



**SCHOOL OF ECONOMICS  
AND MANAGEMENT**  
Lund University

# **Balancing on the tight rope**

**A case study of growth in a small consultancy firm**

By

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## **Master's Thesis within Business Administration**

### **Managing People, Knowledge and Change**

- Title:** Balancing on the tight rope. A case study of growth in a small consultancy firm
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- Seminar date:** 2009-06-01
- Subject terms:** Knowledge management; knowledge workers; consultancy; knowledge intensive firms; control; autonomy; hierarchy; bureaucratization; growth; case study;

### **Abstract**

This thesis presents an in-depth study of FP-consult, a small and growing consultancy firm. The study provides a critical examination of how growth is handled in this firm with a particular focus on the organization of knowledge work and the management of knowledge workers. We examine the introduction of a hierarchical structure, different formalized procedures and how this process of bureaucratization can be interpreted and related to the process of growth.

The study sheds light on an area where research is lacking and provides a number of interesting vistas for further research. Our findings show the difficulties and challenges of managing growth in a small consultancy firm where resources are scarce and where a wrong turn may risk the survival of company. These elements have resulted in an enforcement of structural control and hierarchical organisational structure which is normally not associated with KIFs.

## TABLE OF CONTENTS

<b>ABSTRACT</b> .....	<b>2</b>
<b>TABLE OF CONTENTS</b> .....	<b>3</b>
<b>INTRODUCTION</b> .....	<b>4</b>
<b>PROBLEMATIZATION</b> .....	<b>6</b>
RESEARCH ON CONSULTANCY FIRMS .....	6
THE CASE STUDY.....	8
<b>PURPOSE</b> .....	<b>10</b>
<b>METHODS</b> .....	<b>11</b>
CORE ASSUMPTIONS .....	11
SAMPLING .....	11
TECHNIQUES/METHODS.....	13
TRUSTWORTHINESS.....	15
<b>CASE DESCRIPTION</b> .....	<b>16</b>
ORGANISATION & STRUCTURE.....	18
<b>FRAME OF REFERENCE</b> .....	<b>20</b>
ON KNOWLEDGE INTENSIVE FIRMS .....	20
ON KNOWLEDGE WORKERS .....	23
DIFFERENT TYPES OF CONSULTANCY FIRMS .....	25
<b>ANALYSIS</b> .....	<b>28</b>
THE CHARACTERISTICS OF FP-CONSULT .....	28
THE PROCESS OF GROWTH.....	31
HIERARCHY & BUREAUCRACY .....	35
CONTROL IN FP-CONSULT.....	39
BEING AND BECOMING ‘PROFESSIONAL’ .....	42
THE SUCCESS RATE DISCOURSE .....	45
SUMMARY .....	50
<b>CONCLUSION</b> .....	<b>53</b>
FURTHER RESEARCH .....	54
<b>REFERENCES</b> .....	<b>56</b>
<b>APPENDIX 1 - INTERVIEW GUIDE</b> .....	<b>61</b>

## **Introduction**

There has been a shift in industrial revolution over the last 70 years where we have seen a continuing decline of traditional, labour-intensive agrarian industry as well as the capital-intensive industry (Empson 2001) both of which relied heavily on natural resources. With present depletion of a high percentage of natural resources, organisations and companies has invested heavily in technological innovation thereby reducing their reliance on natural resources and turning instead to intellectual assets. This trend is further fuelled by socio-economic forces such as technology development in particular that of ICT, intensified global competition, development of a more educated work force and what can be seen as a compression of both time and space (Sandberg & Targama 2007).

The shift has been the start of a boom of companies like information technology companies, professional service firms, consultancy firms and so on. Together these are often taken under the classification of knowledge intensive firms (KIFs) and have been the focus of several studies during the last decades with popular notions such as ‘knowledge age’, ‘knowledge society’ and ‘knowledge economy’ being used to describe this apparent socio-economic shift (Donaldson 2001).

These new type of companies, where a majority of the workers is equivalent to the production means and where human capital is dominating (Starbuck 1992), are said to create new challenges related to management, to the organisation and structure of the firms and work processes. It can be seen as a shift from the classical division between action and planning in so much that the lines often becomes blurry in KIFs, where the knowledge workers (KW) to a large extent both effectuate the planning and the actual production. This has further fuelled the interest of knowledge management which can be seen as a “particular perspective on how organisational resources and especially the key one in the form of humans are being managed or at least how management tries to access or control them” (Alvesson et al. 2004, p. 166). In today’s business world it seems that the concept of ‘knowledge management’ has come to a wider acknowledgement as: “managing knowledge is now recognized as an important strategic issue and the idea has gained significant momentum across organizations regardless of the sector in which they operate” (Newell et al. 2002 p. 13).

It is though difficult to define knowledge-intensive firms as well as what exactly entails a knowledge worker. Indeed one can easily argue that all organizations and workers employ

knowledge of some sort (Alvesson 2001; Kärreman et al. 2002; Legge 2002) and that the question of definition therefore ends up with a discussion of what is knowledge and what is not-knowledge? It is also noticeable that even though 'knowledge society' is a popular notion, it is not apparent that engineers, consultants or other experts run our societies – nor that academics are the new ruling class (Donaldson 2001). One should therefore maintain a critical attitude towards much of the talk of 'knowledge this' and 'knowledge that', as knowledge is inherently ambiguous and an ill-defined concept (Starbuck 1992).

All this aside, it is clear that some developments have taken place and that knowledge does play a more important part in society, in companies as well as for the individual (knowledge) worker. As such it makes sense to talk about KIFs and KWs even though the boundaries and concepts are bound to be blurry: "It makes sense to refer to knowledge-intensive companies as a vague but meaningful category, with sufficient heuristic value to be useful" (Alvesson 2001, p. 864).

Still, it may be that interest and popularity of particularly knowledge management but also the related notions of KIFs and KWs are such that a backlash is imminent with the concepts falling out of fashion and with practitioners as well researchers moving onto the next 'hot' topic. This consideration, although relevant, is though not of particular interest in this study focusing rather on the specific characteristic in a small and rapid growing consultancy firm. As such our aim in this study is not such much to build on the studies of KIFs; rather we intend to shed light on a specific, interesting case – and through this to provide some input and perspectives on the research being done in particular on consultancy firms and second to that to the management of KIFs.

Given the consideration that a backlash could be imminent, one might ask why knowledge management has been so popular. Is it due to effective marketing by consultants? Or are academics being attracted because of seductive ideationalist theories of knowledge (Donaldson 2001; Empson 2001)? Or is the rise of knowledge management, knowledge intensive firms, knowledge society, knowledge workers – as well as related concepts or ideas such as learning organizations and core competencies - connected to emerging social theories such as post-modernism (Sturdy 2002)? Even with this being the case and even if one could arguably see many of these notions as just another bunch of ill-defined concepts, fads or fashions, it is still of research interest to examine the people and organizations who are being classified or who classify themselves as being a part of these concepts.

## **Problematization**

Some researchers believe that knowledge in organizations, as well as KIFs in general is an “important topic deserving continuing study” (Donaldson 2001, p. 961) and especially so since KIFs can be viewed as symbolizing the future of work life and as models which other companies can be inspired from even to the extent that some claim that traditional industries like manufacturing and service industries, are becoming more like KIFs (Kärreman et al. 2002).

From the outset one would therefore imagine that the rise of these concepts, in particularly the still popular notions of knowledge work, knowledge workers and knowledge intensive firms – to name a few – would attract researchers en masse. This is though not the case, especially when looking at consultancy firms, where “detailed conceptual and empirical research has been slight” (Fincham & Clark 2003, p. 3) although it is seemingly on the rise (Løwendahl 2000). Whether or not the lacking research is due to the ill-defined concept of knowledge and the inherent problems of studying it, is not in the interest of this study. Rather, we find that the area is interesting, especially when seeing how widely and important the concept of ‘knowledge management’ is seen – both by researchers but also by the practitioners themselves - and especially so in the consulting industry where it is viewed as the core capability for achieving competitive advantage (Dunford 2000) at the same time as this industry is extensively used as examples in studies of ‘knowledge management’ (Werr & Stjernberg 2003).

Also we find that the rise of the consultancy industry in itself both in importance and number of employed, prompts an interesting research area. Further we find that although much debate can be made about what entails a KIF and what is not a KIF, we believe that we have a case that is without a doubt a KIF by anyone’s definition. Not only by being a consultancy firm which some argue are prime examples of KIFs (e.g. Meriläinen et al. 2004) but also by the actual work processes being performed and the services delivered, producing knowledge as their main service and consisting only of people with long academic degrees (within engineering, political science, MBA’s etc.).

### *Research on consultancy firms*

Interestingly the research being done, especially on the management consultancy industry, is characterized by being either very positive or by being rather critical and negative of the

## Balancing on the tight rope. A case study of growth in a small consultancy firm

consultancy phenomenon and of the services offered as well as the quality and impact of these. This could, arguably, be due to the lack of empirical work – or it could be the case of researchers coming from different backgrounds, being somewhat biased in what and how studies of management consultancy is being performed. Indeed, it is notably that the more critical studies are characterized by being academic texts written by ‘pure’ academics (Alvesson & Johansson 2003, p. 229) and that they in particular focuses on critical assessment of consultancy ideas (Salaman 2003, p. 257) and the strategies, techniques and rhetoric employed by consultants to convince (or trick) clients and managers in believing that they have something valuable to offer that is worth buying (Fincham & Clark 2003, p. 9). This rather narrow focus calls for a more neutral and reflexive look at underlying assumptions as well as other interesting research areas (Salaman 2003, p. 247).

Even with the lack of empirical studies and the division between positive and negative research attitudes, some general observations may be made of the research that is though being done. Much of this is primarily focused on large international management consulting firms representing a significant portion of the industries earnings (Fincham & Clark 2003, p. 4). This may be due to the accessibility of these firms in that they often have good connections to the academia and in that they have the resources to participate in research studies. Another reason for the focus on the large management consulting firms could be their unprecedented growth over the last decades, their increased economic significance and the related impact on society as a whole e.g. given the fact that they employ around 25 percent of graduates from leading business schools (Canback 1998) as well as on the various business sectors in which they market their services.

One problem with these studies is the problems of defining what a ‘management consultancy’ is. The various studies do not provide a clear definition and as such management consultancy may span companies delivering advice on strategy, doing (cultural) change programmes, implementing new IT-system or the likes. The problem is that the consultancy industry is constantly transforming (Fincham and Clark 2003) with new services being offered, new concepts coming into fashion and new activities being requested by clients. The diversity of services being offered, the roles undertaken by the consultancy firms as well as the different type of client interactions characterizing the case companies in many of these studies, makes it inherently problematic to compile them all under the vague term of ‘management consultancy’. Rather, a more critical look at the differences of these firms – and what this may produce of various understandings is needed.

This diversity in firms and their services could be the reason for the various paradoxical accounts described by Whittle (2006) related in particular to how consultancy is marketed, the nature of consultancy knowledge and the relationship between client and consultant. This could reflect a heterogeneous industry with firms in different niches; a constantly transforming industry with changes in services and hence client interaction and consultancy knowledge – or it could reflect different methodologies employed by researchers as well as the aforementioned different perspectives i.e. the very positive or the very negative – as well as all in between.

Another problem with the studies of consultancy is their rather narrow focus on the large international (management) consultancy firms in an otherwise heterogeneous industry (Alvesson & Robertson 2006; Werr & Stjernberg 2003). We would instead argue that small consultancy firms are also of particular research interest. For one, these are also numerous and thriving, maybe not in their percentage of industry earnings but in their percentage of employees e.g. the UK 1991 Census of Employment indicated that over 80 per cent of jobs in most types of consultancy were in offices with less than ten staff and an estimated 77 percent of the UK management consultancy companies employed 12 or fewer professionals (Quoted in Wood 2003, p. 55). The consultancy firms of small size therefore represent a significant part of the consultancy industry and research specifically directed at these are therefore prudent.

The small consultancy firms may also be of particular interest in the study of KIFs as they, arguably, represents a more pure form of KIFs than their large counterparts (Starbuck 1992). The argument is that as a consultancy company grows the more need there is for administration and bureaucratization, and hence the balance between support staff and experts (or consultants) is shifted – whereas small KIFs are primarily populated by experts. “Thus, KIFs tend to lose knowledge intensity as they grow” (Starbuck 1992, p. 728).

### *The case study*

The above where some of the arguments as to why KIFs and the consultancy industry - in particular the small consultancy firms – are areas calling for research. In our particular case we have the situation of a small consultancy firm, having existed for only two years and having just prior to our study, changed their structure to that of a formal hierarchy (previously being organized via a consensus-based partner structure). This combined with the growth of the company during and just prior to our study of course raises interesting questions as to

what changes has happened in the management and organisation of the knowledge workers, how these changes has been perceived as well as how rapid growth in general affects such a company. We find these managerial and organizational issues particular relevant given that: “all consultancies and, in particular, the smaller, specialist consulting firms are highly ‘people dependent’” (Alvesson & Robertson 2006, p. 198).

The rapid growth as well as the introduction of a formalized hierarchy, more bureaucratization, structures and procedures, has taken place in a very short period of time with changes also happening during the four months in which we have performed the case study. Compared to studies of large, consolidated (management) consultancy firms one therefore has the possibility in small, rapid growing consultancy firms of studying the processes that may lead to structures seen in larger consultancy firms. For example the possibility of studying hierarchy and bureaucracy in the making – rather than studying already existing structures and the subsequent post-rationalization on these issues by the employees and managers in large consultancy firms. This aspect is of course arguable in so much as one could without doubt find cases of large KIFs and consultancy firms undergoing rapid growth, bureaucratization and changes in structures, organization etc. as well as finding small and growing KIFs and consultancy firms without these form of changes. But still the processes may be different in small companies, entailing the need for specific study, as these types of organisations as said often consist only of experts and not of the large administrative support staff as seen in larger companies.

It is therefore our intention to further provide much needed research into the area of (small) consultancy firms, how they are structured and how knowledge workers are managed – with a particular in-depth look at a small growing non-management consultancy firm. Further our intention is to do this in a neutral, reflexive way avoiding both the too critical and the too enthusiastic approach. Our aim is that this in-depth case study especially contributes with reflections and insights into the process of growth in a consultancy company, what this entails in form of managerial and organizational challenges as well contributing with new perspectives on the process of bureaucratization and formalization in small consultancy companies.

## **Purpose**

The purpose of our case study is to look at how growth is managed in FP-consult, a rapid growing, small and international consultancy firm.

Specifically we will focus on the following questions:

- *How is the introduction of a hierarchical structure as well as different bureaucratic elements related to growth in FP-consult?*
- *How is autonomy and different forms of control balanced in FP-consult?*

In the following we will first present a discussion of the methods used in the case study and how we have performed our qualitative interviews and observations. This section will be followed by a frame of reference outlining some of the theories and characteristics often connected to knowledge intensive firms as well as the workers they employ i.e. 'knowledge workers'. Furthermore the frame of reference includes an overview of how one may categorise and distinguish between different types of consultancies so as to provide an overview of this otherwise heterogeneous industry.

Following this the empirical material is analysed, looking at how growth has been managed and discussing the two questions related to the structure and level of bureaucracy as well as the control versus autonomy. Throughout this discussion further theoretical concepts is introduced and discussed connected to the discussion at hand i.e. theories of bureaucratization in KIFs and consultancy firms, theories of autonomy and control etc.

We end with a conclusion, suggesting answers to our purpose and outlining further interesting research areas and questions.

## **Methods**

### *Core assumptions*

We have performed an in-depth single case study based in a qualitative interpretive and social constructionist perspective with a critical look at existing theories, discourses as well as the data constructed throughout the study. We performed observations of meetings, participatory observation of a teambuilding event as well as semi-structured interviews of circa one hour with all fulltime employees. Other data supplementing this consisted of formal documents from the company such as marketing material, website, staff handbook etc.

Our attitude towards case studies is inspired by Yin's (1984. Quoted in Soy 1997) notion of case studies being investigations of phenomenon within real-life contexts without the possibility of separating the exact boundary between phenomenon and context. As for the interviews we performed, we see these as something collaboratively produced between interviewers and respondents and as such we see the respondents as active participants in the constructing of the interviews. Also, we assume the perspective that there is no such thing as entirely theory-free data (Silverman 2006).

We have worked in an inductive manner where we explored the data and different interpretations and understandings by moving between data and theory. Our analysis is based in a reflexive approach (Alvesson 2003; Alvesson & Sköldbberg 2008) with the aim of avoiding with Alvesson & Sköldbberg terms reflective reductionism or that of a "one-sided emphasis on a specific aspect of research" (2008, p. 249).

We take a particular outset in critical theory which can be characterized as a focus of challenging taken-for-granted assumptions and disputing what is seen as common social realities and ideologies. We apply it with the aim of examining underlying meanings and seeking alternative explanations and use it for problematizing what is seen as seemingly self-evident and natural.

### *Sampling*

The framing of our research process took place in February where we initially discussed several research areas and ideas for which we both had interest. We ended up wanting to study knowledge management in knowledge intensive firms and took an initial contact to the CEO in FP-consult who agreed on letting us perform the case study there. We choose FP-

## Balancing on the tight rope. A case study of growth in a small consultancy firm

consult based on two different reasons, i) we had a high degree of access by Kristoffer working there and by them being open of us performing a case study and doing interviews; ii) we found that the case was interesting given the change process with recent introduction of a formal hierarchy, the growth in employees in 2009 and the specific kind of knowledge intensive work being undertaken. Also we found that the possibility of doing a study in a small consultancy-type KIF would be interesting in comparison to the number of studies done mainly in large, international KIFs (e.g. management consulting firms, pharmaceutical and IT companies).

Our research purpose looks at various aspects related to the growth of the company in our specific case and as such we have performed what Rowley (2002) terms an embedded, single case design with multiple units of analysis. These units are i) observations of meetings; ii) interviews in Denmark and Skype interviews with people from the FP-consult office in Portugal; iii) observation and participation of teambuilding event from thirtieth of April till the third of May by one of the researchers (Kristoffer). This use of multiple sources is in line with Yin's (2004, p. 9) recommendations that: "good case studies benefit from having multiple sources of data sources".

With our research questions involving looking at the process through which structure and bureaucratization is created in FP-consult and how autonomy and control is balanced it is primarily explanatory questions (Yin 2004) but also involves some descriptive elements where we both look at what has been happening with a look to further understand the explanatory part i.e. to seek how and why it has been happening.

Sampling for our study in terms of selecting respondents for interviews, has been relatively straightforward in so much as we had the possibility to interview all fulltime employees. We have not interviewed the two student assistants as they only had few, irregular, hours at the office and also both of them had only been there for a short period of time. Also we have not interviewed the administrative, part-time assistant who was employed just prior to the case study and left the company in April when we were still occupied with interviewing the fulltime employees.

With the descriptive part of our purpose one could of course argue against the necessity of interviewing the three new employees having joined FP-consult from February 2009 and onwards. One of these was though formerly a student assistant and as such he had insight into the prior workings in FP-consult. As to the two others these might not be aware of how

## Balancing on the tight rope. A case study of growth in a small consultancy firm

hierarchy was introduced – but they could still contribute with valuable input as to how structures were introduced as this was an ongoing process. Also they could provide input and reflections in particular on the question of the balance between autonomy and control.

We tried placing interviews together so that we could do two or three interviews in one day. As such the order of interviews was to some extent influenced by the available time of the different interview-persons. From the outset we started by interviewing the CEO and the CFO in order to ensure commitment to our work and to de-mystify the interview process. Following this we interviewed the manager and partner of the Portuguese office and the partner responsible for the sales division. After this followed interviews of the two employees of the Danish office and further interviews with the employees in Portugal as well as the remaining partner in Sales.

Participation observation in two Monday morning meetings, a weekly feature in the company, took place on days where we had planned interviews. As for the teambuilding event, Kristoffer participated in this noting down observations throughout the event while participating. This took place after we had finished the interviews as well as the meetings and was therefore the last piece of empirical material.

### *Techniques/methods*

We used a semi-structured interview form with open-ended questions and taped all interviews. The interview guide was changed after we had done circa half of the interviews. The changes were though minor and mostly consisted of altering the order of questions, reformulating a few others and writing down some new questions that had come up naturally during the course of the first interviews.

In designing the questions we focused on making them short and open-ended in line with Kvale's (1996. Quoted in Alvesson 2003, p. 16) notion of a good interview using short questions followed by long answers. We sought to ask for specific examples of interesting things that the respondents mentioned during the interview in order to challenge the respondent to be more concrete and to tie the answer to specific situations or actions.

For all interviews we were both present with one acting as the main interviewer while the other made notes and occasionally jumped in with follow-up questions. Kristoffer started all interviews by presenting the background of the study as well as Charles as the co-researcher. In Denmark, the interviews taking place face-to-face, Charles acted as the primary

interviewer while most of the Portuguese interviews except one, were performed through using Skype with Kristoffer as the primary interviewer. Some of these Skype sessions had a few technical issues e.g. having a few times to dial up again in order to improve the connection quality. Also there was a few issues with poor sound quality in some of the interviews which made for words being inaudible when listening through the recording afterwards.

During the participation of the two Monday morning meeting we both took observation notes on the interactions as well as on the content - albeit Charles took the most as Kristoffer also participated actively in the meetings. Kristoffer also took part in the teambuilding event in Portugal where his role can be characterized as a participant as observer as he was also actively participating in the event (Gill and Johnson 2002. Quoted in Saunders et al 2007 chap. 9).

The interview data was transcribed by both of us. Charles listened through them and wrote down notes of the content and its key themes while Kristoffer simultaneously transcribed most parts of the interviews using the program Transcribe! for Windows. After this process we discussed our interpretations and compared Charles' notes with the specific quotes made in Kristoffer's transcription. Further we merged our documents so that we had one document for each interview both outlining key themes and notes on content as well as quotes from the interview person. The transcription of the interviews were done throughout the study – sometimes finishing the transcription of previous interviews before new interviews were performed and sometimes not (depending on how close in time the interviews were).

By Kristoffer being part of the organization in which the case study is taking place he can be classified as an action researcher (Coghlan & Brannick 2005, quoted in Saunders et al. 2007 p. 140) albeit with some distance to that of a normal action researcher as the data has been collected primarily through the interview settings and not through an active change process. Throughout the case study Kristoffer has though not been fully employed, having only done minor projects and often working from home. As such the 'action research' has not been particular noticeable in the study apart from Kristoffer being an active participating in the meetings and the teambuilding seminar as well as knowing the inside workings of the company, its history and most of the interviewees.

*Trustworthiness*

We have opted for a single case study in order to get an empirical rich and exploratory study going more for depth rather than breadth in the data. Furthermore we felt that we had a unique opportunity both in terms of access as well as in the specific circumstances around the case i.e. being able to observe how the process of rapid growth related to issues of organizing and managing knowledge workers in a small, international and partner-based consultancy firm.

With a single case study comes the risk of not being able to make any generalizations and to end with a case description for the description's sake (Silverman 2005, p. 128). We are aware of this risk but feel that the richness of our data argues for our focus on a single case study. Furthermore our approach being reflexive with a particular eye on critical theory, our intention is not to make comparable generalizations but rather to provide deeper understandings and alternative explanations of the findings in this unique case. Of course Silverman's intention of not wanting research for the sake of mere description is valid and it is our intention to provide some new perspectives on growth, bureaucracy and hierarchy as well as control and management of knowledge workers by comparing the understandings we gain from this in-depth case study with other theories thereby hopefully enriching the knowledge on issues regarding KIFs and growth in consultancy firms.

Also we find that empirical rich studies of small consultancy firms is a research area which is highly relevant and at the same time being overlooked. As such it has been our intention to provide new knowledge on this important area – knowledge which may be seen in the perspective of the studies done in large consultancy firms showing potential similarities, differences and challenging some of the taken-for-granted assumptions and theories in this area. By this we aim to raise interesting questions for further study - something which may be seen as being as important as providing answers (Alvesson & Kärreman 2007a).

As the interviews are to a large extent our major source of data, we mainly have explicit presentational data and not operational data. This presentational data are affected by the way the respondent wants to convey him or herself (Van Maanen 1979) also possibly being affected by a wish of maintaining a professional consultant identity. It is further affected by one of us being an 'insider' in the company, this being both a benefit and a disadvantage. The benefit is that the respondent is hampered in presenting an image that is far from the 'normal' work-image. The disadvantage is that the respondent may feel hampered or intimidated by an

'insider' being present so that censuring is performed and a specific type of presentational data is constructed in the face of meeting a work colleague.

Our method of doing interviews, transcribing them, doing more interviews and at the same time looking at theory, may be criticized as being a simplistic form of inductionism (Silverman 2005, p. 77) where we approach the case study without well-defined purpose and hypotheses thereby having the risk of resulting in aimless, unfocused research. Indeed, our initial draft purpose when starting the research project was rather broad with a focus on knowledge management in general but after the very first interviews it became apparent that there were interesting themes related to the growth of the company during 2009 combined with the new hierarchical way of organizing organization which was things we could pursue further.

Reflecting on our method as well as the focus we have in the case study, it is clear that we are strongly inspired by the teachings on the master programme in Managing People, Knowledge and Change (MKPC) – something which is also reflected in the number of articles from the lecturers at the School of Economics and Management at Lund University. As such we are arguably operating within certain discourses connected to the way of doing qualitative research at Lund, the perspective and interest of certain interest research areas, the way one might critically interpret findings etc. We do not necessarily see this as a weak point in this case study as it is clear that one will always operate within certain discourses and paradigms. The key, we believe, is to be aware of these as much as one is able, so that one has the possibility of doing independent critical and reflexive thinking.

## **Case description**

FP-consult is a small Copenhagen based consultancy firm operating primarily with grant advisory where they help clients with the process of acquiring public funding for technology development. These funds come from various programmes in the EU related to EU's framework programmes for research and development, as well as different national programmes, typically Danish, for which FP-consult organizes and writes proposals for their clients. These clients are diverse in terms of size, industrial sector and geographical locations being at the moment primarily Danish small- and medium-sized firms but also some large firms as well as public institutions.

## Balancing on the tight rope. A case study of growth in a small consultancy firm

The process of writing a proposal typically involves defining and developing the client project idea, assembling a consortium of partners from across Europe, getting input from all partners and writing the actual proposal as well as the administrative task related to this e.g. registration of partners and budget on application website, filling out different forms etc. The proposal typically takes the form of a business plan with three major areas:

- i) R&D: description of the research to be done and the related objectives. Also a discussion of the present state-of-art technology and how the project will go beyond this
- ii) Organisation: description of the project partners, how they organise and decide on issues and how they complement each other. Also showing the budget of the project divided among the different partners
- iii) Impact: showing the expected market size of the developed technology, how the project will benefit European consumers, environment etc. As well as how it fits with political goals in the area. Also involves a discussion of how intellectual property derived from the project will be divided among the partners.

This is the typical setup of a proposal but it of course changes depending on whether the proposal is for a national or European programme. Also in some cases the application process is divided into two stages where the first stage consists of a very short description of the project and its goals. If one passes through first stage, the actual full application will be done. The size of these proposals is typically around 60 pages.

For the projects FP-consult is dependent on collaboration and input from clients as well as from the different partners in the consortium. This especially concerns the R&D-part where technical information is needed, looking at possible competing technologies, patents etc. As well as describing specific objectives on which the R&D work in the project will go beyond current state-of-the-art. Apart from this, input is also needed on budgeting, company description as well as descriptions of key personnel. As such there is often a high level of involvement from clients and the partners in the consortium, all which therefore have a profound impact on the chance of the project being funded.

After a proposal is submitted to a given deadline – which is set from the beginning and for which FP-consult has no influence on – it is evaluated by external evaluators. These evaluations are then compiled by the EU, resulting in a one-page evaluation summary where the project is typically scored on a scale from 1-5 on the three different areas. Depending on

the programme different thresholds are needed in order to be invited to contract negotiations which is the process leading up to an actual signing of a grant. Afterwards FP-consult does not take part in the project, instead having a focus only on the proposal writing.

Apart from writing applications, FP-consult also does assistance work, where they help others with their proposal writing. Other services includes consultancy on the contract negotiation process once the project has been successfully evaluated and is deemed worthy of receiving a grant.

### *Organisation & structure*

The company consists of five partners who started the company in the end of 2006, first as a part of a major international consulting company BG-consult – and later, from May 2008, as a independent company called FP-consult with two offices, one in Denmark and one in Portugal. The reasons for joining BG-consult seems to have been expected benefits in having a professional organisation from the start, having a well-known name in the market and also having access to a large client base. The expected synergies where though not realised and as the services of FP-consult was somewhat far from the core services of BG-consult the partners in FP-consult decided to start up under their own name and in new offices.

At the present there are, apart from the five partners, five fulltime employees as well as a three student assistants. Also during the case study a part-time administration worker was employed in the Copenhagen office but left the job in April. Three of the fulltime employees have been employed during 2009, all in the Portugal office with one of them though being Danish and a former student worker at the Copenhagen office. Apart from these there have been two job-offerings of which interviews where held during March. These position where still vacant at the end of the case study. Interviews for a new administration worker also took place during May.

The employees have an engineering background on master level as well as one with a Ph.D. in chemical engineering. All of them they have been hired after finishing their education and therefore do not have other fulltime work experiences (except for the Ph.D. who did a 1-year post-doc after finishing the Ph.D.).

The partners have a more diverse background with two having an MBA as well as majors in political science, one having a chemical engineering background and one having a major in

## Balancing on the tight rope. A case study of growth in a small consultancy firm

business. All partners, except one, had either experience with doing grant advisory consultancy work or work for the EU in Brussels, prior to starting up FP-consult.

In December 2008 the five partners presented a new structure with a formalized hierarchy. This was based with one partner as the CEO, one partner (the same as the CEO) responsible for delivery of projects, one partner responsible for the Portugal office, one partner responsible for sales and one partner responsible for administration (the former 'CEO'). Along with this restructuring different forms of structures and formalised processes were introduced such as annual employee development appraisal, client evaluation forms which each individual consultant sends to the client at the end of a project, a staff-handbook outlining responsibilities and expectations etc. Plans for introducing other types of structures and processes are also in the making.

Also introduced was a human resource action plan for 2009, which outline objectives, deadlines and responsible partner for elements such as the employee development appraisal meetings, competence development, recruitment goals etc. As part of this plan was also different events throughout the year, the first being a teambuilding seminar which took place in Portugal in the end of April with the focus on discussing strategic issues, outlining different initiatives and integrating the two offices so that the employees got to know each other.

Strategically FP-consult seems focused on expansion both geographically and in product portfolio. Growth of the company is a definite goal as well as a challenge, and the company expects to employ a number of new consultants throughout 2009.

## **Frame of reference**

In the following we will look at some of the theories describing KIFs, both how one defines this category and distinguishes it from non-KIFs but also what specific characteristic KIFs can be said to have. This leads to a discussion surrounding the concept of ‘knowledge worker’ and the characteristics of this ‘class’ as well as related management issues. Further we will discuss how consultancy firms, which can be seen as a sub-division of KIFs, can be distinguished into different categories.

As such this builds a rather broad frame of reference which provides the foundation for the subsequent analysis. Throughout this analysis further theory will be introduced on the specific issues touched upon herein thereby further focusing the theoretical lens.

### *On knowledge intensive firms*

KIFs come in all sizes and shapes as there are inherent problems of defining what exactly entails a KIF. When trying to distinguish them, one can look at the degree of analytical, symbolic manipulation being done i.e. the characteristics of the actual work processes and whether or not these are knowledge intensive. It can though be argued that knowledge-intensiveness in itself does not define a KIF, rather one should focus on “esoteric expertise instead of widely shared knowledge” (Starbuck 1992, p. 716) being somewhat in line with Alvesson definition of KIFs being: “organizations that offer to the market the use of fairly sophisticated knowledge or knowledge-based products” (2004, p. 17). This of course raises questions such as who are to judge these elements and who decides what is ‘esoteric expertise’, ‘fairly sophisticated’ and ‘knowledge-based products’ – which again connects to the difficulties of defining ‘knowledge’.

Instead one could therefore also argue that one of the most distinguishing features of KIFs is their claim to knowledge intensiveness (Alvesson 2001) something which of course also raises questions as it can easily be too subjectively defined i.e. it can seem very fashionable and easy for companies to claim knowledge intensiveness – and as such it can end with being a category with no value as there is no one thing binding these companies together except this ‘claim’ to knowledge intensiveness.

## Balancing on the tight rope. A case study of growth in a small consultancy firm

Given the vagueness of the KIF definition it is though still of research interest, especially when looking at the more ideal types which most would agree are KIFs i.e. for example consultancy firms which is the focus in this study.

In looking at some of the characteristics of KIFs, Alvesson (2004, pp. 21-26) outlines these as being:

- Highly qualified individuals doing knowledge-based work, using intellectual and symbolic skills in work.
- A fairly high degree of autonomy and downplaying of organizational hierarchy.
- The use of adaptable, ad hoc organizational forms
- The need for extensive communication for coordination and problem-solving
- Idiosyncratic client services
- Information and power asymmetry (often favouring the professional over the client)
- Subjective and uncertain quality assessment
- Asymmetrical power relations
  - Working with an indirect form of control
- Improving the use of knowledge by building upon existing knowledge and stimulating innovativeness through combination of various competences

As such this looks both at the nature of work, the organisation and management, the characteristics of the products – as well as the people employed i.e. the ‘highly qualified individuals doing knowledge-based work’ also known as knowledge workers (KWs). These workers bring their expertise to the firm and often work together with clients something which makes for situations of relationship building between the firm, the knowledge worker and the client. Alvesson adds that: “A KIF is an organization broadly recognized as creating value through the use of advanced knowledge. The expectation of clients, the informed public, and people working in the company, is that education, training, problem solving ability, creativity and intelligence are crucial parts of the work” (2004, pp. 29-30).

Further characterizing the work being performed in KIFs is that “the exercise of judgement, and problem-solving is thus carried out by the majority of the personnel and not centralized on a managerial or technocratic elite, designing systems and procedures for others to follow” (Alvesson 2004, p. 22). This is due to the fact that the service itself is highly knowledgeable and it is situated more in the employees than in the management. It is due to this factor that

the KWs are often given autonomy to practice with freedom for the firm to gain competitive advantage of their services.

The characteristic of autonomy which is prevalent in KIFs makes for some specific managerial challenges as it often the case that “expertise is multidimensional, is frequently not linked to seniority and administrative experience, and operational authority may be unrelated to hierarchical position” (Løwendahl 2000, p.95). In other words the situation in many KIFs is that some experts are more educated or specialized than the management and as such a recommendation with regard to management and communication within the firm is that it “should be based on consultation and not command, and its content consists of information and advice not instructions and decisions” (Alvesson 2004 p. 131). This should encourage communication that both supports knowledge sharing within the firm and that does not inhibit knowledge workers freedom but rather motivates them.

Regarding the work being done and the services or products offered these are of course dependent on the specific KIF and the type of industry it operates within. Often this involves, as said, delivering services/products to clients with this being customized to each client’s circumstances. Quality assessments are often difficult, being subjective and uncertain and seemingly bound in the paradox expressed by Arrow “it is difficult for a buyer to value knowledge until it is shared with him or her – at which point he or she need pay nothing” (1974, in Donaldson 2001 p. 961). This connects to the client evaluation of the service being delivered: ”The service is intangible, results are hard to predict, and the client can judge only in retrospect” (Nees et al., 1985 p. 69). Yet even in retrospect it may be difficult to judge the effect services bought as there on the one hand rarely is a clear cause and effect relationship between service and result and other the other hand is also the question of who in the client firm is to do the evaluation i.e. there may be differing opinions in the client firm as to the effect and results of the service.

The quality assessment connects to the ambiguity of KIFs which are often seen as not only being knowledge-intensive but also ambiguity-intensive where e.g. Alvesson (2001) divides this ambiguity on three separate areas:

1. Ambiguity of product and service;
2. Ambiguity of actual work processes;
3. Ambiguity of work evaluation.

These areas of ambiguity and the overall ambiguity-intensiveness of KIFs can be argued to be *the* distinctive characteristic of KIFs – although ‘measuring’ ambiguity – as well as measuring ‘knowledge’ is of course in itself also very ambiguous.

*On knowledge workers*

The notion of ‘knowledge workers’ is a very broad occupational category covering consultants, designers, marketers etc. often being seen as the ‘new professionals’ or the ‘new ruling class’ (Donaldson 2001) in a post-bureaucratic age where knowledge is king. As such one should heed the critique that “the actual content of much so-called knowledge work is routine information handling and service work” (Fincham 2006) and that ‘knowledge work’ and ‘knowledge workers’ is, by some researchers as well as the practitioners themselves, somewhat idealised.

Keeping this in mind it can though still be relevant to talk in general of some of the characteristics of KWs as they arguably represents the core of the KIFs: “The principal resource in knowledge-intensive firms is the competence of the work force. In this sense, knowledge-intensive firms underscore a general trend in organization analysis: to emphasize the crucial significance of personnel – or *human resources* to use a more contemporary label.” (Alvesson & Kärreman 2007b, p. 711). One may though also heed the notion of Starbuck (1992) who presents the argument that the knowledge of KIFs not necessarily is in individual people but rather it can also be held in equipment, financial instruments, routines and professional cultures.

This aside, KIFs do consist of KWs and they do often represent a significant part of the ‘production capability’ of the firm. As such KWs are generally thought to be high-thinking professionals that typically have acquired their qualifications after lengthy studies in their respective educational proficiency and with work processes characterised by involving problem solving, abstract reasoning and intellectual, symbolic-analytic-work. As Løwendahl says “they bring to the firm their expertise, their experience, their skills in relationship building and maintenance, their professional reputation, their network of professional peer contacts, and their established relationship with past, present and potential clients” (2000 p. 41).

Knowledge workers are often said to internalise some form of shared values, meanings, beliefs, personal identities, and understandings that they find appropriate for their

professional wellbeing. However they need a high level of autonomy, freedom and respect in their work and a common notion is that “the resources of KIFs go down the lift in the evening after a day of work and that the firm is then empty” (Løwendahl 2000, p. 24) and therefore that “knowledge workers should be managed as volunteers, not as employees” (Alvesson 2004 p. 142). Alvesson also notes that these knowledge workers “contribute more than labour. The significance of their networks and relationships is often great” (2004, p. 141).

Newell et al (2002 p. 24) states that “knowledge intensive firms tend to be organised in distinctive ways in order to:

- a) Attract and retain knowledge workers.
- b) Promote innovation and creativity.”

This of course seems reasonable in so much as the KWs as said represents the principal resource of the KIF and that ‘innovation and creativity’ are at the core of the work processes making the knowledge output. But where does for example clients fit in? Are KIFs not also organised for selling their actual products and services? For as Maister (1982) says on KIFs “they compete for two markets; the ‘output’ market for its service and the ‘input’ market for attracting and keeping the professional workforce” (Quoted in Alvesson 2004, p. 142). One could though of course argue that attracting clients is implicit in the two areas by Newell et al., as attracting the right knowledge workers automatically provide clients, given that the networks and relationships of KWs as said are of prime importance.

The distinctive ways of organizing is typically shown in the often high degree of autonomy and adhocracy as well as the promotion of a culture of knowledge sharing, group-rewarding, team-working etc. “The preferred KIF design... would seem to have much in common with Mintzberg’s (1979) model of an adhocracy, designed for innovative experts operating in complex and dynamic environments.” (Legge 2002, p. 76) and “the claim that knowledge-intensive firms break with or substitute the bureaucratic form is sometimes linked to general societal and organizational trends and development. These are frequently described as increasing the significance of knowledge, flexibility, networking and innovation – all features making bureaucracy and its features (e.g., hierarchy, stability, standardization, and rules) less relevant as key organizational mechanisms” (Kärreman et al. 2002, p. 74). The idea seems to be to encourage KWs to share knowledge, cooperate in different tasks and to ensure teamwork while simultaneously reducing problems like self-centredness and egoistic-based

## Balancing on the tight rope. A case study of growth in a small consultancy firm

working styles. It is supposed to cultivate a kind of cooperative atmosphere which encourages more group-centred innovations, team-working and openness – while at the same time being attractive both for attracting and retaining KWs.

The problems and difficulties of managing these autonomous individuals can be metaphorical described as ‘herding wild cats’ (Løwendahl 2000). These difficulties originate from the characteristics of the KIFs such as the level of autonomy of KWs and the fact that the individual KW to a large extent represents the production capacity of the firm. Therefore a very different power relation exists between the KWs, the KIF and management compared to the more traditional division between those who plan work and those who perform work.

### *Different types of consultancy firms*

Consultancy firms comprising both management consulting firms as well as other specialized consulting firms can be seen as a sub-division of the broader KIF category. As such the characteristics of KIFs are also seen in consultancy firms, but at the same there is also some characteristics which are particular prevalent in consultancy firms.

One key characteristic is that consultancy firm per normal definitions works with clients doing ‘consulting work’, which can be defined in various ways from for example the willingness to help (Schein 2002), to an “ongoing effort of convincing the clients of one’s usefulness and contribution” (Berglund & Werr 2000, p. 635). Still it is difficult defining consultancies and consulting as: “the boundaries of this cluster of activities are themselves complex and overlapping.” (Fincham & Clark 2003, p. 4) and “consulting includes a broad range of activities, and the many firms and their members often define these practices quite differently” (Turner 1982, p. 120).

According to Turner the interaction with clients can be used to distinguish eight different types of consultancies by on the purpose with which they interact (1982, p. 121):

1. “Providing information to a client
2. Solving a client’s problem
3. Making a diagnosis, which may necessitate redefinition of the problem
4. Making recommendations based on the diagnosis
5. Assisting with implementation of recommended solutions
6. Building a consensus and commitment around corrective action
7. Facilitating client learning (teaching clients to solve similar problems

8. Permanently improving organizational effectiveness”

Another, more simplified way of distinguishing different forms of consultancies – although still focusing on the client interaction - is presented by Schein (1988, quoted in Canback 1998, p.6):

1. Purchase of expertise. Buying of external expert advice on a specific issue.
2. Doctor-patient. In-depth analysis and diagnosis of the client organisation.
3. Process consultation. A more coach-oriented role where the consultants facilitates the process while clients brings expertise and knowledge to the problem solving process.

To some extent there is an overlap between these Schein and Turner, as for example the process consultation of Schein relates to the last levels of Turners, the purchase of expertise is more related to the first levels and the doctor-patient fits well with number 3 and 4 of Turners categories.

Another way still to distinguish consultancy firms is to look more at the way they work as well as the delivery they do. Here Løwendahl (2000) distinguishes between ‘Repetitive versus ad hoc delivery’, ‘individual versus team-based delivery’, ‘personal versus proposal-based service sales’ and ‘application of existing versus development of new solutions’. She further present the following table, showing three generic strategies and configurations of consultancies, dependent on the type of service they deliver and how they deliver this. As such these can be divided into i) solution-based, meaning a consultancy focusing on somewhat standardised services which can to some extent be copied and re-used for new clients; ii) client relations based which has a strong focus on close relationship to clients; iii) Problem solving which in the ideal form is the expert company being run by somewhat independent experts who provide unique solutions to client problems.

*Table 1. Three generic strategies and configurations (Løwendahl 2000, p. 126)*

	<i>Solution</i>	<i>Client relations</i>	<i>Problem solving</i>
<i>Status and authority</i>	Hierarchical management	Client relations	Expert
<i>Management focus</i>	Internal R&D	External Sales	Internal + External Competence development
<i>Control</i>	Authority	Price	Trust
<i>Coordination</i>	High HQ to local	Low	Medium Two-way
<i>Performance evaluation</i>	Sales revenues New solutions	Client satisfaction % repeat buy	Innovation Capture rate for

Balancing on the tight rope. A case study of growth in a small consultancy firm

			challenging projects
<i>Org. design</i>	Top down	Bottom up	Self designing
<i>Org. flexibility</i>	Low	High	Medium
<i>Service complexity</i>	Low	Medium	High
<i>Ownership</i>	External possible	Internal	Internal
<i>Key assets</i>	Org. Control	Ind. Control	Org. + ind. Control
<i>Vulnerability</i>	Obsolescence of solutions	Exits	Obsolescence of competence or rigidity (loss of innovativeness)
<i>Strategic focus</i>	Target markets	Target clients	Target projects/problems (challenges)

Instead of this focus of Schein, Turner and Løwendahl, focusing on the product/service and related client interaction, one could also look at the role that the consultancy firm plays in the client interaction. As such consultancy firms can for example be part of a political power play in the client organization, (Alvesson et al. 2006) being hired to act as scapegoats that can be blamed for failures and layoffs, thereby being hired not because of their expertise and knowledge, but rather for providing legitimacy (Starbuck 1992) to client-management for unpopular decisions and actions. This role of the consultant is therefore created or shaped by the client and is therefore very different from the rather objectified, rational theories by Turner, Schein and Løwendahl, where the services of the consultants are seen as more tangible products being delivered and defining the client-consultant relationship.

The different categories and distinctions presented above shows at the one hand the diversity and heterogeneity in the consultant industry in particular related to different type of services/products and client interactions as well as the different roles that the consultants may fulfil. A note of caution when wanting to put consultancies into different boxes and categories is though that the consultancy and the individual consultants can have diverse roles and services both for different clients as well as in the interaction with the same client organization. This is highlighted by Alvesson & Johansson who, in describing yet another categorisation in four different types: esoteric expert, brokers of meaning, traders in trouble and agents of anxiety, notes that “the four types are sometimes mixed in the work and assignments of individual consultants, and each of the types differs in how it relates to issues of power and professionalism.” (2002, p. 242).

## Analysis

In the following we want, in line with the purpose of this case study, to focus on how growth has been managed in the company. We will start by providing some general discussion of the key characteristics of the company as we believe that these have been paramount for the management issues related to growing the company. Further we look at the questions of the purpose, analyzing how the company has been organized during this growth process, why a hierarchical organization has been introduced as well different forms formalized procedures. This is followed by the second question, where we look at how the knowledge workers are managed by especially looking at different forms of control which is being introduced and used in FP-consult.

### *The characteristics of FP-consult*

Given the variety in KIFs as well as a very heterogeneous consulting industry, a view at some of the specific characteristics of FP-consult, the market they operate in as well as the product and services they sell is at its place. These characteristics can provide a deeper understanding and frame in which the findings can be further discussed.

One key characteristic of FP-consult is the dependency on deadlines being published for various funding programmes in the EU. As FP-consult has no influence on when these deadlines are published, there is a degree of uncertainty and a risk of having periods with low amount of work. One partner compares it to that of a construction company, an industry well-known for seasonal changes in the amount of work: *“The trick is too diverse into areas where you have fewer fluctuations. Than we do now. It means that you can plan resources a lot better than we can right now. It is very difficult because we know that in three months from now in the pipe we have right now we will be needing double the amount of people. But we also know that in July half of what we are. So we are almost like a construction company in that sense. And of course volume is the answer to that. But also in the nature of the work that we take in.”* Robert, partner

Two ways are seen in the company as making it possible to manage the fluctuations in workload and related issue of growth. For one it is diversifying, taking in longer assignments with more long-term relationship with clients and offering other types of products. The other possibility is to increase volume as well as the time from sale to delivery deadline as this of course makes it easier to plan ahead. This also relates to what is seen as one of the challenges

## Balancing on the tight rope. A case study of growth in a small consultancy firm

of the company, that of having a business that is not very scaleable i.e. to do more projects FP-consult needs to hire more employees which again increase cost *“the sale also comes up and down in waves over the year. And that of course gives some struggles. It can be difficult to plan delivery because you need a lot of work and man-power in a short period of time. And then you may not need that man power for a couple of months. So the cost structure is difficult to organise. Especially when we are as small as we are.”* Robert, partner. As such the cost structure of FP-consult, especially on employees cost, is uneven due to the volatility and dependency on the deadlines for different funding programmes as well as the scope they provide for projects.

The reason for diversifying is though not only connected to pure business arguments as another reason raised by one of the partners connects to *“the content you want in your own day. And the people that work for you. You want to be able to provide a variety of content, not to make a working day monotonous. Or for the people that work with us that is of course important... So to safeguard that, I think we need to broaden the scope of what we do otherwise it turns sour. So that’s a very important driver also.”* Ted, partner

In line with what Løwendahl (2000) describes as the danger of being too successful i.e. bidding and getting to many projects compared to resources, FP-consult has experienced the same problem albeit somewhat differently in so much as the danger has been related to maintaining a constant focus on sale while still being able to deliver during high peak periods where sales people have sometimes helped with finishing the projects: *“Always been a bit of a difference between what we knew was to be right and what we needed to do. Because resources has been very strict when we come to delivery. Especially our peak delivery. So there has often been experience of a drop in sales activity and for that you can see it a couple of months afterwards because there is nothing in the pipeline because everybody was doing other type of work and nobody was selling.”* Robert, partner.

There have been attempts at managing these fluctuations by taking in temporary workers for peak periods but this has also caused problems: *“we have too many people coming in and out of the company. In terms of they come in, deliver one project and leave. There is a lot of knowledge being lost every time. So that is what I see as a main challenge, actually, too keep people here. And that is of course also a challenge that we need to keep a more steady flow of projects and work coming into the business.”* Will, employee

## Balancing on the tight rope. A case study of growth in a small consultancy firm

The long term relationship to clients is not something that is particular prevalent in the company where most sales are to new clients: *“we would like more relationship in our business but we found it more difficult. We have some larger companies where we do returning sales. But looking at our revenue I would say that 80-90% is one-time sales. And this is also that we hope to change of course but it is the reality at the moment.”* Robert, Partner. As such the company differs from Sturdy’s (1997) characteristic of consultancies relying on repeat business. One reason for this seems to have been due to sales being to a large extent to small companies or to large companies lacking resources (funding or time-wise). When these clients have received funding for developments project they are, especially for the small companies, often fully concentrated on doing the project and hence do not have time for new projects. This, as well as the aforementioned problems with fluctuations, seems also to have made a shift in client focus for the company: *“we have turned ourselves more and more towards the public sector, helping universities and research technology organizations since we can assist them in the application work. Not necessarily full applications, but assisting in writing those. And that’s a good profit for us as well. So... that’s, you could say, a new core business area, though very closely related to what we are already doing in application writing. But a new client base“* Will, employee

Another thing that characterizes the work being performed and that may be related to the shift in client focus is the client relationship where FP-consult to a large extent is dependent on receiving input from the client to the applications. As such there is a high level of client involvement, something which according to one partner can be seen as a weakness in the business idea and as a major challenge in the work: *“The challenge is of course to make sure they provide this input timely and in the correct way, always. And that’s something we are still working in getting the right routines for.”* George, partner

*“Well I think sometimes it is a little bit difficult because you are talking to an expert within one given field and you are just... not just... but you are the one piling together the information and of course they possess more knowledge on the specific field than you do yourself. So sometimes I think it is a little bit difficult knowing what exactly you are going for because, yeah, the projects could be a bit complex.”* Bob, employee

*“we need to be more in charge in telling, as soon as we have decided, okay we have a good project here, we should be the ones telling which is the best way to have a project funded and*

*approved... We are listening too much to the client in terms of their ideas and their thoughts about themselves” Will, employee*

Given the dependency on client input as well as the specialised area in which FP-consult operates, the company can, arguably, be classified as being a ‘purchase-of-expertise’ according to Schein (1988, quoted in Canback 1998, p. 6) albeit leaning towards the ‘doctor-patient’ category in so much as FP-consult to some extent has a rather in-depth cooperation with most clients: *“probably also typical of a small and new company we tend to get very personally involved with clients. Also because of the nature of the work, in and out. And then we of course, we co-invest in a lot of the things we do with the clients. A very concrete interest in the end-results and that tend to personalize with the client.” Ted, partner*

If we were instead to use Turner’s (1982) eight categories, the services offered by FP-consult and the way the work is performed, seems to be in the first categories i.e. providing information, solving clients problems etc. with the wish though to have longer assignments with large clients that leans more towards the last categories, that of facilitating client learning and improving client organizational effectiveness. This does though not entirely fit with Canback’s (1999) notion of increased human asset specificity throughout Turner’s categories i.e. the consultant invest increasingly amounts of time and resources to understand the client business and therefore the client and consultant becomes increasingly dependent on each other. As the previous quote indicates, FP-consult has quite high investment in clients even though they operate on the ‘lower’ end of Turner’s categories. Arguably this could be due to the size of the company and the importance, revenue-wise, of the single client further supported by the way contracts with these are made, often including a degree of success bonus for FP-consult if the project gains funding.

#### *The process of growth*

Developing and building the right structures and organization is something which by several interviewees are characterized as being somewhat akin to a trial-and-error approach: *“We are sort of going day by day saying this works, trial and error, we’ll implement this and then we will have bits and pieces” George, partner.*

*“in my view, we will as many other companies, grow now. Find out what we can do and what we are good at. And then shape it in again.” David, partner*

## Balancing on the tight rope. A case study of growth in a small consultancy firm

The experimental way of approaching the process of managing growth reflects, according to our views, the problems of managing growth in an ambiguity-intensive KIF. As shown FP-consult have some specific characteristics such as: fluctuations in work, close relationship and dependency on client input – while at the same time being in the lower end on Turner’s eight categories. As such FP-consult can also be characterized according to Løwendahl (2000) as having most in common with the ‘solution-based’ configuration in her division between three generic strategies and configurations<sup>1</sup> – although also having some elements in common with that of the ‘problem solving’ configuration in so much as FP-consult operates as a highly specialised firm in a niche area that involves some unique problem solving. Further looking at how the work is being done as well as the services delivery, FP-consult can be characterised as working with ad hoc, individual based delivery and personal sales primarily focused on development of new solutions (albeit there of course is some re-use in the various proposals developed for clients). This combination makes the planning of resources particular challenging and even more so as the company is small and at the moment not very resource-intensive. Planning errors related to expectations of too much or too little sale therefore represents a key challenge with the possibility of destroying the company if it goes wrong.

The importance of short-term planning and resource management seemingly makes for problems in regards to making long term strategies which seems to be an area that have been neglected in so much as the partners provide different visions of the company when asked about how the company will look in five years (most do though agree that there is a huge potential, that the company will be significantly bigger, that it will be diversified in different geographical markets as well as in products etc.). As one partner says: *“Second to that is still the whole restructuring... restructuring is a wrong work. But the whole building up of structure and all that. That is still a major challenge. And making sure that all.. yeah, you can say, being a company and knowing the direction.”* David, partner. This is in line with Greenwood et al.’s notion on firms based in a professional partnership being companies where “strategic direction is weak, and the strategic process is one of negotiation, consensus building, and iteration” (Greenwood et al. 1990: 750).

As for the employees these also provided different visions of both the short- and long term strategy while some of them also highlights the fact of not knowing as this information was

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<sup>1</sup> See table 1, p. 26

kept on the partner level: *“well, it would motivate us more if we knew where we are going from now on”* Brad, employee.

*“As you can hear, because especially the strategic issues, because as you can hear I am not really that sure of the direction we are going in. I know that something is going to happen and we are going to expand our business but what it is specifically I am not sure of. And of course I am looking forward to gain that knowledge.”* Bob, employee.

This is further highlighted at the teambuilding event where the overall strategy is presented, but where the level of detail is primarily on the short-term focusing on presenting the economy of the company (the first time it is presented to employees), the status of the company in the market, the main problems and the wish to further make changes to existing structures etc. The concern from some employees is not only related to a view of where the company is going, both in the short- as well as the long-term, but also with a view of what possibilities the individual employee has career-wise - something which are often seen as important in KIFs *“organizational commitment is highly dependent on perceived opportunities for career advancements”* (Wallace 1995, p. 228). In comparison to the up-and-out system seen in most management consulting companies, there is no formalized career-structure in FP-consult.

As the (scarce) resources are of such importance this makes for an increased focus on managing these resources i.e. the ‘knowledge workers’. This has, as shown, resulted in a new formalized organizational structure as well as various new procedures, which been introduced through what some of the interviewees describe as a trial-and-error approach: *“Those two blocks of issues, again its recruitment of people and its procedures. And those are the things we are trying to work intensively on at the moment. And especially around procedures, a lot of stuff... We would like to see a lot of... that’s where we are struggling the most I would say perhaps, because we are sort of overhauling the systems again and again and we don’t seem to really find our ground there. I think there are some fixed elements now which will stay there, for instance these meetings and the way of pooling resources coming up towards individual deadlines and having these meetings in a set light procedures, we will have a battery of project tools also which will be better I’m sure this time around than before, but there is still a lot of things to do. I mean a major thing is for instance once we have the battery, to discipline people on how to use this battery of tools.”* George, partner.

These issues are in line with the statement by Newell et al. that KIFs are organised so as to attract and retain knowledge workers as well as promoting innovation and creativity (2002, p. 24). As for the issue of recruiting people this can be seen as a bigger gamble for a small and growing company such as FP-consult, as resources are scarce and hence employing new people is a great risk for the company i.e. directly related to the challenge of working with development of new solutions and not having a business that is particularly scaleable. Also given the small amount of workers and the individual based delivery the output generated by each worker represents a much larger part of the total compared to larger consulting firms and hence recruiting the right people is even more paramount. As such the issue in a small and growing consulting company as FP-consult seems to be not only attracting and retaining knowledge workers, rather it is attracting and retaining the right knowledge workers – at the right time.

As for the issue of procedures this includes for example procedures for knowledge sharing such as weekly Monday morning meetings as well as the introduction of more team-based way of doing projects through working in pairs on two applications at the same time. Generally it seems like an attempt to increase efficiency in work processes combined with improved quality of output which makes for more standardization and control (discussed further below) and is in line with the focus on managing resources i.e. the idea seems to be to introduce procedures and structures which makes for increased, high quality output.

A particular risk of growth for KIFs is raised by Starbuck: “KIFs tend to lose knowledge intensity as they grow. This is because KIFs grow by adding more support staffs than experts, adding activities, products or services with the aim of increasing profitability per expert, or using experts more efficiently or extracting more value from the expertise already in-house” (1992, p. 728) and that “when support staff come to outnumber experts greatly or when KIFs claim expertise in too many domains, KIFs lose their halos of expertise and their credibility” (ibid, p. 737). The notion by Starbuck of KIFs losing knowledge-intensity when adding support staff is correct if one defines knowledge-intensity by the number of experts compared to the number of support people in the company. Measuring the number of support staff and using this to argue less knowledge-intensiveness does though not seem to be correct as our findings in particular when interviewing the partners was complaints in regards to the time spend on administrative issues: “*administration which is important because it takes away a lot of time. Billing time.*” David, partner. Also on reflecting on the move from BG-consult where there was a lot of administrative staff, too now where there is none: “*all our*

## Balancing on the tight rope. A case study of growth in a small consultancy firm

*administrative things which suddenly are heavily burden on the partners, which took up, which it does for any entrepreneur, a hell of a lot of time” and “Now, if want to do something we need to arrange it ourselves and it takes a lot of time. And that time is spend by the partners who are already doing 10 hours a day. So that’s one of the problems. We need some administrative staff.”* David, partner.

This process of growth – as well as that of preparing for further growth and more employees – has as said resulted in a new organization structure which will be described in the following with a focus on organization of the company and of the management of the knowledge workers.

### *Hierarchy & bureaucracy*

Previously the company has been organized on a partner consensus level with the five partners agreeing on the direction of the company. One partner was though officially the CEO but this appears to have been more of name as his functions were more of that of a CFO, doing administration, working with financial issues etc. and not doing ‘management’ in the normal sense. *“Yeah, we need more hierarchy. The problem was that we didn’t have it in the beginning. We had five partners which were equal – and still are equal for that matter. But none of us... Yeah, one of us was CEO but that was more by name than by actual... because he was taking on a CFO position much more than actual CEO. So that had some implications. We gave ourselves some areas that we were responsible for, but it didn’t really go through”* David, partner

The introduction of the new structures and the hierarchical organization by December 2008 are by most partners viewed as the latest major step in the trial-and-error approach, which is to be the foundation for further development of the company and its organization. In line with this, the current phase of the company is at the teambuilding event, as part of summing up a day of strategy discussion, described by one of the partners as being a maturing and consolidation phase.

In general it seems that everybody is positive about the new hierarchical way of organizing in so much as it is seemed as more efficient and rational than the previous collegial and consensus based partner-management setup: *“First of all of course you find out that you have idealized the views on something. How we probably needed a reality check for how an organization could work without any hierarchy. And we had to go back from that and instate*

## Balancing on the tight rope. A case study of growth in a small consultancy firm

*some kind of hierarchy in our organization. Simply because you get a decision-making vacuum. And leaves decision to be taken, important decisions to be taken, and hierarchy in itself, even if it's informal, does something for the decision-making efficiency of an organization. That's a very important learning. That allocating responsibility explicitly is something that's still important even in a smaller organization."* Ted, partner.

*"there were things we dropped between seats and which we couldn't pin someone to be responsible for. So that's changed now, there is one at the top and he has the responsibility of everyone. And he can pick on us when we don't do our job."* David, partner.

As such key arguments relates to efficiency in decision-making, clear lines of responsibilities and clear lines of communication. Other arguments is the need to have someone maintaining the focus, balancing both the sale and delivery and the need to deliver at peak periods while also maintaining the sales focus, balancing cost and income etc. These arguments therefore connect to the previous discussed importance of managing the resources of the company, albeit the reason for introducing a hierarchical organisation is not so much the management of workers, rather it seems to stem from the perceived inefficiency among the partners in the previous consensus-based way of organising.

*"We wanna perform in the right way as soon as possible, we wanna have high standards, and this is of course all in all to increase efficiency in our work. So we are in a process there. Which is still ongoing, and probably always will be ongoing. But we are taking some major steps now in implementing some human resource management tools"* David, partner

Another reason for a more formalized organizational structure as well as the related structures and procedures, especially concerning HR issues such as the annual employee development appraisal, the staff handbook, vacation planning etc. also to a large extent relates to the need and wish of growing the organization as observed by one of the employees: *"We are growing so if we are going to have more employees they have to have a structure for that. They have to have an answer to those types of questions, so I think that is something we need."* Brad, employee. As such this form of structure and formalized procedures is viewed as a necessity for growth and for taking in new employees – as well as attracting them - something which connects well to the theory that “increasing growth and diversification often leads to increasing formalization, layers of hierarchy “ (Newell et al 2002, p. 31).

## Balancing on the tight rope. A case study of growth in a small consultancy firm

Even if everybody seems positive about the organizational restructuring and the introduction of a formal hierarchy a few do though raise some concerns about this process of becoming a more streamlined and professional organization and the negative aspects this might entail:

*“I think in 2 years we should be operating as a more professional oriented consultancy business so we’ll lose the entrepreneurial spirit altogether.”* Stan, partner

*“the FP-consult company was starting up with typical entrepreneur spirit and with the benefit and problems of having five partners leading without no clear leadership.”* David, partner

*“I would say less knowledge sharing now than there where before. But previously it was also like very tough process because all of the partners had to know everything and everything had to be decided on a consensus basis.”* Will, employee

And one partner on cooperation in the company: *“When we were very small it was very good because everyone was in the same room, everyone was interacting. I’ll say in the last year where we have grown, we had to be more focused on what people take on and people have... there’s not as much sparring as their used to be and that’s basically a consequence of too much work.”* Stan, partner

As such loosing the entrepreneurial spirit as well as that of less knowledge sharing is seen as a consequence of the process of making a streamlined, professional organization. Further it seems that the notion of ‘entrepreneurial spirit’ is connected in the partners’ minds of the previous way of organizing as a sort of consensus-based collegial partnership, as well as the period when the company was new and struggling. It seems as though it is seen as a necessity to lose this spirit if growth is to happen and the organization is going to become ‘professional’ and ‘streamlined’.

Another negative aspect related to the introduction of hierarchy is that the single-line of communication may be too strict and unnecessary, especially given the size of the company: *“By enforcing these registrations of like everything, and enforcing ways of communication and stuff like that. But I just don’t think and feel that we are actually big enough or ready to be in such a structure”.* Will, employee. This further connects to the level of things being introduced, with changes both on the formal organization chart but also in terms of reporting, in terms of new procedures, rules etc. *“I think now it has changed to being more tight, there is more rules”* Brad, employee. Some employees raise the concern that this might be too

much, that it might affect the way of doing innovative work: *“I’m just afraid that, that, company could have been strangled actually before you lose the grip. That is my concern. Of course the other thing is not working either. The way we had before”* Will, employee.

Further it seems that this process of going in the opposite of what was previously a very adhocratic organisation, is again reflected in the trial-and-error approach in so much as one partner states that: *“it is a hierarchic organization and it should remain that for the time being until we get a position where we can soften up things without having the chance of, yeah, ruining the good things that we have started.”* David, partner. Interestingly this experimental form of an ongoing trial-and-error is further described as being akin to an innovative approach: *“I see our company as an innovation company and that means that we also need our processes, ourselves to be innovative. So we need to have a constant flow in that.... the next coming years is finding our foundation. That’s laying our foundation for our existence.”* David, partner. This does though not combine well with the process of imposing a hierarchical organizational structure and that of the different bureaucratic measures in so much as these are often seen as the opposite of innovativeness. In particular it does not fit well with the notion of the different interviewees that the entrepreneurial spirit is being lost and that there is less knowledge sharing and collaboration than previously. This is also expressed in the wish for: *“More open communication. Right now there is a feeling that a lot of information is being restricted from employees, that things are only supposed known among the partners, which I think is wrong. Because that kind of gives a feeling of a black box, like it gives an urge to know what is going on in the box even though it has absolute not relevance to your work.”* Will, employee.

*“Being a small company I think you should have, you should get everybody to work on the development part; you know just ideas, just that kind of stuff. So the big challenge here is to first get people to communicate more and then you can apply that and use that to make the company grow.”* Brad, employee.

The reason for this apparent paradox, it seems, lies in the complexities of growing and managing scarce resources - where a streamlined, hierarchical organisation is seen by the partners as the present optimal way of handling this complexity - something which may then later be loosened up. This is combined with an apparent view that communication needs to be controlled something which seems to relate to an idea of people sticking to the job at hand: *“for our purposes, I think you can easily cross that boundary were you then start losing*

*peoples time, or just imposing lighter thinking on people which are not really practical to the problems they need to solve”* George, partner. As such it seems that efficiency is the focus right now and losing the entrepreneurial spirit, deterioration of collaboration and communication is a necessary evil in maturing and consolidating the company.

A paradox that one could argue for is that it seems that everybody wants and expects growth, both employees and partners alike. At the same time though there are, as shown, a number of negative aspects highlighted by all interviewees. An employee states that he enjoys “*that it is a small company where you can influence things. And quite early in the process you are given a lot of responsibility. If you want to take that responsibility you can have it. And I enjoy that*”, which seems somewhat opposite the idea of becoming a large consultancy firm. Of course it could be that the perspective is that the positive aspects of growth outweigh the negative. But it could also be argued that FP-consult, both its employees and partners alike, are conditioned by a capitalistic notion of growth being inherently good and something that companies per definition should strive after – even in the light of the various negative aspects. The notion could be that growth is equal to success and hence is connected to the status and identity of the people in FP-consult. However according to Løwendahl the company as a KIF may face the fact that size: “is no guarantee for increased profits. On the contrary, size also involves greatly increased coordination requirements which either foster the need for full time managers or need for sophisticated constraint systems limiting the autonomy of the professionals” (Løwendahl 2000, p. 135).

### *Control in FP-consult*

The organising of workers – in this particular case knowledge workers – relates closely to the above discussion on the introduction of hierarchy and the various bureaucratic elements for as Weber says: “Bureaucracy is *the* means of transforming social action into rationally organised action” (1978, p. 987. Quoted in Barker 1993, p. 410). In the following it will be discussed how control is exercised and how this also relates to the changes being introduced as well as the process of growth. Overlap with the former discussion of bureaucracy and hierarchy is bound to happen but this should just further enlighten the picture.

According to Alvesson & Robertson (2006, p. 198) management in consultancy firm faces, among others, the issue of “how to mediate possible tensions between autonomy and control” which is in line with what Courpasson (2000 p. 141) describes as a one of the classic question for

## Balancing on the tight rope. A case study of growth in a small consultancy firm

organizational scholars: “how can organisations be both simultaneously innovative (‘Organic structure work best’) and yet be able to implement and even control these innovations (‘bureaucratic structures work best’)”.

In FP-consult changes in the balance of autonomy and control have taking place both prior and during the case study. For one the new hierarchical organization structure of course provides a clear division of responsibility and a more formalized form of control. This has further been supplemented by the aforementioned new structures and procedures which outline expectations, responsibilities as well as providing guidelines on how various work processes should be performed. Maintaining a balance between autonomy and control is something that the management in FP-consult is to some extent aware of:

*“to organize the knowledge between people. To have the right kinds of procedures that are not too stiff and mechanic but on the other hand also make sure that we also divide our knowledge so we don’t do double work and stuff like that.”* George, partner

*“something which I don’t want to damage by imposing routines is the originality in all the projects we are doing because that’s something which is behind a lot of the good quality we do.”* George, partner.

The changes in FP-consult are to some extent in line with Alvesson & Robertson’s notion that it is “traditionally assumed that control is achieved by designing and applying appropriate structures, procedures, measures and targets. The controls have limitation because of the nature of work and the demand of flexibility” (2006 p. 195). The limitations of these forms of control has caused for other forms of control such as clan-control, normative control, concertive control, identity regulation among others. This is especially prevalent in “knowledge-intensive firms which typically draw heavily upon cultural-ideological modes of control, are specifically singled out as organizational forms that use social identity and corporatization of the self as a mode for managerial control” (Kärreman & Alvesson 2004, p. 151).

As such one can use the distinction, employed by Alvesson & Kärreman (2004), of technocratic forms of control and socio-ideological forms of control. The former referring to the use of measurement of work output, of standardisation, guidelines etc. “exercised through output control (through focus on various key performance indicators, such as profit, sales,

and quality measurements) or through behavioural control (such as direct supervision, rules, standard operating procedures, and business policies)” (2004, p. 425).

The latter, the socio-ideological form of control, is connected to another ‘level’ of control where the control is not explicit but rather being exercised through more tacit and intangible expectations performed through peer-pressure, through culture, identity, discourses etc. “defined as efforts to persuade people to adapt to certain values, norms and ideas about what is good, important, praiseworthy etc in terms of work and organizational life” (ibid 2004, p. 426). This form of ideological control is not necessarily something management plans and imposes on workers; rather it can cover various different ways of exercising control: “We can imagine a spectrum of forms of implementation of ideological control. At the one extreme, the agent of ideological control is reproducing ideas that he or she takes for granted and do not reflect upon – in this case the controller is him – or herself also controlled, and it is questionable if this is a case of (conscious) management control. At the other extreme, the agent is manipulating – proposing ideals and values that he/she himself does not believe in as means for influencing others.” (Alvesson & Kärreman 2004, p. 426).

The prevalent notion of socio-ideological forms being present in KIFs is though not the clear picture as “some KIFs do rely heavily on technocratic forms of control - soft rules and procedures as well as measurement by performance indicators - but these are included in, and fuel, normative control by operating in a non-mechanical way, influencing the ideas, expectations, and subjectivities of people” (Alvesson 2004, p. 137).

In FP-consult the various forms of control are present to some extent and both the technocratic and the socio-ideological forms of control are being introduced. At the one hand this entails the various procedures and guidelines being developed as well as elements like the staff handbook and personnel policy which was introduced in January 2009 and which explicitly states mission, vision and values, what a ‘good’ employee is, what characteristics the ‘good’ manager has and in general what demands and expectations there are both towards employees as well as towards managers. On the other hand it also involves the introduction of a human resource action plan outlining various events such as teambuilding seminar, training events, employee development appraisal meetings etc.

Another element that has recently been introduced is that of working in pairs on two simultaneous projects. This way of working in self-managed teams could be seen as a step towards more concertive control (Barker 1993) and there are elements of this, although for

## Balancing on the tight rope. A case study of growth in a small consultancy firm

now it is not so prevalent: *“you always have someone to, in case you don’t know something about the project, you have someone to keep you in check.”* Bob, employee. Working in teams is as said something that was introduced recently and it has mostly been utilized among employees in Portugal so how it will develop and how elements such as concertive control will be present is too early to say.

The culture of the company is something which is seen in a rather rational, functional way, involving many elements that would normally be characterized as being technocratic: *“the culture atmosphere in the work place is not something that happens spontaneously, it’s something that you continuously work for to create. And you have to do it with company policies, you have to do it with the example you set as a manager, and then you have to have things codified also. Send signals, and to create symbols that are carriers of culture. So I think these things don’t happen spontaneously, it’s has to be conscious decisions and you have to do things to make this happen.”* Ted, partner.

A specific form of technocratic control is also exercised in the sales division where key performance indicators are used with quarterly goals and measurements for the individual employees i.e. the use of what is often termed management by objective (Covaleski et al., 1998). *“now we have key performance indicators, we have sales numbers that we have to aim at. All of these I think is actually, it is a good thing that they have been enforced in the company”* Will, employee.

As such most of the control being used as well introduced seems to be of the technocratic kind through various guidelines and procedures, through performance indicators in the sales division and of course through the hierarchical structure which in itself provides a clear line of responsibility and control. There are also some socio-ideological elements for example related to wanting build up a corporate culture – but this is seen in a functional way and can arguably be seen as yet another approach of technocratic control.

### *Being and becoming ‘professional’*

The current on-going process of introducing new procedures and guidelines as well as the new hierarchical organisation, are as seen a way of presenting a more uniform and high quality of work and of becoming ‘professional’ which apparently covers having a form of standardised expression externally – as well as clear guidelines and divisions of decision-making and responsibilities internally.

## Balancing on the tight rope. A case study of growth in a small consultancy firm

*“one of the main challenges is sort of what is going on right now, is to make a more... a more professional organisation or streamlined organisation”*, Will, employee

*“I think we’ll probably continue to become more professional, continue to structure our processes, streamline them. That’s the focus of the business right now and that’s what we are putting a lot of resources into.”* Stan, partner

This notion of becoming ‘professional’ and streamlining the organization and structures is in all likelihood shaped by the history of the company, coming from the somewhat adhocratic way of organizing with the collegial based partnership. It could though also be argued that it can be seen as coming from – or at least affected by - a wider discourse in the business world finding its remnant in the 1990s focus on business process reengineering where uniform procedures and output combined with cost efficiency is seen as the overall goal.

The idea of handling clients in a uniform way seems to be a key element in becoming ‘professional’: *“we could benefit from a structured approach to the client. The problem is if I handle a client it’s different from the way David would handle a client and the way you would handle a client.”* Stan, partner. Work is currently being done to standardise the way consultants interact with the clients: *“we are writing a client engagement process that every consultant should follow. So that basically set down the rules for how you engage with the client, when you report to the client, how much you report and so on. So... at the moment it is based on whatever consultant is active on the client. But we’ll have a more stringent process on them. So every client is basically treated the same.”* Stan, partner

As such this ‘client engagement process’ is on one side a form of technocratic control with specific control and demand of consultant behaviour. On the other hand outlining the interaction with clients and placing this in an internal discourse of being ‘professional’ can be seen as a socio-ideological form of control which can further connect to the notion of client relationships being used to socialize employees as found in the study by Anderson-Gough et al. (2000). Given the present situation where the engagement process is not made yet and where the rather new employees have had little client interaction, it is though difficult to say to what extent this corresponds to FP-consult.

In this sense the division between technocratic and socio-ideological forms of control is somewhat arbitrary, as the explicit guidelines are not only affecting behaviour but also to some extent affecting more socio-ideological elements such as values, culture, identity etc.

## Balancing on the tight rope. A case study of growth in a small consultancy firm

where for example Alvesson and Willmott (2002) states in their discussion on identity that “Established ideas and norms about the ‘natural’ way of doing things in a particular context can have major implications for identity constructions. The naturalization of rules and standards for doing things calls for the adaptation of a particular self-understanding.” (2002, p. 631). Our findings therefore mirror those of Alvesson & Kärreman, when they state that “socio-ideological control is thus intimately tied to bureaucracy and output control. It is not, as claimed by most of the literature on control, an alternative to the latter two” (2004, p. 441).

In the idea of becoming ‘professional’ is also an intent of working towards a certain corporate culture which is different from what is normally thought of when thinking ‘professional consultants’: “*We work to deviate from a management consultant and from the suit and tie culture. I think this is something that is essential in all of us. We want to signal less conformity, more creativity... the type of company we want to be is not something that could be embedded within the management consultancy cultural structure. I think we want to be something else. Both in terms of our PR profile, but also the personnel being employed.*” Ted, partner. This idea of a company with less conformity and a more informal culture is also shown at the teambuilding seminar, where the invitation highlights that:

- *You do not need any formal or business wear for any of the activities. Smart casual is probably the best recommendation for both strategy sessions and evening programme.*
- *No idea, opinion or suggestion is trivial, and voicing opinions will be applauded and not associated with other risks than being challenged to provide convincing arguments*
- *While discussions will be moderated in order to stick to the schedule, formal hierarchies cease to exist 0900-1800 on 1 May 2009 (the strategy seminar)*
- *Proactive, constructive participation is the source of innovation, improvement and change. Seize the opportunity to prove this!*

As such it seems that the partners connect the notion of management consultants to a formal suit-and-tie culture which they want to separate themselves and the company from. In all likelihood this is affected by the company earlier being part of the larger (management) consulting firm BG-consult - but it may also stem from some of the recent critique of the management consultant industry, in particular from academics, e.g. referring to them as

‘whores in stripes’ (Jackall 1988, quoted in Alvesson 2004, p. 198) or as ‘merchants of meaning trading in words’ (Czarniawska-Joerges 1988, quoted in Alvesson 2001, p. 871).

Paradoxically it seems that even though there is a wish from the partners to have ‘less conformity and more creativity’, the results as shown have been a hierarchical structure, a formalization of procedures and what interview persons, among them partners, describes as a deterioration of the entrepreneurial spirit. The reason for this, it would seem, is the perceived phase of the company, being a ‘consolidating and maturing phase’ where a tight management of resources and of building up structures are needed.

#### *The success rate discourse*

The notion of becoming ‘professional’ also relates to the success of the projects being done by FP-consult i.e. the number of projects successfully receiving funding from the funding authorities. The process of deeming a proposal or project worth funding or not involves it being sent to typically three evaluators who score the three different parts of the proposal, R&D description; Organisation; Impact, on a scale from 1 to 5, with five being the best. Dependent on the programme a certain threshold has to be reached in order to get approved, e.g. 12, and sometimes there is also thresholds on individual parts e.g. in some programmes a minimum score in Impact of 4 is needed. The score decides whether the project is invited to contract negotiations with the aim of receiving funding – or whether the proposal has failed with the only opportunity of maybe re-submitting it (often in an improved form) at the next programme deadline which for most cases is a year after.

The evaluators judge the proposals objectively and independently being hired by the EU and not being known by FP-consult. At the outset one could therefore hypothesize that the ambiguity-intensity, especially that related to work evaluation, would be lower than what is normally seen in other types of KIFs and consultancy firms. On the contrary, our findings indicate that ambiguity is deliberately created and is shown through interview persons raising the claim that some evaluators could be biased for example by being related to competing firms or working with similar ideas to that of the proposal – hence making them give a lower score: *“in some situations you can believe that the evaluators are not always giving you a fair evaluation. That’s at least what some clients have indicated also. That they, when they read through the lines, can see that this potential people who are disagreeing on a professional or personal level with peoples technology and then in some cases also perhaps*

*annoyed that they are not partner in the proposal. That's what has been said to us, I don't know if it's true."* David, partner.

Also an argument raised is that the evaluators are part of a political process, where some ideas or technology areas are political 'hot' making a higher score much more likely. The opposite is of course also the case i.e. the argument that some industrial areas as well as that of the area that the proposal targets, are not in 'season'. Another argument for proposal failure relates to the client where a problem seems to be that some clients have failed to provide the necessary information needed to do the proposals. Or that the clients simply where not in the evaluators taste i.e. the example being a huge proposal involving small clients making the evaluators judging the client to 'light' in terms of lifting the development project.

In this way ambiguity related to the quality of the proposal is constructed through a critical attitude towards the unknown evaluators – as well as towards the political system of which they and the evaluation process are a part. The reason for this, we would argue, lies in the consultant identity and the need for delivering a good quality service and appearing 'professional'. As such it can be seen as an example of a 'warranting device' (Potter et al. 1990:213, quoted in Whittle 2008, p. 527) where the blame of a failure is shifted from intrinsic to extrinsic causes. So by constructing ambiguity – especially in the light of failed proposals – FP-consult and the consultant stays blameless and maintains a distance to the failure of the work – both internally but also in client-relations. This function of a 'warranting device' can arguably also work on the client side as the previous quote indicates where the clients themselves argue for the evaluators bias. A potential reason for this could be that the clients have not delivered a promised level of involvement and hence they could feel that they are partly to blame therefore using an argument of evaluator bias to shift the blame of failure.

The failure and success of proposals seems to be a prevalent discourse in the company in so much as all interviewees talks about improvements in 'success rate' being a major priority. This is also presented for all employees at the teambuilding exercise, where the need of improvement is stressed and where various reasons for failed projects and low 'success rate' are discussed. This concept of 'success rate' is a percentage figure describing the number of successful proposals taken in relation to the total number of proposals.

## Balancing on the tight rope. A case study of growth in a small consultancy firm

In terms of strategic priority, the importance of successful projects is of course clear as FP-consult may be described as a highly specialized consultancy firm where it hence has a strategic need to have excellent performance in order to stay in business (Starbuck 1992). A number of initiatives are therefore currently being undertaken in order to improve the success rate, amongst others improved knowledge sharing through new ICT systems as well as the processes of working in teams and of validating projects so as to ensure that only projects with a high likelihood of succeeding are taken in etc. *“Well, major challenges is of course delivery work. That we need a higher success rate. Simply. Else we will be out of business. That is our main challenge.”* David, partner.

The process of validating projects in particular the technical aspects of project ideas can be seen as a move towards a less dependent relationship on clients. As such it can also be seen as a move up in Turners (1982) categories where FP-consult not only provides information and solves a specific task, but are also able to provide qualified feedback on the technical arena in which the client for the present is the expert.

The percentage figure of the success rate is though not as clear as it seems. As one partner argues concerning the success rate: *“Calculations of that is a statistic. What is it they say? A mini-skirt. Because it hides all the essentials. You can do it in so many ways. If you include the first and second stage then it looks pretty better. If you include both first time we tried a proposal and second time we tried it – and then delete the first time because now it has come through then we of course get a better success rate.”* David, partner

Further he goes on to describe the problems of pooling all percentage figures together to an overall success rate as the chances for success are very different from programme to programme, especially depending on the number of applications to the specific programme and hence the competition for funding. Another issue which blurs the picture is whether or not the assistant work that FP-consult does for clients who write most of the proposals themselves, should be counted in the success rate: *“And what about assistant work? If we are assisting is it then our success rate? How much if we are assisting 100 hours or 200 hours. When can we actually include it in our statistics. So it is a very thin line there and it is very problematic to get something. So probably what we need is building up a bunch of applications which are our own and say these are our success rate for that and that. Instead of pooling it all together.”* David, partner

Balancing on the tight rope. A case study of growth in a small consultancy firm

As such the success rate can be seen as being an ambiguous figure which can be constructed in various ways dependent on one's needs. It can therefore be viewed as a discourse especially being formed by management who has access to the actual figures of all proposals and who decides on what to include in the calculations and what not to include. In some ways this discourse therefore has a function as a form of technocratic controlling mechanism by management in so much as they create the ambiguous number and afterwards formulate and stress the need for improvements.

The discussion on the ambiguity related to work evaluation relates to Ouchi's (1979) studies of measurement and organizational control as the discourse of 'success rate' gives a clear measurable target – albeit as argued being created by management. This is though not the whole story as there, apart from the focus on getting funding, is also at teambuilding seminar talk of an equal valid measure being evaluations by client of the work done by FP-consult. For the moment though this measure does not seem as prevalent as that of the 'success rate'.

Ouchi (1979) present the following four categories of organizational control related to the ability to measure output and the knowledge of the transformation process:

**Knowledge of the transformation process**

		<i>Perfect</i>	<i>Imperfect</i>
<b>Ability to measure outputs</b>	<i>High</i>	Behavioural or output measurement	Output Measurement
	<i>Low</i>	Behaviour measurement	Rites, ceremony, "clan" control

Given the independent evaluation it could be argued that the ability to measure outputs is quite high. The knowledge of the transformation process is somewhere between perfect and imperfect in so much as each consultant solves projects in an individual manner but still working within a detailed framework i.e. the developed proposal has to consist of specific sections describing specific elements etc. In one sense the introduction of formalized procedures can be seen as an attempt to move towards the upper left corner, focusing both on behavioural and output measurement. On the other hand elements are also introduced in order to strengthen culture and identity, introducing self-managed teams etc. and as such some elements which target the lower right corner of control.

## Balancing on the tight rope. A case study of growth in a small consultancy firm

This process of introducing both technocratic as well as socio-ideological forms of control, we would argue, is due to the process of developing and growing the company, in particular the elements of: a) employing new workers coming directly out of universities; b) a notion of a necessity of a strict management of resources; c) the wish to improve success rate and related quality of projects. These combined makes for some of the reasons for the formalized hierarchical system with focus on efficiency, behaviour and output control and a movement towards the upper left corner in Ouchi's table. At the same time the company attempts to actively develop a culture and identity targeting the lower right corner, albeit this as argued is also done in a rather functional way leaning towards a technocratic form.

Having discussed both the use of socio-ideological and technocratic forms of control in FP-consult, some critical reflection on these theoretical concepts are also relevant. For one is of course questioning the relevance of the distinction between these two different types of control as they as shown intermingle and to some extent are inseparable. On another level is the whole theoretical notion of organizational 'control' which is can have many different meanings (Ouchi 1979). We would though argue that the word normally implies a degree of intentionality, rationality and a subject/object exercising the control over a subject. As such a normal interpretation could be seen as involving how management control workers but in our findings it is noticeable that all employees to some extent welcome the use of bureaucracy and hierarchy and see these as elements providing more clarity. One employee states in relation to getting an actual superior that: *"you actually have someone you can talk with. About problems in the company or in your work or ask for help... So that part is good. It is good when you have someone you can talk to and ask for advice and stuff like that"* Brad, employee. These elements also affects management in form of increased responsibility, demands and expectations from workers and hence one should keep in mind when talking of 'control' and bureaucracy that it works both ways, from management to workers and from workers to management: "[Rules] 'protect as much as they restrict; coordinate as much as they block; orientate effort as much as they limit it ...; allow diversity as much as they restrict it'" (Perrow 1986, p. 26. Quoted in Courpasson 2000, pp. 156-157).

Another reflection one can also make on 'control' is whether or not this word is negatively-loaded i.e. typically control is connected to force being exercised, to making someone do something that they would not do if there was no control etc. As such talking of technocratic or socio-ideological forms of *control* automatically frames the discussion. Tannenbaum (1968, quoted in Ouchi 1979) views control as the sum of interpersonal influence relations in

an organization - which in our mind raises the notion of whether it is necessary to talk of 'control' or whether 'influence' would be a better word. Or maybe one should follow Etzioni (1965, quoted in Ouchi 1979) and talk of control as equivalent to power, using for instance Giddens notion of power as "the capacity to achieve outcomes" (1984, p. 257. Quoted in Courpasson 2000, p. 144). These 'power-influence-plays' are present in the interaction between workers, between workers and management, between clients and employees as well as between the social reality in which the organisation operates e.g. being affected by different socio-economic discourses where for example the notion of streamlining and becoming 'professional' could, as said, have its out spring in the fad of business process re-engineering. Importantly though one should not always see this as something dominating, but rather also have the notion that "power is not an obstacle to emancipation; on the contrary it can mediate it" (Courpasson 2000, p. 144).

### *Summary*

This analysis has looked at how the process of growth can be interpreted and how the introduction of hierarchy as well as various bureaucratic measures and procedures is seen in relation to this. Also we have highlighted some of the elements of 'control' being exercised in FP-consult especially related to becoming 'professional' and related to the corporate discourse of 'success rate'. The latter, albeit as shown being an ambiguous constructed figure, can though also reflect a business need for improving performance – something which is further reflected in the intent of becoming professional, losing the 'entrepreneurial spirit' and streamlining the processes and related output quality. This could therefore be at the core of the changes seen in the company in line with Donaldson's notion of performance-driven organizational change: "*poor performance is the stimulus that leads to organizational adaptive change, as formalized in the theory of performance-driven organizational change*" (1999. Quoted in Donaldson 2001, p. 960).

Interestingly the newly introduced hierarchical organisation structure and the different bureaucratic measures is far from that of a more adhocratic way of organizing, something which is normally connected to KIFs: "knowledge-intensive firms typically deal with tasks that invalidate and break with bureaucratic modes of operation: hierarchy, division of labor, formalization, and standardization. The literature on contemporary organizations in general and KIFs in particular, suggests that bureaucratic modes of operation are substituted for more organic and flexible forms of organizing. This seems to be a general trend: Markets are more

Balancing on the tight rope. A case study of growth in a small consultancy firm

turbulent, customer preferences are more differentiated and production systems more knowledge-intensive – all factors that make bureaucratic modes of operations a less-viable option” (Kärreman et al. 2002, p. 75). This adhocracy commonly associated with KIFs is though not the full picture as some academics talk instead of ‘post-bureaucracy’ (Grey & Carsten 2001) or ‘soft bureaucracies’ where “soft controls, soft management practices and policies have supplanted hierarchical and bureaucratic control, and that entrepreneurial form of governance is pervasive.” (Courpasson 2000, p. 142) being practiced in organizations where “processes of flexibility and decentralisation co-exist with more rigid constraints and structures of domination” (Courpasson 2000, p. 157).

In some respect FP-consult has similarities to the notion of post-bureaucracy where the lack of ‘career’ (lifetime employment, promotion paths etc.) according to Grey & Garsten (2001) represents the key distinction to ‘normal’ bureaucracy. There are also similarities to that of soft-bureaucracy with the different socio-ideological controls, the ‘success rate discourse’ etc. representing more soft control practices.

Another notion still is that of ‘selective bureaucratization’ as found by Kärreman et al. (2002) in their case study of two large KIFs. FP-consult differs somewhat from this in that Kärreman et al. finds that selective bureaucratization is used by the KIFs they study as an ambiguity-coping strategy which: “only indirectly and marginally affects core work, while administrative and planning matters are tightened up to a stronger degree” (Kärreman et al. 2003, p. 88). On the contrary the bureaucratization of FP-consult more directly affects work processes of the consultants especially related to how the consultant engages with clients.

Looking at the overall picture, summing up our findings and the interpretations we can, by using a model of Kärreman et al. (2002), compare FP-consult to that of a non-KIF, bureaucratic ideal type and that of a stereotypical KIF being organized in a more adhocratic way.

*Comparing FP-consult to a stereotypical KIF. Adapted from Kärreman et al. 2002, p. 73)*

<i>Key aspects</i>	<b>Bureaucratic ideal type</b>	<b>KIF</b>	<b>FP-consult</b>
<b>Mode of production</b>	Standardization	Ad hoc problem solving	Solution based problem solving
<b>Dominant control logic</b>	Enforcement of rules	Negotiated order	Combination of autonomy and enforced rules related to output and behaviour

Balancing on the tight rope. A case study of growth in a small consultancy firm

<b>Environmental contingencies providing relative advantage</b>	Stable, anticipated change	Turbulent, disruptive change	Turbulent
<b>Nature of product and services</b>	Homogeneous	Ambiguous	Medium ambiguity
<b>Leveraging capital</b>	Financial	Intellectual	Intellectual
<b>Locus of power</b>	Manager	professional	Hierarchical. The manager / partners

As seen from the table FP-consult is seemingly a mix between the bureaucratic ideal type and the KIF, having more bureaucracy than this the latter – but at the same time having less than the former. On some levels, in particular that of the individual problem solving, there is a degree of autonomy but on other levels the hierarchical enforcement of rules is more present or is expected to become more present e.g. the plan introducing a formalized approach towards client engagements. The reason for this mix is probably due to an interplay of several things. On the one hand is the growth of the company, the challenge of managing scarce resources and new employees. This is done in frame of the specific product and services of FP-consult, being somewhat less ambiguous than in the stereotypical KIF as well as more standardized in so much that the proposals developed FP-consult has to be made on certain specifications and delivered at specific deadlines. As such this fits somewhat with category of a ‘solution-based’ configuration (Løwendahl 2000) but also to some degree that of the ‘problem-solving’ configuration in particular due to the specialised area that FP-consult operates in and the fact that the products are a mix between being somewhat standardized but also involving some degree of unique development. Several of the characteristics of these forms fits with our findings in FP-consult, in particular the characteristics of the ‘solution-based’ configuration e.g. hierarchical management, authority control and top down organizational design, while still having some level of autonomy going more towards the characteristics of the ‘problem-solving’ configuration. As such it is arguably not only the process of growth which is at the core of the organizational setup and the level of bureaucracy, but also the type of products and services delivered.

## **Conclusion**

Our study of FP-consult has shown that growing a small consultancy firm is inherently difficult and presents significant challenges for management. These challenges relate to the particulars of FP-consult, among others that of not having scalable services, not having a large degree of repetitive delivery and operating in a business niche with a high degree of fluctuations in workload.

One of the primary challenges for the management in FP-consult is to manage the scarce resources, deploying them so as to ensure the growth – and survival – of the company. Resources that especially for this type of company consist of the employees or ‘knowledge workers’. Not only is the management of these of utmost importance but in particular so also attracting, employing and retaining the right knowledge workers at the right time throughout the growth process.

As to managing these knowledge workers it seems that the present challenges of growth have triggered the management to enforce a more structural control both through the hierarchical organizational setup as well as the different bureaucratic measures. This structuring seems to focus on dividing work, responsibilities, and mandates with the aim of achieving tangible results, clear connectivity between workers and departments and sustainable revenue growth. The management seemingly sees the governance of structural controls as a way to acquire an impeccable standard of professionalism with a high focus on “who is doing what”. The management (FP-consult’s partners) apparently views structure as the best framework to allocate resources (time and responsibilities) so as to more efficiently serve the business goals of FP-consult.

As such the formalization of FP-consult activities seems to make the company lean more on daily execution of activities rather than entrepreneurial driven performance and energies. This may lead employees to value the enacted rules over the content of the work itself, making for employees avoiding uncertainties rather than exploiting them. Routines and formalized procedures may increase efficiency but at the same time they can also be the cause for rigidity and loss of flexibility. Managing this tradeoff between standardization, autonomy and exploitation without adversely affecting FP-consult’s willingness to explore new possibilities and diversity is therefore one of the managerial challenges.

## Balancing on the tight rope. A case study of growth in a small consultancy firm

According to Alvesson & Robertson small, niche consulting firms such as FP-consult are: “good examples of the post-bureaucratic organizational form, characterized as they are by relatively few layers of hierarchy, flexibility, a degree of participation in decision-making and loose career structures” (2006, p. 197). Our findings in FP-consult differ from this as there is a focus on enforcing more structural control and maintaining a (tight) hierarchical way of organizing. The reason for this – or at least one of them - seems to be the process of growth in itself which takes up management and company resources. As such this process of growth may be the primary reason for why FP-consult differs both from Alvesson & Robertson’s statement but also from the ‘adhocratic’ characteristics normally associated with KIFs.

In our opinion the challenge of managing the growth in FP-consult represents a delicate balancing act. One employee suggested that as FP-consult continued to grow, the complexity of management would become more and more complex. This may be true. But as our study shows the present process of growth in itself represent huge managerial challenges – and maybe especially so in a firm the size of FP-consult where the scarce resources makes the balancing act particular risky with one wrong step risking the survival of the firm.

### *Further research*

Our study of FP-consult has raised a number of interesting vistas for further research. For the research area in itself the lack of studies of small, specialized consultancy firms or even just small KIFs are quite noticeable and in particular also the process of growth in these and what managerial challenges this entails as well as how it affects the structure of the companies and the management of knowledge workers.

It is also noticeable that the studies being done typically talks of KIFs in general and of either ‘management consulting firms’ or just plain ‘consulting firms’. As we have discussed the consulting industry is very heterogeneous and we believe that distinguishing between these different firms is a necessity in order to get a more nuanced picture. In this study we have presented a number of different scholars who provide suggestions for how to categorize different types of consultancy firms and we believe that further research into these differences and possible ways of categorization would be valuable.

In our attempt to provide some characteristics of FP-consult we have among others described the company as being primarily solution-based operating with adhoc individual based delivery and personal sales. Comparative in-depth case studies of other types of small

consultancy firms could provide interesting insight into the process of growth and related management issues and whether this is different if the consultancy firm for example operates with repetitive delivery, with proposal-based service sales etc. These combinations could provide for different challenges of managing resources and workers something which may have an effect on the process of growth.

Finally we have argued that the process of growth as well as other elements has resulted in the specific organizational setup and the enforcement of structural control in FP-consult. Further research in the company could provide interesting insight into whether or not this is a temporary structure as some of the partners suggested and if this 'loosening up' would result in a setup that is more akin to what is normally seen in KIFs and small, niche consulting firms. It could also be that we have here seen the foundation being laid for an organizational setup which will follow FP-consult during its growth over the coming years. As such a particular interesting research to pursue could be to see how future growth would continue to affect the organizational structure and the balance between autonomy and control in FP-consult.

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## Appendix 1 - Interview guide

1. The interview person
  - a. Can you start by telling us a bit about yourself?
  - b. What's a normal working day for you?
2. FP-consult - letting the interview person describe how he sees FP-consult, our main business etc.
  - a. Can you tell us a bit about FP-consult?
  - b. How do you view the developments in FP-consult over the previous year?
  - c. Strategy - where do you see FP-consult in 1-2 years? And in 5-10 years?
3. Learning/competence development
  - a. You described your working day earlier - has this changed during the previous year?
  - b. How has your experience been with being part of BG-consult and FP-consult?
  - c. What competencies have you developed since you joined FP-consult?
4. Internal cooperation & collaboration - team-work, sharing of ideas, coordination, connection between Portugal & Denmark, introducing new employees
  - a. How do you view the cooperation in FP-consult?
  - b. (only for partners) How do the partners coordinate?
5. Clients - interaction, type of clients, level of involvement etc.
  - a. *For sales people:* How do you find clients? How is the sales process?
  - b. What's your experience with working with clients?
  - c. How do you work with projects? And ensure projects of high quality and client satisfaction?
6. Knowledge sharing?
  - a. What are the main ways to share knowledge within FP-consult and between Denmark and Portugal?
  - b. How would you ensure successful projects? (Do you exercise Knowledge reuse?)
7. Problems/challenges – identifying potential problems for FP-consult
  - a. Where do you see the main challenges in FP-consult?
  - b. Where do you see the main opportunities?

Potential other questions: How would you describe FP-consult's core competencies?