

IMC Answers to questions on notice to the Inquiry into the management and assurance of integrity by consulting services

FINANCE AND PUBLIC ADMINISTRATION REFERENCES COMMITTEE MANAGEMENT AND ASSURANCE OF INTEGRITY BY CONSULTING SERVICES (CONSULTING SERVICES)

ANSWERS TO QUESTIONS ON NOTICE
BY THE INSTITUTE OF MANAGEMENT CONSULTANTS

SUBMITTED UNDER THE AUTHORITY OF THE BOARD OF THE INSTITUTE OF MANAGEMENT CONSULTANTS ON 10 JULY 2023 BY:

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ANSWERS TO QUESTIONS ON NOTICE

QUESTION

Senator O'NEILL: *Could you provide, on notice, a list of any consultants over whom you do have jurisdiction that you've referred to any other entity over the last five years?*

(In reference to actions that can be taken against members subject to Institute of Management Consultants' disciplinary proceedings.)

ANSWER

Clause 18 of the Constitution of the Institute of Management Consultants deals with Disciplining members. In reference to Clause 18.4 (e) the Directors, who are responsible for managing and directing activities, may:

"refer the decision to an unbiased, independent person on conditions that the directors consider appropriate (however, the person can only make a decision that the directors could have made under this clause)"

No consultants over whom we have jurisdiction, being members of the Institute of Management Consultants and subject to disciplinary proceedings, have been referred to any other entity during the last five years.

QUESTION

Senator O'NEILL: *Could you provide a list of the qualifications they have to have, and the professional bodies they need to belong to, to be able to operate in Australia?*

(In reference to the qualifications and professional competency for being considered and assessed and authorised to use the designation CMC - Certified Management Consultant)

ANSWER

A candidate for assessment as a Certified Management Consultant of the Institute of Management Consultants is required to have the following management consulting experience and professional qualifications:

1. Be a Full Member (MIMC) of the Institute of Management Consultants as prescribed in the Membership By-Laws; **and**,
2. At least three years of full-time management consulting experience in providing management consulting services in at least one functional expertise listed in Clause 2.2 of the IMC Membership By-Laws; **and**,
3. A recognised degree, equivalent to AQF qualification level 7 or higher, from a University or other tertiary educational institution, **or** at least eight years of experience in providing management consulting services in the last ten years as a management consultant; **and**,
4. Is working as a full-time management consultant providing management consulting services for at least 1,200 hours per year; **and**,

5. Is the owner **or** an employee of a management consulting service provider **or** an internal consultant providing management consulting services in an organisation, **and**,
6. Demonstrate competency in the CMC Competency Framework, and a commitment to continuing professional development activities equivalent to 60 points each three years in competencies including Business Insight and Aptitude, Practice Capabilities, Consultative Behaviour and Ethics and Professional Conduct; **and**,
7. Demonstrate a thorough knowledge of and commitment to the IMC Code of Ethics and Professional Conduct **and** accept the Code by signing a declaration to that effect.

In addition, before applying to be certified as a Certified Management Consultant candidates are required to have completed training in the application of the Guidelines for Management Consultancy Services (ISO 20700:2017) and in particular the use of Self-Declaration Checklists to build and reach an agreement between the consultant and the client on the services to be provided.

Certified Management Consultants are required to commit to recertification every three years.

For clarity and completeness, the Institute of Management Consultants does not have any authority to regulate the behaviour of a management consultant who is not a member of the Institute of Management Consultants and who does not have the required qualifications or the relevant experience in management consulting to comply with the Membership ByLaws and IMC Code of Ethics and Professional Conduct.

QUESTION

Senator O'NEILL: *On notice, if you have information, could you provide what you estimate to be the number of people calling themselves consultants who have no oversight body looking after them in any way at all? Do you have any insight into that?*

In reference to other consultants where behaviour is not regulated by any organisation.

ANSWER

The IBIS World Report on Management Consulting In Australia published in March 2023 presents Key Statistics of the industry as of March 2023 which include:

- \$US47.3 billion in Revenue
- 94,833 Businesses
- 168,000 Employment
- The major players are Ernst & Young, Deloitte Touche Tomatsu, PwC Australia, and KPMG
- 86.3% of Revenue is generated by management consulting firms **other than** the major players

IBIS World segments the management consulting industry into either financial, strategy, operations, human resources or sustainability consulting.

The International Council of Management Consulting Institutes utilises data from the Source Global Research (SGR) global professional services data model, originally a model focused on the management consulting market, to estimate the size of the management consulting sector by country with a specific focus on those countries where there is a national Institute of Management Consultants. SGR data is considered a more reliable indicator of the professional management consulting market as it excludes activities that are not management consulting services, such as services performed by expert contractors or out workers engaged to perform specific job roles.

SGR data for the value of management consulting services performed in selected nations in 2020 and 2022 is shown below (in US\$m):

	2020	2022
Australia	\$5,936	\$8,969
Canada	\$5,289	\$7,774
China	\$13,606	\$18,309
Japan	\$4,527	\$7,033
United Kingdom	\$17,615	\$27,353
United States	\$89,812	\$137,511

In addition, there is a significant difference in the number of businesses registered as management consulting businesses when compared to the IBIS World data. An analysis of the Australian Business Register (ABR) in July 2021 recorded the number of “Management Advisory and Related Consulting Services (69629)” businesses to be **29,189**. (In contrast, IBIS World estimated this as 94,833 businesses. The approximate number of 90,000 is referred to in the Committee Hansard for Wednesday 7 June 2023 on pages 3 and 4). However, it is understood that the ABR of management consultants includes management consulting partners of accounting and consulting partnerships registered as individual businesses.

The Australian Bureau of Statistics 2021 Census for managers and professionals working in the Management Advice and Related Consulting Services occupation records the number of people as 55,027.

Management consultants may also be members of other professional bodies which may regulate their behaviour including the Australian Computer Society, Chartered Accountants ANZ, CPA Australia, Engineers Australia, and Law Societies through their codes of professional conduct.

However, these codes of professional conduct may not address all of the elements of the Institute of Management Consultants Code of Ethics and Professional Conduct which specifically addresses management consulting competencies aligned to the ICMCI Competency Framework.

QUESTION

CHAIR: Off the back of the questions Senator O'Neill asked, of the big four or, as you have said, the big seven and the three, are any of those engaged with your organisation as a mechanism to demonstrate that they are operating in a certain manner, including ethically with a certification process? Are any of them? ...I might ask you to take notice to provide advice if any of them are, so that we can just clarify that for the purposes of the committee.

ANSWER

We have accessed archived information and interviewed previous leaders of the Institute of Management Consultants to understand the relationship with the major accounting and management consulting practices.

In 1999 and 2000, membership in the Institute of Management Consultants was 1,206 and 1,208 respectively following ten years of growth when membership grew by 259%. In the following ten years, membership declined by 55%.

Consultants of the major accounting and consulting firms in 2000 were 9% to 11% of Institute of Management Consultants members. Major accounting and consulting firms represented at that time included Deloitte, Coopers & Lybrand, Price Waterhouse, Ernst & Young, KPMG, and Anderson Consulting. In total, there were over 100 consultants from major firms who were Institute of Management Consultants members. The total number of Coopers & Lybrand and Price Waterhouse members was 38.

In 2001, the International Council of Management Consulting Institutes (ICMCI) held its eighth Biennial Congress in Sydney which was sponsored by Price Waterhouse Coopers as it was then known. Conference materials included proposed assessment standards for awarding Certified Management Consultant and the ICMCI Code of Professional Conduct to be adopted by the Congress. However, many of the major accounting and consulting firms, including Price Waterhouse Coopers, preferred to self-manage their professional conduct rather than abide by the proposed Code of Professional Conduct and Certification of Management Consultants and withdrew from the Congress. Further attempts to engage with the major accounting and consulting firms were unsuccessful. Many of their management consultants then relinquished their membership of the Institute of Management Consultants.

The Code of Professional Conduct proposed in 2001 is the primary content for the Code of Ethics and Professional Conduct that applies to members of the Institute of Management Consultants in Australia.

As noted in answer to a previous question, there are presently no Institute of Management Consultants members who are management consultants from major accounting or consulting firms.

Our evidence is that in the previous 10 years, there have been two disciplinary hearings, in 2014 and 2015, involving breaches by members of the Institute of Management Consultants Code of Ethics and Professional Conduct.

In our submission and our statement to the Committee, the Institute of Management Consultants has proposed:

- I. The adoption of ISO 20700:2017 Guidelines for the delivery of management consulting services;
- II. the adoption of the Institute of Management Consultants Code of Ethics and Professional Conduct;

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- III. The recognition of Certified Management Consultant (CMC) as a foundation for ensuring the integrity, transparency, accountability and effectiveness of consulting services provided to the Australian Government; and,
- IV. To respond and provide further information as requested by the Senate inquiry into the management and assurance of integrity by management consulting services

The Australian Government, its taxpayers and the beneficiaries of government services deserve the very best value from the management consulting services that professional management consultants can provide.

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This concludes our Responses to Questions on Notice
