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How the Firm Became Consultable –
Constructing Governability in the Field of Management

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The firm has not always been consultable, and it has not always been consultable in the same way. The history of management consulting dates back to the 19th century and has been developing up until the today. It originated from forms of outside advice aimed at improving production processes on the shop floor. Chemical engineers were hired by firms that lacked capacities in the area of research and development (McKenna 2006: 29-34), and experts in scientific management were engaged for optimizing the human aspect of the production process (Wright/Kipping 2012). At the beginning of the 20th century, cost accountants helped to ascribe monetary value to all the different bits and pieces that make the production process calculable (McKenna 2006: 39-43). Management consulting originated from these three sources, but it kept developing. From the 1940s onwards, tasks concerned with the strategic alignment and future development of the firm or with planning and governing of management itself gained importance. Strategy consulting, which is considered by many to be the essence of today’s management consulting, became an identifiable branch.

Research from institutional perspectives has undertaken thorough investigations into the development of consulting and has produced many valuable insights on which to build (e.g. Armbrüster 2006; David 2012; Kipping 2002; McKenna 2006; Ruef 2002). Most findings highlight external impacts as sources of change, but remain rather vague on actual processes of change that increase the need for consulting and open up the realm of senior management and strategic decision making for external advice. A discursive perspective can offer complementary insights here. From this viewpoint, the urge of consultants to engage in new areas of expertise and advice is channeled not only by external institutional changes but also by the beliefs, ideas and concepts about the firm and its good governance that prevail at a certain time and structure the imagination of agencies in the field. To understand the impact of certain events, it becomes necessary to investigate how they feed into the discursive construction of the firm and how management became a task amenable to outside advice on a regular basis and not only in times of crisis. At the same time, it becomes obvious that the urge of management consultants to expand their areas of expertise drives them into discursive struggles over meaning and leads to their active engagement in the creation of management knowledge. An analysis of the discursive changes management underwent should take into account both the changes affecting the ability of certain agents to participate in the discursive practice and changes in content. Last but not least it has to explain how these discursive changes made an impact on the everyday business of managing and consulting.

To outline such a research program I draw on theoretical and methodological insights offered by Bourdieu and his idea of field analysis (Bernhard/Schmidt-Wellenburg 2012; Bourdieu/Wacquant 1992), and by Foucault and his take on discourse analysis (Diaz-Bone 2005; Foucault 1982, 2003) as well as governmentality (Bröckling/Krasmann/Lemke 2000; Foucault 2007, 2009). I will start by outlining the field of management and its discursive practices focusing on three processes of closure that exercise structuring effects on the ability of agents to participate in the material and symbolic struggles that constitute management and management consulting. I will continue by briefly mapping the discursive changes management underwent in the second half of the 20th century leading up to consulting becoming an indispensable part of the governance of the firm and the production of management knowledge. In the end, I will consider management consulting as dispositive that creates and maintains the conditions under which firms can be managed along the lines of a neoliberal ideal.
The field of management and its discursive practice

Throughout most of the 20th century, management was engaged in becoming more professional and academic, making it a respected and flourishing discipline. This development can be understood as the outcome of three interlocking processes of closure.

(1) A process of social closure differentiates an autonomous field of management from other everyday practices engaged in running companies such as production, sales, engineering or accounting. The inner logic of the managerial field is best exemplified by the doxical belief shared by all agents engaged: each and every enterprise is governed by decisions that have designated effects by which envisioned goals can be attained. Two underlying assumptions back this “idée directrice”. (a) It is assumed that each decision has a causal impact that can be calculated, given the transparency of all its components. If the observed effect does not match the anticipated effect, it seems natural to optimize the principles of taking decisions. (b) It is assumed that organizations are similar enough to expect equal problems and solutions to apply. A decision’s success can then be judged by comparison and can be optimized by adopting principles of “successful” decisions. Both assumptions taken together form a belief in the firm’s governability that motivates agents to participate in the struggle for organizational control creating the illusion of management as a social reality in its own right. The core belief transforms managerial experience and know-how into managerial capital. Executives and enterprises invest in this capital and try to acquire, develop and optimize their “stakes” in order to gain access to positions in the field-internal hierarchy. The tactics of agents can be analyzed by referring to two fundamental strategic orientations: they stick to “the tacit rules of the game and the prerequisites of the reproduction of the game and its stakes; but they can also get in to transform, partially or completely, the immanent rules of the game.” (Bourdieu/Wacquant 1992: 99) The latter strategy is only promising to agents who have a fair amount of symbolic capital at their command, i.e. they hold a position that is recognized by others as an indicator of success, creativity and innovation. Agents can use symbolic capital as credit when engaging in discursive practice, and they are disclosed by the lack of it.

(2) Analyzing the processes of symbolic closure in a certain field raises the question as to how some forms of capital turn symbolic and some agents become speakers. Not everyone engaged in managing – let alone agents from other fields – can participate in struggles over entrance barriers to and meaning of management. Two forms of capital – managerial and scientific – have had symbolic effects in the managerial field right from the beginning. Managerial experience denotes authenticity and is gained in executive positions. It does not have to be firsthand when used to produce statements, albeit it is valued far higher if it is. Scientific research, in contrast, does not focus on the experience of the person conducting it. Here, the credibility ascribed stems from the possibility to eliminate all subjective experience in the link between speaker and managerial practice. This is made possible by science because research methods are considered instruments producing objective data, and the scientific community is seen as a critical competition for truth. A third form of capital – consulting experience and research – gained importance during the 1980s and 1990s. Explaining its rise will be the main task when analyzing discursive change. All three forms of capital exercise symbolic effects that are used by speakers to transform their particular views into common ones. This only works if they follow an “interest in disinterestedness” (Bourdieu 1998: 85) and are believed not to act on their own behalf. References made to authenticity and universal validity support the credibility of their commitment. The interest in disinterest keeps the symbolic economy of management running, it produces management knowledge for experts and laymen, and it creates the need and supply for ever new forms of management knowledge.

(3) Cognitive closure is a direct outcome of the symbolic struggles fought out in the discursive realm: By ascribing a certain set of problems and possible solutions, of agencies and corresponding responsibilities, of values and ontologies to the firm, it is constituted as a social phenomenon (cf. Keller 2012). At the same time, the idea of the firm structures possible forms of its leadership. A whole area of discourse is actively preoccupied with creating guidelines, techniques, manuals and arguments to optimize the practical performance of the firm. Here, a certain governmentality of the firm is created: “a way or system of thinking about the nature of the practice of government (who can govern; what governing is; what or who is governed), capable of making some form of that activity thinkable and practicable both to its practitioners and to those upon whom it (is) practiced.” (Gordon 1991: 3; cf. Foucault 2007, 2009) Ratios of governing, techniques of domination and techniques of the self as well as subjectivities feed back into the everyday practices of managing via business
The rise of a new concept of the firm and its governmentality can be analyzed by tracing back all the minor shifts that took place in the discursive practice and led to its institutionalization. The aim is to deconstruct today’s legitimate forms of management knowledge and to unfurl the structural conditions of yesterday’s practical engagement of agents in symbolic struggles. This takes us back to the beginning of the 1970s, when consulting practices were not yet considered blueprints for management and consultancies and were by no way as deeply intertwined into the everyday working of the symbolic and material economy as they are today. In order to highlight contrasts it is useful to take a look at the discursive practice prevailing before the changes took place from approximately 1975 onwards.

Before the 1970s, the prototypical business enterprise is an industrial production firm structured by functional differentiation combined with vertical integration and governed via a bureaucratic administration. For example, all statements promoting the m-form – probably the most popular structural concept after World War II (Fligstein 1990: 226-258) – help to constitute this type of firm. The m-form itself offers solutions to the problems that become pressing when this type of firm grows in size and diversifies its product range: it is a concept to reduce costs of coordination and control. Management follows the logics of disciplinary governmentality (Foucault 1991) and concentrates on surveillance of the way employees conduct their assigned tasks. Correcting deficient staff and faulty structures becomes necessary, if the observed actions deviate from the set norms. Becoming a governable subject consists mainly of being amenable to external manipulation. In this era, consultants are efficiency and rationalization experts, who are also able to pass judgment on firms close to bankruptcy and take over. They are called in when emergency situations of hopefully short duration arise. They care for “sick firms” (Haas Edersheim 2004: 88) much like doctors to whom they are compared and compare themselves (McKenna 2006: 330-331). Since hiring consultants signifies “bad” management and does not build but tarnish a firm’s reputation, it is not made public. Likewise, consultancies only play a marginal role as a path of entry into the field and as a gateway to careers in management.

At the beginning of the 1970s, two developments coincided in discursive practice and restructured the discourse on the firm. On the one hand, business schools expanded rapidly and increased their scientific rigor after World War II (Augier/March 2011). Business administration expanded and management~knowledge and discipline~scientific research legitimate statements and make academics from renowned business schools and experienced “captains of industries” speakers and knowledge experts in the field.

Compared to other specialists of corporate management they rank low in status (Kipping 2011: 537). In such a situation consulting practices have no symbolic effect. Authentic management experience and scientific research legitimate statements and make academics from renowned business schools and experienced “captains of industries” speakers and knowledge experts in the field.
firms faced in the 1970s were considered one-time historians were only hired for a limited time since the challenges and decreasing size of IT-technology. New IT-solutions from new developments enabled by increasing capacity. In the mid–1980s, four developments had an impact on discursive practice and intersected with developments outlined above to allow new agents to voice their views, change the firm’s concept and establish its neoliberal governmentality, as it can be termed in retrospective. A first impulse was given by business schools that are again at the heart of a controversy. Contrary to the 1960s, they are now accused of being too scientific (Chet 1985). Since business school academics had just managed to gain some academic standing at universities, they tried to bridge the gap between scientific specialization and practical application by increasing their own consulting activities and by engaging in research projects that involve management consultancies and their clients. Academics use such “multi client projects” to gain access to management experience, consulting experience and financing. Management consultants, in their turn, profit from the scientific reputation of business school professors and their scientific knowledge. In such projects, consulting research is slowly established as a new basis for symbolic capital, leading to the creation of research units in many consultancies during the 1990s and to the frequent use of smaller institutes specialized in researching, processing and interpreting data according to scientific standards. This development is supported by the tight link consultancies have to topflight business schools since they started recruiting MBA students excessively from the 1970s onwards.

The second profound impact on discursive practice stems from new developments enabled by increasing capacity and decreasing size of IT-technology. New IT-solutions allow for more information than ever to be gathered from different contexts and analyzed in real time. These new developments promise to conciliate classical oppositions such as autonomy versus control and division of labor versus coordination. Thus, new and productive solutions become thinkable and long voiced emancipative claims can be reconciled with the interests of the enterprise (Boltanski/Chiapello 2003: 142-146).

This rather technological development coincided with a third development starting back in the 1960s, when neoclassical ideas, quantitative statistics and mathematical modeling were on the rise in business schools. From the application of these ideas to questions of organization and subsequent management research, new institutional economics was created and became practical by the 1980s (Khurana 2007: 313-326). Whether it is transaction cost economics, principal agent theory or property rights theory, they all assume best to analyze firms along the lines of markets. Markets as well as organizations consist of egoistic individuals with diverging interests that enter into transactions for reasons of efficiency and ought to be governed by coordinating interest, but not by correcting individuals in order to align them to norms. Firms are now seen as emerging around “natural” business processes involving employees, divisions and management itself. Such a process links different subjectivities in competitive relations that are objectified and temporally fixed in form of contracts. This kind of arrangement is best “governed at a distance” by adjusting the competitive conditions and the subjects’ ability to follow their self-interest from time to time (Rose 1996: 49).

In the 1990s, these developments were reinforced by a fourth impulse: the fall of the Iron Curtain and the efforts of state deregulation, reduction of barriers to trade and tariffs as well as the creation of truly transnational or international markets. In this historical setting, visions of global markets as playgrounds for multinational corporations and their global management become thinkable and the need for ever more universally applicable management knowledge arises (Bartlett/Ghoshal 1989).

The developments outlined here have profoundly changed talking and thinking about the firm. The firm as a hierarchical and functionally differentiated organization was transformed into a process-oriented and dynamic network of contracts focused on short term developments. Governing such a formation is only possible, if as many information as possible on the efficiency and performance of all
subjects involved is openly provided in order to allow each subject to follow its self-interest and, in doing so, to govern itself. Management becomes a reflexive monitoring device: it introduces market arrangements that allow for open, comprehensive and non-partisan judgments of agents and alternative decisions. At the same time, it secures its own position by linking these internal market arrangements to the external market for corporate control. The quality of managerial decisions is ascertained by the value this external market ascribes to the firm. The legitimacy of management rests on the shared belief that internal managerial decisions can be adequately appraised by such an external market (Rappaport 1986). It is not fulfilling the norm, but continuous comparison, ongoing improvement and never ending readjustment that become central to rational governing. Due to these developments new tasks and areas of expertise open up for management consultancies: optimizing of internal market situations; observing, measuring and interpreting data; IT-consulting, -implementation and schooling; training aimed at the self-optimization of subjects. Consulting practices have become major techniques in the neoliberal governmentality of the firm and are now well established in the field. Management consultancies have become speakers of their own right with their ability to produce statements firmly resting on the symbolic effects of consulting experience and research, a discursive resource to which they have exclusive access.

As “managing change” moved to the forefront of the agenda, the importance of consultancies grew. They became a central institution for educating managers, a sought-after credential in the curricula vitae and a legitimate mechanism for consecrating management knowledge. At the same time, these changes have also contributed to disenchanting management. As management became rationalized and controlled, scientifically explored and standardized, it turned on itself: today, managers are subject to the same ideas, rationalities and techniques they use to govern employees, divisions and firms. Management has increased its own reflexivity and shouldered the burden of continuous vigilance and chasing every novelty. And it has lost quite a bit of charisma: creativity, the ability to innovate and entrepreneurship are ever more attributed to characters associated with consulting.

Consultancy as a dispositive

Over the last 30 years, management consulting has become more than just a prominent position in the field of management and a practice readily employed to lower costs of change or of gaining new forms of knowledge. From a Foucauldian point of view, consultancies have become a dispositive in the field of management and a practice readily employed to lower costs of change or of gaining new forms of knowledge. From a Foucauldian point of view, consultancies have become a dispositive in the field of management and beyond. Dispositives are regarded as a “heterogeneous ensemble consisting of discourses, institutions, architectural forms, regulatory decisions, laws, administrative measures, scientific statements, philosophical, moral and philanthropic propositions – in short, the said as much as the unsaid.” (Foucault 1980: 194) This implies a switch of perspective compared to the analysis of changes in the discourse of the firm and its governmentality. The focus is now on interlinking rather heterogeneous elements to form an apparatus that strategically structures social life: “a sort of – shall we say – formation which has as its major function at a given historical moment that of responding to an urgent need.” (Foucault 1980: 195) From this viewpoint, consultancies are now seen as creating a local social order that reduces uncertainty and can be strategically used in the hope to produce a certain outcome. In the field of business related management the ‘function’ of consultancies is pretty clear: they structure the management field in such a way as to allow for a neoliberal governmentality. They subjectify ever more agents in the field either by employing them or by schooling and training them. They introduce internal market devices to firms and maintain them, which is a precondition for techniques of the self to work. They gather and interpret information from various firms, objectify experiences, generalize and package their insights. They function as monitoring devices to control management agents without depriving them of their capacity to take decisions. Consulting is able to function as constant monitoring of management, assessing and comparing what has been done to other organizations and offering new ideas to increase efficiency. By doing so, they can even increase the legitimacy of management and its decisions. Nowadays, such “urgent needs” (as mentioned above) pop up wherever practices of organizing and managing occur: states, governmental and non-governmental organizations, non-profit organizations, schools, universities, theatres to name but a few. When these organizations picture themselves along the lines of the discourse of the firm outlined above, they encounter problems to which consulting seems a sensible solution, spreading management consulting far from the social realm where it once originated.

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Endnotes

1 The insights shown result from a qualitative field analysis of the managerial field. Research focused on the discursive changes taking place between 1970 and 2005 and giving rise to a neoliberal governmentality of the firm that encompasses consulting as one of its chief techniques of governance (Schmidt-Wellenburg 2009, 2012a, b, c). The research was conducted at Otto-Friedrich-Universität Bamberg as part of the Graduate Program ‘Markets and Social Systems in Europe’ and was funded by the German Research Foundation (DFG).

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