

MASTER

Are preferred supplier programs the new way of purchasing management consultancy services?

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Eindhoven, August 2014

**Are Preferred Supplier Programs
the New Way of Purchasing
Management Consultancy
Services?**

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Abstract

The procurement of management consultancy services has developed over the past decades. More recently, firms are implementing preferred supplier programs for their procurement of management consultancy services. Preferred supplier programs should focus on improving service quality and the relationship between buyer and supplier. This is achieved by giving the preferred supplier first order of business.

These programs have introduced the purchasing department into a relationship that previously was based on a personal relationship between a manager and a consultant. Changing this relationship can lead to several challenges in the procurement process, both internally and externally.

This study examines if preferred supplier programs are the new way of purchasing management consultancy services. By conducting interviews with both purchasers and consultants an elaborate view on these preferred supplier programs is generated. The results show that both parties focus on the administrative benefits of the programs such as cost reduction and ease of doing business. Also, none of the clients is able to give all assignments to the preferred suppliers. It therefore is concluded that what clients are implemented at the moment are not preferred supplier programs, but licenses to operate.

These results indicate that preferred supplier programs are not the new way of purchasing management consultancy services. Both clients and consultants need to reconsider this approach to purchasing management consultancy services.

Preface

If you had asked me to predict my future at the beginning of my study at Eindhoven University of Technology, I would have never drafted this particular path for me: starting as a student Mechanical Engineering and ending as a master of science in Industrial Engineering. Even though this path seems unconventional for some, I'm really happy with this trajectory. The master program Innovation Management has felt as the perfect fit for me. Finding the right master thesis subject has proven to be difficult, but this subject on procurement of management consultancy has been challenging and interesting. I'm therefore very happy with the results from my study and grateful that I got the opportunity to conduct this research within an organization such as KPMG.

Thus, this journey has been satisfying for me and I'm really happy with how things turned out in the end. But this journey would not have been successful without the help of others and therefore I would like to thank several people.

First, I would like to thank my supervisors for their guidance and comments on this study. First of all, my thanks go to Joost Wouters, my mentor and first supervisor of my thesis. His enthusiasm and critical assessment inspired me during my master and this thesis. I would also like to thank my second supervisor Arjan van Weele for providing me with useful feedback and comments on my thesis work.

Second, I would like to thank the people at KPMG, who made it possible to conduct my research, in particular John Tros. Next to supervising my thesis he has also given me directions on how to develop myself in the future and I'm very grateful for that. Next to that, I would like to thank the whole OSG team for making me feel at home at KPMG. My gratitude also goes to the respondents that participated in this study. Without them this research wouldn't have been possible.

Finally, I would like to thank my family and friends. Of course big thanks to my parents, Theo and Anita. Without their support, my study wouldn't have been possible. I'm really grateful for everything they have done for me. I also would like to thank my friends Alex, Jeroen, Luc, Luuk, Martin and Niek. They've helped me throughout my study and during this thesis. Either by having useful discussions on study related topics or providing the needed distraction, but also by being awesome friends. Special thanks go out to my girlfriend Judith, for always being there for me during my studies and motivating me whenever I got stuck.

Thank you all for your support and I hope you enjoy reading this thesis with as much fun and interest as I did in doing this research.

Twan Haazen

Eindhoven, August 2014

Executive Summary

The use of management consultancy services by organizations has significantly grown in the past decades. A survey by FEACO has shown that the European consultancy market has grown over 400% to €97.9 billion in 2012 since 1998. This increase in expenditure has led to a more formalized approach of purchasing management consultancy services (Werr & Perner, 2007).

A topic that is starting to emerge is the implementation of preferred supplier programs (PSPs) for the procurement of management consultancy services (Mohe, 2005; Perner & Werr, 2009; Sieweke, Birkner & Mohe, 2012; Werr & Perner, 2007). To date, little is known on these preferred supplier programs for management consultancy services.

The purpose of this study is to get more insight in the implementation of preferred supplier programs for management consultancy services. Therefore, the following main research questions was created:

Are preferred supplier programs, for both the client and the consultant, the new way of purchasing management consultancy services?

To answer this research question, a literature study is conducted followed by semi-structured interviews with both clients and consultants.

Literature Review

A literature review is conducted to assess the current status on preferred supplier programs for management consultancy services. This literature review discusses the formalization of the procurement of management consultancy services, the definition of preferred supplier programs for management consultancy services, and the potential challenges that arise with the implementation of these programs.

Traditionally, a relational approach is chosen by clients to purchase management consultancy services (Werr & Perner, 2007). This informal, trust-based relationship between client and consultant reduces perceived risk and enables firms to learn more about each other. Drawback of such a relational approach (e.g. no synergy, no verification of consultancy fees) have put forwards a more formalized approach for the procurement of management consultancy services (Höner & Mohe, 2009). This has led to the involvement of the procurement department in the decision-making process. A form of formalization that is getting more attention in literature is the preferred supplier program (Mohe, 2005; Sieweke et al., 2012).

In this study a preferred supplier program for management consultancy services is defined as:

“A preferred supplier program for management consultancy is a program for the most important consultancy firms in which a close long-term relationship creates benefits for both parties by giving the consultancy firm the first opportunity for new business.”

The benefits of these programs can be split of in value and cost related benefits, of which value related benefits should come first. Value related benefits include increased service quality and trust, and relationship improvement. Cost-related benefits follow from the value related benefits and include a reduction in transaction costs, acquisition costs, and consultancy fees.

In order to successfully implement these preferred supplier programs, different prerequisites must be taken into account. The prerequisites are split up into client prerequisites and external prerequisites. The client prerequisites include factors such as size of the organization and frequency of consultancy use; but also procurement status and top management support.

Previous literature has identified two opinions on the external prerequisites depending on how well consultancy services are understood. If the services are well understood, more formalized criteria can be used (e.g. price orientation, time limitations); otherwise relation criteria become important (e.g. reputation, experience).

With the implementation of preferred supplier programs for management consultancy services several challenges can be identified. These challenges can be split up into two groups: (1) challenges related to the prerequisites, (2) challenges related to different view of stakeholders.

Previous literature has shown that achieving a high procurement status and top management support proves to be hard in the case of management consultancy services (Werr & Perner, 2007). If this is not achieved, managers might not make use of the preferred supplier program, so called maverick buying. Here, managers bypass the purchasing procedures in order to make use of their own suppliers (Höner & Mohe, 2009).

Next to that, previous literature has argued that purchasers and consultants express different views on the use of management consultancy services. Purchasers have a transactional, good-dominant logic that focuses on short-term relationships, exploiting competition, and has a price orientation. Consultants on the other hand express a relational, service-dominant logic that focuses on long-term relationships, exploiting cooperation, and has a value orientation. For successful implementation of preferred supplier programs, these views must be in line. Challenges for both the purchaser and consultant can arise in trying to align these views.

Methodology

Using the literature review as a basis, semi-structured interviews were held with purchasers and consultants. In total 18 purchasers are included in this research. The firms of these purchasers were in different phases of implementation of preferred supplier programs: (1) not implemented, (2) implementing, (3) implemented and satisfied, and (4) implemented and not satisfied. In total 9 consultants are interviewed in this study. Their consultancy firms are involvement in different degrees with preferred supplier programs: (1) less than 30% of their revenue comes from PSPs, (2) between 30-60% of the revenue comes from PSPs, and (3) more than 60% of the revenue comes from PSPs.

The interviews discussed 4 aspects of preferred supplier programs: (1) the added value, (2) the prerequisites, (3) the challenges, and (4) the future.

These interviews were transcribed and coded based on the literature review. The previously identified added values, prerequisites, and challenges were used as a template approach to guide the coding process. Using these codes, two views were generated. First the view of the purchasers on the different interview aspects was generated. Second, the same was done for the consultant. The usage of the same interview guideline for both parties enabled comparison between both sides.

Results

The results are compared between the two sides on the 4 aspects that form the basis of the interviews: (1) added value, (2) prerequisites, (3) challenges, and (4) future.

Results show that most factor related to the added value of a PSP are on both sides related to the practical application of preferred supplier programs. Factors such as “cost reduction” and “easier to do business” are frequently mentioned and ranked high by respondents. This indicates a primary focus on the administrative aspects of preferred supplier programs. This implicates that transaction are well defined and predetermined. Second comes the value focus with factors such as “insight in the client”.

Results do show that consultant are more value focused compared to purchasers.

When analyzing the prerequisites, it becomes clear that purchasers clearly focus on external prerequisites related to the consultant. Examples include “knowledge in a certain domain/area” and “reputation of the consultancy firm”. Consultants on the other hand first look at the client prerequisites before looking at the fit with a certain client. Factors such as “top management support” and “small number of supplier” rank high among the consultants.

The two parties do agree on the fact that a click needs to be present between the two parties, both in terms of knowledge and experience.

Results show that maverick buying is the most represented challenges within both parties. The other problems often relate to maverick buying, either by being the (potential) source of maverick buying (e.g. low status procurement, support of the business) or being a consequence of maverick buying (e.g. volume not as expected). Interestingly, the most challenges are related to the prerequisites related to preferred supplier programs, not the different logics.

Results indicate that the majority of the purchasers see a move towards preferred supplier programs in the future. The majority of the consultants, on the other hand, want to move away from preferred supplier programs. But even within the purchaser sample and the consultant sample, opinions on the future of preferred supplier programs are not in line.

Conclusion

This study was conducted to assess if preferred supplier programs are the new way of purchasing management consultancy services. What can be concluded from the results of this study is that what clients are implementing in practice are not really preferred supplier programs. The most important factor that is missing in practice is that a preferred supplier should receive first opportunity of business. None of the respondents indicated that all of the consultancy projects go the preferred suppliers first.

Also, the focus of both parties is on the administrative benefits of preferred supplier programs, instead of focusing on improving service quality first. This comes second for both the purchasers and the consultants.

This indicates that clients are implementing “licenses to operate” instead of appointing actual preferred suppliers. With a license to operate, purchasers and consultant already agreed on administrative aspects of the usage of management consultancy services. No guarantees are made regarding first order of business and volume.

Therefore, preferred supplier programs are not the new way of purchasing management services. The definition and prerequisites derived from theory are proven to be difficult to satisfy in practice.

The current study contributes to both theory and practice. This research adds to current literature by showing that the transferability of preferred supplier programs from goods to professional services such as management consultancy is limited. Next to that, this study gives a clear definition of a preferred supplier programs including its prerequisites. Finally, it contributes to the literature on different logics, by showing that purchasers do not only express a transactional logic and consultants do not only express a relational logic.

From a managerial perspective this study shows that purchasers have two options regarding preferred supplier programs. Option 1 requires changing their current preferred supplier programs using the definition given in this study. Option 2 is abandoning the term “preferred supplier” and thus not fooling consultants with giving them this status. Consultants also have two options. They can either become a preferred supplier using the definition and prerequisites given in this study as a checklist. Otherwise consultants need to decline a preferred supplier status request if this checklist is not satisfied. This ensures that the consultant does not have the wrong expectation of being a preferred supplier.

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1 Introduction

This chapter introduces the thesis subject. First a theoretical background is given, explaining the context. Second, the business context and problem definition is discussed. Using the problem definition, the research assignment and research design that form the bases of this study are stated. Finally, a short outline of this study is presented.

1.1 Theoretical Background

The use of management consultancy services by organizations has significantly grown in the past decades (Dawes et al., 1992; Mitchell, 1994; Perner & Skjølvsvik, 2012; Werr & Perner, 2007). For many organizations, especially large firms, the use of management consultancy has become part of the daily management practice (Perner & Werr, 2009; Werr & Perner, 2007). Even though this significant increase in the usage of management consultancy, the procurement process has only started to get more attention within the literature recently (e.g. Mitchell et al., 2003; Schiele, 2005; Werr & Perner, 2007).

According to a survey by FEACO, the consultancy market in Europe has grown from €24.5 billion in 1998 to €97.9 billion in 2012, a four time increase (FEACO, 2012). The increase in expenditures on management consultancy services has led to a more formalized process of purchasing these kinds of services (Werr & Perner, 2007). With the increased formalization the involvement of the purchasing department has become more substantial (Werr & Perner, 2007). This has created a service triad involving consultant, purchasers and managers. A topic that is starting to emerge in the formalization process is the implementation of preferred supplier programs for the procurement of management consultancy services (Mohe, 2005; Perner & Werr, 2009; Sieweke, Birkner & Mohe, 2012; Werr & Perner, 2007).

Even though previous literature has identified this new way of purchasing management consultancy services, research has provided limited guidelines on implementing these preferred supplier programs. From both the clients' perspective as well as the supplier's perspective little is known on when and how to implement a preferred supplier program in order to create mutual benefits (Sieweke et al., 2012).

The involvement of the purchasing department has changed the relationship between firm and consultant. Instead of having the traditional manager-consultant relationship based on trust, this relationship is substituted by a triadic purchaser-manager-consultant relationship. The parties involved might not think the same way about consulting services and its value. In order for preferred supplier programs to be implemented with success, these different logics need to be taken into account and its implications must be made clear.

The factors identified above indicate a current gap in literature related to management consultancy, preferred supplier programs, and the service triad. This study tries to close this gap in the literature and provide useful insights for both purchasers and consultants on how to deal with these preferred supplier programs.

1.2 Business Context

This research is conducted during a research internship at KPMG Netherlands. KPMG Netherlands is part of KPMG International, a Swiss corporation of all national member KPMG firms. KPMG provides audit, tax, and advisory services.

More specifically, the research is done within KPMG Advisory. KPMG Advisory creates value for their clients by delivering independent and objective business advice and providing effective solutions to their key business challenges. The advisory practice is getting an increasing amount of requests to join preferred supplier programs. But according to their experiences, these programs are far from efficient due to four reasons:

- Not every assignment within the scope of the contracted preferred suppliership seem to be awarded to the preferred suppliers
- During crisis periods, preferred suppliers are required to share the pain with the clients while it seems that non-preferred suppliers can continue to do business without sharing the pain
- Non-preferred suppliers seem to be able to business directly with the business owners while preferred suppliers have to include procurement
- The costs of doing business, although a contract is in place, seem to be increasing due to discussion between purchaser, manager, and consultant

1.3 Problem Definition

From the previously mentioned experiences it can be concluded that preferred supplier programs are not implemented to ensure mutual benefits for both the client and the consultant. Therefore, the challenge that the management consultancy branch is facing is twofold.

First of all, increasing costs and decreasing sales due to wrongful implementation is putting pressure on the management consultancy's profit margins. Thus, the consultants want insights on whether they should become part of these programs.

Secondly, the wrongful implementation of preferred supplier programs is putting pressure on the client and its purchasers. Their preferred suppliers are getting frustrated, limiting the outcome of preferred supplier programs.

To conclude, in order for clients, purchasers, and consultants to benefit optimally from preferred supplier programs, they want to know how a preferred supplier program for the procurement of management consultancy should be implemented in order for it to be beneficial for all parties.

1.4 Research Assignment

The main objective of the current study is to determine if preferred supplier programs can be used to purchase management consultancy services. Even though these programs are implemented in practice, little is known how these programs perform in practice. Next to that, the consultant's perspective on this subject is absent in current literature. Therefore the following main research question is defined:

Are preferred supplier programs, for both the client and the consultant, the new way of purchasing management consultancy services?

In order to answer this question, four sub-research questions are identified:

- How are preferred supplier programs for management consultancy services defined in theory?
- What are potential challenges when implementing preferred supplier programs for management consultancy services?
- How are preferred supplier programs for management consultancy services currently being implemented?
- What challenges currently arise when implementing preferred supplier programs for management consultancy services?

1.5 Research Design

Research question 1 and 2 are answered by carrying out a literature study. By carefully reviewing existing literature, key concepts are identified in order to answer these questions. The outcome of this literature study proposes a theoretical view on the implementation of preferred supplier programs for management consultancy services. It gives a definition of preferred supplier programs for management consultancy services including the corresponding prerequisites and potential challenges that can arise during implementation.

Using qualitative semi-structured interviews research question 3 and 4 are assessed. The interviews are done with both purchasers and consultants. The results from these interviews are summarized and analyzed using data coding. These results provide answers for research question 3 and 4.

Afterwards the definition that is derived from the first two research questions is compared with the results. This comparison gives the input to answer the main research question that is central in this study.

1.6 Thesis Outline

This research reports starts with this introduction chapter, introducing the theoretical background, business context, and aim of the study.

Chapter two focuses on the literature that exists on the procurement of management consultancy services. This includes an overview on the classification of management consultancy services, an elaboration on the formalization shift, and an analysis on preferred supplier programs. This analysis identifies key elements in a preferred supplier program and potential challenges that can arise during the implementation of these programs.

Chapter three discusses the methodology used that provides the results in this research. This chapter gives insights in the research method used, the data collection procedure, and the data analysis methodology.

The results of this study are presented in chapter 4. It first discusses the view of the purchaser, second the view of the consultant. Finally both views are compared based on the interview guideline that is discussed in chapter three.

Chapter five discusses the outcome of the results. It compares the current results with existing literature and gives answer to the research questions.

Finally, chapter 6 concludes this study. It reflects on the study and discusses managerial and theoretical implications, together with the limitations and suggestions for future research.

2 Literature Review

This chapter describes the literature review on preferred supplier programs for management consultancy services. First a description on the search methodology used for this literature study is given. The remaining sections are used to answer the first two sub-research questions mentioned in the introduction:

-
- How are preferred supplier programs for management consultancy services defined in theory?
 - What are potential challenges when implementing preferred supplier programs for management consultancy services?
-

In order to answer these research questions several sections are used. First a description of the traditional purchasing method and the formalization shift that has occurred is presented.

In the next section the preferred supplier programs are discussed in more detail. Different aspects of this procurement method are highlighted. This section answers the first sub-research questions.

Finally, using the prerequisites and the different logic expressed by the different stakeholders in the procurement process, differences and potential challenges regarding these programs are put forward. This answers the second sub-research question.

2.1 Methodology

The guidelines provided by Blumberg, Cooper & Schindler (2008) and those provided by Randolph (2009) were used in conducting the literature review. Using these references articles were identified, categorized, and analyzed.

On basis of a specific article by Werr & Perner (2007), relevant articles were identified in order to create more understanding on the purchasing of professional services as well as management consultancy in particular. These articles were identified using references in the Werr & Perner (2007) article as well as other articles that found using Werr & Perner (2007). This method of article search is suggested by Blumberg et al. (2008) & Randolph (2009).

Next to that, articles were also found in databases using specific search criteria. TU/e Focus, ScienceDirect and Web of Science were the electronic databases used. Three sectors were of particular importance during the databases search: (1) purchasing of management consultancy services; (2) preferred supplier programs; (3) purchasing and marketing logics.

In order to identify articles related to the purchasing of management consultancy services, the search criteria “management consultancy” plus “purchase” or “purchasing” or “procurement” were used.

In order to identify articles related to preferred supplier programs, the terms “preferred supplier” or “preferred supplier program” were used.

In order to identify articles related to the purchasing and marketing logics, the key words “goods dominant logic”, “service dominant logic”, “transactional purchasing” and “relational purchasing” were used.

In order to assess the quality of the articles, the ABS 2010 rating and the JCR 2012 impact factor were reviewed. Articles were selected depending on their rating (at least 3) and/or impact factor (at least 1.5). Articles specifically related to preferred supplier programs for management consultancy were also added to the basis (e.g. Sieweke et al., 2012, ABS 2, impact factor 1.458). This was done in order to include valuable information on the main topic of the literature review. More information on the journals used in this literature review can be found in appendix A.1.

2.2 Procurement Formalization for Management Consultancy Services

2.2.1 Relational purchasing of management consultancy services

According to Axelsson & Wynstra (2002) and Fitzsimmons, Noh & Thies (1998) management consultancy falls in the category of professional services (see also Smeltzer & Ogden, 2002). Even though consultancy can be compared to other professional business services, it is said to be significantly different in terms of service characteristics, knowledge base, and purchasing situation compared to other professional services (Werr & Perner, 2007). Therefore, management consultancy is one of the most difficult type of professional service to purchase (Mitchell 1994; Soriano, 2001).

Instead of a rational and sequential process, where objectivity and control is central, clients use a more relational approach (Werr & Perner, 2007). The relationship-oriented approach focuses on a more informal, interpersonal trust-based relationship between the consultant and client (Werr & Perner, 2007).

According to previous literature benefits include perceived risk reduction (Perner & Skjølsvik, 2012); competence development for both the client and consultant; positive word of mouth (Awuah, 2006); and that firms learn more about each other and each other's businesses (Erickson & Vaghult, 2000).

Besides benefits, previous literature has identified several drawback of this relational approach. Drawbacks, among others, include no utilization of synergy potentials; no systematic evaluation of projects (Höner & Mohe, 2009); no verification of consulting fees; and uncertain or misinterpretation of demand (Ellram et al., 2004).

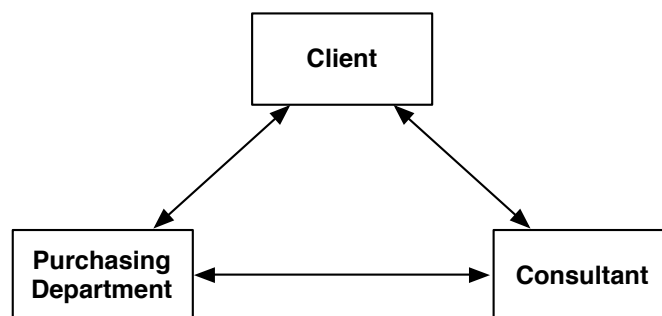
2.2.2 Including the purchasing department

Due to these negative consequences a more formalized or professional approach towards the purchasing of professional business services is suggested by involving the purchasing department in the decision making process (Höner & Mohe, 2009; Schiele, 2005; Schiele & McCue, 2006; Tate, Ellram, Bals, Hartmann & van der Valk, 2010; Werr & Perner, 2007).

This is done in order to gain more control over the purchasing process (Perner & Skjølsvik, 2012; Werr & Perner, 2007) and increase transparency (Höner & Mohe, 2009; Perner & Skjølsvik, 2012). Previous research has identified the following benefits of including the purchasing department: better need description; predetermined evaluation criteria for clear overview of proposals (Schiele, 2005); increased control of billing, costs, and performance of consultant; reduction on the risk of overbilling (Werr & Perner, 2007); and structuring and managing the supplier base (Perner & Werr, 2009)

With the introduction of the purchasing department in the purchasing process of professional services the traditional dyadic manager-consultant relationship is substituted by a triadic purchaser-manager-consultant relationship (Bals, Hartmann & Ritter, 2009; Höner & Mohe, 2009; Tate et al. 2010; Werr & Perner, 2007). The purchaser interacts with both the client as well as the consultant. The service triad is shown in figure 1. The degree of involvement of the purchasing department can differ in organizations.

Figure 1 - Service triad for management consultancy services



2.2.3 Degrees of purchasing department involvement

Recent studies on the formalization of the procurement of management consultancy have identified three different degrees of formalization (Werr & Perner, 2007; Perner & Werr, 2009). The first degree is the decentralized approach, in which the functional manager decides if consultants are used, which consultancy firm is hired to perform the assignment, and how much of their budget is spent on the consultancy services (Höner & Mohe, 2009; Perner & Werr, 2009). Ad hoc involvement of the purchasing professional is dominant here.

Second, the centralized purchasing has the highest involvement of the purchasing department. Here, purchasing professionals are involved in every step of the purchasing process, from need definition to evaluation (Perner & Werr, 2009; Werr & Perner, 2007). A central unit is introduced to support the managers in their purchasing and usage process (Perner & Werr, 2009).

Third, the coordinated decentralized approach has a level of involvement of the purchasing department that falls within these above-mentioned degrees of formalization (Werr & Perner, 2007). A way to reorganize the purchasing of management consultancy using a coordinated decentralized approach is the use of preferred supplier programs by purchasing professionals (Mohe, 2005; Perner & Werr, 2009; Sieweke et al., 2012; Werr & Perner, 2007). The purchasing department focuses on the selection of preferred suppliers and setting up master service agreements with these suppliers. This approach restricts the freedom of the individual manager on some parts but the manager is free to choose a consultant beyond these restrictions (Perner & Werr, 2009). The following section will elaborate more on this specific method of purchasing management consultancy services.

2.3 Defining Preferred Supplier Programs

In the management consultancy industry, preferred supplier programs (PSPs) are getting more attention (Mohe, 2005; Perner & Werr, 2009; Sieweke et al., 2012; Werr & Perner, 2007). The first section discusses the origin of preferred supplier programs: PSPs in the goods industry. The second section goes into more detail on the subject at hand: PSPs for the purchasing of management consultancy services.

2.3.1 Preferred supplier programs for goods

The preferred supplier programs originate from the goods industry (Dorsch, Swason & Kelley, 1998; Halley & Nollet, 2002; Ulaga & Eggert, 2006). Such a program is set up for the most important suppliers, keeping a close, long-term relationship in order to create benefits for both the client and the supplier (Halley & Nollet, 2002). According to Monczka, Handfield, Giunipero & Patterson (2009) a preferred supplier receives the first opportunity for new business. These preferred suppliers have demonstrated their performance capabilities in previous contracts and therefore receive preference during the supplier selection process (Monczka et al., 2009).

To conclude, a preferred supplier program is defined as follows:

A preferred supplier program is a program for the most important suppliers in which a close long-term relationship creates benefits for both parties by giving the supplier the first opportunity for new business.

2.3.2 Preferred supplier programs for management consultancy

There are two main reasons that preferred supplier programs are being transferred to the purchasing of management consultancy services: (1) preferred supplier programs have several advantages related to costs, supply base, and performance; (2) preferred supplier programs are a way to formalize the procurement of management consultancy. (Mohe, 2005; Perner & Werr, 2009; Sieweke et al., 2012; Werr & Perner, 2007).

The application of preferred supplier programs has been growing in the past few years. In a research by Perner & Werr (2009), 22% of the companies had established a pool of preferred

suppliers for the use of management consultancy and 6% was planning to do so. Sieweke et al. (2012) found that for consultancy services, 44% of the companies had created a preferred supplier program.

Previous literature identifies several benefits for implementing preferred supplier programs. A shift from price orientation towards product quality and delivery performance is a reason to implement a PSP (Ulaga & Eggert, 2006). Therefore, the total service quality is improved. Preferred supplier programs also reduce costs. Ruben, Boselie & Lu (2007) show that transaction costs can be reduced with the introduction of preferred suppliers. Also governance costs can be reduced, since perceived risk is lower (Ruben et al., 2007). Furthermore, it also reduces the acquisition costs at the consultant side.

Furthermore, by maintaining a preferred supplier list, purchasing personnel can quickly identify suppliers with proven performance capabilities. This reduces the time and resources required for evaluating and selecting suppliers (Monzcka et al., 2009).

2.3.3 Prerequisites for implementing a preferred supplier program

Even though the benefits of a preferred supplier program are made clear in previous literature, some firms might not be able to generate the benefits they want. Therefore, literature has suggested several prerequisites for firms that can decide whether it is beneficial for them to set up a preferred supplier programs for the purchasing of management consultancy services. These prerequisites can be split into two categories: client prerequisites and external prerequisites.

2.3.3.1 Client prerequisites

The first prerequisite that can be identified is size of the organization. According to Perner & Werr (2009), firms that have professionalized the purchasing strategy with regards to management consultancy services are about double the size than non-professionalized organizations in terms of employees. Sieweke et al. (2012) take turnover as the point of view and find that in their sample companies have a turnover of at least €1 billion, otherwise their consulting expenditure were too small to justify these programs.

Closely related to this prerequisite is the second prerequisite, the frequency of consultant use. According to Perner & Werr (2009) professionalized organizations spend about three times as much on consulting services than non-professionalized organizations.

In order to gain control on the purchasing of management consultancy services, the purchasing department should have a strong status within the organization (Werr & Perner, 2007). Werr & Perner (2007) suggest that this might be a necessary condition to achieve a high involvement of the purchasing department.

Closely related to this topic is the managers' willingness to involve the purchasing department in the buying process (Schiele 2005; Schiele & McCue, 2006). According to Schiele (2005) the willingness of involving the purchasing department was mainly driven by trust (see also West, 1997). According to Schiele (2005) the trustworthiness of the purchasing department can be increased by two elements: (1) the extent to which the purchasing department has the requisite expertise and ability to benefit the client department (i.e. ability), and (2) the extent to which procurement is concerned about the needs and interests of the internal client (i.e. benevolence). Schiele & McCue (2006) identify, next to the above-mentioned elements, client department factors that influence their willingness to include the purchasing department. These factors include being aware of the value offered by the purchasing department, lacking in terms of knowledge and experience in making these purchasing decisions, having a high workload, and having a positive relationship with the purchasing department.

Next to that, not only willingness of the managers is important. Werr and Perner (2007) identify top management commitment to include the purchasing department as an important factor to determine if high involvement is present in firms. Top management could in some cases also be users of the consultancy service (Werr & Perner, 2007).

Finally, the view towards management consultancy services can be important for the professionalization of the purchasing process. Perner and Werr (2009) suggest that more professionalized firms use consultants as resources instead of experts. Therefore, consultants are more used for project management or objective analysis as opposed to providing new expertise, visions or strategies (Perner & Werr, 2009).

2.3.3.2 External prerequisites

The external prerequisites refer to the selection criteria used by clients when implementing preferred supplier programs. Previous literature has two views towards these selection criteria. Some studies indicate that the involvement of purchasing professional might lead to the use of formalized selection criteria, in contrast to relational ones (Sieweke et al., 2012). But Sieweke et al. (2012) find that the purchasing professionals do not significantly influence the selection criteria in PSPs. The relational selection criteria include reputation of the firm and consultant, knowledge, experience, and personal contact (Dawes et al., 1992; Edvardsson, 1989).

Werr & Perner (2007) also indicate that the use of formal decision criteria may depend on how well the consulting services are understood and standardized. If the service is well understood and standardized, a shift towards more formal criteria can lead to an increase in service quality and performance/price ratio. Otherwise, the impact on service quality can be negative.

2.3.4 Conclusion on preferred supplier programs for management consultancy

Preferred supplier programs for management consultancy are becoming more dominant. However, a clear definition of a preferred supplier program for the procurement of management consultants is still absent in literature. Based on previous literature the following definition is created:

A preferred supplier program for management consultancy is a program for the most important consultancy firms in which a close long-term relationship creates benefits for both parties by giving the consultancy firm the first opportunity for new business.

The benefits and the prerequisites of preferred supplier programs are summarized in table 1.

Table 1 - Benefits and prerequisites of a PSP

Benefits		Purchaser	Consultant
Value	Service quality improvement	✓	✓
	Trust	✓	✓
	Relationship improvement	✓	✓
Costs	Transaction costs	✓	✓
	Acquisition costs	✓	✓
	Consultancy fees	✓	

Client prerequisites		External prerequisites	
<ul style="list-style-type: none"> • Size of the organization • Frequency of use 	<ul style="list-style-type: none"> • High status procurement • Top management support • Willingness of users 	<ul style="list-style-type: none"> • Relational criteria <ul style="list-style-type: none"> ○ Reputation ○ Knowledge ○ Experience ○ Personal contact 	<ul style="list-style-type: none"> • Formalized criteria <ul style="list-style-type: none"> ○ Price orientation ○ Time limitations ○ Deliverables

2.4 Challenges When Implementing Preferred Supplier Programs

The preferred supplier programs can lead to different challenges in the implementation process. Two types of challenges are identified in this study. In the first section, challenges that arise when the prerequisites are not satisfied are discussed. Second, challenges that arise when conflicts are present between different stakeholders that are involved in the procurement process are shown. Finally a summary is given on potential challenges.

2.4.1 Challenges related to prerequisites

In the previous section, several prerequisites have been identified. Satisfying these prerequisites can lead to several challenges for both the client and the consultant.

One challenge that is identified in previous literature is trying to limit the amount of maverick buying done by the managers or users of the service (Pemer & Skjølsvik, 2012). Here, managers are trying to bypass the purchasing procedures in order to make use of their own suppliers (Höner & Mohe, 2009). The consultant selected by the managers could not be in line with the consultancy firms in the preferred supplier program. In this case, both the purchasers and the consultants that are in the preferred supplier program will not be satisfied. The purchasers do not have grip on the spend on management consultancy services. Also, the preferred suppliers do not receive the first order of business.

The occurrence of maverick buying is linked to different prerequisites discussed in the previous section. One of the prerequisites mentioned is related to the internal support of the managers and top management (Werr & Pemer, 2007). If no manager and top management support is present, the usage of a preferred supplier is less likely. Sieweke et al. (2012) state that little is known about the degree to which preferred supplier programs are accepted in practice. So the second challenge is achieving internal support for implementing preferred supplier programs.

Next to that, in order to be able to implement preferred supplier programs, procurement must have a high status within the organization (Werr & Pemer, 2007). If procurement has a low status within the firm, the initiatives to implement a preferred supplier programs for management consultancy services are not taken seriously by the managers and top management, potentially resulting in maverick buying. Therefore, a third challenge is achieving a high status within the firm in order to be taken seriously.

Finally, a challenge arises on how the “right” preferred supplier should be selected in these preferred supplier programs. The literature on PSP with goods suggests that the right supplier can be selected using performance evaluation tools (Ulaga & Eggert, 2006). But evaluation of management consultancy services can be hard because the effects of management consulting are not always clearly and immediately noticeable (Mitchell, 1994), resulting in a challenge.

2.4.2 Challenges related to different views

One specific issue that can cause conflicts is that the different stakeholders in the service triad can have different views on the use of management consultancy service. In order to identify these different views, one can look at the logics the different parties express. According to Axelsson & Wynstra (2002) a purchasing process typically ranges from a goods- and transactional logic to a service- and relational logic. Pemer & Skjølsvik (2012) take a closer look at the service triad and find different logics for each of the parties.

The consultant expresses a service-oriented relational logic and is against formalization.

The purchaser shows a goods-oriented transactional logic and is in favor of the formalization.

The client can be divided in two groups; one group in favor of the relational logic. The second group expressed a transactional logic (Pemer & Skjølsvik, 2012).

The following sections briefly discuss the logic of the purchaser and consultant. Appendix A.2 gives a detailed description of these logics.

2.4.2.1 Goods-dominant transactional purchaser

In the goods-dominant logic the economic exchange is concerned with the units of outputs (products), which carry value that has been added during the manufacturing process. This production should take place in isolation of the customer and result in standardized, inventoriable goods (Vargo & Lusch, 2008).

This logic corresponds with transactional purchasing (Lindberg & Nordin, 2008; Perner & Skjølsvik, 2012). The transactional view makes the purchasing activities part of a rational process (Axelsson & Wynstra, 2002). By having multiple alternatives, the purchasers can exploit the competition. Suppliers must be kept at arm’s length and no one should benefit from past performances. This makes switching of supplier easy.

Thus, the goods-dominant transactional logic has a price focus with clearly defined products or services.

2.4.2.2 Service-dominant relational consultant

The service-dominant logic sees service as a process instead of units of output, where the knowledge and skills of the providers generate value creation. The creation of value is done in a collaborative process between the parties. (Vargo & Lusch; 2008).

This logic corresponds with relational purchasing (Lindberg & Nordin, 2008; Perner & Skjølsvik, 2012). By limiting the number of suppliers and closely collaborating with them, the relational approach realizes both value creation and cost reduction using long-term relationships (Axelsson & Wynstra, 2002).

Thus, the service-dominant relational purchasing has a value approach focused on collaboration.

2.4.2.3 Conflicting logics and its challenges

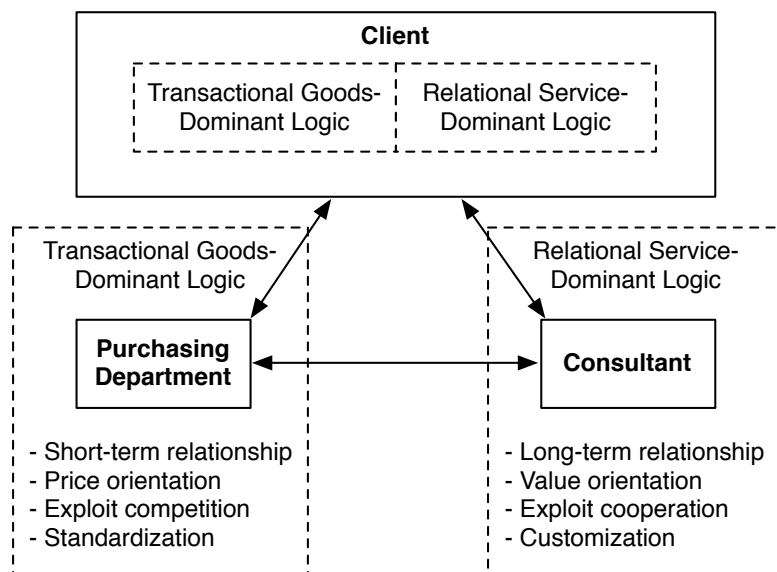
When looking at the two different logics of the consultant and purchaser it becomes clear that these views are not in line.

Including the two logics into the service triad discussed in section 2.2.2 makes the different logics clear for the different stakeholders. The service triad is shown in figure 2.

The main differences between the purchaser and consultant can be formulated as follows:

1. Short-term relationship versus long-term relationship
2. Price orientation versus value orientation
3. Exploit competition versus exploit cooperation
4. Standardization versus customization

Figure 2 - Service triad including logics



As can be concluded from the previous section, the service-dominant relational approach has a better fit with the implementation of preferred supplier programs. For successful implementation of preferred supplier programs these views must be in line. If not, the stakeholder will be looking for different benefits to get from a preferred supplier program. The purchaser will be looking for cost reductions and a competitive approach in the preferred supplier program without enabling cooperation between the firms and the consultant. On the other hand, the consultant might be looking to increase their added value for the firms by building a long-term close relationship creating insight in the client. These differences can result into challenges when implementing preferred supplier programs for the purchasing of management consultancy services.

First of all, the short-term relationship approach expressed by the purchaser can cause a conflict between both parties, since the consultant expects a long-term relationship.

Second, the difference between the price orientation of the purchaser and the value orientation of the consultant can cause issues. With purchasers looking at the price of the consultant, they may not see the added value of a consultant. Also, consultants might not be willing to join a preferred supplier program in the case of a price focus. This can result in low benefits of adding these programs for the use of consultants. With prices going down, the consultant might not put the most capable consultants on the project.

Third, the difference in competition versus cooperation can have different implications. With purchasing focusing on a competitive approach, the program might include a high number of preferred suppliers. Also, the purchasing department might not appreciate the cooperation efforts of the consultant since they are looking for competition between suppliers. With consultants looking for cooperation, they hope to be one of the few preferred supplier in the program, which they might not be. Also, they might be looking to exploit cooperation but the efforts of the consultant will become useless in the case of a transactional logic of the purchaser.

To conclude, the challenges that arise from this section are on one hand that the purchaser must be able to change its view from a goods-dominant transactional approach to a service-dominant relational approach. Also, they must deal with the service-dominant logic of the consultant. On the other hand, the consultant must be able to deal with a situation in which a purchaser expresses a goods-dominant transactional approach.

2.4.3 Conclusion on potential challenges

The previous sections show that two different types of challenges can arise when implementing PSPs for management consultancy services. These challenges are summarized in table 2.

If both these challenges are not taken into account during the implementation of preferred supplier programs, it could have significant consequences for the results of these programs. From a purchaser’s perspective, a consequence is that their efforts for these preferred supplier programs are useless, resulting in increased costs and decreasing service quality. From a consultant’s perspective, a consequence is that being a preferred supplier is not beneficial due to decreasing profit margins and not getting the opportunities because of maverick buying.

Table 2 - Summary of challenges

Challenges related to prerequisites	Challenges related to different views
Diminishing maverick buying	Purchasers changing from G-D to S-D logic
Achieving internal support	Purchasers dealing with S-D logic consultants
Improving procurement status	Consultants dealing with G-D logic purchasers

3 Methodology

This section discusses the methodology used to conduct the research. The first section describes the research methodology. It goes into detail what kind of research is done and the reasoning behind it. The second section explains the data collection method. This includes the research method and a description of the sample. Finally the data collection and analysis methodology is discussed.

3.1 Research Method

In this study, a qualitative method is used in order to answer the research questions at hand. The reason for using a qualitative method is threefold. The first reason relates to the aim of the study. Since research has been limited so far and shows mixed results, an exploratory research approach is used. According to Saunders, Lewis & Thornhill (2009) exploratory research has the advantage that it is flexible and adaptable to change. A qualitative approach is one of the preferred methods when doing an exploratory research, because it helps to find possible explanations to “how” questions.

Secondly, as shown in the literature study, parties can express different views on how management consultancy should be purchased. The reasoning can be complex and differ between respondents. Also, because of the exploratory nature, the reasoning behind different statements is of interest to the researcher, adding to the complexity. Thus, due to complexity surrounding the management consultancy topic a quantitative approach is not suitable.

Thirdly, on the basis of previous research (e.g. Perner & Werr, 2009; Sieweke et al., 2012), not every company uses preferred supplier programs for management consultancy services. Therefore, only a limited sample size is available to be included into the research, pointing towards a qualitative approach.

In order to find answers to the research questions interviews are conducted with both purchasers and consultants. To be more specific, cross-sectional semi-structured interviews were used to create insights in preferred supplier programs.

A cross-sectional approach is used due to time limitations of this study. Therefore a representative subset of both the purchasers and consultants is selected for an interview at a specific point in time.

As both the purchasers and consultants are interviewed, two subsets were created. These subsets enable this research to answer the main research question stated in the introduction.

For the purchaser’s subset, firms needed to be in different phases of implementation of preferred supplier programs. The following phases were identified within the subset:

1. Companies that have implemented preferred supplier programs and are satisfied with the situation;
2. Companies that have implemented preferred supplier programs and are not satisfied with the situation;
3. Companies that are implementing preferred supplier programs;
4. Companies that have not implemented preferred supplier programs

The subset for the consultants is based on their involvement with preferred supplier programs. Their involvement is assessed according to the percentage of revenue that comes from preferred supplier programs. The following stages of involvement were identified:

1. Less than 30% of the revenue comes from preferred supplier programs
2. Between 30-60 % of the revenue comes from preferred supplier programs
3. More than 60% of the revenue comes from with preferred supplier programs

A semi-structured interview is used in order to specify parts of the interview beforehand on basis of the theory provided in the previous chapter. But since the study is of exploratory nature, respondents are not limited to these parts or guidelines only. This is done in order to identify key insights regarding these programs even if they have not been identified by previous literature.

3.2 Sample Selection and Analysis

The sample can be split into two sections: (1) the purchasers and (2) the consultants. The samples for the two sections have been selected independently. Therefore, in some cases the purchasers and consultants might know each other due to previous involvement, but this was not part of the discussion during the following interviews nor did it interfere with the data collection. This possible overlap was only discussed after the interview had taken place, without giving names on the parties involved.

Both sides are included into the sample since it enables a comparison of both sides and logics. Next to that, this mitigates the bias that can be created when only one side (purchaser or consultant) is included in the research.

Using the existing network of KPMG Netherlands potential companies were identified to be included into the research. In total, 37 companies and 13 consultancy firms were selected. For the companies, the CPO or category manager for consultancy services was contacted by email. For the consultancy firms, existing contacts within a partner's network were contacted by email. The email included a short description of the research and the invitation to participate in this study. After a first email, a reminder was sent out in the case of non-response.

The invitations resulted in participation of 18 companies and 8 consultancy firms. The participants were either the people that were contacted using the email or respondents suggested by the person that was contacted by email.

To create the final sample, one company was not included since the interview was not related to preferred supplier programs. Also, one consultancy firm was not included in the sample since it was a firm specialized in interim management that provided little consultancy services. The consultant sample was supplemented by two interviews held internally at KPMG.

Therefore a total of 17 company interviews and 9 consultancy interviews are used in this research. This number is in line with research suggestions: Charmaz (2006) suggests that 25 respondents are adequate for smaller projects. Creswell (1998) also suggests a range of between 20 and 30.

In the following sections, the purchaser's sample and consultant's sample are discussed in more detail. A participant list can be found in Appendix A.3.

3.2.1 Purchaser sample

As stated, a total of 17 companies are included in this study. During the interviews the purchasers gave indications on their implementation phase of preferred supplier programs. Furthermore, during the interviews it became clear if the purchasers were satisfied with the preferred supplier programs or not. By analyzing these statements, it was clear that the subset regarding the purchasers was sufficient. Table 3 gives an overview of the how many companies were in each of the phases of implementation. As can be seen, each of the phases is well represented within the sample indicating a representative subset.

The companies that have no preferred supplier program in place were excluded partly from the analysis. Their opinions on the added value of a preferred supplier program and prerequisites of these programs are not taken into account.

Table 3 - The purchaser's subset

Implementation Phase	Number of Companies
Implemented PSP and satisfied	7
Implemented PSP and not satisfied	4
Are implementing PSP	3
Have not implemented PSP	3

Since the sample size is limited, the companies involved in the study are not limited to a specific industry or sector. Firms are located in both the private and public sector, and in industries ranging from energy and gas to insurance and banking. A detailed description of the companies involved in this study can be found in Table 4.

This study does not provide a within-case analysis. A within-in case analysis was not the focus of this research. In order to give a more insight into the sample that was used in this study, two cases are selected that give an indication on the implementation of preferred supplier programs in practice. These two cases are discussed in detail below.

Case A

Case A is an example where the implementation of preferred supplier programs for management consultancy services has been successful. Within this company, top management has requested procurement to set up preferred supplier contracts with a small number of suppliers (2-3). This indicates a strong status of procurement. The respondent indicated that the managers didn't want to be bothered by thinking about which consultancy firm to involve.

Therefore, procurement has set up master service level agreements with two or three international consultancy firms. Using this top management support, this company has made the usage of preferred suppliers for management consultancy service compulsory. The consulting assignments are thus only offered to the preferred supplier. The respondent does indicate that assignments below \$10K do not need to go via the preferred suppliers (i.e. potential maverick buying). But since that is, according to the respondent, a very small amount, the largest part of the consultancy assignments are divided under the two preferred suppliers.

During the selection process of the preferred supplier the following prerequisites are important: (1) trust, (2) relationship with the consultant, (3) knowledge in a specific domain or area, and (4) relationship with the consultancy firm. With this relationship, the existing experience is also included, as indicated by the respondent.

Table 4 - Detailed information on purchaser sample

Company	Sector	Revenue FY2013 (€M) ¹	PSP (Y/N)	Interviewee Function
Company A	Energy	1.744	Y	Purchasing Manager
Company B	Government	-	N	Purchasing Domain Leader
Company C	Financial Services	5.017	Y	CPO
Company D	Energy	5.251	Y	Category Manager
Company E	Consumer Products	11.418	Y	Category Procurement Buyer
Company F	IT Services	31.628 ²	Y	CPO Benelux
Company G	Financial Services	15.327	Y	CPO
Company H	Rail Transport	4.606	Y	Category Manager
Company I	Pension	256	Y	Strategic Buyer & Contract Manager
Company J	Government	-	Y	Services Manager
Company K	Postal Services	4.345	Y	Strategic Purchaser
Company L	Rail Transport	1.236	Y	Tender Manager
Company M	Aviation	1.382	N	Procurement Manager
Company N	Oil & Gas	459.599	Y	Enterprise Category Manager
Company O	Energy	2.243	Y	Strategic Buyer
Company P	Oil & Gas	1.295	Y	Category Manager
Company Q	Chemicals	37.367	N	Category Manager

¹ Based on Annual Reports

² Revenue of Europe/Middle East/Africa

The respondent also indicated that he/she experienced little or no problems with the implementation of preferred supplier programs.

To conclude, in this case, the preferred supplier is getting the first opportunity of business in (almost) all of the consultancy cases. Top management support and a high procurement status are present within the firm. Finally, prerequisites such as trust, relationship and experience, and knowledge related to the consultancy firm are important when selecting the preferred suppliers.

Case B

Case B is an example where the implementation of preferred supplier programs for management consultancy services has been unsuccessful. This company has been implementing preferred supplier programs for management consultancy without satisfying the internal prerequisites. Therefore, the usage of preferred supplier for management consultancy is not mandatory at this point of time. Several initiatives have been undertaken by the procurement department to get grip in the consultancy services, but these have been unsuccessful thus far. As indicated by the respondent, procurement currently has low capacity and its involvement in the process is late. As a result, purchasers in this firm find the procurement of management consultancy services not interesting enough.

The compliancy is also low. A little more than half of the consulting assignments are assigned to actual preferred suppliers. Thus one of the problems is maverick buying. But according to the respondent there is no maverick buying, since the programs are not mandatory.

To conclude, this firm has implemented a non-compulsory preferred supplier program for management consultancy. No promises are made for the consultant in terms of potential revenue and assignments. As a result, almost half of the assignments are not distributed under the preferred suppliers. The procurement department does not have a high status within the firm, since it is not included in the early stage of the procurement process.

3.2.2 Consultant sample

A total of 9 consultants from 8 firms were involved in this research. During the interviews it became clear for most respondents what their involvement with preferred supplier programs is. Some respondents gave indications on the actual percentages in terms of revenue. Others stated for instance that they couldn't do business without these contracts, indicating that a large part of their revenues come from preferred supplier programs. As can be seen in Table 5, the firms are well distributed within the different degrees of involvement. Therefore, this sample can be seen as a representative subset for the consultants.

The functions that the respondents occupy at their firms are one of the following: partner or director. As with the purchasers, these functions make sure that the respondent has significant knowledge of the procurement process.

The majority of the consultancy firms in the sample do not only provide management consultancy services. They offer a broader range of services such as audit services, IT consulting, and technology services.

Table 5 - The consultant's subset

Degree of Involvement	Number of Consultancies
Less than 30% of the revenue from PSP	2
Between 30-60% of the revenue from PSP	3
More than 60% of the revenue from PSP ³	3

³ One respondent related this only to one sector, the public sector.

The respondents are involved with companies in different sectors and industries, ranging from governmental institutes to multinational private firms. The size of the consultancy firms range from about 30 consultants up to 1000 consultants. Detailed information on the consultant sample can be found in Table 6.

3.3 Data Collection

The data collection for this study was done using cross-sectional semi-structured interviews. An interview protocol was developed on basis of the literature review. Making this protocol is in line with Yin (2009). A semi-structured interview allows the researcher to compose certain questions prior to the interview. It also enables the interview to deviate to explore additional topics that occur during an interview (Saunders et al., 2009).

Therefore, the interview was guided by topics identified in the previous literature review and included open-ended questions. This ensured that important aspects are discussed during the interview. According to Yin (2009) this results in targeted and insightful information. The following structure was used during the interviews. First, a brief introduction of the respondent was discussed. Second, the respondent was asked for its definition of a preferred supplier program for management consultancy services. After that, the respondent was asked to identify added values of a preferred supplier program and order these according to its importance. The same procedure was done with the prerequisites. The fifth part of the interview discussed the challenges and dilemma's that respondents have with preferred supplier programs. Finally, the respondent was asked to give its opinion on the future of preferred supplier programs for management consultancy services.

In order to make the answers of the purchasers and consultants comparable, the same guidelines was used in both cases.

During the interviews the research made no suggestions for identifying added values, prerequisites, or challenges. This gave the respondent room to interpret the question without bias created by the researcher. Only when the respondent explicitly asked for more information on the topic, the researcher provided examples or directions in a neutral way.

The different terms identified by the respondents were double checked by summarizing during the interviews. This reduces bias created by the researcher in order to find what he wants.

All of the interviews were done face-to-face at the company's or consultant's location. The interview took place in between March and May 2014. The length of the interviews was between 40 and 75 minutes per interview. All interviews were done in Dutch.

All respondents were asked to fill out a participation form that discussed the usage of quotes, and audio recording of the interview. All but four interviews were recorded.

Appendix A.4 provides the interview guideline used.

Table 6 - Detailed information on consultant sample

Company	Services	Consulting Revenue FY 2013 (€M) ⁴	# of Consultants
Consultancy A	Management, technology, and outsourcing consultancy	640	2400
Consultancy B	IT services & consulting	802	2500 (worldwide)
Consultancy C	Management, technology, and outsourcing consultancy	733	500
Consultancy D	Audit and consultancy	86	420
Consultancy E	Audit and consultancy	207	1203 (FTE)
Consultancy F	Management consultancy	N.A.	70
Consultancy G	Management consultancy	N.A.	±30
Consultancy H	Audit and consultancy	140	591

⁴ Based on Annual Reports

3.4 Analysis Methodology

In order to analyze the data, the recorded interviews were transcribed. For the interviews that were not recorded, an interview summary was created based on notes. In order not to dismiss any information from the interviews, the transcripts were created word-for-word. This created the raw data for a total of 27 interviews, of which 23 were transcribed word-for-word.

The raw data was coded using Dedoose. Dedoose is an online software that provides both qualitative and quantitative analysis.

According to Saunders et al. (2009) the data analysis can be split up in two different types: the deductive approach and the inductive approach.

With a deductive approach, a researcher seeks answer to his research questions using a theoretical framework based on existing literature. The theoretical framework provides the input for the data analysis (Saunders et al., 2009). In the case of interviews, the theoretical framework provides the codes that are to be used during the coding of the interviews.

The inductive approach starts with collecting data and then explores this data to see which themes or issues emerge from the data (Saunders et al., 2009). Using this approach, the study commences without a clearly defined theoretical framework and the theory emerges from the process of data collection and analysis. In the case of interview, no predetermined codes are present and common codes should emerge during data collection and analysis.

The analysis of this study was done using a combination of a deductive and an inductive approach: the template analysis (Saunders et al., 2009). The template analysis enables the researcher to identify a part of the codes beforehand. Later, codes can be amended or added as data is collected and analyzed. This approach allows codes and categories that are defined to be shown hierarchically. Therefore two different types of codes are used during the analysis: high-order codes and lower-order codes.

Using the interview guideline and literature review high-order codes were identified (e.g. added value, prerequisites, challenges, future). These high-order codes can be assigned to the deductive approach since these terms are based on the literature study regarding the definition and challenges of a preferred supplier program.

The lower-order codes can be split up in to two groups: predetermined codes and other codes. The predetermined codes can be assigned to the deductive approach. These codes are based on the literature review from this study. Examples include “lower transaction costs” for value, “procurement status” for prerequisites, and “maverick buying” for challenges. Together with the high-order codes, the predetermined codes formed the initial codes scheme. A complete view on the initial coding scheme is given in Appendix A.5.

The other lower-order codes were added, adjusted, grouped or deleted depending on subsequent interviews. These codes are, if possible, based on existing theory that was explored during data analysis to enhance comparison in a later stage. This resembles the inductive approach. Examples of these other lower-order codes are “measuring quality” for added value, “governance” for prerequisites, and “limited knowledge transfer” for challenges.

Table 7 gives examples of codes that were adjusted, grouped or deleted. Example 1 shows a code that was adjusted during the coding process. The initial code “Value/price ratio” refers to the formalized criteria defined in the literature study. This code was changed to price focus, since this refers to the criteria mentioned by consultant relation to the price focus of the procurement department. Since the purchaser did not mention this term, the change was possible.

Example 2 shows codes that have been grouped during the coding process. Respondents used both “Trust” and “Relationship improvement” interchangeably by the respondents and were very closely related according to the respondents. Therefore, these two codes were combined.

Examples 3 shows a code that has been split into several other codes since the respondents mentioned these terms separately. During the interviews it became clear that respondents were not mentioning “Service quality improvement” a lot. Instead, different terms were identified that contributed to service quality improvement. But since this term is the most important added value of a preferred supplier program, this code could not be deleted from the coding scheme. Therefore this term was split up into term such as “insight in the client”, “knowledge transfer”, and others.

Example 4 shows a code that has been deleted during the coding process. The respondents were not mentioning the term “Lower consultancy fees” separately, but mentioned an overall “cost reduction” term. Therefore it was removed from the coding scheme.

Example 5 gives an example of a code that has been added in a later phase, since this term was not covered by any other term. The literature on preferred supplier programs has suggested that the number of supplier in a program has to be limited. Therefore, it had been assumed that this was actually the case in the sample. But during the interview it became clear that consultant defined the prerequisite “Small number of suppliers” as important. Apparently, in not all cases the number of supplier has been reduced sufficient to satisfy the consultant. Therefore, this code was added to the coding scheme.

Appendix A.5 gives a complete view on the initial and final coding scheme used during the data analysis.

Based on the analysis, the results discussion included three aspects. First the view of the purchaser was created. By gathering the information of all the purchasers their opinions on the different factors in the interview guidelines were summarized. This is similar to a within-case analysis, as it looks within the purchaser’s view for differences and similarities.

Second, the same thing is done for the consultants.

Finally, these opinions on the factors were compared between the purchaser and consultant. This is similar to a cross-case analysis, as it looks at the similarities and differences between purchasers and consultants.

The results are discussed in the next chapter.

Table 7 - Examples of changes in coding

Example	Initial code(s)	Change	Final code(s)
1	“Value/price ratio”	<i>Adjusted</i>	“Price focus”
2	“Trust” and “Relationship Improvement”	<i>Grouped</i>	“Trust/Relationship improvement”
3	“Service quality improvement”	<i>Split</i>	“Insight in the client”; “Knowledge transfer”; “Innovation”; “Service quality improvement”
4	“Lower consultancy fees”	<i>Deleted</i>	
5		<i>Added</i>	“Small number of suppliers”

4 Results

The following sections will present the results from the interviews. First, using the interview guideline as a reference, the view of the purchaser is shown. Second, the view of the consultant is put forward. These first two sections include a short description of the terms mentioned by the respondents for each of the aspects of the interview. A more detailed description of the terms can be found in Appendix A.6. The following aspects were discussed in the interviews:

- Added value of a PSP
- Prerequisites of a PSP
- Challenges with a PSP
- The future of PSPs

At the end of each section (i.e. purchaser section and consultant section) remarks are discussed. In the final section, the views of the purchaser and the consultant are compared with each other. The answers gained with the interviews are visually presented using Harvey Balls. Harvey Balls are round ideograms used to display qualitative information. The Harvey Ball indicates the degree to which a particular item meets a particular criterion in a non-numerical way. Two methods were used to generate the Harvey Balls: (1) with ranking, and (2) without ranking.

Harvey Balls with ranking: This method is used in the added value and prerequisite cases since respondents were asked to rank the terms they defined. Table 8 shows an example of generating Harvey Balls with ranking. For each respondent points were assigned to the mentioned terms according to the ranking. The number 1 ranked term was given 10 points, the number 2 ranked term 8 points, etcetera. In the case of the example:

- Respondent X identified AV1, AV2, and AV3. He ranked this as follows: (1) AV1 (10 points), (2) AV2 (8 points), and (3) AV3 (6 points).
- Respondent Y identified AV1 and AV3. The ranking is: (1) AV3 (10 pts); (2) AV2 (8 pts).
- Respondent Z identified AV1 and it thus gets 10 points as it is ranked first.

After the points were assigned, the totals for each of the terms are accumulated. In the case of the example: AV1 = 10 + 8 + 10 = 28 points; AV2 = 8 points; AV3 = 6 + 10 = 16 points. To these totals the Harvey Balls are applied. The result is shown in the Ranking column.

Harvey Balls without ranking: This method is used in the challenges and future cases. Table 9 gives an example of generating Harvey Balls without ranking. For each respondent, a point was noted once per interview if the respondent identified a specific term. In the case of the example:

- Respondent X identified CH1 and CH2, thus a point was assigned to these challenges.
- Respondent Y identified CH1 and CH2, assigning a point to these challenges.
- Respondent Z identified CH1 and CH3. A point was given to both challenges.

After assigning the points for all respondents for the different challenges, these points are summed. In the case of the example: CH1 = 3; CH2 = 2; CH3 = 1. To these totals the Harvey Balls are applied. The result is shown in the Ranking Column.

Table 8 - Example of Harvey Balls using ranking

Added Value	Respondent X	Respondent Y	Respondent Z	Total	Ranking
AV 1	10	8	10	28	●
AV 2	8			8	○
AV 3	6	10		16	◐

Table 9 - Example of Harvey Balls without using ranking

Challenge	Respondent X	Respondent Y	Respondent Z	Total	Ranking
CH 1				= 3	●
CH 2				= 2	◐
CH 3				= 1	○

4.1 The View of the Purchaser

4.1.1 Added value according to the purchaser

The respondents defined several added values of setting up preferred supplier programs. The results are shown in Table 10. The different added values are discussed in more detail below.

Cost reduction: Respondents defined cost reduction as an added value of preferred supplier contracts. The cost reduction is threefold: (1) reduction in hourly rates; (2) reduction in searching costs; (3) reduction due to setting terms & conditions during contracting phase.

Easier to do business: The respondents argued that due to preferred supplier contracts it becomes “easier to do business” with consultant. It enables manager to act faster since the terms & conditions are set.

Insight in the client: The respondents mentioned “creating insight in the client” as an added value of preferred supplier contracts. Making use of preferred supplier enables consultant to understand the client’s company in terms of activities and challenges.

Cover risks: According to respondents, with the usage of these contracts, firms are able to cover risks regarding management consultancy services. Elements such as liability, confidentiality, legal risks and intellectual property are identified as important factors.













Knowledge transfer: Purchasers believed that preferred supplier contracts are a way to enable better knowledge transfer between consultant and client. This knowledge transfer is enabled by relationship improvement and interaction, terms that are also mentioned by the respondents.

Control spend on management consultancy: preferred supplier programs should give purchasers more control and insight in the total spend in management consultancy services, according to the respondents.

Innovation or corporate social responsibility: The respondents look for innovation or corporate social responsibility (CSR) to emerge from preferred supplier.

Other added values of PSPs: Respondents mentioned several other added values. These values include trust and relationship improvement, increased buyer-supplier interaction, service quality improvement, ability to measure service quality, and ensuring guarantees for the buyer.

Table 10 - Added value according to the purchaser

What is the added value of a PSP?	Purchaser
Cost reduction	
Easier to do business	
Insight in the client	
Cover risks	
Knowledge transfer	
Control spend MC	
Innovation/CSR	
Trust/Relationship improvement	
Interaction buyer and supplier	
Service quality improvement	
Measuring quality of services	
Ensure guarantees	

The Harvey balls in the table above range from green fill, which means most important, to no fill, which means low importance.

4.1.2 Prerequisites of the purchaser

First, respondents identified go/no go decisions when selecting potential preferred suppliers. Second, other prerequisites and selection criteria are discussed. Table 11 shows the results.

Go/no go decision: The respondents gave “financial status” as a go/no go decision. Some purchasers extend this by checking existing references and doing a quality check. Second, respondents also want to cover their legal and reliability risks according to their will.

4.1.2.1 Other prerequisites and selection criteria

Knowledge in specific domain or area: The respondents mix domain and area when using this criterion. The domain is the environment that the client is operating in (e.g. construction); the area is something the client wants to evolve in (e.g. cost optimization).

Reputation of the consultancy firm: Several respondents indicated that the firms they work with have a well-known status. One respondent even indicated that this prerequisite sometimes is a go/no go decision.

Experience with a consultancy firm: The respondents indicate that if they have experience with a consultancy firm, clients know what to expect in terms of quality and service delivery.

Experience with the consultant: Also experience with the specific consultant is important when selecting consultancy firms to join preferred supplier programs. As with the previous point, clients know what to expect from a specific consultant or team of consultants.














Financial Status: The respondents not always see the financial status of a consultancy firm as a go/no go decision. Therefore it is also included in this section.

Trust: This ensures clients that consultant handle sensitive information with care. Also it gives the client assurance that a consultant can successfully complete projects.

Other prerequisites

The respondents mentioned several other prerequisites only once or twice. These include relationship with the consultancy firm; fit with the consultancy firm; having internal support; the relationship with the consultant; ensure a minimal spend with the supplier; achieving a workable contract; and having transparency.

Table 11 - Prerequisites according to the purchaser

What are the prerequisites for a PSP?	Purchaser
Knowledge in specific domain/area	
Reputation of the consultancy firm	
Experience with consultancy firm	
Experience with consultant	
Financial status	
Trust	
Relationship with consultancy firm	
Fit with consultancy firm	
Internal support	
Relationship with consultant	
Minimal spend with supplier	
Workable contract	
Transparency	

The Harvey balls in the table above range from green fill, which means most important, to no fill, which means low importance.

4.1.3 Challenges of the purchaser

The respondents identified several challenges with preferred supplier programs. The results are shown below in table 12. The different challenges are discussed in further detail below.

Maverick buying: Managers are trying to bypass the contracts in order to get the supplier they want. This has led one company to make the preferred supplier contracts non-compulsory.

Support of the business: A second challenge that arises at the purchaser side is the internal alignment when implementing preferred supplier contracts. Respondents find it hard to get the “business” on board. The business can here be defined as the users of the services.

Insight in spend management consultancy: Interviewees stated that they experience difficulty in getting a clear overview on the usage of consultant throughout the company.

Rate reduction: Purchasers run into challenges when rates of the consultants need to be discussed. This challenge occurs both in the pre-contract stage as well as during the contract. Respondents indicated that these discussions can have a negative effect on the service outcome.

Other challenges: Other challenges indicated by the interviewees include problems with setting up the contracts (i.e. negotiations and agreement on liabilities); the fact that the effect goes away (i.e. benefits are not sustainable); low capacity on the purchasing department; late involvement of the purchasing department; limited knowledge transfer to the client; low status of the procurement department; and problems in determining scope of the consultancy project.

4.1.1 The future according to the purchaser

Purchasers expressed different views on the future of preferred supplier programs for management consultancy services. The results are shown below in table 13. It can be concluded from the table that the opinions of the purchasers are not in line, but a move towards preferred supplier programs for management consultancy is the most likely according to the respondents.

Table 12 - Challenges according to the purchaser
















What challenges arise with a PSP?	Purchaser
Maverick buying	
Support of the “business”	
Insight in spend on MC	
Rate reduction	
Setting up contracts	
“Effect” goes away	
Low capacity	
Late involvement	
Limited knowledge transfer	
Low status procurement	
Determining scope	

Table 13 - Future according to the purchaser

What is the future of a PSP?	Purchaser
Move towards PSPs	
No significant changers	
Move away from PSPs	
No opinion	

The Harvey balls in the table above range from green fill, which means totally agreed, to no fill, which means little agreement.

4.1.2 Other remarks from the purchaser

General remarks

An important remark to make is the difference between the public and private sector. The private sector is not bound by legislation on how to set up preferred supplier programs. The firms in the public sector are bound by the European tendering legislation. The most important implication of the tendering legislation is that it forces public firms to evaluate every bidding company in a neutral way; and not taking into account previous experience or reputation.

A second remark made by several respondents is that they make a distinction between “generic” and “specialized” management consultancy services.

When looking in the generic consulting service category, a project related to business process optimization, lean manufacturing or change management can be grouped within this category. According to the respondents, these projects are of larger scale and can be provided by the larger consultancy firms with a certain quality standard, making it ideal for a PSP.

Services related to innovation and sustainability or services on a high strategic level fall within the “specialized” management consultancy services, according to interviewees. Purchasers indicated that with these kinds of services, it does matter which consultancy firms and which consultant one hires. Therefore, the client is reluctant to offer these types of projects among the preferred supplier pool, since trust might differ between parties.

Remarks on added values

The first observation is regarding the cost reduction mentioned by the purchasers. Even though it is the most mentioned term across all participants, cost reduction is in most cases not ranked as the number one added value of preferred supplier programs. Respondents indicated that cost reduction is important to them, but not as important as other added values. The reason why cost reduction is included and ranked relatively high is related to the current economy and the performance indicators that are assigned to purchasers, according to the respondents.

A second observation made is that the respondents did not mention service quality improvement in most cases as a separate item during the interview. Only after ranking, during further discussion it became clear that improved service quality followed from different other added values previously mentioned by the respondent. Factors such as gaining insight in the client, enabling knowledge transfer, achieving innovation, and improving trust and relationship all contributed to an improved service quality.

A third remark made by the respondents relates to the fact that several of the added values depend and relate to each other. Some added values enable other added values or are the basis of other added values. For instance when it is easier to do business and risks are covered, costs are reduced as well. This made it sometimes difficult for the interviewees to rank the added values accordingly.

Remarks on prerequisites

An important remark that must be made with respect to the prerequisites is that not all respondents were able to identify and rank the prerequisites. A part of the respondents stated that they have a checklist in place that determines whether or not a consultant or consultancy firm qualifies as a preferred supplier. Next to that, one respondent did not have knowledge on this specific section. They were therefore not able to identify the prerequisites.

A second remark that needs to be included is that most respondents stated that prerequisites such as experience with the consultant, experience with the consultancy, relationship with the consultant, and relationship with the consultancy are closely related to one another and it was found difficult in some cases to make a distinction between these prerequisites.

4.2 The View of the Consultant

During the interviews with the consultant different views were discovered on the usage of preferred supplier contracts for the purchasing of management consultancy services. The section below will discuss the different aspects that were the focus of the interviews: (1) value; (2) prerequisites; (3) problems; and (4) future. Next to that, other remarks are also put forwards in the final section. These aspects are similar to those of the purchaser.

4.2.1 Added value according to the consultant

The respondents defined several terms that identify the added value of being a preferred supplier. The different terms mentioned by the consultants are shown in table 14 and are discussed briefly below.

Larger volume: A preferred supplier contract should ensure a larger volume of hours for the consultants. These contracts give selected consultants more opportunities to do projects at their clients.

Insight in the client: The respondents mentioned a term defined as “creating insight in the client”. This term is equal to the term defined by the purchasers. It enables the consultant to understand the client’s company in terms of activities and challenges.











Easier to do business: A term that is mentioned by respondents is related to the fact that it becomes easier to do business together. With the use of preferred supplier contracts, both parties already have agreed on most administrative factors such as hourly rates, responsibilities, and liabilities.

Lower acquisition costs: Consultants noted that by the use of preferred supplier contracts, the acquisition costs of a consultancy firm could be decreased. These costs are reduced because they should get every opportunity of business and because they know the client better.

Relationship improvement: Consultants also put “relationship improvement” forward as a factor that can be achieved with preferred supplier contracts. By becoming a preferred supplier both parties are investing in each other, respondents noted.

Other added values of PSPs: Other added values that were mentioned less frequent include turnover guarantee, improved service quality, exclusivity (i.e. preferred supplier gets first order of business), creating domain focus (i.e. consultant creates focus within the clients firm), and having a dedicated team for the client.

Table 14 - Added value for the consultant

What is the added value of a PSP?	Consultant
Larger volume	
Insight in the client	
Easier to do business	
Lower acquisition costs	
Trust/Relationship improvement	
Turnover guarantee	
Improved service quality	
Exclusivity	
Creating domain focus	
Dedicated team	

The Harvey balls in the table above range from green fill, which means most important, to no fill, which means low importance.

4.2.2 Prerequisites of the consultant

The prerequisites that are important to the consultants when becoming involved with preferred supplier contracts are shown in table 15. These prerequisites will be discussed in more detail below.

Top management support: The respondents stated that within the client’s firm, top management support must be present before they would be willing to join a preferred supplier programs. This ensures a positive effect on the usage of preferred suppliers.

Small number of suppliers: Secondly, respondents indicated that the number of preferred suppliers should actually be limited to a few. Interviewees gave a maximum number of suppliers of five; ideally this would be 2 or 3. Otherwise, the consultants stated that they did not feel like a preferred supplier.

Fit with client: Respondents indicated whether or not the client fits with the consultancy as a prerequisite for joining a preferred supplier program. This can be regarding specific domains (i.e. construction) or area (e.g. cost optimization).

Knowledge of the client: Knowing the client before engaging in a preferred supplier environment is important for the consultants. Having insights in the client’s business and having an established relationship, contributes to this knowledge, according to respondents.










Governance: In order to be interested in joining a preferred supplier program, consultants feel that a governance mechanism must be in place at the client’s side. This makes sure that consultancy projects actually are assigned to the preferred suppliers.

Procurement status: The status of the procurement department is the fifth important prerequisite. Respondents stated that procurement should have a high status within the firm in order for them to be taken seriously when implementing preferred supplier programs for management consultancy services.

Price focus: If the focus while implementing preferred supplier programs for management consultancy is on price and price reduction, respondents feel less inclined to be part of this program. According to a consultant, this price focus can have a negative consequence on quality of the service.

Other prerequisites: The respondents determine two other, less important, prerequisites. The consultants would like to have a minimal share of the pool in which they are a preferred supplier. Second, commitment from both parties is wanted.

Table 15 - Prerequisites according to the consultant

What are the prerequisites for a PSP?	Consultant
Top management support	
Small number of suppliers	
Fit with client	
Knowledge of client	
Governance	
Procurement status	
Price focus	
Minimal share	
Commitment	

The Harvey balls in the table above range from green fill, which means most important, to no fill, which means low importance.

4.2.3 Challenges of the consultant

An overview of the challenges that consultants experience when being involved with preferred supplier programs is shown in table 16. The different challenges are explained in more detail below.

Maverick buying: This term is equal to the same term mentioned by the purchasers. The sample consisted of consultancies being bypassed as well as consultancies bypassing the PSPs.

Low status procurement: Secondly, respondents frequently face the challenge that the status of the procurement department is too low. In these cases, procurement has nothing to say within the client’s firm, and thus also is not able to correct the maverick buying by the business.

Volume not as expected: Another challenge is that the volume that a consultant expects to get from a preferred supplier program is not always as expected. Not all the assignments are going to the preferred supplier and in some cases the volume was smaller than forecasted.

Conditions one-sided: Respondents found it challenging that the terms and conditions of the preferred supplier contract are one-sided in favor of the client. In order to be selected as preferred supplier, the consultant must adjust to the demands of the client.

Cost-quality balance not good: According to the respondents, the cost-quality balance is not well managed in the majority of cases. Respondents feel that the purchasers focus more on costs instead of quality.

Other challenges: Other challenges that consultant identified are related to managing the expectations of the client, to the fact that there is little or no contract review, and that the balance of the contract conditions is not good (i.e. not too specific, not too broad).

4.2.1 The future according to the consultant

Consultants express different views on the future of preferred supplier programs. The results are shown below in table 17. The opinions of the consultant are not in line, but a move away from preferred supplier programs is most likely according to the respondents.

Table 16 - Challenges of the consultant













What challenges arise with a PSP?	Consultant
Maverick buying	
Low status procurement	
Volume not as expected	
Conditions one-sided	
Cost-Quality balance not good	
Managing expectations client	
Little/no contract review	
Balance contract conditions	

Table 17 - Future according to the consultant

What is the future of a PSP?	Consultant
Move towards PSPs	
No significant changers	
Move away from PSPs	
No opinion	

The Harvey balls in the table above range from green fill, which means totally agreed, to no fill, which means little agreement.

4.2.2 Other remarks from the consultant

General remarks

Respondents noted that preferred supplier programs might not be applicable in all situations. Therefore, consultants make a distinction between “general” consultancy work and “custom” consultancy work. Respondents define general or standardized with the following types of advisory assignments: organizational advice, business case development or cost reduction processes. Respondents define this as the mid-segment of consultancy services.

On the other hand, consultants define “specific” or “custom” consultancy as the following: projects within a specific domain or projects on a high strategic level.

Most respondents note that the preferred supplier programs for the purchasing of management consultancy services would be applicable for the “general” or “standardized” consultancy work. The logic behind this reasoning is that most consultancy firms can provide these kinds of services regardless of specific qualities certain consultants in the firm might have. All the consultancy firms involved require a certain academic level of their employees ensuring that these kinds of services can be performed.

In the case of “specific” or “custom” consultancy work, respondents note that clients want a specific firm or person that can deliver this kind of service.

This distinction between different types of consulting services is in line with distinction purchasers made.

A part of the respondents indicated that they would rather not be part of a preferred supplier program if this were not necessary. The reason for this was that these consultants draw in business without these contracts, due to their (in their own opinion) unique value proposition regarding their consulting services.

Remarks on added values

A remark made by the respondents is that, as with the purchasers, several of the added values are closely related to each other. For instance, creating insight in the client resulted into a relationship improved, and visa versa. This complicated the ranking assignment in some cases.

Secondly, service quality improvement is, as in the purchaser’s case, not well represented during the interviews. As with the purchasers, the different added values contribute to an improved service quality. The one respondent that mentioned improved service quality from the beginning confirmed this.

Remarks on prerequisites

One remark that must be made is that two respondents indicated to have no (or little) prerequisites when it comes to preferred supplier programs. If the added values that they indicated can be achieved, they are willing to join a preferred supplier program depending on terms & conditions and liability agreements.

4.3 The Purchaser versus the Consultant

This section will elaborate on the differences and similarities between the purchaser and the consultant. Based on the previous sections, the different aspects that were the basis of the interview are compared. Therefore, this sections is divided into five subsections:

- Comparing added value
- Comparing prerequisites
- Comparing problems
- Comparing future
- Comparing other remarks

Using the ranking system that was used during the interviews, a distinction has been made in which factors are more important for either the purchaser or the consultant. On basis of these rankings, the comparison between the two sides is made.

4.3.1 Comparing the added values of a PSP

Table 18 gives a clear overview on how the added values differ between the purchaser and consultant. As can be seen, consultants found creating insight in the client and thus creating value for its client more important than the purchaser.

Interestingly, most factors, on both the purchaser’s and the consultant’s side, are related to a practical application of preferred supplier programs. This practical side implicates that business transactions become well defined and predetermined. Factors that are more practical are from the purchaser’s side: cost reduction, easier to do business, and cover risks. From the consultant’s perspective the factors are: larger volumes, easier to do business, and lower acquisition costs. This indicates a focus on the administrative aspects of a preferred supplier program.

The remaining factors, insight in the client & knowledge transfer at the purchaser, and insight in the client and relationship improvement at the consultant, are contributing to improving service quality.

4.3.2 Comparing the prerequisites of a PSP

When comparing the prerequisites of both sides, it can be concluded that purchaser is mainly focused on prerequisites outside its own organization (see Table 19). Consultants on the other hand turn to the client in terms of prerequisites, but also look within their own organization. The biggest difference between the two parties is that consultants find it important that top management supports this initiative; this prerequisite is absent on the purchaser side.

Both sides share a similarity as well. Both sides find it important that there is a click between both parties, both in terms of knowledge and experience.

Table 18 - Comparing added values of a preferred supplier program

Added value	Purchaser	Consultant
1	Cost reduction	Larger volume
2	Easier to do business	Insight in the client
3	Insight in the client	Easier to do business
4	Cover risks	Lower acquisition costs
5	Knowledge transfer	Trust/relationship improvement

Table 19 - Comparing prerequisites of a preferred supplier program

Prerequisite	Purchaser	Consultant
1	Knowledge domain/area	Top management support
2	Reputation of consultancy	Small number of suppliers
3	Experience cons. firm	Fit with client
4	Experience consultant	Knowledge of client

4.3.3 Comparing challenges of a preferred supplier program

As can be concluded from Table 20, both sides agree on the most common problem with the implementation of preferred supplier programs: maverick buying. All the other most important problems are related to maverick buying; except for creating insight in spend on management consultancy services. If there is no support of the business, or procurement has a low status within the firms, maverick buying will be present. And if maverick buying is present within the firms, the preferred supplier will not achieve the volume as expected, since it's questionable how many of the projects actually are offered to the preferred suppliers. Creating insight in the client can be related to the status of procurement and support of the business. If these two factors are not sufficient, procurement will have limited insight in the expenditure on management consultancy services.

4.3.4 Comparing the views on the future of a preferred supplier program

Both parties think differently on the future of preferred supplier programs. As can be concluded from Table 21, purchasers think about moving towards preferred supplier programs, as were consultants want to move away from preferred supplier programs. When looking at the other opinions, it can be concluded that also a part of purchaser don't see any future in preferred supplier programs, and some consultant feel for preferred supplier programs.

4.3.5 Comparing the other remarks

Both parties feel that preferred supplier programs are not suitable for all types of consulting services. As indicated in the previous sections on other remarks, both a part of the purchaser and a part of the consultants think that preferred supplier programs are more suitable for generic consultancy services. These consulting projects include cost reduction processes, business process optimizations, and organizational advice.

Table 20 - Comparing challenges with a preferred supplier program

Challenge	Purchaser	Consultant
1	Maverick buying	Maverick buying
2	Support of the business	Low status procurement
3	Insight in spend MC	Volume not as expected

Table 21 - Comparing future of a preferred supplier program

What is the future of a PSP?	Purchaser	Consultant
Move towards PSPs	●	◐
No significant changers	◐	◐
Move away from PSPs	◐	●
No opinion	○	○

The Harvey balls in the table above range from green fill, which means totally agreed, to no fill, which means little agreement.

5 Discussion

This chapter discusses the results from the interviews. It provides answers to the third and fourth sub-research question. Therefore, the first section will discuss sub-research question 3: how are preferred supplier programs currently being implemented. The results of the study are related to existing literature. The second section discussed the challenges that the respondents face in practice and compares them with the existing literature to find explanations. Finally the main research question of this study is discussed: are preferred supplier programs the new way of purchasing management consultancy services. For doing so, the first two sections of this chapter are compared with the results of sub-research question 1 and 2.

5.1 How are preferred supplier programs currently being implemented?

In order to assess how preferred supplier programs are being implemented in practice two components are evaluated. First, the added value of a preferred supplier program gives an indication of the motivation on implementing these programs. Second, the prerequisites used give an indication on what's important when implementing these programs.

Results indicate that the added value of preferred supplier programs predominantly lies on the administrative aspects such as making it easier to do business and cost reductions. This is in line with Sieweke et al. (2012) who state that cost considerations are the companies' most important reason to implement a preferred supplier program. But this is not in line with Ulaga en Eggert (2006) who state that the focus should be on value and product quality instead of price and costs.

Results also show that the consultants feel it is more important to focus on value compared to the purchasers. This indicates that the consultants express a more service-dominant relations logic compared to the purchaser. This is in line with Perner & Skjølsvik (2012). But for the consultant the administrative aspects are important, indicating that they might not express the relational logic in the case of preferred supplier programs.

Even though purchaser put higher emphasis on the administrative values of a preferred supplier program, also the value orientation is represented in their values. This indicates that the purchasers do not fully express a transactional logic, contradicting Perner & Skjølsvik (2012).

The results indicate that purchaser focus only on the external prerequisites when it comes to implementing preferred supplier programs. These external prerequisites are in line with the traditional relational evaluation criteria for management consultancy services mentioned by Dawes et al. (1992) and others. This is in line with Sieweke et al. (2012) who find that relational criteria are more important than formal criteria.

Interestingly, purchasers pay little attention to internal prerequisites when implementing preferred supplier programs. Previous literature has suggested that a high procurement status and top management support are important enablers of purchasing involvement in the procurement of preferred supplier programs (Werr & Perner, 2007).

Contrary to the purchasers, the consultant do look at the internal side of the purchaser. Top management support and the number of suppliers the client selects are important prerequisites when evaluating invitations of the client to become a preferred supplier. Next to that, consultants also evaluate the fit with the client and their experience and knowledge of these clients.

To conclude, currently preferred supplier programs for management consultancy focus are implemented with the focus on administrative benefits such as cost reduction and making it easier to do business with each other. For these preferred supplier programs, the purchaser focuses on the competences and experiences of the consultant instead of internal prerequisites. The consultant focuses on both external and internal prerequisites, but first look externally as well.

5.2 What are challenges when implementing preferred supplier programs?

As indicated in the literature review, the challenges can be split into two categories, challenges regarding prerequisites and challenges regarding different logics. The results from this study will also be discussed according to these categories.

Results show that the challenges identified by the respondents relate to the first category. The purchasers rate challenges related to internal prerequisites most important. This can be explained using the section on the prerequisites identified by the purchasers. These prerequisites do not include internal prerequisites such as top management support and high procurement status. If these are not present, challenges such as maverick buying and low support of the business are present at the purchaser's side (Werr & Perner, 2007).

Also purchasers state that getting insight in the spend on management consultancy services is challenging. This challenge has been discussed by Höner & Mohe (2009) as well. They found that managers are not likely to deal professionally with consultancy services. Thus limited insight is given in the usage of management consultancy services. Maverick buying also adds to this challenge, since the official channels for assigning consultancy projects is not used.

From the consultant's perspective also experience that the procurement department has not satisfied the internal prerequisites before implementing the preferred supplier programs. The consultants experience the maverick buying from two perspectives. First, when being in a preferred supplier program, they find it challenging when the assignment go to non-preferred suppliers. Second, consultants also receive assignments when not being preferred supplier for a client. Therefore, the consultants think that procurement has a low status within the firm. And because of the maverick buying, they are not achieving the volume as preferred supplier as expected.

The second category is not well represented in the challenges. The absence of these challenges has several reasons. First of all, these problems might be not as important compared to the challenges regarding the prerequisites. Second, as indicated in the previous section, the difference in logics between the purchaser and consultant might not be as big as suggested in previous literature (e.g. Perner & Skjølsvik, 2012). Even though the consultants have a more service-dominant relational logic compared to the purchasers, the differences can be too little to identify challenges regarding logics.

To conclude, currently challenges when implementing preferred supplier programs are mainly related to maverick buying. Maverick buying is present due to other challenges identified by respondents such as low procurement status and low support of the business. The low status of procurement makes it therefore difficult for purchasers to get insight in the expenditure on management consultancy services. Also, due to maverick buying, the volume that is promised to the preferred supplier program might not be as expected.

5.3 Are preferred supplier programs the new way of purchasing management consultancy services?

In order to determine if preferred supplier programs are the new way of purchasing management consultancy services, the results from the literature review and from the interviews must be compared. As stated in the literature review, a preferred supplier program for management consultancy services can be defined as follows:

A preferred supplier program for management consultancy is a program for the most important consultancy firms in which a close long-term relationship creates benefits for both parties by giving the consultancy firm the first opportunity for new business.

The results from this study show that this definition is challenged in practice. The biggest difference between theory and practice is the fact that a preferred supplier should receive first opportunity of business. None of the respondents in this study indicated that all the consultancy projects go to the preferred supplier first, before being offered to other suppliers.

The reason that not all projects go the preferred suppliers can be explained by the fact that one consultancy firm cannot delivery every consultancy services a client might need. As indicated by both the purchasers and the consultants there are different kind of consultancy services. The consultancy services range from more generic consultancy services such as cost reduction and business process improvement, to more specific consultancy services on high strategic level or topics such as innovation and corporate social responsibility. Respondents argue that none of the consultancy firms can offer all these kind of services according to the high standards set by the client. Also, managers do not want to limit themselves to one or a few suppliers, but want to choose the consultant specialized in that specific area and whom they trust.

Next to that, according to theory, the focus in a preferred supplier program should be on improving service quality, trust, and relationship first, which should also results in a reduction of costs. Results from this study show that this is not the case, since both sides focus more on administrative benefits from preferred supplier programs such as cost reduction and ease of doing business. The focus on improved service quality comes second for both parties.

As stated in the literature review, several prerequisites have been identified that make the implementation successful. Results indicate that several of these prerequisites are not taken into account when implementing preferred supplier programs. More specific, the internal prerequisites that form the basis are not well represented in the sample of this study.

When looking at the challenges that both sides experience it also shows that the preferred supplier programs do not satisfy the definition derived from theory. This is closely related to the prerequisites since results show that the challenges lie in this area. This study identifies maverick buying as the main issue that purchasers and consultants face. The presence of maverick buying also indicates that preferred suppliers do not get the first order of business.

What can be concluded is that what clients call a preferred supplier program, are not preferred supplier programs. Results show that agreements are made to cover risks, reduce costs, and make it easier to do business with each other. This indicates that consultants are offered a license to operate, instead of being a real preferred supplier that gets first order of business. With this license to operate, purchasers and consultant already agree on the administrative aspects of usage of management consultancy services. No guarantees are made regarding first order of business and volume.

Therefore, preferred supplier programs are not the new way of purchasing management consultancy services. Even though the attempts of implementing these programs, firms are not able to implement preferred supplier programs as defined in theory, including the needed prerequisites.

6 Conclusion

This study has taken a detailed look into preferred supplier programs for the purchasing of management consultancy services. The thesis started with an introduction into the topic, the business context and the aim of the study. The literature study that followed identified the definition of a preferred supplier program including the prerequisites that enables successful implementation. This definition was followed by potential challenges that can arise with the implementation of preferred supplier programs for management consultancy services. Since the research on preferred supplier programs for management consultancy is still limited, this theoretical view was compared to practice. By interviewing a total of 17 purchasers and 9 consultants on these elements a view on the implementation of preferred supplier programs was created. Results show that the views from practice are not in line with those suggested by theory. In fact, from this study it can be concluded that what clients are implementing are not preferred supplier programs, but licenses to operate. In these licenses administrative aspects are agreed on beforehand to make doing business with each other less complicated. Therefore, preferred supplier programs are not the new way of purchasing management consultancy services.

These findings have several implications for theory and practice. These implications will be discussed below. Following these implications, limitations of this study and directions for future research are given.

6.1 Theoretical Implications

Research on the implementation of preferred supplier programs for purchasing management consultancy services has been limited thus far (Sieweke et al., 2012). Therefore, little was known on the acceptance of these programs in practice. Also, the view of the consultant on these programs has received no attention thus far in literature (Sieweke et al., 2012). This study contributes to the literature regarding preferred supplier programs for management consultancy services. The theoretical contribution can be split up into different topics: (1) definition of a preferred supplier program, (2) the consultant's view, (3) the transferability of preferred supplier programs, and (4) logics in the service triad.

Definition of a preferred supplier program

As stated in the literature review of this study, a clear definition of a preferred supplier program for management consultancy services was still missing. Therefore, the first academic contribution of this study is providing a definition of a PSP for management consultancy services including the prerequisites that need to be taken into account. This definition has the possibility of changing the outcome of previous research that has not clearly defined preferred supplier programs for management consultancy services.

The view of the consultant

This study contributes to academic literature since it takes the view of the consultant on these preferred supplier programs into account. Previous literature has focused on the view of the purchaser. In these studies, it was assumed that the consultant has a relational view on the management consultancy services. This study has shown that is not primarily the case. Therefore this study contributes to academic literature by including the view of the consultant.

Transferability of preferred supplier programs

The third theoretical implication is related to the transferability of preferred supplier programs from goods to professional services such as management consultancy.

Previous research such as Honer & Mohe (2009) and Werr & Perner (2007) have suggested usage of preferred suppliers for management consultancy services. This research has shown that what clients are implementing now are not real preferred supplier programs.

Also, Perner & Werr (2009) and Sieweke et al. (2012) have assessed the usage of preferred supplier programs for management consultancy services and concluded that the transferability of this concept is applicable in a professional service setting. This study contradicts this finding. Therefore, the applicability of a preferred supplier program in a management consultancy setting seems not be appropriate. This limits the transferability of preferred supplier programs to a professional services setting such as consultancy.

Logics in the service triad

Next to contributing to the literature on preferred supplier programs, this study also adds to the logic expressed by different stakeholders in the service triad for management consultancy services.

Previous literature (e.g. Perner & Skjølsvik, 2012; Perner & Werr, 2009; Werr & Perner, 2007) has suggested that the consultant express a relational logic in their interaction with both clients and purchasers. Results of this study show that consultants are, in the case of current preferred supplier programs, focused more on the administrative benefits than the value creating benefits. This indicates that consultants not only express a relational logic but also a transactional logic in the case of preferred suppliers programs.

The fact that the relational logic is still present within the consultants is confirmed by the value creating benefits and the relational prerequisites identified by the consultant.

Next to that, previous literature has argued that purchasers express a transactional logic towards consultants and internal clients (e.g. Perner & Skjølsvik, 2012). Results of this study show that even though the main focus is on the administrative benefits, the value benefits are also represented within the purchaser's sample. Therefore, purchasers do not only express a transactional logic, but also a relational logic focused on adding value.

This indicates that a shift is taking place in the case of the purchaser, shifting from a transactional to a relational logic. Whipple et al. (2010) also discusses this shift.

This is also (partly) confirmed by the challenges identified by the different parties in this study. Most of these challenges do not relate to the difference in logics between the purchaser and the consultant.

Therefore, this study indicates that the differences between the purchaser and consultant in terms of logics are more in line than previous literature suggested. The reasons are twofold. First, the consultant does not express a traditional relational logic in the case of a preferred supplier program; the focus is more transactional. Second, a shift from the purchaser from a transactional logic to a relational logic might be ongoing, making the purchaser express a more relational logic.

6.2 Managerial Implications

The managerial implications of this study can be split in two sections. First, managerial implications for the purchaser and client firm are identified. Second, implications for the consultants and consultancy firms are made clear.

Client implications

Preferred supplier programs are currently not implemented as suggested by theory. This study has identified the proper way of implementing these programs. A flow chart for implementation is therefore depicted in Figure 3.

In the case that clients have not implemented preferred supplier programs for management consultancy yet, they should take into account the internal prerequisites regarding organization size and frequency of consultancy use into account. Also firms that have implemented preferred supplier program should assess these prerequisites.

After this assessment two options are available for clients: (1) (re) implementing their current preferred supplier programs, (2) abandoning the term "preferred supplier".

The first option for the client is to change their current preferred supplier program. This can be done using the implementation checklist given in Table 22. The client must first put emphasis on the client prerequisites identified in this study. These prerequisites are essential for successful implementation of these programs. This prohibits maverick buying in later phase. To be more specific, clients must ensure top management support for these programs before implementing these programs. Next to that, procurement must have a well-known high status within the firm. Otherwise managers and top management will not take their initiatives seriously. Also, the other managers within the firm must be willing to cooperate with such a program. To satisfy these prerequisites, a lot of time and effort is needed from both the managers and procurement department.

Once the internal prerequisites are satisfied, the client can start with the selection of the preferred supplier for the program. Relational selection criteria are the preferred selection criteria to be used in this process. Since experience and relationship of the consultant is important in the selection process, only current and previous consultancy firms need to be included in the evaluation. Using the relational selection criteria, the client needs to assess every consultancy. During selection it is important that the preferred supplier pool actually is limited to a few.

After selection, the client can present its implementation plan to the preferred consultants and set up contracts with these consultancy firms. This plan shows the consultants that a preferred supplier gets first opportunity of business, is one of the few suppliers, and the focus in on creating value instead of cost reduction.

If the current preferred supplier programs cannot be changed at the client’s firm, option 2 needs to be exercised: abandoning the term “preferred supplier”. The client can then drop this whole program and find another way of purchasing management consultancy services (for instance by going back to relational purchasing). Another possibility is to make clear that the consultancy firms are actually not preferred supplier. In this case the firm involved are not called “preferred suppliers” anymore and the engagement rules need to be made clear for the consultant. These rules can include no guarantee of first business, no value focus.

Figure 3 - Implementation flow chart

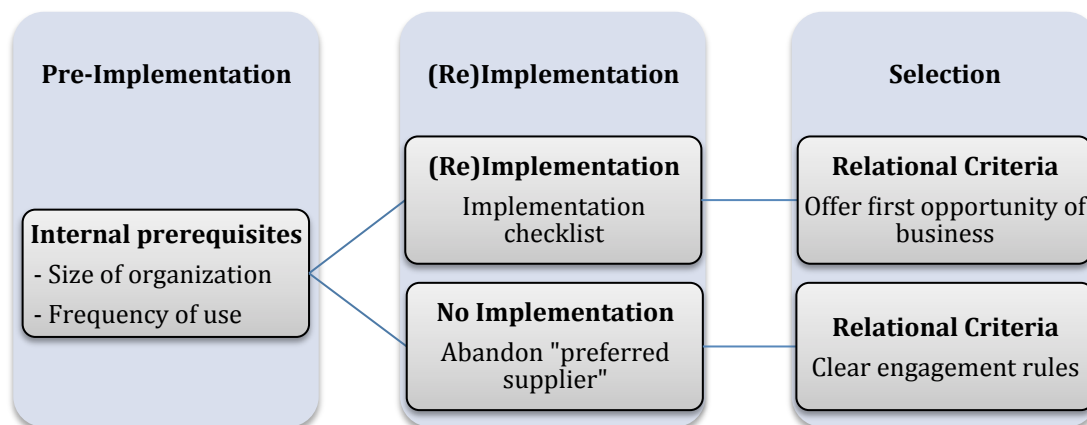


Table 22 - Implementation checklist for the client

Internal Prerequisites	Y/N?
Is their top management support?	
Does procurement have a high status within the firm?	
Are other managers willing to cooperate?	
Is there a governance mechanism in place?	

Consultant implications

From a consultant’s perspective, these preferred supplier programs are not always beneficial for them. Therefore the consultant also has two options: (1) become preferred supplier using theory-based checklist, (2) decline becoming preferred supplier.

The first option is to assess the client using a theory-based checklist. This checklist is shown in Table 23. The elements from this table are derived from theory and combined with results from this study. It is important that the consultant does not use this checklist only with the purchasers; they should involve top management and other managers to get a balanced view.

If this checklist is not satisfied, consultants will not receive the benefits of being a preferred supplier such as first order of business. In that case, option 2 becomes viable: the consultant declines become preferred supplier.

6.3 Limitations & Future Research

This study has several limitations. These limitations give directions to future research as well. The first limitation is related to the fact that only companies from the Netherlands are involved in this research. Therefore the generalizability to other regions can be limited. Future research should therefore replicate this research in different regions.

Second, the results of this research might be limited to the management consultancy branch only. Previous literature has indicated that management consultancy differs from other professional service on several aspects. Therefore, the generalizability to other (professional) services is likely to be limited. Future research should address this issue regarding preferred supplier programs in other (professional) service settings to check generalizability.

Additionally, the finding of this study might be influenced by the fact that only one contact person per company was interviewed. This person gives an interpretation on this subject, which might be incorrect. But since the respondents were identified and contacted personally, it is assumed that the respondents had sufficient knowledge on preferred supplier programs.

Also since this person, from a client’s perspective, is responsible in most cases for the procurement of consultancy services they might give the researcher the idea that their implementation of preferred supplier programs is better than it actually is. On the other hand, this person, from a consultant’s perspective, might give the researcher the idea that the situation is worse than it actually is.

Therefore, subsequent studies should gather information from several persons in the same company to capture a more accurate picture on dealing with preferred supplier programs.

The fact that the actual client or manager “using” the consultancy service is not included in this research forms a limitation. This research has only focused on the purchaser-consultant relationship, since this relationship had received little attention in the literature. Results show that for instance challenges are frequently related to the client or manager as well. Future research should include this party in order to assess its view and opinion.

Table 23 - Checklist for the consultant

Preferred Supplier Program Checklist	Y/N?
Does the preferred supplier get first opportunity of business?	
Is the focus on value instead of costs?	
Is their top management support?	
Are other managers willing to cooperate?	
Is the number of preferred supplier limited to a few?	
Do we have a good fit with the client?	
Do we have sufficient knowledge of the client?	
Is there a governance mechanism in place?	
Does procurement have a high status?	

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Appendix

A.1 Article Rating

Table 24 - Journal rating for literature review

Journal	# of Articles	ABS2010	Impact factor	Type of Journal
Industrial Marketing Management	9	3	1.933	Marketing
Journal of Marketing	3	4	3.368	Marketing
Journal of Purchasing & Supply Management	3	2	1.458	Operations Technology and Management
Journal of Supply Chain Management	3	1	3.320	Operations Technology and Management
Supply Chain Management: An International Journal	2	3	1.684	Operations Technology and Management
Service Industries Journal	2	2	1.017	Sector Studies
European Journal of Purchasing & Supply Management	2	1	n.a.	Operations Technology and Management
Journal of Academy of Marketing Science	1	3	2.570	Marketing
California Management Review	1	3	1.667	General Management
Journal of Service Management (formerly IJSIM)	1	2	1.864	Sector Studies
International Journal of Operations & Production Management	1	3	1.252	Operations Technology and Management
Journal of Business & Industrial Marketing	1	2	1.000	Marketing
Scandinavian Journal of Management	1	2	0.986	General Management
Business Horizons	1	1	1.416	General Management
Managing Service Quality	1	1	0.778	Operations Technology and Management
Journal of Change Management	1	1	n.a.	Strategic Management
Journal of Business Market Management	1	n.a.	n.a.	n.a.
International Journal of Purchasing & Materials Management	1	n.a.	n.a.	n.a.
Academy of Management Proceedings	1	n.a.	n.a.	n.a.
Conference Papers	1	n.a.	n.a.	n.a.

A.2 Goods- vs. Service-Dominant Logic

Goods-dominant transactional purchaser

The goods-dominant (G-D) logic is centered on the product (both tangible goods and intangible services) as the unit of exchange (Vargo & Lusch, 2008). In their award-winning article, Vargo & Lusch (2004, p. 5) state that the goods-centered view is postulated as:

1. The purpose of the economic activity is to make and distribute things that can be sold.
2. To be sold, these things must be embedded with utility and value during the production and distribution processes and must offer to the customer superior value in relation to competitors' offerings.
3. The firm should set all decision variables at a level that enables it to maximize the profit from the sale of output.
4. For both maximum production control and efficiency, the good should be standardized and produced away from the market.
5. The good can then be inventoried until it is demanded and then delivered to the consumer at a profit.

To summarize, in the goods-dominant logic the economic exchange is concerned with the units of outputs (products), which carry value that has been added during the manufacturing process. This production should take place in isolation of the customer and result in standardized, inventoriable goods (Vargo and Lusch, 2008).

Transactional purchasing

The goods dominant-logic corresponds, from the perspective of the buyer, with transactional purchasing (Lindberg & Nordin, 2008; Perner & Skjølsvik, 2012). Axelsson & Wynstra (2002) list several key terms that relate to the transactional approach. The terms are given in Table 25.

To summarize, these statements make the purchasing activities part of a rational process (Axelsson & Wynstra, 2002). By having multiple alternatives, the purchasers can exploit the competition. Supplier must be kept at arm's length and now one should benefit from past performances. This makes switching of supplier easy. Thus, transactional purchasing has a price focus with clearly defined products or services.

Table 25 - Terms defining transactional purchasing

Key Terms	Benefits
"Many alternatives"	Several qualified supplier available (Baker & Faulkner, 1991) Enables easy switching supplier (Axelsson & Wynstra, 2002).
"Exploit potential of competition"	Maximize competition (Baker & Faulkner, 1991) Better commercial deals (Baker & Faulkner, 1991)
"Every deal is new business, no one should benefit from past performances"	Ensure efficiency in operations (Dubois & Gadde, 2000)
"Short term; arm's length, avoid coming to close"	Independence of supplier (Axelsson & Wynstra, 2002) Increase bargaining position (Humphreys, Shiu & Chan, 2001)
"Renewal and effectiveness by change of partner, choose most efficient supplier at any time"	Can vitalize and give new ideas (Axelsson & Wynstra, 2002)
"Buying 'products'"	Detailed specifications when requesting quotation (Angdal, Axelsson, Lindberg & Nordin, 2007)
"Price orientation, strong in achieving favorable prices in well-specified products"	High priority on cost reduction, transparency, control, and coordination (Perner & Skjølsvik, 2012)

Service-dominant relational consultant

The service-dominant logic (S-D logic) has been first introduced by Vargo & Lusch (2004). They define the service-centered view as the following (Vargo & Lusch, 2004, p.5):

1. Identify or develop core competences, the fundamental knowledge and skills of an economic entity that represent potential competitive advantage.
2. Identify other entities (potential customers) that could benefit from these competences.
3. Cultivate relationships that involve the customer in developing customized, competitively compelling value propositions to meet specific needs.
4. Gauge marketplace feedback by analyzing financial performance from exchange to learn how to improve the firm’s offering to customers and improve firm performance.

Vargo and Lusch (2008) suggest that a shift must take place where the focus turns towards service instead of product. Here a firm must shift (1) from “thinking about the purpose of firm activity as making something (goods or services) to a process of assisting customers in their own value-creating processes”; (2) from thinking about value as something that is produced and sold to value that is co-created; (3) from “thinking of customers as isolated entities to understanding them in the context of their own networks”; (4) from thinking of firm resources as operand to operant; (5) from “thinking of customers as targets to thinking of customers as resources”; and (6) from “making efficiency primary to increasing efficiency through effectiveness” (Vargo & Lusch, 2008 p.258).

Relational purchasing

The service-dominant logic corresponds, from the perspective of the buyer, with relational purchasing (Lindberg & Nordin, 2008; Perner & Skjølsvik, 2012). The consultant has a preference for this kind of purchasing strategy. Axelsson & Wynstra (2002) describe the relational approach towards purchasing with several statements shown in Table 26.

One must note that outcome of the relational approach is highly dependent on trust (Spekman & Carraway (2006) and commitment (Whipple et al., 2010). According to Spekman & Carraway (2006) trust is “the glue that holds collaborative relationships together”.

To summarize, the relational purchasing has a value approach. By limiting the number of suppliers and closely collaborating with them, both value creation and cost reduction are realized for both the buyer and the supplier.

Table 26 - Terms defining relational purchasing

Key Terms	Benefits
“One or few alternatives”	More dedicated to that customer (Parker & Hartley, 1997)
“Exploit potential of cooperation”	Quality & costs improvement (Whipple, Lynch & Nyaga, 2010) Process & product improvement (Axelsson & Wynstra, 2002)
“Long term with tough demands and joint development”	Reduced transaction costs (Genesan, 1994) Sales growth and profitability (Whipple et al., 2010) Create value together (Axelsson & Wynstra, 2002)
“Renewal and effectiveness by collaboration and team effects, combine resources and knowledge”	Improved visibility, higher service levels reduced cycle times, customer satisfaction (Daugherty et al., 2006) Increase profitability (Whipple et al., 2010) Better business model (Daugherty et al., 2006)
“Buying ‘capabilities’”	Add value over time (Axelsson & Wynstra, 2002)
“Cost & value orientation”	Focus on improvement and value. Achieving low total costs instead of only low price (Axelsson & Wynstra, 2002)

A.3 List of Participants

Table 27 - Participants Purchaser

Purchasers		
Company	Participant	Function
Alliander	Harm Bunt & Patrick Janssen	Purchasing Manager
Belastingdienst	Henry van den Hul	Purchasing Domain Leader
Delta Lloyd	Wim Weima	CPO
Eneco	Eric van Tol	Category Manager
FrielandCampina	Jorn van Strien	Category Procurement Buyer
IBM	Peter Schaar	Benelux CPO
ING	Hans Triep	CPO ING Bank Nederland
NS	Wouter Posthumus	Category Manager
PGGM	Marja Hondebrink & Annelies Niesert	Strategic Buyer & Contract Manager
Politie	Jolanda den Boer	Services Manager
PostNL	Peter Mahler	Strategic Purchaser
Prorail	Freek Bots	Tender Manager
Schiphol	Diederik Biesboer & Stefan Langerak	Procurement Manager
Shell	Cris Buningh	Enterprise Category Manager
Tennet	Esther van der Kwast	Strategic Buyer
Vopak	Ruud Martin	Category Manager
Company X ⁵	Respondent X	Category Manager

Table 28 - Participants Consultants

Consultants		
Company	Participant	Function
Accenture	Kris Timmermans	Managing Director Sourcing & Procurement
Atos	Andre de Meulder	Partner
Capgemini	Robert van der Eijk & Alain Swolfs	Senior Vice President & Partner
EY Advisor	Ton van Holten	Director
KPMG	Roger van den Heuvel	Partner
KPMG	Ricardo Tulkens	Partner
Kirkman Company	Cas van Arendonk	Managing Partner
Oliver Wyman	Robert Bark	Managing Partner
PwC	Remko van Hoek	Global Procurement Director

⁵ Respondent requested to remain anonymous

A.4 Interview Guideline

Introductie

1. Bedank respondent voor participatie	5. Vertel dat ze op de hoogte gehouden kunnen worden.
2. Bespreek doel onderzoek en huidige status (incl. info-sheet)	6. Benoem openheid gesprek.
3. Benoem vertrouwelijkheid en vertel recht weigeren antwoord of om gesprek te beëindigen.	7. Benoem opname gesprek en vraag toestemming om te starten.
4. Bespreek beoogd resultaat en datagebruik.	8. Topics en tijd beschikbaar benoemen, check toestemmingsformulier

Interview Checklist

Algemene vragen (±3min)

1. Wie bent u en wat doet u?
2. Wat verstaat u onder preferred supplier programma?
Programma voor de belangrijkste suppliers, waarmee waarde wordt gecreëerd voor zowel de klant als supplier door een close, long-term relationship waarbij de focus ligt op waarde in plaats van kosten. Hierin krijgt de PS de "First order of business".

Toegevoegde waarde PSP (±20min)

3. Wat voor waarden wilt u uit een preferred supplier contract halen? Waarom?
 - Opdracht exclusiviteit
 - Hogere kwaliteit services
 - Reputatieontwikkeling/Vertrouwen/Trust
 - Nauwe, diepgaande relatie
 - Competentie ontwikkeling
 - Omzetgroei/winstgroei
 - Meer inzicht in klant
 - Sectorspecialisatie
 - Lagere kosten
4. Hoe belangrijk zijn deze waarden voor u? Waarom deze rangschikking?
 - Rangschikking door middel van kaartjes

Randvoorwaarden (±15min)

5. Wat zijn de randvoorwaarden om deze waarden uit een preferred supplier contract te kunnen halen? Waarom?
 - a. Hoe haalt u deze waarden uit een preferred supplier contract?

Klant:	Consultant	Markt
<ul style="list-style-type: none"> • Lengte relatie met klant • Frequentie van opdrachten/contact • Bedrijfsgrootte klant • Inkoopgedrag klant • Soort klant (grootte, industrie) • Bedrijfsstructuur klant • Frequentie gebruik consultancy services • Service oriëntatie 	<ul style="list-style-type: none"> • Omzet/winst • Vooruitzicht kostenbesparing • Bedrijfsgrootte consultant 	<ul style="list-style-type: none"> • Recessie • Groei

6. Hoe belangrijk zijn deze waarden voor u? Waarom deze rangschikking? Waarom zijn ze zo belangrijk?
 - Rangschikking door middel van kaartjes

Dilemma's (±10min)

7. Wat voor dilemma's ondervindt u door de implementatie van een PSP?
 - a. Aangaan
 - Kosten/transactiekosten/marketingkosten
 - Consulting prijs/uurloon
 - Scope/diepgang
 - b. Implementeren
 - Relatie met inkoop/manager

Toekomst (±10min)

8. Hoe ziet u de toekomst van preferred supplier contracten voor de inkoop van management consultancy services?

A.5 Coding Scheme

Table 29 - Coding scheme including initial and final coding terms

High-order Codes		Lower-order Codes	
Subject	Initial Coding Terms	Final Coding Terms	
1. Introduction & Definition	Introduction	Introduction	
	Definition of PSP	Definition of PSP	
2. Added value	Service quality improvement	Cost reduction	
	Trust	Cover risks	
	Relationship improvement	Creating domain focus	
	Lower transaction costs	Dedicated team	
	Lower acquisition costs	Easier to do business	
	Lower consultancy fees	Ensure guarantees	
	Ranking of values	Exclusivity	
	Remarks added value	Innovation/CSR	
		Insight in the client	
		Interaction buyer-supplier	
		Knowledge transfer	
		Larger volume	
		Lower acquisition costs	
		Measuring quality	
		Service quality improvement	
		Spend control MC	
		Trust/relationship improvement	
	Turnover guarantee		
	Ranking of values		
	Remarks added value		
3. Prerequisites	Size of the organization	Commitment	
	Frequency of use	Experience with consultant	
	Procurement status	Experience with consultancy firm	
	Top management support	Financial status	
	Willingness of users	Fit with client	
	Reputation of consultancy	Fit with consultancy firm	
	Experience with consultancy	Go/No go decision	
	Experience with consultant	Governance	
	Knowledge of the consultant	Internal support	
	Value/price ratio	Knowledge in domain/area	
	Ranking of prerequisites	Knowledge of the client	
	Remarks prerequisites	Minimal share	
		Minimal spend with supplier	
		Price focus	
		Procurement status	
		Relationship with consultancy firm	
		Relationship with consultant	
		Reputation of consultancy firm	
		Small number of suppliers	
	Top management support		
	Trust		
	Transparency		
	Workable contract		
	Ranking of prerequisites		
	Remarks prerequisites		

Table 29 - Coding scheme including initial and final coding terms (Continued)

High-order Codes	Lower-order Codes	
Subject	Initial Coding Terms	Final Coding Terms
4. Challenges	Maverick buying	Balance contract conditions
	Internal support	Conditions one-sided
	Procurement status	Contract review
	Changing view on purchasing	Cost-Quality balance
	Price orientation purchaser	Determining scope
	Value orientation consultant	Effect goes away
		Insight in spend MC
		Late involvement
		Limited knowledge transfer
		Low capacity
		Low status procurement
		Managing expectations client
		Maverick buying
		Rate reduction
	Setting up contracts	
	Support of the business	
	Volume not as expected	
5. Future	Move away PSP	Move away PSP
	Move towards PSP	Move towards PSP
	No opinion	No opinion
	No significant changes	No significant changes
6. Other remarks	Other remarks	Generic MC
		Specific MC
		Other remarks

A.6 Detailed Results Description

This appendix elaborates on the results presented in chapter 4. The different terms that were discussed during the interview are discussed in more detail. For both sides the following elements were discussed during the interviews: (1) value; (2) prerequisites; (3) problems. The view of the purchaser is put forward first, followed by the view of the consultant.

The View of the Purchaser

The sections below will discuss the terms used during the interviews in three sections: (1) value; (2) prerequisites; (3) problems.

Added value according to the purchaser

The added values according to the purchaser are discussed in more detail below.

Cost reduction

Respondents defined cost reduction as an added value of preferred supplier contracts. The cost reduction is threefold. First, with the use of preferred supplier contracts, the hourly rates of consultants can be reduced during the negotiation of contract terms. Second, cost savings can be achieved since evaluation of consultants is narrowed since only a few preferred suppliers should be included in the process. Third, costs can be cut due to the fact that most of the terms are already agreed upon during contracting phase, so time (and thus money) can be saved.

Easier to do business

The respondents argued that due to preferred supplier contracts it becomes “easier to do business” with consultant. Purchasers enable managers to act faster on problems by having contracts in place with the preferred suppliers. With most or all of the terms of the contract set during contracting phase, it become easier for a manager to do business with a preferred supplier.

Insight in the client

The respondents mentioned “creating insight in the client” as an added value of preferred supplier contracts. Making use of preferred supplier enables consultant to understand the client’s company in terms of activities and challenges. The preferred supplier can pro-actively anticipate on these activities and challenges. This results in better proposals, early identification of potential problems, and increased service quality.

Cover risks

According to respondents, with the usage of these contracts, firms are able to cover risks involved with management consultancy services. Elements such as liability, confidentiality, legal risks and intellectual property are identified as important factors that need to be covered. A purchaser thinks about the consequences of a consulting project, especially in the case it goes wrong. As one interviewee stated, “as a purchaser I’m very risk-averse. Therefore I’m trying to cover the risks”.

Knowledge transfer

Purchasers believed that preferred supplier contracts are a way to enable better knowledge transfer from the consultant towards the client. Here the knowledge of the consultant is being transferred to the employees at the client’s firm. Using the knowledge, the client is able to take care of these activities themselves. This relates to the relationship improvement factor that is also mentioned. When the relationship between client and consultant is improved, the collaboration is better and therefore enabling knowledge transfer. This is in contrast with a consultant that only delivers certain tasks or an assignment without elaborating on the reasoning behind this, and thus limiting the knowledge transfer to the employees or managers of the client’s firm.

Control spend on management consultancy

Also, preferred supplier programs should give purchasers more control and insight in the total spend in management consultancy services, according to the respondents. By formalizing the purchasing procedure, the total spend on management consultancy becomes more transparent. Using a formalized procedure, forms and requests need to be made at the procurement department before payment can be done. Therefore, procurement gets insight in all the expenditure on management consultancy services.

Innovation or corporate social responsibility

The respondents look for innovation or corporate social responsibility (CSR) to emerge from preferred supplier. Since the relationship is intensified and preferred supplier gets more business at the firm, the respondents expect that the consultancy will bring the newest and most innovative solutions for consultancy projects. Next to that, the close collaboration can enable innovative solutions from buyer-supplier interaction.

Trust and/or relationship improvement

Some respondents state that having a preferred supplier improves the trust and/or relationship with the consultant. Reasons for this improvement mainly come from increased collaboration between buyer and supplier. With these contracts the two parties get to know each other better, since they work together on all the consultancy projects, enhancing trust.

Interaction buyer and supplier

Another added value is that the interaction between the buyer and supplier becomes more frequent and is intensified. According to the respondents, this contributes to several other added values (e.g. relationship improvement and insight in the client).

Service quality improvement

Few respondents mentioned service quality improvement as an added value of preferred supplier programs. Respondents do indicate that the service quality can be improved due to several other added values. Service quality can be enhanced through for instance improved relationship and/or better insights in the client.

Measuring quality of services

According to one respondent, the usage of preferred suppliers enables the buyer to measure the quality of the service, making it an added value of preferred supplier programs. Since it is clear which assignment goes to what consultancy firm, the deliverables can also be evaluated after a project ends.

Ensure guarantees

One respondent stated that guarantees could be made for the buyer in terms of deliverables and performance by implementing a preferred supplier program.

Prerequisites of the purchaser

Most of the respondents make a distinction between two types of prerequisites. At first there are the go/no go decision; if the consultant does not satisfy these criteria, they will not be included in the preferred supplier program. Once satisfied, other criteria are used to evaluate consultancy firms.

Go/no go decision

The respondents defined "financial status" as a go/no go decision. This term relates to the current status of the consultancy firm. The client wants to make sure that the consultancy firm does not go bankrupt during the duration of the consultancy service.

Purchasers can also be more elaborate than just a financial check of the consultancy firm. They can have a screening process in place to evaluate the consultancy firm. The financial check is then extended with for instance checking existing references and doing a quality check using business cases.

Respondents also want to cover their legal and reliability risks according to their will. This can be defined as a second go/no go decision.

Other prerequisites and decision criteria

The interviews brought forward different other prerequisites when implementing preferred supplier programs for management consultancy services. The different prerequisites will be discussed in more detail below.

Knowledge in specific domain or area

One prerequisite relates to the consultant having knowledge in a specific domain or area. Respondents mixed two knowledge statements when using this criteria, domain and area. With respect to knowledge in a certain domain, interviewees stated that the consultant should have knowledge in the domain their firm is operating in (e.g. construction, banking or energy). In this case, the consultant has a better idea of what a client wants and what trends are in the domain the client is operating in. With respect to knowledge in a certain area, respondents stated that a consultant should have knowledge of the area a client wants to evolve in (e.g. innovation, sustainability, cost optimization). This ensure the client that the consultant can potentially deliver the desired results of a consulting project.

Reputation of the consultancy firm

In order to be chosen to become preferred supplier, reputation of the consultancy firm comes into play. Several respondents indicated that the firms they work with have a well-known status. This gives the client an indication on quality and performance of the consultancy firm. One respondent even indicated that this prerequisite can sometimes be a go/no go decision.

Experience with a consultancy firm

The respondents discussed the previous experience with a consultancy firm as a factor that influences their decision on whether or not the consultancy will be able to join the preferred supplier program. When having experience with a certain consultancy firm, clients know what they can expect in terms of quality and service delivery.

Experience with the consultant

Not only experience with the consultancy firm, but also experience with the specific consultant is important when selecting consultancy firms to join preferred supplier programs. As with the previous point, clients know what to expect from a specific consultant or team of consultants.

Financial Status

The respondents not always see the financial status of a consultancy firm as a go/no go decision. Therefore it is also included in this section.

Trust

The respondents that identified trust as a prerequisite stated that the client firm only involves consultancy firms in a preferred supplier program when they know that the consultant can be trusted with sensitive information on the clients company. Next to that, trust also gives the client firm the assurance that a consultant can complete projects with success.

Relationship with consultancy firm

Two respondents identified the relationship with the consultancy firm as a prerequisite. The relationship between the two parties must be well maintained in order for a consultant to qualify as a preferred supplier.

Fit with the consultancy firm

Also the fit with the consultancy firm is important as one interviewee stated. The consultant and the client must have a “click” before the consultant can become preferred supplier. If for instance two consultancies are of equal quality, the click will make the difference in selecting the preferred supplier.

Internal support

One respondent stated that internal support must be present before these programs are implemented for management consultancy services. The managers and users of the consultancy service must support the implementation of these programs.

Relationship with the consultant

One interviewee mentioned the relationship with the consultant, but this prerequisite closely relates to the other relationship and experience criteria.

Minimal spend with the supplier

The respondent indicated that the consultant should get a minimal spend assigned to them. This amount should also not be more than 50% of its total revenue. Otherwise, the consultancy could go bankrupt if the client decided to stop doing business with this preferred supplier.

Workable contract

One respondent indicated that actual agreements need to be achieved both internally and externally to create a workable contract between the two parties. If this is not the case, it would be hard to keep track of activities and assurances towards a preferred supplier.

Transparency

Respondents indicated that both the client and the consultant should be able to give insight in the activities of the firm. For the client that is upcoming problems, opportunities and normal business. For the consultant that is other projects that are done at other firms, and innovative new solutions.

Challenges of the purchaser

The different challenges are discussed in further detail below.

Maverick buying

Purchasers experienced different levels of maverick buying. Managers are trying to bypass the contracts in order to get the supplier they want. This has led one company to make the preferred supplier contracts non-compulsory. This term is the same as indicated in the literature review.

Support of the business

A second challenge that arises at the purchaser side is the internal alignment when implementing preferred supplier contracts for management consultancy services. When trying to implement the preferred supplier contracts, respondents find it hard to get the “business” on board. The business can here be defined as the users of the services.

Insight in spend management consultancy

Interviewees stated that they experience difficulty in getting insight in the spend on management consultancy services even before implementing preferred supplier programs. It

was not uncommon to approach previously used consultants to ask them when and what for they were used within the firm on consulting projects.

Rate reduction

Purchasers run into challenges when rates of the consultants need to be discussed. This challenge occurs both in the pre-contract stage as well as during the contract. Respondents indicated that these discussions limit the use of consultants and can have a negative effect on relationship, trust, and quality of the service. Both the purchaser and the consultant find it difficult to have these discussing, according to the respondents.

Setting up contracts

Some respondents indicated that they had problems setting up the actual contracts with the internal client and consultants. Challenges during this process relate to negotiation and agreements on liabilities and fees for instance.

The effect goes away

Few respondents indicated that the effect of having a preferred supplier could go away after a period of time. This indicates that the benefits of a preferred supplier are not sustainable. A reason for this, according to the respondents, is that preferred suppliers are getting comfortable and not putting in the effort when not being sure of getting every assignment. Next to that, the effect can go away because the consultant is too deep involvement in the client's firm and thus is not able to identify the right solution anymore.

Low capacity

Respondents indicated that some purchasing department had low capacity. They therefore found it hard to keep track of the preferred supplier programs for management consultancy services.

Late involvement

Respondents stated that their involvement in the procurement process was often in a late stage. Therefore, they only had the chance to reduce some fees instead of actually contributing in the selection process.

Limited knowledge transfer

In some cases, the knowledge from a consultancy project is not transferred well to the personnel on the client's side. This forms a challenge for the purchasers.

Low status procurement

Few respondents indicated that their procurement department had a low status within the firm. This low status indicates that their initiatives are not taken seriously, as stated in the literature review.

Determining scope

One respondent stated that during consultancy projects, the scope of these projects were hard to determine beforehand. Often the scope was vague from the beginning.

The View of the Consultant

The sections below will discuss the terms used during the interviews in three sections: (1) value; (2) prerequisites; (3) problems.

Added value according to the consultant

The respondents defined several terms that identify the added value of being a preferred supplier. The different terms mentioned by the consultants are shown in table 6.

Larger volume

A preferred supplier contract should ensure a larger volume of hours for the consultants. These contracts give selected consultants more opportunities to do projects at their clients. As one consultant stated that even though no turnover guarantee can be made, one can always get a share of the pool. The consultant would like to have a guaranteed turnover, but do acknowledge this is generally not the case in preferred supplier contracts. Respondents agreed that this would be an ideal world.

Insight in the client

The respondents mentioned a term defined as “creating insight in the client”. By using a preferred supplier contract, the consultant wants to improve their knowledge about the client and the market in which it is involved. By developing these insights, the consultant can anticipate on the problems that could arise within the firm itself or the market it is in.

Easier to do business

A term that is mentioned by respondents is related to the fact that it becomes easier to do business together. With the use of preferred supplier contracts, both parties already have agreed on most administrative factors such as hourly rates, responsibilities, and liabilities. By setting these factors beforehand, both parties can act quickly when a problem or opportunity arises for an assignment.

Lower acquisition costs

Consultants noted that by the use of preferred supplier contracts, the acquisition costs of a consultancy firm could be decreased. When becoming a preferred supplier, a consultant should be brought into every opportunity that arises at the client automatically. Therefore, costs on acquiring knowledge on projects or finding projects themselves are reduced for consultants. Next to that, as the relationship improves and insights in the client is created, consultants know better what problems are present at a certain firm, reducing the costs on finding this information when writing a proposal.

Trust/relationship improvement

Consultants also put “trust” and “relationship improvement” forward as a factor that can be achieved with preferred supplier contracts. By becoming a preferred supplier both parties are investing in each other, respondents noted. This improves the relationship and trust between buyer and supplier, which in its turn enables insight in the client.

Turnover guarantee

Respondents indicated turnover guarantee as the perfect world. In most cases the client makes no turnover guarantee. As one consultant stated that even though no turnover guarantee can be made, one can always get a share of the pool. The consultant would like to have a guaranteed turnover, but do acknowledge this is generally not the case in preferred supplier contracts. Respondents agreed that this would be an ideal world.

Improved service quality

As with the purchaser, few respondents mentioned service quality improvement as an added value of preferred supplier programs. Respondents do indicate that the service quality can be improved due to several other added values. Service quality can be enhanced through for instance improved relationship and/or better insights in the client.

Exclusivity

Respondents state that an added value of a preferred supplier programs is getting first order of business when consultancy projects arise at the client. They therefore receive exclusivity.

Creating domain focus

By being a preferred supplier, consultants can create domain focus for the client. Here the consultant can identify specific topics or directions a client needs to focus on in order to increase for instance profitability.

Dedicated team

Respondents indicated that by being a preferred supplier, a dedicated team can be created that can focus on that specific client. It therefore can provide better service and gets to know the client in more depth and detail.

Prerequisites of the consultant

The prerequisites will be discussed in more detail below.

Top management support

The respondents stated that within the client's firm, top management support must be present before they would be willing to join a preferred supplier programs. With top management support, respondents feel that the implementation of preferred supplier programs would be more successful since the status of top management has a positive effect on the usage of preferred suppliers for management consultancy services. This item is also identified in the literature review.

Small number of suppliers

Secondly, respondents indicated that the number of preferred suppliers should actually be limited to a few. Respondents stated that some preferred supplier programs identified up to 8 preferred suppliers. Interviewees gave a maximum number of suppliers of five; ideally this would be 2 or 3. If this number is not satisfied, the consultants stated that they did not feel like a preferred supplier.

Fit with client

Respondents indicated whether or not the client fits with the consultancy as a prerequisite for joining a preferred supplier program. Some consultancy firms are specialized in certain specific domains or areas. So if the client does not need the consulting services in that specific domain or area, the consultants feel that it is not beneficial for them to be part of a preferred supplier program. Other consultancy firms stay away from certain domains by choice, so then certain requests are not taken into consideration when the consultancy is approached for a preferred supplier contract.

Knowledge of the client

Knowing the client before engaging in a preferred supplier environment is important for the consultants. Having insights in the client's business and having an established relationship in place, contribute to the amount of knowledge that a consultant has on the client, according to respondents.

Governance

In order to be interested in joining a preferred supplier program, consultants feel that a governance mechanism must be in place at the client's side. This makes sure that consultancy projects actually are assigned to the preferred suppliers.

Procurement status

The status of the procurement department is the fifth important prerequisite. If procurement has a low status within the firm, problems can arise regarding governance and thus jeopardizing the added values of being a preferred supplier. Therefore, respondents stated that procurement should have a high status within the firm in order for them to be taken seriously when implementing preferred supplier programs for management consultancy services.

Price focus

If the focus while implementing preferred supplier programs for management consultancy is on price and price reduction, respondents feel less inclined to be part of this program. According to a consultant, this price focus can have a negative consequence on quality of the service.

Minimal share

The consultants would like to have a minimal share of the pool in which they are a preferred supplier. This ensures that the consultants get return on the investments they make in the relationship.

Commitment

Finally, consultants want commitment from both parties to make use of the preferred suppliers and commitment in the relationship improvement. This enables successful implementation of preferred supplier programs.

Challenges of the consultant

The different challenges will be explained in more detail below.

Maverick buying

An important challenge is maverick buying. Several respondents argue that even though preferred supplier contracts are in place at the client's firm, managers at that firm still try (and succeed) to bypass these contracts to get their own consultant. The consultancy firms involved in the research expressed both aspects, i.e. firms that are bypassed in the preferred supplier contracts and firms that are hired even though preferred supplier contracts are in place at the client's firm.

Low status procurement

Secondly, respondents frequently face the challenge that the status of the procurement department is too low. In these cases, procurement has nothing to say within the clients firm, and thus also does not have to power to correct the maverick buying behavior by the business. This relates to the literature review.

Volume not as expected

Another challenge is that the volume that a consultant expects to get from a preferred supplier program is not always as expected. Some respondents stated that it is questionable how many of the advisory assignments are actually executed by one of the preferred suppliers. Another statement was that the actual volume that firms need turns out to be smaller than was forecasted during the contracting period.

Conditions one-sided

Respondents found it challenging that the terms and conditions of the preferred supplier contract are one-sided in favor of the client. In order to be selected as preferred supplier, the consultant must adjust to the demands of the client. For instance, most conditions regarding liability, confidentiality, and responsibility are in advantage of the client.

Cost-quality balance not good

According to the respondents, the cost-quality balance is not well managed in the majority of cases. If the balance shifts towards the cost side, it becomes harder for the larger consulting firms to be a preferred supplier due to higher overhead costs. Also, service quality can also go down if costs are the main focus, according to the respondents.

Managing expectations client

Consultants find it difficult to manage the expectations of the client. This can be split into two different expectations: expectations of the project and expectations of a preferred supplier. In some cases, the outcome of a project is not a project beforehand. In these cases, consultants find it challenging to manage the expectations of the client.

Next to that, client might have a high expectation of a preferred supplier in terms of service quality and innovation. Consultants find it hard to manage these expectations depending on the implementation of the preferred supplier program.

Little/no contract review

Respondents indicated that little or no contract review is done when they are being a preferred supplier. No evaluation on the performance is done, and the contracts are also not updated according to market standards or changes in the economy. Also, if the assignments are not going to the preferred suppliers, the contracts are not updated.

Balance contract conditions

One respondent indicated that the balance of the contract conditions is challenging. These conditions should not be too specific. If they are, no room for creativity or flexibility is given anymore. But if the specifications are too broad, it is not clear how a preferred supplier should be involved in projects and what conditions should apply. Therefore, this balance in contract specifications and conditions is challenging.