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Researching Practice Areas of Consultancy Firms

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Abstract

We reflect on a multi-year study of practice areas within professional service firms that has resulted in impact in various ways, including research publications, class teaching, and industry dissemination. We describe the challenges in conducting academic research at the practice area level, rather than the firm level. These challenges are grouped into two camps: fieldwork challenges and conceptual challenges. While we navigated these during our project in order to achieve our goals, we believe more work needs to be done at the practice area level within the consultancy industry, especially as this unit of analysis is affected by trends in AI and ESG that were not so prominent 20 years ago. We suggest one way forward will be to utilize collaborative systems approaches through a holistic stance, rather than focus on narrow sets of variables in a reductionist stance.

Introduction

Most management consultancy firms are organized around discrete practice areas. They are present not only in the large, global firms, but also in the medium-sized and smaller firms too. Practice areas are a sign of specialism and expertise. They indicate to the client base - to the market - that the consultancy firm contains expert knowledge and skills in demarcated areas that could be of use to the client on issues and challenges faced by the client. But they are more than a marketing tool. They are organizational sub-units in their own right, are often highly complex, and require their own leadership and management structure and processes.

Practice areas in consultancy firms are different to sub-units in traditional manufacturing firms in a number of ways. For international consultancy firms, practice areas are also international organizational units. There will be a digital transformation practice represented in London, Paris, New York, and Tokyo, all from the same firm. In other words, practice areas are not location bound and their knowledge, skills and systems of operating will be globally connected in different geographical locations. Secondly, they will have their own autonomy and responsibility for profit and loss, contributing to the firm's global brand, while also developing their own turf (Anand et al., 2007). Indeed, practice directors are measured and rewarded based on the performance of the practice area. Thirdly, for researchers, they are extremely difficult to access and collect data from!

We reflect here on several years of conducting academic research on practice areas. Our work has had impact in several ways: it has led to various academic articles, two of which have been through the journal review process and been published (Williams and van Triest, 2021; van Triest and Williams, 2022). It has fed ideas and insights into a book on Management Consultancy and Innovation (Williams, 2019). It has also created a rich dataset that we randomized and used in anonymized mode for teaching executives in various MBA and DBA classes in different countries about the consultancy industry. Executive students found the level of analysis interesting for learning about modern management and control systems in professional services firms, and seeing how their career paths might unfold for those contemplating entering the consultancy industry. And we have presented the results of our work to alumni networks of European business schools and conducted focus groups with practitioners to share some of the main findings.

Compared to other projects we have worked on which utilize company data, the practice area project stands out for being amongst the most challenging in terms of field work and in terms of conceptualization. We believe this is why there is relatively little research work on practice areas in consultancy firms, compared to work on the consultancy firm as the unit of analysis, or sub-units in other types of firms (such as subsidiaries of multinational enterprises, or units within traditional M-form enterprises). If these challenges can be addressed, researchers will be able to scrutinize practice areas more completely as a unit of analysis, with benefits not only for theory of performance in professional services, but also for impact and engagement with the consultancy industry.

5 Fieldwork Challenges

1. The first fieldwork challenge is that there is no objective data captured at the practice area level that is publicly available for researchers to use. This means that subjective, primary data is the main option available. This creates problems of common method bias when attempting to measure performance and link it to other organizational variables captured in the study (such as leadership traits or ways of managing professionals). It also makes it difficult to compare practice areas across firms and even within the same firm.

2. Gaining access to senior practice managers - such as partners and directors of practices is also difficult. Firms do not usually publish contact details of practice directors on websites and there is no annual report or other document showing the names of key practice heads that researchers could use to create a target frame.

3. There is also an issue around secrecy within the practice, and not wanting to divulge proprietary knowledge about the sources of competitive advantage developed and deployed by the practice. There is great secrecy - for obvious reasons - around the client projects. This hinders the opportunity for research containing both practice and client perspective in the same study. While this issue applies to research in professional services more broadly, it can be exacerbated at practice level where directors do not want to have researchers 'snooping around' their turf. Consultants in practices areas are not naturally inclined to share their secret ingredients of what makes their practice area successful.

4. The issue of how to objectively measure performance at practice level is very apparent. Internally captured quantitative financial indicators will not be revealed, although customer satisfaction data regarding the practice area might be available on an anonymized basis if the researcher can negotiate access to it carefully. The question of measuring performance extends to non-financial performance indicators too: what does success look like beyond financial targets and outcomes for consultancy practice areas? What impacts do practices have on the environment, for instance, or wider society?

5. Organizational dynamics with practice areas are also difficult to capture. As management scholars, we want to reliably capture information such as how staff are managed and controlled, what the learning, knowledge and innovation orientations are like within practices areas, and how communications flow. These are just a few examples of the types of variables we are interested in. Given that practice areas are often spread out internationally, this is difficult to do with single site visits. It is also difficult to disentangle features of practice organization that are unique to the practice from those that are unique to the firm and that have been inherited by the practice.

5 Conceptual Challenges

1. A common challenge we encountered with reviewers at academic journals concerned the definition of practice areas. As social scientists, we want to be able to compare organizational units of analysis between firms and within firms. But this comparison is not possible if we cannot define what we mean by the unit of analysis and convey this definition clearly. Despite drawing on some seminal work in the field (Anand et al., 2007; Gardner et al., 2008), and giving actual examples in our manuscripts, many reviewers simply did not see what we meant by practice areas and how they differed from the conventional notion of practices in the workplace. In many respects, the academic reviews were making the definition more complex than it needed to be.

2. There were also challenges in conceptualization for the larger professional service firms that contained diversity in practice areas, such as management consultancy and other types of professional service practice areas (e.g., tax and audit). While literature exists on how to conceptualize firms differently on this basis (Von Nordenflycht, 2010), how the characteristics of professional services differ across practice areas within the same firm becomes conceptually more complex. The consultancy literature acknowledges differences between different types of firms (Malhotra & Morris, 2009), such as pure play strategy consultants (McKinsey) versus broader consultants (Tata). Practice areas within the same firm will contribute to the same overall brand while retaining individual differences that go to the heart of their demarcation. Conceptualizing this diversity has not been achieved theoretically as far as we could tell.

3. Conceptualizing corporate governance of practice areas was also a challenge. Management consultancy firms can have different ownership structures - such as a corporate model and a partnership model. In the partner model, where the partner was a senior leader in a practice area as well as in the wider firm, their interest and influence was a form of duality. How do we conceptualize this level of duality? Duality is reflected in corporate governance theory although this tends to be at the CEO level (Krause et al., 2014). However, it remains rather opaque how mainstream corporate governance perspectives as applied in consultancy firms can be utilized at the practice area level.

4. The role of technology in supporting consulting services across practices is also not well conceptualized at the practice area level. Consultants in both strategy and technology spheres bring different skillsets and experiences to clients for the benefit of clients undergoing digital transformation. These technologies are a common focal point as consultants from different practice areas come together for large scale client assignments. It is commonly acknowledged how digital transformation projects are more than IT implementations. They involve a strategy and leadership component, as well as a wider organizational change component (Tabrizi et al., 2019). Conceptualizing this overlapping between practice areas of the same consultancy firm requires an acknowledgement of the blurriness at the boundary of practice areas, made more apparent by modern digital transformation.

5. We also grappled with the overall theoretical stance to adopt at practice area level. Should we build on the few highly cited works on practice area emergence (Anand et al., 2007; Gardner et al., 2008) and then adopt a positivist paradigm to test the logics they developed? Or should we allow new data to reveal fresh insights and new ways of looking at contemporary consultancy life? We found a number of relevant theories in our data, ranging from human capital theory, to social capital and social networks, to

learning, to principal agent relations. While it could be said of any complex organization that a number of theories are at play, the question still arises about which one is the most applicable when researching at a unit of analysis where there is comparatively little by way of reference point. There was no established theoretical norm and no well-recognized field of 'practice area studies' that we could draw from.

Reflections and Ways Forward

Some of our reflections in navigating these issues are as follows, as well as suggestions for future collaborative research.

Firstly, navigating the field work challenges involved a pragmatic approach and a deliberate research design involving a range of exploratory face to face interviews with practice heads at the outset, followed by a lengthy questionnaire survey of practice heads. The initial explorative interviews allowed us to establish some basic parameters and create working assumptions: practice areas in consultancy firms are real, they have a director or head, they are managed and perform in markedly different ways. This was an important step and an encouraging one. We then decided to proceed with a questionnaire survey targeting practice heads using purposive networking. While realizing this might be difficult to sell to some reviewers in top academic journals, it was actually the only way. There is no list of contacts across practices and firms and countries on which we could rely. Fortunately, as business school faculty, we had access to entry points into consultancy networks, and were able to - slowly but surely - pre-test, pilot, and then fully execute the survey through networking.

Navigating the conceptual issues was more problematic. The items we chose for the questionnaire were guided by the initial round of interviews and our reading of the emerging literature on practice area dynamics. We knew early on that we wanted to understand innovative orientation (Williams and van Triest, 2021), as well as what drives autonomy and delegation of decision rights (van Triest and Williams, 2022). These come from different theoretical stances, but we had the requisite items on the questionnaire. Convincing reviewers of our models and contributions was an altogether more troublesome exercise. In top management journals, theory is king, and it was not straightforward to position our work in relevant literatures or theoretical debates. The process of multiple reviews and rejections at top journals led to us to increasingly adopt a reductionist approach and simplifying our models for a narrow focus and clear contribution claims.

Future work on practice areas in consultancy firms can build on what others have done, what we have done, and pursue new opportunities as well. The consultancy industry is different today compared to 20 years ago when the first works on practice emergence were researched and developed. AI, blockchain, and digital transformation are center stage as client pain points, as are ESG considerations. Both consultancy and research worlds have realized that inter-disciplinarity and collaboration holds the key. This gives a new opportunity for researchers to engage with practice areas in a new wave of research on consultancy firms. Rather than take a reductionist stance, researchers can work collaboratively with practice heads and front-line consultants in practice areas and

take a holistic perspective of practice dynamics and value creation for clients and societal issues connected to client assignments. This may require a shift in capabilities for researchers of consultancy firms, towards action research, systems thinking approaches (Jackson, 2019), and embracing complexity rather than decomposing it into manageable chunks.

Summary

Following a multi-year study involving collection of data from over 250 discrete practice areas from professional service firms in multiple countries, we reflect on both the challenges and the opportunity for researchers. The practice area is a fundamental unit of analysis in the management consultancy industry and needs to be given more scrutiny and academic attention than it has to date. There are clearly challenges with taking this on, although the opportunities for impact in terms of theory development, educating the new generations of consultants entering the industry, and disseminating findings back to leaders in consultancy firms are very real. The methodological and conceptual challenges can be overcome with careful planning and clarification as well as the adoption of new ways of approaching the phenomenon such as collaborative action research and systems thinking.

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