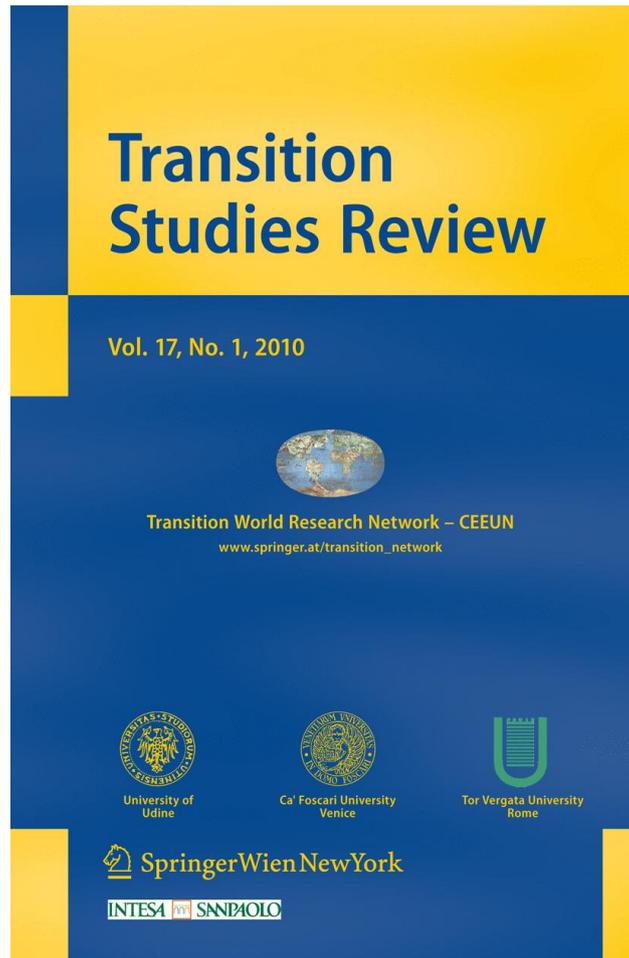


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# Rethinking Management Consulting: Towards Integral Consulting

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**Abstract** This article aims to transform the current approach to management consultancy so as to be in tune with the needs of business and societies of our time. Such transformation is necessary so that consultancies are enabled to integrate technological, economic and social innovation as opposed to the conventional form of business and technology alignment. It would then act as enabler for such social innovation, with a view to building a healthy, sustainable enterprise, able to meaningfully engage with the most burning social issues of the society in which it is involved. Social innovation, however, requires co-creation between the consultancy, enterprises, business schools and communities. Such a consultancy, so the core argument of this article goes, is indeed ideally positioned to reconnect these diverse

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parties. Hence, the evolution of management consultancy towards an integrating force; such an approach is called “Integral Consulting”. For Integral Consulting to happen, four core gaps need to be closed. The article describes these four gaps, and illustrates, in theory and in practice, how these gaps can be bridged. In what follows, the case of Integral Consulting is featured, emerging within Deutsche Telekom’s consulting affiliate, Detecon International, in co-creation with TRANS4M, a Geneva based laboratory for social innovation.

**Keywords** Consulting · Integral · Transformation · Sustainability · Innovation · Enterprise

**JEL Classification** P31 - social enterprises and their transitions

## Rethinking Management Consulting

Before we engage in a new perspective on management consultancy we need to take a step back and critically reflect on the current understanding of management as well as management education and development. This is necessary, as management consultancy is supposed to build on such in order to improve the functioning of an organization.

The field of management and leadership education has come a long way since the founding of the first business school in America at the turn of the last century. For the first half of the twentieth century, the focus was primarily upon university-based education. However, subsequently, management and executive education and development spread from university based business schools to management consultancies. Yet, over the course of a 100 years, the management curriculum, or basic functioning of business, has hardly changed at all, since the French mechanical engineer Henri Fayol first articulated, in rough and ready terms, the functions of management in the late nineteenth century.

Why then has there been so little fundamental change? We argue, that a core reason for this lies in the missing link between the field of management and its underlying and associated social scientific disciplines. Unlike technology based innovation arising out of the natural sciences, “social innovation” (which includes innovation in the fields of business and management) has never purposefully evolved out of the social sciences and humanities (arts, philosophy, religion, etc.) as an integrated whole. So while lone figures like Peter Drucker (economist), Mary Parker Follett (political scientist), and Peter Senge (systems theorist) in America, or Reg Revans (physicist and education-*alist*) in Britain, have been individual management innovators, they have stood in isolation from socially oriented research and development activity, as a whole. Such isolation has led to a disconnect from business innovation and social innovation, whereas, at the same time, technological innovation has proliferated. An example: whereas information technology has advanced in leaps and bounds, the ability of people to communicate with each other in organizations, if anything, has diminished rather than grown, given this technical pre-emphasis.

It is this lack of social innovation, which is the key reason why management consultancy needs to transform. An important role of any consultancy is to increase

the capacity of its client to innovate. Such a focus, hitherto, lay primarily in the areas of technological, product or process innovation (what works well), and not in social innovation (what is lacking). A consultancy, in principal, is ideally positioned to promote social innovation, because of the knowledge base of its highly qualified consultants, and its strategic positioning in relation to major enterprises, business schools and communities. There are, however, four fundamental gaps that a consultancy would need to close in order to bring about such social innovation:

- Gap between Education and Research
- Gap between Action and Reflection
- Gap between Individual Education and Organizational Learning
- Gap between Local Context and Global Content

## **Towards a New Consultancy: Closing Four Core Gaps**

### **Closing the Gap between Education and Research ...**

*... because of the absence of creativity and social innovation*

#### **The Gap**

The first problem is the inordinate gap between education and research in the social sciences and humanities. This gap is particularly evident in management education. Whereas in the natural sciences the disciplines involved in both research and also in education—for example physics, chemistry or biology—are intimately connected, this is not the case in social sciences and humanities. Though social research (including the humanities) extends from economics to anthropology, from sociology to psychology, from political science to social ecology, from philosophy to pedagogy, from history to geography, management education is much more narrowly based. Here, business administration—usually in the MBA-format and focussing on the organizational functions of marketing, operations, finance and human resources—rules the roost. These organizational functions are underpinned by economics, on the one hand, and behavioural psychology on the other. While sociology gets an all too brief look in, anthropology, political science, depth psychology and social philosophy are completely absent, not to mention nature (ecology) and the humanities (arts, religion, etc.) which are nowhere to be seen.

Such obvious disintegration of management education is mirrored by the disintegration of economics and private enterprise in society, reflected, for example, in the way the environment is treated (missing connection to ecology) or the lack of meaning for many employees (missing connection to the humanities).

It is hence not surprising to hear that Britain's arguably most successful "business entrepreneur", the founder of the Virgin Group Richard Branson, claims that he "has never been motivated by money". Indeed in his mature years, this still "archetypal entrepreneur" devotes seventy per cent of his time to social ventures. While still enjoying the fun, adventure and learning of every new Virgin venture, the fit between practice (Branson's economic and social motivations) and theory

(the theory of “profit maximizing” business enterprise) is almost completely absent. The closest we may get to such a fit is Nobel Laureate and Grameen Bank founder Mohammad Yunus’ concept of “social business” (Yunus 2007), a powerful attempt to re-integrate what has been disintegrated. In our own work on *Transformation Management* we have introduced the concept of and path towards an Integral Enterprise to overcome such disintegration (Lessem and Schieffer 2009).

Reviewing such states of disintegration and attempts to re-integrate, it is worth mentioning that until the middle of the nineteenth century the business corporation, in America at least, was legally constituted as an integral part of society, and was only able to function, socio-politically, if it served the needs of that same society. In fact until the modern era, and still in Adam Smith’s day, economics and politics, business and society, were closely integrated. It was for that reason that Adam Smith’s two major works on “The Wealth of Nations” and “The Theory of Moral Sentiments” were conceived of as mutually reinforcing, the one mutually dependent on the other.

Indeed, as Harvard Professor Rakesh Khurana has pointed out in his recent award-winning book *From Higher Aims to Hired Hands* (Khurana 2007), the original American business schools, at the turn of the last century, were constituted so as to simultaneously evolve business and society.

### Closing the Gap Through Enabling the Creation of New Knowledge

A consultancy with its usually wide ranging portfolio of academically trained professionals is in a good position to reconnect the narrow discipline of business administration and management to other social science disciplines and the humanities. Such reconnection lays the foundations for the creation of new knowledge.

### Case

Detecon International, a globally based management consultancy in the information and communication technology sector (ICT) and an affiliate of Deutsche Telekom, has set up an internal Social Innovation Team comprised of professionals with diverse academic (natural and social sciences) and cultural backgrounds. The team is designed as an internal think tank to develop new ways for organizations to engage meaningfully with societies, thereby developing an expanded Detecon value proposition towards its clients, while at the same time reassessing its own path towards, and understanding of, corporate responsibility (CR). Two members of the team (including the founding member) are engaged in a part time doctorate on social innovation. Both are part of an international team of doctoral researchers, which is connected to the TRANS4M Social Innovation Laboratory in Geneva. This Laboratory brings together researchers and practitioners from all disciplines (social and natural sciences as well as humanities) and diverse cultures in order to purposefully stimulate such diversity to further foster such an innovation. Detecon’s link with TRANS4M enables this consultancy to simultaneously engage in

fundamental research while remaining in close contact with their business customers' needs.

### **Closing the Gap between Action and Reflection ...**

*... because catalytic spaces for new thinking are missing*

#### The Gap

The second problem that needs to be addressed is the gap between action and reflection. Today, in management or leadership education, the focus is either on prolonged university degrees or on short and sharp workshops. There is very little in between. As a result a massive gap between action (practical activity) and reflection (academic study) remains amongst the “busy” practitioners. For while few practitioners can or will take the time out to pursue even a part-time degree, “short courses” can provide a short injection of knowledge or skill—but nothing more.

In fact, this gap between theory and practice has been institutionalized in the form of management consultancies. While some of the new business theories have been generated by the leading business schools, most of those have been subsequently applied by such consultancies. Usually, there has not been a process of co-creation, but mere adaptation. At the same time, none of these concepts, like business process engineering for example, can have been too radical, or else the consultants would have gone out of business. As a direct result, there is no fundamental social innovation.

Furthermore, the kind of reflective thinking, which has served to generate new concepts in the social sciences, particularly in management, has taken place outside of the public, private or civic enterprise. It has not arisen, as in the natural sciences, in a research laboratory contained within the enterprise itself. To that extent, it is left to the external consultants (duly constrained by market forces, as we have indicated), to come up with the new concepts to take the enterprise forward. Again, in most cases there is no process of co-creation between enterprise, consultant and the particular community involved.

So the gap between reflective theory within companies and practical action remains as large as ever. This is ironic when we consider how many technological breakthroughs have come from companies, albeit often co-created in association with (natural science based) universities.

#### Closing the Gap Through Catalysing Innovation

Consultants would need to re-position themselves as a force for co-creation, lodged in between enterprise, academe and community. Doing so, consultancy would act catalytically, serving to promote social, as well as technological, innovation.

#### Case

Detecon—catalysed by the doctorate of its employee Reza Moussavian—is promoting co-creation between business school and social innovation laboratory

(TRANS4M) on the one hand, and between itself and the client enterprise on the other. The core research field in this particular case is CR. The starting point was a unique conceptual approach to Social Innovation developed within the Laboratory. Reza Moussavian, through his doctorate and through continuous contact with the Laboratory, developed a practical application of this approach, which led to an expanded value proposition for Detecon as a consultancy. Through this new proposition, Detecon is now enabling its clients to bring about Social Innovation within their particular societal and cultural context and to offer “end-to-end” solutions aligning business and technological innovation with the social needs of the corporates’ ecosystem. The consultancy is hence playing increasingly the role of a catalyst for social innovation—positioned between laboratory and enterprise (see Figs. 2, 3).

### **Closing the Gap between Individual Education and Organizational Learning ...**

*... because the complexity of today's burning social issues requires us to go beyond individualistic approaches to learning and communication*

#### **The Gap**

The third gap we are seeking to bridge is that between “individual education” and so-called “organizational learning”. While a new discipline in “organizational learning” did emerge in the 1990s, and “organizational development” has been around in theory since the 1960s, there are very few cases, if any, whereby either has been consistently applied. In other words, individual management education—offered by the business schools, and increasingly by consultancies in workshop mode—proliferates, but organizational learning is extremely thin on the ground. Moreover, though the phrase “knowledge based society” is now on everyone’s lips, this now commonplace notion is usually reduced to individuals acquiring knowledge and skills.

It seems absurd that while social (and management) problems are becoming more complex by the day, the related educational programmes and university based research approaches are still exclusively individualistic. What then can a management consultancy do to close this gap?

#### **Closing the Gap Through the Communication of Learning**

Consultants are, unlike business schools, oriented toward the development of organizations on an international level. They naturally go beyond individual learning, as they actively engage in complex business problems. Consultancies, hence, are again ideally positioned, to further develop their knowledge on organizational learning and build a bridge between university-based individual learning and enterprise based organizational learning. As the latter has not yet been put successfully into practice, the role of the consultancy to effectively establish and communicate learning becomes even more important.

## Case

Detecon could transform itself from a management consultant with a primary orientation toward ICT, towards a promoter of integral innovation within and through diverse societies and cultures. To the extent that it engaged in such, it partners with TRANS4M, which is pursuing fundamental research into social and economic transformation, in diverse societies, while Detecon undertook applied research into the role of business in diverse societies.

### **Closing the Gap between Local Context and Global Content ...**

*... because the west dominates the rest*

## The Gap

Finally, there is a fourth major problem. Management, leadership or entrepreneurship education, as well as related research, conventionally draws upon “western”, that is primarily American sources. Thereby it ignores the rest of the world to a large extent. So there is a gap between local context and global content, which brings the global educational world out of balance.

The context for management education has been essentially established by the American business schools, and by the major US management consultancies, thereby lodged in their “western” soils. Examining the syllabus of a business school like the Gordon Institute for Business Science in Johannesburg (South Africa), the Said Business School in Oxford (UK), or American University of Dubai, one will find that they are all be pretty much the same, each modelled on what has been developed and implemented in a business school in America.

Furthermore, when we move from university based degree programmes to executive education we find an all too similar “western” tendency, be it, for example, in the form of management by objectives (MBO), business process re-engineering (BPR), or more recently the Balanced Scorecard (BSC). In all cases it is invariably the American management consultancies, together with such “western” management “gurus” as Peter Drucker (MBO), Michael Hammer and James Champy (BPR) and Robert Kaplan and David Norton (BSC), who set the tone. The only exception to such a rule emerges out of Japanese manufacturing area, and even these—as per lean production—have been all too often codified by the Americans, in this case James Womack at MIT.

The fact that the US sets the business and management tone, in theory and in practice, is significant for three main reasons. First, it has been the dominant political, military and economic power over the course of the last century. Second, it is the most at home, of all countries today, with business, especially large-scale corporate business; and business has dominated over public and civic enterprise, from a theoretical and also from a practical perspective. Thirdly, and most important, the US has evolved into the (business) management laboratory of the world, through its ability to originate, “package” or systematize, and ultimately to commercialize business and management concepts. These range from the very notion of “management” itself, to the functioning of business (e.g. marketing,

human resources) to specific management techniques like Total Quality Management. All of these have been contextualized within a “westernized” free market system.

It is important to add that the social sciences, like the natural sciences, tend to be “universal” in their application. Conversely the humanities are “particular” to a specific society. In other words, unlike, for example, physics or chemistry, economics or sociology, which tend to be generally applied to one society or another, art or architecture, music or dance, as well as history, geography, philosophy and religion tend to be particular to a specific culture. Whereas as a tourist, we may be interested in the art and architecture of a particular country, as a manager or business (wo)man this conventionally lies beyond our reach. In other words, the nature and scope of one’s enterprise is cut off from the underlying humanity of a particular people, unless one happens to be American, where the culture of business is all-pervasive. Closing this “cultural gap” is an important task for the management consultancy of the future.

### Closing the Gap Through Contextualising Solutions

Consultants have a particular capacity to adapt to diverse (organizational and societal) cultures and are well positioned to further develop their role as a “cultural bridge”. Consultancies as socio-technical as well as local–global integrators would need to develop an even deeper cultural understanding of the societies they are active in. Such “deepening” however goes beyond knowledge about specific cultures, but need to include the capacity to help local clients to lodge solutions to organizational or societal issues in local soils. Culture is one of the core keys to sustainability; and any consultant dedicated to bring about sustainable solutions would need to embrace this capacity.

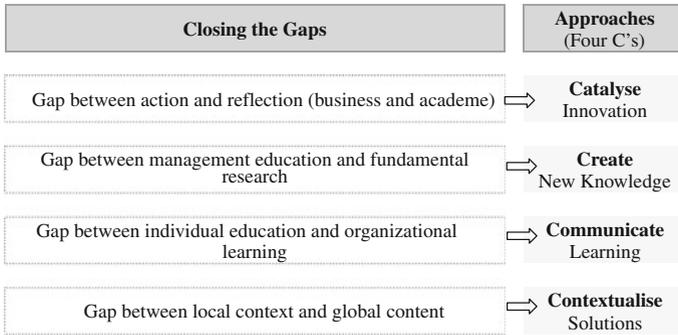
### Case

Based on the doctoral work of Reza Moussavian, Detecon has developed an “Integral Business Model”. Through this model, internationalization strategy and business operations are aligned with CR measures. In other words, business goals are paired with social engagement. Such an Integral Model is contextualised in each single case, inviting the organization to integrally consider four cases: a business case, an innovation case, a cultural case and a community case.

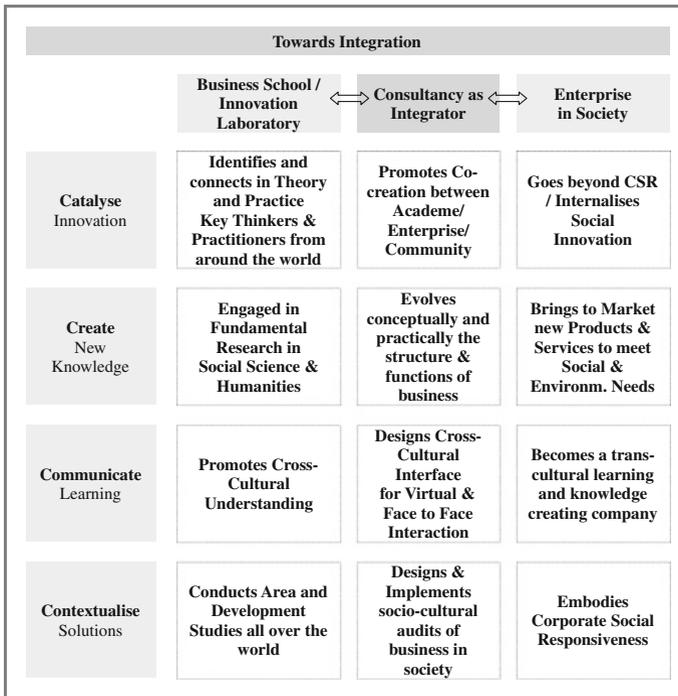
### The Integral Management Consultancy

We have introduced four kinds of gaps and potential approaches for bridging those gaps. By closing these four gaps, an evolved consultancy would simultaneously Catalyse Innovation, Create New Knowledge, Communicate Learning and Contextualise Solutions (see Fig. 1).

Integrating these four approaches the new consultancy would position itself as an enabler of social innovation, positioned in between academe (the business school or



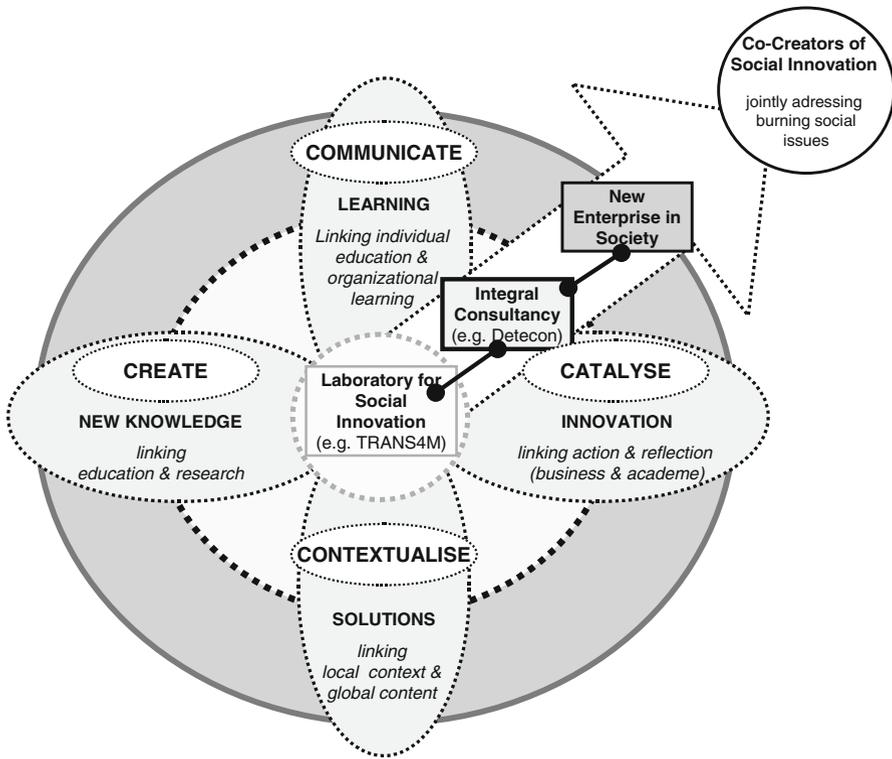
**Fig. 1** Closing the gaps



**Fig. 2** Towards integration

a laboratory for innovation) and enterprise. To fully activate this “enabling” role, an ongoing co-creative engagement between all parties involved is necessary. Indeed, each party needs to engage with the four C’s. The following matrix illustrates this and underlines the “central” role of the consultancy, now as an integrator and co-creator:

Finally, moving from Consulting to Integration the role of the future integral consultancy can be best summarised in Figs. 2, 3.



**Fig. 3** Towards integral consulting

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