At the Interstices of Organizations:

The Expansion of the Management Consulting Profession, 1933-1997 *

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Abstract

Since the 1930s, management consultants have become increasingly visible purveyors of know-how, norms, and even identities for formal organizations. Despite their now central role in the diffusion of managerial recipes, little attention has been paid to the social process that legitimated the management consulting profession in the business and not-for-profit sectors. Using career history data on a sample of 4,504 graduates from a major business school, I track two developments that help to explain the occupational expansion of U.S. management consulting between 1933 and 1997. One process considers the role differentiation of management consulting from traditional purveyors of management knowledge in the engineering, accounting, and finance disciplines. The other process embeds the expansion of management consulting within a broader institutional framework of externalized management. Empirical findings suggest that both developments have played an important part in channeling business graduates into management consulting.

Introduction

Over the past two decades, a growing literature in organization theory has come to recognize the role performed by professionals (and professional associations) in promoting the interorganizational diffusion of practices, innovations, and fads (DiMaggio and Powell 1983; Baron, Dobbin, and Jennings 1986; DiMaggio 1991; Galaskiewicz and Burt 1991; Ruef and Scott 1998). With some notable exceptions (for example, Suchman 1994), much less analytic attention has been paid to the emergence and expansion of new categories of professionals that operate at the interstices of formal organizations, acting specifically to promote flows of routines and norms. Insofar as professionals have generally become "the great rationalizers of the second half of the twentieth century" (DiMaggio and Powell 1983: 147), those interorganizational actors dedicated to the spread of legal-rational principles among modern organizations – consultants, advisors, policy experts -- are of special importance. The present chapter focuses on the historical expansion of management consultants, a category of professionals that has slowly become institutionalized since the early part of the twentieth century and now exercises an increasingly pervasive influence on the behavior of formal organizations (Hagedorn 1955; O'Shea and Madigan 1997).

The status of management consulting as a profession can be debated on substantive grounds (e.g., "to what extent are consultants similar to physicians or lawyers?") and theoretical grounds ("what constitutes the definition of a profession and why do consultants match this definition?") (see Abbott, 1988). A broad delineation of the term is employed here, based primarily on historical attempts by consultants to draw analogies with the traditional professions (e.g. Fortune, 1944), to develop principles of ethical conduct (Shay, 1966), and to build a cognitive base of abstract knowledge. Two characteristics distinguish management consultants from other professionals engaged in the interorganizational diffusion of practices and make them especially relevant for analysis. First, consultants are often charged with the responsibility of instituting dramatic change – either proactive or reactive – in the organizations that they serve (Hagedorn 1955: 165; Moore 1984: Chapter 1). By applying legal-rational norms to a process traditionally thought to be the domain of entrepreneurs and “intrapreneurs”

(firm-internal change agents), management consultants have attempted to routinize one dynamic often exempted from Weber's iron cage – organizational innovation. This feature differentiates management consultants from corporate accounting and legal professionals, who are typically less interested in introducing innovations in organizations and more interested in ensuring conformity to extant legal and normative frameworks. A second characteristic that distinguishes management consultants is their frequent emphasis on socio-cultural rather than material innovations to be adopted by client organizations. Gathering inspiration from early consultants such as Elton Mayo (1945), a pioneering figure in the human relations school, American management consulting practice places heavy emphasis on the social, economic, and political context within which high-level managerial decisions are made.[1]

Given the ostensibly entrepreneurial character of the management consulting enterprise and its emphasis on socio-cultural -- rather than product or service -- innovation, the profession can be seen as a principal carrier of so-called "paper entrepreneurialism." The term was coined by former U.S. Labor Secretary Robert Reich, who noted that paper entrepreneurialism "employs the mechanisms and symbols developed to direct and monitor high-volume production, but . . . involves an even more radical separation between planning and production" (Reich 1983: 141). Paper entrepreneurialism is associated with a broad social movement in modern business practice away from manufacturing, sales, or marketing views of organizations to more abstract conceptions of organizational control (Fligstein 1990). The growth of management consulting, now estimated to be close to a $62 billion industry worldwide (KRG 1999), is indicative of this historical decoupling between managerial attention to "rationalizing myths" and technical attention to production activities (Meyer and Rowan 1977).

To explore the development of management consulting, this study proceeds in stages that address the emergence and expansion of the profession, respectively. First, the emergence of a management consulting profession in the United States is considered using a qualitative, historical lens that extends back to the turn of the century. This discussion proceeds at a societal level of analysis. Next, theoretical arguments are developed to explain two social processes that have operated to expand management consulting and legitimate it as a career path: (1) role differentiation from engineering, accounting, and finance functions

(accompanied by role integration around a multi-functional core of management expertise); and (2) the institutionalization of "externalized" management among formal organizations. Applying event history techniques, I analyze the career histories of a large sample of MBAs graduating between 1933 and 1997 to consider how these two factors have encouraged individual-level entries into management consulting.

The Emergence of Management Consulting

Although other precursors can be found, many academic and non-academic accounts trace management consulting back to the scientific management movement of the early 1900s (Moore 1984; Kipping 1999; see McKenna 1995 for a critique). According to the canonical history, pioneering industry consultants such as Frederick Taylor, Henry Gantt, Harrington Emerson, and Frank and Lillian Gilbreth led the way, endorsing time-motion studies and an ethos of rationalized management, largely within manufacturing contexts. Like organization theory itself, management consulting can thus be seen to have its roots in turn-of-the-century engineering ideology (Shenhav 1995; Scott 1998: 38-40). This movement yielded one major occupational forerunner of the modern management consultant – the so-called "consulting management engineer." The professional recognition of this occupation was both advanced and transformed in 1929, when the Association for Consulting Management Engineers (ACME) was created to oversee the accreditation of consulting organizations (Washburn 1996: 50). Later renamed the Association of Management Consulting Firms, the ACME issued influential standards on professional ethics for management consultants (Shay 1966), consultant qualifications (ACME 1959), and practice guidelines (ACME 1954-55).

Aside from industrial engineering, prominent forerunners of modern management consulting can also be found in accountancy. In the United States, the professionalization of accountancy was given a considerable boost in 1916, when the sixteenth amendment to the U.S. Constitution instituted the corporate income tax (Previts and Merino 1979: 135-136). During the following decade, one by-product of the sizable data collection mechanism created by the tax was that accountants began to move into the arena of management services

(Washburn 1996; Previts and Merino 1979). Consultation on corporate budgeting and implementation of standard cost systems was added to the accountant's previous portfolio of tax and audit services. This close alignment between management consulting and accountancy is evidenced to this day in the management advisory service wings actively maintained by many of the largest accounting firms.

Although management consultants were plentiful in the first three decades of the twentieth century (Chandler 1977: 468), the profession itself was not clearly differentiated from accountancy or engineering (nor, for that matter, from commercial banking and finance). However, several processes were operating to change this lack of differentiation. In representing themselves to clients, consulting practitioners were increasingly forced to acknowledge their hybrid work identities, that is, their reliance on combinations of skills and routines not readily captured by traditional disciplinary boundaries. The boundary between engineering and accounting became especially fluid, with the result that consulting firms such as McKinsey and Company began to put "accountants and engineers" on their corporate letterheads in the late 1920s (McKenna 1995). Another process operating to support the differentiation of management consulting was the expansion of general management education between the 1880s and 1920s. As business schools were founded at a number of elite U.S. institutions – the University of Pennsylvania (in 1881), Dartmouth (1900), Harvard (1908), and Stanford (1925) – a labor force of young professionals emerged with interdisciplinary skills that generalized across previously separated business domains. Not necessarily accountants nor engineers, these professionals would later become desirable recruits with the expansion of management consulting firms in the post-World War II era.

As sociologists have observed, the process of professionalization tends to extend through a number of stages – the creation of professional associations; the renaming of a profession; the development of training schools, university programs, and licensing procedures (Caplow 1954; Wilensky 1964) – though the sequencing of these stages may deviate considerably from a universal pattern and proceed at multiple levels of analysis (Abbott 1988, 1991). A number of these stages of professionalization can be identified for management consultants between the late nineteenth century and the beginning of the Great Depression. Nevertheless, informed

historical accounts date the emergence of a truly distinctive management consulting profession in the U.S. quite precisely to events in the early 1930s (McKenna 1995). In 1931, James O. McKinsey -- the professor of accounting who had founded McKinsey & Co. just a few years earlier -- developed the general management audit, a procedural template that allowed inexperienced management consultants to conduct analyses of client firms (Neukom 1975; Washburn 1996). Up to this point, relatively seasoned professionals with backgrounds in accounting, engineering, management, or banking had dominated the consulting enterprise. Entry-level positions were virtually non-existent. McKinsey's tool promised an avenue for young college-trained professionals to become management consultants. As a result, management consulting came into its own as a viable professional career path, no longer just a source of income for experts in other fields.[2]

Regulatory changes in the U.S. operated as the other catalyst that supported a professional jurisdiction for management consultants. In 1933, the passage of the Glass-Steagall Act prohibited commercial banks from engaging in a variety of non-banking activities, including management consulting (McKenna 1995; Rose 1987).[3] Commercial banks had previously served as an important source of advice and organizational analysis for a large number of firms. Not only did these firms now have to turn elsewhere for counsel, but the commercial banks themselves were obligated by SEC regulations (beginning in 1934) to employ outside consultants to monitor new publicly-traded firms and organizations undergoing bankruptcy proceedings. These regulatory events opened a sizable market niche for independent management consulting firms. Between 1930 and 1940, the organizational population grew from an estimated 100 to an estimated 400 firms in the United States (ACME 1964). In conjunction with McKinsey's general management audit, the tremendous demand sparked the beginnings of management consulting as a distinctive professional career path.

The Expansion of Management Consulting

By the mid-1930s, some observers could already identify management consulting as a specialized business profession. Its occupational expansion as a significant component of modern business enterprise, though, had only just begun. In 1938, the economist Joel Dean pointed out that, "almost unnoticed, professional management counsel has become an important institution in our business world" (Dean 1938: 451 [as quoted in McKenna 1995]). Half a century later, management consulting could hardly be called 'unnoticed'. An estimated $25 billion was being spent on management consulting services in the United States alone (O'Shea and Madigan 1997: 10), making the sector larger in revenue terms than television and radio broadcasting or such industrial-age powerhouses as railroad transportation. Some public policy analysts noted with alarm that management consulting -- "where the specialty is rearranging assets and shuffling corporate boxes" (Reich 1983: 159) -- was among the most sought-after careers for business school graduates. Whereas the proportion of business school graduates entering consulting had only been a trickle in the 1930s and 1940s, a number of elite business schools reported that 20 to 40 percent of their MBA graduates were taking first jobs in management consulting by the 1990s (Zich 1996; David 1999).

What factors have encouraged the tremendous expansion of the U.S. management consulting profession over the past sixty years? Previous research by business historians often relies on structural-functional explanations, pointing out that the growth of the profession has paralleled the decentralization, diversification, and globalization of modern organizations (David 1999). Theoretical versions of this argument point to the tendency of social systems to become functionally differentiated over time, contributing to escalating internal and environmental complexity and feeding psychological needs for uncertainty reduction (Ernst and Kieser [this volume]). The expansion of management consulting can thus be tied to the growing complexity of administrative structures in the for-profit, nonprofit, and public sectors.

Such structural-functional considerations tend, however, to ignore the contentious early history of management consulting. As noted above, a large number of professionals -- e.g. engineers and accountants -- provided counsel to complex organizations during the early

twentieth century. Why did a new profession of management consultants emerge and expand in lieu of alternative sources of advice? Or, to place the issue within a competitive framework (see Abbott 1988), how were management consultants able to defend a 'professional jurisdiction' given the system of other professions that were already active in this arena? Second, why did formal organizations rely increasingly on external management counsel? After all, the demands of greater structural complexity could be met, in theory, by growing the managerial ranks and administrative apparatus within formal organizations.

Role Differentiation and Integration

A preliminary answer to the first question is provided by the 'imprinting' conditions involved in the emergence of management consulting. The hybridization of various roles (engineering, accounting, banking) offered an initial impetus to differentiate management consulting from well-categorized disciplines. By the late 1920s, role strings such as accountant-engineer were already becoming increasingly common. The events of the 1930s provided further opportunity for role differentiation. New tools such as McKinsey's general audit encouraged the packaging of management advice in a manner that separated it from traditional disciplines, while the Glass-Steagall Act placed regulative prohibitions on the involvement of some older occupations (commercial bankers) in consulting practice.

One can suggest that the successful expansion of management consulting required a final -- and more radical -- stage of role differentiation, involving the career structure of management consultants and their pattern of recruitment into consulting firms. Specifically, the argument holds that many business professionals with primary functional expertise in accounting, engineering, and finance were actually discouraged from entering management consulting in the decades following World War II, especially when compared to those professionals with multi-functional expertise (involving various aspects of marketing, strategy, human resources, finance, etc.). This process of role differentiation was catalyzed by the shifting conception of management consulting in the 1930s, when "the United States had seen the emergence of a new kind of consulting company, no longer interested in efficiency

improvements on the shop floor or in offices, but focusing on wider organizational and strategic issues" (Kipping 1999: 207). The redefined nature of management counsel eschewed both the engineering contributions of Taylorism and the bookkeeping contributions of traditional audits, which were seen as excessively myopic. An emerging emphasis on 'package solutions' (see Ernst and Kieser, this volume) called for counsel that addressed the entire enterprise. In the process, a new breed of management consultants was able to defend its jurisdiction from interlopers and integrate its professional role around a purview of multi-functional expertise.

From the standpoint of a sociology of the professions, the argument that management consultants were able to make their jurisdictional claims through the redefinition of management knowledge is itself significant. Lacking recourse to the conventional structural mechanisms used to secure professional closure (e.g. licensure, associations, etc.), management consultants could only rely on cognitive strategies to effect what Abbott (1988: 98-102) has referred to as a jurisdictional shift. In part, the purely cognitive -- as opposed to structural -- foundation of jurisdictional claims in consulting practice can be seen as driving the waves of management fads and fashions in this arena (see Barley and Kunda 1992).

Externalized Management

The second dynamic supporting the growth of management consulting -- 'externalized management' -- refers to a fundamental transformation of corporate governance. During the twentieth century, conceptions of corporate control increasingly favored the separation of technical production and marketing from management tasks, as evidenced in the changing backgrounds of chief executive officers (moving from manufacturing and sales to finance) and the product / service diversification of large firms (Fligstein 1987, 1990). As management was removed from the technical particularities of various divisions and departments under its purview, there was a tendency to outsource managerial responsibilities to external consultants. Consistent with arguments in transaction cost economics (see Williamson 1981), the declining asset specificity of human capital in management favored corporate governance structures that

contracted with outside management consultants rather than those that maintained large in-house staffs.

The institutionalization of externalized management can be traced to two underlying dimensions: (1) the cognitive abstraction of administrative rules; and (2) the detachment of managers from specific administrative structures. Both dimensions have been affected by a number of historical processes (see Figure 1).

[Insert Figure 1 About Here]

Standardized Rules of Organizational Conduct

The spread of standardized rules of organizational conduct is evident in numerous developments, including the diffusion of total quality management (TQM) principles (see Walgenbach and Beck [this volume]), the adoption of industry-wide managerial guidelines (Ruef and Scott 1998), and the efforts of professional management schools to package standardized scripts for their graduates. All these developments have fed into a process of 'theorization', in which management techniques are lifted from specific organizational contexts and are made to generalize across them (Strang and Meyer 1993). This process of cognitive abstraction, in turn, encourages the development of a cadre of managers that are not wed to specific formal organizations.

The impact of standardized organizational rules can perhaps be witnessed most tangibly in the spread of governmental regulations. As early as the 1940s, commentators in the U.S. suggested that the increasing scope of state regulation was stimulating a need for management counsel – "with more and more government regulations, [the business manager] became willing and even eager to ask questions and listen to answers" (Fortune 1944: 142). While legislative efforts at the federal level produced twenty-six major regulatory statutes in the 1950s and fifty-three in the 1960s, the banner decade of the 1970s saw the passage of over one-hundred thirty major regulatory statutes affecting business enterprise (Chilton 1984: Table 6-1). The implementation of legislation such as the Occupational Safety and Health Act (1970)

and the Equal Employment Opportunity Act (1972) confronted formal organizations with a host of new regulative prescriptions and proscriptions to conform to. Outside consultants were often called in to advise top management on the reorganization of work practices and structures to accommodate these 'rationalized myths'. According to accounts stressing the impact of this regulative transition, the growth of U.S. management consulting was affected significantly by the new boundary-spanning requirements imposed by federal rule systems.

Corporate Downsizing

A second factor affecting the development of externalized management involves corporate governance. As trends toward investor capitalism have combined with decentralization, U.S. corporations have sought to reduce the size of their managerial workforce (see Useem 1996). The resulting corporate downsizing has produced an important supply-side ('push') factor that expands the potential pool of management consultants. The new system of corporate governance leads to layoffs of experienced middle- and top-level managers, who often seek subsequent employment in management consulting firms (Henkoff 1993).

Corporate downsizing may also affect the work motivation of managers in two important ways. First, it can reduce their normative commitment to specific formal organizations, which become seen as fickle or fallible, unable to sustain traditional employment contracts. And second, it may encourage managers not to rely on organization-specific knowledge but, instead, to develop more abstract expertise and routines that are common to a large set of organizations. Both dimensions support the development of externalized management.

Industrial Restructuring

Other conditions affecting the externalization of management can be derived from the structure of labor mobility among organizational fields and industries. As noted previously, the growth of management consulting has been undergirded by an increasing separation of technical and managerial functions. Before this separation can proceed from tight to loose coupling (and from loose to de-coupling), the rational abstraction of rules governing management must also have proceeded to a point where these rules no longer depend on the technical particulars of any given industry. In other words, the managerial principles must become 'industry generic'. This cognitive orientation has, of course, been motivated by the development of modern administrative science itself, which – insofar as it seeks to develop universal rules of administration – serves as a crucial handmaiden to the legitimacy of management consulting (Moore 1984: Chapter 1). With the aid of administrative science and transposable tools such as McKinsey's general management audit, consultants can claim expertise in the strategy, finance, human resource, and marketing routines of a client firm without knowing many of the details of the organization or the industry within which it is located.[4]

At the individual level, this cognitive capacity for abstraction is likely to develop when business professionals have limited enculturation within the context of particular industries. Reductions in industry tenure have been encouraged by the substantial job mobility of business professionals during the 1970s and 1980s, part of a larger industrial restructuring in the U.S. "propelled by unequal rates of technological advance across industries, by changing patterns of demand, and by an emerging global economy" (DiPrete 1993: 74). As industry tenure and enculturation decline, business professionals will become likely to abandon industry-specific managerial principals in favor of the more abstract generalizations advocated by management consulting practice.

Reduced Careerism

A final factor affecting the externalization of management can be traced to the culture of business professionals themselves. In the classic Weberian account of bureaucracy, managers are characterized as having a motivational commitment to clearly defined career ladders and rules of promotion (see Weber 1968 [1924]). A recent study of work values by Robert Wuthnow questions this simple characterization. As Wuthnow (1996: 18) notes, "having moved securely into the professional-managerial class, [Americans] want more than simply an above-average standard of living. Working harder just to climb the corporate ladder and acquire more economic resources no longer seems as appealing as it once did." Quantitative evidence supports this trend: longitudinal survey results from alumni of one large MBA program indicate that a rising number of business professionals are leaving old jobs for lifestyle reasons -- 21.6% in 1995 as opposed to 12.2% in 1970 and only 4.5% in 1950 (Ruef 1999).

The relative increase in the salience of lifestyle compared to career motivations among business professionals has implications for the expansion of management consulting practice. On the demand side, firms feel compelled to hire human resource consultants in order to structure non-material incentives among their managerial ranks and whitewash employee morale problems (see Machan 1988). Following the early human relations work of Mayo and Frederick Herzberg, this emphasis on motivating managers has assumed a key role in modern management consulting. On the supply side, increasing numbers of management experts are likely to abandon staid careers within large internal labor markets (ILMs) for the more flexible lifestyle offered by management consulting. In this respect, a reduced emphasis on career advancement also feeds into the detachment of managers from specific administrative structures.

Data and Methodology

In order to flesh out these historical dynamics, the following event history analyses examine the influence of role differentation / integration and managerial externalization on individual entries into the management consulting profession. All living alumni from a large graduate business school in the western United States were surveyed to obtain full career histories. Survey questions requested information on industry and organizational transitions, demographic characteristics, job roles and responsibilities, and motivational characteristics of respondents (job satisfaction and, when applicable, reasons for leaving a job).

The population frame included 12,069 targeted alumni. A response rate of almost 41.7% yielded usable surveys for 5,028 business professionals and 102,134 split job spells (i.e. spells having any possible change in covariates) during the period from 1931 to 1997. For purposes of analysis, the starting year was fixed at 1933, reflecting the fact that, prior to that year, the professionalization of management consulting had not proceeded to the point where new business graduates were really 'at risk' of occupational entry (see section on the Emergence of Management Consulting). After removing foreign alumni and career spells prior to 1933, a dataset of 4,504 professionals and 93,530 split job spells was available for analysis.[5]

Dependent Measure

I conceptualized the dependent measure as the rate of entry into management consulting on the part of business professionals with MBA degrees. In order to qualify as a valid career path, consulting must be seen as a primary work activity by the respondents. Professionals are considered to be at risk of entry as soon as they graduate from business school; pre-business school employment or internships between the first and second year of business school are not considered. Professionals are removed from the risk set during the time that they are employed as management consultants, but may otherwise re-enter the field, given prior employment in some other industry. Entry into management consulting is thus considered to be a repeatable career event.

Between 1933 and 1997, some 1,345 entries into management consulting were reported for the survey sample. Plotting the resulting proportion of MBA alumni involved in consulting positions over time, one can note a steady secular rise since the mid-1940s (see Figure 2). In 1945, a mere 2% of the surveyed respondents were employed as management consultants; by 1995, this proportion had increased more than six-fold, to around 13% of the surveyed business professionals. When the first jobs of MBA cohort members are considered as they leave school, these historical differences are even more dramatic. During the 1950s, only 1.6% of the respondents entered management consulting as their first job out of school; during the 1990s, that proportion had risen to a substantial 22.3% of respondents. Consulting had become the most popular field of entry for these newly minted MBAs, beating out other expanding areas such as investment banking and high-tech management.

[Insert Figure 2 About Here]

The growth of MBA job placements in management consulting from this particular business program is all the more surprising when one considers that it is likely to underestimate the number of consultants with advanced degrees as a whole. Over the historical period being analyzed, the number of MBA programs and degrees conferred in the U.S. have swelled. During the mid-1960s, some 36,000 prospective business students took admission tests for MBA programs; by the 1990s, that number had risen nine-fold (Shelley, 1997). In conjunction with the growing representation of MBA graduates in consulting, these figures suggest that the number of consultants with professional business degrees may have increased by as much as a factor of thirty between the 1960s and the 1990s.[6]

Independent and Control Measures

Independent measures of theoretical interest derive from the previous discussion of influences on the expansion of the management consulting profession. Two main clusters of variables will be addressed: those linked to the role differentiation / integration of management consulting and those linked to the development of externalized management.

Role Differentiation. Respondents were asked to identify the primary functional focus during each of their employment spells, with functions including engineering / operations, accounting, and finance. Insofar as radical role differentiation has occurred, those business professionals listing one of these three functions as an area of primary expertise are expected to have lower rates of entry into management consulting than those not listing one of the three functions.

Role Integration. The integration of the management consulting role around a multi-functional focus is operationalized in the same manner as role differentiation. Specifically, those respondents reporting that their job focus could not be classified into a single functional category are expected to have higher rates of entry into management consulting than those emphasizing individual functions.

Standardized Rules of Organizational Conduct. The standardization of administrative rule systems was conceptualized as an environmental characteristic affecting individual career histories. Federal regulations were employed as the most visible proxy of standardized rules, with regulatory acts being considered in three statutory areas: Title 15 (Commerce and Trade), Title 29 (Labor and Employment Law), and Title 11 (Bankruptcy). The U.S. Federal Code of Regulations (U.S. Superintendent of Documents 1940-1997) was consulted for statutory listings. An index of regulatory intensity was calculated as a two-year moving average, including statutes passed each year and in the previous calendar year.

Corporate Downsizing. The effect of corporate downsizing was assessed at the individual level by considering patterns of involuntary termination within managerial career histories. Respondents reporting a loss of a previous position due to involuntary separation or company acquisition are expected to be at greater risk of entry into management consulting.

Industrial Restructuring. The rate of entry into management consulting is expected to decrease as business professionals become enculturated in the practices of a particular industry. At the

individual level, the enculturation process is operationalized in terms of years of industry tenure. Industry experience is considered separately from the overall labor force experience of respondents, as well as job tenure.

Careerism. Business professionals who are motivated by their devotion to a particular career ladder or ILM are expected to have lower rates of entry into management consulting than those who dismiss such motivations. Survey respondents were asked to give three reasons why they left each job in their career history. Those reporting that they left for the sake of career advancement were coded as exercising this type of motivation.

Control Variables. The analyses control for demographics, years of labor force participation, span of responsibility, and job roles. Demographic variables distinguish male and female business professionals, as well as whites and minorities. The span of responsibility is measured in terms of the number of subordinates reporting to a respondent.[7] Job roles are assigned to three generic categories: technical roles (e.g. functional or technical specialist), managerial roles (general, business unit, or functional manager), and owner roles (equity stakeholders or founders).[8]

Cases with missing values on any of the independent and control variables were removed by listwise deletion. This reduced the total number of entries into management consulting to 1,189 events and the total number of split spells to 81,378.

Statistical Methodology

I use an event history strategy to analyze career transitions into management consulting. Exploratory analyses revealed a decrease in job transition rates with the time spent by an individual in a given formal position. The following Gompertz model was employed to capture this effect of job tenure:

$$r(t) = \exp(B' X) \exp(Ct)$$

where *r(t)* is the transition rate into consulting, *t* indexes the job tenure clock, **X** is the matrix of independent variables, **B** is the vector of coefficients indicating the effects of the variables in **X**, and **C** is a constant term indicating the rate at which transitions into management consulting decrease with job tenure.

Because simple estimates of the career transition model may conflate the rate with which respondents tend to change jobs in general and the rate with which respondents have moved into management consulting, all hypotheses were tested using Wald statistics that evaluate if significant coefficient differences exist between transitions into consulting and other kinds of job changes. For this purpose, a job change is defined as (1) moving to a new position in a different organization; (2) moving to a new position in a different subunit of one's current organization; or (3) moving to a new position in the same subunit of one's current organization, but with a major change in work scope or content. Wald test statistics were generated based on a competing risks formulation (Blossfeld and Rohwer 1995) that considers management consulting and other job trajectories to be alternative career outcomes.

Results

To separate the effects of role differentiation / integration and managerial externalization, event history estimates were obtained for two nested models: one excluding the cluster of

variables capturing role dynamics and a second including that cluster. I used Rohwer's (1999) Transition Data Analysis (TDA) program to estimate all of the event history models.

[Insert Table 1 About Here]

The first specification (Table 1, Model 1) shows a very substantial improvement in model fit over a null model that excludes variables linked to managerial externalization (likelihood ratio $\chi^2 = 297.88$, $\Delta df = 8$, $p < .001$).[9] The variable associated with increased federal regulation is positive and significant, as expected, suggesting that standardized regulative rules have sparked entries into management consulting by imposing new boundary-spanning responsibilities on administrators. The finding is supported by a Wald test statistic, which indicates that business regulations have had a markedly greater effect on rates of entry into consulting than into other business careers.

Involuntary separation is a motivational influence associated with the trend of corporate downsizing. We find that rates of entry into consulting increase significantly for those managers who have lost their former positions due to involuntary termination or corporate acquisition (with a transition rate multiplier of $e^{0.207}$ or 1.23). Nevertheless, these entry rates are not affected to a greater extent than those leading to alternative career paths (the Wald test is insignificant). As a result, we must conclude that the effect of corporate downsizing on career entries into consulting is generally indirect – it operates by churning the labor pool of available business professionals, while exercising no direct influence on managerial externalization.

Business professionals that embark on consulting careers do display motivations that depart in one important way from other job hoppers: they are less inclined to embrace careerism. In particular, respondents who report that they are leaving their old jobs for reasons of career advancement are only 0.69 times as likely to enter management consulting as those who do not report this reason (Wald test significant at the $p < .01$ level). Given the sometimes ad hoc character of consultant job ladders (at least, outside of the largest consulting firms), this

motivational orientation is consistent with the typical cultural demands of externalized managerial hierarchies.

The duration of tenure in any given industry also tends to reduce the likelihood of moving into management consulting, as business professionals become enculturated within a system of specialized administrative rules and beliefs. By contrast, business professionals who avoid extended industry tenures may be able to reflect more abstractly on the rules associated with different organizational fields. Thus, respondents with five years of industry tenure have an estimated rate of entry into consulting that is more than double that of their counterparts with twenty years of industry tenure.

The effects of several control variables are worth noting in Model 1. First, the second constant (**C**) of the model indicates negative duration dependence over job tenure. In other words, the longer respondents remain in a given job position, the less likely they are to change to another job (this holds for management consulting as well as other career paths). Second, both women and minorities are significantly more likely to enter management consulting than their white male counterparts. Given that female and minority managers have historically faced 'glass ceiling' effects in seeking promotion within large internal labor markets, they may hope for greater professional advancement by developing their careers in consulting practices that operate within an institutional framework of externalized management.

Model 2 adds the effects of role dynamics to the specification, improving model fit in the process (likelihood ratio $\chi^2 = 112.20$, $\Delta df = 8$, $p < .001$). In general, the results reflect considerable role differentiation between management consulting and traditional consulting professions. For instance, respondents with a primary functional expertise in banking or finance are only 0.63 times as likely to subsequently become management consultants as those respondents lacking such expertise. To some extent, this effect may reflect the long-standing influence of the anti-consulting legislation leveled at commercial banks during the 1930s. For specialists in accounting, the equivalent rate multiplier is 0.71. Business professionals with engineering or operations research backgrounds show slightly less role differentiation. These respondents do not have a significantly greater or lower rate of entry into consulting than business professionals without a functional focus in engineering.

Role integration for management consultants clearly occurs around a multi-functional focus. Business professionals with job responsibilities across a variety of functions are 1.54 times as likely to be recruited into management consulting firms than professionals with primary expertise in individual corporate functions. A separately-conducted Wald test also reveals that recruitment rates for professionals with multi-functional backgrounds are significantly higher than those for professionals with engineering backgrounds ($p < 0.01$), supporting the contention that management consulting has become packaged around a far more diverse set of concerns than its origins in scientific management would indicate.

Discussion

The proliferation of management consultants as central intermediaries of organizational norms and routines has been supported by a number of institutional developments in the United States. The intervention of the federal state in the market realm – as an overseer of securities and exchange transactions, occupational safety, labor rights, and commercial law – has stimulated demand for management consulting: first, in the 1930s, with the passage of the Glass-Steagall act and SEC amendments; and again in later decades (most prominently in the late 1960s and 1970s) with the passage of standardized rules of business conduct. To a somewhat lesser extent, the impact of changes in corporate governance has likewise been apparent. The restructuring and downsizing of middle management in corporate America has expanded the available pool of recruits for management consulting, but has not generated more direct effects on the career choices of business professionals.

These influences have been accompanied by factors linked to the composition, culture, and job mobility of business professionals. The rising representation of women and minorities in the managerial workforce has created a milieu in which business professionals are increasingly likely to operate at the interstices of organizations rather than within formal management hierarchies. The rise of consultancy has also been promoted by changes in the job tenure of business professionals, reflecting less enculturation in specific industries and a greater propensity to abstract experiences across administrative contexts. Shifts in the culture

of business and work – away from a traditional bureaucratic ethos of careerism – have encouraged more flexible, arms-length relationships between business professionals and the organizations they work for.

All of these trends can be seen as reducing the attachment shown by managers to particular firms, industries, and job ladders and increasing the cognitive abstraction achieved by managers with respect to administrative and strategic rules. Both dimensions are crucial to the institutionalization of externalized management and, by implication, the expansion of management consulting. The process of managerial externalization, though, tells only half of the story involved in the expansion of management consulting. The other half involves the role differentiation of management consultants from traditional carriers of business recipes -- industrial engineers, accountants, and bankers – who dominated the industry in the early twentieth century. The historical development of consulting and changing nature of client relations have since led to an integration of the profession around a more abstract, multi-functional view of formal organizations.

Conclusion

The present chapter has sought to fill a lacuna in the organizations literature, which has generally failed to account for the expansion of new professions that spread norms, fads, and fashions through organizational fields. The diffusion of 'rationalized myths' is most often taken to be the outcome of interest in such analyses, while the existence of carriers responsible for diffusion is taken for granted. The growth of management consultancy during the twentieth century challenges the notion that the diffusion of new organizational routines has remained comparable throughout the period. As large corporations such as AT&T have started spending an average of $100 million dollars a year on consulting services (see O'Shea and Madigan 1997: Chapter 1), interorganizational diffusion itself has become formalized, ritualized, and imbued with value. The content of institutionally-approved structural elements that are incorporated by modern organizations may now be less important for their legitimacy than the

process of hiring institutionally-approved agents, such as management consultants, who act to promote 'rational' diffusion.

Further research is required to parse out the salience of carriers and content in the spread of new institutional recipes. Our analysis has also been bounded by its treatment of a particular national context: one in which management consulting has enjoyed remarkable success during the last half-century. While the early emergence of management consulting was most clearly marked in the United States (and, to a lesser extent, Great Britain, France, and Canada), the profession has long since become a global phenomenon. The international spread of consulting beyond the Anglo-American context is of considerable substantive interest in and of itself, since consulting firms have often been seen as primary cultural carriers of American-style management in the industrialized world (Kipping 1999). From a more theoretical standpoint, the heterogeneity of different national contexts offers greater variability in the institutional influences identified previously and can probe the generalizability of the present findings concerning the expansion of management consulting.

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Table 1. Influences on Career Entries into Management Consulting, 1933-1997

Variable	Model 1	Wald Tests	Model 2	Wald Tests
B Vector Constant	-2.613 (0.107) **	---	-2.687 (0.112) **	---
C Vector Constant	-0.574 (0.027) **	---	-0.565 (0.027) **	---
Demographics				
Gender (1=female)	0.494 (0.071) **	(+) 35.975 **	0.481 (0.072) **	(+) 31.948 **
Ethnicity (1=minority)	0.312 (0.089) **	(+) 7.869 **	0.352 (0.089) **	(+) 10.191 **
General Experience				
Years in Labor Force	-0.014 (0.005) **	(ns) 0.058	-0.016 (0.005) **	(ns) 0.376
Span of Responsibility	-0.002 (0.003)	(ns) 0.030	-0.007 (0.004)	(ns) 1.200
Technical Role	0.175 (0.077) *	(ns) 3.478	0.271 (0.077) **	(+) 9.808 **
Managerial Role	0.017 (0.077)	(ns) 1.333	-0.005 (0.077)	(ns) 0.850
Owner Role	-0.275 (0.109) *	(ns) 0.662	-0.391 (0.111) **	(ns) 3.777
Specialized Experience				
Industry Tenure	-0.056 (0.009) **	(−) 79.640 **	-0.053 (0.009) **	(−) 75.315 **
Motivational Influences				
Involuntary Separation	0.207 (0.082) *	(ns) 1.942	0.225 (0.082) **	(ns) 2.498
Careerism	-0.367 (0.063) **	(−) 32.521 **	-0.346 (0.063) **	(−) 29.307 **
Regulative Influences				
Business Regulation	0.042 (0.015) **	(+) 12.310 **	0.048 (0.015) **	(+) 14.447 **
Role Differentiation				
vs. Accounting	---	---	-0.346 (0.141) *	(−) 7.034 **
vs. Banking / Finance	---	---	-0.457 (0.093) **	(−) 20.951 **
vs. Engineering	---	---	0.111 (0.091)	(ns) 0.001
Role Integration				
Multi-Functional Focus	---	---	0.431 (0.075) **	(+) 34.721 **
Number of Events	1189		1189	
Log Likelihood (d.f.)	-29545.01 (26)		-29488.91 (34)	

* $p < .05$; ** $p < .01$ (two-tailed tests) N = 81,378 split spells

Figure 1. Processes Affecting the Development of an Externalized Managerial Workforce

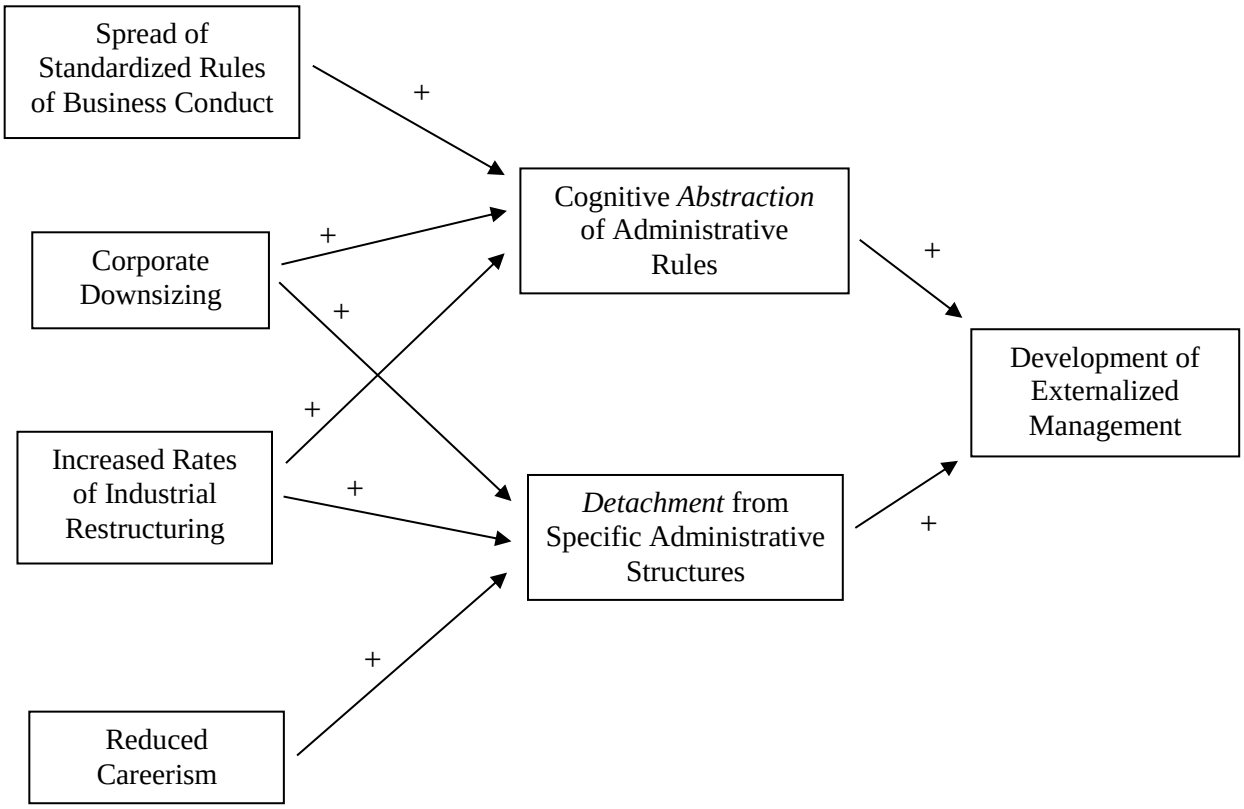
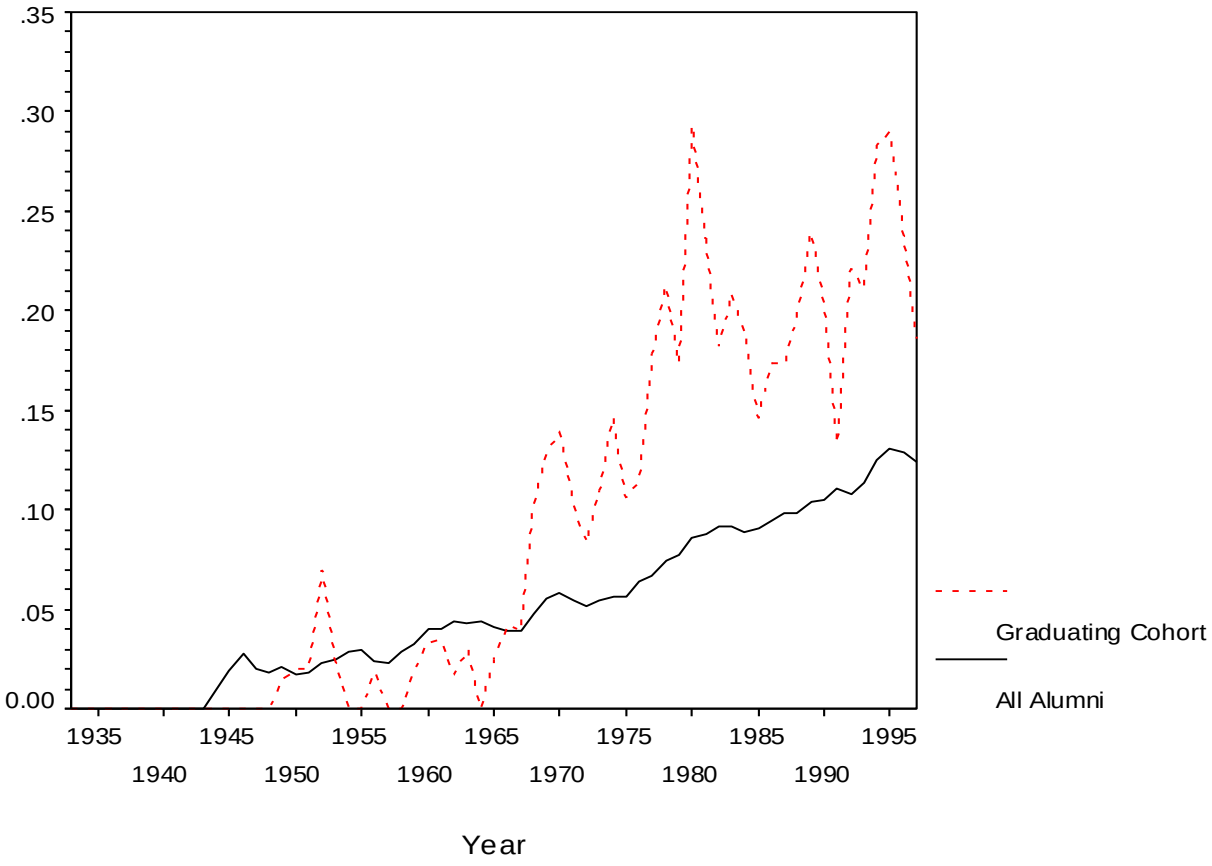


Figure 2. Proportion of Sampled Business School Graduates Employed as Management Consultants, 1933-1997



ENDNOTES

[1] This simple generalization is complicated by the historical relationship between management consulting and consulting engineers (see Washburn, 1996). The relationship will be examined in greater detail in our review of the history of the management consulting specialty.

[2] Such facets of the profession's emergence would be institutionalized in succeeding decades by the adoption of 'up-or-out' systems of employment at consulting firms. Based on direct recruitment from graduate business schools and internal promotion, these HR systems mimicked those of law firms (McKenna, 1999).

[3] Investment banks continued to provide management consulting services, but were expected to hire outside consultants to certify organizations issuing new securities.

[4] Paradoxically, management consultants often need to reformulate their generic solutions so as to appeal to the purportedly unique identity of their clients. Only a few years ago, New York-based Towers-Perrin consulting was publicly embarrassed when its 'customized' solutions turned out to be generated by a common cookie-cutter formula (O'Shea and Madigan, 1997: 13-15).

[5] A comparison of sample statistics with known population parameters suggests clear undersampling of foreign alumni compared to those MBAs maintaining a permanent residence in the United States. Accordingly, cases in which respondents did not maintain a permanent U.S. residence were removed in order to focus the investigation on the American context.

[6] An examination of raw frequencies in our sample reveals a ten-fold increase in the number of management consultants from 1965 to 1995. Of course, this statistic fails to account for the more general development of new MBA programs in the U.S., which have served as primary feeders for management consulting firms in the post-World War II period.

[7] A square root transformation is applied to reduce positive skew in this variable's distribution.

[8] These categories are neither mutually-exclusive nor exhaustive. Other possible roles include self-employed and unemployed business professionals.

[9] Note that the degrees of freedom reported for these models reflect a competing risks formulation, which includes a full set of parameter estimates for entries into non-consulting careers that are not reported in Table 1.