

MANAGEMENT CONSULTANTS AS AGENTS FOR NEO-LIBERALISM

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The purpose of this paper is to develop an understanding of the role management consultants have in international development (ID) and in the global spread of neo-liberal ideas. ID is a context that brings together international financial institutions, donor governments, NGOs, developing countries and various consultants. We examine a number of issues related to the roles of management consultants in the spread of neo-liberal ideas, such as the consultants' role as “carriers” of neo-liberal ideas and the agency of consultants in this process. Further, we analyse the mechanisms for the diffusion of neo-liberal ideas by consultants on different levels: direct transformation of practices in the developing states by the professional dissemination of the consultants knowledge, direct and indirect impact on the developing states, direct and indirect impact on those that can be seen as the real clients, from the consultants' point of view. Finally, we analyse the effects of the diffusion in terms of the spread of neo-liberalism, the general efficiency of the projects, the potentially hidden agenda of some influential institutions/groups and the consultants' need to cultivate their market.

Introduction

In this paper we attempt to develop an understanding of the role management consultants have in international development and in the global spread of neo-liberal ideas. International Development (ID) is a context that brings together international financial institutions, such as the World Bank, the IMF, donor governments, NGOs, developing countries and various consultants. Although in the literature some authors choose to generalise and refer, for example, to the “international economic development consultants” [7], of interest to us is only a part of the consultants involved in ID, namely those dealing with management consultancy.

The activity of management consultants has received increased attention in recent years. There is now a substantial body of research on management consulting, but much of it focused on the activities of individual companies or the developments at national level. Although this sort of attention certainly has its merits, it may also be important to look at the more general role of consultants, as carriers of capitalist ideas. So far, little attention has been paid to these aspects, to the mechanisms used and the results of their intervention (although there are some recent contributions to this subject: [4; 19]). Generally, research in this area has been limited to accounts of specific consultant interventions. Therefore, our understanding to date has been mostly restricted to what can be obtained from individual cases and fragments of information extracted from research not focused on our topic.

In the last three decades, consultants became much more involved in what is generally known as ID. Due to the fact that they do have a rather visible role, their activity as spearheads of transnational institutions is generally acknowledged and accepted, but in our opinion has been insufficiently analysed. We believe that this problem merits further investigation, as it can reveal a very interesting dimension of consultancy.

This topic is not entirely a new one. There are, in papers such as Hilary [10], rather detailed accounts of instances in which consultants were used. Consultants' role in the “export” of public management reform has been acknowledged before [15; 21].

These consultants are, alongside with academics and journalists, part of what Swain [24] calls the “transition industry” or Wedel [26] coined as the “Marriot Brigade”.

The idea that globalisation is synonymous for homogenisation and therefore consultants, as important carriers of management concepts [1], play an important role in the process, can be appealing. We do however have to acknowledge the fact that *management consultancies are not all of the same kind and diffuse identical ideas* [5].

The consultant-client relationship has a very particular nature in the case of ID: the beneficiary of the consultants’ services is (in theory) a different party than the one that pays for these services. Dumas et al. [7, p. 29] recognise *three levels of “clients” involved: the donor, the recipient government, and the people of the recipient country*. Fyson [8] also points at the dynamics of the relationships between these parties. Therefore we ask what happens when there are conflicts of interests between these categories of clients? Also, if we observe the management consultancy industry „conquest” of Europe [16; 25; 14] we can trace at least some of the consultants’ appetite for ID from the initial waves of expansion. Based on this, we could actually ask the question if much of the ID movement was not the creation of consultants seeking to continue and develop their business, using the skills they learned previously working for the Western European governments.

Roles played by consultants

A number of questions can be asked in relation to the roles of management consultants in the spread of neo-liberal ideas: 1) is it accurate to describe them as “carriers” of these ideas (this implies a rather passive and low-level involvement); 2) do all consultants involved in ID act as carriers of these ideas; 3) are consultants also active generators or just disseminators of such ideas; 4) do consultants have agency or are pawns in a bigger game?

A number of papers have studied the role of management consultants in the diffusion of managerial ideas [2; 18; 17]. The diffusion can take the form of knowledge transfer, knowledge translation or knowledge evolution [4].

The idea that consultants act as agents for neo-liberalism, as stated by Davis [6], uses agency theory to explain the cascading pressures that ultimately conduct consultants to behave in a manner consistent with neo-liberal principles. In her words, this pressure is *“all unspoken but understood – like wisps of mist softening the landscape”*. Basically, only those consultants that agree to behave in a certain manner make it in ID and therefore all consultants that can be seen performing long-term activity in ID act consistently. According to Davis, consultants in a new public management scenario have to fit the templates which have been created for them. However, is it accurate to assume that consultants have such a passive role, as mercenaries without personality? An answer is that of Huddleston [13] noting that there is *“something of the air of the French Foreign Legion among the cadre of consultants available for long-term assignments”*.

In the current literature we have identified three general perspectives over consultants’ activity in developing countries: 1) they are seen as legitimate disseminators of managerial knowledge, who do their best to help in the development of the respective countries [3]; 2) they are seen as economic agents interested only in the profit they can extract from the development missions [10]; 3) they are seen as “agents of propaganda” [6], that help the donor countries push their agenda in the developing world [10; 15; 21; 24].

We believe that in the ID context the use of management consultants is questionable on several accounts, of which more evident are the following:

1. Do they have the necessary knowledge and expertise to provide valuable services to the developing country? Huddleston [13] points out that this is not always the case, they may have technical knowledge but it may take a long time until they learn how to apply that knowledge in the host country context.

2. Is the system setup in a manner that encourages the consultant to provide objective advice to the beneficiary? It is argued [10] that the consultants tend to value more the relationship with the institution that actually pays them or is able to provide future projects, which generally is not the host country but the donor. Also Dumas et al. [7; p. 23] note that they are not simply free agents who offer neutral advice.

3. Is it correct to provide tied aid, that is to force the host country accept the aid under the obligation of using the (highly paid) consultants chosen by the donor? In many occasions significant amounts of the donor money are spent on consultancies from the donor country [9; 10; 24].

Mechanisms for the diffusion of neo-liberal ideas by consultants

The entire setting of the consultancy process brings together different players, such as the donors and host governments, consultants and brokers. All the players are represented by people with different interests, perspectives and goals [3].

Country governments are required to engage consultants or the consultants are directly appointed by the donor institutions [10]. Donors have been criticised for using consultants from their own countries, whom they paid significant portions of the money supposedly donated to the developing countries. In the initial stages of local development it was argued that local consulting resources were inadequate for the donor's projects and therefore it was necessary to bring foreign (Western) consultants. After some time, local consultants also began to be used in these projects. It could be argued however, that these local consultants actually represented branches of the large international consultancies that in the mean time established a presence in the developing country using the resources (financial, information, relationships) obtained from the initial projects. Considering the issue from this perspective the donor money used to pay consultants can be seen as a subsidy given to the consultancies to establish a presence in the new territory. Consultants used such initial assignments as "bridges" to foreign countries, in the manner Kipping [14] described for the expansion of American consultancies in Western Europe. In return, these consultancies might have very well agreed to transmit in the host country the messages that the donor wanted or to help create the conditions necessary for the donor to achieve its local objectives.

We perceive the mechanisms for the diffusion of neo-liberal ideas by consultants functioning on three different levels, as detailed below:

a. Direct transformation of practices in developing states (nominal clients of the consultants), according to their official mission

What consultants do in this respect is often under-estimated in country-level studies due to the fact that much of their work is simply associated with the institutional donors such as the World Bank and the IMF [12]. But if we make the effort to determine the actual results of the consultants work, we can observe that they are substantial. Quantity is of course not a substitute for quality and the fact that the consultants have a significant output in the developing countries does not necessarily mean that this impact is positive. In fact, it is quite possible to find numerous evidences to the contrary.

It is argued that consultants *have contributed to the globalization of the core values of Western culture generally, and the transmission of the idea of liberalization specifically* [21]. And this is pretty much what they were supposed to do, how their mission was publicly understood. Of course, we can also see the value of the argument

made by Hilary [10], that consultants are also used to bypass the democratic process, legitimising decisions that should make the object of public debate. And this brings us to the important issue of accountability. As Dumas et al. [7] point out, there is a mismatch between consultants’ influence and their accountability in ID projects.

b. Direct and indirect impact on the nominal clients of the consultants, in order to achieve unofficial objectives (hidden agenda)

Consultants’ main objectives are not necessarily consistent with the hosts’ objectives. A vivid outline of this idea is provided by Huddleston [13] who observes that *“as an overseas consultant, one’s job is to pack one’s bag and fly the flag: get on a plane and make sure that the goals of Washington (or Bonn or Brussels or London) are met as expeditiously and efficiently as possible. One reason this is challenging is that the home office’s goals are seldom perfectly consistent with those of the government one is sent to assist”*. This points to what Swain [24] described as a Trojan Horse: sending a gift that that will help the donor achieve its own objectives, even when they do not coincide with the recipient’s goals.

There are constant pressures on those that want to participate in the global system to play by global rules and this pact in itself does not raise any problems. The problem is that those that make the rules of the game are also players (and sometimes take the role of coaches for other players as well). In this situation there is an obvious conflict of interests, because it is possible (and likely) to make rules that favour a certain player, rules that allow that player to use certain advantages it possesses.

Are the consultants objective in their work? It is argued that rather than having to find the right solutions for the developing country they are expected to justify predefined objectives [10]. Also, they have a stake in advising on those measures that will allow them to further provide their services [10]. The same point is made by Fyson [8], who discusses the “triangular dynamic between consultants, governments and donor”. It is very improbable that these three parties have similar interests. Other than pure professional ethics, we cannot see reasons for consultants to disregard their own long term interest, to act against the donor’s interests and serve the host governments interest.

c. Direct and indirect impact on the “real” clients of the consultant (donors, ID institutions)

The institutions that hire consultants for international development use consultants themselves. One example of this is the case of the World Bank in the 1970s [16]. Often seen as tools disseminating (neo-liberal) ideas, consultants also represent a powerful interest group with, according to Hodge and Bowman [12] “undue influence underneath a less democratic policy development process”. Still, they see consultants more as “willing foot-soldiers of political change rather than its masters”.

However, we could also think of consultants as a much more powerful influence group. After all, the decades of working for the leading corporations of the world and advising Western governments must have contributed to the influence of this industry. And also, as elites move from government positions to corporate and consultancy positions this impact becomes more apparent yet more difficult to identify.

Effects of the use of consultants in ID

The process of analysing the effects of consultants in ID raises more questions than it answers. It can be argued that on certain occasions the consultants involved in such projects did not have the correct attributes to properly achieve the objectives. Evidence in this direction has been provided by firsthand accounts (ex., [13]). Also, the consulting industry certainly benefited from the entire ID process. This can be seen from the significant increase in the industry in the last decades. Svensson [23] makes

some indications regarding the extent of the benefits provided by ID to the management consulting market. So, one very direct effect of the use of consultants in ID is the development of the ID consultancy industry. And for the long term development of this industry, the consultants depend on donors not just for a specific project but in many cases for a number of current and potentially future projects. Therefore, they are pressured to provide their services in a manner that will ensure a future stream of ID projects.

It is argued [20] that sometimes the real role of the consultants is not to help the developing countries achieve their objectives but to serve the strategic objectives of those that select and pay the consultants. Formal evidence to support this statements is difficult to find but it is also difficult to find logically valid counterarguments. Not to go into darker areas of national strategy, we can mention that in many cases the privatisations demanded by international institutions and fundamented by consultants lead to the acquisition of the privatised companies by Western corporations. And it could be argued that the consultancy missions were specifically designed in some cases to favour these Western corporation.

One further question we can ask is whether there is a consensus among the international organisations, such as the World Bank, IMF, regarding the policies they encourage in developing countries? Obviously there are common ideas and principles that they work with, but also they don't always work as a perfectly synchronised mechanism. It is very true that management consultants don't always disseminate the same management ideas but the consultants involved in ID probably have more in common than not. Differences in approaches are natural because there is significant room for flexibility. After all, work at the periphery of world capitalism offers ample space for improvisation and experimentation, even when one has to provide a very standardised solution.

ID is a complex context, which brings together very different actors, in very different scenarios. Therefore we think it is impossible to draw clear cut conclusions regarding the roles, motives and actions of the consultants involved. However, studying the current literature on the subject we found several common themes and perspectives on the work of consultants, which we attempted to bring together in order to create a bigger picture. It would be useful if in future projects this bigger picture will be completed and aspects of it clarified.

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