Global management consultancy in China

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Publication Date:
2009

DOI:
https://doi.org/10.26190/unsworks/22689

License:

GLOBAL MANAGEMENT CONSULTANCY
IN CHINA

by

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A thesis submitted in partial fulfilment of the
requirements for the degree of

**Master of Philosophy in the School of Organization
and Management**

The University of New South Wales, Australia

August 2009

Abstract

Management consultancy has received increasing academic interest due to its growing importance in the global economy. However, current research has been predominantly focused on consulting companies in Anglo-American and European countries. This thesis aims to provide a focused study of the practice of global management consultancies operating outside of the western context. China is commonly regarded as having distinctive market and industrial conditions that distinguish it from western developed countries. Based on empirical evidence from interviews and participant observation, this thesis examines the activities of global consulting companies at market, firm and client project levels in China, with a focus on the deployment of their global knowledge resources. The central question explored in the thesis is whether and to what extent the Chinese context has limited the diffusion of global management consultancies and the applicability of their western management knowledge. This thesis finds that in China global management consultancies have emphasized their international image and extensively replicated global models of management. While importing global knowledge assets has had mostly positive effects at market and firm level of practice, it has caused a mix of benefits and challenges during the actual consultation process due to insufficient and inappropriate adaptation.

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List of Abbreviations

CEO – Chief Executive Officer

CFO – Chief Finance Officer

CTO – Chief Technology Officer

CRM – Customer Relations Management

ERP – Enterprise Resource Planning

FAQ – Frequently Asked Question

FDI – Foreign Direct Investment

HR – Human Resource

HRM – Human Resource Management

IT – Information Technology

KIF – Knowledge-intensive Firm

MNC – Multinational Corporation

OD – Organizational Development

OFDI – Outbound Foreign Direct Investment

POS – Point of Sales

R&D – Research and Development

SME – Small and Medium-sized Enterprises

SOE - State-owned Enterprises

WTO – World Trade Organization

Acknowledgements

This thesis could not have been completed with the help and support from many people, to whom I'd like to express my deepest gratitude. Firstly, special appreciation goes to Dr Christopher Wright and Dr Yue Wang my two supervisors for their guidance over the course of this research project. They both have worked with me on this thesis for many years, during which their invaluable advice and insight have guided me through the mental jungles of the topic at the early stage and to survive the refining of the topic and repeated drafting and re-drafting of chapters later on. I feel blessed to have Chris as my supervisor who has committed to this research project for so long even after moving to the University of Sydney. His comments and suggestions helped strengthen the theoretical foundation and conceptual structure of the thesis and keep it focused. I also owe my thanks to Dr Yue Wang for his guidance on the general structure of the thesis as well as for his patience and understanding and continuous encouragement and support. Without them, I would not have reached this point. Their examples as both mentors and scholars have taught me a lot and will never be forgotten.

Secondly, I wish to thank all the participants in the interview and case study phases of this thesis, although I cannot acknowledge their names due to confidentiality agreements. In particular, I'd like to thank an Associate Partner from the consulting firm with which I conducted the case study. His assistance throughout the two phases of fieldwork made it possible for me to carry out the on-site observations in one of the consulting projects of his company. My gratitude also goes to a consultant manager of the same company and the business development director of the project's client company for both sacrificing their personal time, agreeing to repeated interviews during the hectic project period, as well as allowing me access to internal meetings. Without their support, I would not have been able to complete the four month long on-site case study. I am also indebted to many others who participated in my research, particularly those who helped me to gain access to private data and who helped me enlist other potential participants.

Thirdly, I am grateful to John Piggott, Anne Gordon and Chris Jackson from the Australian School of Business UNSW and Xiongwen Lu and Lei Huang from School of Management

Fudan University for their understanding and support in the completion of my Master's program. Also to Wayne and David, who counselled me and provided patient and insightful advice. My thanks are due to Mran-Maree as well, for her assistance in the final editing and proof reading of the thesis drafts.

I also want to thank my friends and colleagues. I feel lucky to have Tiana, Rachel, Zara, Selina, Jing and Christine and many other friends from Shalom College, for sticking with me through what seemed like a never-ending process, sharing my happiness and frustrations unconditionally. I also wish to acknowledge staff and fellow postgraduate students at the School of Organization and Management, in particular, Xiaobei Li, Yiqiong Li, Terry, Robyn and Yazmin for their friendship and entertaining conversations.

Last but not least, I'd like to take this opportunity to express my sincere gratitude to my parents, Xueqin Lin and Liquan Wang for their unfailing love. I'm indebted to them for allowing me to pursue my academic interests, even though it meant several long years apart from them. Without their understanding, tolerance and love, I would never have been the person I am today.

I take full responsibility for the contents of this thesis including any errors, omissions and interpretations.

Chapter 1

Introduction

Management consultants are important carriers of management knowledge (Abrahamson, 1991, Huczynski, 1993, Wright and Kitay, 2004, Williams, 2004). They have become a focus of research attention in studies on knowledge diffusion/expansion (e.g. Gill and Whittle, 1993, Abrahamson, 1996, Carson et al., 2000, Scarbrough, 2002) given the increasing importance of knowledge resources in economies (Kogut and Zander, 1993). There is also a growing body of literature discussing management consulting in its own right as a knowledge-intensive business and the development and dynamics of this special industry (see reviews in Fincham and Clark, 2002, Engwall and Kipping, 2002, Kipping, 2003). A noticeable trend in the development of the management consulting industry has been the rapid international expansion of consulting firms and the emergence of global management consultancies (Kipping, 1999, Pinault, 2000). During the process of developing their businesses on a global scale, consultancies play a significant role in promoting new managerial ideologies and models in their host countries, such as the introduction of the decentralized organization structure in Europe (Channon, 1973, Servan-Schreiber, 1968) and as proponents of the employee relations paradigm in Australia (Wright and Kitay, 2004). However, investigation of the role of management consultancies in diffusing management knowledge globally remains under-researched and limited to such specific examples.

In addition, the development of management consultancy has been uneven between countries (Kipping, 2003, Curnow, 2003), with the emergence and early development of the profession concentrated in developed industrialized countries (McKenna, 1995). Consultancies then followed the steps of internationalization of multinational corporation (MNC) clients to serve the latter's demand for a standard quality of consultancy services across countries (Kipping, 1999). When consultancies of Western origin entered developing economies, it is natural to assume that they would be inevitably faced with challenges resulting from different social, legal, economical and cultural settings. This leads to the question of the choice of operation

mode, which is a central consideration for multinational service providers (Lommelen and Matthyssens, 2004). Although there is a relatively rich history of research on multinational service companies (e.g. Boddewyn et al., 1986, Erramilli, 1991, Edvardsson et al., 1993, Roberts, 1999), again much less has been done with particular reference to global management consultancies in the area of international business.

Given the gaps in both management consultancy literature and transnational management literature, this thesis focuses on global management consultancies in developing countries to examine whether and to what extent the changed context impacts upon their global expansion and how the consultancies in turn might adapt their practices to suit the demands of the context, in particular in terms of the applicability of knowledge resources. Management consultancies are a promising area of research because of the unique characteristics of management which have strong implications for studies of multinational professional service firms. Unlike law and accountancy firms which have a relatively objective and functional body of professional knowledge, management consultancies rely heavily on intangible resources in winning clients (Clark, 1995) and reducing the uncertainties involved in the servicing process (Gluckler and Armbrüster, 2003). Managers resort to the service of management consultancies in the absence of alternative modes of knowledge diffusion and/or the need for legitimation and a sense of security in a rapidly changing, turbulent environment (Sturdy, 2004). Clark and Salaman (1998) suggest that management consultancy has the common characteristics of intangibility, interaction, heterogeneity and perishability. Similarly, Ernst and Kieser (2002) define intangibility, singularity and indeterminability as the three main characteristics of consultancy services. These characteristics create difficulties for the client to judge the value of the service prior to the purchase and assess the quality of the service delivered after the purchase (Clark, 1995, p.1-20). Clients therefore turn to subjective evaluations based on their perception of the quality of the consultant-client interaction (Ernst and Kieser, 2002, p.64, Wright and Kitay, 2002). Consequently, consultants strive to create and maintain a favourable image during the consulting process through acquiring a wide variety of symbols underpinned by mutually recognized values that 'legitimize their knowledge claims' (Fincham and Clark, 2001, p.7, see also, Clark, 1995, Henry, 2002). In some extreme cases, the consulting process is viewed as a constant process of identity construction through active management of the interaction

between the client and consultants (Clark and Salaman, 1998, Ernst and Kieser, 2002). Not only do consultants construct their own professional identities through the consulting process, they also offer an 'attractive conception of the role of managers which constitute the modern senior manager as a heroic, transformative leader' (Clark and Salaman, 1998, p.137).

These complexities involved in client-consultant relations therefore make knowledge capital the most significant competitive asset for a consulting firm (Werr and Stjernberg, 2003, Sarvary, 1999). However, knowledge is bound by the task context it is derived from and applied to (Haas and Hansen, 2005). In other words, it is natural to assume that management ideas and techniques that are applicable to organizations of certain structures in certain market and industrial conditions would not always be as useful once the structure and/or conditions change. Interpreting this argument within the context of management consulting, first, from a knowledge diffusion perspective, it is questionable whether the 'best practices' that global management consultancies have found in Western countries will be applicable to the contexts of developing and non-Western settings. Consequently, if such a limitation exists, it will prohibit the expansion of international consulting firms into new markets. Second, from a multinational management perspective, utilization of knowledge resources is a primary source of competitive advantage for international companies, in particular knowledge-intensive firms (Kogut and Zander, 1992). However, the need for adaptation of organizational practices to fit with the local context increases as the contextual differences between the origin and destination countries increases, and the adaptation in turn makes it difficult for cross-border knowledge transfer within the firm (Jensen and Szulanski, 2004). In summary, global management consultancies face difficulties and challenges in both external and internal knowledge diffusion when expanding into markets of significantly different contexts. Externally they may find it an issue regarding local acceptance of the knowledge which they wish to introduce to the clients, while internally they may encounter problems in diffusing their global expertise into a locally competitive practice.

This thesis focuses on the diffusion of global management consultancies in China. China is seen by many observers as a very different market from that of North America, Europe or Australia. In general, historical factors have contributed to the shaping of a complex institutional and cultural context which challenges Western norms of complexity reduction

(Boisot and Child, 1999). The distinctiveness of the Chinese consulting market is also reflected in its relatively early stage of development. For instance, observers note the lack of consulting expertise, the difficulty in finding suitably qualified staff; the need to educate clients of the value of consulting expenditure, thin margins, and the significant investment that new entrants require in order to succeed in this economy. This thesis focuses on how global management consultancies leverage their knowledge resources as a source of competitive advantage in order to deal with the complex market characteristics of China. The key issues of interests are: (i) how such a different context shapes the knowledge related strategies of multinational consulting firms, and (ii) how international consulting firms manage knowledge – a key resource for competitive advantage – and move this resource to their Chinese operations.

The thesis is structured as follows. In the next chapter, the literature on consultancy is reviewed with a focus on the global diffusion of consultancy as a business activity. Despite the increasing academic focus on management consulting, the vast majority of research has focused on advanced economies and the United States and Western Europe in particular, with little attention directed to developing economies. With the expansion of the industry into emerging markets in regions such as Asia, East Europe and Latin America, management consultancies are exposed to new challenges associated with cross-boundaries service operations which are under theorized in the current literature. Existing research on the global diffusion of consultancy has been mainly investigated by Kipping (1999, 2002a, 2002b, 2003). Based on his arguments regarding the global diffusion of consultancies as businesses, Chapter 3 of the thesis explores how the unique context of China might affect consultancy expansion and the applicability of 'western' management knowledge. Potentially the chapter suggests there may be a trade-off for international consulting firms operating in the country to either adapt their practices to suit the demands of the local market, or to stick to their global standards. With this question in mind, a conceptual framework is proposed composed of three hierarchical levels of study at the industry, firm and project level. The chapter explains the object of study at each level and the corresponding research methods that are used. Overall this thesis uses a qualitative research method based on empirical evidence collected from field investigations in China, which included extensive interviews and participant observation of consulting projects in action. The last section of Chapter 3 thus

explains the process of the field investigation and how the qualitative data was collected and analysed.

The ensuing four chapters are then devoted to describing the findings from the empirical investigation, following the structure of industry, firm and project level. Chapter 4 starts with a historical review of the development of management consulting in China with a special focus on the entry and expansion of international consulting firms. It suggests that professional management consulting services did not exist in China until a few large, global consultancies entered the market during the 1990s against the background of a rapid influx of foreign direct investment (FDI). By reviewing the evolution of the Chinese management consulting market, key characteristics of the market are revealed.

Chapter 5 uses specific examples to describe how the international consulting companies have marketed themselves to local clients and established a reputation for consulting services. Due to the knowledge-intensive nature of consulting, the research finds Western consultancies have made use of their ability to import knowledge assets and so-called 'best practice' to build their reputations and gain client recognition. Two areas are highlighted in this regard – firstly, the development of specialist knowledge research units within their Chinese operations, and secondly an emphasis on networking and publicity.

Chapter 6 focuses on the internal capability development of global management consultancy in China. Internal capability here refers to the management and development of human resources within the consulting company given the centrality of employees in the delivery of services and the development of client relationships (Starbuck, 1992, Kipping, 2002b). The practice of specific consulting firms is examined in this chapter to review the firm level characteristics of global management consultancy in China. The three sections of the chapter respectively describe how the international consulting firms have recruited and trained new consultants, assigned expatriate consultants to Chinese operations, as well as nurtured desired corporate cultures as an important means of management control (Grugulis et al., 2000).

Chapter 7 describes a consulting project undertaken by an international consulting firm in China focussing on the consulting staffs' interaction with the managers and workers of the client organization. This chapter examines the extent to which global management consultancies adapt their consulting expertise at the project level during the client-consultant relationship. The chapter identifies extensive use of standard templates and the application of codified knowledge which has advantages for both consultants and client managers, despite the evidence of a few forms of adaptation.

The last chapter of the thesis offers a comprehensive discussion combining the empirical findings from Chapters 4, 5, 6 and 7. This chapter concludes the analysis and suggests several implications that flow from this study for future academic research as well as for practitioner consultants in the field.

Chapter 2

Literature Review

2.1 Introduction

Management consultancies have undergone significant development during the twentieth century and experienced particularly rapid growth over the past two decades (McKenna, 1995, Kipping, 2002a). The content of the managerial function has been greatly enriched and expanded thanks to the explosion of management knowledge. Managers nowadays not only play the very initial role of supervising workers, but also controlling the operation of the overall organization and planning for future market and technological changes, which in turn creates a constant demand for new management knowledge (Sahlin-Andersson and Engwall, 2002, p.5). Management consultants are an important external source of management knowledge, together with business academics, gurus, the media and publishers (Abrahamson, 1996, Huczynski, 1993a, Micklethwaite and Wooldridge, 1996, Clark and Greatbatch, 2002). Their services include diagnosis of organizational problems and the refinement of organizational routines through often radical organizational transformation which 'rejects the past, and reinvents the organization, its employees, their relationships, attitudes and behaviour' (Clark and Salaman, 1998, p.138). At the macro level, consultants are also perceived to act as links between sources of innovation and adopting organizations (Rogers, 2003, Bessant and Rush, 1995). They diffuse new management ideas and techniques across social, economic, cultural and national boundaries (Kipping, 1997, Faust, 2002, Wright and Kitay, 2004). As a result of the rapid development of the consultancy industry and its growing importance in the economy, there is a burgeoning body of academic literature examining management consultancy from a range of conceptual and empirical perspectives. This chapter reviews some of this literature focussing in particular on the theme of consultancies as global agents of knowledge diffusion.

The chapter is organized in the following manner. Following this introduction, the second section of the chapter discusses evolving theories about the consultant-client relationship.

Central to this debate is the legitimacy of management consultancy and the value of its service to client organizations. The third section of the chapter then reviews the more macro-level discussion about the development of the consulting industry in relation to the expansion of management knowledge. Management consultancy is a knowledge-intensive business situated in the 'knowledge management industry' (Engwall and Kipping, 2002, p.5) that produces and disseminates management knowledge. The consultancy industry has developed not only in terms of size and service scope but also in its geographical coverage. The fourth section of the chapter then draws attention to the diffusion of management consultancy in different national contexts, which has direct implications for the formation of the research question of this thesis. This chapter concludes by providing a summary of the research gaps in the existent literature.

2.2 Evolving Views on the Consultant-Client Relationship

Literature about the consultant-client relationship can be roughly divided into three phases of development (Fincham, 1999, Fincham and Clark, 2002). Early literature adopted a largely prescriptive approach and identified effective consulting techniques for improving consultant interventions. In the 1990s, a more critical view emerged questioning the efficacy of consulting advice and the powerful persuasive strategies used by consultants on their clients (Alvesson, 1993, Clark, 1995, Clark and Salaman, 1998, Craig, 2005, O'Shea and Madigan, 1997). However, this critical view has been criticised for its neglect of context and clients as potential constraints on consultancy work. For example, some scholars have suggested that in addition to the fear and uncertainty client managers may face, management consultants also experience great insecurities and uncertainties about their professional identities and work (Sturdy, 1997). This has led more recent studies about management consultancy to combine the perspectives of the previous research and propose a contingent model of the consultant-client relationship. In this section, the three streams of literature are reviewed.

The prescriptive literature appeared during the 1960s and 1970s in the field of Organizational Development (OD) which studies theories and techniques of optimizing organizational structures and practices (Beckhard, 1969, French and Bell, 1972, French et al., 1978, Burke, 1977). Researchers holding this normative view sought to provide theoretical and practical

prescriptions to consulting practitioners in order to increase the effectiveness of consultant interventions (Argyris, 1970, Hagedorn, 1955, Schein, 1978, Blake and Mouton, 1983). Within this literature, management consultants are positively defined as impartial and professional external advisers to companies.

In contrast, later literature tended to view the role of consultants in a more critical fashion and doubt the legitimacy and value of consulting services (e.g. Gill and Whittle, 1993, O'Shea and Madigan, 1997, Pinault, 2000). Central to this debate is the question of whether consultants deliver real management competence or whether they simply create the impression of doing this by manipulating symbolic resources relating to client perceptions of the service delivered (Clark, 1995). The rapid growth in management consulting services is interpreted as a function of the superior marketing techniques on the part of consultants and the psychodynamics of managerial insecurity on the part of client managers (Gill and Whittle, 1993). Researchers holding this view argue that consultants are able to provide psychological legitimacy because the quality and effects of consultancy work is almost impossible to evaluate (Clark, 1995). The lack of the physical existence of consulting knowledge makes each consulting process subject to the personal discretion of the consultants assigned to a particular consulting project (Ernst and Kieser, 2002, p.64-65). Thus, studies in this literature group focus on the rhetorical strategies employed by consultants to convince clients of the quality and value of their service (Kieser, 1997, Berglund and Werr, 2000). Management consultancies are argued to rely heavily on symbolic and cognitive resources such as reputation and trust (Gluckler and Armbrüster, 2003), the brand of the firm and its contact networks (Kipping, 1999), and the qualities of employees (Alvesson, 1993), to create credibility for the consulting service.

However this emphasis upon the power of consultants to manage client impressions has been criticized for only emphasising the diffusion process and neglecting the inherent contextual constraints of consultancy work. For example, Sturdy (1997) criticises the notion of management consultants as powerful 'persuaders' and clients as passive recipients by arguing that this approach underplays the input of clients. He argues for an interactive approach in which the dissemination of ideas is seen as a joint process, and clients are seen as involved actors rather than purely audience members. In the same vein, Fincham (1999)

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refers to the heterogeneous nature of the consulting service - each assignment is individual and idiosyncratic and each consulting process is individually defined as the outcomes of collaboration between a particular combination of client and consultants. Therefore some researchers turn their research attention to the process of power exchange between the external consultants and the internal managers and workers during consulting intervention. For example, Gammelsæter (2002) believes that while consultants challenge the established norms and power structures of the inner context through recommending measures that will bring changes to organizational routines, they also face the constraints imposed by the inner context of the client organization which makes it difficult for them to translate their recommendations into concrete actions. In a similar vein, Kipping and Armbruster (2002) point to the 'burden of otherness' consultants face in the implementation of change in client settings, particularly the resistance from client managers and employees to consultant initiatives. The consultancy can be interpreted as an external identity to the client organization, and disruptive of its norms and routines. When facing resistance, consultants might need the aid of key client personnel to obtain the support of other organizational members (Kipping and Armbrüster, 2002). Internal sponsorship is likely to come from those who will be benefited by the changes or who cannot afford the risk of failure. For example, it is in the self interest of those who hire the consultants to claim that the intervention is a success because they are the ones who sponsored the allocation of funds for the consultants' fees (Schein, 1997).

Following the focus on the institutional contexts of consultancy work, Armbrüster and Kipping (2002b) explain the consultant-client tension by further concentrating on the different types of knowledge systems between the two parties. On the assumption that knowledge of organizational members as institutionally bound, they distinguish between the knowledge about the regulation of existing structures and procedures in a given organizational context (regulation-oriented knowledge) and the knowledge about the skills and methods of change applicable to a wide range of organizations which is specific to management consultancies (change-oriented knowledge of management consultancies) (Armbrüster and Kipping, 2002b, p.99). Regulation-oriented knowledge is tacit knowledge specific to the firm and individual experience and expertise (Blackler, 1995).

Change-oriented knowledge is the governing characteristic of consultancy knowledge, conveyed by consulting firms to individual consultants to complete the 'institutionalization of competence' – a process that facilitates the introduction and socialization of newly recruited consultants and increases the organizational component in the knowledge product sold to the client (Werr et al., 1997, p.303, cited in Armbrüster and Kipping, 2002b, p.100). In the consulting process, consultants introduce change-oriented knowledge into the client organization however they sometimes ignore the client's own regulation-oriented knowledge such as human processes in the client organization (Armbrüster and Kipping, 2002b, p.109). On such occasions, conflicts thus arise between the different knowledge systems of the consultant and client (Armbrüster and Kipping, 2002b, p.102). This argument rejects the accusation of consultancy malpractices and manifests the 'otherness' burden of consultants from a knowledge-based perspective. At the strategic level, consultants might confront resistance from client employees when the change-oriented knowledge they carry is not, in the opinion of the employees, for the latter's benefits but rather for senior managers of the company who hire the consultants and pay for their services (Kipping and Armbrüster, 2002). At the operational level, the burden of otherness can result from the client employees' perception, that the consultants lack necessary sensitivity to the client's existent organizational routines as they are too eager to diffuse the new ideas and techniques of their own (Kipping and Armbrüster, 2002, p.206-207, p.220).

The debate on the consultant-client relationship reviewed so far has presented two paradigms that are apparently opposed - the one highlighting the power of the persuasive strategies of consultancies (namely critical view hereafter[1]) and the other view stressing the limits of the context of consultancy work. Ideas regarding the nature of management knowledge differ between the two views. The critical literature tends to treat such knowledge as a reified object that can be marketed, and client adoption of new management practices is largely influenced by the persuasive power of consultancy. Huczynski (1993b), for example, contends that consultants provide their clients with advice which has been abstracted from successful managerial activities. Managers are a passive audience of this knowledge who are

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[1] This terminology is defined in the article FINCHAM, R. 1999. The Consultant-Client Relationship: Critical Perspectives on the Management of Organizational Change. *Journal of Management Studies,* 36**,** 335-351.

pragmatists only concerned with usefulness (Morgan and Hampson, 1998, p.13). Even more critical researchers hold that consultancy work is the management of impressions because 'being perceived as knowledgeable is more important than being knowledgeable' (Clark and Salaman, 1998, p.148). However, although a positive relationship might lead to higher client satisfaction, it does not necessarily lead to actual efficiency benefits for the client organization as some consultancy techniques require a confrontation with client managerial systems in order to attain the desired goals (Ernst and Kieser, 2002, p.64).

By contrast, the structural literature approaches the topic of the nature of consultant knowledge by focussing on the consulting process. Researchers recognizing structural variations in the relationship tend to see knowledge as a social product jointly constructed during the consultation process (Sturdy, 1997). The 'otherness' of consultants enables them to use their skills and methods of change to articulate and transform the experience-based tacit knowledge of client employees, despite the risk of potential conflicts and resistance (Kipping and Armbrüster, 2002, p.206). Since these studies follow the sociological perspective of consultant and client interaction, their object of study is the social aspects of the consultation course (Lervik and Lunnan, 2004). Managers and consulting firms are seen as 'enmeshed in a mutualistic web' that produces the knowledge to be used by managers (Nohria and Eccles, 1998, p.297). Due to the social embeddedness of knowledge construction, successful consulting processes inevitably involve negotiation and adaptation of knowledge (Sturdy, 1997). More recent studies have called for an integrated perspective to combine the complementary insights from both perspectives. Fincham (1999, p.349) conceives of the consultant-client relation as 'open-ended and structurally symmetrical', one that can assume different forms of power structure subject to contingent factors such as the market power and the internal political process of the client, or the uncertainty of the management task. He uses two case studies exhibiting different power relations between the consultancy and client to argue that there is no certain fixed model of dominance or dependence in consultant-client relationships (Fincham, 1999).

The dynamic nature of the consultant-client relationship is reflected not only by its structural variations but also by the different scope of interaction between consultants and their clients in different types of consulting projects. Conventional 'expert' models of consulting delivers

the service by presenting paper reports and limits the consultancy contact to only the client manager who approach consultants for advice (Morris, 2000). Process consultation (Schein, 1988) expands the consultant-client interaction as it involves the collaboration of consultants and a larger range of client employees searching for customized solutions to organizational problems. The emergence of re-engineering and information technology (IT) forms of consultancy projects since the 1990s has promoted the trend for consultancies to directly participate in the execution of their change recommendations to clients (Morris, 2000). Clients increasingly demand operational solutions that follow on from the strategic transformations, even in purely strategic consulting engagements (Morris, 2000). They seek specialist expertise, in addition to generalist diagnosis, in clearly defined managerial areas such as Enterprise Resource Planning (ERP) implementation and customer relations management (CRM) (Czerniawska, 1999). To meet this change of client demand, conventional strategy consulting is often combined with operational level system implementation (Armbrüster and Kipping, 2002a) and offered as an integrated solution package by the dominant players – the consulting arms of large accounting firms and IT companies (Suddaby and Greenwood, 2001). In this model of consultancy, consultants spend an extended period of time at the client site, during which they interact directly with client managers and workers from various organizational levels (Morris, 2000). In extreme cases, consultants are assigned to the client organization on a long term basis and the organizational boundaries become blurred (Czarniawska and Mazza, 2003). The impact of consultant interventions increases along with their direct daily encounters at work within the client organization.

2.3 Management Consultancy and Knowledge Diffusion

The development of the consulting industry is closely tied to the proliferation of management knowledge. Knowledge is the major product of management consultancies, and the basis from which the other two products – legitimacy and certainty – are developed. Due to the significance of management knowledge for management consultancies, the evolution of management knowledge can be used to explain the development of the consulting industry (Crucini and Kipping, 2001, Kipping and Engwall, 2002). For example, Kipping (2002a) identifies three successive waves of management ideologies and the associated three generations of management consultancies over the past century. The first wave occurred

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during the 1920s and 1930s and was associated with the diffusion of scientific management by consultants who were production engineers specialising in shopfloor efficiency improvement. By contrast, the second wave in the development of the consulting industry during the post-war decades of the twentieth century was associated with the rise of corporate advisers such as McKinsey & Company which focused on issues of corporate structure and strategy. In the later third wave beginning in the late 1980s, the growing importance of information technology led to the emergence of consulting firms specialising in advising clients about IT implementation and optimising information networks. Consulting spin-offs of large IT companies and accounting firms seized the biggest market share in this wave by leveraging their accumulated experience of deploying enterprise information systems at an early stage (Suddaby and Greenwood, 2001). Kipping (2002a, 2002b) proposes that new types of management consultancies emerged after a fundamental paradigm shift in management knowledge because when the majority of managers changed their managerial concerns, the once prominent consultancies became least capable of addressing emerging managerial issues. This lock-in effect occurred because established firms found it difficult to change the skill profiles of their consultants, the senior-to-junior (leverage) ratio, and the reputation associated with the previous wave of management knowledge within a changed market environment.

A variety of researchers have stressed how the expansion of management consultancies also contributes to the spread of management knowledge (Huczynski, 1993b, Abrahamson, 1996, Sahlin-Andersson and Engwall, 2002, Clark, 2004). Sahlin-Andersson and Engwall (2002) suggest that the increasing isomorphism among companies across different industries (Dimaggio and Powell, 1983), can be explained by the easier access to management knowledge which is enabled by the emergence of the 'knowledge management industry' within which a group of individuals and organizations contextualize, package and circulate new managerial ideas and techniques. The notion of the 'knowledge management industry' and its relationship to the cyclical and transitory nature of management knowledge has also been associated with the process of management fashion and fads (Gill and Whittle, 1993, Huczynski, 1993a, Abrahamson, 1996, Scarbrough and Swan, 2001, Clark and Greatbatch, 2002, Clark, 2004, Williams, 2004). Management fashions are seen as cultural commodities deliberately produced by actors in the management knowledge industry to be marketed to

fashion followers (Abrahamson, 1996). Management consultants are cited as a major agent in disseminating these management fashions, together with management gurus, business academics and the print media (Scarbrough, 2002). Abrahamson (1996) uses a phase model to explain the course of a management fashion. First, 'knowledge entrepreneurs' in the management knowledge industry detect managers' collective preferences for new management ideas and techniques. They select certain management models and develop persuasive rhetoric to rationalize the selected management models and package them as the latest best practice. The 'knowledge entrepreneurs' disseminate such rhetoric back to managers. These ideas may or may not become a fashion depending on the fashion setters' capability to capture the psychology and changing preferences of fashion followers. The phase model displays the overall course of management fashion diffusion. Other researchers offer particular accounts about the role of management consultants in the diffusion process. Huczynski (1993a) describes management consultants as the primary suppliers of quick-fix managerial solutions offering managers relief from the pressure of doing the research themselves. Clark and Greatbatch (2002, p.129) view consultants as the secondary suppliers mediating knowledge diffusion from management gurus to managers - consultants are the initial audiences of newly published ideas of gurus; they then re-articulate these ideas according to 'presentational conventions within their own domain' and spread the re-articulated knowledge to management fashion consumers. Management consultants together with management gurus are argued to have exceeded business academics in leading contemporary understandings of organizational ideals (Spell, 1999). Micklethwaite and Wooldrige (1996) suggest that collaboration between various knowledge actors leads to mutual benefits. They found that a number of consulting firms use business publications and public presentations to market their services. Faust (2002) supports this view by suggesting how consultants cooperate with the mass media in establishing their reputation as the knowledge experts at the management knowledge forefront.

To complement the exclusive focus on fashion setters in the previous literature, more recent research of management fashion has started to look at the role of managers as fashion followers. Williams (2004) recognizes the collaborative role of consultants and managers in the evolution of management ideas – on one side managers experience the anxieties of catching up with changes in the managerial field and send off subtle signals of demand for

new knowledge to be immediately received by sensitive consultants and other fashion setters. On the other side consultants continuously produce 'new' concepts and techniques to sustain the industry's growth. This continual production speeds up the succession of management knowledge and aggravates the anxieties of managers leading to their more frequent demand for new knowledge. However, managers hold the ultimate power to decide which ideas are to be broadly commoditized and diffused, although consultants can exert certain influence by using consulting rhetoric to limit what managers see, 'destabilising' managers and generating problems through the creation of solutions (Williams, 2004, p.775-777).

The theories of management fashion and fads are closely related to the critical view of management consultancy which is reviewed in the second section of this chapter. The 'malleability' of management fads (Clark, 2004, p.302) enables the consultants to manipulate cognitive resources in the consulting process. To make such ideas into a fashion, consultants market these knowledge products across a range of organizational contexts, leading to the 'commoditization' of a new management idea and technique into a saleable form (Scarbrough, 2002, p.94), though the nature of the knowledge might be changed along the process. For instance, consulting knowledge of business process re-engineering (BPR) carries a mere resemblance to the original conception in academic papers (Clark, 2004, p.303). Thus, fashionable management ideas amenable to a variety of interpretations are usually ambiguous and vague (Kieser, 1997, Clark, 2004). Ambiguity produces 'interpretative viability' (Benders and van Veen, 2001), whereby management consultants can re-articulate new management models in accordance with their own hidden agendas (Morgan and Hampson, 1998) and translate the client's problem into a solution 'owned or within the orbit' of the consultants (Clark and Salaman, 1998, p.148). Management consultants carefully control the knowledge to be disseminated. They manipulate by providing anecdotal information, drawing attention away from any mention of statistical accountability of the knowledge, and discouraging decision makers from seeking alternative information (Huczynski, 1993a). Therefore, there are warnings that the intensive involvement of consultants in the commoditization of management knowledge raises the level of ambiguity (Scarbrough, 2002, p.94).

However, other writers have questioned the view of consultants as simply persuasive peddlers of fashions and suggested they may exhibit a high level of identification with the knowledge they spread. For example, Wright and Kitay (2004) criticize that the approach of viewing consultants simply as agents of diffusion in that it 'overemphasize[s] instrumental objectives' and 'implies a mechanical understanding of the diffusion process'. Through a case study of the adaptation of an American management model in the Australian business context, they find that consultants are inclined to believe what they diffuse - consultants adapt the knowledge to particular organizational and national contexts, and during the process are subjectively shaped by the knowledge they transfer (Wright and Kitay, 2004, p.273). Thus, a more appropriate metaphor for the role of consultants might be 'missionaries' 'spreading the word of a new managerial faith' (Sturdy and Gabriel, 2000, cited in Wright and Kitay, 2004). In this light, it is clear that the adaptation of knowledge to the individual client organizational routines not only occurs during the negotiations between consultants and clients, but also within the consultancy itself.

In summary, the development of the consultancy industry and the spread of management knowledge mutually influence each other. Consultants are given such titles as knowledge brokers, missionaries and conduits of popular management ideas (Hargadon, 1998, Morris, 2000, p.136, Bessant and Rush, 1995, all cited in Wright and Kitay, 2004). As a result they can be seen to be influenced and shaped by the knowledge they disseminate. However, knowledge is institutionally bounded by not only the organizational environment but also the broader social, economic and cultural contexts it is situated in. Given the centrality of knowledge for management consultancy, once the knowledge is transferred across national borders, it is unsurprising that management consultancies are likely to face new complexities that result from the different national contexts. The next section reviews the limited existent research about the diffusion of management consultancy into different national and cultural contexts.

2.4 Diffusion of Management Consultancy across National Borders

Management consultancy as a relatively new service profession has seen a worldwide growth, diffused from its origins in the United States to many other developed and developing countries (Kipping, 2003). Among the limited research that has focused on the diffusion of

management consultancy, Matthias Kipping is the most prolific researcher in the area with studies involving countries such as the U.K., Germany, France and Japan (Kipping, 1996, 1997, 1999, 2002b, Kipping et al., 2003). Due to America's prominence in the development of new management knowledge, service providers of American origin also dominate the worldwide consulting industry and represent public perception of the industry (Kipping et al., 2003). The US was the first country to have professional firms offering management consulting services and American consulting firms started their international expansion in the similarly developed Western Europe (Kipping, 1999).

Table 2.1 summarises Kipping's findings about the entry and development of American consultancies in Western Europe during 1920 to 1960 as the result of the interplay between the changes in macro business environments and the ability of consultancies themselves to shape market demand (Kipping, 1999). Kipping finds that American consulting firms had followed their domestic multinational clients into the new European markets in order to serve the client's demand for consulting services of the same quality as they received in their home country (Kipping, 1996, Kipping, 1999). While American multinationals led American consultancies into new markets, local industrial conditions influenced the growth of management consultancy at the aggregate level in certain countries. For example, in the case of Japan, alternative modes of knowledge diffusion, including local professional associations, internal think tanks of local companies, and the national business education system, had worked more effectively and were less costly than the use of foreign management consultancy and therefore greatly delayed the introduction of consultancy in the Japanese economy (Kipping, 2002b). Similarly in Germany, international consulting firms, mostly of American origin, had to deal with the concerns among employees and trade unions over loss of employment that might result from their intervention and were similarly delayed by alternative sources of management knowledge diffusion such as professional associations (Kipping, 1996, Kipping et al., 2003, p.33).

While the general economic and industrial factors can limit or encourage the emergence of consulting, researchers have found that it is also up to the ability of the consulting firms to create market demand for consultancy services (Kipping, 1999, Wright, 2000). Both reasons have been responsible for the changing nature of the consulting industry over time and

between countries. In the case of Australia, successful local consultancies continuously sought out new managerial ideas and practice from overseas and then promoted their ability to promote new services through personal connections (Wright, 2000). In Western Europe, there were several key strategies that had contributed to the American consultancy, McKinsey & Company's successful expansion (Kipping, 1999, McKenna, 2006). These strategies included, creating connections with local members of industrial and social elites, cooperating with local business education institutions to provide a source of graduate employees and future alumni networks, and promoting the 'one firm' principle to maintain the internal cohesion of its multinational corporation (for the definition of the 'one firm' firm see Maister, 1985). In particular, the 'one firm' approach is McKinsey & Company's answer to the challenges that came with its geographical expansion. McKinsey & Company enforced identical managerial approach across all of its national offices. For example, the firm only hired consultants from top business schools and held regular internal meetings and training sessions to coordinate the geographically dispersed offices. Beyond McKinsey, American consultancies in general have realized the benefits of economies of scale brought by standardisation. To achieve this goal, they have adopted the networked structure of organization composed of units of so-called practice areas and used advanced information technology to facilitate the standardisation of consulting approaches across the practice areas (Kipping et al., 2003, p.27). Meanwhile, McKinsey & Company's success in Europe highlights the necessity of exploiting invisible assets, such as reputation and networks, for consultancies aspired to expand into foreign markets. In Western Europe, McKinsey & Company strived to establish local relational networks with local elites and through former consultants of the firm taking up managerial positions in local industries (Kipping, 1999). The firm also benefited much from its growing high profile European client list which included big names such as Royal Dutch Shell Oil, Bank of England, and France's largest private corporation Rhone-Poulenc (McKenna, 2006).

Table 2.1 American Management Consultancy Expansion in Western Europe during 1920 -1960

Period	1920 – 1930	1930 – 1950	1950 – 1960
Historical context	The demand of many European companies for higher labour productivity and lower production costs in post Great Depression; Increased U.S. economic influence and expansion of American multinational companies into Western Europe, especially in automobile and oil refining sector.	The approaches to productivity enhancement developed in the U.S.A. had become well-known and copied; The U.S. Marshall Plan Administration did not prefer to employ consultants (counter-factor); Social and political turmoil resulting from World War II	Increased company size, increased business diversification, growing competition; Lack of local source of new managerial expertise The image of American industry featured by possession of 'know-how' and an aura of professionalism; American multinational companies continued to expand into Western Europe during this period especially in sector of manufacturing and petroleum which are traditionally important users of consultancy services. European multinationals established business relationships with the U.S.
Product	Scientific Management	Efficiency enhancement	Organization and strategy (e.g. the M-form)
Expansion strategy	Products	Distinctive and innovative products; 'Hard sell'	Approaching local elites with extensive connections; Maintaining the firm's internal cohesion
Success	Quite successful	Limited success; the market was dominated by local players	'Gold Time'
Representative company	The Bedaux System	[Exceptions: Maynard, May]	McKinsey & Co., Arthur D Little, Booz Allen & Hamilton

Sources: Derived from KIPPING, M. (1999) American management consulting companies in Western Europe, 1920-1990: Products, reputation, and relationships. *Business History Review;* 73**,** 190.

Along with their business expansion, consulting firms played a significant role in promoting new managerial ideas and technique in their host countries. For example, American consultancies introduced and popularized the multidivisional organizational structure in Europe (McKenna, 2006, see also Channon, 1973, Servan-Schreiber, 1968); Australian consultancy companies were also active mediators between latest management thinking and techniques developed overseas and local companies (Wright, 2000). Kipping (2003) suggests that in European countries, there are strong indications that the large international consulting firms, mostly of American origin, promoted the homogenisation of American management practices across national borders, mainly through servicing large international and national companies in the host countries, although there are also some countervailing powers towards convergence including the existence of small national consultancies and their large absolute numbers.

Kipping has also researched the interaction between global and local consultancies. Crucini and Kipping (2001) conducted an empirical study of local consultancies in Italy and concluded that small, locally based consultancies are 'homogenizing agents' of local management practices helping disseminating the management models generated by large global consultancies. They assert that in today's increasingly globalized economy, small local consultancies often play the role of 'translators' interpreting the indecipherable, uninformative consulting terminology developed elsewhere into an understandable format for local companies. However, the translation process involves only the adaptation of languages and presentation of the knowledge while the content of the knowledge is argued to remain unchanged.

2.5 Conclusion

The expansion of the consulting industry has contributed to growing academic interest in the area and has led to debates about the role and identity of management consultants. In the second section of this chapter, different views of the consultant and client relationship were reviewed. Earlier prescriptive literature recognizes consultants as possessing a useful body of knowledge and gives prescriptions for the improvement of consulting interventions. By contrast, later critical writers on consultancy suspect the legitimacy of consultancy knowledge, and argue that the intangible nature of management knowledge makes it difficult

for clients to assess the value and quality of the consulting services. Indeed, some writers in this tradition suggest such intangibility enables consultancies to control and impose their deliberately constructed identity of 'knowledge expert' on the client (Kieser, 1997). In counterpoint to the critical notion that management consultancies operate as powerful systems of persuasion, the structuralist literature holds that the difficulty in quality assessment creates great uncertainty and insecurity for not only client managers but for consultants themselves as well (Sturdy, 1997). Where objective evaluation methods are unavailable, management consultants are faced with the risk of identity recognition and therefore relationship management aimed at creating favourable client perception becomes necessary to inform the client of the value and quality of the service delivered. Most recent studies acknowledge both the marketing strategies of consultants and the structural insecurity experienced by consultants, and propose that consultant-client relationships in fact has no fixed structure and hence their interdependencies are contingent (Fincham, 1999). Hence, there are situations in which consultants can exert powerfully persuasive strategies on clients, and situations in which their relationship is subject to broad organizational and political conditions beyond the consultants' control. It is therefore important to look at both the consultancy process as well as the limitations imposed by the contexts in which the process is situated. For example, communication difficulties in the consultant-client interaction are suggested to be the inevitable product of the clash between different organizational logics (Armbrüster and Kipping, 2002b, p.103-110). To overcome communication barriers, consulting businesses need to carefully consider the choice of change methods as well as the influence of broader contexts.

The third section of this chapter reviewed discussions about the mutual influence between the development of the consulting industry and the expansion of management knowledge. The evolution of management consultancy has been nurtured by changes in the development of management knowledge. The paradigm shifts in managerial ideologies created constant demand for new management knowledge leading to the prosperity and diversification of the consultancy industry. On the other hand, management consultancy contributes to the fashion setting of new management ideologies. Consultants have been depicted as 'fashion setters', continuously creating waves of managerial fads which enabled them to market pre-packaged

knowledge products to managers on a long term base. They were also believed to have their own faith in the business practice they spread.

The fourth section of the chapter drew attention to the diffusion of management consultancy across national borders, mainly reviewing Kipping's (1999, 2002b, 2003) research into the international expansion of American management consultancy. While the marketing strategies of these firms involved the infiltration of the local community, the central spirit of multinational consultancies is to maintain a strong internal cohesion among geographically dispersed businesses.

Studies reviewed so far rely on a narrow source of information, including citation analyses, published reports and post hoc accounts from interviews. More empirical research is needed to explore whether current understanding of the global diffusion of management consultancy applies in different consultancy contexts. The extant literature has also ignored the diversity of management consultancy. Large service providers in the United States and other developed western industrial countries (Engwall and Kipping, 2002, p.2) have been used as representative of the overall consulting industry by most researchers. Small and medium sized service providers are less investigated. So are the management consultancies outside of the western context. So far Kipping has been the most prolific writer on the development of management consultancy in different national contexts, with his studies involving countries including the UK, Germany, France and Japan (Kipping, 1996, Kipping, 1997, Kipping, 1999, Kipping, 2002b). There are a few other studies of the consultancy industry in certain European countries (Faliva and Pennarola, 1992, Henry, 1993, Ferguson, 2002) and Australia (Wright, 2000, Wright and Kitay, 2004). However, the focus has rarely extended beyond these developed industrial countries with a few exceptions (e.g. Wright and Kwon, 2006). The important difference of social, economic and cultural settings in non-western countries are likely to present western management consultancies with new and unfamiliar contradictions and constraints. The study of management consultancy outside of the western context should contribute insights not only to the literature on management consultancy but also to the broader area of research in knowledge transfer, knowledge management, client relationship management and multinational corporations.

Chapter 3

Conceptual Framework and Research Methodology

3.1 Conceptual Framework

Despite the increasing academic attention directed to management consultancy, researchers have focused almost exclusively on developed economies such as the North America Europe and Australia (Engwall and Kipping, 2002, p.2). This focus is understandable as management consultancy originated in western countries and has had a century long history of development in these settings. Correspondingly, despite a few exceptions (e.g. Wright and Kwon, 2006) studies of management consultancy have taken a closed-system attitude, largely ignoring variance in broader contexts. In contrast to this lack of academic interest, overseas markets such as China, India and the Middle East are witnessing significant consulting growth, in contrast to recent contractions in western settings (Kennedy-Information, 2009). In these newly-industrialising countries, management consultancies have already started to serve an important role in the local economy. In their expansion into these emerging markets, management consultancies are exposed to high risks and great challenges associated with contextual differences. Problems and difficulties quickly appear largely due to different institutional and industrial circumstances. Since the ability to expand and survive in these markets is likely to become a core part of the company's global competence, more academic attention is required. It is a promising area for researchers for the following reasons. Firstly, although there is plenty of research dedicated to the issues around transnational management, few of these studies solely focus on knowledge-intensive service firms in developing economies. This gap of research interest is prominent given the ever growing importance of knowledge-based industries in the global economy (Blackler, 1995, Teece, 1998). Management consultancy is a typical type of knowledge industry, underpinned by the frequent use of consultants as examples in a number of past studies about service industries or knowledge intensive firms (e.g. Hansen et al., 1999, Morris, 2001, Haas and Hansen, 2005). Thus research about management consultancy has strong implications for knowledge based industries overall. Secondly, when management

consultants internationalize their businesses, they simultaneously diffuse the content of their service – management knowledge - to a global audience. Therefore studies about international management consultancies in different contexts not only contribute to the research in the field of multinational corporations but also provide an alternative approach to examine the issues around international knowledge transfer.

Given the gap in the current literature, this thesis draws attention to the situation of international management consultancies in one of the most significant emerging markets – China. Previous studies of the expansion of management consulting in other parts of the world highlight the possibility of managerial scepticism and resistance to consulting where cultures and institutions have developed different traditions of knowledge exchange and organizational learning (Kipping, 1997, Kipping, 2002b, Wright and Kwon, 2006). This leads to the question of whether the Chinese context poses similar limits to the expansion of western consultancies and the applicability of western management knowledge to local companies. Following the contingent view of the consultant-client relationship that stresses both the importance of consultant strategies and the context of consultancy work (Fincham, 1999), this thesis examines the interaction between the unique market and industrial conditions of China and the knowledge-related strategies of global management consultancies doing business there. In particular, it looks at whether the Chinese context inhibits consultancy expansion, and how the international consulting firms manage knowledge – a key resource for competitive advantage – and move this resource to China in terms of both internal operations and external client relations. This research question arises because the Chinese market economy, being at an early stage of development, demonstrates distinctive characteristics that differ from those in western countries. In China, management consulting firms have existed for only slightly over two decades, and practitioner accounts suggest the market for consulting services is relatively immature (Wong, 2001, Davis, 1997). A quick review of the few available articles about the Chinese consulting industry reveals at least the following characteristics. Firstly, there is an insufficient supply of qualified people with the skills and qualifications needed for jobs in multinational companies (Farrell and Grant, 2005, Dyer, 2006). Secondly, Chinese companies are less familiar with the concept of professional management service than their Western counterparts so that the consulting firms have to invest first to educate and shape the market (Schlevogt, 2000). Adding to this

complexity is the growing competitive pressures that Chinese companies face resulting from the country's deregulation of its economy and accession to the World Trade Organization (WTO). While the market potential for management consulting is huge and demand is rapidly increasing (Roberts et al., 1997), observers note how Chinese clients have proved to be 'a very demanding set of customers'(Dolven, 2002). Thirdly, since the consulting market has recently developed, profit margins are thin compared to more mature markets in the western countries or even in other Asian countries (Trish, 2002). In such a context it appears imperative for international consulting firms to adjust their external and internal operations to align with local conditions (Schlevogt, 2000).

In order to achieve a comprehensive understanding of consultancy diffusion in China, the thesis studies a range of activities undertaken by global management consultancies in China, including how they perceive the Chinese market and the strategies they use to develop competitive advantage in this context, how they deal with the talent shortage, and how they handle relatively immature clients. In exploring these areas, the thesis is structured to provide a multi-level analysis of the broader market, firm and client relationship aspects of consultancy activities. Among the consulting literature, Engwall and Kipping (2002, p.3-4) offer a relatively complete framework for researching management consultancy. They suggest three major levels of analysis that are commonly seen within the consultancy literature, that is: industry, firm, and project in terms of the focus of research and unit of analysis. At the industry level, management consultancy faces the challenge of legitimizing its identity as a knowledge carrier, in competition as well as collaboration with other knowledge actors, and therefore knowledge is regarded as the product to sell to managers in search of external managerial expertise. Research at this level has focussed on the historical development of the consulting industry in different country settings, and highlighted how different social and institutional contexts have resulted in different patterns of development for management consulting (e.g. Kipping, 2002b, Ainamo and Tienari, 2002, Ferguson, 2002). At the firm level of analysis, knowledge is viewed as the critical assets of the consulting firm and the central concern is the production and processing of knowledge inside the firm (Werr, 2002). Here, researchers are interested in the knowledge management of consulting firms and how these strategies generate competitive advantage (e.g. Hansen et al., 1999, Werr and Stjernberg, 2003), and more recently, how the practice and strategies of

knowledge management are limited by firm's internal and external environments (e.g. Dunford, 2000, Haas and Hansen, 2005, Paik and Choi, 2005). Finally, at the project level of analysis, the relationship between consultants and clients is studied. For many critical scholars, the focus at this level of research has been about how consultants incorporate their knowledge into the client organizational routines and how they deal with possible reluctance and resistance from client employees during the process of change implementation (e.g. Werr et al., 1997, Kipping and Armbrüster, 2002). Therefore, knowledge is treated as the subject for consultants to diffuse into client organizations.

As outlined in Figure 3.1, this thesis adapts Engwall and Kipping's (2002) three-level structure, to develop a multi-level conceptual framework to study the diffusion of global management consultancies in China. Given the importance of knowledge as a key asset of consulting firms (Alvesson, 1993, Hansen et al., 1999), the thesis examines how the international consulting firms leverage their global knowledge resources in developing competitive advantages in China at all three levels of research. The analysis begins at the industry level with an investigation of the paths that global management consultancies have taken in entering the Chinese market. Given existing research has highlighted a 'follow-the-client' pattern of market entry for international consulting firms globalizing their operations (Kipping, 1996, 1999), it seems likely a similar situation may have occurred in the consultancy diffusion into China. However, once in China the broader diffusion of consultancy activities beyond existing clients suggests a range of potential marketing activities aimed at establishing their reputation and expanding their businesses on a long term base in the Chinese context. In particular, previous research has highlighted how foreign consultancies often strive to establish contacts with key political and industrial elites in order to build their legitimacy in local contexts (Kipping, 1999). Other writers have also stressed the 'social embeddedness' of client relations based upon 'networked reputation' and trust with clients (Gluckler and Armbrüster, 2003, Kitay and Wright, 2004). The thesis therefore gives special attention to these factors at this level of discussion in order to see whether and to what extent the same dynamics have worked in China. At the firm level, the thesis focuses on the internal management of the Chinese branches of the global consulting firms. Due to the centrality of human resources in management consultancy (Alvesson, 1995, Alvesson and Karreman, 2007, Maister, 1993, Ghoshal and Bartlett, 1999), this includes discussion of

the processes of internal knowledge transfer from western headquarters to the Chinese branch through the selection, training and staffing of these firms Chinese operations. Lastly, the thesis explores the interaction of global consultants and clients during a consulting project. The focus of analysis at this level is to explore the consulting methods used by international consulting firms in China, with particular reference to the application and the degree of adaptation of western management knowledge to the local context.

Figure 3.1 Conceptual Framework

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<u>Industry Level</u>

Unit of Analysis: Firm

Role of Knowledge: Product to market

Focus of Analysis: Market entry and business development

Type of Otherness: National/cultural externality and organizational externality

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<u>Firm Level</u>

Unit of Analysis: Employees

Role of Knowledge: Asset to utilize

Focus of Analysis: Internal capability development

Type of Otherness: National/cultural externality

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<div style="border:1px solid black; padding:10px;">

<u>Project Level</u>

Unit of Analysis: Project relationship

Role of Knowledge: Subject to diffuse

Focus of Analysis: Client interaction

Type of Otherness: National/cultural externality and organizational externality

</div>

Sources: Based on the analysis structure proposed by Engwall and Kipping (2002, p.3-4).

A central concern underpinning all three levels of analysis is the issue of the 'otherness' of western management consultants in the Chinese context. In addition to general organizational externality inherent in the consultant-client relationship (Kipping and Armbrüster, 2002), in the context of China, western consultancies face an extra dimension of otherness as they represent the foreign, western models of management they promote (Zaheer, 1995). This extra national and cultural boundary between western consultancies and Chinese companies is applicable at all three levels of analysis. Therefore at industry level, the thesis explores how western consultancies use their 'foreignness' to their advantage in winning Chinese businesses. At firm level, the localization of human resources is a central issue of interest. How 'global' the consulting firms want their locally employed consultants to be directly affects the selection criteria and training schemes that are used. Internationalization pioneers such as McKinsey & Company have long followed the 'one firm' principle that stresses global standardization for the benefit of easy internal coordination and consistency of service quality (Kipping, 1999). However, the cultural barriers between China and the western countries might result in communication obstacles and general scepticism about imported management knowledge. So the extent to which global consultancies have maintained their western 'norms' is a particular area of attention at this level of analysis. Lastly at project level, one would expect that the cultural 'otherness' of global consultancies might limit the degree of social embeddedness of their consultants in client engagements. Kitay and Wright (2003, 2004) have suggested that in large scale implementation projects, the formation of joint consultant-client project teams creates a level of social embeddedness in which consultants and client staff interact in partnership within the project team over long periods of time. This reduces the 'otherness' of the consultants and can provide a 'liminal' space within which knowledge transfer is improved (Czarniawska and Mazza, 2003). However, in the Chinese context, such benefits might be limited by such factors as knowledge asymmetry between consultants and client staff (Gallouj, 1997) and the obvious cross-cultural issues that might arise in this regard for Western consultants.

3.2 Research Strategy

Based on the multi-level conceptual framework outlined above, different methods of data collection were deployed at the three levels of investigation. At the industry level, a

combination of document analysis and interviews were used to obtain a relatively complete picture of when and how the global management consultancies entered the Chinese market and subsequently established their market positions. While reviews of academic and business media publications provided an overview of the activities of international consulting firms in China in different development stages, interviews with industrial experts added further details and personal insights regarding the entry and early development of western consultancies in this new market.

At the firm and project level of investigation, since the research was directed more towards 'how' and 'why' type questions, a case study method was used. The strategies and practices of global consultancies in China could not possibly be studied by conducting experiments because neither the consultancy nor the client project could be controlled by the researcher. The case study as a research method is able to 'investigate a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident', and 'benefit from the prior development of theoretical propositions to guide data collection and analysis' (Yin, 2003, p.13). Using multiple sources of evidence (such as documents, archival records, interviews, direct observation, and physical artefacts) is able to increase the validity and reliability of case studies (Yin, 2003).

In answering the firm level research question about the management of global consultancies' internal marketing and human resource capabilities, two international consulting firms were selected as case study subjects in order to provide comparative data. Interviews were the main method for collecting data in each case, albeit supplemented by selected internal documents of the two firms when available. A range of managers and employees from within both consulting firms were interviewed to provide accounts of the company's practice in consultant selection and training and knowledge transfer as well as their personal opinions of such practices. The researcher was also granted access to a range of internal documents of the two firms as a means of elaborating on insights developed from the interviews.

At the project level of investigation, participant observation was the primary method of data collection. Here, the participant observer was 'immersed in a group for an extended period of time observing behaviour listening to what is said in conversations both between others and

with the field-worker, and asking questions' (Bryman, 2004, p.292). The ethnographic approach can retain the rich details of the phenomenon as well as the contextual conditions (Bryman, 2004, p.292-293). To develop a comprehensive understanding of the consultant-client interaction during the consulting process, a consulting project was investigated. The project was specially selected among the client assignments undertaken by one of the two consulting firms that were also the source of case studies at the firm level of research. This selection allowed for a level of connectivity between the firm and project levels of the study. Since participant observation involves an understanding of the culture of the community being studied, and the researcher is required to view the behaviour of the subject of study within the context of that culture, at the project level of investigation the plan was to 'get involved in as many aspects of life there as possible from attending' (Bryman, 2004, p.293-301). Information came from multiple sources including direct observation, interviews and the collection of documents. The short timeframe available (4 months) and the tightly-defined topic meant that rather than a full ethnography, this third part of the study is more a 'micro-ethnography' suitable for a Masters level degree thesis (Bryman, 2004, p.293).

3.3 Investigation and Data Analysis

In actual execution, the investigation was phased in two stages. The first round of data collection occurred from December 2005 to February 2006. Nineteen interviews (see the list in Table 3.2) were conducted with consultants and industry experts from four international consulting firms (coded MCA, MCB, MCC and MCD), and three indigenous firms (coded LCE, LCF and LCG), located in the cities of Beijing and Shanghai in China. The interview respondents included eight managing directors/partners (top executives of the consulting firm), five consultant managers, and five consultants. Among them, five respondents were expatriate consultants from western countries such as Australia and the United States, and the remaining thirteen respondents were local Chinese. Three of the local respondents had an overseas education background (e.g. a US MBA degree). The interviews involved a semi-structured qualitative format. An interview schedule was used containing five open questions outlining the major issues of interest that emerged from the literature review. The questions covered the topic areas of the key characteristics of the Chinese consulting market, and the internal human resource and knowledge management strategies of the investigated

consulting firms (see Table 3.3). Given that the qualitative nature of the research relies on the respondents' narratives, the interview questions were designed in such a fashion that the respondents were given the opportunity to offer detailed accounts of their own experiences. The interviews were digitally recorded where permission was granted by the interviewees, otherwise full interview notes were kept by the researcher. These interview transcripts provided an extensive amount of detailed qualitative data on the perceptions of the consultants and the practices of the consulting firms. This data from the first stage investigation was then used to answer the research questions which related to the industry and firm levels of analysis (i.e. the entry of the global management consultancies into China and the development of internal knowledge capabilities). In particular, two multinational consulting firms, MCA and MCB, were selected to be the subjects of case study for the firm level research. The two case study firms were leading global management consulting companies and provided a full range of consulting services from advising on business strategy, to operational efficiency, information technology and business process outsourcing. Both were large institutions (with over 1000 employees in their Chinese branch) and with headquarters based in the U.S.A. Both firms served local Chinese as well as multinational clients. This initial phase of investigation laid the foundations for the future ethnographic fieldwork as it provided the researcher with a sensible understanding of the phenomenon that was largely absent from academic literature and was often distorted or exaggerated in the business press.

Table 3.2 First Stage Research Interview Subjects (Consultants)

Interview Number[2]	Interviewee's Job Title	Company	Location	Date	Nationality
B1	Consultant Manager	MCB	Shanghai	16-Dec-05	Taiwan
B2	Senior Consultant	MCB	Shanghai	16-Dec-05	China
B3	Consultant	MCB	Urumqi	18-Dec-05	China
D4	Managing Director	MCD	Shanghai	21-Dec-05	China
B5	Senior Consultant	MCB	Beijing	20-Jan-06	China
B6	Consultant	MCB	Beijing	20-Jan-06	China

[2] Interview number is coded in the way that combines the company name of the interviewee (i.e. A, B, C, D, E, F, and G) and the sequence of the interviews being undertaken.

Interview Number[2]	Interviewee's Job Title	Company	Location	Date	Nationality
B7	Consultant Manager	MCB	Beijing	23-Jan-06	China
B8	Consultant	MCB	Beijing	21-Jan-06	China
C9	Senior Consultant	MCC	Shanghai	22-Feb-06	China
A10	HR Manager	MCA	Shanghai	2-Feb-06	U.S.A.
E11	Consultant Manager	LCE	Shanghai	11-Feb-06	China
B12	Associate Partner	MCB	Shanghai	20-Feb-06	U.S.A.
A13	Consultant Manager	MCA	Shanghai	20-Feb-06	China
A14	Partner	MCA	Shanghai	19-Feb-06	Australia
A15	Associate Partner	MCA	Beijing	25-Jan-06	U.S.A.
A16	Marketing Vice President	MCA	Melbourne	23-Sep-05	U.S.A.
F17	CEO	LCF	Shanghai	3-Feb-06	China
G18	Managing Director	LCG	Beijing	27-Jan-06	China
E19	Managing Director	LCE	Shanghai	11-Feb-06	China

Table 3.3 the Semi-structured Interview Schedule (First Stage Research)

1. What is your educational and career background? How did you became a consultant and join the firm?
2. What are your perceptions of the Chinese consulting market?   - Please describe the main features of the market.   - If possible, tell me how the market has changed since you first joined. What do you think of the future of management consulting in China?   - Could you compare China with other countries you've worked in as a consultant? (This question is only for the respondents having professional experience outside China.)
3. What, in your opinion, are the main characteristics of Chinese clients? How do you perceive clients' attitudes towards you as a consultant from a foreign consulting firm?   - Could you provide some examples of your client interactions and relationships?   - Is it possible to compare Chinese clients with clients in western countries? What are the differences and similarities do you think? (This question is only for the respondents having professional experience outside China.)
4. What is your firm's competitive advantage compared to its major competitors?   - How successful has your firm been since starting operations in the Chinese market? (This question is only for the executive level informants)

- What are the key factors in winning clients and working in China? Is this different from your experience in western settings?
- Could you provide some examples of how you have sought to market your firm's services in China? (This question is only for the executive level informants)

5. What are the key methods your firm uses in managing knowledge assets in China?
- How do consultants in the firm learn the methodologies and 'tools' used in the firm's consulting work?
- Could you provide some examples of the training methods used in this organization?
- Is there a knowledge centre for your firm in China? If so, could you tell me more about it in relation to your own work?
- What do you think of the expatriate consultants that you've worked with? (This question is only for the Chinese local consultants.)

Due to the exploratory nature of the first stage of investigation, the interviews were fully transcribed, and the transcripts coded and categorized thematically. By examining the coding and categorization results, three areas emerged as central to the knowledge strategies of global management consultancies operating in China: (i) selection and training, (ii) expatriate consultants, and (iii) 'think-tanks' and publications. Analysis of the interview data suggested that these three areas were the most important venues for the diffusion of the international consulting firms' knowledge assets within their Chinese operations. These findings are outlined in detail in Chapters 5 and 6. Chapter 4 first lays a background for discussion in the following chapters by providing a description of the evolution of the Chinese consulting industry with a focus on the entry and development of foreign consulting firms in it. Against this market background, Chapter 5 then discusses the current marketing practices of the international consulting firms with the focus on their deployment of knowledge resources in marketing activities. Chapter 6 examines the international consulting firms' methods of recruitment and skill development of local consultants, and explores the role of western expatriate consultants in transferring knowledge as well as managing the Chinese operations.

The second stage of the actual investigation involved an in-depth case study of a client assignment of a global management consultancy in China. The case study provides an ethnographic account of the challenges in the consultant-client interaction. From April to August 2007 the author spent four months observing an ongoing consulting project in Beijing China. In ethnographic research, gaining access to private organizations is usually difficult involving 'some combination of strategic planning, hard work and dumb luck'

(Maanen and Kolb, 1985, p.11, cited in Bryman, 2004, p.296). After several failed attempts, the author succeeded in obtaining access to a consulting project through an interviewee from the first stage investigation. The contact was a partner from one of the previously investigated international consulting firms, MCA. The interviewee then played the role of a key informant who introduced the author to the project manager of a consulting project of his firm. The project manager agreed to allow the researcher to join the project and do the investigation on site. In return, the author worked as an intern for the consulting team. The internship position provided a good opportunity to conduct the participant observation of the consultants and their interaction with managers and employees of the client organization.

The client of the investigated consulting project was a leading telecommunication equipment manufacturer, PhoneCo (a pseudonym). Its product was mainly communication electronics with a recent addition of IT service. PhoneCo was one of the biggest manufacturers in the industry. However, in recent years, it had been gradually losing its market share to other competitors. This gave rise to the demand for a revision of the company's current sales and distribution strategies and associated operations. After careful study, the top management of PhoneCo concluded that a new sales management system was needed to better manage the sales data and improve its relationship with customers. Due to the limitation in internal resources, PhoneCo decided to employ external consultants to implement the new system and align the distribution and retail channels accordingly. From this angle, the project involved not only technical implementation of the new system but also the business process diagnosis and realignment, requiring a combination of strategic, operational and technology consulting. The organizational changes resulting from the project would influence more than 18,000 employees of the client company, as well as its external distributors and retailers. Following the project, broader transformations were expected in organizational structure and operational processes of the client company dependent on the effect of the new system. Thus the success of the project would decide whether PhoneCo would undertake further change programs and hence the continuing business for the service provider MCA. Detailed descriptions and analysis of this project are included in the discussion of the case study findings in Chapter 7. As part of the agreement with the informants, the author agreed to keep the confidentiality of people and organizations involved in this case study. Therefore,

all names of people, companies, products and events that appear in Chapters 7 of the thesis are pseudonyms.

The investigated consulting project is representative and revelatory, according to Yin's criteria of case selection (Yin, 2003, p.41-42). It is revelatory because very few studies have previously had the opportunity to investigate the real life interaction of a global management consulting firm in a non-western country setting despite the increasing prevalence and significance of the phenomenon. Both the client and the type of the project are representative. According to Kennedy Information, within the Asia Pacific region IT consulting occupies over 55 percent of revenue among all service lines (Kennedy-Information, 2009). The first stage of investigation also revealed that IT-enabled business transformations attract the largest share of consulting revenue in China, whether from multinational or local clients. For example, within MCA, ten out of twelve client cases in 2006 were IT related. Besides, large client accounts are critical for the survival of large global consulting firms like MCA in China because only large companies with significant resources are likely to hire higher priced international consulting firms. Therefore the case project is representative of the mainstream source of business for large international consulting firms in China.

In addition to being revelatory and representative, the project in question has two unique advantages as a case study. Firstly, the four-month project period is much shorter than the typical one to two years average for this type of project, making it a more feasible project for ethnographic fieldwork for a Master's thesis. Moreover, the consultants on this project worked full-time on the client premises due to the joint team arrangement, therefore allowing for the author to engage in direct observation of the consultant-client interaction; something that is often not possible in other types of consulting interventions.

To guide the process of data collection and ensure the investigation staying focused on the research question, a case guideline was developed. The guideline was formed on the basis of the conceptual framework of this thesis and included the following questions:
1. What are the reasons/motivations for engaging external consultants (i.e. why does the client use external consultants instead of in-house resources/expertise?)

2. Does the client treat the consultants as solely outside experts or are the consultants viewed as collaborative partners to co-develop organizational changes (i.e. what forms of boundaries exist within the client-consultant relationship)?

3. Does the client consciously seek to establish a long term relationship with the consultants?

4. What do the consultants and clients learn from each other? Who owns the co-produced knowledge?

5. What skills are more important for the success of the consulting engagement: technical skills, practical skills (e.g. communication, problem-solving) or industry knowledge?

6. To what extent do the consultants and client rely on each other in making decisions about the project and its development?

7. How can the attitudes of client employees be characterised at different stages of the project (e.g. fear, resentment, camaraderie, ambivalence)?

In exploring these questions, the author spent four months working in and observing the case project until the project ended in August 2007. The author chose to work with the change management consulting team because these consultants had frequent contact with other consultants on the project, as well as a range of senior client employees. These consultants later became the 'key informants' for the case (Bryman, 2004, p.300) as they provided help to the author in gaining access to other employees and vouched for the value of the research to other members of both the consultancy and client organizations. The author's role as an intern on the project involved developing training materials and delivering training sessions to client employees which provided a good source of access to respondents and situations of direct relevance to the research questions. In addition to the observation enabled by the internship work, the author managed to attend project meetings, workshops, and other interactions. In these situations, the author maintained detailed fieldwork notes about the consultant client interaction. To complement the observation data, interviews were also conducted with five key persons involved in the consulting project. This included repeat interviews with the same respondents as new ideas and avenues of inquiries emerged during the course of the project. The observed communications and interviews were all originally in Chinese language, and translated into English by the author during the course of thesis writing up.
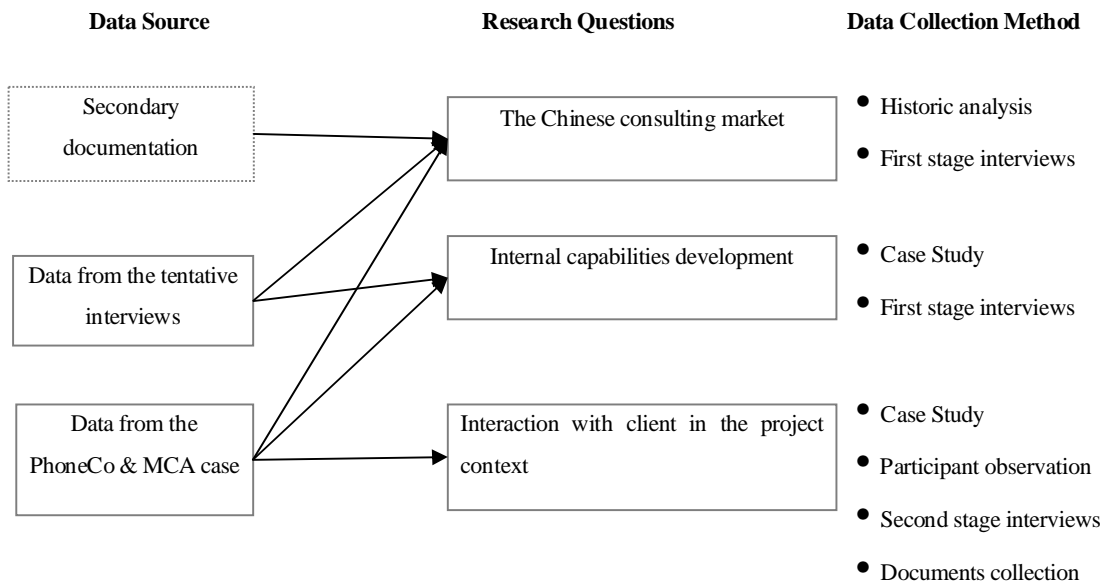
Given the intensive nature of this second stage of the research, a broad range of data was generated including documents, field journal, photos, and audio and video records of meetings and interviews. A field journal containing observation notes was maintained throughout the author's participation period. In the journal, brief records of observation were written immediately on the spot, or shortly afterwards when note taking was seen as inappropriate. Full notes were completed at the end of the day to include more details of the observed events, conversations and behaviours, as well as feelings and initial thoughts for interpretation. Project documentation is another important source of information (Bryman, 2004, p.387). It was collected under the authorization of the project manager. It included project reports, proprietary files from the project deliveries, and classified project documents such as internal meeting minutes and financial statements. Still other types of evidence were also collected including emails, memoranda, company newsletters, the client organizational charts and project team rolls.

Similar to the first stage of the research, all materials derived from the ethnographic research were itemized and input into a case database organised in Microsoft Excel format. Documentation obtained from the client and consulting firm were processed and categorized, including a range of documentation that required brief translation from Chinese to English. Among them, approximately twenty documents were judged to be critical data for analysis and have been cited extensively in the thesis. The interviews, meeting notes and field journal were coded, as these data were to provide contextualized descriptions of the case study. Since the questions in the case study guideline represent the major areas of research interest, each question was assigned a code, and these codes were used to categorize the information obtained. The findings revealed the key issues that are present in the Chinese context at the client project level practice of international consulting firms.

In summary, Table 3.4 illustrates the overall research methodology of the thesis and the relations between the research questions, the methods of data collection and the collected data. To maximize the value of the collected data, useful information from the second stage of the project case study were also used in the analysis of the industry and firm level of the research.

Table 3.4 Research Methodological Structure

Data Source **Research Questions** **Data Collection Method**

Secondary documentation		The Chinese consulting market		• Historic analysis • First stage interviews

| Data from the tentative interviews | | Internal capabilities development | | • Case Study
• First stage interviews |

| Data from the PhoneCo & MCA case | | Interaction with client in the project context | | • Case Study
• Participant observation
• Second stage interviews
• Documents collection |

Chapter 4

The Emerging Chinese Consulting Marketplace

4.1 Introduction

Establishing operations in regions of the world without a tradition of professional business advice can be difficult for international management consultancies (Kipping, 1999, Wright, 2000). For example, professional management consultancies developed relatively late in Japan and Germany because of the availability of more efficient modes of knowledge diffusion such as the national education systems, local management associations and internal think tanks of Japanese enterprises (Kipping, 2002b). In the case of Korea, western management consultancies received only short-lived prevalence in the aftermath of the 1997 Asia economic crisis after which the appeal of western 'best practice' decreased and Korean managers quickly adopted a more selective attitude towards using western consultancy service in their organizations (Wright and Kwon, 2006). Even in traditional Europe markets, management consultants once faced the problem of professional recognition before professional associations of management consultants appeared in the mid twentieth century (Tisdall, 1982, p.79).

China provides a powerful example in this regard given the late entry of foreign consultancies in the 1980s and a broader business culture unaccustomed to the concept of paid business advice. As was the case in Germany (Kipping, 1996), the late development of the Chinese consultancy market and the lack of significant domestic service providers helped the successful expansion of global consulting firms of Western origin once they entered the Chinese market. This chapter addresses the industry-level analysis of global management consultancies in China within the multi-level conceptual framework proposed in Chapter 3. The second section of this chapter provides a historic review of this process and the factors that have contributed to it. It is followed by a discussion in the third section of key market characteristics and major challenges faced by international consulting firms in China. Due to the lack of reliable statistics, much of this section relies on the author's own fieldwork

collected from interviews, and complemented by information from the official websites of the consulting firms and some Chinese language publications. Finally, a short summary is offered about the attitude of Chinese companies towards engaging western consulting expertise and how it has impacted on the relevant practice of global consulting firms at the industry level.

4.2 The Historical Development of Management Consulting in China

Management consulting originated in the United States during the late nineteenth and early twentieth centuries, and later expanded to the United Kingdom, Europe and Australia (Kipping, 1999, Wright, 2000). However, it was until the 1980s that management consulting developed as a defined business activity in China. Prior to this, business advice was mainly provided by academics from local universities and other research institutions. Global management consulting firms first appeared in mainland China during the early to middle 1980s following the market opening policy initiated by the Chinese government in 1978 (Bucknall, 1989). Most of these Western consulting firms followed their multinational clients' expansion into China by using their offices in Hong Kong as a 'stepping stone' into the broader mainland market. Economic reform, market restructuring, and increasing foreign direct investment during the 1990s accelerated the influx of western consulting firms (Wu, 2007). These firms established local offices, although much of their business focussed on servicing local subsidiaries of multinational clients. From the late 1990s, a third wave in the development of management consulting in China occurred with Chinese state-owned business giants in the resources, energy, and telecommunication industries joining large multinational companies in employing professional consulting firms to advise and assist in the implementation of large-scale organizational change. The sections that follow, review the historic development of the above three stages of the management consulting industry in China.

4.2.1 Management consulting in the pre–market economy era

The concept of management consulting as a business activity appeared largely absent from the practice and thinking of Chinese managers in the context of a state-controlled economy up till the 1980s. While management techniques such as scientific management, which had been closely linked to the early development of management consulting elsewhere in the

world (Ruef, 2002), were diffused to Chinese industry as early as in the 1910s, this diffusion occurred via Western-trained local managers rather than consultants (Morgan, 2003). As Davis (1997) notes, Chinese managers lacked a tradition of paying for intangible services such as business advice, and many organizations did not have a budget for this category of expense. However, this does not mean that Chinese managers did not need expert advice. Indeed, because managerial and executive appointment was commonly based on seniority and political capital rather than job performance or professional qualification (Zhuang and Whitehill, 1989, p.62, Zhao and Zhou, 2004), decision makers at Chinese state owned enterprises were generally lacking in knowledge and skills of managing modern enterprises. For example, a chronicle shortage of skilled engineers and qualified managers has been a recurring theme in the literature of Chinese management education (e.g. Warner, 1990, Borgonjon and Vanhonacker, 1992, recent research for example Farrell and Grant, 2005). Senior executives from state-controlled enterprises thus often turned to external experts for assistance with new technologies and production problems. These external experts included researchers from government-sponsored research institutions (Wang, 2004), as well as professors and senior academics from local universities. A local government official-turned-consultant revealed that given the lack of a tradition of paying for advice, management expertise was often provided free of charge and seen as part of one's broader obligation to the society according to collectivist ideologies in communist China. Managers who received advice used other methods to extend their gratitude for expert help. Forms of compensation included free banquets, gifts such as 'Nian Huo' (annual bonus gifts Chinese enterprises gave to their employees, governing authorities and other related business partners), and thank you letters (Interview F17, CEO, LCF, 3rd Feb 2006).

In addition to the lack of experience with fee-based consulting, the demand for external advice was also limited by the slower pace of organizational change and the lack of competitive market pressures upon business activity. Prior to the 'opening up' of the Chinese economy in the late 1980s, state control of the economy limited the pace of technological and organizational change (Bucknall, 1989). Since managers and their performance were not associated with company profit in the planned economy, they did not face the same change pressures as their counterparts in market-led competitive economies. The closed nature of Chinese society also meant there was a lack of exposure to western management ideas and

techniques. Chinese managers ran their companies in the 'Chinese way of management' which put greater emphasis on stability and equity rather than efficiency and performance (Child, 1994, p.31). Therefore, there was little ground for efficiency-oriented corporate governance and the demand for constant organizational change that drove the growth of management consulting in western capitalist settings (Crucini and Kipping, 2001).

The first modern consulting companies were established by government agencies in the early 1980s. After the founding of the China Enterprise Management Association in 1979, a few thousand 'enterprise doctors' were trained by this institution of the 'enterprise diagnosis model' introduced from Japan in order to provide relevant consultation to domestic companies (Wang, 2004). During this period, rapid urban construction led to the creation of several large construction consulting firms specialized in construction management advice and technical assistance. One of the largest was the China International Engineering Consulting Corporation (CIECC) which was established in 1982 and had undertaken over 12,000 construction consulting projects till 2008 (http://www.ciecc.com.cn). As one senior manager from the Beijing International Tendering Company explained, such consulting firms were specialized in advising construction companies in preparing for land property bidding and other construction related businesses (Interview G18, Managing Director, LCG, 27th Jan 2006). Although private enterprises had been allowed under the new economy policy in the early 1980s, most of local consulting firms that appeared in this period were still closely related to the government.

During the 1980s, broader changes in the Chinese government's regulation of the economy created conditions more conducive to consulting services. In particular, the opening up policy introduced by the government from 1978, resulted in the partial deregulation of the supply of goods and growing competition in the consumer goods market. For local producers this resulted in a growing need to improve product quality and marketing capabilities, and prompted the emergence of a number of local consulting firms that provided advice in areas such as marketing, sales and organizational change. These firms were usually small. Some of the founders and owners of the firms were former government officials or have personal relations with government officials (Dyer, 2006). As one interviewee who ran a local consulting firm of this kind noted, business was grounded on 'guan xi', indeed the

company's success was largely attributed to the top manager's former position in the government and personal networks of relations. This echoes the literature that suggests the critical role of relational capital in winning business in consulting (Gluckler and Armbrüster, 2003, Kitay and Wright, 2004). The other characteristic was the title of consulting firms. Instead of placing 'consulting' directly in their company name, local consulting firms at that time preferred the title of 'idea company' or 'planning company'(Wang, 2004, see also Li, 2003b). This indicates the nature of their business was in providing creative marketing and sales ideas to managers instead of the broader scope of strategic, operational and technological consulting as provided by western consulting firms.

The other important development in management consulting in China during this period was the emergence of internal consultants in larger state enterprises. A key driver here was the growing adoption of Western production technologies in order to update local manufacturing industry. This trend created a demand for more efficient production management, and as a result larger enterprises began to send production managers to training courses in production process design, production supervision and operational improvement. These externally trained managers then acted as internal consultants within their companies diffusing their external learning to other company employees (Wu, 2007).

4.2.2 The early activities of western management consultancies in China
Multinational consulting firms first established a presence in the mainland China market in the mid-1980s. However, due to government limitations on the operation of foreign service providers, most of these global consultancies chose to base their operations in free market Hong Kong (which was still under British governance) and from there sent consultants to mainland China on a by-project basis. Indeed, according to interviews with experienced consultants from both local and international consulting firms, there was limited demand for their business during this period. On the other side, although China started its open door policy as early as in 1978, the service sector was not open to foreign investors until 1992 (Child, 1994, p.40). However, by the mid-1990s, the opening up of the Chinese economy and changes in government policy regarding the operation of foreign firms, resulted in increasing demand for consulting services and a more favourable market for global consultancies. Following Deng Xiao Ping's 1992 speech which signalled the further opening of the Chinese

economy, a large number of multinational companies began to enter China. China received US$3.49 billion foreign direct investment (FDI) in 1990, 60 times that of 1980. In 2000, this figure rose to US$40.72 billion (National Bureau of Statistics of China, 2008). Two-thirds of the top 30 U.S. companies had invested in China by 1999 (Xinhua News Agency 1999). These foreign firms with plans of long term investment used global consultancies for advice on market entry strategies, and as their Chinese operations became established, also sought consulting expertise in human resource management, information technology and market analysis. Hence, as had been the case in the broader global diffusion of management consulting, the entry of western consultancies into China was initially predicated upon the servicing of multinational client companies (Kipping, 1999, Kipping, 2002b, Wright, 2000).

Demand from multinationals for advice on market entry strategies meant the strategy consulting firms were among the first western management consultancies to open offices in mainland China. For example, Boston Consulting Group (BCG) was the first multinational consulting firm authorized to conduct business in mainland China (http://www.bcggreaterchina.com). It opened its first mainland office in Shanghai in 1993 through a joint venture which was later transferred to full ownership. A wholly owned Beijing office was established in 2001. Bain & Company was the first foreign strategy firm in Beijing in 1993 (http://www.bcg.com.cn/about_bcg/offices/office.jsp?office=BEI) and McKinsey & Company entered the country in the same year. Other early market entrants included A.T. Kearney, Booz Allen Hamilton (now Booz & Co) and Roland Berger. During the same period, former Big Five accounting firms also started to provide management consultation service to Chinese clients. Table 4.1 provides brief statistics of the market entry time and office locations of the major multinational consulting firms in China. There are two noticeable patterns. First, most of the firms rushed to establish their legalized Chinese operations once the government opened the service sector to foreign investors. For instance, after BCG succeeded in obtaining the first business license among foreign service providers in 1992, there was a wave of new company openings in 1993 (Global Entrepreneur, 2003). Although the profit margins for consultancy were very limited (Dolven, 2002), the consultancies seemed to have been confident about the future business growth. The second pattern is the choice of office locations. Beijing and Shanghai were the only two cities in mainland China that the strategic consulting companies such as McKinsey and BCG had

considered in opening up offices. This was probably because the consultancies' major clients – foreign multinational companies were also concentrated in these two areas. This is consistent with their 'follow-the-client' approach of expansion.

Table 4.1 Major Global Consultancies in China

Company[3]	First Greater China Office	First Mainland China Office	Greater China Offices (as of 2008)
Accenture	1989 (Hong Kong and Taipei)	1993 (Shanghai)	Shanghai, Beijing, Dalian (outsourcing centre), Guangzhou, Hong Kong and Taipei
Arthur D. Little	1986 (Hong Kong)	2004 (Shanghai)	Beijing, Shanghai, Hong Kong
A.T. Kearney	1992 (1985[4])	1992	Beijing, Shanghai, Hong Kong
Bain & Company	Hong Kong[5]	1993 (Beijing)	Hong Kong, Beijing, Shanghai
Bearing Point (In 2002 merged Arthur Andersen consulting business)	[data unavailable]	2001 (Shanghai)	Shanghai, Beijing, Guangzhou, Dalian
Booz & Company	Mid 1990s	Mid 1990s	Shanghai, Beijing, Hong Kong and Taipei
Boston Consulting Group	1990 (Hong Kong)	1992	Hong Kong, Shanghai, Beijing, Taipei
Capgemini (Former Capgemini E&Y)	1996	1996	Shanghai, Beijing, Shenzhen, Guangzhou, Hong Kong and Taipei
McKinsey & Company	1985 (Hong Kong)	1993 (Shanghai)	Hong Kong, Taipei, Shanghai, Beijing
Roland Berger	[data unavailable]	1994 (Shanghai)	Shanghai, Beijing, Hong Kong, Taipei

Sources: consultancy websites

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[3] Companies are listed in alphabetical order.

[4] A.T. Kearney set up a representative office in 1985 in Mainland China however the legally approved official office was founded only in 1992 after China relaxed the relevant FDI policy.

[5] Year data unavailable

These early entrants mainly served subsidiaries of western multinationals, in line with their expansion mode in other new markets around the world. There was little demand for localizing consultancy services because multinational clients often sought to duplicate headquarters' practice and looked for standardisation and consistent quality. Among the earliest local Chinese clients for these global consultancies were large semi-private/private local companies, such as China Ping-An Insurance Company. Ping-An paid nearly RMB100 million (approximately A$20 million) to purchase advisory services from McKinsey & Company which was a very rare case of a local company using western consulting advice (Li, 2003b) .

A key challenge in this period for these western consultancies was the long-term commitment required in order to achieve success in the local market. Foreign consulting firms needed 'deep pockets filled with money and patience' (Davis, 1997, p.8) to nurture their client base and adapt to the local business environment and cultures. It typically took several years to build up the extensive network of relationships needed to launch and develop their business. For example, McKinsey and Company are believed to have provided free service at the early market stage to certain Chinese companies in order to access to the local clients (Wu, 2007). International consulting firms needed to be prepared for initial losses. Even till late 1990s not all global consulting firms were profitable in China (Trish, 2002). In addition, international consultancies needed to understand the mixed attitudes of Chinese people towards westerners - on the one hand they admired western standards of living and technological advance, but on the other resented their 'historical mistreatment by the West' (Davis, 1997, p.114).

4.2.3 The rapid expansion of the Chinese consulting market from the late 1990s
By the late 1990s, a number of developments started to signal a rapid increase in both the demand for, and supply of, consulting services in China. Factors underpinning this growth included: continued market reforms and increased competition, the emergence of more private companies in particular sectors (e.g. KeLong), and the rationalisation of large state-owned enterprises. China strengthened the scale and scope of reformation of state owned enterprises in the mid 1990s. Ownership structure, performance evaluation and other managerial aspects were progressively reformed to western models. Chinese managers

started to feel the shortage of managerial knowledge (Ying, 1998, p.208). Moreover, former consultants and multinational managers began to take up senior managerial positions in local companies. The traditional reliance on local 'idea companies' and 'guanxi' connections in the provision of managerial advice lessened and there was growing acceptance of the benefits of paid consulting advice. Western management ideologies established on the basis of a competitive market environment became increasingly diffused. Chinese managers had already begun to radically changed their attitudes towards western know how, from seeing it as 'Capitalist evils', to cautiously adopting western techniques albeit wary of 'spiritual pollution', to actively learning from the West (Ying, 1998, p.205). International consulting firms with their ability to import 'western best practice' therefore began to enjoy growing local acceptance, and while demand from multinational clients stayed strong, local clients increased in both quantities and their budget for consulting services (Management Review, 1995, Dolven, 2002).

A big portion of local clients during this period were large private companies in the consumer goods industries and large state owned enterprises in the energy, resource and telecommunications industries (Dolven, 2002). The private enterprises as early adopters were characterized by strong entrepreneurial leadership and an eagerness to improve their market position through dramatic organizational reforms. For example, during the late 1990s, the Chinese company Delong engaged a number of prominent international consulting firms, including McKinsey, Roland Berger, BCG, A.T. Kearney, BearingPoint and Deloitte Consulting to assist in improving its market performance (Xia, 2003). The state-own client companies were typically faced with pressure from the government to improve the company's managerial ability. The influence from above was enormous as 'the government is not really empowering, but really just ordering, these state companies to get some advice on how to restructure and run their businesses' (Dolven, 2002, p.4). Therefore, managers at state-owned companies turned to international consultancies for help since there was a growing public faith in western managerial expertise.

However, local clients were still immature and lacked proper understanding of management consulting. The immature local clients were also associated with a lack of skilled internal management, sprawling bureaucracies and the rapid pace of organizational transformation.

Even large private companies which tended to be more accepting of western management models had problems. For example, Wu (2007) cited an example of global consultancy A.T. Kearney's selling 'strategic sourcing' services to Haier, one of the largest private electrical appliance manufacturers. Because the client managers were only interested in visible outcomes of the service, the consultancy had to quantify the results of the service into calculable measurements in order for the client to understand. During this period, there were frequent reports in the media of the failures of big name international consulting firms. For example, one well publicized case involved leading global firm McKinsey & Company charging a Chinese computer company Start Computer RMB 3 million for restructuring Start's organization which it was alleged led to great disorder in the client organization (Wong, 2001). The media attributed McKinsey's failure to the western consultancy's ignorance of the special Chinese context and business culture (e.g. Luo, 2001, Yin, 2001). Considering the high consulting service fees and the intangible nature of consultancy services, most local managers felt uncertain and hesitated to employ global consultancies.

To overcome such barriers, international consulting firms invested significant sums in marketing activities in order to nurture demand (Li, 2003a). One approach was to volunteer for government-sponsored executive training sessions, which allowed them to preach the virtues of western management know-how among local executives. For example, in 2000 Andersen Consulting collaborated with the Chinese central government in organising a three-week training program for executives such as Party secretaries from high profile Chinese state-owned companies[6]. The content of the training was organised around basic western management theories and models. To increase the attractiveness of the program, Andersen even went to the length of inviting consultants from competing consulting companies such as McKinsey and A.T. Kearney to be the trainers. Its efforts were rewarded. Some program participants later employed the consulting firms to undertake assignments for their companies. Due to the good response, Andersen Consulting later extended these sessions into bi-annual events. Consultancies also sought to expand their influence among members of local elites. For example, Andersen Consulting was the company behind the

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[6] The Party secretary is responsible for implementing the state and CCP policy, and is on the highest level in the power hierarchies of many Chinese state-owned enterprises (CHILD, J. 1994. *Management in China during the Age of Reform,* Cambridge, England; New York, NY, USA, Cambridge University Press. p.76)

founding of the Mayor's Advisory Committee of Shanghai Municipal Government, a government think tank, in 1990 (Wu, 2007). Other channels of improving the public influence of the consultancies included publications and cooperation with education institutions; a topic will be discussed in the next chapter. Through these efforts, the international consulting companies succeeded in raising industry and political awareness of management consulting.

Entering 2000, the continued expansion of the Chinese economy, in particular fast growing outbound investment by Chinese companies (Schueler-Zhou and Schueller, 2009) is a stable drive of demand for the global consultancies. The Chinese consulting market expanded by 600 million US dollars in 2007 and is expected to reach the size of 2 billion US dollars by 2010 (Blenkinsopp, 2008, Zhang, 2006). Despite plentiful young graduates produced by 1,500 local colleges and universities every year in China, according to a McKinsey report only a small portion are seen to have the necessary skills and qualities to work in global environments (Farrell and Grant, 2005). The report states that among 1.6 million Chinese engineer graduates, only 10 percent are considered suitable for multinational employers and large joint ventures. The shortage of world-class managers is also notable: Chinese companies with global ambitions are estimated to need 75,000 effective managers capable of working in global environments in the next 10-15 years, but as of 2006 there were only 3,000 to 5,000 such managers available (Grant and Desvaux, 2005). In this context, global consultancies are increasingly seen by Chinese companies and government as best prepared to provide the business know-how to fill such a gap. Industry observers see outbound Chinese companies as most likely to pay for consulting services regarding investment security, tax structure, market potential, and government incentives at the target market. Berry (2006) sees this as a highly promising area of growth: 'these people are probing the very areas my readers [consultants] know best, and they are asking the very question my colleagues [consultants] are best prepared to answer!'

4.3 Characteristics of the Chinese Consulting Market

There is a dearth in research on the Chinese consulting market. Schlevogt (2000) provides a relatively comprehensive review of the environmental and internal obstacles for western consultancies in the nascent Chinese market in 1990s. Combining Schlevogt's findings with

the results of interviews conducted during the fieldwork, the following characteristics are observed. First, many of the interview respondents argued there is still lack of sophisticated users of consultancy services in China. Many of the senior consultants interviewed argued that Chinese managers were still inexperienced in dealing with management consultancies, and are keen to see immediate, tangible results from consulting assignments. Some clients were seen to hold unrealistic expectations that consultants were able to 'work magic'. The under-developed market was seen as fraught with incorrect perceptions, partly because of the public faith in western managerial expertise and partly as a result of the consultancies' own marketing activities. As Schlevogt (2000) notes, international consultancies also have to ensure sensitivity to cultural and political norms. He argues, the basic attitude should involve 'a lot of sincere respect for the Chinese with their great cultural heritage and recent achievements'. In this regard, global consultancies needed to tread carefully in challenging Chinese national pride, as evidenced in the recent boycott against French retailer Carrefour in China (Blecken, 2008) due to public fury over the chaotic Paris leg of the 2008 Beijing Olympics torch relay (Fairclough et al., 2008).

On the demand side, foreign multinational companies still contribute a large proportion of consulting business to global consultancies in China (Blenkinsopp, 2008). Due to the high service fees, only big Chinese state and private companies can afford to employ international consultancies. In recent years, there has been a booming demand for consultancy services from monopoly state-owned companies, such as China Telecom (telecommunication), Sinopec (resource), and Industrial and Commercial Bank of China (banking) due to corporate restructuring and modernization urged by the Chinese government (Dolven, 2002). In light of this trend, the local clientele is likely to expand and overtake foreign multinationals in the near future, due to the large number of state-owned companies in China. For Accenture, in 2007 over 70 percent of the consulting businesses of the company had already come from local Chinese companies, and the majority of which were state-owned enterprises (Sina.com, 2007). However, local clients offer new challenges for international consulting firms compared to foreign multinational clients, due to the complex economic ties they have with government and the resulting complicated organizational structure and decision making processes. For example, a typical Chinese telecommunication carrier will be under multiple administrations of the National Information Industry Ministry and the State Asset

Supervision and Administrative Commission while financially related to several other government agencies.

On the supply side, large consulting firms of western origins have the biggest market share across all market segments (i.e. strategy, operation, human resource, and IT). The biggest market players are full-fledged international firms with a high profile clientele. For example, among the top 100 human resource consulting firms in Greater China on the 2006 WMR 100 Human Resource Service Providers chart (http://www.hroot.com/wmr/wmr100/top100.asp), 62 are foreign-owned institutions. The first 26 rankings are occupied by foreign consultancies, with one Swiss and three American consultancies: Adecco SA, PWC, Deloitte Touche Tohmatsu, and Ernst & Young occupy the top four positions. Local consulting firms feature more at the lower end of the market (Dyer, 2006, Xiong, 2006). University and research institution sponsored consultancies have a significant government clientele. In terms of the market segmentation, 40 percent of the consulting business went to IT-related client assignments in 2003 while pure strategy consulting was gradually being combined with other services to meet the demand for full service solutions from high profile clients (Chinanews.com, 2003).

The consulting company's brand name, reputation/track record and personal connections of its executives are important factors of winning business in the Chinese context, partly in line with what have been observed in western settings (Gluckler and Armbrüster, 2003, Kipping, 1999, Wright, 2000). Chinese clients seem to put a higher emphasis on a consultancy's reputation/track record so that winning a major client in a certain industry will potentially bring in business from other companies from the same industry. Wu (2007) gave examples of major global consultancies, such as McKinsey & Company, PWC and Andersen Consulting having worked across a wide range of client industries at the early market stage in China, sometimes even at low and no fees, in order to build up their reputations in various industries. However, price is also vital in determining a client's purchasing decision, as many big contracts have been decided by intensely competitive bidding (Dolven, 2002). Some consultancies have started to utilize the low labour cost in China to separate the relatively low value-added consultancy activities from the work of high-fee consultants, in order to optimize the firm's cost structure. For example, McKinsey & Company recently set up two

service centres in China and India, and started to recruit junior information analysts to support the consultants (http://www.mckinsey.com). Accenture made similar attempts and established a service centre in the relatively low cost city of China, Dalian, devoted to financial and technical outsourcing services (http://www.accenture.com/Countries/China).

In summary, management consultancies of foreign origin have both advantages and disadvantages because of their 'otherness' (Kipping and Armbrüster, 2002) to the client company and to the country as a whole. In light of the finding about the importance of reputation and brand name in winning clients in China, the next chapter will examine how global management consultancies have marketed themselves to win business there.

4.4 Conclusion

This chapter has reviewed the historic evolution of management consulting in China with a focus on the entry and development of international consulting companies in the country. Management consulting in China did not appear until after China opened its market to foreign investors in the early to middle 1980s. Increasing foreign direct investment also brought in international consulting firms mainly servicing their domestic multinational companies. Radical transformation of Chinese local companies in late 1990s created the need for new managerial expertise and international consulting firms started to see growing business demand from local clients. After 2000, the Chinese consulting market has had a relatively stable competition structure, with international consulting firms dominating the market serving high profile clients, and local consulting firms featuring more at the lower end of the market (Dyer, 2006). During this process, international consulting firms have invested significant sums in seeking to shape market demand and educate local managers, as was the case in Europe (Kipping et al., 2003). As the CEO of a Chinese local consultancy noted,

> The contribution of International consulting firms is they played the market explorer role in China. They invested fortunes in nurturing our local client base, teaching "big bosses" of Chinese companies to take EMBA and MBA after which these "big bosses" become entrepreneurs and believe in management consulting. And only rich multinational consultancies are able to afford such investment…(Wu, 2007)

The expansion of global consultancies in China has exhibited both similarities and differences from that in western countries. The 'follow the client' pattern of market entry is the same as American consultancies exhibited in their entry into Europe in the 1930s as well as after the Second World War (Kipping, 1999). However, there are also some distinctive local conditions that have influenced the Chinese experience of these global consultancies.

First, unlike the U.S., Europe and Australia where management consulting was rooted in the emergence of Scientific Management (Kipping, 1999, Kipping, 2003, Wright, 2000), the first service providers in China have included a mix of strategy consulting firms such as McKinsey & Company and BCG, as well as the consulting units of large accountancies such as Andersen Consulting (now Accenture) and PWC (now merged with IBM). This is because these consultancies were also dominant players in other parts of the world when the Chinese market started to develop in the late 1980s to early 1990s. Second, the transitional economy of China created distinctive motivations for employing consultants. For example, the heat of capitalising on overseas stock markets among large Chinese companies created significant demand for organizational restructuring projects for large global consultancies.

While Chinese clients used consultants to access advanced managerial expertise and strengthen their managerial ability, the use of global consultancies also appears to have been for legitimization purposes (Dyer, 2006). Although the use of consultants as a form of impression management is not unique to China (Armbrüster, 2006), in the Chinese context there appears to have been a strong faith amongst local managers in the merits of western management knowledge. Thus unlike western countries, Chinese managers would publicize the company's engagement with international consulting firms in the media as a source of prestige (Schlevogt, 2000). Engaging a prominent global consulting firm was regarded as a powerful statement of the company's status as only large companies could afford the high fees charged by international consultancies. That partly explained why one important success factor of consulting in China is to have a good reputation and well known brand. The chapter that follows explores in more depth how the global consultancies developed their reputation in a market that only ten years previously had not known of professional business consulting.

Chapter 5

Global Consultancies in China: Building a Reputation and Winning Business

5.1 Introduction

The previous chapter described the general conditions and characteristics of the Chinese management consulting market, suggesting the importance of brand building and reputation establishment for international consulting firms aiming to win business there. Historically, professional ethics had limited the use of traditional marketing methods such as advertising amongst management consultancies in the US and Europe, however in the 1990s firms such as Andersen Consulting and later other Big Six accounting-cum-consulting firms undertook extensive print and television advertising as a way of marketing their services (O'Shea and Madigan, 1997). This chapter discusses how international consulting firms in China have sought to promote their brands and build their reputations. The findings described in the following analysis are derived from interviews with a range of consultants, from senior partners to relatively junior staff members, from four international consulting firms with offices in China, as well as case studies from two of these firms. In order to increase their influence, these international consulting firms have adopted strategies such as setting up 'think tanks' and promoting knowledge research, publishing the knowledge of their consultants through various channels and cooperating with local academics and media. All of these strategies highlight the way global consultancies import foreign, 'global' business knowledge to China, and the chapter concludes by examining the reasons these firms have chosen to market themselves as importers of foreign business knowledge..

5.2 Think Tanks

Consulting firms are knowledge-intensive firms (KIFs), which refers to their high dependence on knowledge as their main assets and products (Alvesson, 1995). Knowledge

innovation in consulting can be developed during the course of an engagement with a client as well as through the work of a consulting firms' internal research group. Internal research groups and 'think tanks' serve to customize, disperse and create knowledge within management consultancies (Davenport and Prusak, 2005, Dunford, 2000). Added to this, management consulting firms have come to rely on such groups and their publications as important marketing tools (O'Shea and Madigan, 1997).

Management consultancies have long been aware of the importance of building their intellectual capital. At the inception of the management consulting industry, the first generation of consultants drew on their achievements in Scientific Management research (McKenna, 1995, see also Kubr, 1996, p.27-8, Ruef, 2002, p.76). In recent years, the research undertaken by consulting firms has become more visible and this rising importance has been reflected in a more formal organizational structure (Davenport and Prusak, 2005). For example, in 1990 the industry giant McKinsey & Company set up the McKinsey Global Institute (MGI) as an independent economics think tank. Its primary purpose was to undertake original research to develop points of view on critical economic issues facing businesses and governments around the world (http://www.mckinsey.com). Accenture has long been noted for its development of consulting methods and techniques, for instance, its development of the Method/1 system, and its relatively disciplined use of these methods in the field. Within Accenture, independent research centres included Institute for High Performance focused on general management issues and economic trends, Institute for Public Service Value dedicated to research on public service organizations as well as Technology Labs (http://www.accenture.com/Global/Research_and_Insights).

Think thanks are a powerful tool for enhancing a consulting companies' image: they help a company appear to be at the forefront of the development and application of cutting-edge business techniques and knowledge. Think tanks in different consultancies will have different foci reflecting the consultancy's strengths and representing the future direction of its business development. For example, McKinsey & Company's MGI demonstrates the company's focus on the trend of economic globalization. In comparison, the Centre for Strategic Technology and Research at Andersen Consulting (now Accenture) was devoted to researching leading-edge technologies and their impact on businesses, reflecting the firm's

strength in IT-related system consulting and implementations (Davenport and Prusak, 2005).

Davenport & Prusak (2005) contend that management consulting firms invest in internal research institutions and activities for two main reasons: brand building and product development. Consulting research is an essential part of the strategy adopted by leading consulting firms in order to create a perception of 'thought leadership' in the market place. 'Thought leadership' is important for consulting firms as it indicates whether a consulting firm can stay at the forefront of knowledge development and represents a consulting firm's capability for creating knowledge in technological and managerial areas (Davenport and Prusak, 2005).

This thesis considers an extra dimension to the function of consultancy research investment; the role of such research in emerging markets. Due to the relatively short history of management consulting services in emerging markets such as China, clients in these markets are generally recognised as having low levels of awareness and acceptance of management consulting. Consequently, in order to win new clients in this marketplace, international consulting firms need to create the demand for management consulting services through educating the market (Li, 2003b). Indeed, global consulting firms use think tanks and their practices to facilitate their diffusion into new and emerging markets, deploying them to signal their presence and reputation amongst local managers and potential client firms (Kipping et al., 2003).

The two international consulting companies in this research both have global think tanks. The first consulting company, MCA also had a Chinese knowledge research centre. It founded its China think tank in Beijing in 2005, as an extension of its global research centres. The Chinese research centre is an organization independent of the consulting arm of MCA. The Asia Pacific Marketing Vice President (VP) of MCA outlined how the research centres undertook significant research into industry and business issues and developed points of view around industrial trends. The function of the research centres, as the VP put it, was primarily supportive. They were there to 'help businesses by demonstrating the consultancy's capabilities, develop deeper client relationships', and also 'help the project team to win that proposal using the methodologies and the frameworks we came up with' (Interview A16,

Marketing VP, MCB, 23rd Sep 2005).

The Chinese research centre did not only provided support for strategic corporate decision making but also supported the sales, distribution, and other functions of the parent firm. In the main, the work tended to be individual research projects which reflected the firm's recent global research initiatives. There were also original research works specific to China. However, at the time of the fieldwork, the main proportion of the institute's research was globally oriented work.

Globally there were about 60 consultants working in these research centres in New York, Amsterdam, Australia, China and India. Those 60 consultants, according to the principal of the Chinese research centre, were from the business world rather than academia. He said his institution did not recruit from universities or other research organizations because he did not want people who would just 'sit there and dream up ideas' (Interview A15, Associate Partner, MCA, 25th Jan 2006). Instead, he employed 'real' consultants who came from and hence knew the industries they consulted for. Within the Chinese research centre, there were around ten full-time researchers and analysts.

The marketing VP of MCA explained that setting up an independent research group in China had been an important strategic move in establishing thought leadership for her company in the emerging China market. It constructed the firm's core competences in terms of knowledge creation and diffusion. Although the work of the research centre was not directly profitable for the firm, the marketing VP gave an interesting analogy to emphasize the value of such in-house research organizations. She described the consulting firm as the research centre's client. This analogy reflects the underlying assumption that think tanks can be the engine of a management consultancy where knowledge products are produced and delivered to practitioner consultants.

To ensure that its research efforts were relevant to what the consultants were doing and to avoid becoming isolated, there was frequent interaction and cooperation between the research centre and the consulting department. Since the majority of the research work undertaken by the research centre requires interviews with, and surveys of, the clients, the

researchers worked frequently with the firm's consultants. For example, they would ask consultants to help arrange interviews with clients or they might join consultants in their client interviews. Because consultants constituted the internal 'client' of the centre's research work, there was some concern surrounding the issue of knowledge diffusion: to what extent would consultants take advantage of the products of this research. MCA solved this problem by involving consultants as much as possible in the process of research projects pertaining to their area of practice. As one interviewee put it, the research centre was 'part of this living organism of information and knowledge … by having the consultants involved, either as subject matter experts or coming in and working on the project, the knowledge transfer is really I would argue more through that process than this final thing [the research report]' (Interview A15, Associate Partner, MCA, 25th Jan 2006).

Besides closely collaborating with the consulting arm, MCA's Chinese research centre maintained relationships with other units of the firm in order to fully utilize the firm's available resources. For example, MCA had another research lab in Beijing devoted to the development of technological solutions to management issues. MCA's marketing VP stated that they have gone to some effort to 'marry' these two research arms of the company because 'that's where our innovation comes from [in knowledge creation]' (Interview A16, Marketing VP, MCA, 23rd Sep 2005).

In marketing the management consultancies, the think tank served to broadcast the company's expertise to an outside audience of Chinese industry and potential clients. It followed new developments in the marketplace and conveyed this information to the consultants and clients of management consultancies. They hoped to be seen as the 'point of contact' (Interview A15, Associate Partner, MCA, 25th Jan 2006) between the marketplace and the consultants.

Unlike MCA, MCB did not have a separate research organization in China at the time the research for this thesis was undertaken. At a global level, MCB had built up its research centres, which focus on business and technology, into substantial institutions with good reputations. Because of its strength in IT consulting, MCB has dedicated a research centre to research on technology. However, this technology research centre had not yet established a

branch in China. In fact, in the Chinese market MCB had quite a different approach to the sourcing of the consulting research, and used research provided by outside companies and institutions. As an Associate Partner in MCB expressed it,

> We don't do a lot of research. There are lots of good universities and other places that do lots of good things. We tend to like to look at how to apply new trends and things, so it's how is that useable today for us, as well as, you know, what's coming in five years (Interview B12, Associate Partner, MCB, 20th Feb 2006).

MCB divided its consultants into different groups of industries it served and deployed smaller groups within each industry group that tracked trends in technology and prepared relevant reports. The same Associate Partner from MCB explained that this enabled them to 'start talking to our clients about them [trends in technology] and understanding how they're going to affect our business and what we need to do'. White papers were developed by these internal groups which focused on new industrial, managerial and technological developments. These papers would then enter the firm's internal knowledge exchange (an internal computerised knowledge management system) and be incorporated into training programs as well. However, despite these activities, these internal groups were not considered to be formal research and development (R&D) bodies. The senior executives in the Chinese arm of the business also took some responsibility for the creation and diffusion of knowledge. The interviewed Associate Partner from MCB said he needed to keep a constant eye on the market and technological trends in the Chinese marketplace within his area of specialization because one of his responsibilities was to develop strategic plans on a regular basis based on his own observations combined with consulting project experiences of his and his Chinese colleagues.

In regards to the broader consulting business community beyond MCA and MCB, more and more international consulting firms have focused on establishing internal research capabilities as a means of creating and diffusing knowledge (Davenport and Prusak, 2005, Dunford, 2000). Interviewees from the other two consulting firms in this study indicated that their companies had already, or at least intended to, extend their research operations in China to cope with increasing competition in the marketplace (Interview D4, Managing Director, MCD, 21st Dec 2005; Interview C9, Senior Consultant, MCC, 22nd Feb 2006). Due to the intimate relationship between a consulting firm's brand and reputation and the expansion of

its client base, international consulting firms with long term commitment to the Chinese market appear to have recognized that owning dedicated research capabilities is an important investment in the battle for 'thought leadership'. This is where international consulting firms can distinguish themselves from local competitors, most of whom do not have sufficient financial or intellectual capital to start and maintain research activities. In addition to their marketing role, think tanks can facilitate the internal flow of consultancy knowledge. There is at least rhetorical acknowledgment of the potential role of such groups in the development of specifically local and Chinese contributions to consultancy knowledge. This latter function was invoked by the principal of MCA's Chinese think tanks when he claimed that his organization had a distinctively Chinese focus, with 75 percent of its published research intending to deal with China specific issues. At the time of this research about a third of the publications from this group consisted of original research undertaken by the Chinese research centre written specially in relation to the Chinese context with the remaining two thirds consisting of Chinese translation or adaptation of English documents of China-related topics previously published by MCA's American and European research centres. The centre's future strategies involved plans to promote knowledge innovation by bringing in the consultancy's consultants on short term rotation.

However, despite these indicators of 'localization' the research operations of international consulting firms in China have been largely limited to the importation of these firms' broader global and western-oriented consulting practices. A high proportion of research work comprised of translations of English language research reports of industrial analyses and surveys of market trends. This was firstly due to the fact that western countries (particularly the US and Western Europe) still lead the field in the creation of managerial knowledge, whilst new economies such as China occupy a 'downstream' location in the chain of knowledge diffusion. Secondly, original research requires a greater investment and the results can take time to emerge. The shortage of qualified researchers was also critical – high quality original work usually needs the long term devotion of experienced practitioners as well as business academics. A third factor was the desire of Chinese clients and the general public for top level international research carried out by international consulting firms - research which matches the reputation of these consulting firms. Due to the strength of the marketing implications of consulting research, consulting firms cannot ignore this mass

market mindset at the current time. Therefore, think tanks have remained predominantly mechanisms for marketing international consultancies and their global managerial expertise to the Chinese audience. While their function in driving the development of local management knowledge was forcefully expressed by the senior consultants interviewed for this study, whether this goal will be realized is yet to be seen.

Nevertheless, as one of the interviewees remarked, some consulting firms have begun to recognize the long term benefits of strengthening the China-specific focus of their research activities, as this will eventually become a mark of the firm's competence in the Chinese market. In the short term, and in consideration of current limitations and future demands, international consulting firms can accelerate the adaptation of their research practice to the needs of the Chinese market by undertaking a combined approach. Adapting the framework of global research and customizing the content to better apply to the China context might be the best way to both meet the local market demands and maintain high level research quality.

While consulting research is aimed to provide a constant stream of new management ideas and techniques, once the service development research is completed, it then needs a substantial amount of rollout activities. This is similar to what 'a product oriented company must perform when introducing a new product' (Davenport and Prusak, 2005, p.309). In order to communicate the results of research work within the marketplace consisting of both established clients and the general public, consulting firms generally have to develop appropriate communication strategies. The Chinese research centre of MCA achieved public communication through publishing industry reports and white papers and holding expert speeches, seminars and other networking functions. The following two sections examine the respective publications and networking activities of MCA and other global consultancies in the study.

5.3 Publications and Corporate Websites

Management consultancies gain their expertise through many years of working with clients from various industries and on projects in various areas (Hansen et al., 1999, Werr and Stjernberg, 2003). In addition, consulting companies are frequently employed by client companies to conduct market surveys and thus accumulate rich local market information and

data. International consultancies are advantageously positioned to garner experience and develop solutions to the problems of multi-national management. The accumulated knowledge and insights are not secreted away. In addition to transferring their knowledge to the clients through their engagements with them, some consulting firms publicize elements of their knowledge through in-house publications in order to popularize the ideas and promote the company. The most well known publication of this type is the *McKinsey Quarterly*. According to the consultancy website (http://www.mckinsey.com), it has been the McKinsey & Company's business journal since 1964, containing the firm's latest thinking on management, strategy and finance across a global range of industries. Such publications are usually distributed free to clients and thus operate as powerful marketing tools through which consulting companies establish the image of 'thought leadership'.

McKinsey & Company introduced the *McKinsey Quarterly* into China in 1997 by launching a Chinese version. The Chinese version of the *McKinsey Quarterly* is a selected collection of translated articles that have been originally published in the English version of the journal. By publishing in Chinese, McKinsey targeted an audience of middle to senior level Chinese managers and distributed the Chinese version of the *McKinsey Quarterly* to the targeted audience for free. Alongside the translated English language articles, the Chinese version journal gradually included original content relating specifically to the Chinese economy. According to the company's website, these locally-sourced articles were based on research projects undertaken by the company, some of which were commissioned by the clients, to address issues of interest to Chinese managers.

Other major international consulting firms operating in China followed this strategy and introduced their English language publications into the Chinese market in recent years. For example, A.T. Kearney has a Chinese-language website *Ke Er Ni Lun Cong* (*Kearney Essays*) for posting the Chinese versions of 'its publications in the past 10 years authored by senior consultants specialized in various practice areas globally' (http://www.atforum.com.cn). Booz Allen & Co highlights on its Chinese website the articles of its staff published on local newspapers and magazines and provides a link to its English language magazine *Strategy + Business* (http://www.booz.com/cn-s/home/41412553). Capgemini provides Chinese language abstracts of its annual publications, *Capgemini*

Annual Report, *World Wealth Report* and *Asia Pacific Wealth Report* and several other global industrial reports on its Chinese website (http://www.cn.capgemini.com/growth/thought_leadership). Similar practices can be found on the Chinese websites of almost every major international consultancy with Chinese operations. The enthusiasm of consulting firms to develop business publications has resulted from the awareness of the relatively less sophisticated Chinese clients as users of consulting services (Davis, 1997, Wong, 2001). Consequently, an important part of the role of consultancy publications in China is to educate Chinese clients about western management ideologies and practices as well as the identity and brand of the leading global consultancies themselves.

In promoting their 'thought leadership' position, the global and regional web portals of the consulting firms have become a major medium through which the consulting companies disseminate their management knowledge and demonstrate the strengths of their intellectual capital. Publications were available in glossy paper copies and placed in the firm's office meeting rooms or distributed at public events and at client sites. However, given that management consulting companies increasingly invest in their corporate websites as a major window of communication with clients and the public, research papers and other publications can be most easily distributed through electronic mediums (Backlund and Werr, 2004). MCA's research centre had its own periodical, a newsletter e-mailed to its subscribers on a regular basis. Besides the periodical email newsletters, there was an individual section on MCA's website for posting the firm's publications by its Chinese and global research centres. Interested readers could use the search function on the company's website to look for articles of interest and download them in Adobe PDF format for free. Most of the articles were provided in both English and Chinese language versions so as to be accessible to local Chinese as well as international readers.

Although a large proportion of English language articles had been translated into Chinese, the question of to what degree the contents had been adapted to the local context remains key. In MCA's China office, English was the main language used by the consultants and researchers throughout their working process – from the initial analysis to the final output because of the need to circulate their work globally. By examining the publications of the

firm in China during 2003 and 2006, three different types of work could be identified: translation, original research, and adaptation (Figure 5.1). 'Translation' involved a direct translation of a existing English language document into Chinese without significant change. 'Original research' was based on knowledge mostly developed through projects with Chinese clients. 'Adaptation' type publications retained the main contents and framework of existing documents and replaced the western country data with relevant Chinese information. A high percentage of original research would indicate a greater degree of 'localization' of the consultancy's activities. In the case of MCA, however, over two thirds of their research publications were translations and simple adaptations of existing English-language publications.

Figure 5.1 Statistics on Publications of MCA in China during 2003 to 2006

Publication Statistics by Functional Area

Publication Statistics by Industry Group
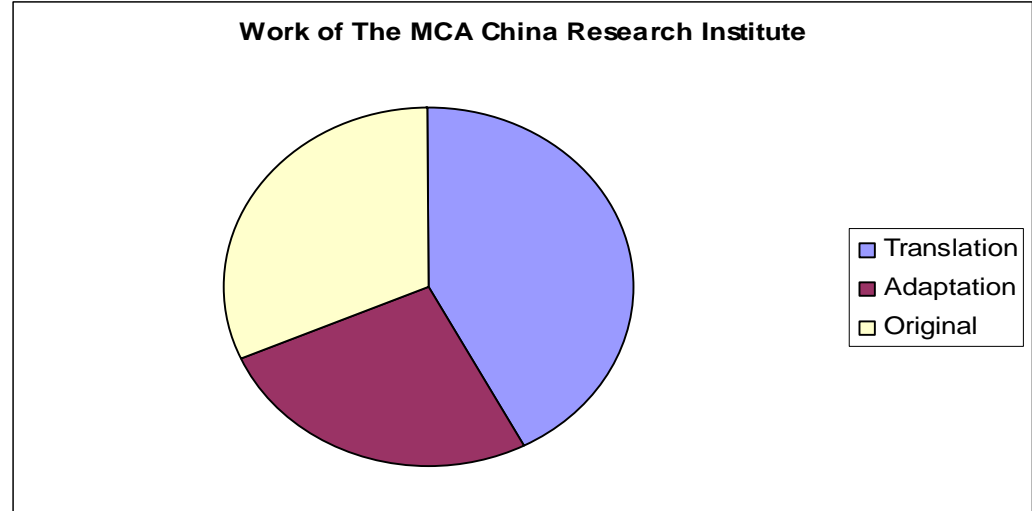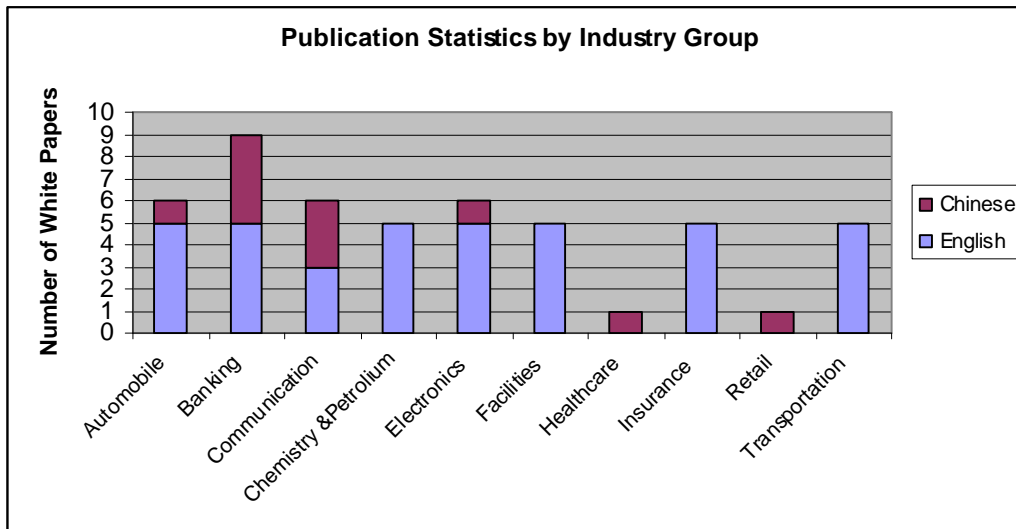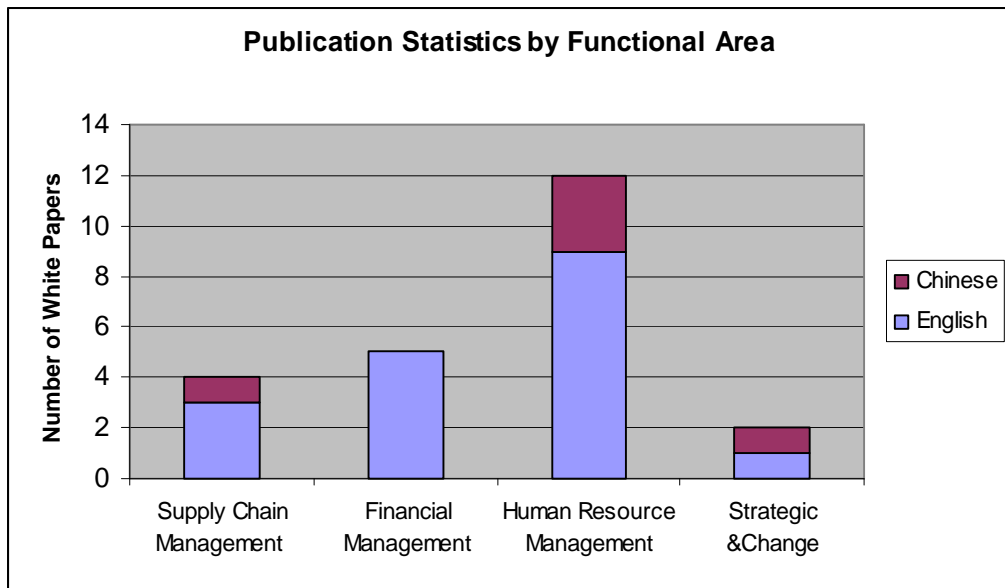
A further analysis revealed that localization took place predominantly in minor aspects. This was mostly evident in preparing the translation work. There were two types of translation – literary translations and culturally relevant translations. The first type of translation involved translating the text in terms of its literal meaning. The second form of translation involved retaining the content of the text but the wording, the structure of sentences, and even paragraph structure might be changed to fit the reading habits of local readers. A senior partner from MCA emphasized that they tended to employ culturally relevant translation practices. Sometimes they removed entire sections of the original paper and introduced additional context and background information so that Chinese readers could more easily

understand the concepts being proposed. Sometimes they rewrote the whole paper to fit with Chinese language context. The difference between the two translation practices is, of course, one of degree. The same interviewee admitted that supposing direct translation and cultural adaptation are at two extremes of a hundred-scale spectrum, their publications were somewhere in the vicinity of the degree of 20 (Interview A15, Associate Partner, MCA, 25th Jan 2006). The firm used to outsource initial translation work to third parties. However, since the quality was found to be unsatisfactory, employees had to proof read it.

In adapting consulting research from English language articles, the firm combined the approaches of undertaking translation and original work. For example, in a global survey initiated by the global headquarters of MCA, the research centre in China took charge of analysis that was specific to the Chinese context. In addition, they added case studies from the firm's knowledge database that had been developed by local Chinese consultants working on projects within China. As MCA's marketing VP stated, this was where the Chinese knowledge institution added value to its sister knowledge institutes in other countries as well as to the consulting practice of the firm as a whole.

Consulting publications provided a bridge between consulting firms and their clients as well as the general public across which the consultancy can diffuse their knowledge. For some potentially influential publications, consulting companies would hold official ceremonies for the release of the document or a press conference where the company could talk to the media and answer their questions. If the topics of white papers and research reports closely followed current public issues, they would automatically attract media interest as well. For example, MCA published a research on the internationalization of Chinese enterprises. Because this topic was under much discussion in the popular media, the release of the research report received substantial media coverage and had a good public response. Consulting firms were therefore careful about choosing topics, paying attention not only to those areas which reflected the firm's specialization and project experience, but also topics which followed current trends and 'hot' business issues in the Chinese marketplace.

In preparing adaptations and original types of publications, consulting firms sometimes chose a partner to cooperate. The choice of the partner included the consultancies' past and current

clients, local or overseas academic institutions, book publishers and media. The next section thus discusses such partnerships with other knowledge creators, as well as networking activities for marketing purposes.

5.4 Networking

Management consultants, together with international managers, management gurus, the business press, universities and business schools and academic researchers are increasingly recognized as key forces in the diffusion of Western management ideas, at home and abroad (Mazza and Alvarez, 2000, Sturdy and Gabriel, 2000, Clark and Greatbatch, 2002, Scarbrough, 2002). The relationships between these intermediary groups in the production and adoption of business knowledge are both competitive and collaborative (Abrahamson, 1996). While competing with other knowledge diffusers in winning the attention of managers, management consultancies maintain cooperative relationships with other knowledge bodies. This is a way of enhancing their influence in both the general marketplace and among their target audiences. Such joint efforts are seen as leading to the increasing prosperity of the management knowledge industry as a whole (Engwall and Kipping, 2002).

MCA managed to set up partnerships with a carefully selected group of universities and business schools. They teamed up together on a project by project basis. Such cooperative projects tended to be original research with a China focus because there were some characteristics of that research making it beneficial to partner with third parties. There was the need to collect massive amounts of information and data, and the consequent need to analyze this data. Organizations such as business schools are in some ways better set up to do this kind of work. Original research also required sending people out into the field to conduct surveys and interviews. In these circumstances, the need for larger teams could be met by cooperating with universities, and utilising larger research teams which did not incur prohibitive labour costs. The principal of MCA's Chinese research centre explained that it was more economical to bring university students into projects because his institute and the consulting company as a whole had a labour shortage: besides, it was uneconomical to use expensive consultants on a research project which did not itself directly produce revenue. Even with regards to profit-making consulting projects, seeking help from third parties for the less creative work of data collection and analysis frequently occurred in the early days of

the development of the Chinese consulting industry. A management professor from a Chinese university confirmed that during the late 1990s, he received a lot of inquires from international consulting companies such as Roland Berger and Ernst &Young regarding collaborating on industry and market surveys through the consulting firm which he started up with other academic staff and was sponsored by the university (Interview E19, Professor/Managing Director, LCE, 11th Feb 2006). Hence, the easy access to a ready supply of university students from top Chinese universities provided a cost-efficient means of doing market research at that time.

Collaborating with educational organizations and other similar bodies also opened up access to the resources, skills and existing relationships of other professionals without purchasing it (Cardell, 2003). For instance, one interviewee from MCA discovered that through their cooperating research partners they could get access to interviews and information which otherwise might have been difficult to obtain. Universities and business schools maintain good relationships with a great range of local companies through their powerful alumni networks. In addition to economical considerations, cooperation was beneficial for knowledge production. The dynamics of a team change substantially when two groups of people from different organizations work together because it forces both teams to think differently. One senior consultant from MCA pointed out that the best thinking was usually done when the thinker was 'outside of his/her comfort zone' (Interview A13, Consultant Manager, MCA, 20th Feb 2006). Lastly, the relationships set up with major Chinese universities and business schools through these cooperation projects, benefited the institute and the company's other relevant activities. For example, employing students fitted in with the companies' human resource strategy of building brand awareness on university campuses, which would aid in the later recruitment of employees.

A Partner from MCA introduced a typical project in collaboration between the firm and a Chinese local business school. The project examined the current situation and future potential of Chinese companies expanding into overseas markets based on the results of forty interviews and surveys with a selected group of large-scale Chinese enterprises. In this project, a professor and postgraduate students from the university undertook a large part of the field investigation and data analysis, while MCA assigned experienced consultants and

researchers to serve as subject matter experts offering key industry insights and suggesting useful models and measurements. This form of cooperation ensured the combination of the strengths of both parties. The resulting research reports were published both separately as a white paper and included in MCA's Chinese and global subscription based business newsletter.

However, international consulting firms have not developed the same profoundly cooperative relationships with academic institutions in China that they have in western countries. In the U.S. and Western Europe for instance, management consultancies and university professors frequently undertake joint research projects in which important theoretical breakthroughs and methodological advances occur (Davenport and Prusak, 2005, p.312). In China, the cooperative relationships between consultancies and universities remain at the lower level work of market surveys and data analysis. As a university management professor from Shanghai admitted, international consulting firms tended to look to the top local universities for help in recruiting cheap labour, using local college students to execute market surveys and undertaking some initial and simple survey data analysis. However, this type of cooperation has declined recently because of rising concern within consulting firms regarding the quality of survey data as well as a rising variety of local professional market research firms. Instead, consulting firms have turned their focus to seeking longer and more meaningful relationships with the top local business education institutions. For instance, in the joint research program discussed in the previous paragraph, the local university partner had started to play a role in the initial selection of the research topic, as well as providing important models of analysis.

Besides networking with other knowledge carriers, the two consulting companies actively participated in various publicity events in order to increase their sphere of influence, expand their potential audience, and create opportunities to promote new products and services. Senior consultants and partners were often invited to speak at conferences where they could discuss the companies' publications as well as tell stories and provide examples. They also spoke frequently to the media regarding current 'hot issues' in the role of 'experts'. They were active writers for Chinese newspapers and popular business magazines whose audience included managers, business editors, academic researchers and students. For example, from

June 2005 to February 2006, consultants and researchers from MCA published articles in the nationwide media including *21st Century Business Herald*, *Global Entrepreneur*, *China Business* and *China Telecom World*. The first three newspapers and magazines are among the most influential business publications in China. *21st Century Business Herald* is a weekly business newspaper and had a circulation of 629,200 in October 2005. *China Business* is published by the Institute of Industrial Economics of the Chinese Academy of Social Science, the top government-sponsored economic research institution. *China Telecom World* is a joint publication of the American International Data Group and the China Institute of Scientific & Technical Information, and is the most popular telecommunications journal in China. Exposure in these influential media raised the market recognition of MCA because the firm's name was usually included in the author's introduction in the articles.

In addition to their presence in the media, consulting companies were also active organizers of influential industry meetings, conferences and forums in China. These events were normally clearly targeted. For example, in 2005 MCA organized a large-scale round table meeting in Shanghai, inviting the Chief Financial Officers (CFOs) from leading commercial banks in Beijing and Shanghai to discuss new trends in financial management. One interviewee involved in this event described the evening thus:

> We held a dinner for them and we talked through banking issues. We talked through banking IPOs. We talked through also risk management. So that's how we disseminate some of the information to them. And sometimes through these marketing events, one of the CFOs might say "Oh, that presentation you made seems really interesting. Could you come to talk to me more about it? I'm really really interested in it". Or "could you come and present this to my team?" Or "how does that apply to my bank or my business? Can we meet and explore opportunities of how we might put it together? Could you help me resolve some of my business issues?" (Interview A15, Associate Partner, MCA, 25th Jan 2006)

In this instance forums were set up where internal researchers and consultants were able to directly interact with the firm's clients. In another forum hosted by MCA, top level speakers from various countries shared their insights into and strategies for key business challenges in the global environment to an audience of senior managers invited by the company. The topics discussed were closely related to emerging markets, including China, Russia and

India. Some international consulting firms, for example McKinsey & Company, even paid for all travel expenses of their potential clients to participate in the seminars they organized (Wu, 2007). These networking activities initiated a conversation between potential clients and consultants which could form the basis of a future consulting project.

The consulting companies also invested heavily in public relations events, on both a regional and global scale. MCB sponsored an Asia-wide golf competition in 2005. It has a long term cooperative and sponsorship relationship with a Formula One racing team for which the company provided strategic and IT consulting support. China is the latest location of the Formula One tournament and the event enjoys a high level of recognition and media reportage. Choosing to sponsor high profile sports such as golf and Formula One racing helped the company present an image of being high-end, cutting-edge, professional and international. It is noticeable that MCB has taken full advantage of its existing global marketing resources to organize its marketing activities within China. In the aforementioned golf game, the company invited its global image ambassador, a top professional golf player, to participate in the Chinese competition. Other invited guests included CEO of the company's most valuable clients in the region. As many of the senior consultants acknowledged, these activities effectively raised the public awareness of the management consultancies and their products and services. Those firms and their consultants with frequent public exposure on media usually enjoyed higher brand recognition.

5.5 Conclusion

This chapter has reviewed the strategic activities of international consulting firms in marketing their brands and their services in the Chinese marketplace. An important aspect of the marketing strategy for management consultancies is to utilise indirect channels and tools - publications, think tanks and cooperation with educational institutions and other relevant parties. In addition to the marketing functionality, publications and think tanks are important mediums for corporate innovation.

Three major areas were discovered to be important venues for reputation building within the global consultancies operating in China. The first was in-house research organizations, the 'think tanks' of international consulting firms. Knowledge is the key resource of

management consultancies – they sell it, they source it, and they protect and perfect it (Fincham, 2002-3, Engwall and Kipping, 2002, Carter and Crowther, 2000). Therefore, like the R&D centres that manufacturing companies invest in for product development, the think tanks inside these professional services companies are institutes for knowledge R&D. Although not every international consulting firm has its own individual knowledge research arm, the trend has been on the increase in recent years. These knowledge institutions conduct macro-market and industry research and develop new service offerings for consulting firms. They are an important component of the strategies employed by the consulting firm to establish a 'thought-leadership' position (Davenport and Prusak, 2005). Especially in emerging markets such as China, think tanks help to create and reinforce an image of leadership of international consulting firms in the consulting industry among Chinese managers. However, perhaps due to this unspoken purpose, original research undertaken by the Chinese knowledge institutions of international consulting firms remained very limited; instead the major work has been the translation of the research results from the firm's western knowledge centres, and the adaptation of this research with Chinese market data. There appears to be a lack of Chinese specific original research originating within these China-based research centres.

The second important medium through which international consulting firms market themselves to Chinese managers are various types of internal or external publications. Indeed, the international consulting firms have recently increased their investment in knowledge related activities in the China market. These investments usually result in the production of research papers, industry reports and popular business books, through which consultancies can broadcast their knowledge products to an outside audience. Publications have grown into the most significant means of broadcasting consultants' insights into general economic and business topics. Such publications do not represent the direct marketing of a consultant's suggested solutions to specific business issues – indeed, very rarely does one encounter a 'hard sell' of a specific consulting service in a consultancy publication; instead, international consulting firms used such media to promote big ideas and general concepts, such as Enterprise Resource Planning or Customer Relations Management. Through so doing, international consulting firms were able to 'educate' Chinese managers in new management ideologies and techniques, and hence, to ultimately generate demand for the

relevant managerial solutions with which these publications linked the consultancies. Together such consulting publications nurtured the managerial culture in China, whilst diffusing western management ideas in the process. In terms of communication means, alongside traditional paper-based publications, new electronic media formats such as websites and email newsletters were heavily utilized by international consulting firms.

The third venue that international consulting firms found useful in diffusing their knowledge to Chinese managers was through networking events such as industrial conferences, workshops, and executive dinners. Through these activities, international consulting firms not only raised the awareness of their brands and expanded their influence among the general public and clients, but also created occasions where consultants could directly interact with a great pool of potential clients. This enabled them to establish necessary personal networks for future business as well as to impress potential clients with their knowledge and expertise.

Together, these three avenues represent important vectors through which international consulting firms aimed to win Chinese clients. By investing in these activities, international consulting firms strived to establish their image as managerial 'thought leaders', raised the awareness of their company, and extended their influence in the purchasing decision of managers. Knowledge leadership requires long term continuous investment in all aspects of knowledge creation and diffusion. In this chapter, we have reviewed the research and marketing strategies of international consulting firms in regard to their knowledge assets. In the next chapter we discuss further how international consulting firms dealt with this issue internally.

Chapter 6

Global Consultancies in China: Translating Expertise Internally

6.1 Introduction

How employees are recruited, selected, trained, and rewarded is central to the alignment of a firm's human resource management with its broader business strategies. This is particularly important in professional service firms such as management consultancies, given the centrality of employees in the delivery of services and the development of client relationships (Starbuck, 1992). For management consulting firms which operate on a global scale, a central issue is the extent to which the firm seeks to develop a common 'global' model of human resource management, irrespective of the national or cultural context of employees, or alternatively tailors its human resource strategies for employees operating in different regional or national settings (Rosenzweig and Nohria, 1994). This chapter focuses on the human resource approaches of two international consulting firms and examines to what extent these firms have developed a global or local approach to the management of human resource in their Chinese branch. The first section of the chapter examines both companies' methods of recruitment, training and skill development to see whether the companies have replicated their global model of management or have tailored their methods to suit the Chinese context. The chapter then focuses on the role of expatriate western staff in the Chinese practice of the two consulting companies. The final section studies how the two companies manage their corporate cultures as a means of management control and the resulting influences of the company's corporate culture on their Chinese staff.

6.2 Recruitment, Selection and Training

Following the establishment of both consultancies' Chinese practices and the shift from serving foreign subsidiary clients to local Chinese companies, both MCA and MCB began to establish procedures for the recruitment, selection and training of local Chinese employees.

A central issue here was the need for operational employees who could work with Chinese client managers as well as in the cross cultural multinational company environment. To be effective, these employees needed to be able to speak proficient English as well as Mandarin Chinese and even local dialects in some cases.

With around 8000 employees in its China offices in six cities, MCB followed its global practice of recruiting university graduates as the major source of replenishment for its workforce. The typical career path for new graduates at MCB was to begin at the firm's entry position of business analyst, followed by junior consultant, senior consultant, and eventually promoted to manager level, if the individual was assessed to be of that potential. Beyond local graduates, MCB also sourced local experienced managers as 'experienced hires'. Especially after the post-SARS period, booming demand for consulting services in the Chinese market increased pressure on the company to further expand its consultant workforce. Under pressure to rapidly expand its operations, MCB placed a greater emphasis on recruiting experienced local staff in China than it did in other parts of its global operations. This created new challenges to the company's induction and training system which had been almost exclusively targeted towards inexperienced graduates. For instance, several interviewees noted that a number of experienced recruits actually quitted the company soon after their joining due to the pressure to conform within a very different corporate culture.

By contrast, MCA demonstrated a slightly different approach to the recruitment and selection of its consulting staff. Unlike MCB's focus on inexperienced university graduates, human resource managers at MCA placed a greater emphasis on the recruitment of individuals possessing experience in the specific industries the consultancy served and/or knowledge and expertise of specific functional areas such as financial risk management and information system management. These experienced recruits were generally expected to have an MBA, which was viewed as providing a systematic business education in combination with practical business experience. As the human resource manager of MCA's Chinese branch noted, experienced recruits were expected to 'hit the ground running' when they entered the company and would be posted immediately 'into the field' to work on client projects. In selecting these experienced recruits, MCA managers looked for individuals who

demonstrated self initiative, were proactive, and could 'go out and do things on your own'. While MCA also recruited recent university graduates, numbers were strictly limited and subject to an internship model developed by its American practice. Through competitive selection involving application, written tests and several rounds of interviews, qualified university students entered a half year internship program in which both centralized training programs and on-project work experience were offered. Upon graduation from university, those with satisfactory performance (evaluated by their mentors) in the internship program would be offered a job and sent onto the formal orientation training programs for new employees.

Training forms an important part of the way consulting firms manage knowledge as a strategic asset. As there is a high alignment between knowledge management and human resource strategies in knowledge-intensive service firms, two approaches to training are evident. The first is to provide new recruits with standardized materials, which can be easily retrieved from a knowledge repository or knowledge management system. For instance, Dunford (2000) notes how one large global consulting firm used a sophisticated knowledge management system which kept records of its previous consulting assignments as a central means of diffusing codified knowledge amongst its staff. Codified knowledge may also be communicated through senior consultants via lectures and other training media which serve to diffuse the standardised models and frameworks. Importantly however, such codified knowledge needs to be supplemented by the intangible but often more critical tacit knowledge of consulting work. Hence, a second approach, also includes training and lectures, but depends more heavily on senior consultants to mentor juniors. The content of what is taught often based on the mentor's personal experience, thus making the training process more personalized and informal.

For consulting firms operating on a global scale, it is likely that we would find some combination of both approaches, although some authors suggest the need to maintain consistency of service provision may lead to an emphasis upon centralised and ethnocentric knowledge strategies (Paik and Choi, 2005). In terms of the design of its training, MCB tended to fall into the first category. At MCB, the key components of the training program for new recruits included orientation, on-the-job, and annual training. In terms of orientation,

MCB relied heavily upon a global strategy. The orientation training took place when a junior consultant entered the firm. Highlighting the global nature of MCB's human resource strategy, the orientation training program was centrally operated in the global training centres of the company in Chicago and Kuala Lumpur. Through the orientation program, the new employees had a strong impression on the global scale of their company and had the opportunity of meeting other junior consultants from the company's global office network. New Chinese recruits received the same training content as employees from other parts of MCB's global operations because they learnt at the same place from the same lecturer and interacted with each other irrespective of their nationality. The content of the training courses focused on teaching the values of the company, as one junior consultant commented, 'Our training is a means of passing on the corporate culture. I learnt about being a [MCB] consultant, as the very first lesson in my company was about how I would be expected to behave on a particular occasion' (Interview B6, Consultant, MCB, 20th Jan 2006). A frequently used method in the training courses was case studies, which outlined typical consulting project environments and taught the acceptable and preferred procedures for dealing with different situations and client reactions. For example, the trainees outlined how they were instructed in handling conflicts during client assignments, or the need to develop a respectful attitude towards clients and their employees. Importantly, the content of this training emphasized a universal model of project and client management, rather than an approach specific to the Chinese context. Beyond orientation, the global model of skills development was reinforced throughout career progression, with further training constantly emphasising a common set of solutions irrespective of national or regional context. This might include the preferred approach to coping with incapable or uncooperative analysts or over-demanding clients.

In delivering its training, MCB involved senior consultants as part of the trainer team. The junior consultants while impressed by the sophisticated nature of the training courses argued a more influential process for learning was their involvement in actual consulting projects and observing senior consultants as mentors. As one interviewee noted, 'the style of the supervisors determines the style of their students' (Interview B3, Consultant, MCB, 18th Dec 2005). However, although MCB included the mentoring program in its training system, it did not seem to make the training more personalized. After all, the mentors themselves had

received the global standard training; the company's centralized knowledge repository played a significant role in their daily work; and the company put significant stress on the organizational culture to culturally homogenize its staff.

Even when the personal application of the company's methodologies in the Chinese context occurred, which one interviewee characterized as an 'individual invisible asset' (Interview B6, Consultant, MCB, 20th Jan 2006), there was little evidence that MCB has sought to incorporate such tacit learning by its Chinese consultants back into the firm's collective knowledge and training systems. Indeed, one senior consultant admitted that the consulting frameworks and models which had been codified and 'written on paper' were seen as interchangeable from country to country (Interview B1, Consultant Manager, MCB, 16th Dec 2005). Hence, a managerial solution consisting of a certain number of standard steps was expected to be followed irrespective of whether the consultant was in the United States or China. The emphasis upon the teaching of standardised consulting processes and approaches was explained in terms of the need to ensure consistency and quality of service delivery. While, one step in a standardized consulting process might not be applicable in a particular context, it was likely that other consultants in other settings might find it relevant. In this sense, what general modifications or adjustments might need to be taken when applying these processes and models to Chinese clients were usually not incorporated in the training materials or knowledge database. In designing the training programs in this way, MCB sought to imprint upon employees the international image of the company and its globally applicable thinking and behavioural style. Therefore, although personal interaction with senior consulting staff was seen by Chinese consultants as a more efficient way of learning, the standardisation of methodologies aimed to ensure that individual consultants delivered to a global standard.

By contrast, MCA demonstrated a slightly different approach to the training of its consulting staff. Since the China offices of MCA put a greater emphasis on the recruitment of individuals with industry experience and functional expertise, the training of consultants was more often targeted at teaching specific skills and knowledge. Despite the application of a centralized orientation training program with global standardized content similar to MCB, there was evidence of a slightly more flexible approach to the training of consulting staff. For

instance, MCA differentiated training programs among its consultants according to different consulting specialism such as ERP, strategy, process, or system integration. The company's newly founded research organization also started to play a role in the training of consultants, with research staff working closely with consultants on consulting projects, collecting data and conducting surveys. There was evidence of a two-way flow of employees between the company's consulting practice and research institution through an individual mentoring program. This involved both researchers moving into consulting work, as well as employees in the consulting practice also having the chance to be seconded to the research institution on a project basis or for a longer period of time before returning to the field. Consultants undergoing this transition were typically selected according to their skills and interest in a particular subject area or industry of current interest within the research centre. As the centre played the role of an internal knowledge provider, this approach strengthened the circulation of ideas and practice within the organization.

Overall, the two consulting firms both demonstrated a tendency towards global model of employee selection and training with differences at minor aspects. MCB had clearly adopted a 'one world' model of training and knowledge diffusion, with its Chinese recruits exposed to the common global training template of the broader organization. MCA exhibited evidence of greater specificity of training and through the use of its own research organization in China there was greater potential for local knowledge to be assimilated within the consultancy's Chinese operations.

6.3 Experienced and Expatriate Consultants

While recruiting and training local Chinese employees for junior level consultant positions, for executive level staff, both MCA and MCB relied on sending experienced western consultants (e.g. American, European and Australian) to their China offices to help in building and developing their Chinese businesses. Indeed, the concept of 'experienced consultants' and 'expatriates' were often interchangeable in both firms. In part, this reflected the relatively recent establishment of the Chinese practices of both firms compared to their world operations and the lack of adequate local expertise. Both firms had extensive global networks of experienced senior consultants who could play leadership roles in the establishment of the new Chinese operations.

Moreover, experienced western consultants also acted as important signals to local Chinese clients of the consultancies' access to global 'best practice'. As several senior interviewees noted, Chinese clients often requested western consultants in project teams that had global experience and 'deep insight' into specific industries or management practices. These westerners were primarily involved in the selling of the work so when the consultancy presented to a client they would be positioned as the subject matter expert. Because these consultants were usually on executive positions, they did not participate as much in the actual hands-on day to day work of the projects.

Despite the respect they received from local clients and junior employees of the consultancies, expatriate consultants noted a number of problems in working in the Chinese context. First, although an increasing number of expatriate consultants seconded on a long-term basis to China had a workable knowledge of basic Chinese language, several respondents emphasized the importance of working with Chinese-speaking staff in dealing with most Chinese clients who in many cases did not speak English. A second challenge in working in China was what expatriate respondents characterized as the different way in which Chinese clients approached consulting assignments. For example, western consultants found their strictly logical and structured approach to problem solving fundamentally different to that of their Chinese clients. One Australian consultant called this the 'frustration point' for the westerners who have to work through the process of problem diagnosis and project design with the Chinese clients as an essential part of their obligation in a client assignment (Interview A14, Partner, MCA, 19th Feb 2006). The need to understand cultural difference was also important when they tried to share their knowledge with clients. One senior foreign executive commented that:

> Our job is not just to bring expertise like a computer disk and plug it in, you have to be able to present that knowledge in a way that the client can best use and assimilate, and that means you've got to understand the culture a little to help that (Interview B12, Associate Partner, MCB, 20th Feb 2006).

While these consultants were faced with such cultural obstacles and lacked the advantage of Chinese language proficiency, the interviewees argued that Chinese clients still liked to see

western faces on project teams to legitimize the quality of consulting assignments. The human resource manager of the MCA China office described a typical scenario:

It is very very clear to them [client managers] and so they recognise that, he's an expert, 25 years in the industry. He's going to understand the problems because I'm in the automotive business as well. So they recognise that, okay, maybe he doesn't speak Chinese but he understands the industry, he understands the issues and that brings a lot of value (Interview A10, HR Manager, MCA, 2nd Feb 2006).

Furthermore, the respondents argued that foreign expatriates were often deployed as a symbol of legitimacy when local consultants encountered resistance from client staff. Periodic visits to a client project team by foreign expert consultants proved to be useful in adding to the confidence of sceptical clients. Because they were presented with a glimmering profile of years of concentration on the client industry or the management practices in issue, the western consultants were believed to be able to provide unique insights into the troubles and problems of the clients who were seeking to modernize their operations along western business lines. On these occasions, the western consultants in fact were representative of advanced western managerial expertise, which after all was an important constituent of the competitive package of services the international consulting company subliminally promised to offer. Nonetheless, some respondents interpreted this symbolic usage of western consultants from an alternative perspective, as the indicator that Chinese clients were immature consumers of consulting services. In addition to the challenging factors noted in the previous paragraph, the cost of placing experienced western consultants in a client engagement was high. As one senior consultant noted, only the large, state-owned Chinese companies had the budgets to afford the expense of numbers of expatriate consultants on project teams. So in most client assignments which required the presence of western consultants, they were often not assigned over the whole period of the engagement. Interviewees thus suggested that the Chinese companies had yet to learn the need for varying combinations of experienced and junior consultants according to the nature of consulting assignments.

Moreover, respondents from both consultancies noted continued intensity of price competition in the consulting market and thus the necessity of limiting the use of more costly expatriates in order to reduce project tender prices. Indeed, the major role of experienced

western consultants was more pronounced in terms of the internal operations of the Chinese branches of both consulting companies. Young, local consultants perceived the foreign expatriates as playing the role of internal knowledge experts and mentors in project teams. In this respect, within consulting engagements with local companies, the expatriate consultants were responsible for two tasks in particular. The first was to supervise the quality of consulting assignments and their outcomes. Hence senior western consultants were often centrally involved in evaluating the results of local consultants' work, identifying potential risks, and developing contingency plans to ensure client satisfaction and maintain the consultancies reputations. The second task was to be an internal knowledge provider, passing on their global knowledge and industry experience to the local consultants. The expatriates played a central role in sharing their expertise in a particular area in a project team, and also complemented the codified knowledge obtained from the companies' knowledge management systems.

The use of foreign expatriates as internal knowledge providers was also explained by the relative inexperience of Chinese consulting staff. While senior consultants in the western countries possessed an average of ten to twenty years of working experiences, in China, this figure was well below ten. Therefore, the Chinese operations of the international consulting companies needed overseas support to compensate for the lack of experience presented in their local workforce. Young local consultants could learn from working with experienced foreign consultants. A young local consultant stated that her feeling of working with foreign expatriate consultants was totally different from that of working with her local colleagues in terms of supervision and control of the client project progress, allocation of the job, and assessment of the quality of assignments. According to her observations, the foreign expatriate consultants usually approached a problem in a more comprehensive manner. Similarly, a senior foreign consultant emphasized that he was hoping to be a role model for his local affiliates. When they were working together in a client assignment, he expected that his local young staff would learn from observing the process – observing what decisions he made and how he reached a decision for the sake of what was important to both the client and the consulting firm. He explained:

Hopefully they will choose to follow that role model or at the very least I hope they go. "Well, he just did that, so I should do it, too"; or "I don't like the fact that he did that, I

think it's wrong, so I'm not going to do that" (Interview A14, Partner, MCA, 19th Feb 2006)

Subliminal learning occurred during this process. As this Partner added, while no one perfect role model necessarily fitted all situations, his expectation was that local consultants would subconsciously watch what the person above or beside them was doing. In this way, the young local consultants were seen to learn more quickly. Some senior consultants even forecast that the young generation of Chinese local consultants would eventually be a leading force in creating new methods and techniques in the consultancy globally in the long term.

In addition to being internal knowledge providers, western expatriate consultants were also sent to China by the consultancy in hope to utilize their past experience in managing the consultancy to develop the firms' Chinese business. In both consultancies, senior western consultants were critical contributors to the leadership of the local practices. These foreign expatriates had often been in the consulting industry for decades and had significant experience in successfully running consultancy operations in other country settings. However, as one such western leader noted, for foreigners being a business leader in China was often difficult, because to develop the business the foreign executives needed to establish relationships with local parties which he claimed, were where the 'subtleties' were (Interview A14, Partner, MCA, 19th Feb 2006). These senior expatriates needed to know who the key business players were in China and understand the general Chinese business culture in order to understand the 'rules of the game' in the local context, which was usually a crucial challenge to most western expats.

In recent years the number of foreign expatriate consultants working in China has decreased. Since the Chinese consulting market had grown rapidly, more local consultants had been trained and taken on more important positions in the companies. For example, one senior expatriate at MCB noted that managerial positions were almost exclusively taken by non-Chinese in the Chinese branch of his company when he first arrived in China eight years ago. In contrast, nowadays there were more local Chinese who took up project manager and higher positions (Interview B12, Associate Partner, MCB, 20th Feb 2006). In MCA, the Strategy and Change unit, a significant business unit of MCA, was now led by a local Chinese manager who had many years of working experience with a state-owned steel

manufacturer before he joined the company. The changing nature of the client base had also forced a need for greater local 'embeddedness' in terms of staffing arrangements. In particular, the movement from working primarily for foreign multinational subsidiaries to large local Chinese companies required the employment of increasing numbers of local Chinese consultants as Chinese language capability became increasingly important. As a result, the number of western consultants had begun to shrink. As one respondent noted, for a non Chinese-speaking western consultant to be successful in the Chinese market, he/she would have to 'have some type of other skill or knowledge that is highly specialised and local people don't have' (Interview B12, Associate Partner, MCB, 20th Feb 2006). Consequently, western, non-Chinese speaking consultants there now usually possessed fifteen to twenty years experience of working in a certain industry, for example, the automotive or financial services sector, or had acquired expertise in at least one specific functional area, such as IT implementation, supply chain management, strategy, or change management.

6.4 Corporate Culture

As noted in the previous sections of this chapter, a central feature of human resource management in both MCA and MCB's Chinese operations was the maintenance of a global corporate culture. Knowledge intensive firms like management consultancies prefer to use social norms rather than hierarchical controls to facilitate internal coordination (Starbuck, 1992, Alvesson, 1991). Proponents of socio-ideological control contend that corporate culture and group identities provide a means for the integration and orchestration of work (Karreman and Alvesson, 2004). Knowledge work is complex, intangible and difficult to measure, therefore traditional managerial controls are problematic when being used on knowledge workers such as management consultants (Starbuck, 1992, p.103). Instead, knowledge intensive firms, like management consultancies can more effectively manage the activities of their employees by establishing among them a shared value system. People sharing the same values are more likely to reach consensus and thus collaborate more efficiently. However, critics argue that such strong corporate cultures reflect a form of normative control in which employees internalise managerial values and align with managerial objectives, and 'extend the employment contract to areas previously outside the managerial prerogative' (Grugulis et al., 2000, Silver, 1987).

Although there are some common characteristics associated with the image of management consultants, individual consultancies can have very different corporate cultures (Cappelli and Crocker-Hefter, 1996). One interviewee at MCB, who had previously worked in another international consulting company, clearly distinguished between the corporate cultures of the two organizations. MCB stressed the significance of sustainable development and planned its business development in the Chinese market with a view to its long-term viability, while the previous firm this employee had worked for had emphasized more immediate financial results. For instance, MCB devoted a significant fixed percentage of its annual revenue from the local market towards the training of local employees. The long term orientation of MCB was also evident in the way in which consulting projects were evaluated. Managers placed emphasis on the quality of work performance rather than the quantities of workload. For example, the same interviewee at MCB talked about how her managers gave highly positive feedback on her performance because of the innovative ideas and distinctive insights she had provided in a recent client engagement. By contrast, at her former employer the emphasis of evaluation was purely on quantitative indexes and measurable criteria such as the number of reports she had written or her ability to meet deadlines. The interviewee strongly supported MCB's emphasis on quality which, she contended, made her feel more comfortable and confident working for this firm.

At the macro level, the corporate cultures of western companies as a whole are distinguishable from those of Chinese companies (Child, 1994) which are strongly influenced by national cultures and economic norms (Ralston et al., 2008). Chinese management is known for its paternalistic approach, focussing on personal relationships and acceptance of hierarchy (Pun et al., 2000). Instead of accommodating the possible cultural conflicts, the global consultancies stressed their global cultures over the local traditional values. This is no surprise as existing literature has suggested the use of corporate culture as an important means of management control (e.g. Grugulis et al., 2000). A senior manager noted that the culture of MCB was consistently influential among its employees (Interview B1, Consultant Manager, MCB, 16th Dec 2005). MCB's usual practice was to recruit fresh graduates from a small number of top universities to facilitate the promotion of 'esprit de corps' among them; a practice American consulting firms often adopted (Kipping, 1999,

p.218-219). There was even a metaphor invented for this human resource strategy – those who entered MCB right after their college education were referred to as the company's 'Baby'. When the company recently started to hire experienced people due to the rapid growth of business, however, the assimilation of these people into the prevalent organizational values turned out to be a challenge. The HR Manager of MCB revealed that more time was spent in ensuring these people blended into the company's cultural system although this had proven problematic. He reasoned that understanding the dominant organizational values was a pre-requisite for effective collaboration; otherwise the newcomer would probably have difficulty in reaching consensus with colleagues due to the different definitions for key principles such as 'quality' – the company had a particular definition for 'quality' in its organizational context.

Channels of promulgating organizational culture included the use of ceremonies, rituals, symbols and metaphors (Deal and Kennedy, 1982). Both companies introduced an annual event of western tradition – the corporate annual dinner. Once a year, the companies spent significant sums on this event, with the dinner held in high-profile venues such as five star hotels serving expensive banquet food and imported wines. The participants were required to wear cocktail dresses and tuxedo suites. During the dinner, there were performances from well known local artists and there were lucky draws of expensive gifts. These western styled events were rarely experienced by Chinese employees and thus impressed them. MCB's annual dinner in China had a tradition of junior staff members playing public jokes on senior managers. One interviewee from MCB excitedly described her bosses' performances in the previous year's event:

> Male senior [managers] dressed in female clothes and wear the witch's decorative long nails. They were dancing with dancing tutors in front of the whole company. We off the stage and laughed happily at their funny [performance]. (Interview B1, Consultant Manager, MCB, 16th Dec 2005)

This interviewee discussed her sense that the distance between herself and her bosses was shortened following this event. It seemed that these social events were also good opportunities to enforce the managerial ideologies of the consultancies, such as their attitudes toward hierarchies. For example, in each MCB office, there were periodic staff gatherings, named community meetings. Employees of the MCB Shanghai office, for example, would

get together from time to time to discuss free ranging topics. They were encouraged to talk about anything they wanted to share with other members in the organization, such as a recent client engagement, latest industrial trends, suggestions for the company or opinions about the firm's future development. The purpose of these events was to encourage a free communication environment which is believed to beneficial for the construction of corporate cultures (Bhargava, 1990, cited in Starbuck, 1992, p.730).

It is noticeable that the values conveyed through these social events are contradictory to the more intrinsic Chinese national cultures in which hierarchy is stressed and subordinates do not tend to voice their opinions on public occasions (Hofstede, 1980). That is probably the reason why promoting corporate culture, through purposefully designed events such as the community meetings, was not an easy task. According to one executive from MCB, the company had spent a lot of time trying to work out how to more effectively communicate the corporate culture (Interview B12, Associate Partner, MCB, 20th Feb 2006). However, one benefit of these efforts was the effect of cultural unity on the efficiency of a project team. Most interviewees from global consultancies remarked that they and their colleague usually had similar ways of tackling problems which they felt would accelerate the problem solving process. During the consultation process, the consultants could easily reach consensus on the problem solving structure and quickly get tasks allocated to each team member so that time was saved to handle complex issues (Interview B2, Senior Consultant, MCB, 16th Dec 2005). There was also evidence suggesting the same level of appreciation among consultants for their company. For example, in answering 'what is the competitive advantage of your company', junior consultants and senior executives from MCA had very similar opinions, both referring to the company's knowledge assets, consulting approaches, and harmonious collegial relationships.

Chinese consultants who were interviewed displayed a sound apprehension of their company's history, culture and values. As was the case in Germany where local consultants tried to imitate the appearance and lifestyle of American counterparts (Kipping et al., 2003, p.18), young Chinese employed by western consultancies appeared to have been influenced profoundly by the firm's western cultures. One indication of this was language. English was the official working language at the Chinese offices of the western consultancies, with all

documentation of internal communications and client assignments (even though the client was a local company) written in English. Although Chinese employees still communicated in their local language in private contact, they were required to speak English on public occasions such as training sessions and meetings, particularly in the presence of non-Chinese speaker(s). Working in such a bilingual environment partly changed the language habits of these Chinese employees, most evidently on those who worked for western consulting firm immediately after graduation. During our interviews, the Chinese respondents from western consultancies used a lot of English words, mixed in the Chinese language based conversations, to express themselves. The English words they used were not only technical terms but also daily conversational words, such as, 'feeling', 'career' or even 'family'.

A further indicator of the cultural influence of western consultancy was the Chinese employees' appreciation of the consultant career. Management consulting firms in China advocated an elite culture to attract the best local graduates, as was the case of McKinsey & Company in Germany (Kipping, 1999, p.215). Part of the elite culture was reflected in the strict selection process resulting in great competition between candidates. The western consultancies in this study all restricted their source of graduates to a handful of leading local universities. A young consultant from MCB emphasized to the author that his company only recruited graduates from the four best universities in Shanghai and the competition for entry into even the first round of interviews was highly intense. Those who finally obtained a job offer saw this as 'a testimony to their excellence among their peers' (Interview B2, Senior Consultant, MCB, 16th Dec 2005). The popularity of global consultancies in the Chinese job market was not only a product of the strict selection but also the attractive professional lifestyle these firms propagated to the public. Another Chinese consultant provided a detailed account of the firm's recruitment session at his university. During the presentation, senior consultants from the firm described their job as filled with frequent travel between cities and countries and opportunities of working with business leaders in industry. The presentation also promoted the firm's competitive remuneration package and featured the attractive international transfer program (Interview B3, Consultant, MCB, 18th Dec 2005). Such rhetoric depicted consultants as professional elites active in the international business community, and successfully promoted global consultancies as one of the most favoured sources of graduate employment According to the 2008 *Universum Most Popular Employers*

for Chinese Graduates, McKinsey & Company ranks at 6 rising from 9 in the previous year, and BCG at 24 from 35 (Deng and Zhao, 2008). Consulting firms are also known for high staff turnover and for encouraging consultants to leave the company through their 'up or out' promotion policies to either undertake further study or work for prestigious client companies (Kubr, 2002, p.791). These traditions were quickly taken up by Chinese consultants. The Chinese interviewees showed a sound sense of career planning. Over half of them had planned to study for an MBA or similar advanced business degree overseas in the near future. They also exhibited a sense of an 'elite' mentality, being proud of their job and the hectic lifestyle associated with it, talking about the high flying miles they had accumulated, the cities and countries they had visited, the various industries they had worked in, and the latest business topics they had learned about in their training and client work.

The acceptance and appreciation of western consultant career culture is remarkable, considering its sharp contrast to Chinese conventional values about work and careers. Traditionally, Chinese people worked for the same company for their entire life. In the era of the planned economy before the mid 1980s, the average Chinese citizen worked in government-designated jobs in state-owned enterprises ('feng pei') which rarely dismissed employees even in situations of economic necessity (Zhao and Zhou, 2004). Chinese workers and managers were unfamiliar with the concept of 'career planning' because salaries were fixed and also identical among different jobs, and promotions were based on seniority (Zhao and Zhou, 2004). People valued the stability of a job with the general preference of state companies over private ones (although they did not in fact have the freedom to choose the industry or company they worked for). Although the transition from planned to market economy may account for general shifts in societal values, for Chinese individuals who work for western consultancies, the cultural influence of their company is undeniable, in that these individuals usually have a broader international horizon and a strong sense of competition in planning their personal career development. The quick uptake of Western business culture can probably be attributed to the general adoration of the economic achievements of western countries amongst Chinese people in the post open-market era (Ying, 1998, p.208). Indeed, several consultants felt that they had received more respect and were challenged less by their Chinese clients as compared to multinational clients.

6.5 Conclusion

This chapter has reviewed the human resource strategies of international consulting firms in China. The arguments advanced have been based on two case studies, looking at how two major international consulting firms recruited and trained local consultants and how they used expatriate consultants in the Chinese context. The case studies revealed that international consulting firms tended to adopt an ethnocentric approach in human resource related strategies. They recruited fresh university graduates from China's top local universities and business schools for entry level positions and provided them with global-centric training courses that were the same as those used in the firm's headquarters and other international offices. Consultants were sent to training centres in the US, Europe and South East Asia, where employees were gathered from all the international offices of the consulting firms to undergo training by senior consultants in structured training courses. The ethnocentric approach was further highlighted by the consulting firms' emphasis on disseminating a western-originated corporate culture through various forms of social events such as annual dinners and community meetings permeated by hues of a western elite consulting lifestyle. The above evidence suggests that these global consultancies coordinate their consultants around a system of global behavioural codes. In China, the standards were transferred and desired behaviours were explicitly stated or implicitly elicited through the training and social and cultural events. Chinese employees were expected to behave in the same manner as the firm's consultants elsewhere in the world.

This ethnocentric trend was further demonstrated by the heavy reliance of these consulting firms on expatriate consultants from western countries, such as the US, Europe and Australia, to develop their Chinese businesses. Expatriate consultants were usually appointed to executive level positions. In addition to administering the business development of the Chinese offices, they contributed to the transfer of knowledge from western headquarters to the Chinese practice, playing a role of knowledge experts among less experience local consultants. This role of expatriate consultants was well recognized by Chinese employees and clients. Young Chinese consultants saw their expatriate managers as a useful source of knowledge and a role model of professional practice. However, expatriate consultants themselves revealed concerns about their inability to establish useful personal networks in the local economy which inhibited them from being a successful business leader in China.

Lastly, the enforcement of the global corporate culture suggests that the global consultancies sought to preserve their global identity and value systems as an integral part of the overall global human resource strategy. There was evidence that the image of a global consultancy of western origin had great appeal to local graduates. Nevertheless, in this process global consultancies ignored the possible inputs of local contexts into the organizational culture, and made little attempt to adapt their corporate culture to address the influence of national cultures on human resource management.

Although the ethnocentric approach has worked well for international consulting firms in China, some trends have emerged that may pose future challenges for this approach. The continuing rapid market growth has created demand for new consultants so quickly that it has outstripped the speed of training consultants up from junior level, and hence firms have felt the need of increasing the recruitment of experienced consultants. Relying upon a significant number of expatriate consultants is costly and there is a growing recognition that the experience of expatriate consultants might not be totally relevant to the Chinese context. Hence expatriates are not likely to be the core force that will drive future expansion in the Chinese market in the long run. Instead, employing qualified Chinese locals to managerial and executive positions provides international consulting firms with an improved understanding of the business context, and increases their penetration into the local economy. This is important because word-of-mouth reputation and personal networks are key success factors in recruiting and retaining clients. In light of these developments, the number of expatriate consultants appointed to leadership roles is likely to decrease in the Chinese offices of international consulting firms, although remaining important as subject matter experts and facilitating the internal transfer of knowledge between headquarters and Chinese branches.

Human resource strategies have a profound link to the overall management of knowledge within management consultancies. They are an important component of the knowledge-based competence for management consultancies given people are the mediums to carry the firm's knowledge and deliver it to the firm's clients. As Davenport and Prusak (2005, p.325) contend, 'the best firms will not only be those that hire the best MBAs, but

those who have the best processes for creating and sharing new knowledge'. Because consulting firms acquire knowledge through hiring new consultants who come with their 'pre-installed knowledge base', the selection and training of consultants has implications for the way knowledge is created and deployed within the consulting company (Crucini, 2002, p.122). As many international consulting firms expand geographically, they cross not only country boundaries but at the same over the corresponding cultural and social boundaries. Accordingly, the significance of human resource management, as a part of the entire knowledge strategies, increases in the face of changed management contexts. Indeed, in regard to securing their position in emerging markets such as China, this research suggests that international consulting firms need to improve their approach to managing their most important strategic asset – human resources. In analysing the Italy's case, Crucini (2002, p.121-127) argues that for management consulting firms operating internationally, human resource strategies can only be standardized to a limited extent, and a certain level of variation is expected from one country to another. This argument is echoed by the research findings in this chapter. Whilst the challenge of keeping a balanced approach between ethnocentric and geocentric approaches in recruiting and training remains, international consulting firms also need to pay further attention to the strategy of incorporating their accumulated knowledge assets, both codified and tacit, into the whole process of human resource management.

Chapter 7

Global Consultancies in China: The Complexities of Client Projects

7.1 Introduction

Having discussed the market and firm level practice of global consultancies in China, this chapter uses a case study to examine the interaction between global consultancies and clients at consulting project level in China. MCA was one of the international consulting firms that participated in the first stage interview research of this thesis. Through the assistance of an Associate Partner from the Beijing office of the company, I managed to join its consultant team on a consulting project with a large telecommunication equipment manufacturer, PhoneCo, in Beijing. The telecommunication industry is a major client for MCA, contributing 40 percentage of the total revenue of the consultancy in 2006 and 2007. Clients from this industry are exclusively large companies of over 10,000 employees and with operations in different parts of China. Consulting businesses in the Chinese telecommunications sector usually involves organizational re-structuring, process re-engineering, IT system implementation, strategic re-orientation or a mix of these services. Therefore, the client engagements are usually long and the contract size is large, generating the main profits for the consulting companies. In China only MCA and a few international consulting firms of similar size were able to provide consulting services on this scale. The case study project, the SDM project (a pseudonym), was a customer relations management (CRM) consultation project involving re-designing the client's business processes, installing a corporate wide IT system and managing the transition along the way. It had typical characteristics of the mainstream type of management consulting in China – large client company, long project length, and extensive consultancy participation in the implementation of organizational change. These consulting projects have become popular partly because the outcomes of the consulting intervention are more visible compared to pure strategy consulting, and partly because managerial solutions such as Enterprise Resource Planning

(ERP), Total Quality Management (TQM) or CRM have high recognition among local companies, a result of joint efforts between large consulting firms, education institutions and the business media.

In this chapter, I outline the strategies and approaches that MCA adopted in dealing with PhoneCo in the SDM project. The central focus of the chapter is to what extent MCA replicated its global practice to the process of client consultation in the Chinese context. Since the findings in the previous two chapters have suggested that the positive effects of the 'otherness' of global consultancies have contributed to their global strategies in marketing and human resource management, it would seem likely that global consultancies would also follow this approach in managing client engagements in China as well. The following case study will explore whether and to what extent this hypothesis holds by examining what global consulting methodologies were used by MCA and the effects of these methodologies in the case study project.

This chapter is organized in the following manner. The next section gives an overview of the case study project focussing on the nature of the client problem, the composition of the project team, and the client communication and conflict resolution strategies used by the consultancy. The final section of the chapter concentrates on the methods the consultancy used to manage the client relationship, in particular MCA's use of a codified change management methodology. Change management was part of the consulting solution to the case study project, which MCA claimed helped the client better prepare for the changes to its organization. The finding of my study suggests that while the consultancy's image as an organizational change expert was strengthened through this process, insufficient and inappropriate adaptation of the generic change management tools limited the ability of the consultants in practice to successfully manage the change process.

7.2 Project Overview

7.2.1 Background

On the first day the author joined MCA's consultant team in the SDM project, it was in a small conference room on the top level of a high-rise building located in the heart of Beijing's thriving central business district. The entire building belonged to the client

company, PhoneCo. Looking out from the window of the room, a huge neon sign bearing PhoneCo's company logo flashed in the heat of mid summer.

PhoneCo was a leading telecommunication equipment manufacturer in China. Due to the booming demand for telecommunication services in China since the late 1990s, PhoneCo had rapidly expanded its businesses into a number of regions in the country Outside Beijing, PhoneCo located its factories in a neighbour city, where products were manufactured and transported to China and nearby Asian countries. PhoneCo had the popular flat organizational structure with a mix of functional departments and business units. Over 80 per cent of the employees worked in the biggest business unit while functional departments such as human resources, finance, IT and administration served on a corporate wide scale across different business units. The company had sales offices in 31 provinces of China with a sales force of 18,000-20,000 people.

Although China offered huge potential for consumption of the company's products due to the country's population size and growing wealth, PhoneCo had experienced increasing competition and seen its market share drop steadily in recent years. Product cycles were accelerating and price competition was cut-throat. Market rankings quickly shifted between a few large players. Intense competition had led to continuous improvement in every link of the product value chain – technological innovation, production, marketing, distribution and retailing. Among these, the company considered the most critical factor for success was efficient marketing and distribution, due to the complexities involved in distributing telecommunication products in China. There were various channels of distribution to sell products to end consumers. First there were traditional national and regional distributors who distributed the products through their own distribution networks to second tier distributors and small retailers. Larger retailers including supermarkets and electronic appliance chain stores, however, bought products directly from manufacturers. Lastly, a small percentage of the products were sold to consumers via the outlets of telecommunication service carriers and online stores. Product distribution became even more challenging given the geographical diversity of China. In retailing channels, PhoneCo sold over 50 products through more than 120,000 retailing outlets across the country. On top of that, retailers in Chinese cities had undergone rapid industrial consolidation (i.e. mergers and acquisitions), leading to frequent

changes of retailer profiles. In distribution channels, the company was faced with a distribution hierarchy reaching some 2800 cities, counties and towns. Sales in rural areas grew rapidly from 20% to 40% of overall sales revenue, challenging the existing distribution networks in these areas. In alignment with the distribution structure, the company also had a complex sales force structure. It categorized its sales employees along two dimensions, namely retail and channel, to respectively manage distributors and retailers on national and regional levels. Retail teams were responsible for regional distributors in six geographical regions and thirty two districts while national distributor were managed by national account teams. Account teams were also responsible for national and regional retailers. Each region had one regional manager (RM) and each district one district manager (DSM).

Top managers of the company found that although the company spent significant sums in high cost marketing activities, including paying for international celebrities to endorse their products, sales were stagnating. After careful investigation, managers decided that product distribution was the major problem. Considering the complex distribution structure and sales force organization, timely, accurate and comprehensive sales data was seen as the key to manage product distribution, which would facilitate more informed decisions and quick responses to changes in market demand. However the existing sales data system could not totally satisfy such needs. Firstly, it did not provide a useful interface between the company's internal inventory system and the IT system for external distributors in collecting point-of-sales (POS) data. The company had to depend on the distributors and retailers to provide accurate data input. In the process, the timeliness and accuracy of POS data was unable to be supervised by the company. This was especially evident with the distribution through telecommunication service carriers who were frequently slow in data provision and in some extreme cases refused to cooperate given the extra workload involved. Secondly, the existing system was unable to prevent unethical business practices amongst distributors. Since price policies varied between different distribution channels, every product sale at the customer end needed to be reported back to the company in order to calculate the discounts and reward points to the distributing party (i.e. distributors, retailers and service carriers). This process generated a huge amount of sales records on a daily basis with each sales record needing to be linked to the inventory record to identify the responsible sales people and channel accounts. The existing data system did not generate the automatic link between sales

and inventory records and allowed for the potential for distributors to falsify price discounts. This not only eroded the company's profit, but also led to variations in market prices and loss of consumer confidence. Thirdly, there were some recent changes in the company's distribution structure. In 2007, PhoneCo opened its own retailing outlets in some major cities of China, and also launched its online sales platform. This resulted in two new distribution channels and the addition of two independent sales teams to manage them. Given all these complexities, the company management decided a more responsive and efficient sales management system was urgently needed to integrate the currently segmented internal and external sales IT systems as well as to suit the changes in the distribution structure. The resulting new system would cover both internal sales force management and external distributor management aimed at collecting sales data across different distribution channels in a timely and accurate manner.

Installing such a system was a huge task which would have a profound impact on PhoneCo's operations. It would bring changes that directly influenced everyone in the company's sales departments. At an operational level, distribution channels would need to be re-grouped to separate national retailers and telecommunication carriers into independent sales accounts to deal with the growth of sales from these two channels. Methods of sales data collection also had to be re-designed, and so did the labour process of the responsible staff. At the technological level, a change program of this scope would require the fulltime commitment of a considerable number of experienced change specialists and IT professionals over an extended period of time. Although PhoneCo had an independent IT service department, this project was seen as exceeding its capability. In 2006, there were several programs already in progress within the firm's IT department in addition to the department's daily responsibility of maintaining the four existing IT systems. Besides, the skills and experience required by this change program were lacking among the current IT employees. Therefore PhoneCo decided to hire an external management consultancy to assist them in this project. The selection was through bidding among a selected group of service providers; all were global consultancies having a reputation for large systems implementation. MCA's proposal stood out among other competitors, suggesting implementing a packaged CRM solution from a third-party software vendor by customizing the ready-made modules to suit PhoneCo's re-designed business processes. MCA was favoured due to its reputation for deploying the

same software system to its own global organization networks (Case Interview 7, Program Manager, PhoneCo, 31st July 2007). The initial contract was for eight months, after which, if PhoneCo was satisfied with the outcomes, it would resume the contract for another nine months.

Upon winning the contract, MCA divided the contract into two delivery phases. The sequence of deliveries was purposively designed in order to gain 'quick wins' (Case Interview 1, Managing Consultant, MCA, 21st May 2007). Because outcomes of early deliveries would largely determine the client perception of the consultancy's work and therefore influence future business, MCA needed a quick way to demonstrate their abilities in undertaking such a large project. Given this objective, MCA decided to focus on a core function of the new system, the sales report module, to be delivered first, and left the more complex and interdependent sales force management and sales account management modules to the second phase of delivery. In this way, they expected to gain an immediate success as well as leave them time to familiarise themselves with the client organization. Interestingly, knowing the intention of the consultancy, the responsible client managers still agreed to this approach because they were also eager to see quick results in order to gain continued sponsorship for this change program from higher level management of the company. This strategy appeared to work. The first phase lasted from March till November 2006, resulting in the successful launch of the sales report module. According to internal documents, the Phase I results 'provide real-time analysis, enable proactive issue identification, reduce manual report generation, offer significantly greater reporting functionality' (SDM XiAn Meeting memo, MCA internal document, 24th Jan 2007). As a result, MCA succeeded in having their contract renewed in November 2006 for another nine months to deliver the second phase of the project. At the time of the fieldwork, a further Phase III was also being planning (however this was later postponed indefinitely due to the economic downturn in early 2008). Because I only participated in the second phase of the project, the following discussion will focus on this stage of MCA's involvement at PhoneCo.

The 143 consultants involved in this project entered and withdrew at different project stages, due to their specialization areas. These include project management, business process analysis, system development and testing, and change management. First, business analysts

were sent to map out the existing business processes and the client's requirements for the new system mainly by conducting face to face interviews with the client staff. On the basis of their analysis reports, system consultants designed the customization plan. IT consultants then tailored the pre-packaged software system according to the plan. IT consultants also needed to test and deploy the system once it was built (i.e. migrate data into the new system). The client needed to sign off the current deliveries, acknowledging it was satisfied with the results, before consultants could move onto the next stage of development.
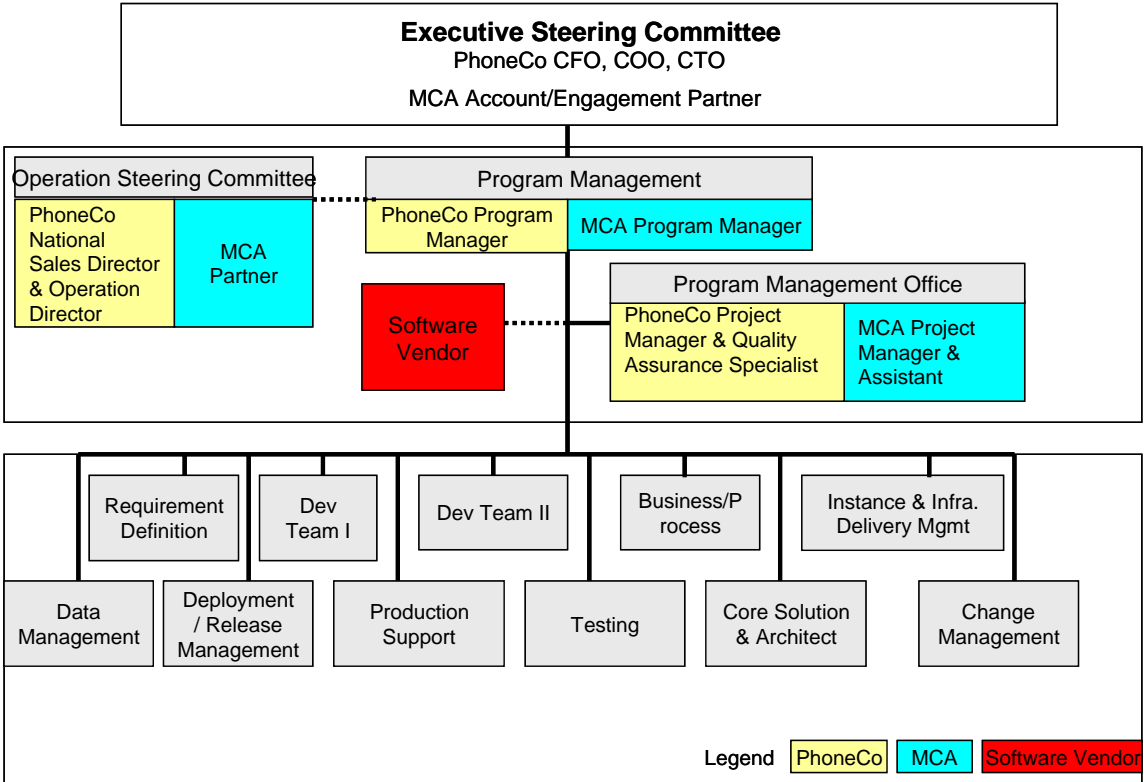
7.2.2 Project management

The SDM project was managed by a joint project team composed of both consultancy and client staff. Due to the number of people involved, the joint project team had a multi-level hierarchical structure (see figure 7.1). At the highest level was the Executive Steering Committee charged by the highest level executives of both parties. Under it were the directors of the sales and operation departments of PhoneCo sitting on the Operation Steering Committee. The Operational Steering Committee only officially met at the time of critical 'check points' - each stage delivery point. Parallel to the Operation Steering Committee were four program managers, two from each party. The four program managers supervised two project managers, again one from each party, and a few assistants who together formed the Program Management Office (PMO). The PMO administered all project related affairs and was the essential 'headquarters' of the project. Eleven functional teams were also under the direct supervision of the four program managers. Each functional team had one client team leader and one consultant team leader. Teams were composed of both MCA consultants and PhoneCo staff. However, the consultancy team members worked fulltime on the SDM project while most client team members had other job commitments and therefore were part time. The only fulltime team members on the client part were the Chinese-speaking program manager, who the client employed from the U.S. particularly for this project, as well as a few IT staff. This difference in resource devotion between the consultancy and the client was because the client team members were there for assistance and supervision (Case Interview 7, Program Manager, PhoneCo, 31st July 2007).

The joint team arrangement was to ensure a balance of power and the sharing of responsibilities between the consultancy and the client. The client project manager saw it as a

sign of the spirit of collaboration and shared rewards and risks. This focus on joint project teams and consultant-client collaboration are an increasingly common feature of large-scale consultancy change projects as consultants become more involved in the strategic execution of their change recommendations (Morris, 2000).

Figure 7.1 SDM Joint Project Team Organization Chart

Sources: SDM Project Governance & Operation Procedure, MCA internal document, March 2007

MCA introduced some of its standard project management tools in the SDM project. For example, the consultancy Project Manager made and maintained a resource schedule specifying each team member's weekly time commitment to the project. The PMO was also the idea of the consultancy as a coordination mechanism for project internal communications. The PMO held meetings with all functional team leaders on a weekly basis, and supervised functional teams to have their own regular meetings. In addition, the PMO organized so-called 'all hands meetings' where every team member needed to be present. These meetings were held during visits by the CEO and CTO of PhoneCo, and therefore

were not only for project internal communications but more significantly a venue to exhibit project progress to the top-level sponsors of the project.

Due to client complaints, MCA changed its two Program Managers halfway through the project. Two Chinese-speaking executives from MCA's Beijing and Shanghai offices replaced the two executives sent from the UK and US offices. The western Program Managers were initially favoured by the client because they were believed to have superior experience in managing large scale projects of this kind, and MCA was also happy to send over their expensive expatriates to charge higher fees and promote its global network. However, in practice the communication between the overseas Program Managers and consultants from the Chinese local offices became a serious issue of concern. One consultant described a project meeting on which the local consultants paid little heed to the speech of the British Program Manager, 'no one was interested in what he said, and we all know not much part of his ideas would be finally executed' (Case Interview 8, Consultant, MCA, 17th June 2007). Some consultants as well as project members from the client side believed the British Program Manager was partly responsible for the low quality output of system requirement analysis because 'he simply did not know how to communicate with us, and therefore was unable to pass on his experience and turn it into valuable actions' (Personal communication, Business Analyst, PhoneCo, 2nd August 2007). As similar complaints accumulated, although the client did not officially raise the issue, the consultancy decided to send the British and American managers home and assigned two locals instead. The replacing Program Managers were both deeply rooted in China possessing sound local market and industrial knowledge. One was originally from Taiwan but had worked in Mainland China for over ten years, and the other had grown up and been educated in China with an IT sales background. One of the consultancy team leaders who was engaged in the project from the very beginning, observed:

> After Joan (i.e. the Taiwanese Program Manager) came in (the SDM project), the entire spirit of the team greatly went up. Communication with the client has become much smoother. Joan has not disgraced her reputation as a 'trouble killer' (Case Interview 1, Managing Consultant, MCA, 21st May 2007).

7.2.3 Client categorization

As a standard practice for all MCA client engagements, members of PhoneCo were divided by the consultancy into different groups, based on an understanding of the client organizational structure and internal political process that the consultancy developed through the first round of client interviews. This helped to categorize the client organization members along two dimensions - relevance to the new system, namely operational importance, and significance in consultancy service assessment, namely strategic importance (see Figure 7.2). Three client groups were identified and their respective responsibilities in relation to the project were defined (see Figure 7.3). The first group was 'key sponsors' who had the final power to make critical decisions. The sales department national directors were put into this category because of their highest strategic importance – since their departments were the main users of the new system, their opinions would be the basis for the consultancy service assessment. The support and commitment to the project from the 'key sponsors' were regarded as most critical to achieve client satisfaction. The second group 'business owners/change agents' was composed of second tier sales managers. They were functional in connecting the project team with those outside of it and therefore were given highest operational importance. Among them managers from Sales Operation departments were treated more attentively by the consultants due to their extensive involvement in the client interviews for defining system requirements. The third group was 'end users' who included the remaining members in the sales departments. The majority of this group were located outside the client's Beijing headquarters where the on-site consulting took place. Because the amount of people in this group was big, communication with them was mostly achieved through the second group 'business owners/change agents'.

Figure 7.2 MCA's Client Categorization Model

	Strategic importance	Operational importance
Key sponsors	High	Medium
Business owners	Medium	High
End users	Low	Low
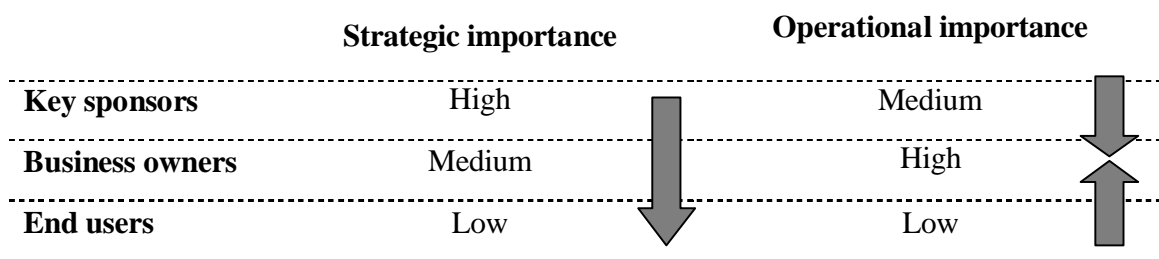
Figure 7.3 SDM Project Client Categories and Definitions

Group	Positioning	Sample Assessment Review Topics

Key Sponsors	▪ Strategic involvement
	▪ Direction of project effort
	▪ Significant commitment
	▪ Critical decision making
		▪ Commitment to the project
		  -Business value/vision
		  -Expectations
		  -Understanding of potential impact
		▪ Past change history
		▪ Change readiness and culture
		    -Organization willingness to change
		    -Risks/challenges
		▪ Understanding of the role of leadership

Business Owners/Change Agents	▪ Deep involvement
	▪ Strategic process redesign
	▪ Process change impact owner
	▪ Comprehensive interaction with project team
	▪ Liaison for change leadership programs
		▪ Understanding of the project
		  -Business value/vision
		  -Expectations
		▪ Past change history
		▪ Change readiness and culture
		  -Organization willingness to change
		  -Decision-making structure
		  -Risks/challenges
		▪ Business impact assessment
		▪ Potential mitigation actions

End-Users	▪ Communicate and involve step by step
	▪ Individual change impact owner
		▪ Introduction of SDM
		▪ Past change history
		▪ Change readiness and culture
		  -Organization capability to change
		  -Change barriers
		▪ Change management needs (e.g. communication, training)

Sources: Change Management Strategy & Plan, MCA internal document, March 2007

On the surface, we see a clear grouping indicating the level of attention to be paid according to the relevance to the changes. However, the hidden criterion is not to be neglected. The 'key sponsors' who were carefully attended to by MCA were obviously the major sponsor of the consultant engagement. Their perception of the quality of interaction with the consultants was critically influential in bringing continuous business. On the contrary, although members in the 'end user' group would be most directly influenced by the changes that the consultants

brought in, as they would be the main users of the new system and their work design would be greatly changed by the new business processes, they received minimal contact with the consultants. A possible reason was because this group had least influence on the consultant service assessment. This argument was exemplified by an end user letter complaining about the extra workload resulting from the new system and pointing out defects in the system design. Although his opinion was based on this end-users own experience of using the system, the PMO did not recognize it as a risk issue and failed to pass it onto the upper level of project management. As commented by a consultant, unless more complaints of the same kind continued to pour in, such complaints from individual end users had little impact. 'It is not representative of a common concern', the consultant said, '(people will think) perhaps because he is just exaggerating the problem, or not using the new functions properly' (Case Interview 5, Senior Consultant, MCA, 28th August 2007). It was much easier and more beneficial for the consultants to strive for the satisfaction of a few 'key sponsors' than that of thousands of the sales employees scattered around the vast country.

Based on their categorization of the client organization, the consultants further developed different communication approaches to each group of client members (see Figure 7.3). For 'key sponsors', the consultants thought it imperative to ensure their understanding of the value and vision of this project and to fully understand their expectation of the new system and processes. 'Key sponsors' were approached on an individual basis surveying their past experiences of dealing with organizational change programs and their perception of the change leadership role that they were expected to play in the current project. For 'business owners/change agents', the consultants were most interested to discuss with them the possible impact on their respective departments. Because the 'business owners' had the most operational level knowledge of the company's sales related issues, they were also treated as the communication bridges between both the upper and lower level of the client's organizational members in communicating issues of concerns. The third group 'end users' were approached mainly through questionnaires and selected focus groups. They were regarded as only responsible for their own changes, and therefore more as the implementers of the consultant recommendations. The design of different communication strategies with different client groups further reflected the consultants' effort in seeking the most efficient way of managing clients during the consulting process. While 'key sponsors' were the

primary client to cater for with the highest priority, they did not involve as much in daily operations of business as 'business owners'. For 'end users' consultants were only interested in finding out their training needs although they were in fact the biggest user of the new system.

7.2.4 Conflict management and the client relationship

The categorization of the client members was in nature a client relationship strategy that MCA deployed to improve its communication with the client. As existing literature has suggested, the quality of interaction with the client greatly determines the result of the consultation intervention, and therefore consultants usually place significant emphasis on maintaining a favourable client perception during the consulting process (e.g. Clark, 1995, Fincham, 1999). In addition to differentiating communications according to different client groups, MCA's efforts in client relationship management also included such important aspects as conflict management. In their engagement with PhoneCo, MCA's consultants faced both positive and negative feedback in handling conflicts during the consulting engagement. The two examples discussed below reflect how MCA had performed in this regard.

One of the biggest conflicts emerged in the late stages of the project when a number of requests were raised by the client in regards to modifying the signed off deliveries. Although the PMO updated the client on the status of the project on a weekly basis, still over 30 change requests appeared after the client started to test run the new system. A consultant team leader regarded it as unavoidable because the client was able to see more hidden problems after the system was developed. However, a senior client manager disagreed with this comment. He suggested that the nature of some changes being requested were significant problems related to the primary design of the business processes embedded in the new system, and both consultants and client were responsible for this result. He believed that it was primarily caused by the inappropriate selection of inexperienced client staff for interview during the design of new business processes. Yet he stressed that consultants from large international consulting firms such as MCA should have known how to lead the inexperienced interviewees to gain as much information as they wanted to obtain a better result, because he assumed these consultants were well trained and practically experienced in

such change projects. He expressed his disappointment with these consultants who he believed had created extra work for other consultants, such as Change Management consultants (which will be discussed in the next section). Due to MCA's established image of professionalism and claims to world-class services, it is natural that the client would have quite high expectations for the skill and experience levels of their consultants. The example here suggested that such client expectations included not only the codified technical knowledge that the consultants provided, but also their ability to handle client organizational contingencies when applying consulting knowledge to the client organization.

The other incident however suggested that the consultancy could be flexible and responsive in the face of unexpected changes during the consulting project. During the MCA engagement, PhoneCo was in the process of redesigning its organizational structure. The re-organization issue became a central subject of negotiation when PhoneCo decided to merge two low level sales job positions, namely account executive and retail executive, which involved 8000 employees nationwide. This change had direct impact on the development of the new system. According to MCA's estimation, the client would need to employ the same team of consultants for an extra one to two months if the client wanted to completely accommodate the relevant changes in the new system. To meet the original deadline, the consultants proposed an interim solution involving limited changes to the current design without restructuring the core infrastructure of the new system. Although it was not a permanent solution, the client quickly picked it up due to the reduced work and cost this method would incur. Since the consultant's interim solution also left some flexibility for future changes of a similar kind, the client seemed to have been quite satisfied with the performance of the consultants and on the basis of this change praised their experience in managing large scale projects at a weekly project meeting. This interim solution was a smart move for MCA itself as well because it avoided the risk of a large overrun in the project timeline and budget, which, although not their fault, would inevitably leave an unfavourable impression of the consultancy amongst top managers of the client company.

To avoid conflicts, MCA also paid attention to details in client communications, using the methods and skills from their global consulting methodologies. For example, it made specific

policies regarding how the consultants should address themselves in contacts with client staff. For instance, 'we MCA' was a taboo term amongst the consultants because this accentuated the differing social identity of the consulting team. In line with trends identified in the broader literature on management consulting (Czarniawska and Mazza, 2003), in this case study project MCA consultants sought to create a sense of collaboration and emphasize a team identity with their PhoneCo counterparts. 'We SDM project team' thus became the preferred expression in formal documents and personal communications, replacing any mention of either the consultancy or client company name. This liminal project team identity was particularly pronounced, with the notion of 'one team' emphasized throughout all levels of the project. Only in communication with PhoneCo's external distributors would consultants introduce themselves in their original identity because such parties were outsiders to the client. Here, the consultants took advantage of their consulting identity as a means of obtaining information that the distributors were usually unwilling to reveal to the client company. The other example was the consultants' strict observation of MCA's code of professional behaviours. There was an official English manual containing all these guidelines for general manners in client interaction that were applicable to every MCA consultant worldwide. On the first day that the author joined the project, the consultant team leader passed on the manual and asked the author to read it as the very first part of the orientation. In the manual, there were MCA's general instructions for emailing etiquette with clients and consultants, the dress code during on-site client work, common diagrams and flowcharts for use in consulting presentations and documents and many other detailed procedures for dealing with various issues.

These efforts sought to downplay the consultants 'outsider' status while maintaining a professional image. As proposed in the conceptual framework in Chapter 3, 'otherness' is a central concern across all levels of practice of global management consultancies in China. At the client project level, the cultural and organizational externality of global consultancies forces consultancies to re-consider their strategies for dealing with the client relationship. Language and professional manners are not the only concerns during the consultant client interaction. The next section thus focuses particularly on the relationship management of MCA in its involvement at PhoneCo's SDM project.

7.3 Change Management: A Key Tool of MCA's Relationship Management Methodology

7.3.1 Introduction

A key characteristic of MCA's role at PhoneCo in the SDM project was the extensive involvement of the consultants in change implementation. Implementing organizational change increases the level of complexity for managing the client relationship due to the involvement of greater numbers of consultants in close interaction with client staff over a longer duration than traditional consulting assignments (Morris, 2000, Cummings, 2005). As noted in the previous section of this chapter, the consulting project lasted for over 17 months and involved a sizable number of consultants – over 83 consultants at the peak of the project and a total 143 consultants over different project stages. Importantly also, there was a close inter-meshing of consultant and client personnel throughout the project, most notably through the use of a joint consultant-client project team.

This section discusses how MCA managed the client relationship and the key role of specialist change management consultants in this process (Karantinou and Hogg, 2001). Overall, MCA chose to downplay their organizational 'otherness' to decrease communication obstacles and obtain the support from client employees. This arises from the recognition that consultants can face both advantages and disadvantages in their role as external change agents (Fincham, 2002-3). On the one hand, consultants are able to bring in new practices due to their external position to the client organization, providing the client with technologies, skills and perspectives that they develop or obtain elsewhere. The legitimacy of being seen as external experts empowers the consultants to promote changes within the client organization. On the other hand however, there is a 'burden of otherness' that flows from this closer involvement within the client organization and can result in significant resistance from client employees who identify such 'outsiders', and the changes that they champion, as a threat to existing organizational routines and their social identity (Kipping and Armbrüster, 2002). One important implication from such an argument is that the client's reception of the knowledge being diffused by consultants is likely to depend on the client itself as well as the skills and abilities of the consultants to overcome such resistance through their positive interaction with client staff. Management consultancies have developed various methodologies to improve perceptions of client employees towards the

consulting process. In this case project, MCA introduced a consulting technique called 'change management'. Change management is derived from the area of Organizational Development (OD), viewing organizational change as not only a process of technological or structural change but also critically involving a change in human behaviour, attitudes and culture. Management consultancies have been central in translating general theories of organizational change into defined change management methodologies (Worren et al., 1999, p.277). Many large, global consultancies have established specialist change management practice areas tasked with improving consulting project communications and client training.

In the following section, MCA's practice of change management in the PhoneCo engagement is examined. MCA had a standardized change management toolkit with manuals containing instructions for standard procedures and tools. The codification of knowledge facilitated the training of consultants across countries, and thus is a common practice among globally operated consulting firms like MCA (Hansen et al., 1999). In the case project, MCA sent a small team of consultants devoted to deploying change management initiatives. In line with the focus on consulting 'otherness' throughout the thesis, the following section explores how MCA change management consultants employed the consultancy's standard change management methodologies and to what extent this improved the quality of consultant-client interaction.

7.3.2 The change consulting team and its work content

The change management team was one of the eleven functional sub-teams within the bigger SDM project team. Unlike other teams which mainly focused on IT consulting, the consultants on the change management team concentrated more on the 'soft side' of the consultation process, namely preparing the client organization for forthcoming organizational changes. Four full time consultants were assigned by MCA to be change management specialists, including one managing consultant, one senior consultant and two junior consultants. Leon Cheng, was the leader of the Change Management division of MCA in China and played the change management team leader role in the SDM project. Leon was an experienced native consultant who used to work for another large global management consultancy before going to Europe to study for his MBA degree. After a one-year MBA program at INSEAD in France, he returned to China and joined MCA as a managing

consultant in the Change Management division. Alex Lim, was a senior consultant from the Strategy division of MCA in China, and took charge of most of the change management tasks under Leon's supervision. Alex was an Australian born Chinese who had come to China after getting his bachelors degree in Australia and working as a junior consultant for the Australian branch of a leading US strategy consultancy. He started his China 'adventure' by studying Chinese in Shanghai, and then got a consulting job in a boutique foreign-owned consultancy firm there. In 2006, he joined MCA's Strategy division which was under the same business unit as the Change Management division. Alex spoke a conversational level of Mandarin but was less proficient in writing and reading. Although most of the project documents were in English, he would still often encounter documents in Chinese in contact with the client staff which he would have to require assistance from his Chinese colleagues in dealing with. Despite Alex's deficiencies in Chinese language, he impressed the client given the rarity of a foreigner working as a non expatriate.

The other two consultants on the change team, Yuan Wen and Lillian Ju, were native Chinese. They were new recruits on their first client assignment. Lillian's role was to assist Leon and Alex with analytical work, while Yuan took charge of client training under the supervision of Leon. Alex joined the project at the commencement of the SDM project in March 2006, starting as a business process analyst engaged in client interviews and focus groups. After this stage of work was finished in late 2006, he volunteered to join the change management team because he was interested in learning a new area of knowledge. Leon, Yuan and Lillian joined only at the second phase of the project.

In addition to the four fulltime consultants, Leon also recruited six interns (including the author) to develop client training which was a primary task of the change management team. When asked why he used interns for this seemingly important part of the work, Leon explained that the training development did not require a high level of analytical skill and interns were much cheaper to employ resulting in a significant cost saving. The first day for the interns involved an introduction to the consulting project, delivered by Leon and Alex. As discussed in the previous section, a manual of guidance for MCA's standards for professional behaviours were distributed to the interns. These codes of behaviour were

strictly observed, for example, Yuan would remind the interns of inappropriate attire such as casual pants as this detracted from the professional image of the consultants.

Interestingly, apart from Leon, the other consultants involved in the change management team had little change management related consulting experience, and therefore they had to undertake on–job training, mainly through self-study, before the commencement of their engagement. As a typical global consultancy, MCA had powerful global knowledge repositories from which training modules covering the entire range of the consultancy's service lines were accessible to its staff at every global location (Davenport and Prusak, 2005). The change management team leader, Leon, sourced a tutorial entitled 'Organization Change Strategy Consultant Must Have Skills' from the firm's global knowledge exchange and distributed it to his team members for their reference. Tutorials of this kind were developed in English by researchers and senior consultants from MCA's American and European offices. This tutorial manual contained a template which defined general skills for different levels of consultants (junior consultant, senior consultant, managing consultant, senior managing consultant and associate partner/partner) in managing organizational changes across eight topic areas (issue-based problem solving, organization assessment and alignment, effective communication, organization value creation, industry and organizational strategy expertise, organization design and development, client relationship development and management, and strategic program management). The content was generic and intended as universally applicable to change management consultation with various client industries. Although the document was accessible to all consultants via the company's knowledge database, the significant size of the database meant that senior consultants sometimes took responsibility for locating the most relevant information and referring it to junior staff.

According to the generic change management model, the consultants identified a few major tasks during their engagement, including the *assessment* of change impact on the client members and their readiness for the changes, as well as a range of *communication* practices aimed at improving the change awareness of different client groups. In the mission statement that was presented to the client, the consultants claimed to use their expertise and professional skills to inform client staff of the impact of the changes and make suggestions for preparatory actions.

The initial change assessment achieved a certain level of success. For example, through focus groups with frontline sales employees, the change management consultants identified a gap in the workforce's ability to adapt to the changes to their work responsibilities caused by the new system. In particular, the new system would require these employees to input sales data in a new format that was drastically different from the current practice. This created a challenge as these people were concerned about the difficulty of transition. Other issues among the client employees included the concern about the change of organizational structure and demand for training in the new system and processes. Based on this review, the consultants then developed detailed action plans of change communications. The sections that follow outline the key communication tasks performed by the change management consultants.

7.3.3 Change leadership workshop: constructing identity and client-initiated adaptation
One of the major interventions of the change consulting team was a leadership workshop organised for middle and senior PhoneCo managers aimed at better communicating the nature of the proposed changes to a broad cross-section of client staff. In preparing and executing this initiative, the consultants relied heavily on the global knowledge depositories of the consulting company, while close support from key client representatives proved to be equally, if not more, critical in selling the change agenda.

In May 2007, Leon, the leader of the change consulting team, proposed the idea of the change leadership workshop, an hour long seminar in which Leon aimed to educate client managers about what they could expect during the change process and how they could deal with pressures and resistance from subordinates. This workshop was a 'value-add' initiative – that is, it was not within the original contract scope, possibly as a measure to improve the client awareness of the work of the change management consultants through direct communication on the workshop. PhoneCo's project manager, Derek Tang, was happy to accept Leon's plan and decided to arrange this workshop together with PhoneCo's national quarterly sales meeting where regional sale managers would come to Beijing to attend. Derek and Leon believed the workshop would deepen the audience's understanding of the roles they were expected to play in relation to the SDM project.

To make communication easier, the consultants decided to shoot a promotional video of the SDM project, which was a popular practice among global consultancies in their local engagements of large-scale consulting projects, and gained support from the client on this task. The video had three themes with a total running time of ten minutes, focussing consequently on the purpose of the change program, the organization of joint consultation, and the hard work of the project team. At the end of the video, the consultants designed a catchy slogan titled 'SDM, We Can'. The final product included speeches from six PhoneCo staff and three MCA team members. The video was made in both Chinese and English because some of the speakers spoke only one language, with subtitles in both languages. The video succeeded in attracting the interest of the audience during the change leadership workshop, in particular with the appearance of the client staff. It was played later on several occasions of project communications, such as on the visit of CEO and CTO of the client company in March 2007. The company CEO appeared to like the video quite a lot and gave a passionate speech praising the efforts of the SDM project team. Due to the good response, a second video was made featuring the speech by top level executives of PhoneCo to give their endorsement of the SDM project, in an attempt to drum up support for rolling out the project in the company's overseas operations in South East Asia.

However, the client and the consultancy had different views for the design of the leadership workshop. Derek, the client project manager, was concerned that Leon intended to use the generic MCA training materials on change leadership which he had obtained from MCA's knowledge database. Derek suggested that Leon adjust these materials to suit the interests of the company's sales staff and offered Leon advice regarding the content and format of the presentation. For example, he suggested that the workshop need to be 'fun, educational and practical' to be successful because the sales managers were under high stress during the sales conferences. He noted:

> We need to suit the presentation to the practical interest of the target audience. They are sales, who do not easily buy into "doctrines and theories", but if we can align change leadership theories and techniques with the needs of their daily work; that is to put the knowledge [to be presented] in a context relevant and familiar to their

work, then they will be more willing to learn (Change Management Team Meeting notes, Beijing, 23rd May 2007).

In this vein, he advised Leon to replace the generic content with something more specific to the SDM project, possibly using the assessment results from an early work. Regarding the organization of the workshop, Derek suggested adding interactive elements to the workshop presentations, such as encouraging the sales managers to predict the resistance that they felt they were likely to encounter and using small gifts to facilitate the interaction with the participants. Leon accepted Derek's advice and admitted in a later interview that he somewhat purposively let Derek play the leading role in many tasks that needed the collaboration of both parties because he believed Derek's inside knowledge was valuable in directing the efforts of the change management team.

On the day of the workshop, Leon and two other consultants, together with a client manager assigned by Derek, arrived at the conference venue, a grand function room of a five star hotel, one hour earlier to set up the facilities, arrange the handouts and test the video equipment. The national sales operation director of PhoneCo sent his personal assistant to the workshop to assist the consultants. This sign of support from top management was partly attributed to Derek's appraisal and endorsement of this activity in a high level executive meeting right before the sales conference. The author got approval to be part of the team and so witnessed the entire process of the workshop.

At 9am, the audience of about fifty entered the conference room to find a package of handouts on the tables in front of them. In the package there were printouts of the presentation slides, a quiz, and a sheet titled *Ten Commandments of Leading Change*, an original MCA knowledge document which Leon obtained during training in the consultancy's training centre. The quiz was originally a scenario analysis simulating different scenarios of obstacles that were common in executing organizational changes. Three of these scenarios were deleted earlier in the light of Derek's suggestions as they seemed less applicable to the context of the SDM project. Also at Derek's suggestion, all original English materials were translated into Chinese.

Leon first introduced himself by talking about his impressions about sales professionals, who he described as 'down to earth, pragmatic' and 'flexible, quick in responding to market changes'. He also highlighted MCA's experience in deploying the same software package internally with the one used in the SDM project. These icebreaking introductions signalled to the audience that he had a good knowledge of their jobs and served as a testimonial for the credibility his following presentations. Then, he quickly changed to his presentation slides. He borrowed the storyline of a change management bestseller book about a melting iceberg and the resulting migration of penguins. The storytelling style of presentation appeared to have seized the audience as most of them listened attentively. After the 20 minute presentation, Leon divided the audience into small groups to work on the prepared quiz. Some groups applied themselves quite seriously to the task; however others had a more flippant stance. Finally, the group with the highest score was given small awards - a copy of the book that Leon had used in the earlier presentation. Overall, the atmosphere of the workshop was 'relaxing' and judged a success by client managers.

However, some issues of concern emerged during the workshop. To increase audience interaction, Leon had arranged a Q&A session for the audience to voice their questions about the new system and the SDM project. When one regional sales manager asked whether there would be a transition period from the old to new system, Leon gave a prepared answer. However, Richard - the client national sales director, and the big boss of the sales departments - suddenly stood up, and unexpectantly started to criticize some sales managers for completing their sales reports manually avoiding using the new IT system. He stressed the negative effects of such behaviour as it caused inconsistent sales data between the sales departments and the company's finance department. He then urged all sales managers to use the new sales reports system launched by the first phase of the SDM project, saying:

I want to emphasize again today that this [system] is a fixed decision. We've spent huge resources, money and people [on it] so we do hope that it can be used in your day to day work …… I also know that during the transition [of old to new system] our workload will be increased not decreased, so I need everyone's cooperation. Cut out a lot of stupid work. What we are aiming to achieve in the coming three months is first the transition to SDM and second the quarterly sales target. [Therefore] If any of you find you're doing unnecessary work, you must dare to point it out to your manager…I wish you can be the

"white elephant", and not afraid to argue with your boss …in the transition period, the most important thing is to eliminate ineffective work. (Change Leadership Workshop meeting notes, Beijing, 27th May 2007)

Richard also thanked the change consultants for their effort put in organizing the workshop. Following Richard, Derek highlighted the level of investment by PhoneCo into the SDM project, and his own and the consultants' effort to prepare that day's. He said 'SDM was for the benefit of you [the sales people of PhoneCo], not a mere "face-lifting" thing for the sake of us [the top management of PhoneCo]' (Change Leadership Workshop meeting notes, Beijing, 27th May 2007).

Unlike Derek's endorsement for the SDM project, Richard's speech was unexpected by Leon, since compared to Derek, Richard had not appeared specifically enthusiastic about the consulting engagement during their previous meetings. Although Richard recognised the need for the change of the current system and related business processes, it was not his prioritized commitment. However, Richard's attitude seemed to have changed judging from the messages conveyed in his impromptu speech. There were several possible reasons. First, he had always wanted to encourage the standardization of practice among his subordinates and this workshop gave him a suitable background to voice this issue. Standardization had been a new strategic target of PhoneCo in order to improve organizational efficiency. Secondly, he probably had met pressure from upper level management of the company to promote the new system among his subordinates due to his position as the 'big boss' of the sales departments. Lastly, as the launch date of the phase II system modules loomed after merely three months, Richard had started to realize the urgency given the fact that failure of adoption would mean dramatic decreases in efficiency among his sales departments. On the other side, Richard's support was desired by the consultants because he was influential among the 'end users' of the new system and one item of project evaluation would be statistics on end user adoption rates.

The workshop was a success in promoting the image of the change management consultants. One 'key sponsor' Richard had expressed favourable impressions of the consultants and their work. To consolidate the good impression, after the workshop Derek advised Leon in person that he should hold a separate review session with Richard, to show that 'you guys have been

doing some very practical work' (Personal observation, Beijing, 27th May 2007). Instead of talking about the generic benefits of change management, he suggested that during the review, Leon should place the focus on the results of the change impact assessment the consultants had carried and stressed the detailed actions they would take in order to suit the practice-orientated personality of Richard.

The workshop served as a means to raise awareness of the importance of the change management consultants among client staff. In addition, because the other consultants on the project team had little exposure to the client, the change management consultants determined to a large extent client perceptions of the consultancy. This conforms to the underlying function of change management as MCA's tool for client relationship management. However, the consultants devoted surprisingly little attention to tailoring their communication methods to the specific context of the client staff attending the meeting. Indeed, throughout the preparation of the change leadership workshop, it was the client project manager, Derek, who prompted the consultants to better tailor their message so that it would resonate with the concerns of the PhoneCo sales staff. Derek's devotion was probably due to his deep involvement with the SDM project and his personal concern that the project succeed. Unlike Richard who was important due to the political influence in the client organization but was not an initiator of the consulting engagement, Derek as the project manager, had devoted significant resources from his own business development department to the project. He was naturally concerned with how the work of the change management consultants, and the SDM project as a whole, would be evaluated because that would relate to his own performance assessment. Due to PhoneCo's large investment in the project, if it failed to produce the expected business improvements, those who were most heavily involved in the management of the project would be a focus of blame. Therefore, Derek proactively aligned his interest with the consultants and was eager to deliver a good result.

7.3.4 Change championship: overcoming organizational boundaries?
Besides the voluntary help provided by Derek, the consultants also proactively sought assistance from other key 'insiders' through the technique they termed the 'change champion network'. According to MCA's Change Management model, change champions were ideally powerful client internal contacts whose role was to promote effective communication by

exchanging information between the consultants and other members of the client organization. The use of change champions was also to facilitate communication with geographically scattered organizational members, as the consultants were unlikely to travel to every regional area due to the project's limited budget. The client staff in regional areas were also inclined to see the consultants as the 'mouthpieces' of the top management of the company and were therefore reticent in cooperating with such outsiders. However they would be more likely to trust their colleagues. This is particularly true in China as the Chinese ethical tradition dictates that one must show at least apparent respect to those in his/her working relations (in Chinese this is called 'to give face'). These conditions made it beneficial to appoint the change champions and establish a network of insiders to vouch for the consulting project.

The change champion network was established through the following process: first, an official invitation was emailed to selected candidates; after the candidates agreed to join (and no candidate rejected), the consultants then sent detailed instructions to the candidates about their responsibilities and tasks; the process was completed by each champion nominating an assistant to deal with daily communications with the consultants. It was noticeable that the champions did not volunteer but were appointed: all the district sales managers were automatically nominated by the SDM program managers to take on this role. Table 7.4 explains the responsibilities, qualifications and expected workload of change champions and their assistants.

Table 7.4 Responsibility, Qualification and Workload for SDM Change Champion

	Change Champion	Change Champion Assistant
Responsibilities：	• Work as role model for the change • Lead his/her team to adapt to the SDM change program • Communicate critical SDM messages within his/her district/team • Address his/her people's concerns or issues regarding SDM change • Execute change action plan to implement the business changes • Conduct job alignment workshop • Nominate Champion Assistant	• Support Change Champion in carrying on detailed work • Receive training on collecting people concerns • Biweekly/monthly collect people's concerns regarding SDM among his district/team • Escalate people's concern to Change Management team • Follow up the actions needed to address people's concerns
Qualification：	• Trusted • Sensitive to people issues • Advanced facilitation and communication skills	• Proactive • Good facilitation and communication skills • Pay attention to details
How Many Needed：	• 1 for each district (~30) • 1 for each channel team (~5) • 1 for each supporting dept. (~5)	• 1 for each district (~30) • 1 for each channel team (~5) • 1 for each supporting dept. (~5) • Preference: nominated by Change Champions
When, workload:	• April. - Aug. 2007 • Around 1 day per month	• April. - Aug. 2007 • 2-4 days per month

Sources: Change Management Strategy & Plan, MCA internal document, March 2007

The establishment process was quite smooth; however, the consultants met real challenges in maintaining the network and making it function. The consultants carefully calculated the workload of each task assigned to change champions to minimize interruption to their other work. They designed very clear work schedules and provided assistant tools such as project posters and newsletters. They also held fortnightly meetings with champion assistants to facilitate the assignment of tasks and periodic collection of feedback from the regional client

employees. However, despite these efforts, they still encountered unexpected problems and resistance. The first problem was unsatisfactory attendance at the fortnightly change champion meetings. It was caused mainly by the great pressure on the change champions to meet their quarterly sales goals given the company's worsening market performance. They were also faced with the many activities associated with a new product launch during the SDM project. As a result, the extra work associated wit their change champion role was largely ignored. The second problem was the time overlap within the SDM project team itself. Some change champions were required to take part in the testing of the new system. However, the dates of system testing were postponed and the new dates clashed with change champion task deadlines. In the face of these problems, the consultants lacked alternative solutions and the change champion network was stymied

The consultants managed to conduct two user surveys via the dispersed change champion network. 173 valid questionnaires were returned from 16 districts. The first survey results revealed a general lack of understanding among the future users about major functions of the new system and process. Based on this, the consultants were able to add useful information addressing the client staff concerns in project newsletters. The second survey after two months revealed concerns about more micro-level issues such as the availability of the Chinese language system interface and its user-friendliness and loading speed. These concerns were again attended to in later end user training. Apart from being a channel of client communication, the change champion network was also instrumental in the delivery of end user training. Without their assistance, it would be much harder for the consultants to only reply on their own to organize the over 100 training sessions to more than 2000 participants in 17 districts, although a team of professional trainers employed by PhoneCo were equally important. The change champions' responsibilities included encouraging and supervising client staff in their district to attend the training sessions. The change champions needed to assist in the logistics arrangements, for example, reserving the conference room and forwarding the training materials. They were also required to be present at their district training sessions to show support.

There are several possible reasons for the limited utility of the change champion network. Firstly, the fact that the change champions were appointed rather than volunteered may

explain the lack of motivation of some change champions. Previous research on change championship suggests that an organizational change champion should be sensitive to the organizational political process (Markham, 2000) and have enthusiasm and confidence about the success of the innovation and can persist under adversity (Howell and Shea, 2006). Therefore the change champions are ideally motivated by intrinsic rewards such as eagerness to learn and pride in accomplishment rather than extrinsic pressures such as the case in the SDM project. The appointment practice in this case could not ensure that the candidates possessed the requisite desire to take on the leadership role in the change process. The consultants also failed to let the champions take ownership of their tasks as they discouraged the champions to take initiatives and gave instructions instead. This argument was supported by the views of some change champions who considered themselves doing the consultants 'a favour' to implement the tasks assigned (Personal communication, District Manager, MCA, 20th June 2007). The passive appointment process and lack of leadership responsibilities changed the nature of the change champions in this case, from a theoretically proactive and enthusiastic organizational change advocator to a passive task taker. In this case the adaptation of a standard management tool increased rather than decreased the difficulty of the consulting intervention.

Secondly, from the perspective of the change champions, they found themselves faced with a dilemma: they were supposed to promote changes to other members of their organization while sometimes they were concerned about the changes themselves. This mentality was reflected by a district sales manager (a change champion) who in response to his subordinates' complaints, stated 'SDM is gonna go live very soon. No matter what complaints you may have with it, hold them! Let's study hard and master using the system first, because it will be the only system that we can use [to manage sales data] after August' (Training session audio record, Beijing, 26th June 2007). However, he made similar complaints in a personal conversation with the consultancy manager earlier on that day. Therefore, although theoretically it is reasonable to assume that change champions and consultants could together form a liminal space (Czarniawska and Mazza, 2003) within which goals of both parties are aligned and organizational boundaries become blurred (see Figure 7.5), the findings in this section suggest that the 'burden of otherness' of the consultants remained to a considerable extent and inherently stymied the ability of

consultants to fully utilize the potential of change champions as a significant social form of influence in the change process.

Figure 7.5 Change Champion in the Consultant-Client Relationship
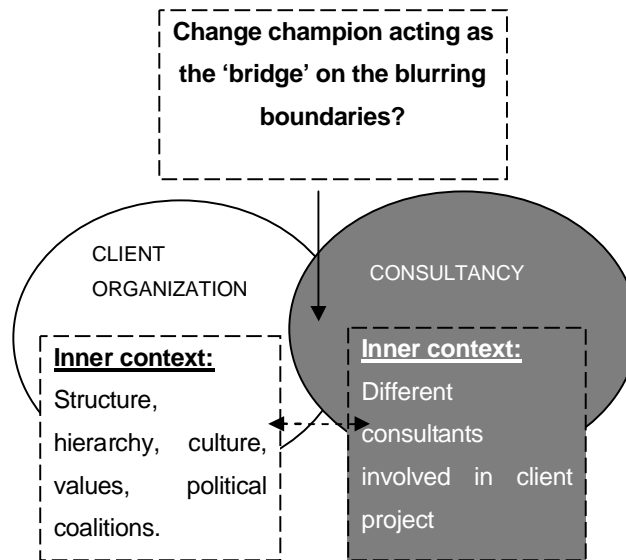
7.3.5 The project road show: when quality did not in fact matter

As has been highlighted above, the consultants were faced with the problem that key client staff were not committed sufficiently to the change program. This finding became more evident during the process of implementing another Change Management tool – the project road shows. Project Road Shows were a warm up activity for the launch of the new system in August. A reduced budget meant the consultants were unable to travel to different cities to deliver the road shows themselves; however since the project road show was a listed delivery in the consultancy contract, the consultants thought of alternative ways to have the road shows delivered. The planned solution was to let district sales managers, many of whom were also members in the change champion network, to do the road show presentation via telephone conference. Teleconference equipment was available in each district office of the client company, which made this option feasible as well as a cost saving – utilizing the existing company resources (i.e. teleconferencing equipments) to save on the travel expenses of the consultants. Due to these benefits, the client agreed to this solution. To facilitate the

remote execution of project road shows, Leon and Alex developed a road show package including the promotional video they shot earlier, a specially developed road show manual and two tutorial videos of the new system. All that the district managers needed to do was simply to hold a regional meeting with their subordinates and read the manual and play the videos on the meeting.

However, one week after announcing the plan, the consultants called to check on progress, to find only a few road shows had been held or planned. To ensure a satisfactory rate of completion, Alex, the senior consultant in charge of this task, decided to call each district manager personally to re-emphasize the importance of the road show plan. This was not an easy task, however. It usually took three or more calls before the consultants were given sufficient time to explain the details of the plan; more often, the consultants were asked to call back later because the managers were either 'in meeting' or 'inconvenient for talk'. Despite the difficulties of reaching the managers via phone, two more rounds of follow-up calls were made to remind them of the deadline for the road show task. .While this process of follow-up phone calls allowed the change consultants to interact with district sales managers about their concerns, most managers behaved impatiently, suggesting that they probably saw the road shows and other similar change management initiatives as an unwelcome extra burden on their work.

In terms of the actual execution of the road shows, the consultants found that it was not uncommon that district managers were slow in implementing the event even after several rounds of reminders, with someone questioning the necessity of the events as they considered it as rather similar to end user training. Derek, the client project manager, showed his support once again instructing the consultants to indicate to the district managers that top management of the company were quite concerned about the issue. Meanwhile he raised the issue at a meeting with higher level sales department executives. Again this intervention by the client project manager proved pivotal. According to phone surveys, the final completion rate following Derek's involvement increased by 25% to reach the satisfactory 95%, with only 2 districts reporting uncompleted.

7.3.6 User resistance: what change management could not do

Besides the individual tasks discussed above, one big chunk of work for the change management consultants was to collect staff concerns and facilitate solutions. There was a complete set of standard procedures in supporting this function, again from MCA's Change Management toolkit. First, the consultants set up a separate email account as the official email contact of the SDM project team. Then, a frequently asked question (FAQ) list was developed and uploaded to PhoneCo's online knowledge database to be accessible to all client employees. Emails were checked daily and replied to promptly by a change management team member. If an issue was raised involving a request of changes to the new system design, they would first cross check it with the change request log, a record of change requests officially recognized by PMO. If similar requests had been made in the log, they would inform the email sender that his/her concern was already taken care of. If not, the issue would be recorded down and forwarded to the relevant SDM project teams periodically. The consultants also raised certain issues they regarded as potential risks for the project's success at the PMO meetings. If a solution could not be reached at the meeting, project managers would normally request at least an interim solution. The solutions would then be updated into the FAQ list, and the issue raiser would be informed.

This mechanism worked well in regards to small issues which the consultants were able to reply and handle on their own, yet rather ineffective in solving big issues, such as end user resistance, that required the coordination between different project teams. During the system pilot run in June 2007, the consultants received complaints from some users and requests for changing the new system's data uploading function. These emails did not lead to any improvements until the formal launch of the system when more complaints emerged. Some people blamed the consultants for their inability in dealing with the problems through their claimed effective project communication. One client staff member argued that the change management consultants should be more aggressive in communicating conflicts to decision makers and facilitating problem solving (Personal communication, Business Analyst, PhoneCo, 2nd August 2007). The consultants defended themselves because they thought that they had fulfilled their responsibilities by conveying the concerns to other members on the SDM project team, unfortunately to little effect. Leon and Alex both agreed that such matters were actually outside their scope of ability no matter how excellent they managed the change

process (Case Interview 2, Managing Consultant, 13th July 2007; Case Interview 5, Senior Consultant, MCA, 28th August 2007).

7.4 Conclusion

This chapter has explored how global consultancies manage the complexities of large-scale client projects in China. In particular, the chapter focuses on a case study of a single large project conducted by one of the major global consultancies (MCA) for the Chinese operations of a leading maker of telecommunications equipment (PhoneCo). MCA managed its client relationship at the project level through partnering with client staff on various joint project teams, carefully mapping various client stakeholders, and introducing a Change Management methodology to better manage the client relationship.

Similar to what has been found in Chapters 5 and 6, the case study in this chapter suggests that international consulting firms have basically replicated their global model of consulting in their engagements in China. For example, change management appeared as a tailored solution catering for the organizational change impact on individual organizational members. However, it was in nature a standardized approach composed of pre-defined modules and tools such as the change champion network and project road shows. Moreover, when the consultants applied these methodologies, they did not make significant adaptations to their global model and as a result failed to acknowledge both the organizational and national contexts of the client. Indeed, the case study found that when changes to the change management model were implemented, these initiatives came from the intervention of senior client managers not the consultants. This was most evident in the example of the change leadership workshop in which the client project manager provided guidance to the consultants in terms of how to better deliver their presentation to the audience. However, the support from organizational insiders was not always available. The change champion network was an attempt to reduce the 'burden of otherness' of the consultants via organized collaboration with critical client organizational members. However the inappropriate adaptation of the method limited the commitment of the change champions. It was also suggested that a misfit between the change champion culture and Chinese culture might be the deeper reason for the lack of success. Moreover, although the quality of implementation of some change management initiatives seemed to be questionable, it did not obtain the due

attention from both consultants and the client. The project road shows exemplified this argument. Lastly, the systematic way to collect concerns did not seem to have raised the efficiency of problem solving.

Overall, the introduction of the change management tools was useful in strengthening the consultancy's identity as organizational change experts. Many of the change consultants' tasks were primarily targeting at raising the client awareness of consultancy work which would hopefully enhance the perceived performance of the consultants. However, these generic methods proved less successful in building genuine consultant-client collaboration and overcoming the consultants' role as external experts with limited understanding of the complexities of the clients' business. Unless consultants can carefully re-think the fitness of these practices to the individual consulting context, in particular by considering the impacts from different national cultures, limitations will remain.

Chapter 8

Discussion and Conclusion

8.1 Discussion

Management consultancy represents a growing community of knowledge actors involved in creating, distributing and adapting management knowledge to managers who are experiencing change pressures from turbulent business environments (Engwall and Kipping, 2002). With the global expansion of western multinational enterprises into developing countries demand for management consulting services has expanded beyond the traditional centres of consulting activity into new and very different national contexts. Despite the growing globalisation of management consultancy, the literature review in Chapter 2 reveals there is insufficient research on the impact of different national contexts on the practice of management consultancies operating on a global scale. In light of theories which stress the organizational 'otherness' of consultants (Kipping and Armbrüster, 2002, Kitay and Wright, 2004) and globalisation and localization debates about multinational companies (e.g. Bartlett and Ghoshal, 1989), this thesis has sought to study the practice of global management consultancies outside of western contexts with a focus on whether, and to what extent, their global knowledge resources are applicable to a different context. China was selected as the representative of a non-western context due to the general recognition of its market distinctiveness from western countries. Methodologically, this thesis uses a multi-level conceptual framework to analyze the industry, firm and client project levels of global management consultancies in China. This conceptual framework is supported by a qualitative research design including research methods such as semi-structured interviews and participant observation. Targeted at global management consultancies of Anglo-Saxon origin, the field investigation was conducted through two stages, with the first stage focussing on the global consultancies' strategies in establishing their market reputation and developing human resource capabilities, and the second stage on the case study of a consulting project to examine the project level interaction between global consultancies of western origin and Chinese clients. By analysing the empirical findings at three analysis

levels (i.e. industry, firm and client project levels), this thesis makes a preliminary effort to draw a relatively comprehensive picture about global management consultancies in China.

At the industry level, the entry of international consulting firms into China was found to follow the expansion of their multinational clients, which confirms existing research findings about the 'follow-the-client' strategy used by US consultancies in the expansion to European countries (Kipping, 1999). This drive of market entry is understandable when linked to Chinese market conditions in the early 1990s. As pointed out in Chapter 4, given the early stage of development of the consulting market, local companies lacked understanding of management consulting services. This situation provided little incentive for international consulting firms to pursue Chinese local clients and instead focused predominantly on the Chinese branches of multinational corporations. Since multinational clients expected the same kind of advisory services they received in western countries, global consultancies hence replicated their mode of operation in China. However, even after the demand from local companies increased in the late 1990s following economic liberalisation, the international consultancies maintained their global models given large state-owned enterprises sought to mimic what they considered to be advanced western management know-how. Therefore the consultancies' marketing strategies remained centred on constructing the image of 'thought leadership' through such means as business publications, research centres and other publicity efforts, as described in Chapter 5 of the thesis. Hence at the industry/market level the 'otherness' of the global consulting firms centred on their mastery of western management knowledge, and the consultancies utilized such benefits to establish their competitive position.

At the firm level, the thesis finds that a mainly ethnocentric approach has been undertaken by global management consultancies in terms of developing and managing their human resource capabilities in China. As is the case in western countries, fresh undergraduates and MBAs from top universities were major targets of recruitment. Newly recruited staff were sent by the consultancy to overseas training centres for orientation during which the firms' globally standardised codes of behaviour were introduced and emphasized through various means of education such as case studies and panel workshops. Standard training modules were also used in locally held training sessions at the Chinese branches. In addition, local staff had full

access to the company's global knowledge repository and relied heavily on the information from the system in the development of consulting solutions for local clients. Global consultancies also sought to create an appealing image of their jobs among local students by emphasizing elements such as international travel and the high profiles of the company's clients. Combined together, these measures successfully attracted competitive local recruits to join the company, and as a side effect, created a strong cultural impact on these individuals, as discussed in the fourth section of Chapter 6. The other significant evidence of the ethnocentric approach is the use of expatriate consultants within the Chinese branches of the global consultancies. These firms were willing to invest in western expatriates because they were expected to play a double role as both knowledge experts and business leaders. In practice, while the expatriate consultants relatively easily established a reputation as knowledge experts among local consultants and clients, they had more trouble assimilating themselves into local business communities in their role as business leaders. This limitation came from both language deficiencies and the inability to build useful relational networks and obtain trust amongst local managers. Chinese people are known for developing personal trust on restrictive factors such as family ties and similarly tight social connections, which foreigners find hard to bridge (Child and Mollering, 2003). Expatriate consultants were often present at contract biddings to certify the company's international image. The change of project manager from expatriate to local people in the case project in Chapter 7 also confirms the existence of acclimatization difficulties among expatriate consultants. In summary, at the firm level international consulting firms appeared to rely also upon a replication of their global methods of operation, with limited evidence of adaptation and localization

As outlined in Chapter 7, the international consulting firms also replicated their existing methodologies in the way they worked with clients at the project level in China. Localization of western consulting expertise was also limited at this level, with the consultancy importing its global methodologies for organizing and managing the project as well as client staff. Examples of these techniques included the use of joint consultant-client project teams, the categorization of client stakeholders, targeted communication strategies, and the use of a codified change management methodology. In part, such replication of the consultancy's global approach to project work is not surprising: indeed the client hired the consultancy specifically because of its global experience in implementing large-scale IT systems and the

associated organizational change that accompanies these projects. However, during the consultation process, there was evidence of the inappropriate application of such methodologies and the need for greater customization and localization of the consultancy's approach to organizational change. In particular in deploying the change management tools, the consultants were challenged with a series of problems such as the lack of commitment of their appointed change champions and the poor quality of the project road shows. They were also blamed for being unable to effectively communicate the concerns of client staff. Indeed, an important finding of the project case study was that client managers played an active role in promoting the adaptation of the generic consulting methodologies to better suit organizational routines and cater for the characteristics of different organizational members. Hence, the localization of consulting offerings occurred through the interaction of consultants and clients during the project, and the agency of key client managers in pushing the consultancy to adapt its approach to the implementation of change in ways that would better fit with the client organization's needs.

Although the case study provides evidence from a certain type of consulting project, the revealed mentalities of Chinese clients and that of global consultancies doing business in China offers a more general basis to reflect on the previous theoretical assumptions regarding the 'otherness' advantages of global consultancies. Theoretically, global consultancies can best achieve economies of scale by utilizing the knowledge that they have accumulated from previous practices and applying it across different clients. Thus they codify knowledge into standard consulting solutions (Suddaby and Greenwood, 2001) and provide them to their consultants in different countries (Boussebaa, 2009, Wright and Kwon, 2006). Corresponding to this global consultancies' approach, in China, managers generally favoured western management knowledge and for this reason are willing to pay the significant fees international consulting firms charge. They hoped to introduce western 'best practice' into their organizations due to both technical and psychodynamic motivations (Sturdy, 2004). This mentality further promoted global consultancies to replicate their global management models in China. The consultancies believed that they could satisfy the client, in particular the 'key sponsors' for the consultant engagement in the client organization, by preserving original characteristics of the knowledge that they imported from western countries. However, the case study in this thesis suggests that the assumed advantages of global

knowledge could also result in negative effects during the actual consultation process. As outlined in Chapter 7, while Chinese managers maintain a general respect for western consulting expertise, individual employees did not automatically accept all of the consultancy's methods of change implementation, particularly where such methods lacked clear local applicability.

Combining the above conclusions, a central feature of the Chinese practices of global management consultancies is the importance attached to their global identity. The strategies they have adopted in entering and building their Chinese practices suggest that they have sought to maximize the positive effects of the 'otherness' that derives from their association with western management knowledge and expertise in order to win clients and establish a reputation that would distinguish them from local competitors. Existing literature has suggested that the intangible nature of consultancy services implies that management consultancy relies on the creation of favourable perceptions and the management of client impressions to prove their value (Clark, 1995). In the context of China, clients were also found to depend on the consultancies' management of impressions in deciding to purchase consultancy services, as well as evaluate the quality of consultancy services. Global consultancies therefore put much emphasis on retaining their 'imported' features in terms of managing their knowledge resources at all three levels (i.e. industry, firm and client project) of their activities. While such an approach was advantageous in building a local reputation within the Chinese business community as purveyors of western management expertise, at the same time, this approach also created problems for the consultancies within projects in working with client staff in implementing organizational change. Hence, the duality of the international consultancies 'otherness' (Kipping and Armbrüster, 2002) is accentuated in the Chinese context as both an advantage in building their legitimacy as foreign business experts, but also limiting their ability to partner with local managers and companies in implementing change.

As Schlevogt (2000, p.34) has noted, it is important for international consultancies not to fall into the trap of 'blaming the environment for all difficulties – an easy scapegoat when dealing with developing countries'. One practical finding from this research is that international consultancies need to make greater efforts to adjust their practices to cater to the

different market conditions in China. Moreover, as Chinese managers become more experienced consumers of consultancy services, they are also likely to become more discerning clients and more demanding of greater customization of consulting services. Chinese clients are likely to demand more from the global consultancies than just their international brand and reputation. Both trends are likely to force global consultancies to pay greater attention to the local needs of Chinese managers and companies, particularly as China becomes an increasingly important part of the global economy. At the level of human resources, global consultancies operating in China will need to continue to build their employment of local Chinese staff who in addition to global business knowledge and education, will also require local industry experience and familiarity with the social and economic context of Chinese businesses. This will have an impact on many aspects of the Chinese branches of the global consultancies such as their internal cultural control, and the way Chinese client's perceive the value proposition of these service providers.

In terms of knowledge development, the international consulting firms in China have followed what Bartlett et al. term the 'centre-for-global' model (2004, p.456) in which the Chinese subsidiaries' role was to introduce global knowledge innovations into the local market. While there is sufficient inflow of western management knowledge, the reverse outflow of knowledge from the Chinese branches of these global service providers is currently negligible. However, Bartlett et al. (2004) also suggest two other models – the 'subsidiary-based' model requiring the use of local resources and capabilities to create innovation to meet local market demand, and the 'transnational' model in which new market opportunities are captured within the globally dispersed operations of the company and these resources are utilized to realize the opportunities of innovation. Hence a further practical outcome of this research is that global consultancies may need to consider the future advantages of the transnational model of innovation in terms of knowledge development within their Chinese operations. Compared to the current centre-for-local model, the transnational model will better capture and leverage knowledge generated in the Chinese practices of the global consultancies. By encouraging the contribution from their Chinese operations to their global knowledge repositories, the consultancies will further strengthen their knowledge assets and more significantly will be able to use this knowledge to direct the improvement of their local practice. The transnational model nevertheless will require a

reversal of consultancies' existing practice, which as revealed in this thesis rely currently on a one-way flow of knowledge from western models of experience (primarily the US and Western Europe) to the Chinese setting. Moving towards a genuine transnational model of operation in China will require investment in, and fostering of the Chinese branches of the consultancies, seeing them not so much as sources for the application of existing consulting knowledge, but rather as potential valuable sources of new consulting expertise. Local learning needs to be recognised as valuable in contributing to the consultancies' knowledge and practice in other locations, such as tapping into the markets in the less developed areas of China, or expanding into countries with similar characteristics to the Chinese economy. The consultancies need to further encourage local staff to document the knowledge obtained from client engagements, and strengthen the function of knowledge management systems in identifying useful aspects of local consulting work that can be applied to broader contexts. This process in return is likely to change the firm's local practice and lead to a virtuous circle of knowledge creation and sharing, which one consultant characterised as a knowledge creating 'organic organization' (Interview A15, Associate Partner, MCA, 25th Jan 2006). Indeed, there are indications the movement towards a more transnational approach to the Chinese practices of these firms may already be occurring. For example, the creation of the Chinese knowledge centre of MCA highlights the beginnings of such a process, although as highlighted in Chapter 5 the flow of information is still heavily weighted towards the importation of overseas consultancy knowledge.

8.2 Limitations and Future Research

This thesis has focused on China as an example of the complexities facing global management consultancies as they expand their operations into developing economies. While China does have unique characteristics which distinguish it from the US, the UK or Australia, it does not represent all the varieties of institutional and industrial conditions found outside of advanced western economies. For example, two of China's key economic neighbours, Japan and Korea, both have significantly distinctive business environments. Researchers have discovered that their respective institutional contexts had different impacts on the development of management consulting in these countries. In the case of Japan, powerful local management associations and large companies with established traditions of internal learning delayed the entry and adoption of management consultancy (Kipping,

2002b). In Korea, foreign consultancies were widely engaged in the aftermath of the 1997 Asian financial crisis (Wright and Kwon, 2006) but China was not as heavily hit by the crisis. Other countries such as Russia and Vietnam may also have their unique contextual characteristics that will have different implications for global management consultancies. While the analysis of this thesis has been bounded by its reference to the particular Chinese context, the contribution of this thesis comes from the discussion about the enriched meaning of 'otherness' (i.e. foreignness) when global management consultancies are engaged outside of the original western industrial societies and the possible effects of this on the diffusion of consultancy. Different countries with different institutional contexts are likely to exhibit different levels of favourableness/resistance to western consulting expertise. Therefore more research is needed to examine the global management consultancies in different regions of the world as well as in different parts of China.

Secondly, the historical review of the development of management consulting in China in Chapter 4 is far from complete. Given the lack of detailed historical investigation into the development of management and management advisory services in China, analysis of the broader context of consultancy in China in this thesis has had to rely on the accounts of interview informants, and the limited information available through the Chinese language literature. Although the informants were consulting industry veterans and were therefore able to provide a relatively complete picture of the development of the industry in China, clearly a more comprehensive investigation based on a broader survey of industry practice is needed. Although this thesis makes an exploratory effort to put back this 'lost piece of the puzzle', future research is needed to provide a more complete picture of the industry and its development over time, supported by a broader range of data.

Thirdly, the case study that has been presented in this thesis does not qualify as an extensive investigation of all the possible patterns of relationships between international consulting firms and Chinese clients. In order for literal replication (Yin, 1994, p.45-46) further studies are needed such as a multiple-case research involving more client engagements of a global management consultancy or different consultancies with different clients.

Fourthly, future studies are needed to explore the role and impact of Chinese local consultancies. This thesis has focused explicitly on the role of international consultancies and their entry and development in China, however as research in other country settings has noted, there is often a symbiotic relationship between foreign and local consultancies in the development of management consulting within national contexts. For example, the Finnish (Ainamo and Tienari, 2002) and Italian (Crucini and Kipping, 2001) cases both highlighted the role of local consultancies as agents in disseminating American management knowledge and therefore accelerating the homogenization of local consulting companies. The relationship between foreign and local consultancies in China would make an interesting and valuable contribution in this respect and is an area well suited for further research. Studies can be taken to examine whether Chinese local consultancies have played a similar role or perhaps been more selective, functioning as a knowledge gatekeeper between local clients and foreign providers.

In summary, the research conducted in this thesis is of an explorative nature, indicating the need to be tentative in the assertions made.

8.3 Implications for Practitioners

For practitioners in the field of management consulting, this thesis provides an alternative academic perspective to the development of consultancy in emerging markets like China, and complements articles on this topic in the mainstream business media (e.g. Wong, 2001, Trish, 2002, Dolven, 2002, Zety Fazilah, 2002, Blenkinsopp, 2008). The thesis highlights the way in which global consultancies have maintained and accentuated their international identity in entering China and building their Chinese operations. This thesis provides empirical support for the argument that when consultancies enter a new national context, cultural and knowledge boundaries can lead to significant advantages in winning businesses and building legitimacy as professional business advisers, as well as raising challenges in the need to adapt service offerings to better fit with local contingencies.

The thesis also has implications for local Chinese consultancies in understanding the underlying mechanisms that have granted competitive advantage to their foreign competitors. Indigenous professional service firms can proactively seek cooperation with international

firms in knowledge research or in offering joint services to clients. From such cooperative initiatives, indigenous consulting firms have the potential to learn from the international consulting firms about their consulting methodologies and client communication methods, improving the competence of the local consultancies. On the other side, there is a chance for local consulting firms to attract business by promoting their possession of local knowledge and more locally embedded staff. As the management consulting industry develops in China, local consulting firms are likely to also develop and become significant employers of consulting staff.

This thesis has focused on the early development of management consulting in China and highlighted the role of international consulting firms in importing western management knowledge into the Chinese economy. However, the future development of the industry may well exhibit a more two-way flow of management knowledge as the practice of consultancy becomes more accepted in China, and local providers of management knowledge further develop. While management consultancy continues to be dominated by large global firms of western origin, as the rapid modernization and growth of the Chinese economy and the growing internationalization of Chinese companies has demonstrated, it is perhaps not unlikely that in the near future Chinese consultancies will also be engaged in the global diffusion of management knowledge and practice. Such a development will raise further complexities in understanding how management knowledge is created and diffused, as well as its role in transforming societies.

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