MANAGEMENT CONSULTANCIES AS INSTITUTIONAL AGENTS:
STRATEGIES FOR CREATING AND SUSTAINING INSTITUTIONAL CAPITAL

MARKUS REIHLEN
Leuphana University Lüneburg
Otto Group Chair of Strategic Management
Scharnhorststraße 1
D-21335 Lüneburg, Germany
Phone: ++49 (0) 4131-677-2350
Fax: ++49 (0) 4131-677-2359
E-Mail: reihlen@leuphana.de

MICHAEL SMETS
Aston Business School
B4 7ET Birmingham, United Kingdom
Phone: +44 (0)121 204 5262
E-Mail: m.smets@aston.ac.uk

ANDREAS VEIT
WHU – Otto Beisheim School of Management
Institute of Management Accounting and Control
Burgplatz 2
D-56179 Vallendar, Germany
E-Mail: andreas.veit@whu.edu

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ABSTRACT

Management consultants have long been recognized as carriers of management knowledge and disseminators of management fashions. While it is well understood how they promote the acceptance of their concepts, surprisingly little has been said about their strategies to promote the acceptability of their services. In this paper, we elaborate a typology of strategies by which management consultancies can create and sustain such "institutional capital" (Oliver, 1997) that helps them extract competitive resources from their institutional context. Drawing on examples from the German consulting industry, we show how localized competitive actions can enhance individual firm's positions, but also the collective institutional capital of the consulting industry as a whole, legitimizing consulting services in broader sectors of society and facilitating access to requisite resources. Our accounts counter prevailing imagery of institutional entrepreneurship as individualistic, "heroic" action and demonstrate how distributed, embedded actors can collectively shape the institutional context from within to enhance their institutional capital.

Keywords: consulting industry, neoinstitutionalism, institutional capital, embedded agency, institutional strategy

1 INTRODUCTION

Management consultancies have gained strong economic and social influence as the new "market protagonists" (Faust (2002b, 45)) in increasingly knowledge-intensive and dynamic economies. The largest consultancies rival multinational corporations in turnover and employment (Empson (2007b); Greenwood, Suddaby and McDougald (2006b)) and serve clients in business, politics and non-profit sectors (Niejahr and Bittner (2004)). As exemplars of knowledge-intensive firms (e.g. Armbrüster (2006); Empson (2001); Morris (2001)) they provide clients with external expert knowledge where they at least temporarily struggle to keep up with current trends and achieve business success (McKenna (2006)). The constant stream of innovations they produce serves their clients, but also positions consultancies as *thought leaders* and creates continued demand for their advice (Ernst and Kieser (2002b, c); Fincham and Clark (2002)).

Studies of *management fashions* (Abrahamson (1996); Benders and van Veen (2001); Kieser (1997); Suddaby and Greenwood (2001)) suggest that management consultancies strategically criticize existing concepts to re-shape the market for management knowledge and establish their own innovations as sources of commercial success. This self-marketing seeks to orient management discourse in a direction that legitimizes specific products and processes as rational and effective (Berglund and Werr (2000)). In this view, the rise of management consulting is not a mere product of economic needs. It results at least partially from consultancy firms' rhetorical strategies to shape management discourse, develop a reputation as thought leaders, and establish their concepts as appropriate remedies for a range of management problems.

The centrality of market discourse, reputation, and perceived legitimacy in the marketing of consulting services suggests that their competitive success largely feeds on the *institutional capital* (Oliver (1997)) held individually by different consultancies as well as collectively by the industry as a whole. Oliver (1997) defines institutional capital "as the firm's capability to support value-enhancing assets and competencies" through the "effective management of the firm's resource decision context" (p. 709). In this sense, an organization's institutional capital is the greater, the more its embeddedness in – and active management of – its institutional context facilitates the acquisition, creation, and improvement of superior resources. Such institutionally contingent resources may include legitimacy, reputation or client relationships that, in turn, underpin the competitive advantage of consultancies. Strategies for managing the institutional context so as to create or sustain institutional capital are, hence, vital for consultancy firms' success.

Over the last two decades, institutional theorists have developed some understanding of how organizations can act strategically within their institutional environments (Oliver (1991)) or transform them altogether (DiMaggio (1988); Lawrence (1999); Maguire, Hardy and Lawrence (2004)). Studies on "institutional entrepreneurship" (DiMaggio (1988); Greenwood and Suddaby (2006a)) have begun to uncover how actors become motivated and enabled to manipulate the very institutional structures that they inhabit.[1]

While the innovative activity of management consultancies has recently been identified as a form of institutional entrepreneurship, this has only been with regard to the institutional conditions under which their clients operate (Walgenbach (2002)). Some studies have focused on the role of management consultancies as fashion setters who actively create isomorphic pressures in their client industries (Kieser (1997); Suddaby and Greenwood (2001)). Others investigated the use of rationality myths in service delivery processes (Armbrüster (2004); Bäcklund and Werr (2001); Berglund and Werr (2000)) or analyzed different socio-cultural and historical influences on the emergence of the consultancy industry (Faust (2002b); Kipping (2002); Kipping and Armbrüster (2002)). Nonetheless, an

[1] For a review of the literature see Garud et al. (2007) and Hardy et al. (2008).

explicit analysis of the strategies by which consultancy firms may manipulate the institutional ramifications of their own existence and operation is generally missing.

To address this shortcoming, we elaborate a typology of strategies by which management consultancies can create or sustain their institutional capital. Drawing on strategic approaches to institutions (Bresser and Millonig (2003); Lawrence (1999); Oliver (1991)), and illustrative evidence from the German consulting market, we identify a set of five interrelated strategies by which consultancies can manipulate their external environment and enhance their competitiveness on the level of the industry, the strategic group, and the individual firm.

Based on recent institutionalist discussions of embedded (Greenwood and Suddaby (2006a)) and distributed (Quack (2007)) agency we specify the enabling conditions and specific nature of these strategies. Hence, we not only contribute to understanding the strategic repertoire of management consultancies. We also advance institutional theory by demonstrating how institutional change is the collective and emergent product of distributed actors' localized efforts to enhance their individual competitive position.

The paper is organized in three parts: The first part introduces the theoretical orientation of the paper, outlining foundations and recent debates in institutional theory as well as a repertoire of generic strategies for manipulating institutional environments. The second part describes institutional properties of the management consultancy field and, using illustrative evidence from the German consulting market, explores how consultancies can create and sustain their individual and collective institutional capital. The final discussion section develops a typology of consulting-specific institutional strategies, discusses their emergent and distributed nature, and points out implications for future research.

2 THEORETICAL ORIENTATION

2.1 Foundations of institutional theory

Institutions, in the broadest sense, represent a collective consensus that classifies a social situation. They define the categories and relationships of actors commonly expected to be involved and specify the types of ideas and behaviours that are considered acceptable in that situation (DiMaggio and Powell (1983); Meyer and Rowan (1977); Meyer and Scott (1983); Powell and DiMaggio (1991)). For business organizations this means that they compete for "social as well as economic fitness" (DiMaggio and Powell (1983, 150)), as their survival and success not only depend on the technical efficiency, but also the perceived social appropriateness of their ideas, products, structures and practices. Legitimacy becomes a critical resource that organizations must extract from their institutional environment.

The relevant institutional environment in which legitimacy is conferred has been conceptualized as an *organizational field* (e.g. DiMaggio and Powell (1983); Scott (1991); Scott and Meyer (1983)). It represents a mid-level social sphere in which those stakeholders that "in the aggregate, constitute a recognized area of institutional life" (DiMaggio and Powell, 1983, 149) evaluate the legitimacy of each others' actions and connect concrete organizational action with broader normative and social structures. Fields progress from an "emerging" to a "mature" state as their constituents interact more frequently and develop shared meaning systems. *Emerging fields* are still relatively underorganized domains. They revolve around a central "issue" such as recycling (Hoffman (1999)), HIV/AIDS treatment (Maguire et al. (2004)) or new technologies (Garud, Jain and Kumaraswamy (2002)), but their members only interact sporadically and unsystematically. They may recognize some degree of mutual interest, but lack institutional roles with widely shared, clear-cut norms against which to evaluate their actions. In contrast, *mature fields* such as healthcare (e.g. Brock, Powell and Hinings (1999); Scott, Ruef, Mendel and Caronna (2000)), law (e.g. Empson (2007a); Hoffman (1999)) or accounting (e.g. Greenwood, Hinings and Suddaby

(2002); Greenwood and Suddaby (2006a)) are characterized by an established regulatory framework and common meaning system. Their constituents are aware of their common enterprise and stratified into clear structures of inter-organizational coalition and domination (DiMaggio and Powell (1983)). In mature fields, organizations are exposed to strong *isomorphic pressures* which force legitimacy-seeking organizations to comply with the shared rules and norms of the field (DiMaggio and Powell (1983); Meyer and Rowan (1977))

Isomorphism is the dominant concept of early institutionalism, which leads critics to remark that it fosters an overly deterministic image of institutions as reified structures to which organizations passively adapt. These critiques lead institutionalists to shift their research interest from examining processes of isomorphic *convergence* to exploring the conditions and mechanisms producing *divergence* in organizational forms and behaviours.

2.2 Institutional Strategy and Entrepreneurship

DiMaggio's (1988) foundational argument that "new institutions arise when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly" (p. 14) re-oriented institutionalist research towards actors' efforts to actively shape the socio-political context of their operations to their advantage. Under the label of *institutional entrepreneurship* (DiMaggio (1988); Greenwood and Suddaby (2006a); Leca, Battilana and Boxenbaum (2006); Leca and Naccache (2006); Maguire et al. (2004)) they investigate strategies by which self-interested actors try to establish "a strategically favorable set of conditions" for their organization (Lawrence (1999, 167)).

While Oliver (1991) provides a repertoire of strategic *responses* to existing institutional pressures, Suchman (1995) and Lawrence (1999) suggest more pro-active strategies for managing organizational legitimacy and shaping the institutional context against which organizational actions are evaluated. From this stock of previous research, Bresser and Millonig (2003) developed a typology of five generic manipulation strategies (see table 1), which institutional entrepreneurs may use to shape the rules and norms of their institutional environment according to their own interest.

Insert Table 1 about here

Co-option denotes a strategy of winning over powerful institutional constituents by incorporating them into the organization. For example, politicians, trade union representatives or investors may be assigned seats on supervisory or directors' boards to bring them closer to the organization and its interests. This puts co-option at the manipulative end of Oliver's (1991) strategy continuum. It aims to neutralize or actively reduce external institutional constraints and establish the organization and its actions as legitimate. Co-opting politicians, for instance, can serve to create institutional capital insofar as they can signal legitimacy, lobby legislative bodies, and facilitate access to lucrative government contracts.

Lobbyism is a close relative of co-option. It describes attempts on the part of organizations to mobilize external institutional actors as advocates of their own interests. However, while co-option primarily seeks to reduce institutional pressures on a specific organization, lobbyism is a bi-focal strategy: It can be used to reduce constraints on the lobbying organization or to increase institutional pressure on its competitors (Oliver (1991); Pfeffer and Salancik (1978)).

Membership strategies, as originally described by Lawrence (1999), specify which organizations can legitimately exercise particular functions in a social domain. Organizations that set membership rules actively manipulate the system of social positions in their field by determining the relative ease with which their competitors can enter and access critical resources. These rules can be explicit or implicit as, for example, in the professions (Freidson (2001)) or keiretsu networks (Lincoln, Gerlach and Takahashi (1992)). Irrespective of their nature, though, membership rules exert normative pressures, which organizations must observe to become or remain legitimate members of an organizational field.

Standardization strategies (Lawrence (1999)) aim at establishing specific organizational practices, structures, processes, products or services as legitimate and “normal” within an organizational field. Organizations try to portray their own organizational characteristics as appropriate for all members of the organizational field (Greenwood et al. (2002)) by invoking technical, legal/regulatory or more informal norms and standards. Establishing its own way of operating as a field-wide standard favours the standard-setting organization and enhances its institutional capital.

Influence in Suchman’s (1995) sense is the most far-reaching strategy to manipulate institutional environments. It extends beyond the context of the organizational field to influence norm systems at the societal level. Organizations pursuing this strategy aim to build normative and cognitive legitimacy for particular ideas and actions. They reframe an existing social reality within which those ideas and actions that suit their organizational interests appear acceptable, even taken-for-granted.

These strategies, aimed at manipulating institutional arrangements at the level of the field or society, however, have raised two important questions: First, how do organizations become motivated and enabled to act as “institutional entrepreneurs” (DiMaggio (1988)) and challenge those institutional rules and norms that supposedly define their interests and scope for strategic action? Second, how do organizational actors succeed in manipulating institutional arrangements that are supported by broad social consensus? These questions have emerged as fundamental puzzles of institutional theory and attracted growing academic attention under the labels of embedded and, more recently, distributed agency.

2.3 Embedded and Distributed Agency

With growing interest in institutional change during the 1990s, the "paradox of embedded agency" (Holm (1995, 398); Seo and Creed (2002, 225)), the question how institutional agents bring about change from within their field, has come to constitute a fundamental puzzle for institutional theorists.

The institutional entrepreneurship literature has predominantly attended to dissatisfied and therefore weakly embedded actors as potential change agents (Garud and Kumaraswamy (2002); Greenwood and Hinings (1996); Greenwood and Suddaby (2006a); Lawrence, Hardy and Phillips (2002); Leblebici, Salancik, Copay and King (1991); Maguire et al. (2004)). Only recently have institutionalists started to investigate how privileged, firmly embedded actors can come to challenge the very norms that they benefit from and supposedly take for granted (Greenwood et al. (2002); Sherer and Lee (2002)). Prominently, in their study of the Big Five accounting firms, Greenwood and Suddaby (2006a) show how elite actors can occupy socio-economic positions that make them aware of favourable alternative institutional arrangements, motivated to further enhance their competitive position by pursuing these alternatives, and largely immune to institutional pressures as exerted, for example, by their professional regulators. These insights constitute an important step towards disentangling the "paradox of embedded agency", because they show how perceived under-performance and awareness of preferable arrangements motivate - and perceived immunity from institutional sanctions - enable organizations to challenge supposedly taken-for-granted institutions.

Simultaneously, this stream of work begins to point out that institutional change may be more collective than the imagery of institutional entrepreneurship may previously have suggested. While Greenwood and Suddaby (2006) focus on the interplay of an elite group of firms and their regulator, Lounsbury and Crumley (2007) highlight the relevance of an even wider array of actors in field-wide practice innovation. They argue that institutional change may emerge from multiple, distributed actors engaging in parallel, yet uncoordinated activities that may amount to profound field-level change. This perspective may help to more realistically describe how institutional strategies play out and how organizations can enhance or maintain their institutional capital.

3. THE ORGANIZATIONAL FIELD OF MANAGEMENT CONSULTANCY

Management knowledge is the central "issue" (Hoffman (1999)) around which the consulting field revolves (Engwall and Kipping (2002); Faust (2002a); Suddaby and Greenwood (2001)). The creation, dissemination and application of new management concepts connects its members into a collective endeavour that makes them "interact more frequently and fatefully" (Scott (1994, 208)) with each other than with actors outside their "knowledge arena" (Engwall and Kipping (2002); Suddaby and Greenwood (2001)). Actors with a stake in the management consultancy field include consultancies, their current and potential employees, clients in various for-profit and not-for-profit sectors, academic institutions, professional associations and media. Consultants, "management gurus" and mass media have been recognized as a "fashion-setting community" that coalesces around the "dramatization of newness" (Faust (2002a, 146)) and forms the core of a "recognized area of institutional life" in the sense of DiMaggio and Powell's (1983, 148) field concept.

Intriguingly, authors describe the management consultancy field in terms that emphasize both, *emerging* as well as *mature* properties. Kipping and Armbrüster (1999) highlight that the relatively imprecise nature of the consultancy concept, the multitude of specializations, and the frequent change of products and producers complicate the definition of field boundaries. Unlike other professional business services like law or accounting, management consulting is not a protected occupation that requires professional certification and accreditation (Armbrüster (2006); Groß and Kieser (2006); Kipping and Armbrüster (1999)). Industry associations do exist, but play a largely supporting and representative role, much in contrast to the formally sanctioned professional associations that regulate the practice of lawyers, accountants or physicians. They provide opportunities for training and exchange and help small management consultancies to build credibility and reputation (Clark (1995); Groß and Kieser (2006)). Accordingly, isomorphic pressures as they are commonly exerted by professional associations or the state are weak in the consultancy field (Armbrüster (2006); Groß and Kieser (2006)). In this sense, the management consulting field is still emerging, providing space for residual institutional ambiguity and allowing competing ideas of appropriate consulting practice to coexist.

Simultaneously, the perceived status of consultancy services as well as the way field constituents interact with and perceive of each other show signs of increasing *field maturity*. While management consulting is still a relatively young industry, it has positioned itself as "the world's newest profession" (McKenna, 2006), attaining quasi-professional status based on the knowledge intensity of its services (Brint (1993); Groß and Kieser (2006); Maister (1993)). This perceived professionalization of consultancy services, together with the close correlation of professionalization and institutionalization (DiMaggio and Powell (1983)), suggests that the field has progressed towards fuller institutionalization. Its large growth rates during the 1990s "were being added to a mature frame, not an adolescent skeleton" (McKenna (2006, 251)).

Another indicator of field maturity is the stratification of elites and nonelites or *central* and *peripheral* field participants that differ in both their scale and reputation (Greenwood and Suddaby, 2006). Similar to the more traditional law (Empson (2007a)) and accounting professions (Greenwood and Suddaby (2006a)), the consulting field is clearly stratified along these dimensions, distinguishing a small group of elite organizations from their peripheral competitors both in the global and the German context.

In 2006, the top ten consultancies in Germany (out of approx. 14,250 incumbents) controlled a market share of 18 percent.[2] With the exception of Roland Berger Strategy Consultants as a leading national player, the German consulting market is dominated by the global elite of American consulting firms like McKinsey & Co., Booz Allen Hamilton, and The Boston Consulting Group. Most of those firms entered the European market in the consulting boom of the "golden sixties" (Kipping (1999, 209)) and established the significant presence they still enjoy today.

Hence, while the boundaries of the management consultancy field are relatively fuzzy, its centre is very clear. The stratification of elite and non-elite organizations, combined with the fluidity of field participation, the absence of strong isomorphic pressures, and the resultant institutional ambiguity suggest that management consulting is best described as a *maturing* field. It is caught in limbo between early emergence and full structuration. This suggests that processes of institutionalization are ongoing but still leaving considerable scope for entrepreneurial actors to shape maturing arrangements in ways that enhance their institutional capital.

In a maturing field, even more than in an emerging field, organizations may find particularly motivating and enabling conditions for strategic action. The lack of institutions of professionalism (Armbrüster (2006); Groß and Kieser (2006)) creates institutional ambiguity and therefore weaker institutional constraints. Additionally, local or global elites can use their reputation and resourceful position to shape maturing institutional structures to their advantage. Their exposure to top clients and multiple industries helps them reflect on existing institutional arrangements (Greenwood and Suddaby (2006a)) and give direction to

[2] Calculations based on (BDU (2007)) and (Lünendonk (2008))

their institutional strategies. While these institutional and organizational conditions act as an enabler of strategic action, the prospect of increased competitive advantage and economic reward acts as a motivator. Given that institutional arrangements privilege the interests of their promoters, individual consultancies are motivated to promote rules and structures that enhance their institutional capital and competitive advantage. These specific institutional conditions suggest the management consultancy field as a particularly rich setting to explore strategies for creating and sustaining institutional capital.

4. CREATING AND SUSTAINING INSTITUTIONAL CAPITAL IN THE MANAGEMENT CONSULTING FIELD

Drawing on generic strategies (see table 1) by which self-interested actors may impose institutional constraints on other field participants (Lawrence (1999)) or relax their own (Oliver (1991)), the following sections analyze how consulting firms in Germany manipulate their institutional context to enhance their institutional capital.

4.1 Co-option and Lobbyism

The customization of consultancy services (Fosstenløkken, Løwendahl and Revang (2003)) and the role of networked reputation in acquiring client projects (Glückler and Armbrüster (2003)) mean that personal relationships play a strong role in selling consultancy services. Marketing measures are often personalized and aimed at the formation of networks with decision-makers in client organizations (Armbrüster and Barchewitz (2004)). Accordingly, the consultancy field is highly susceptible to personalized institutional strategies such as co-option and lobbyism (see Oliver (1991)). In this specific case, co-option may take one of two forms, depending on whether a stakeholder is imported into the consultancy or exported to co-opt an external stakeholder "from within".

Because of the relationship-driven nature of their service, management consultancies are intent on incorporating employees with existing personal networks into their own business. This is exercised through *lateral hires*, the hiring of experienced professionals from competitors (Kaiser (2004); Ringlstetter and Bürger (2004)). Especially when firms move into new areas of practice, experienced professionals that bring their personal networks of colleagues and clients may provide a crucial boost for business development (Malos and Campion (1995)).

A derivative of co-option that is specific to consultancies and other professional service firms is known as *outplacement* (Maister (1993)). It does not rely on integrating important institutional decision-makers into the organization, but on placing loyal employees in client organizations or regulatory agencies. For many consulting firms with an "up-or-out" tournament promotion system (Galanter and Palay (1991); Gilson and Mnookin (1989)) outplacement has become an institutionalized solution to infusing the organization with new ideas, but has "also created a network of former employees who served as ambassadors … within other organizations that might otherwise have been wary of employing consultants" (McKenna (2006, 208)). The prevalence of the outplacement strategy as an instrument for reinforcing consultant-client ties is illustrated by a survey of the professional backgrounds of the DAX-30 board members (see table 2)[3].

Insert Table 1 about here

On average 16 percent of all DAX-30 board members had a background in management consulting. The results ranged from zero to 50 percent; figures close to 50 percent suggest close relationships between the corporation and the consulting field and in some cases with a specific consulting firm. Notably, in the chemical or automotive industry,

[3] The DAX-30 lists the 30 largest German companies, publicly listed at Frankfurt stock exchange. It is the equivalent to the FTSE100 in London or the Dow Jones Index in New York. Information on consulting backgrounds was gathered from publicly available executive biographies.

where a strong life science or engineering background is desirable even among top executives, only one out of 36 board members had a consulting background. Conversely, DAX-30 banks recruited one third of their board members from among former management consultants.

By far the most successful firm in outplacing former employees into client organizations – given our indicator – is McKinsey & Company[4], the industry leader in the German consulting market. 43 percent of all former consultants on DAX-30 executive boards are former members of McKinsey. More importantly, in exceptional cases like the Deutsche Post and the Deutsche Postbank former employees of McKinsey occupy 50 and 44 percent respectively of the top-management positions. Simultaneously, McKinsey has attained an informal status as "consultancy of choice" for both companies, reducing the volume of new business that competitors have been able to acquire. In 2006 McKinsey generated an annual fee income of an estimated 80 Mill. Euro - accounting for approximately 13 percent of total fee income - from this relationship (Lixenfeld (2008); Student (2008)). While the survey of DAX-30 companies is indicative, the alumni networks of large consultancies reach further. McKinsey's German alumni network comprises approximately 1,800 managers (Reischauer (2005, 86)) compared to about 1,000 former BCG consultants (Student (2006, 32)).

The prospect of *outplacement* to prestigious client firms increases the attractiveness on the graduate labour market (Reischauer (2005); Student (2006)). It creates institutional capital in that it helps attract new talent from leading business schools and fuel the constant stream of new entrants that is needed to sustain the up-or-out promotion system. Additionally, consultants that have successfully been outplaced with clients can help their former employer secure a steady stream of new projects, based on good personal

[4] In the following we just refer to McKinsey.

relationships and information advantages (Bresser and Millonig (2003); McKenna (2006, 203-210)). The benefit of these client-consultant ties is mutual, however, as clients can also benefit from employing former consultants. Their inside knowledge of their former firm allows them to manage service delivery more effectively and to raise performance expectations (see Van den Bosch, Baaij and Volberda (2005)). For instance, former consultants in client organizations may have maintained good personal relationships to partners in the consultancy through whom they can sanction low performing consulting work.

Within *New Public Management* initiatives, management consultancies are increasingly seconding members to government and policy-making committees (Bill and Falk (2006); Faust (1998)). A prominent example in Germany is the so-called "Hartz Committee" on labour market reform, to which McKinsey and Roland Berger Strategy Consultants seconded senior members. Work on policy-making committees builds reputation, but more importantly constitutes a deliberate attempt to demonstrate the value of consulting services for society. Similar to client outplacements, these temporary secondments constitute a form of co-option that enhances consultants' institutional capital: They create public awareness and legitimacy for consulting work in this sector. Such a "committee first, then consulting"-strategy (manager-magazin (2004)) opens up the public sector as a new and lucrative market for consulting services. In 2004, public organizations spent about one billon Euros on consulting fees, accounting for approximately 8 percent of the total German consulting market (Falk, Rehfeld, Römmele and Thunert (2006, 292)).

These efforts to build institutional capital, however, also had unintended consequences that reduced it. As new stakeholders surfaced government watchdogs began to scrutinize the government use of management consultancies; journalists and academics publicly questioned its legitimacy. The increasing influence of management consultants on political decision-making is met with great scepticism as critics observe the emergence of a "republic of consultants" (Leif (2006); Niejahr and Bittner (2004)) in which political decision-makers increasingly depend on external consulting expertise. Following a resolution of the Budget Committee of the German Bundestag, the *Federal Audit Office* (Bundesrechnungshof) developed guidelines for government relations with, and use of, management consultants (Bundesrechnungshof (2006)). Hence, where some elements of the institutional environment, but not others, are co-opted to align with organizational interests, unintended consequences for firms' institutional capital can occur.

This means that the deliberate competitive or institutional strategies of individual firms may entail unintended – positive and negative - consequences that drive an emergent process of institutional change. Deliberate and emergent, competitive and institutional components of strategy influence each other through feedback loops. For instance, the deliberate outplacement of qualified consultants into client organizations solves incentive problems of an up-or-out career system, but also creates an emergent pattern of organizational actions that may institutionalizes the use of consultancies by clients. Similarly, consultants' work on policy committees generates fee income and, at the same time, creates the incidental by-product that political consulting becomes increasingly indispensable and eventually taken-for-granted in the public sphere.

4.2 Membership

Membership strategies specify which organizations can legitimately exercise particular functions and derive corresponding benefits from their activity. In addition to Lawrence's (1999) original conceptualization of membership strategies, however, we also find distinct non-membership strategies among German management consultancies.

Small and medium-sized consultancies pursue a membership strategy in Lawrence's (1999) sense insofar as they organize themselves in industry associations such as the

Bundesverband Deutscher Unternehmensberater (*BDU)* or the *RKW Beratungsnetzwerk.* These associations, serving as substitutes for established professional associations with regulatory functions, signal a minimum of consultancy competence and quality to potential clients (Groß and Kieser (2006)).

For leading international consultancies, by contrast, such membership strategies are counter-productive. In the absence of a protected occupational title and formal professional accreditation, reputation serves as a proxy for quality. Hence, elite firms can use their reputation as "membership criterion" and form a strategic group (McGee and Thomas (1986)) of management consultancies defined by elite status (Ferguson, Deephouse and Ferguson (2000)). Their rigorous and strict demands serve to maintain the exclusivity of their circle and to establish a company-specific "micro-profession", which is reinforced by in-house monitoring of quasi-professional principles (McKenna (2006))[5]. This legitimation-qua-reputation gives elite consultancies access to knowledge and policy-making arenas in which best practices are created, validated, or diffused (Suddaby and Greenwood (2001)).

By steering clear of more inclusive industry associations, elite firms avoid reputational contamination and external institutional influence. In this sense, they pursue a *non-membership* or exclusivity strategy to enhance their individual institutional capital and weaken that of their smaller competitors.

4.3 Standardization

Standardization strategies aim to define what is to be seen as normal, for example for a particular service. In this respect, membership and standardization strategies are interdependent, since both promote and eventually institutionalize coherent standards of professional practice and service quality. Those consultancies promoting a standard – and

[5] For instance, McKinsey & Co's firm-specific network alone, composed of 14,500 active consultants and 18.000 alumni (McKinsey (2008a)), encompasses more members than the BDU representing 530 firms covering 13,000 individual consultants (BDU (2009)). This allows McKinsey to act as a one-firm micro-profession.

most likely already complying with it – automatically gain legitimacy advantages and enhance their institutional capital.

For instance, in an attempt to strengthen the collective reputation and legitimacy of the consulting profession, the *BDU* filed a request to the Ministry of Economics to protect the title *Unternehmensberater* (management consultant) by occupational law. According to the proposal, the title *Unternehmensberater* should have been awarded conditional upon specific credentials such as academic training or practical experience. In December 1997, however, the proposal was finally rejected by the ministry (Glückler and Armbrüster (2003, 272); Groß and Kieser (2006); Handelsblatt (1997)).

In line with their non-membership strategy, elite consultancy firms with a strong position in their particular fields can use more subtle standardization strategies to enhance their individual, rather than collective, institutional capital. They can aim to raise those practices, procedures and products in which they have competitive advantages to the status of an institution. In this context, the creation of *management fashions* constitutes a standardization strategy. It at least temporarily institutionalizes concepts or practices by ascribing them a value over and above their technical merit (Lawrence (1999)). Although fashions are transitory rationality myths and only weakly institutionalized, they are nonetheless regarded as standards in their respective areas for the duration of their life-cycle. Their technical merit is not evaluated strictly by goal attainment, as their application confers benefits of perceived conformity with super-ordinate norms of rationality and progress (Benders and van Veen (2001); Kieser (1997); Suddaby and Greenwood (2001)).

Consultancies as “expert theorizers” (Strang and Meyer (1993, 498)) occupy privileged positions in “reality-defining arenas” (Seo and Creed (2002, 242)) where the legitimacy of competing management innovations is constructed and contested. Within these arenas, their status enhances the impact and “positive normative emulation” of their ideas

(Suchman (1995, 579)). As such, management fashions become important standardization devices of socially constructed business solutions. A consultancy that successfully establishes its own concepts or procedures as temporary standard enhances its own institutional capital, because it develops market preferences that constrain its competitors. They are forced to adapt and subscribe to concepts or procedures in which they are at a technical disadvantage. Simultaneously, as the use specific consulting services becomes a more standardized response to certain management problems, the standardization efforts of individual firms can build collective institutional capital for the entire industry.

4.4 Influence

Generally, successful marketing of consultancy services depends on a positive perception of the engagement of consultants in the target industry. Strategic influence on such a fundamental attitude can endow consultancy services with normative and eventually cognitive legitimacy (Suchman (1995); Røvik (2002)).

There is clear evidence that consultancy firms have in the past successfully influenced the value systems of their clients, but also of society at large, so that their services in support of management teams and policy makers have become taken for granted and rarely questioned as such (Falk et al. (2006); Faust (1998); McKenna (2006); Wimmer (1992)). These observations strongly resonate with Meyer and Rowan’s (1977) argument that the modernization of society makes more areas of society accessible to the rules of rationality. Management consultancies have been able to use and propel this trend by reaching out to new groups of potential clients and applying their expertise to new types of problems which traditionally had not been open to their services (Ernst and Kieser (2002c); Rudolph (2004)).

Influencing strategies may involve other strategies of institutional manipulation such as outplacement and secondment strategies. However, they may be more wide-ranging, especially where firms try to influence societal value systems more generally and open up new markets.

In the business sector, consulting firms can rely on their "systems of persuasion" (Alvesson (1993, 1011)) to create institutionalized myths that buffer their existence and operation from questioning. Based on a study of self-presentations by various global management consultancies on the internet, Bäcklund and Werr (2001) conclude that management consultancies use prevalent social myths of rationality, globalization, and universality to institutionalize their services as necessary components of successful management.

To influence value systems outside their traditional 'management' domain, consultancies can employ secondment strategies to demonstrate their value for political decision-making. Active engagement in social and environmental issues has also become an important mission for a large number of businesses that put corporate social responsibility and corporate *citizenship* high on their agenda. Management consultancies can display their social responsibility through "pro bono" work, the delivery of services for projects of social relevance free of charge (e.g. BCG (2008); McKinsey (2008b); Roland-Berger (2008a)). However, these initiatives also provide a strong platform for more wide-ranging societal strategies.

From the institutionalist perspective, pro bono work not only builds reputation as a socially responsible organization. More importantly, it creates impressions of ubiquity which may be taken as an indicator of acceptance and legitimacy. Pro bono work gives consultancy firms a legitimate presence in social domains that were previously not accessible to them due to incompatible value systems. Especially the large, elite consultancies have developed their status as the new "reflective elite" (Deutschmann (1993); Faust (2002a)) or the "supra-experts" (Ernst and Kieser (2002a)) by applying their expertise pro bono to societal problems as diverse as climate protection (McKinsey (2007)), restructuring the church (see Hardt (2004); Neidhart (1997)), national innovation systems (BCG (2006)), and city attractiveness (Roland-Berger (2008b)). These initiatives counter negative public perceptions of consultants as hyper-rational cost-cutters, build a legitimate basis of activity for consultancies in a wide range of societal sectors and thereby develop their individual and collective institutional capital. Consultancies' individual efforts to manage their reputation collectively drive the institutionalization of management consultancy throughout society.

It should be pointed out, however, that the influencing strategy cannot be seen in isolation from other, super-ordinate institutional arrangements. For instance, from a historical perspective, it is clear that the influence of management consultancies in societies with traditional values of status, prestige, and authority is lower than in meritocratic societies which stress functional values of effectiveness and efficiency (Faust (2002b)). An important question therefore is, to what extent changes in social values can be influenced by individual institutional entrepreneurs.

5 DISCUSSION AND CONCLUSION

Unlike the "classic" professions such as accountancy or law, management consultancy is distinguished by institutional ambiguity and weakly entrenched, relatively localized "proto-institutions" (Lawrence et al. (2002)). Thus, consultancies are in the advantageous position that restrictive institutional pressures are relatively weak, while, the relative maturity and stratification of the field has produced a central elite, which enjoys entrepreneurial freedom to influence emerging institutions by virtue of their size and reputation. Drawing on discussions of institutional capital (Oliver, 1997) and its strategic manipulation (Bresser and Millonig, 2003; Lawrence, 1999; Oliver, 1991) we have elaborated five strategies by which management consultancies can manipulate their institutional environment in ways that help them extract competitive resources. Table 3 summarizes these strategies along with the practices through which they are implemented in the consultancy field, and the institutional effects they seek to generate.

Insert Table 3 about here

Co-option/lobbyism represents the most effective strategy for management consultancies. It can be used in isolation or in pursuit of a broader influence strategy and plays a major part in the institutionalization of consultancy services. By comparison, the membership and standardization strategies are relatively weak instruments, because membership in industry associations is voluntary and standards may only confer temporary advantages before new concepts or practices become fashionable..

Changes in the institutional capital of individual consultancies and the consultancy sector as a whole are influenced by a complex interplay of distributed actors, existing systems of norms and values, and super-ordinate trends such as the modernization of society. Hence, it is impossible to reduce changes in the societal value system – as they are, for example, necessary to open up non-profit sectors like politics or environmentalism for consulting services - to initiatives of single organizations. As entrepreneurs challenge "widely accepted rules of the game" (DiMaggio and Powell (1991, 30)) sustained by broad social consensus rather than coercive authorities, they must gradually mobilize broader sets of actors. Management consultancies can pursue this strategy by initially focusing on relevant target industries that they can later use as their advocates when trying to manipulate broader societal value systems. A target industry of this kind, for example public administration, can be addressed at first by measures focused on one client, anticipating far-reaching multiplier effects which can eventually lead to a sector-wide or society-wide shift in values.

For the development of institutional theory, this has several interrelated implications: First, our discussion of institutional strategies in the German management consultancy field finds a less voluntaristic role of instititutional entrepreneurs than previous accounts have suggested. The co-presence of multiple actors like consulting firms, the media, clients, business schools and industry associations with different levels of involvement implies that agency is distributed across actors. There is typically no centralized control in the consulting field, since no single agency with a monopolized power position exists to dictate the behaviour of other agents. Hence, collective behaviour has to be understood as the result of self-organized actors interacting with their local environment, but creating global patterns of action as a by-product. The creation of management fashions, for example, cannot be understood as an individual endeavour but is rather the collective achievement of non-orchestrated, distributed agents that resemble a social movement. This understanding of institutional change initiatives as distributed agency (Garud and Karnøe (2003); Quack (2007)) rather than individualistic entrepreneurship sheds new light on institutional strategy formation.

Second, with multiple localized actors contributing to an institutional change, the formation of institutional strategies may be better understood as an interplay of emergent and deliberate actions. As Mintzberg (1987a; 1987b) suggests, strategies need not be deliberate, but can also emerge from incremental and distributed patterns of actions. Although these have generally been viewed as mutually exclusive opposites, Quack (2007) has found institution building to involve both, practitioners' practical problem solving and firms' deliberate political interventions. It appears that in our accounts institutional strategies are the result of a complex interplay between deliberate sets of actions that *individual* consulting firms deploy to enhance their competitive position and emerging patterns of *collective* actions that produce institutional change through complex feedback loops with other actors in the field. For instance, by deliberately outplacing loyal consultants into client organizations, close business relations may evolve into taken-for-granted institutionalized work practices between the two organizations. Furthermore, consulting firm's participation in political committees is a deliberate attempt to enhance revenues, but also build firm-specific institutional capital by enhancing reputation. Beyond that, industry-specific institutional capital emerges as political consulting becomes legitimized as a new field of activity.

Future research potential along these lines exists in the continued development of an institutionalist theory of management consultancy. Our own contribution should be understood as a first theoretical step in this direction. Further empirical research should be pursued to analyze different strategies for building up institutional capital, to uncover differences between different strategic groups of management consultancy firms, and to identify the constituent forms of institutional work (Lawrence and Suddaby (2006)) that are used in specific institutional contexts.

Insights from such an empirical study would also inform institutionalist theory on maturing fields. Such a study is intrinsically interesting, because it would allow institutionalists to understand the gradual structuration of fields through a "cumulative history of action and interaction" (Barley and Tolbert (1997, 98)). Evidently, the consultancy field provides an instrumental and rich setting for exploring the motivations, abilities, and activities of institutional agents creating and modifying institutional arrangements. A better understanding of their strategies and the institutional conditions under which they are to be employed will, hence, help produce a richer institutional theory of consultancy firms and their institutional capital as well as practical advice about strategies to strategically enhance and maintain it.

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Table 1: Effects of generic manipulation strategies

Strategy	*Effect*
Co-option	Neutralizing institutional constraints
Lobbyism	Dismantling/creating of institutional constraints
Membership	Creating institutional constraints
Standardization	Creating institutional constraints
Influence	Influencing societal value systems

Source: based on Bresser; Millonig (2003, 235), Oliver (1991, 152), Lawrence (1999, 168) .

Table 2: Percentage of board members with consulting background of the DAX-30 corporations in Germany in 2007

Firms	*% of board members with consulting background*	*Consulting firms*
Adidas	50%	Ernst & Young, GfK
Deutsche Post	50%	McKinsey
Deutsche Postbank	44%	McKinsey
Deutsche Börse	33%	BCG, Bain, Roland Berger*, Anderson Consulting
Deutsche Lufthansa	33%	BDO
SAP	33%	ABP Partners, PWC
Commerzbank	25%	BCG, McKinsey
Deutsche Bank	25%	KPMG
Münchener Rückversicherung	25%	Roland Berger, firm unstated
Deutsche Telekom	20%	Mummert + Partner
DaimlerChrysler	17%	KPMG
E.ON	16%	McKinsey
Fresenius	16%	McKinsey
Henkel	16%	KPMG
Continental	14%	Arthur D. Little
Allianz	13%	McKinsey
ThyssenKrupp	13%	PWC
Siemens	9%	Kienbaum
BASF	--	--
Bayer	--	--
BMW	--	--
Hypo Real Estate Holding	--	--
Infineon	--	--
Linde	--	--
MAN	--	--
Merck	--	--
Metro	--	--
RWE	--	--
TUI	--	--
Volkswagen	--	--

Source: based on Datamonitor and publicly available CV information
* board member with former positions at multiple consulting firms.

Table 3: Strategies of consulting firms for creating and sustaining institutional capital

Mutual effects	Strategy	Practices of consulting firms	Explanation from an institutionalist point of view
	Co-option/ Lobbyism	▪ networking ▪ outplacement ▪ work on commissions	institutionalization of firm's own consultancy service
	Membership	▪ professional associations, professional principles ▪ networks in knowledge arenas ▪ exclusive group of major management consultancy firms	▪ creating institutional constraints for non-members ▪ institutionalization of concepts ▪ circumvention of institutional constraints
	Standardization	▪ standardizing business problems and solutions ▪ influencing the knowledge and fashion discourses	(temporary) institutionalization of company's own concepts
	Influence	▪ influencing the value systems of target industries ▪ use of trends ▪ use of multiplier effects	establishment of a value system for one's own services