

Available online at www.sciencedirect.com**SciVerse ScienceDirect**

Procedia - Social and Behavioral Sciences 84 (2013) 1740 – 1744

Procedia
Social and Behavioral Sciences

3rd World Conference on Psychology, Counselling and Guidance (WCPCG-2012)

Ethical Principles in Consulting

Zhanna Mingaleva^a*^a State National Research Polytechnic University of Perm, 29, Komsomolsky Av., Perm, 614000, Russia

Abstract

The aim of the paper is to analyze the basic ethic principles in consulting. The primary method of research is the panel survey of business leaders and managers of consulting firms. By means of panel survey different approaches to the principles of business consulting were revealed. The empirical results of the paper show that trust is the main ethic principle in consulting.

© 2013 The Authors. Published by Elsevier Ltd. Open access under [CC BY-NC-ND license](https://creativecommons.org/licenses/by-nc-nd/4.0/).

Selection and peer-review under responsibility of Prof. Dr. Huseyin Uzunboylu & Dr. Mukaddes Demirok, Near East University, Cyprus

Keywords: Consulting, ethical principles, trust, economic development;

1. Introduction

The permanent search for new ways and approaches in creating and developing effective system of management is necessary for all enterprises and firms willing to be competitive. Specialist in management consulting plays an important role in this process.

Consulting can be characterized as a kind of help to directors and managers of enterprises in development of complex and system decisions of functioning problems and in development of business. Consulting can be characterized as a kind of help to directors and managers of enterprises in developing complex and system decisions for business functioning and developing in problem situations. Consulting represents consultation of the enterprises on the matters of economic activities. Quality of consulting services depends on how the diagnostics of a research object was precisely carried out. Diagnostics allows to estimate approachability of the purpose of the consultation fixed in the diagnosis of a problem. An adviser service corresponds to the service of a doctor whose correctly put diagnosis ensures efficiency of treatment.

Consulting is carried out in the field of activity in which the ethical code is simply necessary. The basic ethical standard for the adviser means not to abuse the trust of the client. Only trusting the adviser the director can tell him about the problems in business and will allow him to use confidential information of the enterprise and will follow the recommendations.

The market of management consulting is developing in Perm region (Russia). Perm consulting companies serve mainly middle and small business. Large industrial enterprises usually work with famous specialists-advisers from Moscow and world leaders – the firms of "Big Five": Price Waterhouse & Coopers, Ernst & Young, KPMG, Deloitte & Touche, Arthur Andersen.

* Corresponding author name. Tel.: +7-902-833-5559

E-mail address: mingall@psu.ru

The existing situation in a regional consulting market can be explained by the absence of trust to the local advisers and their attitude to the ethical principles in consulting.

2. The development of management consulting in Russia

Consulting is carried out in the field of activity in which the ethical code is simply necessary. The basic ethical standard for the adviser means not to abuse the trust of the client. Only trusting the adviser the director can tell him about the problems in business and will allow him to use confidential information of the enterprise and will follow the recommendations. The person in whom confidence is reposed must not only act honestly, but exercise diligence and skill (Nocton v. Lord Ashburton, 1914).

The obligation of confidence refers to the category of the implied terms. Implied terms may be divided into three groups. The first consists of terms implied in fact, that is, terms which were not expressly set out in the contract, but which the parties must have intended to include. The second consists of terms implied in law, that is, terms imported by operation of law, although the parties may not have intended to include them. The third consists of terms implied by custom (Treitel, 1999).

When consulting with colleagues, (1) advisers must not share confidential information that reasonably could lead to the identification of a client or other person or organization with whom they have a confidential relationship unless they have obtained the prior consent of the person or organization or the disclosure cannot be avoided, and (2) they share information only to the extent necessary to achieve the purposes of the consultation.

The duty to keep confidentiality may be more extensive than merely to refrain from making negligent misstatements without reasonable care, and may impose upon the party in whom confidence is reposed an obligation to disclose to the other party confidential information or to provide an adequate explanation of the contract into which the other party is about to enter contract. Breach of confidence in equity will entitle the innocent party to rescind the contract or transaction, to be restored to the pre-contractual position, and to recover any profit made by the other party as a result of the breach (Breatson J., 1998)

3. Methodology

3.1. Conceptual Model

The conceptual model of this study is mainly based on the theories of ethical behavior in business (Beauchamp and Bowie, 1988, Braybrooke, 1983, Donaldson and Werhane, 1988, Hoffman and Moore, 1984, 1990, Nash, 1984, Friedman, 1990, Manuel, 1988, Patten, 1984, Treitel, 1999). This paper is based on the results of the research of ethical business and consulting in Russia made by Zhanna Mingaleva (Mingaleva, 2004, 2005a, 2005b).

3.2. The Method of research

The primary method of research is the panel survey of business leaders and managers of consulting firms. By means of panel survey different approaches to the principles of business consulting were revealed.

3.3. Firms selection and field procedures

The questionnaire of panel survey was conducted from April to September 2011 among the different firms of Perm Kray (Perm region).

The aim of the panel survey was the identification of the main problems in consulting market formation in Perm region. Moreover, its impact on activities of different economic agents, such as large (big) industrial enterprises, small and medium business, banking and financial sector, institutional investors and etc., was analyzed. There have been identified main directions and dynamic of spreading experience of participation in consulting activities in the Region to create better opportunities for the firms development, investment possibilities and competitive advantages

in Perm Kray. Through the panel survey, questionnaires were spread among top managers, such as directors, main engineers, main managers, deputy directors in financing etc., and among consultants – managers of consulting firms and professional consultants (advisers).

Panel surveys were conducted on more than 50 consulting firms (about 200 persons), and 120 enterprises of the region (about 350 persons), from different industries, forms of property, quantity of employers of Perm Region economy, including town-founded enterprises (see Table 1).

Table 1. Core business and Sampled Enterprise (Firms)

Core business	% sampled
Production	67,25
Retail	9,12
Construction	8,47
Services	6,65
Tourism	2,26
Banks	1,67
Other	4,58
Total	100

The data was obtained through a survey with managers/directors from each company, whose scope of work is directly related to management and consulting process. The interview composed by the following items:

- Description of the reasons for the applying to the management consultant
- Characteristics of consulting process
- The main problems of consulting
- List of indicators

3.4. Data analysis procedures

The metrics were placed in the framework in order to obtain a systemic view of the indicators. Subsequently there was made a comparison between the framework and the data obtained on questions 1 (the importance of ethical behavior in consulting) and 2 (durability of client relationship). From this comparison it was possible to diagnose the use of the metrics and their usefulness to meet the demands of the firms.

4. The results of the survey

The sum variable indicator of ethical behavior in consulting was measured within ten statements. They range from 1 to 10 (1 - totally disagree; 10 - totally agree). This indicators represent different aspects of ethical behavior of the adviser. The results of survey are presented in Table 2.

Table 2. The indicators of ethical principles in consulting

Statements	Observed maximum	Observed minimum	Means	Standard Deviation of Items
Trust as the value of management's consultant	10	3	8,46	1,46
Ethical principal is an important value of consulting	10	3	8,95	1,32
The quality of consulting services is an important value of consulting firm	10	3	7.35	1.91
Cooperation of the clients is an important value of management's consultant	10	1	6.48	2.64
Client-orientation is the necessary principle of consulting	10	2	6.41	1.99
Durability of client (customer) relationship is an important value of consulting	10	2	6.35	2.76

The panel survey also included the following questionnaires:

1. Do you adhere to ethical standards while working with clients (towards others).

2. Do clients adhere to ethical standards while working with you (towards themselves).
3. Do you adhere to ethical standards while working with management advisers (towards others).
4. Do management advisers adhere to ethical standards while working with you (towards themselves).

Table 3 demonstrates the way management advisers and clients adhere to ethical standards.

Table 3. Adhering of ethical standards by management advisers and clients

Use of ethical principles in practice	Consulting firms		Clients of consulting firms	
	towards others	towards themselves	towards others	towards themselves
Always	21	16	18	15
Often	26	22	37	31
Sometimes	53	62	45	66
Total	100	100	100	100

Table 3 demonstrates that only 47% of management advisers and 55% clients keep confidentiality and ethical principles and standards.

Ethics of adviser's behavior is very important. The basic ethical standard for the adviser means not to abuse the trust of the client.

The revealed ethic problems of management consulting can be divided into 3 groups:

- 1) the problems of cooperation between advisers;
- 2) the behavior problems of advisers and their attitude to the ethic principles;
- 3) the behavior problems of the clients.

Any breach of ethical principles leads to negative and destructive consequences. As a result the client doesn't receive real help from the adviser. Professional credibility of management consulting firms decreases.

The absence of new management ideas and management decisions leads to stagnation and bankruptcy.

The main breaches of ethical principles are:

- 1) Dishonesty. The management consultant often promises to solve the problems, that they cannot solve or the problems that have no solutions.
- 2) The lack of individual approach. Management consultants in this case use typical, template documents and decisions and don't take into account the concrete economic situation of the enterprise.
- 3) Breach of confidence. Some management advisers use the received confidential information in the interest of their competitors or disclose the information.

Adhering to ethical standards by management advisers influences upon durability of client relationship.

The correlations were calculated for durability of client relationship between management advisers and their clients (see table 4).

Table 4. Correlations Coefficients between Ethical Principles in Consulting and Durability of client relationship (DCR)

Variable	DCR correlation coefficient
Ethics of behavior of the adviser	.252*
Trust between the adviser and client	.231*

*= significance level 0.05

The table 4 shows that durability of client relationship depends on the adviser's ethics of behavior as well as trust between the adviser and client.

5. Conclusion

Consulting is carried to a field of activity in which the ethical code is simply necessary. The basic ethical standard for the adviser means not to abuse the trust of the client.

The adviser's ethics of behavior is very important.

Large enterprises do not trust regional management advisers. All economic agents require respect for confidentiality from other economic agents and management consultants. But only 47% of management advisers and 52% clients keep confidentiality.

Acknowledgements

This paper is based on the results of the research made by Zhanna Mingaleva as a team leader of research project of Russian Public Science Foundation (Grant № 11-32-00207a1) and a team leader of research project of Ministry of Education and Science of Russian Federation (Research № 6.6042.2011)..

References

- Beauchamp, T. L., & Bowie, N. E. (Eds). (1988). *Ethical Theory and business*. Englewood-Cliffs, Prentice-Hall.
- Braybrooke, D. (1983). *Ethics in the World of Business*. New York: Rowman and Allanhead.
- Breatson, J. (1998). *Anson's Law of Contract*. (27th ed.). Oxford University Press, 261.
- Donaldson, T., & Werhane, P. H. (Eds). (1988). *Ethical Issues in Business: a Philosophical Approach*. Prentice-Hall.
- Friedman, M. (1990). The Social Responsibility of Business is to Increase its Profits. In W. M. Hoffman, & J. M. Moore (Eds). *Business Ethics: Readings and Cases in Corporate Morality*. New York, 153.
- Hoffman, W. M., & Moore, J. M. (Eds). (1990). *Business Ethics: Readings and Cases in Corporate Morality*. New York: McGraw-Hill.
- Hoffman, W. M., & Moore, J. M. (Eds). (1984). *Corporate Governance and Institutionalizing Ethics*. Lexington: Lexington Books.
- Manuel, G. V. (1988). *Business ethics: Concepts and Cases*. Prentice-Hall.
- Mingaleva, Zh. A. (2004). Ethical aspects of Intellectual Activities Results Use in Business. In *Lad rynkowy a Lad moralny*. Gdańsk. Politechnika Gdanska, 107-111.
- Mingaleva, Zh. A., & Hakimova, E. R. (2005a). Ethical aspects of protection of creative technologies in advertising activity in the modern conditions. In *Z zagadnień filozofii zarządzania I etyki biznesu*. Gdańsk. Politechnika Gdanska, 161-166.
- Mingaleva, Zh. A., & Vasenina, M. A. (2005b). Advertising in consulting: ethical and effective. In *Z zagadnień filozofii zarządzania I etyki biznesu*. Gdańsk. Politechnika Gdanska, 167-170.
- Nash, L. (1990). *Good Intention Aside: a Manager's Guide to Resolving Ethical Problems*. Cambridge (Mass.).
- Nocton v. Lord Ashburton (1914). A.C. 932, per Viscount Haldane at p.932.
- Patten, J. (1984). The business of ethics and the ethics of business. *Journal of business*, 3.
- Treitel, G. (1999). *The Law of Contract*. (10th ed.). London: Sweet & Maxwell Press, 183.