

Statement on Standards for Management Consulting Services

Issued by:
The Midwest Society of Professional Consultants (MSPC)

Consulting Services: Definitions and Standards

Introduction:

1. Management consulting services provided clients have evolved dramatically over the past 100 plus years. Outside management consulting began in the United States with advice on engineering matters in the late 1800s. Engineering advice continued after the turn of the century, enhanced by developments during World War I. Following World War I, business/commercial management consulting services grew rapidly. With roots in major universities, a wide range of services involving diverse technical disciplines, industry knowledge, and strategic consulting skills evolved.
2. In 1929, major management engineering-consulting firms formed the Association of Consulting Management Engineers (ACME). This association continues to this day as an association of management consulting firms. The name has been changed to the Association of Management Consulting Firms (AMCF) reflecting the dominance of business/commercial management consulting services today.
3. Recognizing the need for individual professional certification, ACME members formed the Institute of Management Consultants, Inc. (IMC) in 1968, an association of individual management consultants. IMC members subscribe to a Code of Ethics and the appellation Certified Management Consultant (CMC) was born at this time. The Council of Consulting Organizations (CCO), the umbrella organization that encompassed both IMC and ACME, adopted the Code of Ethics in 1990, supported by both IMC and ACME. (ACME is now AMCF; IMC is IMC USA and includes CCO.)
4. Regional associations serving the special interests of professional needs began shortly thereafter. The Midwest Society of Professional Consultants (MSPC), a strong regional association started in 1981, is headquartered in Chicago.
5. As the 1900s unfolded, the major outside accounting firms began providing consulting advice to their clients as a natural outgrowth of the audit attest and management control review function. Management consulting services differ fundamentally from the attest function assertion of other parties' work. In management consulting services, the practitioner develops the findings, conclusions, and recommendations presented. Generally, consulting work is performed only for the use and benefit of the client.

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6. Management consulting grew both domestically and globally following World War II. In May 1987, an initial international management consultant's gathering was held in Paris France, forming the International Council of Management Consulting Institutes. (ICMCI) Today, 32 countries are affiliated with ICMCI; recognize the CMC, a Code of Professional Conduct and a Common Body of Knowledge. Each ICMCI member institute supports a similar Code of Ethics.
7. This Statement on Standards for Management Consulting Services (*SSMCS*) and any subsequent *SSMCSs* apply to all consultants providing Consulting Services as defined herein.

Roles and Scope of Work

8. The role of the management consultant is to *advise* and/or *recommend*; the role of client management is to *accept* or *reject* that advice or recommendation and to make *management decisions*.
9. The nature and scope of work is determined solely by the agreement between the practitioner and the client.

Definitions

10. Terms established for the purpose of *SSMCSs* are as follows:

Management Consultant/Consulting Services Practitioner. Any CMC or management consultant engaged in the performance of a Consulting Services for a client, or any other individual who is carrying out a Consulting Service for a client.

Consulting Process. The analytical approach and process applied in a Consulting Service engagement. It typically involves some combination of activities relating to determination of client objectives, fact-finding, definition of the problems, obstacles to overcome, opportunities, evaluation of alternatives, formulation of proposed actions, communication of results, implementation, and follow-up.

Consulting Services. Professional services that employ the practitioner's technical skills, education, observations, experiences, and knowledge of the

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consulting process. Consulting Services may include one or more of the following:

- a. **Consultations**, in which the practitioner's function is to provide counsel in a short time frame, based mostly on existing or acquired personal knowledge about the client, the circumstances, the technical matters involved, client representations, and the mutual intent of the parties. Examples of consultations are reviewing and commenting on a client-prepared business plan and suggesting software for further client investigation and implementation.
- b. **Advisory services**, in which the practitioner's function is to develop findings, conclusions, and recommendations for client consideration and decision-making. Examples of advisory services are an operational review and improvement study, analysis of an accounting system, assistance with strategic planning, and definition of requirements for an information system.
- c. **Implementation services**, in which the practitioner's function is to put an action plan into effect. Client personnel and resources may be pooled with the practitioner's to accomplish the implementation objectives. The practitioner is responsible to the client for the conduct and management of engagement activities. Examples of implementation services are providing system installation and support, executing steps to improve productivity, and assisting with merger of organizations.
- d. **Transaction services**, in which the practitioner's function is to provide services related to a specific client transaction, generally with a third party. Examples of transaction services are insolvency services, valuation services, preparation of information for obtaining financing, analysis of a potential merger or acquisition, and litigation services.
- e. **Staff and other support services**, in which the practitioner's function is to provide appropriate staff and possibly other support to perform tasks specified by the client. The staffs provided will be directed by the client, as circumstances require. Examples of staff and other support services are data processing facilities management, outsourcing, computer programming, bankruptcy trusteeship, and controllership activities.

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- f. Product services*, in which the practitioner's function is to provide the client with a product and associated professional services in support of the installation, use, or maintenance of the product. Examples of product services are the sale and delivery of packaged training programs, the sale and delivery of computer software, and the sale and installation of systems development methodologies.

Standards for Consulting Services

11. The general standards of the consulting profession are contained in the IMC USA/MSPC/AMCF Codes of Ethics and apply to all Consulting Services performed by management consultants. They are as follows:

Professional competence. Undertake only those professional services that the practitioner's can reasonably expect to be completed with professional competence.

Due professional care. Exercise due professional care in the performance of professional services.

Planning and supervision. Adequately plan and supervise the performance of professional services.

Sufficient relevant data. Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

12. The following additional general Standards for all Consulting Services are promulgated to address the distinctive nature of Consulting Services in which the understanding with the client may establish valid limitations on the practitioner's performance of service. These Standards are established under the IMC USA/MSPC/AMCF Codes of Ethics.

Client interest. Serve the client interest by seeking to accomplish the objectives established by the understanding with the client while maintaining integrity and objectivity.¹

Understanding with client. Establish with the client a written or oral understanding about the responsibilities of the parties and the nature,

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scope, and limitations of services to be performed, and modify the understanding if circumstances require a significant change during the engagement.

Communication with client. Inform the client of (a) conflicts of interest that may occur pursuant to the IMC USA/AMCF/MSPC Code of Ethics (b) significant reservations concerning the scope or benefits of the engagement, and (c) significant engagement findings or events.

13. Professional judgment must be used in applying Statements of Standards for Management Consulting Services in a specific instance since the oral or written understanding with the client may establish constraints within which services are to be provided. For example, the understanding with the client may limit the practitioner's effort with regard to gathering relevant data. The practitioner is not required to decline or withdraw from a consulting engagement when the agreed-upon scope of services includes such limitations.

Effective Date

14. **SSMCS** is effective June 2, 2004 by adoption of the Board of Directors of the Midwest Society of Professional Consultants – MSPC. Originally contributed by John. N. Chapin, Jr. CMC, FMIC

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He joined Coopers & Lybrand in 1979, following 20 years in the computer industry, most of that time with the IBM Corporation. Hired to start the Cooper's Litigation & Claims Services practice in Chicago and the Midwest, he formed *CHAPIN Associates Ltd*, in 1998, after reaching the mandatory retirement age for partners at Coopers & Lybrand LLP, now merged as PricewaterhouseCoopers LLP.

He is a Certified Management Consultant (CMC), served the profession as National Chairman (1994-1996) of The Institute of Management Consultants USA, Inc. (IMC USA) as well as National Co-chair of the Council of Consulting Organizations, Inc. He was elected a Fellow of IMC USA in 1996.

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Jack attended DePauw University and received a BSBA and MBA from the John M. Olin School of Business, Washington University in St. Louis. He attended the Advanced Institute of Banking and Finance at Rutgers, the State University of New Jersey. His website is www.chapinassociatesltd.com.

“Integrity requires the practitioner to be, among other things, honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. *Integrity* can accommodate the inadvertent error and the honest difference of opinion; it cannot accommodate deceit or subordination of principle.”

“Objectivity is a state of mind, a quality that lends value to a member’s services. It is a distinguishing feature of the profession. The principle of *objectivity* imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.”

“Independence precludes relationships that may appear to impair a member’s objectivity in rendering services.”

“A conflict of interest may occur if a member performs a professional service for a client or employer and the member or his firm has a significant relationship with another person, entity, product, or service that could be viewed as impairing the practitioner’s objectivity. If this significant relationship is disclosed and consent is obtained from such client, employer, or other appropriate parties, the practitioner shall not be prohibited from the performance of the professional service.”