ETHICS

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Contents

ETHICAL CONSULTANTS DO NOT . . .

Hide the cost of project until final invoices. The clients should know what they are letting themselves in for.

Give unrealistic forecasts of the time needed for an open-ended contract.

Mislead the client about what can or cannot be achieved in the time available in a fixed sum contract.

Overcharge clients because they do not understand how the market for consultants works.

Pay commissions to members of the client company.

Misrepresent the experience and capability of the firm or individual consultants.

Supply consultants whose skills and experience do not match the assignment.

Suggest that individual consultants are experts in, say, the jewelry industry, because other members of the firm have a long track record in this. Experience by other consultants, or experience long ago is irrelevant.

Offer first rate, experienced, consultants - implicitly or explicitly - and supply the Second XI.

Let young, inexperienced consultants loose to learn on the client, then ask the client to pay top fees for them.

Take on a useless assignment, just because they need the money.

Breach confidentiality.

Recruit clients' staff.

Carry on working when nothing is being achieved

Take commissions on software, hardware, new business, introductions, etc. without telling the client.

CONFLICTS OF INTEREST

Dealing with conflicts of interest is fairly straightforward with small firms, but very difficult with big ones.

In big companies it is always tempting to have a quick look at a report on one client before writing a proposal or starting an investigation for the client's competitor. This is unethical. Very strict separation is needed to prevent such leaks.

If new consulting needs are identified in your project, it is tempting to recommend another part of your company or an associated company to do them. This is not ethical: any such follow ups, which use a different consulting team, should be subject to the normal competitive selection process. The World Bank says that the firm that wrote the initial project identification document is not eligible to do the work.

Clients report being told by their auditors that their accounts will not be passed unless they employ the consultancy branch of the firm for an expensive project.

In large and small firms

You should tell your client about possible conflicts without being asked. For example:

If you are a director of a competitor etc

If you are working for a competitor at the same time.

If you are given a commission on sales of software or hardware. This is OK as long as the client knows about it.

ETHICS, TRANSACTION COSTS

AND EXCHANGE RATES

A western businessman in Moscow was complaining about the risks of doing business in Russia.

"I reckon there is a 30% chance that I will be cheated in any deal."

Shocked, I asked what was the chance of being cheated by a British firm.

"Even chances" was the reply.

Now I ask all international business people I meet. The consensus is that there is a 70% chance of being cheated by an Italian firm, 50%-60% by a British firm and 30% by a Russian or American.

Worse, it is seen to be more costly to be cheated by a British firm. The costs and delays of our legal system makes it impossible to sue, while in France, say, instant action can be obtained cheaply.

It does not matter whether these beliefs are right, only that they exist. Some international businessmen buy somewhere safer; others build in a risk margin when they buy from Britain.

The effect is an unfavourable exchange rate for the nation as a whole, with crooks benefiting at the expense of honest businesses.

Clearly, honest businesses would do better if they could convince foreigners that they were honest. An effective "honesty rating" would push up the price for any transaction. It would also help drive out the crooks.