Innovation Capabilities in the Information Economy – Empirical Insights Into Clients' Management of IT Innovation Projects and the Role of Consultants

– Presentation Abstract –

A successful implementation of a new IT solution in a company often presupposes mutual adaptation of IT and organization structures and processes in order to reap the benefits from the use of IT. Thus, seen from the company's perspective, each IT implementation process is also – or should be – an innovation process.

Consultants are often regarded as crucial for such innovation processes. They are, for example, ascribed the role of "knowledge brokers" collecting knowledge of solutions, including IT solutions of different providers and in different industries. Moreover, they are seen as agents recombining or helping clients to recombine this knowledge into new organizational and technical solutions.

But do consultants really enable client companies to use IT solutions for business innovations? Reflections on this issue must not only take into account consultants' own interests and their general capabilities for innovation – consultants being primarily disseminators of "best" and thus "proven" practices –, but also the clients' handling of such projects and the roles they assign to consultants: Compared to some years ago, both the clients' appreciation of consulting services and their management of projects have changed. Not only have, for example, IT expenditures to be justified in business terms and be calculated more precisely. Also the consultancy industry is having a more difficult time since the beginning of the new millennium. Clients are more skeptical towards the usefulness of consultants' work and their practices and they seem to manage consulting projects more "professionally", tightly and distanced (*see attached working paper on this issue*).

Drawing on empirical research, our presentation against this background will not only reflect on consultants' possible roles in (IT related) innovation projects and their impact on the innovativeness and outcomes of the projects. It will moreover discuss how clients' (new) attitudes and procedures in managing consulting projects might influence these aspects/ the consultants' contribution and whether they promote or rather restrict the realization of the innovative potential of IT solutions.

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‘BUSINESS AS USUAL?’ – CHANGES IN THE CLIENTS’ MANAGEMENT OF CONSULTING PROJECTS

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1 INTRODUCTION

While scholarly interest in consulting as a form of knowledge-intensive work has mainly focused on consultancies, processes within client companies have been largely ignored. However, it seems that research will increasingly have to pay close attention to developments on the part of the clients when reflecting on future strategic, organizational, or behavioral challenges for the consulting industry.

After years of a “consulting explosion“ (Ernst and Kieser 2002b), the consulting industry has been having a harder time since the beginning of the new millennium (Niewiem and Richter 2004; Richter 2004b), with clients cutting down on their use of consultants. While this deteriorating commercial climate for consultants may be partially ascribed to the general economic recession, another reason may be that clients have apparently become more skeptical towards the usefulness of consultants’ work considering the harsh popular (e.g. Craig 2005; Kihn 2006; O'Shea and Madigan 1997) and scientific (e.g. Clark and Fincham 2002; Ernst and Kieser 2002a; Kieser 2002) criticism of consultants in recent years. Moreover, clients themselves are increasingly described as and called upon taking an active and responsible role within the consulting process (e.g. Sturdy 1997a,b; Mohe 2005; Hislop 2002; Fullerton and West 1996; Shapiro et al. 1993): Current scientific approaches argue that the consultant-client relationship has to be regarded as a dynamic, complex, and contingent one. They claim that it contains no necessary structures – such as dependent client vs. indispensable consultant – (Fincham 1999; see also Clark and Salaman 1998), but that the distribution of power and control within and the shape of the relationship are dynamic and depend on situational characteristics such as the "competence" and "sophistication" of the client (Fincham 1999; Sturdy 1997a,b; Werr and Styhre 2003; see also, e.g., Kitay and Wright 2004; Nikolova and Devinney 2005).

And indeed, while the scarce empirical research on clients’ behavior particularly with respect to the handling of consulting projects (e.g. the purchase and selection of consultants, the evaluation) has hitherto revealed rather "unsophisticated", informal, unsystematic, and little elaborated approaches, with a lack of transparency, little emphasis on outcomes, and strong personal ties between individual clients and consultants (e.g. Ernst 2002; Kieser 1998; McGivern 1983; Mohe 2005; Wright and Kitay 2002), latest studies indicate drastic changes. Clients' management of the consulting process is characterized as becoming more “professional” (Mohe 2003, 2005; Bäcklund and Werr 2005; Lindberg and Furusten 2005), “sophisticated” (Sturdy 1997a,b), “distanced” (Pemer and Werr 2005), or policing (see also Werr and Pemer 2005; Werr and Styhre 2003): For instance, procedures are formalized and established on a company-wide scale, expertise about managing consultants with respect to their purchase or the governance of projects is being built up (Mohe 2005), or central offices such as the procurement department are becoming involved (Bäcklund and Werr 2005; Werr and Pemer 2005). However, still very little is known not only about what is exactly changing in the clients’ handling of consultants – and what not –, but also about the motives underlying the changes. Moreover, up to now, the few empirical studies that do exist with regard to the management of consulting projects have mostly dealt with a single “phase” of the consultancy process (e.g. the purchase (Bäcklund and Werr 2005; Kohr 2000; Werr and Pemer 2005) or the evaluation of consultants (Ebrahimchel et al. 2006; Ernst 2002; Wright and Kitay 2002; see also Deelmann and Mohe 2006)). Thus, it is not exactly clear in which ways different practices are coordinated and designed to work together and which particular issues (e.g. selection, contract negotiation, evaluation etc.) are in the focus of clients’ efforts.

This paper therefore sets out to present qualitative and explorative empirical results from seven client companies on what is at the bottom of the proclaimed changes in clients’ handling of consultancy services. The analysis covers the consultancy process from the decision on a consulting project to its evaluation. It examines not only (1) how the practices of clients in these phases look like and what has exactly changed (or whether something has changed at all), but also identifies (2) the clients’ rationale behind and the dealing with these changes. Thereby it takes into consideration the complexity of interests, functions, and problems underlying the use of consultants within companies, such as the difficulties of quality assurance of services, consultants acting as allies of individual managers, long-term trusted consultant-client relationships, or managers striving for control and consultants simultaneously providing and withdrawing it (e.g. Ernst and Kieser 2002a,b; Kieser 1998; see also Bäcklund and Werr 2005; Höner and Mohe 2006).

First of all, a short outline of the research on the clients’ handling of the consulting process (section 2) will be given. Subsequently, relevant particularities of consulting services in general and of the underlying relationships will be discussed (section 3). After describing the methodology (section 4), the empirical results will be presented (section 5). These results may provide a basis for future research and discussions on the quality and kind of clients' competence and its development in the future as well as on the possible effects these developments might have on the hitherto prevalent structures and logics, which have been largely driven by interpersonal relations – thus whether the changes on the part of the clients will pose a "fundamental threat to the business logics in parts of the management consulting industry" or whether, quite simply, "[a]n upturn in the economy, reducing the cost focus of organizations, may lead to a return to 'business as usual' when it comes to purchasing management consultants" (Werr and Pemer 2005:B5,B6).

2 CLIENTS' HANDLING OF CONSULTING PROJECTS

Taking a look at the hitherto existing research on the clients' handling of consulting projects, one gets the impression that up to now the selection, management, and evaluation of consulting services has not received much interest within client companies. Prescriptive literature often assumed a "lack of understanding or preparation from clients" (Sturdy 1997a: 403). The management of consulting projects did not seem to be based on any general policies or formal processes, but rather resided within the realm of individual managers. Thus, approaches towards the management of consulting services were found to be highly personal and individual (Clark 1995; see also Dawes et al. 1992; Stock and Zinser 1987) and varying within a company (Wright and Kitay 2002): Consultants were typically purchased in a fairly informal manner, with only sporadic participation of procurement departments, if they were involved at all (e.g. Bäcklund and Werr 2005; Mitchell 1994). Most of the time, "[…] consultants were chosen and purchased in a very decentralized way, with the hiring manager being free to hire whom (s)he wanted when (s)he wanted" (Werr and Pemer 2005:B1). No one kept track of the intensity of the use of consultants and the overall expenses on consulting or of the specific consultants employed within the company. Similarly, there were basically no kinds of systematic and regulated efforts to evaluate the effectiveness of consulting in general or within a specific project (Ebrahimchel et al. 2006; Ernst 2002; Wright and Kitay 2002; see also Alvesson 1993). Indeed, there has traditionally been a "lack of emphasis on outcomes – i.e. what has been achieved as a result of their working together" (McGivern 1983: 381). Instead, assessments of the quality of a consultancy service were often conducted on an individual, subjective, and ad hoc level (Wright and Kitay 2002). They primarily concerned the "quality" of the consultant him-/herself and the process respectively and were developed in communicative validation and in interaction with the consultant (Ernst 2002).

While in many companies these practices might still be in place, recent findings indicate that changes in the clients' handling of consulting processes are under way (see also practitioners' accounts, e.g. Day 2004; Kraus 2005; Roth 2005; Treichler et al. 2004). Concerning the decision to hire a consultant and the selection process, researchers give account of clients being more distanced (Pemer and Werr 2005), while the processes increasingly become more formalistic (Werr and Pemer 2005) and "professional" (Bäcklund and Werr 2005; Mohe and Kolbeck 2003; Mohe 2005), thus matching the rather rational, normative views (e.g. Golightly 1985, Kubr 2002; McGonagle and Vella 2001; Mohe 2003, 2005; Phillips 2000; Zackrison and Freedman 2000) of "how to" purchase consultancy services (Werr and Pemer 2005). For instance, formal contracts, competitive bidding processes, rules for handling the selection process, standard prices for certain categories of consultants, or preferred supplier lists seem to become established. Often, the level of authorization necessary for deciding on the employment of consultants has been moved upwards in the hierarchy (Bäcklund and Werr 2005). Thus, client companies seem to turn away from a "laissez faire" policy towards a more rational, formal, and centralized strategy (Bäcklund and Werr 2005; Lindberg and Furusten 2005; Werr and Pemer 2005). Additionally, also individual managers have been observed to increasingly act as "instrumental" or "strong" buyers – displaying a rather dispassionate, neutral attitude towards consultants and seeing them as part of a "management toolbox", with a focus on control over the consultants(' work) – rather than as "trustful" and faithful buyers (Pemer and Werr 2005).

3 THE COMPLEXITY OF CONSULTING SERVICES AND THE UNDERLYING RELATIONSHIPS – THE SETTING FOR CHANGES

One may perhaps wonder why client companies have not long ago introduced practices such as the above outlined. However, it appears that the topic of the handling of a consulting project is not easy to deal with, considering current discussions on the characteristics of consulting, the complexity of the relationships that are underlying consulting services, and the constellations of interest intrinsically tied to them. Not only might developments on the part of the clients thus "pose a threat to the business logics in parts of the management consulting industry" (Werr and Pemer 2005:B5), but – the other way round – the current business logics might also influence the shape and handling of clients' attempts to become more professional. Indeed, as is suggested exemplarily in the following sections, consulting projects constitute an area which is quite difficult to regulate with regard to both internal conditions and external relationships (Bäcklund and Werr 2005; see also Höner and Mohe 2006), while at the same time their management seems to be an issue in need to be addressed. In this respect, aspects such as the difficulties of buying and evaluating consultancy services, the trust and distrust within the consulting relationship, the personal interests involved, and the strong need for managerial control may play a role, as will be outlined in the following paragraphs.

3.1 Issues of intimacy, trust, and managerial identity/control

Due to their *particular service characteristics*, such as intangibility, interaction, heterogeneity, or perishability (Clark 1995; Ernst and Kieser 2002b; Kieser 1998), consulting services have traditionally been regarded as difficult to rate ex ante and therefore risky to buy (e.g. Mitchell 1994). These kinds of quality assurance problems have often resulted in a large degree of brand loyalty (Mitchell 1994) and the existence of "house consultants" (Werr and Styhre 2003). They thus represent one reason why the selection of consultants has been based on close, long-term *personal relationships*, *previous experience*, and *trust* in the individual supplier as outlined above (Dawes et al. 1992; Engwall and Eriksson 2005; Glückler and Armbrüster 2003; Kieser 1998; for the role of trust see also, e.g., Avakian and Clark 2006). Not only the assessment of a consultancy service ex ante, but also the possibility of an objective ex post evaluation of the contribution and effectiveness of a consultancy service (and thus of the "previous experience") is questioned in scientific literature. In fact, such an evaluation is even considered to be impossible, due to, e.g., the high dependency of quality on the interaction of clients and consultants or the difficulty "to establish a clear relationship between cause and effect" (Engwall and Eriksson 2005: 152) and to find reliable criteria (Alvesson 1993; Clark 1995; Ernst 2002; Ernst and Kieser 2002b; see also March and Sutton 1997; Meyer 1994). Clark (1995: 60) further argues:

> […] intangibility enables consultants to take command of the process by which images, impressions and perceptions of their value and service quality are created. Clients then use these tailored and controlled images as the basis on which to evaluate the value and quality of the service they have received. In this way consultants are able to convince clients that they are delivering a service which is both of value and high quality.

In addition, recent research increasingly underlines that the *boundaries* between clients and consultants and the roles and positions of consultants are not clear-cut but varying or even blurring (Kitay and Wright 2003, 2004; Werr and Styhre 2003). Thus, in many situations a consultant seems to be more of an "insider" than an "outsider" (also see Sturdy et al. 2005, 2006), for instance by co-producing knowledge with clients or by sharing sectoral (Fincham et al. 2005), functional or organizational knowledge, interests and backgrounds, and physical space (Sturdy et al. 2005). Particularly within project structures, consultants are considered to be working in a "liminal space" (Czarniawska and Mazza 2003), "where both consultants and clients operat[e] outside of their respective organizational contexts" (Sturdy et al. 2005).

What complicates matters further is that a consulting service is not a simple rational transaction and consultants do not only serve “objective“ or official purposes with respect to the organization’s goals, such as providing expert knowledge (e.g. see Greiner and Metzger 1983; Kubr 2002; Schein 1978). They also fulfill *unofficial, latent functions* (Ernst and Kieser 2002b; Kieser 1998; also see March 1991) and may act as allies of specific managers (Jackall 1988) and “political” insiders (Sturdy et al. 2005), with close relationships developing between clients and consultants. Thus, it is often argued that the individual managers’ personal *goals and needs*, which are embedded in the cultural and socioeconomic background, also drive the demand for and the shape, imperatives, and identity of the consultant-client relation (Gill and Whittle 1993; Huczynski 1993a,b; see also Fincham 1999; Sturdy 1997a,b; Werr and Styhre 2003). These goals and needs include, for instance, the pursuit of career objectives (e.g. Sturdy 1997a), but also issues arising from psychological needs (e.g. Abrahamson 1996), the nature of the managerial task, and the resultant anxieties and insecurities (see also Clark and Salaman 1998), with the consultants being able to address and alleviate these (Ernst and Kieser 2002a,b; Kieser 1998, 2002; Sturdy 1997a,b): The managerial strive for control – “the belief that one has at one’s own disposal a response that can influence the aversiveness of an event” (Thompson 1981: 89) – here emerges as an important issue. “Having things under control” can be “regarded as one of the strongest human motives (Adler, 1929; White, 1959)” (Ernst and Kieser 2002a:C1) and is thus essential for every individual. However, it seems to be even more important in the context of (at least bureaucratic conceptions (see Werr and Styhre 2003) of) management (see also Judge et al. 1999) and turns out to be the quintessence of managerial work (Ernst 2002; Ernst and Kieser 2002a; Watson 1994a; see also Fayol 1929; Taylor 1967). Managers have to plan, direct, develop (Squires 2001), and deal with “the messy stuff – the intractable problems, the complicated connections” (Mintzberg 2004: 12) – in a world of increasing complexity, being called upon to control the unpredictable (Sturdy 1997a,b; Ernst and Kieser 2002a,b). These “organizational” challenges and responsibilities are intensified by insecurities about the status and legitimacy of the managerial profession, thus that “the two predominant managerial needs are, on the one hand, for increased predictability and control and, on the other, for increased social and personal esteem” (Huczynski 1993b: 172; Watson 1994b; see also Sturdy 1997a,b).

Here, consultants are able to reinforce – and also to substantially contribute to the constitution of (Clark and Salaman 1998) – the image of the controlling and powerful manager (Werr and Styhre 2003), thus enhancing managers’ sense of control and creating meaning (Ernst and Kieser 2002a,b; Jackall 1988; Kieser 2002; Sturdy 1997a,b; see also

Clark and Salaman 1996): They reassure, simplify, and deliver explanations for environmental changes, present hard data, and, being "broadly recognized as carriers of advanced knowledge [and] highly visible and sanctioned in terms of knowledge and expertise" (Alvesson 1993: 1004), they can legitimize decisions to stake- or shareholders (see also Huczynski 1993a; Faust 1998; Kipping and Armbrüster 2002; Meyer and Rowan 1977) and let managers share in their expertise and power (see Rothbaum et al. 1982; Skinner 1996; see also Bloomfield and Best 1992).

> Although consultancy ideas may be ‚smoke and mirrors', faddish and false, they can still contribute to the nature and exercise of power. […] consultancy ideas authorize and enable senior management to reinvent themselves as responsible for and capable of redesigning the organization (Salaman 2002: 254).

Given those particularities and functions of consulting services, client managers might, on the one hand, see no possibility for and necessity of a more distanced and regulated handling of consulting projects. And besides, on the other hand, they might generally also have little interest in such regulations – not least, one might assume, because this would also mean giving up part of their control and power over the *internal* processes (see also Höner and Mohe 2006).

3.2 Issues of distrust, loss of control, and dissatisfaction

For the client company as a whole, the intimacy of the consulting services has its downsides: "There is a growing view in purchasing departments, supported by top management, that companies have become 'victims' in the hands of high pressure consultants and managers pursuing their own personal career interests" (Bäcklund and Werr 2005: 196). While the one-to-one relationship between manager and consultant is built on trust, the consultancy industry as such is often and increasingly regarded with fundamental *distrust* (Engwall and Eriksson 2005). In a "post-Enron-world" (Czerniawska 2002: 8), it is questioned in both scientific (e.g. Clark and Fincham 2002; Kieser 2002) and popular literature and the media (e.g. O'Shea and Madigan 1997) in what way – or whether at all – consultants contribute to the *performance and effectiveness* of client companies; clients are reported to express highly critical thoughts (Armbrüster and Kipping 2002; Engwall and Eriksson 2005; Shapiro et al. 1993; Sturdy 1997a,b; Wright 2002) and to be *dissatisfied* with their consultants (e.g. Hirn and Student 2001; Mohe 2003). Moreover, consultants are reproached with *exploiting their intimate and trusted position* within the client company, turning client managers into "victims" and "marionettes" of their rhetoric, manipulation, and impression management (Clark 1995; Kieser 2002; see also e.g. Clark and Salaman 1996; Kipping and Armbrüster 2002):

Consultants are faced with anguishes and uncertainties themselves (Sturdy 1997a,b; see also Czarniawska and Mazza 2003; Fincham 1999, 2003; Wright 2002) – such as the need to please the client or the partners (see also Barbulescu et al. 2006), to create an impression of success, and particularly to secure follow-on assignments – and they try to achieve a sense of control and identity, too. Thus, they deliberately create and fuel (new) anxieties on the part of the clients and *decrease* managerial control: For instance, they call attention to further problems within the organization that "must" be tackled and produce and diffuse new management fashions (e.g. Alvarez 1998; Huczynski 1993b). As a consequence, they thereby plant "the seed for new, deeper-reaching uncertainties" (Kieser 2002: 176) and thus continuously create their own demand (Abrahamson 1996; Bloomfield and Danieli 1995; Czarniawska and Joerges 1996; Ernst and Kieser 2002a,b; Huczynski 1993a; Kieser 1996, 1997, 1998, 2002; Micklethwait and Woolridge 1997; Sturdy 1997a,b). Additionally, the use of consultants in principle is a mixed blessing from the perspective of a manager, as the need of outside help poses a threat to the managers' sense of competence (Sturdy 1997a,b; see also Schein 1978, 2002).

The consultant-client relationship is thus a highly personal and close one, and consultants are often at the same time seen as (equal and trusted) long-term partners and insiders (e.g. Kitay and Wright 2004). On the other hand, consultants and clients are assumed to have different interests, with the consultants turning into outsiders "who cannot be fully trusted, and thus should only be given limited responsibilities" once again (Werr and Styhre 2003: 56; see also their discussion on the network and bureaucratic discourse). And whereas particularly with regard to an individual manager a consultant may be an insider (see also Sturdy et al. 2006), others, such as shareholders, purchasers, or the management board, might consider them to be outsiders, observing the personal ties between managers and consultants with suspicion. Thus, managers are not only "principals" of the consultants but also "agents" of the company, turning consultants into "agents' agents" (Fincham 2003; see also Höner and Mohe 2006), with neither of the parties being in a position to be fully trusted to always act in the best interests of the respective principal(s) (e.g. Jensen and Meckling 1976; Ross 1973).

The issues discussed so far might relate to both the motives and the reasons for changes in the clients' management of consulting projects *and* their specific shape, handling, and implementation. A perceived loss of control over both the consultants and, from the view of the "organizations" or rather the managing boards, also over their own managers and employees and their hitherto uncontrolled use of consultants, might thus contribute to clients becoming more professional. Moreover, other relevant issues might be the doubts about the contributions of consultants or about the quality of consulting services, the clients' increasing awareness of their own responsible and potentially powerful role (e.g. Sturdy 1997a), or the concern – again from the perspective of the "organization" – that a suboptimal selection of consultants might take place, with managers hiring their long-term contacts rather than the best available experts. However, new approaches might be impeded or their shape and handling strongly influenced by the closeness of relationships, the need for managerial control also with respect to the decision on and the management of consulting processes and the managers' possible resistance to regulation (e.g. Bäcklund and Werr 2005; Höner and Mohe 2006), or the problems of designing adequate and sensible procedures for selecting and evaluating consultants.

Apart from the above mentioned issues that mainly relate to the characteristics of consultancy services and the resulting relationships and constellations of interest, there are also *general, overall* developments that might play an important role. In this sense, changes in the clients' handling of consulting projects might be connected with the poor economic climate (e.g. Pemer and Werr 2005; Werr and Pemer 2005), the need for belt-tightening, and the increasing necessity to justify expenses to share- or stakeholders (e.g. Höner and Mohe 2006) in particular. Moreover, managers are increasingly exposed, for instance, to (project) management tools and techniques by means of formal education or by colleagues with a consulting background, and steadily gain more experience (see also Mitchell 1994) in carrying out (consulting) projects (e.g. Kitay and Wright 2004; Richter 2004b; Sturdy et al. 2006).

Against this background, the question thus not only seems to be to what extent new practices with regard to the management of consulting projects are introduced by the clients, but primarily how they are motivated and, consequently, shaped and handled within the companies and how different factors and circumstances interact. The empirical study in this sense aims at analyzing what is at the bottom of the proclaimed changes in clients' management of consulting projects. It examines the consulting process from the very beginning to end – from the decision on a (consulting) project over the selection and purchase of consultants and the framing of contracts to the project control and evaluation, thereby dealing with the following main questions: How do clients' approaches to consultancy projects look like and what has changed in this respect? What is the clients' rationale behind and how do they deal with these changes? How can the findings be interpreted?

Hence, subsequent to the description of the methodology in the next section (4), the remaining part of the paper will deal with the issues raised above: First of all, a short overview on the discovered practices and changes (5.1) and the reasons and goals behind these initiatives (5.2) will be given. Building on this, the actual practices will be discussed against the background of the outlined complexity of consulting services and their underlying relationships and interests and with regard to the issue of (perceived) control, which emerges, as will be seen, as one central issue in several ways (5.3).

4 METHODOLOGY & DATA

The paper at hand draws on *qualitative research* on the management of consultancy projects over approximately one year in *seven client companies* (see Appendix A), which is an integral part of an ongoing interdisciplinary study into the handling and effects of consultancy projects related to innovations based on IT. In view of the purpose of the research and the hitherto low state of knowledge on the subject under research, an (explorative) qualitative approach was chosen (e.g. see Denzin and Lincoln 2003; Miles and Huberman 1994; Morgan and Smirich 1980).

In order to receive a comprehensive picture of the consulting process and its embedding in an entire project, for each company the course and the handling of a selected consultancy project (see Appendix B) were reconstructed in case studies (Yin 2003). The projects concerned organizational innovations (regarding processes, structures, strategies etc.) based on IT (see also, e.g., Orlikowski et al. 1996; Ramiller and Swanson 2003) and presented themselves as adequate research objects for the questions underlying this work. Firstly, as the projects were crucial and often long-term ones with a lot of new and important knowledge and a high number of external (strategic IT) consultants involved, one might expect that they were handled systematically and with particular care. Moreover, even though they are not classic management consulting projects, many of the particularities of consulting services and the consultant-client relationship discussed above are found to apply to those kinds of (IT) projects (see, e.g., Benders et al. 2006; Bloomfield and Best 1992; Bloomfield and Danieli 1995; Hislop 2002; Sturdy 1997a,b, 1998). Simultaneously, due to their technical nature and their focus on implementation, they seem to offer client companies at least better possibilities for, e.g., an (ex post) evaluation than purely strategic advice (see also Alexius and Furusten 2005; Furusten and Werr 2005; Richter 2004a). Analyzing the courses of specific projects ensured that not only the “official” principles and policies became evident, but also their handling in everyday life. However, dealings in the analyzed projects were also contrasted with former/current practices and the companies' usual approaches towards consulting projects in general (not only IT, but also management consulting etc.) in order get a comprehensive picture.

The seven companies under research were of different sizes and belonged to different industries of the manufacturing industry and the services sector, thus allowing first careful conclusions on trends and the identification of parallels, basic problems, backgrounds, or objectives behind developments, but also of differences in approaches. Although there may be many organization-specific issues influencing the management of consulting projects, such as a company's structure, (decision-making) culture, size, or self-confidence (see also Höner and Mohe 2006; Pemer and Werr 2005; Werr 2005), the focus here is on identifying universal/general issues.

In order to achieve a detailed understanding of the processes that are taking place and in order to make findings visible in different ways (Denzin and Lincoln 2003), I conducted first of all 39 *half-structured interviews* (King 1994; Fontana and Frey 2003) with 42 persons (see Appendix B). The interviews lasted between approximately three-quarters of an hour and two and a half hour each, with the majority lasting about one and a half hour. Here, both *internal employees* (e.g. project managers, members of the project team from both IT and business departments concerned, project sponsors, members of the steering committee, internal consultants) and *external consultants* involved in the respective project were interviewed. Moreover, interviewees included representatives of the *central purchasing department*, of specific units for the *management of consultancy services*, or of departments of *innovation management*, if they where existent and relevant. The qualitative interview guidelines comprised, for example, general aspects concerning projects and the use of consultants in the company; the background of, the approach towards, and the course of the selected projects; the cooperation with and the role of consultants in the projects; crucial developments within the last years etc.[1] In some of the companies, it was moreover possible to examine *documents* complementarily, such as guidelines for choosing consultants, catalogs of evaluation criteria, or outline agreements with consultants. In one company, where the preliminary study of an IT project was researched, it was possible to follow the process of selecting consultants for the implementation project and to take part in selected events in the form of *participant observation*. All but two interviews were digitally recorded and fully transcribed; observations as well as impressions from the interviews and additional

[1] A comprehensive description of the topics covered/ the interview guidelines are available from the author.

information gained from (telephone or personal) conversations or the like were entered in a research journal immediately after the respective event.

The interviews were analyzed following a *codebook* or *template* approach (Crabtree and Miller 1992; Miles and Huberman 1994; see also King 1994), examining the data on the basis of a number of categories or themes relevant to the topic under study (King 1994). While a range of categories was developed a priori and derived from existing knowledge on the consultant-client relationship and on the basis of the different phases of the consulting process, the codebook was constantly revised in an explorative way by means of exposure to the (textual) data, so that additional topics and issues relevant to the interviewed people could be taken into account.

In the following sections, the current handling of consulting projects and the relevant changes within the companies under research will first of all be *described* with respect to the different phases of the consulting process – from the decision on a (consulting) project to its evaluation – and shortly summarized (5.1). Subsequently, these findings will be *interpreted and analyzed* against the background of the emerging motives and reasons underlying these changes and the discussed particularities of consulting (5.2 & 5.3).

5 THE CHANGING WAYS OF MANAGING CONSULTANTS – EMPIRICAL EVIDENCE FROM CLIENT COMPANIES

5.1 Managing the consulting process – characteristics and changes

<u>Deciding on projects and recognizing the need for consultants</u>

In accordance with the findings presented in section 2, in the companies under research consulting projects have generally been dealt with quite informally. The decision on whether a specific *project* idea is promising and a certain project shall be run, for example, has for long time been made quite hands-on and pragmatically. This also applies to the larger companies. And the effort needed to get projects approved has often been not very high:

> How we've proceeded so far? We roughly outlined an idea, then estimated by rule of thumb and said: Yes, we will make a project out of this. [...] And when it comes to formal project applications – there haven't been any back then... (Manager E2 (IT)) [2]

> A[3]: We didn't work ourselves to death by calculating in advance. We didn't do that.
> Q: What did you then compile for the managing board?
> A: That was quite simple. We created a kind of release plan, and said: 'These are the steps that must be taken.' Thus: 'There are some problems […]. If we want to grow, we will have to solve these problems.' It was not so much about: 'What's exactly in it

[2] All quotes from interviewees were translated from German into English by the author. For information on the interviewees see Appendix B; IT = information technology; Bus. = business department; PM = project manager.
[3] A = Answer/ statement by the interviewee; Q = Question from the interviewer.

> for us?' (Manager A1 (PM, Bus.))

However, currently in most of the companies a trend towards a more formalized way of applying for projects and towards *cost-benefit-analyses* can be observed. One project leader even points out:

> Well, back then, there was no economic background. And we never conducted a cost-benefit analysis. [...] Neglecting this back then has caught up with me now. Now I have to do the cost-benefit-analysis for this project retrospectively, I have to catch up on everything. (Manager C2 (PM, Bus.))

Likewise, in the case of IT projects, managers can no longer just refer to the topicality of an IT solution (e.g. Ramiller and Swanson 2003); instead, it is necessary to demonstrate the business value of each IT investment. Moreover, when projects exceed a certain investment volume, they often have to be authorized by a steering committee, including controllers or the CFO.

> The business case was not signed off on by Manager D1 or any project assistant; it was signed off on by the head of controlling; everything calculated. I remember that well, […] it was quite unusual for Company D. (Manager D1 (PM))

In this context of regulating the handling of projects in general, calling *external consultants* in becomes more difficult, too. Consulting budgets are at least not as "easy" (Manager C2 (PM, Bus.)) to obtain as it used to be some years ago. In some companies, the larger part of the consulting budgets is no longer located locally within the departments but is allocated in a centralized way, and budgets that manages can dispose of autonomously have been cut down.

> Things have changed quite a bit. So back then, most projects were driven by IT. IT budgets were allocated with IT; now they are to be found at the different business departments and are administered by central purchasing. It is like a moral degeneracy, as I always call it (he laughs). (Consultant C2)

Thus, external services have often to be asked for in the process of applying for the general project budget (see above). A few companies go further and have enacted specific directives, which require, for example, to check out whether internal capacities are available and to "borrow" people from other departments before bringing in external consultants (see also Werr and Pemer 2005). In one company, since recently the managing board itself has a look at each single consultancy contract independent of its volume. However, in no case a specific cost-benefit analysis for the consulting service could be found. While the cost are included in the general calculation, the benefits do not have to be presented as hard data (see, e.g., value-based pricing, Alexius and Furusten 2005). The help of consultants can most often be justified verbally and therefore quite vaguely, e.g. by referring to the lack of own capacities or knowledge. When the project, despite the consulting costs, (still) appears to yield profits, the calculated amount of consultants is usually authorized.

> And most projects are decided upon by the steering committee together with the managing board. And in these cases you present a budget proposal anyway and you tell them: 'So much for consultants.' Well, and then you've already got the permission. (Manager A1 (PM, Bus.))

Selecting and purchasing consultants

Primarily those companies which have introduced a more formal approach towards initiating and developing projects and towards deciding upon consultant involvement as described above, often have also started to develop systematic procedures for selecting consultants. Such initiatives comprise, for example, formal bidding processes for projects of a certain volume, lists of selection criteria defined in advance, and the forming of buying centers (see also Kohr 2000) including, e.g., the respective project manager and the sponsor, possibly project members, the central procurement, or even a representative from the legal department and a board member. Moreover, consultants are asked to deliver more comprehensive concept proposals and detailed estimates of the "time and material" needed and have to prove themselves in "beauty contests" (see also, e.g., Terpitz 2007).

> When you have a look at the 1990s, it was more of a sellers' market, which means that you could send out an offer which was then accepted quite promptly. Now, one takes part in a bidding process, submits quotes, and holds presentations accordingly so that now it has really become a regulated procedure. [...] In the past, there were individual cases where it was handled like this, but, as I've said before, the majority of the projects, which we were commissioned to do, were handled in a pretty casual manner. (Consultant G)

In addition to checking out commercial and technical/functional aspects, clients also seem to attach increasing importance to receiving a personal impression of the project leader and the main members of the consultants' team prior to the project (Furusten and Werr 2005).

> There was one bidder who provided a top offer, which looked extremely good on paper, was good to read, but somehow he didn't convince us. Somehow we had the impression that he wouldn't be able to communicate and 'sell' the project within our organization. (Managers G3&G4 (IT))

> For a long time one argued with, let's call it brands or brand ideas. But over the past few years, I think this has somehow changed quite a bit […]. At the end of the day it will be the individual people again, who count, and this can then also be a small consultancy.
> (Manager F2 (IT))

One of the most prevalent and crucial developments with respect to the formalization activities observed is the involvement of a central purchasing department (see also Werr and Pemer 2005) in all but one (Company E) of the companies:

> A: There has always been a central purchasing department in banking companies; but they were in charge of buying ... company cars or something like that, weren't they?!
> Q: Of course – but they were not responsible for consulting services …
> A: They were definitely not responsible for consulting services!!! (Consultant A)

> A: In the past, it was quite easy.
> Q: How was it back then?

A: Then, you came to an agreement with the business units, about the prices and so forth, and then the case was settled. Now, you are additionally sent to the purchasing department. (Consultant G)

While in some companies the participation of the purchasing department in the selection process is a complete novelty, in others the purchasers have already become involved some years ago. But whereas they previously at the best negotiated slightly more favorable conditions after the manager had chosen his/her consultant, they now take an increasingly active and powerful role. From the very beginning, they are involved in the process and the selection decision, and compare consultants' offers and fees to market prices, negotiate framework agreements, engage in supplier management strategies, structure supplier bases etc. (see also, e.g., Bäcklund and Werr 2005). Moreover, they also arrange for a clear contractual basis, security of law, and an explicit understanding on warranties and liabilities.

Besides, purchasers assure transparency on the use of and the expenses on consulting *within* the company. They can trace every order within the purchasing system and are, for example, able to reject orders that have not been authorized by the right person or committee or that violate new guidelines. Moreover, they are often the only authorized point of contact for the consultants. Formally, central buying has become the only one allowed to purchase consultants:

> The only ones entitled to procure are of course the representatives of the Company G – the managing board – and central purchasing –; and no one else. (Purchaser G)

Framing contracts

Along with such efforts seems to come an increasing emphasis on specifying outcomes and deliverables ex ante (see also Day 2004). Milestones and sub-goals are defined and time schedules arranged; sometimes these are linked with penalties or bonuses respectively. In accordance with the increasing necessity to justify the "business value" of projects and, in the researched cases, of IT concepts and solutions, a very strong focus on implementation (see also Richter 2004b) – rather than only on the provision of a concept – has occurred. "Strictly speaking, we're not a consulting business; we're a handicraft business, […] and we always work closely with those who have to implement and live with it in the end" (Consultant A). In some cases, moreover, the commitment of transferring knowledge from consultants to the companies' employees is also explicitly laid down in contracts. Surprisingly often, managers point out their own – or rather "other" client companies' – shortcomings with respect to the governing of projects and consultants and underline the necessity for an active role (see also Engwall and Eriksson 2005; Pemer and Werr 2005; Werr and Linnarsson 2002):

> I can imagine that there are companies which say: 'I am going to employ some consultants and

> I hope that only by engaging them, my problem will be solved.' They do not bother about it themselves. […] And if one is dissatisfied with the consultants in these cases, it is perhaps not really justified, because one has not done one's own job. One has not told the consultants what to do and has not defined any goals for them. (Manager A2 (IT))

Despite the focus on goals and implementation, performance-related elements in the consulting fees basically seem to be no prevailing issue at present, although some companies plan to introduce such remuneration models or have applied them from time to time. Thus, in many projects, time and materials contracts are chosen; however some companies also increasingly try to achieve fixed price incentive contracts/ contracts for work (see also Alexius and Furusten 2005; Richter 2004a). Often then, e.g., preliminary studies of limited scope are conducted to get a clearer picture of the desired outcomes and conception and implementation phases are commissioned separately (or even different consultancies are commissioned for conception and implementation).

> We really discuss every single expected performance and put down exactly what the consultant is supposed to do, what we have to do; we clearly specify the services as well as the acceptance criteria and the deadlines. This is going to be quite an effort. (Purchaser G)

Evaluating and measuring (consultants') performance/ project control

As described above, in the companies under research increasing attention is paid to *conducting cost-benefit analyses* and to justifying the projects and the use of external consultancies *ex ante* as well as to defining feasible solutions, milestones, and sub-goals. Less emphasis, however, still seems to be put on an ongoing or *ex post evaluation* of the estimated benefits in general and the performance of the consultants in particular.

> Q: And how do things look like towards the end of such a project? Is there an evaluation of projects or the consultants involved?
> A: Nothing at all, Ms. Reifenscheidt, absolutely nothing at all … (Manager D (PM))

> Very rarely, people actually try to ascertain with the help of hard facts if the goals or the key figures, which they put down in the beginning as a mental note or even on a piece of paper, have really been achieved in the end. (Consultant C1)

Thus, although in nearly all companies a continuous tracking of the project with respect to being "in time & in budget" takes place along the defined milestones, only in a minor part of the companies it is common practice to reaudit and follow up the benefits and effects calculated at the beginning of the project. With regard to the IT projects under examination, for example, the implementation and error-free running of the software was often sufficient for the respective managers in charge and/or the top management to declare the project a success, regardless of whether the intended organizational changes had been realized (see also Grant et al. 2006).

> It runs trouble-free […]. Hence, it's declared as completed, and everyone's happy with it. But

> we don’t know how successful we really were. (Manager E2 (IT))

At times, some kind of *lessons learned* meeting following a project is held by the members of the project team, including the consultants. This practice is, however, not institutionalized within the firms, but depends on the initiative of the individual persons involved. Moreover, documentations arising in the course of a project are filed in such a way that they would suffice in an internal audit, but are otherwise not used or made available.

To a (still) lesser extent, things seem to have changed with respect to a specific *evaluation of the performance and the contributions of the consultants* (see Ebrahimchel et al. 2006; Ernst 2002; Wright and Kitay 2002; see also Höner and Mohe 2006). Due to the stronger emphasis on the implementation of projects, on specifying milestones and objectives, and on fixed price incentive contracts, one can no longer speak of a complete “lack of emphasis on *outcomes*”, i.e. what has been achieved in the joint work (McGivern 1983: 381), anymore. However, there are still hardly any systematic attempts to further evaluate the specific contribution of the consultants.

> Such a kind of official feedback is given seldomly; very seldomly. Often there is not a typical modus operandi in the client companies, but it’s more like a topic occurs and is just being dealt with somehow. (Consultant E)

> Q: Now, you’ve just said that a systematic ex post evaluation of the consulting services or the project itself does normally not exist …
>
> A: It exists with regard to the project! With regard to the project, it exists! But apart from saying, ‘Well, the consultants did a good job’ there it nothing like that done any further with respect to the consultants’ performance. (Consultant A)

Consultants are assessed subjectively and individually, with clients’ opinions often developing and being formed in dialogs with the consultants themselves (see Ernst 2002) while, for example, “having a beer together” (Manager A1 (PM, Bus.)). What is judged then are prevalently qualities of the specific person and the consulting process itself (see also Ernst 2002; Ernst and Kieser 2002b; Nystrom and Starbuck 1984) rather than (measurable) results.

> So last week, in my opinion one of the consultants adopted the wrong tone. Then we notified Manager A2 that maybe this person, this respective consultant, should change his tune. (Manager A1 (PM, Bus.))

> Actually, such a project is always a very [hesitates] sensitive social fabric, somehow. It’s like a small family. If something is not right, you will notice it immediately. Even if there are 25 people working for you and one does not function right, you will notice it straight away, because this one person poisons the whole team. (Manager A2 (IT))

In two companies (A & D), some kind of formal and documented assessment of the consultants takes place for certain projects: Here, one manager – e.g. the project leader or the person responsible for the budget – is asked to fill in a short “very simple and easy to handle” (Purchaser A) form subsequent to the project. The criteria applied cover aspects such as “expertise”, “project management skills”, “feasibility”, “reliability”, “punctuality”, “operating within time and budget", "performance", "social skills", "delivering what was expected", or "overall satisfaction" and add up with commercial aspects such as "price", "readiness to accept fixed price incentive contracts" or "fairness/obligingness".

> What we have done for the first time within the framework of this IT consulting project is that we addressed the ones responsible for the project budget and asked them to evaluate the consultants according to a quite simple grading scheme, and to grade the company, the individual consultants and the successful implementation of the project with respect to time and budget […]. And if they can complete the form within one or two minutes[, it's good]. And then, you can of course use that for future tenders and negotiations on conditions […]. (Purchaser A)

The above presented practices of handling the consulting process show that the topic of how to best deal with consultants is indeed given more attention, with efforts to rationalize, standardize, formalize, and centralize being under way. However, although all companies under research seem to develop into the same direction, they fundamentally differ in their level of development and the scope and comprehensiveness of the organizationally established approaches. Moreover, clients' efforts seem to concentrate predominantly on the early phases of the projects, such as the decision on projects, the outlines of the contracts with consultants, or the selection and purchase, rather than the evaluation. In the following two sections, I will therefore take a look at how these changes have come about, at the reasons underlying them and the motives behind them, and how they are being dealt with within the client companies.

5.2 Initiating changes – main triggers, circumstances, and goals

The increasing sophistication, formalization, and centralization on the part of the clients is often associated with the poor economic climate of recent years (e.g. Werr and Pemer 2005) and the need to justify expenses to share- and stakeholders (e.g. Höner and Mohe 2006). Indeed, the *economic recession* and the following need for belt-tightening and for transparency emerge as the main triggers for and the motives behind the changes described in the previous section. Most initiatives thus have been introduced by the top management from the end of the 1990s, but mostly and much more intensified from the beginning of the new millennium on. In fact, new practices often appeared temporally delayed around the time the specific industry of the respective client company was hit by the economic downturn.

> When one has, as a consequence of 9/11, for the first time in one company's history, to publish a loss amounting to hundreds of million of dollars, one finds it difficult to decide to spend four or five thousand euros a day on consultants. (Manager D2 (CIO))

> In principle, I believe that against the background of the current economic climate clients handle the external budgets very deliberately and that they consider very carefully for which tasks external staff is necessary. Of course, they are also not as generous with the fees as they were prior to 2001. (Consultant B)

It is important to notice that quite frequently it was not explicitly the consulting services that came to the fore in this respect. In all areas with high expenses budgets have been cut and the purchasing function was often been centralized on principle, with consulting services being "automatically" included. The significance of the economic climate for the developments on the part of the clients becomes even more obvious, when one takes a look at those companies (A & E) that have not yet participated as much as others in the increasing regulation and rationalization, but rather represent the "traditional" informal approach of dealing with consultants. Both of them have hitherto been operating in a very stable and comfortable economic environment and have not been hit by the economic recession. A manager of Company A even points out:

> Q: You said that you have been working for this company for 16 years. Has something changed with respect to the handling of consultancies?
>
> A: Yes, of course. I mean, at that time, it did not go so well with the bank that we could have spent money like water. I do not want to imply that we do this today; but today it only plays a minor role whether or not we have one consultant more or less. Therefore, the answer is yes. (Manager A3 (Bus.))

In the other companies, the intention has been, as a start, to get an idea of the expenses on consulting and to cut these expenses by bundling orders, reducing transaction costs etc. (see also Bäcklund and Werr 2005; Deelmann 2005; Werr and Pemer 2005).

> And they actually have 3,700 active suppliers in this company, 7,500 that are listed somehow. Each plant – I almost said every window – has been purchasing itself: opening the windows and calling out…. (Manager D1 (PM))

Moreover, for most managers the inducement to negotiate or to consider alternative offers seemed to be quite low given their close relationships with consultants, the related insider-like position of the consultants (see section 3), and the up to then existing rules of approving budgets. Consultants, of course, have been aware of this.

> As it is not their own money they [the managers] are spending, the pressure to take some extra turns in order to cut the prices are, generally speaking, not that high. (Manager B2 (Bus.))
>
> If the consultants already have the feeling – I mean, they can hear the grass grow – that they will be in for the job, and central purchasing is calling, then they are sitting totally relaxed at the table and wait for the time to pass by. And as I've said before, the usual 2, 3 percent are taken off but you can really forget about them. (Purchaser G)

In the context of the general economic downturn affecting most companies as well as the to date prevalent practices of handling consultants and the increasing attention of stake- and shareholders, a further catalyst for the developments seems to be the need for a stronger governance of consulting projects, keeping consultants at an "arm's length" (Werr and Styhre 2003): Both with regard to the actions and strategies of the *consultants* and with regard to their *own managers* and the special relationships arising from consulting services (see also

Höner and Mohe 2006; Fincham 2003; Weiershäuser 1996), client companies – or the top managers – seem to have been feeling, and are being reproached with, a loss of *control* over events.

> A2: That was a time in which many projects started, when we were organized in a very decentralized way with high autonomy for the specific so-called business units. I think this was the reason that the late chairman of the board said: 'I would like to have things in a more structured and channeled way, just to see what happens out there …'
> Q: In order to get an overview…
> A1: In order to get an overview but also in order to *direct and control*. (Purchasers D1&D2 (Strategy Consulting))

> So after it had become customary to give the work to other people, 'consultants are great, everyone should have one', the managing board said: 'Now let's stop with those consultants, people should start to do their work themselves. All of the contracts with consultancies must be presented to us.' (Manager C3 (IT))

> If you do not make the purchasing department the only authorized point of contact for the consultants, then you are continuously bothered by the consultants and, above all, you cannot control the whole thing anymore, you don't have any transparency. All those people who are suddenly known in the company, and consultants do have many contacts from the different projects, they are then tapping them. (Manager G1 (PM, Bus.))

Thus, the fact that in some companies the commitment to transfer knowledge from the consultants to the clients is laid down in contracts (see 5.1), for instance, not only seems to aim at gaining knowledge, but also represents a means of control over the internal workings:

> Q: How can you check if there has actually been a transfer of knowledge?
> A: No, it's not this way around. But when there is a second time when the same consultant is commissioned again, the project manager's superior, who has to approve the budget, will most likely ask why we would need that person again, if he had originally been supposed to transfer the knowledge.
> Q: 'Why do we need somebody to perform the same project again?'
> A: Exactly. And then the project manager has a problem. (Purchaser G)

With regard to the consultancies, *distrust* has increased and *disillusionment* has grown within the client companies, as they have realized that consultants have spread through their company, have made themselves indispensable (e.g. Ernst and Kieser 2002a,b; Kieser 1998), and are playing with the clients:

> In my opinion, consultants have considerably contributed to this trend [in e-commerce] becoming such a hype. The consultants, they all made an incredibly good deal. (Manager F1 (PM, Bus.))

> A: It is also a popular trick for consultants to start a project at a cheaper rate …
> Q: And then call in some specialist later on …
> A: … as soon as they know that they are in. Exactly! 'He is extremely good and only he can do it, but unfortunately he is twice as expensive.' And then you cannot pull back anymore. (Purchaser G)

> We decided that the company who has done the preliminary study will definitely not be in for the implementation of the project. As some of us had for sure the idea that it could end up with the consultants influencing the preliminary study in such a way that it would only match to

their own consulting services and solutions. (Managers G3&G4 (IT))

> These consultants, they are top-class, which means that they are extremely skilled in every respect, psychologically trained, also with regard to sales etc. They manage to talk the heads off the specific departments so that the latter are totally enthusiastic about these consultants and want to employ them by all means. (Purchaser G)

Not only is the top management the one to experience such a loss of control and to become increasingly suspicious. In one company, for example, it was the IT department that had raised and strongly pushed the issue of establishing a project office and formal procedures for handling consultants, since it felt disturbed by the external consultants talking the business departments into a specific IT solution or even developing into a "shadow" or "parallel" IT and thus depriving the corporate IT of its power (see also Bloomfield and Best 1992).

That way, apart from their effects on costs, many of the practices that have been introduced also seem to serve as "actions or reactions" (Skinner 1996; see also Rothbaum et al. 1982) with respect to the perceived loss of control over both the consultants and, relevant for the top management in particular, the internal activities – thus with respect to the "agents" as well as the "agents' agents" (Fincham 2003).

The above described developments within client companies have furthermore been supported by client managers' increasing knowledge of and experience with (consulting) projects (see e.g. Sturdy et al. 2006). What is particularly striking in this respect, is that it are predominantly *former consultants* (see also Kitay and Wright 2004), now being employed in various functions in the upper management of the client companies, who do not only plead for a more formalized and attentive handling of consulting projects and who support existing initiatives, but who also have been the initiators of many of the approaches found.

> Those colleagues, who sit on the other side of the table, they naturally always know things better (he laughs) […]. And this has obviously also contributed to the clients' professionalization. The former consultants know how things work. […] And they know the prices as well as the margins; this really is a tough business. (Consultant D)

The interviewed former consultants have a very critical and reflective attitude towards both the consulting industry and the inadequate and unattended handling of consulting projects they find at their new employers or within client companies in general (see also Wright and Sturdy 2006).

> Unfortunately, it happens very often that the top management says: 'Well, we need something for XY. Now, who will be the project manager – hmm … *you*' (randomly selecting one manager). And then there is this poor little chap who hasn't got any idea of what he is supposed to do. […] And suddenly there comes the pressure into play: 'When can we finally see something?' And then you take the pragmatic approach: 'Let's call a consultant for demonstration purposes.' And then you say: 'Okay, let's take this one.' And finally, there is some sort of standard solution introduced. You haven't really grasped the scope of the

problem yet, but the solution is already there. (Manager C3 (IT))

What generally seems to play a minor role with respect to the changes is *dissatisfaction* with the previous outcomes of consulting projects and the consultants' performance, or calling into question the *contributions* of consultants and the *quality* of the hitherto purchased services. "Put another way: *Whether* the employment of consultants leads to increases in effectiveness *at all* is not called into question"[4] (Ernst 2002: 72). The innovation manager of the company in which the managing board itself latterly has to give its blessing to each consulting contract explains:

> And this was decided because there were a large number of consultants employed and because we wanted to put this a bit under our control. But it was not a question of: 'Are consultants successful or … do they contribute to our success?' […] It is a matter of, not as much of the success of consultants but of the commensurability, I would say. (Innovation Manager C)

Some others underline as well:

> Q: Is it one of your goals to maybe improve or audit the quality? […]
>
> A: No, each of the consultants provides excellent quality; otherwise he/she wouldn't be here. Or the other way round: It shows that the business units are satisfied with him/her, because otherwise they would not commission him/her again. (Purchaser G)

This seems to be in accordance with the result that changes have predominantly taken place with regard to the decision on projects and the purchase of the consultants, whereas a systematic (ex post) *evaluation* of and a reflection on the quality of both the project and the consultants' contribution and performance in many companies does not seem to be of much interest.

Some of the interviewed managers have thoroughly and deeply reflected on the impossibility of an objective evaluation of the effectiveness of a consulting service (Clark 1995; Ernst 2002; Ernst and Kieser 2002b, 2005), but are also aware of the fact that some kind of serious and systematic assessment of and reflection on the contributions of consultants would be sensible and necessary. Most others, however, dismiss the idea of an evaluation as superfluous. They refer, for instance, to the obviousness of the success of the project and likewise consider themselves to be perfectly able to assess the contribution and performance of the consultants in the course of the projects (see e.g. Wright and Kitay 2002; Ernst 2002; Ernst and Kieser 2005).

> If you have a look at the years 2002 to 2005, the volume of our business has grown in a twentyfold way. So we raised it 20 times. […] Not two or three times as much as the previous years, but 20 times. Within 4 years. If someone comes along and tells me to provide a calculation for the project, then I will tell him: 'My dear friend, we could do that, but we have lean processes here. It is not really necessary. What do you want to prove with this?' So, that's it – but nobody asks for it anyway. (Manager A3 (Bus.))

[4] Translated from German into English by the author.

> And each project realizes straight away if something does not fit correctly. […] you can see that without having to measure it, without having to measure any results. You really notice it. If a consultant does not work properly, you really notice it. (Manager A2 (IT))

In the next section, the findings up to now – the changes on the part of the clients and the reasons that are associated with it – will be continued to be interpreted by discussing them further on against the background of the particularities, interests, and ambiguities that have been found to be underlying consulting services with respect to both internal and external aspects (section 3).

5.3 Dealing with the changes – adjusting to the inevitable and avoiding the avoidable?

Restoring control over internal processes

The triggers and catalysts for the changes in the clients' handling of consulting services underline that there is at least to some extent both the need and the will of clients to become more professional (Mohe 2003, 2005). However, it might be assumed that the developments are not received enthusiastically all over the place: Rather than being incentive-based (see Höner and Mohe 2006), most new guidelines, e.g. for selecting consultants or involving the central purchasing, are obligatory and thus control-oriented, which might not appeal to managers who intend to employ consultants (see also Höner and Mohe's discussion (2006) of authority and laziness). Indeed, the formalized procedures are often regarded as unnecessarily complicating hitherto well-functioning approaches and as delaying processes and being too time-consuming (see also, e.g., Isenberg 1984; Mintzberg 2004). Particularly the central procurement is reproached with focusing on costs only. Moreover, for individual managers the developments – especially with respect to the centralization of decisions – imply a loss of control and power in a field in which they previously had plenty of rope and where they, not least, could address a wide range of personal needs and interests (e.g. Kieser 1998; Sturdy 1997a).

> It is a psychological thing. The specific departments take care of their projects, make the selection of projects, go to trade fairs, go elsewhere. Well, they work for it; then they finally make a decision in favor of one consultancy. […] And then they are deprived of this last step, the decision to commission someone. (Purchaser G)

> Then the managing board finally decided that a procurement department is institutionalized and those are the competencies of this department. […] Naturally, there are frictions. […] It's like that with any administrative department that controls what you do. (Manager A2 (IT))

> If you centralize purchasing, you give up parts of your responsibilities and, let's call it, power, authority to decide. At least for certain parts you yield your power to others. (Manager G2 (Bus.))

> If I order a certain good, then, in fact, I expect of central purchasing to obtain, in a timely manner, for the most favorable price, exactly what I want. […] If I order something from a

> company, then I have deliberately chosen that company. And then I know that it is more expensive than another company. And I don't want anybody to meddle with my affairs. (Manager C2 (PM, Bus.))

While the top management has been the one to introduce new practices and to profit from them and gain control, the changes for them(selves) also imply some kind of self-commitment to the new rules (Ernst and Kieser 2005; Höner and Mohe 2006). However, they often seem to be the first ones who do not strictly adhere to the new regulations, especially when it comes to their "house consultants", "old acquaintances", and projects of their own.

> Q: So then the CEO chooses his consultants himself?
> A2: We give advice to him but of course he also has his long-term acquaintances… (Purchasers D1&D2 (Strategy Consulting))

> Oftentimes, consultants that have been rejected meet up with top management; meet them for example on the golf course and start to complain. And then the managers ask us for an explanation: 'Why did you reject him? I've known him for ages!' (Purchasers D3&D4 (IT Consulting))

> It's my job to take care of the cost-benefit-analysis to take place in the stage of decision making. I do not manage to do this every time; it depends on the hierarchical level of the decision maker. The higher the hierarchical level, the likelier he/she will get his/her way. (Manager C3 (IT))

> The first ones to disregard the rules are the ones from top management. Just recently, when I've been doing the annual planning, a managing director pushes in a project. […] There is not even a business case, no project plan either, there is nothing. (Manager D (PM))

The managing board thus does not quite set an example and new initiatives are often received with cynicism by other managers and employees. "Well, the methods exist, the only problem is, who is doing his/her homework?" (Manager C3 (IT)). It thereby strongly seems to depend on the commitment of and the enforcement by the respective responsible board members and area/divisional managers, whether or how quickly new directives become established and really implemented in the company (or in specific areas). Moreover, not having the same freedom as the board to openly contravene regulations, many managers try to maintain control by by-passing new procedures (see also Lindberg and Furusten 2005). They split larger projects in several smaller ones in order not to exceed the limit that requires a formal project application or the involvement of a steering committee, or they calculate budgets generously.

> It is the same procedure every year: You put up a plan what you will need with regard to consultancy services. You add 10 percent and then you mostly receive 90 percent of what you wanted to get (he laughs). (Manager C1 (PM, IT))

In the company where directors have started to screen every consultancy contract, so-called "*support* services" – in contrast to "*consulting* services" – are excluded from this directive, which results in reactions such as the following:

> A: And then, there is something called 'support services'.
> Q: How are they defined?

> A: That’s a good question. We have certainly taken care that there are no longer any ‘consultancy contracts’ for IT [but only ‘support services’]. (Manager C3 (IT))

And generally, with respect to “these responsibilities, these questions of authority – it’s an endless fight; now we’re slowly drawing to a close: who is doing what, who has a say, who is only to be informed“ (Purchaser G).

These kinds of strategies aiming at directly influencing the situation in one’s favor and trying to change the world to fit the self’s needs and desires, sometimes referred to as *primary control* (strategies) (Rothbaum et al. 1982; Heckhausen & Schulz 1995: 285), are not always possible, particularly when new regulations are strict and monitored likewise. However, it is not so much the objective control of an event and its actual controllability that matters for people and is of vital importance for the physical and mental well-being, but the *perceived* (or subjective) control, the “individual’s *belief* about how much control is available” (Skinner 1996: 551; emphasis N.R.; also see Averill 1973; Taylor 1989). People thus often try to minimize or ameliorate losses or threats to control by *cognitively* changing their perceptions and/or aspirations in order to “fit in with the world and to ‘flow with the current’” (Rothbaum et al. 1982: 8): In such cognitive, *secondary control* strategies, for instance, unattainable goals are devalued, expectations adjusted or negative, inevitable events prepared for (Heckhausen and Schulz 1995; Rothbaum et al. 1982; Skinner 1996; also see Averill 1973; Thompson 1981).[5] Interestingly, in those companies where the central procurement is not yet involved very extensively in the whole process of selecting and managing consultants, managers can not imagine that central purchasers are ever going to have such an authority: “The purchasers??? The purchasers should be put in charge of this???” (Manager E1 (PM, IT)). While in the other companies reactions apparently were quite similar in the beginning, people seemed to have at least to some extent arranged themselves with the facts (see also Bäcklund and Werr 2005). “Particularly Manager G2,” Purchasing Manager G explains, “was in the beginning, when we first had contact, a bit skeptical; but now he’s looking on the bright side.” And Manager G2 asserts in his interview that despite some initial concerns the central purchasing is a great asset:

> Yes, it’s positive [that central purchasing is part of it], particularly when it comes to the drafting of contracts. […] This is standardized again, those are professionals who work on things like that every day and thus they know about the constituents of such a contract, how one has to handle it […]. If you have a professional partner for those kinds of issues, it’s perfect. (Manager G2 (Bus.))

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[5] While there is a general consistency of findings, different labels have been used for similar constructs related to the kind of control discussed here. For a critical overview on and classification of constructs see Skinner (1996).

Thereby, different kinds of secondary control strategies seem to take place. The new procedures are referred to as sensible and a matter of course – "such procedures are just part of what any good project manager would do" (Manager F2 (IT)) –, and the positive aspects with respect to the fact that their own business units are relieved from "unnecessary" work are pointed out: Retrospectively (Rothbaum et al. 1982), decisions (and thus loci of control) are revalued, regarding oneself as causing them (Thompson 1981): "*We* reached the decision to involve the purchasing department at that time" (Manager F3 (IT)).

However, business and IT executives sometimes also simply deny or downplay the (formally existing) power and role of the purchasing department (see 5.1) and affirm that they themselves were the ones to be in control of the process and the final decision.

> And those who run the business are those, who have the lead. The other ones are supporters: the legal department, revision, central purchasing, they are supporting. This is the way they see themselves as well, otherwise they would not fit in. Choosing the contents and the companies is still our job. (Manager A1 (PM, Bus.))

> I always include central purchasing in the selection process, because this has certain advantages – whether there is a policy with regard to that, I don't know [there is a clear guideline, note by the author]. They will never decide, at least not in our company, who is to be part of the bidding process. They can make suggestions, which will be deliberately ignored if they don't match our views. (Manager D1 (PM))

The interviewed purchasing managers often actually seem to support these cognitive strategies of managers by taking a back seat and carefully communicating and characterizing their work as a *service* to the IT and business units (where necessary, at the same time, however, also making clear that their cooperation is important just in case).

> This means that we do not take the lead in negotiations with consultants while the business departments take a back seat. It is the business departments that lead the negotiations while we accompany them and offer them added value. (Purchaser G)

> I communicate this in a certain way towards internal customers. This is something I have learned from working in the field of capital-intensive goods. I tell them: 'Y*ou* are the one who is making the decision – if I don't agree, I will let you know and we will go to the managing director together.' (Purchasers D3&D4 (IT Consulting))

The purchasers know well that the cooperation of the managers is useful and necessary for them in order to reach their goals of holding total costs low and supplying a "good consultant at a reasonable price" (Purchasers D3&D4 (IT Consulting)).

> The final decision is with the business departments. The practical reason for this is that if we push through someone they don't want to work with, he may bid but he won't stand a chance to win. So there would be additional efforts for the company, for us and for the business department and everyone knows that this is useless. […] Maybe we could push our favorite through, but it won't be efficient for anybody. […] Not for us, and not for them. (Purchaser G)

The assessment of the quality of the consultants and their offers – apart from commercial aspects – are generally deemed the responsibility of the requesting unit and not part of the purchasers’ job. And the quality of the consultants chosen by the respective managers, as we have seen (5.2), is not called into question. In this sense, the purchasers are not interested in assuming the “operational/functional“ responsibility for the definite decision for a consultant and the success of the project or possibly being reproached with having selected the wrong consultant.

> It will always be like this that the business departments will have the last say. Otherwise I would be assuming the functional responsibility. (Purchaser G)

> If the specific business department tells me: ‘This is such a specialized topic and I know someone, who has solved this problem in a different company and I really want to have this person’, then he has to substantiate his proposal. Then, we don’t set up a tender offer, because this would be like provision of work, because we already know who will win it. […] If their superiors approve of it, then it is fine with me, and then this person will be commissioned. (Purchaser G)

And often, despite formal selection processes etc., it is one of the consultancies initially proposed by the respective requesting units, which is chosen in the end.

Maintaining ambiguity within the consultant-client relationship

Besides generally depriving managers of a part of their power intra-organizationally, the new ways of handling consulting services offer the client companies, as discussed in 5.2, new options of control and power over external consultants (see also Terpitz 2007). Indeed, managers across all hierarchical levels and functions turn out to view consultants per se more matter-of-factly and even cynically (see also Sturdy 1997a,b) and seem to be tired of the often arrogant appearance and superiority of consultants in the past. Thus client managers show themselves very self-confidently and critically, underlining that the consultants are no better than the clients and that they are aware of the consultants’ tricks and games (see also Schein 2002):

> It is important to separate the wheat from the chaff. Really, there are so many people who call themselves consultants and who do not live up to what is on their business cards. We’ve got to know those. […] And we immediately noticed that this was a just sales person, a whisk, with no substance behind it. (Manager A3 (Bus.))

> They are no different from us, are they? If you find a consultant who is better than the rest, then it’s interesting. […] They always have their top performers, like any company, and then they have a good share of average people. (Manager A1 (PM, Bus.))

The new practices underline this self-confidence, signal expertise and sophistication, put the managers in a position to bargain and to make demands, and let them share psychologically in the purchasing departments' power and expertise (Rothbaum et al. 1982). Thus they can serve as both primary and secondary control reactions with regard to the consultants. The new power seems to increasingly appeal to the clients, as one project leader describes the situation of the first big "beauty contest" in the course of the selection process for the researched project:

> In the beginning we really were irritated and wee didn't feel like it. But we had to do it because the managing board naturally said: 'Guys!' And then pricing was a bit challenged and so forth and then the enthusiasm started to grow. In the end, I could hardly hold back a couple of my colleagues because they had so much fun, they had tasted blood. (Manager D1 (PM))

However, the ambiguity of the relationship becomes also apparent and there is no doubt that the consultants within the researched projects were regarded rather as "friends" than as "foes" (Werr and Styhre 2003) in many occasions. Due to the necessary interaction (Clark 1995; Kieser 1998) for producing outcomes, personal relationships were characterized as important, consultants were asked to be partners striving for a "win-win-situation" (CIO Company A), working as a team was emphasized, and the consultants sometimes shared both space, (spare and working) time, and knowledge over several years (Czarniawska and Mazza 2003; Sturdy et al. 2006).

> It always happens when you have external consultants sitting in your company for a long time, then they lose the feeling who they actually work for. (Manager A2 (IT))

> We have always had a little party, each year, where we went somewhere with our consultants, not as part of the project. And it always went really well, we integrated them well into our team, didn't put up walls like 'those are the consultants and this is us.' (Manager F2 (IT))

In this respect, the new formalization and centralization seems to offer another positive aspect for the managers working together with the consultants: It can at least to some extent countervail the dilemma between maintaining (perceived) control and covering oneself against consultants' potential "games" on the one hand and good relations and a pleasant working atmosphere on the other hand (see also Kitay and Wright 2004):

> The purchaser can take the liberty to do almost anything. He can tighten the screws, but the project manager is still good friends with the person who is being purchased. […] This is a big advantage. If I had to do everything, I would be the bad guy, but on the next day I would like him to come in on the weekend. So, I'm definitely dependent on the goodwill and the cooperation and motivation of the external consultants. […] (Manager A2 (IT))

> Because you can always blame the purchasing department, especially towards the external consultants: 'We cannot commission you because of central purchasing'; 'unfortunately, the purchasing department caused some trouble' … (Purchasers D3&D4 (IT Consulting))

Moreover, it became evident that the new rules such as installing "buying centers" and developing selection criteria do not completely replace soft factors and personal impressions and experiences. The problems of assessing the quality of a service offer ex ante are not eliminated by the new procedures (see also Alexius and Furusten 2005), and the presentation of the consulting team and the impression that those specific persons could handle the project and establish it within the company are crucial factors (5.1). In this respect, it becomes obvious that a complete "commodification" (Day 2004; Werr and Pemer 2005) of the consulting service is often not really desired – neither by the project managers nor by the board (and also not necessarily by the purchasing department, see above).

> A: The managing board receives a proposal from the business department, in which it says: 'We would like to commission consultant XY, for such and such a number of days, it will cost this much.' And then the managing directors agree or reject. Or they ask: 'Why didn't we choose the other one?'
> Q: Like 'Is there no one who is cheaper?'
> A: No, they would rather ask: 'Why don't we use the consultant who successfully worked on the other project last year?' (Innovation Manager C)

> Well, if you choose consultants, […], you may have certain evaluation criteria and so on – but it is more or less a bit pseudo, isn't it? […] You work through it formally and what remains, other things being equal, is something like a soft factor […]; in the end you are left with the question: Do I want to work with them for a year? (Manager D2 (CIO))

Cherry-picking

By their own accounts, the client organizations or the management boards respectively seem to achieve several positive effects with the help of the new practices, such as keeping the overview of consulting projects, having transparency on and cutting consulting expenses, increasing overall power and control, and shifting more responsibility on the consultants (e.g. by work contracts). Even those managers who do not seem to gain much from the changes and whose power seems to be cut back seem to start to acquire a taste for the new approaches or at least partly cope due to how the practices are shaped and handled. For example, some of the new guidelines are not as strict as they seem to be, they can be by-passed, or they are just accepted and seen as bearing some positive aspects.

Moreover, with the implementation of such formal and regulated approaches, it looks as if the clients can gain legitimacy and meet the demands for a more careful, sophisticated, and cost-conscious behavior and an active role. Indeed, against the background of what has been discussed so far, it may be assumed that the alterations on the part of the clients also serve as a (positive) signal (and perhaps facade) of rationality, with rational behavior and up-to-dateness often being equated with competence (Nystrom and Starbuck 1984; Meyer and Rowan 1977; see also Ernst and Kieser 2005; Feldman and March 1981; Meyer 1994): The installed formal procedures of handling consultants with awareness, of determining whether a consultant is needed at all, of selecting a consultant according to a catalog of "objective" criteria, or of getting to know the consulting team in advance (see 5.1), signal that the organization is in control over the consultants and the internal processes and make sure that the “best” choice is made. This also helps to maintain the described use of consultants for enhancing the managers’ perception of control over the environment and for demonstrating “good management” based on the “expertise” of consultants, thus creating external as well as internal faith (see section 3; Alvesson 1993; Ernst and Kieser 2002a,b; Faust 1998). Indeed, against the background of reproaches such as the uncontrolled growth (Mohe 2005) of consultants within client companies and the increasing denouncement of the consultants’ tricks and misconducts, it probably won’t be enough to just rely on “any” consultant (at all) any more (see also Mohe and Höner 2006): he/she will have to be well-chosen, a “real” expert, and “demonstrably” worth the money. Moreover, as for the dynamics of the consultant-client relationship, the new practices in this sense also appear as some kind of “impression management” (Clark 1995) on the part of the clients, who thus can demonstrate their powerful and leading position *towards the consultants*.

The new practices mainly focusing at the first stages of the consulting process thereby from the point of view of most of the involved parties seem to be sufficient for fulfilling the basic motivations of “professionalizing” one’s behavior just described. Often, no one – neither (top) managers nor purchasers – seems to see, for instance, the necessity for a systematic (ex post) evaluation of consultants (see also Ernst and Kieser 2005; Höner and Mohe 2006) – which is indeed not found to be very widespread (see 5.1, 5.2) – in order to reach their respective goals. Instead, the assessment of projects and particularly that of consultants is often handled quite informally and in a hands-on manner; not even the procurement departments seem to have an interest in challenging the judgment of the managers.

> Q: Does subjective satisfaction say anything about the success of a project?
>
> A: By all means. Otherwise I would insinuate that this mentality is predominant in our company: The more external consultants I have, the more important I am. And I have heaps of money so I don’t have to think about how to spend it. And I would even go a step further. […] Considering this, I would say that I do not need the qualitative survey at all because I assume that no one, who has made a bad experience with a supplier, would order him/her again. This may be a bit naïve. But otherwise I would imply that we are knowingly working together with people who do not provide the quality and success which we want to have as a company. (Purchaser A)

Moreover, managers in this context sometimes also underline that clients and consultants are working as a team, reaching a goal *together,* with an evaluation of individual contributions thus being irrelevant. “There is no personality cult within this company” (Manager A1 (PM, Bus.)). One might assume, however, that many managers and also the top management do not only see no *need* for a more formal, comprehensive evaluation of consultants, but are also not *interested* in it. They can achieve a positive self-image in “feedback” conversations with their consultants (Ernst 2002) and do not have to fear that their own performance – as a company or as individual – is examined too critically and in too much detail:

> I am not sure if the managing directors want to see the overall picture of this. I don’t think so. They probably fare better if they look at the surface because out there everything is looking very good at first sight... (Manager E1 (PM, IT))

> But when do you like doing this? Only when you know that nobody’s going to hold up a mirror and accuse you of things that are not looking too good. (Manager E1 (PM, IT))

> I would say [an evaluation is done] according to the motto: ‘This consultancy should not dare to come back to our company.’ An objective assessment does not really take place, because then the managers would also have to evaluate their own part in the project. (Manager E1 (PM, IT))

> Once, I have tried to obtain some material from the person responsible for QA, I mean the documents about the lessons learned etc. But it was being dealt with extremely carefully, information was withheld; it was a highly political issue, quite difficult. (Manager G1 (PM, Bus.))

Moreover, once consultants are selected, managers can continue to use them as scapegoats and can deal with them according to subjective impressions and without formal examination – thus, business as usual.

> When they work together, then the project team will complain within 2 to 3 weeks and say: ‘He’s not helping us anything.’ […] This kind of feedback always comes up relative quickly. And then consultants are replaced. (Manager A2 (IT))

> Lately, I have ordered a consultant to write a concept about a certain topic. After 2 months I asked the consultancy to … well, I did not want to pay for the service. And I did not pay for it, because it was bad quality, and I took the chance to withdraw that consultant and to commission a new one from the consultancy. This is something you do. (Manager A1 (PM, Bus.))

6 CONCLUSION AND DISCUSSION

Based on research in seven client companies, including interviews with external consultants engaged by the respective companies, this paper set out to give insights on what is at the bottom of the recently identified trend of clients becoming more professional, sophisticated, rational, and formalistic in their handling of consulting projects.

The empirical study underlying the paper is of course limited and the results cannot be simply generalized, as there are basic problems of qualitative research at large and interviews in particular applying (see, e.g., Fontana and Frey 2003; Yin 2003). However, cutting across different industries and sizes of as well as functions and hierarchical levels within client companies, the study reveals parallels and similarities both in the companies’ developments with respect to the handling of consulting projects and in the motives behind these developments. Consistent with other recent findings, the results suggest that the clients under research indeed give increasing attention to an active management of consulting projects, with efforts to regulate, formalize, and centralize having already taken place or being under way; for instance, guidelines for managing projects, cost-benefit analyses, or formal invitations to tender have been introduced and the central purchasing has become involved.

Such practices give evidence of the client companies' more neutral, instrumental, distrustful, and critical view of consultants and the necessity to restore control not only with respect to the consultants themselves but also with respect to the internal managers, who have hitherto made use of consultants as they pleased. While the managers not surprisingly feel restricted and deprived of their power by the new rules and regulations and often resist or undermine them, they can at least to some extent reconcile with these ideas. Whether this also holds for smaller, pure management consulting projects – where individual motives behind engaging consultancies or personal relationships to consultants might be still more pronounced than in the researched department-spanning IT projects – remains to be seen. Further research concerning the role of managers and their conceptions of consulting projects in the adoption of new practices might here be interesting (see also Pemer and Werr 2005).

What strongly supports the individual managers' acceptance of the new procedures for handling consultants in the researched companies is that they can satisfy the need for holding consultants at an "arm's length" (Werr and Styhre 2003) and being the leading party within the consulting relationship. Simultaneously, however, managers and members of the project team are strongly in need of consultants being trusted partners (also see, for example, Engwall and Eriksson 2005) rather than mere "commodities". Here, the formal initiatives can to some extent absorb these ambiguities by not only providing control but also the opportunity to put the blame for tough price negotiations or "old acquaintances" dropping out of selection processes on the purchasers in particular or the new regulations in general. Thus, managers can remain "good friends" with the consultants. But with the economy and the consulting market recovering and the consultants not being as dependent on accepting *any* assignment as they were in the last years, it remains to be seen whether the consultants will (have to) play along the clients' "game" (Consultant F) of being both friend and foe (Werr and Styhre 2003), partner and (low-cost) commodity. Nevertheless, new practices might not only have negative consequences for the consultants. For one thing, in most companies the intensity of using consultants has not changed very much and many aspects of the consulting processes in the researched client companies still remain informal, not all personal ties have been broken (Bäcklund and Werr 2005) or become useless. Moreover, consultants seem to start to establish contacts with purchasers (see also Terpitz 2007), trying to make the reduced supplier list and thus to secure follow-up business or to be recommended by the purchasing department to different departments within the client company. Either way, the developments should not have come all of a sudden to consultants. They themselves have contributed fundamentally to functional differentiation and specialization (Ernst and Kieser 2002b; Kieser 1998) and the common belief in rationality and efficiency (e.g. Kurbjuweit 2005; see also DiMaggio and Powell 1983) and have moreover not only reinforced but also constituted the role of the (controlling) managers (see also Clark and Salaman 1998; Salaman 2002).

In this respect, particularly managers with a background in consulting often have emerged as strong advocates of the developments found in the client companies. The role former consultants will play in future developments (see, e.g., Wright and Sturdy 2006) should be addressed in further research. In our case, they appear to have essentially contributed to the more formalistic and distanced approaches that were found. Considering the large networks many consultancies establish and cultivate with their former members (e.g. Byrne and McWilliams 1993; Wright 2002), however, one might wonder what influence those growing linkages are going to have in future decisions on consultants and how this fits with the increasing formalization and regulation (see also Terpitz 2007).

Apart from former consultants transferring systematic practices to client companies and the increasing experience and skepticism of clients, the most important trigger of the changes found seems to be the economic downturn rather than doubts regarding or attempts to improve the quality of the services delivered. Here, the new systematic practices are not only considered to reduce costs and increase (perceived) control and power over consultants, but also seem to satisfy the prevalent demand for transparency and a more active, attentive, and cost-conscious behavior in dealing with consultants, as they signal a professional, rational, and effective approach towards consulting projects (Ernst and Kieser 2005; Nystrom and Starbuck 1984; Meyer 1994; Meyer and Rowan 1977; see also Mohe and Höner 2006).

Whether or in what respects we can thereby – regarding the shape and handling of and motives behind the practices found – (really) speak of a *professional and sophisticated* client, remains to be discussed given the results of the study at hand. Involving not only one, but different persons in the selection of consultants for a project and taking into account different criteria is surely a positive thing to do, as is being more reflexive and (self-)critical, paying some attention to cost-benefit analyses and to concepts being implemented instead of just disappearing into a drawer, or negotiating price and contract conditions. However, the researched clients' *formally established* efforts to become more professional mainly concentrate on the early phases of the projects rather than, e.g., the evaluation, and some of the approaches newly implemented even by the clients themselves are characterized as being “pseudo” (Manager D2 (CIO)). For instance, the two cases in which some kind of formal “evaluation” is carried out by a single manager completing a short questionnaire based on few simple criteria, give rise to doubts not only about the validity but also about the advantageousness of such formalized approaches (see also Werr and Linnarsson 2002). Being based upon institutionalized rationalized concepts of organizational work, the acquired formal practices and procedures may in some respects function as myths of rationality (Meyer and Rowan 1977): They are manifestations of good and “professional” management, whose value is to some extent taken for granted and not questioned or reflected upon. While the practices may in this sense positively serve as an organizational facade (Nystrom and Starbuck 1984) and provide legitimacy independent of their immediate efficacy (Meyer and Rowan 1977), they also bear risks. “Organizational performance can deteriorate when managers fail to understand that organizational processes, structures, and pronouncements may be facades” (Nystrom and Starbuck 1984: 184). In the case of the kind of evaluation just described, for instance, the subjective impression of a single manager was treated as an “official”, “objective” result and future purchasing decisions were based upon these assessments. Not least, consultants will of course try to figure out which criteria will form the bottom of such supplier assessments and consequently focus on those (subjective) aspects. “Well, the main challenge is to find out what the criteria underlying the clients’ evaluations are, in order to react accordingly” (Consultant C1). Moreover, clients risk turning their attention only to those kinds of improvements whose benefits can be easily detected and measured (Nystrom and Starbuck 1984), such as the evident savings with respect to the purchasing of consultants, in contrast to, for example, the quality of the consulting services and the profits to be drawn from that or the “hidden costs” of the increasing formalization and regulation, e.g. the higher amount of time and work involved in carrying out the new procedures.

> Our company has to achieve benefits and savings in purchasing in order to compensate disadvantages with regard to the commodity market. Central procurement plays an important role in meeting the EBIT goals, as the benefits *directly* become visible and effective. (Purchasers D3&D4 (IT Consulting))

Not least, the new approaches might entail further kinds of problems: “By striving towards a more formal and distanced control of the consultant, the client’s learning opportunities, which could balance the consultant’s superior position, are reduced, as this introduces skepticism and distance between the consultant and the client.” (Werr and Linnarsson 2002: 28; see also Schein 2002).

An important topic would therefore be to more deeply reflect upon what exactly can or should be characterized as sophisticated and "professional" in the context of clients' management of consulting services: What is it that makes up a competent client and, thus, which role do, can and should distance, formalization, and regulation play, and which role is to be assigned to long-term relationships, experiences, subjective impressions etc.

> [T]wo different forms of 'professionalism' that represent different views on what kinds of procurement procedures are in the best interest of the client organizations stand in opposition to each other. One is depersonalized and focuses on rules, policies, and procedures […], and the other is individualized, where the building of trust and interpersonal relations are central […] (Bäcklund and Werr 2005: 197)

Thereby, it remains to be seen how the clients' handling of consulting processes will develop in the future. At the moment, current procedures seem to be "functioning", serving the necessary purposes while slowly becoming "business as usual", and central purchasing is securely established. Thus it is probably not to be expected that an upturn in the economy will completely wipe off the new practices (see, e.g., Werr and Pemer 2005). But it is certainly a more than legitimate question to ask whether clients will really press ahead with further initiatives – and in which direction these may then go. Many interviewees have displayed a very thoughtful, reflexive, conscious, and critical attitude not only with respect to consulting but also with respect to their own (company's) handling – and shortcomings –, and some initiatives, such as lessons learned sessions, were (voluntarily) practiced by individuals. However, it is questionable whether or when such initiatives will become established or if they will be carried out consistently – and will, in the case of the lessons learned sessions, for example, not only involve those with a stake in the project but also neutral instances. At the moment, neither client managers nor consultants seem to have many incentives. Against the background of what has been discussed so far, Company D's CIO might thus have a point:

> A: Many American companies have a much more stringent discipline in ex post evaluation. […] And it is performed by people who haven't been involved in the project at all. […].
>
> Q: Do you think that such a structure will be implemented in your company some time?
>
> A: This is a totally simple question of overall economy.
>
> Q: You mean if the economic situation approaches a crisis, then it will be easier than if there are no problems?
>
> A: […] you just described the behavior of German companies! As long as we are doing well, we are doing well.

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Appendix A

Case Studies: Industries and Sizes of the Researched Companies	
Industries of Client Companies	**Services** - Financial service activities - Insurance - Support activities for transportation **Manufacturing** - Manufacture of machinery and equipment - Manufacture of chemicals and chemical products - Manufacture of food products
Size of Client Companies	**Employees worldwide** < 5.000 (1) 5.000 - 10.000 (1) 10.000 - 20.000 (3) 20.000 - 50.000 (1) > 50.000 (1)
Types of Consulting Companies/ Consultants Involved	- International IT and systems integration consultancies/ software houses (belonging to the top ten in Germany [6]) - Consultancies specialized in a certain industry - Freelancer specialized in a certain IT solution All consultants interviewed were high-ranking partners/ managing directors of the respective consultancy

[6] According to the Luenendonk List 2006

Appendix B

Case Studies: Researched Projects and Interviews			
	Researched Project	**Duration of the Project** (all projects took place between 2001 and 2006)	**Number of Interviews and Function/ Position of Interviewees**
Case Study A	Redesign of Construction Financing Processes	approx. 2.75 years	5 Interviews - Manager A1 (Project Manager (PM), Business Department (Bus.)) (Construction Finance) - Manager A2 (IT) (Head of Architecture and Technology Office) - Manager A3 (Bus.) (Head of Construction Finance) - Purchaser A (Head of Purchasing Department) - Consultant A (Managing Director)
Case Study B	HR Shared Service Center, Subproject Electronic Personnel File	approx. 1.5 years, incl. preliminary study	4 Interviews - Manager B1 (PM, Bus.) (Human Resources) - Manager B2 (Bus.) (Head of Human Resources) - Manager B3 (IT) (Head of Business Systems) - Consultant B (Freelancer)
Case Study C	Mobile Asset Management	approx. 1.5 years	7 Interviews - Manager C1 (PM, IT) - Manager C2 (PM, Bus.) (Service & Maintenance) - Manager C3 (IT) (Head of Corporate Information Management) - Innovation Manager C (Head of Innovation Management) - Consultant C1 (Consulting Director) - Consultant C2 (Global Support Manager)
Case Study D	Potentials of the Internet	approx. 1.5 years	5 Interviews (7 Interviewees) - Manager D1 (PM) (IT/Business) - Manager D2 (Chief Information Officer, CIO (board member)) - Purchasers D1&D2 (Strategy Consulting) (Head of Organization and Processes & Head of Strategy) - Purchasers D3&D4 (IT Consulting) (Head of Central Purchasing & Purchasing Manager IT Consulting)

			- Consultant D (Vice President)
Case Study E	Group-Wide Harmonization of IT Systems / Organizational Restructuring	approx. 2 years	5 Interviews (4 Interviewees) - Manager E1 (PM, IT) (Head of Infrastructure and Security) - Manager E2 (IT) (Head of Organization & IT (2 Interviews)) - Manager E3 (Bus.) (Head of Accounting) - Consultant E (Managing Director)
Case Study F	E-Commerce	approx. 2 years	5 Interviews - Manager F1 (PM, Bus.) - Manager F2 (IT) (E-Commerce) - Manager F3 (IT) (E-Commerce) - Purchaser F (Purchasing Manager IT) - Consultant F (Managing Partner)
Case Study G	Redesign of Processes Concerning the Collection of Premiums	preliminary study, approx. 1 year; initial phases of the implementation project (scheduled 2-3 years)	8 Interviews (10 Interviewees) - Manager G1 (PM, Bus.) (Collection of Premiums) - Manager G2 (Bus.) (Head of Collection of Premiums) - Managers G3&G4 (IT) - Manager G5 (Life & Health) - Employees G6&G7 (Collection of Premiums & Information Systems) - Internal Consultant G - Purchaser G (Head of Central Purchasing (External Services)) - Consultant G (Managing Director) Participant Observation