Journal of Business Research 69 (2016) 1367–1371

Contents lists available at ScienceDirect

Journal of Business Research

Alternative paths to high consulting fees: A fuzzy-set analysis☆

Carlos Lassala [a,*], Pedro Carmona [b], Alexandre Momparler [c]

[a] Facultat d'Economia, Department of Corporate Finance, Universitat de Valencia, Av. dels Tarongers, s/n, Valencia 46022, Spain
[b] Facultat d'Economia, Department of Accounting, Universitat de Valencia, Valencia, Spain
[c] Facultat d'Economia, Department of Corporate Finance, Universitat de Valencia, Valencia, Spain

ARTICLE INFO

Article history:
Received 1 February 2015
Received in revised form 1 June 2015
Accepted 1 September 2015
Available online 23 October 2015

Keywords:
FsQCA
Algorithms
Consulting services
Advisory services
Consulting fees
Client satisfaction

ABSTRACT

Little research exists on factors that cause high consulting fees. This study examines what combinations of factors can generate the kind of competitive advantage that consulting firms can benefit from. Accordingly, this study performs a fuzzy-set qualitative comparative analysis (fsQCA) to ascertain whether consulting-client satisfaction explains differences in consulting fees and determine the conditions that lead to high consulting fees. This analysis suggests complex pathways driving companies' willingness to pay higher consulting fees. This methodological approach sheds new light on the relationship between combinations of conditions and high consulting fees. The set of conditions with maximum consistency score includes team satisfaction. However, team satisfaction alone is not sufficient, and this condition requires the inclusion of other variables such as responsiveness, quality commitment, and properly conducted fieldwork.

1. Introduction: the consulting services in Spain

Strong competition characterizes the consulting industry in Spain. In mature and dynamic businesses, consulting firms may end up providing homogeneous services. In this context, price is the primary factor in the service hiring decision. Accordingly, consulting firms should try to reduce costs to offer competitive prices to their customers. However, consulting services are a multi-attribute type of service in which clients explore service benefits. Therefore, consulting firms seek to increase customer satisfaction by designing services that match client expectations.

According to the report of the Spanish Association of Consulting Firms (2013), consulting firms experience a continuous reduction of income from the provision of consulting services. This situation forces consulting firms to adapt to a changing environment to be more efficient. Regarding human resources, consulting firms have a staffing strategy based on the recruitment of highly qualified professionals and their permanent training. Consulting firms spend several years containing prices and margins, which negatively affects their operating income. However, this policy allows them to preserve their intellectual capital.

The client base of Spanish consulting firms is very diverse. This base includes government-owned companies and businesses of all sizes and economic sectors. The most important clients are from sectors with relatively high technological content and those who provide services to a wide range of demanding customers in terms of quality and confidence. In terms of sales revenue, consulting firms' best clients are financial institutions.

The consulting industry includes two distinct service categories: business consulting and technological consulting. The former includes all consulting services that relate to the areas of operations management, strategy, organization, and change management. The latter includes all technology-consulting services.

Consulting firms search for client satisfaction by providing clients with timely and personalized customer service. In a highly competitive environment, customer satisfaction becomes an essential product differentiation strategy. The goal of this study is to assess whether consulting-client satisfaction has a relationship with consulting fees. Clients' willingness to pay different amounts depending on satisfaction level is consistent with client management perception of consulting as a differentiable service since client management picks the consulting firm.

This research revisits the theory, data, and analysis in Momparler, Carmona, and Lassala (2015). Through a fuzzy-set qualitative comparative analysis (fsQCA) of conditions leading to high consulting fees, this study performs a joint examination of two dimensions of customer satisfaction, the team and the firm providing the service, along with a number of service-quality attributes. The structure of this study is as follows: Section 2 explores literature on consulting services satisfaction factors. Section 3 discusses the need of crafting and testing algorithms. Section 4 describes the study's method and results. Section 5 presents conclusions, limitations, managerial implications, and future research.

☆ The authors thank Francisco Climent, University of Valencia, and Carlos Rueda, Polytechnic University of Valencia, for their careful reading and suggestions.
* Corresponding author.
E-mail addresses: carlos.lassala@uv.es (C. Lassala), pedro.carmona@uv.es (P. Carmona), alexandre.momparler@uv.es (A. Momparler).

http://dx.doi.org/10.1016/j.jbusres.2015.10.109
0148-2963/

2. Literature review

2.1. Customer satisfaction and service quality

Competitive and dynamic markets force companies to improve their services (Lages and Piercy, 2012). Service quality is the result of the comparison between customers' expectations and perceptions of service (Parasuraman, Zeithaml, and Berry, 1988). Service quality is a multidimensional construct and those attributes affecting customer satisfaction are important.

Previous research works use many models to investigate the quality of service (Parasuraman et al., 1988; Seth, Deshmukh, and Vrat, 2005). In the consulting industry, the clients' subjective perception of quality strongly affects consulting services' value (Kubr, 1995). Turner and Aldhizer (2011) do not find standard quality attributes when judging consulting services' quality. Roses, Hoppen, and Henrique (2009) suggest ways of improving the quality in some dimensions from a strategic alignment perspective.

2.2. Customer satisfaction with team and firm providing the service

Most service-quality models emphasize people's behavior in the organization as an important element in customers' perception of service interaction or service encounter (Wünderlich, Wangenheim, and Bitner, 2013). Service-provider staff is essential in customers' perception of the service and customer satisfaction. Cameran, Moizer, and Pettinicchio (2010) explore service quality in professional-services industries and find that firm and teams' personal characteristics are essential to explain customer satisfaction. Literature on service-quality attributes determines what makes a consultant a good professional, regardless of specialty (Stumpf and Longman, 2000; Varca, 1992).

The relationship between consulting team and customer satisfaction is important. Haverila, Bateman, and Naumann (2011) identify customer orientation and perceived value as the key drivers of customer satisfaction with strategic consulting services. Consequently, the quality attributes that the literature identifies are the basis for the choice of consulting-quality attributes (CQ1–CQ8).

2.3. Consulting fees and customer satisfaction

Financial services' quality attributes might serve as determinants of client satisfaction (Behn, Carcello, Hermanson, and Hermanson, 1997), and client satisfaction, in turn, might serve as a determinant of consulting fees. In addition, certain consulting-quality attributes directly affect consulting fees. A component of client satisfaction not deriving from consulting quality determines consulting fees. These relationships indicate that the consultant enhances bargaining power and can earn rents in an oligopolistic market.

An interesting question is whether or not client satisfaction differences are meaningful enough to have a relationship with differential consulting fees. If clients are reluctant to pay for these satisfaction differences, differences may not be truly meaningful and they may not be clearly distinguishable for client management. McLachlin (2000) suggests that consulting engagements are successful if the consultant meets client expectations, which increases consultant reputation and expectations of revenue streams. These customers are more willing to pay for the benefits consultant provides and are less sensitive to price increases (Anderson, Fornell, and Lehmann, 1994).

In terms of measuring satisfaction, two potentially important dimensions of client satisfaction exist: satisfaction with the consulting firm as a whole and satisfaction with the specific consulting team (Behn et al., 1997). Satisfaction with the firm reflects the consulting firm's reputation, consulting approach, and other consulting-quality attributes. Therefore, a higher level of customer satisfaction with the consulting firm is part of the conditions justifying higher consulting fees.

Satisfaction with team explores day-to-day interactions between clients and consulting team members and may be a subset of satisfaction with firm because consulting team is part of a firm. From management's perspective, satisfaction with the team partially determines satisfaction with firm because management's primary impressions of consulting firms likely come from the interactions with consulting team members (Stumpf and Longman, 2000).

The characteristics of the consulting team seem to be more important to service quality than those of the consulting firm. Consulting services are credence services, hard to evaluate during and even after performance. The relationship between clients and consulting teams is particularly important for credence services. The importance of team factors appearing in previous research (Cameran et al., 2010) and the importance of team/human aspects after credence services provision suggest that a higher level of customer satisfaction with the consultant team is a determinant for higher consulting fees.

Drawing on previous literature's findings on these relationships, this study analyzes what set of conditions justify higher consulting fees. Some conditions relate to quality attributes of consulting services, and other conditions relate to customer satisfaction with the firm and the team providing the service.

3. Crafting and testing algorithms

Woodside (2011) notes that most applications of multiple regression analysis (MRA) and structural equation modeling (SEM) in business research are incorrect and highlights the need to craft algorithms for building and testing theory. As a starting point in empirical research, building databases using one-shot, one-person-per-firm, or one-person-per household, self-reports as valid indicators of causal relationships of actual processes has many limitations. To understand actual thinking processes, additional methods are necessary for data collection. Fuzzy-set qualitative comparative analysis (fsQCA) is an alternative tool to craft and test algorithms.

According to Woodside (2011), several tenets support the use of algorithms for crafting and testing theory. The MRA approach estimates whether or not the influence of each independent variable associates significantly with a dependent variable, thus disregarding the influence of other independent variables in an equation containing two or more independent variables. The independent variables are significant or not depending on the presence or absence of other independent variables. Because multi-collinearity occurs with a high number of variables in a model, the possibility exists that no independent variable has a significant net effect although the model explains a substantial part of the dependent variable variance In addition, an important variable may be significant or not depending on what other variables the model includes (Hotchkiss, Smith, and Strömberg, 2013). Reality usually includes more than one combination of conditions that lead to high values in a dependent variable. Thus, reality usually indicates any insightful combination of conditions has an asymmetrical relationship with an outcome condition (Ragin, 2008). Thinking and modeling are essential in terms of conjunctive statements. McClelland (1998) finds that many relationships between dependent and independent variables are nonlinear, and that the correlation coefficients do not describe these variables well. Instead, such relationships are describable as tipping points. In the financial world, changes in one variable take time to become visible (Woodside, 2011).

Armstrong (2012) recommends not estimating relationships for more than three variables in a regression. Furthermore, researchers should complement the MRA results with the simple algorithms results and should always report predictive validity findings from tests with holdout samples. Therefore, being aware of the problems that the application of MRA involves, this study uses an fsQCA algorithm to carry out the design and contrast of theory. Consequently, this study revisits Momparler et al.'s previous research (2015) while taking an entirely new approach.