A Study of Positioning on the Market of Management Consulting

Björn Lind
Erik Martinson

Supervisor:
Roland Sjöström, Linköping University

Examiner:
Claes Moberg, Linköping University

Linköping University
INSTITUTE OF TECHNOLOGY

Institute of Technology at Linköping University
Department of Management and Engineering
Division of Industrial Marketing
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Abstract

In the absence of certifications on the market of management consulting, small firms especially, struggle with difficulties of legitimizing their competence. As a result, newly established firms, as well as firms that have not reached a certain size or built well-known brand awareness, struggle with typical difficulties. Often, smaller management consulting firms find trouble in making the customers hand over a whole project with a sought of solution. Instead, such firms generally have difficulties with customers assigning specific individuals of their firm rather than contracting the firm as a whole. Thus, the advising firm cannot assign a specific project team to the project, but rather the assigned individuals end up in sort of line roles in the customer organizations. In such a way, the management consulting firm takes on the role of a firm filling the resource need of the customer, rather than selling their competence.

This report examines what is required by smaller management consulting firms in order to attain a clear position as a competence selling consulting firm. In such a process, the concept of positioning is examined in terms of how the firm is perceived in the minds of the consumer Relevant areas such as pricing strategy, competence level, network of the firm, market strategy, size of the firm, complexity of the offer, and availability of the firm, are further examined.

The report reflects of how a desired position is attained both in the perspective of the consultants themselves, as well as in the perspective of customers of management consulting services. Thus, the report provides a wide presentation of the concept of positioning on the market of management consulting.

Introduction

This chapter aims to provide the reader with a brief understanding of the development of the management industry, what kinds of services that exist on the market today, and how the competition looks like today.

1.1 The Market of Management Consulting in a Historical Perspective

The market of consulting started to grow in the 70th- and 80th. During this time period, businesses also started to pursue profit in a more persistent fashion, and companies begun to outsource certain parts of their businesses. Some departments were rationalized and some internal investigations, organizational changes and market analyses were typical projects that were handed over to external consultants (Konsultguiden, 2012). Instead of having people employed with certain expertise, it became increasingly common to temporarily contract external experts whenever the expertise was needed (Furusten & Werr, 2005). Miner (1973) through Furusten and Werr (2005) states that many businesses turn to consultants in order to fill high positions in the companies. The consultants' diversified experiences are regarded as an asset, which many of the middle managers lack (Miner, 1973 trough Furusten & Werr, 2005). The industry of consulting grew rapidly and the market became segmented, where the term *management consulting* became a generic term for strategical issues in companies. Since then, the consulting industry has developed and grown significantly and rapidly, especially in the last two decades (Greenwood et al. 2006; Werr & Pemer, 2005). It is discussed that there are many arguments for bringing in services from external markets. Hiring external experts is a way for organizations to be efficient by paying for a particular competence only when it is needed. Further, it is a way of making organizations flexible to changing markets, having less staff employed that either have to be let go or retained. Also, in order to stay ahead in a highly competitive environment, it is important to have competent resources in terms of dedicated experts (Baradacco, 1991).

According to Konsultguiden (2012) many changes have characterized the industry during the years, where most of all the IT-boom in the late 90th led to a relative clear separation between IT-consultants and management consultants. Before the boom, many companies offered services within both areas, but as a result of the great anxiety, which characterised the economic situation, most companies choose to make a clear distinction in which area they were active. Today however, management consulting have once again became a type of service which many businesses offer, even though their core competence might not be in the field of strategic issues, e.g. some large accounting firms and marketing bureaus. A discussion has been raised of whether who is allowed to call themselves management consultants and an expert in the area. Furusten and Werr (2005) states, if someone is convincing enough in the role as an expert, then this person is likely to be legitimized to play the role of expert in that particular setting. In the absence of certification, accreditation, licensing or legitimation in the industry, it becomes clear that a relation of trust between the buyer and the provider of the service characterizes the business of management consulting. The assigning of external consultants results in uncertainties for the buyer, according to Furusten and Werr (2005), in particular regarding issues such as:

- Will the needs be fulfilled by the consulting service supplier?
- Is the consulting service supplier trustworthy?

In regard to this issue, Burrell (1996) argues that traditional professional attributes, such as a professional association membership or a required expert knowledge embedded in science, no longer extend trust to e.g. academics and physicians. Instead, there tends to be a place for negotiation of who is to be trusted, where self-proclaimed experts can produce themselves as experts in situations where traditional professionals used to be predominant. Furusten and Werr (2009) continue, stating that the pathway to trustworthy professionalism on the market for management consulting services is obscure.

1.2 Two Types of Consulting Services

A traditional consultant usually works as an advisory specialist in one or more specific areas. Usually, companies hire consultants when external expertise is required to provide solutions of problems and further develop the organization. Thus, consultants often work in projects where a defined area or issue is submitted to the consultant group. This type of consulting is traditionally performed in broad discretion of the client, and the physical location of the work performed can either be at the client or in the consulting company's' premises. Therefore, this type of assignment is largely based on the client feeling confident in that the consulting venture will fulfil the project. However, Schaffer (1998) points out that some common flaws are embedded in this ordinary way of providing consulting services:

- There is often an issue of measuring the success of a management consultant project, since tracing a direct link between consulting input and measurable client result is more an exception than a rule.
- The scope of consulting projects is determined by the subject to be studied or the problem to be solved with minor regard for the client's readiness for a change. The "best solution" for a situation is useless if the client cannot carry it out successfully.
- With a focus on delivering a great solution, and with little regard for the client's readiness to implement, many consultants go as far as possible toward a complete diagnose. With such an attitude, consulting projects frequently take longer time than they need to and the solution is more than the client can digest.
- There is often a sharp division of responsibility between customer and consultant rather than a partnership between them. The collaboration is usually limited, which hinders both groups to contribute their unique insights to the project and learn from each other.
- The fact that consultants have an economic incentive in each project often leads to heavily staffed projects. The structure of conventional consulting leads to labour intensive mode of operation, instead of leveraged used.

These flaws are typical issues that most of todays consulting firms struggle with every day. However, there is also another type of consulting work available on the market. In 1992 it became allowed to engage private employment agencies, which gave rise to a new staffing industry. Professional staffing operations differ from consulting primarily by the fact that the client is in need of external labour, instead of external expertise. This kind of consulting does not have its background in skills shortage, but is rather a result of human resource shortage. The duration of these assignments are traditionally longer and often is the consultant transferred between different kinds of roles in the client company. Pricing is generally based on hourly rates and amount of hourly work performed.

1.3 Highly Competitive Market of Management Consulting Today

The market of management consulting in Sweden is highly competitive. There are a number of fairly large players on the market today, and some with internationally known brands. Thus, the Swedish consultancy market is highly influenced of the international market, since many buyers, as well as consultancy firms, are present in several countries. A current trend in the industry mentioned by Christensen et al. (2013) is how the traditional strategy-consulting firm have decreased their share of work consisting of classic strategy projects from 60-70 % down to 20 % over some 30 years. Furthermore, Christensen et al. (2013) mentions how new competitors with new business models disrupt the market. Another major difference on the market is the big four (Deliotte, Ernst & Young, PWC, KPMG) are rapidly expanding their management services in order to become a “total service provider”. Also, Christensen et al. (2013) mention how many of the buyers of consultancy services today have earlier worked at a consultancy firms, which increases the buyers knowledge and makes it possible to reduce the scope and cost. Thus, this new market place with an increased focus on implementation and more competition forces many established actors flee to higher margin activities (Christensen et al., 2013).

Problem Discussion - Difficulties on the Market of Management Consulting

The aim of this chapter is to provide the reader with a deeper understanding of the challenges mainly small consultancies face on the market. Also, a presentation of the concept of positioning provides the reader with a perception of why it is important and how it relates to the concept of branding. Furthermore, the reader is provided with a basis of business-to-business relations and the nature of a service.

2.1 Difficulties for a Small Scale Consultancy Firm

Furthermore, Furusten (2012) and Hansson in the article in Konsultguiden both argue that the consulting business is very wide and many call themselves an expert. As a result, it has become difficult for smaller, but yet competent firms, with an unknown brand to legitimize their competence as experts. A discussion has blossomed up whether or not consultants should have to be certified, which would provide some sort of certainty for the customer. Some firms have already started certifying their consultants, and ÅF is one of these. The consultant executive at ÅF, Petra Janetzky-Book, states in an article in Konsultguiden (2012) that it is important both for the customer and the consultant. It is a way for the individual consultant to know on what competence level he or she is at, and it is also a way for customers to set certain standards on the consultants they bring in. However, even though a few firms have started certifying consultants, there is still no unified set of regulations to follow in the certifying process. Thus, the customers have to consider other components when assessing the competence and quality of a management consulting firm.

2.1.1 Difficulty of Defining the Problem and Setting the Scope a Project

Like in any marketplace, there is a difficulty for smaller firms with less familiar brands to compete with larger firms with a more established brand. Though, on the management consulting market, this fact gets even more difficult to overcome. Jörgen Hansson, doctor of management consulting procurement, argues in an article publicised in Konsultguiden (2012) that the buying process of management consulting services is dynamic. On one hand, the services are bought to develop the skills of the management, but what skills are needed is unknown, which makes the scope of the project often change as the project goes along. On the other hand, the purchased service will contribute with competence for all those involved, including the supplier, which requires collaboration between the buyers and sellers. Therefore, it seems as though having an established relationship and a good reputation is even more important in the management consulting market than in a typical service market. Hansson (Konsultguiden, 2012) continues, stating that in management consulting there is no clear line between the definition phase and the phase of implementation. Defining the problem is a part of the solution of the project. Hence, the problem is that organizations do not have a general perception of how to behave when buying these services. Accordingly, Furusten (2012) argues, buying consulting services is sometimes very difficult. If there are no established relations there is not much specific support when assessing a consultant's quality and ability. Subjective reviews, obscure references and emotions often determine the choice of consultant.

2.1.2 How to Compete on the Market?

The strategy of focusing on many different areas is a well spread method according to Furusten (2012), who claims that it is riskier for small consulting firms to focus on one particular type of service. Instead small firms need to be flexible since they cannot always rely on getting projects of a particular kind. However, having a widespread focus also entails the difficulty of being an expert on all these areas and being able to provide resources in any area when a situation occurs, especially in a small-scale firm. Also, Furusten (2012) continues, it is of most importance for smaller market actors to clearly stress their uniqueness. This situation seems to create a dilemma for small consulting businesses to, on one hand, be flexible in terms of broad competence and at the same time offer something unique on the market. To cope with this dilemma, it is common that small scale firms developed models, used as a unique tool to diagnose the customers' organisations and activities. Within the relevant areas, the firms diagnose businesses and activities depending on the maturity of the particular business. Based on the diagnose, customized improvement methods are presented, in order to achieve higher profitability for the customer. However, despite the usage of models, firms struggle with a well known difficulty within the market of management advising, the fact that customers often hire a certain firm since they have a relationship with someone on that particular company. Relevant literature within the field of management consulting also proves this fact (Jang & Lee, 1998; Furusten, 2012). Furthermore, Furusten (2012) mentions some institutionalized "rites de passage" of the market, which consultants are expected to follow in order to establish trust and thus earn acceptance on the market. These rites Furusten (2012) argues are versatility, availability, relevance, and differentiation but not deviation.

2.1.3 How to Gain Trust?

Several small scale firms have ended up in a situation where they have difficulty in making the customer hand over a whole project with a problem that needs a solution. Hence, these firms can not charge and price for their services based on a provided solution, but rather on the hours put in by the consultants. In doing so, the firm takes on a role more of a resource agency, renting their employees to customers who need extra resources. Furusten (2012) touches on this issue, stating that it is a problem on the market for management consulting since it is difficult both for the buyer to know what they need, and for the supplier to know what to offer. Therefore, Furusten (2012) says, it is a mystery how organizations first can demand a solution on a problem they can not fully locate and then entrust someone to solve it. Smeltzer and Ogden (2002) conclude that the purchasing of management consulting services has, and continues to take place without the involvement of purchasing professionals. Instead, Clark (1995) argues, managers generally believe they are experts and need to be personally involved in the purchasing process of management consulting services, where the personal relationship between managers and consultants play a central role. Further studies (Clark, 1995) highlight the personal contacts, reputation and experience as central selection criteria in the buying process. The tendency to contract certain management consultancy firms based on established relationships with certain individuals is a fact that undermines the smaller firms to develop their brand. Furusten (2012) argues, it is critical for smaller market actors to stress their uniqueness, while the situation is somewhat different for actors with a strong brand name.

The challenge of competing with companies with more established brands is a fact that is hard to overcome in the sales process of small advising services. The CEO of Propia, Lars-Göran Gustafsson says, "*it is a comfortability for the person responsible of the buying process of the client company to assign a firm with a well established brand and reputation. Even if those consultants were to mess up the project the person responsible for the assigning can always say - It is not my fault, I signed with the best alternative available on the market.*" Therefore, the person responsible in the buying process can always go with his back clear if a consultancy firm with a well known brand and reputation is chosen. Clark (1995) touches on this issue stating that the demand for management consulting has become a representation of the personal needs of managers. Further, Sturdy (1997) suggests that consultants are basically selling security for managers.

Jan Colliander, CEO of Vectura, states in an article in Konsultguiden (2012) that another obstacle is actually the customers themselves. Since customers are almost exclusively comparing hourly rates, there are no clear economic incentives for delivering quality. There exists an unhealthy pressure on the prices, which instead of ending up in a sharp competition, result in poor quality in the projects. Therefore, in such a way, many of the management consulting firms have a pricing structure with similarities to the staffing companies. It is therefore relevant to identify what factors are important to deal with, and perhaps change, for smaller and less well-known firms, in order to facilitate their sales process and challenge the bigger more established firms. Thus, what factors and components affect the repositioning of small consultancy firms that want to scale up.

2.2 Why is Positioning Important?

According to Agndal and Axelsson (2012) the development in the Swedish economic system follows a path towards a lower degree of refinement among businesses, in part due to a higher degree of outsourcing of services. As a result, it has become increasingly important for organizations to market their offerings and the marketing system has thus become an integral part of the economic system. Further, Agndal and Axelsson (2012) states that marketing work consists of long-term planning, what one might call strategic considerations and decisions, where the focus is on determining what products and services are to be offered, how they are made attractive, who is to be their clients and how much the company will serve in various markets. Thus, marketing is the activities that aim to narrow the gap between the actors on the market, in order to gain customers and generate profit.

2.2.1 What is Positioning?

In modern marketing theory, positioning has become an increasingly central part. Jack Trout first introduced the concept in 1969 in an article in the magazine Industrial Marketing. Trout (1969) argues, the consumer is overwhelmed with unwanted advertising, and has a natural tendency to discard the information that does not find a comfortable slot in the mind of the consumer immediately. Further on, the terminology was built on by Trout and Ries (1981), defining positioning as "*an organized system for finding a window in the mind of the consumer*." The concept has been widely studied since then, and McKenna (1986) claims that a good positioning is the essence of marketing and that a strong market positioning makes it possible to construct a network of significant contacts needed for any business to be successful. Furthermore, McKenna (1986) argues, a good positioning creates confidence among customers, but will also strengthen the rest of the organisation and its' overall image, which makes it easier to attract talented people and to improve the bargaining position towards banks and suppliers. Clearly, the concept of positioning is a psychological matter in terms of creating a clear picture and place in the consumers' mind. Ghodswar (2008) also touches on this area, stating "*positioning is related with creating the perception of a brand in the customer's mind and of achieving differentiation that it stands apart from competitors' brands/offerings and that it meets the consumer's needs/expectations*" (Ghodswar 2008). Urde (1997) build on this argumentation, saying that positioning is focused communication that presents the organization for the customer.

2.2.2 Finding a Unique Position

Further, positioning is also a way of dealing with the image of the organization in relative to competitors, and underlining the importance of having a unique offer. Trout (1995) highlights the importance of positioning the organization so that it stands out from the "clutter", since the buyer can only take in a certain amount of information. On a technological market characterized of rapid growth, Moore (2005) also stresses the importance of differentiating the product in the phase he calls *the bowling alley.* This phase takes place prior to the *tornado* phase, in which the sales of the product almost explodes. In order to reach this tornado, the organization needs to differentiate the product in order to reach a leading role in a particular niche. Furthermore, Kim and Mauborgne (2005) argue that traditional competition-based strategies are not sufficient to achieve high performance. Instead, organizations need to position themselves in so called *blue oceans,* according to figure 1, in order to seize new profit and growth opportunities. The authors make a distinction between red and blue oceans:

- Red oceans represent the known marketplace. In this ocean, the industry boundaries are known and competition often fierce. Organizations try to outperform each other in order to grab a larger share of the market, resulting in a crowded marketplace. The prospects for profits get reduced and the competition turns the ocean bloody and red.

- Blue ocean, on the other hand, represents the yet unknown marketplaces. On these markets, there is no competition and demand is created rather than fought over. There is great opportunity for high profit and rapid growth. These markets are characterized by wide and deep potential not yet explored, making the ocean blue.

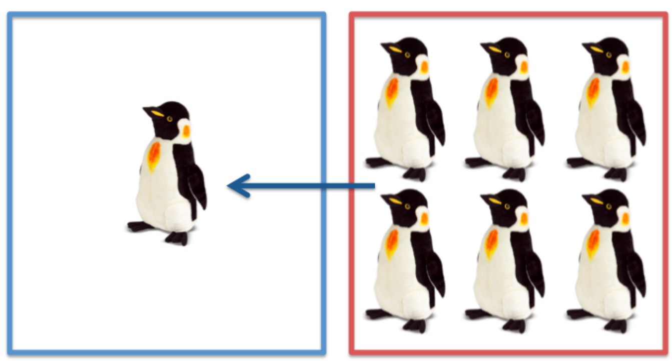

Figure 1. Exploring new markets.

In respect, Dahlén and Lange (2003) make a distinction between two kinds of positioning: *strategic* and *tactical*. Since there are hardly any markets where a brand can be created without competition from other brands, the strategic part of positioning deals with the competitors from adjacent product categories. Companies need to decide in which category a product should be marketed in and give it an absolute position, in order to achieve top-of-the mind, since consumers quickly identify typical category members. Therefore, it is crucial to ensure that a product shares enough characteristics and associations with other brands in the category, but still capture a unique differentiated position. Thus, the brand must be marketed relatively to the competitors', in order to provide the customer with arguments to choose the company's brand over the competitors. It is in the marketing communication that the position is created. This marketing communication is the tactical part of the positioning, and it should be manifested so that it facilitates consumer's memory function. Similarly, Collis and Rukstad (2008) describes the necessity to differentiate your offering from competitors, but still match it with the demands of the customers, and in so finding the *sweet spot*, according to figure 2.

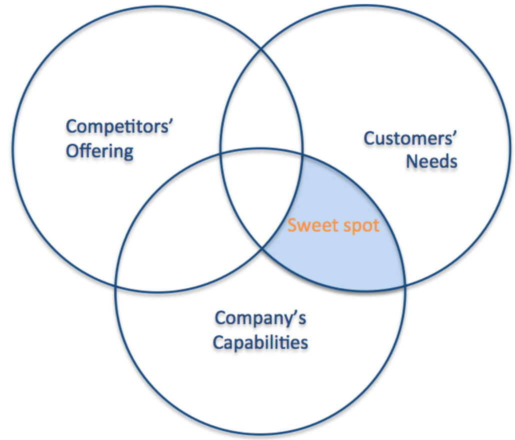

Figure 2. Finding the sweet spot.

Clearly, the terminology of *positioning* has gained substantial attention in the modern literature of consumer marketing. It has become a central aspect in almost every marketing strategy. Ghodeswar (2008) argues, it is crucial to implement long-term integrated communication strategies portraying the brand's value to the target customer. Strong brands helps to position the brand in the minds of the consumers and thus have a great influence in the customer purchasing process. Thus, being able to manage the concept of positioning seem to be of significant importance on the market of management consulting, where a clearly stated position seem to be a step towards the legitimization of the firm's competence.

2.3 What does Positioning Consist of?

Agndal and Axelsson (2012) argues, positioning includes all activities carried out with the intention to obtain a certain position in relation to other actors, and what the company is doing to differentiate themselves, their products and services, and their individuals within the company. Accordingly, Kapferer (1992) argues, the positioning should give answers to questions like *what and why, for whom, when* and *in relation to whom?* Ghodswar (2008) points out the importance for brand marketers to create a desired perception in the target consumers' mind and how that should be their primary focus. At the same time Ghodswar (2008) underlines the importance of a creative advertising, in order to break the clutter and create a strong impact on the target market. Thus, the aim of positioning is to build an image in the consumers' mind. Furthermore, in Trout's (1995) presentation of five areas that affects positioning in the minds of people, it becomes clear that the psychological aspect of positioning is central. These areas are:

- Minds are limited,
- Minds hate confusion,
- Minds are insecure,

- Minds do not change,
- Minds can lose focus.

2.3.1 Minds are Limited

There is a limit on how much information a person can take in and it is important to stand out of the "clutter" (Trout 1995). Trout (1995) also mentions that the mind easier can process information through listening than through visual means. Despite this, large sums are spent on mainly visual marketing. Trout (1995) strongly question the expression a picture says more than a thousand words. George Miller (through Trout, 1995), a Harvard psychologist, mentions "the rule of seven", which implies that a person can only process seven things at once in the short term memory. Thus, it is important to be one of the top brands in order to be successful.

2.3.2 Minds Hate Confusion

In terms of creating an image in consumers' minds, Trout (1995) argues, it is important to keep the message clear and easy-to-follow, in order to eliminate misunderstandings and facilitate the interpretation of the message for the consumer. Accordingly, Urde (1997) emphasizes the importance of having a simple message in an over-communicated marketplace. In todays society, where marketplaces are dynamic and complex in an increasingly degree, the simplicity of the message seems to be of significant importance. Trout (1995) argues, when dealing with complexity the focus should be on solving the actual problem. Instead of trying to solve everything, it is important to keep in mind what is actually needed. Solving "more" does not necessarily mean solving the actual problem. Trout (1995) denotes the "power of oversimplification" in the message, pointing out the importance of focusing on some special attributes instead of telling the whole story. By focusing on the actual problem and breaking it down into smaller pieces it becomes easier to explain it to the potential buyer. "*Do not claim what others can claim. Forget what needs a complex analysis to prove. Avoid what does not fit with your perception. Never ignore the obvious. Why did we not think of that earlier?*" (Trout, 1995).

2.3.3 Minds Are Insecure

Trout (1995) mentions five forms of risks that a potential buyer faces in the process of buying a product. In order to go through with a purchase, these risks needs to be dealt with:

- Monetary risk. The product or service might end up costing money.
- Functional risk. The product or service does not do what is promised.
- Physical risk. The service or product is dangerous to use.
- Social risk. How friends and surroundings will react on the product or service.
- Psychological risk. Guilty or irresponsible feeling of using the product or service.

Urde (1997) presents a similar theory, but puts less focus on the monetary aspect and adds a hedonistic factor concerning the issue of expectations; answering the question *will the product or service provide the expected pleasure.* However, Trout (1995) argues, from the perspective of an organization, when dealing with these risks it is important to consider that people are not always rational and different people react different in regard to the same information. In relation to this fact, Trout (1995) presents five common phenomenons, which are characteristic for human behaviour when dealing with the presented risks:

- People have different emotions. McKenna (1986) agrees in the way that a lot of decisions are made based on emotions, and therefore points out the importance of an organization to mediate values such as a perception of high quality, being a market leader and having a good reputation in the business. Furthermore, Ghodswar (2008) mentions how it is important to use various types of media and appeal to the heart and mind, in order to create an emotional relationship with the customer.
- People follow the herd. It is easier to accept something if many people reason in a similar way. Therefore, by acting as others many mistakes can be avoided for the individual consumer, argues Trout (1995).
- People care about testimonials. Testimonials can remove some of the insecurities in the buying process and build up a feeling of not wanting to be left out, according to Trout (1995).
- The bandwagon provides accountability. By using phrases like *fastest growing, largest selling* or *being used the most,* the product or service can gain accountability (Trout, 1995).
- The heritage provides credibility. Having a long history of making a certain product adds credibility to the product, argues Trout (1995).

2.3.4 Minds do not Change

When trying to reach a potential buyer it is crucial to refer the product or service to something that is already known. Trout (1995) mentions that it is easier to relate to a new product or a differentiation if it can be referred and compared to something that already is known for the consumer. Trout (1995) points out that this is important, since it is extremely hard to change customer behaviour.

2.3.5 Minds can Lose Focus

Trout (1995) explains the *line extension trap* as an unconsidered product line extension, which can weaken the brand image. The less focus that is diverted on keeping the business consistent and in line with the brand, the more vulnerable the company becomes. There is a risk that already existing brands can be harmful when launching a new product. For example, when the printing manufacturer Xerox tried to launch computers the company was too associated with printers, resulting in a failed product line extension. Accordingly, Ghodswar (2008) points out the importance of having a consistent message that reflects the brand value, brand personality and other brand identity dimensions to the customer. Urde (1997) also mentions how using a brand incautiously can erode the perception of the brand in the mind of the consumer, pointing out that it is a difference between exposing the brand in general and having a clear strategy for brand development. Accordingly, Relevant literature (Agndal & Axelsson, 2012; Trout, 1995) concludes that positioning individual brands both implicates a reduced overall risk if the company would get a bad reputation, and provides an opportunity to reach a broader market. Spill-over effects can occur if a problem arises with one product carrying the same brand name as another product, resulting in negative publicity for both products. Trout (1995) argue that sometimes some potential business areas need to be sacrificed in order to keep a focused operation. By clearly stating what companies are considered to be competition and by collaborating with some, a clear signal can be sent regarding the position of the organisation to the customers.

2.4 Brand vs. Positioning

The terminology brand is a central part of practically all discussions regarding marketing, and some analysts see brands as the major enduring asset of a company. However it might seem unclear how the brand and the positioning are linked together. Falonius (2010) argues, in all its simplicity, the brand is something existing in the consciousness of people, concerning the expectations the brand can offer in terms of advantages and experiences. A strong brand is a product able to tie its buyers positive associations, leading to the customers perceiving the product as more valuable than similar products. Dahlén and Lange (2003) conclude that the critical difference between companies' products is how the brand is perceived by the consumers. Similarly, Aaker (2002) states that the brand is like a "mental box" in someone's head.

In terms of positioning, Keller (2003) mentions that market communication represent the voice of a brand and the means by which organizations can establish a dialogue with customers. Hence, marketing communication is a means by which strong brands, in terms of *brand equity*, can be developed. Ghodswar (2008) points out the importance for brand marketers to create a desired perception in the target consumers' mind and how that should be their primary focus. Keller (1993) mention that one central aspect of all marketing communications is to contribute to brand equity, defined as "*the differential effect of brand knowledge on consumer response to the marketing of the brand"* (Keller, 1993) or "*a set of assets linked to a brand's name and symbol that adds to the value provided by a product or service to a firm and/or that firm's customer*" (Aaker, 2002). In that sense, brand equity is a way of measuring the value of a brand (Kotler and Armstrong, 2006) and Keller (1993) argues that brand knowledge is a central aspect in brand equity, which is built up in terms of brand awareness and *brand image*. Furthermore, the concept of brand image is explained as "*perceptions about a brand as reflected by the brand associations held in consumer memory*" (Keller, 1993), Aaker & Biel (1993) explains it as the cluster of attributes and associations that the consumer connects to the brand. Thus, brand image and positioning are two similar concepts concerning the same issue of creating a space in the mind of the consumer, which in turn are central in the concept of brand equity, according to figure 3.

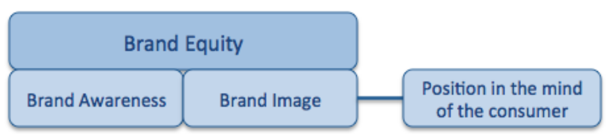

Figure 3. Brand equity, brand awareness and position.

In accordance with positioning, branding is all about psychology. Falonius (2010) states that modern marketer's in a larger sense try to identify and develop the aspects of the company's value that provide a unique, often emotional, additional value. Aaker (2002) and Falonius (2010) present very similar models, shown in figure 4, to what is common in every strong brand.

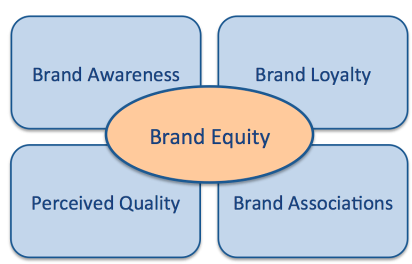

Figure 4. The components of brand equity.

The terminology within the field of branding is not always unified, but some central concepts are widely agreed upon:

- Brand identity - what the brand actually is.
- Brand position - the part of the brand that actively is communicated.
- Brand image - how the brand is perceived by the consumers.

(Aaker, 2002)

Ghodeswar (2008) mention that positioning is related to creating a perception of a brand in the mind of a consumer, in accordance with the concept of brand image, but also that it stand apart from competitors offerings and thus is differentiated. Thus, positioning helps to prioritize the focus of the brand identity and resultant communication themes, enabling the organization to deliver communication objectives such as the type of message, the brand differentiation, and other themes that might appeal to the customer, according to figure 5.

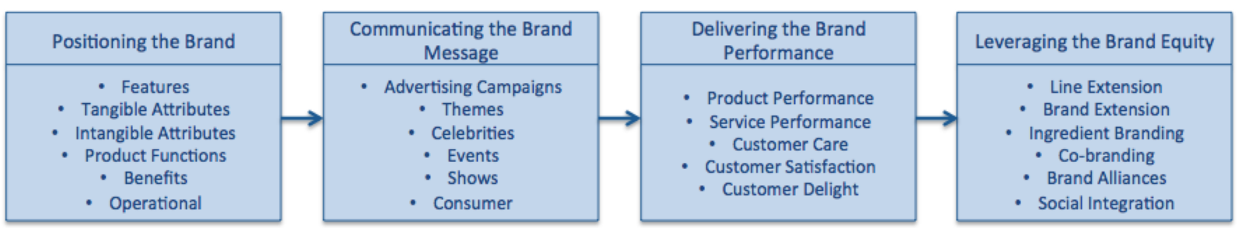

Figure 5. How to build a position.

In that sense, *positioning* is just one part of the wider concept of branding. Aaker (2002) mentions a risk in not keeping the concepts separate. When the search for a brand identity becomes a search for a brand position, the goal then becomes advertising tag lines, rather than a brand identity. Falonius (2010) argues, positioning is one of the foundations of the platform of building a brand, where companies choose the certain parts of the company identity which they want to communicate to the target market, according to figure 6.

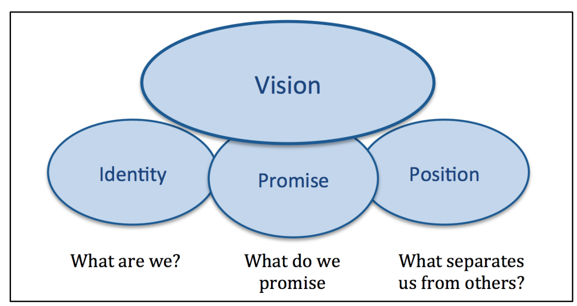

Figure 6. Platform of building a brand.

Agndal and Axelsson (2012) state that brand and image are often used synonymously, while identity can be characterised by the values the company's employees understand that the company stands for. Knowing how the company is perceived by consumers is an important starting point in the marketing process. To control the brand image, thus building the brand or business position, is largely about delivering products that are perceived positively and meet consumer expectations. The difference between how the company is perceived and how the company wants it to be perceived is built over with positioning- and brand building. Clearly, a *brand* and a *position* are two closely related concepts, which both affect the other. Trout (1995) argues that the concept of a brand and positioning are linked together in the process called branding, which is the process of building a brand where positioning is the placement of the brand in the mind of the customer. In so, the brand is a result of the process of positioning. Thus, the focus in this report is aimed at the positioning process, since well suited positioning lays the foundation of a strong brand.

2.5 The Nature of a Service

The management consulting market is a place characterized of transactions of services. Relevant theory often states that a service is a processes consisting of activities, which are produced and consumed simultaneously, often with involvement of the customer in the process (Zeithaml et al., 1987; Grönroos, 2007). As a result of the customer involvement, services are often partially created by the customer. Thus, Lusch et al. (2007) argue, the customer should be involved also in the marketing process. Accordingly, Agndal and Axelsson (2012) state, since the customer also is a creator, rather than a passive recipient, the logic of services is thus, by definition, customer-oriented and relationship-focused. Value is created in the interaction between the supplier and the buyer. Grönroos (2007) even argues that it is impossible for companies to create value, since value is created by the customers themselves. Therefore, what is valuable is completely based on the customer's perception of the service. Thus, Agndal and Axelsson (2012) argue that companies cannot say that a certain service is valuable, but only suggest what could be valuable to the customer in different situations. In doing so, companies do not sell products, but rather knowledge and abilities. Thus, the greatest competitive advantage is the availability of these resources (Agndal & Axelsson, 2012). However, the quality of a service is a rather diffuse concept. Grönroos (2007) propose that the perceived quality depends on the outcomes of a, more or less, conscious comparison of the expected and the perceived quality, according to figure 7.

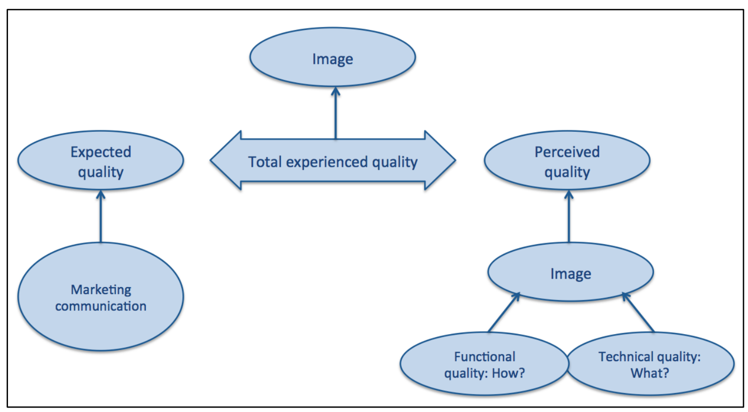

Figure 7. Expectations of an offer.

Grönroos (2007) argues that an offer is made up of two distinct aspects: the technical quality and functional quality. The technical quality answers the question "what", e.g. "a cup of coffee", while the functional quality answers to "how", e.g. with fresh coffee and a cloth on the table. Interestingly, the technical quality can be met even without fresh coffee and cloth on the table. Thus, the overall experienced quality is a result out of the ability to meet the customer's expected quality. If no fresh coffee or cloth on the table were expected, then the experienced quality can still be high without those things. Therefore, the ability of the service provider to communicate an expectation at the level of perceived quality is important in order for the buyer to experience high quality. Further, Grönroos (2007) argues that for an advising service supplier this is relevant in such a way that the technical quality can be compared with the ability to solve problems, and the functional quality is equal to the ability of making the solution available to the customer (e.g. communicating with, and teaching the customer). Thus, the ability of making the solution available for the customer is of the same importance as coming up with the proper solution in order for the customer to experience high quality. Also, if the quality of the service is expected to be high, that fact alone can increase the total experienced quality of the service. In respect, Zeithaml (1987) concludes, if the quality of the service is difficult to assess not just before but also during and after consumption, it will highly influence the procurement process with the buyer and the marketing process with the seller.

2.5.1 Difficulties for Service Providers

Agndal and Axelsson (2012) argue that coordination and networking between companies is more important for service providers than for suppliers of products, in order to create value for the end customer. Furthermore, the intangible nature of a service implies that a delay or faulty delivery often result in an inability to deliver what the customer demands. Therefore, the internal coordination and the significance of a common shared platform of values within the organization are also increasingly important for providers of services than of products. Agndal and Axelsson (2012) present two types of categories of services: the *service organization* and the *knowledge organization,* by which management consulting firms can be divided into the former category. In knowledge organizations, the core product is the competence of its employees. The knowledge is often tied to individuals involved in certain problems. Therefore, there exists a sort of trade-off between the organizational- and the individual knowledge. For knowledge organizations, Agndal and Axelsson (2012) argue, it is all about developing an organizational knowledge attractive to customers. Further, in respect to many of the difficulties which characterizes many small-scale management consultancies, Agndal and Axelsson (2012) point out some key points that are essential for all knowledge organizations:

- How to concretize the expected value of the service?
- How long should the productification be driven? It might be easier in the long run to use standardized models, but what would then happen to the competence development and thus, the revenue in the long run?
- When should the customer be involved? The client might want to be involved as much as possible in order to keep the costs down. However this might imply a decrease of control over the results for the supplier.
- How should the organization act in order to portray the whole company, and not only the individual, as a counterpart in a project? It is of importance to have an internal knowledge- and informational handover, in the strive of making the organizations into developing and teaching companies.

As a result of a society more characterized by the transaction of services, the traditional marketing mix has been built upon by Cowell (1984) to better match the service society. The traditional marketing mix primarily describes the strategic position of a product or a service on a market. Instead of four P:s, Cowell (1984) mentions that there are seven P:s affecting the marketing of services: Price, Place, Product (Service), Promotion, Process, Personnel and Physical evidence. Furthermore, a common opinion (Turner, 1966; Agndal & Axelsson 2012) is that it is more difficult for companies within the service sector to market their products. The fact that the proportion of marketing expenditure spent on company positioning increases can be interpreted as the increasing proportion of the service sector naturally creates this redistribution (Agndal & Axelsson, 2012).

2.6 Business to Business

Kindstöm et al. (2012) mention that marketing between businesses (B to B) is based on working together to address different types of needs and thereby create value for the customer. Central in that aspect is to understand the customer better than the competing organizations, and perhaps even better than the customers themselves. Such an understanding thus requires that a tight relationship with the customer, as well as suppliers and sometimes competitors, is developed. The consulting industry is characterized by the service being transferred from one business to another business. Thus it is important to define the characteristics in such a transaction, since there is a significant difference in doing business with a consumer (B to C) than with another business.

2.6.1 Business to Business Marketing

Agndal and Axelsson (2012) argue that marketing towards businesses is not based on the traditional grounds of consumer marketing. In B to B marketing every customer is unique, and it is therefore of greater importance to understand every customer's problem and how value can be created. However, Agndal and Axelsson (2012) also state that the traditional marketing variables in consumer marketing, the four P:s - Price, Product, Place and Promotion - are essential elements also in the marketing between companies. It seems reasonable though to consider them as a kind of support in the building and nurturing of customer relationships. Furthermore, Kindström et al. (2012) has identified a trend where companies to a larger extent put more effort on marketing towards other businesses, rather than towards consumers. On the other hand, building relationships and creating networks have become increasingly important in the B to C marketing, which traditionally is a part of the B to B marketing. In that sense, the B to C marketing and the B to B marketing have become more similar to each other. Gummesson (2008) point out some crucial characteristics in B to B settings:

- A few numbers of customers often respond to a large portion of the seller's revenue. Therefore, markets are generally concentrated.
- As a result of concentrated markets, relationships are important for the selling company.
- In terms of marketing, "every client is unique." The selling company must often understand the customer's problems and how value can be created.

Håkansson and Wahlund (1996) also point out certain differences in behaviour, where consumers tend to search for new alternatives, while organizations strive to develop long-term relationships to their suppliers. Grönroos (2007) also points out that the purpose of marketing towards businesses is to establish, to keep and to develop customer relations. Agndal and Axelsson (2012) stress the differences between the more decision-making and competitive oriented approach in consumer marketing and the more process and relationship handling approach in B to B marketing. The relationships between the customer and buyer in B to B markets, often develop to last through many years, which is often a result of that the companies match each other, not just in terms of the core product/service, but rather in terms of matching systems such as delivery, quality, service, warranties and personal chemistry. Kindström et al. (2012) also point out that traditionally, suppliers were played out against each other in order to get the best price possible. In doing so, little knowledge of the organization's operations was passed on to the supplier and the relationships were therefore quite shallow. Lately though, many organisations invest more time in their suppliers and customers in order to develop their relations, with an increased knowledge sharing between the actors. These relationships require more time invested, but also enables the supplier to adapt their product or service more, in order to suit the customers' needs (Kindström et al., 2012).

Similarly, the B to B environment characterizes the consulting industry, where established relationships between companies are central. Werr and Pemer (2005) argue, rather than being controlled by rational procedures, administrative control and objective evaluations, the procurement of consultants seems to be governed by an interpersonal and trust-based relation between the consultant and the client. Accordingly, Furusten (2012) states that the social skills can be of decisive importance in the process of acquiring new clients on the management consulting market. If the consultant's social behaviour in the early, critical phase of the relationship is of great importance, his conceptual competence gradually grows in importance, finally leading to the first project. Clark and Salaman (1998) argue, clients to consulting firms are likely to stress factors such as previous personal experience with a certain consultant, than more formal factors such as the consultancy's price or offering. It becomes clear, the buying process of consulting services is most of the time characterised by an established personal relationship between certain individuals in the organizations of the buyer and the seller. In such a way, the buying process is not of the ordinary type, where different offerings and alternatives are brought in and evaluated based on different aspects. Therefore, it also becomes interesting to examine the literature of B to C marketing in terms of positioning, since it ultimately is a matter of positioning the consultancy firms' brand in the mind of the people responsible of the buying processes in the clients' organization.

2.7 What Affects the Positioning for a Management Consultancy Firm in a B to B environment

Engwall and Eriksson (through Furusten & Werr, 2005) performed a study, interviewing the CEOs of the top ten companies with the highest revenue of the customers of the top management consulting firms in Sweden. The study proposed a framework of what affects a consultancy-client deal, according to figure 8.

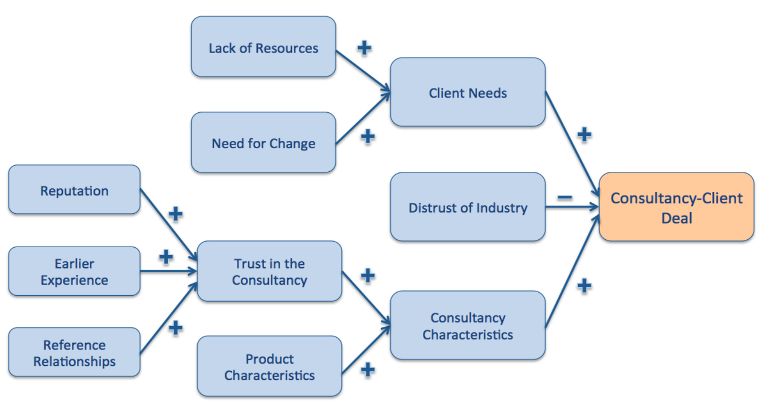

Figure 8. What affects a consultancy deal.

The study revealed that the industry possess a somewhat overall negative attitude against consultants. Companies feel a concern that the consultants may diffuse the ideas of a client to other companies, and that they tend to send inexperienced consultants to actually carry out the projects. However, the study also supports the idea that the clients *needs* and the *positive characteristics* of a consultancy stimulate deals between the customer and the consultancy. In terms of needs, there are two basic client needs behind a deal: lack of resources and need for change. The first one is a direct result of a resource shortage, e.g. in terms of competence. The second is primarily based on the idea that consultants can do things faster, and that they present new ideas. In terms of consultancy characteristics, both trust and product characteristic affect the making of a deal, however trust is the more important factor. Trust seems to be positively related to the reputation of the consultancy, earlier experiences of the client, and reference relationships. Out of these factors, reputation is stated to be the most significant one, thus making larger firms have a significant advantage over smaller ones. For smaller actors, personal contacts are instead claimed to be a competitive advantage.

With this framework as a basis, interviews with employees at Propia and other consultancy firms, as well as buyers of consultancy services, combined with other relevant literature, relevant components affecting the positioning for management consulting firms in B to B environments were identified.

2.7.1 Pricing strategy

How the price is set at a certain level indicates what quality the consultancy firm will deliver, and thus function as a positioning component. Kindström et al. (2012) mentions how the price level affects the expectation and the perception of value added from a product or a service. The price level is an important issue for the customer, but some interviewees in the pre-study mention that it is crucial to change focus and instead discuss what value the service will add the organisation, and set the price accordingly. It is easier to justify a high price if the focus is on the value added instead of getting into a price negotiation were less focus is on the actual product or service.

2.7.2 Network

The trust-component in the framework presented by Furusten and Werr (2005) are mainly based on having a suitable network, especially in terms of reputation and reference customers. McKenna (1986) talks about the importance of having a network of strategic relations and how it is more important to have some influential customers than having a large extent of customers. Knowing people at the right positions and having a good relationship with journalists and opinion leaders will help to improve the image of the company (McKenna 1986). However, Kindström et al. (2012) mention the importance of prioritizing which relations that need more time and which relations that need less attention, and thus allocate resources accordingly. Interviewees also underlined the importance of knowing the people on the right positions that are able to decide which consultancy should be hired. Furthermore, the importance of reference customers (McKenna, 1986; Furusten & Werr, 2005) were confirmed by interviewees. Clearly, the networking of the firm is a highly relevant component in the process of positioning a management consulting firm.

2.7.3 Market Strategy

Furusten (2012) identifies differentiation as one of the components in the process of earning trust in the field of management consulting. Furthermore, Porter (1980) discusses the importance of choosing a focus-, cost leadership-, or differentiation strategy. Each strategy has a different impact on the perception of the business from the perspective of the marketplace. The market strategy has an impact of how the marketplace will interpret the organization (Porter 1980; Ghodeswar 2008). Many businesses tend to become more niched in certain areas, but at the same time move towards adapting each offering after the provided customer value, in order to stand out from the mass market (Kindström et al. 2012). Customer adaptation is easier to achieve with more long-term relationships with customers, which has been a more recent trend compared to more transactionally based relationships (Kindström et al. 2012). Some interviewees underline the importance of adapting the offering to fit the customer and how that might change the perceived value of the offering for the customer (Kim and Mauborgne 2005). The differentiation and uniqueness of an offer is a direct result of the market strategy by the firm and is thus a highly relevant component in the positioning process.

2.7.4 The Complexity of the Offering

Trout (1995) and Urde (1997) point out the importance of having a clear and easy-to-follow message, in terms of creating a desired position in the mind of the consumer. The more complex the offer gets, the harder it is to keep the attention from the potential customer (Trout 1995). However, some interviewees mentioned a more complex product might be needed to fulfil the customer´s demand. Therefore it can become a conflict between trying to keep the offering as simple as possible, and satisfying the customers' need.

2.7.5 Promotion and Exposure

A strong brand has a great influence on the customer purchase process, and facilitates the company in positioning and extending its brand (Ghodeswar, 2008). A good positioning is crucial in sending out a message of what the organization stands for, which can be achieved by creative repetition in different types of media (Ghodeswar, 2008). Trout (1995) claims that how you expose your offerings has a great impact on the positioning. Furthermore, Trout (1995) talks about not claiming what others can claim, not mentioning what needs a complex explanation, avoiding what does not fit with the perception and not ignoring the obvious in order to successfully promote a product or service. A customer's willingness to buy a product or service is among other things based on how the customer feels about the company´s product or service and it´s personnel (Agndal and Axelsson, 2012). Thus, the way communication of the company is presented seems to affect the way customers position the company.

2.7.6 Competence

Possessing the relevant competence and being versatile are two aspects that are stressed as crucial in terms of gaining legitimation on the consulting market (Furusten, 2012). Furthermore, several studies show that experience among other factors is a central selection criteria in the purchasing process (Edvardsson, 1990; Clark, 1995). Interviewees mention the importance of having a good competence and large experience in order to quickly find a suitable solution of a complex problem. It is also mentioned that a reputation of competence and experience is crucial in strategic relationships, where consultancy firms work together, since both firms' reputation will be affected of each other's performance. Interviewees buying consultancy services mention that one of the largest concerns when hiring a consultancy firm is that the consultancy firm might not fully understand the company´s business, which will lead to false conclusions. Thus, competence seems to play a central role in the positioning of a management consulting supplier.

2.7.7 Size of the Firm

Furusten (2012) mention being available and having the right timing as important aspects on the consulting market. Being available when a certain situation arises is closely related to the size of the firm and the number of employees available. Furthermore, during interviews, size arises as a factor to consider when hiring a consultancy firm. Some interviewees mention that a smaller firm might induce a problem if larger projects are to be handed over. The interviewees indicate a lack of confidence in that the smaller consultancy firm has the resources needed to take on a large project. Furusten (2012) also mentions how smaller market actors clearly need to stress their uniqueness, which differs from firms with a strong brand name. Furthermore, McKenna (1986) stresses the importance of having trusting customers and mentions how strategic partnerships, or strategic relations, can strengthen the trustworthiness. The purchasing process is about overcoming the fear, uncertainty and doubt that the potential customer might experience (McKenna, 1986).

2.8 First Draft of an Analytical Model

The above presented factors are identified to affect the process of positioning a management consultancy firm, and represent the affecting components in a first draft of an analytical model, according to figure 9.

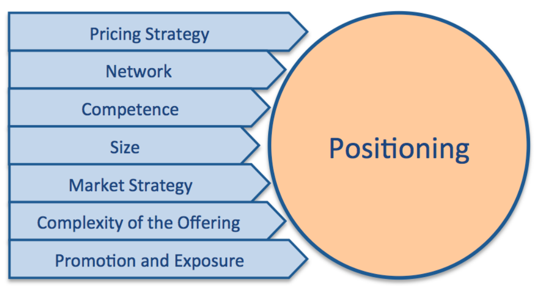

Figure 9. First draft of an analytical model.

2.9 Purpose of the Study

Smaller management consultancy firms in Sweden, are challenged with difficulties in the process of positioning themselves as experts within the area of management consulting. With no certifications or authorizations to relate to there lies a challenge for the less known actors to prove their expertise in order to build up a customer relationship. How can these less well-known firms gain legitimization in order to be handed over a complete project with a sought of solution, in order to charge a client for the delivered solution, with the intention of increasing the profit, instead of charging by the hour of the consultants. For smaller firms with an ambition to scale-up and position themselves among the more well-known actors there is an interest in knowing which factors are affecting a process of positioning within the market of management consulting. Thus, the purpose of the study is:

On the market of management consulting in Sweden, provide a descriptive explanation to the positioning of a firm.

However, as the management consulting industry is highly dependable on the legitimization of competence, attaining a certain position on the market becomes highly influenced of such a fact. Thus, in the process of identifying and describing the components affecting the positioning of a firm, the study will naturally focus on the issue of gaining credibility with the customers. Hence, as a result of the tight connection between positioning and legitimizing competence, measures needed to achieve credibility will also be dealt with.

By increasing the understanding of components affecting the customers' perception of a consultancy firm it is possible to focus improvement efforts to critical areas, and thus create a better positioning on the market. Hence, by dealing with the difficulty of positioning on the management advising market, this study intent is to increase the consultancies understanding of the issue of portraying a trustworthiness.

2.9.1 Scope Limitations

In this study components affecting the positioning of a consultancy firm is examined and how those components are linked together. However, internal management issues, such as a consultancy firm's vision and culture, which might affect several of the components, are only partially examined in this study. Thus, this main focus is directed to the direct interaction between the consultancy firm and its stakeholders that creates the perception of the consultancy firm in the customers and employees minds. However, in order to apprehend a more thoroughly understanding of the concept of positioning for a consultancy firm, further studies might be needed in order to examine how the internal management issues might affect as well.

Theoretical Reference Frame

This chapter aims at providing the reader with a deeper understanding of the identified affecting areas in the first draft of the analytical model. Thus, a stepwise degradation is done in each respective area in order thoroughly examine each component.

3.1 Pricing Strategy

The price is a central aspect in every offering. However, setting the right price on a service is often more difficult than it sounds, especially in regards to its intangible nature, and there are many aspects which need to be considered in the process.

3.1.1 How to Charge

Many companies use a low price of their services as competitive advantage towards their competition, however Lindahl and Beyer (1999) argue that price is not an adequate way to compete on the market of management consulting, since it does not resolve the uncertainty perceived by the customers. Therefore, it is rare that companies providing advising services pursue cost-leadership strategies (Lindahl and Beyer, 1999). Relevant theory (Clark and Salaman, 1998) also conclude that price is not the most definitive factors in procurement process of consultants. However, the price is an indicator of the quality of the service, and thus an important factor in terms of positioning the offering relative to competitors.

Different Pricing Strategies

Two common ways to set the price is either to originate in the demand of the offer, or to calculate a proper price based on the cost of manufacturing. Adner (2004) claims that *demand-oriented pricing* is superior to *cost-oriented pricing,* since it better reflects what the customer is actually willing to pay for the product. Kindström et al. (2012) describe that cost-based pricing is built on adding a margin to the cost it takes to fulfil a task. Cost-based pricing is often easy to calculate and can be a good strategy in larger one-time projects, but the competitors and customers perspective are not taken into consideration. Furthermore, the competitors' pricing strategy will heavily affect the way a price is received in the marketplace (Falch 2004). Kindström et al. (2012) further mention two additional pricing strategies in *competitor-based* and *value-based pricing*. A competitor-based price is set after observation or expectations of similar product prices offered by competitors. The value-based strategy, is built on the value provided to the customer, and it is argued by Furusten and Werr (2005) to be a good way of creating long-term relationships, although it can be difficult to estimate the value to the customer. When using a value-based strategy it is thus important to explain the value to the customer.

Additionally, Kindström et al. (2012) also discuss two different levels of pricing strategies for two different objectives. The *market penetration strategy* uses low margins and a low competitive price in order to gain a larger market share, and the *market skimming strategy*, uses high margins in order to increase profitability. In the process of choosing pricing strategy, Kindström et al. (2012) also stress the importance of combining the strategy with the overall company objectives, and how most organizations with a differentiated market strategy use a market skimming price strategy.

Furthermore, a common trend in B to B settings is to charge the customer only when the customer is using the product. Rolls Royce for example uses a "power by the hour" system, which only charges the customer when they are actually using the engine. Although many different pricing strategies exists, Kindström et al. (2012) mention how the customers in an industry might be used to a certain way of pricing. Thus companies should consider what customers are used to when deciding which pricing strategy to use on a particular market.

3.1.2 Customer Value

Schaffer (1998) argues that consulting success is relatively rare, since success in a consulting project must include some sort of measurable bottom-line result for the customer. Thus, in order to understand the difficulty of pricing within the field of management consulting Schaffer (1998) point out some common fatal flaws that are common within consulting projects.

- Consulting projects are not defined in terms of specific client results. Thus, the assumption is that the customer will be able to translate the result and do "everything else" in order to achieve the desired results. However, since it is rarely a part of the contract, the consultants will hardly never account for those results. This "everything else" is what the client must do to close the result gap, though this challenge is often beyond the customers' capacity.
- The scope of consulting projects is often determined by the subject to be studied with no regard to the client's readiness to change. Consultants tend to remain focused on finding the best solution, even though the best solution might be useless for the relevant customer.
- The projects often aim at a comprehensive solution rather than incremental success. Consultants often go too far in their strive for the best solution, often ending up with delayed projects and overdone solutions.
- There is often a clear division of responsibility between the client and the consultant, rather than a partnership between them. With little collaboration, there is a limited chance for the parts to learn from each other and the project.

Thus, their lies a big challenge in valuing the results and value of the consultancy service. Furusten and Werr (2005) argue that there first have to be some variables that can be isolated and measured, and secondly these variables need to enable comparison with other alternatives in order to see if the chosen alternative was worth the money spent (Furusten & Werr, 2005). However, Groth and Dye(1999) argues that the price of a service is often the only visible characteristic available to suggest a "true" value of a service. Therefore, setting price on a service is an important matter in terms of signalling something about the quality of the offering,

As mentioned earlier, in the transaction of a service, value is created in the interaction between the supplier and the buyer. Grönroos (2007) argues that it is impossible for companies to create value, since value is created by the customers themselves. Therefore, what is valuable is based on the customer's perception of the service. Thus, Agndal and Axelsson (2012) argue that companies cannot say that a certain service is valuable, but only suggest what could be valuable to the customer in different situations. In doing so, companies do not sell products, but rather knowledge and abilities. However, the quality of a service is a rather diffuse concept. Grönroos (2007) propose that the perceived quality depends on the outcomes of a, more or less, conscious comparison of the expected and the perceived service.

Value-based Pricing

Therefore, the ability of the service provider to communicate an expectation at the level of perceived quality is important in order for the buyer to experience high quality. Thus, the nature of a management consulting service makes it difficult to set a proper price. Using value-based pricing, is a highly psychological pricing strategy not only concerning the delivered product or service, but also taking into account the expectations of the buyer. However, Furusten and Werr (2005) argue that value-based pricing is only available when confidence has been established. Thus, value-based pricing seems to have a tight link with the network of the organization and its employees.

Furthermore, Furusten and Werr (2005) state that the idea of value-based pricing is that neither professional ethics, personal relationships, nor risk of gaining a bad reputation on the market are incentives enough to motivate the consultants do their best. Instead, a monetary reward needs to be included in order to truly motivate the consultants to deliver top quality services (Furusten & Werr, 2005). According to Agndal and Axelsson (2012), in B to B settings, the professional situation that often arises between two individuals when reaching a price agreement, often divert the focus to the value of the product or service, rather than the price. Thus, it often ends in negotiations with individual pricing solutions. Although, in those negotiations, Gentschev (2010) argues that it might be tempting to cave into any pressure the customer gives on price, however it might be dangerous. Gentschev (2010) mentions, cutting scope while cutting price can result in a lowering of the clients' perception of the value of the project, rather than sliding into a discount position. In line with Grönroos (2007) argumentation, Furusten and Werr (2005) emphasize that the aim of value-based pricing must be not only to create a real value effect, but perhaps more importantly, to create a perception of added value. Thus, quality in the service is a result of the perceived value and thus the price set on the service. In regard to delivering according to the expectations of the customer, Jang and Lee (1998) define success of a project to satisfy the overall expectations of the client. In accomplishing these goals, Jang and Lee (1998) identify some factors that are of importance in management consulting, according to figure 10.

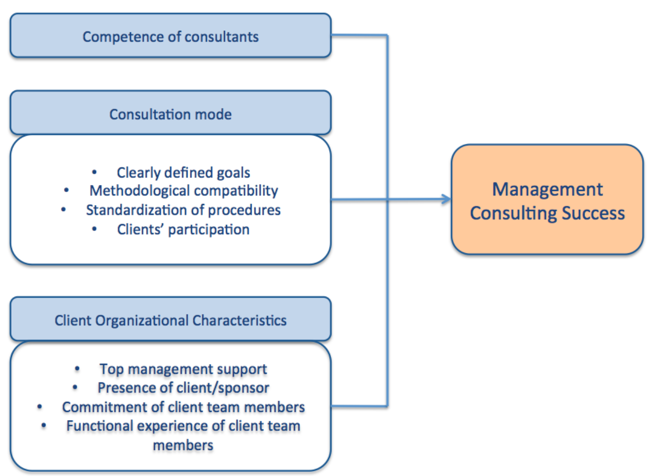

Figure 10. Management consulting success.

Deliver Value

Furthermore, in order to deliver value to the customer, Berggren et al. (2008) stress, it is of importance to fully understand what the customer is asking for in a complex system, and there is a necessity to reduce complexity by not offering unnecessary additional services and options. By reducing complexity the chances of being able to finish a project on time, and within budget, increases (Berggren et al. 2008). Similarly, Kindström et al. (2012) point out that the importance of understanding the customer value and only offer and charge for what is needed. In some cases companies add options to an offering, increasing the cost and thus price to the client, but only adding little additional value to the customer. Hence, to be able to realise the true value of an offer it is important to understand the counterparts own business.

In B to B settings particularly, value is created in a series of steps in a network (Porter, 1980). Value is added in a series of steps, where actors together add value through a common process. In the end of the chain value is passed on to the customer (Porter, 1980). Thus, in such a sense, value is created together with suppliers, portraying a clear link between the value, and thus price of the offer, and the network of the organization. Furthermore, Håkansson and Johansson (1988) builds on the discussion of having an offer of value, stating that customers can be prepared to pay a higher price, at least in in the long term, if they are provided with something additional than the basic function, some additional value. Price and value are thus related to each other very closely. In order to deliver value, Kim and Mauborgne (2005) mentions the importance of looking at the entire picture from the customers' perspective, discussing how many businesses only focus on the actual offering and not what sacrifices the customer has to make. Solving the problems around the offering will add value to the customer and make the offering more attractive (Kim and Mauborgne 2005).

According to Håkansson and Johansson (1988), there are two ways of generating additional value to a customer, illustrated in figure 11. Either a company can choose to develop and deliver products or services of top quality, or choose to focus on having a product or service highly customized to the customers' needs. A combination of the two though, is what characterizes an offer with true additional value, generating a possibility for a higher price.

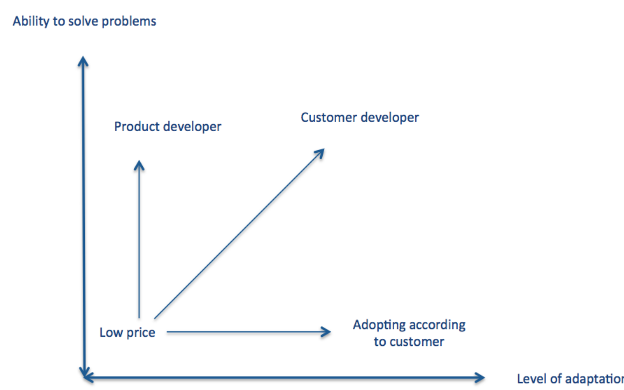

Figure 11. What defines a service of great value.

3.1.3 Price Level

Kindström et al. (2012) mentions how the price level affects the expectation and the perception of the value added from a product or a service. The price level can be seen as the demand setting the ceiling, the cost setting the floor, or the competition determining where in the spectrum the price will be (Owusu-Manu et al. 2012). Furthermore, Owusu-Manu et al. (2012) mention that underpricing is more prevalent than overpricing. The customer many times feel like the price level is overpriced, when the consultancy firm considers it to be underpriced (Owusu-Manu et al. 2012). This underprice phenomena origins, according to Rock (1986), from lack of information about the value of the offering among customers. Bruno et al. (2012) mention how previously used prices will become a reference price both for the customers and salespeople in a B to B environment. A reference price will affect the price level in the future, which means that a temporary discount for one customer might have an impact on the price level in the future (Bruno et al. 2012). Deviating from the reference price might in many cases be an issue of sensitivity, especially when the salesperson and the buyer have a strong relationship (Bruno et al. (2012). Hunag and Sarigöllü (2010) also emphasizes how price promotions can damage the brand image long-term, but also mentions how price promotions can facilitate the process of gaining new customers, especially in the consumer market. This implies that it is difficult to increase prices for existing customers and that a temporary price decrease can be hard to adjust in the future.

Thus, in terms of positioning, the price strategy seems to affect in a combination of ways. Firstly, the way the price is set, whether it is a matter of value-based, competition-based, or cost-based, will send signals to the market and the consumer regarding the position. Secondly, the price level and possible discounts also seem to be influential components in terms of positioning the company on the market. Thirdly, closely related to the price issue is the perceived value of the customer, which highly will influence the customer's perception of the firm.

3.2 Network

The fact that B to B markets often function as a form of network provides the organizations on these markets with a crucial basis for the corporate behaviour and marketing efforts (Axelsson, 2010; Johansson & Mattsson, 1994). Thus it is important to understand how relationships are built and nurtured between different businesses.

3.2.1 What is a Network?

Håkansson et al. (2009) compares a network to a rainforest, where the actors act in symbiosis with each other, making the networks to complex systems characterized by cooperation and dependency. Van de Ven and Ferry (1980) defines a network as "*the overall pattern of relationships within a group of organizations acting together to achieve common goals*." Thus, according to such a definition, everyone in the network knows everyone and for anyone to get included in the network it requires that the other members admit them. Cook and Emerson (1978) on the other hand emphasize the relationships and activities within the network, stating *"networks are groups of two or more intertwined relationships."* Thus, following such a description, there are no limits of the size of the network or who is to be included. Agndal and Axelsson (2012) argues that each actor in a network occupies a position, where the strength of the position is not solely about how central the position is and how many connections the actor has, but it also concerns the content and depth of these connections. Research has shown (Blankenburg et al. 1995) that organizations that feel that they work in relationships with strong interdependencies, positively influence the economic performance of these organizations. Thus, a good network would be a network with high dependencies in many directions. The relations within such a B to B network have some distinct differences from the relations in B to C settings, where B to B links are more process- and relations focused, and the B to C relations are decision- and competition focused. Agndal and Axelsson (2012) present a network model, used to examine which actors in the economic system that have control over certain resources and performs certain activities, in order to identify a potential market for products or services. In order for the offering to be a success, it must also fit into the business network, illustrated in figure 12.

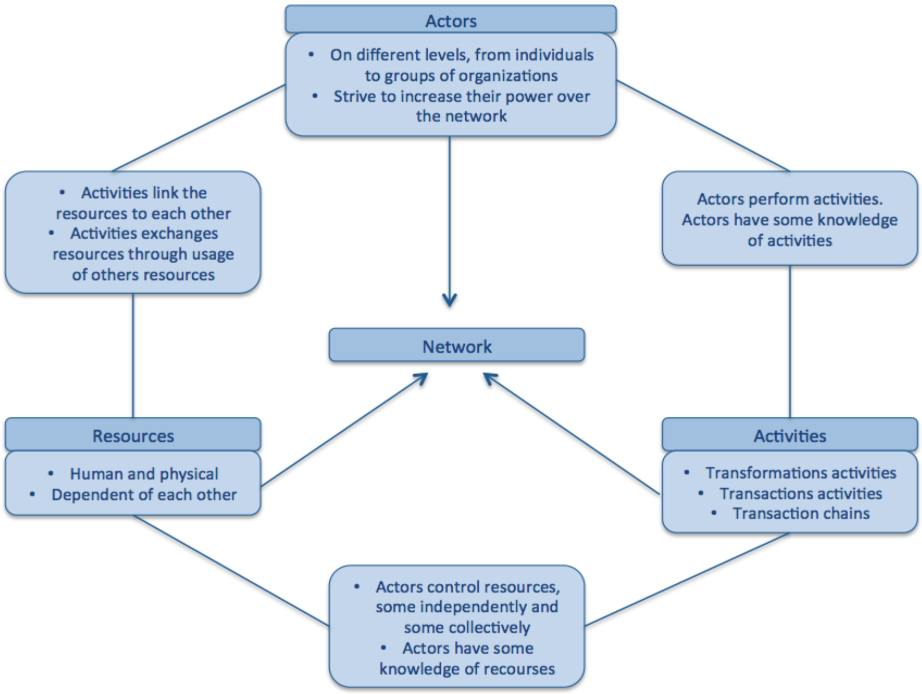

Figure 12. The network model.

Using the model also means performing 4 steps:

1. Map the pattern of activities and how those are linked together.
2. Identify which resources are used.
3. Identify which resources are critical.
4. Map how the actors are connected through different types of links.

Håkansson and Snehota (1995) describe the terminology used in the network model:

- Links connect the buyers' and the sellers' activities (e.g. a grocery store need deliveries of groceries, and the supplier need the wholesale to buy groceries.
- A relation is built up by actor-bonds, which for example can be social, technical, juridical or economical.
- A relation is also built up by resource-ties. For example, in order for the wholesale to be supplied with fresh groceries, the supplier needs to have access to cooling resources.

Furthermore, Håkansson and Snehota (1995) imply that creating new activity-links partly aim at synchronizing the activities amongst the concerned actors, and partly to match each other's resources with the other. Thus, distribute the resources and benefit from the activity dependencies. The resource-links, on the other hand, aim at ensuring access and control over certain products, develop and create resources, through the links gain access to suitable partners, and also to create a position in the network, which allow for desired strategic development.

3.2.2 Importance of Networking

Agndal and Axelsson (2012) mention, the network model originate in the fact that the actors exist in different levels in organizations, from individuals to groups of organizations. The actors are assumed to strive for increasing their control over the network, and the basis for that is their control over resources. Thus, it is their access of those resources that can affect their position in the network. In terms of knowledge service providers, such as management consulting firms, it is thereby mainly their access to competent employees, their core resource that can affect their position in the network. Furthermore, Agndal and Axelsson (2012) mention that the actors in a network also strive towards creating value for the customer and thus try to strengthen their position in the network in the process of doing so. Thereby, the essence of the network model is to have the right connections.

Additionally, according to Agndal and Chetty (2007), it is also important to consider how a certain situation can affect indirect relations, such as the customer's customer. Hertz (1998) mentions the *domino effect,* describing how one change in a network can influence a seemingly unrelated activity in the network. Thus, an economic system can sometimes be similar to a game of chess, where different opportunities arise depending on which actor relations are established with. However, a distinct difference from the chess game is the interaction between the actors, developed in order to create synergies and in the end value in the offering. In so, Håkansson (1987) states that networks are dynamic and constantly changing, and thus what actions are to be taken has an influence of time. By having *timing*, simply being at right place at the right time, is utterly important. Further, Håkansson (1987) argues that there is a possibility to affect the chain of events and thereby direct which opportunities that arises. An important aspect is therefore to "network", and thus use other actors to divert and speed up desired processes. One way of doing this is to plant ideas and concepts in strategically chosen places in the network (Håkansson, 1987). In such a way, the concept of networking has a clear link to the, in the management consulting industry, allegedly important aspect of availability and timing. By having the right contacts, at the right time, desired events can take place. Furthermore, it is not unusual for consultancies to cooperate by passing on potential projects to each other within a network. This process is often based on an agreement within the network, where a broker's fee is paid for the recommending firm. Therefore, the idea is to reduce the risk of not getting assignments regularly and the organizations included in the network benefit from each other (Furusten, 2012). Furthermore, Agndal and Axelsson (2012)mention other factors that may influence the structure of a network are:

- Hierarchy. Some actors have larger influence in the network and thus a greater chance to affect things.
- Density. The number of existing relations in relation to how many potential relations there could be. Does everyone have contact with everyone?
- Heaviness. Some networks are hard to change.
- Dominance. Is there an uneven balance of power?
- Grouping. Are there any groups among the actors within the network?

Clearly the possible factors that can influence and come to affect the network are numerous, and thus it is important to examine the network of a firm, in order to understand how things can be changed in a certain favourable way.

3.2.3 Relationships and Buying Processes

Literature states (Agndal & Axelsson, 2012; Furusten & Werr 2005) that there are two types of relationship strategies that a company can use when dealing with suppliers in a purchasing process. A transactional strategy is built on evaluating many different suppliers with a short-term focus of getting the best deal at the moment. Thus, a transactional strategy stimulates competition among suppliers, where price is a dominant factor. On the contrary, a relationship strategy, is built on a long-term relationship, where every deal is a part of a development process, according to figure 13.

Transaction-oriented approach	Relationship-oriented approach
Many alternative suppliers	Select one or a few suppliers
Short-term, every deal is new business	Long-term, every deal and every problem is part of the relationship
Stimulate competition among suppliers	Stimulate cooperation and joint competitiveness
Buy well defined products	Buy a partner including its supply chains
Price orientation	Cost and value creating orientation
Split the deals into smaller pieces	Connected/system solutions, broad scope

Figure 13. Supplier relationship strategy.

A relationship strategy stimulates cooperation and joint competitiveness (Furusten & Werr 2005). In the relation-based strategy there are, according to Agndal and Axelsson (2012), three features, which are closely linked together, and common characteristics in B to B settings:

- The relations are often long-lasting, and each transaction is a part of the overall interaction process. Thus, there is a distinct difference from the transactional strategy. Over time, the relations will be institutionalized and the parties learn how "to do" in respect to the other parts requests.
- The division of roles between buyers in the buying process is generally the same.
- The power- and dependency ratio is generally relatively symmetric, and the buyer and seller have extensive knowledge of what is being exchanged.

Agndal and Axelsson (2012) explain that relations thus need to be considered both from a short-term and long-term perspective. Buyer and seller relationships often develop to last over decenniums, which is a result of a well suited match between the organizations. The match is then not solely in terms of the core product, but rather regarding matching systems, like delivery, quality, service, warranties, personal chemistry and so on.

Furthermore, Agndal and Axelsson (2012) state, generally in B to B situations, a few customers account for a major part of the company´s turnover, which makes those relationships important for the supplier. On the contrary from the consumer market, the customers in B to B settings often have strong buying power and strong resources, making the relationship often be driven by the customer.

Furthermore, Gummesson (2008) stresses the importance of seeing each B to B relationship as unique and that there is a need to understand the other parts' business in order to create value and have a good relationship with the customer. Gummesson (1995) also points out how it is important to immediately deal with inconveniences for the customer, and to admit and compensate when mistakes are made in order to keep a healthy long-term relationship. Thus, on the market of management consulting where value of a service is difficult to assess, the dialogue with the customer in terms of perceived value seem to be relevant.

Although relationships are crucial in most businesses, Kindström et al. (2012) mention, in a B to C transaction a relationship can only make the organization become a candidate for a customer, but it is still mainly the price and the offering that will decide from whom the customer will buy. Therefore is it important not to spend too much time on cost-absorbing relationships. Although it is hard to estimate the value of a relationship, since a relationship might be an entrance to a new market with growth potential for the company, it is crucial to understand which relationships that need to be strengthened and which relationships that need less time (Kindström et al. 2012). Many experts in the area (Grönroos, 2007; Storbacka & Lehtinen, 2012)) point out the issue that all relationships are not equally profitable and therefore should not be given the same attention. Blomqvist et al. (2004) also underlines how more profitable customers should be allocated more time, however, also pointing out the risks of creating an unclear picture for the personnel of how to treat some customers differently. Instead Blomqvist et al. (2004) recommend a general approach with a common relationship management strategy throughout the entire customer base.

3.2.4 Reputation

On the consumers' market, the adaptation of an innovation is an individual process largely based on how the reputation of a product or service spreads, and Rogers (1983) suggests how an innovation is spread among customers over time. Rogers (1983) states that there are four main elements that influence the spread of a new innovation:

- The innovation itself,
- Communication channels,
- Time,
- The social system.

Rogers (1983) mentions that these factors work in conjunction with one another, stating that "*diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system.*" (Rogers, 1983). Similarly, the reputation of a consultancy firm seems to be affected by the same components, with an exchange of the *innovation itself* to the actual service delivered to the customer. Hence, it seems as the reputation of the firm, which has a clear connection to the awareness of the firm and thus the positioning, is directly affected by the network.

Furthermore, reputation is also an important aspect in the B to B environment, and perhaps particularly in the field on management consulting. Furusten (2012) states that larger organizations often have a reputation that sells projects automatically. However, Furusten (2012) also points out the risk of relying too heavily on the strength of the reputation, since larger organizations also need to constantly seek new business opportunities in a globalized fast-changing market. Thus, new relationships must be built and old relationships must be nurtured. Sheth and Parvatiyar (1995) mention that if the company's suppliers, customers and partners are successful it will gain credibility to the company. Thus, it might seem that the success and brand knowledge of a consultancy firm's shareholders affects the credibility.

3.2.5 Personal Relations

Johnson and Selnes (2004) mention four different levels of relationships: *strangers, acquaintances, friends,* and *partners*. The friend and partner relationships are usually the most valuable clients, however, the acquaintance and stranger relationship are also important. These relationships with more standardized orders facilitate the process of achieving benefits from economy of scale, and to get a steady stream of new orders, making it easier to predict future demand (Johnson & Selnes 2004). On the other hand, Gummesson (1995) mentions three different levels of relationships with customers. Level 1 is a relationship mainly based on price, which can more easily be overtaken by competitors. Level 2 has a deeper personal involvement, which makes it harder for competitors to compete, since they most likely do not have the same involvement with the customer. Level 3 is a deep relationship where several processes are integrated between the companies. These three steps can relate to how Grönroos (2007) and Storbacka & Lehtinen (2012) as above mention how different relationships are not equally profitable and should be treated differently. Thus, in terms of positioning, it might relevant to consider the level of the customer relationships that is needed to gain credibility and thus secure a certain position on the market.

Furthermore, Agndal and Axelsson (2012) conclude that on the lowest analytical level, organizations are built up of individuals. It is thus individuals that act on behalf of the organization, as a represent for the organization in a certain role, or as a private person. In respect of those individuals, Furusten (2012) argues that the main control in relationships between organizations is trust. Thus, there is an increasing possibility that a buyer will order from a certain supplier if trust has been established between them. Hallén (1992) also point out that individuals are the thinnest threads in a B to B network, but at the same time the most important links between the actors. The interaction between organizations on a management level is built up of a variety of social contacts that are often not directly related to the immediate business. Instead, it often is a matter of creating an infrastructure of contacts, as a way of having a sort of risk insurance. In situations when needed, having many personal contacts in different organizations can facilitate a process of mobilizing other actors in a desired direction (Hallen, 1992).

Agndal and Axelsson (2012) also mention that an organization's' power in a network is built up by its access and control over other actors, as well as resources and activities. Thus, the power is built up by a combination of physical-, human-, financial-, and intellectual resources. Additionally, Håkansson and Johansson (1988) point out that an important aspect, in terms of B to B networks, is also the status of the customers that an organization collaborate with. In terms of creating a strategical image and identity of the organization, these factors are highly influenced and created by the relations and activity-links that the organization handles.

Furthermore, when it comes to management advising services, buyers tend not to fully trust guarantees made by a collective of experts. Instead, tend to want to meet their service provider face to face and develop a personal relationship with them before daring to sign a contract. (Clark, 1995; Dawes et al., 1992). Thus, for the supplier, the development of trust tends to occur in two parallel dimensions, the collective and the individual. In the collective, trust-building has to do with general expertise, and in the individual it has to do with interpersonal relationships.

3.2.6 Customer Segmentation

Blomqvist et al. (2004) argue, that long-term successful companies are built on choosing the right customers, which can be done by carefully evaluating what loyal customers have in common and build relationships based on those common factors. Thus, it is import to aim for customers that matches the company's strategy. Therefore, customers that have expectations that do not align with the company's offerings should preferably be identified before a customer relationship is established. By using different customer segments it is possible to use different offering for different types of customers that have different types of needs, Blomqvist et al. (2004) argue. In terms of the consumer market, Rogers (1983) define *homophily* as "*the degree to which pairs of individuals who interact are similar in certain attributes, such as beliefs, education, social status and the like".* Thus, innovation manifests itself differently in various fields and cultures and is therefore highly influenced of the type of adopters. Similarly, it might be relevant to consider how an offer of a consultancy firm is perceived differently by different kinds of customers.

On the B to B market, Moore (2005) argues, organizations need to consider their power in a network as a guidance to their actions. Moore (2005) argues that positioning is not mainly a statement about the organization, but rather the position held within two mutually interacting systems:

- The system of buying opportunities and selections available to a customer.
- The system of organizations that interact and constitute the market.

Moore (2005) argues, if a desired position is not achieved in the other system, the desired customers in the first system cannot be reached. In order to access finance, distribution, and partnerships, relations with so called *market leaders* need to be established. The *market actors* are those organizations that are already established on the market. Since no company can serve a market on its own, collaborations need to be established with at least one established market actor. In such a way, Moore (2005) argues that the access of power of each actor need to be considered, and thus the first step of positioning is securing a position within the structure of power. Furthermore, Moore (2005) argue, by mapping available positions on a market, the organization need to go back to the basics of positioning and ask itself two questions:

- *What is the goal?*
- *How can we divert our communication to accomplish that goal?*

Moore (2005) argues that the goal should be to grasp the position on the market that is rightful specifically for the organization. That position is decided by the organizations' ability to create or maintain a value chain or to anticipate other organizations position.

3.2.7 Purchase Behaviour of Organizations Dependent on the Network

In order for an organization to understand its customers and their actions, it is important to consider how the procurement process generally functions within companies. Furusten and Werr (2005) argue that the development of the purchasing function's role is often described as a process in which the responsibility has gone from *buying*, via *procurement* to *supply management*. In this context, buying represent purchasing activities and responsibilities that deal with buying the goods and services needed and making sure that the basic functions are delivered at favourable conditions. Procurement deals with acquisition, optimizing the flows, and not only price but also volume and time are taken into account. Thus, procurement implies a widened role. Furthermore, supply management increases the scope additionally, and includes formation of supplier structures, development of supplier capabilities, and improving administrative routines etc. Thus, Furusten and Werr (2005) conclude that trend has gone towards a wider scope and more complex buying processes. These trimmed purchasing processes are a result of an increased specialization in the economic system and need to collaborate with suppliers, new managerial principles such as JIT and TQM etc., and increased competition due to globalization (Furusten & Werr, 2005). In so, it is interesting to examine what might affect the buying process of a complex service such as management consulting.

Studies show that personal contacts, reputation and experience are important selection criteria in the purchasing process (Edvardsson, 1990; Clark, 1995). Furthermore, Mitchell (1994) stresses that as most marketing takes place by word of mouth, a buyers network limits the range of potential suppliers. In the field of management consulting, the tendency is to reuse a consultant when a relationship has been established (Werr & Pemer, 2005). Furthermore, according to Agndal and Axelsson (2012), the purchase process often follows the path illustrated in figure 14.

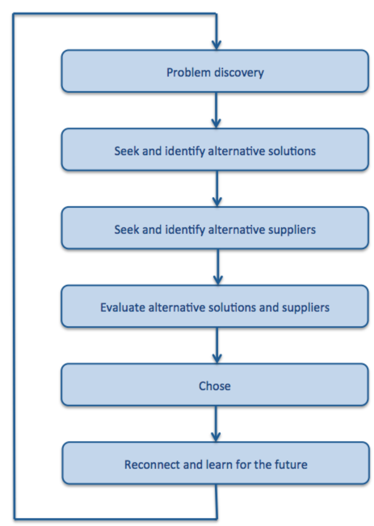

Figure 14. The buying process.

Agndal and Axelsson (2012) divide the factors that can affect an organization's purchase behaviour into three different groups:

- The buying companies' properties,
- The product/service/solution,
- The supplier market.

In terms of the buying companies' properties on the field of management consulting, when it comes to evaluating alternative suppliers, Gummesson (1977) make a comparison between the managers' hiring of consultants and the recruitment of an employee. Gummesson (1977) argues that experienced buyers purchase a service from an individual in which they can trust, thus not from the consulting companies itself. Ring and Van de Ven (1994) describes a general process where formal conditions often are transformed into psychological contracts as the two parties get to know each other better. Thus, formal contracts are generally more important in an early stage of a relationship. Furthermore, Agndal and Axelsson (2012) mention that the interaction between the operational level and top management can highly influence a possible transaction. Transactions between companies can be made at both levels, however the levels are complementary to one another. Thus, Agndal and Axelsson (2012) argue that it is interesting to examine the activity links within a network on both levels. Furthermore, in order to truly understand how value can be created for the customers, it is important to also understand the customer's customer (Wikner, 2010). Thus, in order to develop long lasting relations with a customer, considerations also has to be given to the surrounding network and the customer's customer.

3.2.8 Uncertainty in Buying Processes

Considering the bought product, service or solution, Agndal and Axelsson (2012) further point out the customer's experience, the risks associated, and the complexity of the product as three variables, which can affect the purchase behaviour. The more experience a customer has with a certain product, the easier the purchase process will be. In terms of risks associated with the purchase, a customer can feel insecure in three ways, according to Ford et al. (2002) through Agndal and Axelsson (2012). The customer can be insecure regarding the *needs*, or feel insecure in terms of changes on the *market,* or feel insecure regarding the *transaction* and thus doubt the supplier. However, considering these insecurities, Agndal and Axelsson (2012) argue that they imply an opportunity to affect the customer in a desired way. For example, a supplier might want to create uncertainty in terms of what the customer really need, with the intention of increasing the interest in considering different alternatives. Thus, by understanding how the customer perceives the purchase situation in terms of insecurities, an indication can be registered of how the purchase behaviour can be changed.

Furthermore, Agndal and Axelsson (2012) argue that for a supplier to understand its customers' purchase behaviour, consideration has to be given to what kind of transaction the purchase will represent, the former experience between the two parties, and what kind of purchase strategy the customer uses for such a product or service. As mentioned above, there are two kinds of purchases between companies, transaction- and relation oriented. In terms of what type of purchase strategy the customer uses, Kraljic (1983) points out different segments for different types of products in the purchasing process, illustrated in figure 15. The *routine product* has both low financial risk and supply risk. Furusten and Werr (2005) argue that these types of products should be dealt by using a selected few suppliers offering a broad spectrum of such simple products in order to reduce time spent in the purchasing process. This can be seen as a transactional process, with primary focus on getting a good deal at a given time and little focus on the relationship. The *leverage products* are dealt in a

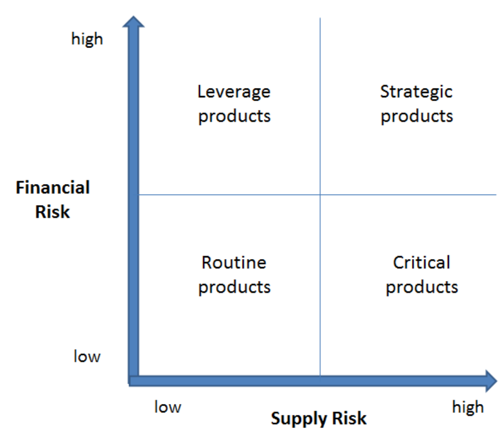

Figure 15. Risks associated with different kinds of products.

similar way as the routine product, but a little more time is spent on trying to get a better price, since these types of products have a larger financial impact (Furusten & Werr 2005). The *strategic products* should, according to Van Weele (2001), be dealt with through partnership, which can be seen as similar to the relationship strategy mentioned by Furusten and Werr (2005). Furusten and Werr (2005) also claim that critical products should be dealt with through partnership.

Thus, it seems as based on what kind of advising service a consultancy is to deliver, the risks associated with the service might differ. Hence, it seems relevant to consider how the perceived uncertainties are associated with the offer.

3.2.9 Purchase of Management Consulting Services Dependent on Personal Relations

Furusten and Werr (2005) argue that when the purchase of management consulting services, classified as a common knowledge-based service (figure 16), are studied it can be concluded that there lies a difference in which type of consulting service is being marketed. "Pure" professionals, such as the legal professions, can be characterized by the criteria such as authorization by the collective system of their profession, making it easier to market. Thus, there is a dilemma to legitimize the expertise since no authorization is provided in the field of management consulting. In the absence of certification, the buying process has come to be highly dependent on trust between the buyer and the seller. Hence, it seems an advising firm need to consider its complexity of service in regard to suitable marketing channels.

Knowledge-based	Service
Runs in projects with less strict routines and relies on being able to solve new types of problems.	Perform simple services that are repeated many times.
More dependent on specific individuals.	A lot of routines which are standardized.
Development within customer projects.	Development concerns the construction of the services.
Marketing and distribution is about credibility, making issues such as staff qualifications, references and documented ability to run development processes vital	Marketing and distribution is to a large extent about availability and communicating the service.
Production is a balance between creating new- and reusing knowledge and methods.	Production of services are well defined and capacity issues are often important.
Resource qualifications deals largely with attracting the best individuals and possessing a network to handle varying capacity demands.	Acquisition involves technology resources and personnel with suitable skills.

Figure 16. Different kinds of services.

Furthermore, hiring consultants have been described as an emotionally stressful task for the individual manager (Maister, 1993). In relevant literature, the need for consultants and the formation of relationship between the buyer and the seller is mostly based on a personal level. It is the manager's need and knowledge and resource shortage that are described as drivers for consultants. Recent research however, (Furusten & Werr, 2005) has shown that more focus is diverted to organizational needs, and differences can be seen primarily based on the buying organization's decision-making culture and organizational self-confidence. Furusten and Werr (2005) argue that the need for management consultants is highly influenced by the organizations' ways of implementing and making decisions, and the organizational self-confidence in its own knowledge. Based on these needs, consultants are used differently, influencing the power relation between the customer and the consultant, and the outcomes of the perceived value. Furusten and Werr (2005) highlight a more comprehensive understanding of the purchasing process and needs of the customer in order to provide value in the end.

In terms of the supplier market, if there are many suppliers with similar offerings, the buyer can more easily switch from one supplier to another. Thus, Agndal and Axelsson (2012) argue if there are many unique offerings on the market, the buyer generally develop a long term relationship with a specific supplier. Often these relationships are characterized by cooperation and common development. Additionally, Agndal and Axelsson (2012) mention that an increased globalization and industry gliding have resulted in more dynamic markets, also affecting the supplier market in terms of competition and uniqueness. Furusten and Werr (2005) make a classification of services, affecting the aspects of marketing and purchasing of such services, according to figure 17. The most important dimension is the vertical one, describing the complexity of the service, where the differences are quite clear. Thus, it becomes relevant for advising firms to consider the complexity and uniqueness of their services in order to adapt the marketing accordingly.

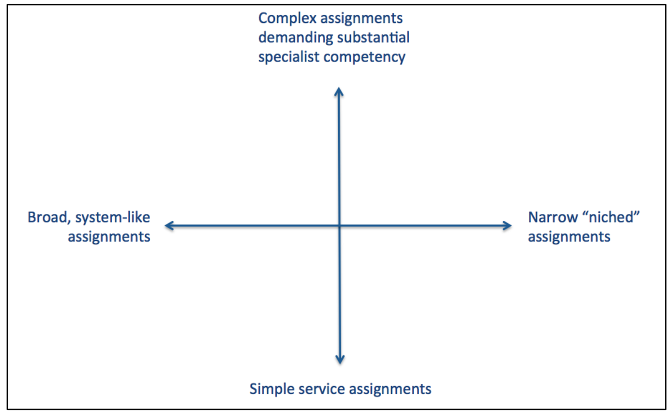

Figure 17. Classification of services.

Furthermore, in terms of establishing trust, Furusten and Werr (2005) argue that trust can be built, both directly and indirectly according to figure 18. Furusten and Werr (2001) mention that first-hand experience is a prerequisite in the consultancy business, however though information from reference companies may be equally important (thinner lines in figure 18), especially for actors with limited personal experience of advising services. Furthermore, Clark (1995) argues that the fact that a consultancy has a client relationship to significant actors (dotted lines in figure 18) may also be important in the building of trust.

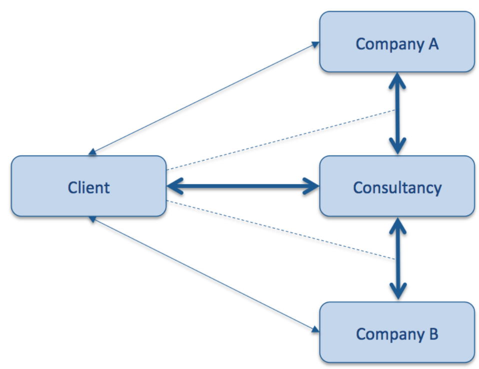

Figure 18. The establishment of trust.

3.3 Market Strategy

3.3.1 Differentiation and Uniqueness

Porter (1980) describes the concept of differentiation as the ability to produce products or services that are regarded as unique by the rest of the market. There are three different strategies to this, according to Porter (1980), by differentiation, low-cost or focus. Differentiation is simply to offer something unique on the market, the low-cost strategy is to compete with a low price often due to economies of scale, and the concept of focusing is to aim the attention of the offer to a certain part of the market and only serve this particular segment. However, in terms of differentiating the product or service, Keller (2003) mentions "leveraging" as a process of linking the brand to some other entity, creating a new set of associations from the brand to the entity, which is also highlighted by Trout (1995) to achieve a clear position. Similarly, Dahlén and Lange (2003) argue that the marketing of the differentiation should be done in regards to the competition. However, opposite to Porter's (1980) argumentation, Kim and Mauborgne (2005) mention that it is possible to both achieve low cost and a differentiated offer. Such a fact can be achieved by not focusing on trying to outrun the competitors with similar options, but rather creating an offering that both increases the value for the customer and lowers the cost for the company. This process, which is called value innovation, is based on really understanding the customers' needs and what parts of the offer that are valuable for the customer (Kim and Mauborgne 2005).

Furthermore, Kim and Mauborgne (2005) point out how this shifted focus from competitors to the potential customer makes it possible to create an offer that is unique. Therefore, instead of competing with the competitors the firm can avoid them by entering a new market, where the competition is less severe. Thus, the problem of focusing on current competitor's offerings and current customer's behaviour is avoided (Kim and Mauborgne 2005). A quote from Henry Ford illustrates this problem of how the customer's assumptions of a problem might stand in the way of finding a truly more effective solution to a specific problem.

"If I had asked people what they wanted, they would have said faster horses." - Henry Ford

Kim and Mauborgne (2005) point out four vital steps in improving and making an offering both cost effective and differentiated:

- Eliminate what does not add value or in some cases actually lowers the value of an offer,
- Reduce the things that do not substantially increase the value,
- Increase the existing value-adding features,
- Create new features that will add value to the customer.

Similarly, Berggren et al. (2008) mention that it is important to understand what the customer really need in a complex system and reduce complexity by eliminating parts of the system that do not bring value to the customer. Additionally, McKenna (1987) also points out the benefits of aiming the marketing to new markets instead of trying to compete on already flooded existing markets in order to easier increase the customer base. Thus, it seems, in order to really create value, the offer need to be unique in comparison to the competitors. Accordingly, Furusten (2012) concludes, on the market of management consulting smaller market actors, in contrast to firms with a strong brand name, clearly need to state their uniqueness. Thus, differentiation seems to play a central role in process of building a trustful relationship with customers on the market of advising services. Fisher (1991) argues that differentiation is a critical concern to B to B service providers in terms of building long term relationships. The more the offering of the service is differentiated, the less willing are the clients to switch to another supplier and the more likely are customer to be satisfied and recommend the firm, and ultimately remain loyal (Fisher, 1991). Blomqvist et al. (2004) mention the importance of satisfying the customer's specific needs by differentiating and customizing the offering, but in order to keep costs down a platform should be used and specific features should be customized to each customer.

There are different ways to differentiate a service and Trott (2008) argues, in order to compete with a differentiating strategy, the differentiation need to be linked to the core capabilities of the organization, as well as the network of the organization. Bach and Bowman (1949) on the other hand, argue that differentiation of a product is any condition that leads a buyer to prefer one seller to another. Such differentiation might arise in the form of the product itself or in the conditions and the services associated with the sale. Chenet et al. (2008) define differentiation as the customers' perception of the firm being consistently different on important attributes in relation to its competitors offering. How to differentiate a service is thus an issue with no certain answer, and it seems as though a service can be differentiated whether o not it involves the core capabilities of the firm.

3.3.2 Differentiation on the Market of Management Consulting

It has been frequently argued that in B to B settings, trust, commitment, and level of service quality are important for delivering constructive outcomes (Caseres & Paparoidamis, 2007). Ulaga and Eggert (2006) also note that in B to B settings, the relation display stronger potential in terms of differentiation than do the cost of the transaction. Furthermore, in terms of management consulting, Furusten (2012) argues that being versatile, available and representing relevant competence is crucial in trust building for consultants, and especially for those who do not have a well-established brand, a good reputation or many connections and relations with client and other consultancies. Thus, for those firms it becomes more important how they differentiate themselves from their competitors. "*Many consultancies develop their own models and turn them into products and then they try to fit all sorts of problems into that model. A model has an advantage, and many of the large US firms use them. That is why they can use young consultants, because they have a product …. presenting the service as clearly non-US, non-method and problem-driven, might make the difference, as may positioning oneself as different or complementary, or claiming to be as good as the US firms in every way, but much less expensive* (Furusten, 2012). Thus, the way to differentiate a management consultancy firm seem to be affected by factors such as size, network, reputation and competence.

In the globalized world which affects today's markets, Solberg (2002) concludes that it is important to base positioning decisions on a broad scope, providing an understanding of differences and similarities between markets. Thus, positioning is presented as a strategy to identify and direct resources among intended market segments. In order to do this, Solberg (2002) presents four different strategies for global brand positioning:

- Identify and target on a specific group of buyers that exhibit a similar behaviour in respect to the brand, in order to develop a homogenous market position.
- Target different segment in different countries, but with the same appeal.
- Adjust the brand to better fit different segments in different countries.
- Focus on differentiated segments that demand uniquely differentiated brands.

Although this study concentrates on positioning on the national management consulting market, it might still be relevant to consider strategies of international positioning.

3.3.3 Moore's Positioning

In accordance, Moore (2005) presents strategies for developing, leveraging and surviving in hyper-growth markets. Although these markets might be of a different character than the management consulting market, it is still interesting to examine the different strategies. Moore (2005) divides the growth in such a market into different phases, according to figure 19.

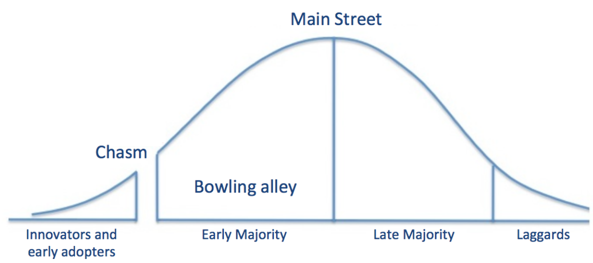

Figure 19. Different stages in a hypergrowth market.

Crossing the Chasm

In order to reach the mass market with a certain product, the company need to focus 100% in a particular segment of the market and make sure to make those customers completely satisfied. With these customers as a standpoint, the company can then spread the product to other segments of the market. Most people want a product that is completely developed and "finished" and therefore all the eggs should be put in one basket. Point being not to get stuck in the *chasm,* but to use it as leverage to bowl over to other niches with a sort of tornado-like strike. Moore (2005) refers to this as *the bowling pin model.* By using the word-by-word effect, the company should aim at niches that are similar in order to spread the product, according to figure 20. However, in order to do this, the product needs to be completely flawless.

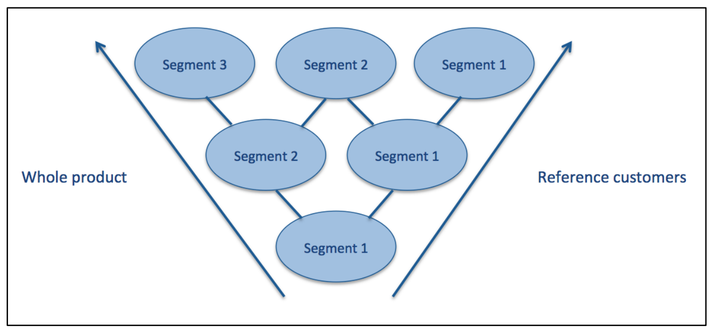

Figure 20. Spread the product to different segments.

The Bowling Alley

The essence of the *bowling alley strategy* is to make money now and build for a future position in a market leading role swiping the whole market like a tornado. To do this Moore (2005) argues the company first need to consider if the segment is small enough. It is better to be market leader in a smaller segment than it is to be second in a larger segment. Therefore, "pick on somebody your own size". The organization should rather overinvest in one segment than too soon take the step over to other segments which resources are not available to handle. Such a scenario only opens up for competitors. In order to go for a segment that particular niche must have strong incentives to buy, and it must not be well satisfied by another competitor.

Finding Your Place

Moore (2005) argues that at every major change of phase, the marketing strategy should change. Thus, it is therefore important to understand where in the cycle the product is at the moment and from there decide a proper market positioning strategy. Through the phases, the distribution of power also changes and it is therefore of importance to build strategic partnerships with other actors. It is the organization controlling the customer relationships that has the best ability to set the rules of the market. In such, the differentiation is closely related to the networking of the organization. It is in the most interesting segments that the most networking needs to take place.

Similarly with the market of management consulting, on markets where supply exceeds demand, the buying power turns to the customers. Such markets, called *main street* markets by Moore (2005) are characterized by two forms of competition, a price based on the commodity market, and a value-based focused on the niches of end users, according to figure 21.

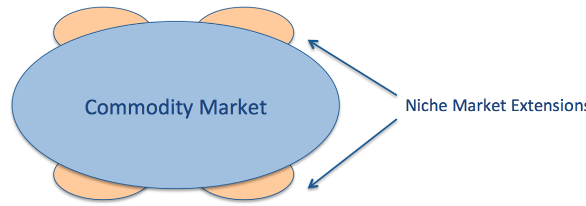

Figure 21. Main street markets.

Furthermore, Moore (2005) mentions three key variables that are characteristic for market leaders: *product leadership, operational excellence* and *customer intimacy.* Moore (2005) argues that no organization can be best in all of these areas, thus through evaluation the organisation should conclude in which area their core capabilities are and focus on that one. However, the focus might shift through the different phases.

3.3.4 Niche Focus

Noting the unclear link between a hyper-growth technology market and the management consulting market, it is though interesting to highlight the essence of small market actors to focus on a specific niche, in order to spread the product further from there. However, the situation seems to be quite tricky for smaller market actors. Furusten (2012) concludes that small firms have less power to choose and seem to be more likely to combine different forms of consulting. Larger firms on the other hand tend to be more commodified and offer standardized services. This seem to have a clear link to the capacity of having different kinds of specialists and more senior consultants with many established customer relationships. In accordance, Agndal and Axelsson (2012) identifies *care of the customer* as a fifth component in the marketing mix. Grönroos (1983) also argues that high levels of service quality can drive differentiation and thus operate as a competitive advantage for firms. The importance of differentiating the role of service quality in B to B relations is emphasized by Chenet et al. (2008), arguing that service quality can build trust and impact on differentiation, which in turn acts on commitment and ultimately satisfaction and word-of-mouth communication, according to figure 22.

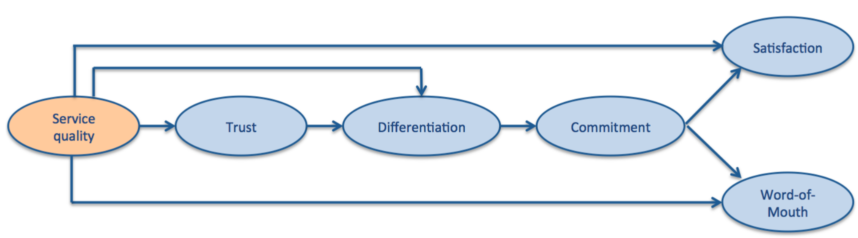

Figure 22. How high service quality serves as a basis for trust.

3.4 The Complexity of the Offering

The nature of management consulting services is often complex and thus it might be difficult for customers to understand what such service would imply. Therfore, it seems relevant to reduce the complexity of the offers to facilitate the understanding and illustrate what a potential project could bring in terms of value.

2.4.1 Clear and Coherent Message

Every activity, such as products, meetings with customers, pr-material etc., affects a company's positioning, which makes integrated market communication central in order to create a coherent image of a company (Agndal & Axelsson 2012). Similarly, Trout (1995) mentions the difficulties in changing the customer's behaviour and mentions how it is only possible for the receiver of a message to interpret it if one can relate to an earlier experience. It is therefore important to be careful when launching a new service or changing an already existing service in order to not confuse the target audience. Similarly, Kindström et al. (2012) mention how a clear message makes it easier to both reach out to the customer as well as satisfying the customer's expectations, since the customer more easily understands the offering and what benefits to expect. Furthermore, as mentioned under *Market Strategy*, Berggren et al. (2008) stress the importance of reducing the complexity in an offering and understand what part really adds value in the offering by eliminating unnecessary parts, in order to simplify the offering and only deliver what the customer really needs. Similarly, Kim and Mauborgne (2005) point out the importance of sending out a clear message that is consistent over time in order to avoid confusion for the customers.

Furthermore, Kim and Mauborgne (2005) points out the importance of using proper language that is suitable with the user, thus not using communication based on the internal expertise, which could confuse and intimidate the customer. Trout (1995) underlines the essence of keeping things simple, stating that often the solution to a problem is already known or easy to find, but are not being dealt with. Thus, it seems that organizations have a tendency to lose sight of their markets and complicate things. This is often a result of fast technology change, unpredictable customer affiliation, increased competition due to globalization, and increased competition for suitable executives, according to Trout (1995). Thus, reducing complexity in the offering and making it easy for the customer to get a grip on it is a crucial part, where understanding what brings value to the customer and how the customer should utilize the offering is important to easier win a project and increasing the chances for satisfying the customer´s expectations.

3.5 Promotion and Exposure

In the marketing mix, promotion is considered to represent all kind of communication that a marketer may use to provide information about the company, brand, and offering to different parties. In so, the concept of promotion includes advertising, PR, personal selling etc. In terms of positioning, Keller (2003) mentions that market communication represents the voice of a brand and the means by which organizations can establish a dialogue with customers. Hence, marketing communication is a means by which strong brands, in terms of *brand equity*, can be developed.

3.5.1 How is Positioning Related to Marketing

Ghodswar (2008) points out the importance for brand marketers to create a desired perception in the target consumers' mind and how that should be their primary focus. Further, Keller (1993) mention that one central aspect of all marketing communications is to contribute to brand equity, defined as "*the differential effect of brand knowledge on consumer response to the marketing of the* *brand"* (Keller, 1993). Hence, Keller (1993) argues that brand knowledge is a central aspect in brand equity, and is built up in terms of *brand awareness* and *brand image*. Furthermore, the concept of brand image is explained as "*perceptions about a brand as reflected by the brand associations held in consumer memory*" (Keller, 1993), and Aaker & Biel (1993) explains it as the cluster of attributes and associations that the consumer connects to the brand.

Figure 23. Brand equity, brand awareness and position.

Examining the concept of position, Ghodeswar (2008) mentions that positioning helps to prioritize the focus of a brand identity and resultant communication themes, enabling the organization to deliver communication objectives such as the type of message, the brand differentiation, and other themes that might appeal to the customer. In accordance, Agndal and Axelsson (2012) consider positioning as a symbol to represent the signals that the product conveys, and in the definition of positioning by Trout (1981) a link between the positioning and promotion can be seen, stating "*positioning starts with a product, a service, a company or even a person. But positioning is not what you do with a product, but what you do with the minds of the consumers".* Thus, promotion in terms of market communication can be represented in various of forms and is a tool for achieving the desired position. Thus, brand image and positioning are two similar concepts concerning the same issue of creating a space in the minds of the consumers, which in turn are central in the concept of brand equity, according to figure 23.

3.5.2 Integrated Market Communications

Krugman et al. (1994) identified *integrated market communication* (IMC) as the coordination of communication tools for a brand. Since then the concept has been developed and studied greatly and according to Badrinarayanan and Madhavaram (2005), it has become a widely accepted and an integral part of brand strategy. Nick and Raman (2003) highlight the central aspect IMC as the benefits of harnessing synergies across multiple medias to build brand equity. Badrinarayanan and Madhavaram (2005) further mention that IMC often require brand development activities internally before beginning any external brand development communication. However, in terms of external communication, IMC should replace diverse and low-focus promotional tools, making the companies more effective in the communication with their target markets, hence achieving better financial performance through higher brand equity (Badrinarayanan and Madhavaram, 2005). Thus, IMC requires to maintain a clear and consistent image, position and message across all marketing communications (Deighton,

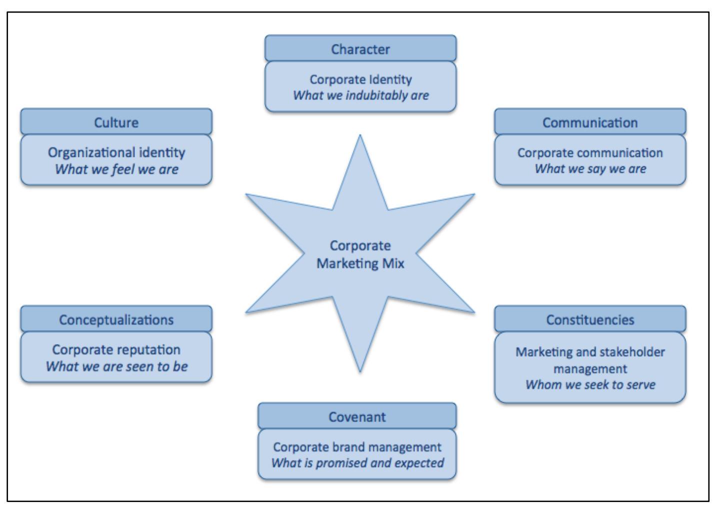

Figure 24. The corporate marketing mix.

1996). Keller (2003) mention that market communication can be controlled through media advertising, direct response, different kinds of advertising, trade- and consumer promotions, event marketing and sponsorship, publicity and public relations, and personal selling. Furthermore, in terms of communicating with the consumer on a management level, Balmer & Greyser (2006) present a corporate marketing mix, illustrated in figure 24.

Thus, in terms of communicating with customers via the organization itself, those parts need to be consistent and complementary. Anantachart (2005) conclude that since brand equity deals with associations in the minds of the consumer, IMC can influence brand equity by affecting the consumers' attitude, as well as the consumers' memory. In other words, by linking the market communication elements and the brand, value can be created in terms of brand equity.

3.5.3 What Communication Channels to Use?

Turner (1966) concludes that marketing of professional services is different from marketing of products. However, it should not be interpreted as basic marketing methods is ineffective in the service arena, but rather that service firms have not learned to use the methods properly (Turner, 1966). Furthermore, Anantachart (2005) argues that an integral part of IMC is an assessment of the role that each marketing communication tool is meant to play, and in so the IMC is part of the company's communication. The goal of IMC then, is to find the best combination of various communication elements that reinforce each other to achieve the desired position of the product or service (Anantachart, 2005). However, the marketing of services include some difficulties, primarily in terms of its intangible nature and Turner (1966) mentions the difficulties of guaranteeing results of their work.

Furthermore, Turner (1966) mention that service firms have, despite better judgment, turned their services towards the mass marketing of consumer goods, rather than specialized marketing of management services. Thus, Turner (1966) argues that the first principle of marketing should not be forgotten, to describe the service from the client's viewpoint. Once this problem is solved, the marketing support services will become effective in identifying new audiences as well as suitable communication elements for reaching them (Turner, 1966). Anantachart (2005) argues that central aspects in IMC strategies should be advertising, public relations, sales promotion and direct marketing. The IMC strategy should further be developed in respect to the consumers' needs, perceptions and preferences but at the same time be in line with the company's marketing goals (Anantachart, 2005). However, turner (1966) mentions that mass media advertising is generally not suitable for professional service firms, since they do not have a mass market. Instead, selective advertising and sales promotion methods should be used to communicate the firm's image.

Håkansson and Wahlund (1996) also argue that in B to B settings, promotion is to a larger extent based on personal contacts than on advertising, and Ghodswar (2008) underlines the importance of having creative advertising, in order to break the clutter and create a strong impact on the target market. Further, in terms of sales promotions, Anantachart (2005) argues that they are generally used to capture the interest of the consumer at the point of purchase, and thus provide incentives for short-term behaviour. Therefore, sales promotion can complement advertising after awareness is built (Anantachart, 2005) but also strengthen the relationship value and thus maintain and even enhance brand equity (Schultz & Barnes, 1999). Furthermore, public relations permit a company to reach consumers through media, and thus reach other groups not accessible through advertising (Anantachart, 2005). However, McKenna (1986) argues that commercials can only strengthen positioning, but not create positioning. Hence, it seems as a central communication channel for management consulting firms is personal selling, but some other channels are also recommended.

3.5.4 How to Communicate?

Turner (1966) argues, managers have one primary interest, to generate results. Hence, for decreasing the manager's uncertainty regarding whether or not to use consultants to find solutions to problems, the solutions need to be communicated in the marketing. Turner (1966) argues, for a manager faced with the decision of whether or not to build a new plant questions such as *is the market as large as it appears to be* and *should present facilities be expended or a new one built* are induce uncertainty for the manager. Thus, if the manager had been familiar with professional services that produce precise answers to those questions, the likelihood is that the manager would use those services. Hence, the focus in the communication of the consulting service firm should be on fulfilled needs of the customer (Turner, 1966). However, a consultancy firm also need to consider in what particular way it is portraying itself to be the solution to the customer's problems. Turner (1966) argues, even if a firm manifests itself as "highly capable, experienced and educated in the fields of mathematics", and all of those are relevant to the problems the management of the customer is facing, it might not be enough to win the customer. The problem is that the management may not be able to make the necessary transition of the mathematics competence to, for example, a study of logistic flows in the production. Thus, the communication need to be precise in terms of what needs are fulfilled by the service (Turner, 1966).

A comparison between the consulting industry and the financial industry can be made. Furusten and Werr (2005) mention that the image of banking is of extravagance, which is expressed in various symbols and embedded in the culture. The bank offices are located in the finest districts, and the interior decoration demonstrates signals of wealth. In terms of culture, it mirrors the banker's way of dressing up and behaving, often taking their customers on representation lunches. This extravagance, Furusten and Werr (2005) argue, also appears in the sellers price when it is time to do business. At the same time, in resemblance to the management consulting industry, the financial industry is characterized by increasingly complex situation, creating a demand for experts. In so, the extravagance, as a symbol for expertise and quality, provide legitimacy and is thus turned into a necessity (Furusten & Werr, 2005). With such an argumentation, everything that says something about the company need to be considered if it is in line with other parts of the organization, thus creating a desired integrated market communication.

Furthermore, another comparison that can be made is the one between the management consulting industry and the interactive media industry. Those businesses struggle more or less with the same issues of not having any certification and self-proclaimed experts, making the industry highly dependent on trust between the customer and the supplier. Furusten and Werr (2005) mention that a central aspect for interactive media producers of how they portray themselves is done mainly via homepages and media. Additionally, Furusten and Werr (2005) argue that attraction of investors and analysts evaluations can be a sign of high quality, since firms that perform well financially often are thought to be good at what they do.

The ways to communicate with clients are evidently numerous, and the message in the communication is critical. However, in terms of effective communication for management consultancy firms, suitable channels to use seem to mainly include direct sales promotion and place, in order to build trust and establish relationships.

3.6 Size of the Firm

Moore (2005) mentions how it is important to try to compete with competitors in your own size. It is better to be a market leader in a smaller segment, than a small part of a large segment. Entering a large segment with not enough resources will open up for larger competitors to take over the market (Moore 2005).

3.6.1 Size and Operations of Strategies

Furusten (2012) emphasises the problem for smaller firms to often be forced into having to deal with different types of projects and how it is difficult for a small consultancy firm to only work with a certain type of project. If a small consultancy firm are specialised in a certain area and ends up missing out on a couple of deals it might cause severe financial trouble for the company (Furusten 2012). Furthermore, Furusten (2012) argue that larger consultancy firms more easily can use standardised models, since they easier can take on projects that fit their offering. On the other hand, there are arguments that the lack of models and standardized ways of working makes it easier for smaller consultancy firms to come up with more creative solutions (Benefits Canada, 2000). Furthermore, generally, a large firm have more senior consultants and specialists in several areas and a larger network of contacts. Such a fact makes is easier for larger firms to match their competence with potential projects and ensure a more stable demand (Furusten 2012). Furthermore, Aranda (2002) mentions that large consultancy firms balance both flexibility and standardization by higher investments in technology and human resources. Thus, an advantage can be reached in comparison with smaller firms, in terms of usage of more standardized models, making the operation more efficiently. Such a fact is also touched upon by Furusten (2012), arguing that large consultancy firms can achieve economy of scale by using standardized way of working. Hence, it could be seen as smaller consultancy firms are more dependent on senior consultants, since smaller consultancy firms often lack the usage of standardized models and therefore are more dependent on experiences from previous projects.

In a study done by Lee (2008) the correlation between size and strategic alliances among audit firms showed that large companies and companies operating in several countries often were more profitable than small- or medium-sized. However, the study did not reveal any significant differences in profitability in the studied areas regarding small- and medium-sized companies (Lee, 2008). Even though the industry of management consulting and the revisory industry need to be kept separate, the industries still demonstrate some similarities in terms of consulting services and legitimization of competence based on reputation. Thus, there might also indicate that with size often follows profitability in the industry of management consulting. Furthermore, in a Canadian e-poll, 44 % of the customers of consulting services felt most comfortable working with small consultancy firms, while 34 % preferred medium-sized and 22 % preferred large firms (Benefits Canada, 2000). Also, smaller consulting firms have the advantage of being niche players at the local level providing the customer with more intimacy. Thus, even though profitability seems to increase with size, the customer intimacy seems to decrease accordingly. However, such a fact seem to be highly dependent on the size of the studied customers, since the Canadian e-poll (Benefits Canada, 2000) further conclude that it might also be a problem for large organizations to use small consultancy firms, since projects might demand a large number of consultants. In response to the decreasing customer intimacy, Aranda (2002) also demonstrate a relationship between the operations strategy and the size of consulting engineering firms. The study reveal that many small firms tend to follow customer-oriented strategies, medium firms tend to use process-oriented strategies, and larger firms tend to use service-oriented strategies. Thus, Aranda (2002) mentions that small consultancies usually perform customized and flexible solutions, but as they expand the operations get more standardized and rigid.

3.6.2 Essence of Timing

Furthermore, Furusten (2012) mentions the importance of being close by and ready to act when the opportunity arises. It is even more important for small- and medium-sized consultancies, to stay close to potential and former customers to be able to seize a business opportunity if one arises and be able to present an offer. If the consultancy is not present at a certain time, it is likely that the project will go to someone else. As mentioned the *Network* chapter, being at right place at the right time, is utterly important. Further, Håkansson (1987) argues that there is a possibility to affect the chain of events and thereby direct which opportunities that arises. One way of doing this is to plant ideas and concepts in strategically chosen places in the network (Håkansson, 1987). In such a way, the concept of being available has a clear link to how relationships can be utilized in order to get new projects.

3.7 Competence of the Firm

Central in a knowledge-based service supplier is its resources and the competence embedded in the employees. In that sense, competence as a product is, according to Agndal and Axelsson (2012), "*something that is offered on the market for being bought, used or consumed and can fulfil a wish or a need*."

3.7.1 Competence as a Product

In terms of competence as a product, the competence thus represents the core product for knowledge based service suppliers. However, competence is a wide concept and it can take place in various forms. Thus, what type of competence a management consulting firm has defines the product it is offering. Kotler and Armstrong (2010) mention that product design is a trade-off between functional and communicational aspects, put into three levels according to figure 25:

- The *core benefit*, addressing the question *what is the customer actually buying?* The core benefit provides the customers with the problem-solving solution to their needs.
- The *actual product* is the core benefits transformed into an actual product or service, in terms of design, methods, brand name, quality etc. These elements should all be designed to capture memories and thus position the product/service.

- The *augmented product* is a third layer built around the core benefits and the actual product, offering additional services and benefits to the customer. In order to exceed customer expectations a bundle of benefits must be delivered. Such additional services, which are linked to the first two layers, in order to fulfil the total needs of the customer, can for example be warranties, service, and information about the product or service.

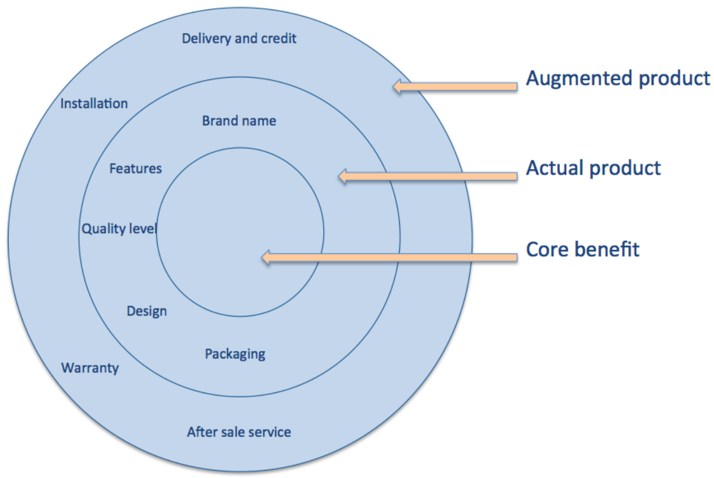

Figure 25. The different levels of a product.

Thus, in terms keeping a high perceived quality of a service, meeting the expectations of the customer and deliver a high experienced quality (Grönroos, 2007), every level of the product or service have to be thought through and kept at a high quality standard. Thus, in terms of management consulting, one might argue that to fulfil the total need of a customer and thus accomplish a successful project, the service should not just be designed it terms of handing over a solution in the form of a report but perhaps also include implementation, education and information (Schaffer, 1998). However, in terms of positioning a management consulting firm, the demonstrated competence seem to be central. Kindström et al. (2012) further stress that the product or service that is offered serves as a basis in the positioning, and it is crucial that the offer thus is in line with the desired position, otherwise will the customers' image of the company quickly be displaced. Hence, in order to position a management consultancy firm as high quality experts the employees must truly be experts with adequate competence.

3.7.2 Professional Competence

Furusten (2012) mentions the importance of keeping up with new developments and management standards, and adapt to the changing needs of the customer. Thus, in order to be competitive the firm need to posses the relevant knowledge and competence in the specific market or niche it operates within. As mentioned in the chapter concerning *Market Strategies*, Furusten (2012) stresses how a consultancy firm either could work around standardized models or be flexible about what types of projects one undertakes. The choice of strategy will thus affect the offering as discussed in the *Pricing Strategy* and the *Market Strategy* chapters, and therefore the needed professional competence. Similarly, McKenna (1986) mentions that the most significant asset a company has is the human capital. The human resources, people working in the company, must have the competence to fulfil a desired task. Thus in terms of market strategy, McKenna (1986) argues that one should always ask the question if the skill sets that are needed exists among the top management before entering a certain area on the market. Furthermore, McKenna (1986) mentions several factors for not attaining a desired positioning, including not enough focus on R&D, no use of new sales methods, nonexisting risk taking, and no improved distribution. However, McKenna (1986) also mentions that having sufficient competence and development in new markets are areas where companies often fail to succeed, frequently leading to an undesired position. Thus, in terms of reaching a desired position on the market, the company need to consider which areas or niches are aimed at, and what strategies are used and then adapt their competence accordingly. Hence, the people with adequate competence need to be attracted and employed to the company. Furthermore, keeping and acquiring new knowledge within the company is also an important competitive element in a long-term perspective (McKenna 1986).

3.7.3 Social competence

The work of management consulting projects often takes place in the premises of the customer in collaboration with the employees of the client. Thus, a central aspect of consulting industry is to be able to work side by side with various of individuals in various of settings. Furusten (2012) mention that the social competence of the consultants is crucial both in terms of acquiring contacts with potential customers, but also to convince the buyer that the consultancy has the competence needed to solve a specific problem. Thus, social competence is central, especially in the aspect of laying the foundations in a buyer-seller relationship, which can in a longer perspective generate more projects.

3.7.4 Experience of the Consultants

Furusten and Werr (2005) conclude that one of the elements in trust building within the field of management consulting is the consultants' experience within the industry. Furusten (2012) mentions that it is important for small-scale consultancies to employ senior consultants in order to be sure that they have the needed competence, not necessarily technical knowledge but rather intuitive management know-how. Such know-how is something that the consultants learn during the years in service and it does not stem from books and seminars, but rather from many years of experience. In the lack of a strong brand, it is thus important for small-scale firms to underline their experience and expertise in order to establish trust with clients (Furusten, 2012). Hence, since junior consultants have less management know-how it is therefore more difficult for them to convince a customer that they can fulfil a task, and thus many small-scale firms employ mainly senior consultants (Furusten, 2012). In fact, Furusten and Werr (2005) conclude that customers might feel a concern that consultancies generally sell projects through senior consultants but then tend to send junior consultants to actually carry out the projects.

Possessing over consultants with personal experience and thus management know-how is important, but it is also crucial that the customers' have a personal experience with the consultants. Furusten and Werr (2005) mention that having first-hand experience is a prerequisite for trust. It might however also be equally important to have reference customers and thus a well developed network. Agndal and Axelsson (2012) conclude that the main ingredient of a reputable firm is well-executed projects and documented high performance capabilities. Furusten (2012) further argues that smaller consultancy firms often find themselves in an exposed situation with a high competition for potential projects and customers. Thus, it might be difficult for such firms to focus on a special niche, but rather having to take on projects whenever they come along. Therefore, it might also be quite difficult for smaller firms to develop standardized methods as working methods, since it is hard to develop a method suitable for various kinds of situations. Instead, smaller firms are thus often dependent on management know-how embedded in experienced senior consultants (Furusten, 2012). Furthermore, Furusten (2012) mention that the professional competence for a consultant is non-specific, consisting of combinations of individually embodied know-how, international management standards and management tools. For junior consultants, with less experience, it appears to be more crucial to personate them as specialists with extensive technical knowledge (Furusten, 2012). The technical competence, as well as management know-how gained by experience, thus influences the offering in terms of standardization and differentiation discussed in *Market Strategy.* The competence also highly influences the relationships, and thus the network, of the firm. Experienced consultants, with specialized management know-how and several years in the service, often possess an extensive personal network (Furusten and Werr, 2005), thus creating links to other actors in the network and developing the power position of the company.

3.7.5 Versatility Among the Consultants

Furusten (2012) mention that being flexible about what types of projects a consultancy undertakes is particularly important for small scale firms in competitive situations and requires versatility on the part of the consultants. In so, Furusten (2012) suggests that it might be risky for small-scale consultants to focus on a specific niche or type of service, since there are no guarantees of always winning projects of that specific kind. Kindström et al. (2012) also mention that companies need to keep up with developments and management standards, and to carefully listen and adapt to the needs of the client. Furusten (2012) also mention that a way for small scale firms to win projects is by systematically passing on projects between agencies within a network. Such a procedure is often based on agreements within the group, where a broker's fee is paid to the firm recommending another firm. The idea is therefore to build a system where small scale firms allow themselves to focus on a certain type of niche by reducing the risks of not winning projects by having a tight network (Furusten, 2012). Thus, competence in the form of versatility can influence the focus of a firm, as discussed in the chapter of *Market Strategy.*

To sum up, the competence seem to influence the position of the firm directly in terms of being the core of the offering of the firm, but also indirectly influencing the network and market strategy of the firm. Furthermore, Furusten (2012) mention that if a consultant lack social skills there will rarely be business, no matter what other expertise the consultant may possess and what methods are used. Therefore, for a small scale firm to be regarded as having professional competence, it should possess a combination of conceptual and social skills. Furusten (2012) mentions social competence as something important, but mentions that it is mainly a part of the initial contact to be able to present the offering.

Analytical Model

In this chapter the analytical model is presented that serves a model for analysis in the study. Furthermore, the different components in the model are presented and described.

4.1 From Theoretical Reference Frame to Analytical Model

As discussed in the theoretical framework, the brand equity is built up by both brand awareness and brand image. In order to facilitate the analysis of the study, those concepts are degraded. Brand awareness is assumed to relate to how many individuals that have a knowledge of the firm or its brand. Position is assumed to be equal to brand image, thus the associations that an individual gets in relation to the brand. Hence, how the brand is perceived and positioned in each individuals mind. As a result, the reputation is a result of the number of individuals that have a knowledge of the brand (brand awareness) and those individuals perception of the brand (position), according to figure 26.

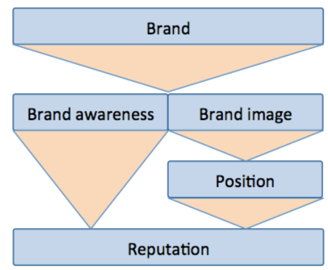

Figure 26. The connection of brand, brand awareness and position

4.1.1 Pricing Strategy

The pricing strategy has a major impact on the perception of the firm. Authors mention how the price level will affect how the customers perceive the offer, as well as in what way the way the firm charges the customer. Furthermore, the value added options and how the offer is put together seem to impact the customer's perception. Thus, the *price level*, *value-based pricing*, and the *way of charging* are components included in the analytical model.

4.1.2 Network

Creating and maintaining networks are crucial for a company´s positioning according to many authors. Personal contacts can make it possible to come in contact with potential customers and strengthen the sales organisation. Furthermore, reference customers and well documented achievements seem to create a reputation that can increase the chances of winning projects. Such components can be regarded to be highly influenced of the network of the firm. Thus, *personal contacts, references,* and *reputation* are components included in the study.

4.1.3 Market Strategy

Many authors mention that the level of differentiation highly affects the company's perception on the market place. Different types of differentiation strategies certainly seem to result in different outcomes of the company's positioning. However, authors also mention the importance of differentiating components in regards to the competition but at the same time not deviating from the industry standard. In so, the literature highlights the essence of smaller firms to focus on certain segments of an industry in the process of finding a position. Thus, having a niche focus seem to be a component that are relevant for smaller consulting firms. Furthermore, it is mention that the strategy of operations, in terms of customer adaptation- or standardization, might affect the perception of the service. The usage of standardized models also seems to differ with the size of the firm. Thus, in terms of market strategy, the *differentiation,* the strategies of operation in terms of *customer adaptation and standardization*, and the *niche focus* are components that are included in the analytical model.

4.1.4 Complexity of the offering

The complexity of the offering is argued to impact the customer's understanding of the offer, and thus the potential usage of the service. It seems as understanding the true needs of the customer make it possible to reduce unnecessary parts of the offer and thus reduce the complexity. Such measures seem to facilitate the process of demonstrating the value of the service, as well as the need for it. Thus, the complexity in terms of *simplicity* is a component that is further examined in the study.

4.1.5 Promotion and Exposure

Some authors mention that positioning consists to a large extent of how the customer perceives the brand of the company, but also how they perceive the offer. Integrated market communication mainly concerns the issue of sending out a unison message through all marketing channels in order to attain a clear position. However, the ways to communicate with clients are evidently numerous, and the message in the communication is critical. However, in terms of marketing of a management consultancy firm personal selling seem to be of utter importance. On the other hand, the establishment of a well-known reputation also seem to include other communication channels, such as events and sponsorships (seminars, student events, lectures), advertising and publication of trade articles. Furthermore, the placement of the office seems to form a sort of communication channel to the customers in terms of prestige of the address and interior decoration. Thus, in terms of promotion and exposure, the *placement of the office*, *personal selling*, *events and sponsorship*, *advertising*, and *trade articles* are mainly further examined. However, if additional communication channels appear to be used, such channels will also be included.

4.1.6 Size of the Firm

The size of the firm is mainly discussed in the pre-study of the interviewees. Size is mentioned as a potential factor affecting the process of winning larger projects, when a large number of consultants are needed. A larger project might require a larger consultancy firm, but might also be acquired by many small consultancies working together in strategic alliances. Thus a small consultancy firm might also have access, through a widespread network, to a large number of consultants. Thus, the size in terms of *number of employees* and *strategic alliances* are components that are included in the analytical model.

4.1.7 Availability

Studying literature concerning the consulting industry reveals that availability and timing arise as relevant components, mainly concerning the sales process. Availability seems to have a connection to the size of the firm and the number of available employees. However, the components do not necessitate each other, hence they are separated into different areas in the analytical model. However, in terms of availability, possible strategic alliances also seem to play a central role, especially for smaller firms. Through collaboration with other companies, smaller firms in particular, seem to be able to increase their availability and ability to have the right timing. Thus, the availability seems to affect the perception of the customer and is examined in terms of *timing* and *strategic alliances*.

4.1.8 Competence

Many authors express the importance of having the desired expertise and how especially important the professional competence is for accomplishing an outcome that is in line with the customer's expectations. For smaller consultancy firms mainly, it is mentioned that standardization of the operations might be difficult and thus need for customized solutions is increased, requiring experience from earlier projects. Further, social competence is crucial in order to get in contact with the customers and also to build and maintain network of contacts. However, if social competence is an important factor during the actual projects or mainly an augmented product will be further examined. Furthermore, some authors also mention versatility among the consultants as something important in order to be able to perform well on different types of projects and reduce risk of not acquiring projects. Thus, *professional competence*, *social competence*, *experience* and *versatility* are components that are included in the analytical model.

4.2 Analytical Model

Based on the above identified components an analytical model with purpose to examine position is presented and illustrated in figure 27. In the model no links between the respective components have been made and thus the influence of one component on another is not illustrated. Such links are further investigated in the study. Furthermore, the components have not been given a weight or level or influence in the model.

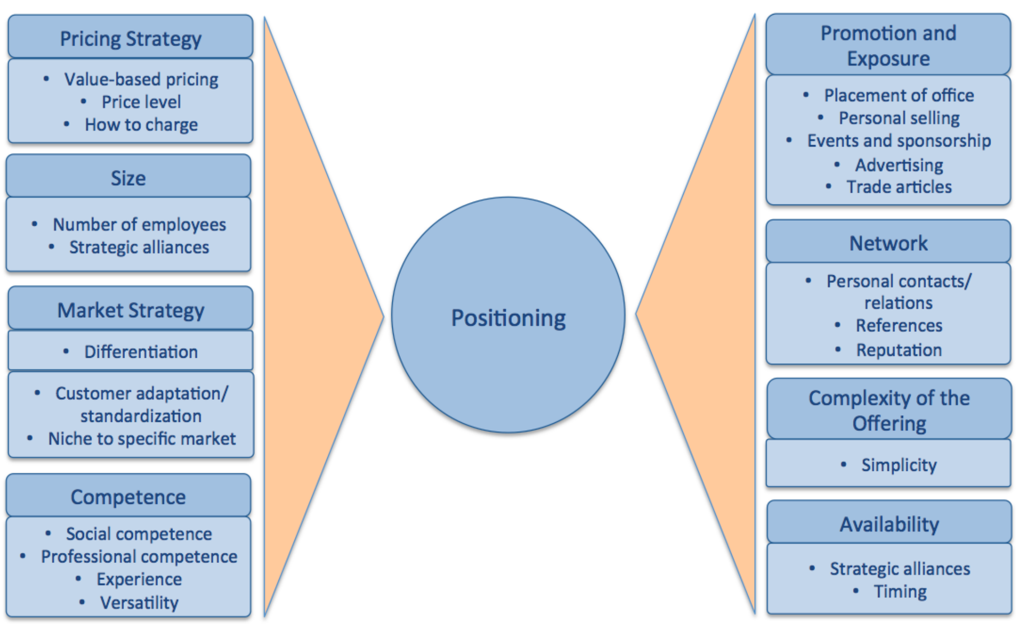

Figure 27. Analytical model of the study.

4.3 Precise Issues of Positioning on the Market of Management Consulting

The analytical model result in precise issues, with the intention of answering the descriptive aim of the report. Each area in the analytical model is thus formulated into precise questions concerning the positioning of a management consultancy firm. How the position is affected in terms of each component give rise to the following questions;

- To what extent does the size of the company, in terms of *number of employees* and *strategic alliances*, influence the perceived position of the company?
- To what extent does the network of the company, in terms of *personal contacts/relations*, *references* and *reputation*, influence the perceived position of the company?
- To what extent does the market strategy of the company, in terms of *differentiation* (concerning *competitor-/customer-/potential customer focus* and *uniqueness/deviation*) and *customer adaptation/standardization,* and *niche focus* influences the perceived position of the company?
- To what extent does the complexity of the of the company, in terms *simplicity*, influence the perceived position of the company?
- To what extent does the promotion and exposure of the company, in terms of *placement of the office, personal selling, events and sponsorship*, *advertising,* and *trade articles* influence the perceived position of the company?
- To what extent does the pricing strategy of the company, in terms of *value-based pricing, price level,* and *how to charge* influence the perceived position of the company?
- To what extent does the competence of the company, in terms of *social competence, professional competence, experience* and *versatility* influence the perceived position of the company?
- To what extent does the availability of the company, in terms of *strategic alliances,* and *timing* influence the perceived position of the company?

Furthermore, in addition to mapping to what extent each component affects the position on the market the components are also examined in terms of how they are related, giving rise to the following question:

- In what way are the components related and intertwined to each other?

4.4 Scope of the Report

The scope of the report is mainly introduced due to the issue of available time of the study. Hence, the study is limited to companies mainly operating on the market of management consulting, where consultants in a selection of companies are interviewed. Furthermore, an assumption is made that larger firms have an overall better position on the market and thus such larger firms are focus directed to. However, the span of larger firms is wide and thus a cut is made at a yearly revenue of at least 50 MSEK.

Methodology

The aim of this chapter is to provide the reader with an understanding of the methodology of the study. After a few initial sections of the structure and orientation of the report, the method for data collection follows, including interview tactic and method for coding of interviews. The chapter end with a discussion regarding validation, reliability, and inference.

5.1 Structure of the Report

The structure of the method origins in the model presented by Lekvall and Wahlbin (2001) describing the different phases, and the connections between the phases, included in a study according to figure 28.

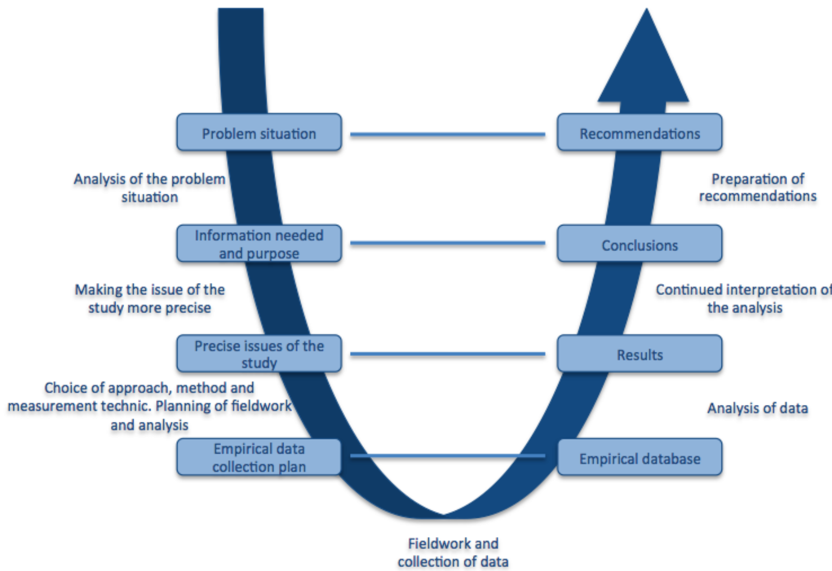

Figure 28. The structure of the study.

The study began in the problem definition phase, with an identified problem with Propia, general for the whole management consulting market. The problem definition set the ground for possible recommendations in the end of the study, acting as a guidance in the course of the project. Further, the problem definition lead to an analysis of the problem definition, mapping underlying causes and identifying possible actions, as well as clarifying relevant terminology. Based on the immersed knowledge in the area, an aim of the study is set, as well as further need of information identified as a result of a first draft of an analytical model. In so, this stage set the foundation for the conclusions of the study. Following the aim of the study, relevant information is studied and the knowledge refined, leading to an analytical model for the remainder of the study and a degradation of the aim into more precise issues. The precise issues set the grounds for what type of results that are needed in order to be able to draw desired conclusions and recommendations. Furthermore, the precise issues set the standards for the type of approach of the study, the method for gathering data, and the analysis of the techniques used.

In more detail, the study, up to the stage of precision of the issues follow the path according to figure 29.

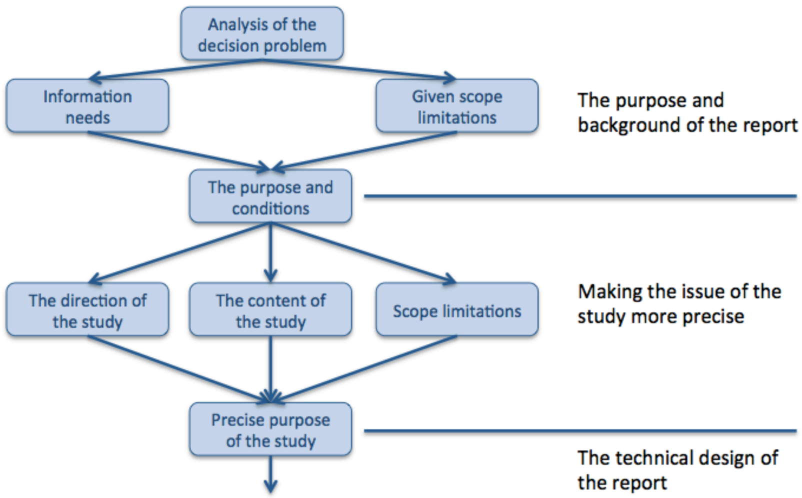

Figure 29. Different phases of the study.

5.1.1 Analysis of Problem Situation

The study is performed as an assignment with the consultancy firm Propia. Thus, the problem definition of the report centers around the difficulties that a small consultancy firms struggle with. Small management consulting firms generally have difficulty in making their customers hand over whole projects, difficulty of charging a price based on a provided solution rather than on the hours put in, difficulty that customers often hire a certain firm since they have an already established relationship, and challenges of competing with companies with more established brands. In so, small consultancy firms often have an intention to change their position on the market, in order to deal with the problems they experienced. Thus, the problem definition came to concern the process of positioning a service company.

5.1.2 Given Scope Limitations

The study is performed as a master thesis included in the industrial engineering program at Linköping University. Thus, the scope of the project is to be fit within the timeframe corresponding to 30 points of higher degree education. In so, the project scope was defined to identify factors to the problem of positioning a management consulting firm and the causes to it. Due to time limitations and the need of a thorough literature study, as well as empirical data gathering, an implementation phase were decided not to be included in the scope.

5.1.3 Information Needed

After examining the problem, an explorative pre-study was performed in order to increase the understanding of potential causes to the problem. In accordance, literature (Lekvall & Wahlbin, 2001; Kvale, 1997) mention how an explorative research method often is used in order to provide a basic knowledge and understanding of a problem area. Such a study clarifies what basic factors are affecting the problem and thus provide a ground in order to more precisely define the problem and the further course of action in a study. Hence, a pre-study were executed, including interviewing roughly 10 persons at Propia and their customers, and a literature study of basic concepts of positioning, B to B transactions and the nature of a service. The questions in the interviews were of an open character, were the interviewees could speculate what characterizes a successful positioning for a consultancy firm and what causes some of the problems the firm experience. The customers were asked to explain how the buying process of management consulting services function and on what grounds a certain firm is chosen for a particular project. Kvale (1997) mention the importance of not guiding the interviewee too much, letting them talk rather freely and openly concerning the issues affecting the problem areas. Thus, during the pre-study, the issue of smaller management consulting firms' positioning became clearer and relevant affecting factors presented themselves. Gillham (2005) describes that from the analyses of the answers of single questions in the pre-study, indications are obtained regarding how to increase the equivalence of the answers in the main-study. Identified topics are included in the interview guide as main points, by which complementary questions can be asked if the overall answer do not concern identified areas. Based mainly on these main points, the pre-study culminated in a first draft of an analytical model, including components possible of affecting the defined issue, providing a basis for relevant further literature study. Thus, the pre-study acted as a guide, ensuring that relevant literature to the area were further investigated, in order to deepen the understanding and knowledge of the matter.

5.1.4 The Purpose of the Study

By combining relevant literature and the results from the interviews of the pre-study, a first draft of an analytical model was developed. The model included critical components to identify what affects a consultancy firms' position. Based on the problem definition and the acquired knowledge in the area, the aim of the purpose was set: *to provide an explanation to the positioning of a firm on the market of management consulting.*

5.1.5 The Orientation of the Report

Lekvall and Wahlbin (2001) describe an explaining orientation to map causes within a certain area, how different factors are linked and affect each other and collectively result in an observed state. Thus, explaining studies intend to clarify relations of components affecting the area of research and how they come to affect the studied situation. Similarly, the aim of this study is to provide an explaining basis for the components affecting the position of a management consultancy firm.

Lekvall and Wahlbin (2001) mention that an descriptive orientation of a report can be very similar to an explaining, and that the difference sometime can be quite subjective. However, the main approach of an explaining orientation is most often more narrow, where a few number of defined variables are studied. Furthermore, the study follows an inductive working process, where data is used as a basis to formulate a theory (Watt Boolsen, 2007). An inductive method is common in qualitative research, where generalizations are made on the basis of the relevant data.

5.2 The Content of the Report

The most central element in a study is to conclude the content of the study. The content origins from the analysis of the problem situation and is supposed to culminate in some detailed specifications of what the study is supposed to answer (Lekvall & Wahlbin, 2001). Common elements in the content of the report are a reference frame, an analytical model and some formulated hypothesis.

5.2.1 Reference Frame

According to Lekvall and Wahlbin (2001), the reference frame acts as a basis, directs, and defines the structure of a study. Thus, with the identified critical components in the pre-study, the reference frame could be directed to concern those areas. In total, about 60 articles and 30 books were used in order to synthesize and present different angles and opinions in different areas. The literature was partly recommended by the supervisor of the study, partly sought up as a relevant area was examined.

5.2.2 Analytical Model

With an analytical model connections regarding the problem area can be specified and illustrated. Often a study serves the purpose to refine and confirm a certain model (Lekvall & Wahlbin, 2001). Thus, an analytical model concerning the issue of positioning a management consulting firm was developed when the reference frame had been finished. The analytical model highlights the identified relevant components and provides a basis for further study.

5.2.3 Scope Limitations

The pre-study resulted in a first draft of an analytical model with seven areas identified to affect the positioning on the market of management consulting, Thus, the reference frame was limited to mainly concern those seven areas, presenting relevant literature and models affecting one or many of the components. Within those seven areas the literature was well studied, providing a depth of insights. However, potential factors not identified in the pre-study were not sought after. Lekvall and Wahlbin (2001) argue that it is often better to have deep and reliable information within a limited area instead of having shallow and doubtful information in a wider area.

In order to attain an explorative study it is interesting to study how companies that withholds a good position acts, as a way of identifying relevant components and relations in the position. An assumption is made that management consultancy firms with a larger revenue have attained an advantageous position on the market compared to the smaller companies. Therefore companies with a yearly revenue of at least 50 MSEK were selected to be a major part of the companies interviewed, since they were assumed to have an advantageous position on the market. The 50 MSEK cut is based on having enough companies to interview, but no further distinction are made within that group based on size. However, the size of the consultancy firm was acknowledged during the analysis, which is further discussed under the chapter of *Profit and Growth*.

Furthermore, focus is also directed to customers of management consultancy firms, in order to apprehend an understanding of the buying process of the services and to identify relevant factors in the evaluation of consultancies. However, the customers were selected based on having a regularity in their assignment of management consulting services.

5.2.4 Precise Issues of the Study

The aim of the study, t*o provide an explanation to the positioning of a firm on the market of management consulting,* is broken down into more precise issues, regarding the components identified in the pre-study and the reference frame. These precise issues intend to collectively provide an answer to the aim. In order to apprehend an explaining solution, the components need to be weighted in order to determine how much, and in what way, they affect the problem.

5.3 Empirical Data Collection

Following the phase of defining the precise issues of the study, the data collection followed. The empirical data is mainly primary data, collected through a series of interviews with consultants and customers of consultancies. Those consultants included mainly senior consultants, founders, and higher executives, but also some associates. However, the primary data is complemented with secondary data gathered from the studied companies homepages and annual reports, as well as primary data from a survey handed out to the interviewed consultants. Watt Boolsen (2007) mention that surveys are often used to gather relatively uncomplicated data, providing a framework of data, which then can be built on. Thus, different sources and methods are used to apprehend data, in a way to strengthen the results. Literature (Gillham, 2005; Watt Boolsen, 2007) mentions that triangularity is a way of using different methods in regards to the same problem, in order to attain data from different perspectives. Sometimes the data can be contradictory and one source more valid than the other. Thus, the result collectively becomes more valid by triangulating.

5.3.1 Cross Functional Approach

In order to apprehend an explaining orientation of the concept of positioning on the market of management consulting, the study is performed as a cross functional approach, studying a cross section of the market at a given time. Lekvall and Wahlbin (2001) mention that when studying several respondents with intention to compare them and draw conclusions for a larger group or a whole market segment, a study is performed with a cross functional approach.

Furthermore, each included consulting firm in the study forms a minor case study, in terms of the triangularity (interview, survey, homepage, and annual reports), aiming to provide a complete and comprehensive understanding of the situation (Watt Boolsen, 2007). Thus, combining each minor case study the study form similarities with a cumulative case study, where the result from many different case studies are combined in order to provide answers to problems of descriptive, normative or causal character (Watt Boolsen, 2007). Furthermore, the situation is observed and registered in passivity with no intention to affect the situation (Lekvall & Wahlbin, 2001).

5.3.2 Qualitative and Quantitative Approach

By using a combination of soft and hard data it might be easier to find pieces to the puzzle of cause and affection (Watt Boolsen, 2007). Thus, the cross functional approach is performed with a mix of a qualitative and a quantitative approach. Semi-structured qualitative interviews provide a basis for the data collection. However, the qualitative approach is complemented with a quantitative approach, where the interviews are followed up with a questionnaire, in order to apprehend measurable data. In accordance, Gillham (2005) mention that in a case study is each part complementary to each other, where the interviews can be used to interpret and modify the data from the other sources. However, Watt Boolsen (2007) argues that the world is not divided in to black and white, and there exists a grey-zone where independent assessments and analyses are needed since no right answer exists. Hence, the results will always be discussable. In accordance, the concept of positioning is a highly subjective area, making it difficult to directly formulate questions of how one component affects another. Thus, the mix of the two methods are used, to provide a broader data material for analysis.

5.3.3 Qualitative Interviews

The qualitative part of the study is of a phenomenological character. Kvale (1997) describes that such an orientation aims at understanding the social phenomenon from the actor's own perspectives, so that the world is described as it is perceived by the actors themselves. It aims to, in detail describe the content and structure of the individual's conscience, provide understanding of the qualitative diversity in their experience, and make their contribution explicit (Kvale, 1997). Though, Watt Boolsen (2007) argues that the qualitative analytical tactic is debated and often criticized for being too subjective, that the selection of data material is arbitrary, that the study is difficult to repeat, that the studied cases are not representative and so on. Thus, it requires a transparency and a systematic in the documentation. However, in order not to narrow the interviews, Kvale (1997) recommends an explorative, open and semi-structured interview. In such an interview, an area or problem is introduced and discussed, and the interviewer follows up the answers in search for new information and new perspectives on the area. Gillham (2005) describes the semi-structured interview:

- The same questions are asked in every interview,
- The type and fashion of the questions follows a certain development process in order to ensure focus of topic,
- In order to ensure that equivalent areas are covered the interviewees are guided by follow-up questions if some of the relevant areas are not spontaneously not brought up,
- Roughly the same time are dedicated to each interview.

The intention of a semi-structured interview can either be to gather empirical data regarding a topic or to test the consequences of a theory (Kvale, 1997). Thus, following the identified areas and main pointers in the pre-study an interview guide were constructed, which Gillham (2005) argues facilitates the analytical part of the study. The questions were constructed in a story-telling manner, where the interviewees are asked to describe particular situations in their way of working. Such questions were asked in order to provide a picture "as true as possible" to the reality, unbiased of the consultant's own feelings and opinions. Concrete situations were sought to be told as a way of minimizing the possibility of misinterpretations. Examples of such questions are:

- Describe the last selling meeting you were in,
- Describe how you approached the last "new" customer you contacted,
- Describe how the last negotiation of a project went down.

Gillham (2005) points out the necessity of using main points as a guide in the interviews in order to ensure complete coverage of every area. Hence, a question such as *describe how you presented your own company at the last selling meeting you were in,* contain main points such as *competence, references, niche, experience, methods, experts* etc. Furthermore, "follow up questions" such as *how do you mean, can you be specific, and can you clarify,* were asked if needed.

5.3.4 From Precise Issues to Quantitative Questionnaire

The quantitative part of the study was mainly performed with the same interviewees as the qualitative part in regards to the consultants, with a few exceptions. In the end of each consultant interview, the respondents were asked to fill out a questionnaire, weighting different components.

The operationalization of the term positioning starts with a degradation of the concept through the pre-study and the theoretical reference frame, ending up in specified issues of the study. These precise issues are further broken down into specific questions in the quantitative questionnaire. Each issue, originating from the respective part of the analytical model, are divided into separate blocks in the questionnaire, providing a possibility to examine the effect of each component respectively. Thus, each block of the questionnaire contains a varied number of questions, which commonly provide an answer to how the respective precise issue relates to the positioning of a management consulting firm.

The block regarding the *network* of the firm is examined by questions regarding:

- How the reputation of the network is built up, in terms of publications by the firm, the individual consultants reputation, the reference customer's of the firm, and the personal relations by the consultants.
- How the network is characterized, in terms of hierarchies, depth of the relations, the number of connections, on what level in the companies the connections exists, and position of power within the network.

The block concerning the *size* of the firm is examined by questions regarding:

- If the firm collaborates with other companies in the same, or in other, branches.
- If the size of the firm affects the credibility of the firm.

The block related to the *market strategy* of the company is degraded into questions concerning issues such as:

- The uniqueness of the offer and the deviation from other consultancy firms.
- If standardized working methods are used, or if the way of working is adapted according to each customers situation/problem.
- Are specific niches sought, and in what way is the orientation of the firm affected in terms of where the competition is and where the customers are.

The block regarding the *complexity of the offering* is translated into questions regarding:

- If companies try to concretize the complexity to the customer and break it down into smaller pieces.

The block concerning the *promotion and exposure* of the company is degraded into questions regarding:

- The location of the office.

- The impact of other marketing tools, such as personal selling, the hosting of seminars, the participation in different events, the usage of advertising, and the importance of the homepage.

The block regarding *pricing strategy* in the analytical model is degraded into questions regarding:
- How the price is set. Whether the price is set by benchmarking the competitors price, by charging by the hour, or by setting price according to the delivered value of the service. Do the company measure the delivered value and how important is such a fact.
- If the credibility of the firm is affected by the pricing strategy.

The block related to the *competence* of the firm is translated into questions concerning:
- Is there a hierarchical structure used, and if so is there a difference in terms of social-, and work-related competence, as well as versatility, between senior and junior consultants. The importance of each of these areas respectively.
- The importance of experience within the field.

The block regarding the *availability* of the firm is examined in questions regarding:
- The availability towards new and established customers.
- Is the availability affected by the size of the firm and is timing an affecting factor.

5.3.5 Categorization of Companies and Interviewees

The companies are categorized into two categories, one consisting of customers to consultancy firms' and the other consisting of consultancies. These categories are chosen in accordance with the literature regarding the sweet spot, illustrated in figure 30.

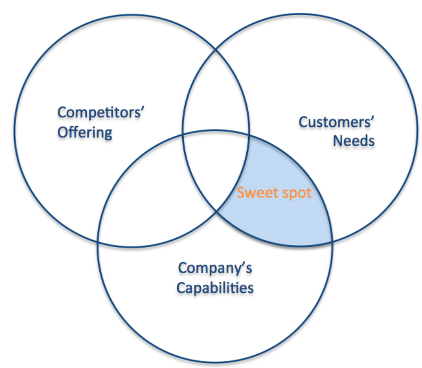

Figure 30. Selection groups for interviews.

Thus, in order to apprehend insights from all the categories surrounding the sweet spot, such a division is made. However, the main focus is diverted to the competitors' way of working in order to be able to identify similarities and differences among those actors and what characterizes a good position. The categories are targeted with a different type of interview guide, since there are a major difference in how the two categories take part of a consultancy experience, which might affect how they reason about a consultancy firms' position.

Furthermore, the interviewees are asked to choose on a scale from 1-7 of how much of their daily work that relate to five different consultancy areas, each including additional subareas:

- *Management*
  - Strategy, due diligence, performance management, risk assessment, finance strategy
- *Brand improvement*
  - brand development, marketing management, customer preferences

- *IT solutions*
    - IT system improvements, digital solutions, business security
- *Advanced line role*
    - Project development, resource consultant
- *Business development*
    - Operational excellence, finance management, performance management, supply chain management, human resource management, procurement management

Additionally, the consultants are also provided with an opportunity to add additional areas. Such a categorization is made in order to validate that they are in fact operating in the field of management consulting, and to examine if any differences can be found regarding positioning issues between the different areas.

5.3.6 Interviewee Selection

To get an unbiased picture of the market for management consultants and how most companies work with their positioning, all the top 50 largest management consultancy firms in Sweden according to Konsultguiden (2011) were contacted and offered an opportunity to either be interviewed by phone or in person. Only a few smaller companies are interviewed based on personal contacts, as a reference to examine if their opinions deviate from the consultants at the larger companies, rather than to learn from their positioning. The persons contacted varies in position within the companies, and the interviewees are in some cases the CEOs or consultants with many years of experience, and in some cases consultants with only a few years in the industry. The focus of the study is thus diverted to larger consultancy firms in order to examine what characterizes their position, and trace patterns in their way of acting.

Furthermore, 12 customers of consultancy firms are also interviewed, chosen on the criteria that they have a habit of bringing in different management consultants in order for them to be able to share their experience and selection criteria. Focus was directed towards companies with revenue of at least 1 billion SEK. Those firms were targeted due to the presence of a buying departments of consulting services in larger companies. 11 of the 12 interviewed customers satisfied that cut. The persons interviewed in the customer companies are persons involved in the buying processes of the companies.

5.4 Tactic of Analysis

The foundation of the analysis is built from the qualitative interviews, and thus the quantitative questionnaire will function as a confirmation to further validate the findings. The different interview groups target different areas of the analysis:

- The large consultancy firms provide an overall picture of what a favourable positioning looks like and serves as a basis of what affects the position of a advisory service firm.
- The customers of advisory services provide an understanding of the demand and the characteristics of an advisory service from a customers' perspective. Furthermore, important aspects can thus be identified and potential additional complementary offerings made apparent.

5.4.1 Qualitative Tactic of Analysis

In order to bring structure in the substantial data material following the 45 interviews, including the pre-study, a categorization was used. In the process of categorizing some aspects are important to consider (Gillham, 2005; Kvale, 1997):

- A substantial system is needed when there is much material,
- Do not mince the material more than needed,
- Mince the material to such an extent that distinctions arise.

Gillham (2005) further argues that an aspect with the categories is that they should be descriptive but yet not too abstract, highlighting the features of the statements included. Overall, matrices including the seven identified main areas in the analytical model were used as a starting point in constructing the categories, according to figure 31. Some guidelines presented by Dahler-Larsen (2002) were followed to the most possible extent:

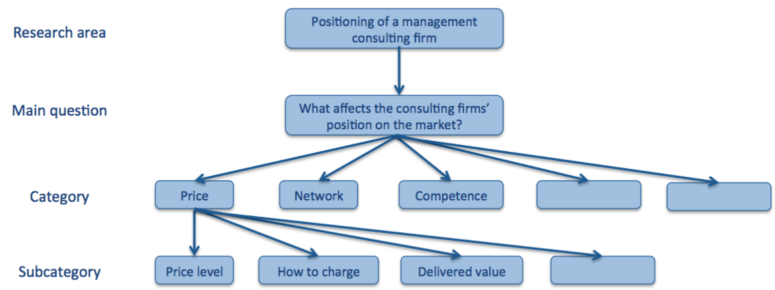

Figure 31. Construction of categories for coding.

- The rule of authentication. Present everything in its natural form. This rule could not be followed due to the anonymity of the respondents.
- The rule of inclusion. All data that falls under each categorical scope should be included in that specific part.
- The rule of transparency. It should be obvious how a table or matrix is constructed. It's axes and dimensions should be clearly defined and any sorting problem should be dealt with explicitly.

The categorization started by going through the first interview in the pre-study. Gillham (2005) argues that the categorization begins with the first transcription, but the strength and stability of the categories does not become clear until the second transcription. Kvale (1997) also mention that the analysis of qualitative interviews starts with a read-through of all the interviews in order to apprehend a general understanding. It is then after such a read-through that a delving can be made in certain areas. However, Kvale (1997) also mention that an effective way to facilitate the interpretation of the interviews is to originate from the reference frame.

Thus, the categorization used in this study mainly originates in the pre-study and the reference frame. However, during the first interviews of the main interviews following the pre-study, some additional main pointers were identified and also used as categories in the matrix. Such a construction of a matrix, Kvale (1997) argues are useable, stating that the categories might have been identified prior to the interviews or constructed on an ad hoc basis during the analyses.

Furthermore, in terms of coding each response in the relevant category a scale of 1 to 3 was used in a initial stage. Accordingly, Kvale (1997) mention that a “categorization by meaning” implies that the interview is coded in the different categories, for example in terms of plus or minus, or on a scale indicating the strength of the statement. By coding interviews accordingly, a large material can become easier to handle and reduced substantially. Kvale (1997) further mention the need of coding to the highest possible extent as close as possible to the respondents self preservation, almost as if the respondent had done the coding himself. Thus, no coding was done during the interviews, instead the authors of the study coded one sheet each individually while listening to the interviews in retrospect. Accordingly, Kvale (1997) argues that the reliability of the coding increases if the interviews are coded by two individuals separately, independently of one another. The coding can then be combined and in cases where deviation exists the relevant issues are discussed and agreed upon (Kvale, 1997).

Thus, the initial individual coding was done on a scale of 1 to 3 in order to reach an agreed upon combined coding sheet. When the merger of the coding had been done the interviews were listened to collectively a second time. This time a scale of 1 to 7 was used in order to more in detail weight the answers and clarify differences. When constructing the more precise scale, a rating of 1 in the previous 1 to 3 rating received 1 or 2 in the more precise 1 to 7 scale. Similarly, a rating of 2 translated into 3, 4 or 5 and a rating of 3 translated into a 6 or 7 in the more precise 1 to 7 scale.

However, in terms of correlating certain components to the size of the firm and to a favourable position, two additional variables are constructed. In terms of size of the firm, the variable is constructed based on the annual revenue 2012, according to figure 32. The following weightings are given (numbers in MSEK)

Additional to the size-variable a variable containing the average profit margin over the last five years, the average revenue development over the last five years, and the profit margin in 2012, is constructed, according to figure 32. Each of the three included areas is given a weight of one third, resulting in a collective score of a minimum of 3 and a maximum of 21.

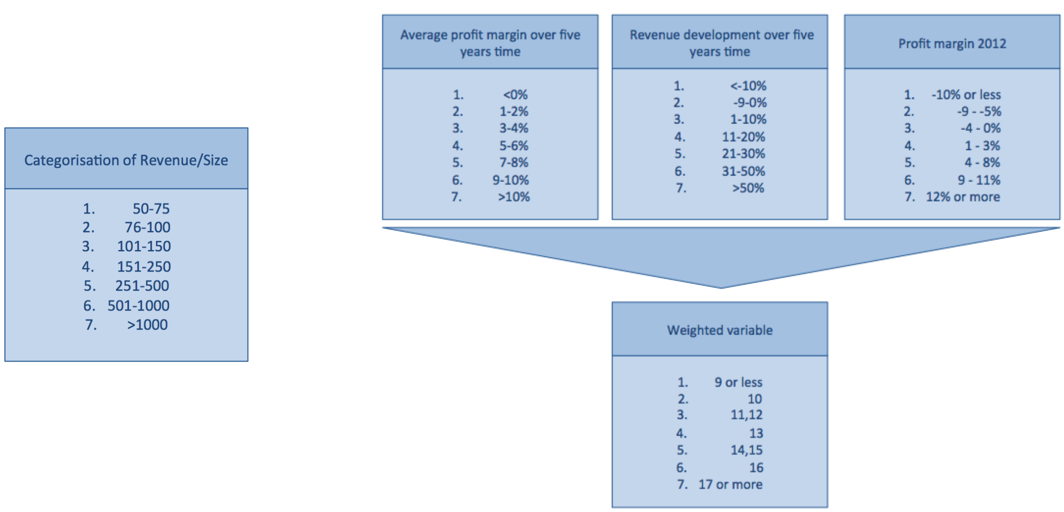

Figure 32. Coding categorization for size- and weighted variable in terms of yearly revenue (numbers in MSEK).

These two variables, *Size*- and *Weighted variable*, are constructed in order to provide a possibility of analysing the answers of the survey and the coding of the interviews in relation to the firms' size, growth and profit.

Based on the coding, mean value- and correlation analysis is done of each block and each category in the study. The mean value will indicate how important or how much a specific component is used. All this results will together be analysed in order to find correlations and patterns of how certain components are dependent on each other. Furthermore, the consultants results, mean and correlation, will be compared to the customers values, mean and correlation, in order to localize differences in what is offered by the consultants and what is asked for from the customers. These findings will then be compared with the literature in order to further strengthen what already have been documented, discuss possible contradictions and try to develop new theories on areas not earlier documented.

5.4.2 Quantitative Tactic of Analysis

Prior to analysing the data the material is scanned manually in order to confirm that the surveys were answered in a serious manner. In accordance with the qualitative analysis, the quantitative data is analysed with tests of mean values and correlations using IBM SPSS. The correlation analyses throughout the report are performed with a significant level of 0,95%. This data mainly serves as a complementary to the qualitative data analysis. However, correlations between the blocks in the study are done to examine if some connections can be made between different variables. Mean values are tested in order to attain values of importance of the categories.

5.5 Reliability, Validation and Inference

When performing a qualitative interviewing method the reliability is limited, since what the person brings up during the interview might vary from time to time (Kvale 1997). However, the validation is more accurate since the interviewee can explain a situation in his or her own words, which is not the case in a quantitative research method (Kvale 1997). When constructing the interviews both validation and reliability are considered, since both a qualitative and quantitative research method is used.

5.5.1 Validation

Watt Boolsen (2007) mention that there will always exist a zone of grey were a possibility of interpretations are allowed, since there is no right or wrong. Thus, the results of a study will always be arguable. However, the validation of this study mainly concerns whether or not relevant factors to what affects the position of a management consulting firm have been identified, and thus if relevant questions have been asked. By performing an extensive pre-study, including both literature study and performing 10 explorative interviews, the relevance of the questions is ensured. Furthermore, the questions of the qualitative and quantitative study were tested on two consultants, and discussed with an academic professor, in order to ensure validation in the questions asked. Thus, an iterative process took place in order to improve the formulation of the questions and to limit the risk of misinterpretations and misunderstandings.

To ensure validation in the qualitative interviews, the questions where formulated and asked to describe specific situations in the work of the interviewees. Thus, bias was avoided and no leading questions were asked. Furthermore, a fairly large number of 22 consultants from different companies were interviewed, in order to ensure that a general opinion of the consulting industry was obtained. Furthermore, additionally 13 customers were interviewed also in intention to cover different aspects of the buying of management consulting services.

Watt Boolsen (2007) further argues that data from different sources can complement each other and thus strengthen the validation of the study. Accordingly, data from interviews, survey and homepages and annual reports are combined to collectively form a true picture of each studied firm.

Further, the coding of the interviews were made in two rounds, were the first round was made individually on a scale 1-3. Such a scale of few selection alternatives was used in order to attain two similar independent coding, increasing the validation. Furthermore, the interviews were listened to two times in order to validate the coding.

5.5.2 Reliability

Watt Boolsen (2007) argue that the qualitative tactic of analysis is discussable in terms of being too subjective and that such a study is difficult to repeat. Hence, a rigid and transparent documentation is needed, gathered by a systematical data collection (Watt Boolsen, 2007). Thus, a standardized interview template was used in the qualitative interviews in order to ensure that each respondent were asked the same questions. Additionally, the same categorization template were used in the interviews in order to further ensure that the respondents were asked the questions in a similar way.

The qualitative part of the study was performed in person, as well by phone. The answers imply that a interpretations to some extent had to be made. However, to avoid subjective opinions the respondents were asked to describe specific situations in the company. To avoid the effect of centralization (Lekvall and Wahlbin, 2001), follow-up questions were asked to ensure that the actual reality was described and the right interpretations were made. Furthermore, in order to ensure a high reliability all the interviews were booked several days before doing the actual interview with brief information of the scope and what to expect, allowing the interviewees to prepare and avoid stress, which could affect the result.

The questionnaire were constructed with an interval scale of 7 choices in order to ensure that a suitable weighting could be chosen, but also to ensure that the respondent did not have too many alternatives and thus lost focus. However, the reliability could be affected by the scale of 7 choices, since the respondent might not answer the same twice. The number of questions was kept at a minimum.

5.5.3 Inference

By not carefully choosing inaccurate respondents that are not a part of the target population the answers might not be valid (Lekvall and Wahlbin, 2001). Furthermore, Lekvall and Wahlbin (2001) mention that it is important to have participants that reflect the target audience. In order to ensure that the participants of the interviews are part of the target population, which will increase the accuracy of the results, three steps were made when choosing which consultants to include in the study.

- All of the interviewees of the quantitative data collection belong to the 50 largest consultancy firms in Sweden. Furthermore, most of the interviewees of the qualitative data collection also originate from the 50 largest consultancies. Only a few respondents are not included in that list, interviewed in order to apprehend a broad understanding of the market.
- The participants are asked to weigh on a 1-7 scale in what consultancy area their work is performed, in order to examine what expertise they possess.

In order to ensure that the consultancy customers' reflect the target population, only companies with a habit of regularly using management consultants are chosen to be a part of the study. Also, in order to assure that firms with a central focus on management operations are studied, firms with an answering rate of less than 5 in the category of management operations are excluded from the study.

Lekvall and Wahlbin (2001) mention that having a lot of respondents not fulfilling the entire questionnaire can cause problems to the accuracy of the results, since those respondents might have a different view from the ones fulfilling the entire questionnaire. When performing the interviews we encouraged the interviewees to set aside sufficiently enough time and schedule a meeting for the interview, to ensure that the entire interview could be completed. Furthermore the questionnaire is handed out to the interviewees, enabling the respondents to participate at a convenient time.

Empirical Data

In this chapter the coding from the consultant- and customer interviews are presented, as well as the mean values of the answers in the consultant survey.

6.1 Quantitative Data

The data gathered from the different interviews with consultants and customers of consultants are presented in general terms, in order to ensure anonymity of the included respondents. In terms of categorization of the interviewed consultants every participant in the study identified themselves as consultants within the field of management and strategy. However every consultancy complimented the management orientation with another field of activity. The data presented in 33, gathered from all of the 22 consultancies included in the study, represents the market of management consulting primarily. However, to increase the focus on the market of management consulting the consultancies with a score below 5 in the management/strategy category are further on excluded from the study, according to figure 34.

	Management/ strategy	Brand development	IT/system	Advanced line role	Buisness- /process development
Mean	5,73	2,64	3,14	2,82	5,45
N	22	22	22	22	22
Std. Deviation	1,162	1,965	2,295	2,085	1,819

Figure 33. Mean value of included firms areas of operation.

	Management/ strategy	Brand development	IT/system	Advanced line role	Buisness- /process development
Mean	6	2,21	3,26	2,79	5,58
N	19	19	19	19	19
Std. Deviation	1	1,475	2,4	1,932	1,865

Figure 34. Mean value of areas of operation of firms further included in the analysis.

The data from the categorization and coding of the consultant- and customer interviews is presented in appendix 11.3.1 and 11.3.2. The data from the survey and coding of the customer interviews is not presented individually due to anonymity, but is presented as a mean factor in appendix 11.1.1. Further mean- and correlation analysis are also presented in appendix.

Analysis

In this chapter a comparison and merging of the literature and collected data is presented for each component of the analytical model. Additionally, the chapter starts with an analysis of the growth and profit on the market of management consulting, in order to provide the reader with an understanding of basic elements that are crucial in order to attain a favourable position on the market and at the same time generate profit and growth.

7.1 Profit and Growth on the Market of Management Consulting

In accordance with Christensen et al. (2013), most consultants mention during the interviews a perception of increased competition in the management consulting industry, allegedly resulting in pressured prices and a need to more clearly differentiate the firms' offer. A general opinion that characterises the industry is that the power in negotiations with customers has shifted during the past decade, allowing customers to set tougher requirements on the consultancies. The customers' buying processes are perceived by the consultants to have been developed, making the customers more aware of what they are actually buying and receiving in value to the company.

"*A consultancy can't throw in an extra junior consultant in a project anymore. The customers nowadays are much more aware of what they are paying for.*" (Anonymous consultant, 2013)

7.1.1 Correlations to Profit and Growth

Examining correlations to the weighted variable, including profit margin 2012, profit margin during the last five years, and growth over the last five years, indicate some clear correlations according to figure 35.

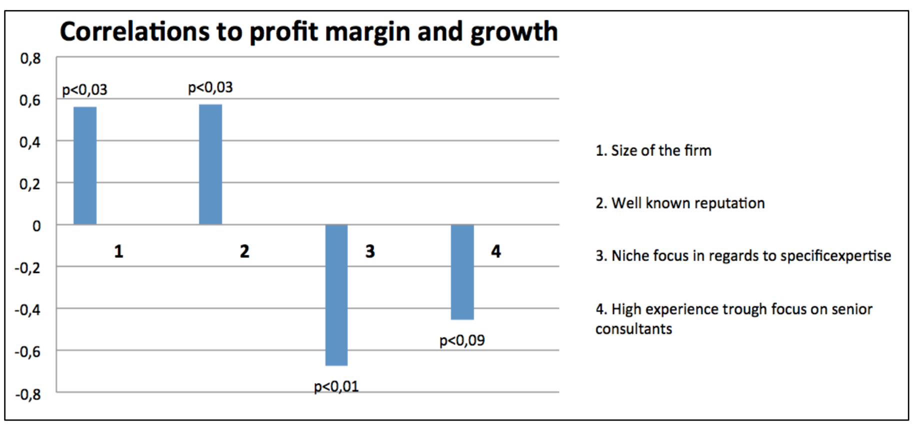

Figure 35. Significant correaltions to profit margin and growth.

Clear connections can be identified between the weighted variable and the size- (correlation of 0,56) and reputation (0,57) of the firm. Thus, in terms of generating profit margin and growth, larger firms and firms with a well know reputation have generally accounted for positive numbers. On the contrary, firms niched with a certain expertise and firms with high experience focusing on senior employees generate negative correlations to profit margin and growth (-0,67 and -0,45 respectively). Thus, it seems as firms with a broader offer have managed the tougher climate in the industry better than firms with a more narrow and niched offer.

Components Affecting the Credibility

In accordance, Furusten and Werr (2005) identifies two particular issues that are crucial for the customers:

- Will our needs by fulfilled by the consulting service supplier?
- Is the consulting service trustworthy?

It seems, clear indications to the profitability and growth can be related to theses questions. As argued by Furusten (2012), it can be seen that the strong correlation to *size* (figure 35) indicate that large firms are more trustworthy in terms of being able to reach the customers' needs. Thus, if it is assumed that profit and growth are indications of that a consultancy has gained credibility on the market, the size of the firm arises as a highly influential component. Following such an argument also provide an affecting component on the second question, regarding the trustworthiness of the firm. The strong correlation of a *well known reputation* and the weighted variable (figure 35) thus demonstrate that brand awareness is of most importance in terms of credibility of a consultancy.

However, the strong negative correlations of *niche focus in specific expertise* and profit and growth (figure 35) further strengthen the indications of the need of having a wide offer in order to generate profit. Thus, Furusten's (2012) argument of the difficulty of having a wide offer as a small firm leading to doubt with the customer (further discussed in *Market Strategy)* provide indication of the need of having a certain size of the firm in order to gain trust. Hence, it seems a dilemma arises for small market actors. On the other hand a wide offer is needed in order to achieve profit and growth, but on the other hand a wide offer in combination with a small firm leads to doubt with the customer. It can be seen, such a distrust with the customers partially is avoided by the hiring of senior consultants by small firms. However, senior consultants often imply high costs, which might be an explanation to the negative correlation of *high experience through focus on senior consultants* and profit and growth (figure 35).

How are the Components Related

Although, the above mentioned individual correlations does not provide any deeper explanation to how the components affect each other. Thus, it can be assumed that although many consultants mentions the difficulty for smaller, in general more senior heavy (further discussed in *Size of the Firm*), consultancy firms to utilize the use of junior consultants, since they lack the overhead needed to guide them. This implies that the negative correlation between the weighted variable and senior heavy consultancies rather is a side effect of the correlation between size and profitability. Thus, this implies that there is a correlation between size and the weighted variable and with different size comes different senior/junior structure possibilities. However, a large consultancy firm have the possibilities to choose both a senior or junior heavy organisation. Since most large consultancy firms are both profitable and utilize a junior heavy structure, it can be assumed that a junior structure is preferable if the organisation is large enough to fully utilize the usage of junior consultants, according to figure 35.

Furthermore, the correlation of size and profit might also be a result of the correlation of reputation and size, as discussed in *Size of the Firm* (figure 35). Thus, it might not be the size of the firm individually that result in profit and growth, but it might rather be a result of the brand awareness of the firm. However, it might also be argued that the size of the firm is a result if the well know reputation, thus the reputation is solely dependent on the size, according to figure 36.

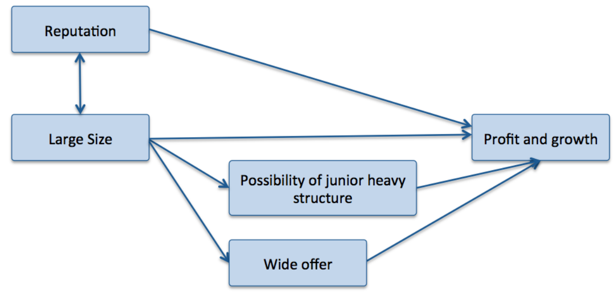

Figure 36. How to generate profit and growth.

The trend of profit margin and growth in the industry seem to correspond to the tougher climate in the industry, as described by Christensen et al. (2013) and the consultants during interviews. Similarly to how Furusten (2012) expresses the difficulties with only work in one specific niche and simultaneously keep a high occupancy, it seems as consultancy firms to some degree need to be able to offer customers different kinds of management services, in order to possess a possibility to accept different business opportunities that arises. The niche actors are due to their narrow offer not as flexible of what projects to take on as the larger firms with wider offers, generally making customers with an exact matching need quite rare for niche players.

Furthermore, mentioned by several consultants employed at niche firms, there also exists an issue in the fact that customers to niche firms do not rehire the consultancy in the same degree as a customer to a consultancy with a wider offer. Once a certain problem has been attended to, it is rare that the same kind of problem once again arises with the customer. Thus, niche players cannot assume to have a matching rate of returning customers as a larger firm with a wider offer.

7.2 Pricing Strategy

7.2.1 What is Desired and What is Used

Furusten and Werr (2005) argue, setting the right price on a service is an important matter since it signals something about the quality of the offering. However, finding the right price level and the right pricing model is an issue containing many difficulties. As of today, the pricing strategy in the industry of management consulting mainly include three kinds of models: charging by the hour, charging a fixed price based on an hourly fee, or charging a price based on the delivered value.

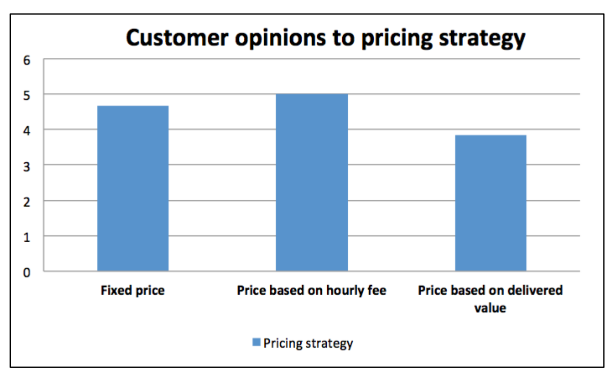

Figure 37. Mean value of customer opinions towardspricing strategy.

What do Customers Desire

According to figure 37, the most commonly sought after pricing strategy by the customers are a fixed price (mean value of 4,7) and a price set by the hours put in by the consultants (mean value of 5,0). A price based on delivered value is still appreciated by the customer, but it receives a slightly lower mean value score than the other two options (mean value of 3,8).

Generally, the customers want to minimize their risk in the projects. In line with the more developed buying processes, the customers generally want to receive specifications of what they are actually paying for as a means to decrease their uncertainty and risk in assigning a certain consultancy. The projects generally have dedicated budgets, which the buying department of the customer certainly strive to keep. Not seldom, the person that the consultancy sold in a project to are not a part of, or plays a minor role, in the actual price negotiations. Thus, instead of focusing the negotiations on expected provided value, the purchaser tend to switch the focus to the price of the service.

Customer Expectations and Provided Value

However, a general desire within the field of management consulting is to be able to charge a price based on the provided value. Such a pricing strategy is, argued by several consultants during interviews, to allow for higher profit margins, as well as functioning as a factor legitimizing the competence of the firm. If no value is provided, no value can be charged for. However, Furusten and Werr (2005) argue that value-based pricing can only be used when confidence has been established in a relationship. Thus, such a pricing model seem to be better suited for long term relationships, and thus tend to be sought after in a too early stage of a relationship. Thus, the consultancy needs to be competent in order to charge for the provided service.

However, the difficulty to determine the value of a service result in the fact that such a pricing strategy is difficult to use (Furusten and Werr, 2005). Furthermore, charging a customer based on the delivered value, somewhat contradicts with the pricing specifications desired by the purchaser with the customer. Such a price model makes it difficult for a purchaser to compare with other prices presented by competitors. Thus, a value-based pricing model seems to contradict Groth and Dye (1999) arguments, that the price is the only visible characteristic available to suggest a value of a service. If the problem is too difficult and complex to value, the price can not be suggested prior to the project is performed, and no visible characteristic can be seen in terms of price. Furthermore, using a price model based on expected value, implies that the consultancy need to make an estimation of what the service will be worth to the customer. However, such an estimation is certainly difficult to make, considering that Grönroos (2007) argue that the value is based on the customer's perception of the service.

What Pricing Strategies are Used

Instead, management consultancies often use a fixed price model based on an estimation of required hours by the consultants. According to figure 38, the fixed price model based on hourly rates and estimations of required time are more or less used evenly. However, also a price model, charging by the hour as the project goes on with no fixed amount is also commonly used.

Furthermore, management consultancies also seem to use their competitor's prices as a way to set their prices. Such a pricing strategy is a direct result of a firm's desire to position themselves in a desired position in respect to the competition. However, charging a customer a certain price based on a price presented by a competitor clearly seem to divert focus from the delivered value. Setting price adequately to the quality of the service is a difficult matter. Commonly, Owusu-Manu et al. (2012) argue that customers often feel that a price level might be over-priced, when the consultancy firm at the same time consider the price to be underpriced. It seems, such an issue might be limited the more the price is specified as to what the consultancy is charging for. Thus, a fixed price, based on well motivated time estimations and hourly rates, seem to be the most suitable alternative as to lowering the customers uncertainty and increase the information regarding the value, which Rock (1986) argues is the main reason for the underprice phenomena.

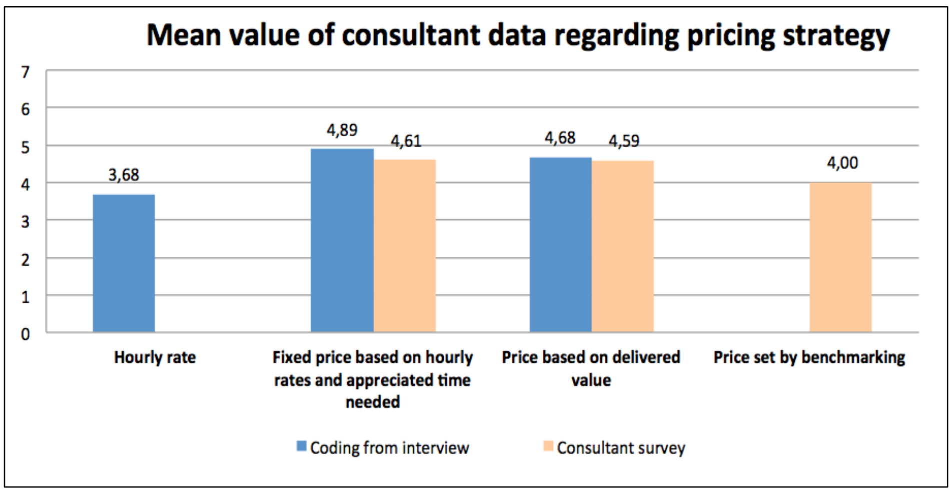

Figure 38. Mean value of consultant data regarding price strategy.

How do the Customers Reason

The increased focus on price in the industry adds on the significance of charging a customer in way that is desirable for the customer. Figure 39 illustrates strong correlations concerning how customers reason in terms of pricing strategy. For customers desiring a fixed price, such a price model demonstrates a significant strong positive correlation to references from earlier projects (0,7). Clearly, if a fixed price model is to be used,

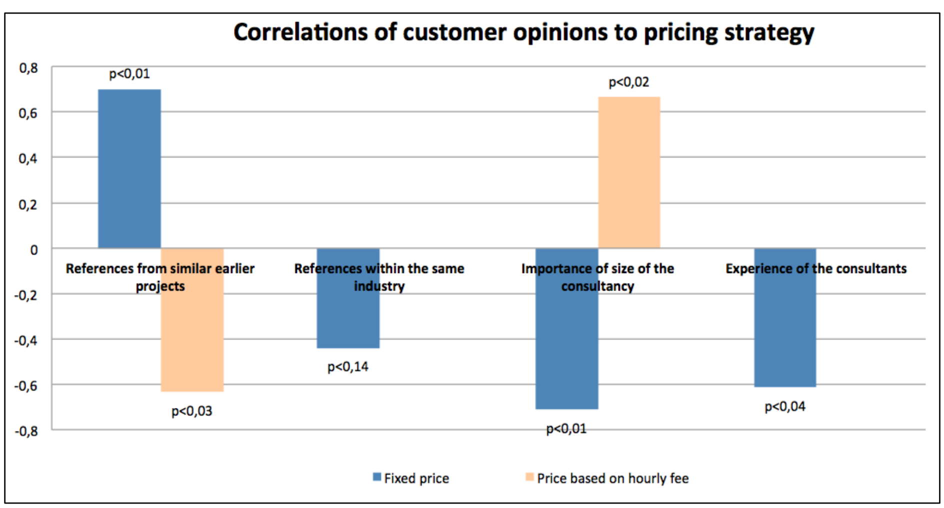

Figure 39. Correlations of customer data regarding price strategy.

the consultancy benefits of being able to demonstrate earlier performed projects. Such ability lowers the uncertainty for the customer and thus allows for a fixed price to be reached upon. On the contrary, a fixed price model correlates negatively with using references within the same industry (-0,44), the importance of the size of the firm (-0,71), and the importance of experience of the consultants (-0,61). Thus, if a customer desires a fixed price model, references within the same industry are of minor importance. Also, the size of the firm is not of significance, nor the experience of the consultants.

Furthermore, customers that desire hourly rates do not value references from similar projects highly (-0,63), but rather concerns more of the size of the firm (0,64). Such a correlation might originate in the fact that hourly fees often are desired when resources are desired rather than specific competence. Thus, while filling a role in a customer's organization the work executed is more or less instantly assessed, allowing the customer to end the project. Also, if hourly fees are preferred it seems as the customers generally considers the size of the consultancy. Interviewees from large customers mention that management firms often are reconsidered if they could imply a risk due to their size. If a consultancy is regarded to be too dependent on specific individuals, such a firm can be considered to be a risk to cooperate with, which mainly seem to be the case when an hourly fee is relevant.

As mentioned by all the consultants and relevant literature Kraljic (1983), the customers strive towards decreasing their uncertainty, and it seems as using a fixed price is a way to achieve that. If a fixed price is desired, customers highlight in interviews the importance of providing a clearly specified scope, making the expectations match from either part, in line with Grönroos' (2007) argumentation regarding the value of the service being a result of the expectations of the customer. Thus, once the expected goal is set, the customer cares less of the size of the consultancy or the experience of the consultants, according to figure 40. Rather, it seems that in the process of reaching a fixed price references from similar projects are vital. Thus, by providing a fixed price on projects, small consultancy firms seem to be able to reduce their general disadvantage of their size. Hence, once a project is acquired it is up to the firm to deliver value and thereby build on their reputation.

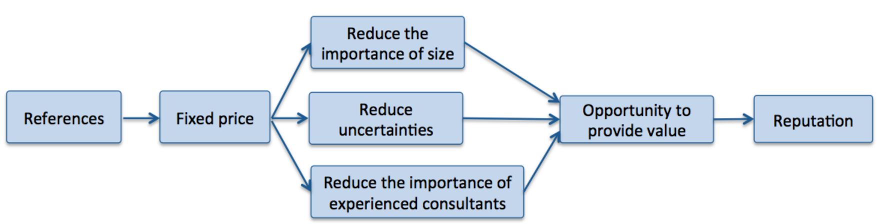

Figure 40. How to build reputation.

How do the Consultancy Firms Operate

According to figure 41, a value based pricing strategy used by a consultancy correlates significantly positive to firms using a standardized working method (0,58), to firms with an international presence (0,45), and firms with a clear and simple offer (0,51). It seems, in order to be able to use the highly desired pricing model of value-based pricing, a consultancy generally need to be a highly credible actor with an international operation, using standardized working methods where experience from earlier projects can be used. Also, it is advantageous if the offer is simple and clear, thus facilitating for the customer to understand what to expect from the project.

On the contrary, firms using hourly fees correlates negatively with a standardized working method (-0,38), international presence (-0,56) and simplicity of the offering (-0,40). However, it correlates significantly positive (0,61) to highly niched firms operating in specific industries. Such firms are generally quite small, making it difficult to gain required credibility to be able to charge by provided value.

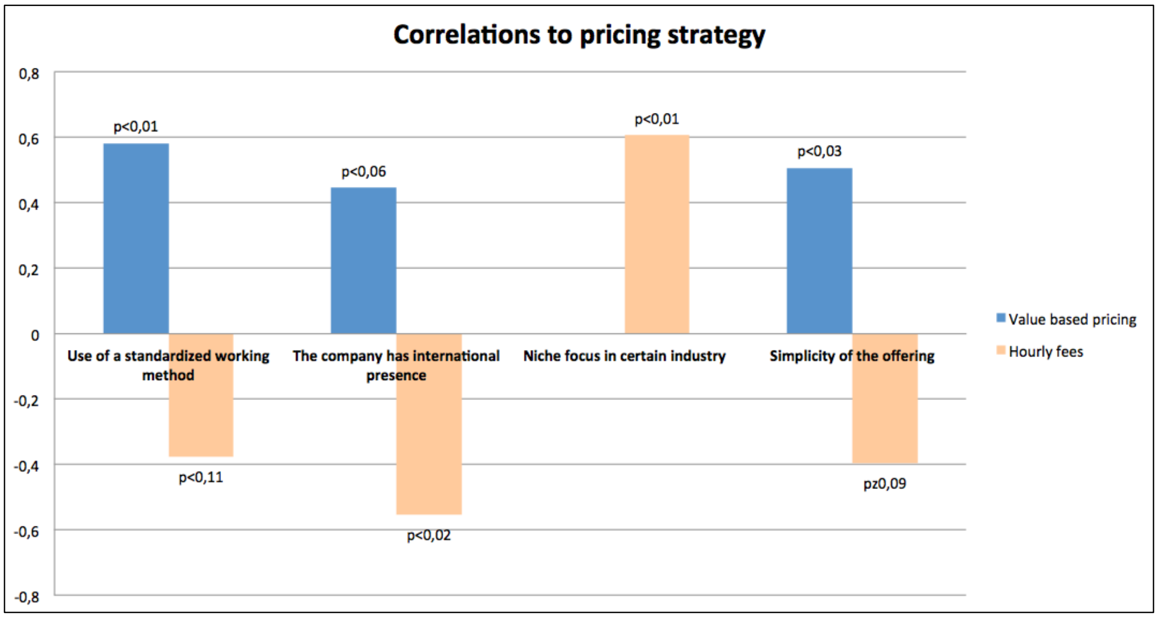

Figure 41. Correlations of consultant data regarding price strategy.

7.2.2 Value-Based Pricing

In accordance with the data in figure 41, in the framework presented by Jang and Lee (1998) the use of standardized procedures and measures that simplify the understanding of the project, as the use of clearly defined goals and client participation, are identified components to management consulting success. Further, Furusten and Werr (2005) argue, that value-based pricing can only be used when confidence is established. However, in order to establish trust in the field of management consulting, it seems as the firm need to possess a

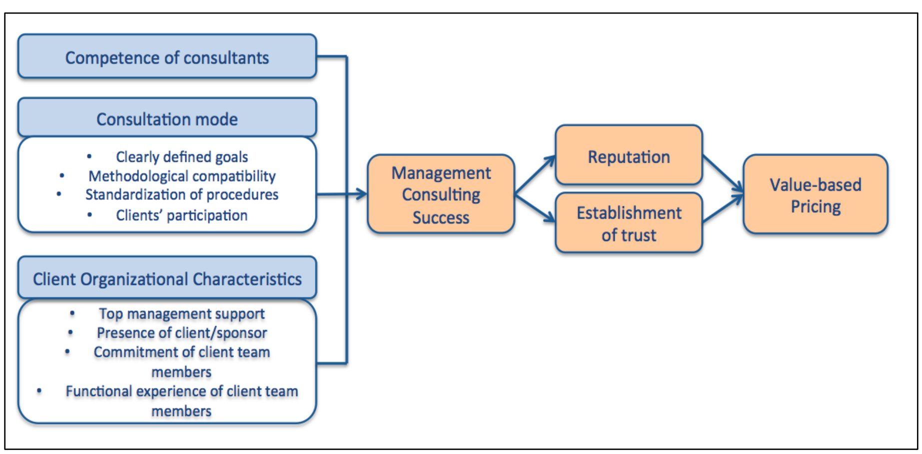

Figure 42. The basis of value-based pricing.

combination of a good reputation, as well as, according to the customers, a resume of several successful formerly executed projects (figure 41). Thus, building on the framework of Jang and Lee (1998), it seems as a value-based pricing model is only suitable when trust is established (figure 42).

Value-based Pricing Requires Uniqueness or Superior Performance

Several consultants mention during interviews, in line with Schaffer's' (1998) and Furusten and Werrs' (2005) argumentation, that one of the most difficult challenges to deal with for a consultancy is to demonstrate the value of the service to the customer. Furusten and Werr (2005) argue, in order to value a service there need to be some variables that can be isolated and measured, and just as important, these variables need to allow comparison with other alternatives to see if the chosen alternative was worth the money.

Thus, following such an argumentation, for a consultancy to use a value-based pricing strategy it is crucial to be able to demonstrate to what extent the company will benefit from the offer. Hence, creating a clear picture of what the customer can benefit from the offer makes it possible to use value-based pricing. However, customers mention how the offer, even if it is beneficial, will be compared with other internal alternative options and other consultancy firms' offers, in order to receive the most value. This is an interesting finding that only few consultants mention, indicating a gap between the customers and consultants perspective. Thus, value-based pricing is, according to many customers, more a price-per-value in relation to other options. Hence, comparing a value-based alternative with a similar offer from a competitor using another pricing model, is dependent on the competitors price of the offer. Accordingly, Bruno et al. (2012) mention that deviating from a reference price might harm a relationship. Hence, this indicates that a true value-based pricing strategy in reality is built on having a unique offer that no other consultancy firm can offer. If a value based pricing is used for a service that is equal in terms of added value to a competitors cheaper offer, such a fact seem to be able to harm the relation. Thus, value-based pricing would require a truly unique offer that, in the perspective of the customers, would be weighted in relation to the customers' alternative benefits of not doing the project. However the consultancy survey shows a relatively low uniqueness of the offering in the industry (mean value of 4,44 in appendix 11.1.2), which might indicate an answer to the question of why most companies does not succeed with using a value-based pricing, even if most consultants claim that such a pricing strategy is desired.

Furthermore, Furusten (2012) and Grönroos (2007) argue, a value-based pricing must not create a real value effect, but rather the perception of added value. Accordingly, some customers mention it is worth paying extra for assigning the "best" consultants, if they can deliver a better result and thus higher value, or at least make the perception of such a fact. However, buying processes of

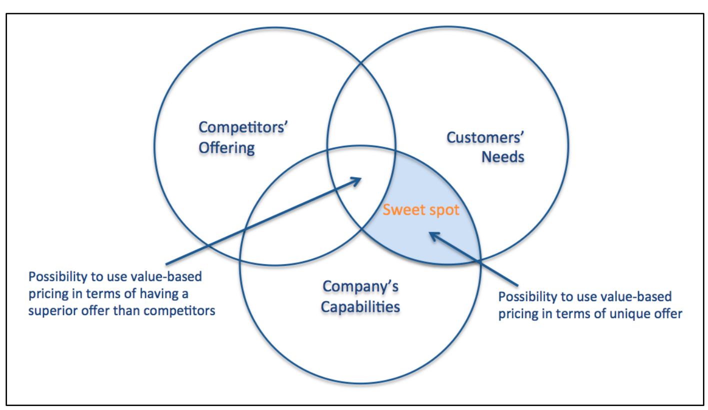

Figure 43. The sweet spot and value-based pricing.

management consulting services seldom include a distinct "best" offers, but rather a cluster of rather equal offers. Thus, in the lack of a distinctive superior alternative, the negotiations tend to focus on price among those rather equal competitors. Hence, simply being best at one type of task, also seem to be regarded as a uniqueness, facilitating the usage of a value-based price. This indicates that a value-based pricing strategy can in reality only be achieved if the consultancy firm offers a truly unique offer, or are superior in delivering value to their competition. In both cases the customer is left with a unique offer, solely allowing comparison of value with the alternative cost of not performing the project or executing a completely different project, according to figure 43.

Value-based Pricing Requires Reputation and Improves the Positioning

As shown in figure 41, the value-based pricing correlates highly with simplicity of the offering (0,51), international presence (0,45) and standardized working methods (0,58). Furthermore, Furusten (2012) as well as several consultants mention that the size of the firm affects the working methods that are generally used. Although, as Furusten (2012) points out the working methods does not necessarily have to match the size of the firm, but it becomes harder for a small firm to use standardized models. The reputation of a firm, as well as a strong brand, is heavily correlated to a firms' international presence (appendix 11.2.1). Thus, it seems the strong correlation of international presence and use of value-based pricing is also a fact of such a firm's well-known reputation and strong brand. Furthermore, the simplicity of the offering is, as discussed under *Simplicity of the Offering*, dependent on the market strategy and how the consultancy firm is exposed. This aligns with how many consultants points out that a clear message is key to getting the customer to understand the offer, which is of utter importance when pricing the project after the customers' perceived value.

As stated earlier, a well known reputation built up by demonstration of former successful projects, is a prerequisite in order to gain the trust needed for a value-based pricing strategy. Thus, in terms of positioning a firm and building brand equity, a value based pricing strategy seem to positively affect the uniqueness of the position of the firm, but is a result of the brand awareness. Thus, using a value-based pricing strategy seems to require an already well known reputation, a clear communication and market strategy, and a large enough size, as illustrated in figure 44.

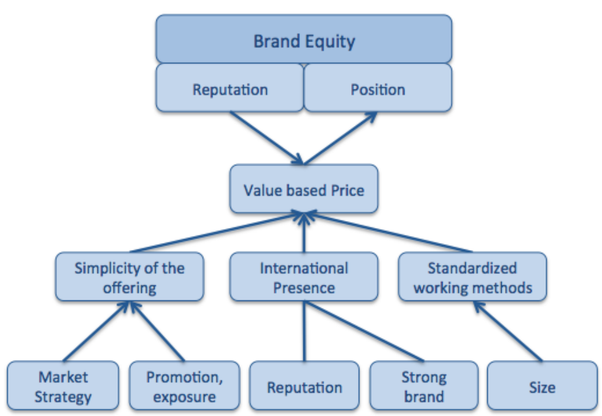

Figure 44. Prerequisites for value-based pricing.

Value-based Pricing in a Highly Competitive Market

As seen earlier, the customers do not desire a value-based pricing as highly as the consultants strive to use it. Seemingly, the trend on the management consulting market is to aim for value-based pricing, but it seems one need to ask if such an endeavour is really worth the effort. Furthermore, Kim and Mauborgne (2005) argue to make an offering truly attractive and valuable the customers' problems surrounding the offering have to be solved. Thus, truly adding value and allowing for a value-based pricing, seem to go in line with the increased usage and offering of an implementation phase, which facilitates for customer to actually benefit from the service.

The market of management consulting is highly competitive, where supply clearly exceeds demand. Thus, as mentioned in *Profit and Growth on the Market*, it is difficult to make profit by cutting off parts of the market and focusing on certain areas or segments. However, Moore (2005) argues that competing in terms of price is not favourable for niche players, but is rather a strategy for actors on the *main street* (commodity market), according to figure 21. However, as mentioned under *Value-based Pricing Requires Uniqueness or Superior Performance,* many of the consultancy firms do not have a unique offer or a superior performance in relation to the competition Certainly, management consulting services are not to be considered as commodity services. However, even complex management advising services collectively seem to form a kind of mass market, where some more or less standardized services are offered. Characteristic for companies with a wide spread in their offers, covering huge parts of this mass market, are the significant size of the companies, most often international presence, and extensive history in the industry. Such components seem to have gained those firms high credibility.

As the competition has increased during the years, more and more niche actors seem to have established themselves on the market, seemingly as a way to differentiate themselves and present a clearer offer, which many claim to be unique. However, the smaller niche consultancy firms seem to have become parts of the mass segment, rather than being unique and operating on small independent niche markets. The market strategy of diverting focus to a certain niche, seem to have resulted in most cases that niche actors simply have cut off huge parts of the mass market to focus only on certain parts of the same mass market. However, such a focus does not seem to make their offer unique, still operating on the mass market. Following Moore's (2005) advise, niche players should focus on value-based pricing, diverting the focus to the actual delivered value of the product or service. However, the market of management consulting clearly does not follow the same patterns as a usual B to C product market. The significant importance of credibility and relationships seem to switch Moore's (2005) pricing strategy, not allowing niche actors to charge by delivered value. Instead, it seems as the large, international and credible players, mainly operating on Moore's (2005) "commodity market" are the

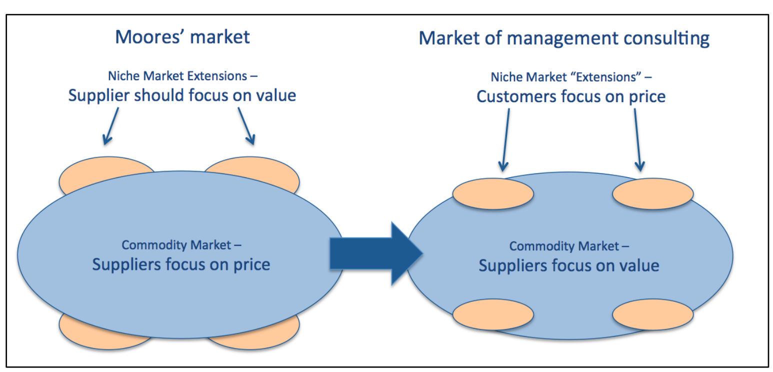

Figure 45. Moores' model of main street on the market of management

ones that are able to charge for delivered value, illustrated in figure 45. Thus, while Moore (2005) argues that positioning includes finding the right pricing strategy in terms of considering where on the market the firm is located, such theory seem to be difficult to apply on the market of management consulting. It rather appears as though value based pricing strategy is desired by most of the consultancies, but it is rather an issue of credibility and absence of legitimacy of competence that do not allow every actor to use value-based pricing.

Furthermore, the new business climate for the professional staffing industry has affected the management consultancy market according to many consultants. Even if it is a difference between the staffing industry and the management industry, in terms of providing the customer with resources or competence, many staffing agencies tend to intrude on several of the less complex projects that generally have been performed by management consultancies. Consultants mention how these less complex projects can help increase the occupancy of the firm.

Thus, this fact seems to create a situation where management consultants sometimes have to compete with hourly rates of staffing agencies. Since the whole business idea, according to some consultants, for a staffing agency is to efficiently allocate their employees to different project, they can be considered experts in keeping a high occupancy. According to several customers, the staffing industry, with usually much lower hourly rates becomes attractive in an increased number of occasions. Although, several customers mention that the staffing industry in many cases cannot replace the management consultant services, they can be used as leverage in price negotiations. Such a fact seem to be an affecting component in the increasingly focus on hourly fees in buying processes of management consulting services.

Furthermore, as mentioned above, a value-based pricing seems to require a truly unique offer or superior performance compared to competitors. Thus, in a highly competitive segment of less complex projects a value-based pricing does not seem to be suitable (figure 46). The expansion of the staffing industry seem to have lowered the prices on less complex projects with an increased focus on hourly fee pricing, and undermined the value-based pricing. This competitive low-complexity market creates a dilemma for consultancy firms with low occupancy. If they want to increase their occupancy and compete with the staffing industry they need to use a relatively low hourly fee, undermining a pricing model based on value for more complex projects, since it is, as mentioned under *Finding the Right Price Level*, crucial to have a consistent pricing throughout the organization.

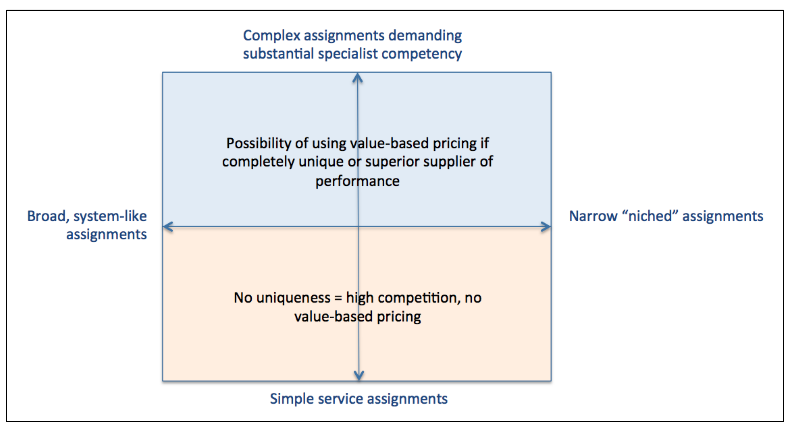

Figure 46. Possibilities of using value-based pricing on the market of management consulting.

Thus, it seems simply by using certain pricing models the position on the market is to some extent set. Therefore, in order to attain a position among the pure advising firms, a price model of hourly fees seem to be unsuitable. Instead, it seems a consultancy should aim towards the usage of fixed prices with well specified projects in order to demonstrate what the customer is actually is paying for.

The Usage of Value Based Pricing

The trend of more developed buying organizations within the customer companies seem to be a result of the customers' strive to minimize their risk taking. Thus, individuals responsible for the buying processes generally assess both price and quality of a specific offer. Several customers of consulting services mention in interviews that consultancies often propose a value-based pricing model. However, from a purchasing perspective, the customer mention that a value-based pricing need to be set in relation to what another consultancy would charge for an equal solution. Thus, it seems as a consultancies generally desire a value-based pricing model as a way to charge a price in relation to what the customer saves in cost-cuts. However consultancies seem to in fact do so, not always setting their price in relation to what other competitors would charge for equal savings for the customer. It seems as a price solely built on value is dependent on the fact that no other competitor can offer the same value, thus more or less forcing the customer to weigh the price in relation to the expected value of the service.

However, since most advising services are not unique, it does not seem unreasonable to argue that a value-based pricing should be based on both the delivered value and the price level of the competitors for delivering an equal solution. Thus, a firm delivering high-end services of a unique top quality can charge a higher price for their services, but should not ignore the price level of their competitors for a similar project (mean value of 4,00). It seems as while the customers desire more and more specified offers and invoices of time estimated hourly-based fixed prices, the consultancies generally seem to disregard the fact why the specifications are desired. In many projects, the estimations of required time is in fact a way for the customer to actually understand the value of the service, in the absence of, and difficulty of generating, a fixed expected value.

Certainly, in certain areas it is easier to derive the savings, for example in cost cutting programs. In such projects a value-based pricing is more directly apprahendable, allowing the advising firm to directly charge based on the cost cutting effect. However, the issue of comparing such a value-based price offer with competitors offers still leaves the customer in uncertainty regarding which firm are able to deliver the most effective solution. Thus, the complexity and difficulty of deriving a delivered value of many management consulting projects, seem to be a fact that the customers deals with by requesting specified offers with time estimations and hourly rates.

7.2.3 Price Level

Relevant literature (Kindström et al., 2012; Furusten, 2012; Grönroos, 2007) mention that the price level affects the expectation and the perception of the value added from a product or a service. Similarly, as mentioned above, the customers mention that the price is evaluated according to how much value the offer will add in relation to the competitors offers. Thus, it is important to have a price level that is in line with what the consultancy firm deliver and, as Kindström et al. (2012) points out, a low price does not necessarily make an offer more attractive, since the expectations are related to the price level.

Finding the Right Price Level

Grönroos (2007) propose that the perceived quality depends on the outcomes of a, more or less, conscious comparison of the expected and the perceived quality. This aligns with how many consultants mention the importance of managing the customers expectation and the scope of the project, which otherwise can result in a dissatisfied customer. Thus, it seems that the price level has to be in line with what is communicated in the marketing of the firm, further discussed in *Promotion and Exposure*, in order to set the expectations of the customers at a suitable level. Further, Gentschev (2010) mentions, cutting scope while cutting price can result in a lowering of the clients' perception of the value of the project, rather than sliding into a discount position. However, Berggren et al. (2008) stress the importance of reducing the complexity in an offering and understand what parts that really add value in an offer. Hence, in the process of setting the expectations right, the consultants highlight the essence of having a dialogue and truly listening to the customers' needs and goals, and then explain what can be expected from a project at a certain price level.

Thus, it is said that finding the right price level is highly dependent on the individual consultants ability to interpret signals of how much a customer is willing to spend, further discussed in the *Competence* chapter, and to clearly set the scope of the project. Several consultants highlight how one customer can be satisfied with a relatively low-cost project with lower quality, but another customer are willing to pay more and have higher expectations. Thus, it is important to have an open dialogue with the customer and find out what the customer really are expecting in order to find a suitable price level.

Consistent Pricing

The price level together with other factors such as, reference customers, high competence and reputation affects the credibility of the offer (Kindström et al. 2012). As many customers express, it is difficult to know exactly what a consultancy firm can offer. However, it is also mentioned that a high price can add credibility to an offer if the consultancy firm can back such a price up with reference customers stating that the consultancy firm were able to provide high value in relation to their high price.

Bruno et al. (2012) mention how previously used prices will become a reference price both for the customers and salespeople. A reference price will affect the price level in the future, which means that a temporary discount for one customer might have an impact on the price level in the future (Bruno et al. 2012). In accordance, several consultants mention during interviews that it might be difficult to increase a price for a certain customer and that it therefore is of importance to have a price consistency over the market. Furthermore, consultants mention how it is a risk to have different prices for different clients, since that can cause unnecessary conflicts and doubt about the customers' price in relation to their provided value. Similarly Bruno et al. (2012) mentions how deviating from the reference price might in many cases be an issue of sensitivity, especially when the salesperson and the buyer have a strong relationship. Thus, it seems as not having a consistent price level over the market can affect the markets' perception of the position of the firm.

However, many consultants mention how a consistent pricing still can involve different price levels in terms of different levels of seniority of the consultants. An interesting finding, mentioned by a couple of consultants, is that it is important to keep a consistent price level among the same level of seniority and that deviating among consultants with similar seniority can send out an inconsistent message to the customer. This implies that it is more difficult for a less hierarchical consultancy firm with less clear seniority levels to have different prices for their consultants. The consultants mentioned during interviews a problem of not always being able to charge what they considered a fair price for their top consultants, since it is hard to justify the price for the customer, even if the delivered value in relation to the price often are higher for these consultants.

Thus, it seems to be important to set the price in relation to the value perceived by the customer, but also keep in mind that a high price together with strong references can strengthen the credibility. Furthermore, it is important to keep a consistent price level throughout the organization, with a consistent price level for every different level of seniority of the consultants. As mentioned under *Value-based Pricing in a Highly Competitive Market,* having consistent price level over the market implies that a target market need to be set, since competing over less complex projects targeted with the staffing industry implies a different price level than more complex assignments. Therefore a consistent pricing is directly related to the market strategy and what type of projects will be targeted. It seems, the essence of Trout's (1995) argumentation, to send out a clear and consistent message over the market must be prioritized in order to attain a certain position on the market.

7.2.4 Components Affecting the Pricing Strategy

The Pricing Strategy for a consultancy firm can be summarized into three components:

- Value-based pricing,
- How to charge,
- Price level.

In the figure 47, these three components are broken down into smaller segments, summarizing many of the above mentioned correlations and furthermore underlines that individual components seem to affect several areas.

As mentioned above, a value-based pricing strategy heavily affects how the consultancy firm is perceived and seem to require a unique offer, or a more superior performance as well as a strong brand and reputation. Furthermore, standardized models are needed in order to easier estimate the scope of the project and what can be accomplished. When creating a value based pricing strategy it is important to communicate what value will be added using references from previous projects and reducing complexity in order to make the customer understand the scope of the offer.

Furthermore, when choosing how to charge the customer it is highly dependent on what the customer expects in a specific target market. The expectations are dependent on the customers understanding of the offer, which is managed by involving the customer and having a simple offer. Furthermore, the hierarchical structure makes it possible to deviate the price among the different levels of seniority, making it possible to charge differently for different seniority levels as well as affecting the overall price level. It seems as the uniqueness of the offer, together with the reputation, allows the consultancy firm to go more towards fixed price or value-based pricing.

The price level is highly dependent on the consultancy firm's reputation, promotion towards the customers, and the scope of the project. Furthermore a consistent price level will affect the long-term price level that requires a consistency in choosing customers demanding projects with similar price structure. As mentioned earlier the reputation of a consultancy firm both affects the value of the service and makes it possible to increase the price level, since a more reputable consultancy firm's opinion is more persuasive within the customers' organization.

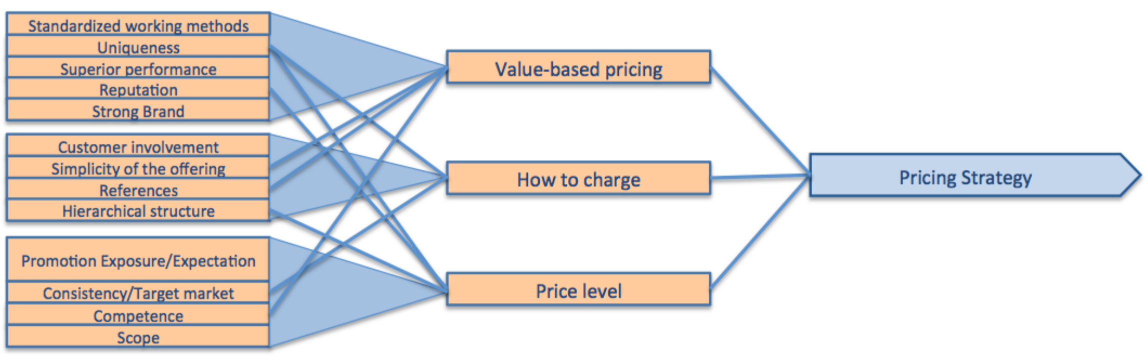

Figure 47. Components affecting the price strategy.

7.3 Network

The importance and relevance of the network of a consultancy is generally the same across the industry. It arises as a highly influential component in the acquiring and maintenance of customers.

7.3.1 The Importance of the Networking Components

According to figure 48 and 49, personal contacts of the individual consultants arises as the component receiving the highest mean value in the study (6,79 and 6,89 respectively from coding of interview and the consultant survey). The consulting industry is highly dependable on the personal relationships of the consultants. The consultants argue that personal relations between the consultants and the customers is a way to build confidence and thus to be trusted an assignment, which is argued by Furusten and Werr (2012) to be the single most important aspect in a relationship between a customer and a consultant. As mentioned earlier, it appears in some interviews that the buyer and a consultant, often at a senior level, have a social relationship privately with one another. Thus, the business relation often stems from an individual relationship, which can be reflected in figure 49 where the reputation of the firm is highly affected by the individual consultants' reputation and their relationships.

Furthermore, it is mentioned in most interviews that the reputation of the company is a highly relevant factor in terms of acquiring new customers, receiving a mean value of overall importance of 6,58 (figure 49).

"*With a strong brand you have an acknowledgement of your competence. We, a smaller and less well-known player, need to prove our ability in every sale*." (Anonymous consultant, 2013)

The reputation has to be built and nurtured. Several components are mentioned by the consultants during interviews of how to build a reputation, including delivering great results, networking with branch people, and participating in- and hosting seminars. As already mentioned, the personal reputation of the consultants is considered to be a major aspect in the reputation building of a consultancy. Furthermore, publishing articles, trend analysis, and other industry related publications are also considered to be effective ways to build reputation, receiving a mean value of 5,39. Furthermore, the increased competition in the industry is by some consultants expressed as a factor increasing the importance of the reputation:

"We are able to sell due to our reputation and our highly developed network." (Anonymous consultant, 2013)

Beside personal relationships and reputation of the agency and the consultants, reference customers arises as another highly influential component for an advising agency, mainly in terms of legitimising the competence of the company. Reference customers, or earlier performed projects, are mentioned in every customer and consultant interview, as a component to be regarded when assessing a consulting firm. Reference customers are regarded to significantly affect the reputation of the consultancy, with a mean value of 6,16 according to figure 49. However, demonstration of earlier performed similar projects, not necessarily mentioning the former customers by name, receives a slightly higher mean value than the actual references regarding the usage in sales meetings (mean value of 6,42 and 5,89 respectively according to figure 48 and figure 49).

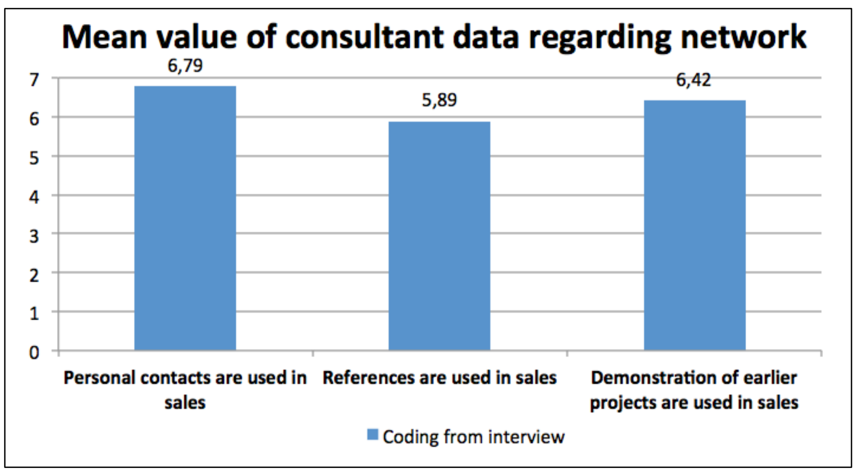

Figure 48. Mean value of consultant data regarding network.

"References are used in two ways. Firstly, our customers often have relations with other customers with the same problem. This is a cost effective way of acquiring new customers. Secondly, board members in one board are often also members in another board. Thus, network on such a level is very effective." (Anonymous consultant, 2013)

Some consultants mention that reference customers are the strongest selling argument of their company. However, it is mentioned in customer interviews that it might not be sufficient to demonstrate earlier projects and collaborations. Actual contact information and first hand sources are required by most customers.

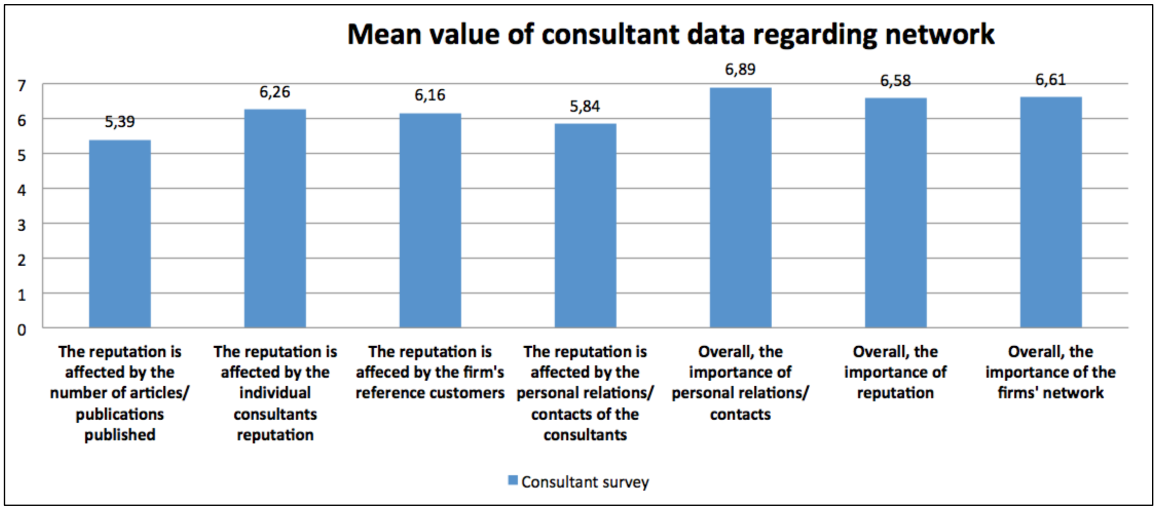

Figure 49. Mean value of consultant data regarding network.

7.3.2 Network Components are Important in the Customers' Buying Process

The buying process of management consulting services differs in character from time to time. Generally, if there is no pre-identified need of a certain service, and it is rather a specific consultancy that evokes the attention of the need for a service, then such a buying process is mainly centered around that consultancy. Thus, in such cases the buying process is rather oriented in testing the skills of the specific consultancy and building up a trustworthy relationship by gradually increasing the scope. However, if there is an identified need of a service, the buying processes tend to be more rigorous and formal. Such a process is by most customers described as a process divided into two phases, a screening- and an evaluation phase.

Components Affecting in the Screening Process

What components that affects in the phases differs to some extent, according to figure 50. In accordance with studies of Jang and Lee (1998) and Furusten (2012), the personal connections the individuals at the customer company might have with a certain consultant at a certain firm is regarded as the single most important component for the customers in the process of selecting which consultancies to further examine for a project, with a mean value of 6,58. Several customers describe that when

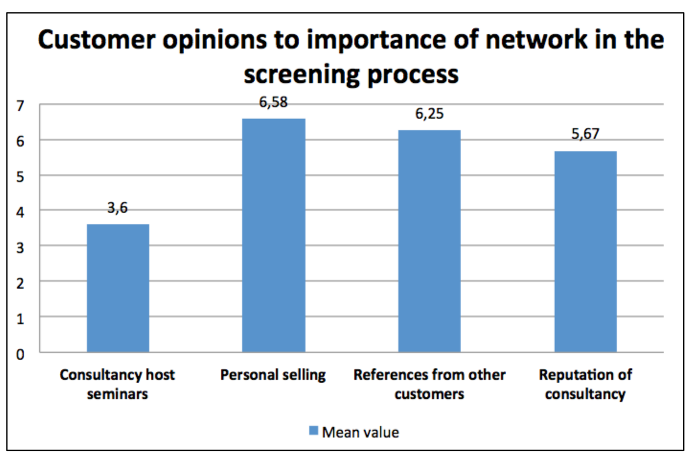

Figure 50. Mean value of customer data regarding network.

a project description has been generated for a project, the purchaser checks with his/her coworkers if someone has a connection with anyone that might be a suitable partner for the specific project. Furthermore, the purchaser might continue to contact other coworkers at other offices within the company to examine if someone has knowledge of an appropriate consultant or consultancy. Continuing the process, a purchaser might also continue to speak to connections at other companies, further examining the network of the firm, in search for a suitable project partner. References from other companies are regarded as a highly effective method of screening off the market in search for management consultancies (mean value of 6,25). Thus, using the framework of Furusten and Werr (2012) in the process of using references, it seems as the power position of the companies affect the magnitude of the reference. Also, the level of satisfaction and the perceived value of a project certainly affect to what extent the reference might recommend a particular consulting firm, according to figure 51.

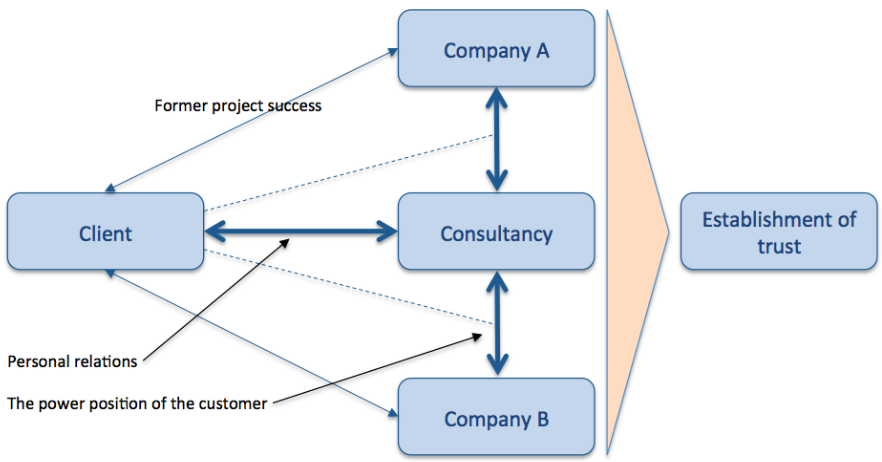

Figure 51. Establishment of trust using the network of a firm.

Furthermore, the reputation of the consultancy plays a vital role (mean value of 5,67) in the screening process. As mentioned by several customers, it might be difficult for an unknown consultancy firm to catch their attention and thus the screening process often includes well-known companies with strong brands and reputation.

Components Affecting in the Evaluating Process

Following the screening process, the identified potential consultancies are evaluated in a process highly dependable on the references of the consultancy. Particularly being able to demonstrate references from similar projects are important (mean value of 6,1), but also the magnitude of the reference customers and customers from within the same industry are highly appreciated (mean value of 5,0 and 4,7 respectively), in accordance with figure 52. Clearly, the references of the consultancy are important components that affect the customers' image of the consultancy. Although, it seems it is even more important to actually demonstrate what have been done in the projects with those reference customers. It seems, demonstrating earlier performed projects provides the customer with direct signals of the consultants' competence, and thus function in a uncertainty decreasing manner. Hence, it seems as well described and thorough presentations of earlier performed projects is an effective method to portray a favourable image of the firm with the customer. However, also important in this phase is the brand recognition, according to figure 52. Thus, a well-known customer with specified projects as references creates credibility.

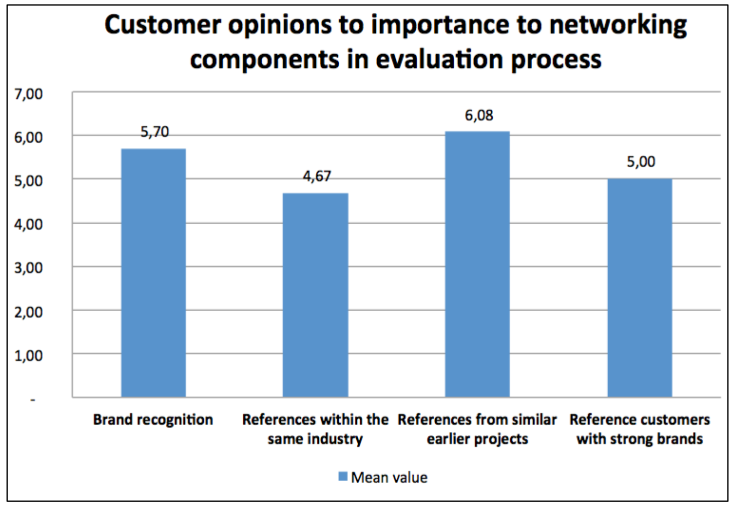

Figure 52. Mean value of customer data regarding network.

7.3.3 How are the Networking Components Used by Consultancies

According to figure 53, some significant correlations can be identified as to how consultancies use the networking components differently.

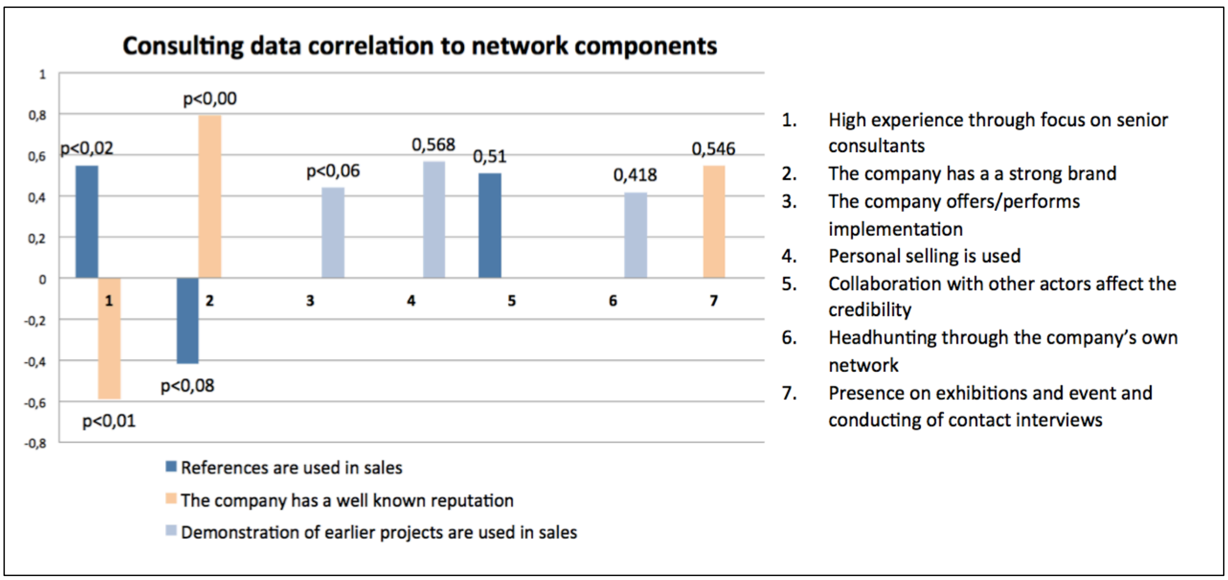

Figure 53. Correlations of consultant data regarding network.

Certainly, references are argued to be one of the most important selling features for a management consulting firm. However, firms that use references in their sales and mentions them by name show a high correlation to firms with high experience in their companies through focus on senior consultants (correlation of 0,55), by which a significant correlation exist to firms focusing on niche markets (following in *Market Strategy*). Furthermore, using references in sales correlates negatively with companies with strong brands (-0,42) but positively with firms that consider that collaborations with other actors on the market can strengthen the credibility of the firm (0,51). Thus, it seems as the way references are used differs depending on the consultancy. Larger well known actors seem to be less dependent on using the reputation and brand of the reference customers, since those consultancies already possess a credibility and reputation of their own. On the contrary, smaller less well known consultancies seem to be dependent on using the strength and power of their customers as a way to legitimize their own existence and reputation in the network.

Firms that have been successful in creating a favourable reputation of their firm generate high correlations with participation in exhibitions, events, and perform contact interviews with students (0,54). Furthermore, participating in different event, socializing with student, hosting seminars, and performing similar networking activities seems to be a way for consultancies to build brand awareness as well as establishing personal relationships with people from the industry, both potential employees and customers. Such components, as mentioned earlier, are crucial in the establishing of credibility of the firm and thus attaining a desired position on the market, according to figure 54. Thus, marketing towards students, being regarded by many consultants to be a long term marketing strategy, seem to confirm that building a reputation is a long term process. However, it seems investing long term in strategic marketing toward students also is an image-creating component that perhaps are underestimated by smaller firms.

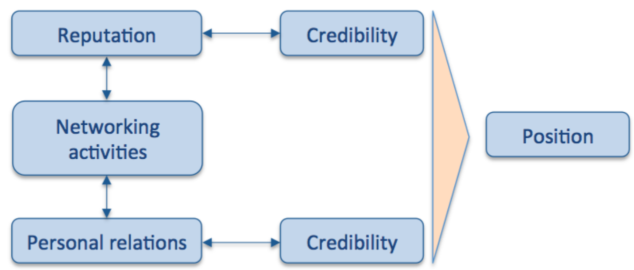

Figure 54. How to reach a desired position through networking.

Clearly, the well-known reputation also depends heavily on the strength of the brand (0,79), thus the image of the firm is dependent on the brand awareness, and vice versa.

7.3.4 How to Generate a Favourable Network

In order to grow as a firm, the firm need to attract new customers. In the market of management consulting such an attraction is mainly accomplished by building a large and favourable network of the firm, as stated in the literature (Furusten and Werr, 2012; Hallén 1992). Agndal and Axelsson (2012) argue, actors in a network are assumed to strive for increasing their control over their network, which is done through the control over resources. Thus, for a management consulting firm, as mentioned by several consultants during interviews, it is by building large networks a consultancy is able to grow.

"The persons that are able to start a consulting agency have worked in some of the larger consultancies. You have to know a number of executives and board members. A lot of business is unofficial and thus a relationship need to be established in order to attain projects." (Anonymous consultant, 2013)

The Network Model

Clearly, in order to build a successful consultancy within the market of management, creating a large network is of utterly importance. However, Hallén (1992) points out that the individuals are the thinnest treads within a network, but also the most important. Although, as mentioned by the consultants, such personal relations with individuals in customer organizations are often not built up during business, but rather under fairly private circumstances. Instead, Hallén (1992) argues, it is a matter of building up an infrastructure of contacts as a way of having a sort of risk insurance, and diverting situations in the firms' network in desired directions. Building on the network model by Agndal and Axelsson (2012) a usual network of a consultancy might include actors and connections according to figure 55.

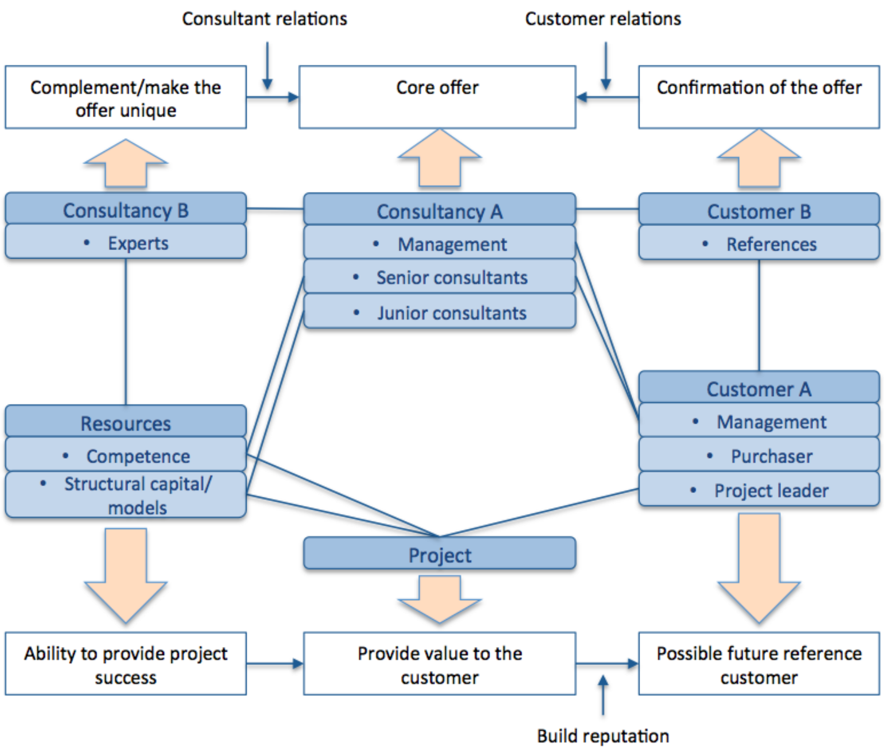

Figure 55. The networking model on the market of management consulting.

Networks in Small and Large Consultancies

The connections within a consultancy are thus mainly tied to senior consultants with many years of experience within the industry, or to individuals even higher in the organization on a management level. Those individuals are key resources to the consultancy, as a result of their significant individual network. Thus, as seen in *Market Strategy,* it is usual for small niche actors, as a way to build confidence to customers, to mainly employ senior consultants with extensive experience and large networks. The network component thus seem to be of even more importance to smaller consultancies, which generally find difficulty in legitimizing their competence based on reputation and brand. Several consultants highlight the advantage, if starting up a management consulting firm, to join together a group of senior consultants who collectively possess a large network of personal contacts to customers and other consultants. Thus, by early on acquiring a number of steady returning customers the firm is allowed to grow and junior people to be brought in. However, the opinion is unanimous over the industry, that the sales function should mainly be handled by the senior consultants.

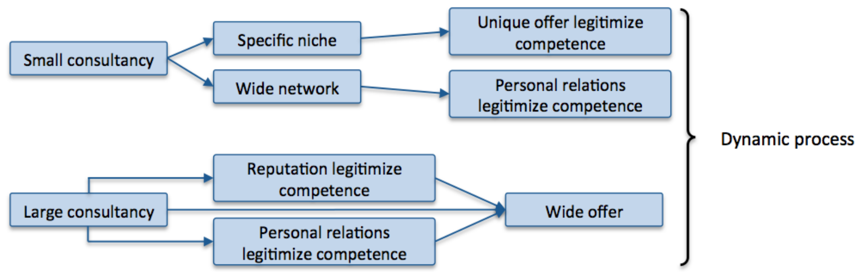

Figure 56. The need of a wide network for small-scale firms.

As discussed further in the *Market Strategy* chapter, it seems as large consultancies can more easily acquire projects based on their reputation and strong brand. However, personal relations are certainly also used in the establishment of trust in the customer relations, and the size of their firm seem to allow them to possess a wide offer with several areas of expertise. On the contrary, small consultancies generally seem to be more dependent on their personal relations of their consultant in order to gain credibility on the market (Furusten, 2012). Thus, it seems to of significant importance for small consultancies to attract senior consultants with large networks. However, the two cases in figure 56 are general and certainly the processes overlap to some extent. Thus, as consultancies expand and develop the cases cannot be followed explicitly, and therefore the processes are dynamic.

As a result of the substantial dependence on the individual consultants personal relationship, it is crucial to consider what kind of network each individual consultant contributes with. Agndal and Axelsson (2012) mention that the essence of the network model is to have the right connections. Thus, in the field of management consulting, the essence is to possess the right employees. For small firms it mainly seems to include hiring senior consultants who can weigh up the firms' lack of brand recognition and reputation in terms of establishing credibility. For larger consultancies, with the brand and reputation already in place, younger employees can be brought in more easily and placed in different projects. However, certainly senior people also need to be brought into larger consultancies, but seemingly not in the same extent as smaller consultancies need to. Though, Furusten (2012) mention a risk in relying too heavily on the strength of the reputation. Even larger organizations need to constantly seek new business opportunities, and thus employees, to adapt to fast changing markets.

Moore (2005) argues in terms of positioning and networking the first step of positioning is securing a position within the structure of power in the network. However, Agndal and Axelsson (2012) highlight the need to consider what the position in the network is built up of. Accordingly, in the management consulting industry, the reputation of the firm is significant and thus a cornerstone in the power position. In turn, the reputation of the firm is stated to be highly dependent on the individual consultant reputation. Thus, as already mentioned, it seems a consultancy need to consider how to attract consultants with useable connections. Secondly, Moore (2005) mention that a company need to map available positions on the market and ask two basic questions:

- What is the goal?
- How can we divert our communication to accomplish that goal?

Hence, in terms of positioning, a consultancy needs to consider where the firm is to be placed on the market and how to communicate that position. However, in order to do that it seems that establishing the right contacts is the first step.

7.3.5 Utilize the Senior Consultant in Networks

As mentioned under *How to Generate Favourable Networks* the senior consultants are crucial in order to establish relations with potential customers. However, as encountered in several smaller consultancies, if the senior people are selling projects they, most of the time, also end up working full time in those projects. Thus, their time gets tied up and their ability to attract new projects to the firm gets limited. Kindström et al (2012) mentions how it is important to manage the time spent on a customer according to how beneficial a customer is. Similarly, several consultants mention how too much interaction with one or a couple customers limits the potential of the senior consultants, that otherwise could have established additional relationships with potential customers.

Furthermore, consultants mention how a relationship with a customer only increases the likelihood of getting a project to some extent, indicating that increased customer involvement will have a plateau-effect with limited beneficial effect after a certain level of involvement. Therefore, mentioned by some senior consultants from fast growing firms, it is crucial to insist on bringing in junior consultants in projects. In doing so, the junior consultants receives necessary development, the customer can, to a higher degree, consider the consultancy as being credible rather than the individual senior consultant who sold in the project, and the senior consultant can contribute his/her time on several projects and thus use the competence and network more efficiently. Furthermore, having senior consultants working in several projects will, as discussed under *Availability,* increase the flexibility and availability towards the customer.

7.3.6 How to Attract New Customers Through the Network

The market of management consulting is characterized by personal selling. Thus, it seems important for the firms to facilitate the creation of those required personal relations. Some different characteristics appear to be commonly used and successful.

Build Relations by Creating Value for the Customer Directly

As Gummesson (2008) mention the importance of understanding the customers business in order to create value, it is usual for consultancies to do a minor customer analysis before contacting a new customer. Several customers express during interviews, if a new unfamiliar consultancy is to make an impact and become interesting, the consultancy need to offer something that intrigues the customer. Such an intriguing factor are described by customers, and can for example be a trend analysis of the industry the customer is operating in, a specific solution to an identified problem, or a specific area of expertise which could be of interest for the customer. When a customer assigns a consultancy, it is usually since a specific expertise is wanted (mean value of 6,25 of 7) and certain need is desired to be fulfilled. Thus, according to Trout (1995) and Turner (1966) the offering that the consultancy presents to the customer need to be simple and specific as to what the benefits are to the customer. Clearly, with a general presentation of the consultancy it is difficult to make an impression on the customer.

Office Location Close to the Network

Mentioned by several consultants during interviews, there are no shortcuts in the process of building a network. Thus, as a measure to facilitate the networking of the firm's consultants, the office is located central within a close range to communication alternatives. Specifically smaller highly niched firms demonstrate a significant correlation (0,49) to the functionality of the office address. It seems, being able to invite customers to the office, being located closely, being able to invite persons of interest on representable lunches, are highly used and effective measures used by the consultancies to nurture their network.

Employ People with Sales Skills

According to Gummesson's (1995) different levels of customer relationships, where a deeper level of involvement and integration makes the relation stronger and the likelihood of the customer to switch supplier lower. However, on the market of management consulting services, it is mentioned by customers, that a relationship between a consultancy and a customer should not last for too long.

"*If the consultant get too comfortable in the relationship, they will lose their edge on delivering great results*" (Anonymous customer of consultancy services).

Thus, a management consultancy constantly needs to seek new projects and plant potential seeds to future projects. However, as mentioned by both consultants and customers during interviews, in order to do so the consultant needs to possess a high level of social competence. In the process of building trust, which is argued by Furusten (2012) to be the single most important aspect on the market of management consulting, the social competence is central. It becomes clear that being able to listen to the customers' needs and understand the problem the customer might be facing, are essential aspects a consultant need to possess in order to establish trustworthy relations and create a desirable image of the firm. Thus, it becomes important for the consultants to act in certain ways in sales meetings, where the right balance between humbleness in understanding the customers' problem and a charisma of professional confidence need to be received. It seems as Furusten's (2012) argumentation of the importance of not deviating from the professional standards are relevant since the customers expect some level of demonstration of social- and professional competence. However, the expected behaviour seems to also demand a certain level of uniqueness in the offer in order to capture the interest of the potential customer.

7.3.7 Components Affecting the Network

The Network for a consultancy firm can be summarized into three components:

- Reputation,
- Reference customers,
- Personal contacts.

In the figure 57, these three components are broken down into smaller segments, summarizing many of the above mentioned correlations and furthermore underline that individual components seem to affect several areas. As mentioned above, the reputation heavily affects the *Network* and several of the consultancy firms' activities that primarily affect other components will also affect the consultant's reputation. Activities such as customers brand/reputation and the types of projects, which primarily affects reference customers also heavily affects the long term reputation of the consultancy firm.

Furthermore, the individual consultants and strategic affects not only the reputation, but also personal contacts. The personal contact are as mentioned above the most crucial component for creating a network were major components are the social competence among the consultants, but also the importance of utilizing the senior consultants efficiently by having them working in several parallel projects in order for them to extend their network. Furthermore, it is important to have contact interviews in order to attract competent personnel and increase the reputation of the firm.

The reference customers are mentioned to be crucial in gaining the customers' trust, were successful projects with reputable customers play an important role. Furthermore, the desired type of project can vary from different customers and it is important to try to match the reference project with the customer and in detail describe how the project was executed in order to explain for the customer how the experiences from a certain project can benefit the customer.

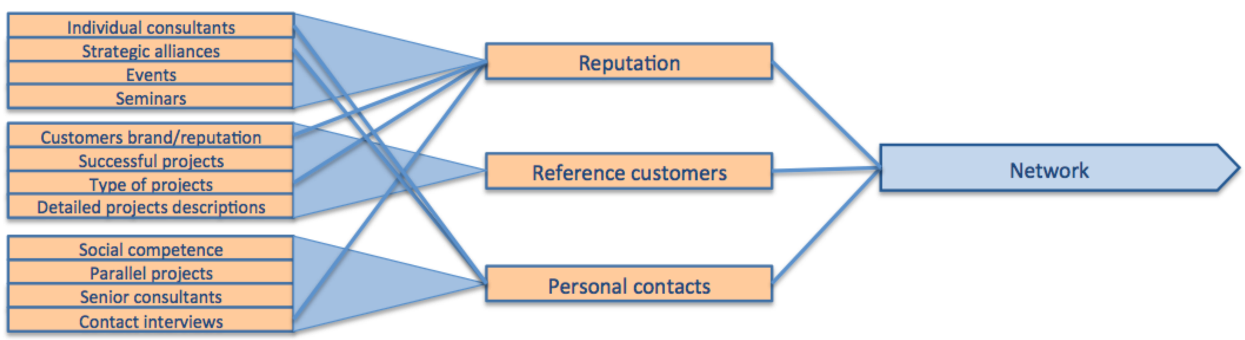

Figure 57. Components affecting the network of a firm.

7.4 Market Strategy

7.4.1 Niche Focus

Many consulting firms have targeted a specific expertise to focus their operation upon, for example change projects, lean operations, procurement processes, management issues and so on. However, there are also a substantial amount of firms that offer a quite wide offer including many different areas of expertise. Clearly, there is not a straight line existing between the different alternatives in the choice of focusing the operation, but some differences can be identified between the groups. Having a niche focus is, according to Dahlén and Lange (2003), a strategic positioning in terms of setting the service in an absolute position, in order to achieve top-of-the mind. Therefore, it is essential that the service shares characteristics and associations with other brands in that category, but still with a differentiated features (Dahlén & Lange, 2003). Thus, it seems in terms of achieving a favourable position a consultancy firm do not only have to find a niche area for operation, but also some differentiating characteristics. Such characteristics, Dahlén and Lange (2003) argues are communicated through the marketing of the firm.

What Characterizes Firms with a Niche Focus

Generally, the orientation of expertise focus is dependent on what type of competence the firm possesses. The core benefit (Kotler & Armstrong, 2010) of advising consultancies is to provide the customers with problem-solving solutions to their needs. Thus, the main asset of a consultancy is their resource to provide such solutions. As a way to differentiate a consultancy firm by offering the best core product the consultancy need to be in possession of the problem solving solutions. These solutions include the employees as well as different methods and models used. Thus, in order to be unique many consultancies have chosen to focus their offering on certain areas of expertise. However, as discussed under *Pricing Strategy* few consultancy firms offers something unique on the market. Even if many smaller consultancy firms are specialised in a certain areas, many larger firms offer similar services among with others. It seems, this can in some cases create an illusion of uniqueness in terms of expertise, where in reality the small firms with a specialist offering compete against a specialist department at a larger company. However, by only working in a specific area a small consultancy firm can more easily gain a reputation in a specific area (Furusten, 2012), since a small company does not have the resources needed to reach out to the entire market. Thus, it can be seen that many of the niche actors in fact tend to offer few or no unique features and instead target a certain segment of an highly competitive market, similar to the situation explained in figure 45 under *Pricing Strategy.*

Figure 58 illustrates correlations to the consultancies answers regarding their niche focus in regards to specific expertise.

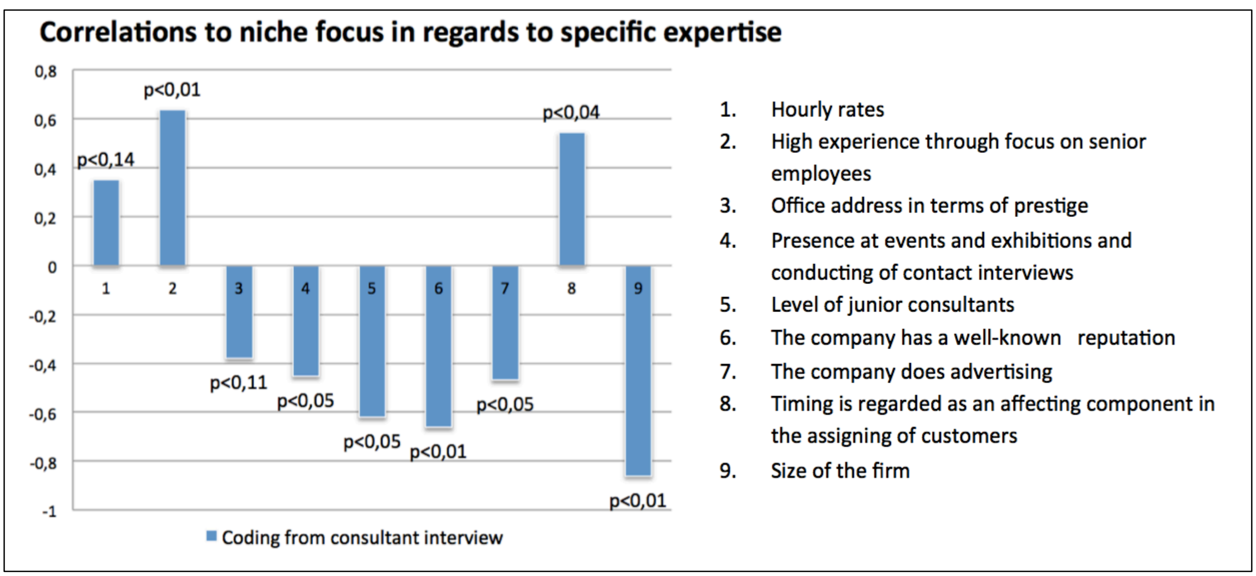

Figure 58. Correlations of consultant data regarding market strategy.

Consultancies with a niche focus in regards to a specific expertise have a negative correlation of -0,81 with size of the firm in terms of revenue. Thus, as earlier stated, it is an established strategy mainly by smaller actors to differentiate themselves as a niche players. Furthermore, a niche focus towards a specific expertise also has a significant correlation to the experience level of the consultants. It seems in order to legitimize the competence within a specific expertise a consultancy need to employ mainly senior consultants, which also can be reflected in the negative correlation to marketing towards- and level of junior consultants in the firm (-0,55 and -0,62). Furthermore, niche players with certain expertise also correlate with charging hourly fees (0,352). This fact can certainly be a chosen strategy to charge by the hour, but several consultants/partners mention the desire to charge the customer based on the delivered value. Thus, the correlation might also be an effect by the inability of niche actors, by which the majority are small, to gain credibility and allowance from the customer to charge based on the delivered value. Instead, customers generally desire well specified offers and invoices with accounting of estimated hours. Thus, it is a security for customers to get specified reports of the cost of the project, especially with actors where limited trust is established, which generally tend to be the case with small niche players. Also, the negative correlation to the reputation of the firm (-0,66) affects the credibility of niche actors. The reputation is clearly stated in the *Network* chapter to be an extremely important component on the market of management consulting. Thus, it could be seen as quite contradictory that niche actors with a generally low reputation and an extensive need for improvement participate less in reputation spreading activities such as events, exhibitions and contact interviews with students (correlation of -0,45) and advertising (-0,47). Instead, these small niche players are to a higher degree dependent on finding customers themselves, which can be confirmed by the high correlation to the importance of having the right timing when contacting customers (0,54).

Similar data is obtained while analysing niche focus in regards to specific industry, according to figure 59. Also, in regards to niche focus in certain industry it seems to mainly include consultancies with hourly fees (0,61), not well known reputation (-0,47), high experience within the firm through focus on senior consultants (0,51), high level of customer involvement (0,50) and of small size (-0,63). Also it becomes highly relevant for these actors to approach customers with the right timing (0,60), when a need actually exists.

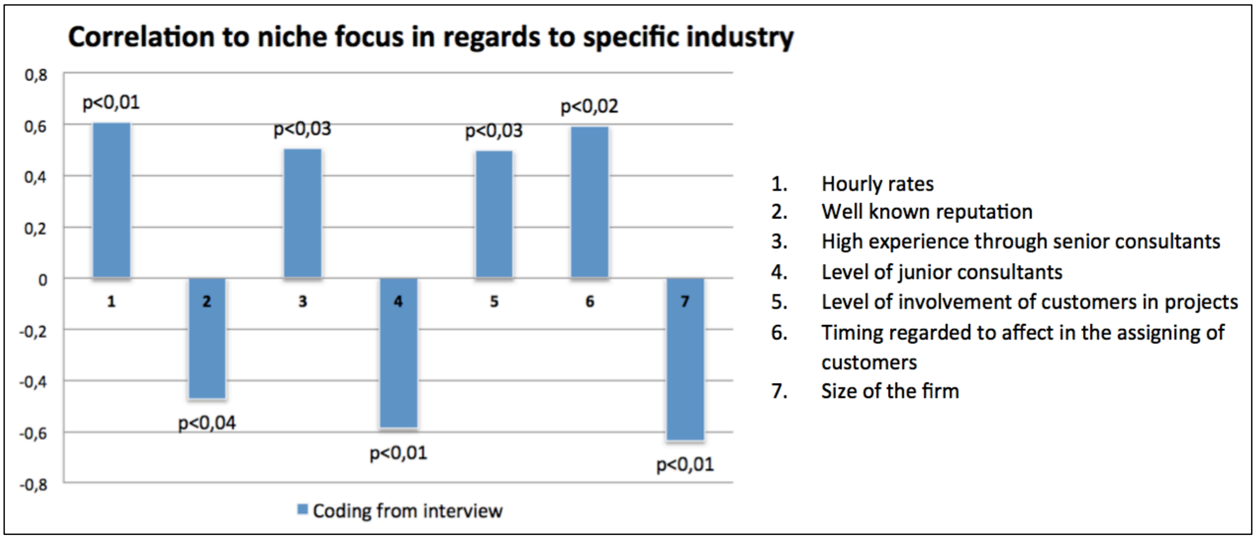

Figure 59. Correlations of consultant data regarding market strategy

Why is Niche Focus Important

Both consultants and the customers of consultants mention, in accordance with Furusten (2012), that there is a need for smaller actors to differentiate themselves within a specific niche in order to gain credibility within that particular segment on the market. Several consultants highlight the fact that small actors can suffer from having a too wide offer since they lose their credibility. It is assumed that one can not be an expert in a wide spread of areas and thus the competence of the firm becomes questionable.

"For a small company it is almost required to aim at a certain niche. If you are to reach your customers and build an image and recognition it is all about putting the resources in the same niche. From that position you are then able to develop the company." (Anonymous consultant, 2013)

Thus, focusing on certain segments is a way to legitimize expertise competence, in the lack of a well known reputation as it seems. In terms of catching a customer with the right timing, which is stated to be crucial for small actors, it might be decreased in importance if one can get a customer intrigued by a specific expertise. Several customers of consultancy services mention that by focusing on specific niches companies can "stand out from the noise" and become more interesting to hire. Similarly, Trout (1995) argues that the essence of positioning is to "stand out from the clutter", since the buyer can only take in a certain amount of information.

Furthermore, the customers argue that a consultancy can become even more interesting not just by offering a specific expertise, but rather by being an expert in the specific industry the customer are operating in, and by offering to share results of trend reports. Thus, when approaching new customers, small actors seem to be able to lower their sensibility to timing by portraying themselves as niche experts. Accordingly, Moore (2005) argues *"it is better to be number one on a small market than to be second on a larger market."* Furthermore, Moore (2005) highlights the importance of connecting the market strategy regarding the desired position, as a niche player or as an actor with wider offers, with the possible power in the network of the firm. Thus, a consultancy need to consider components which might affect the power in the network, such as the reputation and level of the consultants, the size of the firm, the individuals on a management level and in the board, as described in *Network.*

The Niche Actor Dilemma

In order to attain a certain position on the market, Trout (1995) argues that sometimes potential business need to be sacrificed in order to keep a consistent and focused operation, as described in the *Network* chapter. At the same time, Furusten (2012) highlights the risk for small management consultancies to focus on one particular kind of service, arguing that it is of importance for small firms to be flexible in terms of what projects to undertake. Thus, as mentioned earlier, there seems to exist a dilemma for smaller management consulting actors. On the one hand, they have a necessity to differentiate themselves as niche players in order to gain credibility in their competence. However, as mentioned in *Profit and Growth on the Market*, small niche players seem to suffer financially. Though, it is difficult to conclude if the financial difficulties depend on their lack of reputation, or their small size, or their niche focus (components that all correlate significantly). However, it seems that the fierce competition on limited market aggravate firms to keep a clear niche focus, resulting in that firms do not afford to turn down parts of the market. Thereby, there seem to exist a prominent dilemma for smaller consultancies; they need to differentiate themselves as niche players in order to gain credibility, but they can not afford to turn down parts of the market, shown in figure 60.

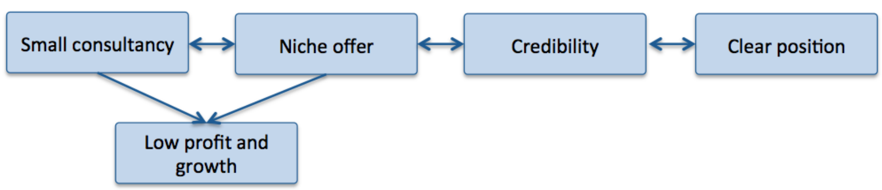

Figure 60. The consultancy dilemma between size, niche and profit.

Thus, in terms of positioning as mentioned in *Network* and argued by Moore (2005), a firm first need to consider what the goal of the organization is. On the market of management consulting it seems as such a question ultimately faces a firm with the issue of either position themselves clearly on the market with the risk of financial challenges, or to seek a position where profit is easier to attain.

The clear niche focus of smaller actors is similar to the *bowling alley strategy* (discussed further in the *Availability* chapter) presented by Moore (2005), where a specific segment of the market is focused upon and word-of-mouth effect is used to spread a product. Moore (2005) highlights the need though for the product to be completely flawless and the segment to be small enough, stating that it is better to be market leader in a smaller segment than to be second in a larger segment. Thus, in order to offer the best competence in a specific industry or area of expertise, the best consultants need to be assigned. It seems as small actors generally have hired experienced consultants as a way to acquire the best competence and thus become segment leaders.

How to Attract the Customer

Mentioned by several consultants during interviews and highlighted by Gummesson (2008) it is an advantage if a brief study of the customer has been done prior to contact. Having knowledge of issues the customer might be struggling with can facilitate the sales pitch, by making the customer intrigued by the consultant's knowledge. The consultants describe that not seldom there is an identified challenge or problem seen with a specific potential customer that leads to the first contact. By then, the consultants are well updated in the area, so when the first contact occurs the consultants can quickly demonstrate their expertise and thus start to build confidence. Furthermore, highlighted by some consultants, the first contact with a potentially new customer can originate in the identification of a current trend or shift in the market. Hence, by being in posses of consultants with high competence and understanding in specific industries, especially through senior consultants, small companies can become interesting for customers to hire. Thus, the customer selection is not always a result of a stated strategy, but rather a consequence of business opportunities.

7.4.2 Differentiation

The difficulty to generate profit for niche actors shed light on the question of how consultancy firms differentiate themselves. However, the differentiation within the management consulting industry is diffuse. Although most companies argue that they do differentiate themselves in certain ways, the differentiating components tend to be the same. The most commonly mentioned differentiating components are high competence, extensive experience, close customer contact, and strong references.

How do Firms Differentiate Themselves

Moore (2005) mentions three key variables that are characteristic for market leaders: *product leadership, operational excellence* and *customer intimacy.* Moore (2005) further argues that no organization can be best in all of these areas, thus through evaluation it should be concluded in which the organizations core capabilities relies and thus focus on that one. However, it seems as the niche consultancies exclusively have chosen to focus on product leadership by offering the best consultants. Such a focus is certainly understandable on the market of management consulting, where the delivered value is a direct result of the consultant's competence. Furthermore, it is clear that several niche players have developed working methods that allows for high customer involvement, indicating that customer intimacy is also sought after. Niche players are highly dependable on the relationships with their customers, since limited number of new customers contacts the firms on their own. Thus, customer intimacy is also seen to be a crucial characteristic for niche actors to handle. However, operational excellence, or effective internal processes allowing for low prices and qualitative products, might be a characteristic that many niche actors lack. Thus, one might ask if there is another possible, yet undeveloped, characteristic that niche players can differentiate themselves with. However, Furusten (2012) mention the difficulty for smaller actors to develop effective internal processes since it is hard to have methods that are suitable for various kinds of situations. Instead, Furusten (2012) argues that smaller firms are more dependent on management know-how, which is embedded primarily in the senior consultants. Thus, it seems as the more focused the offer of the firm is the easier it is for the firm to use standardized methods, which can be confirmed in the data in figure 61 where the correlation of use of standardized methods and specific niche after industry (correlation of 0,76).

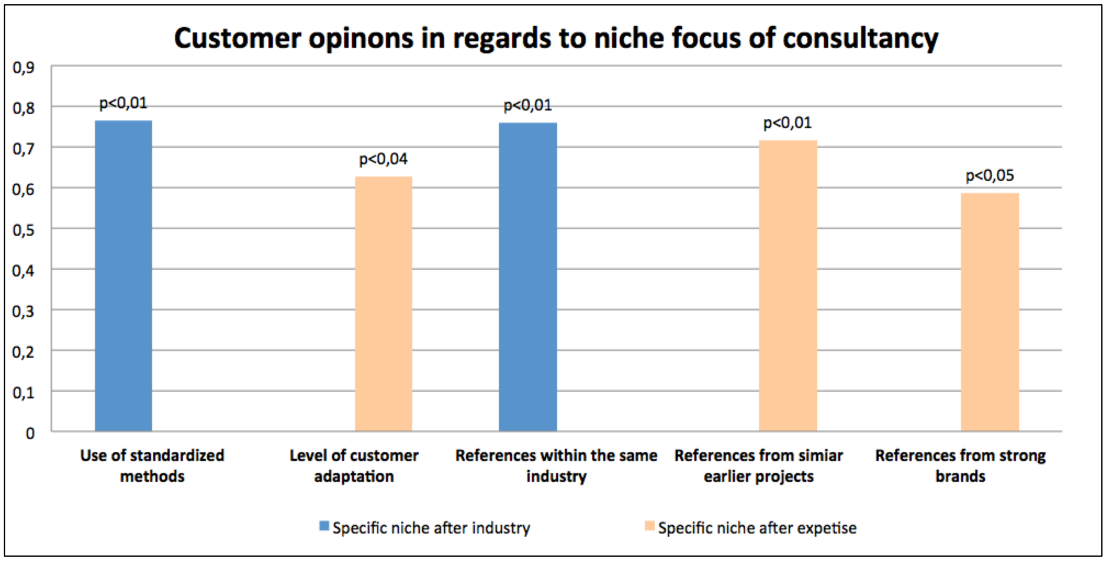

Figure 61. Correlations of customer data regarding market strategy. The variable of nisch after expertise also contain niche after industry, thus is a variable measuring a niche focus driven very long.

Cost Leadership, Differentiation and Market Segmentation

Porter (1980) expresses how a company either can compete with low cost, having a differentiated offer or focusing on a certain segment on the market. The niched offer that many consultancy firms offer resembles a lot to Porter´s (1980) market segmentation strategy, where a certain customer is targeted. The increased presence of staffing agencies, as mentioned under *Pricing Strategy*, with low prices have forced many consultancy firms to either lower their price or try to differentiate their offer even more. An interesting finding is how the largest most well known actors within the management industry have managed to keep their margins at a similar level, but the smaller niched firms have had decreasing profitability. Thus, it is possible that the already differentiated large firms with a well known reputation have been able to reinforce their positioning with increased differentiation and ability to keep a high price. On the other hand it seems like the smaller more niched consultancy firms are facing a "stuck in the middle" situation, where they have a hard time competing with the largest most prestigious firms for more lucrative complex projects and face intense price competition from the staffing agencies for more simple projects. Furusten (2012) mentions how smaller consultancy firms have difficulties with only working within one specific niche, since they in many cases need to take on projects outside their core competence in order to keep a high occupancy level. Many consultants working for smaller firms confirm the difficulties of trying to get projects that completely match their profile. Thus, this indicates that smaller firms sometimes need to take on projects in a more ad hoc manner and the increased polarisation of less complex projects with low price and differentiated premium offers makes it hard for smaller consultancy firms to keep a consistent price level, which is argued to be crucial under *Pricing Strategy.* In order to keep a consistent price level a small niched consultancy firm must either go more towards becoming a staffing agency or increase their differentiation and try to offer the customer a more unique solution that makes it possible to compete with more well known consultancy firms.

7.4.3 Uniqueness on the Management Consulting Market

According to Dahlén and Lange (2003) there are two sides of positioning; a tactical and a strategical. The strategic position concerns the challenge of finding a unique position on the market in terms of finding a niche, hence a unique offer. The second part of positioning, the tactical, rather concerns what differentiating characteristics that a firm possesses, thus what features are unique. Hence, uniqueness seems to include two parts. A firm can be unique in terms of niche focus, or/and in terms of unique characteristics.

However, as mentioned earlier, on the market of management consulting firms generally state their uniqueness by using strategical positioning, hence highlighting their specific niche and expertise. Such uniqueness seems to directly relate to the core product of the firm. Where the core expertise determines where the niche focus will be. The augmented product, that should solve additional problems surrounding the service, also seem to be dependent on what competence the firm possesses and offers, for example implementation of recommended actions. However, the tactical position, unique characteristics of a firm, which seem to form the actual product seem to be of low priority or the same as the competition. Usual characteristics used by management consultancies, as earlier mentioned are high competence, extensive experience, close customer contact, the usage of specific models and methods, well known reputation, and strong references. Using the framework of Kotler and Armstrong (2010) the management consulting market can be analysed in terms of uniqueness and position, according to figure 62.

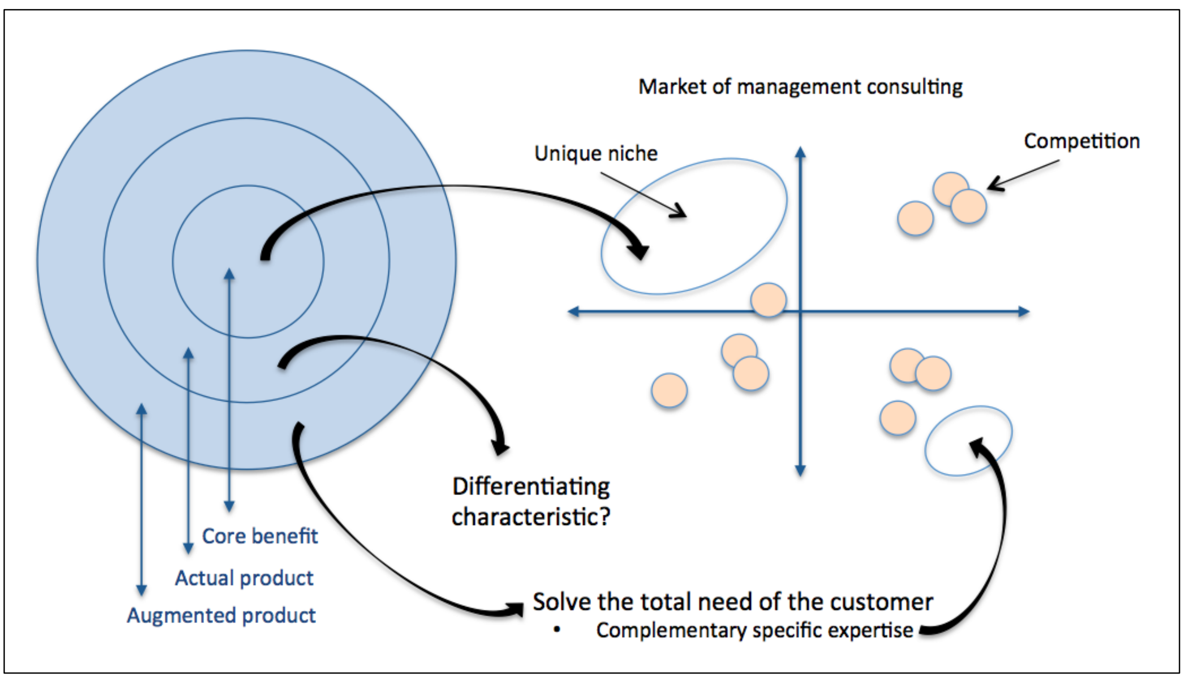

Figure 62. Niche after core product, differentiation after actual product and complementary offers after augumented product

Thus, it seems in terms of positioning and being unique it is common to use the same differentiating characteristics as the competitors, as well as similar areas of expertise as the competitors. One might ask oneself, if the differentiating characteristics of a firm are used by several other firms as well and if the characteristic are unique or even differentiated. For example are the increased customer adaptation and customer intimacy features that almost every consultant mentioned to be unique of their firm, or at least something they strived towards increasing. Thus, firms using such a feature as a means to differentiate themselves might perhaps differentiate themselves with something that actually is a standard feature in the industry. Hence, it seems in terms of finding a unique position consultancies need combine the niche focus with differentiating characteristics that no other consultancy offers. Then, a truly unique position can be reached.

7.4.4 Components Affecting the Market Strategy

The market strategy for a consultancy firm can be summarized into three components:

- Niche,
- Differentiation,
- Complementary offer.

In the figure 63, these three components are broken down into smaller segments, summarizing many of the above mentioned correlations and furthermore underlines that individual components seem to affect several areas. As mentioned above, the Niche a consultancy firms chooses are highly dependent on the consultancy firm's size, the market size and the competition. Furthermore, the reputation, the competence and the personal relations among the consultants makes it clear in which areas the consultancy firm has the desired competence and connections in order to successfully attract and execute projects.

The differentiation creates the differences from other alternative and features such as price, working methods and reputation helps to create a picture to the customer why a consultancy firm has an attractive offer. Furthermore, the customer involvement and the hierarchical structure are important features, where a consultancy firm can differentiate itself from the competition.

The complementary offer helps to add additional benefits for the customer, which increases the customer value. A developed network of experts can help strengthen the offer and as many customers and consultants mention the implementation phase becomes increasingly important.

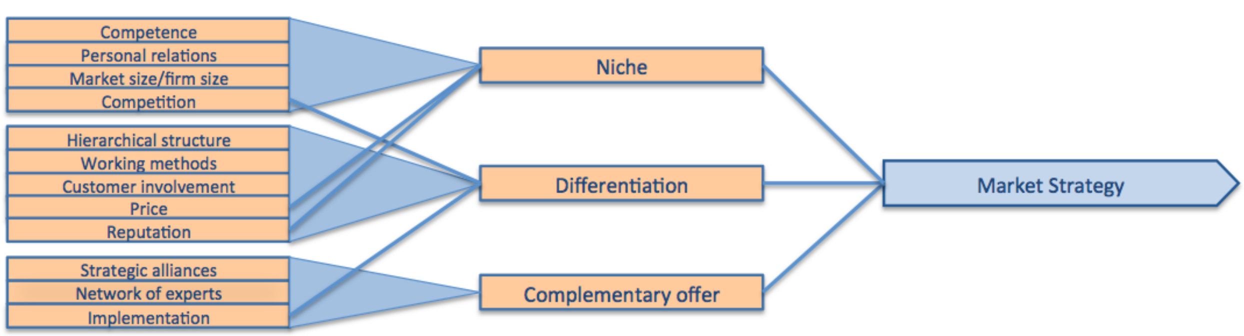

Figure 63. Components affecting the market strategy.

7.5 Complexity of the Offering

7.5.1 Simplicity and Positioning

Relevant literature (Trout, 1995; Urde, 1997) highlight the importance of keeping an offer simple and clear in order to capture a specific position in the mind of the consumer. Accordingly, Kapferer (1992) argues that positioning should give answers to questions like *what* and *why*, for *whom*, *when* and in *relation to whom*. Thus, focusing on a specific niche seems to be a way for management consultancies to target customers with specific challenges. Thus, niche focus provide answers to:

- What? A specific service is offered with
- For whom? For customers with such challenges.
- When? In times when such challenges are faced.

Furthermore, the niche focus is generally complemented with certain differentiating characteristics of the service. Such characteristics, should be communicated through the marketing and thus answers for the tactical positioning (Dahlén & Lange, 2003). The communication should then provide answers to *why* and in *relation to who*, according to figure 64.

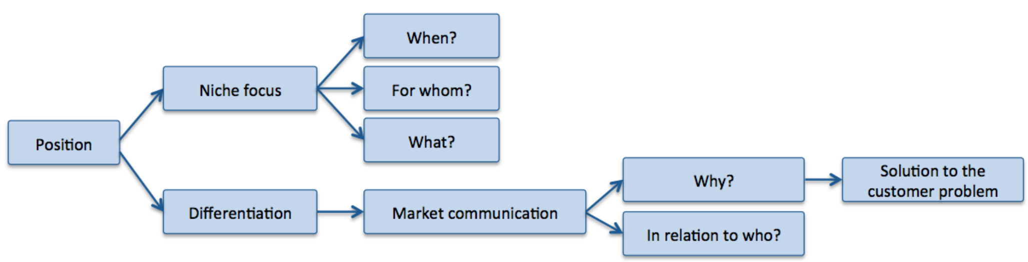

Figure 64. What the positioning should answer and be directed towards.

Thus, the complexity of the offer is strongly associated with the market strategy of the firm, as well as the market communication, further discussed in the chapter of *Promotion and Exposure*. The *why* should provide answer to the problem that the customer is facing, which Trout (1995) argues is of significant importance in the process of dealing with complexity.

7.5.2 Reduce the Uncertainty

Furthermore, Trout (1995) mentions that dealing with complexity is essentially of reducing the customers' uncertainty in the buying process. Thus, on the market of management consulting, reducing uncertainty is mainly of gaining credibility and legitimizing the competence of the firm. Thus, components that are useful in the building of trustworthy relations, such as extensive experience, well known reputation, reference customers and demonstration of earlier projects, are also useful in the reducing of complexity.

Importance of Capturing the Customers' Understanding and to Manage Expectations

Agndal and Axelsson (2012) point out the importance of having a coherent image of the company in order for the customer to easily build a picture of what the company is offering. On top of that, Trout (1995) mentions how the receiver of a message only can understand the offering if it is possible to relate to an earlier experience. This idea of having a clear and consistent message is something that all the interviewed consultants mention. Similarly, Kindström et al. (2012) mention how a clear message makes it easier to both reach out to the customer as well as satisfying the customers expectations, since the customer more easily understands the offering and what benefits to expect. The majority of the consultants also emphasize how it is important to not only understand the customers' need, but also understand the customers' expectations, in accordance with Schaffer's (1998) affecting components in successful management projects. Furthermore, many customers also point out how one of the most common problems with hiring a consultancy firm is the misunderstanding of what the scope of the project really includes. Several customers believe that the cause of this problem has to do with a too vague description on how a project should be executed. Furthermore, many customers also mention that the complexity might increase by the usage of models not properly adapted for a specific situation. Thus, the usage of models seem to, in some cases be used in situations when they perhaps are not designed for, using parameters for analysis that might not be required or adequate. In such situations the usage of models seem to rather increase the perceived complexity in the project for a customer, rather than functioning as a tool to reduce the complexity.

However, in terms of dealing with the issue of vague project scopes, the consultants mention that false customer expectations are often a significant part of the problem. Trout's (1995) idea of delivering a message built on prior experience aligns with how many consultants mention that it is important to thoroughly explain the scope of the project from the customers' perspective. Furthermore, it is highlighted by several consultants and customers to have a continuous follow-up on the progress of the project, in order to make the customer involved. Also, mentioned by the majority of the consultants, a customer that has a clear understanding of the scope of the project often gets more involved and enthusiastic about the project, benefitting both the results of the project as well as the customer satisfaction. Furthermore, customers with an understanding of the project are more able to use the results of the consultants and keep improving the consultants' work when the project is finished. Thus, involving the customer in the project is not only stated by the customers and consultants to decrease the complexity and understanding of the project, but primarily to demonstrate the value and to make the customer actually benefit from the project. Therefore it can be considered important to make the customer fully understand the scope of the project and regularly follow-up on the progress and be available for answering questions about the project in order to manage the customer's expectations.

How to Capture the Customer's Understanding and Manage Expectations

As mentioned earlier under *Pricing Strategy,* many consultants mention the importance to gather information in an early phase about the customer, in order to understand the problems the customer is facing. When understanding the customer it is possible to present and explain a solution that will fit the specific company. There is consensus among customers on how a consultancy firms' way of solving a problem should be the prime focus. The customer is usually not interested in hearing about a specific method or model, thus making the customer not realising or understanding what needs to be done in order to reach the desired results. Although, a proposed solution to a problem can be backed up with a model, adding credibility to the offer. Another problem that customers face is that they generally have a hard time to fully understand how the project should be executed, due to poor project specifications and documentation on what should be done. Both consultants and customers argue that a detailed plan of the project execution is crucial for increasing the customers' understanding.

Furthermore, a problem mentioned by some customers is the lack of adaptation from the consultants regarding their specific situation. Certainly, following a specific model or working method can be of great value and effectiveness in a project, however it is important to adapt the model for each case. Mentioned by several customers during interviews, one of the main improvement points for consultancies is the fact that the customer sometimes feels that the solution they are provided with is rather a usage of an old model with their specific numbers. Thus, when using a model, it seems to be of importance for management consultancies to actually consider the specific situation and adapt the model accordingly, if the model is useful at all. As a result, some consultancy firms use a modular systems when setting up their methods, where many smaller parts of models can be connected in order to better fit every unique company.

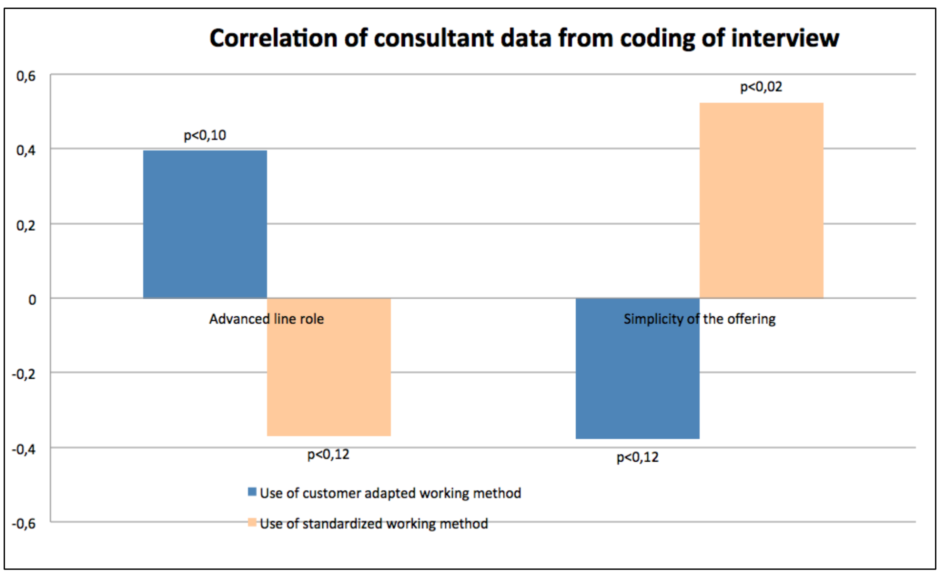

Figure 65. Correaltions of consultant data regarding complexity of the offering.

Furthermore, it is seems to be important to realise the differences between projects, thus requiring different ways of working together with the customer. Consultants that are used as participants in projects, in an advanced line role, tend to have more focus on customer adopted working methods, according to correlation in figure 65, (correlation of 0,40). When adapting the working method and outlining the project many consultants mention how it is important to detect the important parts of what the customers' problem actually consist of, in accordance with Agndal and Axelsson (2012) and Kindström et al. (2012). Many consultants mention how the customer not always knows what parts of a problem that focus need to be directed to. Thus, an important part of increasing the customers' understanding, and setting the expectations of the customer and the consultant on an equal level, is to locate the actual problem and reducing the complexity of the scope. Such a process will increase the possibility of delivering a successful project from the customers' perspective, and thus create a desirable image of the firm. Similarly, Berggren et al. (2008) stress the importance of reducing the complexity in an offering and understand what parts that really add value in an offer. When the complexity is reduced it seems to be easier to apply standardized models, since the simplicity of the offering correlates with the use of standardized models shown in figure 65, (correlation 0,52). The negative correlation between the use of customer adaptation and the simplicity of the offering furthermore strengthens how a low level of complexity is well suited for standardized models, shown in figure 65, (correlation -0,37). Hence, the key to capture the customers' understanding and expectations can be seen as understanding the needs of the customer, finding the actual problem, drawing a detailed plan over a solution of a problem, and making sure that the customer adaptation matches the type of problem the customer is facing.

7.5.3 Make it Easy for the Customer to Say Yes

As mentioned earlier under *Importance of Capturing the Customers Understanding and Manage Expectations* the customers need to be approached with a clear solution-oriented message in order for the consultancy firm get the customers attention. This clear message is, according to the majority of the customers, crucial in order for them to be able to quickly assess if the offer might be of value. Clearly, the argumentation of Kim and Mauborgne (2005) of sending out a clear message that is consistent over time in order to avoid confusion from the customers, is highly relevant in the management consulting industry. The market strategy, thus the way the firm differentiate itself and the chosen area of operation, will have a large impact on how the consultancy will be able to present itself to the customers. It is therefore important to chose a market strategy that aligns with the idea of sending out a clear message on the market place in order to create a clear image of the firm. However, such a market strategy also needs to be linked with the resources of the firm and the pricing strategy, as described under *Pricing Strategy* and *Market Strategy*.

Trout (1995) underlines the essence of keeping things simple, stating that often the solution to a problem is already known or easy to find, but are not being dealt with. Such an issue seem to pinpoint a general sales process on the market of management consulting. As mentioned by several consultants, often the customer is not aware of their problem and therefore is it up to the consultant to visualize the improvement possibilities. However, most customers have busy schedules and do not have time or motivation to examine if an offer that is not fully understood might be valuable for them. Certainly, if a customer is not actively looking for help then the customer is most likely to turn down an offer that is not directly in line with their agenda. Therefore, the offering should be addressed directly to the needs of the customer and it is important to immediately create incentives for the customer to be involved in further discussions over a potential project.

As discussed under *Network,* personal contacts are a key component in the acquiring of new projects. By immediately catching the attention of the customer with an offer of something that will bring value to the customer, without any obligation, it becomes much harder for the customer to turn down an offer. Consultants and customers mention how relevant trend reports, or an interesting speaker in a specific area on a seminar, are effective measures of getting customers familiar and involved with the consultancy firm. As earlier described, such initial relations can further on be developed and over time become credible, perhaps resulting in future projects. Also, as mentioned under *Pricing Strategy*, consultants mention that reducing the uncertainty of the customers is another way of making it easier for the customer to accept an offer. By only charging a customer if certain parameters are fulfilled the customer has less to lose, making the customer more likely to accept an offer. Therefore, it is important to have a clear message that makes it easy for the customer to understand the offering. By making it attractive for the customer to get involved in a relationship by immediately offering some value for the customer.

7.5.4 Components Affecting the Complexity of the Offering

The Complexity of the offering for a consultancy firm can be summarized into three components:

- The reputation of the consultancy firm,
- Market strategy,
- Customer communication.

In the figure 66, these three components are broken down into smaller segments, summarizing many of the above mentioned correlations and furthermore underlines that individual components seem to affect several areas. As mentioned above, the reputation heavily affects how the customer perceives the consultancy firm and a reputable consultancy firm generally gains the customers trust easier. Furthermore, the market strategy, mainly consisting of the niche and differentiation highly affects the complexity. Although, understanding the customers need and reducing the offer to what the customer really wants is an important part of both the market strategy and the communication towards the customer.

In overcoming the above mentioned obstacles in the customers mind a solution focus and integrated consistent communication helps to reduce the different risks the customer experience. Furthermore, the customers expectations of the company affects the entire process and helps create a reputation, affects the market strategy and needs to be synchronized with the customer communication.

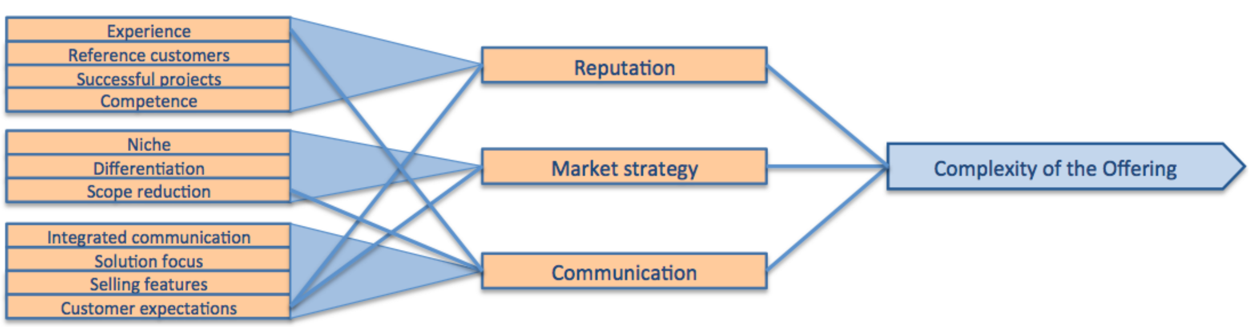

Figure 66. Components affecting the complexity of the offering.

7.6 Promotion and Exposure

Keller (2003) states that market communication represents the voice of a brand and the means by which organizations can establish a dialogue with the customers. Such a dialogue can thus serve the purpose to build brand equity, partially built up by brand awareness and brand image (Keller, 2003). As discussed earlier under *Network*, the reputation and brand knowledge of a consultancy generally have a main influence in the customers' buying processes of advising services. Thus, being able to build brand equity and place the brand of the firm in the minds of the individuals of the customer companies, seem to play a significant role in the success of a management consultancy.

7.6.1 What Marketing Channels are Used?

As illustrated in figure 67, in the marketing towards customers, personal selling of the consultants is the most common marketing tool used, and it is also highlighted in interviews with the consultants as the single most important component (mean value of 6,42 and 6,24). Thus, as discussed under *Market Strategy*, in order to be successful within personal selling, the resources of the consultancy need to be assessed based on this character. Furthermore, most of the consultants mention during interviews that besides personal selling, the marketing of the firm is mainly about creating a reputation and awareness of the firms' existence and competence. Thus, several measures are used by the consultancies, by which hosting seminars (mean value of 5,44 and 5,83) and publicising industry articles and trend reports (mean value of 4,53) seem to be the most commonly used. Furthermore, it seems as some consultancies regard the office address as a kind of marketing channel, where a central and prestigious location is used to create an image of the firm (mean value of 4,42). Also, most consultants regard the homepage as an important marketing channel (mean value of 5,56 and 5,42), while social media and advertising has a general lower priority (mean value of 2,74 and 1,74 respectively).

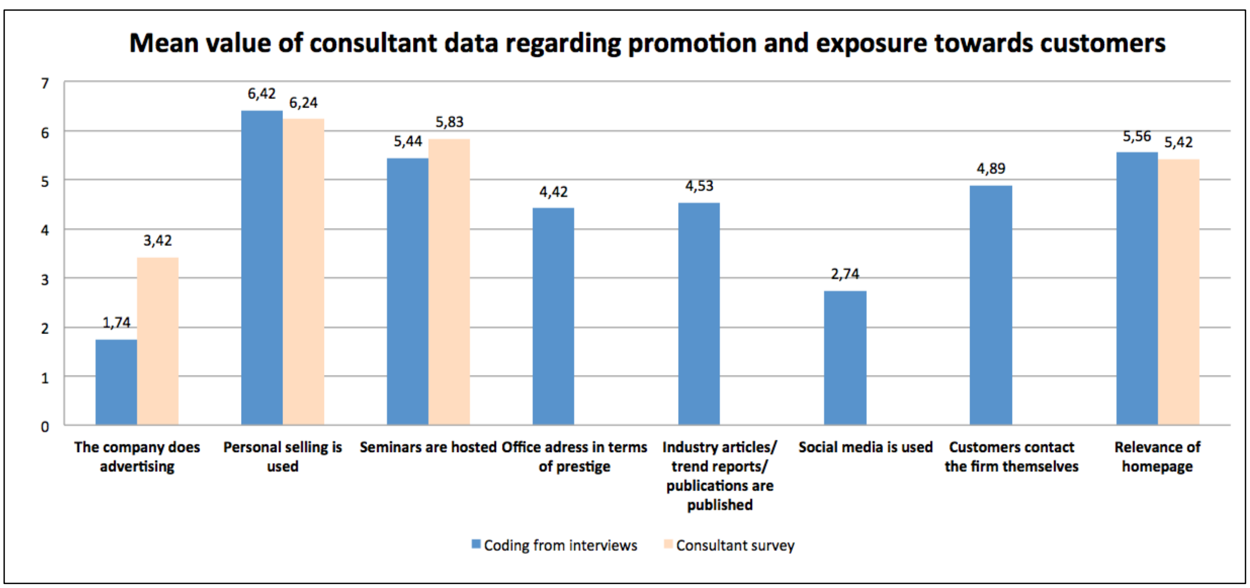

Figure 67. Mean value of consultant data regarding promotion and exposure towards customer.

In terms promotion and exposure towards potential employees, the marketing channels used are generally the same as the ones used in the marketing towards the customers, according to figure 68. As mentioned during interviews with the consultants, most consultancies use their network and individual relationships of primarily the senior consultants to create an awareness and attraction to the firm among other consultants. In other words, headhunting of consultants through the firms' own network is commonly used (mean value of 6,00). Thus, in terms of marketing towards potential employees, facilitating the networking of the consultants seem to be an aspect of significant importance, which is partially done through participation in events, exhibitions and conducting contact interviews (3,47) Furthermore, headhunting through an external actor is commonly used (4,00) and social media and advertising is fairly regularly used (2,89 and 3,39 respectively).

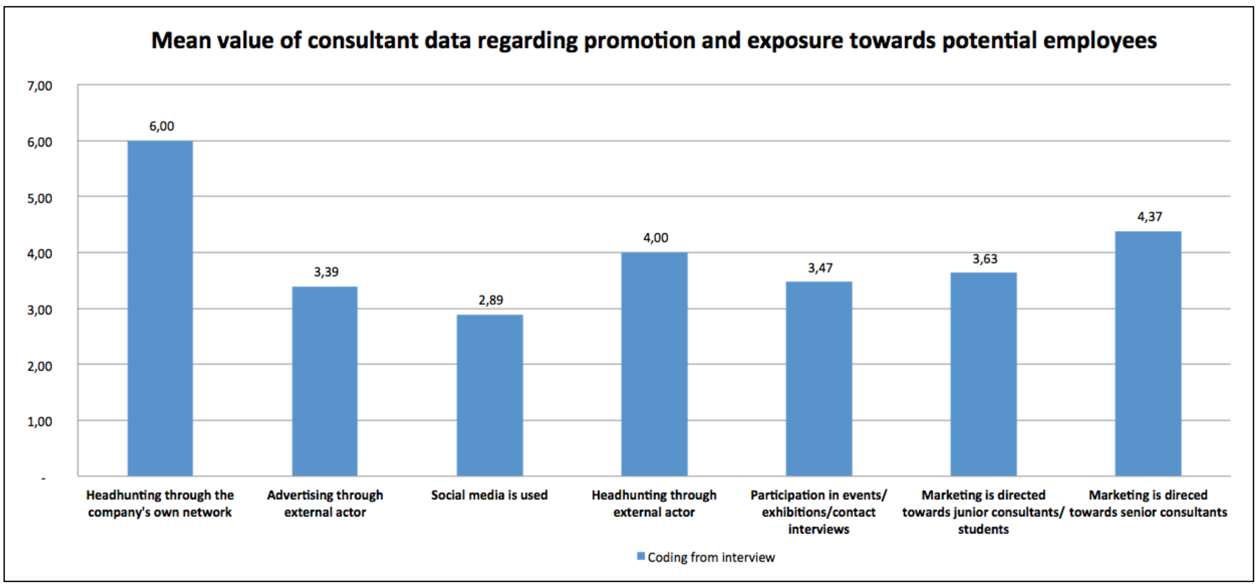

Figure 68. Mean value of consultant data regarding promotion and exposure towards potential employees.

7.6.2 Firms Use Different Channels

Figure 69 illustrate some correlations of how marketing is done differently in the industry. Certainly, some consultancy firms have reached such a position on the market and such brand awareness with the customers so that their dependence on marketing is limited. Such firms, where the customer contacts the firm themselves correlate significantly with a large size of the firm (correlation of 0,62) and firms publicising many industry articles and trend reports (0,46). On the contrary, those same firms also correlate negatively with usage of references in sales (-0,48), high focus on experience within the firm (-0,74), and diverting focus to a certain expertise (-0,44).

As discussed earlier under *Market Strategy,* in terms of setting the market strategy of the firm in terms of niche focus, the marketing channels used need to be linked. Clearly, niche actors, which generally are rather small (correlation of 0,86 in figure 58), have more difficulties in reaching a position where customers contact the firm themselves. Many consultants as well as several authors (Trout, 1995; Furusten 2012) mention that a small consultancy need to have a niche focus in order to reach out to the customers. Thus, it seems as even though niched companies correlate negatively with customers contacting the consultancy themselves, it rather is an effect of a less well known reputation that comes with a small consultancy firm, than the actual niche focus.

Furthermore, firms with an office address in terms of prestige generate similar correlations to consultancies where customers contact the firm themselves. Noteworthy, is certainly the high correlation of positive growth and profit (weighted variable) and prestigious address generate (0,49). Also, as mentioned earlier, advertising towards customers is rare within the industry, however the firms that do use it correlate heavily negative to firms with high experience through focus on senior consultants (-0,62) and firms with a niche focus in specific expertise (-0,47). Additionally, it seems as social media advertising is mainly done by firms with a higher level of junior consultants.

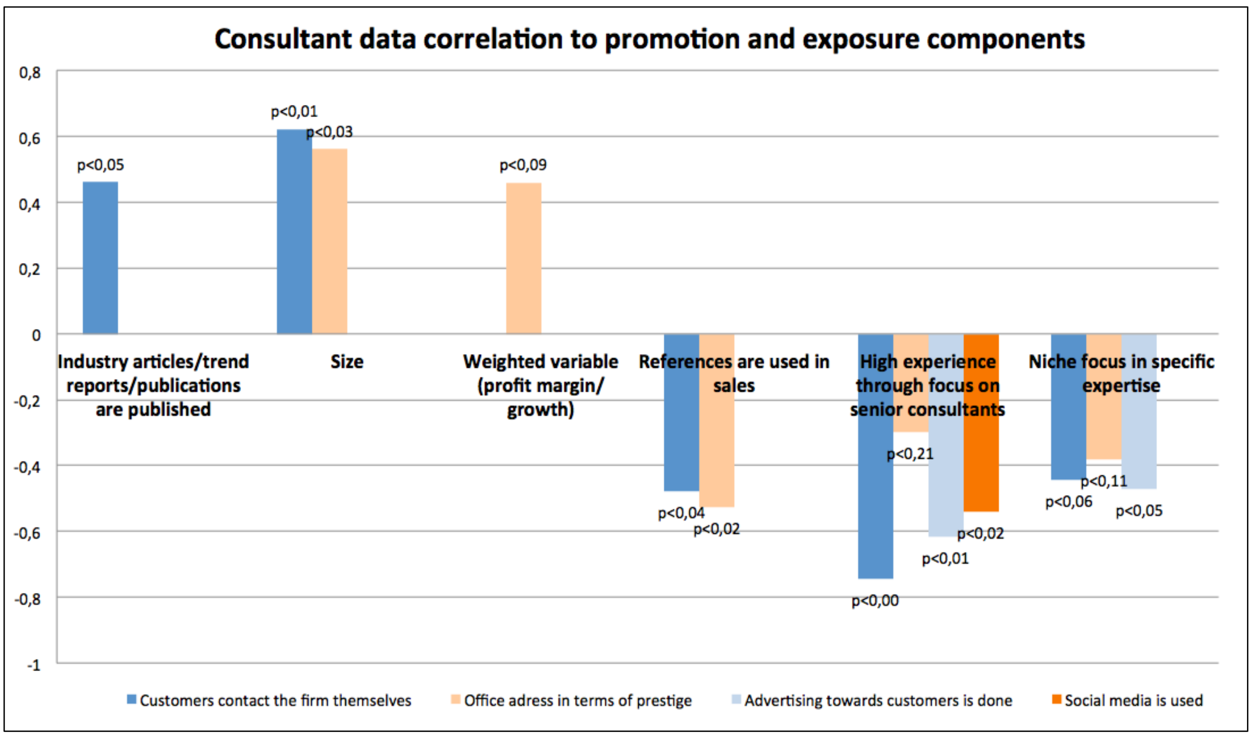

Figure 69. Correlations of consultant data regarding promotion and exposure.

7.6.3 What Marketing Channels are Appreciated by the Customers

The customers demonstrate similar mean values as to which communication channels are regarded as useful for a consultancy. Personal selling is regarded as the most significant measure (mean value of 6,58) while the brand recognition also plays a central role (5,33). If a screening process is conducted in the buying of advising service, customers generally tend to make an Internet search (5,08) and thus the homepage of the consultancy is an important communication channel towards the customers (5,09). However, few customers mention or consider hosting of seminars (3,60) or publications of industry articles (4,00) to be of importance when assessing a consultancy.

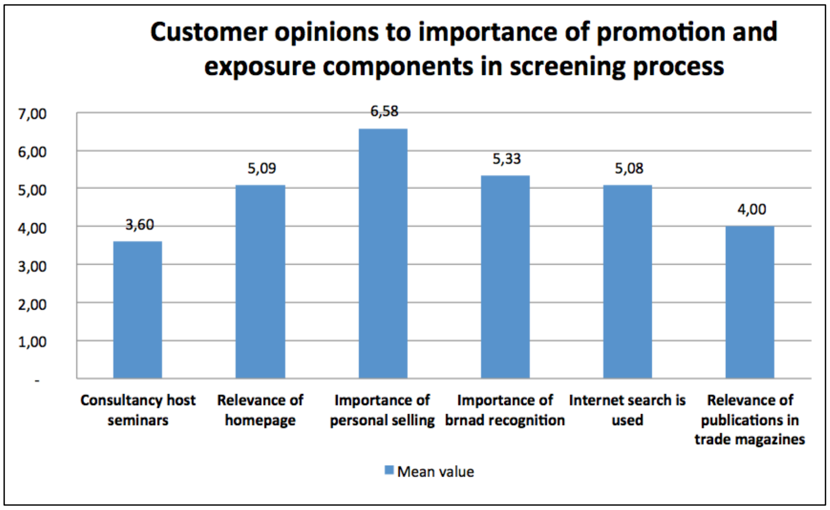

Figure 70. Mean value of customer data regarding promotion and exposure in the screening process.

7.6.4 Send out a Coherent Message to the Customer

Krugman et al. (1994) identify *integrated market communication* (IMC) as the coordination of communication tools for a brand. It seems, on the market of management consulting, where credibility is a main component, the concept of IMC becomes significant. Several customers mention during interviews that if the message is not coherent as to what is perceived regarding consultancy, then doubt in the relation can grow and the credibility get lost. As mentioned earlier under *Pricing Strategy,* the customer wants to eliminate uncertainties, and therefore a relation characterized of doubt is bound to fail. Several consultants, in accordance with Furusten (2012), point out that gaining the trust of the customer is the most important factor when approaching a customer for a project. In such a process, clearly, both customers and consultants regard personal selling to be the most crucial component, illustrated in figure 69 and figure 70. Thus, since personal selling is the most commonly used and successful marketing measure, it becomes of utter importance that what is said during such sales meetings are consistent. Hence, the argumentation of Badrinarayanan and Madhavaram (2005) of the importance to develop brand development activities internally before beginning any external brand development, becomes highly relevant for management consultancies in order to be able to maintain a clear consistent message across all marketing communications.

Integrated Market Communication in the Management Consulting Industry

Furthermore, Balmer and Greyser (2006) present a model of a corporate marketing mix where the concept of IMC is central as to linking the company character, culture, communication constituencies, covenant and conceptualization. Thus, it seems as a coherent and consistent image is important when communicating to the customers and other stakeholders, as also discussed in *Pricing Strategy*. Thus, in the process of building the earlier stated important brand awareness and brand reputation, the marketing activities of the firm are vital. Balmer and Greyser (2006) highlight the importance of matching the corporate reputation, with the corporate brand management, in order to get satisfied customers receiving a solution that match the expectations. Thus, as mentioned under *Pricing Strategy,* the marketing communication set the standards of what is expected by the customer and thus what will determine the perceived value of the service. Furthermore, since a value-based pricing is dependent on the perceived value of the service, what is communicated to the customer through marketing channels lay the foundation of the usage of pricing after value, as discussed in *Pricing Strategy.* Thus, it seems as the reputation and brand recognition as well as publications in trade magazines is relevant factors that highly will affect the customers' perception of the firm and the value it might deliver. Hence, it becomes vital that such communication is coherent in order to set the expectations on the right level.

In Balmer and Greyser's (2006) marketing mix, it is mentioned that sending out a coherent message needs to start with the firm having a coordinated company culture and corporate identity. However, the focus of this report being in the intersection between the customer and the consultancy, internal management issues such as culture and corporate identity is not included in the analysis. Balmer and Geyser's (2006) model applied on the market of management consulting can be summarized as following:

- What we are seen to be
  What the firm is seen to be is mainly communicated through seminars, articles, the network, the size of the firm, the profitability and the board members of the firm. All of these components are mentioned by customers and consultants during interviews to affect the image and credibility of the firm and are essential in the building of a well known reputation.

- What is promised
  What the offer promises to deliver will be highly dependent on what the customer expects to receive of the service, thus what has been communicated of the offer. Further, it is mentioned by both customers and consultants that the expectations of the two parts are easier to match if the customer is involved in the project and thus gets an understanding. However, if standardized methods are used with combination of low customer involvement, it is mentioned that the expectations often do not match in the end. Additionally, the price is also a highly influential component in terms of setting the expectations of the customers.

- What we say we are
  What is communicated of the firm is mainly done through the different marketing channels of the firm, such as the homepage, the individual consultants, by the references, by the advertising, and what is said by the demonstration of earlier projects, by the headhunting of specific consultants, and by the address of the office. Such marketing communication is the basis of the tactical positioning, that mainly should communicate the differentiating characteristics of the firm (Dahlén & Lange, 2003).

- Whom we seek to serve
  As mentioned in the chapter of *Market Strategy*, whom the firm seeks to serve is mainly communicated by the area of operation, or the niche focus, of a firm. Such niche focus also set the standards of which employees that are attracted of the firm.

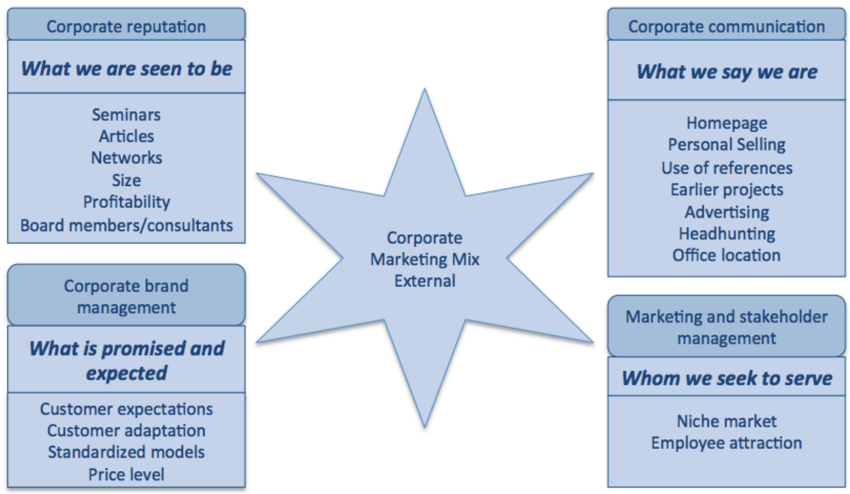

Figure 71. The management marketing mix on the market of management consulting.

Importance of Having an Integrated Market Communication

Nick and Raman (2003) and Balmer and Greyser (2006) point out the importance of sending out a coherent message to the customers and stakeholders by synchronizing the different activities executed by the organisation. As shown in the data, the importance of a clear and distinct offer (mean value of 5,89 in appendix 11.1.2) is further strengthened by the customers mentioning that there is a lack of coherence among what is communicated and it sometimes is difficult to understand what the consultancy firm is all about. Thus, it is crucial to have a unison communication and help the customer to understand what can be expected of the offering, as discussed in *Complexity of the Offering*. In line with Furusten (2012) and Schaffer (1998) customers point out the importance of clearly communicating what can be expected of the project and how it will be executed, which in figure 71 links the covenant component with the communication component.

In accordance to several consultants, Moore (2005) mentions that it is important to target a specific niche of the market and build a reputation from there in order to reach out to the customer, which links the constituencies component and conceptualizations component in figure 71. Thus, it is utterly important to match the reputation on the market with which customers and market segments are being targeted. Furthermore, many consultants point out how the market strategy, the communication towards customers, price level and customer expectations all build on the reputation of the firm. This increased reputation will, according to many consultants help to reach out to customers, help strengthen the market strategy, and increase the easier state of the corporate brand management. Thus, well executed communication, clear market strategy and a clear corporate brand management increase the reputation, which creates a positive spiral, since the reputation affects all the other parts mentioned.

Furthermore, Balmer and Greyser (2006) mention the importance to localize and evaluate segments on the market to target, and which stakeholders that are important to approach, in order to have an efficient exposure on the market. Thus, the consultancies need to consider in their marketing strategy in what way the customers are most efficiently approached. Mentioned by several customers, the buying process differs depending on the project. Some customers have their suppliers pre assigned, making their options limited, and some customers prefer to work with consultancies that have proven credible through previous assignments. In such cases, the marketing needs to be focused in spreading the reputation and brand awareness through networking with people from the industry.

However, some customers perform a screening process in some of their projects, in which the consultancies are generally found and assessed through different forums, such as searching for the company on the Internet, visiting the homepage, or attending a seminar hosted by the consultancy firm, or hearing about it through a industry article or trend report. Thus, how to attract the attention of a customer is an issue important for the consultancies to consider. However, all these marketing channels need to serve the same purpose, to portray the firm in a coherent and desirable way in order to build credibility.

Deliver According to the Customers' Expectations

Furthermore, in accordance with the literature (Trout, 1995; Krugman et al. 1994) the importance of coherence is mentioned by several consultants during interviews. However, there seems to exist a balance between being unique and attracting customers, and setting the expectations of the offer at the right level. Furusten (2012) argues, the market expects a consultant to act and behave in certain ways and there lies a danger in differentiating too much from such standards. However, in order to differentiate the firm it seems a consultant might have to set the standards of the expectations rather high. Thus, as mentioned under *Pricing Strategy,* the uniqueness of the offer is important in order to establish a value based pricing strategy, but it seems to create a conflict between being unique and not deviating too much from the competitors. Hence, if a value-based pricing strategy is preferred, it seems to be crucial to have a balance between having a unique offer and not deviating too much from the customers' expectations, shown in figure 72.

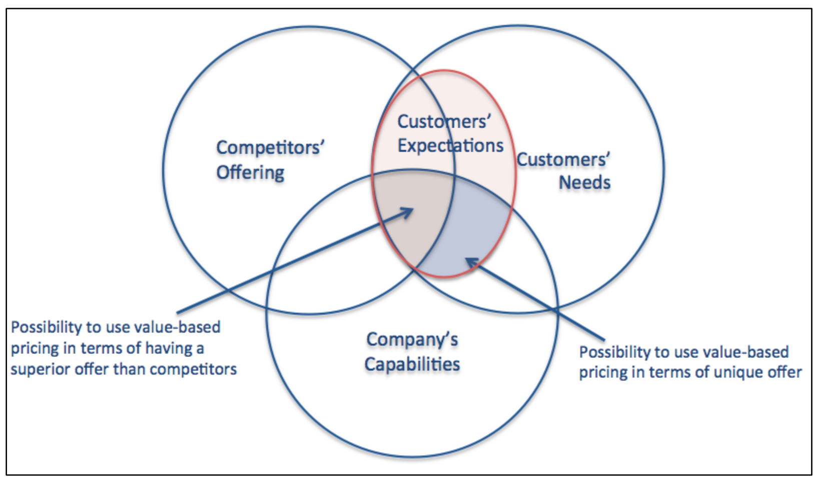

Figure 72. Match the customers' expectations with the area of value-based pricing.

7.6.5 Send Out a Clear Message of What the Consultancy Firm can Accomplish

Turner (1966) argues that the first rule of marketing is essential for service providers, to describe the service from the customers' perspective. Accordingly, the majority of the customers mention the importance of the consultancies to focus on direct benefits of their offer. However, described by several consultants, that is not always the case in a sales meeting. Instead, consultants seem to direct some focus to the competence the firm possesses and the models and methods that have been developed and used. However, while such a presentation of the firm might function in a competence legitimizing manner, it does not seem to provide the customer with any further incentives as to why an assignment would be of use. Instead, following the literature (Furusten and Werr, 2012; Turner, 1966) the message in the marketing should be based on what results a manager would reach if an assignment would be done, and thus answer the question of *why* in Kapferer's (1992) positioning. Thus, it seems as the marketing should mainly focus on the results and the fulfilled needs, even if the firms' capabilities are relevant for a accomplishing a certain task, since the customer may not be able to make the necessary transition of the certain competence to the actual problem (Turner, 1966).

However, several customers mention that presenting a model can create a belief that the consultancy firm is able to solve the problem. Although, the customers also highlight the fact that a model or working method can only reinforce a firms' ability to solve a customers' problem, not the other way around. Thus, Turner's (1966) argumentation of how service firms have turned their services towards the mass marketing of consumer goods, rather than specialized marketing of management services, seems to be highly relevant on the market of management consulting. Instead it seems important for consultancies, in the process of reducing the uncertainty for the customer, to focus on communicating a solution to the customers' problem, rather than focusing on presenting how capable or competent the individuals or the organisation are.

Create Value by Setting the Expectations Right through IMC

Furthermore, in order to ensure high quality in the project, as earlier mentioned, the expectations of the project need to be in line with what is communicated (Grönroos, 2007; Balmer and Geyser, 2006). Thus, both consultants and customers highlight the importance of creating thoroughly and well specified project descriptions of the scope and goal of the project. Such a seemingly minor detail can be the difference between success and failure in a project (Schaffer, 1998). Thus, following the framework presented in the *Pricing Strategy* chapter, the desired value-based pricing seem to originate in a marketing communication in line with the delivered value of the service, as well as well specified documentation of what to expect of the project. Furthermore, in terms of Turners' (1966) argumentation of marketing from the perspective of the customer, several consultants mention during the interviews that communicating a clear and apprehendable goal is an effective measure to create involvement of the customer. Thus, following the importance of truly creating value for the customer (Kim & Mauborgne, 2005), which is stated by the majority of the consultants to be accomplished by the involvement of the customers in the project, it seems as value of the offer truly originates in a clear and consistent marketing of the offer. Thus, as stated by Anantachart (2005), the IMC strategy should be developed in respect to the customers' needs, perceptions and preferences, but at the same time be in line with the firms' marketing goals.

7.6.6 Marketing in Appropriate Forums

As Balmer and Greyser (2006) mention, it is important to choose what markets should be targeted in order to reach out to appropriate potential customers. As most consultants confirm, the main target market for consultancy services are larger corporations (mean value of see appendix 11.1.1) that have sufficiently large operations, making it economically viable to invest large amounts of money on management improvements. Furthermore, many of the consultancy firms have customers that are in a specific need for a type of service within their niche, but the customers seem to behave similar in the selection process even if they are looking for different professional competence. It is therefore important to realize in what forums the potential customers are present in. As Turner (1966) mentions the unfit with service providers, most consultancies do little or no advertising towards customers (according to figure 69). Some consultants even claim that general advertising might harm the consultancy firm and could send out a signal of difficulty to acquire projects, thus undermining the consultancy firms' reputation. Although, there are no clear negative correlation between advertising and weighted profitability indicating that a high level of advertising would harm the consultancy firm.

However, some consultants also mention how advertising for job opportunities could work both as advertising for attracting talented coworkers, but also create an opportunity to expose the company culture towards the customer by describing what characteristics the company are looking for in their employees. Furthermore, advertising for job opportunities signals, in contrasts to general advertising, growth, stable economical situation and high occupancy with need for more employees. Such an advertising would thus function in a positive direction, since both Furusten and Werr (2005) and several customers mention that a stable financial situation (see appendix 11.1.3), indicate a high quality of the service.

Exposure Towards Customers

As discussed under *Network,* the most common way of starting a potential customer relation is by the personal network of the consultants. Thus, through networking it is possible to get in contact with somebody that might be a potential customer, or can refer to a potential customer. Hence, performing activities, and facilitating with certain measures, the networking of a firms' consultants is a commonly used marketing method. Such activities include the hosting of seminars and having a strategically located office close to the customers. Thus, many consultants describe that it is crucial that a consultancy firm has something specific to offer the parties in the network, making the consultancy firm an asset to have in their network. Hence, the argumentation of Agndal and Axelsson (2012) of strengthen the position in a network by acquiring the right connections, seem to be of significant use on the market of management consulting. Creating a powerful network will also increase the consultancy firms' own abilities to solve problems, since they can call in expertise when needed. In doing so, possessing over a large network is a way to increase the possibility of delivering great value to the customer, which Agndal and Axelsson (2012) is the main aspect in the networking model.

However, many consultants and customers express the difficulties of cold calling, putting increased pressure on delivering a precise and direct value to the customer in order to get a chance to fully explain the offering. Thus, it seems, for consultancies using cold calling as a marketing tool the message being communicated need to be unique. In so, as discussed in *Market Strategy,* it seems as niched actors with a differentiated offer have a better position to use cold calling. In terms of publishing industry articles, it is once again important for smaller consultancy firms to focus their resources in one area in order to reach out and make an impact on the potential customers in a certain segment. As many consultants mention, it is impossible for a small consultancy firm to cover several market segment at once, the risk is that none of the market segments are being captured due to lack of resources. Otherwise, as already mentioned, personal selling is used in direct sales, while internet exposure and seminars are important to portray an image of the firm, and hosting seminars and publicising articles is used in a reputation building aspect.

Exposure Through the Right Location

Figure 69 illustrate that placing the office in terms of prestige are an important marketing component for several advising firms. Both having an office location in terms of prestige, and the extent to which customers contact the firm themselves, correlates negatively with the use of reference customer during sales. Thus, as mentioned by some consultants, it seems as having a prestigious office address can gain credibility to the firm. Furthermore, the office address also seems to imply a certain level of reputation of the consultancy, similarly to a position where customers contact the firm themselves. Thus, it seems, having a certain level of reputation and brand awareness puts the firm in such a position that references do not have to be used.

Furthermore, a strong correlation between office location in terms of prestige and the profitability (correlation of 0,46 according to figure 69), indicates how the office location influences the profitability. Accordingly, Furusten and Werr (2005) mention that in financial industry, in many ways similar to the consulting industry, extravagance has turned into a symbol for expertise and quality and thus provide legitimacy of competence. Hence, it seems as prestigious offices are a way for several management consultancies to create an image of the firm. As mentioned by a consultant during an interview:

"*Before we had an unknown company name, so we had to be located on a well known address. Now we have a well known company name, so we have moved to a lesser known address.*" (Anonymous consultant, 2013)

However, some consultants mention that it is important to have an office that is representable, but at the same time do not portray a too expensive image. Several consultants and customer expresses how a too fancy address might cause the customer to think that they are indirectly paying for the consultants to be working in a nice geographical area, rather than paying for high service quality.

Exposure Towards Junior and Senior Consultants

The exposure towards junior consultants and senior consultants, shown in figure 70, differs significantly with the size of the consultancy firm. Size of the consultancy firm and exposure towards junior consultants correlates strongly (0,76), in contrast to size and exposure towards senior consultants that correlates negatively (-0,80), shown in appendix 11.2.4. Hence, generally the larger consultancy firms focus more on bringing in junior consultants. Such a distribution of the resources is generally used with a hierarchical organisational structure, using junior consultants as analysts and having fewer consultants at every forthcoming level within the firm. The rate by which the analysts leave the company is usually fairly high, but since there are fewer positions at every forthcoming level the need for hiring external coworkers on higher levels are limited. Thus, there is constantly a need for junior consultants in larger consultancy firms, which seem to be the main reason for their high correlation to directing marketing towards junior consultants. Such marketing is mainly done by being present at student events and conducting contact interviews with some chosen students. Furthermore, as mentioned, when contacting students, some larger consultancy firms choose to be a part of career fairs, but other mention the ineffectiveness in such events and prefer to invite the students to selected dinners or to the consultancy firms' own office. Furthermore, even though advertising often is limited, many consultancy firms present their internships on student websites in order to make the students aware that they are looking for applicants.

In terms of directing the marketing towards potential employees towards junior consultants or senior consultants, it seems to be a matter of several aspects. Firstly, as discussed in *Market Strategy,* smaller niche players seem to be in more need of experienced senior consultants as a result of their generally low brand awareness and their need to differentiate themselves as experts in certain areas. Secondly, as mentioned in *Network,* the inability of smaller niche actors to sell based on their reputation increases the need of a well developed network of the firm. Thus, as a result, in order to extend the network senior consultants are brought in since it is generally those who have established connections in the industry. Thirdly, it seems as bringing in junior consultants is a way to offer the customer options in the offer, in terms of price level and experience of the consultants. Furthermore, many smaller consultancy firms mention how they lack the overhead needed to efficiently utilize junior consultants, since they needs to be part of a team and can not take on projects on their own. It is mentioned and highlighted by all consultants the necessity of attracting talented coworkers in order to deliver qualitative services. Thus, in accordance with marketing towards the customers, the marketing towards junior consultants is mainly done by personal promotion. Such marketing not only seem to enlarge the network of the firm but also extend the reputation of the firm.

7.6.7 Components Affecting the Promotion and Exposure

The Promotion and Exposure for a consultancy firm can be summarized into four components:

- The reputation of the consultancy firm,
- Customer communication,
- Employee communication,
- What market is targeted.

In the figure 73, these four components are broken down into smaller segments, summarizing many of the above mentioned correlations and furthermore underlines that individual components seem to affect several areas. As mentioned above, the reputation heavily affects the *Promotion and Exposure* and several of the consultancy firm's activities that primarily affect other components will also affect the consultant's reputation. Activities such as the location of the office and advertising, which primarily is used for communicating with the customer also heavily affects the long term reputation of the consultancy firm.

Furthermore, the size of the consultancy firm affects not only the reputation as shown above with strong correlations, but also what type of projects a consultancy firm can undertake, further discussed under *Size and Availability.* Similarly as discussed under *Pricing strategy* the price determines which type of customer one can have, but also affects the reputation. The employee attractiveness, further discussed under *Competence,* also affects the consultancy firm's reputation

as well as the communication towards employees. A unique and differentiated offer, as mentioned under *Market Strategy,* will increase the consultancy firm's reputation, make the firm to stand out from competitors in the communication with the customer, as well as affecting which customers the consultancy firm should approach.
Many of the connections shown below seem to affect each other both ways. An improved reputation can for example help the company to grow in size and increase profitability, just as profitability and size can increase the reputation on the market.

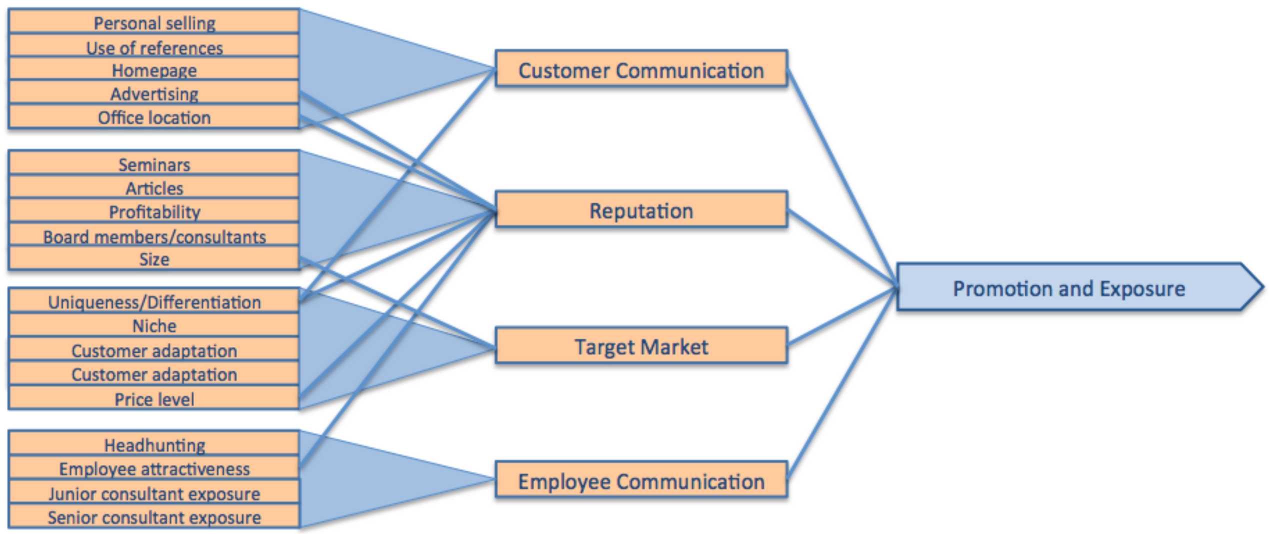

Figure 73. Components affecting promotion and exposure.

7.7 Size of the Firm

Consultancy firms of different size have, as mentioned under *Market Strategy,* different ways to approach the market place. Furusten (2012) mentions that large consultancy firms can achieve economy of scale by using a more standardized way of working. In accordance with Moore (2005), many consultants mention smaller consultancy firms need to focus on a smaller niche on the market in order to reach out to the market with limited resources. Furthermore, the size affects the availability of the consultancy firm as discussed under *Size and Availability.*

7.7.1 Relevance of Size of the Firm

The data from the consultant and customer interviews indicate that the size of the consultancy highly affect the credibility of the firm. Such a fact, as described in *Network*, is mainly dependent on the customers' concern whether or not a small firm is too dependent on certain individuals in the organization and if such a firm is able to handle rapid changes in resource needs. However, as illustrated in figure 74, the data from the consultant survey reveal a lower relevance of the size of the firm, which indicate that the issue of size is two folded in the sense that consultants in their daily work do not regard such a fact particularly much.

Furthermore, as described in the *Network* chapter, having collaborations with other actors might be a way for management consultancies to complement their offer and increase their perception on the market place regarding size. The fairly high mean value (4,32 and 3,92) indicate that the access to such collaborations are quite often used. Furthermore, as a result of their limited size, small consultancies generally have smaller networks within the industry as well. Due to such a fact, it seems as smaller consultancies are highly dependent on approaching customers with the right timing, as mentioned by Furusten and Werr (2005), since their information regarding potential projects through the network might be limited. However, the high mean value (5,13 and 5,33) indicate that the timing might be highly relevant over the whole industry, even for larger firms.

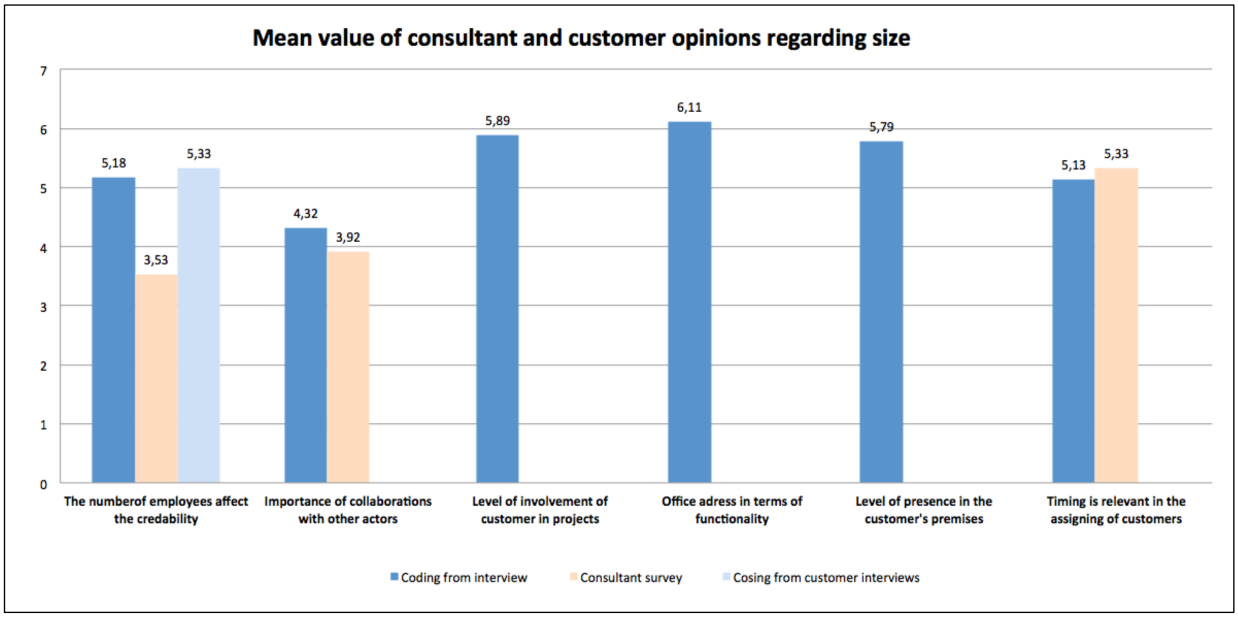

Figure 74. Consultant and customer data regarding size of the firm.

7.7.2 Correlations Between Size and a Consultancy Firms Characteristics

The size of the firm has been regularly discussed earlier in the report, thus most of the correlations to the variable have been mentioned earlier.

The size of the consultancy firm correlates heavily positive to what extent junior consultants are used and how well know the reputation of the firm is, as shown in figure 75 with correlations (0,76) respectively (0,74). As many customers and consultants mention, the reputation of a company increases with the size, since the market exposure increases. As discussed earlier, the well know reputation that is linked with the size of the firm also seem to provide credibility and opportunity to possess a wide offer, with no need to focus on a certain niche. However, such a wide offer seems to affect the clearness and distinctiveness of the offer, making the market strategy rather unclear (appendix 11.1.2).

Furthermore is it easier for larger companies to create an organisation with the necessary overhead needed in order to utilize the usage of junior consultants. Several consultants mention how it is difficult for a small consultancy firm to use junior consultants, since there is limited guidance from senior consultants available. In a larger organisation, several consultants claim during interviews, that the junior consultants do not need to have the same customer involvement. As a result, the size of the firm correlates negatively with social competence needed for junior consultants (-0,62). Furthermore, there are a negative correlations between size of the firm and references used (-0,53) and a positive correlation between size and customers contacting the company themselves (0,62). Such connections seem to relate to the fact that large consultancy firms generally have a well know reputation (correlation of 0,74), gaining them credibility. Thus, those firms do not need to demonstrate well known reference customers in order to acquire projects, but rather the customers contact the firms themselves.

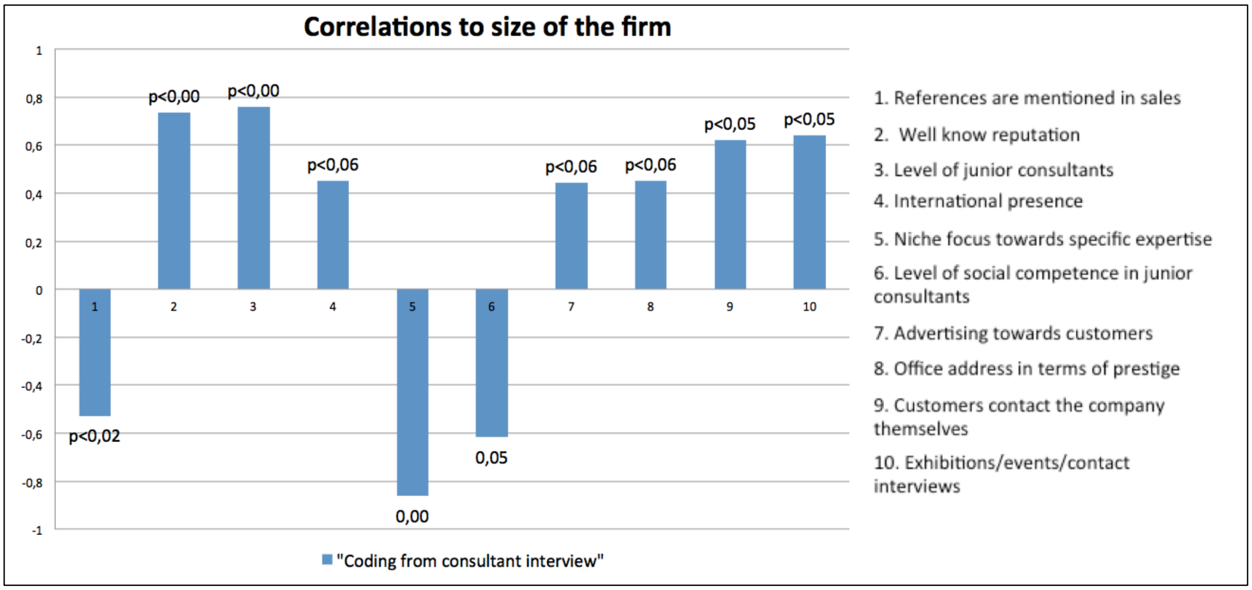

Figure 75. Correlations of consultant data regarding size of the firm.

Furthermore, according to figure 75 and as mentioned earlier, larger firms generally do more advertising (correlation of 0,44), participate in different events and conduct interviews with students (correlation of 0,641), and have offices in prestigious addresses (correlation of 0,45). However, the need to perform marketing activities seems to decrease with the size (correlation of -0,64), probably due to the well know reputation.

Many consultants mentions how smaller consultancy firms need to rely on more senior consultants with more experience, since they often do not have an organisation with large enough teams to fully utilize junior analysts. The strong negative correlation between size and level of social competence among junior consultants (-0,62) shows how junior consultants in larger firms does not have to interact in the same way with the customer compared to the situation for smaller consultancy firms. Such a fact seem to be dependent on their higher use of hierarchical structures within the firms (correlation of 0,32 according to appendix 11.2.5), which seem to be a way for the larger firms to legitimize the individual consultants competence (correlation of 0,40 according to appendix 11.2.5).

7.7.3 Size and Reputation

Furusten (2012) states that larger organizations often have a reputation that sells projects automatically, which is confirmed by several consultants and customers during interviews, expressing that large firms have an increased market exposure that generate projects. As earlier mentioned, such fact correspond to the strong correlations between reputation and size of the firm, as well as size of the firm and to what extent customer contacts the company themselves (figure 75).

Compete with Competitors Your Own Size

In terms of positioning, it is argued that it is of essence to position the firm relative to the competitors' attributes (Trout, 1995; Dahlén & Lange, 2003). Thus, it seems as in in the process of setting the focus of operation of a management consultancy, a firm need to consider what competition is already operating in that segment of the market and what characteristics those firms have. Accordingly, Rodgers (1983) mentions the need of sharing certain attributes in order to be perceived among a certain segment, and Moore (2005) mentions the importance of competing with competitors in your own size. Entering a large segment with not enough resources will open up for larger competitors to take over the market (Moore 2005). Accordingly, several consultants working in relatively small consultancy firms express the importance of finding a niche for smaller advising firms, in order to become an expert in a certain part of the market, as discussed under *Market Strategy.*

"It is better to be a market leader in a small market segment, than a small actor in a large market." (Anonymous consultant, 2013).

This type of strategy is furthermore confirmed with a strong negative correlation between size and niche focus towards expertize (-0,86) seen in figure 75. However, as both Furusten (2012) and many consultants mention, it is sometimes difficult for a small consultancy firm to always work within a certain area, so that the firm sometimes need to take on other projects in order to acquire projects for all the employees within the firm.

Furthermore, many customers express how a large firm can strengthen their credibility, since the size signals something of the stability of the firm, which is relevant for most customers in developing long-term relationships. However, customers also mention that a too large consultancy firm is not always preferable, since the importance of the project seems to decrease on the consultancy firms' agenda if the project just is a fraction of their business. This aligns with a Canadian e-poll where 44 % felt most comfortable working with small consultancy firms, 34 % with medium-sized and 22% with large consulting firms (Benefits Canada, 2000). Although, on the contrary, customers also mention that it is important that a potential collaboration between a consultancy and themselves do not imply that a too large dependency is created for the consultancy. Thus, if the advising firm is rather small in relation to the project, the customer might be a too large actor for the consultancy firm to collaborate with, which is further discussed in *Size and Availability.* It is therefore important for smaller consultancies to realize that a large consultancy firm are seen to be a more stable partner and thus convince the customer that the company is actually financially stable and a reliable partner, despite less number of employees.

7.7.4 Size and Profitability

Lee (2008) demonstrates a correlation between size and strategic alliances among consulting firms, indicating that large companies and firms operating in several countries are more profitable than small- or medium-sized firms. Accordingly, figure 35 illustrates a significant correlation (0,56) between the weighted variable (growth and profit) and the size of the firm. However, in the study of Lee (2008) no significant difference in profitability could be demonstrated between small- and medium-sized companies. Such numbers seem to confirm what is mentioned by several consultants and customers during interviews, that the reputation of larger advising firms provides an advantage on the market. It seems, growing in number of employees of the firm expands the network of the firm and thus builds on the reputation, making it easier to attract customers and gain credibility. This further strengthens the argument of small, but also medium-sized consultancy firm getting "stuck in the middle", with difficulties to compete with either price or differentiation as discussed under *Market Strategy.*

Reputation Affect the Quality

Additionally, as mentioned several times both by customers and consultants, the recommendations and solutions that a well know advising firm suggests are easier accepted than recommendations from a smaller less well known firm. Even if a less well-known consultancy firm would provide an equal report, the value of the report would be perceived to be lower. Thus, as a direct result of the size- and reputation of a firm, the perceived quality of the service is affected. Although, these effects are, according to many customers, mainly present in large strategic projects. Such a fact seem to build on the stated fact (Furusten, 2012) that buyers that hire the best and most well known consultancy firm can not be accused for a project that does not succeed. Hence, once a consultancy has reached a certain level of size, reputation, and brand awareness, the firm has acquired a momentum automatically gaining them new projects and credibility. Thus, building on the framework of Chenet et al. (2008) regarding service quality a loop emerges on the market of management consulting.

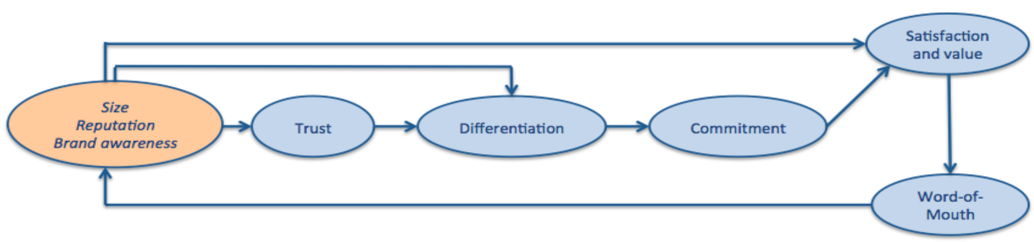

Figure 76. Establishment of trust on the market of management consulting.

A consultancy firm of large size, with a well-known reputation and brand, becomes trustworthy. Such features also differentiate the firm, creating a commitment among the customers, which increases the perceived value and satisfaction of the service. Well-executed projects create a buzz on the market further building on the reputation and brand awareness.

7.7.5 Customer Adaptation and Hierarchical Structure

Large consultancy firms often have a team of junior and senior consultants working together, where tasks are directed according to experience and competence areas. Many of these tasks are more or less standardized, in order to fit together. This creates both efficiency through economy of scale (Furusten, 2012), but also, according to many customers, a lack of customer adaptation and creativity. A trend that both customers and consultants mention is that implementation of proposed recommendations and strategies becomes more common, which is also reflected in the rather high mean value of 4,4 (appendix 11.1.1) of how many that offers implementation of the studied firms. As mentioned in *Pricing Strategy,* such complementary service seem to create increased value for the customer, instead of only recommending suggestions of how to improve a customer's organization.

Flexible Smaller Firms

Furusten (2012) mention that larger management consultancies generally tend to be more commodified and standardized. However, both customers and consultants mention that the need for customer adaptation and creativity increases with an increased focus on implementation. Though, from the Canadian e-poll it is argues (Benefits Canada, 2000) that smaller consultancy firms' lack of standardization makes it easier for smaller consultancy firms to provide creative solutions. Additionally, it seems as the smaller firm's general focus on experienced consultants also provide them with better ability to adapt according to the customer's needs. Furthermore, several consultants mention that a less strict organisation provide room for higher customer adaptation and increased creativity. It seems, a high degree of flexibility in terms of lose hierarchical structure correlates with the ability to adapt a project to the needs of the customer. However, though such an tendency seem to appear among the studied firms there are low correlations between size and customer adaptation, but a negative correlation between size and customer involvement (-0,29) indicate that smaller firms have a higher customer involvement, seen in appendix 11.2.4.

Flexibility and Hierarchical Structure

However, it seems to be relevant for advising firms to create a balance between the use of standardized working methods and customer adaptation. Although, it seems to be increasingly important to work more towards the needs of customer, which might require a less hierarchical structure, especially for larger consultancy firms. It seems, such a fact might create an opportunity for smaller less hierarchical consultancies use their flexibility to gain competitive advantage. Aranda (2002) mentions how small consultancy firms usually perform customized and flexible solutions, but in association with expansion, they get more standardized and more rigid in their operational strategies. However, even if there is a connection between hierarchical structure and size there are still examples of relatively large successful consultancy firms with a low hierarchical structure, which shows how it is not a necessity for large consultancy firms to have a hierarchical structure. Thus, trying to keep the hierarchical structure to a low level when expanding the firm might help keep a desired flexible organisation.

7.7.6 Size and Availability

Customers express during interviews, as mentioned above, the strive of not doing business with a consultancy firm that a too large dependence would be established with. By being a too large customer to a particular consultancy firm, problems might occur when the resources within a project need to be increased or decrease rapidly. Such rapid changes might imply that a smaller consultancy lack the needed resources, specifically in terms of providing experts in certain areas, as mentioned by several customers. Thus, it might be a dilemma for smaller consultancies that regular customers of advising services are usually rather large organizations that avoid large projects with smaller consultancies.

Collaborations Increase the Size of the Firm

Thus, it seems to become relevant for small management firms to portray themselves as rather big when approaching large customers. Hence, for small consultancies it might be relevant to set up collaborations with other consultants or experts, in order to increase their size. A tendency of such a fact can be identified in the negative correlation of the size of the firm and to what extent collaborations with other actors affect the credibility of the firm (correlation of -0,38). Accordingly, several consultants from smaller advising firms mention during interviews that collaborations with other firms with other areas of expertise can increase the availability of the firm and compensate for lack of size. Furthermore, it is mentioned by the consultants, that it might be easier to develop collaborations with a consultancy if the firm is operating within a certain niche, since the risk of competing for the same types of projects then is limited.

Collaborations to Extend the Network

Additionally, collaborating with other consultants or experts in specific areas of expertise also seems to be a measure to extend the network of the firm. The necessity for smaller firms to have a wide network is discussed in the *Network* chapter, however it is also clear that there is a need for smaller firms to approach customers with the right timing (correlation of -0,64 in figure 77). Thus, the necessity to approach customers with the right timing (Furusten, 2012) might decrease with an extended network, since the personal relations with customers becomes more. Furthermore, being able to have access to experts in the network might also function as an additional selling feature, thus not only increasing the availability, but also the level of quality of the service.

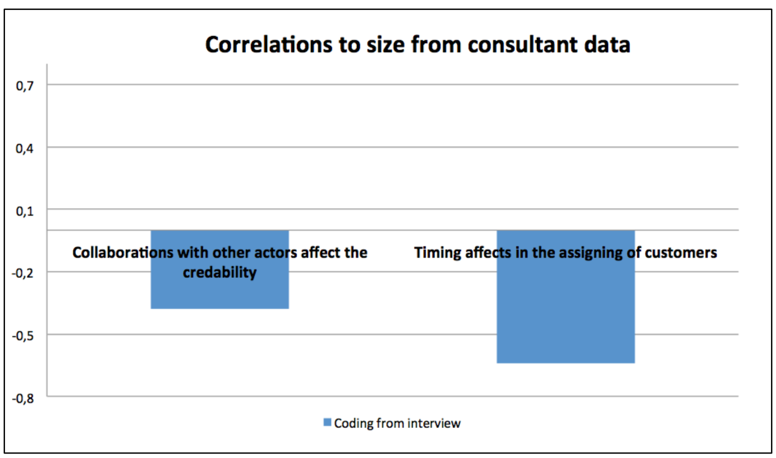

Figure 77. Correlation of consultant data regarding size of the firm.

However, some customers mention during interviews that the size of the firm in some cases decreases the availability, since the person in charge of a project might not be as easy to get hold of as the project leaders in smaller companies. Some customers also express that smaller consultancy firms often show increased flexibility in terms of adapting to the customer, and sometimes even more dedication in order to prove themselves in a project. It is perceived by some customers that the hierarchical structure that are often present in a large consultancy firms might create situations in which the consultants present at the customer does not have the mandate to make changes affecting the scope and price of a project. Such changes need to be authorized by the project leader, whom it might be difficult to get hold of. Thus, the flexibility that might be more present in smaller consultancies, due to their general lower level of hierarchy and their generally more experienced consultants, might be seen as an competitive advantage that can increase the satisfaction with the customer if used in the right way.

7.7.7 Components Affecting the Size of the Firm

The Size for a consultancy firm can be summarized into four components:

- Reputation,
- Market Strategy,
- Availability,
- Network.

In figure 78, these four components are broken down into smaller segments, summarizing many of the above mentioned correlations and furthermore underlines that individual components seem to affect several areas. As mentioned above, the reputation heavily affects the size and several of the consultancy firm's activities that primarily affect other components will also affect the consultant's reputation. Activities such as the location of the office will also affect the firm's availability. The market strategy, what market are targeted, how the service is performed and to what extent, will have a large impact on the size the consultancy firm is best suited for. Furthermore, the hierarchical structure and the flexibility will affect the availability that affects the size of the consultancy firm. Furthermore, the network of personal contacts and strategic alliances can help the consultancy firm to take on larger projects.

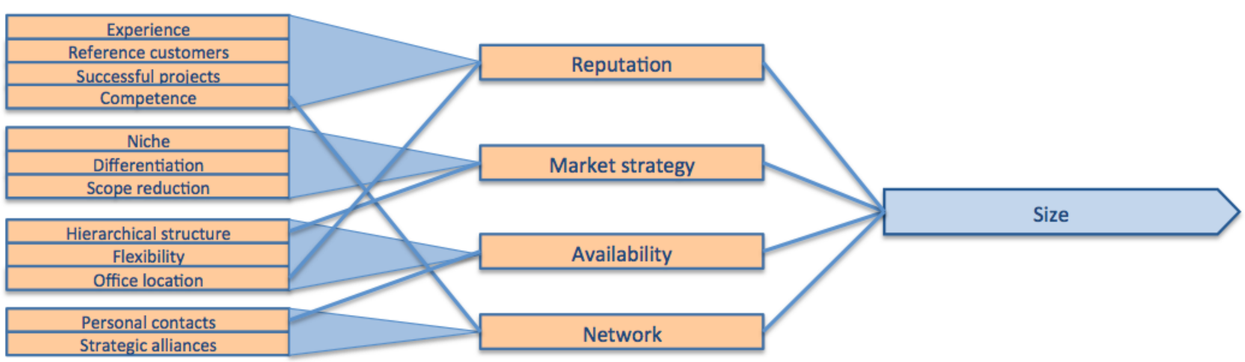

Figure 78. Components affecting the size of the firm.

7.8 Availability of the Firm

As mentioned in *Size of the Firm,* it is crucial for smaller consultancy firms to ensure a customer that the consultancy firm itself, or together with other contacts within the network, has the capacity to successfully complete a project. The network of consultants outside the company can strengthen the offer and eliminate some of the issues that a customer faces with lack of available experts in certain areas. Accordingly, Agndal and Axelsson (2012) highlight the importance of acquire contacts within a network to strengthen the position of the firm, and Moore (2005) argues that it is the company controlling the customer relationships that has the best ability to set the rules of the market. Thus, in B to B settings in general, and on the market of management consulting especially, it is crucial to have meaningful relations with the right actors.

7.8.1 Importance of Availability

Availability to the customer is according to the consultants extremely important, as illustrated in figure 79. Most firms strive to constantly being available (mean value of 6,16) and accommodating towards their customers. Some customers specifically point out that it is crucial for them to be able to come in contact with the consultants easily, in order to quickly proceed when problems are being faced. Such an argumentation seems to align with how the customers value a consultancy being available for visits (6,50) and available on the phone (5,67), as seen in figure 79. Furthermore, customers point out how it is crucial to have a constantly available person in charge of the project.

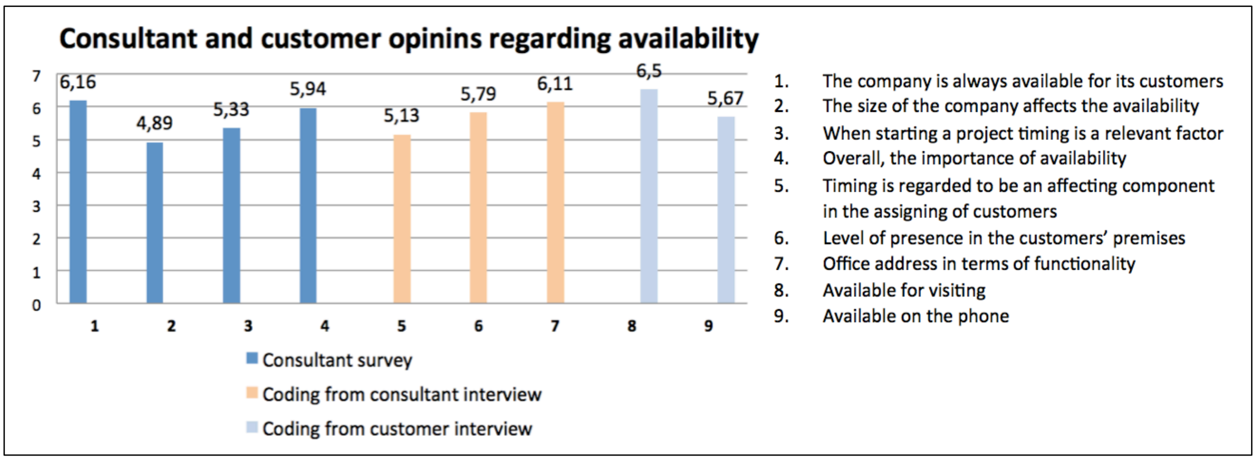

Figure 79. Mean value of consultant- and customer data regarding availability of the firm.

7.8.2 Availability on a Market that Demands Specific Consultants

Several customers mention during interviews that smaller consultancy firms usually are better at being available to the customer when working in a project, even though the data do not correspond. However, as earlier mentioned in *Size of the Firm*, large customers generally feel some doubt in collaborating with smaller firms, since their ability to provide needed resources when needed might be limited. Smaller firms are generally more dependent on specific individuals that possess high experience and high competence. Thus, when those resources are already assigned to projects, their time is limited and their competence tied up. Hence, building up a structural capital within the firm, where the competence gets documented and shared among employees seems to be a crucial internal aspect for small advising firms. However, as seen in some cases of the studied consultancies, some smaller firms strive towards allocating their key resources to several projects part time. In doing so, their competence can be more efficiently used and more of the other consultants are able to learn from the expert.

Availability and Access to Experts

Furthermore, the common issue characterising the management consulting market of hiring specific consultants based on their reputation, as discussed in the *Network* chapter with a mean value of 6,26, is an issue several smaller consultancies mention. However, mentioned by several consultants and argued by Christensen et al. (2013) the customers have over the years increased their competence in areas where consultants were used to be brought in. Such a fact has put increased pressure on the consultancies to differentiate themselves as experts, in order to deliver unique competence to a customer. Thus, as mentioned earlier, the customers have become more aware of what they are buying off of the consultants, which has increased their leverage in negotiations. Such a fact can be seen in the mean value of 6,50 of the importance of the customers to be part of choosing the team and the value of 6,75 of the importance of reviewing the individual consultants resumes (appendix 11.1.3). Thus, the issue of assigning advising firms based on their individual consultants competence rather seem to increase in the industry. Hence, such a trend might increase the importance of having access to key resources, which puts even more focus for the consultancies to attract talented consultants.

However, in order to decrease their dependence on specific individuals, it seems of to be of importance to increase the smaller firms use of standardized methods in which some competence is embedded. Thus, building up a structural capital, where expert competence is shared among the consultants seem to be a measure to decrease their sensibility to certain experts and thus increase their availability.

Use of Trusted Experts to Build Reputation

However, such a trend might not be completely negative for the industry. It might seem better to try to see such a problem as an opportunity, rather than trying to resist the market trend. As mentioned by some consultants from consultancies that have grown rapidly over the years, it is vital to use the trust of the individuals with the connections. By assigning such key resources as project leaders they become personally responsible for the results of the project. Thus, using such an argumentation and the trust that they possess as experts, more consultants can be brought in on the project. Hence, by using the trust of the expert other consultants can do certain parts of the project, allowing the expert to simultaneously work in other projects. Thus, it seems as rapidly growing management consulting firms have found an effective mean to use the leverage of their experts, and their consultants that have already trustworthy customer relationships, to grow their business. It seems, such a working model is similar to the model presented by Moore (2005) of how a company can use the success in specific niche markets to create word-of-mouth and spread to other niches. Similarly, using the experts to guarantee project success in customer projects, the firm can spread to more customers and thus create word-of-mouth, according to figure 80.

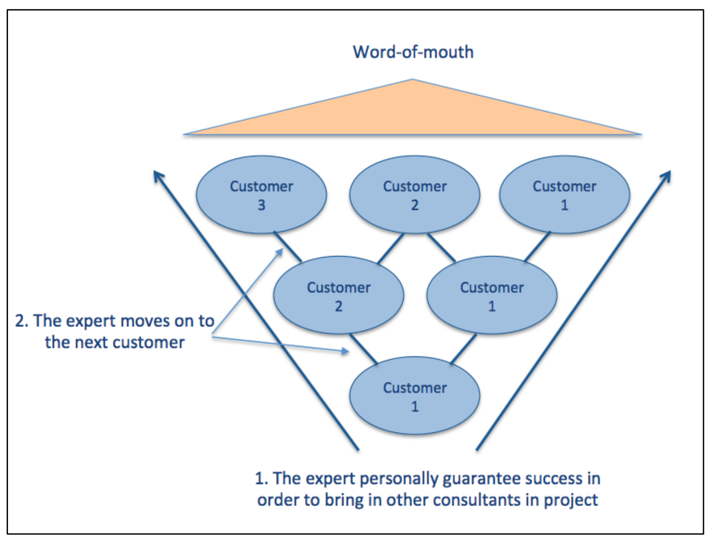

Figure 80. Utilize senior experts in order to increase the customer base.

Following such a model, it becomes a central issue of recruiting resources with unique competence and large personal networks. However, such a model might certainly have potential liabilities. As mentioned by several consultants, one of the most common mistakes of a consultancy is to sell in a project through senior consultants and then bring them off the project ones the contract is written. Thus, the perceived quality will decrease and the word-of-mouth can become a threat, due to disappointed customers.

Increase the Flexibility

In terms of availability of the firm, allocating a certain resource on several projects simultaneously seems to increase their flexibility. If a resource is working simultaneously at several projects with different duration, the chances of that resource being available at a certain time when a certain customer is in need, increases in comparison if the resource had been stuck at one project for long time. Thus, having an expert working on several projects simultaneously seem to provide a possibility to assign more projects, due to increased exposure, but also an increased availability to key resources through their regular completion of projects, further discussed under *Competence*.

Furthermore, the availability also seems to be affected by the market strategy of the firm in terms of where the expertise is set. For smaller firms, as mentioned by several customers during interviews, a hesitation might appear with the customer whether or not to assign a small firm due to doubt if the consultancy can fulfil the total need of the customer. Hence, the lack of availability to competence in other areas but the specific area that a project concerns can be a disadvantage for smaller firms. Thus, the niche focus and versatility of professional competence of the consultants seem to affect the way the customers perceive the availability of the consultancy.

7.8.3 Availability and Location of the Office

As discussed under in *Size of the Firm* chapter, there seems to be a trend for increased customer adaptation and customer involvement. Thus, it seems to be increasingly important that the consultant is able to perform the projects where the customers are. Hence, the location of the office seem to be of significant matter in terms of portraying an image of availability to the customers, which is confirmed by the consultants opinion regarding the importance of functionality of the office address highly (mean value of 6,11). Accordingly, several customers and consultants mention during interviews the importance of being able to constantly visit the customers' office or being able to work from their premises, according to figure 79. Office location is further discussed from a prestigious perspective in *Promotion and Exposure.* Additionally, having a strategically located office seem to facilitate the networking of the firm and thus the building of a well known brand awareness, hence affecting the perception of the firm.

7.8.4 Components Affecting the Availability of the Firm

The Size for a consultancy firm can be summarized into five components:

- Office location,
- Size,
- Hierarchical structure,
- Network,
- Competence.

In the figure 81, these five components are broken down into smaller segments, summarizing many of the above mentioned correlations and furthermore underlines that individual components seem to affect several areas. As mentioned above, the size affects the availability, but affects also several other components such as the hierarchical structure and the consultancy firms network. The size of a consultancy firm is highly dependent on how large the market is and how large the competitors are in that market segment.

Furthermore, the office location affects how easy the consultants are accessible for the customer, but also affects the ability to create a functioning network by being close to customers and consultants. A high degree of versatility as well as several in house experts helps increase availability, which can be complement by a well developed network. Furthermore, as mentioned above, it is important that the consultants within a project need to have the authority to make changes as the project comes along.

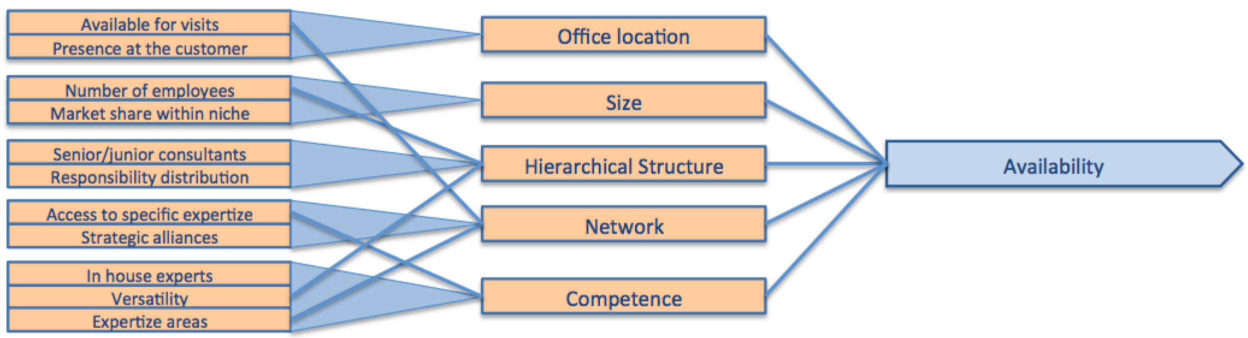

Figure 81. Components affecting the availability.

7.9 Competence

As mentioned in *Pricing Strategy,* the competence is regarded as the main asset of an advising firm both by literature (Furusten, 2012) and by all consultants. The ability to gain the trust of customers depends highly, as mentioned earlier, on several components but perhaps most of all on the competence and experience of the consultants. Similarly, Agndal and Axelsson (2012) conclude that the main ingredient of a reputable firm is well executed projects and documented high performance capabilities.

7.9.1 Competence According to Consultants

As shown in figure 82 and figure 83, the level of professional competence needed among junior- (mean of 6,18) and senior consultants (mean of 6,58) is high. The need of professional competence is naturally regarded to be slightly higher for the senior consultants, since they are assumed to have substantial experience and will be able to work rather independently. Accordingly, Furusten (2012) argue that professional competence is built up over the years of working in the industry. Such a fact is confirmed by the high mean value of 6,44 of the importance of experience among the consultants.

Furthermore, senior consultants are described in the *Network* chapter to be the individuals responsible of communication and the relations with the customers. Thus, the social competence of the senior consultants is highly relevant (mean of 6,58). On the contrary, the social competence needed for junior consultants (mean of 4,82) are not considered to be of the same importance. It is mentioned by most consultants of consultancy firms using junior consultants that their daily work generally consist of doing the analytical tasks. Thus, their need to communicate and be social with customers is limited. Although, far from all consultants agree that there is a difference in need of social competence among senior and junior consultants (mean of 3,72). Such a fact can, as earlier mentioned in *Availability*, be a result of the fact that some consultancies use less strict hierarchical structures. In such structures junior consultants are handed over more responsibility and their need of social competence seem to increase.

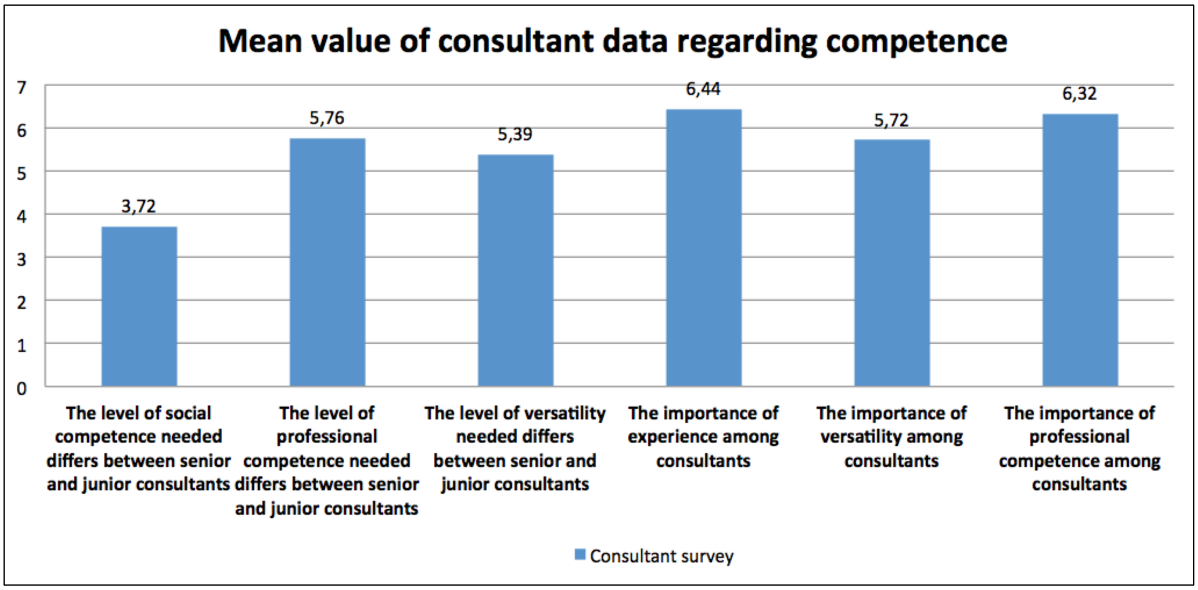

Figure 82. Mean value of consultant data regarding competence.

Furthermore, Furusten (2012) identifies versatility as one of the main characters that an individual need to possess in order to be successful within the management consulting industry. Accordingly, the consultants value versatility highly, receiving a mean value of 6,44 from the consultant survey. Furthermore, Furusten (2012) mention that versatility is a way to be flexible, especially for smaller consultancy firms, in order to be able to take on different types of projects. As mentioned in *Market Strategy,* it might be risky for small scale advising firms to focus on a specific niche or type of service, since there are no guarantees of always winning projects of a specific kind.

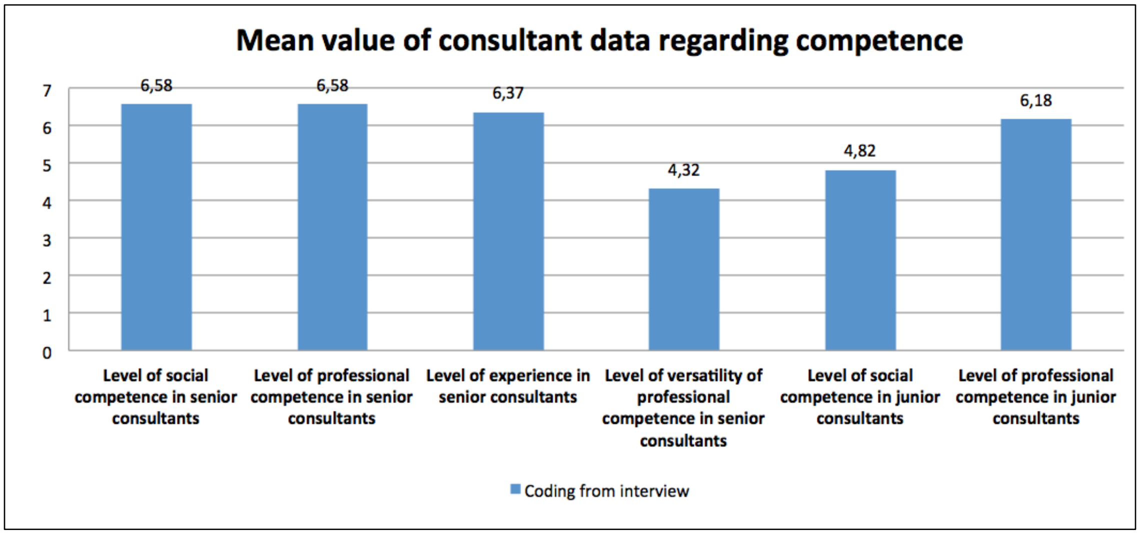

Figure 83. Mean value of consultant data regarding competence.

7.9.2 Competence According to Customers

In line with the consultants, the customers express the importance for a consultant to be experienced (mean of 6,08) and have a high social competence (mean of 6,5), according to figure 84. The customers have a high demand of senior consultants (mean of 5,92), but a rather low demand for junior consultants (mean of 3,17). Many customers express how they do not think they can get the same value when hiring junior consultants with limited experience. The importance for the customers to be able to assembly the team (mean of 6,5) and the screening of consultants resumes (mean of 6,75) seems, according to several consultants, to have increased as mentioned earlier under *Size of the Firm*. Many consultants and customers mention how the customer's buying processes have become more sophisticated. Some mention that many customers have a background as consultants and are therefore familiar with how to assemble a team of consultants.

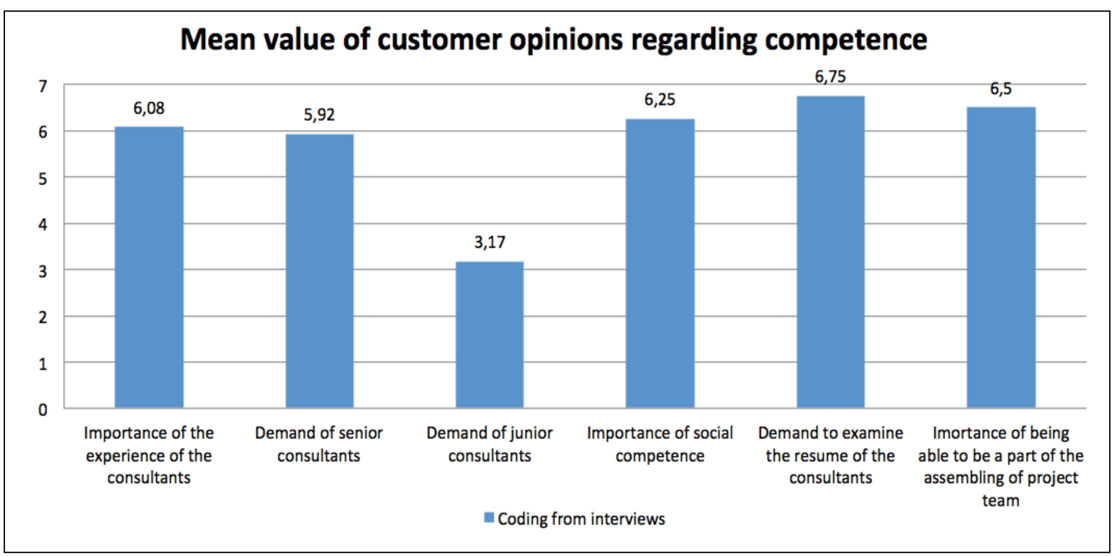

Figure 84. Mean value of customer data regarding competence.

7.9.3 Professional Competence

Professional competence is expressed as the basic core function of the advising firm's offers. However, the way the competence is legitimized differs. As mentioned under *Market Strategy,* different strategies require different skillsets. Smaller firms with a more senior heavy organization have a large focus on the individual knowledge of every consultant, while many large consultancy firms use a team of junior consultants assisted by a few senior consultants, using relatively strict models to process data. The customer often expresses the disbelief that a newly graduated consultant has the experience, which seem to explain the difference in demand between junior- and senior consultants. According to many consultants, smaller firms tend to have more difficulties to utilize junior consultants, since their experience often is limited and more strict guidelines are often needed, which is easier to establish in a larger team supervised by senior consultants.

In order to attract the right coworkers many consultants mention how it is important to understand what factors motivates the employees to work at a certain firm. Thus, satisfying the needs of talented consultants seems to be the core in delivering qualitative services. In the process of making a firm attractive some factors are commonly mentioned of the consultants during interviews:

- a convenient geographical place to work from,
- attractive developing projects,
- possibilities to climb within the organization,
- the prestige and brand recognition of the company,
- monetary compensation.

Thus, it seems as a way to attract the needed competence to the consultancy firms, and in the longer run achieve a favourable position on the market, those factors are highly relevant to consider. Several consultants claim in the interviews that the placement of the office does not necessarily have to be located at the most prestigious address, but it is important for many employees to have an office close to other professionals and people in the industry. Such a fact is thus not only favourable from a networking aspect, as discussed in *Availability of the Firm,* but also from a perspective of attracting talented coworkers. Furthermore, almost all consultants express the importance of offering stimulating jobs for the consultants in order to provide personal development. It seems as management consultants generally have a strive to "make a career" and thus providing possibilities of climbing on the career ladder is vital. Furthermore, the reputation and brand recognition are factors that are important for the potential employee. Working at a well knows company is a status that, especially many young professionals, strives for that is certainly favourable when applying for other jobs. Additionally, the financial incentive seems to be a rather significant motivation in the industry.

It seems, being attractive for the employees is a main component in the success of a consultancy firm. This viewpoint is similar to how Furusten (2012) considers the competence of the employees as the most important asset for a consultancy. However, such competence, Furusten and Werr (2005) argue is a combination of individual know-how, international management standards and management tools. Thus, as mentioned in the previous chapter of *Availability*, the structural capital and to what extent the firm is able to share the individual consultants expertise becomes of significant importance to acquire credibility on the market. Additionally, to legitimize each individual consultants competence, larger firms especially use a hierarchical structure (mean value of 5,28 according to appendix 11.2.5), as described in the *Size of the Firm* chapter.

7.9.4 Experience

The data (mean value of 6,37 and 6,08 in figure 83 and 84), the literature (Furusten and Werr, 2005; Furusten 2012), as well as the consultants and customers during interviews conclude that experience within the industry is of most importance. Furusten and Werr (2005) conclude that one of the elements in trust building within the field of management consulting is for the consultants to have experience within the industry.

Importance of Experience

With several years within the line of work, generally senior consultants have built up an extensive network of contacts that strengthen the firm's power position within a network (Furusten and Werr, 2012). The individual contacts, as well as the increased position of power in the network, are crucial to gain the trust of the potential customer. In order to understand a potential customers' true problem and thus deliver quality in the end, it is crucial to have been in similar situations before, in order to portray an image of competence and understanding of the customers' needs. In such a process, several consultants mention that it is important to be humble to the potential customer and not over exaggerate the competence. Being too "cocky" of what competence the firm can deliver, and even claim to know more about an industry than a CEO operating within that industry, can backfire. Thus, the process of legitimizing a firm's' competence to a customer is a delicate matter involving both humbleness and cockiness. It is mentioned by several consultants that such processes requires experience that generally take between 5 to 10 years to develop.

Furusten (2012) mention that it is important for small-scale consultancies to employ senior consultants in order to be sure that they have the needed competence, not necessarily technical knowledge but rather intuitive management know-how. Such know-how is something that the consultants learn during the years in service and it does not stem from books and seminars, but rather from many years of experience. In the lack of a strong brand, it is thus important for small-scale firms to underline their experience and expertise in order to establish trust with clients (Furusten, 2012). Similarly, many of the customers express the importance of the experience of the customers (6,08) as shown in figure 84. Thus, the experience seems to function as a component directly increasing the credibility of a firm.

7.9.5 Social Competence

Furusten (2012) mention how the social competence of the consultants is crucial both in terms of getting in contact with potential customers, but also to convince the buyer that the consultancy has the competence needed to solve a specific problem. Furthermore, many consultants mention how social competence also is crucial in order to maintain a good relation with the customer during the project after the project is finished.

Social Competence in Senior and Junior Consultants

The customers value the social competence of consultants highly (mean value of 6,25 in figure 84). However, some consultants mention that the social competence is crucial mainly for the persons that are in contact with the customer, which often is the case for more senior consultants. Although, not every consultant agrees on this statement, since the level of social competence needed differs between senior and junior consultants only receives a mean value of 3,72, according to figure 82. However, the level of social competence among junior consultants (4,82) differs significantly from the level of social competence among senior consultants (6,58) seen in figure 83. It could therefore be seen as the importance of social competence seems to increase along with the level of seniority of the consultant. Such a fact seem to be strengthen by the fact that firms with high social competence in their senior consultants correlate significantly with firms with strong brands(0,40) and firms with an international presence (0,46). Thus, in order to climb in the hierarchical structure, the social competence of the consultants are essential, especially in the larger more well known firms. Additionally, the level of social competence among senior consultants correlates heavily negative (-0,61) with size of the firm. As mentioned by several consultants during interviews, such a fact might be a result of the hierarchical structures often used in larger firms. Such structures allow junior employees to perform analytical aspects of a project with little social contact with the customer.

Many consultants also state how the initial crucial process of gaining the potential customers' trust is based on the ability to be responsive and understand the customers' problem, where a good social competence is an important factor. Accordingly, Furusten (2012) mention that the social skills can be a decisive aspect in an early stage of a new customer relationship. However, the conceptual competence gradually grows in importance, finally leading to a first project (Furusten, 2012). Accordingly, Agndal and Axelsson's (2012) argumentation of how a long term relationship is dependent on matching systems of the two parties, requires the consultant to be compatible with the customer on a social level.

In figure 85 Kotler and Armstrong´s (2010) model of benefits to the customer divides the offer into three areas. As mentioned under *Market Strategy* the second layer, the actual product, is often marketed in similar terms with little focus on what is unique in the offer. It seems as several of the characteristics that might be included in the second layer, such as high social- and professional competence, extensive experience and the usage of specific models and methods, are all features that are communicated by consultancies. Thus, it seems the opportunity to differentiate a firm with those aspects are difficult. Furthermore, all these components seem to be expected from the customer, but thus bring few arguments to why a customer should chose a certain consultancy firm. Hence, possessing such components seems to be a basis for the operation, rather than being unique for certain firms. Therefore it could be questioned if using social competence as a sales feature increases the customers trusts in competence for the consultancy firm. If the customer assumes that a consultancy firms generally have high social competence, then such a component seem to be unfitting to communicate as a unique feature for the firm. Hence, it seems as the time spent on featuring social competence instead could be focused on gaining the customers confidence in the consultancy firms ability to solve the actual problem. Thus, obvious statements as mentioning a high social competence when approaching a customer brings little value to the sales pitch and can question the consultancy firms' abilities to understand what brings value to the customer.

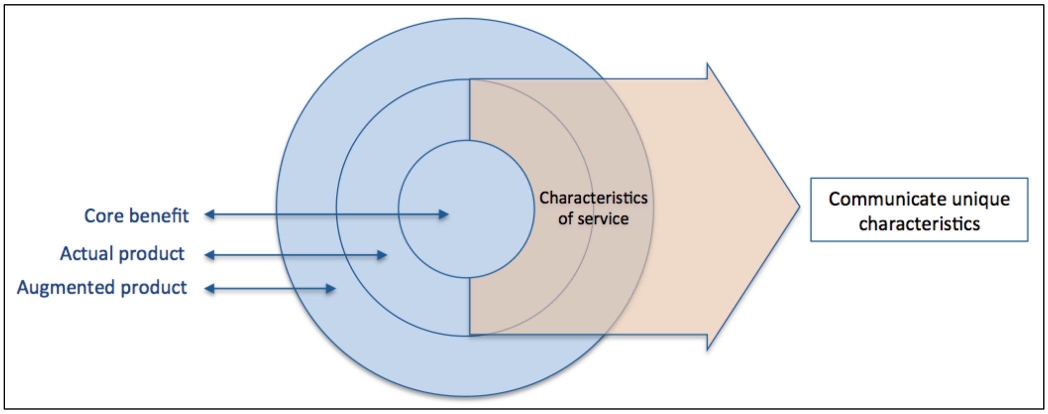

Figure 85. What characteristics to communicate.

Importance of Social Competence

In projects where consultants are hired as project leaders and are highly integrated with the company's operations, the social competence seems to directly affect the level of quality delivered. In such projects where the consultant are highly integrated the social competence of all included coworkers are essential, as seen in the high correlation of customer involvement in projects and the need of social competence in junior consultants (correlation of 0,70 according to appendix 11.2.6).

Furthermore, many consultants stress the social competence to be an important factor in the maintaining of potential customers and collaborative consultants, as discussed under *Network.* Thus, in the building of a favourable network and thus brand awareness of the firm, the social competence of the consultants becomes highly relevant.

Additionally, in order to deliver successful projects and thus build a good reputation and useable reference customers, several customers highlight the need of having a one person that are in charge of the project and can be directly reached. Keeping an open and regular communication with the customer in a project is stated, both by literature (Schaffer, 1998), customers and consultants to be of significant importance. Thus, in order to set the expectations of the customer on an appropriate level and thus deliver a perceived high quality in projects, the need of a good customer and consultant relation is essential.

7.9.6 Versatility Creates Customer Adaptation

Many consultants express the importance of having a high versatility on order for the consultants to be able to take on different types of projects, which makes it easier to match with the different projects that are available on the market. Similarly, Furusten (2012) mention that being flexible about what types of projects a consultancy undertakes is particularly important for small scale firms in competitive situations and requires versatility on the part of the consultants. Thus, being versatile provide a management consultancy to be more flexible and, as described in the *Availability* chapter, also to be perceived as more available in terms of what projects to take on.

Many consultants also mention how a higher degree of versatility among consultants make it easier to increase the customer adaptation, since the problem can be solved in an increased number of different ways. This aligns with how Kindström et al. (2012) mention that companies need to keep up with developments and management standards, finding new and different solutions, and to carefully listen and adapt to the needs of the client. Consultants also mentions that an increased versatility among consultants increases the possibilities to extend the cooperation with other consultancies, which benefits, as discussed under both *Availability* and *Network*, the chances to get new projects and higher quality in the projects. Similarly, Furusten (2012) mention that a way for small-scale firms to win projects is by systematically passing on projects between agencies within a network.

Furthermore, it seems as firms with a high professional experience in senior consultants are prominent in reputation building in terms of publishing articles and other industry related publications (correlation of 0,41 according to appendix 11.2.6). Thus, attracting experts to the firm can also in such a way build brand awareness and thus position the firm in the minds of the individuals on the market.

7.9.7 Competence Creates Reputation and Reputation Creates Competence

As mentioned above, attracting competent employees is essential for a successful consultancy firm. As several consultants mention, highly competent personnel will make it easier to increase the consultancy firms' network, since the firm has more to offer to other collaborators within the network. An improved network then strengthens the competence with available external experts, considered crucial in adding value to the offer by many consultants, which then increases the credibility followed by increased reputation. The increased competence will increase the chances of successful projects, which all consultants and customers agree creates credibility and increases the reputation. The increased reputation will as mentioned above help attract even more competent employees and creates an ability to grow and further strengthening the competence. Thus, strengthening the competence creates a positive cycle, affecting the entire consultancy firm, shown in figure 86.

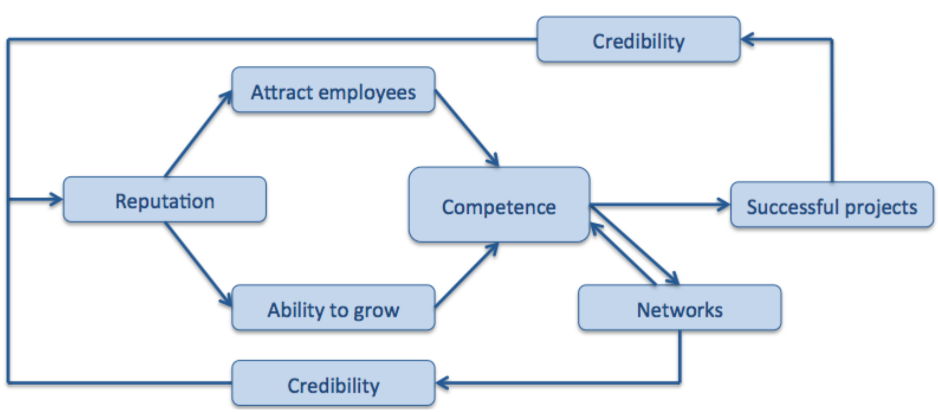

Figure 86. Competence as the basis for management consulting success.

7.9.8 Components Affecting the Competence

The Competence for a consultancy firm can be summarized into five components:

- Employee attractiveness,
- Size,
- Versatility,
- Experience,
- Network.

In the figure 87, these five components are broken down into smaller segments, summarizing many of the above mentioned correlations and furthermore underlines that individual components seem to affect several areas. As mentioned above, employee attractiveness is crucial for the competence and is heavily dependent on the having an office location that fits the employees, offer interesting projects and career opportunities, offer reasonable monetary rewards, but also have a reputation that appeal to potential employees.

Furthermore, a flexible workforce able to work with different projects with different contents makes it possible to better utilize the competence. The size affects what competence the consultancy can offer the customer, which is highly dependent on the reputation, availability and market strategy.

Furthermore, the network can complement the in house competence, which is affected by reference customer, personal contacts, strategic alliances, but also the office location and the reputation.

Many customers and consultants also mention the experience of the consultants as a major component affecting the competence, which is built on earlier performed projects and seniority among consultants.

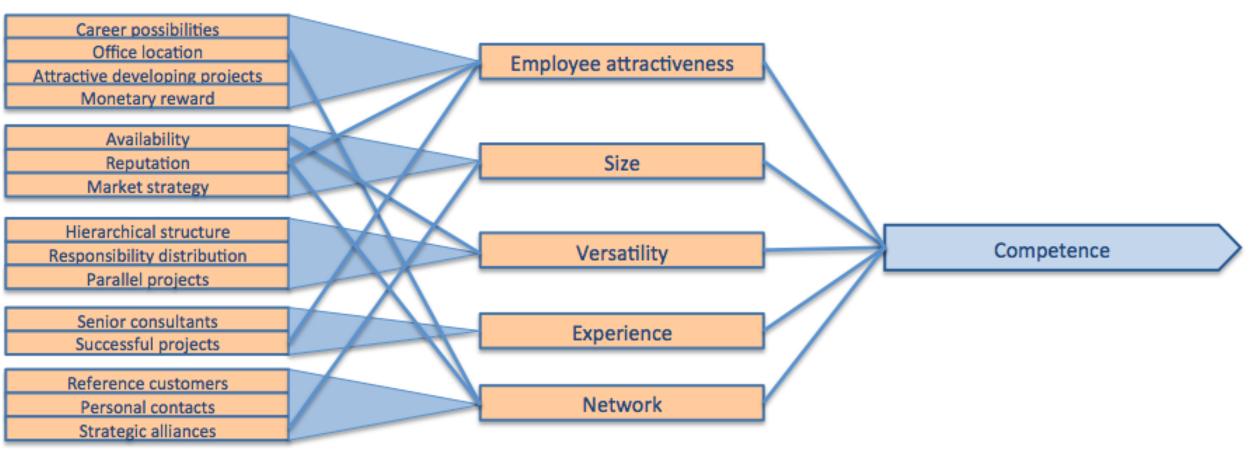

Figure 87. Components affecting the competence.

Conclusions

In this chapter the conclusions of the study is presented and the linking of the components affecting the position of a management consulting firm further described.

8.1 The Linking of the Components

As described in the analysis the linking between the components affecting the position are numerous. However, the most central ones are illustrated in figure 88.

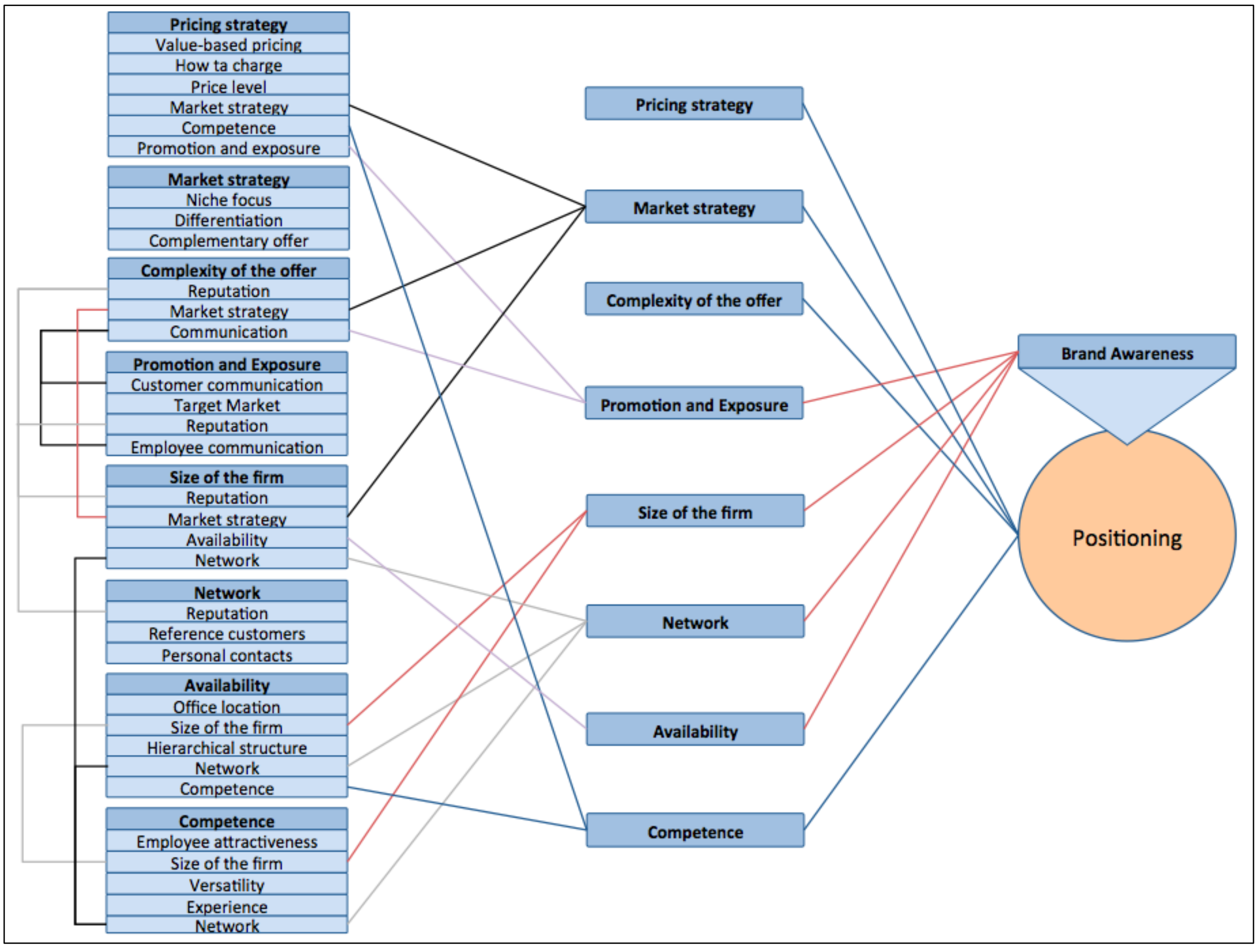

Figure 88. The linking of components affecting the positioning process on the market of management consulting.

8.1.1 Brand Awareness, Positioning, and Credibility

Positioning a firm on the market of management consulting is a concept highly dependable on gaining credibility and building trust of the firm. In order to capture a favourable position within the minds of the buying individuals, the firm need to be associated with trust and reliability. Thus, without a legitimization of the competence, the firm will not be positioned in a desired way, regardless of market strategy, price level, size of the firm, market communication, and so on. Hence, a major part of the positioning is therefore to build credibility of the firm, a component that in turn is heavily affected by the brand awareness.

With a well know brand a firm seem to possess a high credibility embedded in the firms' name. Since the perceived value of a management consulting service seems to be a result of the projects impact on the customer organization, the ability to make such an impact is of significant importance to attain a favourable position. However, in what extent the solutions of a project are received is a direct result of the firm's' credibility and thus brand awareness. Hence, the impact of a project result in a customer organization seems to be a consequence of the markets' awareness of the firm.

Thus, the reputation of a firm seem to be a factor depending on the position that a firm possesses in each individual's mind multiplied with the brand awareness of the firm. In such a way, the reputation, containing two dimensions consisting of brand awareness and the associations of the firm, is a component that is of most significant importance for management consulting firms. Hence, in the process of gaining credibility the reputation of the firm is central, illustrated in figure 89. However, as mentioned, on the market of management consulting particularly, in contrast with other service markets, the brand awareness itself is a factor that is heavily associated with the credibility of the firm.

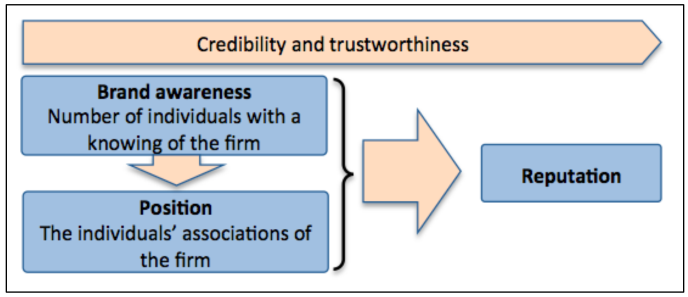

Figure 89. The process of positioning on the market of managemet consulting.

As mentioned a reputable firms suggestions will be better perceived in the organization, since a recommendation from a reputable firm is less likely to be questioned. Hence, the reputation built up largely of the brand awareness directly affects the quality of the service. This makes a unique situation for the management consultancy industry, where the brand awareness directly affects the quality of the service, which then affects the positioning. Hence, the reputation is built from the brand awareness and the positioning, which are heavily dependent on the extent of the brand awareness. Thus, it seems impossible to create a good positioning for a management consultancy firm without having an extensive brand awareness.

8.1.2 Pricing Strategy

Value-based Pricing

Value-based pricing seems to require superior performance compared to the competition and/or having a unique offer in order to divert the customers' focus from the competitors' price and offers towards the value added. Since the value of a service is highly dependent on the customers' expectations the consultancy firm's reputation is crucial for a value-based pricing strategy. Outperforming the competition and/or having a unique offer can help the consultancy firm to stand out, creating a desired positioning in the customers' minds of being the only possible solution for a certain type of problem. However, since the value is dependent on the customers' perception, a value-based pricing helps the customer to increase their perceived value with increased focus on the offer instead of price, which further strengthens the positioning.

In order to successfully utilize a value-based pricing strategy the consultancy firm need to gain the customers' trust. With a new customer it requires a good reputation on the market, which smaller firms do not posses. This creates a situation where large well reputable consultancy firms can focus more towards value-based and further increase the reputation, but smaller less reputable consultancy firms have trouble to gain the customers trust forcing them to a more conventional price model. The more complex the service is the more important the reputation of the firm becomes. However, projects with a clear scope increases the ability for the customer to understand what can be done, which increases the trust and the need of a well known reputation decreases. Furthermore, measuring the results after the projects helps the customer to realize the value added and further strengthening the perceived value resulting in improved positioning.

How to Charge

Most consultancy firms charge after an hourly fee or a fixed price based on an estimate of a certain numbers of hours. It seems to be crucial to have a consistent way of charging the customers in order to not confuse the customer and create a feeling of paying more than others.
Therefor the way the consultancy firm charges the customer needs to be synchronized with the market strategy, ensuring that the a similar pricing model can be used throughout the organisation in order to clearly positioning the firm in the minds of the customers. The hierarchical structure affects the pricing system, where it seems harder for consultancy firms with few different level of seniority to keep a high spread in price for junior versus senior consultants, since the customer might not feel that the price difference is justified. Furthermore, it is important to involve the customer in both the project and the way the prices are set, which decreases the confusion and helps increase the customers understanding for the project.

Price Level

A consistent price level seems to be crucial in order for the consultancy firm to gain the customers trust. The trust is linked heavily to the customers´ understanding of the offer that is linked together with having a clear offer. Discounts and different price levels confuses the customer that might have a hard time to realize why there are different price levels for services that are similar. A high price can increase the expectations and increase the perceived value for the customer, which further strengthen the positioning. However a too high price will create expectations that are far from the result delivered. Thus, it seems that it is important to have a price in relation to the delivered value and it becomes crucial to explain to the customer what value has been added, which will heavily impact to what extent the customer is satisfied.

8.1.3 Network

Reference Customers

The reference customers seem to mainly affect the positioning from the perspective of spreading the brand awareness of a firm. However, certainly the image that a potential customer receives is also affected of the communication with a reference customer. Thus, the reference customers seem to affect both components in the positioning model and therefore generate a reputation and gain legitimacy to the firm.

The more reference customers a firm has, the more brand awareness the firm will generate. However, the firm certainly need to deliver successful projects in order be recommended and thus setting the expectations of the customers on an appropriate level is of significant importance, which is partially accomplished by using detailed project description plans.

Reputation

It seems, the single prominent component in the process of gaining credibility and trustworthiness is to possess a favourable reputation. As mentioned, the reputation seems to be built up of both the individuals' associations of the firm (position) as well as the brand awareness. Thus, the reputation is a result of the two components, and it is thus consisting of the two components sub components. However, in terms of brand awareness, it is mainly affected by the size of the individual consultants network, the performing of marketing activities such as seminars, publications of articles and presence at different events. The position or image of the firm on the other hand is more affected by the market strategy and were the focus of the firm lies in terms what projects the firm undertakes, and what differentiating characteristics that are communicated, as well as possible collaborations the firm might have with other firms or experts.

Personal Contacts

The personal contacts are key in the process of generating a reputation of the firm, both in terms of building brand awareness and to generate a favourable image of the firm. In the industry, the personal contacts are generally tied to senior people with substantial experience and social competence. Thus, it seems to be a strategy by several smaller management consultancies to employ mainly senior consultants in order to both acquire a large network as well as the reputation that is tied to each individual. Therefore, it is of importance to possess a number of employees that are familiar with the Furusten's (2012) "rites de passage" in the industry. Those individuals can then teach junior consultants, as well as experts with a lack of consultant history that are brought in from certain industries, how to act and behave in order to portray the firm in a desirable and effective manner.

Due to the importance of brand awareness, it is of relevance for consultancies to have a long term strategy in their marketing, hence being present at student events and giving lectures is of importance. Such activities might not only attract potential employees directly, but also present the firm in a desirable fashion to future potential individuals in customer organizations. Furthermore, a central aspect in the firms' ability to provide the consultants with networking possibilities is the location of the offices of the firm. In an industry dependent on personal relations between the customers and the suppliers, the geographical nearness between the parts is relevant. Thus, in the process of setting a focus of operation of the firm it is of importance to consider that the market segment is sufficiently large in order to cover the aim of the firm. For example if the aim of the firm is to be a advising firm with a niche focus in process management with a revenue over 50 MSEK, then sufficient amount of customers must be in need of such services. Otherwise, the niche focus will be inevitable to keep, and the desired position will thus never be attained a result of a lost niche focus.

8.1.4 Market Strategy

Niche

A consultancy firm need to target a specific area of the market in order to stand out of from the rest of the market and developing an expertise competence in a specific part of the market to be able to attain a certain positioning. The size of the firm sets the limitations to how large market segment the consultancy firm can target. Furthermore, the competition affects what parts of the market is preferable to enter and relatively easy create a strong positioning. It seems as several smaller firms today have got "stuck in the middle", with trying to compete towards both price competitive staffing agencies and premium priced well reputable large firms with low profitability as a result. It seems as the smaller firms needs to either focus on becoming a premium staffing agency or only focusing on high end projects. These choices heavily affect the positioning, which requires completely different ways of approaching the customer.

Differentiation

The differentiation helps establish unique selling features for the consultancy firm within a market segment and helps positioning the firm relative to its competitors. together with the niche a differentiated offer can help create a unique offer and increase the focus on the delivered value, enabling value-based pricing. Although, it is important not to deviate too much from the customers expectations, which can due to lack of previous experiences of similar projects cause doubt to the customer. Therefore it can be considered important to only deviate the offer in certain areas where every deviation either creates a sales feature or creates a significant cost cut. This creates a similar, but improved and/or cheaper offer compared to the competition, which will not cause doubt to the customer.

Many features such as having a good relationship with the customer, working close to the customers operations and having competent consultants are all features that the customer already expects from most consultancy firms. Therefore it can be seen as a fundamental requirement, which brings little or no differentiation. It seems as using these arguments as selling features does not help the customer to see why they should chose a certain consultancy firm and seems to rather divert the focus from other more convincing sales features.

Customer involvement directly affects the positioning of the firm, since that heavily affects how the customer perceives the value. High customer involvement tend to increase the end result, but seems to affect the perceived value even more, since the customer have increased understanding for the project and its improvements. The hierarchical structure and working methods sets the standard of what the customer expects from the consultancy firm and how it is possible to integrate with the customers operations.

The reputation and price affects each other and are major components in the positioning. A high price creates high expectations and if they are fulfilled helps create a favourable reputation. The reputation is utterly important for a consultancy firm, since a report from a reputable consultancy firm tend to get more attention within the organisation and therefore provide more value added. Therefore the reputation itself can be seen as a differentiating feature affecting the positioning.

Complementary offer
The complementary offer helps strengthen the offer and add characteristics to the consultancy firm. When a customer asks for a service it is important to fully understand what the customer need and help the customer find a solution on the entire problem. It seems as many customers have increased their focus towards also including implementation instead of only demanding a strategic report, which makes it important to be able to also offer implementation services. Strategic alliances and networks of experts help to improve the positioning as well as the value of the offering.

8.1.5 Complexity of the Offering

Reputation
A cornerstone in positioning is, as mentioned earlier, to portray a clear and consistent image over the entire market. Thus, in that process the reputation of the firm becomes highly relevant as to how shareholders perceive associations to the firm. Hence, as earlier mentioned, components that affect the reputation both in terms of brand awareness and in an image creating manner, such as the experience of the consultants, the reference customers, the delivering of successful projects and the competence level of the consultants, will affect how the offer is received and interpreted. Thus, having a favourable reputation that portrays the firm in a desired position can reduce the complexity of the offer to the customer and facilitate their understanding of the service, and thus decrease their uncertainty.

Market Strategy
In the building of a desirable image, the complexity of the offer is highly dependent on the focus of operation, as well as the differentiating characteristics of the firm. In order to attain a specific position in the minds of the customers it is of importance to keep a consistent and focused operation. Thereby, some potential business opportunities might have to be sacrificed in order not to portray a diffuse image of the offer. The core offer of the firm need to be clear and what the benefits are for the customer need to be communicated.

Furthermore, in order to for the customer to understand what is unique of a particular firm, the differentiating components need to be communicated and benchmarked in comparison with other similar firms. By benchmarking with selected firms, a desired position can be attained among those particular firms.

Additionally, in the process of facilitating the understanding of the service for the customer, the customer expectations need to be set at an appropriate level. Hence, involving the customer in the projects and setting up detailed project descriptions becomes highly relevant. Additionally, the expectations are built up in the marketing and sales processes of a firm. Thus, the promotion and exposure of the firm are closely linked to the complexity of the offer.

Communication
In the positioning model, figure 89, the complexity of the offer affecting how the image of the firm is built up. In that process, keeping a consistent communication over all marketing channels and all employees in the firm is of essence. Thus, it is essential to strive for an integrated market

communication so that the customer do not get confused by receiving different messages of the firm in different forums. Furthermore, in order to facilitate the customers understanding and decrease the customers' uncertainty, the benefits of the service need to be communicated. Thus, if possessing expertise within the field of logistic, the benefits of using such services should be communicated. What the customer gains in terms of fulfilled needs, cost cuts, or increased revenue should be communicated.

8.1.6 Promotion and exposure

Customer communication

Personal selling is the most common way for a consultancy firm to contact potential customers, which highly affects the perception of the consultancy firm in the customers' minds. Furthermore, other features such as advertising, the homepage, use of references and the office location heavily affect the positioning. The homepage and the advertising create a passive impact on the customer and seem to be more of a confirmation of an already existing positioning. The actual positioning can be communicated in what types of projects have been done, which the reference customers are and how the customer's problem can be solved. Furthermore, the office location sends out a signal of what the consultancy firm stands for and creates customer expectations.

Reputation

Reputation is as mentioned crucial in communicating with the customer and creating a desired positioning. Above mentioned components affecting the reputation are seminars, articles, consultants, the size of the consultancy and profitability. A reputable firm has higher customer expectations and can therefore focus on only special features of their offer and does not need to explain many of the basic features that the customer already have developed a confidence in due to a well known reputation.

Target Market

The target market affects how the customers should be targeted, since different target markets have different requirements, which will affect the positioning. The target market is mainly built on the consultancy firm's niche, where the consultancy firm can focus on a specific customer segment in order to gain credibility within that specific group. The price level that heavily affects the positioning, also affects which target market can be approached. Furthermore, the working methods affects the target market depending on how much customer adaptation and how much standardization is needed within the specific market. The uniqueness and differentiation also affects the positioning as well as the promotion and exposure. It seems as it is more important to appear to be unique in a market with little diversification in order to stand out from the customer. With a unique offer it seems as the prime focus should not be to convince the customer that the solution is unique, but rather convince the customer that this unique solution is similar but improved compared to competitors.

Employee Communication

The positioning is highly dependent on the competence of the consultants, which comes from the ability to attract competent employees. Activities such as headhunting, student interviews and other networking activities are common. When creating an attractive working environment for the employees they will attract several application and a buzz about the consultancy firm is created, which will benefit both the competence and the reputation, both affecting the positioning of the firm.

8.1.7 Size of the Firm

Reputation

The size of the firm is highly dependent on the credibility the firm has gained on the market, and thus the reputation of the firm. Since, legitimization of competence is directly affected by the reputation, a well known and favourable reputation provides a possibility to attract new projects and even widen the offer. Thus, the size of a management consultancy firm can be regarded as a result of the firm's acceptance in the particular market segment of operation. Additionally, with an increasing size the credibility is built on even more, and thus provides opportunities to approach larger customers in larger projects.

Market Strategy

In terms of market strategy and size, a management consultancy needs to consider the size of the potential customer segment that might be attracted by the firms offer. Thus, in terms of setting the goals of the firm, whether it is to generate a certain amount of revenue or to keep a consistent niche, the goals need to be matched with the potential customer base. Thus, in order to attain a clear position on the market a focus in the operation need to be kept, and thus the size of the firm can not grow bigger than to the level that the customer base provide within that area of operation. Hence, such projects in a particular customer segment might only allow for a small scale firm, and then that scale need to be kept in order to keep consistency. Otherwise, if not enough not sufficient amounts of projects can be attained, the firm need to go back to basic and consider if the goals are realistic in comparison with the desired position and market strategy. If not, either the goals, the market strategy or the geographical area of operation need to be revised.

Availability

To what extent a firm is available for their customers seem to affect the image that is perceived by the customers. In so, the size of the firm is highly affecting the perceived availability of a consultancy firm. Large customers generally feel an uncertainty towards working with smaller management consulting firms, since their competence is often embedded in few particular individuals. Thus, making the competence available within the whole firm in the form of structural capital (standardized working methods and models, general shared competence) is a measure to increase the sensitivity of smaller firms. Further, the hierarchical structure that is used within a firm seems to provide opportunity to utilize certain experts within firms more efficiently. By using a hierarchical structure it seem to be more motivated to hand over some of the analytical aspects within projects to individuals at levels beneath the key resources. Thus, the key resources time can be more efficiently allocated by assisting in several projects, and also provide a more dynamic pricing solution to the customer. In that sense, using a hierarchical structure seem to in fact in increase the flexibility of a firm.

However, in order to truly be available a firm need to possess a high flexibility in terms of being open to rapid changes in projects. Thus, it seems as a high level of degradation is required, where people at a low level are allowed to make certain decisions in order to adapt rapidly to changing customer needs. However, clearly a fine line present itself, where the customers perceived value might get affected of a degradation of responsibility in project teams.

Network
In what extent the size of a firm affects the image seem to also depend on the network of the firm. In so, if it is in the customers' knowledge that a particular firm is in possess of a wide network, where certain experts or other consultancies can be of assistance when changing customer needs demands so, a large network is a component that function in a positive direction regarding the associations of the customer. Thus, as earlier mentioned, a wide network central in the management consulting industry.

8.1.8 Availability

Office location
The office location makes it possible to be accessible to customers, employees and partners, making it a crucial part of the positioning. The office location becomes a necessity in order to have successful seminars and other events affecting the reputation of the consultancy firm. The accessibility for the employees is crucial in attracting competent personnel.

Size
The size heavily affect the availability, which affects the positioning in the customers mind on what projects the consultancy firm can execute. The size can be complemented with networks of other consultants, but might still be a concern for the customer. However, the perception of the size seems to depend heavily on the competitor's size in the specific market segment, where a large sized consultancy firm in a segment with smaller companies might be considered small in a segment with larger consultancy firms.

Hierarchical structure
The hierarchical affects the mandate the consultants have to make their own changes in the project scope. Customers often have to make fast changes in the project scope, which makes it important to have consultants with the mandate to attest those changes available. The utilization of senior consultants heavily affects their personal network, which is crucial for the consultancy firm's communication to customers. This network heavily affects the brand awareness that as mentioned are linked to the positioning. Having senior consultants involved in only one or a few projects limits their ability to develop their network. Thus, involving combinations of senior and junior consultants in different projects makes it possible to have the senior consultants involved in several projects simultaneously, expanding their network and improving the positioning.

Network
The network of external expertise affects helps legitimize the offer and makes it possible to increase the availability when internal consultants are occupied in other projects. Furthermore, strategic alliances can make it possible to take on larger projects and help the customer to fulfil customer needs that are outside the consultancy firms core competence.

Competence
The competence is a crucial part of the positioning and can increase the reputation of the consultancy firm. Having employees with a high degree of versatility can help increase the level of

customer adaptation, since the consultants have the abilities to work in many different ways, which can be adapted to every specific customers need. Both in house experts and the experts and experts in the consultancy firms network can help create credibility to the consultancy firm.

8.1.9 Competence

Employee Attractiveness

The employees are the core resource of the offer, and thus the most important asset of the management consulting firms. The competence embedded in the employees set the grounds for where on the market the firm will be operating. Thus, the competence is a direct influential component of the positioning of a management consulting firm. Furthermore, since the individual consultants reputation is a major influential aspect in the buying processes of management services, attracting reputable employees is clearly an efficient way of attaining a certain position Thus, being attractive as an employer seem to be a prerequisite in order to build a successful management firm. Thus, in order to attract talented employees a few aspects are central:

- career possibilities must be provided,
- the office location need to be an attractive place to work in, both in terms of interior environment, but perhaps more importantly on an office address that provide opportunity to socialize with people from the industry and other shareholders,
- challenging and developing projects need to be provided to the employees, in order to make the individuals grow and feel that they are learning,
- Favourable financial compensation needs to be provided.

Furthermore, attracting talented people seem to set a spiral in movement, where the reputation of the individual consultants increases the reputation of the firm, and thus attracts even more talented people. As a result, the form is provided with larger possibilities to deliver successful projects and thus increase the word-of-mouth effect additionally.

Size

The size of the firm set the grounds of the competence that the firm possesses. A larger firm provide opportunity to possess a wide offer with operation in several areas on the market without raising doubtful suspicions regarding whether or not the needed expertise in fact exist in the firm. Furthermore, with the size of the firm generally follows a higher availability of the firm, which in turn affects the image associated with the firm. Since being available is of high priority to the customers, it is crucial to be associated of being available, and thus the size of the firm and the competence it possesses is of most importance in terms of position.

Furthermore, the reputation of the firm seem to provide a basis for the firm to expand and thus set the ground for the size of the firm and what competence it can possess. However, what type of expertise that is needed is a direct consequence of the market strategy. Also, the size of the firm can be enlarged by the use of collaborations with external experts or other firms. In such the possession over competence can be widened and the availability increased.

Versatility

For small scale firms it is crucial to be flexible and able to adapt to different customer situations and changing customer needs. Thus, possessing over versatile competence seems to be of importance to deliver successful projects and build a favourable reputation. Hence, having a structure within the firm that allows for flexible solutions and a culture that encourages employees to take on responsibilities and deliver great results. In such a way, a firm can truly be flexible and adapting each customer needs, which in turn seem to be a prerequisite in order to deliver a truly high perceived value.

Experience

The most sought after competence is the experience of the consultants. Thus, possessing experience and communicating the possession of experience is of significant importance to gain desirable associations of the firm in terms credibility. Thus, attracting senior consultants seem to be of essence, especially for smaller firms in their processes of building trustworthy relations. As mentioned, possessing over general management "know-how" seem to be a prerequisite in order to adapt to the customer's needs and thus truly deliver a perceived value.

Network

Certainly, possessing over a large network is the most effective measure to attract needed competence to a firm. Thus, employing consultants with a wide range of personal relations not only increases the brand awareness of the firm, but also provide opportunity to attract new talented people. Thus, performing and providing opportunities for networking activities is also a fundamental aspect in the acquiring of personnel. Hence, relevant networking components such as reference customers, personal relations, strategic alliances, office location and participating in events and hosting seminars are highly relevant also from a competence perspective.

9. Recommendations

9.1 How to Keep Customer Attractiveness

9.1.1 Identify Needs of the Customer and Present an Understandable Solution

In order to be able to understand a customer and truly deliver value it is of essence to study the industry, as well as the customer itself, before making contact with a potential customer. The customer needs to feel that the consultant is responsive and understands the challenges of the customer. However, in a sales meeting the consultant need to mix the responsiveness with a touch of cockiness, in order to be perceived as competent. It is further crucial to present a solution to the problems the customer is facing, in order to portray what benefits are attained by assigning the firm. In such a process it is of importance not to sell in a model or working method, but rather sell in the benefits to the customer, which then are backed up with specific working methods.

9.1.2 Attract the Customer with Something Unique but do not Deviate too Much

In order to early on in a sales process make an impact on the customer and to "stand out of the noise", the consultancy need to present something that attracts the customer. Such a feature might include a trend report of the specific industry the customer is operating in or a brief analysis of the customers' organization. By presenting such features, it is easier to get the customers' attention. Further, the advising firm need to present themselves as unique in some way. However, what characteristics that are presented as differentiated need to add value to the offer. If no value is added by the uniqueness, the uniqueness in itself is useless. Thus, by benchmarking the firm in relation to specific competitors, a consultancy can position itself in relation to those firms and thus facilitate the understanding of the position for the customer. Hence, the differentiating characteristics need to be unique in relation to those competitors, but other features should not deviate or be presented as unique in relation to the competition. By doing so, the consultancy clearly presents the benefits of choosing the specific firm, while at the same time eliminating potential doubts of the customer by having a similar but unique offer as the competition. In other words, all unique features should be selling features or otherwise eliminated. By clearly demonstrating what the firm can offer in relation to the competition, a clear position of the firm is portrayed while at the same time the focus in negotiations are directed towards the added value of the service, rather than ending up in price comparisons with a similar competitors offer.

9.1.3 Involve the Customer Early in Order to Reduce Uncertainty Match Expectations

The quality of the project, thus the perceived value of the customer, is dependent on the expectations that the customer has before a project begins. Thus, in order to match the expectations of the customer with the delivered results, it is of essence to involve the customer in a project as early as possible. In such a way, the customer becomes more aware of the actual work performed and the relation between the advising firm and the client develops. Hence, with an increased relation of trust, the perceived uncertainties of the customer decreases as well as the involvement of the customer affects the perceived quality of the work positively. Furthermore, with a higher level of involvement of the customer the scope of a project is easier to set, since both parts gets an understanding of what is possible to include in the project.

In the process of involving a customer, it is of essence to acknowledge the risks for the customer associated with the project, and thus reduce those risks. Such a fact can be attained by switching the risks from the customer to the consultancy. For a small-scale management consultancy, one way of attaining such a fact is to guarantee a certain performance and quality of a project. Thus, if such a promised performance is not achieved, the customer should not be forced to pay full price for an unsuccessful project. When using such a strategy it is of importance to approach a project with clearly measurable variables, making it possible to demonstrate the effects of the project. Furthermore, if delivering a first successful project, it is then easier to convince the customer to assign the advising firm in other projects as well in the future.

9.1.4 Demonstrate an Image of Availability to the Customer

The customers' value the availability of the consultancy firm as one of the most important factors in the evaluation process, and it is therefore important for a small-scale consultancy firm with a limited number of experts in each area to develop strategic networks and utilize their experts in the best possible way. A customer might be reluctant to assign a small advising firm due to their often high dependence of certain key resources. Thus, it is of essence for small-scale consultancies to increase the customers' perceived image of the firms' availability to experts. Hence, with a well developed network and strategic alliances it is possible to take in experts from other firms when needed. Such a fact reduces the customers' concerns of having to delay a project due to an advising firms' lack of expertize in a certain area at a given time. Furthermore, it is crucial to utilize the key resources in several projects simultaneously. When such resources only work at one place at a time they do not expand their personal network, which is crucial to expand the customer base of the firm. By having the experts working in parallel projects the likelihood of them being able to take on a new project at a specific time increases, since they are not locked in a specific project for a long time. Thus, utilizing the key resources in several projects in well developed networks, characterized by strategic alliances, increases the availability and the ability to attract new customers.

9.2 How to Attain a Desired Position

9.2.1 Keep a Consistent Pricing in Order to Attain a Clear Position

The market of management consulting is characterized by projects of different complexity, where a low complexity often implies a low price and resource consulting rather than competence consulting. The first step in the process of positioning an advising firm is thus a matter of deciding where on the market the firm is to be set. There lies a danger if projects with significantly different levels of complexity are accepted, since the firm thus are not portraying a clear image of where on the market they are positioned. Many small-scale firms on the market today, try to combine projects of different complexity as a way of expanding and increasing the number of projects of the firm. Such a fact sends out mixed signals of the firms' position, thus setting the firm in a position in between high- and low complexity projects. Instead, it is of essence for the management of such firms to "go back to basic" and ask themselves where on the market they desire to be positioned. Once the desired position has been decided upon it is of essence to keep the image consistent and avoid ending up "stuck-in-the-middle", which might include that potential projects of a different complexity are turned down. Furthermore, keeping a consistency in what kinds of projects that are accepted also facilitate the need to keep a consistent pricing. Deviating in prices over the market can harm the perceptions of customers regarding a firm, resulting in unwanted associations and bad reputation.

9.2.2 Have a Clear Offer with a Specific Expertise

In order to attain a clear position in the minds of the consumers it is of importance clearly demonstrate what the firms' expertise is. Thus, operating on the market of management consulting, where several areas of expertise are possible, it is essential for small-scale firms to choose a specific area to focus upon. A firm can lose credibility if a too wide offer is presented to customers, since it is assumed that a small firm can only be experts in a limited number of areas. Thus, it is essential to clearly portray the specialized competence of a firm in order to attain a desired position. However, demonstrating an understanding of other areas as well, or possessing over models that include other areas, can serve as an overall legitimizing factor. Thus, in terms of positioning it is important to keep a sharp offer but at the same time possess versatile competence in-house in order to gain credibility.

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11. Appendix

11.1 Mean values

11.1.1 Mean value of consultant interview data coding

	Hourly rates	Fixed price based on hourly rates	Fixed price based on delivered value	Price dependent on competition	Personal contacts are used in sales	References are used in sales	Demonstration of earlier performed projects are used in sales	The company has a well known reputation	Use of a standardized working method	Use of a customer adapted working method	High experience in the company through focus on senior consultants	Level of junior consultants	The company has a strong brand	The company has an international presence	The company offers/performs implementation of written report	The company offers/performs change development in customer projects	Level of involvement of the customers in projects	Niche focus on large companies	Niche focus on certain industry	Niche focus in regards to specific expertise	Level of social competence in senior consultants	Level of professional competence in senior consultants	Level of experience in senior consultants	Level of versatility of professional competence in senior consultants	Level of social competence in junior consultants	Level of professional competence in junior consultants
Mean	3,68	4,89	4,68	2,86	6,79	5,89	6,42	5,79	5	5,26	5,16	3,32	5,58	4,42	4,42	3,68	5,89	6,53	2,11	4,47	6,58	6,58	6,37	4,32	4,82	6,18

	Level of experience in junior consultants	Level of versatility of professional competence in junior consultants	The company does advertising	Personal selling is used	Seminars are hosted	Office adress in terms of prestige	Industryarticles/publications are published	Relevance of the homepage	Socal media is used	Customers contact the company themselves	Headhunting through the comapny's own network	Advertising through external actor	Social media is used	Headhunting through external actor	Exihibitions/events/contact interviews	Marketing is directed towards junior consultants/students	Marketing is directed towards senior consultants	The numberof employees affect the credability with customers	Collaborations with other actors affect the credability with customers	Simplicity of the offering	Level of involvement of customer in projects	Timing is regarded as an affecting component in the assigning of customers	Level of presence in the customer's premises	Office adress in terms of functionality	Weighted profit/revenue/growth	Size
Mean	3,73	3,73	1,74	6,42	5,44	4,42	4,53	5,56	2,74	4,89	6	3,39	2,89	4	3,47	3,63	4,37	5,18	4,32	6,32	5,89	5,13	5,79	6,11	3,2	3,63

11.1.2 Mean value of consultant survey

	The reputation is affected by the number of articles/publications published	The reputation is affected by the individual consultants reputation	The reputation is affeced by the firm's reference customers	The reputation is affected by the personal relations/contacts of the consultants	Overall, the importance of personal relations/contacts	Overall, the importance of reputation	Overall, the importance of network	The network is caracterized by hierarchies	The network is caracterized deep collaborative relations	The network is caracterized by links between individuals in high positions	The offer is complemented by collaborations with other actors	The offer is complemented by collaborations with other actors in other industries	The offer is complemented by collaborations with other consultancies with a different expertise	The credability of the company is affected by the number of employees	Overall, the importance of strategic alliances	The offer is unique in the industry	The consultancy tries to act as other consultancies	The work is performed with standardized methods	The working method is adapted to the customer situation	The offer is focused to a certain area/niche	The focus of the offer is dependent of where the competition is	The focus of the offer is dependent of where the customers are	Overall, the market strategy i clear	Complex offers are concretized to customers	Complex projects are broken down in order to concretize for customers	Overall, the importance of a clear/distinct offer	The credability is affected by the adress of office
Mean value	5,39	6,26	6,16	5,84	6,89	6,58	6,61	3,23	5,18	5,31	4,56	4,53	4,95	2,84	3,67	4,44	2,47	3,58	6,26	4,79	3,29	4,68	5,74	5,06	5,68	5,89	4

	Personal selling is used	Seminars are hosted	Participation in events/exhibitions	Advertising is done	The importance of the homepage	Overall, the importance of marketing	Price is set by benchmarking	Price is set by charging by the hour	Price is set by charging by delivered value	Discounts are given	The company measures the outcome of projects to demonstrate delivered value for the customer:	The value of measuring the delivered value for a consultancy firm is overall:	Overall, the way a consultancy firm charges is:	Overall the pricing strategy affects the credibility:	The company uses hierarchical structure among consultants:	A hierarchical structure among consultants is a way to legitimize the consultants competence:	The level of social competence needed differs between senior and junior consultants:	The level of professional competence needed differs between senior and junior consultants:	The level of versatility needed differs between senior and junior consultants:	Overall, the experience among consultants is:	Overall, the versatility among consultants is:	Overall the professional competence among consultants is:	Overall, measuring the delivered value of service is for a consultancy firm:	The competence among the consultants is overall for a consultancy firm:	The company is always available for it's customers:	The size of the company (number of employees) affects the availability to its customers.	When starting projects with a customer the timing is a relevant factor:	Overall, the availability is important for a consultancy firm:	Overall, a consultancy firms positioning is (how the company is being perceived among its stakeholders):
Mean value	6,24	5,83	4,17	3,42	5,42	5,26	4	4,61	4,59	5	4,82	5,71	5,29	5,59	5,42	5,28	3,72	5,76	5,39	6,44	5,72	6,32	5,61	6,74	6,16	4,89	5,33	5,94	6,7

11.1.3 Mean value of customer interview data coding

	Consultancy host seminars	Homepage	Personal selling	Brand recognition	References from other companies	Internet search	Publications in trade magazines	Reputation of consultancy	Specific niche after industry	Specific niche after expertize	Use of standardized methods	Level of customer adaptation	Specialists knowledge/experts	Brand recognition	References within the same industry	References from similar problem situations	Reference customers with strong brands	The size of the consultancy firm/number of employees	Financial stability of consultancy	International presence	Availability for visiting	Fixed price	Price based on hourly fee	Price based on value	Available on the phone	The experience of the consultants	Senior consultants	Junior consultants	Social competence	Ability to be a part of choosing the team of consultants	The resume of the consultants
Mean	3,6	5,1	6,6	5,3	6,3	5,1	4	5,7	4,4	6	4,4	6,1	6,3	5,7	4,7	6,1	5	5,3	5,8	4,3	6,5	4,7	5	3,8	5,7	6,1	5,9	3,2	6,3	6,5	6,8

11.2 Correlations

11.2.1 Correlations between size, strong brand, reputation, international presence and weighted variable from consultant interview coding

		The company has a well known reputation	The company has a strong brand	The company has an international presence	Weighted profit/revenue/growth	Size
The company has a well known reputation	Pearson Correlation	1	,792**	,456*	,573*	,735**
	Sig. (2-tailed)		0	0,05	0,025	0
	N	19	19	19	15	19
The company has a strong brand	Pearson Correlation	,792**	1	,757**	0,307	,608**
	Sig. (2-tailed)	0		0	0,266	0,006
	N	19	19	19	15	19
The company has an international presence	Pearson Correlation	,456*	,757**	1	0,122	0,451
	Sig. (2-tailed)	0,05	0		0,665	0,053
	N	19	19	19	15	19
Weighted profit/revenue/growth	Pearson Correlation	,573*	0,307	0,122	1	,561*
	Sig. (2-tailed)	0,025	0,266	0,665		0,03
	N	15	15	15	15	15
Size	Pearson Correlation	,735**	,608**	0,451	,561*	1
	Sig. (2-tailed)	0	0,006	0,053	0,03	
	N	19	19	19	15	19
** Correlation is significant at the 0.01 level (2-tailed).						
* Correlation is significant at the 0.05 level (2-tailed).						

11.2.2 Correlations to niche focus in regards to specific expertise from consultant interview coding

Components with protruding correlations to niche focus in regards to specifc niche		Niche focus in regards to specific expertise	Hourly rates	High experience in the company through focus on senior consultants	Marketing is directed towards junior consultants/students	Office adress in terms of prestige	The company has a strong brand	Exihibitions/events/contact interviews	Level of junior consultants	The company has a well known reputation	The company does advertising	Timing is regarded as an afecting component in the assigning of customers	Size
Niche focus in regards to specific expert	Pearson Correlation	1	0,352	,639**	-,552*	-0,38	-0,38	-0,45	-,621**	-,663**	-,470*	,545*	-,861**
	Sig. (2-tailed)		0,14	0,003	0,014	0,108	0,106	0,051	0,005	0,002	0,042	0,036	0
	N	19	19	19	19	19	19	19	19	19	19	15	19

11.2.3 Correlation to niche focus in regards to specific industry from consultant interview coding

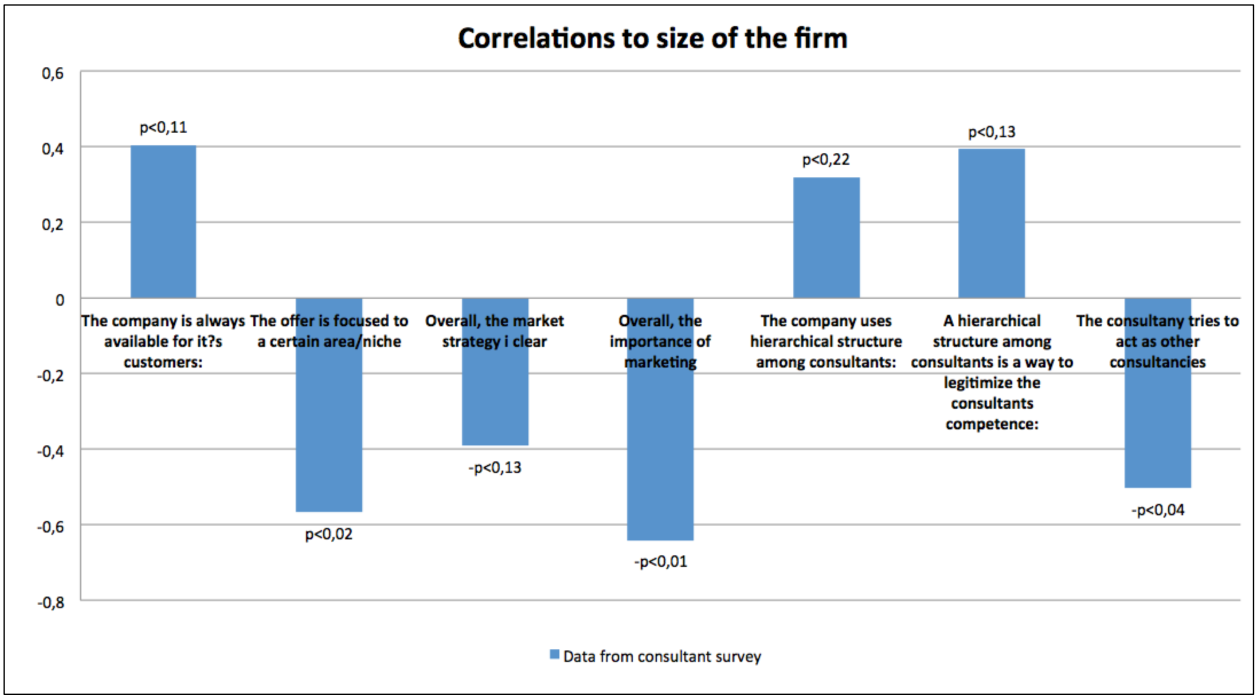
Components with protruding correlations to niche focus in regards to specific industry		Niche focus on certain industry	Hourly rates	The company has a well known reputation	High experience in the company through focus on senior consultants	Level of junior consultants	Level of involvement of the customers in projects	Timing is regarded as an afecting component in the assigning of customers	Size
Niche focus on certain industry	Pearson Correlation	1	,607**	-,471*	,506*	-,586**	,497*	,594*	-,634**
	Sig. (2-tailed)		0,006	0,042	0,027	0,008	0,031	0,019	0,004
	N	19	19	19	19	19	19	15	19

11.2.4 Correlation to size of the firm from consultant interview coding

Protruding correlations to size of the firm		Size	References are used in sales	The company has a well known reputation	Level of junior consultants	The company has an international presence	Niche focus in regards to specific expertise	Level of social competence in junior consultants	The company does advertising	Office adress in terms of prestige	Customers contact the company themselves	Exihibitions/events/contact interviews
Size of the firm	Pearson Correlation	1	-,528*	,735**	,758**	0,451	-,861**	-,615*	0,443	0,449	,621**	,614**
	Sig. (2-tailed)		0,02	0	0	0,053	0	0,044	0,058	0,054	0,005	0,005
	N	19	19	19	19	19	19	11	19	19	19	19

		Level of involvement of customer in projects
Size	Pearson Correlation	-.293
	Sig. (2-tailed)	.224
	N	19

11.2.5 Correlations to size of the firm from consultant survey



11.2.6 Correlations to competence from consultant interview coding

Correlations of competence components		Level of social competence in senior consultants	Level of social competence in junior consultants	Level of experience in senior consultants	Level of versatility of professional competence in senior consultants	Weighted profit/revenue/growth	Size	Level of involvement of customer in projects	Industryarticles/publications are published	Niche focus on certain industry	The company has a strong brand	The company has an international presence	The company offers/performs implementation of written report	The company offers/performs change development in customer projects
Level of social competence in senior consultants	Pearson Correlation	1	-0,39	-0,01	-0,4	0,04	0,318	-0,09	0,405	-0,09	0,391	,458*	-0,04	-0,03
	Sig. (2-tailed)		0,241	0,973	0,086	0,888	0,185	0,706	0,085	0,728	0,098	0,049	0,882	0,912
	N	19	11	19	19	15	19	19	19	19	19	19	19	19
Level of social competence in junior consultants	Pearson Correlation	-0,39	1	-,712*	-0,06	-,836**	-,615*	,704*	-0,33	,613*	-0,41	-0,41	,785**	0,007
	Sig. (2-tailed)	0,241		0,014	0,86	0,01	0,044	0,016	0,318	0,045	0,206	0,206	0,004	0,984
	N	11	11	11	11	8	11	11	11	11	11	11	11	11
Level of experience in senior consultants	Pearson Correlation	-0,01	-,712*	1	-0,03	0,373	-0,18	-0,1	0,209	0,397	-0,16	-0,29	-0,38	0,239
	Sig. (2-tailed)	0,973	0,014		0,918	0,171	0,458	0,674	0,391	0,093	0,503	0,223	0,105	0,324
	N	19	11	19	19	15	19	19	19	19	19	19	19	19
Level of versatility of professional competence in senior consultants	Pearson Correlation	-0,4	-0,06	-0,03	1	-0,24	-0,03	0,136	-,501*	0,132	-0,12	-0,39	0,195	,467*
	Sig. (2-tailed)	0,086	0,86	0,918		0,383	0,913	0,579	0,029	0,59	0,625	0,104	0,423	0,044
	N	19	11	19	19	15	19	19	19	19	19	19	19	19

11.3 Raw data from interviews and surveys

11.3.1 Raw data from consultant interview coding

	Company A	Company B	Company C	Company D	Company E	Company F	Company G	Company H	Company I	Company J	Company K	Company L	Company M	Company N	Company O	Company P	Company Q	Company R	Company S	Company T	Company U	Company V
Pricing strategy																						
Hourly rates	5	2	4	6	6	1	4	1	4	7	1	1	4	6	4	3	5	6	4	6	5	2
Fixed price based on hourly rates	6	5	4	5	1	2	6	6	3	3	7	6	6	6	6	6	6	6	6	5	3	4
Fixed price based on delivered value	6	7	5	1	1	7	5	6	7	1	6	6	4	4	4	3	2	4	2	6	5	6
Price dependent on competition	-	3	-	1	3	3	-	2	2	3	3	3	3	3	3	3	1	-	-	6	-	2
Network of the firm																						
Personal contacts are used in sales	7	7	7	7	7	7	7	7	6	6	6	7	6	7	7	7	6	7	7	7	6	7
References are used in sales	5	2	6	6	7	7	6	6	6	6	7	4	6	6	7	6	6	7	6	7	6	4
Demonstration of earlier performed projects are used in sales	3	6	6	7	6	6	6	6	6	5	7	7	6	7	7	7	7	6	6	7	6	7
The company has a well known reputation	5	7	5	7	5	6	5	6	6	5	6	5	4	5	5	6	5	6	7	5	7	7
Differentiating characteristic																						
Use of a standardized working method	3	6	6	2	3	6	3	4	6	4	5	6	7	4	4	6	6	4	5	7	5	6
Use of a customer adapted working method	5	5	6	6	6	4	7	5	5	6	6	4	4	6	5	5	6	5	6	5	5	5
High experience in the company through focus on senior consultants	6	3	7	4	7	7	6	2	6	6	5	5	4	7	7	5	4	6	4	7	3	3
Level of junior consultants	2	5	1	5	1	2	3	6	3	2	3	3	5	1	2	4	4	2	5	2	5	5
The company has a strong brand	6	7	4	5	4	6	5	6	6	4	6	5	5	5	4	6	5	6	7	5	7	7
The company has an international presence	5	7	1	2	1	7	1	7	5	1	4	6	5	4	1	6	1	1	7	5	7	7
The company offers/performs implementation of written report	2	4	2	3	2	1	6	3	6	1	6	7	6	7	5	4	2	2	4	7	5	4
The company offers/performs change development in customer projects	1	2	7	3	7	1	3	2	3	2	2	3	1	7	4	2	4	6	4	7	4	2
Level of involvement of the customers in projects	6	5	7	5	7	4	7	5	5	7	7	7	6	7	6	5	6	6	6	7	5	5
Niche																						
Niche focus on large companies	7	7	7	6	7	6	6	5	6	6	7	6	7	7	7	6	5	7	6	7	7	7
Niche focus on certain industry	2	1	2	1	5	1	2	1	1	1	2	1	3	4	2	2	1	6	1	3	1	1
Niche focus in regards to specific expertise	5	3	5	2	5	5	6	2	7	6	4	4	7	7	4	4	5	7	2	5	3	3
Focus of competence in senior employees																						
Level of social competence in senior consultants	7	7	7	6	6	6	6	7	6	6	6	7	7	6	6	7	6	7	7	7	7	7
Level of professional competence in senior consultants	6	7	7	6	7	7	7	7	7	6	6	5	6	7	7	7	6	6	7	6	6	7
Level of experience in senior consultants	6	7	7	6	7	6	6	7	6	5	6	5	6	7	7	7	6	7	5	6	6	7
Level of versatility of professional competence in senior consultants	5	4	4	5	4	4	5	4	5	4	4	4	3	5	5	3	6	5	4	5	5	4
Focus of competence in junior employees																						
Level of social competence in junior consultants	-	3	-	4	-	-	6	3	6	-	6		7	-	-	4	6	-	6	-	4	4
Level of professional competence in junior consultants	-	7	-	5	-	-	7	6	5	-	6		6	-	-	6	6	-	6	-	7	7
Level of experience in junior consultants	-	3	-	2	-	-	6	3	5	-	3		4	-	-	2	3	-	5	-	3	5
Level of versatility of professional competence in junior consultants	-	2	-	2	-	-	5	2	5	-	4		4	-	-	4	3	-	4	-	3	6

Advertising towards customers																						
The company does advertising	1	1	1	3	1	1	1	5	2	1	1	1	2	1	1	1	1	2	4	1	3	1
Personal selling is used	7	6	7	7	6	6	7	6	6	6	7	7	6	6	7	7	7	6	6	6	6	7
Seminars are hosted	6	3	5	7	3	7	6	5	5	6	7	5		6	6	5	2	6	6	4	6	6
Office address in terms of prestige	3	7	4	4	4	3	4	4	1	2	7	6	4	6	4	6	6	2	4	4	4	6
Industry articles/publications are published	6	6	5	3	5	6	5	6	2	5	2	2	6	4	3	6	5	2	6	5	5	7
Relevance of the homepage	4	5		7	5		4	7	7	5	6	6	6	6	6	6	4	5		4	5	4
Social media is used	3	2	1	4	2	2	3	5	4		4	1	4	3	1	2	4	1	3	3	3	4
Customers contact the company themselves	4	7	4	5	4	5	5	6	3	5	5	4	5	4	3	6	2	6	6	2	6	7
Advertising towards employees																						
Headhunting through the company's own network	7	7	6	6	5	6	5	6	5		7		7	7	6	6	5	6	6	6	4	7
Advertising through external actor	2	1		4	6	5	2	5	4	5	1	5	1	3	2	4	5	2	6	5	3	2
Social media is used	2	2	4	5	1	3	2	4	5	4	4	2	3	2	1	4	4	2	4	2	3	2
Headhunting through external actor	5	2	5	-	2	4	5	4	7	-	1	4	5	5	-	-	4	4	6	-	-	2
Exhibitions/events/contact interviews	1	5	1	6	1	2	4	5	4	4	2	1	2	6	5	2	1	1	6	2	5	6
Marketing is directed towards:																						
Marketing is directed towards junior consultants/students	2	6	1	4	1	2	4	6	4	2	4	4	5	1	3	3	4	2	5	2	6	6
Marketing is directed towards senior consultants	6	2	7	4	7	6	4	2	4	6	4	4	3	7	5	5	4	6	3	6	2	2
Size of company																						
The number of employees affect the credibility with customers	6	6		4	4	5	1	4	5	5	5	6		5	6	5	6	6	7	7	6	6
Collaborations with other actors affect the credibility with customers	4	2	1	3	3	6	4	4	5	3	4	5	5	5	6	5	5	6	5	6	5	2
Complexity of the offer																						
Simplicity of the offering	7	7	6	4	6	7	6	6	6	6	7	7	6	7	7	7	6	6	6	7	6	6
Level of involvement of customer in projects	6	5	7	5	7	4	7	5	5	7	7	7	6	7	6	5	6	6	6	7	5	5
Availability																						
Timing is regarded as an affecting component in the assigning of customers	5	4		6	7	5	6	5	6	6	5	-	-	6	6	4	6		4	5	4	4
Level of presence in the customer's premises	2	5	6	5	6	6	4	5	5	6	7	6	6	7	6	5	6	6	7	7	6	5
Office address in terms of functionality	6	6	6	5	6	2	6	7	7	5	7	6	6	7	7	6	6	7	7	6	6	6

11.3.2 Raw data from customer interview coding

	Customer A	Customer B	Customer C	Customer D	Customer E	Customer F	Customer G	Customer H	Customer I	Customer J	Customer K	Customer L
Screening Process												
Seminars	3	6	6	1	-		3	4	3	2	4	4
Homepage	7	4	5	5	6	5	5	4	5	4	-	6
Personal selling	6	7	7	6	6	6	7	7	6	7	7	7
Brand recognition	5	4	5	5	6	6	6	3	6	6	6	6
References from other companies	6	6	6	6	7	6	7	6	6	6	6	7
Internet search	5	4	6	6	5	6	6	6	5	4	2	6
Publications in trade magazines		6	-	4	-		5	5	3	4	-	1

Reputation	5	6	5	4	6	6	6	6	6	6	6	6
Evaluation of consultancy firm												
Specific niche after industry	4	4	3	4	3	4	5	5	5	6	5	5
Specific niche after expertize	3	6	5	7	7	6	7	7	6	6	6	6
Use of standardized methods	4	5	1	3	3	-	4	6	6	5	5	6
Level of customer adaptation	4	6	7	7	6	-	7	6	6	7	6	5
Specialists knowledge/experts	6	7	5	6	7	7	7	6	6	6	6	6
Brand recognition2	6			5	6	6	6	4	6	6	6	6
References within the same industry	4	3	4	5	4	4	5	5	5	6	5	6
References from similar problem situations	4	6	6	7	7	7	7	5	6	6	6	6
Reference customers with strong brands	3	3	5	6	6	5	7	7	6	4	6	2
The size of the consultancy firm/number of employees	6	4	5	4	6	5	5	6	5	6	6	6
Financial stability	6	6	-	6	6	6	6	7	6	5	4	6
International presence	6	2	3	4	-	-	5	2	6	5	4	6
Availability for visiting	7	5	7	7	7	7	6	7	6	6	6	7
Fixed price	2	6	6	6	6	7	6	3	6	2	2	4
Price based on hourly fee	7	4	6	3	4	3	5	7	2	6	7	6
Price based on value	3	4	2	5	7	3	5	2	7	2	2	4
Available on the phone	1	5	6	6	7	6	6	7	7	6	6	5
The experience of the consultants	6	6	6	6	6	6	5	6	6	7	7	6
Senior consultants	7	6	6	6	6	6	6	6	6	7	5	4
Junior consultants	2	4	3	2	3	2	4	4	5	2	3	4
Social competence	7	7	6	6	6	6	6	6	6	6	6	7
Ability to be a part of choosing the team of consultants	7	5	6	7	6	7	6	7	7	6	7	7
The resume of the consultants	7	7	6	7	7	6	7	7	7	7	7	6