

ETHICAL ISSUES IN THE PRACTICE OF MANAGEMENT CONSULTING

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Abstract

This article discusses some ethical issues that accountants face when they perform as management consultants.

To some people, “ethics” in “consulting” is a contradiction of terms. It is an oxymoron like a “fun run,” “simplified tax code,” or “funny accountant.” Other people view consultants as carrying a very large bag of tricks, almost like a Santa Clause’s bag. Whatever a client wants or is in the mood to buy, the consultant is ready to sell. Nevertheless, my topic is titled “Ethical Issues in the Practice of Management Consulting.”

The ethical issues that face consulting as a profession within public accounting are quite different from the ethical issues that individual consultants face in their everyday work environment. This article touches on both sets of issues.

Scope of services and its impact on firm organization, the AICPA’s code of ethics and independence are the most important ethical issues faced by the accounting profession. Every accountant ought to be concerned with the internal problems of some of the major accounting firms. The desire of the consulting

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division of one of the major CPA firms to split-off or to be bought-out, or to require more pay, greater equity, and increased governance are not only issues of scope of practice, but are also basic issues of power, equity, and fairness.

Most consultants, however, do not identify scope of services as their most pressing ethical issue. When asked, “What ethical issues do you face in your work as a consultant?” most responses are in the areas of honesty, fairness in working with fellow employees, providing a quality service to clients, charging a fair price, and placing the client’s interest above their own.

History and Current Climate in Public Accounting

This article first discusses the scope of services issue and its impact on independence and then views ethics from the eyes of an individual consultant. We begin with a brief review of the history of public accounting and a description of the current climate of management consulting in public accounting.

Most public accounting firms started in the late 1800s. Initially, a very large part of their services would be classified as management consulting in today’s terminology. Arthur Young, the founder of the firm by the same name,² was trained as an attorney and came in contact with the world of accounting during his apprenticeship. In 1884 he writes:

That law office had a great number of trust estates, and looking after those estates was a large part of their business.... We had to see not only that the books of each trust were in order, but also we had to examine the published reports of many companies in which the various trusts had investments. The result was that the law firm consulted not only stockbrokers but also chartered

² Arthur Young & Co. merged with Ernst & Whinney in 1989 to become Ernst & Young.

*accountants before deciding about the selling or buying of investments ...*³

The services of this firm would be classified as financial planning in today's terminology.

The following advertisement comes from "The Book-Keeper," a weekly magazine published in New York, on November 23, 1880.

Selden R. Hopkins
Consulting and Expert Accounting,
Office 94 Liberty St., N.Y.

Will render assistance to lawyers in the examination of accounts in litigation; aid agents and administrators of estates in adjusting accounts.

Today we would classify this type of service as litigation support.

Will give council upon improved methods of keeping the accounts of corporated companies. Assist book-keepers and business men in straightening out intricate and improperly kept books. Adjust complicated partnership accounts. Examine books for stockholders and creditors.

That advertisement has a little systems analysis and design, forensic accounting, regular accounting, and auditing. Another advertisement reads:

³ Arthur Young & Co., *Arthur Young & Co. Arthur Young: The Man Behind the Name*, Summer, 1980, p. 16.

*All work entrusted to me will be promptly attended to, and considered in strict confidence.*⁴

WM. H. VEYSEY
*Professional Accountant,
No. 150 Broadway, Rm. 90
Corner of Liberty St., New York*

Books opened and arranged for all classes of business in the most simple and concise manner.

This advertisement describes systems analysis and design work related to setting up the accounting system for a new entity. One final advertisement reads:

The rigid investigation of complicated and disputed matters, and the clear presentation of the results, divested of technicality, a specialty.

*Particular attention given to the books of insurance companies and to accounts of executors, estates in trust and bankrupt estates.*⁵

This describes more litigation support with an industry specialty of insurance companies, estates, and trusts.

An analysis of these and other advertisements indicates a variety of services including bookkeeping, investigations, litigation support, teaching and audits of businesses usually as a result of business failure.

⁴ Robert Mednick and Gary John Previts, *The Scope of CPA Services: A View of the Future from the Perspective of a Century of Progress*, JOURNAL OF ACCOUNTANCY, May 1987, p. 222.

⁵ *Ibid.*

Although it is difficult to determine average revenues generated from each service provided by public accountants during this early period, the results of one British accounting firm, Whinney Smith and Whinney, is available for 1880 and again in 1905.⁶ Table 1 shows the percentage of fees generated from each source.

⁶ *Ibid.*

Table 1 Percentage of Firm Fees by Service Type	1880	1905
Insolvency	72%	17%
Accounting	11%	13%
Auditing	10%	58%
Trusteeship, taxation, executor, and special work	6%	
Trusteeship		5%
Taxation		1%
Government or special work		5%

The biggest gain over this 25-year time period was in auditing, which increased from 10% to 58%. This gain came almost entirely from insolvency, which decreased from 72% to 17%. This rapid shift in services in the United Kingdom can largely be attributed to a shift in demand, as the new industrialized society desired an independent affirmation of financial information to evaluate the operations of new corporate enterprises.

These early writings and statistics are interesting because they indicate that public accounting practices were largely what we classify today as consulting firms. Their specialty was financial information. Anything that dealt with the development, interpretation and use of financial information was an acceptable engagement for these firms.

Change in the Scope of Practice

Legislation in the United States had a significant impact on the scope of services offered by U. S. accounting firms during the middle portion of this century. The federal corporate excise tax law of 1909 and the individual income tax law of 1913 created a need for tax type consulting. Early CPA leaders assisted the Treasury Department and other government officials in defining policy for measuring taxable income so that initial regulations were consistent with the books and records of the business

community. Tax compliance and tax planning developed out of these and subsequent laws. Over the years the tax practice in CPA firms has grown, as the tax laws have become more and more complicated.

Probably the most significant legislation for accountants was the Securities Act of 1933 and the Securities and Exchange Act of 1934. These laws require companies whose stock is sold publicly to be listed with the Securities and Exchange Commission and have their financial statements audited by independent Certified Public Accountants. This requirement, along with the growth in our industrial economy, created a very large need for auditing services. As a result, public accounting firms became known almost entirely as “auditing firms” throughout most of the 1940's, 1950's, and 1960's. Work was so plentiful that public accounting firms stopped most marketing and selling activities. In fact, advertising and openly marketing accounting services was considered unprofessional and a violation of the accountant's code of ethics.⁷

Much of what we know today as accounting was developed during the time period when auditing was the predominate service in public accounting. For example, the AICPA Code of Ethics has been biased toward auditing. This must have been evident to the 1983 Special Committee on Standards of Professional Conduct for Certified Public Accountants because they concluded, “It is clear that the Code requires broadening and changing to meet developments in the profession's environment.”⁸

⁷ For discussions of this point, see Robert W. McGee, *Codes of Ethics Can be Unethical*, 1 JOURNAL OF ACCOUNTING, ETHICS & PUBLIC POLICY 269-274 (Spring 1998); Robert W. McGee, *Advertising and Solicitation: Some Ethical Problems With the IFAC Code of Ethics*, 1 JOURNAL OF ACCOUNTING, ETHICS & PUBLIC POLICY 286-293 (Spring 1998).

⁸ Special Committee on Standards of Professional Conduct for Certified Public Accountants, *RESTRUCTURING PROFESSIONAL STANDARDS TO ACHIEVE PROFESSIONAL EXCELLENCE IN A CHANGING ENVIRONMENT*. (New York, N.Y.: AICPA, 1986), p. 21.

The product life cycle for audited financial statements has been relatively long compared to most products. However, the growth and profitability of the audit compared to other services offered by CPA firms has slipped significantly in recent years. As of 1987 most CPA firms obtained only about 55% to 60% of their revenue from audit, down from 70% to 80% when audit revenues were at their peak.⁹ That percentage has continued to decline throughout the 1990s as consulting services, particularly information technology consulting¹⁰ and tax services, particularly tax consulting, have both increased substantially.

In recent years auditors have taken steps to expand their scope of practice by developing a wide range of assurance services.¹¹ New assurance services include risk assessment, business performance measurement, information systems reliability, electronic commerce, and health care performance measurement. The objective in developing these new services is to use the background and skills of auditors to help people solve current problems. This trend is moving accounting firms away from the traditional audit practice and back to the consulting firm model that existed in the late 1800s and the early 1900s.

Risk, growth, and profitability are other important factors causing a change in product mix. First, *risk*: Potential losses in litigation settlements associated with failed companies that previously received a clean audit opinion are huge. This discourages accepting new audit work for questionable organizations. Quoting from a Forbes article:

“Arthur Andersen alone has been tagged with a reported \$137 million in pay-outs in recent years

⁹ Richard Greene, *Blood on the Ledger*, FORBES, May 18, 1987, p. 204.

¹⁰ Kennedy Information, *The Rise of IT*, JOURNAL OF ACCOUNTANCY, April 1999, p. 11.

¹¹ Robert K. Elliott and Don M. Pallais, *Are You Ready for New Assurance Services?* JOURNAL OF ACCOUNTANCY, June 1997, p. 47.

and now admits to refusing more and more “audit risks” out of fear of more litigation.”¹²

Second, *growth*: The merger boom in recent years has had a depressive effect on audit growth while the increased need for analysis and design of information systems and other consulting services has boosted consulting revenues. Quoting again from the Forbes article:

“The problem ... is that each of the mergers results in a net loss of audit dollars.... The audit fee of two combined firms in a merger is about 65% of the combined audit fees of the two firms taken independently, ... Thus, the firms have been chasing after smaller and smaller corporate clients.”¹³

Quoting from a Wall Street Journal article:

“Consulting revenues are ballooning at an average 30% annual rate, about double the growth of auditing and tax work. ...Information-systems consulting revenues are exploding, with 40% annual growth, compared with only 17% to 18% for total firm revenues.”¹⁴

Third, *Profitability*: Profitability data is difficult to obtain and the results seem to vary significantly from firm to firm. In general, audit profits are lower than consulting profits. Consulting in certain practice areas of some firms has become very profitable as reflected in the following quotation published by the Wall Street Journal.

¹² Richard Greene, *supra*, at pp. 203-204.

¹³ *Ibid.*, p. 204.

¹⁴ Cutting the Pie: Accounting Firms Face A Deepening Division Over Consultant's Pay, WALL STREET JOURNAL, July 26, 1988, p. 1.

...one of the problems for consulting partners at Andersen is that “we contribute almost twice as much as auditing and tax partners to gross profits after deducting salaries and other costs.” ...After litigation costs, Andersen’s audit practice loses money, and the tax practice is only “marginally profitable.”¹⁵

As the audit division of CPA firms develops new consulting services, such as the assurance services discussed above, this disparity between profitability will likely diminish.

Differences between risk, growth and profitability have created discord primarily between auditors and consultants. Auditors point back in time only 15 to 20 years when audit and tax tended to carry consulting, which at that time wasn’t covering start-up costs. Consultants point to current growth, risk, and profitability and demand higher compensation, greater equity, and more governance in running the business.

The history and current status of public accounting can be summarized with a few key points:

1. Public accounting firms as they began to develop 80 to 110 years ago were primarily financial consulting firms.
2. Legislation created the need for tax and auditing, which became the dominant services provided during much of the current century.
3. Recent years have seen a decline in the dominance and profitability of auditing and a corresponding increase in the dominance and profitability of consulting.
4. We are currently in this shifting state with consultants demanding higher compensation,

¹⁵ *Ibid.*

greater equity and more governance in the operation of the firm.

5. Auditors of the more progressive CPA firms are developing new assurance type consulting service that move the firms more into the realm of consulting firms than auditing firms.

Ethics of the Profession - According to the Literature

Most of the ethical issues in published literature center around the scope of services and the code of ethics that was developed primarily for an audit practice. The scope of services issue according to the literature is this:

Can a CPA firm maintain its independence for auditing financial statements while it is doing other consulting work for the same company?

There are several groups of people that have an interest in this issue including, competitors, regulators, CPA firms and clients. Competitors and some regulators have been the most vocal on this issue. One competitor writes:

*Is your accounting firm still an accounting firm? At what point are accounting firms really accounting firms in name only?*¹⁶

Another competitor points out that:

“...because the manipulation of corporate numbers is handled by information systems, the certifiers of the rectitude of those manipulations should not be

¹⁶ Mark Stevens, *Is Your Accounting Firm Still an Accounting Firm?* FINANCIAL EXECUTIVE, July 1985, p. 24.

the people who designed the systems and the software that runs them."¹⁷

A comment by Representative John Dingell, chairman of the House Subcommittee on Oversight and Investigations clearly reflects the concerns of regulators:

*"Independence is the one essential trait claimed by auditors that separates them from other professions. However, it is natural to ask how independent anybody can be when that person is hired, fired and paid by the people being audited. When I hear of low-ball audit fees, of audits used as loss leaders to attract consulting business, that non-audit work is the wave of the future or that the top partners at major audit firms are management consultants, I frankly do not understand how that enhances the accounting profession's unique reputation for independent judgment as a public service."*¹⁸

Accounting firms argue that the central issue is whether public accounting should be allowed to evolve in response to users' needs. They suggest that the expansion has been natural and in areas akin to traditional practice and that a dynamic profession cannot continue to thrive in a changing world if its scope of activities is confined by rigid, arbitrary rules. With the benefit of hindsight and experience, they argue that the alleged problems related to scope of practice did not, and do not exist, and that there is nothing broken that requires fixing. No one has pointed to any

¹⁷ Parker Hodges, *Do the Big Eight Add Up?* DATAMATION, February 15, 1987, p. 64.

¹⁸ Mark Stevens, *No More White Shoes*, BUSINESS MONTH, April 1988, p. 41.

specific situation in present practice where performance on a consulting engagement has jeopardized audit independence.¹⁹

The attitude of users of accounting services has been obtained by a survey conducted by the Public Oversight Board. Of the respondents, 12% said: "CPAs should be allowed to perform a full range of management advisory services because impairment of audit independence and objectivity is not a problem." About 75% agreed that "CPAs should be allowed to perform only those management services where it is clear that audit independence and objectivity cannot be impaired." Only 9% believe CPAs should not be allowed to perform management advisory services.

The users seemed to be very perceptive in identifying services that tend to impair audit independence. For example, 76% felt negotiating mergers, acquisitions, and divestitures caused a "great deal of" or "some" impairment of independence. On the reverse side, 73% felt designing a computer system posed "little" to "no" chance of impairing audit independence.²⁰

The appropriate scope of services is not a new issue. In 1925, A. P. Richardson, editor for the *Journal*, discussed two schools of thought developing in the profession:

*(One) ... school is more aggressive and ready to spread into fields new and untried and in short to do all things which may seem to be required by a client whether those things are of accountancy or otherwise. The (other) school has taken as its motto ... "Let the cobbler stick to his last."*²¹

¹⁹ William D. Hall, *An Acceptable Scope of Practice*, THE CPA JOURNAL, February 1988, pp. 24-33.

²⁰ Louise Dratler Haberman, *Beyond the Audit: MAS*, NEW ACCOUNTANT, January 1987, pp. 20-21.

²¹ See Mednick and Previts, *supra*, p. 224.

Arthur Andersen, the founder of the firm carrying his name, was outspoken on this issue. In an address given by him at the Institute's 1925 regional meeting he said:

In the experience of the past 10 years the businessman has found that advice from an accounting viewpoint may have high cash value in the form of taxes saved or refunded, war contracts liquidated, (etc.)... The present-day accountant who is alert will grasp after every opportunity to foster this attitude by increasing the constructive value of all normal work in seeking newer and better fields of service to business management.... In filling the function of advisor or consultant to management the accountant is thus entering fields of investigative work which mark a distinctive advance over the earlier conceptions of the scope of his service and which deal with the broad aspects of business as a whole.... It is my profound conviction that the accountant of the future will prosper and consolidate his position in the business world in proportion to his breadth of vision and willingness to accept his responsibility of larger service to industry.²²

The impact of this broadened scope of services on audit independence was heavily discussed during the 1950's and has been an issue ever since. The fact that the problem does not go away suggests it is a real problem. Perhaps certain consulting services should not be performed for audit clients.

The AICPA has recognized this problem and issued Interpretation 010-3 under Rule of Conduct 101: Performance of Other Services.

²² *Ibid.* pp. 224-225.

A member in public practice or his or her firm (“member”) who performs for a client service requiring independence (“attest services”) may also perform other non-attest services (“other services”) for that client. Before a member performs other services for an attest client, he or she must evaluate the effect of such services on his or her independence. In particular, care should be taken not to perform management functions or make management decisions for the attest client, the responsibility for which remains with the client’s board of directors and management.²³

They identify certain activities that impair independence such as authorizing, executing, or consummating a transaction, preparing source documents, having custody of client’s assets, and supervising client employees. For specific consulting services they identify certain activities that impair independence and some activities that do not impair independence. For example, in performing information systems services, independence is not impaired if you design, install or integrate a client’s information system provided the client makes all management decisions. However, independence is impaired if you supervise client personnel in daily operation of a client’s information systems.

The conflict between consultants and auditors is another ethical issue. The desire, and almost greed, expressed by some consultants for more money, greater equity, and increased governance have the potential of breaking apart public accounting as we know it today. In my view, consultants need to curb their desire for quick fixes to very difficult issues. On the other hand, equity and fairness require rewards in the form of pay, equity and governance to be given according to performance. Therefore,

²³ Professional Ethics Executive Committee, *Interpretation 101-3 Under Rule of Conduct 101: Performance of Other Services*, JOURNAL OF ACCOUNTANCY, May 1999, p. 142.

auditors and tax personnel must be willing to adjust and recognize the changes that have and are occurring.

My view of public accounting is rather broad, and more in the mold of public accounting firms 80 to 110 years ago. If you buy this view, then there are many ethical issues yet to be resolved. For example:

1. How do we define a CPA and present it to the public so that we do not mislead them? Many of those working for CPA firms, and some who are leaders in the firms, are not CPAs. I don't think the common business person understands this. For me, that is misleading and something the profession must address.
2. How do we organize our accounting firms and determine pay and ownership equity so it is fair to all employees?
3. How do we structure our practice and our code of ethics so they are consistent with respect to non-CPAs as partners? Our current code of ethics allows firms who put "CPA" on their letterhead to only count CPAs as partners. To get around this, non-CPAs are called principals, yet they share in salary, bonuses, and other leadership roles within the firm the same as CPA partners.²⁴ When these non-CPA principals are introduced to potential clients, they are usually called partners.

The other ethical issues frequently discussed in the literature include advertising, contingent fees, and commissions. Much that has been written on these topics is not relevant today due to modifications in the AICPA Code of Ethics. Clearly, the avoidance of contingent fees and commissions are important elements in maintaining audit independence, but they are not as relevant for consulting. Advertising must always be done in good taste to maintain a professional image.

²⁴ Stevens, *supra*, at p. 40.

However, the changes that have occurred in these areas, create a new set of ethical issues. For example:

— Now do we advertise so it is not misleading, accurately reflects our capabilities, and presents a professional image?

— How should contingent fees be structured so they are fair for the client and provide a fair return for our services?

— How can we accept commissions without completely destroying our independence and objectivity? If we accept a commission without the client knowing about it, we are unethical because we have misled them. They assumed we were unbiased and objective, when we were not. Once we tell them we receive a commission and are not unbiased or independent, we become as other salespeople, at least for that particular service.

Let me give an example of this. I received in the mail an invitation to “join with” a financial group that sells stocks, bonds, and other financial services. This was their proposal:

We envision in our working relationship: (1) You become licensed and registered for investment and insurance sales – a process we’ll help you with; (2) You agree to fully comply with the latest AICPA standards governing receipt of contingency fees and commissions; (3) You work through us either on a referral basis or your own direct sales, in providing financial products and service to your clients; and (4) You receive, upon the sale of any such product, a percentage of the gross commission.²⁵

²⁵ G. L. Leavitt Financial Group, A Letter Addressed to Mr. Cherrington, Received May 1989.

If I were to join this group I would hope my clients would not view me as unbiased in the financial investments I recommend. But, having lost my objectivity in recommending financial investments I will *probably in my client's mind lose* my objectivity in other services I render. I don't think the client will be able to differentiate when we are independent and when we are not, and we will completely lose our reputation of independence.

Ethical Issues as Viewed by Individual Consultants

This last section deals with the ethical issues faced by individual consultants in performing their work. The results presented here are based on interviews with approximately 50 management consultants in CPA firms. Those interviewed came from all levels, staff, senior, manager, partner, even one partner in charge of the regional consulting practice of the firm. In general, the ethical issues in management consulting addressed in the literature are quite different than those identified by the practicing consultant. Only four individuals identified scope of practice, independence and advertising as important ethical issues in the performance of their work. Their comments are classified into four areas: personal integrity, marketing, expense reporting, and providing a quality product.

Honesty. Several of the issues described to me were nothing more than decisions to tell the truth or to lie. One consultant made the following comment.

Frequently on a consulting engagement I am asked a question so I need to return a comment. When should I tell the truth and when should I lie is a problem for me. Recently a client retained us to develop a new information system that will replace several employees. The client asked us not to mention anything to employees about the impact of the new system on employee jobs. When employees ask me about potential job displacement, do I lie as

requested or tell the truth and go against the client's wishes?

Another employee said:

We have regular progress reports with the client. The project group leader continues to tell the client we are on schedule and will complete the project by the specified date when everyone on the team knows it will not be achieved. When the client asks me how things are going, what should I say?

A third employee had a slightly different problem:

I'm bidding on a multimillion-dollar project that will extend over a three-year time period. I really think the project will cost \$4.75 million, but I don't think the client will commit to the project at anything more than \$4.0 million. Since it is a time and expense fee structure, I can bid \$4.0 million to get started. After we are a year or two into the project I can inform them of the expected over-run. By then they will be so far into the project they won't terminate it for the \$.75 million extra. I really think this is a great project for us as well as for the client. Am I acting ethically?

Marketing and Selling Work. There is tremendous pressure in the consulting environment to sell new work. The ethical issue is: *Where should the consultant's first allegiance lie - to the firm or to the client?* Should the first allegiance be to the consulting firm to sell new work, or to the client and what is perceived to be in their best interest? This conflict is described in the following situations:

I am developing an information system for a client. The client knows me and trusts me. An additional module for the system would be “nice to have” and profitable for us. But the client doesn’t really “need” it. I know the client would buy it if I proposed it. Should I propose it?

Another consultant described a similar problem:

The system we are developing has many modules to handle various contingencies. We can leave out a few modules, or make it difficult to handle some contingencies. This gives us an opportunity to sell add-on work, which is good for us, but I’m not sure it is fair for the client.

One consultant questioned the ethics of assisting in developing a Request for Proposal (RFP) and later bidding on it.

Many people consider it “good business” to help a client develop an RFP for consulting work. You have an inside track, so to speak, on the client’s needs, which helps you in writing a better proposal. But more important, you can slant the RFP toward the services that you can offer best. Is it really ethical to assist in developing an RFP, to which you later respond?

Accurate Expense Reporting. The firms from which the interviews were taken have very detailed rules for handling expenses. Yet this continues to raise multiple ethics issues.

There are a lot of costs associated with your work as a consultant. Frequently it is difficult to know which I should cover out of my own money, which should be charged to the client, and which should be charged to new business development. For

example, I took a group of client employees to lunch to improve our working relationships and to report project status. How should I handle the cost of the lunch?

Another example:

I'm living "out-of-town" for an extended period of time to work on a large systems engagement. Is it fair for me to be reimbursed for my living and travel expenses even though I am single, own no house, and don't really have a "home"?

A third example:

The secretary bought an airplane ticket for my weekend trip home. However, because I had to work late, I personally rebooked my ticket. Since it was a later flight, the airfare was less and I was reimbursed for the difference. What should I do with the money?

A slightly different problem with expense reporting came from another consultant:

I'm on an out-of-town assignment that provides a daily per diem to cover food and laundry. Some members of the consulting team went out for lunch together and the partner-in-charge picked up the tab. I adjusted my per diem, but I know three members of the team who claimed a full day per diem on their time and expense report. What should I do?

Providing a Quality Service for a Fair Price. Most consultants seem to struggle daily with the quality of service being provided and the fairness of the amount charged to the client.

I'm on a systems project with our fee determined by "time and materials." The speed and efficiency of my staff have an important impact on the length of the engagement, and the amount of our fee. I have faced several issues lately that are ethics related:

– *Intentionally lengthening out one engagement to better match the termination of this project with the start of the next project.*

– *Incompetence of my staff because many of them are new hires and lack experience with this type of project. Of course the client wants to have the most qualified people working on their projects. But the consulting firm needs to keep its people busy on chargeable work that develops their abilities in a variety of areas. We still get the work done but it takes longer and costs the client more money. How do I balance the needs of the firm with the needs of the client on these staffing issues?*

– *I am occasionally assigned to do a job for which I am not qualified. I have to spend some time in study to prepare myself to do a good job. Is it fair for me to charge my client for that time?*

Another consultant expressed concern over the accuracy of time keeping:

Time is the basis to bill the client on most of our jobs. During the day my productive time is interrupted by a variety of things – a call from a different client, a supervisor asking about progress on a different project, and fellow workers discussing non-work related items. I feel like I should accurately report my time on each job, no more and no less. How do I do it without spending all my time counting minutes?

A managing partner had concern about both quality and profit:

We commit to something and then we try to figure out how to do it. It seems like there ought to be some parameters that outline what we do and use that as a basis to either accept or reject an engagement. This is not only an ethical issue of quality; it is also a profit issue. Sometimes it costs us three times what we receive in fees to do a quality job.

One consultant described a “Can I Get Away with It?” attitude:

Many consultants seem to have the attitude that you should “do what you can do as long as you can get away with it.” What is my responsibility to my co-workers, supervisor or subordinates when I see this attitude expressed? Recently I reported a major problem on a big project to upper management of our firm. The response was, “Don’t worry about it, the client is still paying the bill.”

One last comment:

I’m working on a systems project with our fee based on time and materials. Am I supposed to design the system to make the consulting partner look good or a system that is best for the client? Who is my client on this project?

Many of these ethical dilemmas have no easy solutions. However, there are some common principles that I have found are important in determining an appropriate response.

1st Honesty is synonymous with good business practice. Any short-run profits from dishonest acts are minor compared to lost opportunity in the long run.

2nd Solve the problem early. Any misunderstanding or misrepresentation can be corrected much easier if it is addressed early. As time passes, it becomes much more difficult and costly to correct the problem.

3rd Consider the impact of full information on both sides of the agreement. An important question for me is: "If the other party had all the information I have, how would they feel about it?" If I don't know how they would feel, I feel some obligation to provide that information to them and openly discuss the issue.

4th Consider the council your mother, a spouse or another family member would provide on the situation. Since my activities reflect positively or negatively on them, I find I make better ethical decisions when I consider them and their advice.

5th Consider how you would feel if all the facts were published on the front page of *The Wall Street Journal*. Sometimes we make decisions thinking nobody in the world but me will ever know about this. Those are the situations that seem to eventually be made public for everyone to see.

In summary, the ethical issues that face consulting as a profession are quite different than those faced by individual consultants. Scope of service for me is the most important issue facing the consulting profession. It has the potential to split the profession as we know it today and as it has existed for the past 100 years.

The issues that individual consultants face are basic issues of honesty and fairness.