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Entering the Swedish Management Consulting Industry

**A qualitative study of what factors to consider when
entering the Swedish management consulting industry**

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Abstract

The management consultancy, a 14 billion EUR industry in Europe, has become an attractive market in the last couple of years. The Swedish market is blooming with an economic growth of a staggering 20 % according to analysts at Konsultguiden. The attractiveness of the market has brought many foreign players into the field such as Celerant. Celerant is a UK-based company earning a total of \$145 million in 2006 with about 650 employees around Europe and the USA. Their focus is mainly within operational management. A few years ago, Celerant decided to expand in to the Nordic region consisting of Denmark, Norway and Sweden and has just recently started to focus a bit extra on the Swedish market. Using Porter's model of Five Forces we look at the Swedish management consulting industry to see what factors to consider focusing on when entering the market. Through an analysis of the current management consulting market, we compare it to Celerant's strategy for entering the Swedish market to see if our analysis differs or is similar to the consultancy's actual strategy. This gives us a picture of how the management consultancies perceive the market and how they act accordingly. The results show similarities with two factors: the consultants and the clients. These seem to be the main factors to focus on as a management consultancy entering the Swedish market. There seems to be a current shortage of competent consultants on the Swedish market and therefore a necessity to focus on recruitment. Clients are what make business for consultancies and business connections need to be established before entering the market. However, we found that more precaution should be taken for factors such as substitutes and new entrants as well. There is a constant change of trends in the management consultancy industry and needs to be considered in order to stay competitive on the market, since a management consultancy needs to be able to offer what the clients demand.

Keywords: management consulting, Porter's five forces, Swedish consulting industry

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1 Introduction

The Swedish management consulting market is comparatively young in the world of consultancies. Past research shows a picture of the Swedish market as heterogeneous and quite saturated.¹ With a population of 9 million people, Sweden is quite a small market. Consultancies need companies in order to gain business. Recent trends show an increase of management consultancies in Sweden and indicate future growth. We found it interesting to look further into the Swedish management consultancy industry. One question that arose was what makes these consultancies successful here. We were sceptical of the great success of these consultancies, since the Swedish market has been seen as quite saturated - where do these consultancies find market space? We pondered the importance of having a good strategy, - what is a successful strategy for a company active in the Swedish market? By looking at the history of management consulting we had a good base to continue our plan to figure out the question marks surrounding the present and future.

1.1 Background

1.1.1 History- The Evolution of Management Consulting

The rapid and explosive growth of the consulting industry has been explained by analysts to be traditionally tied to the overall growth in the American economy, the impact of international competition and the so-called complexities of modern management. Consultants have prospered in good times of expansion and suffered in bad times of recession. However, according to Christopher D. McKenna, the generalizations about increasing global competition and the complexity of management are not enough to explain the vast expansion of consulting as compared to the expansion of other forms of administrative roles. Consulting was explained as something to be bullish about in 1969, further it was described as something thriving on change and at that was at a time of accelerating change.²

¹Bäcklund, J., (2003), *Arguing for Relevance – Global and local knowledge claims in management consulting*, Doctoral Thesis No. 100, Department of Business Studies, Uppsala University, p. 72-73

² McKenna, Christopher D., (2006), *The World's Newest Profession*, Cambridge University Press, New York, p. 9

Studies of management consultancies and their clients carried out from 1930 through the 1950s consistently showed that clients primarily chose among rival consultants based on the reputation of the specific consultancy in the industry and on the consultancies experience with similar assignments. It is the classic “make-or-buy” decision that executives are faced with; weighing the scale advantages of outside vendors against contractual efficiency of doing it internally.³

The doctoral thesis by Jonas Bäcklund of Uppsala University, describes the evolution of management consultancies in Sweden, from the incipient stages of the local firms, emerging into the time of the dominance of the so-called Big Five management consultancies. According to Bäcklund's research it was not until the 1940's that management consulting was established as an independent industry in Sweden.⁴

The management consulting industry in Europe experienced growth between the 1960's and 1970's, which caught the interest of American competitors who began their European international expansion by entering the major markets: German, French and English. Sweden began experiencing competition from the American consulting firms McKinsey & Company and Boston Consulting Group (BCG) in the 1980's. McKinsey & Company began serving the Swedish clients out of their other established European offices, until 1980 when they were the first American consulting firm to establish an office in Sweden and Stockholm where they became and have remained one of the largest and most successful consulting firms. Up until 1988, the local consulting firms were by far the largest actors (individually and as a group) on the Swedish market. In 2001 this had drastically changed, the firms referred to (and divided into two groups) by Bäcklund as the Classical American consulting firms (McKinsey & Company, BCG, A.T. Kearny and BoozAllenHamilton) together with the Big Five⁵ accounting firms (PriceWaterhouseCoopers, Arthur Andersen, KPMG, Ernst & Young and Deloitte & Touche) that each have consulting divisions, took over as the dominant and largest category. Bäcklund describes that 67 percent of the top 20

³McKenna, Christopher D., (2006), *The World's Newest Profession*, Cambridge University Press, New York, p. 13

⁴ Bäcklund, J., (2003), *Arguing for Relevance – Global and local knowledge claims in management consulting*, Doctoral Thesis No. 100, Department of Business Studies, Uppsala University, p. 72-73

⁵Known as Big Four since 2001/2002

consulting firms' turnover in 1988 came from local consulting firms; in 2001 that percentage was down to 18.⁶

The locally owned actors are still doing good business, and making money, but most of the growth has been captured by the globally active consulting firms. As written above concerning the total turnover of the top twenty management consultancies in 1988 was estimated to about 1 200 million SEK. Local consulting firms made up 67 percent of this, US firms made up 14 percent and other nations consulting firms made up 19 percent. At this time, the number of employees were estimated to be about 1000, 66 percent of these were employed by local firms and the rest by consulting firms owned by other nationalities. In 2001 the total turnover of the top twenty management consultancies had reached 6 600 million SEK, employing approximately 3 100 consultants; out of which 35 percent employed by locally owned firms and the remaining 65 percent employed by globally active consulting firms, such as the Classical American and the Big Five. This clearly depicts the development of the management consulting market in Sweden. Important to remember is that Bäcklund points out that the numbers pertain to the twenty largest firms, and hence we are likely to find more locally owned companies but they might not be the top players.⁷

A division is made between the actors on the Swedish market and their respective market shares, based on the measurement of relative turnover. The largest market share is held by the Big Five firms with a share of some 30 percent, next follows the Classical American firms with a 29 percent share, the next two categories are Large Local firms and SME's (Small and Medium sized Enterprises) that make up 40 percent of the market.⁸ When it comes to client-categories and where the market players put their focus, the Big Five seem to have put their focus on the following three: manufacturing, banking/insurance and IT/telecom. The Classical American firms cover the same, but they also cover public agencies.⁹

⁶ Bäcklund, J., (2003), *Arguing for Relevance – Global and local knowledge claims in management consulting*, Doctoral Thesis No. 100, Department of Business Studies, Uppsala University, p. 74-76

⁷ Bäcklund, J., (2003), *Arguing for Relevance – Global and local knowledge claims in management consulting*, Doctoral Thesis No. 100, Department of Business Studies, Uppsala University, p. 81-82

⁸ Bäcklund, J., (2003), *Arguing for Relevance – Global and local knowledge claims in management consulting*, Doctoral Thesis No. 100, Department of Business Studies, Uppsala University, p.87

⁹ Bäcklund, J., (2003), *Arguing for Relevance – Global and local knowledge claims in management consulting*, Doctoral Thesis No. 100, Department of Business Studies, Uppsala University, p. 89

1.1.2 Celerant

In 1987 Peter Chadwich established himself in the U.K., in 1992 there was an established presence in the German market, established in France the following year, in 1995 the revenues surpassed £10 million and in 1996 they were established in Belgium, the Netherlands and in Luxemburg as well as in the Americas. From the beginning up until 1997 the company operated under the name of Peter Chadwich, in 1997 it was acquired by Cambridge Technology Partners and merged with Axiom Consulting – the two became Cambridge Management Consulting (CMC). In 1999, CMC was established in Sweden, Norway and Denmark. In 2000, revenues exceeded £75 million and management shareholding was established. In 2001, Novell acquired CMC and renamed it to Celerant Consulting; by 2004, revenues exceeded \$150 million. In 2006, Celerant Consulting is established in Finland and there is a management buy out from Novell.¹⁰

The interest in using the management consulting firm Celerant as our case study, began with reading an article written in *Dagens Industri* (“De utmanar McKinsey”, by Hans Strandberg, September 21, 2007). Hans Lindeman, a Norwegian man and boss of the Nordic region at Celerant, expressed that their main competitors on the Swedish market are local companies and also McKinsey and CapGemini. The article also described that Celerant aims to more than triple their employee base in Sweden within the next three years from 30 to 100 employees. Celerant mainly focuses on managerial and organizational consulting issues but also on issues pertaining to the efficiency and the rationalization of production.

We found it interesting to study why a company that is already well established internationally with business in more than 20 countries, chooses to enter the Swedish one, and with sights set on competing with the “big players” such as McKinsey and CapGemini.

They have highly set standards as far as both financial and organizational goals go. In the article also says that Celerant offers a discounted price to their customers if they do not reach the set goals of rationalization.¹¹

¹⁰Celerant webpage, http://www.celerant.se/About_Us/about_us.aspx, accessed 2007-11-25

¹¹ Strandberg, H., *Dagens Industri*, ”De utmanar McKinsey”, 2007-09-21

Furthermore, a point of interest is if and how the service industry, specifically the management consulting industry's strategy for entry in new markets differs from other industries.

1.2 Research Purpose and Problem Statement

The purpose is to analyze the management consulting industry in Sweden to see what factors affect the entrance of a management consultancy. We believe that the Swedish consultancy industry is quite saturated and more effort is needed from companies to push through to establish themselves here. Localized knowledge has been discussed frequently in our assigned course literature, and by looking at an MNC (Multi National Corporation) in the management consulting industry, we can look at the importance of this. We hope to establish some type of knowledge that would be useful in looking at management consulting firms entering a saturated market and what strategies and actions are to be taken. It is important for management consultancies to have a good understanding of the market they enter in order to succeed, especially since their services are very specific to one area and does not cater all types of companies. Without the right focus, the management consultancy will probably not succeed. It is important to have a good strategy before entering a new market and we want to see what factors to focus on in their strategy to enter specifically the Swedish market. Therefore, our problem statement has boiled down to: What factors should be taken into account by a new entrant when entering the Swedish management consulting industry?

1.3 Restriction of our research

To answer our question we have decided to focus only on the management consulting industry in Sweden and not the whole consulting industry. We specifically chose a company (Celerant) within this field that would give us a picture of how consultancies enter the Swedish market and what factors they have considered. We will not deal with all aspects of the consulting industry. Our focus is determined by the information obtained from Celerant and Konsultguiden.

1.4 Disposition

We began with a brief history section of the management consulting industry and some information on Celerant to give the reader some background knowledge about the industry we are treating, as well as the company we have chosen to focus on. We then went on to explain the method chosen and used for the writing of this essay and its limitations. Following will be the theoretical part; the theory used in the essay will be analyzed and modified by us to fit the management consultancy industry and our research. This will make it easier to make comparisons in our analysis. After this, the empirical part will follow, describing the current management consulting industry in Sweden to give the reader an understanding of the market and the information we will be using in our analysis. Then an interview conducted with one person at Celerant will be presented followed by some facts about the company, gathered from the company website. This information will also be used to analyze the Swedish market and to give a better picture of the factors that are to be considered. The analysis will be based on our modified version of Porter's theory, which we will use to understand the main factors to consider on the Swedish management consulting market. Then this analysis will be compared to Celerant's strategy and information about the Swedish management consulting market to see if there are any similarities or differences. This will help us to determine if we have correctly pinpointed the relevant factors that consultancies are looking at and where we differ. The differences could give an understanding of where consultancies should give more focus or perhaps where our theory is lacking. This will lead into a closing discussion arguing the results obtained in our analysis and look at further research that we consider interesting to continue. Finally, a conclusion clearly stating the results reached and a summary of our findings.

2 Method

We have chosen a qualitative approach to the writing of the paper; a process which looks at the how and why of a process. We rely on methods such as the conducting of an in-depth interview and analysis of materials and documents to help obtain the information necessary to answer our research question.¹² We believe that this

¹² Becker, Howard S. (1996), *The epistemology of qualitative research*. University of Chicago, p. 53-71.

approach is appropriate to the research we are doing. It gives us an understanding of the industry and the factors that affect it and its players (consultancies). Limitations to using this approach are that the results might be considered vague or less tangible. It might give a rule of thumb, but it does not quantify the effects of the factors looked upon. It is easy to lose focus and sway out into different areas.

2.1 Data Collection and Sampling

We have decided to divide this section into four parts; Sorted into the major sources used in this paper. We will be looking at Celerant, Konsultguiden, Porter's theory of Five Forces and other written sources.

2.1.1 Celerant

The reason for choosing Celerant is based partly on the article found but also on the fact that they are recently established in Sweden and can give us fresh facts on what factors affected their strategy when entering Sweden. However, since they are a small company and not yet fully established, there are some limitations to the information we were able to find about them. Below we will present the interview conducted and the information retrieved from their website.

Interview

We had some difficulties initially while trying to get in touch with and locating the appropriate people and then while trying to set things up logistically with the interview in order to get the information needed.

Our first personal contact with Celerant was via telephone with a human resource coordinator (located in Stockholm), in mid November. During a following telephone conversation, we found out that even though Celerant is established on the Swedish market, their office is usually not manned with their employees because they are commonly out at the offices of their current clients. We were also informed that their real headquarters for the Nordic region is located in Copenhagen, Denmark. This was unexpected and had an impact on the way we had planned to carry out our empirical research. We had planned to carry out at least one interview with one or more well versed Celerant employees; as far as the transition and planning process of the new market entry.

When our first plan failed, we decided to conduct a telephone interview, after recommendations from the HR coordinator based in Stockholm. The telephone interview was to be with a person located at the headquarters in Copenhagen, we decided we would first conduct an interview via email and then follow up on this with a phone call. The reason for the email interview was to allow time for the person interviewed to calmly answer the questions, as well as eliminate any language barriers that may arise over the phone when both people are speaking a language that is not their mother tongue. We found this all the more important when the person being interviewed is so much better versed on the topic of conversation than we were. We have chosen (with given consent) to not keep our interview person anonymous in the essay. This is because we do not feel that we have an invasive nor hostile approach to our gathering of information. There were times when the interview person did not want to answer questions that we asked, and we respected this. The interview person was recommended to us, and after more extensive, we found this person mentioned as a contact person on the website. We agreed to send copy of the revised essay to her as well.

We are aware of the lack of information from the company could limit the value of our research. Maybe a second interview with the same person could have given us more details regarding the different parts that we analyze. A more complete understanding of the company's strategy would have helped our analysis and might have given us other results. We would have liked to have had more people at our disposal to interview, however the assigned guidelines of the essay did not allow further investigations than the ones carried out. However, from the information we did receive we feel that some of the results we obtain do have relevance to the industry and the factors that companies should consider when entering the Swedish market. Like mentioned above, it gives the consultancies a rule of thumb when creating their strategy.

The Company's Website

When entering the website we are faced with a relatively simple page of information, no banners and nothing flashy. We were disappointed to find that the webpage did not

have specific and tailored pages for every country in which they operate. The use of Celerant's website for information was not too extensive because we concluded that the information we were looking for was not the type of information one would find on a website. We wanted information that would indicate how they work as a consultancy – when entering a new market, how they evaluate their competitors and how they rank themselves accordingly. For apparent reasons this type of “secret ingredient” information would not be broadcast and openly available; and as we found – it is not even hinted. Something we concluded after browsing through the various pages. We ordered further company information via a form on the site, but as of the writing of this text, the information has yet to arrive. Since a website is used for advertising and communicating a certain picture of a company, we are aware of the overall subjective nature of web pages. This complicated the preparation process for the interview, our questions were made broader and less specified because the lack of overall information.

2.1.2 Konsultguiden

In an attempt to try to get the information and statistics as appropriate as possible we decided to look at Konsultguiden - Sweden's only independent place of reference covering the Swedish consulting industry, a source which is widely used and accepted by the Swedish business world. This year's edition of Konsultguiden has gathered information from about 1500 companies, who have each received an extensive questionnaire to fill out. The questionnaires include questions concerning the economy and owner situation of the company, and the companies are then ranked according to annual turnover (highest turnover ranked highest). Not all companies return the questionnaires, so for those unaccounted for the relevant corresponding information is collected from the annual reports. However, some foreign companies wish not to disclose economic information regarding their Swedish business, and only share information pertaining to the Nordic business areas in general. In some cases, there is no information because of their ownership and it not corresponding to “normal” forms of ownership or because they are owned by foreign companies, where there is no annual financial statement or report available. The numbers gathered are weighted in order to increase the penetrating power refer to the 2006 status and show the evolvement of the industry and the ranking order is based upon size and not

quality of the services offered.¹³ Celerant was not included in the statistics and this therefore made it harder for us to get a picture of where Celerant is ranked on the Swedish market as it is today. We decided to pull some of the facts we received from Konsultguiden and Celerant to try to estimate what place Celerant has in the Swedish management consulting market. This very roughly estimated calculation is included in the analysis of Celerant.

2.1.3 Porter's Theory of Five Forces

Michel Porter and his Five Forces model is widely accepted and known in both the business and academic world. It has given companies a guideline to follow when looking to enter a new market. The model has helped give us a backbone for our research and formation of our interview questions. When analyzing the Swedish management consulting market we have used Porter's Five Forces as a tool to pull out relevant facts pertaining to our study. What we are self critical about, concerning the usage of his theory is the fact that it is more suited for manufacturing companies. It has not been tailored for service industries and therefore some of Porter's arguments might not be as relevant to the industry we are examining. We have tried to modify his model for it to be more suitable specifically for the management consulting industry and our research in order to make a more relevant analysis.

2.1.4 Other Sources

The introduction contained some brief information from McKenna's "The World's Newest Profession", mainly to give a more globally connected stance and overview. There will be no further information by McKenna since we have decided to focus on the status of the Swedish management consulting market.

The choice to use Bäcklund and his dissertation was because we believe it gave a good overview of the Swedish consulting industry and its development throughout the last century. As far as its reliability as a source, we feel that it is reliable and only stand critical towards it not being up to date with the current status and statistics of the Swedish industry. This is very understandable yet at the same time important to take

¹³Karström, J., (2007), Konsultguiden, p. 10

note of; some of the numbers presented do not portray an appropriate picture of the actors on the market today, but give a look at past trends.

The choice to use Peter Wright added another dimension to the interpretation of Porter and supports our questioning of the relevance of Porter. Since we are looking to see what factors that affect the strategy chosen by management consultancies when entering the Swedish market, it is interesting to see how Peter Wright further dissects Porter's theory. The usage of Fjeldstad and Haanes was also an attempt to be more critical of Porter and his Five Forces as applied to the service industry in particular. They bring forth a theory that is more specified to the service industry and is a great compliment to Porter's theory.

Despite above mentioned limitations we are satisfied with the information gathered and the results and conclusions gathered from them, given the defined guidelines.

4 Theoretical tools

For the purpose of being an academic paper, we saw the relevance of Michael Porter's article "how competitive forces shape strategy" where Porter's theory of the Five Forces has become a well-known model used by several companies. He discusses Five Forces that affect the expansion of firms into new markets. These are, the threats of new entrants, bargaining power of new customers, the threat of substitute of products or services, bargaining power of suppliers and the industry. Through considering these forces, Porter believes that the company can create an optimal and well-rounded strategy that treats the crucial parts of entering a new market. The reason why we chose Porter's model is because it has been of relevance to several industries and is well known and used. We seek to use Porter to analyze the Swedish management consulting market to give us a picture of what factors are crucial for entering the market. We question Porter's model and if it is different parts are relevant to the management consulting industry since Porter's theory has been mainly applied to manufacturing companies. We also look to see if the model is missing any details that could be added. We use this model as a backbone to our research and how

we view the Swedish management consulting market. Section 4.1 only reference is Porter's article.¹⁴

The main goal is to apply established theories of companies in the same state – and in the state right before entering new markets analyzing strategic benchmarks and plans of action.

4.1 Porter's Five Forces: Competitive advantage

Michael E. Porter developed a competitive advantage model for companies entering new markets in 1979. This model is based on Five Forces, which Porter explains affects a company's competitive advantage in a market. It is believed that companies sometimes take a too simplistic view of their competition on the market and do not take into consideration of other factors that affect their position in a new market. Other forces such as suppliers, potential customers, new entrants and substitutes are also things to consider when entering the market. Companies concentrate on the main rival while forgetting that there are other dangers lurking around and could potentially destroy the company.

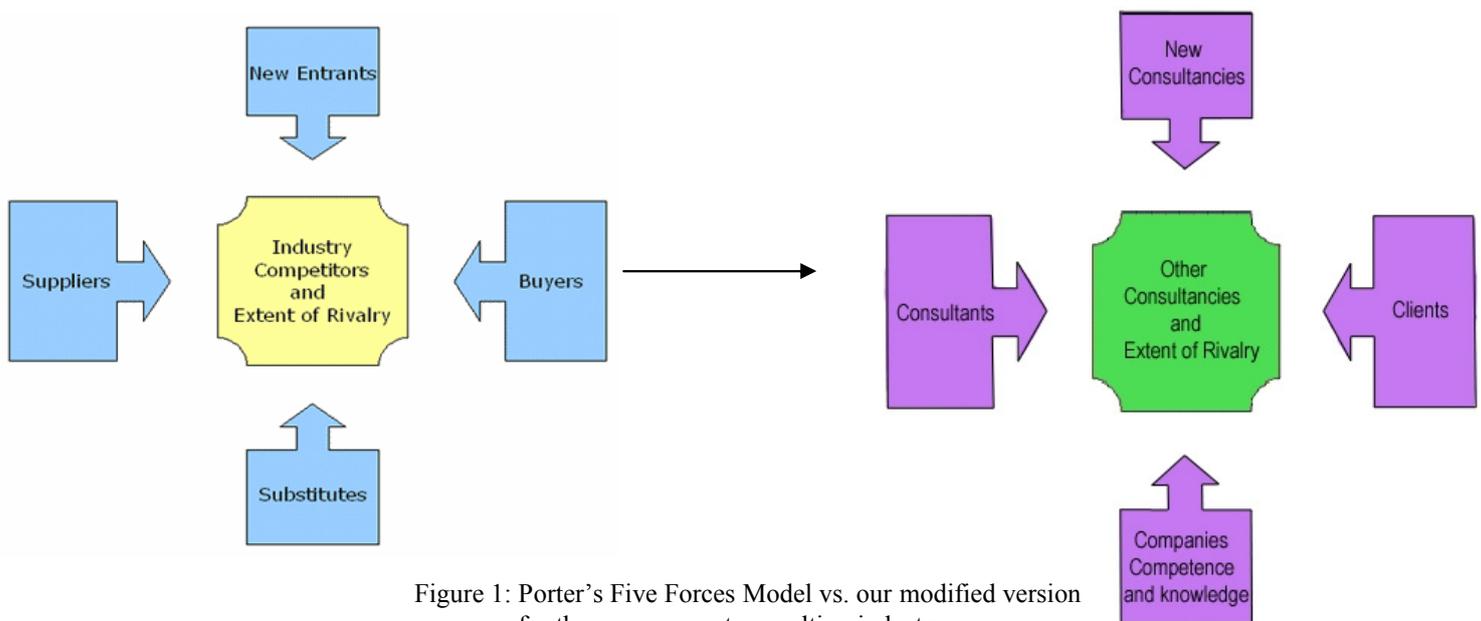


Figure 1: Porter's Five Forces Model vs. our modified version for the management consulting industry

¹⁴Porter Michael E. (1980), *How competitive forces shape strategy*, The McKinsey Quarterly, p.34-50.

Figure 1 can help to define a company's strengths and weaknesses which will help them determine if it is profitable to enter the market or how they should tackle the weaknesses they have and focus on changing them into strengths. We have chosen to modify Porter's model to take out the essential parts for the management consulting industry and those relevant for our study. Figure 1 shows Porter's original model transformed into our interpretation for the management consulting industry.

These different forces can have different strengths depending on the industry and the situation on the market. Not all industries look the same or have the same emphasis on these forces. The service sector, which would include the management consulting, could have a greater emphasis on customers and substitutes than a dairy product company that might be more focused on suppliers and new entrants. The five threats (forces) that affect the company are characterized differently and are presented below. We have chosen to take out those parts of Porter's theory that we find most relevant to discuss the management consulting industry and for our study. Therefore, not all of Porter's factors will be treated.

4.1.1 "New Consultancies" – New Entrants

Every industry that shows a great potential for profit will attract other companies who want to gain the surplus that exists. There are always new entrants that can threaten the firm's position and competitive advantage in the industry. The more barriers there are for entering the market, the less of a threat new entrant will be. In the management consulting industry there are three of Porter's six potential barriers for new entrants that we consider most relevant. The other three are: economies of scale, capital requirements, and government policies. For economies of scale, we believe that this barrier is not as relevant for our study. Yes there is a sense of cutting cost by hiring the experienced consultants who can do the job at a faster time than a junior consultant however economies of scale differs depending on the angle you choose to focus on. We do not treat this factor in our research and therefore we have decided to exclude it from our theory. We see the same for capital requirements as well as we believe that in this case it is a known fact and does not pose any new interesting observation for our analysis. Government policies have not been treated in our research and will therefore not be of relevance to include in our theory.

Product/service differentiation

This focuses on fostering the brand name and creating an identity in the industry, which will entail great costs for the new entrant. This is what most consultancies thrive on. A good brand name is important for their credibility and their business. To gain new customers is not cheap and consultancies work very hard at keeping a good reputation around their name. The type of services they provide has also an affect on their success on the market. It is crucial for service companies to distinguish their services from others even though it is the same type of service. They need to show what their service provide and what the client gain from hiring them.

Cost disadvantages independent of size and access to distribution channels

We consider that these two barriers go hand in hand within the management consulting industry. Especially when looking at relationships that these consultancies have in the market. Having a good relationship is an access to distribution channels and can also be a cost disadvantage independent of size. Sometimes special relationships or connections are necessary in order to gain good prices and products within the industry. Most of these relationships or connections are used by existing companies. Either a company needs to break through and gain new distributors or create their own distribution in management consulting that would be the client relationship that exists or need to be built. Other advantages could be location, knowledge (experience curve; know-hows) or legal such as patents. This creates barriers that a company cannot control. As a management consultancy, their strength is their know-hows. Consultants offer knowledge and experience of strategies, problems, systems etc. that companies do not have. Relationships with companies are usually strong and it is hard for other consultancies to gain such a relationship with those companies unless they offer something that the other consultancy does not have. Most consultancies do not enter a market unless they have some type of relationship or network in that market. They usually gain their business through referrals from former clients.

However, it is worth noting that times change as well as situations on the market which could lead to a disadvantage or an advantage for the company. Certain strategic decisions that could affect a bigger part of the industry could change the picture of the threat of new entrants.

4.1.2 “Consultants” - Suppliers

For every company, suppliers are one major part of their value chain that needs focus. Without suppliers, the company has nothing to offer whether it is a product or service. Suppliers in management consultancies are the consultants themselves which can have an impact on the quality of products or services. Porter mentions five factors that affect the suppliers' influence on the company. However, these are more formulated for manufacturing companies and therefore we chose to do an interpretation specifically for the management consultant industry and summarize his points more tailored for the management consulting industry. First, the quality of the supplier is important for both image and quality of the service. Management consultancies strive to recruit the top talents for their business. This can sometimes be a problem if the supply of such people is slim. Second, it is tempting for most consultants to work at a firm and then leave it to start their own business or join a company that they met through work. Management consulting is all about the knowledge base and experience that exists in the company in order to do their job properly. If their consultants leave the company, they lose that knowledge and experience. They need to make the job attractive and strict enough that the people will not leave it, such as having good benefits and a strict leaving policy where the consultant cannot bring his or her clients with them when they leave. Third, the consultancy might not be a major player and consultants are not dependent on them to survive.

4.1.3 “Clients”- Buyers

Like suppliers, customers are able to influence prices and demands of products. Porter mentions seven factors that could make the buyer powerful. Six of them are most relevant when discussing the management consultant industry. First, when they purchase greater volumes of services. They become a great customer and in times of recession, these loyal clients are a necessity. Second, services are standard or undifferentiated therefore they are able to find others who can do the job. Third, the service is an essential component in their business and will probably look for favorable prices if the service is a big cost for the buyer. Fourth, the buyer does not have a high profit and therefore cannot afford purchasing at high prices. Fifth, when

the product or service quality is more important than cutting costs. Sixth, if the buyer becomes the consultant as in having their own production of the service (backward integration).

Porter claims that this force is important to think about due to substitutes leading to consultancies going out of business if they cannot adapt their services to the changing trends.

4.1.4 “Companies, Competence, Knowledge”- Substitute products

If there are substitute products on the market, they can limit the company’s profit.

There are two things to consider here when making strategic decisions:

- a) When substitutes’ price performance is improved due to trends.
- b) When substitutes are produced in industries that have a sudden change of situation where the competition is greater and prices are dropped.

In the management consultancy industry it will be based on:

- a) What services companies are demanding? Is your company within that field and provide such services?
- b) There might be some consultancies that offer the same service that the companies see the same quality and value in and therefore becomes a tender process between consultancies and companies.

4.1.5 Rivalry amongst existing consultancies

Porter names this as “jockeying for position” –using tactics to gain a favorable position against the rivals. There are six factors here that present rivalry in an industry. First, there are many competitors on the market or they are all very similar. Second, the growth of the industry is slow. Third, the products or services are not differentiated nor is there a switching cost (the cost for changing supplier; consultant for example). Fourth, high fixed costs or perishable products lead to companies striving to cut prices when demand is low. Fifth, overcapacity disrupts supply-demand balance and leads to price reductions. Sixth, the exit barriers are high and no company leaves the industry or market. Seventh, rivals are different and act differently. Instead of maneuvering around their opponent they often go head on which does not solve anything.

4.2 Refinements of Porter's theories

As for any other theory, Porter's competitive strategy theory has been a good guideline to follow. However, there are others that have refined or modified Porter's theory to find it more useful for specific purposes. Peter Wright looks closely at Porter's generic strategies which are defined as cost leadership- producing standardized product to cost minimize and cater to customers who are price sensitive, differentiation- having a unique range of products compared to the rest of the industry (caters relatively price sensitive customers) and focus strategies- address the specific needs for a smaller group of customers in the industry.¹⁵ Wright questions how these strategies can be used in isolation of each other and if these generic strategies can be used by any type of company. He concludes that a focus strategy is more appropriate for smaller firms while cost leadership is suitable for larger firms. Larger firms that choose to have a differentiation strategy can do so in a combination with a focus strategy.

Another article written by Øystein D. Fjeldstad and Knut Haanes used Porter's theories and tried to adapt it to the service industry. They see tradeoff as an important part of strategy and address it through their three types of value creation and through what they name as "time tradeoffs" versus "activity tradeoffs". Value chain follows the traditional manufacturing model where inputs become outputs as products. Value is added throughout the process and quality is the value created. The second type is a value network, which is based on the company being a mediator as in firms such as in the telecom industry where you connect people through voice, text and video. This type of value creation is based on having a large scale of customers using their network. Otherwise it loses its purpose. The last one is called value shops and value is created by solving problems specifically for certain customers. A company having the right competence and resources (such as knowledge) the customer lacks to solve their problem.¹⁶

To summarize these three types of value creation, Fjeldstad and Haanes see value chains as selling products, value networks as selling mediation between customers or places and value shops selling competencies and approaches to help solve unique

¹⁵Peter Wright, (1987), *A Refinement of Porter's Strategies*, p. 93

¹⁶ Ø. Fjeldstad and K. Haanes, (2001) *Strategy Tradeoffs in the Knowledge and Network Economy*, p.3-5

problems. Management consultancies are placed as value shops as they work with finding approaches and solving problems for customers. Here Fjeldstad and Haanes mention that it is important for these types of firms not to expand their scope too fast, because then they lose the specialization and competence. However, they still need to consider the future and as Fjeldstad and Haanes calls it, exploration, which is important to sustain the competence and creating new solutions that adapt to the markets demand.¹⁷

Every company needs to make tradeoffs when choosing a strategy in order to be successful. They mention the balance between exploration (long-term goals) versus exploitation (short-term goals). It is important to invest in research and building the organization, whether it is branding or competence and new knowledge. Depending on the type of value creation the firm chooses there will be a difference in tradeoffs. Value shops' tradeoff is for example specialization versus breadth. Being specialized is good for complex problems, however it can limit what the firm has to offer customers and therefore limit their market.¹⁸

5 Empirical Research: The Swedish management consulting market and Celerant

5.1 Konsultguiden 2008 - The Swedish Consulting Industry Today

Konsultguiden is Sweden's only independent place of reference covering the Swedish consulting industry. In an article found on a well renowned and known Swedish site connected to an annual named *Affärsvärldens konsultguide*, a man named Jonas Karström describes the current status on the Swedish management consulting industry.

The economic growth and revenue margins in the consulting industry are beginning to resemble the boom that the market experienced in the beginning of the millennium. The issue indicates that all areas of business are growing and the biggest area of concern is finding employees.

¹⁷ Ø. Fjeldstad and K. Haanes, (2001) Strategy Tradeoffs in the Knowledge and Network Economy, p.5-8

¹⁸ Ø. Fjeldstad and K. Haanes, (2001) Strategy Tradeoffs in the Knowledge and Network Economy, p.9

The edition describes the Swedish management consulting industry (based on the 2006 financial statements) as follows: a total of 500 consulting firms active in eleven different areas of business, some 138 000 people employed, sales totalling 125 billion SEK (a revenue of approximately 4999 million SEK in the Swedish management consulting sector¹⁹) and bottom line results of approximately 7.5 billion SEK. These numbers bring back memories of what has become known as the hysteria in the IT business segment in the latter part of the 1990's. It portrays a picture of a market that keeps experiencing a time of prosperity when it comes to increased revenues and overall economic growth. For consultants, there does not seem to be any apparent worries present. The order books keep growing and the assignments keep coming in to the firms. This however, increases the demand for consultants, which in turn has lead to severe employee shortages within most areas of business in the consulting industry.

When asked what the consulting firms see as the biggest threat to continued growth, more than every-other consultant answered: the shortage of competent employees. The number of people answering in this way has dramatically increased within the past few years; this years survey answers showed that 57 percent saw employee shortage as the biggest threat, last year this number was 39 percent and the year before a mere 15 percent. These numbers are summarized in the figure below.²⁰

¹⁹ Information based on Konsultguiden's ranking of management consultancies, webpage <http://www.affarsvarlden.se/konsultguiden/rankning.jsp?bransch=Management>, accessed 2008-01-05

²⁰ (Based on information from Konsultguiden webpage), <http://www.affarsvarlden.se/artKg.jsp?article=190446&konsultguiden=1>, accessed 2007-12-04

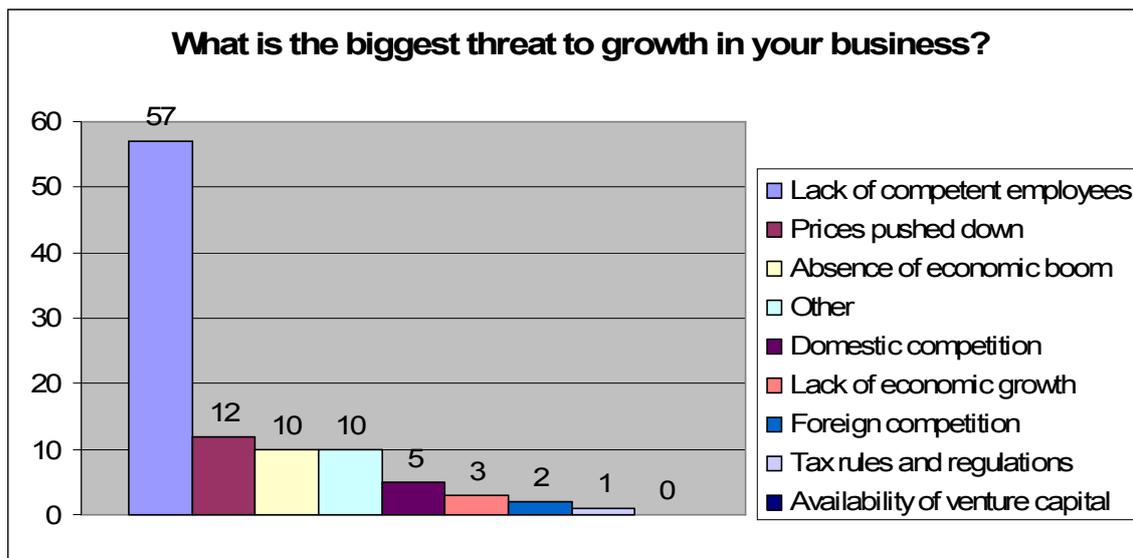


Figure 2: Consultancies mentions what are the major threats for their business.

The shortage is no longer only a threat to regular business expansion but it also leads to a situation where the company's revenue growth potential is affected in a negative way. The employee turnover increases and in most businesses this means that the few people who are unemployed have a great bartering position and hence the salaries skyrocket, leaving the consulting firms in a taxing salary situation and impacting the margins for years to follow. Once the bubble bursts the firms will be battling the opposite problem – too many employees on the payroll. The view of the future however, is not negatively impacted by the employee problem situation at least when it comes to thoughts of worry. Two thirds of the companies included believe in a double-digit business growth increase and nearly 60 percent of the consultants also believe in double-digit profit margins as well.

Looking at years most recently passed, one can clearly see that four out of the eleven areas of the consulting industry are growing by more than 20 percent, these are; management, PR-industry, recruitment and staffing.²¹ 2006 has been one of the best yet for the management consulting industry. The annual returns almost reached 10 billion SEK and economic growth surpassed 20 percent. The optimism is very high and there is barely room for thoughts of uncertainty and gloom when the market outlook is as it has been in 2006. The boom that began taking shape in 2004-2005 (when the break-even levels were reached following the 2001-2002 crash) has kept on

²¹ Konsultguiden webpage, <http://www.affarsvarlden.se/artKg.jsp?article=190446&konsultguiden=1>, accessed 2007-12-04

growing and it has encouraged and led to the expansion of many management consultancies. This expansion has helped fuel the aforementioned lack of consultants'; senior as well as junior consultants are in elevated demand.²² The shortage is a result of the management consultancies cutting down on expenses and on employees. In accordance with the business picking up the management consultancies have successively started to expand their organizations again. Within the past year, the shortage of competent senior as well as junior consultants has become severe. The problem becomes more apparent when *Konsultguiden* asks the management consultancies what they consider their biggest threat to their expansion being.²³

This boom has several explanations; firstly, the overall prosperous state of the economy, secondly is globalization, and lastly are the exceptional conditions in the financial sector. The lastly mentioned factor is where a change in trends is beginning to take serious shape, a few years of profuse spending is beginning to take its toll and a change in the trend is only natural. Management consultancies often prosper when the overall economy prospers, but these past few years have been unusually good to companies offering strategic and structural advice as in the management consulting industry.²⁴ The high level of activity in the finance sector has led to increased outsourcing, for several reasons. There are financial gains to hiring management consultancies; making it more profitable to outsource to companies such as McKinsey and BCG among others.²⁵ However, as times of decreased economic activity approach, so do programs aimed at cutting costs, something sure to directly impact the consulting industry as a whole. A complete drop in assignments is not likely, but a decrease is definitely to be expected, and diminishing business from the finance sector hits hard – because they are very attractive employers – hiring in bulk and are often repeat customers. However, this does not mean that the finance sector is the only sector to provide business. Companies such as McKinsey and its main competitors are surfing another great wave – globalization. The international expansion and economical growth of countries such as China, India, Russia and Brazil

²²Isaksson, P., (2007), *Konsultguiden* 2008, p. 20

²³ *Konsultguiden* webpage, <http://www.affarsvarlden.se/artKlg.jsp?article=190446&konsultguiden=1>, accessed 2007-12-04

²⁴ Isaksson, P., (2007), *Konsultguiden*, p. 21

²⁵ Isaksson, P., (2007), *Konsultguiden*, p. 23

has been very lucrative for the management consulting industry, and there are no indications of this slowing down for anything other than miniscule periods of time.²⁶

The PR-industry is the one in which the most money is generated; revenues are up by 22 percent. The article goes on to explain that Sweden's former prime minister; Göran Persson, is one of the most talked about new consultant recruits to JKL, a PR-company. The biggest competitor to JKL is Westlander. The CEO of Westlander (Patrik Westlander) expresses that the entry of such a well-known person does not just bring good publicity and attention to JKL – but also to the whole industry. He adds that it also means that critics will be more prone to monitor the industry, something that he personally welcomes. He goes on to say that an increased monitoring of the industry may lead to a development of openness of the consultancies as far as their ways of working and what assignments they are working on. Westlander believes this development is important in order to improve the reputation of the industry and in the long run being able to increase the opportunities of finding and attracting new competence and talent to the industry as a whole. We find his comments relevant to the fact of shedding more light on the consulting industry. Making it more open and possibly more easy to access to gather information on processes such as those we find interesting when writing this essay. The PR-industry in itself is not what we aimed to focus on, and nor will we continue with any further discussions here – but, we believe that these effects may even be positive for Celerant.

The highest margins are upheld by the auditing company consultancies. This is mainly because of legal frameworks such as Sarbanes Oxley Act and national rules and regulations have forced customers to greatly increase their financial control. Bigger order books have resulted in the Big Four investing more in marketing within the past few years. This concerns marketing towards students and former employees in order to attract a young and well-educated workforce that is willing and able to take on all the new business that is generated.²⁷ It will be interesting to follow the coming developments in the coming year, how much more consulting do companies in Sweden need, and how many consultant's will be hired to get the job done.

²⁶Isaksson, P., (2007), Konsultguiden, p. 25

²⁷ Konsultguiden webpage, <http://www.affarsvarlden.se/artKlg.jsp?article=190446&konsultguiden=1>, accessed 2007-12-04

5.2 Celerant

In order to find information about Celerant we decided to look more closely at their webpage. Our goal is to find underlying information and hints about strategies pertaining to expansion, and specifically to international expansion. We also want to look at their product, and what they claim differentiates their services from others in the same field. A lot of the points of interest we expect to have answered by looking more closely at the webpage.

We were disappointed to find that the webpage did not have specific and tailored pages for every country in which they operate. Naturally the overall information is the same, but some history and “fun facts” about their entry to the market is also found there. This complicates the preparation process for the interview, our questions will need to be broader and less specified because the lack of overall information we cannot pinpoint specific question areas.

5.2.1 Interview with Iben Mollerup Skov

Ms. Mollerup Skov works as the Nordic Marketing Manager at Celerant in Copenhagen, and has been employed there for 14 months. We will summarize the outcome of the interview, extracting the information we found to be most relevant and useful.

Celerant decided to expand in the Nordic region consisting of Norway, Denmark and Sweden. Their biggest investment has been made in Sweden where they (before entering the market) already had existing relationships with companies and where they see as Ms. Mollerup Skov puts it, “a critical mass of companies” that makes Sweden an attractive market. Sweden is the biggest country in the Nordic region and Celerant thinks it is very important to have good representation here.

As for their strategic moves connected to the market entry, two main factors were mentioned:

First was to have a sufficient number of clients or potential clients in the region – which Celerant did. Through their existing clients, they were able to expand their client network through recommendations and connections; networking is key around the world.

When it comes to selling their services Celerant also capitalizes on their client relationships, they offer potential clients the opportunity to contact previous clients for references. Knowing that there is a good supply of potential clients, makes the market a great one of opportunity for Celerant. They have invested in PR campaigns to build up their name in the region. Celerant, according to Ms. Mollerup Skov, has a comprehensive list of clients, a list that is in a steadily growing phase. The management consulting industry in which Celerant is active in Europe is a 14 billion Euro industry, 8 percent of which is found in the Nordic region.

Celerant predicts that there is positive economic growth in the Nordic region within operational management (which is the segment in which Celerant operates and positions itself) with an annual 15 % increase in the next 5 years.

Celerant works with target based payments; they are paid only for what they do. They put away a portion of the cost for hiring them as insurance for the company until they have received the results/changes that Celerant has promised them. They are very strict with following to a specific timeline that they agree on with the client. Celerant has so far retrieved 99.8 % of their revenue.

Ms. Mollerup Skov describes the Swedish market as very diversified and that it is fruitful for companies focusing on operational and implementation management. Ms. Mollerup Skov explains that the type of consulting Celerant offers in Sweden is different from the kind of consulting offered by their competitors. They work with implementation consulting, a type of consulting that works to change behavior. There are several local consultancies that exist on the market but are focused locally and not globally. Most potential clients are within the public sector in the Nordic region. Celerant also sees a tendency towards Swedish companies being accustomed to using consultants, compared to companies in Norway and Denmark who tend to be very hesitant. When asked what makes Sweden different from other markets the following are mentioned: language, a slower decision making process and hence a longer implementation period because of this.

Ms. Mollerup Skov says that their biggest competitors in Sweden are the people within the companies who want to do the job themselves, and hence work against them even when they have been hired for something.

The second factor is having and maintaining the right local talents in the company, and Ms. Mollerup Skov explained that the Swedish market offers many possible employees. Celerant has focused on recruiting young talents in Sweden by employer branding and with its membership in Nova100. Nova 100 is a community whose members are considered the top talents in Sweden. It is very important to get the right people, and the way Celerant works – new employees go into consulting teams directly, it is a very hands on organization. The biggest threat is scarce employee resources.

In the article, they mention their target being 100 people working in Sweden within the next 2 years (an increase from 30 to 100) and Ms. Mollerup Skov sees this as highly likely to reach, but something that will require a lot of hard work. She emphasizes the importance of having the right people on board to enable that the work is done right and with high quality.

Ms. Mollerup Skov divides the Swedish market into four sectors of consulting: human resources, IT, strategic consulting and operational consulting; Celerant works with operational consulting. When asked if the economic trends and threats of decreased economic activity after a longer time of fruitful growth, is a threat to the planned expansion in Sweden, she replied that as the trends shift so does the demand - to the extent of what kind of services that are demanded, and the type of customer that comes forward.²⁸

5.2.2 The website

When the page has finished loading, we are faced with a relatively simple page of information, no banners and nothing flashy. The only information of relevance was a press release stating some quick facts about Celerant Consulting. It mentioned that Celerant is a UK-based company with 650 employees based in the USA and Europe where 70 are based in the Nordic region and total revenue of approximately \$145

²⁸Telephone interview with Iben Mollerup Skov, 071211

million in 2006. They mention facts such as Celerant performing well for 20 years with 700 projects in 98 countries that they claim have delivered approximately \$10 billion in “sustainable value” for their client.²⁹

In the management consulting industry, the company and its employees are the product. Therefore, to figure out more about the product we decide to look more closely at what it is that Celerant offers its customers. Celerant caters to a wide range of industries, examples of known companies that have hired them are: Akzo Nobel, Beyer, SAAB and GlaxoSmithKline.³⁰

Celerant works with a method known as Closework®, which is an approach in which they identify key issues quickly and come up with solutions that will deliver sustainable improvements. They express that they aim to work very close to their customers and they follow certain well worked through tools and capabilities that have been used for the past two decades, including: asset management, business performance management, innovation, integrated supply chain, organisational effectiveness, process excellence and revenue growth.³¹

As far as working at Celerant goes, there is brief information on what they look for in their employees. They put a lot of emphasis on the importance of their employees having IQ as well as EQ; it is important that the employees know how to handle working with people as well as being able to deliver sustainable results to their clients. The Celerant employee needs to be able to work together with the employees of the client – whether that be in a boiler suit or a designer suit. They express that there is not a typical Celerant person – just as there is not any typical type of job assignment. The Closework® approach is meant to make a meaning out of their work for their clients, which has proven to be very meaningful to them as well.

The areas of work that are presented on the website are as follows: consulting – where the consultant works face to face with clients from day one; project management – multi-faceted teams and task-forces working towards delivering complex change;

²⁹ Press release: “Celerant Consulting Celebrating 20 years...”, http://216.236.237.145/About_Us/Press_Releases/7.9.07%20-%2020th%20birthday.pdf, accessed 2008-01-04

³⁰ Celerant webpage, http://www.celerant.se/Client_Services/client_services.aspx, accessed 2007-11-25

³¹ Celerant webpage, http://www.celerant.se/Client_Services/capabilities.aspx, accessed on 080105

business development – selling, accustoming and managing the delivery value propositions made to clients, and lastly; support functions; an area that serves the needs of a quickly growing professional service firm.³²

There is an extensive media centre with its own media inbox, media downloads, video case studies, media contacts as well as a link to local media contacts.³³ We looked up the media contact and contacted the person given, thinking it would lead us to the Swedish office, it was in Sweden – but an outsourced job to a person at another company.³⁴ When looking at office locations the homepage offers information to twelve offices, around the world, including their headquarter office in the UK.³⁵

6 Analysis

In order to make a good analysis we have decided to make a short interpretation of the empirical and historical part to give us a summarizing description of the Swedish management consulting industry as it is seen today. This will be described in section 6.1. Following will be an analysis in section 6.2 of the Swedish market with Porter as a tool to see which the major factors are and what we can see as areas to emphasize when entering the Swedish market. Section 6.3 is then a comparison of the findings we retrieved in our analysis in section 6.2 to Celerant's view of the Swedish market and their strategy. This will give us new findings to look at and see if there are differences or similarities between our findings and how Celerant has acted in the Swedish management consulting market.

6.1 Swedish Management Consulting Market

The doctoral thesis by Jonas Bäcklund described the evolution of management consultancies in Sweden, and gave a clear picture of why the industry looks as it does today (until the year 2001). We believe that he gives a thoroughly looked over view of the way things are and have been. The Swedish management consulting industry experienced growth between the 1960's and 1970's when it came to mainly local

³²Celerant webpage, <http://www.celerant.se/Careers/careers.aspx>, accessed on 080105

³³Celerant webpage, http://www.celerant.se/About_Us/media_centre.aspx, accessed on 080105

³⁴Celerant webpage, http://www.celerant.se/About_Us/media_contacts.aspx, accessed on 080105

³⁵Celerant webpage, http://www.celerant.se/About_Us/office_locations.aspx, accessed on 080105

actors, something which caught the interest of American competitors who began their international expansion in Europe by entering the major markets: German, French and English. It is understandable that these countries are entered first, considering their sizes and the fact that there are so many more business opportunities here than there are in smaller countries. In 2001, the firms referred to by Bäcklund as the Classical American consulting firms and the Big Five, had taken over as the dominant and largest actors on the Swedish market. The fact that these countries entered and have stayed since shows that the Swedish market is an attractive one for foreign companies to enter. They have taken over much bigger parts of the market leaving the local actors with less of a market share in certain areas of business. This can be seen as a natural process of business evolution, but it still underlines the truth that the Swedish market is an attractive and “workable” one. However, it is important to remember that just as the number of actors on the management consulting market have increased so have the actors on the rest of the Swedish market – hence, there are more pieces available to get business out of. It is hard to imagine that global actors have taken over completely, suffocating the will to establish any local actors.

The 2007 edition of Konsultguiden described the Swedish management consulting industry as: a total of 500 consulting firms active in eleven different areas of business, some 138 000 people employed, sales totalling 125 billion SEK and bottom line results of approximately 7.5 billion SEK, based on the 2006 financial statements. This portrays a picture of the Swedish market as one that keeps prospering when it comes to increased revenues and overall economic growth, compared to previous years. There is an increase in demand for consultants, something that in turn has led to severe employee shortages within most areas of business in the consulting industry. As we wrote earlier, the biggest threat to continued growth of the industry is the shortage of competent employees. The view of this threat has dramatically increased within the past few years; this year's survey answers showed that 57 percent saw employee shortage as the biggest threat, last year this number was 39 percent and the year before a mere 15 percent. The shortage is not only a threat to regular business expansion but it also leads to a situation where company revenue growth potential is negatively affected. The employee turnover has increased and in most businesses this has meant that the few people who are unemployed have a great bartering position and hence the salaries skyrocket. This is not only the case in this area of business, but

it definitely hits hard here since so much of the consulting job is having the right education, experience and personality, a combination of these has proven to be difficult to find, and hence we end up in the current situation.

The overall information on the Swedish market shows that the main actors (regardless of segment) are the Big Four and the Classical American companies. The smaller companies often niche themselves to specific areas of business catering to a certain type of client. Based on the information we have gathered on Celerant we interpret them to be a niching kind of company, especially in Sweden since they are still considered to be new entrants. Even if they have handled big business abroad we see it as quite a challenge for them to reach the levels of business held by companies such as McKinsey and CapGemini on the Swedish market. Hans Lindeman mentioned in the article that these companies are the ones they aim to compete with, and we wonder if this is a realistic goal and if it pertains to all areas of business covered by these two big actors.

Furthermore, we see tendencies in the Swedish local market moving from strategic management towards implementation management, whether this is a shift in the demand or in trends is hard to know until it has been played out. The Swedish market is explained as an open market to consultancies by Celerant, which might also explain the large number of local actors on the market, something that might stand especially true in times of good economic growth and prosperity. The only big cloud mentioned by both Konsultguiden and Ms. Mollerup Skov is the difficulties in finding competent employees.

6.2 Porter's Strategy

We want to use Porter's theory to analyze the Swedish management consulting industry to give us a picture of what factors that affects mostly when entering the Swedish market. By looking at the Swedish market now and the different forces, we should be able to pinpoint the major strengths and weaknesses that we think should be focused on when entering the market. We decided to analyze the market through looking at the different forces separately and we will carry through the analysis in the same way.

6.2.1 “New Consultancies” – New Entrants

The Swedish market is quite heterogeneous and has a rich combination of big multinational companies and local consultancies. As Bäcklund describes the Swedish market, we see that the different consultancies are specialized in specific areas of expertise and not in direct competition with each other. McKinsey has specifically worked with strategic management while others such as Accenture specialize in IT management. The importance here is to make sure that your company has an existing client relationship and image within that market. As one barrier mentioned, it might create greater cost to enter the market. As a management consultancy, it is important to keep up with the trends and desires from companies. Seeing where the problems seem to lie and where companies are willing to spend their money. Keeping to the same tactic might cause difficulties for the company in the future if others come with better services and solutions.

6.2.2 “Consultants” – Suppliers

This is one of the major parts of the management consulting industry. These consultancies are built upon the competence of their consultants. It is important to have the knowledge of the company and the way they work as well as the local knowledge and competence required at the subsidiary level. However, it is not always available and the firm needs to find ways to recruit the top talents and make themselves into an attractive employer. At the moment, there is a short supply of consultants on the Swedish market. According to the article from Konsultguiden, 57 % said that the biggest concern is the lack of competent people to employ. It is crucial for a new company that enters the market to build its image not just for the potential clients but also for potential employees. Being at job fairs, announcing positions and marketing themselves in different ways will help them be more visible and hopefully build an image that will attract competent people to their business. This can also entail higher start up costs since marketing can cost a lot and since there is a lack of consultants their bargaining power for salary will be higher and probably cost more for the company to hire people. Another point to that is worth considering when entering a new market is if the country or area can supply such competence. Some areas of the world do not have the literacy rate or higher education that is required in order to bring people to the competence level that management consultancies demand. This would be one of the crucial areas to focus on since this is what builds the company. The consultancy is just as good as their consultants are.

Clients base their decision mostly on how well they think these consultants can do the job.

6.2.3 “Clients”- Buyers

Consultancies build their customer base upon relationships and referrals from satisfied clients. It is important to foster a good image so that the clients feel confident in that they know what they get. There should be substance behind the image. However, since services are consumed at the same time as you pay for it, it is not easy to examine the quality before the buy. That is why referrals and satisfied customers, who can spread the word about the company, are essential and lead to ways of gaining more business, either from existing clients or through new clients. One big difference that exists between some manufacturing firms and consultancies is the quantity of customers available. Consultancies are very focused within specific areas and work with big projects that take a certain amount of time. There is a greater effort needed to gain new clients for a management consultancy than a company that sells to the great consumer mass. If it is a new company, it is crucial to have some ties to the market from existing clients who are able to improve the company’s image on that market. Since the company will have to spend money on marketing and recruitment, the cost for their services will be higher and not all companies are willing to pay the price for such services. Therefore, it is important to analyze the potential clients in the market. Are there enough companies around that we can see as potential clients? How much are they willing to pay for the services we can provide? How much will our initial starting cost affect our prices? Will that in turn affect the business there? Is it still prosperous to enter the market?

Although there might be growth potential in the industry as such, the company needs to look specifically in their area of expertise, do they see companies needing solutions in this area and therefore will be interested in hiring them for the price they take. Also look at your solutions and problem solving, is this something that is institutionalizing in the market of choice, meaning that companies know how to solve the problem themselves and therefore do not see a need for someone else to solve it for them. It could be a question of “tweaking” or redirecting the services the company offers. In the Swedish market, there is a trend going from strategy management towards more of an implementation management. There will always be

different trends showing what area will be slightly more prosperous to look into. For example, Corporate Social Responsibility has been a hot topic and area to work in, however, as all companies see it as a basic part to have in their business, it has become institutionalized and companies know how to deal with this area. Fostering and caring for the clients relationship makes sure that the company will have a stable growth. Never be satisfied with the clients you have, always see potential for more. Consultancies are much affected by the economic development in the country or area. If the companies do not have money to pay for their services, they won't hire the consultancies and therefore there will be less business for them. In bad times, it is good to have stable and long term relationships with certain clients to ensure perseverance. This leads us into ensuring perseverance in the face of substitutes.

6.2.4 “Companies, Competence, Knowledge”- Substitute products

It is important to be more specialized focused, but broad enough to cover areas that can potentially foster business for the consultancy. Having the right competence and knowledge to enable the consultancy to be a little broader but at the same time very specific can give it room to move out of their usual business when there are recessions. As Fjeldstad and Haanes mention in their description of value shops (which management consultancies can be seen as) it is important to not expand too fast and lose ones depth. However, they see the importance of “exploration” for long term sustainability and keeping up with the trends of the market. This ties in a bit with what was mentioned above about certain structures being institutionalized. Consultancies need to be up to date and always be a step ahead of companies so that they do not lose their purpose for these companies. Peter Wright gives a similar thought on strategy and believes that a focused strategy is more appropriate for smaller companies such as Celerant in order to grow.

6.2.5 Rivalry amongst existing consultancies

Rivalry does not seem to be a big threat on the Swedish market since it is very heterogeneous. The consultancies fringe in on each others areas of expertise but not enough to seem like a serious threat to their specific area. If the economic development is slow, then there might be some tension between the different consultancies. The rivalry that seems to be interesting on the Swedish market is that

of recruiting the right consultants to their firm. The different consultancies have to fight to recruit the right talent to their business.

To summarize the analysis of the Swedish market through Porter's perspective, we see that the main areas of focus lie within the recruitment of consultants and creating opportunities for expanding their client base. However, the force from substitutes seem to be increasingly important since trends change fast and at the moment it seems to be a shift in the Swedish market from strategy to implementation management. It is always important to see sustainability for your expertise in a market in order to be successful and prosperous.

6.3 Celerant's Strategy

As we look at the way Celerant put their strategy towards the Swedish market we can see both similarities and differences between theirs and Porter's strategy. As Ms. Mollerup Skov puts it, there is great potential in the Swedish market. Swedish companies seem to be more open to consulting help than the other Nordic countries. She explains that there will be a 15 % growth per year in the Nordic market and that they see themselves expanding in Sweden. Through the numbers gathered in our research and what we received from Celerant we have reached some economical assumptions of how Celerant is position in the Swedish market.

Number employed at Celerant in 2006:	600
Number employed at Celerant in Sweden:	30
Total revenue of the Swedish management consulting market ³⁶ :	4999 million SEK
Total revenue for Celerant 2006: \$ 145 million (x 6.35 for SEK) =	920.75 million SEK
Revenue per employee in 2006: 920.75/600=	1.5346 million SEK
	= 1535 thousand SEK per employee
Total revenue in Sweden 2006: 1535 x 30= 46050 =	46 million SEK
Celerant's estimated market share in Sweden: 46/ 4999=	0.92 %

³⁶ Only the management consulting sector.

This shows that Celerant possess a very small part of the Swedish market. This could be due to two factors. Firstly, that they have been on the market for quite a short time. They have not fully established themselves on the Swedish market and secondly, they are niched to a specific area of consulting being operational management. We can assume that this makes up a very small part of the Swedish consulting services and therefore explains why their percentage is so small.

Looking at the strategy we start with the similarities. Celerant has chosen to put more emphasis on the clients (buyers) and consultants (suppliers). When it comes to clients, Celerant only enters markets where they have existing client relationships. They say that this is their way of gaining new clients as well as being more available for their existing clients at a local level. Celerant works with referrals from their clients as well as heavy marketing to help boost their image towards companies. This seems to follow what other consultancies mentioned about shedding more light on the management consultancy industry such as former Prime Minister, Göran Persson, joining JKL. Management consultants need to build their image and Celerant does this through intensive PR and through satisfied clients. Their other focus is on their consultants. For Celerant, Ms. Mollerup Skov stressed the importance of competent and talented people working for the company. They need the competence and experience of different consultants in order to gain more business and create an image around their company. Since Celerant works with a guarantee system for their clients, it is important that their consultants can do the job; otherwise it will be costly for the company. To gain these consultants, they work with marketing here as well. It is important to make them an attractive employer for talented consultants. Celerant has joined the organization Nova 100 to try to recruit the top talents in Sweden. These two strategies focus are evident in the analysis of the Swedish market with Porter's theory. Both the consultants and clients are seen as important factors to consider and to emphasize as a management consultancy entering a new market. As for rivalry amongst consultancies, both Porter and Celerant do not see it as a big threat. Celerant points out that within their sector of operational management, there are no big rival companies. They point out that the main resistance and problems come from the companies who they want to service. These companies believe that they can do the job themselves and see no need for a consultancy's help. The Porter analysis looks at it from Bäcklund's description of the Swedish market being heterogeneous. As

mentioned previously, this makes the rivalry between the different consultancies quite small since they all have their specific area of expertise and deal with different problems. The only rivalry that the Porter analysis emphasize is the fight for consultants, however Celerant have not focused on this point.

What differs the most from the Porter analysis is that of new entrants and substitute products. In a sense, these two forces can be combined to look at the potential threat of substitutes, which can also be introduced through new entrants. It is important for Celerant to keep up to date on the newest ways and methods as well as solutions they can offer to their clients. They have stated that they use a unique way of business where they offer a guarantee for their clients as well as using their method called Closework®. These are trademarks that Celerant live on to encompass what they stand for and how they work. Since they work in a very niched market, it is still important to see the potential risk of their services becoming out of date or institutionalized. Like Fjeldstad and Haanes mention of exploration. There need to be long term goals for developing the organization and making sure that the expertise they have is usable for the problems that the companies face. At the moment, the trends in the Swedish market have shifted from strategic to more operational excellence. This means that the market is prosperous for Celerant and this might not be an immediate problem they encounter, but development takes time and with consulting, it is important to predict the future trends.

Although the market is fruitful for Celerant, we assume that they only have a small portion of the market being 0.92 %. This entails that they have much to gain before being stable in the Swedish market. Their company image and business growth are important parts to develop on the Swedish market to be successful.

7 End Discussion

We have now looked at the Swedish management consulting industry and analyzed it with Porter's Five Forces as our tool. We have then looked at Celerant's strategy and compared it to our findings in section 6.2. The information from Konsultguiden and Celerant with the help of Porter's theory gives a general picture of how a management consultancy should tackle the Swedish market when planning its strategy for entering

the market. Celerant give us fresh data on how consultancies are thinking when entering the Swedish market. There are several similarities derived from the analysis. We see that the forces of consultants and clients are greater for management consultancies than the other three forces when entering the Swedish market of today. However, the other forces are not to be neglected; forces such as substitutes and rivalry. It is crucial to monitor the trends since the future business of management consultancies depends on these trends as well as the economic development in the country. The results we retrieved are not complete and further research would be relevant to give a more in depth understanding of the Swedish management consulting market for the purpose of forming strategies for entering the market. What we found from our research is more of guidelines for areas to look into and where the focus should lay when looking at the Swedish market from a management consultancy's perspective.

Points of interest that we consider being worth examining is the question of rivals in the Swedish market. Although the market is heterogeneous, there must be some type of rivalry between consultancies. This could help bring light to optimizing strategies. We think that the internationalization of companies is also of interest. Here we can look at companies such as Celerant and their internationalization process into another country such as Sweden. Emphasis could be put on the cultural difference and knowledge transfer between the headquarters and the subsidiary in a consulting firm. Transaction cost could be another possible research point. How much does it cost to enter a new market for a consultancy? What could be the necessary prerequisites needed in order for the company to prosper there? The limited information we received did not give us a complete picture of the management consulting industry through Porter. Therefore, by redefining Porter's theory of Five Forces one step further, creating a complete picture of how the management consulting industry would be defined through Porter's Five Forces would be an interesting topic. The analysis was specified on the Swedish market, which means that the Porter's theory might look different in other markets. It would be interesting to look at another market in the service industry and see if we can find a pattern or if there is a need for tailoring the theory for every market. Future studies could be done on other international firms entering the Swedish market, or planning to do so. One could also examine companies that have been here for a few year or have just recently arrived to

see what specific actions they took in order to be prepared for the Swedish market and looking more closely at what experiences they actually had. There is a chance that ones expectations are different from the actual results, and these differences would be worth studying.

8 Conclusion

We have now analyzed the Swedish market based on Celerant Consulting, Konsultguiden with a framework of Michael Porter's theory of Five Forces. Our original problem statement said: What factors should be taken into account by a new entrant when entering the Swedish management consulting industry? We have tried to answer this question by first analyzing the Swedish management consulting market of today and pulling out the essential parts to look at. Then taking that market analysis we then used Porter's theory of Five Forces to interpret what parts are essential to focus on when entering the Swedish management consulting market. We look at how Porter would define the strengths and weaknesses for a consultancy entering the market. After that, we looked at Celerant Consulting and their actual strategy for entering the Swedish market and compared it to our analysis of Porter's theory to see if there were any similarities or differences. Our results found that the emphasis lay on clients and the consultants both for Celerant and the Porter strategy. It seems that these forces are the most important for consultancies to focus on when entering a new market. However, this has been specifically niched onto the Swedish market and therefore might not apply for all markets. Since there were limited resources due to choice of company as well as limiting guidelines, our results were not as sturdy as we had hoped. We believe there is need to make a deeper analysis of the Swedish market looking at the recent trends and how it affects the consultancies on the market.

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APPENDIX

Brainstorming thoughts from the incipient stages of the essay Different Perspectives and questions we aim to get answered throughout the process of the paper:

How and why this UK based MNC decided to enter a market such as the Swedish one.

Why now?

How long did the planning take and what specific steps did they take in order to understand the Swedish market?

Did they start in the other Scandinavian markets before they entered Sweden – or is Sweden the first in an overarching Scandinavian expansion?

Will they try to differentiate their services in the beginning in order to attract specific customers, or will they claim to be the same as the “big ones” (McKinsey, CapGemini etc.) in order to “steal” specific target customers?

We could look at the transfer of knowledge from the domestic country to the international market. How do they build their company on the same values and quality of services in a different country?

Giving the difference between manufacturing a product and service, are the conditions different or same when entering a new market?

Is Celerant’s establishment based on entering a new market for new customers or building a relationship with existing customer?

Do we see a pattern in the consultancy industry when it comes to entering new markets? Is it as important, or more important to focus on company culture and the individual-based skills in the consultant industry when entering new markets? Consultancies base their brand and services on their culture and their expertise in the area by having individuals with specialized skills. Could this lead to a different strategy posed compared to other industries?

Interview questions for Ms. Mollerup Skov at Celerant, Copenhagen

Hello, our names are Jeanette Björlin and Thérèse Bojler and we are students of the business program. Thank you so much for taking the time to help us by answering these questions that will be a part of our bachelor's thesis in business at Uppsala University.

The interest in Celerant arose when reading an article in the Swedish daily business news paper - *Dagens Industri* (in the September 21, 2007 issue), where the boss of Celerant's Nordic region; Hans Lindeman, was interviewed.

We found it interesting to study why a company that is already well established on the international market (with business in more than 20 countries) chose to enter the Swedish market. Furthermore we found it very interesting that this new entrant had its sights set on competing with already well established "big players" such as McKinsey and CapGemini.

Celerant has highly set standards as far as financial and organizational goals go. In the article it says that Celerant offers a discounted price to its customers if the set goals of rationalization are not met. This is a bold statement in our opinion, and we wonder if this stands valid throughout the company at all places of business, or if this is just a special deal in Sweden, while trying to work up a name on the Swedish management consulting market, or if it just a start-up offer.

1. Please state your name, title, occupation and time employed at Celerant.
2. What were the reasons for Celerant entering the Swedish market? How did Celerant come to these conclusions?
3. What do you consider the most important factors being to consider when entering a new market from a management consultancy's perspective?

(Please specify by relating to the entry to the Swedish market, for example:

How long did the planning process take and what specific steps/precautions did Celerant's employees take in order to understand the Swedish market?

Did Celerant set up in other Scandinavian markets before entering Sweden as one step in the process of coming to Sweden?

How does Celerant plan to spread the word of their entry to gain the sought after market share?)

4. How would you describe the Swedish market for the management consultancy industry?
5. Did you apply any specific strategy for the planning/entering onto the Swedish market? Why this strategy?
(How/why did Celerant, as a UK based company, decide to enter a market such as the Swedish one at a time like this, when there is an increasing fear of a permeating decrease in economic activity?)
6. What factors were taken into account when formulating your strategy? What have you focused on mostly?
7. Have you succeeded/failed with your strategy? In what way?
8. What has been the most difficult part of entering the Swedish market? Why?
Did anything drastically change in your strategy while entering the Swedish market? Did something unexpected happen? If yes, do you have an idea about why it happened?
9. Will/have you reached the goals set out when entering the Swedish market?
10. Are there any markets in which Celerant does compete on the same level as McKinsey and CapGemini? (As Hans Lindeman expresses is the goal for Celerant on the Swedish market.)