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The Anatomy of Network Building in Management Consulting Firms

ABSTRACT

In management consulting practices, three operating modes can be identified: creativity, experience and procedure based practices. These operating modes differ along a number of dimensions: the types of the work system, client relationships, management effort and external network relationships. By elaborating conceptually the different operating modes it becomes possible to deduct some propositions of the contrasting ways in which network relations are built to and linked with the different operating modes. The framework and propositions can be used as a baseline in detecting anomalies in fieldwork contexts and for making sense of the ways in which capabilities are mobilized to the different aspects of the work system.

BUILDING NETWORKS TO SURVIVE IN THE MANAGEMENT CONSULTING BUSINESS

Management consulting has experienced a major change as a business during the last ten years. The demand for management consulting services has increased (Business Week 1994; Management Consulting International 1996; Financial Times 1997; Economist, 1997; Talouselämä 4/1999; Kyrö 1999). At the same time international management consulting firms have established offices in the capitals and business centers in most of the European countries. Also many

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of the medium sized management consulting firms have been bought up or been merged with internationally present firms. This has changed the competitive scene in management consultant business especially in the smaller European countries (Tienari 1999, Erhvervsfremmestelsen 1999). For instance, Andersen Consulting is advertising the presence of 260 management consultants in its Copenhagen office and 250 in its Helsinki office at the end of 1999. These offices can draw upon the support from more than 50.000 experts employed within the whole corporation. The multinational consulting firms are able to provide wide scale support, for instance, to the restructuring of multinational corporations. Such assignments would be very difficult for ethnocentric medium sized consulting firms.

Small and medium sized management consulting firms have responded to the challenge created by the demand for a larger size by forming collaborative networks. Such social and inter-organizational relationships can be substitutes for internal organizational growth as well as offer competitive strength for a consulting firm based on collaboration (Kanter 1994). On the other hand, it has also proved to be difficult to combine the person based client relationships, capabilities and personalities of experienced consultants into an economic framework of a joint partnership or even to looser types of social and organizational networks (Ram 1999).

The mushrooming of network relations in management consulting firms was the initial focus of this research. The first wave of the literature on network relations of management consulting firms was normative (Sabath 1992) or was based on questionnaires having low validity (Berry and Oakley 1994).

To get closer to the action we started to collect fieldwork material on small management consulting firms. We had dialogues with practicing management consultants, participated in training sessions of management consultants, attended conferences on management consulting, and one of us served on boards of a few management consulting firms. Also the case studies on representative assignment projects of management consultants for the Certified Management Consultant (CMC) title have been available. Such fieldwork based observations for more than ten years have gradually been complemented with more than hundred focused interviews with key management consultants especially in Denmark and Finland but also in other countries. Altogether, it has been possible to get an overview of the operations of thirty small and medium sized management consulting firms. In addition, various sources of documentary materials like business magazines (e.g. Management Consultant International; Institute of Management Consultancy), brochures of consulting firms and internal strategy documents have been collected and analyzed.

Our observations on network relations can be divided into two basic categories. The first illustrates difficulties in collaboration and network building: of "wait-and-see" attitudes, frustrations on collaboration, suspicion, jealousy and failures for joint action. Break-ups of con-

sulting firms are a rather common phenomenon and the mismatch of personal chemistries of self-conscious consultants is well known. In strategic alliances cross-firm coordination of frameworks, tools and styles is often missing and the journey from joint product development to a steady stream of assignments is long. There are, indeed, many traps in collaboration between independent experts (Sabath 1992; Empson and Morris 1997; Ram 1999). It is obvious that "abortive tracks" (Greenwood and Hinings 1988) are more common than collaborative competence development and successes in common assignments.

The second category contains observations on successes in network building. These observations have been complemented with secondary sources on network relations between management consultants and consulting firms (Alvesson 1993; Viitanen 1993; Empson and Morris 1997; Sturdy 1997; Ram 1999). This provided a new angle to make sense of the quest for network relations and resulted into a suggestion of four types of network relations to be discussed below.

A major problem in describing network relations of consulting firms is that descriptive concepts of networks do not contain conceptual tools for analyzing collaborative expert action in the field of management consulting. Neither are general social and inter-organizational network frameworks (e.g. Scott 1991; Miles and Snow 1986; 1992; Powell 1990) capable of facilitating such an analysis. They are not sensitive enough to capture the substantive content of the work system in management consulting. To tackle this issue, we found that Maister's (1993) conceptual framework of three types of practices in professional service firms is a good starting point for such an analytical task. He uses such metaphoric expressions as "Brains", "Grey Hair" and "Procedure" which are characterized along various dimensions. Creativity is the dominant characteristics of the Brains mode. Grey Hair reflects the accumulation of experience of the professionals in that mode and in the Procedure mode the efficiency in the operation offered as a service is the major reason for a make or buy decision of a client.

Internal differentiation of work systems and client relations has been recognized earlier in the literature on professions (Abbott 1988; 1991) and on professional service firms (Winch and Schneider 1993; Löwendahl 1997). We suggest that a conceptual elaboration of the varieties of the three operating modes would turn the metaphoric ideal types to analytical tools (cf. Tsoukas 1991) which are more sensitive to the distinctiveness of management consulting firms.

Maister suggests also that professional service firms can move from one operating mode to another during their life cycle. During such a transition they can contain service areas that are in different operating modes (cf. Maister 1993). Our view is that these types of operating modes and their change during their life cycle reflect important aspects of management consulting firms in the segment of small and medium-sized firms. We assume that operating modes are ontologically more fundamental than network relations. However, in some instances oper-

ating modes and network relations are strongly inter-related. *Thus the thesis of this article is that understanding the variety in the operating modes of management consulting firms helps to recognize the typical ways in which network relations can be utilized in enhancing the capabilities of small and medium sized management consulting firms.*

To open up this black box of operating modes and network types, three deductive steps have to be taken. The first step is to *elaborate conceptually the variety in the operating modes. This is done by introducing descriptive categories for characterizing such internal systems as the prime purpose of the firm, the way it is managed and three sub-processes of its work system. They are the nature of its knowledge base, types of assignments and ways in which marketing of the knowledge base is conducted.* The conceptual distinctions that elaborate the typical features of the operating modes at the sub-process level provide a language with the help of which it is possible to provide a more fine grained description of the relations between operating modes and network types.

The second step is to *provide a systematization of the various network types described and discussed in the literature on management consulting firms.* The third step is to *formulate propositions on the patterning of ideal typical operating modes and network types.* This is done deductively by building on the conceptual distinctions and reasoning developed in the paper. For the formulation of the propositions we have gained insights also from our fieldwork. The size of the sample does not allow us to make generalizations from the available cases and interviews. Our fieldwork experience points to a conclusion that nomothetic ideals of the nature of scientific knowledge do not fit the everyday reality of small and medium sized consulting firms. Situational opportunism is widespread in choosing the service concepts. The consistency of their operations over time is very dependent on individuals.

OPERATING MODES IN MANAGEMENT CONSULTING PRACTICES

The operating modes – creativity, experience and efficiency – differ at least along five dimensions. Firstly, there appears to be a wide variety among the practitioners in their emphasis on profit vs. content of the work from the point of view of types of intellectual challenge. Secondly, the operating modes clearly demand differences in management input and style. Thirdly, the three sub-processes in the work system – development of a knowledge base, its marketing and assignment delivery – have very different characteristics within the three operating modes (see Table 1).

The purpose of this section is to outline some of the differences between the operating modes with respect to the sub-processes in the work system. The dominant purpose and the type of managerial input are only taken as contextual influences for the work systems. By dis-

TABLE 1. Operating modes in management consultant practice.

	Efficiency	Experience	Creativity
Prime purpose	Profits	Constant competence and business development	Intellectual challenges and increased reputation
Knowledge base	Turning established knowledge into action programs	Up-dating framework based knowledge and expanding experiences	Renewing knowledge by combining best practices with leading edge research
Marketing	Strong investment in specialized marketing	Marketing based on the reputation of assignments	Marketing based on the personality and reputation of exceptional knowledge base
Assignment delivery	Executing standardized procedures	Customized implementation of concepts and experiences	Solving unstructured problems with highly skilled clients
Managerial content in the work system	Strong management control of the work system	Semi autonomous work system with management back up	Work system driven in order to learn more

tinguishing these differences it is possible to uncover potentials and obstacles for collaborative expert action.

The internal heterogeneity of the restaurant business is very similar to the management consulting business and also recognized as such in the market (Maister 1993: 28). We encounter chefs who are constantly experimenting with new types of cuisine and find satisfaction in their work from the exploratory cycles. Breaking new ground makes them also interesting from the point of view of the wider community of practitioners and well-informed customers. At the other end we have McDonalds where standardization of the work and management processes have resulted in predictable quality, profits and worldwide expansion but less fame among the culinarians.

In the consulting business the variety characterized above can be traced in the nature of knowledge obtained and offered as an expert service. We suggest that the variety in knowledge bases can be captured by three terms: (1) programmed knowledge, (2) half-programmed knowledge and (3) unprogramed knowledge. These distinctions reflect of and expand well-known conceptual dichotomies like routine and genuine decisions and behavior, closed and open social systems and exploitative and exploratory modes of organizational learning (March 1991b; Lilja, Penn and Tainio 1993). The main elaboration is related to the category of half-

programmed knowledge. The perception is that half-programmed knowledge is the most typical form of knowledge base in management consulting firms. Thus understanding this form is very critical in explaining why consulting firms are able to stay in business.

The *efficiency mode* is based on *programmed knowledge*. This type of knowledge is generally available and is built on knowledge of a causal relationship or a teleological regularity. It can be stated in the form of "if, then" statements. In most cases the relationships are only probabilities but for practical reasons this establishes a plausibility which is tested by experiences. Programmed knowledge is similar to what Whitley (1988) calls "principles."

In a consulting firm, programmed knowledge is the systematization of operative practices into product like services and tools. As a consulting product it can appear in many forms: books, detailed manuals, training courses, videos, software or standardized questionnaire studies linked with data bases for comparative profiles of results to be used in feedback sessions and benchmark assignments. In most cases their specificity to individual client organizations is low. As the knowledge has been standardized, its transferability between different actors within a consulting firm is high. The target segment of clients is typically managers in charge of operational routines. By using Abbott's (1988) model of professional work, containing the inter-related activities of diagnosis, inference and treatment, it could be said that the client is able to do the diagnosis and select the proper treatment but prefers to buy the treatment procedure from the markets of standardized professional services.

The *experience mode* is based on *half-programmed knowledge*. This type of knowledge rests on rather generic concepts and frameworks that are known to specific managerial communities, for instance experts in specific functional areas of management. The frameworks and models provide a joint language and jargon for communication. They specify cognitive maps and means-end relations. This knowledge type differs from the programmed type of knowledge in three ways: firstly, the objects of knowledge are rather wide and complex action systems, like functional areas in business management or cross-functional organizational development processes. Secondly, the frameworks contain several levels of abstraction. This means that their application in specific situations requires considerable experience and ability to improvise. Thirdly, the consulting service does not imply a "one best way" approach. Instead, it consists of optional modules of knowledge and repertoires of analytical tools that are activated by contingencies relevant to the client. This hierarchic and modular form of the knowledge base makes it possible to customize the service to meet the need of the individual client. These processes take place by getting acquainted with the problem, experiences and knowledge of a client before entering into a consulting process. Thus the diagnostic competence and the inferences related both to the diagnosis and treatment rest heavily on the jurisdiction of the consultant.

The *creativity mode* is based on a conception of *unprogrammed knowledge*. It consists initially of guesses of very informed actors of action element that might be included into a new best practice. The image of unprogrammed knowledge can be conveyed by pointing out to races of scientific inventions that shape a field of knowledge. Thus, instead of being an available knowledge structure, unprogrammed knowledge refers to a collective knowledge generating, experimenting and learning process. Overlaps between the experiences and formal knowledge of the participants and an ability to put available experiences in new conceptual contexts are necessary conditions for such cumulative processes. It is also necessary to mediate between conflicting views and action trajectories in a constructive way. Such processes can lead to conceptions of new causality patterns which typically requires the removal of cognitive and contextual constraints and the reshaping of the components in an action system. In this case no single actor has the diagnosis and actionable knowledge (Argyris 1993) in his/her jurisdiction.

The *undertaking of assignments* is at the deepest level in the work system. The cash flow is generated through assignments and the relevance of the knowledge base is being tested. For the efficiency mode, its attractiveness in the markets is related to the capacity of saving time and transferring skills to the client (e.g. by undertaking recruitment and training assignments) or providing a procedure that is too expensive for any one of the clients to develop and operate themselves (e.g. market share surveys or surveys of consumer satisfaction of comparable products). The dominant characteristic of the assignment delivery – efficiency – is achieved by constantly repeating the execution of the same standardized action program. The competitive strength comes from the exploitation of the existing knowledge base.

In the experience mode the distinguishing feature is the large overlapping experience of the consultant with the managers in the client organization. March (1991b) calls this aspect of the contribution of consultants the pooling of experience. An additional input comes from the generic, conceptual repertoire of the consultant's knowledge base. Half-programmed knowledge is typically copied and adapted from frameworks developed by leading international consulting firms or from prominent academics (cf. Payne and Lumsden 1987). However, investments in knowledge development have to be considerable in the experience mode because of the competition with the large international consulting firms. Thus the investments cannot be recovered from the first assignment only. High fees would hinder the selling of the prototype service from which no references can be given to the client. Thus the repetition of the same type of assignment is essential for both cash flow reasons as well as for developing the knowledge base: new contingencies can be turned, case by case, into blueprints.

The creativity mode is based on the fact that a prominent person in the academia has

moved to management consulting or alternates between academia and consulting. The initial investment in the knowledge base through academic career has made it possible to launch new ideas and concepts that become enriched with the new best practices confronted as assignments.

The differences in the types of knowledge base, the nature of assignments and work style put completely different requirements and opportunities for *marketing*. The product form, ability to duplicate and transfer the programmed type of knowledge is an incentive for investing in marketing as a separate and specialized function in a consulting firm. For instance, part of the task of keeping in contact with clients can be delegated to back-office staff. In contrast, the unprogrammed type of knowledge has no conceptual shape before the interdisciplinary search based on complementary experience begins. Thus the client can only evaluate the past performance and reputation of the highly innovative expert when a service assignment is negotiated. In fact, the often long lasting and informal discussions of the assignment are part of the process for defining the parameters of the final assignment design. The initiatives for such negotiations come from CEOs or general managers who share similar guesses of the future trends of an industry with the consultant. With respect to marketing of half-programmed knowledge the reputation of individual practitioners is also essential because their experience and depth of knowledge is the guarantee for the chance of customization of the service according to client needs. Due to previous assignments, the client can more easily evaluate the service offers of the half-programmed knowledge type compared with the unprogrammed type.

The management input within the three types varies, too. In the efficiency mode, the management content of operations is high. This is due to the needs to pay attention to recruitment of new consultants, to support the transfer of competence of the standardized action programme, to increase the efficiency of the procedure and control the quality of the service. In the experience mode, the management input is subsumed under the influence of personal example shown by the partners and senior consultants themselves in their expert practice. In the creativity mode, the relevance of preconceived managerial routines is minimal. Each assignment is dominated by the idea of "making history" in a cosmopolitan expert community.

The different characteristics of the sub-processes in the work system and the different needs for managing consulting practices within the operating modes lay ground to explore the different agendas for creating network relations as part of the consulting practice.

THE LANDSCAPE OF NETWORKS

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A management consulting practice is typically embedded simultaneously in a wide span of network types. From disparate surveys on management consulting firms, it can be inferred that

TABLE 2. *Network types in management consulting practice.*

	Information sharing clubs	Relational contracting	Strategic alliances	Intra firm network of consultant teams
Prime purpose	Ticket to grapewine	Extending expert capacity	Increasing market visibility and expert credibility	Creating broad based service offerings
Knowledge base	Sharing of insight	Assignment based knowledge	Building and/or sharing complementary knowledge bases	Integrating complementary knowledge bases
Marketing	Club related referrals	Contractor based	Firm based embedded in the alliance	Team based under the company umbrella
Assignment delivery	None	Assignment specific	Attempts to develop assignments	Cross-team joint assignments
Managerial content in the work system	Allocation of time	Assignment linked coordination	Partner based risk-taking in joint knowledge development	Partner based support for intra-team competence development

network linkages have increased between management consulting firms at a very rapid rate both at national level and across borders. It can be estimated that more than 50% of the consulting firms do cooperate in some kind of network setting (Forening 1991; 1994). To make sense of the web of potential network relations, four types were identified and shall therefore be put into focus. They are labeled: the *information sharing club*, *relational contracting*, *strategic alliance* and the *intra-firm network of consultant teams*. They represent qualitatively different types of mobilization of expertise and forms of collective action (Sabath 1992; Berry and Oakley 1994: 15–16; Payne and Poulfelt 1992; Poulfelt, Payne and Frow 1994) (see Table 2). In the following the network types are analyzed with respect to their work system content and requirements for management effort.

Information sharing clubs are networks in which the relations between the members are based on personal relationships instead of relationships between firms. This includes sharing

of experiences, informal cooperation and some joint training activities. In many cases the primary purpose of this type of a social network is to give "mental support" between "lonely riders." Due to their often haphazard mode of emergence, accumulation of joint knowledge base is limited because of the disparity of the operating modes of the participants. In order to reduce internal competition and increase external complementary capabilities selection to such information clubs favors practitioners who have varied service profiles. Due to their interpersonal nature, their visibility in the market place is low. Participants undergo a constant motivational struggle having to strike a balance between billable hours and the time allocated to network activities. Therefore commitment to this type of network is often low and varying over time. These networks primarily exist within a national boundary but it has become typical in Europe that cross national network connections are advertised although they often only have a symbolic value.

The second type of network linkage is *relational contracting*. In this network individual practitioners have established a closer business relation concerning cross referrals and undertaking joint assignments. It is characteristic for this type of network that they are based on long term personal relations between the involved experts. The prime purpose of the contractor is to be able to serve clients by extending the resources of the firms without unnecessary fixed cost. Most of the time spent in these networks concerns the delivery of the task. Joint knowledge development is therefore primarily related to a specific assignment. Ties based on relational contracting are not formally marketed and therefore not visible in the market from a client perspective.

The third category, *strategic alliances*, includes networks of firms on a more formalized basis. In these cases the firms have declared to work together in the market under specified economic conditions and to perform specific activities on an exclusive basis. This can also include either undertaking a minority stake in different firms or setting up a joint organization to carry out specific tasks such as product development or specific types of assignments. The basic idea in most alliance type of network has been to increase visibility and credibility of the expertise in the market. A strategic alliance is beneficial for firms that have accumulated enough resources. They can launch joint product development teams relieved from the immediate pressure of clients and billable hours. Examples on networks with more binding relations can be found on both the national level as well as the international level. On the international arena, many of the joint ventures and strategic alliances have been used as mechanisms for internationalizing nationally based consulting firms (Poulsen, Payne and Frow 1994). Examples in this category of strategic moves are the international membership of the consulting arms of the major accountancy firms. However, it looks as if the concept of strategic alliance within the consulting business has been overused. In fact, many loose networks have been promoted as

strategic alliances to make them more exotic in the marketplace though they only are based on promises for cross-referrals of assignments.

The fourth category comprises *intra-firm networks of consultant teams* that is able to provide a wide scale of services through independent sub-firms (cf. Viitanen 1993). This network type contains a two-tier structure. One is the corporate umbrella consisting of the corporate image, marketing and public relations activities, financing of the premises and support staff as well as resource allocations to knowledge and competence development. The other level consists of individual teams that are responsible for creating the business and economic results. At the same time the senior partners are instrumental in feeding in cross-team consulting assignments. In their billing, the economically independent sub-firms must take care of the need to finance the costs of the corporate umbrella. This can occur through management fees, royalties for the use of consulting products and other types of internal invoicing. In intra-firm networks the senior partners function as project coordinators with a vision to integrate specialized competence areas and consulting services into a unified consulting framework. Thus intra-firm networks come very close to the concept of 'the one-firm firm'. This concept implies that there is an intentional drive to create and maintain a unified company culture (Maister 1985). This fits also to the intra-firm network approach. However, they differ from the one-firm firm concept by not hiring junior consultants to be developed internally. Growth to new knowledge areas happens by adding new teams of experts who have already earned their reputation in the market.

The four distinct types of networks are relatively stable social and inter-organizational forms that have emerged to solve the problems of scale and scope in business operations. In concrete cases, it is not uncommon that a consulting firm is engaged in all of the network types described above. The next step in the framework building is to discuss how types of operating modes and networks are inter-linked.

COMPLEMENTING OPERATING MODES WITH NETWORK TYPES

We suggest that for analytical purposes it is useful to produce propositions of the ways in which the ideal typical operating modes of consulting firms are or can be complemented with network types. Such propositions can be deducted from the inherent logics of the operating modes. One facilitating condition for that is that the operating modes have been turned from metaphoric images to analytical concepts, for instance by elaborating the typical practices at the level of the internal work systems or sub-processes of consulting firms. Another facilitating condition is that we abstract away from a variety of contingencies. Firstly, individual consulting firms do not always restrict their business offerings around a single operating mode. Maister

(1993) takes this into account by elaborating the life-cycle model of a professional service firm. This implies that in medium-sized consulting firms there can be traces of several operating modes at the same time. In our fieldwork we have encountered several firms which are good examples of such a situation. Secondly, personalities can always make a difference as to the type of network connections. Despite these reservation we still think that it is useful to develop propositions of ways in which operating modes induce consulting firms to develop network relations.

Proposition 1: In an efficiency mode, there is only a weak incentive to be linked in networks. Participation to an information sharing club is a low commitment option and may add value to the operations by giving insights of the competitors and markets. Firms in the efficiency mode do make strategic alliances in case their services complement each other or they can share marketing efforts and back office services.

The reasons for such suggestions are the following. The key to the practice in the efficiency mode is connected with the ability to develop available knowledge into a procedure. The knowledge base internalized in the consulting firm does not serve as a stimulus for external contacts because of its generic nature. The efficiency of the procedure is secured by in-house training of the staff. This takes considerable management efforts, including the monitoring of the implementation of the procedure. For this reason it is difficult to link outsiders via relational contracting for an assignment delivery. When the visibility of the service has been achieved in the market, the main concern shifts to the control of the ownership of the operations and the copyrights of the standardized products. They are important parts of the business concept because of the great potential for repeat business, licensing and earning of royalties. The profits in this type of a service firm come from the volumes. It is typical that the founders of an efficiency based consulting firm are like entrepreneurs who get their satisfaction in the innovation phase of the procedure concept. If they do not like working as hands-on managers at a mature phase of the operations they may enter into a strategic alliance which relieves their energy for the development of a new procedure based service. Such strategic alliances can lead to a holding company structure covering several firms operating in the efficiency mode. The profit and ownership motives as well as needs for hands-on management give a strong flavor to the social, cultural and organizational context of the firms in the efficiency mode. For these reasons we have suggested that the base line is that there are weak positive linkages towards information sharing clubs and strategic alliances. Such a proposition is also supported by our fieldwork experience.

Proposition 2: In a creativity mode, there is a great incentive to be engaged in relational contracting due to the uniqueness of each assignment. Information sharing clubs

constitute a social infrastructure for relational contracting. Participation to such clubs is considered to be an investment in the future.

The most preferred network types in the creativity mode stems from the way in which assignments are developed. Consultants who have built up a reputation in the creativity mode are contacted due to their exceptional intellectual capacity and leadership. The clients are not seeking a solution but an interchange of ideas for a diagnosis. As the diagnosis unfolds new types of expertise are called upon. One of the reasons for contacting a consultant with a reputation in the creativity mode is the expectation that this person has a portfolio of expert links available and is able to ensure the cooperation of these experts. Such connections can be nurtured in exclusive information sharing clubs. The missing parts of an assignment design can be customized according to customer needs and the necessary overlaps in knowledge and experience with the client organization can be secured through network relations. Such a combination of relational contracting and resort to information sharing clubs as a pool of contacts allows the flexibility needed in the creativity mode without being stuck with overhead costs. Thus in this mode, there is less incentive to turn assignment specific network relations into a strategic alliance or an intra-firm network of consultant teams. However, there are cases where this has happened. Influential consultants, sticking to the creativity mode themselves, have also had managerial talent to link experienced consultants working in the experience mode under the same company umbrella. In Europe, Eric Rhenman and Richard Normann are examples of such combinations of intellectual and managerial capabilities.

Proposition 3: Consulting firms reproducing the experience mode and having more than one senior partner have internalized relational contracting, a strategic alliance or an intra-firm network of teams.

With respect to the relevance of the network ties, the *experience mode* differs from the other two modes. For elaborating the nature of the difference, the impact of time has to be taken into account. Thus it is useful to take a look at an idealized view of the life cycle of a half-programmed management consulting service. In small and medium sized firms the framework part of the service is very dependent on fads and the layering of reforms in client organizations (Abrahamson 1996). Thus at the early phases of an internal knowledge accumulation project, consulting firms have to do extensive scanning of potential consulting concepts and their markets, the path-dependence to earlier services in the firm and the firm's credibility within a new service area. To make sense of the scanning efforts, information sharing clubs are needed. They contain rumors of competitors' plans and indications on how responsive clients are towards new managerial fads (Kieser 1997). To get the prototype to the market senior consult-

ants contact some of their most loyal or cutting edge clients. This phase is done alone, as quickly and as unnoticed as possible, to reap the first mover advantages and to be ready to start the marketing of the half-programmed service. After the prototype development has been completed, the next managerial target is to move down the learning curve. This puts demand on a focused flow of incoming assignments. The relative strength of the firms in the experience mode is not only dependent on the "modernity" of the frameworks but on the industry specific experience of the consultants. By confronting assignment after assignment different local conditions in the implementation of a service concept, the customization of the concept becomes more and more elaborate. When the markets have rated the consulting firms as to the quality and credibility of their new service, the phase for the volume business starts. Further imitators come to the market and fees are lowered. One response to this is to increase the rate of junior consultant involvement. For consolidating their competitive positions consulting firms are eager to look for matched pairs to form strategic alliances or link external consulting capacity through relational contracting. The hierarchic and modular form of parts of the knowledge base allows inclusion of externally developed modules and analyses to their marketing efforts as well as to the semi standardized assignment delivery. Complementary service profiles boost the marketing and relational contracting gives relieve to the phenomena of over contracting and work overload which are typical during the peaks of the demand.

One of the difficulties in managing consulting firms sticking to the experience mode is that they simultaneously are operating "products" which are at different phases of their life cycle. Paying attention to the search of new service areas is in conflict with the allocation of time to a prototype development or negotiating an alliance with a firm having services that have also reached their half-programmed stage. A further critical decision is when to exit from the supply of a specific service. Offering a service that still has demand but is turning into disrepute among leading edge customers or is based on the efficiency of the procedure labels easily a whole consulting firm as a laggard. This may contradict its efforts to reposition the competence pool of the firm into a new service area that is claiming stronger jurisdiction at the diagnosis and inference moments in the consulting practice. One way to handle the exit has been to offer a management-buy-out option to consultants who are responsible for the service at an end-game stage. Such a service has then been continued as a separate juridical entity. This has lead to strategic alliances with firms that are based in different operating modes, for instance the combination of the experience and the efficiency based modes.

The experience mode in management consulting can also be a platform for the formation of intra-firm networks of consultant teams. This network type is a hybrid form because the network way of operating is put as the constitutive principle of the firm. Such a development is based on exceptional capabilities of experienced consultants and is by no means restricted

only to those who have earned their credentials in the experience mode. As mentioned earlier, there are examples of academics who have mainly acted in the creativity mode but have then been able to turn that knowledge base into half-programmed consulting services.

Due to superior capabilities the demand for the services of some senior consultants can easily exceed their capacity. If they are able to take a long term approach, they can start to nurture the cooperation of other consulting teams and become "rainmakers" to borrow Starbuck's (1993) expression. In a Finnish case, the reputation of the founding partners of a consulting firm attracted established consultants and teams of consultants to join the firm one by one and finally turn the original firm into an umbrella firm (Viitanen 1993). Combined resources facilitated cross-team and cross-functional service development and marketing efforts unconceivable for small teams. The broad-based competence stock also allowed sensitive diagnosing of the client's real, underlying problem, instead of selling the only half-programmed service available.

TABLE 3. Proposed patterns of network relations by operating mode.

	Efficiency	Experience	Creativity
Information sharing club	+	++	++
Relational contracting		+++	+++
Strategic alliance	+	+++	+
Intra-firm network of consultant teams		++	+

Legend: plusses indicate the strength of the tendency towards a specific type of network relationship according to the propositions

The overall patterning of operating modes and network types contains clear clusters. The characteristics of the work system in the experience mode provide the largest variety of both reasons and resources for entering into all kinds of network relations. In our sample of consulting firms, firms based on the experience mode were more often than others capable of integrating consulting services from other consulting firms into a strategic alliance type of network. Such alliances could be found also between firms based on different operating modes. Examples could even be found of cases that gave support to the relevance of the concept of intra-firm network of consultant teams.

The creativity and the efficiency modes provide less opportunities for consultants to create networks due to the niche approach in their client interface and the deep specialization either in the knowledge base or in the implementation of procedures for executing the specific

assignments. In table 3 a qualitative illustration of the interconnections contained by the propositions is made.

CONCLUSIONS

In this article we have developed a conceptual framework that elaborates Maister's (1993) types of practices in professional service firms. The framework has been developed for the analysis of a specific segment of management consulting firms: the small and medium sized firms. The analytical sediments of the framework – the operating modes, the network types as well as the emergent patterns between the operating modes and network types are based on deductive reasoning and grounded in fieldwork and interviews among management consultants. The empirical research has sensitized us to look at the ways in which network relations are linked to the sub-processes of the work systems. Also the variation in the need for management input within the different operating modes conditions the opportunities for network ties.

The message that there are some stable patterns of operating modes and network relations is of interest because the small and medium sized management consulting firms are in a constant struggle for survival and search for new network relations. The network types contribute to the reputation a consulting firm. It is clear that in their marketing efforts consulting firms do over-emphasize the impact of existing and potential network relations to client assignments. On the other hand, our fieldwork contained examples in which consulting firms had transformed their competence profile through network relations – for instance through strategic alliances – during the course of their life cycle to contain more than one operating mode. In some hybrid cases, the network mode of operating and expanding became the constituting principle of a management consulting firm. That allowed also in some of the cases the combination of different operating modes under the same corporate umbrella but channeling assignments through different sub-firms.

When evaluating the epistemic status of the suggested framework and propositions we stress that the operating modes are strong abstractions and that they have to be treated as ideal types. The primary purpose of the propositions is not that they should be tested in large samples of firms and with quantitative measures. The intention is that they could serve as a baseline for empirical observations in fieldwork contexts. They help to sensitize the fieldworker to obvious anomalies. Such cases have revelatory power if researchers are able to reveal the mechanisms that produce the anomaly (Yin 1984).

Despite their opportunities to grow through forming networks, the small and medium sized consulting firms are a different species from the large, multinational management consulting firms. The latter are compelled to use hierarchic forms of management and complex manage-

rial systems as integrative mechanisms. Such integrative mechanisms are also complemented by social networks that link offices in different countries, service areas and experts having knowledge in specific industries and types of firm. Internal training programs create cohorts of consultants. Information technology is widely used as an integrative mechanism in collective work processes between consultants, between consultants and clients and for the management of the consulting capacity. A different type of conceptual framework is needed to capture this type of work organization, management system and its type of offering to the clients (cf. Cooper et al. 1996: 629–635). In such a comprehensive system, it is not any more possible to distinguish different operating modes and network types. Multiple logics of action are present in all organizational entities of a company network. ■

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