



**SCHOOL OF ECONOMICS  
AND MANAGEMENT**  
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**THE BOUTIQUE FIRM IN THE MANAGEMENT CONSULTING  
INDUSTRY**

Master Thesis

Master of Science in Management

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“We can accomplish everything we propose ourselves to. We just have to fight for it.”

# Abstract

**Title** The Boutique Firm in the Management Consulting Industry

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## **Purpose**

Add to the understanding of a boutique firm unique work characteristics, while supporting them in developing their competitive strength. It's essential to learn how a boutique firm can be sustainable in the long term with its unique features against multinational firms.

## **Relevance**

Management Consulting is a highly competitive industry with each firm dealing with different clients from diverse segments, which obligates them to delivered specific strategies and solutions accordingly. Notwithstanding, while large companies are able to allocate various teams with distinct levels of expertise to a client request, smaller firms - boutique firms - are able to stay equally relevant even with a smaller structure. Consequently, it is important to study and acknowledge the working process in boutique firms and how they utilize their characteristics at their own advantage.

## **Methodology**

A qualitative research was conducted through interviews with professionals from consulting firms, both large and medium-small size.

## **Findings**

The role of a management consultant is the same independently of the characteristics of the firm is working in; The Prominence of senior and experienced consultants in Boutique Firms is a key factor in a boutique firm sustainability.

## **Contributions**

The available literature regarding the Management Consulting Industry, reflects on the differences between large and boutique firms. However, it does not deepen the characteristics that contribute for boutique firms' sustainability. Consequently, the findings of this degree project will contribute for a better understanding of this.

## **Keywords**

Management Consulting, Boutique Firm, Change, Workflow, Industry, Strategy, Improvement, Solution, Advisory, Services, Digitalization, Technology

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# **1. Introduction**

## **1.1 What is Management Consulting?**

“Management Consulting is an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyze such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions” (Greiner & Metzger, 1983).

Management Consulting can be interpreted as a link between science and practice, in order to make scientific knowledge useful in solving clients’ problems (Kyro, 1995). Management consulting, when it was originally introduced, surged as a consequence of the scientific management consulting movement, with important contributions from individuals as Frederick W. Taylor, Lillian Gilbreth and Henry L. Gantt. It was targeted mainly at factories and shop-floors productivity and assumed the name of industrial engineering. While these consultants (known at the time as “efficiency experts”) were highly regarded due to their methods and accomplished improvements, their drastic interventions were not well received among workers and trade unions (Kubr, 1986).

Thereupon, Management Consulting have experienced during its history different interpretations and perceptions around the experts and the public in general. While some view them as “experts” and “revolutionaries”, others negatively assess them as “charlatans” and “unemployed executives” (Greiner & Metzger, 1983). Furthermore, the definition of management consulting has changed several times during the years, due to the industry evolution and diversification of services offered. During this process competition also increased, with firms’ expansions translating into the invasion of each other’s territories (United Nations, 1993).

## **1.2 Types of Management Consulting Firms**

In the Management Consulting Industry firms with different characteristics - regarding size, client focus, methodology - coexist in the industry, which allow the clients to have diverse hiring options for guidance regarding a specific project.

### **1.2.1 Large Firms**

Large consulting firms, such as McKinsey and Booz, who are credited as responsible for revitalizing old businesses and implement new work methodologies. Furthermore, these firms possess a significant amount of teams of consultants who provide a broad range of services, with a strong preference for big projects within large clients (Greiner & Metzger, 1983).

### **1.2.2 Boutique Firms**

Besides large consultancies, there are boutique firms, which have smaller dimensions, with independent consultants who take on smaller projects with the objective of giving more personal and ongoing approaches to clients (Greiner & Metzger, 1983), focusing on a specific industry or industries. While the approach of larger firms is personalized at some point, the efficiency and maximization of the available resources is the main priority, being conditioned by its own “operating traditions” (Clementi, 2007).

## **1.3 The Boutique Firm in the Management Consulting Industry - Problem Discussion**

The boutique firms are similar to large firms in many aspects, helping clients to improve their businesses workflow and pursuing the necessary steps in order to concretize it. Yet, their smaller size allow them to work closely with clients during the definition and analysis of strategies, culminating in a more personalized and customized execution towards success. In the end, in similar fashion to other management consulting firms, the boutique firms measure their success by the value added to customer.

While many boutique firms target the same industries of larger firms, some opt to focus on specific sectors in order to achieve a stronger competitive advantage. Besides that, it is also common to find senior consultants on these firms that had previous significant experience in other firms, equipping them with valuable knowledge, which aligned with analytical and collaborative tools, facilitates the communication process with clients.

#### **1.4 Research Question**

The boutique firms' unique mix of corporate characteristics, with its customized and personalized approach towards the clients, makes them strong players in the management consulting industry. Therefore, it is fundamental to comprehend how the combination of these features can generate competitive advantage for the clients, which leads us to the research question of this thesis:

*How do the boutique firm characteristics translate into their competitive advantages and how can they improve their competitive strength?*

In order to answer this question the literature related to the management consulting industry and the boutique firm concept was reviewed. Moreover, this analysis process was complemented through interviews with professionals from both larger and smaller firms. This allowed to obtain pragmatic and realistic insights regarding management consulting firm's features impact on their competitive advantage. Additionally, the gathered data and the resulting insights will be also used to suggest ways of improving a boutique's firm competitive advantage.

As a researcher, while missing the years of experience and expertise of the industry professionals, the author was able to construct new views and perceptions during the interview process and consequent analysis process. Therefore, it is crucial to utilize the newly acquired insights in the development of new knowledge that could be of interest for both academic and professional worlds. The author hopes to add significant information for a broader and better understanding of the management consulting industry dynamics in a theoretical dimension.



## 2. Literature Review

This Master Thesis is aimed at understanding how smaller management consulting firms – boutique firms – are able to deliver competitive advantage to the clients. Moreover, new ways of improving its competitive strength will be suggested.

Following the previous reasoning, the available literature will play a key part in providing the necessary insights to better understand the management consulting industry, analyzing its evolution and consequent transformations that the role of management consultant has been through. On the other hand it is also relevant to examine the industry from the perspective of clients and how internal group dynamics in management consulting firms influence the working relationship between consultants and customers.

A special emphasis will be given into boutique firms and how they have been able to coexist with leading and international management consulting firms. Consequently, theories that add relevance to this study, allowing a better comprehension of the boutique firm characteristics that result in long term sustainability will be reviewed. More important, their competitive advantage will be extensively examined.

In order to accomplish a greater understanding of the boutique firm characteristics and how they are used to survive in such competitive industry, Barney's (1991) Resources and Sustained Competitive Advantage was reviewed since it is a valuable tool in detecting the boutique's firm resources that contributes for its competitive advantage. Consequently, in the pursuance of knowledge that utilizes Barney's concepts applied to the boutique firm concept, viewpoints from authors as Griffiths & Remenyi (2008), Brondoni (2007) or Clementi (2007) were considered. The client plays a vital part in any boutique firm, since it is the stakeholder that dictates their long term sustainability. Therefore, these authors illations regarding the role of consultants' interpersonal relations, personalized and customized approaches towards clients among other attributes were discussed to analyze how they contribute for a boutique firm's competitive advantage.

Besides having a substantial knowledge of a boutique firm's traits and their impact on the construction of a competitive advantage, an understanding of the management consulting industry characteristics is essential. In other words, how the industry dynamics affect a boutique firm, in both positive and negative dimensions, accomplishment of competitive advantage. Following this line of thinking Michael Porter's (2008) 5 forces framework is applied with the objective of

complementing Barney's theory use, aligning internal knowledge of a boutique firm resources with a view of how they interact with the management consulting industry features.

Mintzberg's (1980) organizational structures theoretical knowledge were used due to the need of comprehending how a boutique firm internal resources, while communicating among themselves and with the industry forces, were able to organize themselves in structures that maximizes a firm competitive advantage. Additionally, Ouchi's Mechanism Controls (1979) concepts allowed to add significance to the understanding of how a boutique firm applies processes targeted at the maintenance of workflow quality standards that culminate in a sustained competitive advantage.

## **2.1 The Boutique Firm in the Management Consulting Industry**

### **2.1.1 Boutique Firms' Resources and Sustained Competitive Advantage**

As mentioned previously, with such strong competition from both larger and smaller consulting firms, it is essential that boutique firms utilizes their internal strengths, paying attention to market opportunities while eliminating potential external threats and minimizing its weaknesses. Consequently, this results in the implementation of strategies that result in sustainable competitive advantages for boutique firms (Barney, 1991).

Barney (1991) states that a firm's resources includes physical, human capital and organizational capital resources. In Management Consulting more important than a consultancy location and equipment – physical capital - what really sets it apart from competition is the experience of its staff – human capital. Additionally, coordinating systems between consultants themselves and with clients also play an important role in the efficiency of a consultancy.

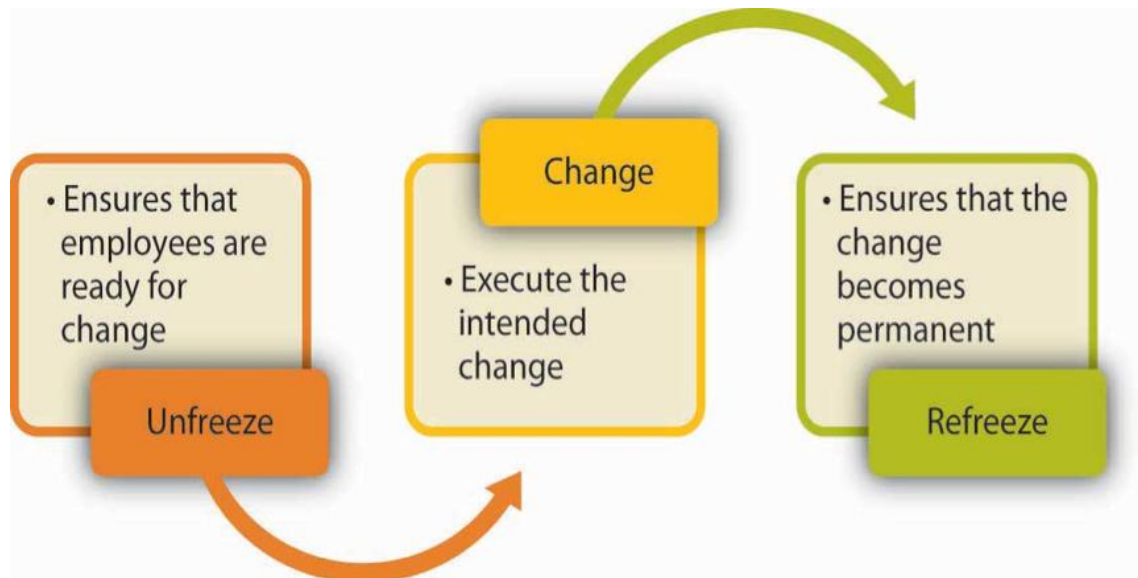
Griffiths & Remenyi (2008) highlight the significance of consultants' knowledge and solid interpersonal relations with clients in boutique firm's competitive advantage accomplishment. Notwithstanding, they criticize the lack of organizational capital resources due to the absence of formal knowledge sharing processes and policies that promote knowledge creation. Moreover, their limited physical resources creates constraints in the expansion of technology networks and, therefore, access to bigger clients and projects.

While Griffiths & Remenyi do a good job in deconstructing a boutique firms benefits and disadvantages, characteristics as being local to a specific area and lack of resources can be overcome and even work to their advantage. Brondoni (2007) states that boutique firms can apply directly solutions in isolated locations, what is expectable since their personnel should have an extensive local corporate network, with the resulting knowledge enhancing the implemented strategies.

### **2.1.2 Personalization and Customization as Competitive Advantage**

The literature suggests a management consultant's role is affected not only by the nature of the assignment but also by the characteristics of the client. In addition, the client who pays can be different sometimes from the client who will suffer the consequences of the change process (Schein, 1997). Moreover, a management consultant has to consider diverse characteristics of the organizations he is working for, adapting the approach according to them. In the end, if clients are satisfied with the execution of a specific assignment is likely that they will return to hire the same management consulting firm in the future (Laacks, 2007)

Following the previous line of thinking, a closer and customized approach in consulting boutique firms towards the client, as corroborated by Clementi (2007), gives room to the development of new and innovative solutions that match the clients' requests and are efficient. Morgan et al (2006) share this view, adding that, while lacking the flexibility derived from multinational firms' large scale, overheads are kept at a low level and senior staff have closer contact with clients, which increases the success possibilities of creating a "shared meaning for the organization" (Kyro, 1995). The change processes a management consultant apply need to translate into workflow transformations that, while improving business performance, should be embraced by the members of the organization. Therefore, a more direct relationship between them and consultants can lead to a better reception and adaption to the proposed changes.



*Picture 1 - Lewis's Change Model (Carpenter et al, 2010)*

The Unfreezing, Change and Refreezing Model from Lewis (Alvesson & Sveningsson, 2008) can be applied to the management consulting industry. The Unfreezing stage plays a key role, with the preparation of the members of the client organization for the advisory process and consequent changes being essential in order to assure the best outcome possible.

Larger customers do not have to be out of reach of boutique firms. In the management consulting literature, authors such as Andrew Holmes (2002) argue that there is now a growing trend in boutique consulting firms of opting for a nuclear number of employees and aligning it with an associate's network and other small firms that work together in bigger projects. Therefore, following Chesbrough's (2003) line of thinking, partnerships are becoming popular among boutique firms, taking advantage of the knowledge abundance that is external to the organization and including stakeholders and partners, resulting in joint efforts and a share of ideas that do not compromise each firm competitive advantage (Sviokla & Wasden , 2016). Ciampi (2007) goes even further and defends that boutique firms can be the ideal partners for larger consulting firms, translating into alliances targeted at achieving personalized approaches for both traditional – big medium-sized companies – and new clients – medium firms seeking expansion.

### **2.1.3 Michael Porter's 5 Forces in the Boutique Firm**

Michael Porter's 5 Forces framework (2008) is a useful tool in analyzing the management consulting industry attractiveness for boutique firms. The degree to which a firm is able to utilize the five competitive forces of the industry to strengthen its position dictates its success (Porter, 1985):

- **Bargaining Power of Buyers** – By focusing in fewer industries and consequently working for less clients than larger firms, a Boutique Firm is highly dependable on those for its long term sustainability. That is why relationships with clients and reputation building play a major role on a boutique firm workflow, helping them to retain loyal clients (Witzel, 2016).
- **Threat of Substitute Products & Services** – In Management Consulting there is always the imminent danger of a client ceasing its collaboration with a firm and change for a rival who can offer better fees or a service that is more aligned with its expectations. Therefore, consultants have the responsibility of assuring a match between what the consulting firm can offer and what the client needs. This will help to improve the chances of a client's satisfaction with the service provided. Otherwise, in case a productive partnership cannot be arranged a consultant should inform the client and drop him (Greiner & Metzger, 1983). Nevertheless, with a higher financial dependence on clients than larger firms, it is comprehensible that sometimes boutique firms opt for business agreements with clients for whom they don't have available the ideal resources. Additionally, there is also the risk that businesses start doing their own improvement projects or initiate internal consulting departments, such as Ericsson and its consulting department Ericsson Management Consulting – Strategic Programs Practice (SPP).
- **Bargaining Power of Suppliers** – In Management Consulting the strongest resources of each firm resides within its consultants and the quality of expertise they can offer to the clients. Consultants are employed with the objective of adding value to the organizations that seek the firm's services (Biggs, 2010). Subsequently, special attention needs to be given to the recruitment process. While many management consulting firms opt for hiring mainly experienced hires, since those already have the

specialized expertise some clients are seeking for, newly graduate students are also integrated (Baaij, 2014). Both of them have the possibility, as essential “supplies” for a firm survival, have a broad offer of companies to choose from on the industry. A recent survey from Bloomberg, for example, shows that large firms as McKinsey or BCG are among the top employers students want to work for (Verhage, 2015). That creates a challenge for boutique firms who need to attract professionals, regardless of their experience level, who are interested in developing a career with them.

- Threat of New Entrants – The Big Four Accounting Firms – KPMG, EY, Deloitte and PwC – expanded their action area and started offering consulting services, becoming “total services providers” (Christensen et al, 2013), which positioned them as “new entrants” in the Management Consulting Industry. Moreover, the internationalization of large consulting firms (Armbrüster, 2006) also poses as a threat by penetrating markets where boutique firms are already established. Additionally, the inauguration of new medium-size firms also represents a potential danger. In the end, all of these business movements can disrupt a boutique firm business activity, by targeting its clients and trying to win them over by offering lower fees and other special conditions.

#### **2.1.4 The Boutique Firm Organizational Structure**

Most of management consulting firms have a very flat hierarchy (Kubr, 1986) which makes it an Operating Adhocracy – an informal and adaptable type of organization that lacks a formal structure - according to Mintzberg (1980), with innovation capabilities well developed in order to fulfil the client’s needs and request. Therefore, in the literature we find authors such as Christiansen (1994) who agree with this view and concluded that a management consulting firm formal structure is itself informal. The consultants are organized in small teams that focus on specific clients or industries and, being granted a certain degree of autonomy and flexibility, sharing decision making power. This structural configuration, with the absence of formal control mechanisms (Schermerhorn et al, 2012) creates a working environment where strategies are developed in a continuous basis and the ongoing exchange of ideas between consultants contributes for innovative and creative solutions. Yet, the instability of this environment lead many

times originally innovative consulting firms to adopt a professional bureaucracy structure, assuming a standard approach to every client request (Mintzberg, 1981).

Following the previous reasoning, professional bureaucracies can become quite common among large consultancy firms, where only full tested tools and work mechanisms - reflecting the company's mission and values – are implemented (Clementi, 2007). This allows the firm to keep its identity towards the clients and it also becomes more cost effective by reproducing similar strategies models that have achieved success in the past. Nevertheless, this might demotivate consultants that are seeking professional development opportunities and cannot pursue them with the risk of deviating from a firm's cultural DNA.

In contrast to large firms a consulting boutique firm can be quite rewarding in providing growth opportunities for its staff. It can be argued that consultants at BCG or McKinsey, for example, can progress with to new positions with more responsibilities. Nevertheless, in boutique firms a closer and longer contact with clients provide to the consultants a chance of interiorizing in a more detailed a specialized way skills and key information related to specific industries. (Clementi, 2007)

Christiansen (1994) argues that in smaller consulting firms' internal communication is easier to accomplish since all the employees know each other, resulting in information being shared widely. Yet, the author also logically contrast this perspective with the case of large consulting firms, where fear of information leakage to competition and confidentiality agreements create constrains as the solely discussion of public sources of information regarding a specific industry.

### **2.1.5 Control Mechanisms in Boutique Firms**

The unique organizational structures of management consulting firms and resulting flat hierarchy raise some questions regarding control mechanisms and how consultancies are able to keep track of the quality of its staff work. Ouchi (1979) affirms that an organization can either achieve effective control by investing on the recruitment process and choosing the right people for its culture and values or by building a managerial system that allows to monitor and evaluate staff.

On larger consulting firms as Boston Consulting Group or QVARTZ the recruitment process is complex and it undergoes through different stages, starting with CV screening which is

followed by rounds of case interviews. In the latter potential candidates must find a solution or strategy for a hypothetical client problem, simulating real life situations consultants find every day. This way a candidate analytical and collaborative skills can be assessed in order to see how they fit the consultancy values and culture. Furthermore, in some of these firms the consultants are still required to attend final interviews face-to-face with hiring managers, such as Boston Consulting Group (WikiJob, 2016).

While some boutique firms follow the same approach regarding hiring processes as large consulting firms, research shows that there are others just opt for hiring experienced staff. This option is comprehensible since extensive recruitment processes are expensive and it is also a good way of avoiding complex supervision systems, with each senior consultant supervising its own work and assuring that a satisfactory quality service is given to the clients. Furthermore, an experienced consultant can bring client networks to the boutique firm and help it to expand its business activity (Perkins, 2009).

#### **2.1.6 Comparison with the Advertising Industry**

Similarly to the Management Consulting Industry, advertising agencies work for different projects and clients. However, they focus on assisting businesses and brands to deliver effective communication campaigns toward consumers. It is a common practice in this industry to hire freelancers who work only on a specific project or assignment, having no long term tie with the advertising agencies. That aligned with the fact that they work on smaller fees is positive in a financial dimension. Furthermore, they also do outsourcing of certain products (mockups, for example) for which they do not have the resources (Leslie, 1997).

#### **2.1.7 Literature Review Conclusions**

The previous analysis of the available literature relative to this thesis research question was an important learning experience. It was possible to conclude that, according to the reviewed authors, a boutique firm personalized and customized approach towards the client is a key element on its competitive advantage and sustainability. Moreover, this is further enhanced by the strong interpersonal relationships boutique firms have with clients, with their flat hierarchy facilitating



the communication process. Finally, the prominent presence of experienced consultants, besides their previous built clients' network that they bring to the boutique firm, eliminates the need of costly and bureaucratic supervision systems.

In the end, these learnings were highly useful during the gathering of data through interviews with consultants. They helped to develop questions that, while reflecting the literature review conclusions, challenged the interviewed to think beyond them and add their own perspectives.

### **3. Methodology**

This chapter will be used to address the research process and how it was conducted in order to reach an answer that satisfies the research question:

*How do the boutique firm characteristics translate into their competitive advantages and how can they improve their competitive strength?*

Reflexivity and Quality will be addressed later according to the gathered data.

#### **3.1 Methodological Standpoint**

Research is something that is present in society in most of professional activities. It is a way of thinking that allows us to understand and elaborate the guidelines relative to a certain practice and profession. Consequently, it is important that a research methodology is implemented towards the collection of relevant data for the conception of adequate and pragmatic answers regarding a specific question. (Kumar, 2011).

While conducting research, quantitative or qualitative methods can be utilized (and in some cases both). Quantitative research studies a representative sample of a certain population, analyzing the results numerically through surveys, correlation studies or measures of experimental outcomes (Lowhorn, 2007). On the other hand, qualitative research has a human dimension, trying to comprehend a research topic from the perspective of the targeted population (Mack et al, 2005).

Following the previous reasoning, qualitative research is a reflection of an underlining philosophy of science that rejects an objective reality which comprehension can only be accomplished through isolated scientific research. Moreover, qualitative research endorses the constructivist perspective that reality can be understand more efficiently (Klenke, 2008) by gathering cultural information regarding values, opinions, behaviors and social context of that population (Mack et al, 2005).

Factors as flexibility, structure or sequential order are constraints for a quantitative research (Kumar, 2011), with the unpredictability and always changing dynamics of the management consulting industry complicating its application. Subsequently, Due to the nature of the research

question and the characteristics of the management consulting industry itself, a qualitative research was chosen through deep interviews with management consultants from both larger and smaller boutique firms. Those were administered with the purpose of registering diverse internal perceptions regarding the competitive advantages of each type of consulting firm.

The gathered information and following analysis does not intend to represent a universal truth since the interviewed consultants represent a small sample of the large universe of management consulting firms. Furthermore, the experiences of those professionals, in an interpretative view, are context-bound and cannot be dissociated from time and location (Holloway & Wheeler, 2013), which means that their insights, while useful in reaching some conclusions, cannot be extensively generalized.

## **3.2 Research Process**

As stated previously the chosen qualitative approach reflected itself on structured interviews with consultants from large and small consulting firms. Consequently, the interviews were semi structured. While a pre-determined number of specific questions were made, they were adjusted according to the professionals' reaction and new questions that build upon previous answer were also made (Bates et al, 2008). Furthermore, some requests regarding confidentiality and anonymity were also attended in order to build an atmosphere of trust with the respondents.

### **3.2.1 Sampling**

In order to get the most valuable outcomes interviews were done to consultants from both large and smaller consulting firms. This approach was driven by the desire of getting perspectives from both sides and also by the fact that each consultancy has its own mission, values and work methodology.

A balance between senior and junior consultants was also a priority, since it is likely that the experience level has an impact on the perception a professional has regarding a certain company and industry. Furthermore, in some cases confidentiality agreements had to be respected and the consultants were no able to deepen some subjects in both corporate and personal dimensions.

The consultants busy and unpredictable work schedules, aligned with geographical distance, did not permitted presential interviews in most cases, resulting in phone interviews or digital questionnaires when the respondents were short on time. However, it is important to highlight the openness and availability to help that most of consultants showed, revealing interesting on the topic and sharing their perceptions.

Subsequently, many of the accomplished conclusions should not be generalized to the entire industry since, on one hand, it was impossible to tackle every firm’s representative’s insights. On the other hand, the main goal of this study was to get a better understanding of the management consulting industry and how firms with such specific characteristics as boutique are able to be sustainable in the long term. The end result is the author’s perception and, while it does not represent an absolute truth, it adds value to the already existing broad knowledge regarding the industry.

### 3.2.2 Data Collection

13 Interviews were conducted with consultants from both large and smaller management consulting firms. For confidentiality reasons, the name of the consultant and the company name will not be disclosed. Their job positions will also be addressed and the level of experience they have. In other words, a purposive sampling was pursued with the objective of seeking opinions and perceptions that were representative of the management consulting industry. Additionally, comparativeness was also a goal, interviewing both junior and senior consultants to address diverse views from the competitive advantage of boutique firms (Teddlie & Yu, 2007).

The list of respondents can be checked below:

<b>Name</b>	<b>Position</b>	<b>Company/Type of Firm (Large Firm/Boutique Firm)</b>	<b>Years of Experience</b>
Consultant A	Business Consultant	Boutique Firm 1	9 Months

Consultant B	Consultant	Large Firm 1	2 years
Consultant C	Management Consultant	Large Firm 2	7 Years
Consultant D	Management Consultant	Large Firm 3	3 Years
Consultant E	Strategy Consultant	Boutique Firm 2	11 Years
Consultant F	Partner	Boutique Firm 3	29 Years
Consultant G	Risk Assurance Consultant	Large Firm 4	9 months
Consultant H	Management Consultant & Partner	Boutique Firm 4	18 Years
Consultant I	Consultant	Large Firm 5	2 Years
Consultant J	Consultant	Boutique Firm 5	16 Years
Consultant K	Partner and Senior Advisor	Boutique Firm 6	22 Years
Consultant L	Consultant	Large Firm 6	8 Years
Consultant M	Strategy Consultant	Large Firm 7	2 years

The interview process was a challenging one due to the tight schedules from the respondents. Most of them were pursued through phone calls and they were all pre-structured in order to create a comfortable sharing atmosphere where consultants could communicate freely

with no biases. In some cases the consultants were contacted again in order to get more information regarding a specific topic or matter.

### **3.2.3 Data Analysis**

The interpretative phenomenological analysis (IPA) is the most suitable tool for an efficient qualitative analysis of the gathered data, since the goal of the interviews was to seek in depth the perception of the consultants regarding a boutique firm competitive advantage. While the final target was to get an accurate insider's view of the industry (Smith et al, 1999), this was not entirely possible. Observation of a particular management consulting firm working environment and consequent workflow could have given a more precise perspective. Yet, confidentiality agreements and the always changing nature of a consultant work schedule created limitations to that exercise. In the end, the conducted interviews and respective questions were a result of the author's previous notion of the management consulting industry and the assumptions developed after the execution of a detailed research and consequent literature review.

Qualitative analysis has a predisposition of being inductive, since through the data analysis categories, patterns and relationships are gathered in a continuous process of discovery. Following the IPA approach, an ideal analysis would assume an emic focus, translating into the representation of the setting according to consultant's terms and viewpoint. Notwithstanding, it is balanced with an etic focus, since mine own perceptions contribute for the construction of knowledge and answers to the research question (Schutt, 2015).

Therefore, the interviews were all written down and every statement from each consultant was compared, looking for patterns and contrasts. A special focus was given into sensibility due to the consultants positions inside their companies. They could have been biased of highlighting the positive aspects of their businesses workflow, avoiding opinions that might conflict with the firms' mission and corporate culture.

Attention was also given into the "quote research" technique. Consequently, the interviews were scanned in the search of quotes that validated and confirmed an assumption found on the literature (Folkestad, 2008). This technique was related to the use of the ground theory method, since the literature research and assessment of the firms' corporate websites - giving a deeper insight into their culture and work methodologies – were converted into conceptual categories that

were inserted on the questions presented to the consultants during the interview process. Subsequently, the categories were redefined each time new information was obtained, developing into the continuous improvement of the knowledge construction process (Schutt, 2015).

### **3.3 Reflexivity & Quality**

The qualitative research process, even if there are already different methodologies and approaches regarding it, is always dependent on the characteristics of each project in the end. In other words, each study is unique on its own way and it is the researcher responsibility to seek for the best way of maximizing the potential and meaning of the gathered data (Watt, 2007).

As stated previously, the analysis process will be influenced by biases and perceptions regarding the management consulting industry. Besides the literature review, the author's drive to understand the management consulting industry, aligned with regular contact with colleagues that are now on the industry, was a big support in finding a direction for the research process. While the author was curious how big consulting groups were able to keep such a large share of clients from different industries, I was even more intrigued with the sustainability of smaller consulting firms and how many of them were able to find their place on the industry.

Nevertheless, I was forced to reflect on assumptions and how closer or distant they were to the different insights I was able to get into contact during the research process. I could only improve the data analysis and resultant conclusions if I was willing to implement an adjustment mechanism: the theoretical knowledge that many times does not account the always changing dynamics of an industry/profession, needed to be adapted. The registered perceptions of consultants were crucial on understanding in a more detailed perspective how large and small firms differentiate themselves from each other. More important, how boutique firms were able to survive in such competitive industry.

Yet, it is also essential to recognize the detachment that theoretical knowledge from practical knowledge – the so called “learn by doing”. Therefore, one of my main goals on the data analysis process was to detect those gaps and proposing new ways of updating some outdated assumptions. This will contribute for bringing the academic and professional world together, resulting in synergies that help to develop the management consulting industry further.

## **4. Data Analysis**

The Literature Review showed that the client relationship with the boutique firm played a crucial role on the achievement of a competitive advantage (Griffiths & Remenyi, 2008). Yet, the boutique firms dispose of fewer resources in both physical and human dimensions when compared with larger firms. Additionally, the management consulting industry is highly competitive, with consultancies, regardless of size and characteristics, targeting the same clients regularly. Therefore, the research question was developed toward the finding of answer that explains how a boutique firm can be sustainable in such competitive environment:

*How do the boutique firm characteristics translate into their competitive advantages and how can they improve their competitive strength?*

The information gathered through the interviews with the consultants was divided in nine topics that were mentioned frequently by the respondents.

### **4.1 The Role of the Management Consultant**

The Data Analysis showcased some converged opinions from professionals from both large and boutique firms. Consultant I from Large Firm 5 was able to summarize a consensus regarding a management consultant role:

*The role of a management consultant is to create value to its clients. This value can be created by the increase in the performance of the clients' employees, or by solving problems that the client would not be able to solve alone.*

This statement is in line with Biggs (2010) perspective, who also agreed that the role of a consultant is adding value to the organizations they work for. Moreover, Consultant G from Large Firm 4 noticed that nowadays a consultant should offer to the client *reliable information and trustworthy information*. This shows how the expertise provided by the consultant has a key role on the resolution of a client's request, enhancing the importance that consultant's skills and



knowledge have, as noticed by Griffiths & Remenyi (2008), in the accomplishment of a good advisory process. Additionally, Consultant L from Large Firm 6 even compare a consultant role to the one from a doctor:

*A consultant represents to companies what a doctor represents to the common patient. If they have a problem or if they simply want to improve their “diet” they come to top strategic consultancy to improve their lifestyle and create value. It is all about having the right human capital, understand the necessities of the clients and having the Global Footprint and experience, which is relevant in both sectorial and thematic levels.*

While having the Global Footprint and a broad comprehension of diverse industries worldwide can be beneficial for larger firms, Consultant L’s opinion cannot be applied to the case of Boutique Firms. As mentioned by Brondoni (2007), the local corporate network that boutique firms have at their disposal is also highly effective, with their personnel being able to apply direct solutions that matches the clients’ needs.

The influence consultants’ experience has in delivering quality work to the client, as addressed by Consultant L, is important for both large and boutique firms workflow, coming in the same line of thinking from Griffiths & Remenyi (2008). That is the case with Senior Consultants who, while acting as external observers of a business, possess insights gained through contact with previous clients and from previous work experience in companies from other industries before coming to management consulting. Consultant H from Boutique Firm 4, while sharing an opinion that supported this view, added that pricing and outsourcing are also important factor that make a difference in the advisory process:

*Our function is to assist clients with strategic issues that arise seldom enough to make it uneconomical to have staff with theses competencies on the payroll.*

This insight supports Morgan et al (2006) view. In the case of boutique firms, with lower overheads and consequently lower fees for their clients, it is financially appealing to businesses to hire external consulting services.

Consultant H added also two other reasons that drive the hiring of a management consultant on his firm:

*We are hired because our project management allows the clients to be part of the project instead of running it. Besides that we increase their brain-power capacity.*

Lewis Unfreezing/Change/Refreezing Model (Alvesson & Sveningsson, 2008) backs Consultant H's perception, since consultants are the ones who assume the control of the change process within a client organization, preparing their members for it. This allows the clients resources to be focused also in other projects and tasks instead of being dedicated mostly on the change process. Other industry colleagues as Consultant E from Boutique Firm 2 affirmed that consultants are hired not only for their competence but also their access to resources as technology and incentive systems that clients do not have available.

Consultant C from Large Firm 2, following the previous line of thinking, also addressed how the management consultant relationship with clients has become closer in order to get a better comprehension of a business characteristics, developing strategies and change processes that are suitable to it:

*One of the roles is being the subject matter expert within projects where it doesn't make sense for companies to have a permanent competence. The second one involve being a facilitator of a change process where the consultant supports the client by driving a change. Therefore, the roles as management consultant have changed during the last few years moving from a "trusted advisor" role into customers buying more specific projects with much more focus on which impact that the project will deliver.*

#### **4.2 Digital Area Focus Phenomenon**

Consultant F from Boutique Firm 3, similarly to Consultant C from Large Firm 2, also detected a transformation on a management consultant role. Besides that he also recognized the impact technology and innovation is having on it:

*Some years ago the questions was mostly regarding operational excellence and cost saving programs, today the questions is more regarding strategy development and execution, digital strategy business model development, questions regarding how we can grow revenue and profit using technology and services.*

Consultant B from large firm Large Firm 1 also addressed similar views to Consultant F:

*Management consulting is quite a wide term. What I work with is strategy, operations, transformation, etc. It all depends on the part of the management consulting industry you belong to. And nowadays everything is become interlinked with the digital area, which is driving the industry.*

While researching through the different Management Consulting Firms, the author was able to find multinationals, such as Accenture, that already have a digital focus that set it apart from competition. The utilization of different IT tools and mechanisms, aligned with their consultants' expertise, has made it a reference worldwide and a force to be reckoned within the industry.

Not only large consultancies such as Accenture are able to convert a digitalization focus into a competitive advantage. The boutique firm Cartina from Stockholm, for example, is the proof that boutique firms are focused on specific processes (WetFeet, 2008) that result in medium-long term sustainability. In this case the digitalization approach gives to the firm a unique edge towards the competition as Consultant E from Boutique Firm 2 was able to state during the interview process.

### **4.3 Available Resources in Large & Boutique Firms**

Consultant E from Boutique Firm 2 also acknowledged the different resources that both large and smaller firms have at their disposal and how this can work at their advantages (or not):

*Larger consulting firms have the advantage of global reach and large scale, but that also works to their disadvantage since those firms usually apply a standardized methodology. Instead, we go for focused assignments within digitalization that allows us to better tailor our approaches.*

This insight corresponds to Brondoni's (2007) view that boutique firms can apply directly solutions in isolated locations, something that larger firms might struggle to achieve due to a lack of personalization in their strategies implementation. Notwithstanding, larger firms opting for standardized approaches is understandable, since customization can increase costs and might also lead to loss of corporate identity. Big firms are recognized by their own methodologies and their adaptation into a client specific characteristics can lead to the damage of the consultancy unique workflow. Nevertheless, Consultant D from Large Firm 3 displayed an opposite viewpoint and mentioned that, despite their large size, every project is tailored, highlighting the presence of senior staff as an essential factor on that achievement.

The fact that larger firms are able to offer concrete products, such as quantitative tools and reports, can work in advantage against boutique firms that are missing the resources to do so. Yet, it can always be argued that big consultancies can never offer such a personalized approach as smaller firms. However, Consultant I from Large Firm 5 disagreed with this assumption, mentioning that his firm can offer equally customizable and closer working relationships to its clients. And when faced with the focus on specific industries and clients that many boutique firms follow, Consultant I was assertive:

*We consider all clients important, even small firms that are going to be charged smaller fees*

Consultant I detailed that at Large Firm 5 all projects have a designated team with the objective to maximize the personalization of the advisory service. Nevertheless, the extensive resources that a large firm has at its disposal, together with its dimensions, can be counterproductive in the delivery of a customized approach. The management consultancy industry is highly competitive and communication between staff, while necessary, can be complex since there is always the imminent fear of information leakage to rival consultancies, as stated by

Christiansen (1994). Moreover, larger firms function according to an extensive corporate culture, which guidelines were created in order to guide consultants in their work. This adds complexity to the consultancy workflow instead of simplifying the consultant tasks. Consultant M from Large Firm 7 acknowledged this fact and how *heavy internal bureaucracies* can represent an impediment on the pursuance of a fast and customizable service to the client.

Larger firms are a good exemplification how the adhocracy nature of boutique firms at the beginning gave shape to professional bureaucracies. These type of organizations are characterized by putting innovation in second plan, investing mostly in methodologies and tools that have already showed to be successful (Clementi, 2007). This is logical since as a company is expanding economies of scale are pursued in order to increase profitability while reducing costs. The development of new tools and ways of doing business, even if promising in the long term, might have no significant impact on the short to medium term.

#### **4.4 Consultants Experience & Background impact on workflow**

It can be argued that senior staff plays a huge role in boutique firm sustainability. While seeking for interviews' respondents, the author was able to find out that in several boutique firms teams were composed by individuals that have been in either larger consulting firms or companies from diverse industries. Once again the role of interpersonal relations that Griffiths & Remenyi (2008) defend it is on display. In other words the good will generated from previous collaborations with members of boutique firms might be the reason with clients chose them instead of bigger consultancies. Following the previous reasoning, Consultant F from Boutique Firm 3 confirmed how fundamental it is that consultants are able to put themselves on the perspective of clients, overseeing challenges and issues from distinct angles.

Other reason that can be behind the predisposition of boutique firms hiring only senior staff can be due to the lack of resources for building an effective supervision managerial system (Ouchi, 1979), giving preference to a flat organization where personnel is autonomous. Consultant K, partner at Boutique Firm 6, confirmed this perception:

*The smaller firms are not interested in large teams. They prefer a more practical and hand on the plan approach.*

Yet, while it can be argued that senior staff are able to streamline the limited resources of a boutique firm and improve its workflow, this can also be counter-productive. Recent-graduates and junior consultants, while lacking field experience that could translate into a more reliable and trustworthy project management, can add fresh perspectives and new ideas resultant from the contact with the academic world. The continuous research conducted at major education institutions and consequent findings can bring positive change into the consulting firms. Entry-level professionals that are not biased from a long exposition to a firm's culture are in a better position of proposing new ways of improving business performance and the developed strategies.

Consultant C, management consultant at Large Firm 2, shared a view that sustains the previous reasoning:

*In order to do collaborative consulting we need not only one consultant but a team of consultants with different profiles.*

The mixture of entry-level professionals' (Baaij, 2014) enthusiasm with longer experience of senior consultants can translate into a business environment where pragmatic but innovative approaches regarding a client need and request can be developed efficiently. Consequently, during research, while most boutique firms only hire experienced professionals, the author found boutique firms, such as Cartina that are now beginning graduate programs that might be developed within the previous line of thinking. On that regard, Consultant E added an important contribution:

*I think there needs to be both common traits as well as differences between people to create a dynamic environment. In our graduate recruiting drive, Boutique Firm 2 has focused on students with some kind of business background, or those that prove understanding of how a business works, since that understanding is very important for us. For more senior positions, we tend to focus more on relevant experience than formal education.*

Besides the differences regarding working experience among consultants, the author found it relevant to analyze the actual panorama of implement hiring policies that expand consultancy

job offers to professionals with non-business or engineering backgrounds. Due to the analytical and practical dimensions of the management consultant professional, it is understandable that consultancy firms had a preference for individuals with business or engineering degrees. These are majors where students are required to utilize quantitative tools and methodologies regularly, having then a predisposition to apply them later as consultants in the job market. Yet, this can also backfire creating a work environment that is too homogenous, with similar ways of thinking and approaching problems, leaving little space for innovation.

Consultant I from Large Firm 5 was very enthusiastic regarding non-business graduates influence on the consultancy workflow:

*Opening doors to non-business professionals is positive and important. The best way to create value for a client is to think outside the box, and many times, graduates with non-business backgrounds excel in doing this task.*

Consultant M from Large Firm 7 was even straighter to the point:

*If you have a good head and good quantitative skills, you can learn most of the business acumen skills.*

Following the previous reasoning, when confronted with opening the management consulting industry to graduates/professionals from diverse backgrounds the opinions were consensual in consultants from large firms. Consultant L and Consultant M, consultants' at Large Firms 6 and 7, respectively, recognized that this practice has been executed in the management consulting industry for a while. Consultant L went even further regarding its benefits:

*The doors to non-business graduates have been open since decades ago. It is demonstrated that diversification bring benefits. The most important in consultancy is to have enthusiastic and smart professionals. So, of course that having a diverse background adds great value*

Consultant G from Large Firm 4 even suggested that firms should go *beyond graduates* and consider professionals as programmers who are self-learners many times and can be equally valuable to a firm. But, for Costa Freire, while different backgrounds are relevant in the construction of a dynamic team, enthusiasm and motivation are the true driving forces that give a firm a competitive edge.

Consultant C from Large Firm 2, while sharing some of his colleagues from larger firms' views, was not convinced about the potential of senior professionals without a business background:

*The only formal requirement to be able to join Large Firm 2 is to have a master's degree regardless of subject. In order to create teams with different profiles within it is not enough to only hire the same type of people. In our recruiting process we also normally have different kind of engineers and law practitioners but for these groups it is important capture the talents in close proximity to their graduation. More senior applicants without business background is not really interesting for recruitment since these often lack a potential sales network and then would needed to be recruited as junior consultants which is not a good idea.*

Consultant C opinion is understandable given the fact that it is harder to integrate an experienced professional without business background into the company's mission and values. Previous work experience, while highly valuable in giving him knowledge and insights, could make him or her less receptive into adapting a business corporate culture as its own.

The boutique firms' consultants demonstrated less enthusiasm with the possibility of recruiting non-business graduates. This reaction was explained by different reasons, with some boutique consultants mentioning the limited resources and the focus on specific industries and clients as impediments to expand their workflow to non-business/engineering graduates. Consultant F from Boutique Firm 3, for example, pointed out the existence of only senior consultants with extensive work experience.



*We are too small to hire graduates and we can only expand through the hiring of more senior consultants. Basically, we only match top senior consultants with top management representatives from our clients.*

Additionally, Consultant K from Boutique Firm 6 declared that on its firm a financial background is preferred, with education and skills being the most important components while considering candidates.

Consequently, it seems logical a specific targeting regarding hiring policies in boutique firms. The always present threat of bargaining buyers, by being highly dependent on fewer clients, and substitutes (Porter, 1985) forces boutique firms to be more careful and choose for their staff individuals that seem to fit more closely the expectations and characteristics of their usual clients. While discussing this topic with Consultant K he seemed disinterested with the possibility of being receptive to professionals that are different from the usual management consultant.

Subsequently, a justification for this can be found on the disruptive effect that these individuals would have on the functioning of a traditional boutique firm. While their motivation and innovative ideas can improve the firm's workflow in the long term, in the short-medium term implementation obstacles might appear. In other words, the familiarity and attachment of senior personnel and frequent clients with the firm *modus operandi* can originate resistance to approaches of changing even if it is for its own benefit. Additionally, this behavior it is also present at larger consulting firms like Large Firm 5, where, according to Consultant I, a "*smart and innovative strategy can be developed but the client simply does not know how to implement it*".

#### **4.5 The prominent role of the client**

Independently of a consultant background or experience level, respondents from both larger and boutique firms were in agreement regarding the role of the client. While the consultant might have access to exclusive tools, as Consultant L was able to state, it is the client that has more industry experience and a better knowledge of itself. Consultant A from Boutique Firm 1 categorize a consultancy workflow as a translation process:

*I have rarely seen a strategy crafted exclusively by consultants. It is difficult to build knowledge that is bigger than the knowledge that the company has itself inside the company. A Translation process is what we can provide.*

Following the previous reasoning and when confronted with the client role in the management consulting industry, Consultant J from Boutique Firm 5 made an assertion:

*The client many times is our own competitor.*

In Consultant J's opinion many of the assignments his firm does not win it is due to the client's desire of getting tangible resources from consultancies. Consultant J went even further and said that clients are sensitive to the pricing issue, preferring tangible resources as reports from larger firms than the most personalized approach a boutique firm can offer. In the end, the role of a boutique firm for Consultant J is to support the client in the conception of the strategy, but most of the execution must come from the client itself:

*The client has the muscles and we help him to harness the power of them.*

This view, like the ones from other consultants, recognizes the prominent role a client has on a consultant workflow and how its collaboration or lack of it can interfere with the provision of an efficient consulting service.

#### **4.6 Maintenance of Clients & Prospection of New Ones**

While discussing the type of clients that large and boutique firms normally pursue, Consultant K from Boutique Firm 6 alleged that large companies have already established partnerships with large management consultancy groups:

*Smalls Firms cannot compete head-to-head with Larger Consulting Firms. We, as a boutique firm, do not find ourselves competing that much with larger firms since they are focusing on large clients that they can afford with more resources and larger teams.*

Consultant K's perceptions are aligned with the previous reasoning since it is logical that large clients sustain partnerships with larger consultancy firms that have extensive resources to face their complex needs. However, other respondents from boutique firms did not share this perspective and confirmed that they find themselves regularly fighting for the same clients as larger firms.

Consultant E from Boutique Firm 2 mentioned his firm focus on digitalization as a way of gathering the client's preference, marketing a more personalized approach on the process. While it is understandable that boutique firms rely on specific methodologies and approaches to gain an advantage against larger firms, what if a large group already share a similar focus? Accenture, for example, it is widely known for its digital and technological focus, what is precisely Boutique Firm 2's proclaimed competitive advantage. Consultant E acknowledge this situation and indicated Boutique Firm 2's tailored approaches as their main selling point against technological specific management consulting firms as Accenture. Nevertheless, consultants from larger firms argued that the division of staff into small teams allows them to deliver equally personalized advisory processes to clients.

Consultant E said that Boutique Firm 2 targets *projects that larger consultancy firms do not fight for since they see very little profitability in it*. Before the interview the author also had the same assumption, since when the expansion process of a small firm needs to be followed with the prospection of larger clients and projects that allows to reach a suitable profitability level for its new dimensions. However, most of large firm's consultants declared with conviction that the bigger the number of gathered clients the better in order to disseminate positive word of mouth and recommendations. Small clients that might not be aware of the services provided by large consulting firms and they are more inclined to change to a larger firm based on peer recommendations.

Consultant F from Boutique Firm 3 had a clear picture regarding the competition for clients on the industry:

*Our industry is the industry of trust, you will get new assignments if you deliver top values. Most new assignments comes from where you delivered value, and recommendation. It is there*

*necessary that you invest on building top management trust and relations. When your client changes jobs and he needs support he will call you.*

The firms cannot rely only on their performance and hope for customers to return based solely on that. The management consulting industry is broad and clients have different consultancies to choose from. Even if the personal relationship plays a big part, the ability of the firm to keep improving its workflow and deliver new approaches, with acceptable fees, is what determines its ability to sustain clients in the end.

#### **4.7 Large Firms adaptability to local markets**

One interesting fact that the author was able to discover during my research was the “franchising” model that some large firms follow in their international offices. While the firm mission and values need to be reflect on the local’s office’s work methodology, they are able to adapt their business approach according to a market and respective client’s characteristics. Consultant G revealed that this is the case with Large Firm 4:

*Large Firm 4 have the advantages of being a global firm with over 300 000 employees and experts. The internal network can help you in deliver expertise and know-how which can outperform smaller firms. Compared to other firms Large Firm 4 are both local and global. Large Firm 4 are able to have the local presence that enables us to share the same cultures and values as our clients but also reach our clients wherever they are doing business in the world. Large Firm 4’s slogan of building trust in society and solve important problems is really true. We do not only try to build trust among our many clients but we also support local initiatives such as giving math lessons, contributions to local teams, and initiatives linked to better integration of immigrants which I personally believe smaller firms are not able to in the same size.*

Consultant G added that Large Firm 4 seeks a reflection of its culture in every office, but that does not mean that local initiatives and adaptation processes are not promoted. The other consultants from larger firms also said that autonomy and some independence is given to local offices to facilitate the communication process with clients with the objective of minimizing the

interference of the so called internal bureaucracies that Consultant M from Large Firm 7 previously mentioned. This effort towards personalized approaches from larger firms, aligned with the access to exclusive resources and analysis tools, could put boutique firms in disadvantage.

#### **4.8 Partnerships between firms**

QVARTZ, for example has entered a partnership with the german consulting firm Stern Stewart & Co. in the interest of “an expansion of its global outlook and provides international opportunities” (QVARTZ, 2015). A business movement like this showcase Andrew Holmes (2002) statement regarding the partnerships between firms, allowing each consultancy to use each other resources and knowledge, translating into synergies that can be as broad as the extensive networks that larger firms possess worldwide. However, the firms’ distinct corporate cultures and approaches towards clients can pose a challenge in coordinating the partnership without having a consultancy plan of action overlapping the other’s intervention.

QVARTZ case also supports Ciampi (2007) suggestion, as mentioned previously, that a potential partnership between boutique firms and larger consulting firms could be a win-win relationship for both. Yet, the majority of the consultants that I talked with showed no interest in such business model. The large firms’ professionals indicated that the demanding and non-stop workflow of their consultancies was incompatible with the characteristics of boutique firms. On the other hand, boutique firms’ consultants were on the same page, saying that it would be highly complex to achieve their typical personalized approaches and deliver an efficient workflow that satisfied large and smaller firms.

#### **4.9 Leading the client in the advisory process**

When boutique firms partner together to grab bigger clients, they still share the same difficulties that larger firms face with them. A work relationship with a large customer can be a complex process, since different stakeholders and hierarchical elements can be involved in the advisory process. Consultant B from Large Firm 1 addressed this issue during the interview:

*The biggest challenge in working with big clients is the politics, the hierarchy and the fact that a lot of people want to have their voice heard. You have to consider all that without becoming affected. It is important to keep the focus on it while keeping everybody satisfied.*

After elaborating more regarding this, the author was able to assess that, while it is important to keep clients involved in the advisory process, since they are the ones who have the best knowledge of themselves, excessive involvement can be prejudicial for a good job from the consultants. Consultant L from Large Firm 6 explained that in projects that require a high level of sensitivity from the consultants collaboration issues might raise:

*Middle management staff or below are a little afraid of getting involved, since they are lacking knowledge and insights that only senior staff had acquired.*

It is comprehensible that consultants with less experience have some reservations when dealing with high profile projects, but the opportunity of learning with senior staff and getting a deep knowledge regarding a specific client and industry should motivate them. Moreover, the consultants from larger firms did not give the same opinion, focusing instead on the learning opportunities that junior consultants have of growing inside the firms thanks to a continuous introduction to new clients from diverse industries, which, in their opinion, allows them to become more valuable resources for the consultancies. Additionally, boutique firms' professionals also emphasize the involvement and enthusiasm of staff in projects, highlighting the closer contact with the project and the client as something that larger firms cannot offer.

Consultant A from Boutique Firm 1 commented on the fear of change that many clients experience, which is due to an attachment to old but inefficient practices and also the resulting inertia:

*As consultants we have to do something that it is against what the company it is used to and fight with the installed inertia. People inside of an organization have a tendency to stay unable to change direction, even if urgent action is required in order to improve the business performance.*

The author was able to find this perception in almost every consultant I talked with regardless of the size and characteristics of its consultancy. Independently of how much time and personalization is given into a specific project, it is the client willingness (or lack of it) of executing it that will determinate its success or failure. Furthermore, Consultant I from Large Firm 5 told about situations that are becoming more regular due to digitalization and technology advancements:

*Sometimes the client does not agree with the strategies that are devised by Large Firm 5 and they even insinuate that Large Firm 5 it is only working towards its own best interest. In these cases it is fairly easy to start a conflict due to the different views that both parties may have. Additionally, many times Large Firm 5 is able to create a smart and innovative strategy which the client simply does not know how to implement. In these cases, generally the client demands that Large Firm 5 also helps on the implementation of the strategy without renegotiating any fees, which creates tension on the relation between both parties.*

Consultant I's insight once again show the important role the client assumes and the obstacles he might create to a successful working relationship with the consultants. Large consulting firms' bigger availability of resources could help them to ease the tensions that arise – a larger firm has the conditions to be more flexible and open to attend a client attempt of renegotiating fees, for example. Yet, in the case of boutique firms their limitations create restrictions that can endanger a client's maintenance of the partnership. In the worst case scenario, following Michael Porter (2008) threat of substitute products and services, there is always the possibility that the client ceases the contract and changes to other firm, either big or small, or decides to develop the change process internally.

Schein (1997) was another researcher that addressed the impact of the clients' characteristics and how the client that pays sometimes is different from the client who will suffer the consequences of the change process. The executive board or the managers that hire the consultancy firm are not necessarily the target of the advisory process, since consultants can be brought to improve a specific department of an organization.

During conversations with the respondents the main consensus was that once again it depends on the client, but, most importantly, on how clear the consultancy firm's role is. It is fundamental that managerial bodies properly introduce the consultancy teams as advisors that only seek to improve the business performance, bringing benefits to every stakeholder in the long term. Otherwise they will be perceived as intruders, which can create difficulties to the planning and following execution of a change strategy. Following this line of thinking Consultant D from Large Firm 3 made a relevant comment:

*The biggest challenge that most consulting firms face is to make sure that all levels of the Organisation (both at the strategic and executing level of the organization) are on board and ready to implement the initiatives when we finish the project.*

Several personal meetings with employees are required to get the best overview of a company workflow. On that regard Consultant G from Large Firm 4 made another valuable remark:

*It is highly necessary to build a trustworthy relationship with clients. Such relationship depends on whether or not the client trusts in you and second your appearance, being able to listen and adapt to changed circumstances. It is also important to show humbleness to your clients' needs and wishes. And, of course, being able to deliver results that exceeds expectations.*

Consultant C from Large Firm 2 had an intriguing opinion regarding the client's employee's involvement in the change process:

*We often find Large Firm 2 fighting for the same clients as the larger consulting firms. However we are not always competing on the same type of projects. More important, in our relation with larger clients we are mostly in contact with the different CXOs depending on type of project while I often see that the larger firms work directly with the CEOs.*



The author found similar views among boutique firms' professionals and this comment from Consultant F from Boutique Firm 3 confirms the decisive role a client plays in the success of the consultant work:

*It is all about how the client is mature enough to understand the change process. Their ability to invest time. Their understanding of that they constantly need to change to keep up with their competitors.*

Consultant C from Large Firm 2 complemented Consultant F's view, highlighting the importance of the client participation:

*Many clients use consultants when they are lacking time to do a project themselves. In this situation the hardest challenge is to convince these customers that without the participation of their key personnel there is a high risk that any solution created will not be accepted by the client in the end since the problem is not always how the client describes it in the first way.*

*Finding the right balance in the client participation (designing a solution that actually fits the customer vs. using client time) is the key issue.*

I found that consultants from both large and small firms have trouble in reaching out the operating core of businesses. They are perceived as external bodies that were hired in order to implement restructuring that could culminate in layoffs. Consultant G from Large Firm 4 insight support this view:

*The biggest challenges in the change process are either when the client is reluctant to perform changes or if it's hard to build a personal relationship since you might not "click" with every person of the organization.*

Therefore it is highly necessary that efforts are conducted to demystify consultants, showing that they share the same goal as the companies' employees: success. But, more important, while targeted at improving the business workflow, the proposed change strategies need to be realistic and pragmatic, opinion shared by Consultant E from Boutique Firm 2:

*A strategy that delivers competitive advantage must be aligned with the capabilities of the organization, which involves many complex factors such as competence, organizational structure, incentive systems, technology and more. Some of those factors may be difficult to address in the short term. I would not say this is a Boutique Firm 2 specific challenge, but something that all management consultants battle with – as well as the clients themselves.*

## **5. Discussion & Conclusion**

The goal of the interviews was to get insights and perspectives that I could not access through the literature review. Theoretical and academic knowledge, while helpful in trying to understand a specific topic or question, does not always correlate exactly to the always changing nature of industries and work environments. Evolution is a given fact and there is always the risk that previous researches and reports turn obsolete and outdated.

For this project within the ever changing management consulting industry contact with current professionals was fundamental to get the most pragmatic and realistic viewpoints. However, twelve interviews do not reflect fully the perspective of the industry and its extensive workforce. Yet, as stated before, they were accomplished to improve the understanding of the underlying dynamics and strengthen or disprove previous assumptions.

While this master thesis targeted the management consulting industry, its main focus was the boutique firm. In other words, being able to conclude how they survive and co-exist with intense competitors, both large and small. Consequently, the interviews were balanced between professionals from boutique and large firms to get a fair and broad knowledge panorama. Additionally, the differences in working experience allowed for a good equilibrium of insights. Combining perspectives from consultants that have been active on the market for a long time with the views of young professionals whose mindset is starting to absorb industry rules and guidelines that are not possible to learn in the academic world.

The key conclusions drawn from the interviews are presented in the following section.

## 5.1 Findings

### 5.1.1 Finding 1

#### **The role of a management consultant is the same independently of the characteristics of the firm is working in.**

A consultant role is to help clients and businesses to improve their workflow and work processes. While the consultancies distinguish themselves from each other through different dimensions, corporate culture are focus, they share an ultimate goal: create value for the customer.

Consultants are hired for a combination of two factors:

- **Cost reduction**- companies hire external consultancies for specific tasks and projects that would take a lot of their own resources if they were addressed only internally. Besides that, consultants can do a better job since they are specialized.
- **Exclusive Knowledge** - A consultant is a change process agent and is contracted because of its unique expertise and overview of a specific industry or market. The clients seek him for its exclusive knowledge and the possibility of utilizing it on its own benefit and development.

The author was able to conclude through my conversations with the consultants that the combination of these two factors can determine the choice of a specific firm. Nevertheless, in the case of Boutique firms the composition of its staff plays a large part in its competitive advantage and appeal to the client. This fact led to the second Finding:

### 5.1.2 Finding 2

#### **The Prominence of senior and experienced consultants in Boutique Firms is a key factor in a boutique firm sustainability.**

Through the analysis of the different interviews it was mentioned how a boutique firm limited resources could force them to open their doors mostly to experienced professionals, even if the presence of young staff could bring benefits for them. However, in the end, it is the reliance and trust that they gather from clients that drives this option. These professionals have an extensive view of business processes and industries dynamics gained from years of work experience. All of this culminates on the attraction of new clients and maintenance of old ones who seek them for their autonomous and confident approaches, which is also beneficial for boutique firms that do not need to invest on supervision and control mechanisms.

Moreover, during the interview process several consultants from larger firms told that they were also able to deliver the same personalized and customizable approaches of boutique firms in most cases. While this can be true at some point, boutique firm consultants are able to accomplish the personalization process better due to their ability to get a bigger involvement from the client on the advisory process. The internal bureaucracies and communication policies within large consultancies create barriers on the relationship with the client that are prejudicial for an efficient partnership. All of consultants, regardless the firm they belong too, agreed on the fundamental role a client plays. It is the client that best knows itself and it is the consultant task to facilitate this self-awareness process in order to recognize the potential points of improvement. Therefore, it is the senior consultant from the boutique firm who is better prepared to guide the client on this discovery journey. The smaller dimensions of the boutique firm and the almost non-existence of communication barriers facilitates the working relationship between consultants and clients.

The consultants with whom the client is working are the ones who are defining the strategy and leading the change process, while in larger firms the decision making power is distributed through the different layers of their hierarchy – Consultant, Senior Consultant, Assistant Manager, Manager, Senior Manager, etc. That can extend the time required for the delivery of the advisory service, also increasing the risk of miscommunications between superiors and subordinates and resulting in a final product that does not reflect the clients' expectations. Furthermore, senior

consultants from boutique firms have a closer and direct contact with the clients, rooted in the absolute control they have of the business process and the absence of need for approvals from intermediate hierarchical bodies. This gives them freedom to design and redesign a strategy when it is necessary, without wasting time on bureaucracies.

It can be argued that the absence of young professionals can limit innovation pursuance in boutique firms. However, the professional bureaucracy of many large firms creates obstacles for the dissemination of new ideas and approaches from recent-graduates. Their larger dimensions force larger firms to rely mostly on tested mechanisms that assure that the necessary profitability for their sustainability is achieved. Boutique firms, on the other hand, while having a smaller business volume, have more freedom to seek innovative work methods that consultants from larger firms cannot accommodate.

In the end, even if boutique firms cannot access the vast technological and digital tools that large firms have at their disposal right now, their selling point is on their staff's broad network and unique expertise and knowledge. Besides that, they are making an effort to keep up with the market trends, integrating digital processes in their workflow. This, aligned with their personal, and most important, experienced touch results in a competitive advantage that reflects in their long term sustainability in the industry.

## 5.2 Suggestions

The always existing threat of substitution in the Management Consulting Industry, with the clients having the possibility of ceasing a partnership/contract with a firm and change to other, forces consultancies to be adaptable and keep up with the industry trends. While this is the case both large and boutique firms, the latter's are more exposed due to their smaller business volume. For that same reason it is essential that they are willing to consider some changes on their business model:

### 1) **Opening doors for young professionals and non-business/engineering graduates**

While senior consultants' autonomy and experience are the most significant assets at boutique firms, the contribution from young professionals and candidates with other background than business/engineering cannot be ignored. The boutique firm Cartina is already introducing graduates in its business environment, for example.

Nevertheless, it can be argued that boutique firms do not have the resources to train and supervise young professionals and/or non-business/engineering candidates with acceptable standards. Consequently, instead of the extensive recruitment processes large firms conduct annually, hiring a considerable number of graduates every year, boutique firms should open doors to a more restricted number of graduates (1,2,3 – it depends on the firm's characteristics) for a better integration in their corporate culture every year. This would allow senior consultants to put more time and attention on the training of those new consultants, while absorbing new insights and constructed knowledge from the academic world and other areas than business or engineering.

In the end, this will gradually result in boutique firms that, while retaining the senior and experienced touch clients appreciate, are better prepared to accomplish advisory solutions that integrate the current trends of the industry and, maybe, small innovations.

### 2) **Partnerships between boutique firms and introduce a freelance/outsourcing system**

In similar fashion to what large firm QVARTZ accomplished with German consultancy Stern Stewart & Co, instead of partnering with larger firms – which would be a complex process due to the distinct characteristics and businesses workflow – boutique firms should

consider partnering among themselves. Even if their mission and values are different, they could utilize each other resources, both physical and human, which would be beneficial in a costs saving perspective. Furthermore, the resulting synergies could translate into a continuous exchange of ideas and work methodologies that strengthen each firm's know-how.

While the complex dynamics of the management consulting industry makes the execution of such business model challenging, freelancing – popular in the Advertising Industry - could be a good way of boutique firms getting the resources and the insights that they do not have at their disposal. Subsequently, boutique firms could hire information services companies, like GLG or AlphaSights, to have supportive insights from industry experts during the development of the advisory service. On the other hand, freelancers could be contracted to conduct, with their own resources and tools, extensive market research and other business mechanisms a boutique firm cannot perform sometimes on its own due to resources limitations. In the end, freelancing would be a good response to the technological and digital tools that larger firms have at their disposal.



### **5.3 Further Research**

The gathered interviews are a very small sample of the management consulting industry and, therefore, they cannot be viewed as 100% accurate representations. A larger time window could have been advantageous in collecting more insights from the industry professionals and also from the clients (this could be difficult to accomplish due to the confidentiality agreements and the anonymous status that customers prefer to assume on the industry). An ideal scenario would be a close contact with the different steps of the advisory process in a boutique firm and a large consultancy. In other words, follow the work day of consultants from both type of firms, absorbing realistic and pragmatic insights that only an “experience on the field” can provide, comparing in the end the collected information between each other and with available literature.

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