

Institute of Management Consultants—USA

Understanding the Code of Ethics and Professional Conduct

The objective of this Code of Ethics interpretive (COE-I) is to provide IMC members with a better understanding of the IMC Code of Ethics and Professional Conduct (the COE) and a richer view of what it means, both to them and to their firms. This version retains the original text developed in 2001 by authors Jacobsen, Shays, and Sharp, but updated to reflect the evolution of the COE. Numerous “cases in point” have also been added to provide realistic examples of the points made in the related sections of this document. Astute readers may observe that some of the cases described in connection with specific sections of this document could be used equally well as examples for one or more other sections. This is not accidental; rather, it illustrates the complexity of ethical issues in today’s consulting practice.

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Editors

Stewart A. Washburn, CMC, FIMC
Kenneth S. Goldstein, PE, CMC

Editorial Assistance

Charles E. Day, CMC, FIMC
Eugene A. Razzetti, CMC

Authors

Ian C. Jacobsen, CMC, FIMC
E. Michael Shays, CMC, FIMC
Linda Sharp, CMC
Kenneth S. Goldstein, PE, CMC

Other Contributors

Gerald A. Turner, Ph.D, CMC
Michael Andries, CMC

Definitions

Client

The term “**client**” has several dimensions. Generally, “client” refers to the person or body of people (owner, board of directors, executive, etc.) who has/have ultimate responsibility for the organization (or components of the organization) for whom you are consulting as well as to the organization itself. Frequently you may consult with a representative of the client (who, as discussed below, may be referred to as the **sponsor** of the engagement), but who does not have ultimate responsibility for the organization. As used here, the term, “client,” also includes prospective clients.

In a broader sense, however, “client” applies not only to the person who engages your services but also to the people in the organization with whom you work, and even the organization. Each has a different role in relation to your engagement:

Organization

The **organization** is your ultimate client in that you have a fiduciary and ethical responsibility to watch out for its best interests. From an ethical standpoint, your responsibility to the organization overshadows your responsibility to the decision maker and the client team when you have credible knowledge of wrong-doing (illegal or criminal activity), or when you are dealing with interests

detrimental to the organization (actions to advance personal interests at the expense of the organization, or activity that creates a liability of misconduct for the organization).

When you discover wrongdoing or actions detrimental to the organization, inform your decision maker client. If he or she is involved, then bring the situation to the attention of the next level of management. If that level of management is also involved, proceed to a level where someone takes responsibility for dealing with the situation. For illegal or criminal acts this may involve ultimately going to the proper governmental authorities.

Decision Maker

The **decision maker** (buyer) is the person with the authority to act on behalf of the organization to commit its resources for the purpose of your engagement, and to whom you are usually accountable for results.

The decision maker is often the project **sponsor**; especially in larger organizations, however, the role of sponsor may be delegated to a subordinate. While the decision maker is usually an individual, it may also be a body of people, such as the board of directors, a steering committee, or a task force.

Client team

“Client team” refers to the group of people with whom you work in the organization to fulfill the purpose of your engagement. Client team members are frequently stakeholders – those who will benefit from the engagement as well as play a role in determining the success of your engagement. The decision maker may also be part of the client team.

You or Member

As used in this COE-I, the terms **“Member”** and **“you”** refer to members of the Institute of Management Consultants.

Your team

“Your team” means the group of people who work with you on a consulting engagement, including other people from your firm, alliance partners, or other consultants with whom you contract to complete a consulting engagement, but excluding client personnel. You need to be particularly aware of this distinction when participating in blended or cross-functional teams in which you and your consultant associates act as participants rather than as facilitators.

Disclaimer

All names of individuals, companies, and locations in subsequent COE-I case studies and details of the incidents described are fictitious or have been materially altered. No reference to actual people, companies, or events is intended or should be inferred.

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1.0 CLIENTS – SERVING CLIENTS

I will serve my clients with integrity, competence and objectivity, and professionalism and will place the best interests of the client's organization and public welfare above all others.

WHAT THIS MEANS:

- 1.1 What is best for your clients must be your paramount concern in every assignment. By serving your clients well you should do well. If you are not able to put your client's needs first, then you should refuse or withdraw from the assignment.
- 1.2 Do not promote services, accept engagements, conduct work, or provide advice to your clients that is in any way to your advantage or potential advantage while to your client's actual or potential disadvantage. Avoid the temptation to create a more sophisticated solution to your client's problem than the client is prepared to implement.

Case in point

Reefer Refrigerated Freightways engaged ABC Consulting to advise on and design a highly-automated material handling system for their existing terminal facility. Initial estimates put the proposed system in the \$5 – 6 million range. A month into the project, ABC's project manager learned that Reefer planned to move to a new and much larger facility in three years. Subsequent analysis revealed that a less-elegant, semiautomatic system costing \$1.5 million would easily meet the company's needs for this period and recommended that alternative to its very pleased client.

- 1.3 Before undertaking assignments, make sure that you do not accept any terms or conditions that may affect your objectivity, such as a contingency fee based on short term results that could be detrimental to the best long-term interests of the client.
- 1.4 Do not accept or conduct work that is in the interest of any individual or group within your client's organization (e.g. specific managers, staff departments) if the work would, in any way, be detrimental to or not serve the best interests of the overall organization.
- 1.5 Do not accept or conduct work that is in the interest of any individual or group external to your client's organization (e.g. suppliers, special interest groups) if the work would, in any way, be detrimental or not serve the best interests of the overall organization.

Case in point

A municipal airport authority engaged Sky Blue Consulting and Design to recommend, design, and manage the installation of an automated transport system between the main terminal and a remote satellite. There were at least five candidate systems to be analyzed. Several weeks later, Jim Davis, a vice president of Amalgamated Airways, the principal tenant of the satellite terminal and a long-time Sky Blue client, invited Charles King, Sky Blue's president, to dinner to discuss a large new project Amalgamated was considering.

Over dessert, Davis casually mentioned that selection of a particular candidate in Sky Blue's current project would be especially beneficial to Amalgamated, and that such a recommendation

to the authority by Sky Blue “would be remembered” when the time came to award Amalgamated’s new project. Trying hard not to choke on his coffee – he knew that Sky Blue needed the new work – King replied that he would talk with Bob Rodgers, his project manager, and call Davis in the morning.

After learning that Amalgamated’s preference was indeed a likely candidate, King became concerned with the potential perception of impropriety if Davis’ preferred system was recommended. King then called Davis and suggested that they set up a meeting with the authority staff for Davis to make Amalgamated’s case, and “Bob Rodgers and I will go with you to answer any questions.”

- 1.6 Always provide objective and independent advice. Do not allow your objectivity and independence to be influenced by any individual or group either within or external to your client’s organization. Conduct yourself professionally and do not allow personal feelings of animosity or attachment to compromise your objectivity.
- 1.7 Represent yourself truthfully. Do not attempt to deceive prospective clients about your qualifications in order to secure an assignment. Avoid misleading advertising, pressure tactics, or other unprofessional methods of obtaining business.

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2.0 CLIENTS – EXPECTATIONS

I will mutually establish with my clients realistic expectations of the benefits and results of my services.

WHAT THIS MEANS:

- 2.1 Do not guarantee specific quantitative results that are beyond your direct control to deliver (e.g., a 20% reduction in overhead expense, a 15% increase in profitability, etc.). You may provide general estimates based on your professional experience, but always qualify that these are estimates dependent upon several factors (which should be identified), some of which may be outside the scope of the assignment.
- 2.2 If you believe that your client’s expectations are unreasonable, you must challenge them. Explain to the client his or her responsibilities and further actions needed to achieve the expected results. If you stand by silently, allowing your client to anticipate benefits that are not likely to result – or at least unlikely to result without further client commitment – you become a party to deception.
- 2.3 Define the context into which your proposal fits for meeting your client’s overall needs. Do not set your client up for surprises regarding additional work to achieve the agreed-to objective(s) of your proposal. If you anticipate the need for additional work beyond the assignment you are proposing, mention it as part of the context. However, you do not

need to outline it in detail so long as your current proposal will result in a stand-alone product of immediate value.

Case in point

Fred Turner’s High-Tech Advisors was hired by Middleton Construction to advise and represent Middleton in the selection of enterprise-wide construction management software. Turner’s recommendation to the contrary notwithstanding, Middleton selected Bulldozer B/3, a complex and difficult package that, in Turner’s opinion, far exceeded Middleton’s needs. But Turner’s protests fell on the deaf ears of Buster Rockwell, Middleton’s president. Rockwell’s eyes glazed over as he watched Bulldozer’s slick slide presentation, and he was enchanted by their carefully scripted demonstration, and (in Turner’s opinion), wildly optimistic claims. When Turner suggested that he might not submit a proposal for the Bulldozer B/3 implementation management, Rockwell exclaimed, “Fred, you can’t do that! I’m depending on you!”

The following week, Turner prepared and submitted, on behalf of High-Tech, baseline and alternate proposals for the Middleton project. The baseline proposal, for overseeing the Bulldozer implementation, carried an \$18 million price tag, forecasted a two-year project duration, and disclaimed any liability for the results. The alternate, a more reasonable proposal for an alternative software package, would be completed in far less time and for a fraction of the Bulldozer cost. Responding to Rockwell’s outburst after reading the proposal, Turner said, “It will cost you at least that much and take you at least that long to implement Bulldozer, and you still won’t be happy with the results. Buster, I’ve known you a long time, and I have no desire to participate in the destruction of your company! Now, are you ready to discuss that alternative proposal?”

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3.0 CLIENTS – EXPERIENCE AND COMPETENCE FOR ENGAGEMENTS

I will only accept assignments for which I possess the requisite experience and competence to perform and will only assign staff or engage colleagues with the knowledge and expertise needed to serve my clients effectively.

WHAT THIS MEANS

- 3.1 Only present yourself (or others on your consulting team) as qualified to conduct an assignment if you have both the relevant education and practical experience to do so. If you only have general experience, and specific experience is not required, you may present yourself as having general experience.
- 3.2 Be forthright about the level of experience you and your consulting team have for an assignment that you have been asked to perform. Communicate to the client your relevant qualifications and those of other management consultants assigned to the engagement in a consulting capacity. You do not need to communicate the qualifications of people who will work behind the scenes as support to the engagement.

- 3.3 Do not represent to a client that a particular consultant will have a critical role in an engagement and then reassign that role to others. (No “bait and switch.”)

Case in point

It’s always great to please a long-term client like SalesLeader, thought Jim Fix, FullHouse Consulting’s resource partner. Fix had recently closed a \$700,000 consulting deal with SalesLeader by agreeing to assign Mark Trader as FullHouse’s program manager. Trader knew SalesLeader from a successful previous project and had developed a great rapport with their COO. Fix was just glad that Trader was available. But his euphoria evaporated minutes later when Clyde Rashley, FullHouse’s managing partner, blew through his office door like a tornado. “Jim, I’m about to land the deal of the year – a \$2.5 million engagement with Jack Queen at SmallMart Corp! And Mark Trader’s going to run the program!”

“Clyde, you can’t have him,” said Fix. “Mark is committed at SalesLeader for another nine months. SalesLeader is a long-time and valued client, and it would be unethical to yank Mark out of there, regardless of who the client is. That kind of treatment would get around like wildfire, and think what that would do to our reputation.” As Rashley sputtered apoplectically, Fix continued. “Clyde, let me talk with Mr. Queen and take the heat off you. Bill Dollar will be available in two weeks, and he’s more experienced than Trader in SmallMart’s industry. I think that’s a solution that Queen will accept.” Rashley slammed the door as he stalked out and Fix reached for the phone. Fix explained the situation, took the blame for the mix-up, and pointed out that Queen would be justifiably upset if Fix arbitrarily replaced their PM in the middle of a SmallMart project. After meeting Bill Dollar for dinner the next night, Queen called Fix. “Okay, Jim, it’s a deal – and I expect that you’ll treat us as fairly as your other clients.”

- 3.4. In addition to being responsible for your own advice and actions, ensure that any and all management consultants who work under your leadership understand and comply with the Code, whether or not they are members.

Case in point

Like many independent consultants, Bill Goldman occasionally encounters an engagement on which he wishes he could clone himself. Over the years, Goldman has built a card file of other independents with particular skills and business approaches similar to his. His subcontract agreement includes a copy of the IMC Code of Ethics, and he makes it clear that adherence to the Code is a condition of employment on his teams. “After all,” Goldman notes, “it’s my reputation at stake, and I’m liable to the client for my team’s performance.” Only once has Goldman had someone say they were uneasy about accepting his ethical practices requirement. Goldman thanked that consultant, wished him luck, and tore up the subcontract agreement – and later, removed the consultant’s card from his card file. “Life’s too short to work with people I can’t trust,” Goldman observes.

- 3.5 You are responsible for any breach of the Code of Ethics reported to the Institute with respect to any member of your consulting team. You will be liable for the same actions and consequences that would apply if you alone failed to comply with the Code.

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4.0 CLIENTS - CONFIRMING ENGAGEMENT UNDERSTANDING

Before accepting any engagement, I will ensure that I have worked with my clients to establish a mutual understanding of the objectives, scope, work plan, and fee arrangements.

WHAT THIS MEANS:

- 4.1 Make sure that your clients understand all the terms of reference for an assignment, such as:
- * Assignment objectives;
 - * Proposed work plan, along with the scope of the work, steps, milestones, and deliverables;
 - * What is excluded from the scope, as well as what is included;
 - * Timeline of steps, milestones, deliverables, and completion date;
 - * Names, relevant qualifications and roles and responsibilities of each consultant assigned and each client team member;
 - * Assumptions, if any, on which the contract is based;
 - * Fees (usually broken down by major step in the work plan); and,
 - * Billing arrangements including how all expenses, disbursements, and applicable taxes will be handled.
- 4.2 Postpone beginning an assignment until your client has indicated understanding and acceptance of the terms of your proposal.

Case in point

As Ken Gordon, owner of Gordon Business Consultants walked out of City Refrigeration Services' lobby, he thought about last week's luncheon with Jeff Edmunds, a computer systems supplier and long-time friend. Edmunds had mentioned that he was doing some work for City Refrigeration and had learned that City had broken off negotiations with another business consultant. The big hang-up, Edmunds thought, was a \$40,000 budget limit.

A few hours later, Gordon had arranged today's meeting with Bill LeGroan, City Refrigeration's CFO and acting general manager. The meeting had gone well, Gordon thought, as he reviewed his notes on the long list of changes LeGroan wanted to make, most of them right now. Going over the list the next morning, Gordon determined that LeGroan's wish list totaled more than \$70,000. Knowing the current budget, Gordon prepared and submitted a three-phase proposal, with the fee for the initial phase totaling \$37,500. Expecting a notice to proceed when he spoke to LeGroan several days later, Gordon was disappointed to hear LeGroan say that his

boss in Chicago was now telling him that he couldn't spend more than \$25,000. That night, Gordon retooled his proposal, shifting some tasks to later phases and eliminating others altogether – but arriving at a price of \$24,900.

Gordon was dumbfounded a week later when LeGroan told him that his boss wanted to add back two deleted tasks and drop the price to \$19,900 – and, by the way, could Ken start next Monday? It didn't take long for Gordon to realize and to tell LeGroan that it was unlikely they would ever reach agreement on scope or fee, and he was withdrawing his proposal

- 4.3 Make sure that none of your billing arrangements surprise your client.
- 4.4 If the conditions change during the course of the assignment, make sure that any corresponding impacts on fees, expenses, disbursements, taxes or billing arrangements are communicated to the client and agreed to.
- 4.5 On a fixed price contract, with no authorized change orders, do not reduce the consulting time for budget or time management purposes if, as a result, the quality of service will be below what was agreed to. Deliver what you promise for the promised fee, even if it costs more or takes longer.

Case in point

Moe Newby, a newly-minted supply chain consultant, was delighted to submit a fixed price proposal to MegaGear Manufacturing for a procurement department performance audit. With six years experience as a purchasing agent, Newby was sure he understood the company's requirements and proudly submitted his letter proposal to COO Chuck Press. It was only after he began the engagement and was a week into the project that Newby began to realize that the client's definition of the work and his expectations of the results were vastly different from Newby's – so much so that Newby estimated he was looking at 100 percent overruns in both time and cost. That's when he called Manny Winters, a CMC whom he had met at last month's IMC meeting.

Winters reviewed Newby's proposal and the information on which it was based, as well as his contract with MegaGear. There was no way to let Newby down easily. "Moe, you're in a heck of a mess: you didn't do any due diligence, you didn't have agreement with your client on scope or expectations, and you have a fixed-price contract with no change order clause. Your best chance is to level with Chuck Press and pray that you can talk him into an equitable adjustment of the contract. Otherwise, you are obligated to properly complete what you promised to do." Newby asked for and got a meeting with Press the following day. After a difficult two hours, Press acknowledged that he knew Newby was in trouble and had been expecting this meeting. Because he had received good reports on Newby's work so far, Press agreed to split the difference between the contract value and Newby's estimate at completion. That project provided a lesson Newby never forgot.

- 4.6 If senior level consulting involvement was used to sell an engagement, deliver what the client expects to get, even if it costs more. (No "bait and switch.")

Good professional practice would imply that most of the above would be committed to writing, but this is not an ethical issue so long as your client fully understands the arrangements.

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5.0 CLIENTS - CONFIDENTIALITY

I will treat appropriately all confidential client information that is not public knowledge, take reasonable steps to prevent it from access by unauthorized people, and will not take advantage of proprietary or privileged information, either for use by myself, the client's firm, or another client, without the client's permission.

WHAT THIS MEANS:

- 5.1 Encourage your clients to classify sensitive information as such. If they don't, you must treat any and all information obtained from a client as confidential, unless it can be obtained through public inquiry or was already known to you before the assignment.
- 5.2 Do not disclose any confidential client information without the specific consent of your client. The exception may be disclosure to other members of your consulting team, provided that you can be assured your team member(s) will also respect the confidentiality of the information.

Case in point

Tara Peterson's TOP Consultants had been engaged by the Keystone Investment Group to provide due diligence on proposed leases for its investment property acquisitions. For business and personal reasons, Keystone is highly secretive – so much so that Peterson's contract with Keystone even prohibits her from disclosing the group name. Following a year of numerous assignments for Keystone, Peterson wanted to be able to include this client in her marketing portfolio. After considerable thought, Peterson crafted a carefully-worded success story that described her contributions and their value to the client's business without revealing the client's name or details of her services. To be certain, however, she e-mailed a copy of the draft release to her sponsor, requesting his written consent – and a quotable endorsement. She received both.

- 5.3 Store confidential information in such a fashion that, through diligence and normally accepted administrative practices, you are assured of its security. If, for example, information is stored on electronic or magnetic media (tapes, discs, CDs, removable hard drives, etc.), you and anyone authorized to access it must at all times know the location of such media, including back-up material. Any and all printed notes, drafts and reports must be destroyed or made unintelligible before being discarded.
- 5.4. If confidential client information that has been obtained by you is, at any time, exposed to unauthorized individuals, you must inform your client immediately and take appropriate action to protect your client's interests.

- 5.5 Upon termination of an assignment, offer to return to your client any and all sensitive material pertaining to the engagement. You may keep engagement files for future reference. Of course, any sensitive information retained should be safeguarded with the same security precautions as during the engagement.
- 5.6 Refrain from making public statements that may directly or indirectly lead to the disclosure of confidential client information.

Case in point

Franz Blauhardt, a communications expert with Moore Systems Consultants, could hardly believe his good fortune. Three months into a year-long engagement with Magnum Defense Industries, Blauhardt was working on cutting-edge security technology that was sure to enhance his stature at Moore Systems. Dining with two other Moore consultants and their wives at their favorite Italian ristorante one Friday night, Blauhardt couldn't resist bragging a bit on his work with Magnum as he sipped his third glass of chianti.

The following Tuesday, Blauhardt walked into a status meeting with Dave Cook, VP of Magnum's COMSEC Division, and was surprised to see a grim-faced Les Moore, his firm's CEO. Cook got right to the point. "Last Friday night, Franz, you were overheard discussing details of your project in an Italian restaurant. What you didn't know was that one of my managers was seated right across the booth divider from you. You didn't see him, but he heard every word you said and called me an hour later. Franz, your loose-lipped boasting included company trade secrets that you had no business discussing in public. We can't tolerate such breaches, so we must reluctantly terminate your engagement – and you're darned lucky that we didn't bring in the FBI." Then, it was Moore's turn, as he handed Blauhardt an envelope. "Franz, our firm can't afford to keep someone as unprofessional as you. This envelope contains your termination papers and your final check. We are also rescinding your security clearance." Blauhardt looked around in stunned silence as his career collapsed around him, and two guards entered to escort him out of the Magnum building.

- 5.7 The rules pertaining to confidential client information do not apply to exchange of information with a recognized investigative body or compliance with a validly issued and enforceable subpoena and summons.
- 5.8 Confidentiality does not extend to criminal or illegal activity that you discover in the course of an assignment. You have a legal and ethical obligation to report such findings to the next higher level of management or to the appropriate public agency (police, FBI, etc.) if the activity extends to your client's governing board. To avoid surprises and a sense of violated confidentiality, you need to make your client aware of this limitation on your confidentiality.

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6.0 CLIENTS – CONFLICTS OF INTEREST

I will avoid conflicts of interest or the appearance of such and will immediately disclose to the client circumstances or interests that I believe may influence my judgment or objectivity.

WHAT THIS MEANS:

- 6.1 Do not accept concurrent assignments for the same or similar projects with competitors of your clients, or with other organizations whose interests compete with your clients in the same market place, without the permission of all the organizations concerned. You may acquire general industry knowledge over the course of multiple client assignments and apply that to your continuing consulting activities, but you must be careful not to apply specifics designed for one client to those of a competitor without mutual permission.
- 6.2 Do not assist a client in unlawful or socially detrimental efforts. If you discover that an assignment you have accepted is unlawful or socially detrimental, withdraw from it. However, you may engage with a client that is performing to the detriment of society if the result of the assignment is to improve the client’s social responsibility.

Case in point

As he left the platform following his speech to an air quality symposium, a member of the audience approached environmental quality expert Dr. Tom Baker. The man introduced himself as Dusty Drier, the COO of a large cement manufacturing company. “We believe we are in compliance with federal air quality standards, but the government says our plants are still releasing too much particulate matter into the air.” This meeting led to a loosely defined assignment for Baker to consult with the cement company, ostensibly to help bring them into compliance. After nearly a year of improvement suggestions that were turned down by Drier as “too expensive” or “impairing production efficiency,” Baker began to suspect that the real reason for his contract was to serve as “window dressing” for the company to keep the federal inspectors at bay. Questioning Drier the following day, Baker interpreted Drier’s evasive replies as confirmation of his concerns. “Does the CEO know about this?” Baker asked. Drier retorted, “Who do you think suggested I hire you?” That afternoon, Dr. Baker notified the chairman of the board in writing, with copies to Drier and the CEO, that he was obligated to resign the engagement due to a professional conflict of interest.

- 6.3 Where payment to you by a party other than your client is possible, inform your client. For instance, if you are retained to recommend a vendor and the vendor will also pay you a commission, you must inform your client of this possibility in advance.
- 6.4 You need not disclose the details of affiliations with other consultants (such as strategic alliances, joint ventures, broker arrangements).

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7.0 ENGAGEMENTS – OFFER TO WITHDRAW

Members will offer to withdraw from a consulting engagement when their objectivity or integrity may be impaired.

WHAT THIS MEANS:

7.1 When events or circumstances arise that may affect your objectivity or perceived objectivity, or create a conflict of interest or the appearance of such, either:

- * Discuss the matter immediately with the client and attempt to rectify it, or
- * Withdraw from the assignment.

Case in point

Stan Fox, the president of NFP Development, called Keith Garber, an independent strategy and business process consultant, to talk him into doing some pro bono work for this not-for profit organization. Fox’s objective was to have Garber and three other consultants – themselves all members of NFP – plan and facilitate four focus group sessions for NFP’s membership. Fox’s expectation was that the information he wanted the focus groups to obtain would form the foundation of NFP’s organizational strategy for the next three years. With some misgivings, Garber agreed. That night, he called the other three facilitators and arranged a meeting for the four of them to set an agenda and plan the group sessions.

Before adjourning the meeting, Garber took a deep breath and said, “There is one more problem we need to resolve. We have a built-in conflict of interest: all four of us need to act as impartial facilitators in order to obtain the desired information from the membership. At the same time, however, we are part of that membership and have our own opinions to contribute. Is there an ethical way we can do that?” The team decided that two of the group would conduct each session as neutral facilitators. The remaining two would attend as back-up if required and, as members of the audience, were free to state their personal opinions. The team further agreed to advise each focus group audience of these self-imposed controls and to review them in advance with Stan Fox (who immediately approved them). In addition to meeting NFP’s objectives, the focus groups drew praise from many of the attendees as well as from Fox, who applauded the facilitators as “the most professional he had ever worked with.”

7.2 If you decide to withdraw from an assignment, offer to help your client locate a suitable replacement, and brief your replacement on the engagement to date.

Case in point

Kyle Whitehead has been engaged by the board of directors of a manufacturer to study top management. As the study neared completion, Jane Black, the president and a board member, called Whitehead to her office, instructed him as to what she expected the recommendations and findings to be, and directed him to come to that conclusion. Black added that she thought this might be considered a scope change, so she was planning to increase Whitehead’s contract amount by \$5,000.

After several seconds of silence, Whitehead replied, “Jane, as you know, one of the reasons your chairman selected me for this assignment was my reputation for impartiality. Had you and I had this conversation before the contract was signed, I would not have accepted the assignment. At this late stage of the engagement, your instruction and the accompanying bonus put me in a very uncomfortable position. Neither my firm nor I can accept your instruction. As I see it, there are two ethical alternatives: One, I continue the assignment as originally planned, for the agreed price, and will provide the same unbiased assessment that the board requested and expects; or two, I meet with the chairman and offer to withdraw from the engagement and find the board another consultant to finish the engagement. Which do you prefer?”

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8.0 CLIENTS – RECRUITING CLIENT’S STAFF

I will refrain from inviting an employee of an active or inactive client to consider alternative employment without prior discussion with the client.

What this means:

- 8.1 Do not try to recruit employees of your clients to join your firm, or another firm, without informing your clients in advance and securing their permission.
- 8.2 Do not encourage the employees of your clients to seek employment elsewhere without the client’s permission.
- 8.3 Where key performers indicate that they are unhappy and are considering leaving your client, help your client to recognize and better utilize their potential. For instance, if you can see that an employee could be of greater value in another assignment, suggest reassignment.

Case in point

Midway Consulting’s Mary Malarkey had just started her first cup of coffee of the morning when Jerry Nelson, the vice president of manufacturing and Malarkey’s consulting sponsor, knocked at the cubicle entry and walked in. After some small talk, Nelson began asking Malarkey about consulting opportunities at Midway. When Malarkey asked what this was all about, Nelson responded that “maybe it’s my version of a midlife crisis, but I’ve been thinking that it might be time to do something else...and I like the way your firm operates.” Malarkey tried to hide her excitement and talked enthusiastically about her firm.

That evening, Malarkey told Jack Daily, her managing director, of her conversation with Nelson, observing that Nelson would be a great addition to the firm. But she was unprepared for Daily’s brusque response: “Mary, you cannot continue this discussion with Jerry. It is both improper and unethical to be encouraging Nelson to leave the company, let alone for us to hire him. You should be suggesting that Jerry discuss his situation with his CEO. If you can’t do that, I’ll have to!”

- 8.4 You may provide reference information about an employee with whom you have worked in your client’s organization, so long as the employee approaches you. It is inappropriate for you to indicate a willingness to be a reference.

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9.0 FISCAL INTEGRITY – BASIS FOR FEES

I will agree in advance with a client on the basis for fees and expenses and will charge fees and expenses that are reasonable and commensurate with the services delivered and the responsibility accepted.

WHAT THIS MEANS:

- 9.1 Do not charge fees that may impair your objectivity. For instance, do not accept a fee arrangement that could provide you a bonus or contingency on the basis of recommendations not professionally and objectively reached.
- 9.2 If you are charging on the basis of time and materials and the assignment is completed for less than the maximum quoted amount, reduce the cost to your client appropriately.
- 9.3 If there is no authorized change order, do not charge in excess of the maximum fee quoted.

Case in point

Jackie Brown’s client, a county management office, has asked her to undertake an additional task beyond the scope of her current consulting engagement. The original agreement was for Jackie to provide a computer network and database system for school-based social services, and the work is nearly complete. The new task involves modifying and extending the database to include child protection services, foster care, and management of social workers. Although the county manager has requested that she start immediately, it is obvious to Jackie that this addition is a substantial change to her scope of work. Her first thought is to remember to thank her attorney for insisting that she include a change order provision in her standard contract. Jackie then sends an e-mail to the county manager advising him that she will estimate the work, prepare a change proposal, and meet with him to review the proposal on which he can base the county’s change order to her contract. Jackie notes that she will be prepared to begin this new work within three days following her receipt of the county’s signed change order.

- 9.4 On a fixed fee engagement with no authorized change order, deliver what you promised for the promised fee, even if it costs more or takes longer.
- 9.5 Value pricing is permitted so long as the fee is commensurate with the value delivered and responsibilities assumed in the engagement.

Case in point

When Dick Davies, a newly-independent consultant, called to invite his mentor, Ed Goodman, to lunch, Goodman agreed, saying, “Come to my office about 11:30.” As Davies walked into the office, Goodman’s phone rang. Goodman answered the call and soon signaled Davies that he needed to take it, so Davies went out to Goodman’s waiting room and picked up a magazine. Over lunch a half-hour later, Davies asked, “Ed, you were on the phone about 15 minutes with that client. Do you charge a client for a short call like that?”

“That depends,” Goodman answered. “In this case, yes – I’ll be sending him a bill for \$5,000.” Davies practically fell off his chair. “Wow! \$5,000 for a 15-minute call?” Goodman chuckled. “Suppose I charged by the hour, which I don’t – do you think fifty or a hundred dollars would be a more reasonable charge?” Before Davies could answer, Goodman continued, “That call was from the CEO of a billion dollar company, and the information I gave him will probably mean several million dollars of very profitable new business to him. He would consider that information a bargain at twice the price!”

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10.0 FISCAL INTEGRITY – DISCLOSURE

I will not accept commissions, remuneration, or other benefits from a third party in connection with recommendations to a client without that client’s prior knowledge and consent, and I will disclose in advance any financial interests in goods or services that form part of such recommendations.

WHAT THIS MEANS:

- 10.1 Disclose to your client any personal, professional, or other business interests that may jeopardize or call into question your client’s confidence in your integrity, objectivity or capacity to provide independence.

Case in point

Foster Smith of Tech-Weave Consultants has been a long-time consulting resource for Lightning Manufacturing Inc., a large manufacturer and integrator of complex engineered systems. Smith was recently engaged by Lightning to evaluate the suitability of potential off-the-shelf ERP systems for their adoption and implementation. Three weeks into the project, Smith had completed his assessment of Lightning’s requirements, developed an initial list of candidate systems, and begun to interview vendor representatives.

In his meeting today with Fred Forefinger of Trusty Systems, Fred stated that their own analysis indicated Trusty PRO was clearly the best choice to meet Lightning’s current and future requirements. Although he remained noncommittal, Foster was privately inclined to agree; of the four software vendors with whom he had met so far, Trusty certainly seemed to be a good choice. As he was leaving, Fred paused. “Foster, the Lightning project is really getting a lot of management attention at Trusty. I hope that you will recommend Trusty PRO as the preferred

ERP system for Lightning. If we win this project, there will be a \$10,000 finder's fee for you." Foster was dumfounded, but he maintained a fixed expression as he said goodbye to Fred.

While finders' fees can be both legal and ethical in some situations, it was increasingly apparent to Foster that this wasn't one of them. "What Fred proposed," Foster thought to himself, "is not a 'finder's fee.' It may be called a 'rebate' or a 'financial consideration', but it smells to me more like a bribe." Foster's initial inclination was to drop Trusty Systems from further consideration because of their seeming bribe. But, after meeting with the remaining two software providers and reviewing the capabilities of the systems, their providers, and the companies' fixed price bids, Trusty clearly came out on top.

In making his written recommendation of Trusty for the ERP system project, Foster disclosed to his client Fred's offer of the \$10,000 "finder's fee" and promised to pass on to Lightning Manufacturing any remuneration he might receive from Trusty in the event they were awarded the contract.

- 10.2 Do not accept a fee from both your client and a third party for a recommendation to your client.

Case in point

See the case in section 10.1.

- 10.3 When there is an expectation, concern or possibility that you might receive a benefit in addition to the fee from your client for your recommendations, be proactive. Assure your clients that neither you nor your firm will receive such a benefit.

Case in point

See the case in section 7.2.

- 10.4 Finder's fees paid for marketing and representing other consultants to clients are permitted. They do not need to be disclosed, so long as your client is not also paying you a fee for your referral or recommendations (no double dipping).

- 10.5 Any marketing or administrative arrangements between you and your team members are strictly your business, even when a team member bills your client directly. Your client should not have to be involved in the administrative affairs of your firm

- 10.6 If your client wants to engage directly with a consultant who is part of your project team, any finder's fees, commissions, or other administrative arrangements are strictly an issue between you and your team member, even when your team member bills your client directly. Your client should not have to be involved in the administrative practices of your firm.

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11.0 PUBLIC AND PROFESSION – WRONGDOING

If within the scope of my engagement, I will report to appropriate authorities within or external to the client organization any occurrences of malfeasance, dangerous behavior, or illegal activities.

- 11.1 If, in the course of your engagement, you discover wrongdoing or behavior that puts your client at legal or ethical risk, you have an ethical obligation to bring this to the attention of the proper authorities.

Case in point

In reviewing the operations of Glory Bound Widgets, Inc., Klaus Braun, CMC, was puzzled at what appeared to be a mismatch between sales data and the company’s financial results. Digging deeper, Braun discovered that GBW’s sales staff was booking as firm sales verbal commitments from their customers, rather than waiting until GBW received a purchase order and shipped the widgets. Braun recognized that this was against generally accepted accounting principles and distorted the company’s financial performance. His review of previous periods’ records confirmed his suspicion that this was an ongoing practice and not just a one-time error. The following morning, Braun reviewed his findings with Virginia Dare, GBW’s COO and his project sponsor. Braun was surprised to learn that Dare was not only aware of the practice but also had tacitly approved of it. As this practice could get the company into big trouble, Braun told Dare that he was obliged to bring this to the attention of Gloria Bound, the CEO. At their meeting the following day, Braun got the impression that the CEO was more disturbed about Braun bringing the matter to her attention than with the actual practice. However, he persisted until, finally, Dr. Bound agreed to put an end to the practice with the memo that Braun had drafted for her signature. Silently, Braun breathed a sigh of relief; had the CEO not complied, Braun knew that he would have been obliged to inform her Board of Directors.

- 11.2 The Definitions section of this COE-I points out that your ethical obligation is to the client organization rather than to your sponsor or even the CEO. As discussed in section 5.8 of this COE-I, however, the nature and severity of the wrongdoing and the risk it poses to the public welfare, may influence you to consider bringing the matter to the attention of public authorities if it cannot be adequately resolved within the client organization.

- 11.3 Harmful activities include (but are not limited to) behavior in violation of the law and other wrongdoings that could get the client in trouble and embarrass the company, such as:

- Sexual harassment
- “Doctoring” the books (e.g., airplane mechanics certifying that maintenance has been performed when it hasn’t.)
- Ignoring or covering up information on product safety (e.g., Firestone tires and Ford Explorers in the ‘90s)

- Theft of real or intellectual property
 - Divulging confidential or proprietary information
 - Spying (e.g., Watergate)
- 11.4 As “whistle blowing” is risky business, be sure to document what you do and your reasons for doing it in case you are subsequently involved in legal action.
- 11.5 You may benefit from discussing an issue confidentially with a trusted colleague or advisor to get a second opinion on the appropriate action to take.

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12.0 PUBLIC AND PROFESSION – RESPECT FOR RIGHTS OF OTHERS

I will respect the rights of consulting colleagues and consulting firms and will not use their proprietary information or methodologies without permission.

WHAT THIS MEANS:

- 12.1 If you are going to use others’ methodologies, get their permission.

Case in point

John Noble was an internal consultant for Gigantic Oil Company in their DigIT division. DigIT had hired Louie Boudreaux, a principal consultant at BizSense Management Consultants, to improve DigIT’s business model for marketing hydrocarbons over the web. As John worked alongside Louie’s team, he developed a high regard for the techniques that BizSense employed in DigIT’s successful marketing transformation.

Several months after the completion of the BizSense project, Noble was transferred to the FlowIT division and wanted to employ the same methods he had learned from BizSense in his new assignment. Before doing so, however, John reviewed a copy of the previous BizSense contract and confirmed his recollection that BizSense had retained all rights to its own methodologies. Even though he was personally familiar with the methodology for which DigIT had obtained usage rights, John recognized that he and FlowIT needed to ensure they did not violate BizSense’s intellectual property rights or the DigIT contractual agreement. Noble called Louie Boudreaux and asked permission to use the BizSense methods in his new division. After discussion with his management, Boudreaux offered a royalty-free license to FlowIT provided all related materials included the phrase “Methodology provided under license from BizSense Management Consultants.”

- 12.2 If you contribute to the proprietary methods of a colleague, respect the original owner’s rights. If a colleague contributes to your proprietary methods, acknowledge his or her contribution. (Proprietary methods are those for which one holds or has filed for a property interest such as a patent, copyright, or trademark.)

- 12.3 Respect and protect the client relationship of a colleague when you are called in to help the colleague with an engagement.

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13.0 PUBLIC AND PROFESSION – REPRESENTING THE PROFESSION

I will represent the profession with integrity and professionalism in my relations with my clients, colleagues, and the general public.

WHAT THIS MEANS:

- 13.1 Uphold all laws that govern your professional and other business activities.
- 13.2 Do not cause or encourage anyone to break laws at any time, nor serve or act on behalf of anyone in a way that will cause you or them to break laws, either.
- 13.3 Do not accept any assignment that is illegal or morally wrong.

Case in point

Ted Blake is the sole owner of Blake Consulting and has several consultants who work for him on a full-time basis. The firm’s specialty is marketing, and Blake has developed an outstanding reputation for his ability to develop successful marketing programs. One of the major tobacco manufacturers has recently offered Blake a very profitable consulting contract to develop a marketing program for the southeastern portion of the United States. Blake does not smoke, and he believes it is wrong for other people to do so. Attractive as the opportunity may be, Blake calls the sponsor and declines the job. “I don’t know whether or not smoking is immoral,” Blake says, “but it certainly is unhealthy. I am uncomfortable having my firm associated with this, and that is likely to affect the impartiality with which the work should be done. That would not be fair to either of us.”

- 13.4 Disclose to the proper levels of management or the authorities any criminal or other illegal activity you discover in the course of an engagement.
- 13.5 Given the right of the public to have confidence in IMC members (individually and collectively), any actions that mitigate such trust will be considered unbecoming, including:
- * Violation of any applicable legislation or laws;
 - * Breach of the Code of Ethics and Professional Conduct; and,
 - * Actions inside or outside of the area of consulting that may be, or may be perceived to be, detrimental to the profession.

Case in point

Andy Frank's firm, Trustmore Services, has been invited to perform a feasibility study on a new wing for the local hospital. Trustmore has an outstanding reputation in this area, and the hospital feels that a positive recommendation from Trustmore would help it sell the bonds to provide the needed financing. As Frank discusses the engagement with the client, he becomes aware that the decision has already been made to construct the new wing and that this study is being pursued merely as an attempt to help sell the bonds. As Frank contemplates the study, he concludes that there is only a 50 percent chance that the results will show the expansion to be economically desirable. However, a negative outcome would completely undermine any attempts to sell the bonds. The job is Trustmore's if Frank wants it, and it would be a very profitable contract, but he has misgivings – both about being used and about potential legal issues.

That evening, Frank discusses the study with his attorney, who confirms his fears. "Andy, there is a potential here for a securities fraud action, and Trustmore could wind up in the middle of it." In a meeting with the study sponsor the next morning, Frank explains his concerns, as well as those of his attorney, and regretfully declines to do the study.

- 13.6 Make sure that your behavior does not compromise public trust in you and the profession, whether in perception or reality.
- 13.7 In the interest of public protection, you shall be liable for suspension or expulsion from membership if you are found to have acted in any manner unbecoming of the profession.
- 13.8 To make sure that you continue to add value to your clients and stay current in your field, seek to continually improve your level of competence.
- 13.9 Do not criticize other consultants, either directly or indirectly, in an attempt to secure business or in any other aspect of your professional work. You may, however, draw distinctions between the processes and approaches you use and those of other consultants.
- 13.10 Your clients have the right to expect your full attention, mental acuity, and sound judgment. Make sure that your physical, mental and emotional states are consistent with the requirements of your client's work, particularly when developing or providing professional advice.

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14.0 PUBLIC AND PROFESSION – DECEPTIVE ADVERTISING

I will not advertise my services in a deceptive manner nor misrepresent or denigrate individual consulting practitioners, consulting firms, or the consulting profession.

WHAT THIS MEANS:

14.1 Your business biography, promotional material, website, and presentations should all accurately present your education, experience, skills, and consulting background in a straightforward manner that will not mislead a prospect or client who relies on the accuracy of this information.

Case in point

Holly Golightly’s start-up consulting practice was really struggling to stay afloat. Holly had always envied her friends who were building thriving practices; one had earned an MBA from a top business school, another was a supply chain expert with a large consulting company, and a third had just earned her Certified Management Consultant designation by the IMC.

However, working hard to achieve a goal was not one of Holly’s strengths. Instead, she looked for shortcuts that might enable her to promote herself more aggressively. So, Holly was really pleased as she reviewed the content of her new website: Holly B. Golightly, CMC, an expert in third-party logistics after five years with UPS, and a 1999 MBA with a supply chain major from Northwestern. Actually, Holly had dropped out of Northwestern a semester after earning her B.A. in liberal arts and had worked for UPS as a counter clerk for four years. The CMC was a nice touch, Holly thought, especially since she had only 18 months of “consulting” experience and had never joined IMC.

The best thing about Holly’s website was that it seemed to work. Life looked good, especially after she landed a major engagement with Universal Dashpot. Six weeks into the project, Dan Gamble, Holly’s sponsor at Universal, was already getting complaints about her performance. When he learned that the executive who had hired her had been too busy to check Holly’s credentials, Dan made several calls and quickly confirmed the extent of her misrepresentations. That afternoon, he and Universal’s attorney fired Holly. That was bad enough, Holly thought, until the attorney told her that Universal was looking into criminal charges and at a minimum, intended to sue her for repayment of all fees plus costs and damages that the company would incur as a result of Holly’s fraudulent distortions.

14.2 When competing against larger consulting firms, your interests and your clients’ are best served by positive differentiation of your firm’s attributes, rather than the negative disparagement of the competitors. Stress your firm’s experience, your personal service, your ability to react quickly, and the other ways you add value for the client.

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15.0 PUBLIC AND PROFESSION – VIOLATIONS AND CODE ADHERENCE

If I perceive a violation of this Code, I will report it to the Institute of Management Consultants USA and will promote adherence to the Code by other member consultants working on my behalf.

WHAT THIS MEANS:

- 15.1 If you behave in a manner unbecoming of the profession, you are subject to being reported to the Institute by your clients, by other Members, or by the public. If you discover that a colleague behaves in a manner unbecoming of the profession, you also have a responsibility to report him or her to the Institute.

Case in point

Like many independent consultants, Lauren Livegood, CMC, from time to time works with other independent consultants. While she handles many engagements by herself, Livegood occasionally needs to add one or more associates to her project team in order to best serve her client's needs. Livegood's subcontract terms include a clause requiring associates to abide by the Code of Ethics and Professional Conduct of the Institute of Management Consultants, whether or not they are IMC members. She makes it clear that failure to perform their work in an ethical manner will probably result in an associate's dismissal from the engagement. "I put my firm's and my personal reputation on the line with every client," Lauren says bluntly. "I set high standards, and I expect everyone on my team to meet them...period!"

- 15.2 If a client, colleague or member of the public reports to you an instance of another Member behaving in a manner unbecoming of the profession, encourage that person bring the Member's behavior to the attention of the Institute.

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