9
CONSULTANTS AND INTERNATIONALIZATION

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Introduction
A recent book on economic policy-making characterizes the twenty-first century as the “century of consultants, advisors and experts” (Levy and Peart 2017: 3). It is no surprise that consultants are named first. They have indeed been shaping economic policy, as that book demonstrates in some detail. More consequentially, consultants have also come to define “best practices” and “excellence” for a wide range of public and private organizations around the globe, determining the strategic directions of these organizations and reshaping their operations as well as the work experiences and life worlds of millions of people (for details and additional references, see Kipping and Wright 2012; Engwall et al. 2016). In the process, consulting firms have grown significantly and are today larger than many of their clients (see Table 9.1).

These large consulting firms are also very global. First-ranked Deloitte for example claimed to employ more than 260,000 people in over 150 countries and territories in 2017 (Deloitte 2017).

Table 9.1 Estimates of the world’s largest consulting firms by revenue in 2013 (billion USD)

<table>
<thead>
<tr>
<th>Gartner</th>
<th>Kennedy Consulting</th>
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<tr>
<td><strong>Revenues (USD billion)</strong></td>
<td><strong>Growth (%)</strong></td>
</tr>
<tr>
<td>1 Deloitte</td>
<td>14.7</td>
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<td>2 PwC</td>
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<td>3 EY</td>
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<td>4 KPMG</td>
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<td>5 Accenture</td>
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<td>6 IBM</td>
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<td>7 McKinsey &amp; Co.</td>
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<td>8 Booz Allen Hamilton</td>
<td>2.1</td>
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<tr>
<td>9 CGI</td>
<td>1.5</td>
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<td>10 CSC</td>
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– even if probably not all these locations offered consulting services. Accenture boasts offices in more than 200 cities in 53 countries with over 435,000 employees (Accenture 2018) – though quite a large proportion in technology and outsourcing services. McKinsey & Co., still considered the “premier” management consulting firm by many, employed around 11,000 in more than 120 cities in over 60 countries (www.mckinsey.com/locations). Few other sectors have such an extensive international presence. However, this is only the case for the largest consulting firms, since the vast majority of management advice is provided by myriad individual and small-scale service providers that operate locally or nationally. These nevertheless contribute to globalization – albeit in a different way, to be discussed below.

Few publications have addressed the internationalization of larger consulting firms specifically (see, especially Jones 2003; Morgan et al. 2006; Roberts 2006). There has been more research on the internationalization of other service firms (e.g. Enderwick 1989; Aharoni and Nachum 2000; Roberts 2015), namely banks (see Youssef Cassis in this volume) and knowledge-based services (e.g. Harrington and Daniels 2006). There has also been work on the globalization of professional services more generally (see, e.g. Bäumer et al. 2012), such as accounting (e.g. Daniels et al. 1989; Cooper et al. 2000). This contrasts with the large number of scholarly studies devoted to the international expansion and global activities of manufacturing firms (see, e.g. Paula de la Cruz-Fernández and Patrick Fridenson in this volume). Moreover, much of this limited literature focuses on the recent period and links it with the overall globalization of the economy since the late twentieth century – even if Kipping (1999) shows that consultants were active outside their home countries since the beginning of that century (see also Engwall et al. 2016).

To provide a more comprehensive – and long-term – overview, this chapter assembles information from a wide range of historical and contemporary treatments of the management consulting industry and its various stakeholders. The extant research has come from scholars in multiple academic disciplines, namely business and management history, economic geography, international business, organization studies, and even law. Some additional information is derived from the business press and – cognizant of their potential biases – from commissioned or internal histories of consulting firms or their client companies. As noted, very few of these accounts were written with a specific focus on internationalization, which means the present overview will remain tentative as well as incomplete.

But despite these constraints in terms of the available evidence, it seems safe to suggest that consulting has been both an integral part and a driver of global business since the early twentieth century. This becomes evident by examining (i) when and how management consulting firms themselves expanded internationally; (ii) how far their ideas and practices were adopted – or adapted – globally; and (iii) whether and in what ways consultants influenced the international expansion of their client organizations. The following sections of the chapter will address each of these questions by (a) summarizing and critically reviewing the findings of the extant literature – rather than conducting new empirical work – and (b), whenever possible, considering how far these findings conform with the main theories and frameworks in international business or challenge them. The final section of the chapter will summarize the main overall insights and point out some promising avenues for future studies.

The global expansion of management consulting firms

The large consulting firms of today took one of two avenues toward their global presence: they either internationalized by establishing offices outside their home country – an ongoing process since the beginning of the twentieth century; or they expanded abroad based on different though adjacent activities such as accounting or IT services and then diversified into consulting – a process
that also started early but accelerated significantly over recent decades. Both types of firms predominantly originated in the United States, with the United Kingdom and other Western European economies as secondary home countries. The first of these two processes has been studied mainly by historians – and often ignored by scholars in other disciplines; the second has found some interest among organizational scholars – though they have tended to focus on internal conflicts within these conglomerates and on what appears as their ultimate failure to establish truly global structures and policies. Both processes are detailed in the following sub-sections, with a third sub-section looking at how India became increasingly important since the end of the twentieth century both as a host and a home country for global consulting activities.

From local to global and back: consultants internationalizing

As historical research has shown, at the outset consulting was an activity dominated by engineers, in particular under the umbrella of “scientific management” or “Taylorism” due to the visible role played by Frederick W. Taylor (1853–1915) in its foundation (see, for a summary, Wright and Kipping 2012). These consultants focused, originally, on efficiency enhancements on the shop floor – soon extended to offices, public administration and even society as a whole. In terms of internationalization, at the beginning of the twentieth century most of these “consulting engineers” or “efficiency experts”, as they were known at the time, worked as individuals, generally based in the United States (Nelson 1995). But these people travelled and did spread their “gospel” globally (see, e.g. Merkle 1980; the contributions in Nelson 1992; Spender and Kijne 1996; and, for a summary, Engwall et al. 2016: ch. 8). Three main ways can be distinguished: (i) Taylor and his many competitors spent short periods abroad proselytizing their systems among fellow engineers or carrying out projects; (ii) foreigners wanting to observe scientific management and its implementation in action visited the US – taking the ideas back to their home countries; (iii) events and other dissemination efforts were organized, since 1924, by the International Committee of Scientific Management, CIOS (Comité International de l’Organisation Scientifique du Travail) and, between 1925 and 1934, the Geneva-based International Management Institute (IMI).

A first attempt to establish a wider presence in the US and a more permanent one outside came from the firm founded by Taylor’s competitor Harrington Emerson in 1907 under the name Emerson Company Engineers, later changed to Emerson Efficiency Engineers (Quigel 1992). Emerson established multiple offices in the US and some of its engineers, led by the Italian A. M. Morinni, also moved to Paris, France in 1913 – though the outbreak of World War I cut their efforts short. At the same time, the war and its aftermath brought other efficiency engineers to Europe to help with production and reconstruction efforts. Some of them stayed and established a more permanent presence there, including, most prominently C. Bertrand Thomson and Wallace Clark, the former based in Paris (Wren et al. 2015) and the latter running his European offices from New York (Wren 2015). Most successful among them was Charles E. Bedaux, a French immigrant to the US, who familiarized himself with scientific management when working as an interpreter for the above mentioned Morinni, whom he also accompanied to Paris in 1913. Upon his return to the US, Bedaux developed his own system and his own firm in the Midwest in 1916. Following projects for well-known companies, such as GE and Kodak, the firm quickly expanded across the US, opening multiple offices. In 1926, Bedaux ventured abroad starting in London, followed by Paris, Milan and Berlin – with a somewhat more ephemeral presence in other parts of the globe, including Africa, Australia and Japan. By the mid-1930s, his firm employed several hundred consultants around the world (Kreis 1992; Kipping 1999; Weatherburn 2014).
Small in comparison with today’s global consulting giants, Bedaux and his firm were nevertheless significant and highly visible at the time. In comparison, the firm established by accounting professor James O. McKinsey in Chicago in 1926, which is today among the leading global service providers, had less than 50 consultants based in Chicago, New York and Boston around the mid-1930s (McDonald 2013: 31). McKinsey belonged to a new “wave” of consulting firms that examined organizations more comprehensively and suggested changes to their overall structures and operations rather than focusing on the optimization of (productive) efficiency (Kipping 2002; McKenna 2006; McDonald 2013). Most of these firms were established in the US during the interwar period, generally under the label of “consulting management engineers”. They saw a significant expansion during the Great Depression, when they assisted in the re-organization of troubled companies, and even more so during World War II, when they conducted projects for the US government or the military, and converted companies for wartime production – and then re-converted them after the war. Government-related work continued during the Cold War and also led to their first forays abroad to countries such as Egypt, Iran and Nigeria with projects sponsored by the US Agency for International Development (AID) (Engwall et al. 2016: 177, 182). Only during the 1960s did these firms establish a more permanent international presence in Europe (see Table 9.2).

In terms of internationalization, these were neither the first nor the last. An early mover was the firm founded by former bible salesman George S. May during the inter-war period, which expanded rapidly due to aggressive sales methods. May set up an office in Düsseldorf in 1955, apparently after playing in a golf tournament there, and claimed to have a total of nine European offices by the mid-1960s – but his firm seems to have faltered thereafter since it apparently promised more than it could deliver (Engwall et al. 2016: 182). The Boston Consulting Group (BCG) was a latecomer, established in 1963 by a Boston bank and gaining its independence only about a decade later. BCG nevertheless internationalized almost immediately, based on acquisitions in what appeared more marginal and probably less competitive markets, namely Italy and Japan in 1965 and 1966 respectively, followed by a joint venture in London in 1968 (see Higdon 1969; Engwall et al. 2016: 179–184).

With the possible exception of May and BCG, the international expansion of all these firms conforms at least partially to a “follow-thy-client” strategy, which is still widely seen as the main motivation for the internationalization of service businesses (e.g. Kundu and Merchant 2008). Bedaux’s initial projects in Europe, for instance, were for the foreign subsidiaries of his US client Kodak. For similar reasons, Arthur D. Little and Booz Allen established their first European offices in Switzerland, where many US multinationals had moved their European headquarters during the war (see also Kurosawa and Wubs, in this volume). But local companies also “invited” these consultants, seeking their help in dealing with growing competition, namely from US

| Firm                      | No. of offices | No. of consultants | Revenues in 1969
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<tr>
<td></td>
<td>1962</td>
<td>1969</td>
<td>1962</td>
</tr>
<tr>
<td>McKinsey &amp; Co.</td>
<td>1</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Arthur D. Little</td>
<td>1</td>
<td>4</td>
<td>30</td>
</tr>
<tr>
<td>Booz Allen</td>
<td>1</td>
<td>2</td>
<td>70</td>
</tr>
<tr>
<td>A. T. Kearney</td>
<td>0</td>
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multinationals. This was the case with Italy’s Fiat and Bedaux in the 1930s or, on a much larger
scale, after World War II, when large European firms became concerned by the influx of American
multinational enterprises (MNEs) following the creation of the European Economic Com-

munity (EEC) in 1957, which also disrupted their own market-sharing arrangements
(Servan-Schreiber 1967; Kipping 1999; McKenna 2006). Some of these European companies
gained initial experiences with US consultants in the Americas. The Anglo-Dutch oil company
Shell for instance first hired McKinsey for a project in Venezuela (Kipping 1999: 212). Hence,
for the internationalization of the US consulting firms, multinationals from both their home
country and the host countries in Europe acted as “bridges” (Kipping 1999: 193, 199).

Once in Europe, the US consulting firms quickly localized their staff – increasingly hiring
host country nationals – and their offices, establishing strong presences in the major financial and
business centers such as London, Paris and Amsterdam. To quickly build relationships with local
elites they relied on well-placed individuals as “connectors” (Kipping 1999; see also, in general,
Glückler 2006). Bedaux for instance appointed leading industrialists, such as Fiat’s Giovanni
Agnelli, to the boards of his various subsidiaries and hired consultants from top engineering
schools, like France’s grandes écoles. McKinsey recruited a well-connected former civil servant as
director in the UK and supported the establishment of the London Business School and
INSEAD (Institut européen d’administration des affaires) in France. And, in Germany, it estab-
lished close relations with the long-time head of Deutsche Bank, Hermann-Josef Abs, and fre-
quently attended the bi-annual meetings of the country’s top managers and their potential
successors in the Black Forest spa town of Baden-Baden (see Figure 9.1). Last not least, the US
consulting firms also prompted the creation of local competitors through spin-offs and new

\[\text{Figure 9.1 McKinsey connecting with German CEOs in Baden-Baden}
\]

\textit{Source: Industriekurier, 21 February 1970; reprinted with permission of the cartoonist, Klaus Pielert.}
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foundations. The Americans nevertheless remained dominant, also and especially in cultural, behavioral and even linguistic terms, with consultants across Europe imitating the “McKinsey look of successful young professionals” or letting “drop the odd Americanism” (quoted from contemporary publications by Kipping 1999: 215).

All of this suggests that from their early days, consulting firms followed an internationalization process akin to the recently “revisited” version of the so-called Uppsala model (Johanson and Vahlne 2009). In their original model, Johanson and Vahlne (1977) had focused on the liability of foreignness due to cultural or as they called it “psychic” distance between suppliers and customers. Now business is seen as a “web of relationships”, where foreign firms are “outsiders” with trust-building as an important way to overcome this outsider status. Johanson and Vahlne (2009) have linked these revisions to recent changes in business practices as well as advances in international business (IB) theory. However, consultants seem to have already developed mechanisms to access networks within host countries since the inter-war period, namely by using MNEs as “bridges” and by hiring “connectors” – highlighting once again the need for the IB literature to become more sensitive to service activities, on the one hand, and to historical research, on the other.

International first: diversifying into consulting

Many of the large global consulting firms of today took a different pathway to their current position: diversification. This mainly concerns three types of organization that provided services in adjacent areas: accounting and auditing; information technology, including hardware, software and services; and communications, in particular advertising. Firms in all three areas internationalized before or while becoming involved, to varying degrees, in consulting activities, which in many cases now represent the largest share of their revenues. In line with the limited research on the internationalization of services, not much has been done to examine their global expansion – though there has been some recent research questioning how far their organizations and policies are truly global (Boussebaa 2009; Boussebaa et al. 2012). By contrast, scholars have paid some more attention to the antecedents and consequences of the diversification processes, namely with respect to the tensions within these firms regarding (a) the distribution of profits between the consultants and those on the traditional, less dynamic side of the business, whose relationships facilitated the diversification originally (e.g. McDougal and Greenwood 2012) and (b) regulatory concerns regarding possible conflicts of interests between the different parts of these conglomerates (e.g. Coffee 2006). The remainder of this sub-section quickly recounts the internationalization and diversification processes for each of the three types of firms.

In audit and accounting a first wave of internationalization occurred in the late nineteenth century as British accountants expanded into the US, partially following British investors. But UK and US operations soon separated and grew independently (see, for the case of Price Waterhouse, Jones 1995; Allen and McDermott 1993, respectively). With the exception of Peat Marwick, Mitchell, & Co., established through a merger between a UK and a US firm in 1925, the large service providers only internationalized again after World War II – at a time when many of them also started expanding their consulting activities and established internal units to provide these “management advisory services”. This internationalization occurred in a variety of forms (Daniels et al. 1989). On one extreme were loose international alliances, where partner firms retained their own identity, structures, policies etc. under a common umbrella with Klynveld Main Goerdeler (KMG) as a prime example. KMG was formed in 1979 by firms from the Netherlands, the US, West Germany, Canada, the UK, Australia, Switzerland, France and Denmark (Daniels et al. 1989: 82); it merged in 1987 with Peat Marwick to form KPMG. On
the other extreme was the firm established in Chicago by accounting professor Arthur Andersen in 1913, who limited expansion to a few other US offices and imposed tight control namely through a uniform culture. It was only after the founder’s death in 1947 that his successor expanded internationally reaching 92 offices in 26 countries by the early 1970s — all fully owned and unified through corporate culture (Squires et al. 2003: 44–45).

Consolidation, internationalization and diversification accelerated since the 1970s. Mainly drawing on their early expertise in the application of information technologies, the so-called “Big Eight” accounting and audit firms expanded their consulting activities to such an extent that, by 1982, seven of them were listed among the top 20 consulting firms in the US by revenue, with Andersen ranked first overall (Engwall et al. 2016: 184–186). In terms of consolidation, after two more mergers, the number of the largest firms was reduced to six by the end of the decade and ultimately to five with the creation of PricewaterhouseCoopers (PwC) in 1998 — all of them highly international. But these developments also resulted in significant internal and external challenges. Internally, conflicts emerged between audit and consulting partners with the latter now bringing in most of the profits and the former insisting that “their” relationships had been making that success possible. At Arthur Andersen, the creation of a highly autonomous division, called Andersen Consulting (AC) in 1989 managed to delay full scission, which eventually occurred in 2001, when AC spun off under the name Accenture (Squires et al. 2003: chs 5 and 6; for an overview, McDougald and Greenwood 2012).

Pressure to split auditing and consulting also came from the regulators, concerned with the conflict of interest inherent in cross-selling these services (Stevens 1991). These concerns were proven justified with the Enron bankruptcy in 2001, where Andersen had provided both audit and consulting services, which it had re-developed internally following the creation of AC and then Accenture. Consequently, Andersen was prohibited from auditing publicly quoted companies and quickly disintegrated with most partners joining the remaining “Big Four”. KPMG, PwC and Ernst & Young sold or spun off their consulting activities at the time, but also ended up redeveloping them — with the revenue growth and profits they keep providing apparently difficult to forgo. Only Deloitte pulled back from such a separation, which might explain its leading position today. Recently, these firms moved further into the “core” of management consulting, acquiring remnants of former strategy consultants: Deloitte buying Michael Porter’s Monitor and PwC Booz & Co., renamed Strategy& (Engwall et al. 2016: 239–250).

The second type of organizations entering consulting from the outside were IT services providers. In terms of internationalization, many, but not all of them, internationalized before diversifying into consulting — and that diversification occurred largely through acquisitions, reflecting their latecomer status. Outcomes varied widely. Thus, Electronic Data Services (EDS), which was founded by Ross Perot in 1962, went public in 1968 and was owned by General Motors (GM) between 1984 and 1996, made a major push into consulting during the 1990s. Thus, in 1995 it acquired A. T. Kearney (ATK), which itself had separated from McKinsey in the early post–World War II period. The objective for the combined firm was to become “a new competitive force in the global management consulting arena” (EDS History Timeline 2008: 12). But it failed in that intent, spinning off ATK again in 2006 and selling itself to Hewlett-Packard (HP), which was also unable to revive its flagging fortunes, formally split its consumer and enterprise businesses in 2015 and merged HPE Enterprise Services with the Computer Sciences Corporation (CSC) into DXC Technology in 2017 operating in 70 countries. EDS, HPE, CSC and now DXC, like many others attempting to expand their consulting activities, ultimately remained “pure-play IT services” providers (Cornell 2017).

Most successful among these new entrants was IBM, which had been operating internationally for almost a century by the time it decided in 1992 to amalgamate a group of 1,500 employees
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“to provide management and information technology-related consulting services to companies and organizations in 30 countries” (IBM, 7 January 2016; for more details, see IBM Corporate Archives 2002). Under the leadership of a former Booz Allen Hamilton partner that group grew organically to 30,000 people over the next decade. It doubled in size in 2002 with the acquisition of the consulting activities from PwC, propelling it among the largest global consulting firms – though still with a focus on technology-based solutions.

The third and most recent development concerns the entry of the large global advertising agencies into consulting activities. Like the audit and accounting firms, after World War II these agencies also embarked on a process of consolidation and internationalization, largely through acquisitions, leading by the beginning of the twenty-first century to another “Big Four”: Paris-based Publicis, WPP of London as well as Omnicom and Interpublic of New York (Elliott 2002; for the earlier internationalization, Weinstein 1977). Their diversification into consulting is more recent and very partial. It is probably related to the growing need for organizations to communicate with all their stakeholders and the public at large. Possibly the earliest indication for their push into the consulting space was the offer by Saatchi & Saatchi, now part of Publicis, to acquire Arthur Andersen’s consulting division in the late 1980s – ultimately rejected by the latter (Squires et al. 2003: ch. 5). Publicis has been the most active in developing consulting activities, namely through the acquisition of Razorfish in 2009 and Sapient in 2015. Both companies had their origins in the 1990s and were among the first to see the potential of the internet and digital technologies for marketing as well as, in the case of Sapient, more importantly, continues to offer technology-based consulting under the name Publicis.Sapient, which recently won a major global contract, jointly with Paris-based Capgemini, to (digitally) enhance the dining experience at McDonald’s, beating out Accenture, among others (Stein 2017).

Targeted internationalization and its consequences: to and from India

Over the last three decades, the international expansion of all these consulting firms has taken a new direction: India. Today, Western consulting firms such as Accenture or Deloitte employ tens if not hundreds of thousands of consultants there – often outnumbering those in any other country. This rapid expansion is a surprising development, given that India only opened up to foreign investment since the early 1990s (Malik and Nilakant 2015). Moreover, the country has brought forth its own consulting firms, many of which are now operating globally (e.g. Shaineshe et al. 2012). Thus, India nowadays serves both as a host and a home country for many of the largest consulting firms in the world – a significant, possibly seminal, break with the past for an industry that from its inception in the early twentieth century and during its subsequent global expansion has been dominated by firms with a Western, mainly US origin (see above). How and why India emerged as such a hub for the management consulting industry has not yet been the subject of specific research, though it has been touched upon by scholars pursuing research interests other than consulting per se and some more popular writing. The remainder of this sub-section briefly sketches the development of India as a consulting hub and summarizes the available insights from the extant literature.

When it comes to the origins of the move to India, and those pioneering it, the relevant literature generally tends to offer very brief and rather divergent accounts (e.g. Grimme and Kreutter 2012). For example, the former President of the country’s National Association of
Software and Services Companies (Nasscom), founded in 1988, suggests that its starting point was a deal between General Electric (GE) CEO Jack Welch and the Indian government in 1989, with the former agreeing to outsource software work for US$10 million to India in exchange for the purchase of aircraft engines (Karnik 2012). Others point to the Harvard Business School graduate and former McKinsey consultant Kumar Madheva, who in 1994 convinced Dun & Bradstreet to form a joint venture with the Indian software firm Satyam, which itself had been founded in 1987. The company was renamed Cognizant Technology Solutions in 1996, separated from D & B as part of a restructuring, bought out Satyam in 1997, and became fully independent in the early 2000s (Dinger and Caudill 2013).

As to the broader motivations, the underlying drivers apparently included the widespread knowledge of English and excellent engineering education combined with low wages, even for those highly qualified, as well as a good dose of local entrepreneurship (e.g. Zahee et al. 2009; Malik and Nilakant 2015). These conditions seem to have prompted the Western consulting firms to move a large share of their IT-based activities to India. They also advised their clients to do the same and usually offered to take on these activities on their behalf – meaning that from a Western point of view India became a center for “offshored outsourcing”, which has been examined by scholars from a variety of perspectives (e.g. Lee et al. 2003; Metters and Verma 2008), including international business (Doh et al. 2009). The firms of Indian origin, led by Infosys, Tata Consultancy Services (TCS) and Wipro, initially also provided outsourcing for Western clients. But they have since expanded their activities globally, offering services that go well beyond outsourcing (Schwarz and Hentrich 2012).

These Indian firms have attracted some attention, though largely in regard to their earlier activities in the outsourcing of software development and maintenance (e.g. Cusumano 2006; Ghemawat and Altman 2007). Among them, the unique trajectory of Wipro from a vegetable seller founded in Mumbai in 1945 to a major outsourcer has been chronicled in some detail (Hamm 2007). Other studies looking at these firms usually treat them as a case for broader questions such as corporate governance (e.g. Khanna and Palepu 2004) or, more frequently, knowledge management (e.g. Oshri et al. 2007). Recently, these Indian consulting firms have also been mentioned in the growing literature on multinationals from emerging economies (e.g. Kumar 2009) – though, with rare exceptions (e.g. Schwarz and Hentrich 2012), there has been little in-depth work on their expanding consulting activities. Neither has there been much interest in the particular organizational form adopted by most of these consulting operations in India, where consultants both work and live in the same place, generally referred to as a “campus” (cf. some of the contributions in Malik and Rowley 2015).

**Spreading uniform business models around the globe**

In probably one of the most widely cited management articles, DiMaggio and Powell (1983) identify consultants as one of the mechanisms driving what they refer to as “isomorphism”, i.e. the tendency for organizations everywhere to become increasingly similar: “Large organizations choose from a relatively small set of major consulting firms which, like Johnny Appleseeds, spread a few organizational models throughout the land” (p. 152). This is part of what they refer to as mimetic processes, which, in addition to normative and coercive processes, promote isomorphism (see also Kipping and Wright 2012). Subsequent studies have picked up on this idea, though focusing increasingly on the legitimacy consultants provide for changes within organizations rather than the uniformity they might be causing (e.g. Jackall 1988). Others have highlighted the largely discursive nature of consulting work, arguing that even initially superficial linguistic changes might eventually lead to more profound transformations (e.g. Czarniawska
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and Joerges 1996). Relatedly, there is now a relatively widely held view that questions the “reality” of the increases in organizational efficiency invariably promised by consultants – in particular as new organizational models and management ideas seem to follow each other in a fashion-like manner (Abrahamson 1991; Ernst and Kieser 2002).

Empirically, historians have been the ones providing evidence of how new organizational models spread, albeit without necessarily acknowledging their discursive nature or questioning – and, on the contrary, often assuming – their efficiency effects. Studies of their dissemination were sometimes subsumed under the notion of “Americanization” since many of these models had their origins in the United States – with some discussion about whether these US models were suitable elsewhere (for a summary, Kipping and Wright 2012). However, research on the role(s) of consultants in these processes remains spotty. Thus, much of the earlier literature on the first of these major ideas, scientific management, has focused almost exclusively on the role of specific individuals in developing and spreading their gospel, with a particular emphasis on the role of Taylor and his system (see above). These individuals did indeed play an important part, especially early on, in proselytizing the ideas of how to organize work, organizations and even whole societies more efficiently and – more than they have been given credit for – harmoniously (cf. Nyland and Bruce 2012). Ultimately, not individuals but consulting firms applied these systems around the world for much of the twentieth century (see above). At present, many of the large global consulting firms carry out similar optimization work, in production and, increasingly, in the supply chain (for more details, see Wright and Kipping 2012; Engwall et al. 2016: ch. 8).

Consultants were also instrumental in spreading what has been called the most significant management innovation of the twentieth century, the decentralized multidivisional organization or M-form (Whittington et al. 1999). But their contribution is largely ignored in the quite extensive economics and management literature, which focuses almost exclusively on the question whether or not the M-form improved efficiency – without reaching a clear-cut conclusion (for a summary, Kipping and Westerhuis 2012). Here again empirical evidence on the role of consultants has come from historical studies. Chandler (1962), who was the first to systematically examine the origins and subsequent adoption of the M-form in the United States already mentioned “the very significant role that management consultants … have had in bringing about the introduction of the new structure” (pp. 381–382). Some of the subsequent studies covering other countries confirm this assertion, though with some differences in the degree of consulting input. Thus, for Great Britain, Channon (1973: 239) found that consultants participated in the decentralization processes at 32 of the largest 100 industrial companies – with McKinsey involved in 22 of them. Examining the largest 100 industrial companies in France and Germany, Dyas and Thanheiser (1976) mention their role “in some of the major French divisionalisations” (p. 247), while among the top German companies they identified 18 cases, 12 of which were advised by McKinsey, which “met with difficulties” in three of them (pp. 112, 120–121).

A number of historical case studies found similar “difficulties”, i.e. latent or open conflicts between consultants and (middle) managers in a wide range of companies (for a summary, see Kipping and Armbrüster 2002). A recent study has looked at how consultants, and in particular McKinsey, spread the multidivisional structure in the banking sector in a number of countries since the late 1960s (Kipping and Westerhuis 2014). It shows how McKinsey had clear ideas what structure a “modern” banking organization should have, drawing extensively on the model of the M-form pioneer GM, which at the time was considered a highly successful global organization and whose President and CEO had just published his memoirs (Sloan 1964). The consultants used a report on “Developing Future Bank Management”, originally prepared for the Trustees of the Banking Research Fund at the Association of Reserve City Bankers in the US,
as a kind of “blueprint” for all their clients. Regardless of the country- or organization-specific context, they tried to convince the bankers that they should behave like “managers,” namely in terms of being more aggressive when it came to increasing revenues and profits. Overall, this study confirms the important mimetic pressures exercised by consultants in order to disseminate a single model of management around the globe, and also highlights the importance of getting them to espouse a specific management terminology in the process. More tentatively, the research also suggests that the consequences of these changes introduced by the consultants might have been detrimental in the longer run, since the structures and incentives created to sell cars were not necessarily suited for selling mortgages and other loans.

Consultants seem to have played a similar role in the spread of more recent management ideas and practices around the globe. Most of the corresponding research has used citation analysis to demonstrate the flow and ebb of fashions and fads (see, for a summary and critique, Clark 2004), paying limited attention to whether or how consulting firms contributed to these processes (cf. Ernst and Kieser 2002). There are some indications, mainly from the more practitioner-centric literature that Western, and in particular US, consultants were heavily involved in spreading manufacturing and quality control models from Japan during the 1980s and early 1990s (e.g. Stalk and Hout 1990) – once again demonstrating their (cultural) hegemony. There has also been some work, based on the popularization of “business process re-engineering”, suggesting that consultants were as much driven by the dissemination of fashionable ideas as they were driving it – “hitchhiking on a hype”, as Benders et al. (1998) put it. Maybe best researched is the influence consultants had in developing and disseminating “new public management”, the introduction of business principles and practices in all kinds of public sector entities (see, especially Saint-Martin 2000). By contrast, their more recent impact on changing the boundaries of organizations through “transformational” outsourcing (see above), has yet to be examined in more detail.

Last not least, there is also the important suggestion that their role in spreading uniform business models goes beyond large global consulting firms advising multinational clients – which is the scenario examined by most of the extant scholarship. Thus, based on an ethnographic study of a sole consulting practitioner in Italy, Crucini and Kipping (2001) pinpoint their role in translating – literally as well as figuratively – the ideas of the large global consultants into a local context dominated by small- and medium-sized enterprises – though, unsurprisingly, with a rather limited adaptation to that context (see also McKenna et al. 2003).

Promoting internationalization: push thy clients

Another aspect of how consultants have impacted the internationalization of business and globalization more generally concerns the international expansion of client organizations. Many consultants initially followed their clients abroad – as the international business literature would suggest (see above). At the same time, these consulting firms pushed clients from their home country, namely the US, to become more international. And as they expanded themselves to new markets, they not only disseminated new management ideas and practices there, which, as discussed in the previous section, usually originated in the US, they also prompted their local clients in these new host countries to expand abroad.

This sequence is quite clearly at display in the expansion of the US consulting firms to Europe after World War II. These firms initially came to Europe to serve their domestic multinational clients there, hence often setting up their first offices in neutral Switzerland, or to work with European multinationals, for which they had done projects in the Americas, as exemplified by the case of Shell and McKinsey (see above). But they appear to quickly have leveraged their
new positions in Europe to entice other US companies to expand there. Thus, already in 1962, shortly after it had opened its first office in Europe, McKinsey published a booklet entitled *International Enterprise: A New Dimension of American Business* (see Kipping 1999: 210). It is difficult to assess the extent to which consultants contributed to the growth of US foreign direct investment in Continental Europe (visualized in Figure 9.2) – in addition to other factors such as the creation of the Common Market in 1957. But whatever the ultimate drivers, or combination thereof, these developments clearly benefitted the consulting firms, since it prompted European companies to hire them to learn more about the modus operandi of their US competitors (Servan-Schreiber 1967).

But the consultants did *not* stop with disseminating US management ideas and practices to their European clients. They apparently also encouraged the latter to expand abroad, namely to – not surprisingly – the United States. The M-form constituted an ideal vehicle in this respect, since the model introduced by McKinsey in the banks, for instance, invariably contained an international division in addition to the ones focusing on domestic banking and other financial products/services – even if most of their European banking clients did not have much of an international presence at the time (Kipping and Westerhuis 2014). The archival material available at the banks in this ongoing research shows that, after introducing the M-form, the consulting firm managed to convince most of them to fill in that international division, namely through acquisitions, often in the US – with McKinsey producing large numbers of reports identifying and evaluating possible targets.

These internationalization efforts and their results have yet to be examined more systematically. The evidence available from bank histories suggests that they often ended in failure and retreat (see, e.g. for the Dutch cases, Westerhuis 2008). Japan’s Sumitomo Bank, for instance, suffered such a fate. After completing divisionalization in 1979, its CEO pushed an international expansion, turning Sumitomo into the “leading Japanese bank in foreign markets” (Salamie

![Figure 9.2](https://example.com/image.png)

**Figure 9.2** US manufacturing foreign direct investment in Europe (book value in US$ million)

*Source:* Based on Wilkins 1974: Table XIII.3.
Results were mixed though, and much of the expansion was later reversed – often at significant losses. The example of the British Midland Bank is particularly telling. McKinsey made its usual recommendations to create three separate divisions, including an international one, in 1971. Implementation took some time and a head of the international division was only named in 1974. Initial efforts consisted of increasing the bank’s stake in South Africa’s Standard Chartered, which was, however, liquidated – for political reasons – in 1978–79 (Holmes and Green 1986: 282–296). Subsequently, Midland acquired majority shares in smaller banks in Germany and Switzerland. And in 1981 it made the largest foreign takeover of a US bank at that time by acquiring 57 per cent of Crocker National Bank in California – propelling itself into the top ten global banks. But what was meant to be the “centerpiece” of Midland’s internationalization strategy quickly turned into an unmitigated disaster due to Crocker’s bad real estate loans and large share in Latin American debt (www.company-histories.com/Midland-Bank-plc-Company-History.html). Following massive losses, Midland terminated its “Californian adventure” by acquiring the remaining shares in 1985 and selling off the lot to Wells Fargo in 1986, reducing “the bank to a shadow of its former eminence”. It was eventually acquired by HSBC in 1992 (Anon. 2004).

This pattern, where the entry of MNEs created more competition, which led local companies to call for help from (foreign) consultants, who in turn first introduced (foreign) business models to these companies and then pushed them to expand abroad, appears to have repeated itself a few more times since – though with some twists. Thus, similar mechanisms were probably at work when the former Eastern bloc countries opened their economies after 1989 (Kostera 1995). Western consultants assisted in privatization efforts and then encouraged their Western clients to enter these markets, often through acquisitions, resulting in pressure on local firms to quickly become more competitive – creating additional opportunities for the consultants.

Foreign expansion of companies from Eastern Europe seems to have been more limited though. And, as seen above, in the Indian case consulting firms were definitely among the instigators of the IT offshoring rush to India over recent decades, making clients follow their example – though they preferred clients outsourcing these activities to them. As an unintended consequence, the massive growth in outsourcing activities also stimulated the expansion of local service providers, which are increasingly giving the Western consultants a run for their money, even in the latter’s home markets.

China is yet another interesting case with a twist. Following the economic reforms since the late 1970s, consultants must have written countless reports for Western firms recommending they take advantage of low production costs and fast-growing markets in the country. Using the Western multinationals as “bridges” for their own entry, they did establish a presence in China – though with less success than in their earlier international expansions to Western and Eastern Europe. This, according to a veteran insider with experience in US and Chinese consulting firms, was mainly due to the fact that the Western consultants “just want to sell the same thing everywhere” (quoted by Edwards 2015) – an impression confirmed by an earlier academic study (Wang and Wright 2008). The large number of state-owned or -controlled enterprises and their apparent preference for local services providers might have also played a role here. To what extent the Western consulting firms have played an integral part in the global “buying spree” by Chinese companies has yet to be explored – though they have certainly written reports offering advice to Chinese companies about “what should they do differently going forward” and to Western targets “to ensure that the deals they strike with Chinese companies deliver the returns they are seeking” (McKinsey 2017: 1) – once again demonstrating how the consultants aim to benefit from internationalization efforts at both ends of the process.
Summary and outlook

There is no doubt that consulting firms are today among some of the most global organizations – at least when it comes to the largest among them. And they are also among the organizations with most impact on international business. Based on a critical summary of the extant research, this chapter has shown how these firms have established a global presence since the beginning of the twentieth century. A first set of individuals and firms expanded from their home country, the United States, during the interwar period focusing mainly on Western Europe. A second wave of different service providers followed the same path during the 1960s and 1970s, with a few also venturing into Asia, namely Japan. A third wave of firms, those dominating the industry today, were already present in many countries based on their original activities in accounting and auditing or IT services by the time they started providing consulting services at a larger scale. These firms were also instrumental in developing India as a major host for outsourcing and consulting activities since the 1990s, with Indian firms subsequently expanding outward. Much of this is quite well documented in the literature from various angles, though a more thorough academic investigation of the role of India as both a host and home country for IT-related consulting services seems warranted – as is an examination of the incursion of the large advertising agencies into consulting.

But, as the chapter has also shown, the importance of management consultants within the study of international business and globalization goes well beyond their own expansion and presence. From the outset, they have been instrumental in introducing uniform management discourses and practices in organizations around the globe. This includes locally based individual and small-size consulting providers “translating” global concepts for their clients. The consultants’ impact in this respect is well understood theoretically, while its extent and consequences continue to be debated among scholars. Empirically, much of the research is based on single or – rarely – comparative case studies. A systematic compilation of all extant cases might be a way to provide more general insights – though is possibly too daunting a task given the secrecy that continues to surround consulting projects. We know even less about how consultants have contributed to business internationalization by pushing clients to expand beyond their home country. Doing so clearly benefits consultants in multiple ways but, as the few known cases suggest, might be premature if not detrimental for their clients.

In terms of future directions for research, there is still considerable scope for more empirical studies regarding all of these topics. There is also a need for theorizing the multiple roles of consultants in globalization. And there are a number of big questions that have yet to be addressed, which include, but are not limited to, (i) the possible co-evolution between consulting firms and “global cities” (Sassen 2005; see also Wood 2002), (ii) the constitution of a new global elite by former consultants, not only in business but also in government, politics and even academia, and (iii), relatedly, their contribution to not only spreading, but also reforming global capitalism (Engwall et al. 2016).

References


Consultants and internationalization


