

Professionalizing the Use of Management Consulting Services

An investigation into structures and procedures for the use of MC services in Swedish organizations

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Abstract

While the purchase and use of management consultants has traditionally been carried out at the discretion of individual managers, large organizations have increasingly taken measures to "professionalize" their use of management consulting services. Measures of professionalization include the establishment of procedures and routines for the use of management consultants, the establishment of preferred suppliers and the implementation of dedicated support units. The current paper investigates the proliferation of client professionalization among organizations and the antecedents to professionalization based on a survey to the 500 largest organizations in Sweden. We conclude that about 50% of organizations have taken or plan some kind of initiatives of client professionalization. Three central antecedents to client professionalization are identified – the size of the organization, the amount of consultants used and the reasons for using consultants in the organization.

Introduction

For many large organizations, the use of management consultants is an integrated part of management practice and large sums are spent on their services each year. However, research on how management consultants are used and managed by their clients is still rather scarce. Previous research points at the risks involved in the use of management consultants, especially on a personal level for the manager hiring consultants. These risks include the risk of embarrassment, exploitation, low self-esteem, etc (Mitchell, 1994). More recently, it has also been pointed out that the use of management consultants may involve risks for the organization as well in terms of e.g. knowledge leakage and the sub-optimal use of organizational resources (Mohe, 2005).

Traditional ways of dealing with consulting services have emerged mainly as a way of addressing the personal risks of those managers purchasing these services. In order to deal with these risks, trustful relationships as well as limited transparency have become the governing logic of the use of consultancies. Studies on how management consultants are chosen all point at the importance of established relationships, most often based on previous positive experience with a certain consultant (Clark, 1995; Glückler and Armbrüster, 2003; Smeltzer and Ogden, 2002). The choice and management of consultants is by many managers seen as a domain where they expect discretion and autonomy (Smeltzer and Ogden, 2002; Werr and Perner, 2007).

In recent years, however, the use of management consultants has increasingly been recognized as a considerable spend in organizations and measures have been taken to increase the efficiency of this spend. A number of measures have been identified by previous research addressing both the cost side (e.g. framework contracts, preferred suppliers, competitive bidding) as well as the value side (increasing transparency of consultant use, support in specifying and managing assignments, etc) (Ellram *et al.*, 2004; Mohe *et al.*, 2008; Schiele, 2005; Werr and Perner, 2007). While these studies point at a beginning professionalization of the purchasing and use of management consultants, they also report considerable barriers towards professionalization. Managers as well as management consultants are rather happy with the traditional, informal and trust-based ways of selecting and managing management consultants and often regard the introduction of procedures and guidelines for the use of management consultants as an unwelcome intrusion into their managerial autonomy (Werr and Perner, 2007). Managers generally regard themselves as experts when it comes to purchasing professional services and believe they need to be personally involved in the purchasing process (Smeltzer and Ogden, 2002)

While a professionalization regarding the use of management consultants has been pointed out in several recent studies (Mohe *et al.*, 2008; Schiele, 2005; Werr and Perner, 2007), the extent to which such measures of professionalization have actually been implemented is less well understood.

Studying the proliferation of the professionalization of the use of management consultants is thus a first aim of the current paper. A second aim is to better understand the antecedents to professionalization in organizations. What factors may help understand the level of professionalization observed in different kinds of organizations?

The answers to the above two questions are based on a survey to large organizations in Sweden. The survey covers the use of consultants, the governing mechanisms companies apply to consulting services as well as their motives for maintaining these mechanisms. The paper is structured as follows: In the next section we discuss some basic elements of client professionalization. This is followed by the identification of 6 antecedents to client professionalization. After a presentation of the methodological approach, results regarding the level of client professionalization as well as the salience of the antecedents are presented. The paper concludes with a discussion of the found results.

Elements of client professionalization

The purchase and use of management consultants has for long, and in many organizations is still governed by a close, trust-based relationship between managers and their advisors (Clark, 1995; Glückler and Armbrüster, 2003; Kubr, 2002). While these practices are seen as an efficient way to reduce the uncertainty inherent in the use of consultants (Glückler and Armbrüster, 2003), it has also been argued that these informal practices may have a number of negative consequences, including uncertain/mis-estimation of consulting demands, unsystematic selection of consultants, the reinterpretation of aim and scope to suit the consultant's business, assignment of inexperienced consultants in consulting projects, no utilization of synergy potentials, break-offs in the case of personal conflicts, no verification of consulting fees, and no evaluation of consulting projects (Ellram *et al.*, 2004; Mohe, 2005). Consequently, arguments for formal governance mechanisms guiding the purchase and use of management consultants and the involvement of specialists from e.g. the purchasing function have been voiced. Policies and procedures for purchasing consultants, supported by purchasing professionals, may push managers towards more concise formulation of assignment goals as well as specification of the kind of consultants needed to reach these goals. This promises a more efficient and well-thought-out use of consultants (Schiele, 2005; West, 1997). Purchasing professionals may also assist client managers in identifying suppliers with a suitable competence profile, ensuring that the best available competence is used in solving the manager's problem (Schiele, 2005).

Soliciting several proposals, systematically evaluating those proposals and comparing them to internal alternatives also both helps client managers gain new ideas (Schiele, 2005), and puts pressure on suppliers, leading to more favorable commercial deals (Baker and Faulkner, 1991). Structuring and managing the supplier base is another measure often argued for to increase the efficiency of consultant purchasing. Baker & Faulkner (1991) suggest four different strategies for organizations to manage suppliers of professional services: relational (buying a bundle of services

from the same supplier over time), fractional (linking transactions with similar services over time), serial (linking different services and changing suppliers for these over time) and, finally, transactional (no links between different services or over time). The suitability of these strategies depends on the company's need for outside services, the existence of internal alternatives, management capabilities, and the nature of trust required by the service.

Governance mechanisms may also implement increased control of billing, costs, and the performance of consultants, reducing the risk of overbilling. They may prevent undesired scope redefinition by the consultants, and help to hold them accountable for the results of their assignments (Baker and Faulkner, 1991; Ellram *et al.*, 2004). Purchasing professionals' legal expertise may also help in underpinning assignments with necessary and commercially stable contracts. Throughout an assignment, purchasing professionals may act as neutral mediators in the case of conflict between client managers and consultants (Schiele, 2005; West, 1997).

The above indicates that the professionalization of the use of MC services may take different forms. The level of involvement can be described as evolutionary, passing the levels of transactional orientation (focusing on the clerical tasks), commercial orientation (requesting and comparing different tenders, negotiating), coordination of purchasing (gaining control over and coordinating demand, managing the supplier base), internal integration (cross functional involvement, supplier development), external integration (focus on the entire supply chain) and, finally, value chain integration (working with the supply chain from the end customer's perspective) (Van Weele, 2005 pp. 92-96).

Werr & Perner (2007) identify three levels of client professionalization – decentralized, coordinated decentralization and centralization. The decentralized approach represents the lowest level of involvement and reflects a transactional orientation of sourcing. It implies that the purchase and use of management consultants is mainly handled by the managers in need of the consultants. Purchasing professionals may offer procedures and guidelines to support parts of the process and occasionally get involved in supporting administrative aspects when invited by the managers.

The "coordinated decentralization" approach represents a somewhat higher level of professionalization, reflecting a commercial/purchasing coordination orientation of purchasing. This approach focuses on the establishment of preferred suppliers and framework contracts with an overall purpose of exploiting the buying power of the organization. The main focus of these initiatives, however is on the cost side aiming at negotiating better terms. This limits the freedom of choice of the individual manager. Beyond that, however, the individual manager is free to choose and use consultants at his/her discretion.

Finally, the "centralization" approach to professionalizing the use of management consulting services involves a significant increase of central involvement. This approach comprises the introduction of a central unit dedicated to supporting managers in their purchase and use of consultants. This reflects

an “internal integration” orientation towards sourcing and entails an increasing orientation towards the value rather than the cost side of consulting services. In a centralized approach, purchasing professionals were actively involved in all the purchasing steps, from establishing the need for an external consultant to selecting a specific supplier and evaluating the outcomes of the project.

Antecedents of client professionalization

Current research indicates that organizations may act very differently in relation to management consultants, with some organizations showing high levels of sourcing professionalism and others being less professionalized (see e.g. Werr and Perner, 2007). Based on a review of the literature we may identify a number of potential antecedents to client professionalization when it comes to management consulting services. In the following we will discuss two kinds of antecedents – structural factors of the organization and processual factors relating to the organization’s use and view of consultants (Figure 1).

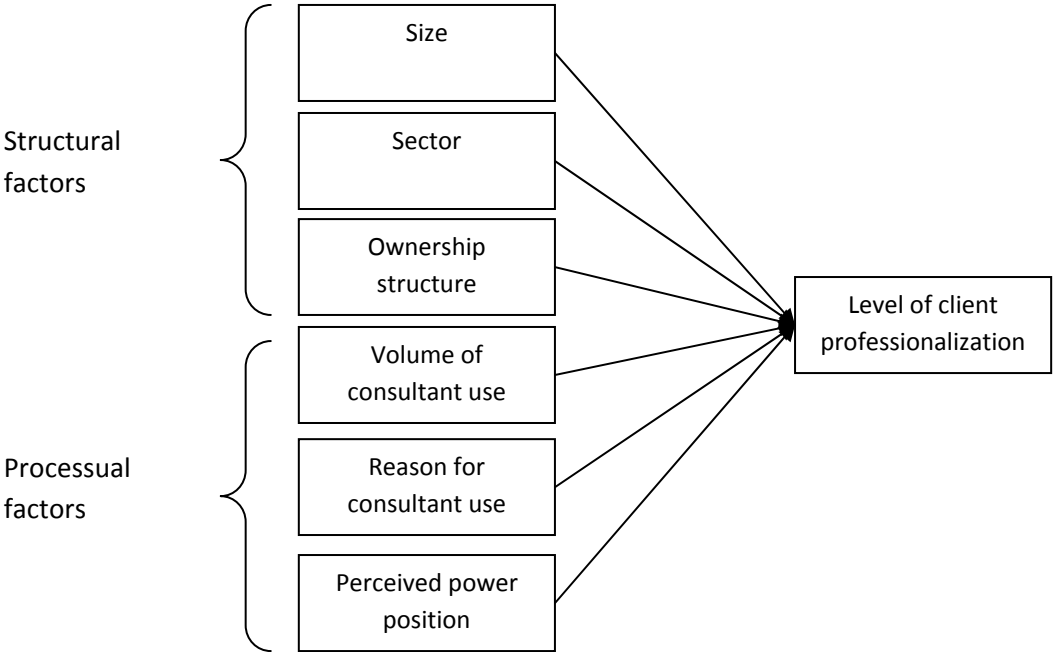


Figure 1: Proposed antecedents to client professionalization

The dependent variable “client professionalization” may, based on Werr & Perner (2007) (see also Van Weele, 2005) be viewed as representing different levels of professionalization. A first level (level 1) represents a situation in which the purchasing of consulting services is completely decentralized. Managers are free to choose any consultant and no guidelines or procedures exist to support/control the use of consultants. The second level of client professionalization entails the existence of procedures, policies and guidelines for the purchase and use of management consultants. These may concern for example criteria for when to hire consultants, how to select consultants and guidelines for assessing and evaluating consultants. The third level of professionalization is characterized by the establishment of a central pool of preferred suppliers from which managers are to choose consultants. The fourth and final level of professionalization is represented by the establishment of a central unit dealing with a wide range of aspects related to the use of MC.

Structural determinants of client professionalization

The first structural antecedent to client professionalization to be discussed is *size*. Professionalizing the use of management consultants – regardless of the level of professionalization – entails costs. These costs will increase as the level of professionalization increases. As these kinds of costs are to a large extent fixed regardless of the size and use of management consultants, it may be argued that large organizations have better prerequisite as well as benefits to make from professionalizing the purchase and use of management consultants. Larger firms will more easily be able to take the overhead spend for e.g. the establishment of preferred suppliers. We thus hypothesize that:

H1: Large organizations show higher levels of sourcing professionalization than small organizations

The second structural variable we examine is a company's belongingness to a certain *business sector*. As argued by Smeltzer & Ogden (2002), differences in industry may be an explanation to differences in purchasing behavior as industries develop practices that are shared among a majority of the companies within an industry. The professionalization of the purchase and use of management consultants is a rather recent phenomenon and is often described as a the "next step" following on the professionalization of other kinds of more standardized services (Werr and Perner, 2005). It may thus be argued that companies in business sectors in which the general level of purchasing professionalization is high (such as e.g. the automotive industry) will also be more sophisticated buyers of management consultants. In the current study we apply a categorization of companies into manufacturing and service organizations. As the manufacturing sector generally shows a higher level of purchasing sophistication than the service sector (c.f. Van Weele, 2005) we hypothesize:

H2: Organizations in the manufacturing sector will show higher levels of sourcing professionalization than organizations in the service sector

A third structural variable to be investigated is the ownership structure of the organization. The professionalization of sourcing of management consulting services is to a large extent about increasing the transparency and accountability regarding the use of these services (Lian and Laing, 2004). This is motivated by a potential conflict of interest between individual managers and their organizations when it comes to using consultants (Höner and Mohe, 2009 (forthcoming)). The nature of this divergence of interests, and the ways in which to deal with it, we hypothesize, will be different for organizations with different kinds of ownership structures. As argued by Mohe et al. (2008) client professionalization may play an important role in organizations' strive for legitimacy as they "can create the impression that their dealings with management consultancies are based on rationality..." (p. 18). This is in line with McCorcoran and Lean's (1998) as well as Schiele & McCue's (2006) argument that demands on transparency and the efficient dealing with consultants will be highest in state-owned and public sector organizations. The latter are even legally forced to apply certain

governance mechanisms prescribed by the law of public procurement (Lian and Laing, 2004; Lindberg and Furusten, 2005; Roodhooft and Van den Abbeele, 2006). However, the need to introduce governance mechanisms to ensure the efficient use of resources is also becoming increasingly important in publicly listed organizations, which are subject to extensive scrutiny by different stakeholders, including analysts, media, etc. This kind of close external surveillance is not as salient for privately owned companies, which perceive less pressure to professionalize their purchasing of consulting services. We thus hypothesize:

H3: State owned and public sector organizations as well as publicly traded organizations will show higher levels of sourcing professionalization than privately owned organizations

Processual determinants of client professionalization

As argued by Werr & Perner (2007) the enablers and barriers to increasing the level of sourcing professionalization may to a large extent be found in the internal operations of organizations and the ways in which they perceive themselves and their use of management consultants. In the following we will discuss three aspects relating to the internal processes of the client organization – the volume of consultants used, the reasons for using consultants and the organization's perceived power position in relation to consultants. While we in the following will discuss these aspects as possible antecedents of the level of client professionalization we are aware that our data does not prove this kind of causality. The above determinants may also be discussed as possible outcomes of client professionalization. However, we still believe that the relation between these factors and client professionalization provide important hints as to the prerequisites that support the introduction of professionalization measures. A more detailed discussion of causalities will however follow in the discussion section.

The first processual determinant of client professionalization to be discussed here is the volume of management consultants used. Earlier studies indicate, that the volume of consulting services is positively related to client professionalization (Mohe *et al.*, 2008). We assume that a high use of consultants reflects a strategic choice of an organization to replace permanent employees (in e.g. staff functions) with temporary consultants (Armbrüster, 2006). In that case, we assume that the organization will also take measures to ensure the efficient sourcing of these resources through an increase in client professionalization. We thus hypothesize that:

H4: More professionalized organizations use consultants to a larger extent than less professionalized organizations

In regard of the second aspect of the use of consulting services – the reasons for using consultants – we argue that the use of management consultants may be triggered by two rather different motives – one that focuses on the acquisition of expertise that oneself does not possess and one that is about acquiring (human) resources in an area in which the organization has considerable competence in house. These different framings of consulting services trigger different ways of relating to and dealing with consultants (Hislop, 2002; Perner, 2008; Werr, 2005). The more competence of a certain

subject area the client organization itself possesses, the more it will see consultants in this area as resources rather than “external experts” and the easier it will thus become to professionalize the purchasing of these services through routines, preferred suppliers, etc. Managers knowledgeable and experienced in the area of the consulting service they are acquiring will also be able to more accurately specify their needs and requirements, evaluation criteria, etc. and thus be more positive towards different governance mechanisms. We thus hypothesize that:

H5: More professionalized organizations use consultants to a larger extent as resources than less professionalized organizations

The third processual aspect we identify as a potential antecedent to client professionalization is the client organization’s perceived power position in relation to management consultants. Professionalizing the use of MC services is to a large extent about taking and maintaining the initiative in the way in which consultants are used and managed. This requires a perceived understanding of the service (as argued above) as well as of the industry. When a service is rather well understood, other mechanisms of purchasing than a relational strategy, based on interpersonal trust can be applied, thus enabling an introduction of different professionalization measures (Baker and Faulkner, 1991). We thus hypothesize:

H6: More professionalized organizations perceive their competence and power position in relation to consultants to be stronger than less professionalized organizations

Methodology

This study is based on a survey to the 500 largest companies in Sweden. Size was in this context defined based on a combination of turnover and number of employees. In order to establish a list of the 500 largest companies, turnover and employee data were gathered from the “Orbis” database of company information. The companies were then assigned a rank in regard to size and number of employees respectively. The final rank of an organization was established as the mean of the two rank orderings.

The companies selected according to this procedure were then contacted to identify a suitable respondent. We asked for a person that was responsible for the purchase or dealing with management consultants. In the cases such a person did not exist we were often directed to a financial or HR manager. In this primary contact, a number of companies also referred to their parent organizations as the responsible for governance mechanisms for the use of management consulting services. These companies were then excluded from the sample and only one questionnaire for the entire company group was sent. The exclusion of companies referring to the parent company reduced the list of potential respondents to 351.

These respondents were sent an electronic mail survey. Of those receiving the survey, 35 (10%) returned the survey with the comment that they were not using management consultants. 104

completed surveys were returned generating a response rate of 29,6%. The responses are representative of the 500 largest organizations in both turnover and employee distribution (see tables 1 and 2).

Number of employees	500 largest companies	Respondents
0 – 1.000	25%	21%
1.001 – 5.000	55%	60%
5.001 – 10.000	9%	7%
10.001 – 15.000	4%	3%
15.001 – 20.000	1%	3%
20.001 – 25.000	2%	1%
25.001 – 30.000	1%	2%
> 30.000	3%	3%

Turnover (th USD/year)	500 largest companies	Respondents
> 200.000	3%	0%
200.001- 500.000	38%	31%
500.001 – 1000.000	28%	35%
1.000.001 – 1.500.000	9%	13%
1.500.001 – 2.000.000	4%	3%
2.000.001 – 10.000.000	16%	12%
> 10.000.000	3%	5%

Tables 1 & 2: Distribution of the number of employees and turnover for the responding companies as compared to the 500-largest companies in Sweden.

The survey consisted of a number of sections. In the first section respondents were asked about the size of their companies, how much they spent on consulting services per year, if the companies were privately or publicly owned, etc. The second section dealt with the question why, how and when the companies used consultants, as well as what type of consultants they tended to use. In the third section, questions were asked regarding the degree of centralization/decentralization of the purchasing of consulting services, the grounds on which a consultant was selected, the implementation of preferred suppliers and/or a central unit supporting the purchasing of consulting services, etc. This was followed by sections concerning the client-consultant relationship, perceived challenges and measures taken to formalize the purchasing of consulting services. In the last section, questions were asked about the companies' need for using consulting services abroad.

The operationalization of the variables in the above presented model is presented in table 3:

Variable	Operationalization
<i>Level of professionalization</i>	1: Organization has not taken any measures to govern the use of consultants 2: Organization has taken measures to govern the use of consultants (e.g. implemented policies and procedures, selected preferred suppliers, established central unit)
<i>Size</i>	No of employees 2008
<i>Sector</i>	Companies with primary activities in manufacturing (industry codes A-F) Companies with primary activities in services (industry codes G-Q)
<i>Ownership structure</i>	State owned; public sector organizations and publicly traded organizations Privately owned organizations

<i>Use of consultants Volume</i>	Answers to the following question on a scale 1 (never) -7 (very often) <ul style="list-style-type: none"> ▪ How often does your organization use the following consulting services? <ul style="list-style-type: none"> - IT consultants - Organization/org. process consultants - Personnel/HR consultants - Strategy Consultants Spend on consulting services past fiscal year
<i>Type of consulting</i>	Consultants as resources: Mean answer to the following questions on a scale 1(never) -7(very often) <ul style="list-style-type: none"> ▪ For what reasons do you use management consultants: <ul style="list-style-type: none"> - Project management, facilitating change processes - Objective and neutral analysis of the organization - Knowledge of method
<i>Competence and power position</i>	Answers to the following questions on a scale 1(very weak) -7 (very strong) <ul style="list-style-type: none"> ▪ How do you estimate your company's <ul style="list-style-type: none"> - negotiation position vs. the consultants? - knowledge about the consulting industry? - experience of purchasing and using consultants?

Table 3: Variables and their operationalization

Results

In the following, the identified differences between the two groups will be discussed. To investigate whether these differences were statistically significant, a statistical test called ANOVA (analysis of variance) was used. This procedure is an extension of the two-sample t-test and tests the hypothesis that the means of two (or more) groups are equal. For the difference of the means to be statistically significant, the significance level need to be equal to or below 0,05 on a 95% confidence interval level, and equal or below 0,10 on a 90% confidence interval level (Hair *et al.*, 2006). When investigating non metric data such as sector or ownership structure (expressed through industry codes, etc. – see H2 and H3 below), cross tabulation was used and associations tested using the contingency coefficient (*ibid.*). The ANOVA tests and cross tabulations were performed in SPSS and the results from the analyses are presented in the tables below.

Level of client professionalization

In the current sample, 53% of the companies did not report any governance structures regarding the use of management consultants thus representing the lowest professionalization level. 34% reported that they had governance mechanisms in place and 13% reported that they planned such mechanisms.

Among the mechanisms implemented or planned, the most common ones represented the introduction of procedures and policies for the use of management consultants, presenting the 2nd

level of client professionalization. Such procedures and guidelines existed in a number of different areas with guidelines for consultant-client cooperation being the most common one (see figure 2).

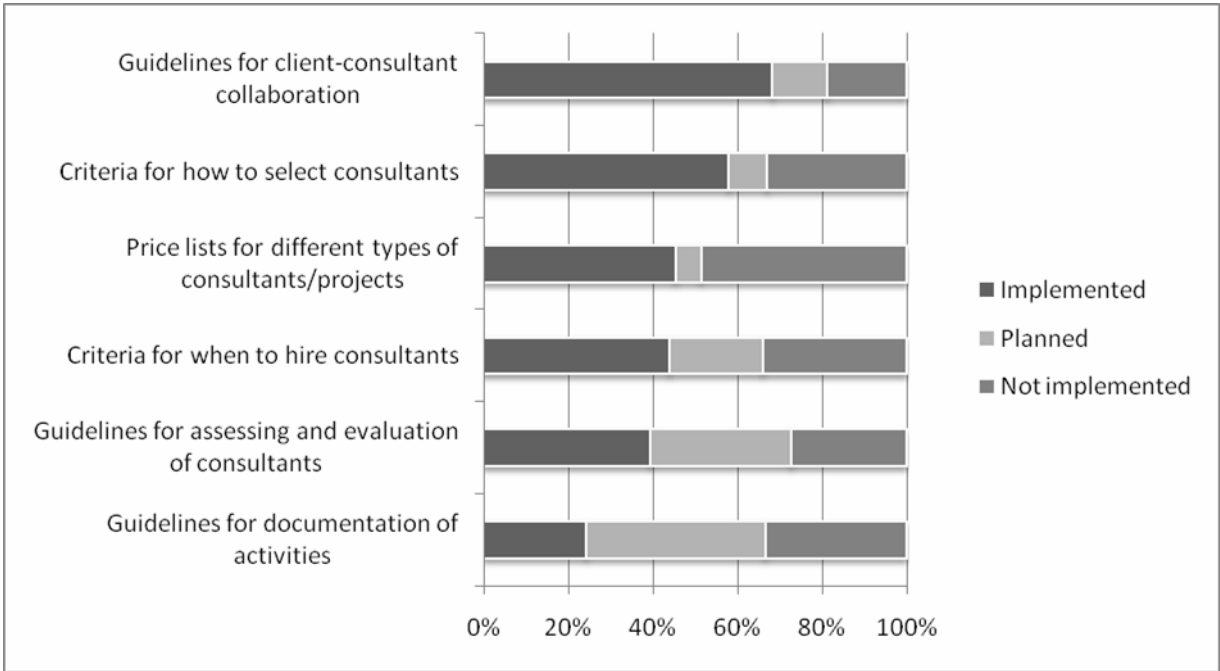


Figure 2: Implemented or planned policies and procedures for the use of management consultants in companies that had taken measures to professionalize their use of consultants.

In addition to such policies, 22% of the companies had also established or planned to establish (6%) a pool of preferred suppliers, representing the third level of client professionalization. On average, organizations had identified 8,4 preferred suppliers in the area of management consulting. Organizations described their relationship to preferred suppliers as to a large extent “a long term partnership” characterized by “continuous dialogue”.

A third professionalization measure was the establishment of a central unit to support the purchasing of management consulting services, representing level 4 of client professionalization. Such a unit had been established by 17% of the organizations and was planned by 1%. These units were however relatively new; the oldest unit being established in 2005 and the latest one in Q4 2008. The areas of involvement for the units are depicted in Figure 3.

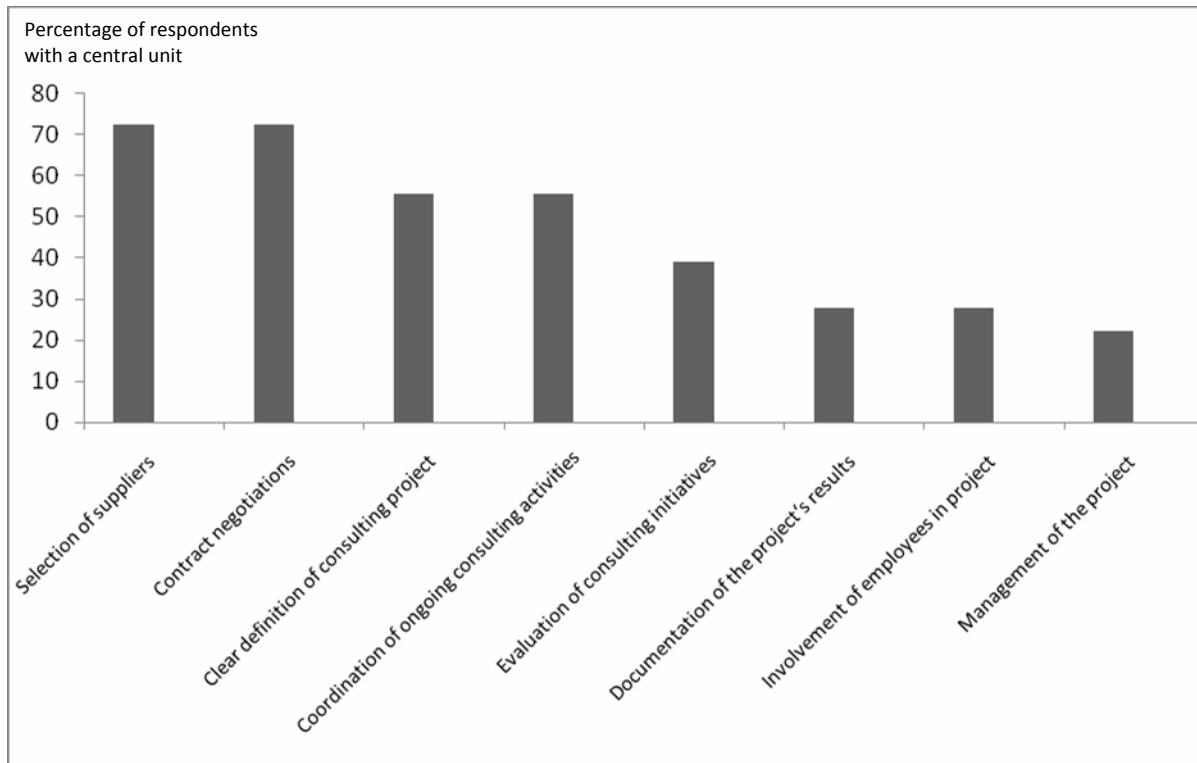


Figure 3: Areas of involvement of dedicated units for dealing with consultants

In the following we will look closer at a number of potential antecedents of professionalization. In this analysis we will compare two groups of organizations. The first group consists of companies that have not taken any measures towards professionalization (professionalization level 1 in our typology). This group contained 55 respondents, which equals 53% of the sample. The second group consists of organizations that have taken measures – i.e. introduced procedures (prof. level 2) and/or set up a pool of preferred suppliers (prof. level 3) and/or have established a dedicated unit for dealing with consultants (prof. level 4). This group contained 49 respondents, which equals 47% of the sample.

Structural determinants of client professionalization

As mentioned above, the structural determinants investigated in this paper are size (expressed as number of employees), sector (manufacturing vs. service) and ownership structure of the organizations.

Size of the organization

The first hypothesis (H1) proposed that professionalized organizations would be larger than less professionalized organizations. A comparison of the size of the organizations in the two groups (professionalized clients vs. unprofessionalized clients) regarding their number of employees showed a difference as predicted, with the unprofessionalized organizations having an average of about 3300 employees and the professionalized organizations, having an average of about 7800 employees. The ANOVA test performed on the data showed that the means of the two groups were statistically significant on a 90% confidence interval level, thus providing support for H1 (see table 4).

Company size in terms of number of employees	Mean	95% Confidence Interval for Mean		Sig.
		Lower Bound	Upper Bound	
Less professionalized companies	3278,7778	1992,2546	4565,3010	0,057
Professionalized companies	7775,4167	3011,7649	12539,0684	

Table 4: Comparison of means of number of employees between professionalized and less professionalized organizations.

The level of professionalization in different business sectors

The second hypothesis (H2) proposed that companies in the manufacturing sector would show higher levels of sourcing sophistication than companies in the service sector. A cross tabulation of the distribution of the professionalization level among manufacturing organizations and service organizations respectively shows a higher percentage of manufacturing companies in the professionalized group than in the less professionalized group, whereas the majority of the service organizations were found in the group of less professionalized organizations (Table 5). This relationship is thus in line with the formulated hypothesis. The found relationship, however, has weak statistical support. The contingency coefficient for the relationship is 0,124 and the significance level of the relationship 0,203. We thus conclude that the data do not support hypothesis H2.

Group \ Sector	Manufacturing sector	Service sector
Less professionalized organizations	18 (45%)	37 (58%)
Professionalized organizations	22 (55%)	27 (42%)
Total	40 (100%)	64 (100%)

Table 5: Cross tabulation of the level of professionalization in organizations in the service and manufacturing sector respectively.

Client professionalization and ownership structure

We further hypothesized (H3) that differences in ownership structure would affect the level of professionalization. It was argued that organizations with higher demands on transparency (state owned and public sector organizations as well as publicly traded organizations) would show higher levels of sourcing professionalization than organizations with fewer demands on transparency (privately owned organizations). We thus cross tabulated the “high transparency” vs. “low transparency” companies in relation to the two levels of sourcing professionalization (Table 6:). This shows a rather equal distribution of professionalization levels in both groups of companies, although the “low transparency” organizations seem to be slightly less professionalized than the “High transparency” organizations (as predicted). This relation is, however, not statistically supported (contingency coefficient 0,048; significance 0,628). H3 thus needs to be rejected.

Ownership	High transparency	Low transparency

Group		
Less professionalized organizations	21 (50%)	34 (55%)
Professionalized organizations	21 (50%)	28 (45%)
Total	42 (100%)	62 (100%)

Table 6: Cross tabulation of the level of professionalization in “high transparency” (public sector, publicly owned and publicly traded organizations) vs. “low transparency” (privately owned) organizations

Processual determinants of client professionalization

The processual determinants investigated in this study were the organizations’ use of consultants (expressed both as volume and expenditures), what types of consultants they used and their perceived competence and power positions vs. the consultants.

Use of consultants

The fourth hypothesis (H4) proposed that professionalized organizations would use consultants to a larger extent than less professionalized organizations. ANOVA analyses of the frequency on which the companies claimed to use different types of consulting services showed statistically significant differences between the two groups’ use of consultants (Table). More specifically, it showed that professionalized companies used organization-/process consultants and strategy consultants more often than less professionalized companies. The data also indicated that professionalized companies use IT-consultants more frequently than less professionalized companies, something that could be confirmed on a 90% confidence interval level. No statistically significant differences between the two groups’ use of HR-consultants were found. The results from the ANOVA analyses thus largely confirm H4.

Question: how often does your organization use the following consulting services?	Group	Mean	95% Confidence Interval for Mean		Sig.
			Lower Bound	Upper Bound	
IT-consultants	Less professionalized companies	5,1081	4,6062	5,6100	0,057
	Professionalized companies	5,7500	5,3038	6,1962	
Organization/process consultants?	Less professionalized companies	3,0270	2,4912	3,5628	0,041
	Professionalized companies	3,7143	3,2956	4,1330	
HR/personnel consultants?	Less professionalized companies	2,9444	2,5169	3,3720	0,272
	Professionalized companies	3,2857	2,8549	3,7166	
Strategy consultants?	Less professionalized companies	2,4722	2,0112	2,9332	0,014
	Professionalized companies	3,3265	2,8488	3,3081	

Table 7: Comparison of means for the frequency of the organizations’ use of different types of consulting services.

When looking at the organizations' reported investments in consulting services overall the above pattern is confirmed, with the less professionalized companies spending on average about only 1/3 of what the professionalized organizations do (table 8) . The variation within the groups however is also significant, leading to a rather weak statistical support for the relationship (sig. 0,117).

Question: How much did your organization spend on consulting services last year?	Group	Mean (Skr)	95% Confidence Interval for Mean		Sig.
			Lower Bound	Upper Bound	
Investments on consultants in absolute numbers	Less professionalized companies	1636,3636	100,5988	3172,1285	0,117
	Professionalized companies	4765,3061	912,9908	8617,6215	

Table 8: Comparison of means for the expenditures on consulting services.

Taken together, however we conclude that H4 stating a positive relationship between the use of management consultants and the level of client professionalization is confirmed.

Type of consulting

The next hypothesis to be investigated concerns the kind of consultants the companies were using. Hypothesis 5 (H5) proposed that professionalized organizations use consultants as resources rather than "experts" to a larger extent than less professionalized organizations. The results from the ANOVA analysis show statistically significant differences between the two groups, indicating that professionalized organizations tend to use consultants for project management, objective analysis and for knowledge of methods more often than less professionalized organizations (table 9). These kinds of tasks can be argued to be resource-oriented to their character, since their purpose is to contribute with extra workforce (working as project managers or analysts) or to help the client work more efficiently and methodologically rather than providing new expertise, visions or strategies. It can thus be concluded that H5 is confirmed.

Question: For what reasons do you use management consultants?	Group	Mean	95% Confidence Interval for Mean		Sig.
			Lower Bound	Upper Bound	
Project management, facilitating the change process	Less professionalized companies	3,7647	3,1331	4,3963	0,024
	Professionalized companies	4,6667	4,1715	5,1618	
Objective and neutral analysis of the organization	Less professionalized companies	3,3529	2,6994	4,0065	0,003
	Professionalized companies	4,5833	4,0937	5,0730	
Knowledge of methods	Less professionalized companies	3,4118	2,8412	3,9823	0,005
	Professionalized companies	4,4043	3,9772	4,8313	

Table 9: Comparison of means for the reasons for why consultants were hired

Competence and power position

Hypothesis 6 suggested that professionalized companies perceive their competence and power position in relation to consultants to be stronger than less professionalized companies. The data show relationships of the predicted kind, especially in regard to the organizations’ assessment of their knowledge about the industry and their experience of purchasing consultants, where professionalized organizations show larger confidence in their knowledge. An ANOVA analysis showed that the differences between the professionalized and unprofessionalized groups are, however, small and not statistically significant even at a 90% confidence level (table 10). We thus conclude that H6 is not confirmed.

Question: How do you estimate your company's...	Group	Mean	95% Confidence Interval for Mean		Sig.
			Lower Bound	Upper Bound	
...Negotiation power vs. the consultants?	Less professionalized companies	4,5667	4,0061	5,1273	0,571
	Professionalized companies	4,7907	4,3141	5,0830	
...Knowledge about the consulting industry?	Less professionalized companies	4,333	3,8496	4,8171	0,117
	Professionalized companies	4,8636	4,4113	5,3160	
...Experience of purchasing and using consultants?	Less professionalized companies	4,3103	3,8433	4,7774	0,130
	Professionalized companies	4,8182	4,3674	5,2690	

Table 10: Comparison of means for the clients’ perceived competence and power position vs. the consultants

Discussion and conclusions

In this paper we set out to discuss two questions. The first question regarded the level of client professionalization among the 500 largest organizations in Sweden. The second question aimed at understanding the antecedents to client professionalization. Our results indicate that client professionalization in any of the above defined forms (guidelines and procedures; preferred suppliers; dedicated support unit) had been implemented or was planned to be implemented within a year in about half of the organizations. The most common professionalization measures were the implementation of policies and guidelines, especially for how to select and collaborate with consultants. Second most common was the establishment of a pool of preferred suppliers to which the choices of managers was limited. Least common was the establishment of a dedicated support unit for the use of management consultants. Such a unit had been established in 17% of the organizations. Client professionalization of the use of management consultants was also found to be a rather recent and ongoing phenomenon. 13% of the organizations planned the implementation of

governance mechanisms during 2009 and the dedicated support units had all been established after 2005.

These results regarding the character and level of client professionalization are in line with similar studies in other national contexts (see e.g. Mohe *et al.*, 2008 for the German example). They are also in line with what seems to be an increasing general interest in a more professional dealing with management consultants as reflected in a growing literature on how to become a more professional buyer and user of management consulting services (e.g. Czerniawska, 2002; McGonagle and Vella, 2001; Zackrisson and Freedman, 2000) and a changing power balance between consultants and clients (Niewiem and Richter, 2004).

While a trend towards professionalization seems to be clear and ongoing, a significant amount of organizations have still chosen not to implement any measures supporting the purchase and use of management consultants. Against this background, the second question in focus in this paper was to better understand why certain organizations were more professionalized than others. What may be the drivers of the professionalization of the use of management consultants? In studying this second question, we identified both structure and process variables as possible antecedents to client professionalization. The structural variables investigated were the organizations size, its business sector (service or manufacturing) and its ownership structure (high vs. low transparency). The process variables investigated included the volume of consultant use, the reason for using consultants (resources vs. expertise) and the client organizations' perceived power position in relation to the consulting organization. Six hypotheses were formulated regarding the relationship of these variables with the level of client professionalization of the organization.

The analysis of the proposed relationships indicated that three of them were supported by the data. Client professionalization was found to be positively related to the size of the organization, the frequency of consulting use as well as the view of consultants as resources in daily operations (Figure 4). This indicates that organizations need a certain size as well as a certain volume of consultant use before investments in client professionalization become viable. The results show, that professionalized organizations were on average double the size (in terms of employees) than non-professionalized organizations and spent about three times as much on management consultants than non professionalized organizations. The professionalized organizations' use of consultants was significantly higher in all consulting categories (IT-consultants, organization/process consultants and strategy consultants) except for HR/personnel consultants.

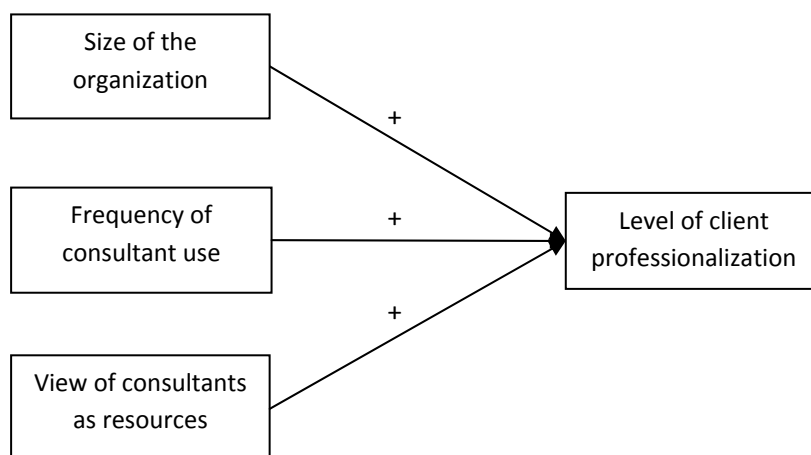


Figure 4: Antecedents of client professionalization established in this study

As predicted, we also found a different view of the role of consultants in the professionalized organizations as compared to the non-professionalized ones. Professionalization seemed to go hand-in-hand with a view of consultants as resources in the day-to-day (change) management of the client organization. Professionalized organizations indicated a significantly higher use of consultants in facilitating change processes and providing methods and tools to the organizations' analysis and change activities. Furthermore consultants in professionalized organizations played a more important role as objective and neutral analyzers of the organization. What is valued in the professionalized organizations is thus the availability, structured working procedures and neutral stance of the consultants. This indicates that the clients perceive their understanding of the areas in which the consultants get involved as rather good (it is not their subject matter expertise they are seeking), supporting, as hypothesized, the establishment and enforcement of governance mechanisms for the use of consultants (c.f. Werr and Perner, 2007). Taken together, what emerges is thus the image of client professionalization being part of an overall strategy of replacing internal by external resources in the planning and execution of organizational change in large organizations (c.f. Armbrüster, 2006). In non-professionalized organizations, consultants were generally seen as a less natural support of day-to-day managerial activities such as managing change processes or providing an external view on organizational matters. The results also indicate, that client professionalization is not primarily a way of reducing the use of management consultants but rather one of (potentially) improving the effectiveness of the use of consultants. This is confirmed by the survey data where the increased transparency regarding the use of consultants, the more efficient use of consultants, and increased transfer of knowledge from the consultants to the client organization were rated above a lowering of costs for consultants as motives for client professionalization.

Besides the confirmed relationships the study also discussed a number of antecedents that could not be confirmed. Firstly, we hypothesized that client professionalization would be related to the business sector within which an organization acted. Following the logic that different industries have

developed different levels of sourcing sophistication (e.g. Axelsson and Wynstra, 2002) we hypothesized that organizations in the manufacturing sector (which generally has a higher level of sourcing sophistication) would be professionalized to a larger extent than organizations in the service sector. While we found differences in the predicted direction, they could not be statistically confirmed. A reason for this may be the rather crude categorizations of organizations into the two sectors applied in the current study. Future studies should revisit this hypothesis with a more fine-grained categorization of business sectors. It may also be the case that an increasing focus and interest in purchasing in businesses in general (Axelsson *et al.*, 2005) is creating a convergence of purchasing practices across different business sectors. Rather than being an “industry recipe” of some industries, professional purchasing may increasingly be regarded as a general management best practice.

The second antecedent that did not receive support in our study was the ownership structure. Inspired by institutional theory (Meyer and Rowan, 1991) and the findings of Mohe et al. (2008) suggesting that client professionalization may be more about legitimacy than about changing the way in which consultants are dealt with, we hypothesized that organizations with high demands on transparency (orgs in the public sector, state owned organizations and publicly traded organizations) would display higher levels of client professionalization than organizations without such high demands on public transparency (privately owned organizations). This hypothesis could however not be confirmed, indicating that the symbolic and legitimating aspects of client professionalization play a limited role in explaining why organizations implement measures to professionalize the use of management consultants. Our results rather indicate that client professionalization is driven by needs related to the actual use of consultants.

Finally, we had to reject the hypothesis that professionalized organizations perceived their power position and knowledge of the consulting industry as better than the less professionalized organizations. Although we found a general tendency that professionalized organizations rated their knowledge of the industry and their experience of purchasing and using consultants slightly higher than non-professionalized organizations, the differences were not statistically significant. One way to understand this lacking association between an organization’s level of professionalization and its perceived knowledge and power position may be based on Smeltzer and Ogden’s (2002) findings that the understanding of the complexities of using and managing consultants increases with the use of these services. They found that managers who bought consulting services seldom found them to be rather easy to purchase and manage, whereas managers who bought consulting services frequently were much more aware of the difficulties associated with their purchasing and management. A similar observation was made by Mohe et al. (2008) who found no reduction in the perception of problems related to the use of management consultants in professionalized vs. less professionalized organizations. We may thus interpret our lack of clear association between professionalization and an increase in perceived knowledge and power position as an example of the classic proverb “the more you know, the more you know what you don’t know”. The lack of association is linked to a methodological problem of measuring the client’s perceived power position on an objective scale.

This brings up a more general methodological issue in relation to the processual variables identified as antecedents in the above model as they may equally well be regarded as the outcome of client professionalization. The lack of longitudinal data in our study does not enable us to establish these variables as antecedents rather than outcomes. However, we argue that the results tell us what kind of attitudes and patterns of use go hand in hand with client professionalization. Although these patterns will probably be enforced by client professionalization we argue that they would need to be rather strong already from the outset to create a sufficient motivation and support for the investments and changes in behavior involved in client professionalization (c.f. Werr and Perner, 2007)

Additional limitations to the study follow from our data sources being one key informant in each organization. Attitudes towards consultants vary considerably among managers both within and between organizations (Perner, 2008; Perner and Werr, 2006). However, given the efforts put into identifying suitable respondents (often people with a formal responsibility to deal with issues related to the use of management consultants) we believe that respondents have been able to provide a rather representative image of *general* attitudes and patterns of use and formal procedures in their organizations. However, their positions as formally responsible for dealing with consultants may also have led to an overemphasis on professionalization initiatives as the existence of policies and procedures, for example, does not guarantee that these are actually followed and used (Lindberg and Furusten, 2005). It is thus important to keep in mind, that the professionalization initiatives reported here represent the formal picture, which may differ from what professionalization measures are actually applied in managers' use of management consultants.

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