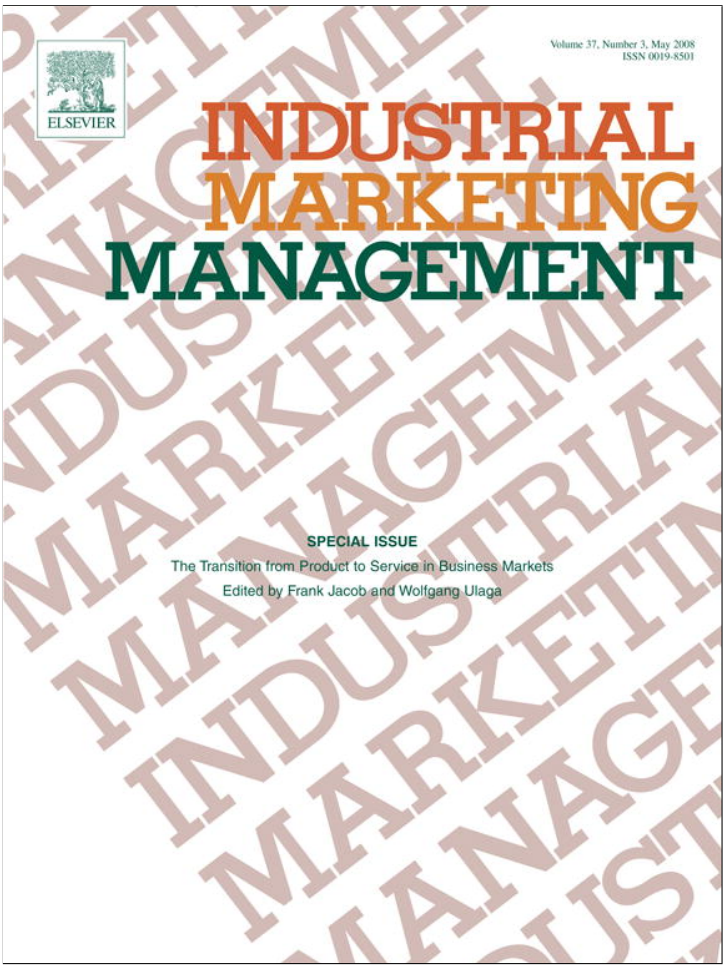

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The development of consulting in goods-based companies

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Abstract

The article focuses on the developments in several B2B companies which traditionally produce goods and based on this experience are trying to enter the business of management consulting. It is the aim of the paper to identify the specific challenges that these companies are facing regarding marketing and selling their management consulting services. Furthermore hypotheses are developed that should give direction how to overcome those challenges successfully. Due to the lack of current research results, an explorative case study approach is chosen referring to two companies from the IT industry having gained relevant experience in this business area. In addition, theoretical frameworks demonstrate the plausibility of the hypotheses developed. If further research supports these hypotheses, it will have significant impact on the market strategy, marketing communication and sales organization of companies going to increase their consulting services.

Keywords: Management consulting; Service marketing; Competitive strategy; Marketing communication; Sales organization

1. Introduction

New competitive structures and customer demands, technological innovations, developments in capital markets and the political environment, have all forced companies to continuously adapt and hence redefine both their value-adding processes and the processes' results. Within this dynamic, over recent years a number of B2B companies have tried to commercialize management consulting services alongside their established business based on the knowledge that they gained in their traditional good business. This expansion of the portfolio is particularly apparent in companies located in Western industrial countries. In Germany, for example, six of the thirty of the largest firms (regarding market capitalization) have even established specific organizational entities to offer services in the management consulting area (Jacob, Plötner, & Zedler, 2006). One reason for this is an unsatisfactory development of profit margins in goods-related businesses, itself resulting from the reproducibility of many goods and increasing global competition. Better profits are expected and indeed often obtained from services. Especially in the B2B domain, the sales profits for maintenance and repair are usually higher than average (Bendig & Henkel, 2004). The profits accrued in the consulting services have as a rule been lower, so far; nonetheless, the perceived success of established management consulting firms such as McKinsey and the Boston Consulting Group has strengthened the sense for the attractiveness of this business and motivated many B2B companies to enter the business of management consulting.

When we talk about management consulting we refer to a special kind of professional services (Maister, 1982). In this regard the conceptual approach of Kubr will be followed, with management consulting involving "a method of assisting organizations and executives in improving management practices as well as individual and organizational performance" (Kubr, 2002). To further clarify the use of the term, it should be noted that the assistance of consultants refers to recommendations that are relevant for dispositional decisions of strategic nature. That means, for example, that advice on how to use machinery is not understood as a management consulting service.

In addition, it should be emphasized that these consulting services are recommendations the client will be charged for. This marks a change from the usual B2B-market practice of offering them for free. At the same time, the customer has to be aware of this separate purchase of consulting services, and this

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does not involve the subordinate portion of a larger, goods-related transaction. For this reason, the management consulting services relevant in this article are drawn-up by specific contracts which have no direct connection with goods-related contracts.

In view of its practical significance, it is surprising how little attention has been paid to the aspect of development in B2B industries discussed above. Various publications treating success factors in the realm of professional services are of course available (Day & Barksdale, 1992; DeLong, Gabarro & Lees, 2007; Greiner & Metzger, 1982; Maister, 2003), but these do not illuminate the separate aspects of a company entering this market from a goods-based business. This is particularly the case with the specific perspective of marketing. To be sure, a special focus on the role of services has become apparent here recently: in this context, at least since Vargo and Lusch offered their impetus there has been an increasing discussion of whether a paradigm shift in research is underway (Araujo & Spring, 2006; Vargo & Lusch, 2004). We here follow their normative proposal which states that the concept of marketing should increasingly be adjusted to the concept for marketing services. Nevertheless this paper shows that different outputs of value-adding activities lead to differences as far as the marketing of these outputs is concerned. (One category of these results may be tangible and thus referred to as goods, whereas the other may be intangible and thus referred to as services.) It is an understanding compatible with the service-dominant logic of Vargo/Lusch and completes it in a way that it demonstrates what is involved when a company shifts from goods-based to service-based marketing. These are questions which have not yet been covered in current literature, particularly not when it comes to the shift towards management consulting.

It is the purpose of the article to provide recommendations for goods-based companies which want to start selling consulting services successfully. After introducing the research approach two case studies from companies will be presented that have gained experience in entering the consulting business. Four hypotheses will be developed based on those cases as well as on theory-based knowledge. Finally we will discuss the implications of our key findings with respect to managerial practice. If our results turn out to be viable and offer a reliable basis for further research, the major goal of this article has been met.

2. Research approach

The virtual lack of academic literature on the trend of B2B companies to enter the business of management consulting had direct consequences for the approach to the theme taken below, an approach by way of a case study. In contrast to the deductive basis of quantitative research, case studies are pointing to contexts beyond the specific cases that are being analyzed. In this manner explorative rather than confirmatory contexts and research goals will be fore grounded.

Accordingly, our research project also follows an explorative case study design, as suggested by Yin (Yin, 2003). On the basis of practically gained knowledge, we at first portray the specific marketing challenges of those B2B companies deciding to increase their goods-based portfolio with management consulting. In addition, we want to answer the question of how these challenges may be overcome.

In general, two case study methods have become prevalent in recent decades as a basis for academic research. On the one hand, there is “grounded theory,” introduced by Glaser and Strauss in 1967 (Glaser & Strauss, June 1967) and since then developed by various researchers (Locke, 2001). On the other hand, there is the method presented by Yin in 2003; the basic criteria laid out in this method will be adopted below. In this respect, a central difference with “grounded theory” is that for Yin, theories already inform case studies as they are carried out.

Both the cases chosen here come from the IT industry. Activities tied to enter the market of management consulting already began there in the 1990s, meaning that practical experience in that industry had been available for well over a decade. The concrete developments have naturally been marked by firm-specific particularities. Nevertheless, according to Yin we cannot here speak of case studies that are “unique” or even “extreme” (Yin, 2003). Rather in their basic principles the phenomena and backgrounds manifest in the cases appear in other companies and industries, so that they can be categorized as relatively “typical” — which positively effects the external validity of the following results.

The sources of evidence used here can be divided into three categories:

1. Publicly accessible material, especially business reports and company-descriptions in the Internet.
2. Company-internal (confidential) presentation documents that treat the strategic orientation of groups responsible for the management consulting services together with subordinate organizational units.
3. Minutes of interviews held by the author between April and September 2006 with representatives of the two companies in question. It was considered important that at some point each interview partner had been at the firm at least 5 years, was suitably knowledgeable, and was in a position offering insight into strategic problems and company decisions. In order to increase the construct validity of the information offered, more than one representative per company was to be interviewed. But in light of the above-mentioned premises, the number of suitable interview partners was limited. In the end, conversations could be held with three managers per firm. They are or were responsible for one or all of the following:
   - sales in a country or countries possessing particular sales-relevance for their firm;
   - the worldwide success of the firm’s management consulting group;
   - the general success of one of the firm’s organizational units superior to the management consulting group.

The information exchange with the six managers had three phases. First of all, there was a one to two hour direct, personal conversation. Minutes were taken of all such conversations. In

the conversation's subsequent written documentation, possible unclear points were clarified with the help of a ten to thirty-minute telephone conversation. On grounds of higher constructive validity, the results that were to make their way into the case study were mailed to the interviewee for scrutiny. Finally, there was one more telephone conversation; on two occasions small additional corrections could be made in this way regarding the description of the company's development.

In the conversation held in the first phase in the form of a problem-centered interview, the following three questions were posed in relation to the company's general development:

- How do you assess the market success of both companies in relation to management consulting?
- What do you see as the central challenges facing your own company?
- What do you see as sensible ways of overcoming the challenges?

Regarding the construct validity of the case studies, the following should be underscored: corresponding to the above-described problem, what is here being examined is the way in which a firm active in management consulting can be successful. In the consulting industry, central indicators commonly applied to this end are level of sales, extent of utilization for employees (billable days), and EBIT. The corresponding figures for the two firms that were studies could not be published on grounds of confidentiality.

Consequently, it was not possible to determine a company's economic success based on available performance indicators alone. Instead we determined a company's success by putting the evaluations the interviewed managers offered into an ordinal scale, with the expectation that these evaluations contained several of the above-mentioned success indicators. According to Phillips the interviewed managers may be considered as key informants whose high hierarchical position and therefore insight into their company's development strengthens the validity of the assessment they gave (Phillips, 1981).

It is not surprising that in both case studies the assessments offered by the interviewees were in agreement. Strikingly, each assessment was confirmed by a representative of the other firm. On the one hand, this kind of agreement may be seen as a positive indicator for the construct validity of our research, on the other it shows that a relatively good knowledge of the competitor's situation is present in the companies.

As it is usual in problem-centered interviews, considerations emerged demanding the spontaneous formulation of deeper-probing questions. In order to systematically analyze the answers, an overlapping designation was found for similar phenomena. It is important to note that the categories used are derived from the theories informing this discussion: on the one hand, theories of competition emerging from industrial economics; on the other hand, approaches at work in new institutional economics. The former are located on the market level (why specific company structures develop in markets), the latter on the transactional level (why or why not a transaction takes place between provider and customer). According to Yin's logic, the basic assumptions present in these two theoretical approaches function as foundational propositions for the following case studies, and have shaped the data collection in the interviews. They have given direction and the priorities for the analytic strategies (Yin, 2003). In the sense of Gummesson, theories could here also be seen as key elements of pre-understanding, which may serve as orientation or prevent an understanding of reality (Gummesson, 1991). This is, of course, equally true for other elements of the pre-understanding on which this research project rests (as possibly in the case of the author who used to work in the industry under consideration), but the author — in fulfilling Gummesson's requirement — is certainly aware of its effects.

In the following, the two theoretical approaches, which we have used in this paper, will be outlined. Theoretical approaches to competition emerging from industrial economics explain a firm's success on the basis of the structural characteristics of its industry and of the companies performing within it (Scherer & Ross, 1990). These approaches presume that firms are engaged in a process of largely free competition. In order to prevail in the marketplace, a provider has to have competitive advantages over his competitors based on effectiveness and efficiency. If a firm does not succeed in differentiating itself from its competitors, it is presumed that its long-term existence is in danger.

The new institutional economics represents a counter-schema to the assumptions of neoclassical micro-economics. The latter explains the transactional approaches of providers and customers on the basis of their rationality and knowledge, and through an omission of opportunism. The new institutional economics assumes that there is no complete transparency of supply and demand for market participants, and that they must count on opportunism because of the asymmetric distribution of information between provider and customer. Opportunism here means that in a transaction every market participant assumes that the other side is pursuing its own interests, and possibly doing so with guile. This leads to insecurity for the market participants; it can be reduced with the help of institutions. If this does not succeed to an adequate degree for both sides, it is presumed that no transaction will take place.

Nevertheless, these two theories are here of major importance and not just for the underlying pre-understanding; their logic is also used to systematically identify the challenges facing the seller when he starts to introduce management consultancy services in the market. Furthermore, they are relevant when it comes to the systematic inducing of practice-driven hypotheses. Thus these theories do not serve analytical generalization, where they may be used as templates, with which empirical case results can be compared and checked for validity (Yin, 2003). Instead they raise the plausibility of the causal effects, on the basis of which our hypotheses have been developed. In this sense, the use of the applied theories strengthens the internal validity of our results, even if this quality criterion — according to Yin — is of lower importance when it comes to research pursuing an explorative approach (Yin, 2003).

However, the application of the two theories involved does not imply the exclusion of other theoretical approaches, which

might equally contribute to answering practice-oriented research questions like the ones which are here our concern. We may, for example, very well expect that, particularly with regard to the market, the approaches of a resource-based view, may lead to further insight and knowledge. Same is true for relationship oriented theories which explain the mechanism of cooperation between buyer and supplier. Consideration and discussion of theoretical approaches beyond those here used, would exceed the scope of this article, but provide promising options for further research.

3. General case information

3.1. The IBM Consulting Group

The management consulting activities at IBM started in 1992, when Bob Howe, a former partner at the renowned Booz Allen Hamilton Group, was commissioned to develop a suitable consulting group. He supplied the initially small team at the ICG (IBM Consulting Group) with employees who had mainly worked at very well recognized consulting firms. From the start ICG's aim was to make profits through the management consulting services. Although sales-relevant synergies with other industries were desired, they were neither at the center of interest nor explicitly called for.

In 1993, IBM's general financial situation became precarious. With Lou Gerstner, a new CEO took over who had no technical background and whose professional experience had been gained at McKinsey, American Express, and RJR Nabisco. Gerstner pushed through the enlargement of the company's business in favor of a developing service business. To this extent ICG was very well suited to the company's evolution.

In ICG's phase of market entry, gaining customers was based above all else on personal contacts of the firm's experienced managers. After gaining the first such reference customers, ICG developed in a very positive direction, with both sales and the number of employees growing strongly. In this initial period, the focus was mainly on projects located in the realm of IT-strategy and business transformation. The former involved advising customers regarding the future definition of the role of IT in their firm and corresponding concepts for its utilization. The latter involved acquiring projects in which the customer firm needed advice concerning comprehensive reorientation, with all its company-internal implications — the sort of reorientation IBM itself had experienced in the previous years.

The group around Bob Howe acted relatively independently from other business areas at IBM. In Germany, in the framework of a spin-off from the parent company, a legally independent unit even emerged for this business, the IBM Unternehmensberatung GmbH (UGB). It is the case that organizational and cultural distance led to tension within the organization. In the course of a wide-ranging new structuring of IBM in 1996, its management set about strengthening the ICG's ties to the larger company; the consulting business was now made part of the new business sector IBM Global Services (IGS), in the framework of which all the services the company provided were tied together. Its goal — as indicated, more closely incorporating management consulting into the larger company — was achieved; but this new structuring meant an intensified change of personnel. Among other individuals, Bob Howe left the company.

Similar to the case with the IGS in general, between 1996 and 2001 the business activities carried out in the framework of management consulting services developed successfully in regards to both sales growth and results. And together with the sales growth came a wide range of consultation projects. At the same time, because of the international collapse of many technology-oriented companies in 2002, the positive evolution could not continue as previously. Nevertheless, at this time the company's management saw no need to make personnel reduction a priority. Rather, 24,000 new employees were added that year with the acquisition of PricewaterhouseCoopers Consulting (PwCC). Of these, circa 2500 were involved in the management consulting business (based on the definition of management consulting above). With the acquisition of PwCC expertise increased strongly in a group of consultation-related areas. For example, thanks to the new employees there was an outstanding gain in financial-service competence.

In the context of PwCC's necessary integration, IGS was newly organized, i.e. the legally independent UBG was dissolved and reincorporated into the IBM organization. Six service lines were created derived from the challenges of the customer firms — for example supply chain management and human capital management. Management consulting activities were now assigned to the realm of service line "Strategy and Change". In a matrix organization framework, the services lines were divided into five separate industries such as financial services and public sector, plus consulting for medium sized companies. In connection with this new structuring, the organizational incorporation of management consulting was intensified even further. Initiated in 2003, this organizational development continues today.

The first phase of the integration process was marked by a substantial personnel reduction. Today the service line "Strategy and Change" comprises roughly 4000 employees worldwide and is considered economically as very successful. Less than 5% of the management consulting projects are IBM-internal.

3.2. SBS Management Consulting

Over 160 years old, Siemens AG is one of the most important firms in the world, with yearly sales of circa US$ 90 billion and roughly 460,000 employees in 190 countries. The company is mainly concerned with the development, production, and distribution of technically high-quality goods and services, in, among other industries, energy production, automatization, medical technology, transportation technology, and information technology. Siemens Business Services GmbH (SBS) resulted from the merger in 1990 of Nixdorf AG and Siemens Datentechnik — both had originally manufactured hardware and software products — to form Siemens Nixdorf Informationssysteme AG (SNI). In 1995, the central board of Siemens AG decided to found Siemens Business Services

(SBS) as a daughter company of SNI AG and Siemens AG. From the board's perspective, SBS was meant first of all to come up with, install, and operate IT-system solutions. SNI now passed all activities to SBS that were not clearly part of the hardware or software business. One purpose of this was to consolidate SNI through the divestment of less profitable activities. In the first year of its existence, sales at SBS amounted to US$ 628 million, with 90% being earned in this period from the customer Siemens AG. In 1997 SNI's solutions business was also transferred to SBS and SNI was largely dissolved in its old form. The integration problems emerging in this consolidation were highly similar to those at work in the earlier merger of Nixdorf and Siemens Datentechnik.

By 1998, sales at SBS had reached over US$ 3.5 billion, by 2001 US$ 6.8 billion, with around half of this being earned in Germany and 25% with Siemens AG. In 2003, the figure was US$ 6.3 billion, in 2005 US$ 6.4 billion, with an increasingly large portion of this involving outsourcing projects. In most years of its existence SBS had made a profit, but it had not lived up to the expectations of Siemens AG's central board.

Management consulting at SBS began in 1996 with the founding of SBS Management Consulting. The group initially comprised some thirty employees, three of them being managing partners who, however — other than the case in many traditional consulting firms — had no proprietary relationship with the company. After a short time another partner was added, the number of employees having already risen to around 100 — both selected colleagues from the Siemens corporation and arrivals from other companies. The latter group was made up principally of consultants from well-known management consulting firms such as Roland Berger.

The CEO of SBS at the time was Friedrich Fröschl, for whom the group's most important task was building a reputation as a competent consultant for strategic problems. His premise was that in this way access was possible to top managers (C-level) of large companies — managers who would hardly have been interested in SBS minus that specific service-provision. In any case, the core business was to be only indirectly strengthened through the consulting activities; in other words, there was no effort to directly tie these activities to the sale of other SBS services. Rather, SBS Management Consulting was to be economically successful with its own business, generating high growth on that basis. Here the usage for internal consulting within Siemens was not excluded on principle but also was not explicitly confirmed when goals were being formulated. On account of the high significance accorded SBS Management Consulting when it came to sales strategy, Fröschl had the group's management report to him directly despite the group's small size.

The consulting projects that were successfully acquired on the market in the group's first years had two focal points. On the one hand advice was given to companies regarding problems of technology-oriented process management, especially in relation to organizing optimal operations in the introduction of SAP Software. (It is the case that other divisions of SBS took over the technical implementation of corresponding IT-solutions, but the consulting projects were detached from this in their technical and financial execution.) On the other hand attention was paid to questions of change management; here it was possible to gain customer-companies that were in a phase of post-merger integration. In this case, SBS had experienced the same set of problems its customers now wished to solve.

By 2001, the group had grown to circa 160 employees — many of the consultants increasingly working, however, on SBS-internal projects; the number of such projects had steadily risen, reaching more than 50% of the total in 2001. That same year, SBS Management Consulting was merged with the relatively large management-education division at SBS. Considerable synergies were expected between the two realms, especially since the SBS education programs had successfully moved beyond the company's borders. At the same time, the post-2000 period saw the emergence of additional focal points — for instance, e-business, which had started to boom — for increasing the consulting business's sales volume. In 2001, the number of employees was increased to roughly 1000. But significantly, after SBS Management Consulting had to large extent satisfied expectations in the first founding years, after the century's turn management assessed the group as "economically only very conditionally successful."

In 2002 stocks slumped at many firms. The IT and telecommunication industries came under exceptional pressure, many companies entirely disappearing. The economic situation deteriorated for SBS in general and SBS Management Consulting in particular. Siemens AG's central board now changed the top management at SBS, which in turn altered the previous organizational structure in major ways. The differences in approach shown by the new CEO, Paul Stodden, included his sense of the consulting group's significance. Since over 90% of the consulting group's sales were made in Germany, Stodden made SBS's German regional office responsible for these sales activities; Germany was also the region in which the preponderance of SBS's total business took place. The purpose of this measure was thus to strengthen the ties between SBS Management Consulting and the core business activities of SBS: an intention that was seen through in the 2002 merger of the consulting group with the IT Service Consulting and Project Management division. That division had been directly concerned with SBS's IT-related projects and advised customers in the planning, provision, and implementation of complex IT-solutions. The organizational linkage between the consulting and education business was abandoned, one year after its merger.

In 2003, the newly structured SBS Consulting Group had roughly 350 employees. Especially because of the cultural differences between the former management consulting group's employees and those of the former IT-consulting group, integration of the two groups was difficult; there thus was a high level of employee fluctuation. This notwithstanding, the economic results gradually improved — a development then strengthened by an increased focus on clearly defined customer groups emerging in the framework of a comprehensive reengineering project. With the creation of the necessary organizational units, the SBS Consulting Group could concentrate

on the three industries in which a relatively high degree of know-how had been built up in past years — industry, financial services, and public services. Alongside this, two additional activity-areas were established: one for SBS's in-house projects, the other for those of other business divisions of Siemens AG.

At the same time, as part of a matrix organization, the SBS Consulting Group was divided into two sub-sections — one for strategic IT consulting, the other for management consulting. In 2004, annual employee fluctuation was reduced to 15%–20%, a figure that could in any case be largely compensated for through new hiring. Alongside suitably high-qualified individuals beginning their careers and some consultants from other similar firms, preference was given managers from industrial corporations who had expert knowledge in the three company-external target industries. The company's success continued; in 2005 it had the highest sales profitability within SBS. But it should be noted that only 15% to 20% of the sales were generated in the management consulting realm, with more than half stemming from projects within Siemens AG.

4. Identification of challenges and development of hypotheses

In the above defined framework of management consulting, both case studies point to many marketing-related challenges and even more potential solutions. In any case, the selection of aspects which are analyzed and discussed in this article is necessarily strongly limited. The choice being determined by both relative importance and the general validity of the lessons taught by one or the other source of evidence. In this manner, two central challenges are identified below that face companies in their efforts to enter the market of management consulting services. In addition, four normative hypotheses regarding the process will be suggested; emerging from more extensive research, these can be used by provider-firms as recommendations for action.

5. Market-related strategic levels

All of those interviewed considered successively establishing management consulting services in the company-external market to be difficult. A central reason for the special challenges in this market may well be the high number of existing providers. Hence in Europe alone around 60,000 consulting firms could be found in 2004, with the number having risen even further since then (Murmann, 2004). At least in the Western industrial countries, what is responsible for this situation is the low formal and financial barriers to market entry. Not all consulting firms are working at full capacity; since the supply exceeds the demand, we can here speak of a buyer's market.

The high competitive density and subsequent intensity have meant a need for clear profiling, particularly in the case of new providers. Subsequently, with the customer having an ample choice between various consulting-providers, the provider has to offer a competition-relevant advantage. Naturally a provider wishing to engage in management consulting services also needs to offer a customer advantage in the goods-business realm, as long as this involves a buyer's market. But since a direct connection with a transaction in the goods business is absent in management consulting deals relevant in this research framework, the customer-advantages for the consulting business applicable there are not so here. This is the backdrop for formulating our first challenge: The intensive competitive environment of the management consulting market requires that a B2B company entering this business offers a customer advantage that might be different from that in the goods business.

Industrial economics, or the industrial organizational approach, takes a perspective in which general conditions are made the starting point of strategic action (Hunt, 1999). According to this perspective, three generic strategies are available for the provider to secure market success: cost leadership, differentiation, and focus (Porter, 2004). In the case of cost leadership, providers try for the lowest cost position in their industry, in order to achieve the best starting position in the price competition. Differentiation means a market-wide leadership in service quality, allowing providers to remove themselves from price competition. Focus refers to the limitation of market development to specific target groups. Within these segments, the customer advantage can be again reached through either lower costs or performance differentiation.

Since in management consulting market-specific competencies are needed that are usually not sufficiently at hand in goods-based companies, time is needed for their development. For this reason it would make little sense for a company in the developmental stage of management consulting services to follow a strategy aimed at industry-wide quality leadership. The chances are slim that the consulting quality of a company with limited experience will surpass that of an established quality leader like McKinsey across the market. This is in any event the case as long as there is no acquisition of a suitable consulting firm considered a quality leader.

The strategy of cost leadership has to be approached with equal skepticism. Industrial economists see huge company size relative to competitors as an important factor in extending cost advantages. In the case of a B2B company entering the market for management consulting services, this precondition is lacking. True, the company can follow this strategy with other business activities — ones where it has the necessary size-advantages, but because of the differences inherent in the business these advantages cannot be transferred to the realm of management consulting.

In view of the difficulties regarding the differentiation and cost-leadership strategies, the possibility of a focus strategy needs to be considered closely, especially since empirical research suggests this strategic option for companies in the case of market entry (Christensen, 2000; Christensen & Bower, 1996). As it happens, both firms discussed here initially chose this route, concentrating in the phase of business development on two niches, that is, customer groups with highly specific needs. The first of these groups comprised customer firms interested in undergoing technology-based process reengineering. Both IBM and SBS had built up comprehensive know-how

in this respect on the basis of their goods business and long-term collaboration with numerous customers. The second such group was made up of customer-companies going through organizational development processes similar to those already experienced by both SBS and IBM. In SBS's case the chief focus here was on change processes taking place in company mergers and their effects on personnel and organization. Thanks to the integration of Nixdorf AG and many other areas of Siemens, SBS had considerable know-how in this realm. In the case of the IBM Consulting Group, experiences with a radical, company-spanning reorientation from goods to services rendered the firm suitable for another specific set of customers.

In any case, in 2000 the concentration on certain customer segments or substantive capacities was strongly diminished. At SBS, an increasingly undifferentiated cultivation of the customer market took place, with a strong increase in the portfolio of provided service-areas. All in all, the results of these developments were not seen as successful. For this reason, starting in 2003 there was a refocusing of the business onto clearly defined market niches producing more successful results.

At IBM, diversification took place on the basis of the acquisition of PwC Consulting. This step made the company into one of the world's largest providers of management consulting; at present it continues to strive for quality leadership in this market. Although management is very satisfied with the past three years' economic success, in view of the time-span needed to realize the strategy a final assessment of its success is not yet possible. What the company does have in common with SBS, in any case, is a sense that at least in the development phase of management consulting business, focusing on specific market niches was the correct approach.

Hypothesis 1. In entering the market for management consulting services B2B companies should pursue a focus strategy.

Hypothesis 2. Providers should define the niches in relation to a know-how advantage over their competitors, resulting from specific experiences in the goods business and/or developmental processes in their own companies.

6. Customer-related operative levels

It needs to be stressed that despite the focus-centered strategic approach, managers of both companies assessed market entry as difficult. A central problem here was winning customers for market transactions. That is, neither of the companies under study could avoid difficulties in convincing even those focused customers for whom they offered advantages as providers of competition-relevant know-how in other business realms. In this context, the following comment by an IBM manager is highly relevant:

> 'To convince customers of the quality of our server was rather easy for sales. When someone was a little skeptical, we arranged a visit to our testing center or to another customer — he could then see everything, receive proof. But in consulting it was different than in the goods business. Then we couldn't simply let customers test what they wanted to buy beforehand.'

The comment points to a fact that is well-known to researchers: that services cannot be subject to verification before time of purchase (Plötner, 2007; Parasuraman, Zeithaml & Berry, 1985). This constitutes an important distinction from many goods-business realms. To analyze this problem more closely, approaches developed in information economics in the framework of the new institutional economics may be useful. Three qualitative categories have here been distinguished according to when or if they can be scrutinized: according to Nelson, search qualities can be scrutinized before sale, experience qualities after sale (Nelson, 1970); according to Darby and Karni, credence qualities cannot even be scrutinized after sale (Darby & Karni, 1973). Services display an especially high proportion of credence qualities (Zeithaml & Bittner, 2003), this dominance being particularly strong in the case of management consulting. Hence following the unsuccessful carrying out of a recommended strategy, a customer can hardly judge whether the advice was false or on the contrary poorly realized by one's own managers; or again whether altered surrounding factors may be responsible for the poor company development. Because customers can here only assess to a very limited degree whether what they are buying will be worth its cost, they feel a great deal of insecurity before the purchase (Mitra, Reiss, & Capella, 1999; Murray & Schlater, 1990). Since management consulting is concerned with important aspects of a company's activities, it can be confirmed — following the theory of perceived risk — that the customer is aware of a high level of risk (Bauer, 1967; Knight, 1964).

In the case of management consulting services, the customer's risk awareness is even further intensified through one particular fact. It can be assumed that in the course of a consulting project a provider will receive deep insight into the structures and developments of the customer company, hence also into its risks and weaknesses. Because of the reality of opportunistic behavior, the company will see itself confronted with the possibility that the provider will use this insight for itself and against the customer's interests. Other than with traditional consulting firms, in the case of a goods-based B2B company entering the management consulting market customers have to contemplate knowledge diffusion into other business areas of the provider firm, where it will be used opportunistically.

Both the perceived customer risk in the purchase of consulting services and specific context of the here relevant providers suggest that the insecurity-reduction mechanisms maintained by goods-business suppliers cannot be transferred to this different realm. And in fact, research on service-provision management has confirmed that marketing instruments of the production business cannot be made use of in the same manner as in the service business (Beaven & Scotti, 1990; Grönroos, 1998; Zeithaml et al., 1985). This insight suggests the second central challenge which a goods-based B2B company is facing entering the market for management consulting services: On account of the impossibility of evaluating the quality of a consulting service in advance and the special danger of

opportunistic provider behavior, potential customers have an especially high sense of insecurity; this means that providers have to use a different form of marketing than that used in the goods business.

In order to understand the possibilities for reduction of customer insecurity available to the provider, it is useful to keep in mind approaches developed in the new institutional economics. In particular, Williamson's discussion of transaction costs (Williamson, 1985) addresses the behavior-insecurity construct emerging from the possibility of a transaction partner acting opportunistically. Behavior insecurity can be overcome through so-called institutions, typically taking the form of guarantees or bonds. But another important institution for the transaction partner's insecurity reduction is, in fact, trust: the expectation held by a specific party that in the context of a certain event, a person or group of people will not act opportunistically against him (Plötner, 1995).

Several research reports have already underscored the special importance of trust within both the service industry (Crosby, Evans, & Cowles, 1990; Morgan & Hunt, 1994) and B2B markets (Swan, Trawick, & Silva, 1985); and several of the managers interviewed for this case study analysis (individuals representing both SBS and IBM) confirmed its centrality for management consulting services as well. In this regard, the statement of one SBS manager is especially revealing: 'Siemens as a brand already offers us something. But in this business it's even more important that the customer trusts me personally.' Hence customers can orient their trust towards either collective entities (here: the provider company or its brand) or individuals within the company. At least with entry to the consulting market on a competence-commercialization basis, the company-brand will not have a prominent image; the sense of trust it creates in the potential service-provision will still be limited in face of well-established competitors. For this reason it can be assumed that in the market-entry phase trust in individual persons is especially important.

One way the firms considered in the case study met this challenge was by employing experienced employees from well-known consulting firms. Normally such employees have personal contacts with customer firms, so that at least the possibility exists of using the contact for a new employer. Beyond this, at the start both firms targeted specific customers with whom business had already been transacted in other business units of the company. In this case, both existing personal contacts and the reputation of the firm in general respectively the strength of its brands could be used for entering the market of management consulting services. It should here be noted that in the context of the new institutional economics, reputation represents a bond.

Representatives of both firms indicated that trust was also gained through a very strongly developed communication policy oriented towards individual customers. In this manner, before their first meeting with the consultants meant to work on a particular project, representatives of a customer company were mailed the consultants' CVs. Particularly noteworthy in this regard are the Assessment Centers set up by IBM, which are still operating. These not only generally encourage closer mutual acquaintance and verification of the 'social fit', but can be seen as a suitable means of communication intended to convince customers of the competence and reliability of the consultants.

From the perspective of research on business management, these measures can be understood to mean that both companies analyzed here coped with the high proportion of credence qualities through intensified communication of their own service potential. This is an important difference with the traditional goods-business, where communication of the service result, in other words goods or their search qualities, is the most important thing. This observation allows us to formulate the following hypothesis:

Hypothesis 3. When it comes to the contents of the provider's pre-sales communication, the depiction of service potential (especially on the part of one's own employees) should be given more importance than in the goods business.

A number of effects are tied to the high importance of personal trust between a customer company's employees and those of a competence-commercialization provider. One effect related to the organizational structure of the value-added process will be stressed here, since it clarifies an important difference with the traditional goods business.

In the goods business, an organizational separation between sales and production on the provider's part is usual. Following contract signing, the provider's employees, who have become acquainted with the customer in the pre-sales phase, hand over responsibility for order-processing to colleagues in another department. This means that large portions of the production processes are not seen to by the same management responsible for marketing processes. Such a function-based division will operate smoothly as long as there is good internal communication between the organizational interfaces and production and delivery does not demand any specially close and trusting provider-customer collaboration.

This latter condition is, however, not present in management consulting. Rather, a consulting project usually can only be successfully realized if the customer furnishes the provider with confidential information and works together intensively on problem identification and coming up with solutions. If a manager of a consulting firm has gained the trust of a potential customer company in the pre-sales phase and convinced that company to place an order, it might well be a source of considerable irritation if, following the contract signing, other employees take over for the future confidential collaboration. This is an important reason for the management consulting firms generally not being structured in terms of the functional realms of 'production' and 'sales', but rather organizing themselves according to the customers or customer projects. This was also the approach taken by IBM and SBS; all those interviewed considered it an important structural quality of the business. One manager put it very succinctly: 'Personal trust cannot simply be transferred to other colleagues. For this reason, one remains a partner of the customer over the course of an entire project and even beyond.' This insight leads to our fourth hypothesis.

Hypothesis 4. In contrast to what is standard in the goods business, in management consulting services responsibility for sales and production should be in the same hands; project-specific or customer-specific organizational forms are preferred to those that are function-specific.

Due to the specific challenges goods-based companies are facing when building their management consulting business and the particular ways of overcoming these as well as the relevance of those developments in B2B business, one last suggestion refers to the terminology when dealing with this phenomenon. Jacob/Plötner/Zedler suggest the term of *competence commercialization* (Jacob et al., 2006), which certainly meets the necessary requirements to cover all aspects of our phenomenon, yet similar wording has entered the latest B2Bmarketing-literature and is being used in a way which exceeds the framework we drew for our research (Golfetto & Gibbert, 2006).

7. Managerial implications

As indicated, in this article neither the marketing challenges for goods-based B2B companies entering the market for management consulting services, nor the best ways to solve them, can be explored in sufficient detail. Researchers are presently faced with a double challenge: on the one hand, to furnish the hypotheses presented above with a more solid scholarly foundation; on the other hand, to identify additional problems — and additional solutions.

We have seen that the most sensible approaches to marketing strategy for management consulting services might be very different than those in a company's other business areas; to this extent traditional conceptual cultures and maxims for action need to be called into question. At the same time, it should now be clear that a new orientation in operative areas such as marketing communication is also needed. Finally, this discussion has underscored that the organizational structures prevailing in goods-oriented firms are not transferable to management consulting services: new, untried paths need to be taken here — for instance by merging responsibilities for sales and production.

This organizational evolution involves special challenges to employees' capacities, with implications for the development and recruiting of personnel. And this refers to far more than the special managerial competence needed to bring production and sales together. For example, there is the provider's ability, generally necessary in the service business and especially so in consulting, to integrate the customer into the service-delivery process. Jacob has examined the special capacities managers need for what Kleinaltenkamp and colleagues have thus termed "customer integration" (Jacob, 2006; Kleinaltenkamp, Ehret, & Fließ, 1997). Since overcoming the ensuing challenges does not stand at the center of the marketing perspective, it will here suffice to simply mention that both IBM and SBS exerted much effort in the realms of development and recruitment for the sake of building up the qualities needed for successful consulting.

In both firms, the development of consulting-specific personnel structures had direct implications for the shape of the compensation system, with elements that have not been taken over from the goods business. In this respect, one thing in particular should be emphasized: the introduction of structures suitable for the consulting business does not have to represent a problem for newly established companies in this industry, or for those with closely related activities. Rather, the basic challenge for a goods-based B2B company entering the market of management consulting results from the fact that new thinking patterns and organizational structures have to be introduced into already-existing firms and this implies, at least to some extent, significant internal changes.

In view of the different nature of the consulting business, a sensible approach may well be to more or less separate the management consulting services from the other industries. And in fact, such separation is one frequent demand made by the managers, who are responsible for the management consulting business. In part, the demand is for the formation of legally independent structures. On the one hand, such separatist tendencies are understandable; on the other hand, they are tied to a danger that is not negligible: In the above discussion of Hypothesis 2, it became clear that a central possibility for competitive profiling is the use of know-how developed on the basis of both the goods business and goods-spanning developments and experiences in the larger company. If, however, the group responsible for the management consulting separates from the other business areas, this may well make access to relevant company-internal knowledge-resources much more difficult. It is very possible that the employees in a management consulting group will then be viewed as outsiders by colleagues in goods-oriented businesses — outsiders with whom they do not wish to share what they know. In this case the management consulting groups in those companies would of course lose an important competitive advantage. Against this backdrop, it would be very important for companies to find the correct balance between integration and separation of the management consulting business. In any case, it became clear in the context of the case study interviews that doing so is by no means without problems, frequently leading to counterproductive company-internal tension. For such reasons the ability to manage this tense field is a central precondition for the goods-based companies entering the business of management consulting in the first place.

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