying brand recognition, the IMC ranked lower than the major consulting firms.

Chartered membership of many professional institutes confers a licence to practice – for example, as an accountant to sign off a set of accounts. For management consultants the question is, what authority does chartered membership convey? Or perhaps, what critical aspect of management consultancy does lack of a licence to practice deny? So the recent introduction of the Chartered Management Consultant award is to be applauded, but it remains to be seen whether it will get traction.

... BUT SKILLS DO MAKE A DIFFERENCE

My stopwatch did not make me a consultant. Good consultants have not only functional expertise but also competence in problem solving, delivering those solutions through capable project management, and good client relationship skills.

At their best, consultants have a transformative effect on organisational performance, and long may this continue.

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A CONSULTING ASSIGNMENT AS A CONVERSATION

Brian Ing

My intention in this short article is to draw similarities of both processes (that is having a conversation and undertaking a management consulting assignment) in order to inform how we consult and evaluate our efforts. Initially I start with trying to define a conversation between two individuals who initially are strangers to each other as a process: a simple process that proceeds from one step to another to a successful outcome.

The two person conversation process:

- **Initiation: involves greeting, exchange names,**
- **Validation: discovering initial details in order to check that we should be talking**
- **Finding a common topic: exploratory (often false or "blind alley") starts**
- **Discussing the topic: a to and fro interaction of both participants which may involve differences of view or information.**
- **Reaching a conclusion: both agree to finish topic**
- **Ending: agree any future actions and participant**

And at the end the conversation could be seen as successful if the originator of the topic has gained more insight or validation, the other feels they have contributed and aided and both feel that the person they have just met would be worth talking to again.

Simplistic and idealised I agree, but this is the bones of the process.

My proposal is that we should consider, at a base level, a management consulting assignment as a "conversation" between consultant and client.

For evidence that this is so, I refer to the recent issued standard ISO 20700, Guidelines for Management Consultancy Services. This standard is a ground breaking standard addressing as it does for the first time in an ISO standard the interaction in service provision between the service supplier, in this case a management consultant, and a service user, the client. The standard refers to the service provision requirements on the supplier and the user is assumed to reciprocate, following the "it takes two hands to clap" principle. The standard emphasises explanation, communication and responding to queries. These can only be achieved if the client is reciprocating. In my terms, if both are having a conversation.

There is a clear analogy between the social rules, moires and practices in conversations and the clear exposition of the "best practice" rules of interaction in a consultancy assignment implicit throughout in ISO 20700. The standard reinforces a belief of mine for a long time.

I started my consulting career in the 1970s when some aspects of the consulting business were still in their infancy. Often I would hear consultants make extensive addresses or speeches to clients packed with as many polysyllabic words as it was possible. In private, I would ask them to tell what they meant and they would repeat the long diatribe that I had just heard. A follow up question of, "but what does that really mean?" too often left them speechless. They may have considered they had fulfilled their role in the consulting process but I am sure the client was only a little wiser. In my terms they had not had a meaningful conversation together. I leave it to the reader to note whether such behaviours still exist today.

My belief is that with our increasing use of sophisticated models, tools, and approaches, it is easy to get so wrapped up in the technicalities of the approach as to forget the underlying process. In essence, normally a single person (as representative of an organisation perhaps) has an issue or problem which they wish to work through with another person (who in turn may be the lead representative of a consulting organisation) so that they have a way that they are confident of to be able to deal effectively with the issue of problem. To achieve this they seek confidence in the interaction and outcome. This confidence is generated through the interactions of the conversation/management consultancy process.

I hold that we as individual consultants or as a profession should be judged by the results we achieve: the changes, the improvements and even the rescues. This is in contrast to being judged by the language and communication we produce. The impenetrability of some utterances and the apparent, but false, sophistication of complex language do not enhance our usefulness, and hence damage the perception of our value.

But not all advisers work this way. I am aware that in some cultures it is more common than in others for the advisor to attend, be told the problem, to collect data/information, undergo a complete analysis of the information and present back the conclusions of the analysis. Whilst undertaking the analysis this is not interaction with the client: the client wants a solution only. There will be times when a proper professional management consultant has to work this way at the client's request. We should be aware that this way of working without interaction is missing the "conversation" and is in my terminology not "consultancy" and the role is that of "the analyst". A valuable role in the right circumstances but not offering the possibilities of exploration and elucidation available in the interactive consultancy process. The consultancy process enables use of alternative considerations and options that had not been surfaced at the beginning of the assignment and enables the client to be part of the derivation of the final outcome, to be involved and convinced step by step to "own" the outcome and to be better placed to drive through their own organisation the resultant actions from the assignment.

At the end of an assignment, we should review our performance. I hold that a review point for every assignment should be "How did the conversation between us and the client progress?" We have all had consulting assignments that were difficult through misunderstandings, changing circumstances and needs, surprising findings detouring the assignment and, we must admit, us taking the wrong path initially. Despite all of these challenges, the client and consultant may still agree that the assignment was successful. I maintain that this would have in part due the conversation being maintained and effective through the challenges.

For those who still are not willing to accept the view presented above of the consulting process, I would like to quote an eminent physicist. I was privileged to be taught by Sir Nevill Mott as a student theoretical physicist. He was awarded the Nobel Prize for work he did, aged 68, after he retired as the Cavendish Professor. He set us to write an essay (incidentally the only one I was asked to write as a student in the mathematical sciences) on what had been his life work without using symbols, equations or diagrams. After a three hour detailed examination of my essay, he went to the blackboard and wrote "if you can not explain the physics simply, you have not fully understood it". Naturally, this does not apply only to physics and I have applied the mantra to management consulting. Hence, on this basis I maintain that the appropriate response, given this advice, to the question, "What does a management consultant do?" should be, "They have a conversation with a person who has a problem or issue to help them reach a solution".

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A FRAMEWORK FOR CONSULTING

Julie Hodges

Organisations across the globe are facing waves of changes spurred on by the global COVID pandemic such as: the acceleration in the adoption of technology; the rise of new business models; and evolving workforce; and the economic pressures exerted by months of lockdowns. The impact on consultants of these factors is: the rise of virtual consulting using digital and collaborative platforms; the demand for instant consulting with a drive for flexibility and to deliver value as soon as possible; and the increase in collaborative and continuous consulting to create ongoing value for clients.

In order to meet such demands consultants are faced with having to embrace the digital revolution and in many cases reinvent themselves to meet changing client needs and expectations. However, despite such shifts at the heart of consulting still lies the need to add value and to do this in practice requires consultants, whether they are internal or external to the organization, to apply an iterative approach to how they enact consulting. One approach for doing this is through the application of the consultancy cycle for change which can be adapted to suit different situations (Hodges, 2017).

The Consultancy Cycle for Change comprises of seven phases: initial contact; contracting; inquiry and analysis; intervention; implementation; evaluation; and transition. Each of these phases informs the orientation of the previous and subsequent phases and each varies in length and complexity depending on the nature of the consultancy assignment and the client's expectations.

Some of the phases, such as contracting and evaluation are on-going activities throughout a consultancy assignment. For example, consultants may need to return to contracting discussions each time they meet with a client in order to validate progress, correct any misunderstandings and agree on what to do next.

This iterative cycle provides a route map to be used by a consultant during a transformation. However, like all conceptual frameworks, it does need to be adapted to the specific context in which it is being applied and consultants, whether internal or external, need to be familiar enough with the cycle to be able to use it flexibly and to re-visit the different phases within it, when necessary, and to so jointly with their clients.

The consultancy for change cycle is a collaborative approach involving both client and consultant. For instance, inquiry is a joint process which aims to understand the client's issue and its root causes so that appropriate change/s (intervention/s) can be identified to address them. However, this is the phase which clients and consultants may be tempted to skip on the assumption that they already have sufficient information about an issue and its causality. This is a misguided assumption which can lead to change being implemented that address the symptoms and not the underlying causes of the problem. So inquiry needs to be done collaboratively to provide evidence based data to help identify potential change/s. Likewise the identification and design of appropriate interventions should also be done collaboratively and derive from careful inquiry.

Since interventions may function differently in different organizations, flexibility in the application of any intervention is necessary. The purpose of interventions is to improve the effectiveness of the organization, team/s and/or individuals and so care must be taken in selecting the most appropriate intervention since failed interventions cause significant costs in terms of the time, money and motivation of organizational members. There is, therefore, a need for interventions to be practical and business-focused, while also being underpinned by a strong evidence based foundation and rigorous learning methodology.

The ownership of the intervention has to be clarified so that the client and consultant both understand clearly how the consultant will help the client achieve the objectives of the intervention. A consultant should, whenever appropriate, be involved during the implementation of the intervention, although they will eventually need to disengage because the responsibility for sustaining the change needs to be transferred to the client.

Transition of ownership of the intervention to the client is vital to ensure the ongoing sustainability of any changes implemented. Being clear about the boundaries of the consultancy work, and knowing the correct time to withdraw or transition, is essential. Disengaging will be much easier and clearer when the contracting process has been done effectively. In other words, if the consultant's role and the client's expectations about the outcomes for the consultancy assignment have been clarified, the transition will be both appropriate and timely and the engagement not just left to fade away. To help move towards effective transition, the progress of the change should be monitored and measured as it is happening since this enables adjustments to be made to help realize benefits, and also provides feedback on how people feel about the change whilst it is still being implemented.

Knowing what influences and determines the sustainability of change is a key part of the consultancy cycle. Determining whether or not change has been sustained will involve evaluatin of the benefits achieved, as well as management of the risks associated with the change. Attempting to lead a transformation without metrics or a risk assessment is like trying to fly a plane without instruments. On a short flight on a clear day consultants might be able to reach the destination safely, but once they hit clouds, they will find themselves in serious trouble. So, it is important to monitor and review a transformation in order to identify areas which need to be adjusted and adapted to ensure that the change is effectively implemented and the intended benefits achieved.

At its core, the consultancy for change cycle is bolted together with: ongoing stakeholder management; a client-consultant relationship built on trust, transparency and honesty; ongoing dialogue and feedback in order to understand people and the issues they face in organizations, and to engage people with change. Applying the consultancy cycle compels consultants to ask, "What does an effective change intervention look like that will engage individuals? How can we facilitate collaboration and learning in everything we do? Successful consultancy integrates an understanding of how to engage people in change, it identifies what motivates people and it examines how they react to change. Through the adoption and adaption of the consultancy cycle for change, consultants can effectively engage people in change rather than imposing it upon them which is vital at a time when organisations and the people within them are facing unprecedented continuous change.

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MANAGING RISK IN CONSULTING PROJECTS REQUIRES A KNOWLEDGE-BASED APPROACH

Mostafa Sayyadi

Consultants are spending more time today concerned about operational risk management than ever before. Consultants that manage operational risk and use it as an important driving force for business success find their clients to be more competitive and on the cutting edge. Operational risk management has been developed to offset problems before they occur and to adjust or ship resources accordingly in the event of a threat. Operational risk management is an operational approach to represent knowledge management, and seeks to apply organizational knowledge in order to effectively manage the risks associated with running a successful consulting project for a client (**Keskin 2005**). Similar to customer relationship management, knowledge management is an enabler for identifying and satisfying customer's needs and manifests itself as a significant driver that motivates the development of relationships with customers (**Hu et al. 1997**). Scholars have proven that consultants can use knowledge management to improve customer satisfaction through acquiring additional knowledge from customers, developing better relationships with them, and providing a higher quality of consulting services for them (**North, Reinhardt & Schmidt, 2004**; **Sukumaran et al. 2009**).

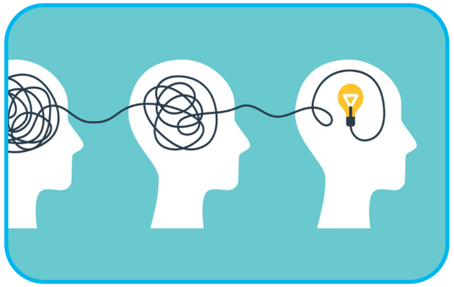
The key function of knowledge management is to help consultants use it for employee development (**Spender, 1996**). In this context, training is becoming the forefront of business success worldwide. Why is this, you may ask? Because learning is a process that leads to acquiring new insights and knowledge, and potentially to correct sub-optimal or ineffective actions and behaviors that cause consulting projects to spiral out of control (**Dorfler, 2010**). Consultants have found that organizational learning as modifying behaviors resulting in newer insight and knowledge (**Aulakh et al., 2016**). Thus changing of the existing behaviors of followers generating new knowledge, and is, therefore, a key factor in improving competitive advantage (**Linderman et al. 2004**).

This is my experience of working with a team of top-level management consultants in the consulting industry. My experience says that management consultants can add more manageable control and of private knowledge and reduce operational risk. Private knowledge refers to "a resource that is valuable, rare, and imperfectly imitable," and therefore is regarded as "firm-specific" (**Matusik 1998, p.683**). Unique strategies, processes, and practices are examples of this type of knowledge. This type of knowledge in consulting projects must be guarded and not shared with the competition.

Any leak of such information may increase the operational risk. Contrary to private knowledge, public knowledge differs in that it is not unique for any consulting project (**Matusik 1998**). Public knowledge may be an asset and provide potential benefits when posted in social media and other means of communication. According to **Matusik (1998, p.683)**, public knowledge has been defined as "industry and occupational best practices" and is reflected in various concepts such as total quality management, six-sigma, and just-in-time inventory. It is important for consultants to consider the ownership of knowledge as a factor which is a significant contributor to the knowledge of consulting projects. Moreover, **Matusik (1998)** points out that knowledge emerges in two additional forms, including the knowledge that is only accessible by one and the knowledge that is accessible to all. The best approach to knowledge is for consultants to know which knowledge is to remain private and which to go public with. A mistake in this area may be vital to the consulting projects and consultants must choose wisely.

Furthermore, internal resources manifest themselves in tangible (such as physical properties and machinery) and intangible (such as intellectual capital) forms. Intangible resources, in form of intellectual capital, exist primarily as knowledge in human resources and cannot be easily imitated. This, by far, is why some consulting projects are successful and some are not. Operational risk of consulting projects at risk if they can be easily imitated by the competition. Therefore, decreasing the imitability of services can also decrease the operational risk. Thus, harder to copy or imitate. To remain competitive, consultants realize that they have to quickly create and share new ideas and knowledge to be more responsive to market changes (**Eisenhardt & Santos, 2006**). Consulting teams are "social communities that specialize in the creation and internal transfer of knowledge" (**Kogut & Zander, 1993 p.625**). Importantly, knowledge held by members is the most strategic resource for competitive advantage, and also through the way it is managed by consultants (**Kogut & Zander, 1992; De Carolis, 2002; Curado, 2006**).

This effort improves operational risk management, and potentially limits operational risk. In particular, knowledge-based risk management develops cohesive infrastructures to store and retrieve knowledge to enable clients in effectively using organizational resources, decreasing costs, and creating more innovative solutions. Thus, when consultants ensure the effectiveness of knowledge management they increase control and lessen operational risk. As a result, it is safe to say that private knowledge is essential for consulting projects while knowledge management, if not embraced can lead to operational risk.



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THE NATURE OF MANAGEMENT CONSULTANCY INTERVENTIONS

David Shaw

Management consultants are often criticised for claiming that they can resolve complex organisational problems reliably by using rational, step-by-step procedures that are grounded in "management science" (**Fincham, 2002**). It is said that they base their work on the contestable assumption that organisations are "things" that are normally in stable states, and that they claim, through their interventions, to transform them into "things" in different, better, stable states.

It is without doubt that certain management consultancy interventions can reliably create organisational change of some sort, even though the implications for organisational performance may be less predictable than is often claimed. Organisational downsizing and delayering, and business process reengineering, are examples, because they have a direct, structural effect that influences how people behave by changing the number of people who are available to perform particular tasks, by giving some jobholders authority to act that they did not previously have, and by constraining other jobholders from acting where previously they had that discretion. As **Cyert and March (1992, p.38)** say in developing their behavioural theory of the firm, the allocation of functions in an organisation is like allocating financial resources in the budgeting process; organisation and process structures determine people's discretion to act.

We have learned, however, that in order to intervene in ways that improve organisational performance, management consultants have to do more than change the structures of an organisation. Management scholars have been turning to ancient Greek philosophers for insights into the nature of organisations and approaches to organisational change that produce real performance improvements (**Tsoukas and Chia, 2002; Van de Ven and Poole, 2005**). The western tradition of giving primacy to substance over process, which is reflected in the hitherto prevalent way of thinking of organisations as "things", originates with Parmenides. Writing in the early fifth century BC, Parmenides argued that change in the universe was a logical impossibility, and that apparent instances of it were tricks of our untrustworthy senses. Later philosophers of the fifth century BC, the atomists Leucippus and Democritus, argued that the universe consisted of atoms of immutable substance that were in constant motion, and that it was the motion of these atoms that led to the possibility of change that Parmenides had denied. Recent management scholarship, however, has drawn upon the earlier ideas of Heraclitus who, writing in the late sixth and early fifth centuries BC, is credited with being the founder of process philosophy (**Rescher, 1996**). Particular attention has been paid to the assertion that Plato attributed to him, 'all things are in process and nothing stays still' (**Kirk et al., 1983, p.195**). This line of thought has encouraged a view of organisations as collections of continually changing processes rather than as "things".

Bertrand Russell (1946) makes the point that these earliest of Western philosophers believed that they were making discoveries about the nature of the universe, whereas their successors, including Plato and Aristotle, were more interested in making discoveries about the nature of human beings. **Popper (1945, p. 57)** suggests that in the earliest western thought, including that of Heraclitus, people did not distinguish clearly between "natural and normative laws". For the ancient Greeks, the term 'justice' primarily referred to the divine order of the universe, but by extension came also to encompass justice in respect of people's behaviour towards each other. Thus, Heraclitus could say that the "sun will not overstep his measures; otherwise the Erinyes, ministers of Justice, will find him out" (**Kirk et al., 1983, p. 201**). We now know better than this. To say that an organisation is a collection of continually changing processes is not a discovery about the nature of organisations of the same sort that Heraclitus thought he was making about the nature of the universe, but rather is a choice to adopt one metaphor for organisations and organisational change rather than another. Yet, as **Giddens (1984, p. xxxv)** puts it, social theories "are reflections upon a social reality which they also help to constitute". Organisations are social systems, and they are socially constructed. Adoption of a new metaphor for organisations is not simply a new way of thinking about them; a widely accepted metaphor at least in part comes to constitute the reality of what organisations and organisational change actually are. Effective management consultancy interventions must, of course, influence how people think about the organisations they work in as well as the more tangible aspects of their structures.

MacIntyre (2007) submits that the social sciences cannot contribute lawlike generalisations of the kind that the natural sciences provide, so any claim that 'management science' enables management consultants to deploy rational, scientific procedures that yield predictable and beneficial results is spurious. Indeed, the increasingly accepted Heraclitean notion of organisations as collections of continually changing processes suggests an organisational world of great complexity and unpredictability, in which forces are liable to emerge during periods of apparent stability that may ultimately give rise to episodes of seemingly discontinuous change. This is not a world in which simple, step-by-step management consultancy procedures can be expected to produce predictably beneficial results.

Tsoukas and Cummings (1997) turn to Aristotle for a less rationalistic and mechanistic view of how people can intervene in organisations effectively so as to bring about beneficial change. In the Nicomachean Ethics, Aristotle defines the nature of consultation, making it clear that the intellectual virtue above all others that people who consult need their advisers to have is the virtue of phronesis, a word that is usually translated as "prudence" or "practical wisdom". He says that phronesis is the intellectual virtue that enables people to make good, practical choices as to what they should do in order to attain the outcomes that they ultimately desire. He distinguishes phronesis from sophia, the intellectual virtue that enables you to gain definite, lawlike knowledge. Whereas the young can gain mastery, for example, of mathematics, they cannot possess phronesis, because phronesis can be gained only through experience. While the contribution of social scientific knowledge should not unreasonably be set aside, this suggests that it is experience-based intuition and good judgement that is most needed if management consultancy interventions are to bring about beneficial organisational change. The Heraclitean metaphor of organisations as flux, and the primacy of Aristotelian phronesis as the essential characteristic of consultants, argue for management consultancy interventions that embody flexibility and well-judged improvisation rather than formulation of and adherence to rational, linear project plans. As the distinguished management consultant and Deloitte chief executive Richard Houston put it in a newspaper interview:

> **"Whatever you do in life, things go wrong. It is as much about how you manage that and navigate the organisation as it is trying to prevent things going wrong in the first place (Ashton, 2020)."**

Mintzberg (1989. P. 70) argues that in order to make good judgements "a person has to know a subject deeply, has to have long and intimate experience with it, to be able to deal with it effectively through intuition". A management consultancy intervention is in large measure a venture into territory that is at least in part unpredictable, and the characteristics of flexibility and good, experience-based judgement in responding to uncertainty and surprise are fundamental to its nature. And that depends on phronesis.

THE NATURE OF MANAGEMENT CONSULTANCY INTERVENTIONS (CONTINUED)

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THOUGHT LEADERSHIP AND REPUTATION BUILDING IN MANAGEMENT CONSULTING

William S. Harvey,

THE PROBLEM AND OPPORTUNITY

We have witnessed a proliferation of information online, including videos, podcasts, blogs and infographics. This so-called thought leadership is being created alongside a growing concern around the mushrooming of misinformation and disinformation, ranging from election results and referendums to climate change and trade relationships. Etter et al. (2019) show that as information is being created, refracted and shared by different actors on social media platforms at unprecedented speeds, this creates greater divisions around how people perceive leaders and organisations.

Developing thought leadership creates an opportunity and a risk for management consulting firms. It is an opportunity to showcase the high quality evidence-based research and advisory work that consulting firms participate in for business and society, but it also represents a risk if the insights they share are perceived as poor quality and trite. Before exploring how management consulting firms can more effectively develop thought leadership to build their reputations, it is important to clarify what we mean by thought leadership.

WHAT IS THOUGHT LEADERSHIP?

Building on the open-access research with my co-authors (Harvey et al., 2021: 11), we define thought leadership as:

> **“Knowledge from trusted, eminent, and authoritative sources that is actionable and provides valuable solutions for stakeholders.”**

Management consulting firms are known for focusing on providing solutions for their clients, but how actionable these solutions are can be variable. While some firms are known for being strong at working with their clients to implement solutions, others are infamous for providing intellectual solutions which are very difficult to operationalise in practice.

As a sector, management consulting has a variable track record in terms of client trust. Many clients have worked with consulting firms for decades and built-up a strong level of trust, while other clients are sceptical around the added value of the content and solutions delivered by management consultants.

As a sector, management consulting does generally have authority, with major publications such as The Economist and the Financial Times frequently citing the work of prominent firms such as McKinsey & Company. Partners of major consulting firms as well as medium-sized and boutique firms also tend to hold strong personal reputations, which can help provide them with authority when sharing thought leadership material. The benefit of high quality thought leadership content is it can help to build the reputation of the firm as well as the reputation of the individual.

WHY SHOULD MANAGEMENT CONSULTING FIRMS CREATE THOUGHT LEADERSHIP?

One of the challenges that management consulting firms face is the disconnect between their identity claims (who we think we are) and their reputation (what others think we are). High quality thought leadership material can be an effective way of bridging the gap between a firm's identity and its reputation (Harvey et al., 2017). It is essential that the thought leadership is perceived as high quality. When executed well, this can help to reinforce the firm's identity claims to its clients, reinforcing and corroborating its core message around its expertise. However, when executed poorly, it raises alarm bells with clients around the quality of the work, which can undermine the firm and the individual's reputation.

Developing and sharing high quality thought leadership is particularly important in management consulting because it is a sector that suffers from information asymmetry where clients have less information about the service they will receive than consultants and therefore find it difficult to make judgments about quality. Impactful thought leadership can over time provide clients with tangible reassurances about the quality of the work delivered by management consulting firms.

There are three important building blocks for developing reputation (Lange et al., 2011). First, perceived quality, which is how external stakeholders perceive the quality of the organisation's products and services. Second, prominence, which is the visibility of the organisation in the public domain. Third, favourability, which is when the organisation is perceived positively among a broad group of stakeholders. High quality thought leadership is a powerful tool for helping management consulting firms to enhance all three of these dimensions of reputation.

WHERE NEXT?

Reflecting on thought leadership is timely for management consulting given the major shifts that we are witnessing in business and society in response to the coronavirus pandemic. These shifts will create new opportunities for advisory work for management consulting firms. However, with an increasingly knowledgeable, discerning and impatient client base, this will necessitate consultants providing signals and reassurances around the quality of their work.

With the explosion of misinformation and disinformation online, organisations of all shapes, sizes and structures are looking for trusted and insightful sources of information. Developing high quality thought leadership that develops: “knowledge from trusted, eminent, and authoritative sources that is actionable and provides valuable solutions for stakeholders” provides an opportunity for management consulting firms and their partners to build their reputation. In these times of transformation, thought leadership can also help management consulting firms to credibly pivot their own business models.

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THE MERITS OF ACADEMIC CONSULTING AND ITS ROLE IN ORGANISATIONAL DEVELOPMENT

Krishna Balthu and Chris Owen

GROWING NEED FOR CONSULTANCY SERVICES

In the UK, there is growing scrutiny and apprehension over government expenditure on consultancy firms, particularly over recent years. For example, it is estimated that Brexit related spending on big consultancies increased by 20% in 2019 and the Pandemic has created new opportunities for consultants (a series of articles published in Financial Times in 2020 have focused on government's spending on external consultants, for example see FT articles dated 29 January, 17 April, 19 August in year 2020). In general, it has been common practice for governments and private organisations alike to procure knowledge and expertise through consultancies large and small. We ask whether consultancies are the only source of advisory or can academic researchers fill this gap? There is ample evidence of governments commissioning University-based researchers to solve urgent problems such as the recent development of Covid-19 vaccine (also see recent calls for research funding from UKRI related to Covid-19 crisis). But such engagement tends to be mainly focused in the hard sciences (natural sciences) domain as opposed to soft sciences (social sciences), which includes management research and consultancy. Although some Business Schools in the UK are already explicitly running academic consultancy operations, how far can Universities assemble teams of academic consultants at the pace a commercial consultancy can deliver to address an immediate need for a client organisation is a moot point.

WHAT MAKES ACADEMIC CONSULTING DIFFERENT FROM COMMERCIAL CONSULTANCY?

The successful delivery of an academic consulting project is dependent on harnessing the subject matter expertise of academic researchers (sometimes cross disciplinary) which is perhaps not commercially available. As well as solving a problem for a particular organisation, researchers are motivated by the need to create new knowledge through a rigorous methodology. Whereas commercial consultancies perhaps are less focused on the method of delivery and are more focused on the results. Creating new knowledge is the quintessence of academic pursuit and therefore an inseparable part of academic consulting engagements. Particularly whilst the clients are more inclined to find solutions to problems at hand, often it can be burdensome or require undue commitment of their resources to focus more on the process of finding solutions (how) rather than the solution itself (what).

There is some evidence of prior research in the domain specific to academic consultancy, for example **Ormerod (1996)** presents a reflective account of the dichotomy between consultants and academics in their motivations, outlook and behaviour and argues that there is need for synergy to be obtained between consultancy and academic activities. Russell Ackoff, a well-known management theorist distinguished commercial from an academic-led consultancy calling academic researchers Educators as opposed to Consultants –

> **“A consultant goes in with a solution. He tries to impose it on a situation. An educator tries to train the people responsible for the work to work it out themselves. We don't pretend to know the way to get the answer. (Stern, 2007)”**

Academic consulting assignments are often undertaken for a short period of time and are structured differently compared to commercial consultancies. There might be no in-house or off-the-shelf tools and solutions such as the ones available to consulting firms. Furthermore, an academic consultant might appear uncompetitive compared to consultancy teams that create new ideas on the basis of heterogeneous and profound knowledge that might be unattainable by a single researcher **(Nenko & Basov, 2012)**.

ACTION RESEARCH: A POSSIBLE CANDIDATE FOR DELIVERING SUCCESSFUL ACADEMIC CONSULTING PROJECTS

How then can academic researchers be engaged in solving an organisational problem whilst maintaining the rigorous requirements of research. Action Research can be a potential candidate for delivering successful academic consulting projects which meets the double objective of creating new knowledge by answering a research question, as well as fulfilling a practical need for an organisation simultaneously **(Rapoport, 1970; Argyris & Schon, 1978; Senge,1990; Pasmore et al., 2008)**. Action research can be understood as a cyclical method where the researcher primarily enters a real-world problem situation, conducts a structured inquiry so as to improve it, by involving participants from the organisation **(Susman & Evered,1978)**. Simultaneously, both the researcher and participants start to make sense of the situation with the help of the declared framework and methodology, consequently delivering improvements. The procedure can be repeated in a sequence of new research cycles generating new learning to further improve the situation. Ultimately, the researcher leaves the improved situation and reports the findings. It is a mode of clinical research as opposed to non-obtrusive observation wherein the researcher is detached from the problem situation **(Schein, 1990)**. Another form of action research called collaborative management research is constructed typically out of practitioner perceptions of key issues and out of key issues that emerge out of the themes when issues are analysed **(Pasmore et al., 2008)**. A practical way to deliver such academic consultancy projects is through University-Industry partnerships. For example, the Knowledge Transfer Partnership (KTP) scheme sponsored by Innovate UK, is a well-known route for engaging academic researchers in addressing strategic challenges faced by companies through a fixed term funded project. Such a delivery of academic consultancy also signifies the process consultation model identified by **Schein (1990)** where the academic consultant external to the organisation takes on the role of a facilitator of change. Recent work by **Balthu & Clegg (2021)** presented a new model of Situated-Reflective-Agent as the ideal state of an action researcher offering a best practice for ensuring both rigour and relevance in academic consultancy.

CAN ACADEMIC CONSULTANTS PLAY A WIDER ROLE?

In academic literature there are calls for producing knowledge in the context of application, also termed as Mode 2 Research, as opposed to Mode 1 which is academic, investigator-initiated and discipline-based knowledge production **(Gibbons et al., 1994)**. According to **Stoke's (1997)** classification, and its adaptation by **Tushman & O'Reilly (2007)**, business schools would fall into Pasteur's quadrant signifying their characteristics of use-inspired research, being both relevant and rigorous. The true innovation according to Stokes occurs in Pasteur's quadrant signifying the contribution of Louis Pasteur to the field of microbiology, who never undertook a study that was not use-inspired. Whereas consulting firms which are relevant but not rigorous fall into Edison's quadrant. This perspective offers a strong case for conducting action research facilitated by academic consulting engagements. Also, there is a need for further empirical studies on how the work of individuals within consultancies unfolds and how knowledge reuse attempts and challenges may unfold across organizations as a whole.

Despite the limitations, there is a potential wider role for academic consultants in meeting the needs of clients who would ordinarily turn to commercial consultants for solutions. The question is, can academic consultants organise themselves to operate in a manner that can work for these clients, particularly during these times of uncertainty when the need for organisational change and renewal is more than ever?

THE MERITS OF ACADEMIC CONSULTING AND ITS ROLE IN ORGANISATIONAL DEVELOPMENT (CONTINUED)

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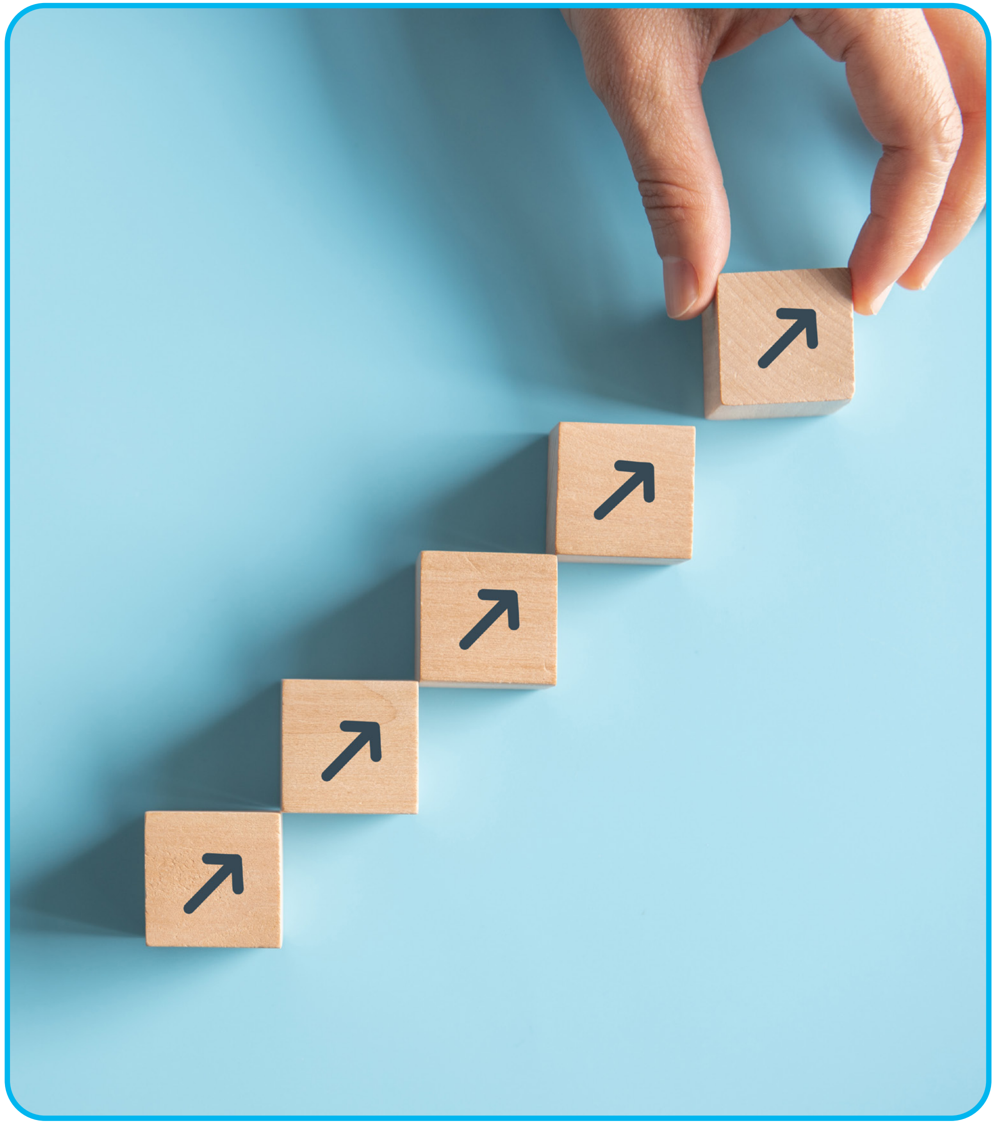

MANAGEMENT CONSULTANCY: THE POWER TO UNLEASH NATURAL CAPITAL THINKING

Christopher Williams, Nicholas Conner, and Jacqueline Jing You,

> **"Financial systems have a lot in common with natural world systems. Both are economies. If you deal with your investment... it's fine if you can take the profit, you take the investment, but you wouldn't be so silly as to eat into the capital. But that is what we're doing with the natural world all the time." (Sir David Attenborough, address to IMF & World Bank, 2019)**

INTRODUCTION

Much has been written about the impact of the management consultancy industry. Dealing in the business of thought leadership and the latest ideas **(Sturdy, 2011)**, management consultancy is also a highly diverse industry and can be extremely innovative **(Williams, 2019)**. Researchers have explored how management consultants achieve success in what is also a highly competitive and cut-throat sector. Success can be viewed in various ways, but is most commonly spoken of in terms of client satisfaction, repeat business, high utilization rates, and having a positive impact on client organizations in financial terms. Commentators note the importance of human capital in the industry **(Von Nordenflycht, 2010)**, social capital (both internally and externally with clients) **(Mors, 2010)**, and organizational capital (finding new ways of organizing and structuring client engagements, including virtually) **(Williams, 2019)**.

Harnessing these different forms of capital has allowed the industry to innovate and continually change. As a consequence, new entrants have emerged, while some incumbents disappear or become absorbed into larger entities. For the larger players, maintaining relevance to client issues has been a defining theme, influencing the direction of change. This is conspicuous in the creation of new types of practice areas in larger firms, most recently in areas such as digital transformation, blockchain technology and AI.

Another relatively new type of practice area seen in management consultancy firms relates to sustainability, the environment and climate change. These themes have permeated society and economies globally, as have clients' levels of uncertainty and anxiety about how to deal with them. Large management consultancy firms have entered this space in a visible way, seeking to compete through new advisory services that clients will trust and value because they relate to how they deal with environmental issues and are perceived to do so.

We believe this Special Issue of Management Consulting Journal on International Consultants' Day is an ideal opportunity to reflect on the role of the management consultancy industry, not in human, social and organisational capital terms, but rather in natural capital terms. This is not about how management consultancy firms themselves manage their impact on the natural environment – we will leave that to others to pursue – but rather about how management consultants can help to put natural capital thinking at the heart of client relationships across all practice areas and client engagements.

NATURAL CAPITAL THINKING

Nature capital refers to "the world's stocks of natural assets which include geology, soil, air, water and all living things" **(Natural Capital Forum, 2021)**. Since its coining in 1973, the term has entered popular usage **(Schumacher, 1973)**. However, 'natural capital' has different meanings for different groups. Environmental economists and national accountants treat natural capital as a stock of environmental assets used in the production of goods and services by business, government and wider society. Natural capital flows to users (who derive benefits from its use) in the form of ecosystem services. These ecosystem services (e.g., healthy air, clean water, food, timber, regulation of climate change and flood risk) contribute to human welfare **(Costanza et al., 1997)**. The economic value of ecosystem services can be measured, and the value of the natural capital stock can be derived from the value of the services obtained from its use. A contrary view is that nature cannot be considered in the same way we think of financial capital (shares, loans, financial instruments), or produced capital (buildings, physical infrastructure, inventory). Under this view, nature instead has intrinsic and inherent value, it cannot (and should not erroneously) be quantified, monetised or treated as another form of capital and regarded as tradable between owners and users **(see Barton et al. 2019, p24).**

Despite their differences, both these views are linked by a concern that the finite and interdependent nature of ecosystems, nature resources, and biophysical processes is not adequately understood or addressed in public and private sector planning, policy and operations. A major consequence of this long-term lack of understanding is that the ability of these ecosystems, natural resources and biophysical processes to continue to be the source of goods and services for business and the community is becoming severely compromised. Without adequate reinvestment in natural capital in the form of protection, conservation, reduction of pollution and overuse, the decline of the stock of natural assets will create major risks to business supply chains, and declining economic and social wellbeing for communities.

As well as the effects of environmental damage on the quality of natural capital and associated ecosystem services, unsustainable human interaction with the natural environment is also leading to changes in the biophysical processes on which life depends, such as climate circulation, carbon storage, sea temperature, reproduction and development in fish species, and catchment runoff. Changes to biophysical processes pose serious global implications for humankind. Indeed, Global Risks reports by the World Economic Forum show a number of persistent threats faced by humankind, including water crises, natural disasters, extreme weather events, failure of climate-change mitigation and adaptation, and weapons of mass destruction, among others **(World Economic Forum, 2018)**. Four out of the top five risks relate to the environment.

There is nothing new about bringing a natural capital perspective into a discussion on various forms of capital. Writers in environmental science have been doing this for decades **(see Scoones, 1998)**. Natural capital concerns nature, biodiversity, and land and natural resources. These are assets which individuals, businesses, and communities the world over depend on for a safe and healthy existence **(Scoones, 1998)**. Traditionally, impacts on these assets have been regarded as the concern of a relatively narrow set of economic actors i.e. landowners and managers, the agricultural sector, and conservation agencies. However, recent years have seen increasing environmental awareness internationally, and more widespread and popularised attention to the issues surrounding impacts on natural systems and natural capital. Pervasive environmental impacts from pesticide and microplastic accumulation in marine and terrestrial food chains and in humans have been brought to international attention through television documentaries and campaigns such as those led by Sir David Attenborough. Examples of environmental disasters caused by actions and mismanagement by private sector corporations such as the BP Deepwater Horizon ocean oil spill in 2010 come to mind.

Commentators note how modern industrial agricultural practices have degraded up to twothirds of the earth's land, while the world's 3000 largest corporations generate more than US$ 2 trillion in costs associated with environmental damage borne by third parties per year, equal to 4% of global GDP **(Dyck & Silvestre, 2018)**. Industrial disasters (e.g., Chernobyl, Exxon Valdez, and Mariana Dam Disaster) and anthropogenic hazards (e.g., carbon dioxide emission, land degradation, deforestation) also adversely affect the stock of natural capital. This has put a spotlight on extractive industries that are commonly viewed as having unacceptable impacts on the environment. The combination of improved corporate environmental management, environmental compliance reporting, and public sector mitigation requirements and regulations, is helping progress towards a reduction of such unsustainable impacts on natural capital.

However despite corporate espousal of less-environmentally damaging resource extraction and processing practices, the concept of protecting and maintaining stocks of the natural capital appears to be somewhat paradoxical in the case of non-renewable resources. Governments which look to the exploitation of non-renewable resources as a key component of their economic development strategies, may face difficulties in reconciling resource development with the need to protect their nation's natural capital and its associated ecosystems.

IMPLICATIONS FOR THE MANAGEMENT CONSULTANCY INDUSTRY

Why should all of this matter to the management consultancy industry?

First and foremost, environmental degradation and loss of natural capital has major implications for private sector businesses, large and small, in a wide range of sectors and locations. It affects their subsequent distribution and value chains throughout the global economy. This constitutes an enormous and highly complex base of strategic uncertainty and anxiety amongst clients, one in need of lasting solutions. There are clear implications particularly for firms in natural resource dependent sectors. These include inshore and offshore commercial fisheries and aquaculture. Changing currents, fish migration patterns, species composition, and ocean acidification affecting micro-invertebrate food sources have far-reaching impacts. Similarly, in agriculture, issues relating to soil erosion, rainfall patterns, temperature, pathogens, and plant and animal diversity impact both agricultural businesses and their buyers, including large international companies. Other industries are also affected. These include pharmaceuticals (where environmental degradation can lead to a loss of genetic material), real-estate (where coastal property is put at risk due to erosion, flooding and wildfires), tourism and eco-tourism (which suffer through degradation of natural attractions), manufacturing (where reduced supplies and increased cost of raw materials destroy value), and financial services (where lenders and investors are exposed to the issues in these sectors).

Secondly, environmental degradation has serious implications for the public sector and government policy, also an enormous market segment for the consultancy industry globally. Its effects are acutely felt in the area of public health, where pathogens, rising temperatures, and epidemics that emanate from a lack of understanding of the natural world, can cause considerable human suffering. Government departments involved in the following policy areas are also troubled by declines in natural capital: biodiversity conservation, where there is a need to protect the boundaries of national parks as well as species corridors for migration, and measures to prevent entire species extinction; agricultural and fisheries policy, where changing weather patterns affect aquaculture, fish migration, biosecurity, food production and the overall cost of food; land use policy, which has to address the devastating effects of coastal flooding and storms on infrastructure (including ports, pipelines, roads, bridges, and railways). If left unchecked, or if addressed only through ill-conceived and ill-informed policy, the negative impact on economic development, government revenue, and budgets for service provision will worsen.

Thirdly, the 'international institutional umbrella', which consists of local, national and international governance institutions working together to address global environmental degradation, is still evolving. One historic international institutional event was the Paris Agreement in 2016 concerning climate change. Here we see a formal recognition of the problem and a ratification by 55 United Nations Framework Convention on Climate Change (UNFCCC) countries that account for 55% of emissions. However, the involvement of key countries, such as the USA, has been shown to be dependent on the views of transient politicians. And the achievement of the agreement's goals will be determined in large part by policy and actions in countries that are not signed up to the agreement.

These following three domains (private sector firms, national government policy, and evolving international institutional collaborations and agreements) represent important client bases for the global management consultancy industry. There is clearly enormous value to be unlocked by promoting natural capital thinking within and between these three domains (see Figure 1).

Figure 1: Natural capital thinking and three major client bases for management consultancy

Natural capital issues in these client bases have become sources of long-term uncertainty and anxiety. And there are few – if any – industries better positioned to promote natural capital thinking in an integrated and value-enhancing way across these domains than the global management consultancy industry.

BUILD ON WHAT'S ALREADY THERE... AND AMPLIFY THROUGH THE POWER AND REACH OF THE CONSULTANCY INDUSTRY

Many management consultants will already be aware of the aforementioned issues, potential remedies (mainly short-term ones), and the value and importance of addressing different client issues relating to natural capital. But how can an industry as large, fast-growing, competitive, innovative and diverse as management consultancy contribute to the diffusion of natural capital thinking for the long-term benefit of clients, the profession and the planet? How can management consultancy - as an industry - respond? We argue the answer will lie in (1) building on the various elements of disparate thinking and experience at different levels and in different contexts that are already there, and then (2) using the power, reach and influence of the consultancy profession to accelerate, promote and learn from the diffusion of natural capital thinking on a global basis.

Firstly, in the terms of what is 'already there', a number of aspects are relevant. There has been, for instance, a conspicuous and growing corporate interest in natural capital. Environmental profit and loss statements have become popular. These can be used for valuing the environmental impacts of a business across an entire supply chain – from raw material extraction through to sales – in monetary terms. A notable example is the case of Kering Group and sustainable luxury **(Pavione et al., 2016).** This case shows a company that investigates where it sources its raw materials from across the supply chain; an activity that led to the replacement of conventional materials with alternatives with a lower environmental footprint. The initiative involved looking at climate and air emissions, energy, land, materials and resources, waste and water management. Kering established 'Kering Standards'; environmental and social standards for manufacturing processes and raw materials that must be met by existing/ future partners/suppliers. The company's 2025 Strategy aimed for the group to reduce its environmental footprint by 40% across its supply chain, by 50% for greenhouse gases, and to fully trace all its raw material inputs.

In other areas, there are guidelines for government and private sector investors on including natural capital thinking in their operations, with environmental-economic accounting being used for performance monitoring. Investors increasingly desire independent guidance on how to identify risk exposure from investments in unsustainable resource use (especially with respect to investment in agriculture; **see Swift, 2020**). This topic of guidance on sustainable financing for the investment sector has been growing apace.

There has also been a range of short-term private and public sector responses that underscore the importance of understanding the interface between ecology and economics **(Turner and Daily, 2008**). Included here are the triple bottom line approach (social impacts of activities, environmental impacts, financial profit and loss), risk assessments (especially for insurance companies), new building codes in flood-prone areas and for water and energy conservation, environmental impact assessments, banking sector risk assessments for vulnerable loans, and initiatives such as the UK's Biodiversity Offsetting Pilots.

These examples of corporate and policy initiatives are clearly important, and reflect a pre-existing base of natural capital thinking in the global client base for management consultancy firms. However, many of these initiatives have been criticised as being too short-term. As **Turner and Daily (2008)** noted: "Markets...typically reward short-term values of natural resources (exaggerating the real opportunity costs of conservation) to the detriment of long-term ecological health and human welfare." **(Turner and Daily, 2008: 27).**

Nevertheless, certain institutional innovations are showing signs of increased adoption and the potential for long-term embedding into the strategic thinking of businesses, governments and international bodies. Amongst these, the Natural Capital Protocol (NCP) stands out.

The NCP provides a focal point for how the private and public sectors could engage with the UN Sustainable Development Goals. It also provides a basis for the management consultancy industry to engage more deeply than it has up to now. The NCP has an emphasis on sustainable supply chains (with various guidelines already produced and under production) (see https://naturalcapitalcoalition.org/natural-capital-protocol/). A recent and very important development in the natural capital world was the recent endorsement of the System of Environmental-Economic Accounting-Ecosystem Accounting (SEEA-EA) standard by the United Nations Statistical Commission (UNSC) as an international statistical standard. The standard accompanies the SEEA Central Framework (CF) which was endorsed by UNSC in 2012; both provide a framework for companies to implement the protocols being progressed by the Capitals Coalition. The Capitals Coalition has evolved from the Natural Capital Coalition to now include consideration of human and social capital (see https://capitalscoalition.org/). Opportunities exist here for the management consultancy industry to work with different types of clients to mainstream these protocols in their operations. The NCP now includes sectoral guidelines that will need incorporating into client strategy, and translating into practice.

But perhaps the big game for management consultants, (and the big risk for 'greenwashing' in the profession), is with the sustainable finance/ investment sector (see https://www.unepfi.org/ecosystems/ncfa/natural-capital-protocol-finance-sector-supplement/ and also British Standards Institution - Project (bsigroup.com). The SEEA CF and SEEA-EA are more relevant to the public sector, and require in-depth statistical and economic accounting skills and analysis that many consultancies are not able to obtain or support. An opportunity also exists for management consultants to assist companies to transition from only thinking about maximising returns to their financial and produced capital, to understanding how investment in their natural, social and human capital/assets will improve such returns in the long-run.

Secondly, the power, reach and influence of the management consultancy industry can be used to harness opportunities out of these existing building blocks of natural capital thinking, and shape the future of this approach. How many industries are as connected with C-Suite leaders in a vast array of industries and locations as the management consultancy industry? How many industries are as recognised as providing thought leadership and as having thought leading capabilities as the management consultancy industry? How many industries are as embedded in both the business and corporate worlds, the government and public worlds, and the international governance and global institutional worlds as the management consultancy industry? Clearly, the industry as a whole, and the larger, global players in particular, are in pole position to be key influencers in diffusing natural capital thinking in the 21st century.

However, we argue this is not as straightforward as it may sound. Organisational structures within the industry will have to change, and cultures and mindsets too. Playing a central role in the diffusion of natural capital thinking for the benefit of a wide-ranging spectrum of clients, for the profession itself, and for the environment, may not necessarily be compatible with some of the traditional ways of working in the industry. Playing this role effectively will not be just about opening a new practice area devoted to natural capital issues (which has happened in many firms), but transversally linking disparate practice and services areas with natural capital knowledge. It will not be the responsibility of one or a small number of partners, but rather a responsibility for each and every partner. The knowledge needed to operate in this space is broad, diverse, rooted in science, and continually being updated globally. This underscores the importance for individual consultancy firms to accept they cannot own all the knowledge assets needed to maintain leading positions as natural capital thought leaders. New organisational forms need to be considered, and working in dynamic partnerships with an array of specialists including earth scientists, conservationists, ecologists and environmental economists and accountants.

In terms of the culture of the profession, new mindsets are needed. First and foremost, this involves recognising nature as an asset. Like any other form of capital, natural capital needs reinvestment to continue to provide material economic, social and cultural benefits from its use. Recognising nature as a finite asset needs to be incorporated in decision making in all of the client domains. The prevailing mentality should be a realisation that nature is not infinite; there are no free lunches in an increasingly resource constrained environment in which natural resource allocation decisions come with opportunity costs. In this sense, having a mindset for economic valuation and natural capital accounting can help the management consultancy profession understand the environmental, social and economic dimensions of those costs as they apply to different types of clients.

SUMMARY

Natural capital thinking can help to guide coherent strategy across different types of economic actors in order to reverse environmental degradation. The management consultancy industry is ideally placed to develop and diffuse natural capital thinking on a global basis across multiple client bases, practice areas and project types. The orchestration that is needed between private sector, national governments, and international institutions can be achieved by management consultants because of the unique combination of human capital, social capital and organisational capital not found in other industries. However, the profession is likely to need to reflect and expect a certain level of upgrading, such that structures for handling environmental-economic accounts and statistics, the Natural Capital Protocol, and working with a broad array of scientific actors can be encouraged and optimised. This will be key to making the management consultancy industry synonymous with natural capital thinking in the 21st Century for the mutual benefit of clients, the profession, and the planet.

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WHAT ARE THE IMPLICATIONS OF VIRTUALISATION FOR BUILDING TRUST DURING THE MANAGEMENT CONSULTANCY LIFECYCLE?

Luca Collina

INTRODUCTION

The proliferation of innovative technologies, including virtual communication applications, collaboration tools and digital technologies, has changed most organizational contexts leading to a situation where the parties involved do not engage in direct face-to-face interaction. In professional and knowledge-intensive business services, such as auditing, legal and investment advice, this has led to an increasing trend towards virtualisation of services **(Corrales, et al., 2019; Dimitriu & Matei, 2014; Skjølsvik & Breunig, 2018)**. Despite falling into the same category, management consultancy has been slow in adopting virtualisation and has not changed its operational models for a long time **(Nissen, 2018)**. This has often been explained by the importance of face-to-face interaction for building trust, which determines the success of the client-consultant relationships and of the consulting project itself **(Joni, 2005; Mauerer, 2019)**.

However, due to COVID-19, management consultancy has been mainly delivered virtually since March 2019. As noted by **Haslam (2021)**, the industry experienced more disruption in the first seven months of the pandemic than in the seven years after Christensen, **et al.'s (2013)** widely-cited paper predicting the disruption of the sector. Moreover, there is unlikely to be a complete return to face-to-face delivery. This is because, firstly, virtualisation offers economic benefits to both parties and, secondly, this has consolidated and intensified other trends that can be described as 'weak signals' of disruption **(Nissen, 2018)**. These include the overall digitization of society, technological developments, such as virtual communication and collaboration tools, and the trends towards disruption from more knowledgeable and demanding customers who look for concrete proposals and a clear, unambiguous process to achieve the outcomes **(Haslam, 2021; Openside, 2019)**, which becomes possible with the use of virtualisation.

This research aims to explore what building and maintaining trust involves in terms of consultant's activities and to what extent face-to-face interaction is still essential to this process linking the elements of interpersonal trust with the characteristics of the management consultancy process and virtualisation. To this end, it examines the experience of external management consultants from a range of consultancy sectors who delivered their services using virtual communication and collaboration tools during COVID-19 pandemic. Specifically, it aims to answer this question: What are the implications of virtualisation for building and maintaining trust during the management consultancy lifecycle? It is an exploratory study following an abductive approach.

LITERATURE REVIEW

Virtualization: opportunities and challenges

It has been argued that virtualisation brings benefits to clients and consultants. It optimises performance and services, improving consultant's competitive position **(Nissen, 2018)**. The use of virtual tools can increase productivity and quality of results while reducing the costs of consultancy whereas clients can better control project execution and benefit from reduced rates, faster delivery, timely actions **(Williams, 2020)**.

Despite these benefits, the degree of virtualisation of management consultancy is low and there seem to be barriers to this process. **Nissen (2018)** suggested that this may be due to the continuous growth of the industry which made it indolent The reluctance to adopt technology could also be explained by the perceived risk of transforming high-value services into commodities, formalised knowledge and reduced fees, although this appears to contradict the trend towards clients asking for more tangible consulting as a product at fixed price **(Haslam, 2021)**. The factor often considered as the main challenge to virtual delivery is the importance of face-to-face interaction to building trust, an essential element of consultant-client relationships **(Bronnenmayer, et al., 2016)**. The nature of consultancy requires a high degree of engagement between the client and the consultant. Therefore, absence of direct interaction leads to a lower level of customer-consultant relationships, thus creating an obstacle to trust.

Trust in consulting services

Trust in management consultancy is seen as key for two main reasons: one is related to the client's environment, where the consultant's role is to mitigate this insecurity **(Pemer & Werr, 2013)** and the other is part of the industry itself. The sources of uncertainty in management consultancy include the lack of institutional standards, such as industry principles and codes of conduct **(O'Mahoney & Markham, 2013; Sturdy, et al., 2015)** and the nature of the knowledge involved, which is often described as opaque, open-ended, and creative **(Fincham, et al., 2013; O'Mahoney & Markham, 2013)**. Related to this is the view of consultants as "fashion setters" **(Cerruti, et al., 2019)** who exploit client's sensitive fear of hanging back. Finally, transactional uncertainty also plays its part **(Glückler & Armbrüster, 2003)**. It refers to the high information asymmetry between consultant and customer, where the customer has little knowledge of the service, the intangibility of the results (**Sturdy, et al., 2015)**, and the 'opportunistic behaviour and moral hazard' associated with consultants' services **(Glückler & Armbrüster, 2003)**.

For management consultancy to become possible, uncertainty needs to be reduced and trust needs to be created. **Glückler & Armbrüster (2003)** state that it is the knowledge about the consultant available to the client that gives the latter certainty. They identify three types of trust: experience-based trust, public reputation and networked reputation, where experience-based trust is based on personal experience, whereas reputation is based on the information about the consultant available either through media within the industry (i.e. public) or through client's trusted relations (networked). **Similarly, O'Mahoney & Markham (2013)** distinguish between experience-based and reputation-based trust but they also add a third element – personal relationship between client and consultant. All authors agree that no form of trust can remove uncertainty on its own and a combination of these is required to create trusting relations with the client.

Trust and management consultancy services

Czerniawska (2005) was the first to suggest that the role of trust in client-consultant relationships can be reduced by three factors: consulting lifecycle, the task or service itself and the degree of maturity of a service. This is because these factors can reduce the risk involved in consultancy, thus reducing the need for trust based on the degree of direct interaction. As a result, the initial stages of a project, a newer service and a more personalised service involving fewer tangible outcomes bring a higher degree of risk and require extensive collaboration between a client and the consultant. Conversely, later stages of a consultancy lifecycle, more familiar and mature services and commodified services involving formalised procedures and the use of IT, require less direct interaction (ibid). The distinction between personalised and commodified services may be important for shaping the future of **MC. Haslam (2021)** states that there is already a shift towards productization of MC, which implies a less important role of trust and greater opportunities for online delivery.

Overall, it appears that only certain types of services and certain stages of projects can be delivered online. However, during the Covid-19 pandemic, MCs continued delivering their services without direct interaction with clients. This raises a question of what is required to build trust and to what extent face-to-face interaction with the client is essential to this process.

Building and maintaining trust in client-consultant relationships

While the significance of trust and trusting

WHAT ARE THE IMPLICATIONS OF VIRTUALISATION FOR BUILDING TRUST DURING THE MANAGEMENT CONSULTANCY LIFECYCLE? (CONTINUED)

client-consultant relationships has been widely discussed, there is less literature investigating how trust is created and maintained. Research on trust in organisational context is mainly based on the seminal article by **Mayer et al. (1995)** and their ABI model: Ability, Benevolence and Integrity. Ability is skills or competencies ensuring influence in a particular area; benevolence is 'the extent to which a trustee is believed to want to do good for the trustor' **(Mayer, et al., 1995, p. 718)**, while integrity is the perception that the trustee follows principles considered acceptable by the trustor. Trust is the outcome of trustworthiness based on the trustor recognition of the trustee's ABI.

Nikolova, et al. (2015) revisiting the ABI model, proposed a more dynamic model of trust, outlining the practices consultants and clients engage in, which lead to 'the leap of faith'. These include signalling ability, aligning process and outcome expectation, and demonstrating likability and personal fit, the latter being a strategic addition as it emphasises the emotional connection in building trust (table 1).

Once there are "good reasons" to trust (i.e. ability and integrity), through demonstrating caring and establishing an emotional connection, the leap of faith as a suspension of uncertainty can be triggered and replicated in a continuous trusting process. (see Figure 1)

VIRTUAL TRUST

The use of virtualisation for managing projects and its impact on trust has been mainly discussed in relation to virtual team management. It has been determined that trust in virtual teams is negatively affected by the nature of online communication, such as the lack of body language and facial expression, and reduced fequency of interaction **(Morrison-Smith & Ruiz, 2020)** and suggested that the gap between face-to-face and virtual trustworthiness can be bridged by supplying more information about ability, predictability, integrity and transparency **(Breuer et al., 2020)**. **Growe (2019)** recommends a combination of face-to-face and virtual interaction, recognising that the former has advantages as an antecedent of trust.

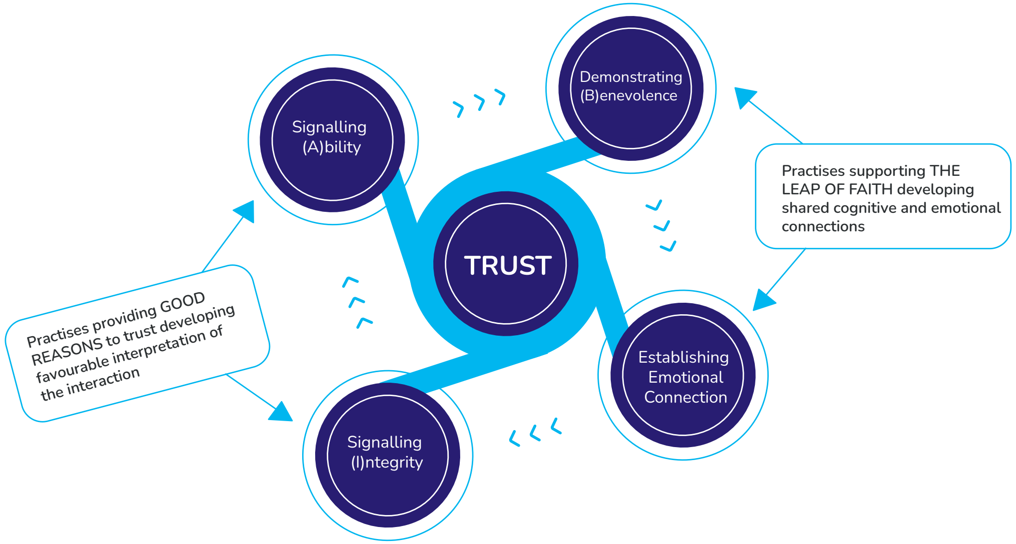
Regarding online delivery of management consultancy, it has been noted that customers going through virtualisation in their own businesses may change their expectations, asking for virtual services **(Larsson, et al., 2020)**. This impacts on relationships where customers look for 'support availability, privacy and data security, reaction capability, efficiency' **(ibid, p. 269)**, which changes the nature of trust required and places less emphasis on the emotional element of trust.

TABLE 1:

ELEMENTS OF BUILDING AND MAINTAINING TRUST
ABI Model (Mayer et al. (1995)) and its revisitation-(Nikolova, et al. (2015))

Signaling expertise & competence:	Demonstrating personal commitment and caring	Demonstrating integrity and consistency:	Establishing emotional connection:
Referrals, references, reputation. Past experience and possession of specialised expertise	Confidentiality, empathy, humility, sincerity, objectivity, self-disclosure, alignment to client's expectations	Conherent behaviour, and communication, full knowledge sharing, keeping words	Good to work with, chemisty, vibe, positiveness, first impression, compatible personalities

FIGURE 1:



Nikolova et al (2015) Model for trust and leap faith

Figure 2 presents an overview of the gaps in the existing literature on the topic and illustrates how this study aims to contribute to understanding of the topic.

METHODOLOGY

The research used mixed methods following an exploratory sequential design, starting with qualitative data collection to inform and design the quantitative stage with the aim of comparing the results of the two methods. The instruments used were semi-structured interviews and a questionnaire.

In the qualitative stage, 18 interviews were conducted with external management consultants from a range of sectors, all of whom had experience of delivering their services online due to the restrictions imposed by COVID-19 pandemic. Questions were based on the results of the literature review and the gaps identified and aligned with the research topic, research questions and objectives, and the exploratory nature of the study. The questions were related to the current level of the use of communication applications and collaboration tools and the expectations for the future, its impact on the elements of trust throughout a project life cycle and ways of supporting clients in introducing virtualisation. The interviews were recorded, transcribed and coded, with Nvivo 12™ which allowed to identify emergent themes.

The findings of the first stage were used to create a questionnaire. The points to include were selected based on their relevance to the research question and objectives, their relevance to the existing literature and their relevance to the participants. The questionnaire was divided into 5 sections: participants' area of expertise and current level of virtualisation, the impact of virtualisation on trust-building processes across the lifecycle, the impact of virtualisation on carrying out activities throughout the lifecycle, the future of virtualisation and its implications in terms of skills required. 182 questionnaires were distributed via www.surveymonkey.com among two closed UK-based professional groups of management consultants (101) and several UK professional consultants in my LinkedIn social network (81). The overall response rate was 45.1%. The data obtained were treated as categorical and ordinal, not numerical (Saunders, et al., 2016), thus statistical analysis was not applicable.

FINDINGS

Findings of qualitative analysis

The findings presented below reflect the three high-level themes which were tentatively formulated based on the structure of the interviews and then refined based on the themes that emerged during the coding of the data.

Trust-building practices in virtual environment

Among the four trust-building practices, i.e., signalling expertise, personal commitment, integrity and consistency and creating an emotional connection, most respondents noted that expertise, integrity and consistency can be demonstrated virtually as effectively as in face-to-face interaction, although it was noted that showing empathy or humility may be challenging. Creating an emotional connection, on the other hand, was mostly seen as very difficult.

The difficulty with establishing a bond between a client and a consultant was explained by several reasons. The first is related to the lack of body language and eye contact in virtual communication. In the words of one expert, it is 'a different view of who you are dealing with [...], you very very rarely pick up the way they look, the way their eyes work'. Another concern is related to misinterpreting the visual signs and ensuring whether the client receives what we think we are projecting. These challenges were linked to the nature of virtual communication itself but also to the quality of tools currently available, which limit the interaction and undermine emotional connection.

Literature review logic, process and Research questions

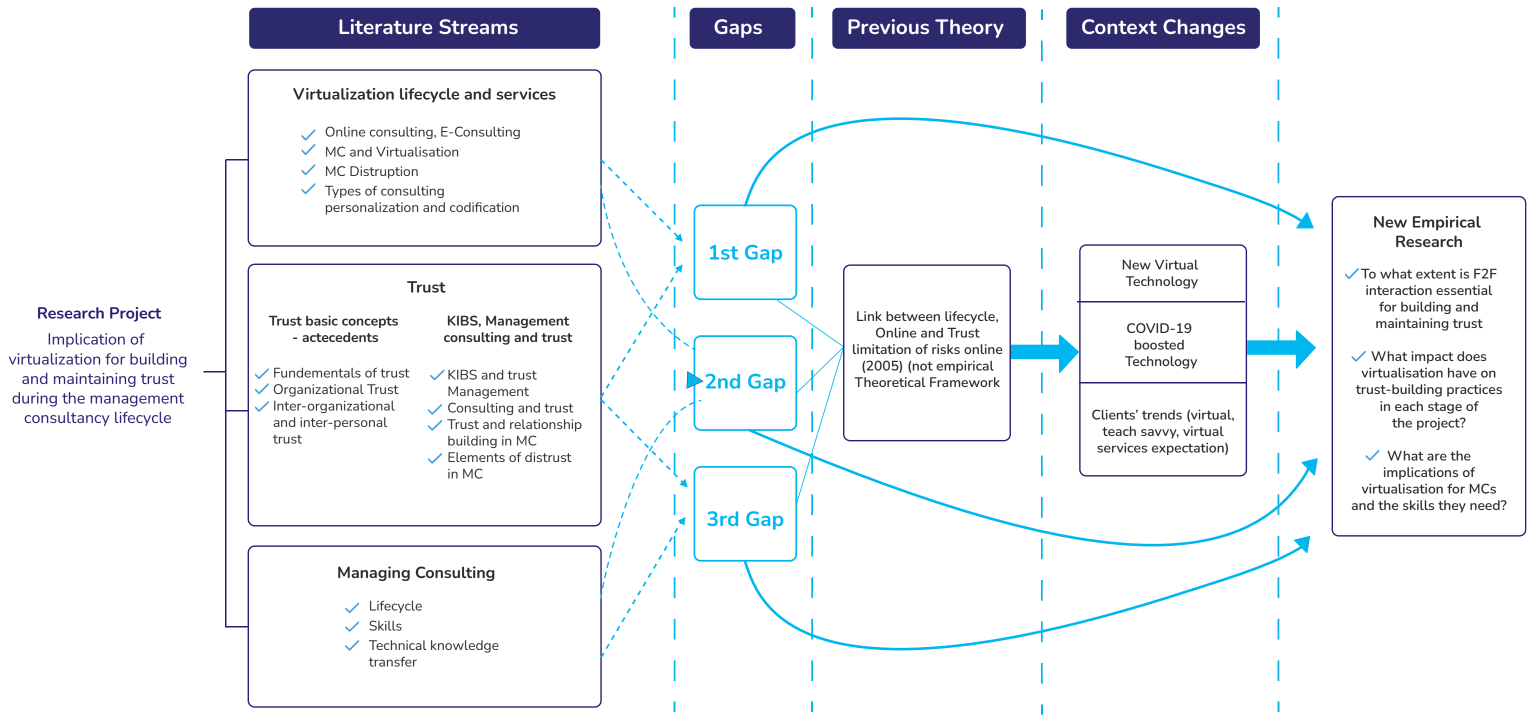


FIGURE 2:

WHAT ARE THE IMPLICATIONS OF VIRTUALISATION FOR BUILDING TRUST DURING THE MANAGEMENT CONSULTANCY LIFECYCLE? (CONTINUED)

Interestingly, several respondents viewed virtualisation as facilitating an emotional connection. This is because online communication tends to be less formal and allows for greater intimacy, which makes creating a bond easier. They also noted that the way personal and working life changed dramatically during the lockdown both for the client and the consultant created a greater sense of caring and emotional connection. 'There seems to be a little bit more of [...] forgiveness but it is too strong, but there's kind of an acceptance that you might have your kids around. Or you say I'm really sorry, but I've got to move that meeting because of my kids today'. 'There's this kind of sharing the same sort of situation and more caring'.

Other factors that were mentioned included age and equipment. Unsurprisingly, younger people are considered more experienced in building relationships online

> **I think that younger generations can better cope with virtual in creating personal connections', '[..] We definitely live in a world where people prefer virtual communication. [...] if you give the people of my age and younger, the opportunity, the option as to whether they would like to have a face-to-face conversation, versus virtual communications, they would choose the latter.**

As for the equipment, one interviewee noted: '[...] one of the things that I think is really important that I didn't realize until I sort of started to get into it is I don't I have a decent webcam or I have a decent microphone[...]. And I think that makes a real difference', 'good quality equipment is important to help better project the consultant's personality'.

Overall, the points related to building an emotional connection online are aptly summarised by one expert: 'Creating a bond online isn't impossible but hard, and you need a combination of things – experience, knowledge, personal brand, even appearance and new skills'.

Impact of virtualisation across project lifecycle

Sales

Trust-building processes are seen as critical during this stage as most of the trust is built here. Signalling expertise and competence and establishing emotional connection were considered the two most important trust elements, with emotional connection given slightly more significance.

Most of the respondents consider that reputation and competence can be successfully demonstrated online: 'LinkedIn, references and recommendations can be more effective online'. Some of the experts mentioned gaining new customers during the lockdown thanks to their online presence which '[...] can be challenging but with opportunities'. One respondent said that they offer potential customers a free Zoom session, which is the first real step to building relationships and trust, and another mentioned that scheduling more Zoom meetings can facilitate building relationships.

Several respondents emphasized the importance of the social aspect rather than commercial in a virtual sales process. When asked how they create an emotional connection online, one respondent said: 'I try and make friends with people. Online. [...] And once you become friends, friends trust each other' and 'I talk about all sorts of things rather than selling the product'.

The challenge to attracting potential clients online was associated by one respondent with the sheer number of promotional communications they receive. Another respondent mentioned the view that face-to-face interaction with a client is part of sales skills and is still required, especially in case of "multi-million pounds contracts".

Diagnostic analysis

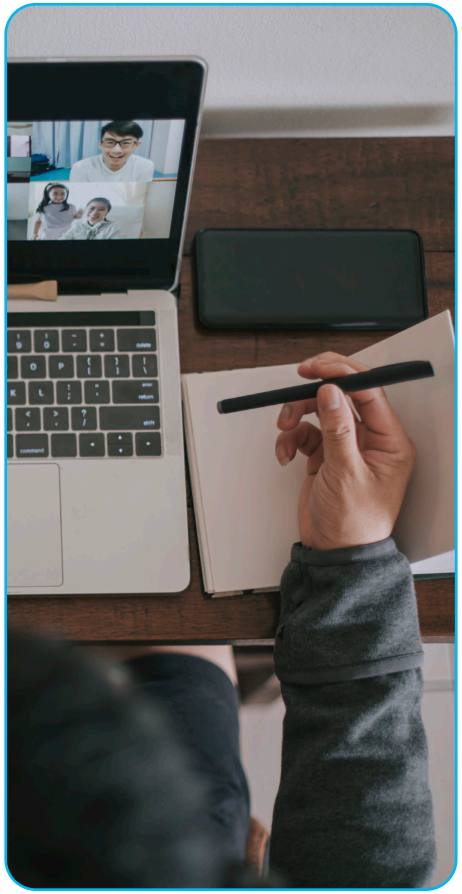
In this stage, competence and creating emotional connection were described as particularly important again as most interviewees see this stage as a continuation of the sales process, as they meet new stakeholders and need to re-establish their credentials and build a bond with them. However, some of the respondents said that virtualisation has a limited impact on trust here as there is generally less need for interaction with the customer 'So in diagnostic analysis, the impact of trust, is very minimal. I don't think the way of working will impact too much'.

On the other hand, some respondents recognized that performing analysis onsite is more effective as this ensures access to people and documents and, most importantly, provides opportunities for informal encounters with staff: '[...] when you're analysing something and you're on site, and you're speaking to the managing director, you're able to speak to key stakeholders, informally, you get more information', 'you meet people in the corridor, it's data'. Another said that being present onsite adds to the perceived value of the consultant and, arguably to more trust, because "they feel like they're getting their money's worth".

Design and planning

Although likeability and personal fit were still mentioned as important trust elements, especially when new stakeholders are met, respondents noted that this stage requires showing objectivity, empathy, and particularly alignment with the customers' goals (commitment): 'I think that probably personal commitment and integrity and consistency elements would come in more towards here, that's when you're sort of working very closely together to come up with the detail, you need that connection, and you've used the word chemistry [emotional connection] there and personality, etc, etc . It's a mixture of elements.'

Some respondents mentioned the limitations of online communication as potentially affecting the trust between the consultant and the clients: 'these kinds of things involve a lot of discussions and you're probably going to involve a lot of stakeholders. [...] It's difficult to see people's faces, trying to interpret their reactions if these are managed by a voice or video conference. The impact on customers is negative rather than positive with virtual. This is challenging for maintaining trust'. Others mentioned that there is no significant difference between conducting this stage face-to-face and online: 'I think that in some instances, in design and planning there isn't any difference between virtual and face to face'. Moreover, because an initial connection has been already created and that shorter but more frequent meetings are usually required virtually, '[...] proposing on documentation and then having a review virtually can speed up the process'.



WHAT ARE THE IMPLICATIONS OF VIRTUALISATION FOR BUILDING TRUST DURING THE MANAGEMENT CONSULTANCY LIFECYCLE? (CONTINUED)

Implementation

In the implementation stage, personal commitment and caring and emotional connection were chosen by most respondents as the crucial trust elements, mainly because the project needs to stay aligned with the accepted proposal: 'You know, it's still the alignment to your client's expectations'. When talking about virtual delivery, one respondent noted that it can have a negative impact: 'there is something about it when you're able to speak to key stakeholders and try to create emotional connection, it's very motivating for the team and they feel like they they're getting ahead'. However, the challenges posed by virtualisation in this stage were mainly related to ensuring collaboration, maintaining motivation, and managing conflict rather than its impact on trust, confirming the view expressed earlier that personal commitment and caring can be demonstrated online, although some consultants noted that virtual collaboration tools help to monitor progress, manage collaboration, and ensure engagement and motivation. As expressed by one respondent '[...] from my side of things, I could follow and track progress or track when there wasn't progress. Thus, from seeing how things were progressing. I think that was an unusual use of a virtual tool. It was better'.

Project exit

The majority of the experts pointed out that in this phase relationships have been already built and trust depends on the results achieved. "And the project closure, I think this is easier to do on zoom, because trust is already built here, you know, ... you have a strong relationship'. If the results are positive, there is no impact on trust and all the processes, including requests for referrals, can be carried out in the same way as face-to-face.

The implications of virtualisation for management consultants

The future of virtualisation and the impact on trust (post COVID-19)

When asked about their views on the future of virtualisation, most interviewees anticipated an increase in the use of virtual collaboration tools. This is true both for consultants themselves and the industry as a whole; however, the attitude to this trend is not always positive, as evidenced by the language they used, e.g., 'technology is forced onto people'. Among the reasons for this increase several respondents mentioned the opportunities that virtualisation brings in terms of improved efficiency. Another reason is related to the experience gained and matured during the pandemic, both by consultants and clients. This experience allowed both to gain knowledge of the tools and overcome scepticism and/or fear of virtual tools. It was noted, for example, that 'clients didn't trust virtual tools, saw them as consoles, but now the fear is gone' and that 'clients have now matured experience and personal skills and feel more comfortable about virtual delivery, so trust in delivery virtual will grow'. On the other hand, the consultants themselves feel more positive because they have 'seen virtual can work' and 'current experience can be used in the future with new clients'. One interviewee noted that 'psychological patterns and habits have changed during this year'. Overall, many consultants agreed that a blended way of working is likely to become predominant and this will not have much effect on trust building.

Skills required for effective virtualisation.

When asked about skills required for effective online delivery, some interviewees mentioned technical skills, but the most common opinion was that new soft skills are required to overcome some of the challenges of virtualisation and its impact on engagement with the client and the trust-building activities. These skills include the ability to read elements other than body language when communicating online, the ability to use a range of non-verbal clues, for example, facial expressions more effectively, engage clients online, resolve conflicts and tension in virtual space and creating a sense of psychological safety for the client.

Although the skills may appear rather generic, they were mentioned as necessary specifically in relation to the impact of virtualisation on creating trust in client-consultant relationships and ways of mitigating it in different stages of a project. Interpreting facial expressions and virtual engagement, which are two sides of online communication, were noted in relation to sales and design and proposal, where the absence of the elements of body language was seen as particularly critical.

Resolving conflict and creating psychological safety were mentioned in relation to implementation: 'I need to be doing things differently, to be sensitive to any signals that they [clients] are not comfortable".

WHAT ARE THE IMPLICATIONS OF VIRTUALISATION FOR BUILDING TRUST DURING THE MANAGEMENT CONSULTANCY LIFECYCLE? (CONTINUED)

FINDINGS OF QUANTITATIVE ANALYSIS

The quantitative data generally confirmed the results of the qualitative stage of the research.

Perceived benefits of virtualisation

When asked about the potential benefits of virtualisation for delivery of their services, most respondents saw it as having a positive impact on efficiency, the level of service offered to the client and collaboration (figure 3).

The importance of trust along a project lifecycle and building trust online.

As far as the significance of the 4 trust-building activities is concerned, figure 4 shows that signalling expertise and competence is considered more important in the initial stages of the project, particularly during sales but also in diagnosis and design/planning, which supports the findings of the qualitative research. Signalling integrity and consistency becomes more important in diagnosis, design and implementation. These stages involve collecting information, negotiating, implementing the solution, resolving problems and conflicts and, as such, confidentiality, the alignment to client's expectations and maintaining the expectations as previously formulated come to the fore. Similarly, signalling commitment and caring plays a more significant role than at the beginning of the project as coherent behaviour, transparent and timely communications, sharing knowledge become critical actions to maintain and consolidate trust. Emotional connection is given equal weight across the stages, which confirms the results of the interviews.

The next question asked the respondents to indicate their agreement or disagreement with statements related to carrying out trust-building activities online. As can be seen in Figure 5, they agreed that integrity and commitment can be expressed effectively without F2F interaction, which confirms the findings from the first stage. Similarly, the respondents agreed about the limitations of technology-mediated communication, such as lack of body language and eye contact and the ambiguity of the visual clues available. However, they disagreed that virtual communication does not create emotional connection, which suggests that F2F interaction is an important but not the only element that allows to create an emotional bond. One possible explanation may be the nature of the virtual environment, which is characterised by unexpected problems and issues, making both parties more 'human' and, therefore, more likeable, which the majority of the respondents agreed with.

FIGURE 3: Effects of virtualization

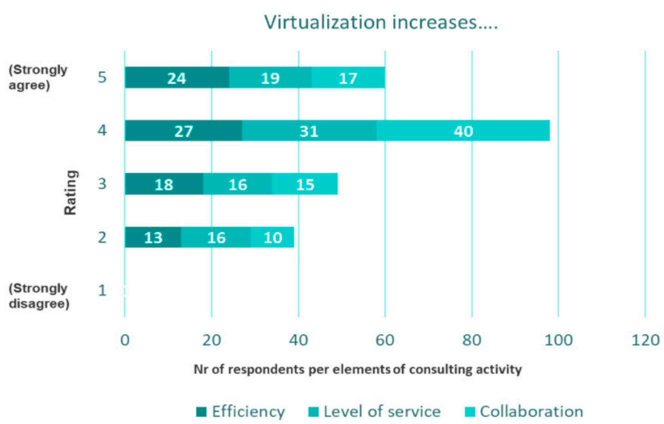


FIGURE 4: Trust building practise relevance across lifestyle

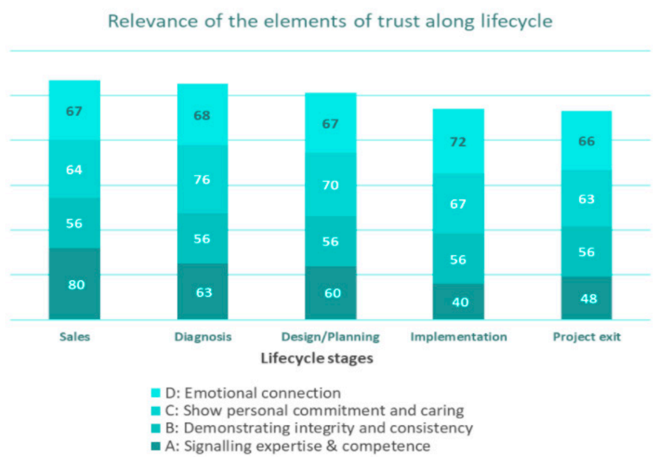
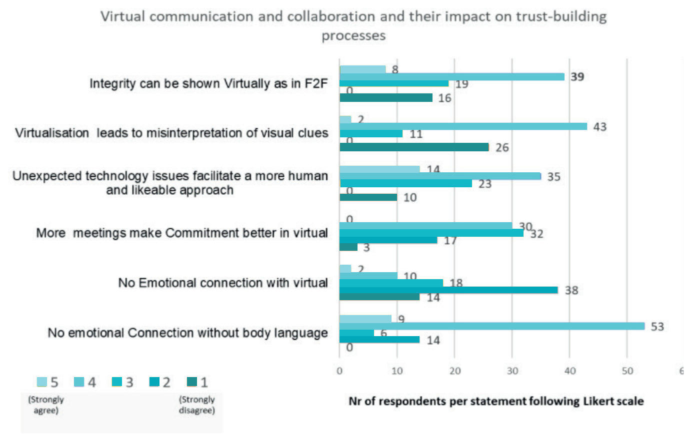


FIGURE 5: Virtual communication and collaboration on their impact on trust-building processes



Virtual communication and collaboration across a project life cycle and their impact on trust building

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Sales

Lack of unplanned, spontaneous communication is perceived as a factor impeding gaining new clients or opportunities for repeat business. At the same time, virtual environment is considered suitable for demonstrating value proposition and creating a strong online presence, which can be a better way of demonstrating expertise and competence than traditional networking events. It should be noted that, although this question produced a considerable number of neutral answers, i.e. 'neither agree nor disagree', only 12 respondents disagreed with it. One question in this section did not confirm definitively the point that the frequency of online communication can counterbalance the lack of F2F interaction and, thus, facilitate building trust: 37 respondents either agreed or strongly agreed with it, 20 disagreed, and 25 neither agreed nor disagreed. (Figure 6)

Diagnosis

As shown in figure 7 respondents believe that virtual tools can present constraints in terms of building trust and conducting the main activity, i.e. collecting hard and soft data necessary for problem definition. A small majority agreed that using video communication makes it more challenging for stakeholders to open up, while a large majority agreed that gathering soft data may be difficult due to a lack of informal communications. Hard data, on the other hand, are not seen as either easier or more difficult to collect without face-to-face interaction, although a considerable number (37 out of 82 respondents) agree that this can be done. One positive aspect of virtualisation in this stage is that it can ensure access to people. Sixty-one respondents either agreed or strongly agreed with the statement. Overall, this appears to be a stage where generally face-to-face interaction is important, but the nature of the services offered can reduce the significance of trust.

FIGURE 6: Virtualisation in Sales and their impact on trust-building

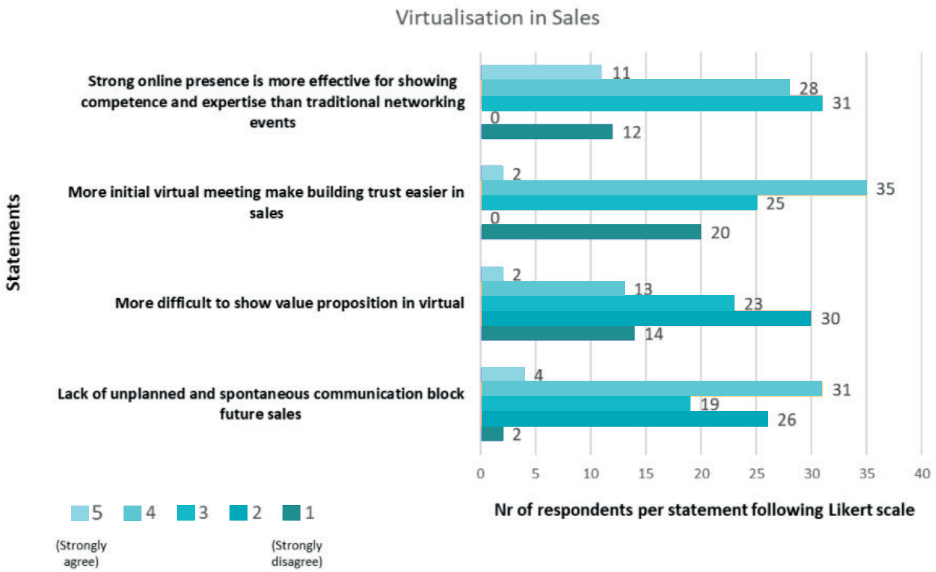
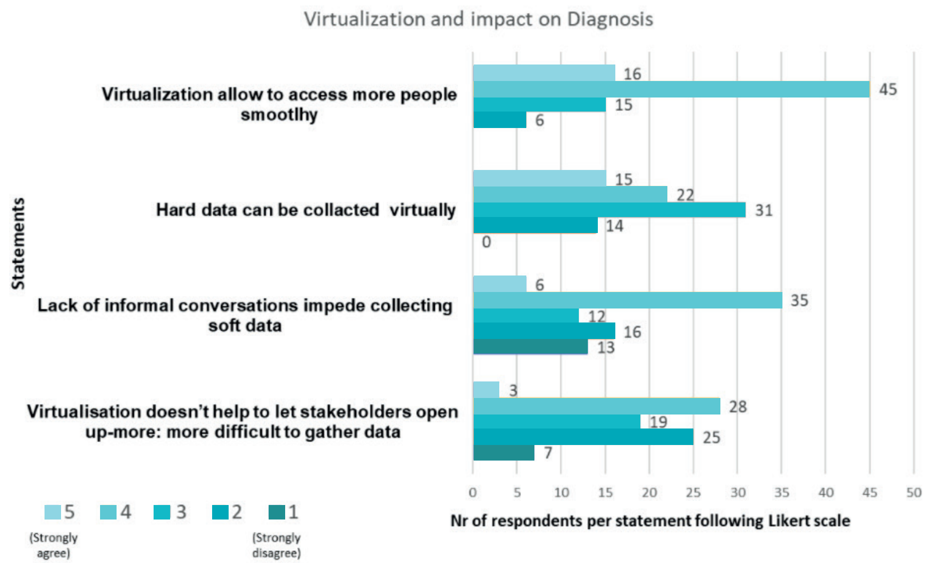


FIGURE 7: Virtualisation in Diagnosis and their impact on trust-building



WHAT ARE THE IMPLICATIONS OF VIRTUALISATION FOR BUILDING TRUST DURING THE MANAGEMENT CONSULTANCY LIFECYCLE? (CONTINUED)

Design

The questions about the design/proposal stage revealed differing opinions (figure 8). Generally, virtual tools appear to be considered less effective for engaging and motivating those involved in the discussion and approval of the proposal. At the same time, shorter virtual meetings can facilitate the process by shortening the time and speeding up the approval. The statement about the feeling of psychological safety created in a virtual environment and facilitating trust, which emerged from the qualitative data, appears to be an outlier as it produced a large number of 'neither agree nor disagree' answers. This may mean that the question was not understood. Overall, the available tools do not seem to offer any clear benefits and presenting the proposal may require F2F interaction. This partially confirms the results of the qualitative interviews which suggest that the preparation of the proposal can be made remotely while presentation needs to be done F2F.

Implementation

In the implementation stage (figure 9), such activities as supporting and transferring knowledge, monitoring the progress of the project, and managing resistance and conflicts are central to the process and demonstrating commitment, caring and integrity become important. The answers to these questions suggest that virtual communication and collaboration tools can ensure that staff are offered support, training, and keep track of the project status. The statement about managing resistance to change produced fewer clear results with similar numbers of respondents who either agree or disagree with it. However, most respondents agree that virtual tools allow more opportunities for one-to-one communications, which appears to have a positive effect on maintaining trusting relations.

FIGURE 8: Virtualisation in Design and their impact on trust-building

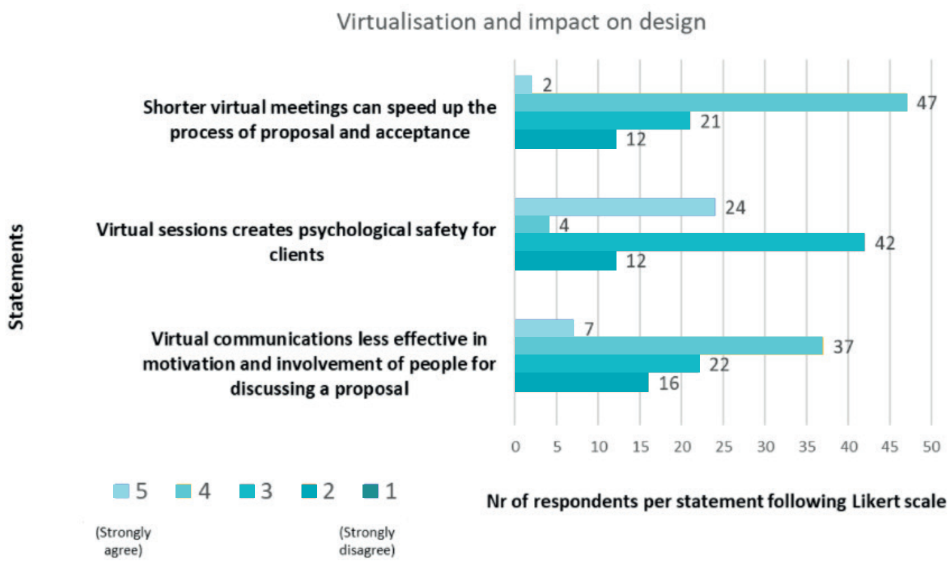
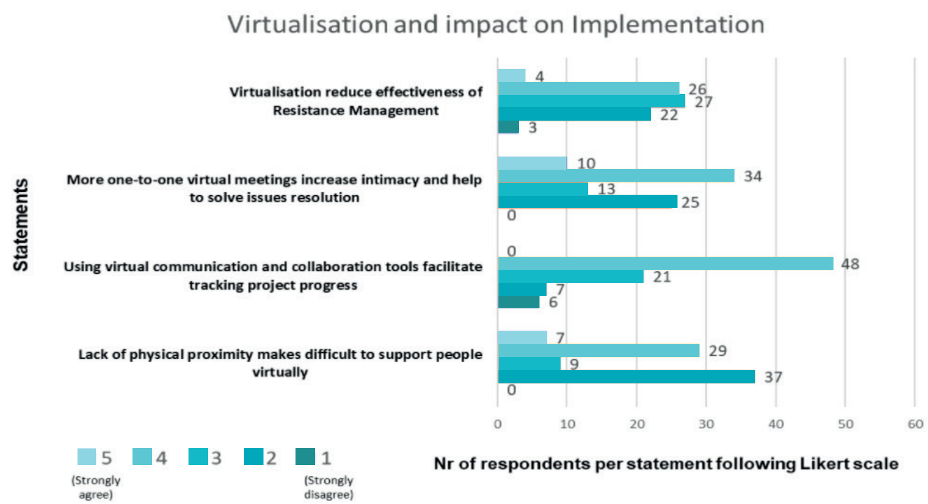


FIGURE 9: Virtualisation in implementation and their impact on trust-building



WHAT ARE THE IMPLICATIONS OF VIRTUALISATION FOR BUILDING TRUST DURING THE MANAGEMENT CONSULTANCY LIFECYCLE? (CONTINUED)

Project exit

The responses to the questions related to project exit confirm the results of the qualitative analysis in that there is usually a strong relationship created by this stage and there is no difference between face-to-face and virtual delivery as there is less emphasis on building or maintaining trust (figure 10).

The implications of virtualisation for management consultants

Concerning the skills that consultants need to deliver their services online successfully, out of 4 skills that emerged in the interviews, visual engagement, transmitting positivity and vibe and more advanced technical skills are seen as essential (figure 11).

In terms of the introduction of these virtual communication applications and collaboration tools to the client, the majority favoured the approach of trialling solutions, including those new to them, before adopting them, followed by those who will only propose the tools they have already used. Lastly, there are consultants who will only adopt tools the customer wants but without providing support (figure 12).

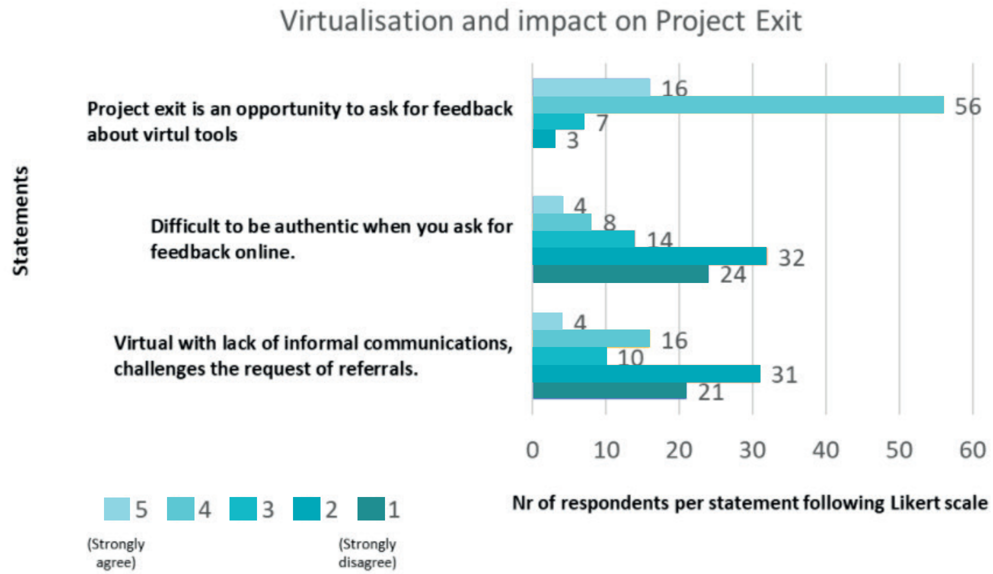


FIGURE 10: Virtualisation in project exit and their impact on trust-building

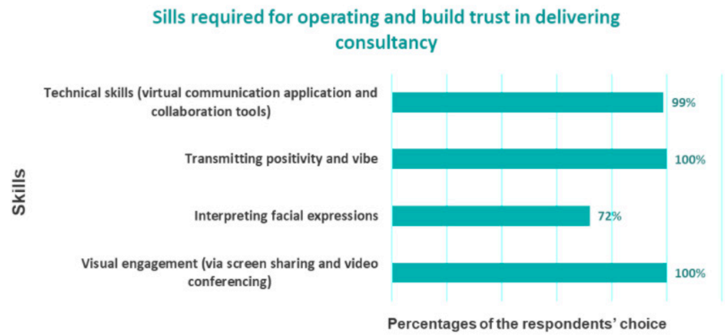


FIGURE 11: What are the new skills required for consulting virtually? (all that apply)

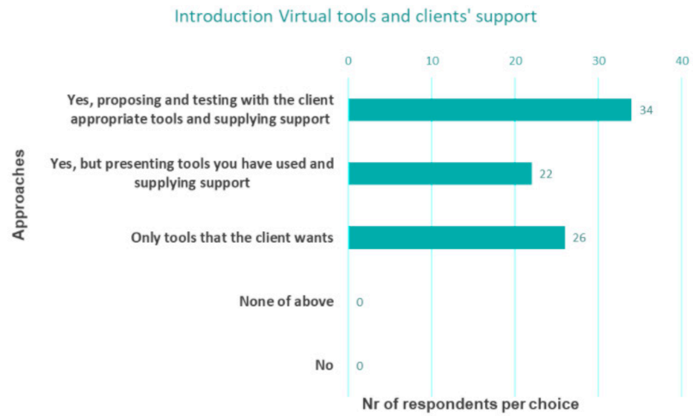


FIGURE 12: In the future are you going to propose virtual collaboration tools for consultancy and then support clients in adopting them?

DISCUSSION

Based on the literature on trust in management consultancy **(Mayer, et al., 1995; Nikolova, et al., 2015)**, trusting relations are the result of social interaction between the consultant and the client, based on four trust-building practices: signalling expertise, demonstrating integrity and personal commitment, and creating an emotional connection(ibid). While existing literature suggests that face-to-face interaction appears critical to building trust **(Growe, 2019)**, the research results indicate that, although important, face-to-face communication is essential only for creating an emotional connection. This is because social interaction and, consequently, creating an emotional bond is negatively impacted by the absence of non-verbal clues, such as body language, subtle changes of voice and facial expressions. Lack of these elements hinders the expression of trustworthiness and delay a decision to trust **(Morrison-Smith & Ruiz, 2020)**. However, its absence can be counteracted by using appropriate tools and equipment and adapting to the virtual environment, for example, by following online etiquette, demonstrating your 'human side' as well as increasing the frequency of online interactions and improve virtual social skills.

Both qualitative and quantitative data imply that demonstrating expertise and competence is a necessary first step to creating trust: it provides a 'reason' to trust the consultant **(Glückler & Armbrüster, 2003; Mauerer, 2019; Nikolova, et al., 2015; O'Mahoney & Markham, 2013)**. This element continues to play an essential role in the following two stages as the consultant meets new stakeholders and collects information for analysis: however, signalling integrity and caring gains more importance as the project progresses. These practices are used to define and negotiate shared expectations, which reduces the perception of uncertainty and threat and increases trustworthiness **(Nikolova, et al., 2015)**. Furthermore, the findings suggest that, unlike the other three elements, emotional connection remains equally important throughout the lifecycle and supports the idea that likeability and personal fit are the 'driving force' of the trust-building process **(Nikolova, et al., 2015)**. Trust, therefore, is the result of the interaction between consultant and client based on showing integrity and benevolence, driven by the emotional connection between them.

The data generally confirm **Czerniawska's (2005)** proposition that the beginning of a project requires a high degree of trust, which then tends to decrease, allowing more opportunities for online delivery. At the same time, the results suggest that virtualisation allows demonstrating a consultant's expertise and reputation as or even more effectively than face-to-face. Although selling online lacks informal encounters and unplanned communication, creating a strong online reputation, meeting clients virtually and demonstrating value proposition are all perceived as feasible. This is partly in contrast with **Czerniawska's argument (2005)**, which suggested that the sales stage is characterised by a high degree of risk and, consequently, by a need for consultant's presence. The survey results could be influenced by the current situation: the restrictions imposed due to the global pandemic have challenged both the industry and clients, who may be forced to be more open about creating trusting relationships online. However, it can also be reasonably assumed that, firstly, technology has advanced since then, allowing to demonstrate consultant's positive record of accomplishments online much more effectively. Secondly, as shown in the literature review, there has already been a move towards more formalised, codified services **(Christensen, et al., 2013; O'Mahoney & Markham, 2013)**, which involve less risk and require less direct interaction. The opportunities to demonstrate consultants' expertise and effectively signal value proposition may be necessary considering a change of the customer profile. Clients are now more knowledgeable and sophisticated and may be looking for concrete proposals to reach specific outcomes, and a strong online presence can be a more effective way of selling services rather than relying on creating a personal connection in a face-to-face meeting.

The findings on the other stages of the project imply that, as the project progresses, trust-building process is likely to be determined by the type of services offered by the consultant, for example, whether they require 'hard' or 'soft' data for their analysis. This supports the arguments by **Czerniawska (2005)** that the significance of trust may be overridden by the degree of fluidity of the service, which determines the amount of direct client-consultant interaction required.

The data from both samples in the two stages of the study demonstrate that virtualisation is seen as bringing an increase in efficiency, improvement of client-consultant collaboration and an increase in the level of service provided to the client. This means that virtualisation can bring direct benefits, as suggested by **Nissen (2018)** and **Williams (2020)**. The use of technology can also make the services provided and the processes involved more transparent, thus reducing the opacity of the knowledge and information asymmetry typical of MC **(Bronnenmayer, et al., 2016; Nissen, 2018; O'Mahoney & Markham, 2013)** and uncertainty related to the intangibility of services **(Skjølsvik & Breunig, 2018; Sturdy, et al., 2015)**. Therefore, it can be assumed that virtualisation can reduce the impact of transactional uncertainty, thus reducing overall the need for trust between the client and consultant.

The results also show that the use of virtual communication and collaboration tools is likely to increase, partly due to the above-mentioned economic advantages brought by virtualisation, such as the efficiency of delivery or reduced costs. It is also due to the experience of using virtual tools matured during the pandemic. One of the reasons that can reduce the need for trust is the degree of maturity of the service **(Czerniawska, 2005)**. It appears that the degree of maturity of the tools used for delivering MC services can produce a similar effect: the more familiar clients and consultants are with virtual tools, the less risk and uncertainty are involved and, therefore, less direct interaction is required.

The data clearly shows that a new skill set needs to be developed alongside the technical skills related to virtual tools. This includes the ability to engage the client in a virtual environment transmitting positivity, vibe, and likeability, which will allow to create an emotional bond online more effectively. However, there is an apparent lack of academic and professional literature on the subject. Consultants' technical skills are likely to determine their offering as customers are more likely to expect a competent use of virtual tools by the consultant, and consultants appear prepared to test new tools to propose an appropriate solution and provide support.

CONCLUSION AND RECOMMENDATIONS

This paper sought to explore how the use of virtual collaboration and communication tools impacts on the process of creating and maintaining trust between the consultant and the client and what the implications of this are for management consultants. The study suggests that virtualisation has either a positive or a neutral impact on three out of four trust-building elements: signalling reputation and expertise, demonstrating commitment, and caring, and signalling integrity. The fourth element, creating an emotional bond, appears to depend to a greater degree on face-to-face interaction. However, the limitations of online communication can be mitigated by choosing appropriate collaboration and communication tools, using high-quality equipment and increasing the frequency of online interactions and communications. Furthermore, the need for trust can be reduced depending on the stage of a project lifecycle and type of data required for analysis and design. Finally, virtualisation itself and the degree of familiarity with tools make the processes involved in consultancy more transparent, thus reducing uncertainty and resultant need for trust. Overall, a blended approach is seen as a preferred way to deliver consultancy allowing management consultants to benefit from the economic advantages offered by virtualisation, cater to the demand for more transparent and concrete services without compromising trust-building processes where these are essential.

It is recommended that management consultants should analyse their delivery process to identify opportunities for online delivery and analyse and test existing tools in order to identify those that can be easily adopted both by consultants and their existing and prospective clients. This will enable them to define a future business model and prepare a technology transfer plan. It is also necessary to create a strong online presence and develop both technical skills related to the use of virtual tools and soft skills facilitating effective online engagement in special phases of the lifecycle.

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