

The World's Newest Profession: Management Consulting in the Twentieth Century. By Christopher D. McKenna. New York: Cambridge University Press, 2006. xxi + 370 pp. Illustrations, figures, tables, notes, index. Cloth, \$30.00. ISBN: 0-521-81039-6.

Reviewed by Neil Fligstein

The World's Newest Profession documents the rise of management consulting in the United States. Christopher McKenna's story contains a number of surprising twists on the origins, spread, and various mutations of the industry. It is a novel study that deserves the attention of business historians, management professors, and organizational scholars. In the book, McKenna takes up three related questions: First, what do consultants actually do, and why do firms decide to hire them? Second, to what degree did consultants try to formalize their knowledge and make themselves into a profession? Third, do consultants deserve to be labeled, as they sometimes are, "witch doctors" or "miracle workers"?

McKenna begins with what might be called a transaction-cost perspective. He points out that consultants are familiar with the best practices of firms in a given industry. He describes the hiring of consultants as the equivalent of a make-or-buy decision, whereby firms can choose either to create knowledge themselves or to buy it from others. By choosing the second option, they avoid having to sink managerial time into figuring out the best course to follow. Viewed in this light, the consulting industry would appear to serve a "functional" need.

While McKenna's summation of the industry's services includes the service aspect, he is more interested in the struggles of management consultants, and their firms, to legitimate their usefulness to clients and, in so doing, to expand their customer bases. Indeed, his story is not really about transaction costs as much as it is about how management consultants have taken advantage of openings provided by regulatory changes to promote themselves, adding to their list of customers by persuading governments, nonprofit organizations, and firms around the world to buy their services. McKenna demonstrates how consultants propagated certain conceptions of organizational strategies, the most prominent case being McKinsey's idea that organizations should decentralize decision-making (a process that came to be known as "being

McKinseyed”). Their strategies were recommended to all kinds of organizations, regardless of how well they fit a company’s function and goals, and often with little concern for whether the suggested change would benefit the client. Finally, McKenna captures the faddishness of management consultants, describing some of the ideas that McKinsey’s competitors promoted and sold to firms.

Most scholars consider Frederick Taylor’s ideas about scientific management to have been the starting point of the industry era, but McKenna shows that Taylor’s ideas had become a dead end for consultants by the early 1920s. McKenna considers the starting point of the business to have been around 1910, when a group of engineers interested in the problems of management came up with the idea of figuring out the costs associated with a particular way of organizing production. These engineers eventually identified themselves as cost accountants, and they formed the National Association of Cost Accountants in 1919. The pioneers of the management-consultant industry all initially participated in the cost-accounting movement.

The real impetus to the growth of the management-consultant business came from politics. Cost-accounting consultants made a living during the second and third decades of the twentieth century by providing estimates of production costs to trade associations, a service they also offered to banks in search of investment opportunities and thus in need of information on the soundness of corporate management teams. The Glass-Steagall Act made it illegal for banks both to act as investment bankers and to make loans to companies. As a result, investment banks were no longer permitted to gather detailed data on firms in the same way that banks loaning money to those firms were allowed to do. This opened the way for management-consultant firms to conduct “bankers’ surveys” for New York investment banks. The industry received its boost from the chance to fill a regulatory gap, not from the functional need of firms to obtain information about best practices.

In addressing the second question, the degree to which consultants constitute a profession, McKenna argues that consulting firms were ambivalent about professionalizing their occupation. They were afraid that if consultants were certified, either by obtaining degrees or as a result of government or organizational recognition, firms would lose their competitive advantage vis-à-vis one another. McKenna describes

how Marvin Brower went about raising the status of his firm, McKinsey, by hiring Harvard MBAs and implementing a partner system analogous to the one used by large law firms. In this way, Brower could claim that his people were the best and the brightest, and he could boast that his partners were the competitive winners of a contest to provide the best services. Brower and his successful competitors showed little interest in creating a governing structure for the profession, preferring to be able to maintain that their firms had a distinctive competency that could not be replicated through mere certification.

McKenna ends the book with a long rumination on the changes that have taken place in the business over the past fifteen years, ending with the Enron scandal. In considering whether consultants are “witch doctors” or “miracle workers,” McKenna concludes that management consultants are basically opportunistic. They are in business to give advice, but the advice they give is heavily determined by the wishes of regulators (forcing them to bow to “watchdogs”); or they are driven by the demands of the client’s top management to legitimate a course of action (causing consultants to act as “lapdogs”); or they are restricted by the requirements of managers who need advocates, or “retrievers,” to search out ways to help them do what they want, even when the solution involves skirting the borders of legality.

The World’s Newest Profession opens up new terrain, leaving to others the tasks of examining whether the management-consulting business promotes knowledge, motivates positive organizational change, and legitimates companies’ goals, or of revealing its practitioners as plain hucksters, willing to do anything to make a buck.

Neil Fligstein is the Class of 1939 Chancellor’s Professor in the Department of Sociology at the University of California. He has written numerous books and articles about the largest corporations, law, and government, and he is author of The Transformation of Corporate Control (1990) and The Architecture of Markets (2001). He is currently completing Euroclash: The EU and the Future of a European Identity, a book about European political, economic, and social integration entitled.