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Knowing the price of everything? Exploring the impact of increased procurement professional involvement on management consultancy purchasing

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ABSTRACT

Much of the estimated \$554 billion annual expenditure on management consultancy services is accounted for by projects with a direct link to client profitability. As such, it is critical for clients (and arguably the wider economy) that the purchase process for such services is managed effectively. For many within the management consultancy literature, this requires close, bilateral buy-side service end-user/supplier engagement. In recent years, however, this bilateral engagement has been modified by a significant increase in procurement professional involvement. This has caused concern within the management consultancy literature as it is believed it will inevitably lead to a cost-focused approach that disrupts close end-user/supplier engagement and causes sub-standard service outcomes. In this paper, we explore, via qualitative research, whether this concern is justified. In the event, the analysis suggested partial justification. However, examples of positive procurement involvement were also reported, suggesting that existing models and assumptions within the management consultancy literature regarding the impact of increased procurement involvement require modification.

1. Introduction

Much of the estimated \$554 billion annual expenditure on management consultancy services (IBIS World, 2016) is accounted for by important strategy and organisational improvement projects that have a direct link to the future profitability of client organisations (O'Mahoney, Heusinkveld, & Wright, 2013; Management Consultancies Association, 2010). As such, it is critical for client organisations (and arguably the wider economy) that the purchase process for such services is managed effectively. Historically, it has been argued (particularly within Europe) that what constitutes the effective management of this process is close engagement between buy-side service end-users and representatives of suppliers – what O'Mahoney (2010) refers to as a 'personal engagement model'.

Close engagement of this type, which incorporates considerable levels of 'co-production' (Bovaird, 2006), is deemed important as it enables the client organisation to interact knowledgeably with the supplier at the needs assessment (Petersen, Handfield, & Ragatz, 2005; Zsidisin & Smith, 2005), sourcing (Eriksson & Pesamaa, 2007; Rousseau, 1989) and contract management (Colling, 2005; Dyer, 1997) stages of the purchase process. It is argued that this increases the likelihood that

management consultancy services, characterised as they are by 'intangibility...[and] high levels of transactional uncertainty' (Glücker & Armbruster, 2003 p.270), will meet client need and fulfil service objectives (Bronnenmayer, Wirtz, & Gottel, 2016).

In recent years, however, evidence has emerged suggesting that this 'bilateral' engagement between end-users and suppliers has been modified by a significant increase in the involvement of buy-side procurement professionals in the management consultancy purchase process. While such professionals have always been involved in the process in an administrative capacity, much deeper levels of involvement have recently been reported (O'Mahoney et al., 2013; Werr & Perner, 2007). This is seen as part of a wider trend within professional services (Capgemini, 2010; Hodges, 2012; World Federation of Advertisers, 2014), with around 60% of respondents to one recent survey reporting 'procurement influence' over professional services expenditure (AT Kearney, 2010).

This increased procurement involvement has been met with considerable concern from within the management consultancy literature. The fear is that it will inevitably lead to an ill-informed, over-formalised, cost-focused approach to the purchase process that disrupts critical close, end-user/supplier engagement (O'Mahoney et al., 2013;

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Patel, 2005; Radnor & O'Mahoney, 2013) and delivers standardised and sub-standard service outcomes as part of a process of service 'commodification' (Hansen, Nohria, & Tierney, 1999; O'Mahoney et al., 2013). Emergent evidence suggesting procurement's excessive rigidity over service specification (Gelderman, Semeijn, & de Bruijn, 2015) and dismissiveness towards supplier distinctiveness (O'Mahoney et al., 2013) has been presented in support of this view.

However, there are reasons to question these concerns, not least given that the negative depiction of procurement professional attitudes and actions within the management consultancy literature is at odds with their depiction within the wider purchasing and supply management literature. Here, while variation in practice is acknowledged (Rozemeijer, 2008), procurement professionals are seen as frequently pursuing 'value for money' (not simply lowest cost) as their objective within the purchase process (Walker & Brammer, 2009) and as possessing a more rounded skill set (including relational skills) (Cousins, Lawson, & Squire, 2006; Paulraj, Lado, & Chen, 2008) than is suggested within the management consultancy literature.

As such, this paper uses qualitative research to explore whether the above-stated concerns regarding increased procurement involvement expressed within the management consultancy literature are in fact justified. It does this via two research questions: first, how has increased procurement professional involvement impacted upon the purchasing process; and, second, how can this impact be explained? The article is divided into four further sections: a review of the extant literature, a discussion of the research approach adopted, the presentation of the research findings and a concluding section assessing the implications for theory and practice.

2. Close buyer-supplier engagement, procurement involvement and management consultancy

As suggested above, the intangibility, complexity, uncertainty and bespoke nature of management consultancy services (Glückler & Armbruster, 2003; Mouzas & Blois, 2013; Sturdy, Clark, Fincham, & Handley, 2009) have led many commentators to argue that the purchase process for such services should be based upon a personal engagement model (Lian & Laing, 2007; O'Mahoney, 2010; O'Mahoney et al., 2013; Reid, 2008). This model consists of two connected principles. The first, drawing upon relational contracting theory (Macaulay, 1963; Macneil, 1978; Schepker, Oh, Martynov, & Poppo, 2014), is close buyer-supplier engagement at the needs assessment, sourcing and contract management stages of the purchase process, wherein the contract is as much concerned with promoting the co-ordination and adaptation activities that ensure the service is customised to client need as it is with providing legal protection (O'Mahoney et al., 2013; Zsidis & Smith, 2005). The second is 'bilateral' contact between end-users and suppliers, with buy-side procurement professionals playing only a minor administrative role (Lian & Laing, 2007; O'Mahoney, 2010). Such end-user primacy on the buy-side is viewed as necessary as end-users are believed to uniquely possess the knowledge and expertise required to both identify and select suppliers that have the necessary technical (File, Cermak, & Prince, 1994) and co-operative capabilities (O'Mahoney, 2010) and participate meaningfully in close relationships with suppliers.

These principles are seen as relevant to all stages of the management consultancy purchasing process. Where the needs assessment stage is concerned, end-users are seen as best placed to determine whether external assistance is necessary (O'Mahoney, 2010) and to define project scope (objectives, outputs and business functions involved, for example (Laing & Lian, 2005)), often with the assistance of suppliers that are personal contacts. Where the sourcing stage is concerned, end-users are seen as ideally placed to identify potential suppliers, again often using personal contacts (File et al., 1994), and to evaluate and negotiate with potential suppliers, using the negotiation process to shape potential service solutions, establish co-production methods and

develop social capital (Lian & Laing, 2007). The outcome of these actions is often an incomplete and informal 'psychological contract' (Rousseau, 1989) jointly developed with the successful supplier. Where the contract management stage is concerned, this is seen as best handled by end-users working closely with the supplier to 'co-produce' (Bettencourt, Ostrom, Brown, & Roundtree, 2002; Bovaird, 2006) the management consultancy service (Mitchell, 1994) via a process of 'shared learning' (Fincham, 2006). Supplier performance here will often be assessed as much via indirect measures such as relationship quality as by whether the original (often no longer relevant) objectives have been met (Mitchell, 1994). This approach accords with the 'social learning model' of management consultancy, with suppliers playing the role of 'helpers' as opposed to 'experts', thus enabling end-users to find solutions to their own problems (Nikolova & Devinney, 2012).

However, as reported earlier, there is evidence that procurement professionals are becoming increasingly involved in the purchase process for management consultancy services (O'Mahoney et al., 2013; Werr & Perner, 2007). This has been met with concern from within much of the management consultancy literature, which, in line with Malhotra and Murnighan (2002), views the formal controls engendered by (allegedly ill-informed) procurement professionals as inevitably diminishing the close end-user/supplier engagement and 'rapport' (Macintosh, 2009; O'Mahoney et al., 2013; Patel, 2005) upon which the personal engagement model depends. As such, the fear is that increased procurement involvement will result in an inappropriately cost-focused and adversarial purchase process, leading to sub-standard 'commodified' services that are not customised to client need and do not meet client objectives (O'Mahoney et al., 2013). O'Mahoney et al. (2013, p.230) argue that this process of procurement-led commodification 'helps procurers to reduce prices, but also reduces the ambiguity, or "interpretative viability", that many scholars argue is central to the successful diffusion of consulting wares'.

There is some emergent evidence in support of these concerns. For example, at the needs assessment stage, O'Mahoney et al. (2013) provide examples of procurement professionals that are unwilling to listen to end-user arguments concerning service uncertainty and complexity, while Gelderman et al. (2015) highlight excessive rigidity towards specification. At the sourcing stage, O'Mahoney et al. (2013) report that procurement professionals frequently display a disregard for supplier distinctiveness, leading to cost-driven preferred supplier lists that fail to cover end-user needs. Echoing the concerns of professional services industry bodies (Owens, 2014), several scholars (O'Mahoney et al., 2013; Patel, 2005; Radnor & O'Mahoney, 2013) highlight examples of aggressively cost-focused procurement involvement at the contract management stage.

However, there are grounds for questioning these concerns. First, while the management consultancy literature in support of the personal engagement model is extensive, the research on the specific issue of the recent increase in procurement involvement is as yet limited, being confined to a small number of studies (Gelderman et al., 2015; O'Mahoney et al., 2013; Radnor & O'Mahoney, 2013, for example). This in itself suggests further research is warranted.

Second, as mentioned above, procurement professional attitudes and actions are depicted in a considerably more positive light within the wider purchasing and supply management literature than within the management consultancy literature. While it is accepted within this literature that professional standards vary (Cousins et al., 2006; D'Antone & Santos, 2016; Rozemeijer, 2008), procurement professionals are nevertheless viewed as 'trusted advisors' who seek to support end-users, not replace them (Ellram & Tate, 2015; Russell, 2007), and to obtain multi-faceted value for money (including innovation), not lowest cost (D'Antone & Santos, 2016; Van Weele, 2014; Walker & Brammer, 2009). In addition, they are seen as proponents of far-sighted category management policies, not just short-term tactical gains (O'Brien, 2015), and, contrary to claims within the management consultancy literature, capable of handling the uncertainty and con-

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