



Management consulting and business ethics

A discussion on whether a new approach is needed

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Document history

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1 Work ethics may need revisions

1.1 Global politics and business standards change

Business standards must be maintained

A recent Telzed report¹ noted that there are problems in the professional services industry. It seems that dubious claims and even false² statements are being made by firms who should be more careful. The bigger concern is that these now seem to be made more frequently. False and crazy claims damage the reputations of other businesses. Arguably other professional firms now need to point out such false claims.

Perhaps at the root of the problem is an increased willingness to write reports at the client's request (and payment) knowing that the foundations of the analysis are wrong or unlikely. This issue is complex as consulting firms must assess difficult questions and the future is always uncertain. Definitive answers often do not exist – that is often why consulting firms are used. Options for the future may range from the almost certain, reasonably likely, speculative through to the fanciful. Perhaps too many fanciful ideas are now being proposed because they “*could*” happen. The client may wish for a paper to support a claim: “There could be a tea set and tray orbiting in the asteroid belt³.” This certainly *could* be true. I cannot prove otherwise. Somewhere, professional firms need to refuse a request. The key word is, *professional*.

The desire to meet a client's request and gain the remuneration can lead to work that gives a false story. It is easy to find a justification for many views, but to hide behind statements that the report “meets the terms of the client's agreement letter and need not represent the firm” or “complies with certain assumptions” etc. can obfuscate the fact that the consulting firm knows the analysis is not really valid but it is justified as a “fair point” (maybe in extreme circumstances only) and is what the client wants, so “we are not really responsible.”

Have business standards eroded? Do we all need to try to correct this?

Wider political/ethical issues need to be considered

The wider global political situation has been changing. Of course, this has been never ending but the current changes are arguably of deeper concern. Most consulting work has a business focus and good/better business helps all citizens. The government status is not usually a barrier, though there have always been exceptions. Some countries *were* excluded and few would have worked for them. This goes beyond safety factors (remarkably common)

¹ See [Telzed](#): “*Fact based analysis and opinions – problems in the telecom and professional service industries*”

² An error is not a fundamental failure unless the erroneous report/analysis/statement was made knowing that the basis was false or weak. Errors are acceptable. But are firms now willing to risk false outputs, under the guise of “it *might* be true” or was “fair comment and true in *some* circumstances” or was based on the client inputs and as agreed in the consulting Engagement Letter”

³ Bertrand Russell

that preclude travel, or nationality/religious factors (some team members cannot go to or work for certain countries). Pariah states have always existed, and others have been on the verge.

Helping businesses and countries move in the right directions is a good reason to help places even with questionable politics. The opposite extreme of only helping western democracies rather limits where you work. So, there is not a clear demarcation of when and where to refuse assistance. In the past these concerns were ameliorated by the general global trend to more liberal regimes – itself linked to fewer wars/deaths, less oppression, economic growth and better citizens' welfare. There are exceptions and progress was far from linear - some countries moved backwards.

The current issue is whether professional firms should leave the ethical decision to politicians. This may not be sufficient. There may be no legal embargo or danger to life from travel, yet should all firms leave the ethical decision to others, and just take the fee? “Unless like North Korea, then all is fair business.” With a general trend to a better regimes then good business assistance is surely a good thing, even for a “bad country.” But some countries seem to move in the *reverse direction* and or have a façade of normality that hides a darker reality. The key question is: ***Should we now consider refusing to work with certain regimes?***

Arguably some regimes should now be avoided even if acceptable in the past. This paper proposes that all firms re-examine their approaches.

1.2 Messages from this report

This paper notes that *general business* practices should be improved:

- Refuse to carry out client's requests if the analysis or points are really not reasonable, sensible, valid, fair etc
- Do not hide behind weak justifications of: “it *could* be true”
- Avoid disclaimers that imply the company gives no support for any points, so is not liable. At the very least, if the company name is at the top they are liable to counter attack or mockery for the report. Company-protection is a sensible legal-practice but this must not allow unreasonable support of the dubious/crazy if protected by a disclaimer
- Clarify the assumptions and scenarios: are they really plausible?
- Think: if you are not certain about the morality then that fact, in itself, helps direct the answer. Do not pretend the report is fact-based analysis just because there is a basis (and it meets the client's desires)
- Look closely at the actions of all personal. Do they self-examine? Just because they bring in lots of client work (and money) this does not mean that all is well. Spectacular company failures seem to have occurred despite audit or analysts' reports or due diligence that somehow never saw what was then obvious after the event
- Can you be too close to a client? Are you (or others) blinded by the lunches, promotions and money?

The problems are at the micro level – a few words in a report (could, might, likely, will or should happen given x and y) or the market growth assumptions in an Excel model (so ethical decisions are needed even by junior consultants) - but also at the company strategic level. Where to do business, and hence how is a line to be drawn? Of course, a *line* must be drawn⁴ somewhere.

A harder area to consider is *the need to have a wider political/moral framework*. Should professional firms start to refuse their assistance and if so, where and in what circumstances? Given the common professional work basis – we always do what the client wants faster/better than any other firm – this is a partial reversal of thinking.

Firms should:

- Have a clear ethical basis on work and how it deals with clients
- Consider wider politics and trends: is that country/company/regime really one that anyone should deal with at all? Where is it on the wide scale from pariah to normality and what direction is it moving in? The latter point is important
- Question the country/client behaviours. If you have to ask the question: “Is this really all alright?” then perhaps the answer is already clear.

The issue is: how do we deal with the political aspect. That cannot be avoided as it already exists *in extremis*. How far do we now bring this into the work agenda?

The political/strategic choices are not simple. There are grey areas and the world is not black and white. Arguably a new decision basis is now needed to reflect the changing world. This is not the creation of a new Iron Curtain delineating where to work or not. The demarcations of today are less clear. It is proposed here that firms should have a new “Business Moral Barrier” that defines the limits and has rules for crossing over. There are gaps in the line, and we cannot see everything on which to make the decisions.

New methods are needed at the strategic level – what work to do and where. This is in addition to better standards at the detailed analysis and reporting levels.

⁴ If you think this is not relevant to consulting services and we all do what clients want and we simply aim to make good money for all, then please read no further and do not ask Telzed for assistance

2 Claims and problems

The was covered in the previous Telzed paper (Footnote 1) but it forms a basis for the deeper political/commercial concerns that are discussed in the next section. The essential problem is that firms seem to be less aware of the implications of what they do and say. There is no question that a spectrum of views and options exist, and some may be more correct than others. Others may be correct in some countries/situations but not in others.

The lack of definitive answers is not new and this should be well understood. This should not be used as an excuse for views that could be justified as it *just might* be true or is seen in country X, but with *sound analysis*, is very unlikely in the relevant country Y. Firms need to understand this and give professional, balanced and reasonable analysis. This requires some more-subtle skills and it may undermine the headline claim – but to ignore the fact that that there can be exceptions or to ignore the fact that a claim or model-scenario is really very unlikely, is surely not acting professionally.

Telzed (R Steele) has seen situations where this has occurred. There was a recent claim that 80% of fixed broadband lines in the UK will [*sic*] be replaced by 5G. Yes, it *could* happen but any rational analysis shows this is very unlikely. Even if the claim were only “*might be replaced by,*” it would be dubious as, without qualification of how unlikely this outcome is, it is unprofessional.

Statements need deeper understandings and analysis of a complex industry – the technology, history, economics, regulation and market trends are very varied. Some countries do have ~80% of broadband data on mobile and almost no fixed lines. But these are generally emerging markets and have low #Gbyte per capita. This surely does not happen anywhere in EU. Realistically such an outcome in the EU is fanciful, though it *is still conceivable*, albeit stretching most persons’ credulity to breaking point.

Many commonly held views/analyses of telecoms are based on sound experience and reasonable assumptions, yet even here there are often exceptions. The author of this paper has studied markets and prices globally and the wide range of outcomes was remarkable. Some might be deemed almost impossible in another country. Exceptions seem to always exist. The real world is complex. Yet there are still general trends and economic and technical outcomes that can be still be defined as normal. So a sound basis usually exists for an analysis, but the wider complexities and exceptions must be understood – and these should surely be mentioned in the analysis/report. Conversely, a special case, or freak, is often not a justification that it is a fair point that is relevant elsewhere.

Reports may have clear headlines or conclusions, but if it is *really professional* then the wider context and solidity of the claims/numbers is required. This may seem to weaken the key claim, by adding “*we are aware of several countries where outcome Y did not happen, because...*”, but arguably this shows a balanced approach and higher professional ethics. This should enhance the results. Surely this is vital in Expert Witness work.

At the heart of this new approach is the need for firms to act more professionally and give fact-based analysis that includes the right context on the analysis and likely outcomes. If the company logo is on a report, then the report should surely flag the solidity of the work and not hide behind “could” or “might” or the fact that the analysis is based on client’s data/views and

complies with the contract and “need not reflect the firm’s view.” Yes, disclaimers are used and are required (and used by Telzed), but the key findings must be supported.

3 New work ethics are needed

Beyond the details of a project or report are fundamental principles of what work we do and if the work should be done at all. This is a more complex problem and the decisions are less easy. The bigger issues need to look at the political situation of the country, government and company.

It is surely not enough to ignore this and leave it to politicians and so act only if there are existing clear guides on the country/company. These need to be followed, if specified by your government⁵. There are surely some countries and regimes that should be declined, even if not in a black-list. Trade with Ghadaffy's Libya was *possible*, but would many have really done it?

We consider here three scenarios:

1. Bad regime and company, but no significant threat to individuals⁶ or to other countries. Many businesses might be suspected of poor practices. This could mirror the government. The regime is "Bad, but harmless" - at least in the sense of not causing mass direct harm. However, the economic outcomes probably do still harm the employees and public - dictators rarely benefit the country economically even if the prisons are not packed
2. Bad regime, but seems to be also a threat to other countries or many individuals
3. Either of the above but seemingly getting worse.

Working for Scenario 1 is often not a problem. The work helps make things better. Many governments have some aspect that is bad or dislikeable, therefore to reject any with a black mark moves to a ridiculous level of selection. It is sensible however for every project to still have a review of the ethics. Some team members may have problems. Payment might be withheld (likely correlated to how bad the regime is). The threshold for being "too bad to work for," is not clear cut. Maybe the decision points are:

- If we need to seriously question doing the work, then we ought not to do it
- Are we sure the work does no harm? It must be beneficial. So long as it cannot reasonably be used for more ill, then it is probably acceptable.

A start is to have a review framework and sensible discussion internally. Can the decision be justified?

Scenario 2 is more complicated. Although the additional concerns are likely to be unrelated to the project, should this alter the decision framework? This is again not a simple decision. Oppression of individuals is commonplace. Political prisoners are probably more widespread

⁵ Telzed was invited to make a telco costing model, but the country had trade restrictions and telco staff were black-listed, so the innocuous project was declined

⁶ Any real risk to the individual consultant means a refusal. Of course this is subtle as many countries have regions that are "do not travel to" or "essential travel only" designations. This is not usually a major problem unless this covers the capital city where the work is probably needed

than we realise and are likely denied. Banned political parties or discrimination of ethnic groups or society sub-groups (including women) is not uncommon. The citizens'-right records in many places is poor. Warring regions or borders are also common.

This second scenario has often *not* been seen as a barrier to many projects in the past, again assuming that there are no formal restrictions. Some team members might decline - this is surely a first step for all companies. Ensure all players are willing and not pressured. If female or gay members would not go there, should anyone now go there? This is surely an approach that was not considered enough in the past.

Perhaps the company needs to define a concern list and a decision method that balances the issues. This is grey area as thresholds are not strict. One regime is a bit worse than another, but has it crossed the Rubicon?

A key point here is that more thought is needed and a willingness to decline is vital when (arguably) these were not critical in the past.

Scenario 3 is of increasing concern as surely a number of countries/regimes are moving in the wrong direction. Others do not change or get worse but can keep this hidden. Bad actions and oppression can be hidden or covered by "plausible deniability." The real situation and dark-practices are not obvious or else reported on but not with absolute certainty. We have to accept uncertainty and lack of absolute evidence. This should still allow a framework that allows a refusal to work.

Key issues are:

- The direction of change – is it getting worse?
- Is the reality hidden (but revealed in plausible reports, even if not with hard evidence)? Is any seeming progress actually just a façade? Giving citizens a vote is splendid, but if only one candidate/party exists then it is not real progress.

The level of moral repugnance for doing work, is a grey scale. We rarely have a clear Iron Curtain demarcation of communist dictator versus western democracy. This paper proposes that all firms need to set a framework and introduce new rules. With the potential for many places to descend further into or back into, dark ways, surely we all need to examine the work and associations we maintain. We lack clarity and so only some of the situation is known. Regimes are very good at hiding the truth and denials are normal. Decisions are still needed. Lack of evidence/clarity allows giving the client the benefit of the doubt, but this is arguably a poor line of thinking and now needs revision. If the direction of change is wrong, then this makes the decision easier.

Good counters to declining the work are that others would do it or it has been a place to work in the past. Both points are actually weak.

Yes, others can do the work, so declining the project has no effect. But all (?) firms claim a USP⁷ in their proposal. If you believe in your firm/team then of course the client is harmed by

⁷ Unique Selling Point. Why the firm is better than others for the project

your refusal to work, as others are less good or more expensive. Of course charging a high fee for the work is a kind of client/regime punishment, but if you believe that good revenue justifies any project, then perhaps this paper is not for you. The past decisions need not justify a future bad decision, just because they are aligned.

Another counter argument is “whataboutery⁸.” This long-standing game raises points about other countries and situations, often unrelated. This tries to make any decision on a target hypocritical. Of course, two wrongs rarely make a right. The question is still whether the target is an acceptable project, not whether other decisions affect this. We must accept work for some countries that are undeniably bad, but we must start to refuse some others. It is likely that GDP & income levels will alter the decision thresholds – we might help an impoverished state but perhaps not a wealthier one with similar poor code of conduct, especially if it is getting worse. The decisions are unlikely to be the universally the same or simple.

A fair counter point is hypocrisy. Declining one project can making another acceptance seem unreasonable. This will always occur when decision thresholds are unclear. Some work-refusals are probably the right direction and we must live with the different decisions that may be in conflict with others. The contrary of do-anything is now not acceptable.

Most places/companies were acceptable for work in the past. The point is that perhaps some of these should now be no longer be in a firm’s firm or individual’s acceptable-list. Without clear reasons (say a civil war) removal from acceptable working lists, is naturally difficult. But if the situation *has* changed, do we now need to decline the project? The criteria for acceptability has also probably changed, this reflects a changing world situation.

⁸ Or whatboutism - this was particularly associated with the Soviet regime but is now used more widely

4 Actions are needed

This paper proposes that all professional firms re-raise the way that they work. This covers two areas:

- How projects are done - the way deliverables and results are reported. A more professional approach is needed. This impacts the work of all staff
- Where we work and the direction that the country is moving. This is a bigger issue and moves into subjective and political arenas. Arguably this is not a concern for firms, but of governments. This is surely not sufficient and all professionals now need to consider this. Collective action does work⁹. Action by individual companies can also have an impact.

At the very least everyone needs to think about the work. Have the debate and discussion. Define an ethical decision framework. Define the unacceptable projects and regimes. Do you really think it is acceptable? If it does not feel right, then the answer should be clear.

Decisions will have conflicts and debate. An accepted country will have unacceptable aspects. Some of these can be similar to another declined-regime. This makes the work-limit less of a barrier but a grey area with conflicting exceptions. Surely this does not mean that no frameworks can be defined and firms should do anything with just a default tiny list of clearly-extreme and/or formally-blacklisted countries?

We recommend starting a new, revised professional code in all businesses that have not done so recently. This needs to consider wider political and ethical issues. This adds to the need for better ethics at the detailed work-level which impacts everyone from juniors to partners. Consider saying no.

Telzed has been involved in projects across the globe and in a wide range of regimes. Practical examples that need ethical decisions may be discussed further, if help is required. The problem is perhaps highlighted by the seeming belief of those *not* in the professional services industries that we all have no moral compass and will do what ever is asked. This perception is a serious matter. Further, every spectacular fraud and unexpected company failure suggests there were some professional services firms who should have acted and should have known what was going on. Were they all ignorant or innocent?

Please contact Telzed for further advice and help if needed

See Telzed web site for additional papers

⁹ Think of boycotts. But this is not simple especially if uncoordinated actions are being taken by each company

