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The Anatomy of Network Building in Management Consulting Firms

Small and medium sized consulting firms regulate their range of services, capacity, overhead costs and growth rates through social and business networks. Relational contracting is one way to add new services to the portfolio. Another is to form a strategic alliance between firms on a national or international basis. Growth occurs also frequently by co-opting new senior partners from other firms. The other side of the coin is that management consulting firms experience difficulties in their internal management of expertise and split offs in management consulting firms are relatively frequent phenomena.

This article provides conceptual tools for the analysis of network relations. It is suggested that Maister's (1993) typology of the operating modes of professional service firms is a useful starting point. Creativity, experience and efficiency based operating modes condition and facilitate different types of network relations. In the article we take a closer look at four types of networks: information sharing clubs, relational contracting, strategic alliance and an intra-firm network of consultant teams.

However, operating modes are strong abstractions of the variety of activities that constitute a viable consulting firm. Thus the key argument of the article is that the internal variety in the daily operations of consulting firms has to be discovered and analyzed at the level of various sub-processes of the work system and the ways in which such expert firms are managed. Network relations contribute to the operating of the consulting firms at the sub-process level. Network relations can extend or even transform the knowledge base and service development of a consulting firm, support its marketing and increase customization of assignment delivery.

Based on fieldwork experience it is assumed that the experience mode has the greatest potential for integrating various types of network relations. In the creativity mode relational contracting appears to be the optimal way of increasing the scale and scope of the assignment. In the efficiency mode it is most difficult to link external experts to the various parts of the work system because there is less autonomy in assignment delivery. Such insights are not offered as recipes for managing network relations in various types of management consulting firms. Instead they are offered as heuristic models for detecting anomalies in future case studies on small and medium sized management consulting firms.