How Management Consulting Firms Influence Building and Leveraging of Clients' Competences

Towards a conceptual framework

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The focus in research upon resources, dynamic capabilities and competences has challenged firms to apply these concepts to improve their competitive position. Management consulting firms may assist clients in these efforts. However, the roles that management consulting firms fulfill in these processes can differ considerably and are under-researched. Therefore, insight in these different roles and the impact of these roles on clients' competitive positioning in their industries is required. The purpose of this paper is to develop a conceptual framework that highlights the importance of distinguishing both roles and the implications for management consulting firms and for their clients. We illustrate the framework by elaborating on the relationship between both roles and the strategic renewal context of client firms. We conclude by pointing out the increasing importance of the competence leverage role of management consulting firms and how this development might contribute to a more hypercompetitive context for their clients.

Key words: competence building and leveraging, management consulting, strategic renewal, exploitation & exploration, knowledge broker

1. INTRODUCTION

The 'resources, dynamic capabilities and competences perspective' has long been of interest to academic researchers (Sanchez, 2001.a). The body of work has developed extensively since the conception of the perspective in the late 1950s (e.g. Penrose, 1959; Wernerfelt, 1984; Teece et al., 1997; Prahalad and Hamel, 1990, 1993; Sanchez et al. , 1996; Sanchez and Heene, 1997). The progressive elaboration of the perspective has challenged management to apply the concepts with or without the assistance of management consulting firms. The 'open systems view' of the firm (Sanchez & Heene, 1997) acknowledges the role of management consultants as influencers of a client firm's strategic logic to build or leverage competences. These firms are uniquely positioned to assist clients in the building and leveraging of competences. Because of their central position in the 'management knowledge industry' (Kipping and Engwall, 2002), management consulting firms have privileged access to large sets of firms across various industries, which gives consultancies an advantage in identifying opportunities for competence building and leveraging.

In this paper we refer to a competence as "the ability of a firm to sustain coordinated deployments of assets in ways that help a firm achieve its goals" (Sanchez, 2001.b: 7). Competence building is considered to be "any process by which a firm achieves qualitative changes in its existing stocks of assets and capabilities, including new abilities to co-ordinate and deploy new or existing assets and capabilities, in ways that help a firm achieve its goals" (Sanchez, 2001.b: 7). Competence leveraging is defined as: applying a firm's existing competences to current or new market opportunities in ways that do not require qualitative changes in the firm's assets or capabilities (Sanchez, 2001. a: 154).

The rapid growth of the management consulting industry during the last decades has led to an increase of academic interest in management consulting (e.g., Clark and Fincham, 2002; Engwall et al., 2001; Kipping and Engwall, 2002; Van den Bosch, 2003; Van den Bosch, Baaij & Volberda, 2005). Much of this research focuses on the role of management consulting firms in the creation and dissemination of management rhetorics, e.g., the extensive literature on management fads and fashion (e.g., Abrahamson, 1996; Kieser 1997). Previous research investigated how management consulting firms can build their competences by gaining knowledge from client relationships (Sivula, Van den Bosch, and Elfring, 1997, 2001). The roles of management consulting firms in the building and leveraging of the competences for their clients, however, are still relatively unexplored.

To contribute to an understanding of these roles and their expected impacts, the purpose of this paper is to develop a conceptual framework to address the following *research questions*: (1) what are the internal requirements of management consulting firms to build and leverage competences for their clients? and (2) what is the impact of these roles on the competitive position of the clients and on the competitive dynamics of the clients' industries?

The paper is structured as follows. In the next section we will elaborate on management consulting firms. We distinguish the competence building role and the competence leveraging role of management consulting firms. For each generic role we identify the internal requirements for the management consulting firms. We complete this section with a description of the trends with respect to these roles. In the following section we investigate the impact of the roles on the competitive position of clients and on their industries, and present a conceptual framework. Based on this framework we develop propositions. We illustrate the conceptual framework in the context of the strategic renewal processes of incumbent firms in the financial services industry. Subsequently, we discuss the findings and limitations. Furthermore, an agenda for future research is sketched. We complete the paper with recommendations and conclusions.

2. TWO ROLES OF MANAGEMENT CONSULTING FIRMS: INTERNAL REQUIREMENTS AND CURRENT TRANSFORMATION OF THE INDUSTRY

In this paper we define management consulting as "an advisory service contracted for and provided to organizations by specially trained and qualified persons who assist, in an objective and independent manner, the client organization to identify management problems, analyze such problems, and help, when requested, in the implementation of solutions" (Greiner and Metzger, 1983: 7). The management consulting industry comprises a broad spectrum of services, ranging from outsourcing IT systems to strategy consulting. In many of these services, the boundaries between delivering an advice and implementing an advice are blurring.

Management consulting firms have privileged access to the most recent knowledge about the competences of the best performing firms. The most important source of knowledge accumulation for management consulting firms is previous assignments. They can leverage this knowledge to otherwise disconnected domains (e.g. Hargadon, 1998; Sarvary, 1999). *From the perspective of the management consulting firm* two distinct roles can be identified: competence leveraging and competence building for clients.

The *competence leveraging role* relates to facilitating the leveraging of best practice competences within or from outside the client firm's industry. Management consulting firms can assist their clients in adopting existing competences that are best practices within or outside their clients' industries. The competences may be new to the client, but they are not new to the management consulting firm. In contrast, *the competence building role* facilitates the creation of new, idiosyncratic competences for their clients. Management consulting firms can assist their clients in imagining the new competences that will be the basis of the "industries of the future". In general, competence building will imply a higher level of interaction between consulting firm and client than in the case of competence leveraging. In case of high involvement of consulting firm in competence building, we may speak of 'value co-production' (Ramirez, 1999). An example of the competence building role is the assignment of an international management consulting firm for Nokia Mobile Phones. This consultancy assisted in the development of competences to create new and unconventional perspectives on the industry that enabled the client to shape the future of that industry (Strategos, 2002).

This conceptual distinction between the two roles of management consulting firms may be associated with Maister's (1993) spectrum of projects. Maister (1993) distinguishes a spectrum ranging from the almost unique 'brains' projects that are carried out by experienced, senior staff, to the 'procedural' projects that are highly standardized and can be executed by a large number of junior consultants under the supervision of a more senior consultant. The competence building role of the management consulting firm may be associated with Maister's 'brains' projects. The competence leveraging role may be associated to a larger or smaller extent with 'grey hair' or 'procedural' projects, depending on the characteristics of the leveraging. A management consulting firm, however, is not necessarily restricted to delivering services related to one role. A management consulting firm may fulfill either role, depending on the demands of the client assignment. Clients may have different demands. However, the two generic roles place different internal requirements on the management consulting firm in terms of skills of consultants, and organization and management of the client assignment.

The generic roles and the internal requirements for management consulting firms

What are the implications of the two generic roles for the requirements of these roles in terms of skills of consultants, and organization and management of the client assignment?

To address this question, we will focus on the individual consulting assignment as *the unit of analysis* rather than the whole management consulting firm. With regard to the internal requirements for the client assignment, we distinguish between: the required skills of the consultants on the assignment; the required organizational form of the assignment; and the required management perspective.

Competence leveraging role assignments that resemble Maister's 'procedural' projects (1993) require to a lesser extent experienced consulting staff. The lack of experience can be compensated by the institutionalization of knowledge within the management consulting firm, that is, the deployment of the existing knowledge base. The skills required for a competence building role assignment do not lend themselves to codification in IT-based knowledge management systems and they cannot be easily exchanged through an intra-firm expert network. This role puts high requirements on the seniority of the individual consultants. The imagination of new competences that are the basis of a client's future competition requires highly capable and knowledgeable individuals possessing an above average individual absorptive capacity (Van den Bosch, Volberda, and De Boer, 1999). The competence building role, therefore, depends to a large extent on highly qualified individuals. Besides differences in required skills, both roles also have different implications for the organizational form of the assignment.

The competence leveraging role is likely to be facilitated by a mechanistic organization structure (Burns and Stalker, 1961; Volberda, 1998) for the client assignments as the nature of these assignments require hierarchical organizational forms. The competence leveraging role implies a relatively *high leverage* of the assignment. Leverage is defined as the number of consultants per partner. Not only the ratio but also the distance between junior consultants and partner in terms of both experience and hierarchy is relatively large in a competence leveraging role assignment. The competence building role is associated with organic organization structures (Burns and Stalker, 1961; Volberda, 1998). The nature of the assignments and knowledge processes involved require a networked form of organizing (Van Wijk and Van den Bosch, 2001). As this role implies a lower leverage, competence building assignments are likely to reduce the distance between junior consultants and partner in terms of both experience and hierarchy.

The internal requirements in terms of the management perspective used in the assignments are also likely to be different between both roles. As competence leveraging assignments are relatively standardized, management will tend to be driven towards efficiency ('product driven'). In contrast, the competence building role is about discovery and innovation, and, as a consequence, each individual assignment will be highly client specific ('client driven').

The transformation of the management consulting industry's business model towards the competence leveraging role

After describing both roles and their internal requirements for management consulting firms, we now briefly describe the current transformation of the basic business model of the management consulting industry and its associated impact on the incidence of the two roles within management consulting firms. Driven by 'commodification' and IT-based knowledge management systems the management consulting industry is heavily investing in the institutionalization of knowledge. Commodification means transforming unstructured problems and problem solutions into standardized problems and solutions (Elkjaer et al., 1991; Fincham, 1995), and standardized competences to deliver these solutions. In their competence leveraging role, management consulting firms are striving to 'commodify' management concepts (Kieser, 2000) because commodified concepts allow for rationalization of consulting work (Ernst and Kieser, 2002). Moreover, commodified concepts are more attractive to clients as these concepts suggest that the competences to be leveraged have been tested in many firms.

Commodification facilitates the building of IT-based knowledge management systems. IT-based knowledge management is becoming increasingly important as it is transforming the basic model of consulting industry (Sarvary, 1999). The basic model of consulting is changing from problem solving to knowledge and competence brokering. This development is reflected in the increase of the leverage of the management consulting firm. For example, the leverage of McKinsey & Co. was 7.1 in 1990 and 8.1 in 1995 (Bartlett, 2000). Incumbent consulting firms are becoming more and more competence brokers leveraging competences across firms and industries.

Because of the economies of scale associated with commodification and IT-based knowledge management systems the management consulting industry faces the rapid growth of global firms like IBM Business Consulting Services, Accenture, and Cap Gemini Ernst & Young. This growth is also the consequence of the requirements of global clients who want to be able to use the same consulting firm with the same approach all over the world (The Economist, 1997). The expansion of the global firms rests on the assumption of management as an increasingly standardized activity, taking place in an increasingly globalized world (Meyer, 2000). This assumption enables management consulting firms to leverage competences by arguing in favor of de-contextualized and standardized models of successful organizations and management across markets and countries (Meyer, 1994). Such an approach contradicts the perspective emphasizing the necessity of taking into account contextual variation in managerial schemas due to differences in industry and national environments (Dijksterhuis et al., 1999).

The institutionalization of knowledge, predominantly by the global management consulting firms, leads to an increasing dominance of the competence leveraging role. However, some clients expect or even demand this role: they intend to imitate best practices.

Moreover, the competence leveraging role is also attractive for management consulting firms, as this role is more efficient and less uncertain than the competence building role. The level of uncertainty regarding the success of the former role is lower because it is about proven successful competences.

3. A CONCEPTUAL FRAMEWORK

In the previous section, two distinct roles of management consulting firms have been distinguished and discussed. Based on these discussions in this section we will suggest a conceptual framework capturing both the internal requirements of the two roles and their impact on the competitive position of the clients in their industries. Figure 1 displays the conceptual framework consisting of four parts. The first part (a) reflects the perspective of the management consulting firm on both roles. The second part (b) briefly indicates the internal requirements for performing each role. The third part (c) relates to the expected impact of both roles on the client's competitive position in the industry. The fourth part (d) relates to the expected impact of both roles on the competitive dynamics of the client's industry.

Insert Figure 1 here

Regarding the third part of the framework, it is likely that clients will adapt to or follow the competition rules in the industry if the management consulting firm fulfils a competence leveraging role. In this role management consulting firms act as competence brokers giving rise to mimetic processes (DiMaggio and Powell, 1991). However, by doing so the client has not outperformed its competitors. It has just imitated its best performing competitors. This suggests the following proposition:

Proposition 1: Clients using the competence leveraging role of the management consulting firm will adapt to or follow the industry rules.

As the competence leveraging role of management consulting firms implies leveraging best practice competences and if this leveraging takes place within the client's own industry, the resulting impact will be competitive convergence of competences within the client's industry. This broker role of management consulting firms contributes, therefore, to the converging of competence groups (Sanchez, Heene, and Thomas, 1996) within the client's industry, see Figure 1. Firms may be driven by institutional and competitive bandwagon pressures (Abrahamson & Rosenkopf, 1993) to use the competence leveraging role of management consulting firms. These institutional bandwagon pressures on firms may arise from the threat of lost legitimacy and lost stakeholder support (Meyer & Rowan, 1977). Competitive bandwagon pressures on firms may arise from the threat of lost competitive advantage (Abrahamson & Rosenkopf, 1990). The competence leveraging role of management consulting firms contributes to *isomorphic processes within industries*, giving rise to the Red Queen-effect (Volberda, 1998). Clients don't achieve lasting improvement vis-à-vis competitors. Clients gain the impression that management consulting firms are necessary to keep up with competitors that increasingly engage management consulting firms (Kieser, 2000). As a consequence, a self-reinforcing process takes place and client firms become increasingly dependent on the competence leveraging role of management consulting firms. This development may result in an increase of the speed of competitive imitation. The duration of competitive advantages may shorten and the industry leaders are forced to renew their competitive advantages faster. This may even lead to hypercompetition (D'Aveni, 1994).

Proposition 2: The competence leveraging role of management consulting firms enables the convergence of competence groups within industries and contributes to the speed of competitive imitation of their clients

The competence building role of management consulting firms may result in case of success in new and superior competences for the client's industry. New and idiosyncratic competences are created that set the new best practice standard for the client's industry. In this case, the client will change the competition rules in its industry. The consulting firm fulfills a disequilibrating role in the client's industry. These considerations lead to the following proposition:

Proposition 3: Clients using the competence building role of the management consulting firm aim at changing the industry rules.

While the competence leveraging role of management consulting firms enables converging competence groups within the client's industry, the competence building role contributes to the opposite direction, that is, diverging competence groups or even the emergence of completely new competence groups (see Figure 1). Successful competence building assignments lead to new, idiosyncratic competences. As a consequence, firm heterogeneity within the industry increases. This role of management consulting firms might induce a radical change and, as a consequence, cause an increase of industry turbulence.

Proposition 4: The competence building role of management consulting firms enables the divergence of competence groups within industries.

Clients using management consulting firms to assist with competence building face the risk of *leakage* of competitive knowledge to competitors. As a result they may loose their competitive advantage as competitive convergence takes place. Consulting firms have built fire walls to prevent competitive leakage. However, the risk of loosing competitive knowledge to competitors through consultants has been acknowledged as a real threat by top managers in large Swedish organizations (Engwall and Ericksson, 1999). Management consulting firms that have successfully fulfilled a competence building role assignment will have an incentive for subsequent exploitation of the acquired knowledge and experience by leveraging the competences to other clients.

This competitive leakage risk may with held clients from using management consulting firms for competence building roles. As competence building assignments of management consulting firms imply high uncertainty, high complexity, and low frequency, we may expect a risk of opportunism (Williamson, 1975). As a consequence, we expect competence building activities to be carried out primarily by the client organization itself rather than by management consulting firms. We, therefore, suggest the following proposition:

Proposition 5: Due to the competitive leakage risk, clients are less inclined to use the competence building role than the competence leveraging role of management consulting firms.

4. AN ILLUSTRATION OF THE CONCEPTUAL FRAMEWORK: THE RELATIONSHIP BETWEEN MANAGEMENT CONSULTING FIRM'S ROLES AND CLIENT'S STRATEGIC RENEWAL PROCESSES

In this section we will illustrate the conceptual framework by the relationship between the two roles and the client's strategic renewal processes. According to Volberda et al. (2001), in strategic renewal top management can see themselves as passive amplifiers of market forces, as is the case in theories emphasizing environmental selection, like population ecology. Top management strategic intent, however, can also be guiding the renewal journey, as is the case in e.g. the strategic choice approach (Child, 1972) in which top management is active with respect to the environment. Similarly, an active and passive role of middle and frontline managers can be distinguished. These different managerial roles in strategic renewal give rise to four idealized types of renewal processes. Each of these contexts represents a distinctive combination of active versus passive attitudes of top-, middle and frontline management towards the environment. The four ideal types of strategic renewal processes are labeled as: *emergent renewal, directed renewal, facilitated renewal and transformational renewal* (Volberda et al., 2001). Figure 2 depicts these four strategic renewal processes, including how each process is different regarding the assumption with respect to (1) the managerial intentionality of the client (top) management regarding the environment, (2) the client's perception with respect to the nature of the management consulting assignment, and (3) the associated role of the management consulting firm.

Insert Figure 2 here

Four types of strategic renewal processes

According to Volberda et al. (2001), the *emergent renewal process* is rooted in the assumption that both top-, frontline- and middle managers should be essentially passive, and that their role is to amplify market forces and market signals for the benefit of the unit managers. Top managers also make assumptions about how other managers inside their organisations should behave, that are rooted in the belief that "the market knows best". Top management emphasizes to stay within the competence boundaries and stimulate leveraging these competences. Management consulting firms are perceived as translators of market forces (see Figure 2). Emergent renewal processes are expected to be suitable for dealing with mature slow moving environments, with little evidence of synergies between units that cannot be done through the market. According to Volberda et al. (2001), the *facilitated renewal process* is characterized by a mixture of active frontline and middle management and passive top management. In this journey, frontline and middle management are very active towards the opportunities and threats in the environment. Renewal takes place through developing and promoting strategic initiatives of either leveraging or building competences from the frontline and middle managers (cf. Burgelman, 1983; Quinn, 1985). Management consulting firms are perceived as supporters of frontline and middle management. Top management's role is to create a strategic context for nurturing and selecting promising renewal initiatives. Facilitated renewal is appropriate in highly complex and dynamic markets where deliberate strategy becomes difficult, the need for coordination between units increases and knowledge sharing is not the most essential.

In *directed renewal processes* top managers believe they have some power over their environment and that strategy making in large complex firms involves multiple levels of management (Volberda et al., 2001). The strategy process is often characterized as a highly rational, proactive process that involves activities such as establishing goals, monitoring the units, assessing unit capabilities, searching for and evaluating alternative actions for both building and leveraging of competences. Management consulting firms are perceived as mediators of top management's strategic intent. According to Volberda et al. (2001), in directed renewal top management takes a very directive approach that fits with classical administrative theorists such as Barnard (1938), and Chandler (1962).

Finally, in the *transformational renewal process*, top management believes that it can influence the environment by working closely with middle- and frontline management (Volberda et al., 2001). In this process both frontline and middle management and top management are essential in the renewal process, which is aimed at changing the industry rules by building new competences. It is not to be expected that management consulting firms will fulfil a leading role in such an organizational context. If management decides to use the competence building role of a management consulting firm, we expect the consulting firm to act as a process facilitator in building new competences. According to Volberda et al. (2001) transformational renewal processes facilitate periods of single-loop as well as periods of double loop learning (Senge, 1990; Argyris & Schön, 1978).

The relationship between management consulting firms' roles and client's strategic renewal processes

To illustrate the integrated framework in the context of the consulting industry (see also Stienstra, Baaij, Van den Bosch, and Volberda, 2004), we will address the following question: Which role of management consulting firms will be in particular associated with what type of strategic renewal process of the clients? As is indicated in Figure 2, it is most likely that incumbent firms operating in an emergent renewal process have a strong bias towards acquiring best practice competences. Management consulting firms that are associated with leveraging these competences are in particular able to get assignments (see Figure 2). In the context of an emergent renewal process, management consulting firms are considered by top management as key suppliers of competences.

Incumbent firms operating in the context of a directed renewal process are likely searching for help regarding both the building and leveraging of competences. As in these renewal processes top management is powerful and "knows best", top management may use the competence building role of management consulting firms. If these assignments are successful in terms of the client being able to influence or change the industry rules, the management consulting firm involved has acquired knowledge and expertise to leverage the competence to other clients. This example illustrates one of the dynamic interactions predicted in section 4. In the directed renewal journey, top management can also apply benchmarking regarding particular aspects of competitive positioning and use the competence leveraging role of management consulting firms. We expect, therefore, in directed renewal processes both roles of managing consulting firms will be applied (see Figure 2).

Contrary to the emergent and directed renewal processes, in the context of the facilitated renewal process front- and middle management play an active role. This suggests that in these types of renewal processes management consulting firms will likely be actively working with front- and middle management, while top management tries to reconcile these activities in terms of a change in the strategic context. In facilitated renewal processes we also expect both roles will be used. The assignments will take place at the level of the business units. In the transformational renewal process, top management focuses on shared sense-making, emphasizing that "organization knows best" and aims at knowledge integration through tightly coupled units. In such an organizational and strategic context it is unlikely management consulting firms will be involved in their competence leveraging role or play a leading role in the building of new idiosyncratic competences. If management decides to use the competence building role of management consulting firms, we expect these firms to facilitate the process of building new competences by e.g. facilitating communication and shared decision-making processes.

Management consulting firms that have firm level assignments with incumbents in transformational renewal processes may use the acquired expertise and knowledge in subsequent competence leveraging assignments with firms operating in directed renewal processes. If the competences of first-movers that have successfully changed the rules of their industry are acquired by other leading firms in the industry (Huygens et al., 2001), competence leveraging assignments with firms engaged in emerging renewal processes become possible. This process illustrates the interaction over time between firms involved in the same and in different strategic renewal processes and highlights how management consulting firms might contribute to the *temporary nature* of the competitive advantage of their clients.

5. DISCUSSION AND CONCLUSION

The roles of management consulting firms in the building and leveraging of best practice competences including the implications for the competitive position of their clients are relatively under-researched. Therefore, in contributing to the understanding of this important issue we have investigated these roles and their internal requirements for accomplishing these roles. A conceptual framework has been developed to analyze the impact the two roles have on the competitive position of clients in their industries and on the competitive dynamics of these industries. Based on the integrated framework propositions about the impact of each of the two generic roles on clients and their industries have been formulated. The framework has been illustrated by the relationship between the two roles and the strategic renewal processes and by the impact the two roles have on a client's strategic renewal process.

Several *limitations* can be discussed regarding the proposed framework. First, the conceptual framework suggests clients using the competence leveraging role of management consulting firms will adapt to and follow the industry rules and will contribute to competitive convergence. This is the expected outcome in the case of a leverage of a best practice competence within the client's industry. However, if the management consulting firm leverages *best practice competences from another industry* to the client, the outcome for the client and the client's industry may be different. Cross-industry leveraging of best practice competences may enable the client to change the rules in its own industry resulting in competitive divergence. As the two roles were defined from the perspective of management consulting firms, from a client's perspective competence building may be achieved by the competence leveraging role of the management consulting firm if this role involves competence leveraging from a different industry.

Second, according to the framework the competence leveraging role of management consulting firms contributes to competitive convergence. However, we should not conclude that all competitive convergence is due to management consulting firms. Other factors contribute to convergence as well, like institutional and competitive bandwagon pressure (Abrahamson and Rosenkopf, 1993). Third, the two roles of management consulting firms are pure conceptual roles and should be perceived as a spectrum rather than as two categories. Consulting assignments in business practice are not restricted to one of these two roles exclusively but may contain elements of both.

Fourth, the framework presupposes the feasibility of the leveraging of best practice competences. However, previous literature (e.g. Barney, 1991; Rivkin, 2000; Szulanski & Winter, 2002) pointed out some barriers to imitation. Tacitness and isolating mechanisms may limit the extent to which transfer of competences is feasible. The complexity and ambiguity that go along with competence transfer may erode the success of such a project. If the imitation barriers are effective, the competence leveraging role will become more difficult or even impossible to execute and the risks of competitive leakage will diminish accordingly. Fifth, we limited ourselves in this paper to large incumbent consulting firms. Small incumbents and new entrants in the management consulting industry need to differentiate to overcome the disadvantages of scale. The relationship between the clients' strategic renewal processes and the roles of management consulting firms provides interesting examples. In the case of emergent and facilitated renewal processes, competence leveraging assignments with management consulting firms are most likely performed at the business unit level. New entrants and small and medium sized management consulting firms can focus in particular on these types of assignments. Finally, regarding the analysis of the risks of competitive leakage, we did not take into account that management consulting firms can lower these risks for clients by providing "industry exclusivity" contracts, that is, only one client per industry for a specified period of time.

There is a growing interest from academics in the work of management consulting firms (e.g., Clark and Fincham, 2002; Engwall et al., 2001; Kipping and Engwall, 2002). Much of the research focuses on the rhetorics, for instance, the literature on management fashion (e.g., Abrahamson, 1996; Kieser, 1997). Empirically assessing the effectiveness of the generic roles of consulting will be a challenge for future research. Up till now statements about the performance of management consulting firms remain limited to articles and books of journalists (e.g., O'Shea and Madigan, 1997). The impact of the assignments of management consulting firms on their clients' competences could be an interesting topic for strategy and competence research. Future research should also focus on the impact of small management consulting firms and new entrants on the building and leveraging of clients' competences.

We have described a transformation of the management consulting industry's business model towards the leveraging of best practices competences role (Sarvary, 1999).

'Commodification' (Elkjaer et al., 1991) and IT-based knowledge management underlie this transformation. The competence leveraging role contributes to isomorphic processes within the clients' industries. The transformation of the management consulting industry towards the competence leveraging role will strengthen the isomorphic processes and may even lead to hypercompetitive contexts for clients (D'Aveni, 1994).

In this paper we assumed management consulting firms may fulfill both competence building and competence leveraging roles. However, these two generic roles place different internal requirements for the management consulting firm in terms of skills, organizational structure, and management of the assignment. These differences favor specialization in one of these roles. Management consulting firms that do not specialize may be 'stuck in the middle'. The specialization advantages may create opportunities for the competitors of the large incumbent consulting firms. Given the economies of scale and scope in the competence leveraging role large incumbents will be attracted to this role. Small incumbents and new entrants may find the niche of specializing exclusively in the competence building role attractive. As a consequence, the management consulting industry may face diverging competence groups: large incumbents focusing on the competence leveraging role and small incumbents and new entrants functioning as competence building 'boutiques'. These predicted impacts including the illustration of how the two generic roles might influence strategic renewal of incumbent firms highlight the importance of the next step: the empirical assessment of the propositions developed.

In conclusion, our conceptual contribution provided in this paper together with empirical research might contribute to new challenging research in which a firm's competence building and leveraging efforts result from coevolutionary dynamics (Volberda and Lewin, 2003; Huygens, Baden-Fuller, Van den Bosch, and Volberda, 2001) between client firms, their industries and management consulting firms.

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Figure 1: An integrated framework of the competence building and leveraging roles of management consulting firms

	COMPETENCE LEVERAGING ROLE	COMPETENCE BUILDING ROLE
(a) Management consulting firms associate these roles with:	Leveraging best practice competences between clients	Creating new, idiosyncratic competences for clients
(b) Internal requirements for management consulting firms to perform these roles:		
Consultants' skills:	Skills associated with deploying the existing knowledge base regarding the competences to be leveraged	Skills associated with developing new knowledge regarding the competences to be build
2. Enabling organization form of the assignment:	High leverage; Hierarchical form	Low leverage; Network form
3. Management perspective used in assignment:	Product driven; High consultant turnover;	Client driven; Low consultant turnover
c) Impact of roles on the client's competitive position in the industry:	Adapting to or following the industry rules	Changing the industry rules
(d) Impact of roles on the competitive dynamics of the client's industry:	Enabling competitive convergence	Enabling competitive divergence

Figure 2: Four distinctive strategic renewal processes of client firms and the associated role of the management consulting firm.

	Top management is passive with respect to environment	**Top management is active with respect to environment**
Front & middle management passive with respect to environment	**Emergent renewal** 1. Management is passive and negative about managerial intentionality: "Market knows best". 2. Management consulting firm as supplier of competences 3. *Competence leveraging role*	**Directed renewal** 1. Managerial intentionality is key: "Top management knows best" 2. Management consulting firm as mediator of top management intentions 3. *Competence leveraging and building role*
Front & middle management active with respect to environment	**Facilitated renewal** 1. Limited managerial intentionality: front & middle management challenge "Market knows best" 2. Management consulting firm as supporter of frontline & middle management 3. *Competence leveraging and building role*	**Transformational renewal** 1. Shared sense-making of top-, middle- and frontline management: "Organization knows best" 2. Management consulting firm as communication facilitator 3. *Competence building role*

Source: Adapted from Table 2 in Volberda et al. (2001) and extended by adding perceptions of the client on the required nature of the consulting assignments, and the associated roles of management consulting firms.

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