Strategic Agility in a Small Knowledge Intensive Business Services Company: Case Swot Consulting

Organization and Management

Master's thesis

Maarit Santala

2009

Table of Contents

Tiivistelmä

Tutkimuksen tavoitteet:

Tutkimuksen päätavoite oli selvittää onko strateginen ketteryys olennainen näkökulma puhuttaessa pienistä asiantuntijaorganisaatioista. Toissijaiset tavoitteet oli määrittää strategisen ketteryyden osatekijät pienissä asiantuntijaorganisaatioissa, sekä antaa Swot Consultingille suosituksia tiellä strategiseen ketteryyteen.

Metodologia:

Tämä on yhden tapauksen case-tutkimus, ja tiedon keräämismenetelmänä on käytetty puolistrukturoituja haastatteluja, havainnointia sekä Swot Consultingilta saadun taustamateriaalin analysointia. Analysointityökaluna on käytetty analyyttista induktiota.

Tutkimuksen päälöydökset:

Strateginen ketteryys on olennainen näkökulma tutkittaessa pieniä asiantuntijaorganisaatioita, mutta niissä on tiettyjä erityispiirteitä jotka täytyy ottaa huomioon verrattaessa suuriin yrityksiin. Tärkein näistä erityispiirteistä on yksilöiden rooli, joka on huomattavan korostunut pienissä asiantuntijaorganisaatioissa. Älykkäiden ja korkeasti koulutettujen ihmisten johtamiseen ja motivointiin liittyy myös haasteita jotka täytyy ottaa huomioon.

Avainsanat:

Asiantuntijaorganisaatio, liikkeenjohdon konsultointi, pienet ja keskisuuret yritykset, strateginen ketteryys

Abstract

Objectives of the research:

The main objective of this research was to find out whether strategic agility is a relevant aspect when discussing small KIBS. Secondary objectives were to identify the factors of strategic agility in small KIBS, as well as to give recommendations to Swot Consulting on how to reach strategic agility.

Methodology:

This is a single case research and the data collection methods were semi-structured interviews, observation and analysis of existing background information provided by Swot Consulting. The data was analysed by the means of analytic induction.

Key findings of the study:

It is valid to discuss strategic agility in small KIBS, and when compared with big corporations, there are some special aspects that need to be taken into consideration. The most important aspect is the role of individuals, which is very much emphasised in small KIBS. Also the challenges related to managing and motivating smart and highly educated people need to be taken into consideration.

Keywords:

Knowledge intensive business services (KIBS), small and medium sized companies, management consulting, strategic agility

1   Introduction

The studied phenomenon in this thesis is small knowledge intensive business services (KIBS), and the viewpoint is strategic agility. This thesis is an assignment for my employer, Oy Swot Consulting Finland Ltd (later: Swot Consulting), which is a small management consultancy that focuses on technology industries. I have chosen this specific subject because Swot Consulting has started off as a small company that only employed a few people, but it has experienced relatively strong growth and is currently at a place where it is no longer a very small and entrepreneur driven company, but it is also not yet a big company with a complex organisational structure. As Swot Consulting has an objective to keep growing, a choice needs to be made: whether to bring in a more strategic approach without losing the flexibility of a small company – i.e. move from pure agility to strategic agility – or take the traditional highway and start building possibly unnecessary structure and hierarchy.

In today's fast changing and increasingly global business environment, hardly any companies are safe from competition anymore. Traditional long-term strategic planning and the strategies that would not be altered are typically not anymore sources of competitive advantage, because in most industries there is no certainty about the evolution of the business environment and what it will be like a year from now (Doz & Kosonen, 2008; Hamel, 2007). There are phenomenon such as deregulation and trade liberalisation, globalisation and the use of internet, all of which make the life cycles (from strategy to a single product) faster and the competition less predictable (Hamel, 2007). Companies that are to survive in this environment need to be in constant search for new business opportunities and sense where the next big thing might come from. Staying on top of the competition also means being able to make fast turns if that is what it takes to reach the company's big goal (vision). A strategically agile company is well equipped to face these challenges.

Utilising the services of management consultancies and other KIBS is very common nowadays (Furusten, 2009), and according to Alvesson (2004), the growing interest by different stakeholders reflects the growth and significance of this sector. Regardless of the economic

downturn, the management consulting market is growing and there is demand for consulting services (Korhonen, 2009). Small companies (i.e. companies that employ less than 50 people) on the other hand are the pulse of the economy – they make up for more than 95 percent of all companies (Deakins & Freel, 2009), and they have a crucial role in producing innovations.

The above mentioned factors make small KIBS and especially small management consultancies a very interesting phenomenon and research object. Strategic agility is an important factor in today's competitive and turbulent business environment, but it has so far not been studied in the context of small KIBS. However, as the small KIBS compete for the customers' attention and assignments, they need to be a step ahead of both the customer and their competitors in order to be successful, which demands sensitivity and capability for renewal, i.e. strategic agility.

1.1 Objectives of the Study

Strategic agility is a relatively new area of study, and it has mainly been researched in big corporations such as IBM or Nokia. Therefore I am interested in finding out whether it also has a role in small knowledge intensive business services, and if so, in what form.

The main research question that I intend to answer in this thesis is:

Is strategic agility a relevant aspect when discussing small KIBS?

Secondary questions are:

What are the factors of strategic agility in small KIBS?

How should Swot Consulting revise its management and operations in order to reach strategic agility?

1.2 Terminology

In this chapter I will briefly define each of the most important concepts that are used in this thesis, namely knowledge intensive business services (KIBS), management consulting, small and medium sized companies, and strategic agility.

Knowledge Intensive Business Services (KIBS)

According to Alvesson (2004), KIBS are companies that employ people working with complex tasks that call for autonomy and the use of judgment, possibly rendering traditional forms of control inadequate or only partly relevant. He has also defined them as organisations that offer the use of sophisticated knowledge or knowledge based products (Alvesson, 2004). KIBS can be characterised by highly educated employees, offering that is not standardised, and high degree of problem solving skills and information manipulation (Sadler, 1998), and they are involved in a variety of activities such as law, accounting and consulting (Morris & Empson, 1998). How KIBS relate to other kinds of companies can be seen in the below figure:
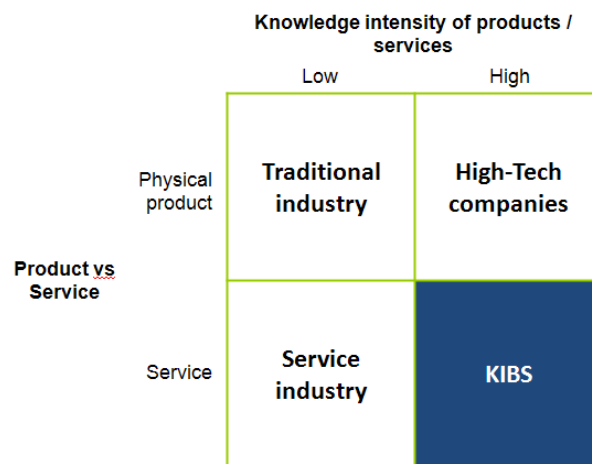
Figure 1: KIBS in relation to other types of companies (Sipilä, 1995)

Customers utilise the services of KIBS with three specific benefits in mind: expertise, experience, and efficiency (Maister, 1993). However, the relative weight on each of these benefits varies from project to project and from customer to customer (Maister, 1993).

According to David Maister (1993), there are two aspects of knowledge intensive business services that create a special management challenge. First of all they involve a high degree of customisation, and second, they have a strong component of face-to-face interaction with the customer. As a result of these two aspects, what a KIBS is selling is not so much services of the firm as it is services of specific individuals (Maister, 1993). According to Alvesson (2004), there are a number of circumstances that make KIBS a special case compared to other organisations. These circumstances involve the nature of work and how it is managed and organised. Alvesson (2004) lists the following seven characteristics of KIBS:

1. Highly qualified individuals doing knowledge-based work, using intellectual and symbolic skills in work

2. Fairly high degree of autonomy and the downplaying of organisational hierarchy

3. Use of adaptable, ad hoc organisational forms

4. Need for extensive communication for coordination and problem solving

5. Idiosyncratic customer services

6. Information and power asymmetry (often favouring the professional over the customer)

7. Subjective and uncertain quality assessment

Management Consulting

Management consulting can be seen either as a method of providing help, or as a professional service, and it can be described as professional, advisory, independent, temporary, and

commercial (Kubr, 1996). Management consulting is a growing industry, and the services are widely utilised by different organisations (Furusten, 2009; Korhonen, 2009).

There is some debate regarding what is the role of management consultants, but most researchers, consultants and their customers agree that providing knowledge and expertise, as well as acting as a catalyst, speaking partner and mentor are the values that they provide to their customers (Richter & Niewiem, 2009; Furusten, 2009). Kubr (1996) defines management consulting in the following way: "management consulting is an independent professional advisory service assisting managers and organisations in achieving organisational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes" (p. 8).

There are several roles that a management consultant can play at a customer project. Kubr (1996) describes the possible roles of consultants as providing information, providing specialist resources, establishing business contacts and linkages, providing expert opinion, doing diagnostic work, developing action proposals, improving systems and methods, planning and managing organisational changes, training and developing management and staff, and providing personal counselling.

Small and Medium Sized Companies

The European Commission has divided small companies into three groups (Deakins & Freel, 2009):

1. Micro enterprises are companies that have between zero and nine employees and an annual turnover and/or balance sheet that do not exceed two million euros.

2. Small enterprises have between 10 and 50 employees, and a turnover and/or balance sheet that do not exceed 10 million euros.

3. Medium enterprises have between 51 and 250 employees, and a turnover that does not exceed 50 million euros, as well as a balance sheet that does not exceed 43 million euros.

The role of small companies is central in the economy because they account for more than half of the employment, make up more than 95 percent of all companies (Deakins & Freel, 2009; Naldi, 2008), and have a crucial role in the production of innovations (Naldi, 2008).

Strategic Agility

Strategic agility means learning to make fast turns and being able to transform and renew the company without losing momentum (Doz & Kosonen, 2008; Hamel & Välikangas, 2003). At best it will result in being able to produce the right products and services at the right place at the right time at the right price for the right customers (Long, 2000). According to Doz and Kosonen (2008), strategic agility consists of strategic sensitivity, collective commitment and resource fluidity, which allow the company to "perceive early, decide quickly, and strike with strength and speed".

Strategic agility is most important for companies that operate in a business environment that is fast-changing and where there are growing systemic interdependencies that make the business increasingly complex (Doz & Kosonen, 2008). This can be seen in the below figure:
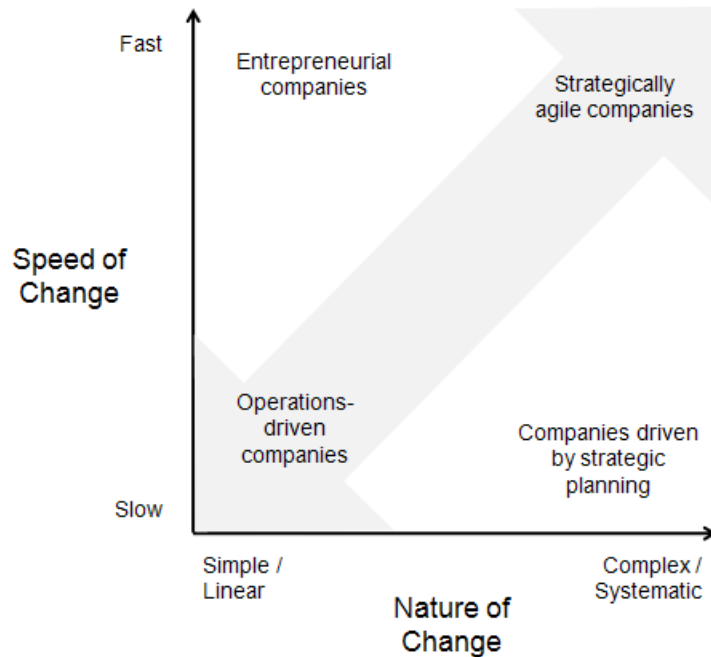
Figure 2: Where is strategic agility needed most? (Doz & Kosonen, 2008)

1.3 Methodology

This research is a single case study, and the data collection methods are nine semi-structured interviews, observation and analysis of existing background information provided by the case company. Four interviews were conducted within the case company, namely the partners of the company, and five interviews were conducted with external experts in the areas of strategy and organisation, strategic agility and knowledge intensive companies.

The data collected from the interviews has been analysed by means of analytic induction, which means making assumptions and testing them until there are no discrepancies between the assumptions and the data (Koskinen et al., 2005). Research findings are based on the interviews, and the conclusions are based on both existing literature and research findings. I have used many direct quotations from the interviews in the text, which makes it easier for the reader to understand how I have come to the findings that are presented later on in this thesis.

In the section methodology I will discuss the data collection and analysis, as well as the quality of the research in more detail.

1.4 Structure of the thesis

In the introduction chapter I have explained why strategic agility in small KIBS is an important research topic, introduced the research questions that I intend to answer, defined the most important terminology, and briefly described the methodology used for conducting this research.

In chapter 2, I will explain the theoretical framework by going over the most important existing literature in the areas of knowledge intensive business services, management consulting, small and medium sized companies and strategic agility.

I will explain the methodology in more detail in section 3, as well as establish the quality of the empirical study.

In section 4, I will first introduce the case company and the market that it operates in, and then discuss the findings of the case study.

I will end this thesis by making conclusions and giving recommendations to the case company based on the findings and the literature.

2   Theoretical Framework

In this section I will go over the most relevant previous research in the areas of knowledge intensive business services (KIBS), small and medium sized companies, management consulting, and strategic agility. The purpose of this section is to establish the starting point for my own empirical research, which I will introduce in section 4. The main sources of information in this section are David Maister, Mats Alvesson, Yves Doz and Mikko Kosonen, Kathleen Eisenhardt and Shona Brown, as well as Gary Hamel and Liisa Välikangas.

2.1 Knowledge Intensive Business Services (KIBS)

According to Sadler (1998), a knowledge intensive organisation can be defined as a company in which most of the employees are highly educated, and the offering is not standardised and involves a high degree of problem solving skills and information manipulation. Morris and Empson (1998) refer to the same phenomenon as organisations involved in a variety of activities such as law, accounting and consulting, and trade mainly on the knowledge of its human capital in order to develop and deliver intangible solutions to customers' problems.

According to Maister (1993), one of the most interesting findings from his studies on KIBS is that each of them has the same mission statement, regardless of the size of the company, where it operates, or what is the specific profession of the company. The mission statement is "to deliver outstanding customer service; to provide fulfilling careers and professional satisfaction for our people; and to achieve financial success so that we can reward ourselves and grow" (Maister, 1993). These are also the goals that every KIBS must reach in order to survive – to balance between the client marketplace, the market for staff, and the economic objectives and profitability as can be seen in the below figure (Maister, 1993).
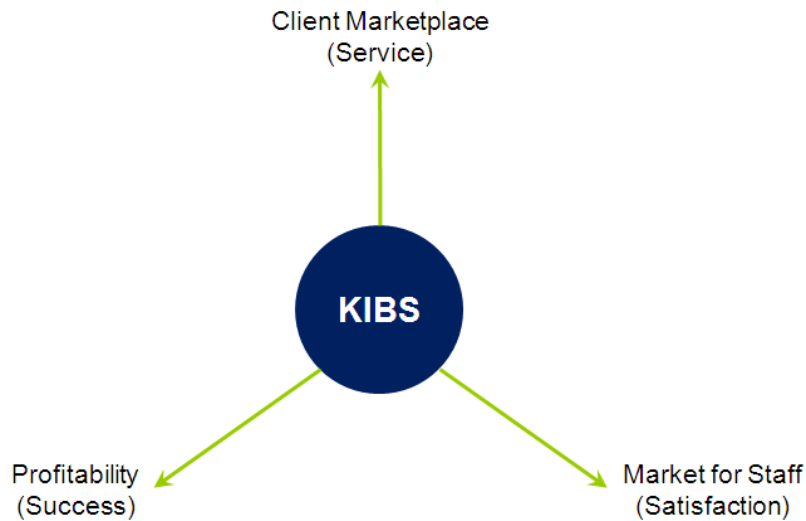
Figure 3: The three goals of KIBS (Maister, 1993)

According to Maister (1993), there are three kinds of work in KIBS: brains, grey hair, and procedure projects, and the correct ratio of juniors and seniors depends on the share of each type of work.

Figure 4: Different types and requirements of projects (Maister, 1993)

Brains projects typically include unique new solutions to new problems, which demand highly skilled and highly paid professionals. Opportunities for leveraging are quite rare, even though the projects may involve significant amount of data collection and analysis, which are typically

performed by junior staff. Therefore the ratio of junior time to senior time is low in these projects. (Maister, 1993)

Grey hair projects involve less innovation and creativity than a brains project, but they still require customisation. The issue is not familiar but the activities may be similar to the activities in other projects. In a grey hair project the company offers its knowledge, experience and judgment, and there is an opportunity for leveraging by employing more juniors. (Maister, 1993)

Procedure projects typically involve a familiar and well-organised issue, and even though some customisation is needed, the steps are quite programmatic. In these projects the company is offering its procedures, efficiency and availability. In these projects the share of junior work can be very high compared to senior work, because the actions are well established and easily delegated. (Maister, 1993)

It is essential to have the right mix of junior and senior personnel to match the required skills to those available in the company – this of course depends on the projects that the company is taking. If the balance is too much on the senior side, the senior people will be underutilised and higher priced people end up doing lower-value tasks. If it goes the other way round and there are too many junior people, there will be a shortage of qualified people to do the job, which is likely to result in lower than expected quality. Therefore it is central to have the right balance of people from quality, efficiency and profitability point of view. (Maister, 1993)

2.1.1 Leveraging the Work

There are many factors that affect the realisation of the three goals (i.e. balancing between the client marketplace, the market for staff, and the economic objectives and profitability), but the most important one is the firms leverage, i.e. the ratio of junior, middle-level and senior staff in the organisation (Maister, 1993; Sadler, 1998). With the help of senior professionals, juniors are able to contribute above their competence level, and build their skills and competences at

the same time (Maister, 1993). Knowledge and expertise increase with seniority, and typically the younger employees first perform routine tasks under the surveillance of senior professionals, and as they gain more experience (and in some cases a formal qualification), they begin to specialise and perform more challenging tasks (Morris & Empson, 1998). Leveraging is also a mean by which existing knowledge can be transferred from the top of the organisation to the younger employees – but also a mean by which the new knowledge that is often created by more junior employees is transferred back to the senior professionals (Morris & Empson, 1998).

According to Maister (1993), 40-50 % of partners' or senior professionals' time is spent on something that could be delegated to a more junior professional, and still be produced with good quality. This is a problem for the sake of profitability, skill and knowledge building, morale, motivation, satisfaction, excitement and underinvestment for the future (Maister, 1993). Motivation comes from the opportunity to specialise and to work on more interesting projects with greater autonomy, and this can only be achieved if there are people with different knowledge bases that do different things (Morris & Empson, 1998). These factors also improve employee satisfaction and productivity (Morris & Empson, 1998).

There are several reasons for the underutilisation of juniors, i.e. there is excessive pressure on personal billing; the project leaders are not responsible for finding ways to reduce costs; there is a reluctance to invest time in coaching and supervising, which would be necessary in order for successful delegation; and the individual partner's concern about what will he/she do if some of the work is delegated to someone else (Maister, 1993). However, according to Maister (1993), there are three steps to solving the problem of under delegation, namely measuring project profitability, tracking and rewarding coaching activities, and good management of the scheduling process. Solving this problem is not easy, because it is endemic to knowledge-intensive or professional work (Maister, 1993).

2.1.2 Offering and Choice of Focus

The services provided by KIBS cannot be inspected beforehand, which leaves plenty of uncertainty for the customer, which can partly be mitigated with a good corporate image or brand (Alvesson, 2004). Most of a KIBS' customer projects fall into the category of grey hair, i.e. the customers realise that their issues have most likely already been faced and dealt with by other companies, and therefore they are looking for past experience on how to solve their issues (Maister, 1993).

Some of the services can be standardised, i.e. productised, but it is difficult especially when the customer is tightly involved in the service production processes (Morris & Empson, 1998). Productisation of knowledge intensive business services can be defined as defining, planning, developing, describing and producing a service in a way that maximises the benefits to both the customer and the KIBS (higher profit) (Sipilä, 1995). However, customer involvement adds uncertainty to the task, and it requires the professionals to partly define and redefine their roles in the course of the assignment (Morris & Empson, 1998).

KIBS need to decide what kind of customer needs do they primarily respond to, and arrange their resources, pricing, ownership structure and leadership style accordingly. There are two trends that make it important to make this distinction: firstly, more in depth analysis and understanding of customers makes it easier to respond to their (true) needs, and secondly, evolution through the practice areas can take place very rapidly, and it needs to be deliberate and controlled. (Maister, 1993)

If the company is considering which new project to take, it is usually more profitable to choose one that is similar to projects that have been done previously, because the concept (including the knowledge, expertise and basic approaches) for that project has already been developed. To the customer it is still a customised solution to their business issue, but for the KIBS it's easier to produce because they already have a ready-made structure and methods for it. However, the professionals working for the KIBS typically want to learn new things and face challenges in what they do, which creates a contradiction to the company's interest in

repetition. This problem can be solved by utilising more juniors and fewer seniors, which is also a good way of training the juniors. (Maister, 1993)

The spectrum of possible positioning is depicted in the figure below:

Brains	Grey Hair	Procedure
High Diagnosis Intensive	← →	High Execution Intensive
Highly Customised	← →	Programmatic
High Client Risk	← →	Low Client Risk
Few Qualified Vendors	← →	Many Qualified Vendors
High Fees	← →	High Fee Sensitivity

Figure 5: Spectrum of Offering (Maister, 1993)

Brains – Expertise Based Practice

If the company's focus is solely on the brains projects, they need to attract and hire only the very best graduates from the very best schools, and preferably create an informal apprenticeship program through which the juniors are trained (Maister, 1993). However, most focus would be on the work of senior professionals, and the possibilities for leveraging are very low (Maister, 1993). Profits would be made by high billing rates and a good margin, which are

justifiable because of the criticality of the project (Maister, 1993). The best way to win customers is a good reputation of superior talent, rather based on individuals than the company as a whole (Maister, 1993). Out of all KIBS, management consultancies are the companies that perform the most brains projects (Furusten, 2009).

With the focus on expertise based practice, a KIBS cannot have very ambitious growth targets. The practice requires the best professionals that stay with the company for a long time, and it does not leave much room for leveraging with junior professionals. Also because the customers do not constantly have issues that require this kind of a service, there is no regular customer base, but it is constantly changing. (Maister, 1993)

Furusten (2009) refers to the brains projects as supporting, i.e. "supporters who contribute to the development of businesses, quality, management, leadership and organisations, a mentor and supporter who coaches management to take decisions and carry out processes and change projects".

Grey Hair – Experience Based Practice

If the KIBS chooses to focus on experience based practice, they will have a more stable customer base than they would with only brains projects, and they can market themselves as a company that has plenty of experience and collective knowledge, rather than advertising the individual professionals working for the company (Maister, 1993). The professionals act as carriers of experience, expertise, knowledge, information and data about leadership, management, organisation, top-down strategies and holistic perspectives (Furusten, 2009).

Experience based companies can recruit a wider variety of professionals, because their competences can be supplemented by the common experience base and knowledge of the company. Less time spent of analysing and making conclusions than in the expertise based approach, and more time is spent on executing the plan. There are also plenty more opportunities for leveraging, and it is possible to utilise more junior professionals. An

experience based practice can build and utilise systems and procedures, and also write manuals for training purposes. The training of junior professionals and new employees in general tends to be more official with a focus on disseminating the company's existing knowledge, and focusing less on observation and experience based learning. (Maister, 1993)

In an experience based company the professionals are more interdependent on each other and they need to supplement their own competences with the other people's competences. This also demands management of different areas of knowledge and expertise. Possibilities for growth are limited, but in this kind of an organisation there is pressure to create career opportunities and new challenges, especially to the junior professionals. If the juniors do not find the job gratifying, there is a big risk that they will leave and take with them the valuable knowledge and experience that they have gathered while working with the company. (Maister, 1993)

Procedure – Efficiency Based Practice

A company that focuses on efficiency based practices needs established systems and procedures to handle specific low risk, familiar type of issues with low cost, high reliability and high speed. Such company's customer base would be stable, and it would be relatively dependent on a core of high volume customers. The share of junior professionals needs to be as high as possible, as well as the utilisation of available technology to replace professional work. (Maister, 1993)

Efficiency based approach means relatively high fixed costs and therefore a planned approach to growth is needed in order to reach the critical volume and be profitable. Also some more administration is needed, especially regarding quality assurance and productivity measurement. (Maister, 1993)

2.1.3 Management and Organisation

According to Alvesson (2004), KIBS are far from homogeneous in terms of management and organisation, and the models for the management of manufacturing companies cannot really be applied to KIBS. However, many KIBS use very similar organisational controls and management as any other kind of organisation. Self-management also plays a very important role in KIBS. Generally KIBS can be characterised with high level of participation, active support of large groups of people, and considerable tolerance for variation. (Alvesson, 2004)

There are typically two structures in KIBS: the structure that provides the framework for business, personal development and day-to-day management; and the structure that is constantly changing and is related to the management of different assignments and projects (Sadler, 1998). Structure is also needed for knowledge management, because the organisation is a repository for the knowledge created by the individuals (Morris & Empson, 1998).

According to Maister (1993), it is essential for KIBS to grow in order to motivate and keep the best people. However, as mentioned before, the possibilities for growth depend on the focus and offering of the company (Maister, 1993). As KIBS grow, they typically also internationalise (Almor & Hashai, 2004). There are many explanations for this, such as entrepreneurial vision and capabilities, prior foreign experience of entrepreneurs, emergence of global demands for goods and services that enables small firms to adopt an international perspective regardless of age and size, the need to reach markets of sufficient size and exploit first-mover advantages, and the ability to rely on international networks and strategic alliances (Almor & Hashai, 2004).

Because of the high qualification of the employees and the tasks that they perform, the role of top management is not very much emphasised in KIBS. This is also because as a result of the complexity of knowledge intensive work, top management cannot always know what is going on and in order to be innovative, the whole organisation has to balance between emergence and determination. There is also no need for strict strategies and constraints as there sometimes are in other kinds of organisations, but instead strong direction is emphasised in

critical issues such as recruitment and the portfolio of projects and customers. Controlling the values, ideas, beliefs, emotions, and self-image of people characterises the management and leadership in KIBS. (Alvesson, 2004)

Typically most of the professionals are capable of autonomous work, and individual employees and not just top management may take initiatives that affect the direction of the whole organisation. On the other hand, there are typically several top notch professionals in KIBS that have their own preferences and ideas about where the company should be heading to, which creates a management challenge. This should be responded to with great persistence and persuasive power instead of exercising formal authority or imposing sanctions, which are not very effective in KIBS. For this reason when a big change in expected to take place, a large majority of the professionals need to be convinced in order to successfully implement the planned change. (Alvesson, 2004)

According to Herremans and Isaac (2005), there are four aspects that need to be taken into consideration when discussing the management of KIBS, and these aspects are focus, commitment, capability and learning. Focus implies that it needs to be defined what the management wishes to accomplish. Organisational objectives may be captured in a vision, and it is important that this vision is congruent with the personal values of the employees because otherwise it is unlikely that the company will reach its vision. Commitment entails establishing responsibility and authority for carrying out the organisation's objectives; ensuring that the employees possess the proper skills needed to do a good job; and giving the people autonomy and decision-making authority. To be capable of developing and utilising the intellectual capital of organisations proper structure, technology, information systems, and resources are needed. There needs to be an environment for learning, but also a system for evaluating success in organisational learning objectives. (Herremans & Isaac, 2005)

Alvesson (2004) lists six specific management tasks that are even more important in KIBS that they are in other kinds of organisations. These tasks are listed below:

1. Creating social integration within the company by managing boundaries and creating the feeling of a common purpose and community around an organisations identity.

2. Working with an indirect form of control, i.e. normative control, by reinforcing common beliefs and values, e.g. trying to influence, maintain and develop organisational culture.

3. Working with customer orientation among employees and the satisfaction of important customers. This includes nurturing relationships, and managing the expectations and perceived quality of important customers.

4. Working with the development and reproduction of a corporate image and a shared feeling of organisational identity, and providing support for ongoing image management by all employees.

5. Recruitment, motivation, retention, and mobilisation of employees, as well as long-term competence development, i.e. creating and developing knowledge and also the motivational base of the organisation.

6. Improving the use of knowledge by building upon existing knowledge and stimulating innovativeness through the combination of various competences (knowledge management).

Because KIBS are typically full of individualistic and highly qualified professionals, it is very important to consider how they should be managed in order to get the full benefits (Alvesson, 2004). There are several possibilities for organisational forms, but partnership is a typical form for KIBS, and especially for management consultancies (Alvesson, 2004; Sadler, 1998).

Partnership as an Organisational Form

Partnerships are companies in which some of the employees are eventually promoted to partners, i.e. shareholders of the company (Alvesson, 2004). This form mixes the traditional distinction between ownership, management and productive work by simultaneously owning, managing and being operational in customer relations and project work (Alvesson, 2004). According to Maister (1993), there are several rewards that have to do with becoming a

partner, namely equity participation, i.e. sharing the net profits of the company; tenure, i.e. difficulty to remove from the company; autonomy; participation in policy making; higher income when compared to non-partners; as well as internal and external status and recognition.

Partnership (especially if there are many partners as opposed to non-partners) as an organisational form tends to be quite hierarchic, because it makes the step between partners and non-partners quite significant (Alvesson, 2004). Partners are not employees, but according to Sadler (1998), they are the most critical human resource of the company. However, the long-term possibilities of promotion and becoming a partner seem to make the junior professionals more inclined to accept the subordination at the same time as collegial control among partners makes the top of the hierarchy flatter (Alvesson, 2004).

Tensions may arise between the managing partners of a KIBS because of the flat hierarchy or even lack of hierarchy between them. Strategic direction tends to be weak, and the strategic process is one of negotiation, consensus building and iteration. It is also typical for a managing partner to have limited influence. However, there are usually one or more persons, typically the founder(s) of the company, who have a great influence and a guru status within the company. (Alvesson, 2004)

One of the problems related to partnerships is that since the professionals want a career and not a job, they all expect to eventually become partners (Maister, 1993). This is why there typically is an "up or out" system in KIBS, but companies are increasingly beginning to wonder how to keep people without making them partners (Maister, 1993). This is why there has lately been a tendency within KIBS to move from a true partnership form to a more managerial organisation, with emphasis on management, strategy and creating a more integrated company (Alvesson, 2004).

Profitability

For a KIBS, a large part of the profits come from successfully leveraging the work of the senior people with the efforts of junior people, and therefore in most KIBS how partners leverage their work should be a bigger part of reporting. The usual way of reporting rewards high productivity, but not so much leveraging skills, which can bring bigger profits to the company. In general the control systems have commonly been focused more on short-term profitability that long-term "health" of the company. (Maister, 1993)

It may be difficult to put a price on a knowledge intensive service, and there is a need for a clear pricing strategy. The price should be based on the customer benefit, and since the success of a project is partly dependent on the customer's performance, pricing should be such that guides the customer in the right direction. Prices of services may be based on a price list, time or capacity, or the success of the project. (Sipilä, 2005)

The prices charged from the customer are at least partly determined by the market, but the costs depend solely on the company's ability to deliver its services with a cost effective mix of junior and senior people –the more the company is able to use junior work, the lower will the cost be. Therefore the optimal project team structure is key to profitability in a KIBS, and it is assumed that the share of juniors in KIBS will grow in time. However, caution is needed because the optimal team structure and composition varies from project to project, and it can result in decreasing morale, motivation and quality if too many cost savings are attempted. (Maister, 1993)

In a KIBS, profitability should be measured as profit per partner, which is the equivalent of return on equity, i.e. partners are viewed as equity (Maister, 1993, Sadler, 1998). Leveraging also has an effect on this: the lower the number of partners per each employee, the greater the profit per partner (Sadler, 1998). How this is concluded can be seen in the below figure:

The Dupont formula for industrial companies:

$$\frac{Profits}{Equity} = \frac{Profits}{Sales} \times \frac{Sales}{Assets} \times \frac{Assets}{Equity}$$

$$= Margin \times Productivity \times Leverage$$

The formula for KIBS:

$$\frac{Profits}{Partner} = \frac{Profits}{Fees} \times \frac{Fees}{Staff} \times \frac{Staff}{Partners}$$

Figure 6: Profitability formulas for industrial companies and KIBS (Maister, 1993)

Many KIBS place emphasis on the achieved margins, but that can be misleading, because oftentimes low-margin projects can be more profitable when analysed on a profit per partner basis (leverage plays an important role). Margin management is short-term management, and putting too much emphasis on it may have a negative effect on the long-term profitability and health of the company. (Maister, 1993)

Because fixed costs tend to be high (salaries form the largest single item of expenditure), utilisation rate has a major effect on the profitability of KIBS (Sadler, 1998; Maister, 1993). Even if short-term utilisation is low, it should even out in the long term, and if it seems like it is not going to, some changes need to be made either on the resources or the overall work load (e.g. more sales resulting in more customer projects) (Maister, 1993). However, the real challenge is how to make more profits without having to work so hard, i.e. raising the net realised fee per hour (Maister, 1993). This demands skill and knowledge development, specialisation, innovation and value added services, and either bringing in work with higher fee levels or working with higher leverage (Maister, 1993).

Many KIBS put too much focus on the top line, and not to whether or not the work that is being done is profitable. It is common that 125 % of profits are made with 80 % of projects, and 20 % of projects make a loss of 25 % of profits. By eliminating the loss-making projects, short-term profits can be improved. Therefore the project leaders should be made responsible for the profitability of each project, i.e. revenues and costs of consumed resources. (Maister, 1993)

According to Maister (1993), there are five tactics to improving profitability, and these tactics are shortly introduced below:

1. **Raise prices** (fee levels): Earn higher fees through specialisation, innovation and adding more value; utilise marketing to get better projects; speed up the skill and knowledge building process among the professionals; and invest in creating new and higher value services.

2. **Lower the variable costs**: Improve project management performance; increase leverage in the delivery of services; make greater use of assisting work; and develop methodologies in order to avoid duplication of effort

3. **Fix the underperforming projects**: Deal with underperformers; drop unprofitable services; and drop unprofitable customers

4. **Increase volume**: Increase utilisation (i.e. chargeable hours) per person

5. **Lower the overhead costs**: Improve the speed of billing; improve the speed of collections; reduce the space and equipment costs; and reduce the support staff costs

In this chapter I have discussed the existing literature regarding KIBS, and in the next chapter I will focus on management consulting. Management consultancies are a specific type of KIBS Alvesson, 2004; Maister, 1993), and their services are nowadays widely utilised by different industries and companies (Furusten, 2009).

2.2 Management Consulting

According to Kubr (1996), there are two basic approaches to management consulting that are rather complementary than conflicting. The first approach takes a broad functional view and describes the profession as any form of providing help on the content, process, or structure of a task, without being the one responsible for the task or having direct control over its implementation (Kubr, 1996). According to this view, anyone can be a consultant if they provide help for someone else according to the given definition (Kubr, 1996). The second approach is somewhat narrower, and it views consulting as a special professional service, i.e. an advisory service provided by specially trained and qualified people who provide objective and independent assistance to the customer company (Kubr, 1996). To summarise these two approaches, management consulting can be seen either as a method of providing help (first approach), or as a professional service (second approach) (Kubr, 1996).

There are several characteristics that describe management consulting services, i.e. they are professional, advisory, independent, temporary, and commercial (Kubr, 1996). Kubr (1996) defines management consulting in the following way: "management consulting is an independent professional advisory service assisting managers and organisations in achieving organisational purposes and objectives by solving management and business problems, identifying and seizing new opportunities, enhancing learning and implementing changes" (p. 8). Management consultancies are very dependent on individual employees, and there is a substantial risk that if an individual consultant leaves the company, he/she will take some of the customers with him/her (Sadler, 1998).

According to a more recent publication, there is however substantial discussion about the difficulties of clearly defining the role of management consultants, since there are a variety of forms of management consulting (Furusten, 2009). Furusten (2009) states that "management consulting is a broad and imprecise category, which includes a range of different roles for the actors to perform", and "one way to understand management consulting is to see it as so complex a practice that there are no clear-cut roles for practitioners, and that different explanations are therefore needed". Management consultants themselves have defined their

profession as providing the customers with knowledge and/or expertise that they would otherwise struggle with finding (Richter & Niewiem, 2009). However, unlike other similar professions such as legal or accounting services, management consultants do not have a specific, profession related body of knowledge (Richter & Niewiem, 2009).

According to Richter and Niewiem (2009), the main reason for buying management consulting services is the customers' wish to tap into the consultant's knowledge, and for this reason they often maintain lasting and interactive relationships with consultants beyond the specific consulting projects. Kubr (2006) approaches this from a slightly different angle, and according to him there are five generic reasons for utilising consultants' help, namely achieving organisational purposes and objectives, solving management and business problems, identifying and seizing new opportunities, enhancing learning, and implementing changes. These purposes are presented in the below figure:

Figure 7: Generic consulting purposes (Kubr, 1996)

According to Greiner and Poulfelt (2005), the major practicing areas in management consulting are information technology (IT) consulting, strategy and organisation consulting, marketing consulting, operations management consulting, and human resources (HR) consulting. These areas represent approximately 90 percent of the entire consulting market, and IT consulting alone represents 46 percent of the market (Greiner & Poulfelt, 2005). It is important for senior consultants to be aware of all five of these areas, because customers expect a broad understanding regarding how specific recommendations will fit with the rest of their business (Greiner & Poulfelt, 2005). Management consultants can also be divided into problem definers, problem solvers, and implementers (Furusten, 2009).

As mentioned before, IT consulting is the largest and most expansive area because it has moved from simple applications to a source of competitive advantage and also an efficiency tool. Strategy and organisational consulting involve two disciplines that originally were inseparable, but became separate fields in the 1960s as new economic models arose for strategic planning. They have relatively recently been reintegrated as a response to the fast moving markets and dynamics of competition. New media technology and electronic distribution channels have changed the marketing field, which creates opportunities for marketing consultants in the form of powerful new tools and problem solving services. Operations management consulting is the oldest one of the five areas, and it is still a thriving domain especially in the areas of efficiency and quality of production processes. Human resources consulting is going through a transformation that is caused by the possibilities of IT. This transformation creates several new roles for HR consultants, but they need to be prepared to embrace the new IT reality in order to benefit from the given possibilities. (Greiner & Poulfelt, 2005)

Furusten (2009) interviewed 11 buyers and providers of management consulting services between 1997 and 2007, and based on these interviews he discovered about 80 different definitions of management consultants' role. However, one commonly shared definition was that "management consultants are actors who offer specialised knowledge that the organisations lack". One of his interviewees (a buyer) expressed it in the following way: "A consultant is someone who contributes advice without being a part of the practice. It is someone that does not take over management, but contributes knowledge, advice, planning

and strategies." (pg. 268). One of the management consulting service providers that Furusten interviewed defined it in the following way: "The best role a consultant can fill for a client is to function as a catalyst, thus someone who is involved and promotes processes without participating in them. The good consultant is a good catalyst and carrier of experiences and knowledge etc. He is a link who brings bits and pieces together but who does not take responsibility away from people in the organisation. He stimulates processes, is a speaking partner, a sounding board, a mentor. He can be different things, but the most important thing is to be available, and hopefully, in the end, contribute to something good!" (pg. 269). (Furusten, 2009)

The make or buy decision is also relevant when considering consulting services (Richter & Niewiem, 2009). However, there are not only those two options, but they are the extremes of a range of options (Richter & Niewiem, 2009). Furusten (2009) defines the possible roles of consultants as external resources, carriers (of experience, expertise, knowledge, information and data), and supporters. The role of the customer varies accordingly. This classification is very similar to Maister's (1993) definition of roles of a professional service company, which are procedure (similar to external resource), grey hair (similar to carriers) and brains (similar to supporters). Both approaches place the roles and tasks under three main headings: external resource or procedure projects entail relatively simple tasks that are typically performed by juniors; carrier or grey hair projects are performed by more experienced experts that are expected to do a very good job based on their previous experience in similar situations; and supporter or brains projects are the most challenging assignments that are performed by the seniors that are considered to be the very best, and they typically involve new or unseen problems and demand innovativeness (Maister, 1992; Furusten, 2009). Kubr (1996) on the other hand describes the possible roles of consultants in a slightly different, but overlapping manner. According to him there are ten possible roles, namely providing information, providing specialist resources, establishing business contacts and linkages, providing expert opinion, doing diagnostic work, developing action proposals, improving systems and methods, planning and managing organisational changes, training and developing management and staff, and providing personal counselling (Kubr, 1996).

The management consulting market in Finland is very fragmented, and most of the companies active in the field are small or medium sized (Korhonen, 2009). In the next chapter I will discuss the characteristics of small and medium sized companies, placing special focus on the aspects of small and medium sized KIBS.

2.3 Small and Medium Sized Companies

The European Commission has divided small and medium sized companies into three groups, namely micro enterprises, small enterprises, and medium enterprises (Deakins & Freel, 2009). Micro enterprises are companies that have between zero and nine employees and an annual turnover and/or balance sheet that do not exceed two million euros. Small enterprises have between 10 and 50 employees, and a turnover and/or balance sheet that do not exceed 10 million euros. Medium enterprises have between 51 and 250 employees, and a turnover that does not exceed 50 million euros, as well as a balance sheet that does not exceed 43 million euros. Small and medium sized companies most commonly work in the area of service industry (Scarborough & Zimmerer, 2006), which KIBS are a part of (Alvesson, 2004).

The entrepreneur is typically an important figure in small companies, and Kuratko (2009) defines entrepreneurship in the following way: "Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks, formulate an effective venture team, marshal the needed resources, build a solid business plan, and, finally, the vision to recognise opportunity where others see chaos, contradiction, and confusion" (pg. 5).

The role of entrepreneurs and small companies is central especially when there are uncertainty and changes in the business environment, because small companies account for more than 60 percent of employment in most European economies, make up more than 95 percent of all companies, and provide more than 50 percent of the value added (Deakins & Freel, 2009; Naldi, 2008). Small companies also have an important role in creating positive

externalities while accumulating their own knowledge base, i.e. knowledge spillovers (Acs & Armington, 2004). Small companies are in a key role in producing these externalities that have a positive effect on the growth of the entire economy of that certain (geographical) area, because knowledge spillovers are more important in the early stages of industry lifecycles and that is also where young (and typically small) companies flourish (Acs & Armington, 2004).

Many entrepreneurs fail in turning their business idea into successful business, and go out of business within the first few years (Scarborough & Zimmerer, 2006; Naldi, 2008). On the other hand, there are many success stories, and in the next chapter I will explain some of the reasons behind the successes and failures of entrepreneurship and small company management, as well as the objectives that the entrepreneurs have.

2.3.1 Key Competences, Challenges and Internationalisation

According to Deakins and Freel (2009), the key competences of successful entrepreneurs are proactivity, achievement orientation, and commitment to others. However, many small businesses also fail, and the most typical reasons behind this are management incompetence, lack of experience, forcing a flawed idea, undercapitalisation, poor cash management, lack of strategic management, weak marketing effort, uncontrolled growth, poor location, lack of inventory control, and inability to make the entrepreneurial transition (Scarborough & Zimmerer, 2006).

Management incompetence and poor decision making capabilities are typical challenges in small companies. In many small companies no strategy work is being done, because they feel that it is something that will only benefit bigger companies. However, according to Scarborough and Zimmerer (2006), failure to plan tends to result in failure to survive. Growing the company is typically one of the entrepreneur's objectives, but that also demands planning and control, most importantly because as the business grows it gets more complicated and therefore also the demand for management's expertise grows. (Scarborough & Zimmerer, 2006)

One typical way of growing is internationalisation, which may provide small and medium sized companies with new knowledge and know-how (mostly market knowledge and technological knowledge) that builds on their existing resource base, but it also entails a risk of spreading the limited resource base too thin and creating problems with coordination. Deregulation of markets and technological advances have taken away the assumption that companies need to be big in order to take part in international competition. Internationalisation of small and medium sized companies is encouraged by possibilities of new business opportunities, economies of scope and technological advantages, as well as existing customers that are going abroad and therefore need international services. (Naldi, 2008)

Small and medium sized companies are more vulnerable to changing conditions in the business environment than are big corporations, and for them going international means taking very big risks. They also tend to place a greater proportion of their resources into internationalisation than do bigger companies, which makes it more expensive for them to fail. Internationalisation is seen as an essential prerequisite for growth in small and medium sized companies, but at the same time it is more difficult for them than it is for bigger companies. However, there are many success stories and it seems that the small and medium sized companies that do succeed in internationalising have higher growth rates and are more productive and profitable than those that stay in the domestic market. (Naldi, 2008)

2.3.2 Knowledge-Based Resources

Today's competition and source of competitive advantage is shifting more and more to knowledge-based resources (Scarborough & Zimmerer, 2006; Naldi, 2008; Herremans & Isaac, 2005). Cohen and Kaimenakis (2007) define knowledge-based resources as the combination of knowledge-bearing intangible resources that the company has at its disposal and whose effective management can provide the company with a sustainable competitive advantage. Knowledge-based resources can be divided into two groups, namely human capital (talent, skills and capabilities of the people) and structural capital (accumulated knowledge and experience of an organisation) (Scarborough & Zimmerer, 2006; Cohen &

Kaimenakis, 2007). According to Scarborough and Zimmerer (2006) there can also be a third category, i.e. customer capital (established customer base, network and reputation), but Cohen and Kaimenakis (2007) view this as something that is a part of structural capital. The structure of knowledge-based resources is presented in the below figure:
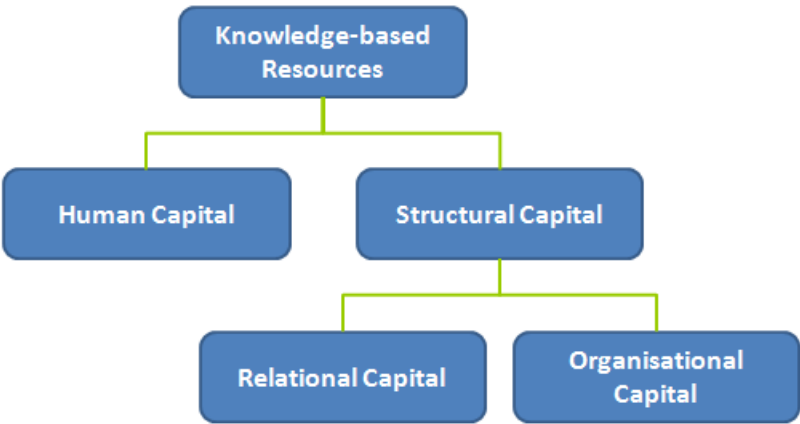
Figure 8: Structure of knowledge-based resources (Cohen & Kaimenakis, 2007)

In small and medium sized companies, knowledge-based resources are primarily developed and maintained by employees, because there are not such automated mechanisms and knowledge warehouses as there are in bigger organisations. According to Cohen and Kaimenakis (2007), employees also rarely leave large organisations and even when they do, it does not result in significant knowledge loss. However, smaller companies develop their relational capital with greater ease and use the available knowledge from their contacts (people and organisations) more readily in order to achieve higher performance. Their typically close proximity to customers also enables them to acquire knowledge in a more direct and fast way than larger companies (Cohen & Kaimenakis, 2007).

It is important to have new knowledge, and if this is not taken into consideration, the company faces a risk of offering yesterday's solutions to new problems – this is especially crucial in knowledge intensive companies (Cohen & Kaimenakis, 2007). In order to be able to recognise the value of new knowledge and to utilise it, the company needs to have enough prior

knowledge and be able to integrate the new knowledge into existing knowledge, as well as to apply it commercially (Naldi, 2008). This is something that is oftentimes challenging for small and medium sized companies (Naldi, 2008). From another perspective, small and medium sized companies' growth and survival do not only depend on being able to gather enough knowledge and competences, but also on gathering the right knowledge and competences (Naldi, 2008).

So far in this section I have summarised existing literature in the areas of KIBS, management consulting, and small and medium sized companies, which all describe the studied phenomenon in this thesis. Next I will move on to summarising the existing literature on strategic agility, which is the viewpoint on small KIBS that I have chosen to focus on in this thesis.

2.4 Strategic Agility

Strategic agility is a concept that has been researched under different names by several authors (e.g. Brown & Eisenhardt, 1998; Hamel & Välikangas, 2003; Hamel, 2007; Doz & Kosonen, 2008) since the end of the 1990's. Strategic agility means the ability to dynamically revise or reinvent the company and its strategy as the business environment changes (Hamel & Välikangas, 2003; Doz & Kosonen, 2008). This is achieved by continuous anticipation as well as adjusting to trends and customer needs without giving up on the company's vision (Hamel & Välikangas, 2003; Doz & Kosonen, 2008).

According to Hamel (2007), the modern management thinking has been created and developed well before our time, and in the last decades only very little has been changed or added. The challenges of modern management are how to coordinate without creating burdensome hierarchy, how to manage costs without taking away imagination and innovation, and how to build both discipline and freedom at the same time –"to thrive in an increasingly

disruptive world, companies must become as strategically adaptable as they are operationally efficient" (Hamel, 2007). However, this is considered very challenging (Hamel, 2007; Brown & Eisenhardt, 1998).

Strategic agility is a concept that is somewhat different but not totally conflicting with the classical strategy approach. In its traditional meaning, making a strategy means extensive planning that leads to a company strategy that will be strictly followed for several years to come. Mintzberg et al. (1998) have listed different strategic schools of thought, all of which are focused around a long-term strategy but approach it from different perspectives. According to them (Mintzberg et al., 1998), there are four reasons behind strategy making, which cause both advantages and disadvantages:

1.   Strategy sets direction.

2.   Strategy focuses effort.

3.   Strategy defines the organisation.

4.   Strategy provides consistency.

Even though strategy and strategic direction are still as important as they used to be, in today's fast changing business environment the long-term strategic planning and strict strategy following mindset need to be replaced with strategic agility (Doz & Kosonen, 2009). As mentioned before, strategic agility as such is not a new idea, but Doz and Kosonen (2008) have raised it into current discussion in Finland with their research that is presented in the book *Fast Strategy*.

In this section I will summarise some of the most important literature in the area of strategic agility. First I will discuss what strategic agility is, and after that I will look into three previously researched approaches to strategic agility in more detail, namely strategy as structured chaos based on research by Brown and Eisenhardt (1998), strategic renewal and resilience based on research by Hamel and Välikangas (2003) and Hamel (2007), and finally strategic sensitivity, collective commitment and resource fluidity based on research by Doz and Kosonen (2008). I

also utilise some other sources of literature, but these three research approaches form the basis of each respective chapter.

2.4.1 What is Strategic Agility

According to Morgan and Page (2008), the key to success in the fast changing business environment is strategic agility, which they define as the ability to support and at times drive sudden changes in order to capitalise on changing market opportunities. Long (2000) defines the same phenomenon as being able to produce the right products and services at the right place at the right time at the right price for the right customers. Strategic agility does not mean not having a strategy, but it rather emphasises strategic thinking and a clear vision instead of strategic planning, as well as a joint concept of strategy development and implementation instead of separating these two (Long, 2000). How strategic agility differs from the traditional strategic management can be seen in the below figure:
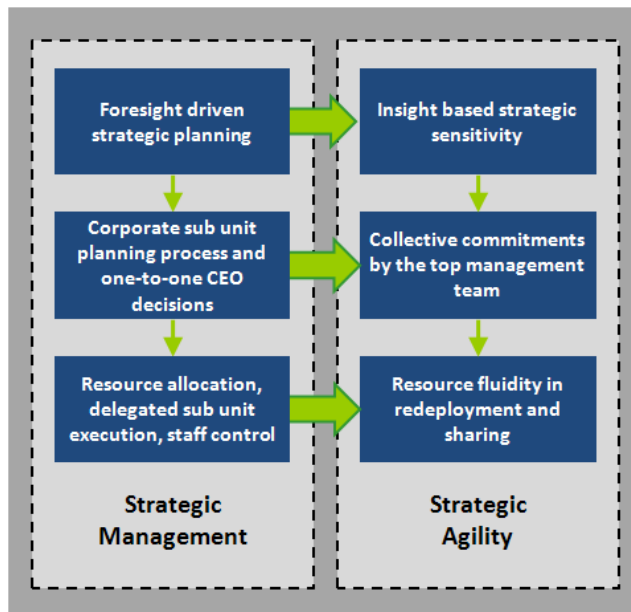

Figure 9: From strategic management to strategic agility (Doz & Kosonen, 2008)

Strategic agility is especially important for the most knowledge intensive companies in a rapidly changing world of digitalisation, globalisation and deregulation (Doz & Kosonen, 2008). Digitalisation has affected the way that companies in all industries manage their operations, and redefined the needed asset and capability mix as well as eliminated long-standing barriers to entry (Doz & Kosonen, 2008). As a result of globalisation, competences and competition are increasingly distributed around the globe (Doz & Kosonen, 2008). Deregulation has decreased protectionism and therefore lowered the entry barriers (Doz & Kosonen, 2008). As a result of these factors, the playing field has gotten wider and more companies have access to the market, which has created uncertainty and made the business environment more volatile, fast changing and difficult to foresee (Doz & Kosonen, 2008). Sull (2009) compares the present business environment to a boxing game, "punches come from all directions, include a steady barrage of body blows and periodic haymakers, and are thrown by a rotating cast of characters who swing bottles and bar stools as well as fists" (pg. 80).

Companies are focusing on their core competences and they need allies in order to produce a solution for their customers, instead of offering single products or services (Doz & Kosonen, 2008). This is why strategic agility demands both looking within the company in order to understand the core competences, but also looking outside the company in order to learn about the business environment (Long, 2000).

According to Morgan and Page (2008), companies advance through four specific stages when it comes to business transformation, namely adapting, evolving, envisioning and renewing. The first two phases involve only minor and incremental adjustments, but envisioning and renewing require more significant and revolutionary actions, but they also make possible bigger gains (Morgan & Page, 2008). These phases also represent the growing extent of strategic agility, and they are presented in the below figure:
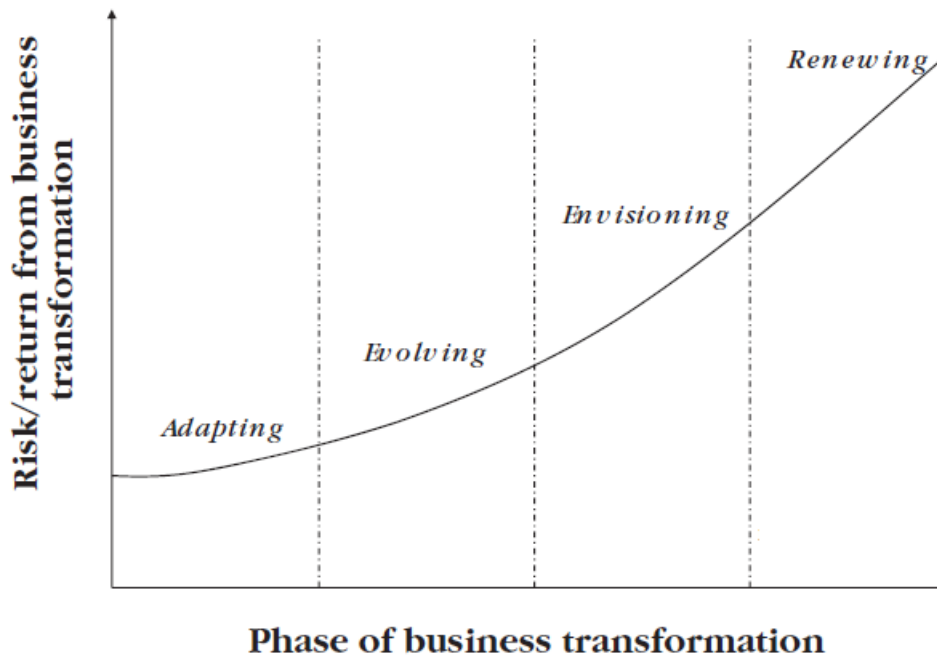
Figure 10: Stages of business transformation (Morgan & Page, 2008)

As companies grow and become successful, they typically lose some of their adaptive capability and change and renewal become difficult, painful and periodic exercises (Doz & Kosonen, 2008). However, also smaller companies need to pay attention to this, because agility without a strategy is no better than a strategy without agility (Long, 2000). The solution to this dilemma is to be not just agile, but strategically agile, i.e. maintaining the flexibility to respond quickly to changing circumstances and emerging opportunities, but also concentrating on a clear strategic purpose and direction (Long, 2000).

2.4.2 Strategy as Structured Chaos

Shona Brown and Kathleen Eisenhardt (1998) discussed the phenomenon of strategic agility in their book *Competing on the Edge: Strategy as Structured Chaos* already in 1998. According to them, companies are balancing between the chaos trap (too little structure) and

the bureaucratic trap (too much structure), and the trick is to find the most compatible place on that axis and be able to remain on the edge of chaos without falling into either one of the extremes. This is presented in the below figure:

Chaos   **Edge of Chaos**   **Structure**

Chaos Trap   Adaptive culture   **Real-time**   Semi-structures   **Bureaucratic Trap**
• Break all the rules   **communication**   • Follow all the rules
• Loose structure   • Too much structure and
• Lots of random   process
communication   • Narrowly channeled
                                                                                                   communication
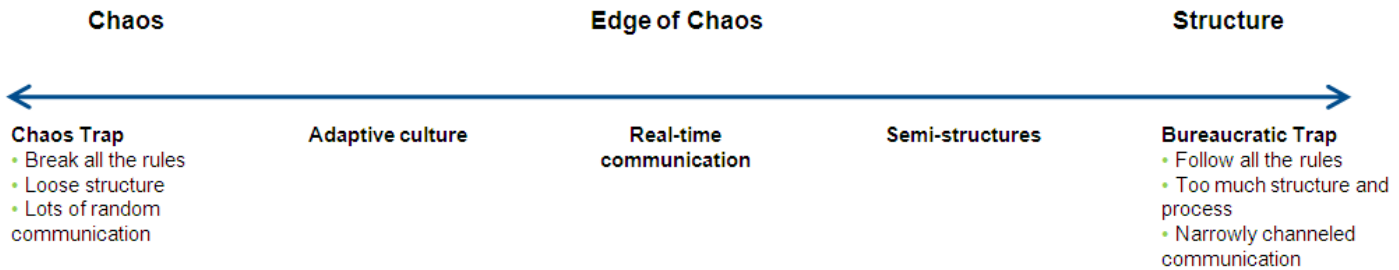
Figure 11: Balancing between chaos and structure (Brown & Eisenhardt, 1998)

The source of chaos is excessive focus on being innovative and creative, and the warning signals are 1) rule-breaking culture; 2) loose structure that results in unclear responsibilities, ambiguous priorities, missing deadlines or blurred chains of command; and 3) random communication that does not result in people knowing what is really happening even though there is abundant communication about almost any topic. The positive effects of chaos include excitement, innovative products/services and creativity, and the negative effects include confusion, late products/services, unrealised strategy and lost market or technical position. (Brown & Eisenhardt, 1998)

The source of bureaucracy is excessive focus on structure and process, and the warning signals are 1) rule-following culture that does not encourage change and values hierarchy and procedures; 2) tightly choreographed step by step processes and rigid structure with elaborate job descriptions, carefully crafted organisation charts and rules for everything; and 3) channelled communication that is directed through formal channels, and if there is no occasion for it, communication does not take place. The positive effects of bureaucracy include process control and efficiency, and the negative effects include loss of flexibility, stunted innovation, wrong products and predictable strategy. (Brown & Eisenhardt, 1998)

Many companies fall into one of the above described traps, and the ones that do not, improvise in order to find the optimal place between the extremes. A company that is on the edge of chaos is known for its adaptive culture, semi structure (as opposed to loose or rigid structure), and real-time communication that can be formal and informal, internal and external. What this specifically means for a company needs to be analysed individually, and there is no common answer to it. (Brown & Eisenhardt, 1998)

It is easier to create a company that is on the edge of chaos, than it is to maintain and renew that company. Remaining on the edge of chaos means that a company has to proactively look for change and use a variety of low-cost probes to sense where the next big thing is coming from. The past has to be taken into consideration and the past learnings to be remembered and utilised, but the focus still needs to be kept on today. Collaborative cross-business synergies are very useful in staying on the edge of chaos and creating strategic agility, but also some caution is needed. If there is too much collaboration the company may end up in a situation where every business is the same (lockstep trap), and if there is too little collaboration and prioritisation, that may lead to a situation where every business is a star and there is no real connection or priority order between them (star trap). Brown and Eisenhardt (1998) suggest that one of the ways to make sure that the company keeps renewing itself is to make a time-paced strategy for change - e.g. by deciding that a new product generation needs to be published every 12 months - and sticking to it. (Brown & Eisenhardt, 1998)

Brown and Eisenhardt (1998) have listed ten rules for competing on the edge of chaos, which are grouped under the headings strategy, organisation and leadership, and are presented in the figure below and explained in more detail in the following paragraphs:

Strategy	Rule 1: Advantage is temporary	
	Rule 2: Strategy is diverse, emergent, and complicated	
	Rule 3: Reinvention is the goal	
Organisation	Rule 4: Live in the present	
	Rule 5: Stretch out the past	
	Rule 6: Reach into the future	
	Rule 7: Time pace change	
Leadership	Rule 8: Grow the strategy	
	Rule 9: Drive strategy from the business level	
	Rule 10: Repatch businesses to markets and articulate the whole	

Figure 12: Ten rules for competing on the edge of chaos (Brown & Eisenhardt, 1998)

Strategy: Any strategy needs to be treated as temporary and new sources of competitive advantage must be continuously created –"today's advantage will be gone tomorrow". For strategically agile companies strategy is not a single, simple approach to the market place, but a diverse collection of moves that are loosely linked together in a semi coherent strategic direction. Reinvention and finding new ways to create value are crucial. (Brown & Eisenhardt, 1998)

Organisation: The present is the most important timeframe to consider, and the approach to managing today is to structure the business as little as possible, but yet pay attention also to what is not structured. Nevertheless, learning from the company's past is also needed to enable keeping products in the market for a longer time, exploiting the synergies from related products, expanding to new markets and customer segments, and also jump-starting new opportunities –according to Brown and Eisenhardt (1998), "best practice managers stretch the past, but stay on the edge". Also managing the future by launching experimental products/services, creating strategic alliances and employing people that are futurists is crucial. Time paced strategy for change creates proactiveness, which is a factor of competing on the edge of chaos, whereas activity paced change is mostly reactive. Time pacing includes

setting the rhythm, (how often is change expected to happen) and choreographing the transition (who does what and when, minimising the time when there is nothing to do) from one development project to another. (Brown & Eisenhardt, 1998)

Leadership: Businesses need to be grown instead of just assembling them from different building blocks, starting from the basics of today, not the future. Strategy needs to be driven and lead from the business level and not from top down (hierarchy) –important questions are "where do you want to go" and "how are you going to get there". In a rapidly changing world, companies cannot just map businesses onto market opportunities and live with it, but opportunities come and go and the business needs to be constantly adjusted to them. (Brown & Eisenhardt, 1998)

2.4.3 Strategic Renewal and Resilience

There have always been big corporations that have failed to renew themselves (Hamel & Välikangas, 2003; Hamel, 2007), but according to Hamel (2007), lately entire industries have been left behind on the change curve with their out dated business models. In the past this would not have happened, because business models were assumed to be something that do not need to be changed (Hamel & Välikangas, 2003). The reason for this is that the environment and change itself have changed remarkably (Hamel, 2007; Morgan & Page, 2008). What has changed the most is not globalisation or the rise of the competitive cost countries such as China and India, but the accelerating rate of change, which creates a test for the adaptability of corporations and individuals (Hamel, 2007). Momentum is not anymore as powerful as it used to be (Hamel & Välikangas, 2003), and a question that each company should be presenting is "are we changing as fast as the world around us?" (Hamel, 2007). Companies should also be careful not to mistake the temporary for the timeless, especially since nowadays hardly anything is timeless (Hamel, 2007).

Most big changes in companies have followed a big problem, which is somewhat troubling because at best change would take place before the problems arise (Hamel, 2007). Even

though these turnarounds are credited, they are a proof of the company not being resilient (Hamel & Välikangas, 2003). Business model renewal seems to be very difficult for successful companies (Hamel & Välikangas, 2003), and therefore one of the goals for the concurrent companies is to build such an organisation that is capable of continuous, trauma-free renewal in an automatic, spontaneous and reflexive way (Hamel, 2007).

Momentum has been replaced with resilience, which Hamel and Välikangas (2003) define as "the ability to dynamically reinvent business models and strategies as circumstances change", which according to them means "continuously anticipating and adjusting to deep, secular trends that can permanently impair the earning power of a core business", and "it's about having the capacity to change before the case for change becomes desperately obvious." A resilient company is one that is constantly making its future instead of defending its past (Hamel & Välikangas, 2003).

There are four challenges facing companies that want to be resilient, namely the cognitive challenge, the strategic challenge, the political challenge, and the ideological challenge (Hamel & Välikangas, 2003). Each of the mentioned challenges is explained in the following paragraphs, and they should be turned into possibilities for management innovation, i.e. innovations that change the way that managers do what they do in a way that enhances organisational performance (Hamel, 2007). Management innovation has to do with management processes (e.g. strategic planning, budgeting, communications) and not the business processes (e.g. manufacturing, marketing, procurement) like operational innovations. According to Hamel (2007), a management innovation turns into an advantage if at least one of the following conditions are met: 1) the innovation is based on a novel management principle that challenges a long standing orthodoxy; 2) the innovation is systemic and it covers a wide range of processes and methods; and 3) the innovation is part of an ongoing program of rapid-fire invention where progress compounds over time. (Hamel, 2007)

The cognitive challenge means freeing the company from denial, nostalgia, and arrogance (Hamel & Välikangas, 2003). Denial and arrogance start by dismissing development initiatives that feel uncomfortable, then rationalising them as something that does not need to be done, after that mitigating them with defensive action, and finally confronting the problem (Hamel,

2007). As can be assumed, it is often too late by the time that the problem is confronted, and competitors are already taking over market share (Hamel, 2007). One of the reasons for the cognitive challenge is that the managers making the final decisions are too far from the (b)leading edge of development to know when change is really needed (Hamel, 2007).

The strategic challenge is that companies need compelling strategic alternatives that challenge the status quo, in order to escape strategic paralysis. However, it takes hundreds of strategic options to produce a few truly implementable ones, and the problem is that only very few companies have a systematic process for that. Also it needs to be acknowledged that there is no certainty that a certain strategic alternative will pay off –yet promising alternatives need to be given a chance, because otherwise innovation suffers and that leads to strategic paralysis in the long run. Managers need to choose a strategic portfolio of initiatives in which to invest, not all of which can be alternatives that will surely pay off. (Hamel, 2007)

Even if there are strategic initiatives that are considered worthwhile implementing, there may be a lack of flexibility in resource allocation (Hamel, 2007; Doz & Kosonen, 2008). The political challenge has to do with resource allocation and the ability and willingness to support experimental products and services (Hamel & Välikangas, 2003). Companies have a tendency to rather invest into "what is", at the expense of "what could be" (Hamel, 2007; Hamel & Välikangas, 2003). Managers also tend to be protective of their own resources because the number of resources that one has often correlates with the amount of power (Hamel, 2007; Doz & Kosonen, 2008). Therefore managers are not always willing to move resources into new initiatives, no matter how tempting they seem to be (Hamel, 2007: Doz & Kosonen, 2008). There are two factors that increase the tendency to fund the status quo instead of new initiatives: 1) there often is only one person who can approve a new initiative (all the way up the chain of command), and if the initiative does not match his or her priorities, it is most likely to not get funded; and 2) the resource allocation is biased against new initiatives, because it is easier to get resources for projects for which volumes, costs, schedules and profits are relatively predictable, which is never the case with a genuinely new idea (Hamel, 2007).

The ideological challenge has to do with the change from past to present, and accepting that a new ideology is needed in today's business environment. The history behind the modern
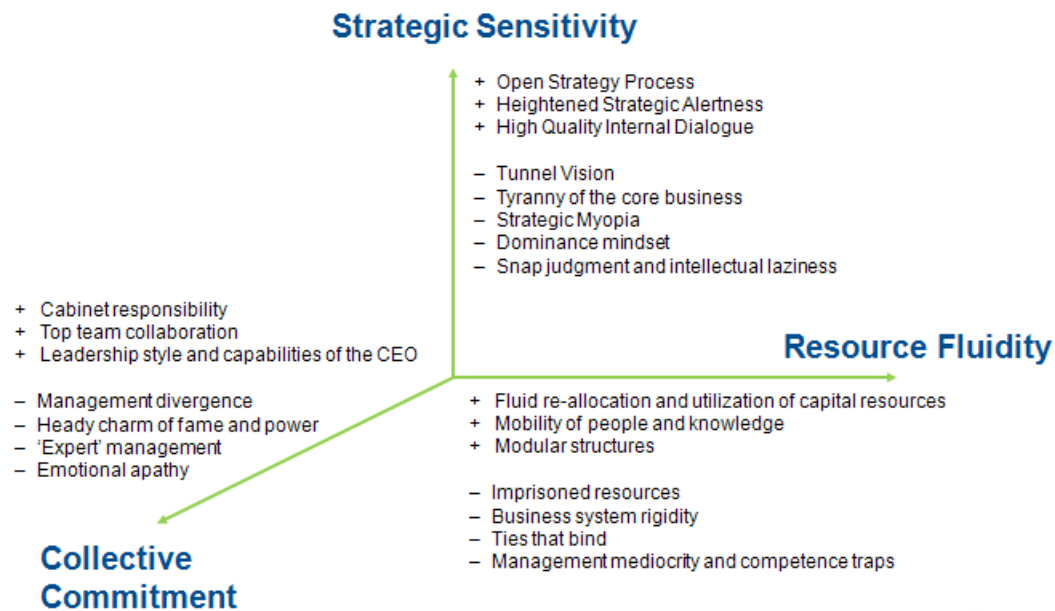
company is based on optimisation, and even though optimisation as such is a good thing, it is no longer enough. The accelerating pace of change demands an accelerating pace of strategic evolution, which means that the companies need to focus on resilience as much as they focus on optimisation. They also need to learn to constantly renew themselves in an opportunity driven way instead of crisis driven renewal. (Hamel & Välikangas, 2003)

When change is needed, most managers find it easier to look for a disruptive business model than change their core management beliefs. Therefore the previously discussed challenges should be viewed as a chance to create unique competitive advantage that is difficult to copy, even though not every management innovation creates a competitive advantage. One must also keep in mind that no competitive advantage will last forever and therefore continuous development and innovating practice is needed. However, even though not all problems can be solved, if it is a big enough problem, any progress is valuable. According to Hamel (2007), "there are problems you can solve and there are problems you can only work at". (Hamel, 2007)

2.4.4 Strategic Sensitivity, Collective Commitment, and Resource Fluidity

According to Doz and Kosonen (2008) there are three dimensions to strategic agility: strategic sensitivity, collective commitment and resource fluidity. The three aspects are presented in the below figure and explained in more detail in the below chapters:

Strategic Sensitivity

+ Open Strategy Process
+ Heightened Strategic Alertness
+ High Quality Internal Dialogue

− Tunnel Vision
− Tyranny of the core business
− Strategic Myopia
− Dominance mindset
− Snap judgment and intellectual laziness

+ Cabinet responsibility
+ Top team collaboration
+ Leadership style and capabilities of the CEO

Resource Fluidity

− Management divergence
− Heady charm of fame and power
− 'Expert' management
− Emotional apathy

+ Fluid re-allocation and utilization of capital resources
+ Mobility of people and knowledge
+ Modular structures

− Imprisoned resources
− Business system rigidity
− Ties that bind
− Management mediocrity and competence traps

Collective Commitment

Figure 13: Dimensions, enablers and traps of strategic agility (Doz & Kosonen, 2008)

Strategic Sensitivity

Strategic sensitivity is a combination of foresight, insight and simple probing, with the most importance on insight (Doz & Kosonen, 2008). Strategic sensitivity means being open to as much information, intelligence and innovations as possible by creating and maintaining relationships with a variety of different people and organizations (Doz & Kosonen, 2008). Sull (2009) defines the same phenomenon as consistently identifying and seizing opportunities more quickly than the competitors. According to him, companies need to have shared real time market data that is detailed and reliable; small number of corporate priorities in order to focus efforts; clear performance goals for teams and individuals; and mechanisms to hold people accountable and to reward them (Sull, 2009). What it takes from the management is following the flow of information, sustaining a sense of urgency, maintaining focus on critical objectives, and recruiting entrepreneurial employees (Sull, 2009).

Many companies and executives are really only open to information that is close to what they already know and hope to be the right approach, because this kind of information is easy to handle and most often strengthens the prevailing assumptions and strategic choices. This kind of an approach is more rigid than agile, and it creates an illusion of being on a right track even though it may not be so, at least not in the long run. True strategic insight means searching for new trends and innovations even when they do not support the existing strategy and demand drastic changes. According to Doz and Kosonen (2008), "there can't be sensitivity without exposure to stimulation". (Doz & Kosonen, 2008)

Insight results from connection and a rich network of creative interactions. Co-strategising (i.e. sharing of key scenarios, ideas and assumptions about future markets, technologies and competition) and maximising the knowledge exchange with different stakeholders is crucial in creating strategic sensitivity. There are many stakeholders that should be taken into consideration, and according to Doz and Kosonen (2008), the most important ones are leading customers, non-customers, end-users, partners and complementors, and substance experts. Think-tanks are also needed, i.e. places where different stakeholders are gathered together to discuss and brainstorm matters regarding the business environment and its evolution. (Doz & Kosonen, 2008)

Another way of gathering insight is through experimentation. The least risky way of experimenting is on an individual level, i.e. personal experimentation. Corporate venturing takes place with real businesses and people, and it is more risky, but it also entails possibilities for bigger gains. The most difficult and risky way of experimenting is creating new businesses and/or moving to new markets with strategic partners – this demands a great deal of trust, as well as accepting changes in the power dynamics between the strategic partners. According to Doz and Kosonen (2008), the biggest risk regarding joint experimentation is creeping commitments, i.e. getting locked into a traditional supplier or way of doing things even though new opportunities have developed. (Doz & Kosonen, 2008)

It is important to interact with different external stakeholders in multiple dimensions at all levels in an organisation, because ultimate value of co-strategising and experimentation depends on the number and quality of the people involved. These people should include at least senior

executives, strategists, substance experts and line managers, and this involves creating a comprehensive architecture or structure for staying connected with them. (Doz & Kosonen, 2008)

In order for successful co-strategising and experimenting, it is important to know what one's own company is and where it stands. Languages develop in context, and it is crucial to make sure that the language that is being used is the right one because it conditions what the management sees, and it also affects the communication with external stakeholders – companies with a very specific industry jargon may be trapped in their own language. The right language is context-sensitive and concept-rich, but it may be challenging to define it. Another aspect is the definition of the business – it needs to be concrete enough to accurately represent the activities and domains, but at the same time be able to transcend them, i.e. the core business needs to be defined in a broad manner. Also new insights that may not be part of the present core business need to be safeguarded from e.g. overambitious target setting and the wrong type of metrics, because otherwise they may not be given enough time and resources to take off. (Doz & Kosonen, 2008)

Sometimes tensions are needed in order to provoke people's thinking, i.e. making the present look fragile enough to be watchful, but not too fragile to be paralysed – the right balance is crucial. According to Doz and Kosonen (2008), this can be achieved by 1) stretched goals that provide the people with a long term strategic direction, but encourage them to look for new solutions beyond the current reality; 2) contradictory goals and paradoxes that keep people on their toes and forces them to look for new innovations; 3) burning bridges, i.e. making a statement at the top of the organisation in such a way that there is no route to return, and the organisation has to start behaving differently; and 4) establishing a multidimensional organisation with intersecting responsibilities in order to maximise the business potential along multiple dimensions. (Doz & Kosonen, 2008)

Maintaining high-quality internal dialogue may be challenging, but it is very important. This can be achieved with the help of internal consultants that facilitate strategic dialogue; by carefully selecting substance experts and/or high potential leaders to participate in top team meetings on a topic basis; by utilising shadow management teams (e.g. a diverse team consisting of

young high-potential leaders) to challenge the official top team perspectives on key strategic issues; and by extending the strategy dialogue across the entire organisations in order to improve the participation and commitment across the organisation. (Doz & Kosonen, 2008)

The above mentioned aspects and enablers of strategic sensitivity can be summarised as three main capabilities that contribute to strategic agility, namely an open strategy process, heightened strategic alertness, and high quality internal dialogue (Doz & Kosonen, 2008). An open strategy process provides the foundation for strategic sensitivity, but all three capabilities are needed in order to achieve and maintain strategic sensitivity (Doz & Kosonen, 2008). The relationships between these capabilities are presented in the below figure:
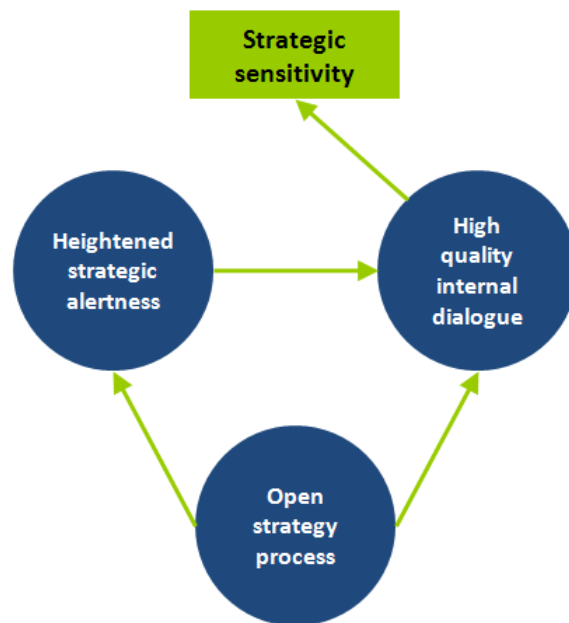
Figure 14: Interdependency between the capabilities that contribute to strategic agility (Doz & Kosonen, 2008)

Collective Commitment

Strategic sensitivity is of very little use without collective commitment, i.e. making decisions together with the whole management team so that in the end all the team members commit to collective success instead of promoting their own personal agenda. This is easier said than done, and according to Doz and Kosonen (2008) there are three specific challenges: 1) decisions need to be fast, but they face high uncertainty and interdependency, 2) strategic agility calls for the design and development of new ecosystems, business models, and activity systems, which key executives in incumbent companies are often ill-prepared to undertake, and 3) the usual one-to-one, king to baron-like interaction models between a CEO and members of the executive team do not mobilise the top team's energy toward collective commitments. Collective commitment makes bold decision making easier since no one person has the responsibility for the decision, but the whole team is committed to it and everyone feels obliged to make it happen. It also works as a gate to make sure that bold decisions are well thought through and no foolhardy decisions are being made. If the decision making process is of good quality and everyone works together, collective commitment is a motivating factor and increases cohesion within the team. (Doz & Kosonen, 2008)

One aspect of collective commitment is organising for mutual dependency along the value chain or functions, for example by giving individual executives responsibility for different stages in the company's value chain, instead of only giving them formal responsibility for a business unit. Common functions and value creation logic can be utilised as integrators. Common, horizontal functions serve all the vertical units and therefore they have a companywide understanding of the needs of different units. Common value creation logic on the other hand helps to maintain a shared approach between different units, which prevents being divided into separate silos. Also distributing corporate wide leadership roles beyond the unit responsibilities enhances collective commitment. (Doz & Kosonen, 2008)

Learning to work together is not easy for executives that have their own units, but it is crucial when it comes to reaching collective commitment (Doz & Kosonen, 2008). This can be helped by focusing on corporate issues instead of unit level issues, and creating a shared incentives

plan as well as transparent goals and a fair process (Doz & Kosonen, 2008). Overlapping areas of expertise within top management are a source of strength, and they should be utilised to relate and build on one another's points of view instead of just arguing (Doz & Kosonen, 2008). However, it is also important to embrace conflicts rather than avoid them, as well as to keep the dialogue direct and informal (Doz & Kosonen, 2008). This can be seen in the below figure:
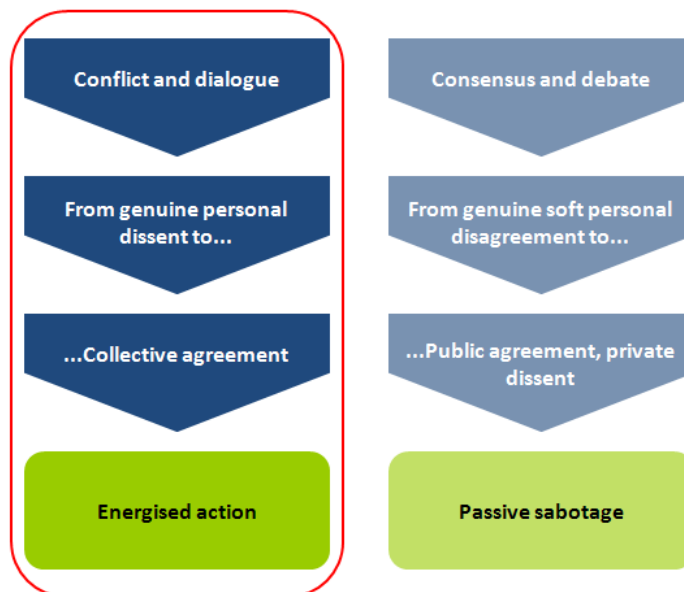
Figure 15: Quality of collective decisions (Doz & Kosonen, 2008)

It is also important for top management to make time for sharing each other's personal values and drivers, in order to better understand one other. Adaptive leadership skills are quite rare among top management, because the executives are used to utilising their own knowledge and experience, and making decisions based on that. However, oftentimes a supportive and humble attitude in asking questions and providing context for people leads to better results than giving fast answers. (Doz & Kosonen, 2008)

Sometimes changes are needed in the top team, because doing the same job with the same people for too long automatically leads to declining dialogue and personal motivation.

Changing roles and responsibilities within the top team are one way of mitigating this risk, but sometimes the composition of the team needs to be renewed. This is a powerful way of renewing the dynamics, but only renewing one person at a time is seldom enough for a real change. When changes are made in the top team composition, it is important to let the old heroes move on gracefully, because these are typically people that have successfully served the company for many years and the people across the organisation have great respect for them. Regardless of this, they have naturally outgrown the new organisation, and are typically not motivated by a smaller role in the company. (Doz & Kosonen, 2008)

Leadership style and capabilities of the CEO have a big impact on the success of top team collaboration and collective commitment. Regardless of this, the CEO needs to be the first among equals, when building the top team. (Doz & Kosonen, 2008)

How all the above mentioned factors of collective commitment fit together, can be seen in the below figure:

Figure 16: Interdependencies between the capabilities that contribute to collective commitment (Doz & Kosonen, 2008)

Resource Fluidity

Without resource fluidity strategic sensitivity and collective commitment remain useless (Doz & Kosonen, 2008). Resource fluidity means being able to flexibly move resources from one place to another as needed (Doz & Kosonen, 2008; Hamel, 2007; Sull, 2009). According to Sull (2009), what is needed to achieve this is a diversified portfolio of independent units, a cadre of general managers who can be transferred across units, central corporate control over key resources, and structured processes for decreasing investments or selling of units.

The biggest challenge in doing this is that most of the resources are tied to some function, and it may be difficult to reallocate those resources, especially when it would be for something else than the traditional core business – this relates to over-funding of legacy businesses (Doz & Kosonen, 2008). In order to overcome this challenge, the management needs to base their decisions on rational rather than emotional or political criteria, invest heavily in promising opportunities (Sull, 2009), and restrict over investment in the core business (Doz & Kosonen, 2008). It is also important not to allocate resources into subunits in a way that cannot be changed without a major reorganisation, but rather provide multiple channels for accessing resources i.e. several places where managers can get access to resources when they need them instead of having just one person that acts as a gate (Doz & Kosonen, 2008).

Resource fluidity requires disciplined processes for evaluating individual units and reallocating key resources (Sull, 2009), i.e. having only one set of performance data (Doz & Kosonen, 2008). This means that the same evaluation system is used across the organisation, and different units and functions can easily be compared to other units and functions in the same organisation (Doz & Kosonen, 2008). It is also important to establish dynamic governance mechanisms in order to know where to allocate resources and reassign responsibilities in a fast and flexible manner, as well as set common rules for resource allocation (Doz & Kosonen, 2008). Also an adjustable planning process is needed that questions the primacy of the core business and is rather based on real market events than the calendar (Doz & Kosonen, 2008).

Another challenge is protectionism for one's own resources – managers do not necessarily want to share them with one another (Doz & Kosonen, 2008; Hamel, 2007). However, top management needs to have the courage to make even difficult and unpopular decisions when it is needed (Sull, 2009). One way of mitigating this risk is to dissociate business results from resource ownership, meaning that no single dimension or unit in the organisation owns the resources needed to conduct its business, but they are commonly shared (Doz & Kosonen, 2008). One way of doing this is by planning, creating and delivering work under purpose-specific cross-company programs and projects, and in that way releasing the resources to companywide use (Doz & Kosonen, 2008). Not all resources are equally easy or difficult to move, but their fluidity varies as can be seen in the below figure:
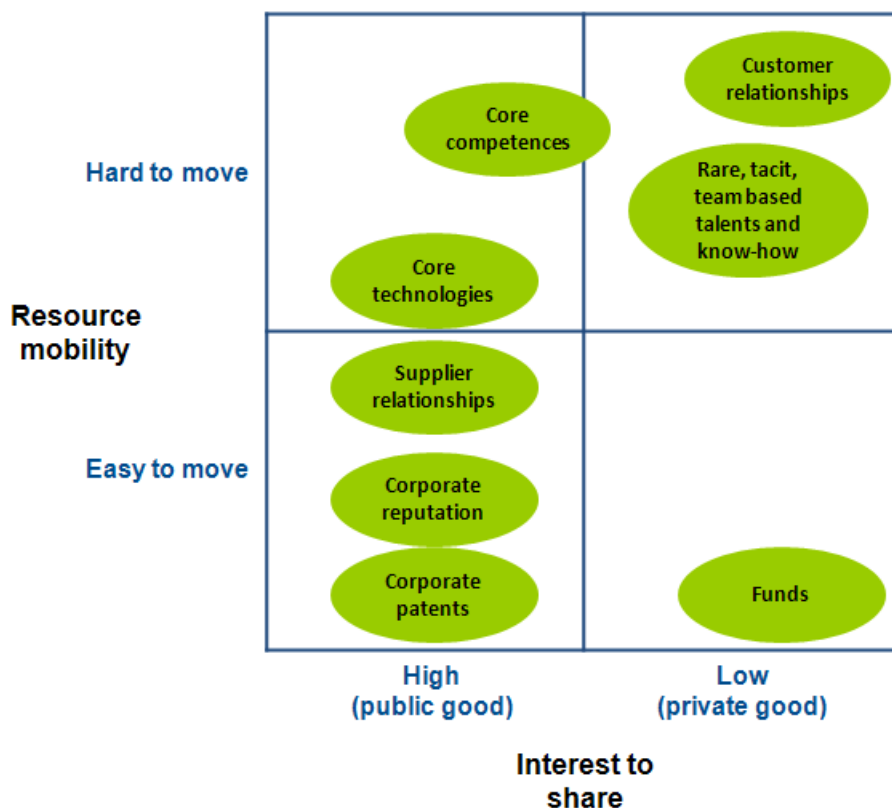

Figure 17: Fluidity of different resources (Doz & Kosonen, 2008)

Mobility of people improves resource fluidity, and according to Doz and Kosonen (2008), it can be fostered by 1) means of job rotation; 2) providing an open job market to identify talents; 3) providing visibility for individual career development potential and opportunities; 4) considering moving teams instead of just moving individuals because people tend to anchor their self-esteem to a professional community or a team; 5) paying attention to fairness and track record in personnel evaluation because people do not want to take personal risks (by e.g. applying for a new job inside the same organisation) if they cannot be sure that they will be fairly and transparently evaluated; and 6) having a pool of senior managers as corporate resources. (Doz & Kosonen, 2008)

Also the business risk can be mitigated by strategically allocating resources and facilitating the mobility of people – the risk associated with business entry or exit is reduced by redeploying resources with little conflict or trauma. Modularity of resources is important because one-size does not fit all, and modularity of resources can increase speed and efficiency in implementation. It is also possible to dissociate people from roles and tasks, which will enable the people to contribute effectively in various roles and tasks that are independent of time and place. (Doz & Kosonen, 2008)

The previously introduced aspects of resource fluidity can be grouped under three headings that are presented in the below figure:
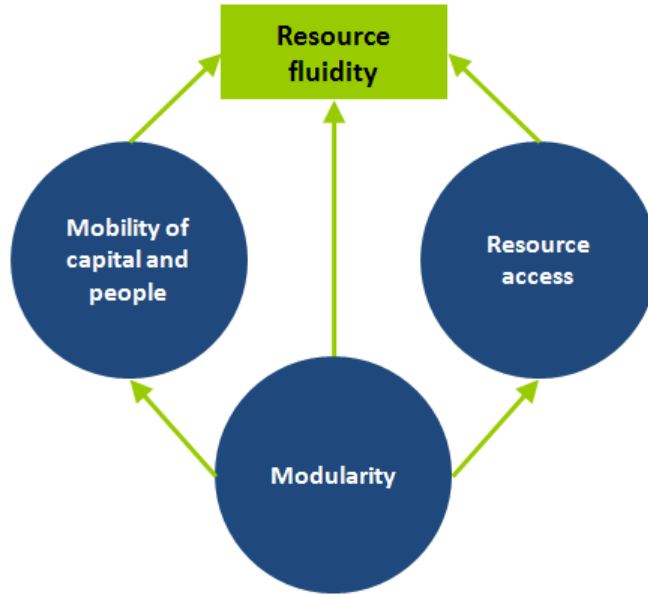
Figure 18: Interdependencies between capabilities that contribute to resource fluidity (Doz & Kosonen, 2008)

2.5 Summary of Theoretical Framework

The most important previous literature from this study's point of view relates to knowledge intensive business services, management consulting, small and medium sized companies, and strategic agility. There are studies and books available under each of these headings, but so far there does not seem to be literature covering all three at the same time. However, since strategic agility is a very relevant topic in today's fast changing business environment, I expect there to be many studies that approach strategic agility from different perspectives in the near future.

Knowledge intensive business services are commonly utilised by companies in the present business environment. KIBS have their own specific characteristics and aspects that need to be taken into consideration when discussing their leadership and strategy. Management consultancies are one type of KIBS, and the market for management consulting services is

growing. A vast majority of KIBS and management consultancies are small and medium sized companies, which have a big effect on the community by providing jobs and innovations.

Strategic agility is a concept that is very important in a turbulent and fast changing business environment. It has so far mainly been studied in big corporations, but it also has a role in small KIBS because as the competition gets tougher, the small KIBS increasingly need to be one step ahead of their customers and especially their competitors in order to succeed.

In this section I have summarised some of the most important literature from this study's point of view, and in that way established the starting point for my own research. In the next section I will explain and discuss the methodology used for conducting the empirical research.

3   Methodology

In order to research strategic agility in small KIBS in general and the case company specifically, I conducted a qualitative single case study. My data collection methods were interviews, observation and desk study of background material provided by the case company. The object of my research was Swot Consulting and its strategy and management system. I have conducted this research as an assignment for Swot Consulting, which is also my employer. The objective of the research was to give a neutral and grounded understanding about how strategically agile Swot Consulting is and how could its performance be improved, as well as how to remain strategically agile while growing and internationalising.

Case research is one of the most common ways of conducting qualitative research in economics (Koskinen et al., 2005). According to Eriksson and Kovalainen (2008), "classic case studies are connected to the interpretative, ethnographic and field-research traditions" (pg. 116), and "they are very different from the experimental, quantitative, and deductive research traditions in business research that aim to produce statistical generalisations" (pg. 116). Yin (2003) defines a case study in the following way: "a case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (pg.13), and "the case study enquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis" (pg. 13-14).

In a case study there is often only one case (single case study), but sometimes there are more (multiple case study) (Koskinen et al., 2005). Within each case there can either be one unit of analysis (holistic) or multiple units of analysis (embedded) (Koskinen et al., 2005; Yin, 2003). In this research there is only one unit of analysis, i.e. Swot Consulting as a whole. Case studies are widely used in education and research because they act as a source for new

hypotheses, and they can be used as a basis for comparisons in order to challenge earlier theories (Koskinen et al., 2005; Eriksson & Kovalainen, 2008).

Business economics research cannot always be conducted in a purely theoretical way, and one of the benefits of case research is that it takes into account and gives a holistic understanding of the specific nature and complexity of a company and its business environment (Koskinen et al., 2005). However, there are also challenges that need to be taken into account, such as simplifying assumptions. It is typically assumed that there is only one explanatory factor and that all relevant aspects have been measured and similar results would be achieved if the study was reconstructed in a similar environment (Koskinen et al., 2005). Some assumptions need to be made, but it is important to keep in mind that sometimes the underlying assumptions may change and therefore the results of a research need to be reconsidered (Koskinen et al., 2005).

In this section I will first introduce my research process in more detail. After that I will describe the research data and how it was analysed, and finally I will evaluate the quality of this research.

3.1 Research Process and Data Collection

The choice of the subject for this research was relatively easy for me. I work for the case company, and the subject needed to be something that would be valuable to the company, but also something that I would find interesting and that would build up my knowledge and be useful for me in the future. I also wanted to research something that has not really been researched before, and I found the concept of strategic agility in small KIBS intriguing.

In order to gather data for this research, I conducted semi-structured interviews, which are the most widely used method of gathering qualitative data in both economics and social sciences (Koskinen et al., 2005, Eriksson & Kovalainen, 2008), and can be used to study both what and if questions (Eriksson & Kovalainen, 2008). When researching leadership, interviews are often

the only possibility to gather data about the meanings and interpretations that people set for different phenomenon (Koskinen et al., 2005). In addition to the interviews, I also observed the case company and studied the written material provided by them, as well as the previous research conducted in this area.

Semi-structured interviews follow an interview template previously created by the interviewer, but the interviewees are free to answer in their own words and even suggest additional questions (Koskinen et al., 2005). The questions do not need to be asked in the same order from all interviewees (Koskinen et al., 2005), and the interviews typically are much more like conversations than formal events with predetermined response categories (Marshall & Rossman, 2006). There are many benefits to using interviews as a research method, but they may not be very objective because they provide the researcher with the reconstructed view of the interviewee, not the object itself (Koskinen et al., 2005). However, according to Marshall and Rossman (2006), the interview method is actually based on the assumption that the interviewee's perspective on the researched phenomenon should unfold during the interview (and not the researcher's perspective), which suggests that this is not necessarily a bad outcome. However, in my research I have tried to avoid the situation where a single interviewee's perspective would affect the outcome too much by interviewing several people from different backgrounds.

An important part of my research was to analyse how well does the management of Swot Consulting succeed in keeping the company strategically agile, and for this purpose the semi-structured interviews were the most appropriate way of gathering data. I also utilised the written strategy document that was provided by Swot Consulting, but that was mainly useful as an introduction to the subject. Also observation (during this research and also before while working with the company) proved to be a very valuable source of insight, but again, mostly as an introduction based on which I was better able to ask the right questions from my interviewees and especially the Swot Consulting partners. However, it is important to note that my observation at Swot Consulting cannot be considered as qualitative observation research as defined by e.g. Koskinen et al. (2005).

I conducted altogether nine interviews, out of which four interviewees were within the case company (the partners of the company), and five were external experts in the areas of small KIBS, strategy and strategic agility. I conducted these two sets of interviews (i.e. internal and external to Swot Consulting) with slightly differing objectives. Two of the interviewed external experts were familiar with Swot Consulting, and experts in the areas of strategic agility and small KIBS. I conducted these interviews in order to get insight into what is strategic agility in a small KIBS, but also to get their objective and independent view of Swot Consulting from the strategic agility perspective. The rest of the interviewed external experts were not familiar with Swot Consulting, but they were experts in the areas of strategy and strategically agile small companies, and I conducted these interviews in order to build a broad, coherent and Swot Consulting neutral understanding of what strategic agility means in the context of small KIBS. Finally I interviewed the Swot Consulting partners with the objective to get more specific information about the company and its objectives, strengths and weaknesses in order to build a Swot Consulting centric picture. The Swot Consulting partners also contributed to the research as experts in management and leadership of small KIBS.

I chose my interviewees based on their extensive knowledge and expertise in the areas that are central to this research, but also based on their varying backgrounds, so that I would get as much information (even conflicting) as possible. I had some help from Swot Consulting consultants in contacting my interviewees, and all the people that were contacted agreed to meet with me. According to Koskinen et al. (2005), this is very typical in case of semi-structured interviews, because it does not take big effort from the interviewees and the interview tends to be a motivating experience to them as well. However, some of my interviews were elite interviews (i.e. the interviewees were important decision makers in the society, academics or their own company), which could have caused some difficulty because these interviewees tend to be very busy and it is difficult to gain access to them (Koskinen et al., 2005; Marshall & Rossman, 2006).

I created my interview template around three main themes, namely strategic agility, small KIBS, and Swot Consulting. The interviews were largely based on the strategic agility model introduced by Yves Doz and Mikko Kosonen (2008), and one of the main objectives of the interviews was to understand whether the model also fits small KIBS (as it was originally

created for the purposes of large enterprises), and how could it be sharpened so that it would be more suited for their purposes.

First I interviewed the external experts, and after that the Swot Consulting partners. The order of the interviews did not have much effect of the research, since I used the same template for all interviews. Not all questions were covered in all interviews, but more emphasis was based on the questions that were in that specific interviewee's expertise area. I also added some questions during the interview process, based on previous interviews and subjects that had come up as important in them. However, most questions on my interview template were discussed in all interviews, and therefore I had enough data collected around each of the main themes.

All the questions were open-ended questions. The questions were not asked in the same order from all the interviewees, but rather in a logical order based on what the interviewee was saying. I also asked many questions outside of the template when I felt that the discussion was heading to an interesting direction that I had not taken into account when creating the template. I designed the interview template to cover the top level questions, but I also asked many focused sub questions in the interviews. The atmosphere in the interviews was relaxed and the interviewees spoke very freely, and therefore I got plenty of data from them. The interviews lasted between one hour and two hours, depending on how much time the interviewee had to spend, and how much did they have to say.

The top level interview questions were as follows:

Strategic agility

1. *What is strategic agility and how would you define it?*

2. *What benefits and risks are there that relate to strategic agility?*

3. *How can strategic agility be maintained while growing and internationalising?*

Small KIBS

4. *Are small KIBS always agile?*

       a. Are small companies always agile?

       b. Are KIBS always agile?

   5. What special aspects should be taken into consideration when researching small KIBS

       a. Small companies

       b. KIBS

  6. Can Doz and Kosonen's model be applied to small KIBS?

       a. Should some aspects be added or removed in order to make it more applicable?

Swot Consulting

  7. Is Swot Consulting strategically agile?

       a. Strategic sensitivity

       b. Collective commitment

       c. Resource fludity

  8. Should Swot Consulting be more strategically agile?

       a. What could be improved and how?

There are several ways of documenting the interviews, such as notes written during the interview or afterwards, and recording the interview with a tape recorder or even a videotape recorder (Eriksson & Kovalainen, 2008). However, writing notes is not a preferred way of documentation because it interferes with the process of interviewing if it is done during the interview, and details are easily missed if it is only done afterwards (Eriksson & Kovalainen, 2008). This is why I recorded all of my interviews with a tape recorder and accurately transcribed them afterwards. After carefully transcribing the individual interviews, I placed all the data in one document and organised it under the main themes and questions, which was very helpful when analysing the data.

3.2 *Analysis of Data*

While analysing the data, some themes keep reoccurring, and these are important aspects when making assumptions of what are the central themes and possible conclusions (Koskinen et al., 2005, Marshall & Rossman, 2006). I have structured and analysed my research data around the main themes that came up during the interviews. Eriksson and Kovalainen (2008) call these case records. These themes have then been further formulated and in some cases integrated into another topic, while creating the final structure around which I have analysed the data.

I started analysing my data by placing all the transcribed individual interviews in one document and sorting them according to the interview questions. After that I grouped similar statements and findings together under summarising themes, combined some of the original themes (i.e. questions on the interview template) and reformulated them to better match the findings. I reformulated and sharpened the interview summary document until it was structured enough for me to start the actual writing process. At this point the interview summary was in a bullet point form, and when I was writing the actual findings section, I went back to the individual transcribed interviews in order to double check that I had not left out anything important and sometimes to get more information. I also listened to parts of the interview tapes again to better understand the tones and nuances behind different statements.

Preliminary analysing and theme identification take up time, but the actual analysing should not take place before this phase is over, because otherwise there is a substantial risk of not seeing the forest from the trees (Koskinen et al., 2005). Once the preliminary analysing is over, the researcher can move on to analysing the reduced data and creating a physical structure that will best support the actual analysis (Koskinen et al., 2005). Only after this is the researcher ready to move on to analysing the reduced and structured data and making conclusions (Koskinen et al., 2005). However, according to Eriksson and Kovalainen (2008), in

case research the collection and analysis of data are very seldom a completely separate process, but in practice they do take place partly at the same time.

I have utilised analytic induction in analysing my research data. According to Koskien et al. (2005), analytic induction means that the researcher first carefully analyses a very small group of instances and formulates a first conclusion based on that. Then he/she tests that conclusion against a broader set of data and lists the instances against which the first conclusion does not fit. After that the researcher rethinks the conclusion to match all instances and tests it again. This is repeated until such a conclusion is reached that can be said to be perfect, with an explanation of the underlying basic assumptions. In other words analytic induction means making assumptions and preliminary conclusions and testing them until the whole set of data is covered (Koskinen et al., 2005).

Analytic induction is a very common method in qualitative research, but there has also been some critique towards it. Even though many of the criticism is grounded, they also tend to be somewhat old fashioned. A well conducted analytic induction provides the researcher with a conclusion that includes reservations instead of providing absolute arguments. Analytic induction also aims at describing a phenomenon in a way that takes individual nuances into consideration. (Koskinen et al., 2005)

Careful description of the data is not enough analysis, but the researcher also needs to come to a conclusion based on the analysed data, because otherwise the value of the new information will remain arbitrary and does not have any chance of becoming a part of the whole (Koskinen et al., 2005). Based on the analysed findings from the interviews, I formulated a model to describe the specific case of strategic agility in small and medium sized KIBS, that was based on the more general model introduced by Doz and Kosonen (2008).

3.3 Quality of the Empirical Research

Quality of the empirical research depends on its validity and reliability. Validity means how well a certain argument, conclusion or result refer to the object that they are supposed to refer to (Koskinen et al., 2005). Reliability means the level of consistency regarding how certain instances are placed in the same class by different researchers at different times, and it consists of congruency, instrumental accuracy, instrumental objectivity and continuity of phenomenon (Koskinen et al., 2005). There can be reliability without validity, but no validity without reliability (Koskinen et al., 2005). Repeatability of the research is an aspect that relates to its reliability, and only if similar findings would be achieved by repeating the study, can it be said that the phenomenon and the interpretation of the researcher are real (Koskinen et al., 2005; Eriksson & Kovalainen, 2008). Repeatability can be established by carefully reporting the research process and analysing how the interviewer may have affected the research findings (Koskinen et al., 2005).

The validity of this research is based on semi-structured interviews with carefully chosen external experts and Swot Consulting management. Semi-structured interviews are a good way of gathering data about the meanings and interpretations that people set for different phenomenon, especially when studying management and leadership which are challenging areas of research because they are not easily measured (Koskinen et al., 2005). The reliability of this research is based on varying interviews that were both internal and external to the case company, and with interviewees that come from different backgrounds and therefore provide a versatile view on the researched phenomenon.

Before in this section I have carefully explained how the interviews took place and listed the set of interview questions that I asked in all of the interviews, as well as described how I have analysed the data, and what my personal relationship with the case company is. I personally conducted all the interviews, which means that the interviewer did not change during this research and there is no arbitrariness or randomness regarding the way that the interviews were conducted. All interviews have been carefully transcribed and I have used many direct quotations in the text, which gives the reader a possibility to evaluate how I have utilised

individual interviews and how I have come to the findings that are presented in the next section. I have listed the profiles of my interviewees in the end of this thesis, and the link between individual interviews and my findings can be followed by looking at the sources in parentheses (interviewee 1-9).

How the interviewer affects the research findings is a part of generalisability especially in case of semi structured interviews (Koskinen et al., 2005), and it is a relevant challenge in this research because I worked with the case company before and during conducting the research. Because of this I already had my own understanding about Swot Consulting, but since I had not worked with management issues, my viewpoint to the aspect of strategic agility was limited and I feel that I was able to analyse it in a neutral and objective way. Also the existing literature which is introduced earlier on in this thesis supports the findings from my interviews, and the link between the literature and my conclusions can be followed in the final section.

4 Case Swot Consulting

In this section I will introduce the empirical research in more detail. I will start by introducing the case company and its operating environment, i.e. the management consulting market in Finland. After that I will move on to describing my findings, which are structured around the main themes that arose while I was conducting this research.

4.1 Introduction of the Case Company

In this chapter I will first introduce the business environment of the case company, and then introduce the case company itself. This information will give the reader an understanding of the specific context and background of the case company, in order to better understand the findings of the empirical study.

4.1.1 Management Consulting Market

The Finnish management consulting market is very fragmented, which means that there are several relatively small players and only a few bigger ones (mostly international). There are approximately 6000 companies in Finland that can be classified as consulting or training companies (Korhonen, 2009), and some of the companies that are active in the Finnish market are categorised in specific groups in the below figure:

Area of Expertice	Active Companies in the Market
Finnish management consultancies	Swot Consulting, Synocus, August Associates, Kamensky Consulting, Sirius Consulting, Vectia, Ramse Consulting, Aspectum, Synergy, Gearshift, VIA Consulting, Talent Partners, Konsulttitoimisto S. Hoffrén, Konsu, Nordic Adviser, Compass MP, Eera
International management consultancies	McKinsey, Boston Consulting, Bain&Company, Booz Allen Hamilton, Roland Berger, Hay Group, IBM Consulting, Accenture
ICT consultancies	Accenture, Logica, Capgemini, TietoEnator, Fujitsu Services, IBM Consulting, Bearing Point, Omnitele
Industry field specialist	Jaakko Pöyry, Gaia Group, Ramboll Finland, AC Nielsen, ÅF Consult
Production and logistics	EP-Logistics, UnitedLog, Melti, Devcons, ELC Finland, Industria
Consultants for public sector	Finnish Consulting Group, Haus Kehittämiskeskus, Net Effect, TalentHaus, Yritystaito, JTO, LTT Tutkimus, Finpro, VTT and universities, Tekel members
Internal consultants	ABB, Nokia
Training	Trainers' House, Mercuri International, PMB Coach, VIA Leadership, Talent Partners
Auditing, financing, investor relations and M&A	PriceWaterhouseCoopers, Helmet Business Mentors, Head Consulting, Deloitte
HR	Psycon, Innotiimi, PA Consulting Group, Disc International

Figure 19: Management consulting market in Finland

Talouselämä (Finnish magazine that focuses on the economic life of Finland) has conducted a study of the management consulting market in Finland for the seventh time in January 2009. According to their issue on 26.1.2009, consulting companies are doing well, and their customers currently need the most help in performance improvement, increasing their understanding of the customers, profitability analyses, leadership strategy sharpening, and implementation of change processes. There are three typical reasons why a customer company hires consultants: 1) they need help with an acute problem; 2) management is unsure about their own decisions and they need the consultant to give new perspectives and a second opinion; or 3) there is a need for change that has to be implemented fast, and the consulting company provides the additional resources. (Korhonen, 2009)

There is intense competition in the management consulting market, and in the current economic situation the customers have become more demanding and the management consulting company needs to have a good reputation and references to show that they make

results. Success based fees are also increasingly popular because they are very result oriented. In addition to this, the customers are in a rush, and the projects have to be executed in shorter time periods than before. (Korhonen, 2009)

The 45 companies that have participated in Talouselämä's study employ nearly 2500 consultants. The number of consultants has increased significantly in the last years, but on the other hand there is a lack of experience in the market. Even though the market is very fragmented, there have not been structural changes in the market, which is supported by there only being one new company in Talouselämä's list of top 32 (based on how many consultants they employ) consulting companies when compared to the same list two years earlier. However, venture capitalists have shown interest in merging medium sized consulting companies, which suggests that some integration may be taking place in the near future. (Korhonen, 2009)

In order to survive, a management consulting company needs at least 150 days of billable work per consultant every year, and each individual consultant needs to generate between 150 000 euros and 300 000 euros every year. International companies base their pricing on a pyramid model, in which the most expensive people – i.e. the partners and most experienced senior consultants – are on top of the pyramid, and on the base of the pyramid are the newest and most junior consultants, who are also the ones that do most of the actual work. The pricing of a project therefore partly depends on the composition of the project team. (Korhonen, 2009)

The number of consultants and turnovers of the top 32 (based on how many consultants they employ) management consulting companies according to Talouselämä are presented in appendix 2.

4.1.2 Swot Consulting

Swot Consulting is a management consultancy that was established in 1988. Currently it employs 19 people, out of which 16 are full time employees. The people working for the

company are mostly very experienced senior consultants, which is one of Swot Consulting's sources of differentiation and competitive advantage. Out of the 19 employees, 11 are senior consultants (including the four partners), two are consultants, three are business analysts and three are assistants.

Swot Consulting has grown relatively rapidly since 2002, and its objective is to further internationalise and grow, especially in terms of turnover and profit. Swot Consulting already has a global Germany based partner, a Russian partner and an Estonian partner.
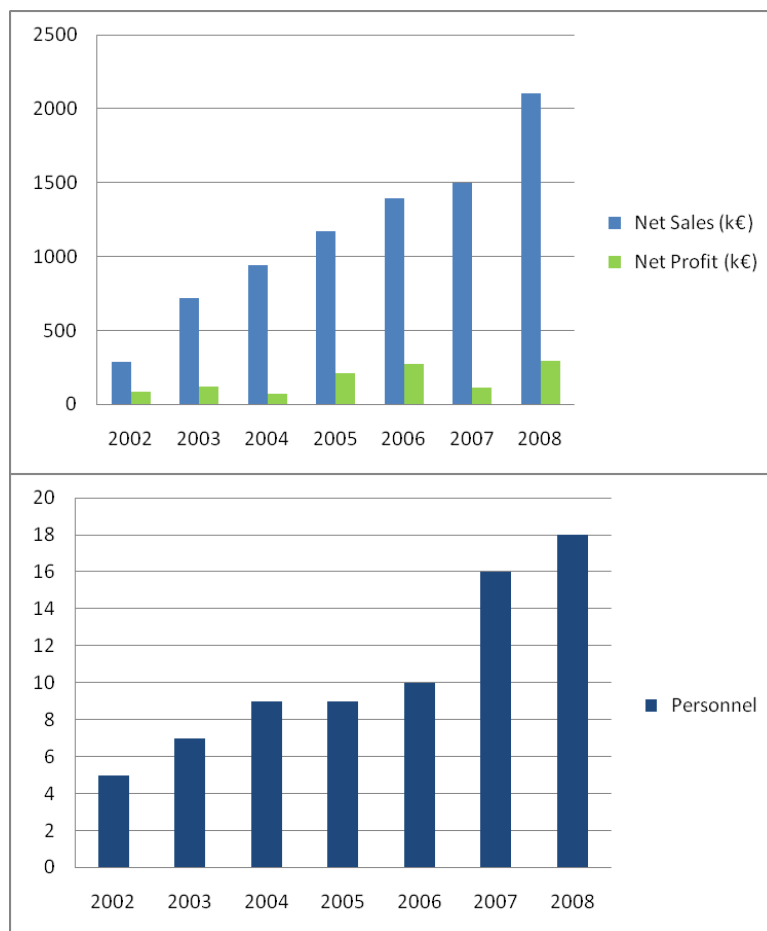
Figure 20: Swot Consulting's growth between 2002 and 2008

Swot Consulting focuses on technology industries and its offering consists of renewal ability (innovation management, turnaround management, and structural change management), strategic ability (business intelligence, strategy creation, and strategy implementation) and operative ability (cash flow management, profitability improvement, and asset management), as can be seen in the below figure:
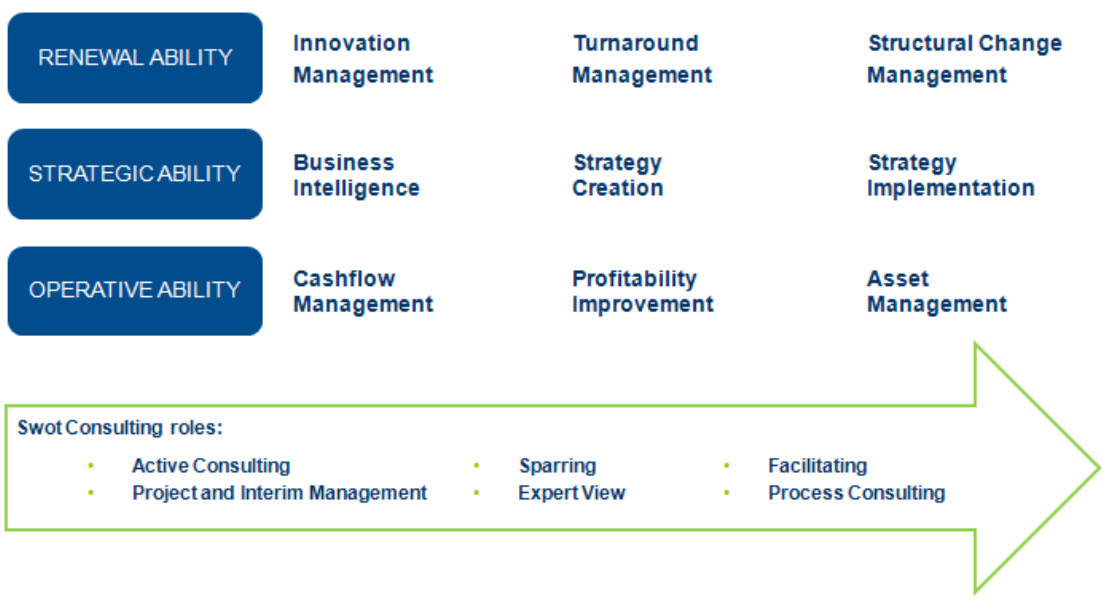
Figure 21: Swot Consulting's offering and roles

 The company has been divided into three industry sectors, namely environment and energy industry (EE), mechanical engineering industry (ME), and information technology and electronics industry (ITE). The organisational structure is presented in the figure below:

Figure 22: Organisational structure of Swot Consulting

This division was made in order to deepen the organisational knowledge and competence in each of the focus areas, but it does not mean that team compositions cannot vary between different sectors, e.g. someone who belongs to the MEI team could not be part of a project of the ITEI or E&E team or the other way around. Instead, varying team compositions are encouraged in order to transfer knowledge and improve working habits.

Consultants and senior consultants are a part of one or more industry sector teams, and some of them also belong to the Russia team. The line manager of all consultants and senior consultants is the CEO of the company, but the different teams also have team leaders. Business analysts and assistants belong to the services and development team, and they work with all of the industry sectors. Their line manager is one of the partners of the company.

Senior consultants and consultants take part in projects based on their competence, experience, existing contacts, and work load. Business analysts take part in customer projects based on their competence, learning objectives and work load, and they also have responsibilities in internal development projects. Assistants have work partners (senior

73

consultants, consultants and business analysts) whom they are responsible to assist, and in addition to that, they are responsible for several administrative tasks.

Swot Consulting is a partnership and the steering team (i.e. management team) consists of the four partners. Before the division into the industrial sectors, there were only two organisational levels: the CEO and others. Now there are two line managers as mentioned before, namely the CEO (line manager of all consultants) and the head of services and development (line manager of business analysts and assistants). There is also an external advisory board that consists of respected and experienced managers of other companies. The role of the advisory board is to spar and guide the steering team (i.e. management team) in strategic direction and decisions, as well as sometimes work as matchmakers and introduce Swot Consulting consultants to possible customers.

There are several different meetings where decisions are being made, i.e. advisory board meetings, steering team meetings, kickoff meetings, sales meetings, industry sector team meetings and customer / internal project team meetings. The hierarchy of these different meetings is presented in the below figure:
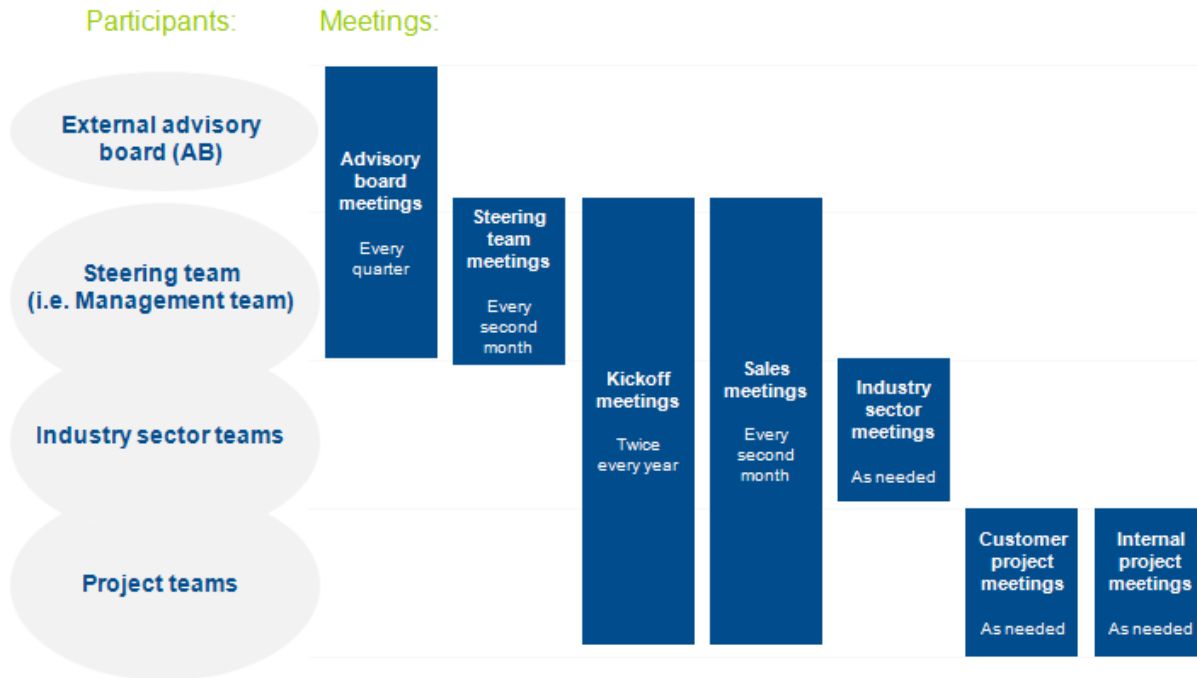
Figure 23: Swot Consulting's meeting structure

Swot Consulting has a written strategy document for 2006-2011, which has last been updated in August 2007, and is being reviewed in the fall of 2009. The strategic themes for 2006-2011 are boosted growth and strong focus in technology industries, which have both taken place. Swot Consulting's vision 2011 is to be "the best known, fastest growing and most desired Finnish management consulting company focusing strongly on technology industries", and the values are rapidity, expertise, added value for the client, reliability, and profitable operation. These values are well internalised and they also take place in practice.

4.2   Research Findings

In this chapter I will introduce my research findings, based on the interviews and observation of the case company. I will structure the findings around key aspects that came up both while studying the theoretical background and while conducting the interviews.

First I will introduce the discussion around the concept of strategic agility and what does it mean, and after that I will move on to the role of strategic agility in a small KIBS context. Then I will explain the findings related to strategic agility in small KIBS compared to the model introduced by Yves Doz and Mikko Kosonen in 2008. After that I will discuss the findings regarding strategic agility while growing and internationalising, as well as the risks and benefits of strategic agility, and conclude with findings regarding the future of strategy and strategic agility.

4.2.1   Strategic Agility

Strategic agility has its roots in an old discussion regarding strategic renewal - the plan is only a part of the whole and the actual strategy of an organisation is a result of the work of an internal ecosystem. The need for strategic agility arises from rapid change and renewal of the company, which can take place reactively or proactively. If the renewal takes place proactively, it can be utilised to build competitive advantage based on something that the competitors do not yet know.

One of my interviewees defined strategic agility in the following way:

 "Strategic agility is big companies trying to act like small companies in order to avoid the problems of big companies." (Interviewee 1)

Strategic agility can be defined as balancing between two extremes: being agile which is typical for small and entrepreneur driven companies, and being strategic, which is typical for

big and hierarchically structured corporations (interviewee 5). The optimal place on the axis depends on the company: some of them are naturally agile and need to become more strategic, and some of them are naturally strategic and need to become more agile, i.e. different companies approach strategic agility from different ends of the axis. This approach can be seen in the below figure:

Being Agile	Strategic Agility	Being Strategic

Figure 24: Being agile vs being strategic

Looking back at Swot Consulting's history, the company has started off in the agile end of the axis, and moved towards strategic agility (interviewees 5-9). However, it has not always moved smoothly along the axis, but like one of the Swot Consulting partners expressed it, *"sometimes we have even gone zigzag between the two ends"*. Another partner described the development needs of Swot Consulting in the following way: *"since the company was already agile, the need was to bring in the strategic aspect, but without losing the flexibility and impulsiveness that was a part of the organisational culture"*. In 2006 a documented strategy was formulated, which made life at Swot Consulting easier, because there was a vision and direction where the company was heading to (interviewee 9). Also the introduction of the advisory board in 2006 has made the company more strategic and systematic (interviewee 7).

In the beginning Swot Consulting was "over agile", meaning that any projects would be taken and with any schedule – this was also a question of survival and working harder in order to become bigger (interviewees 5-9). However, a conscious strategic decision was made to focus on sales and marketing improvement instead of leadership training, and one of the Swot Consulting partners expressed it in the following way:

"Working at Swot Consulting will not mean going to a hotel with a group of people and spending two to three days there developing a concept and discussing how it is going to be implemented or sold." (Interviewee 9)

The objective was to become a strategic management consultancy, and that decision was the start of a path leading to where the company is now.

Direction and a big goal are important aspects of strategic agility, and one of my interviewees defined it in the following way:

"A strategically agile company has a clear big goal, but if the winds change, they are able to fine tune the canvas and maybe even change some of the crew in order to keep going towards the big goal." (Interviewee 8)

In other words, strategic agility means that a company has a clearly defined direction, but they are able to adapt to changes in their business environment – this is not just a new way of strategy work, but a new way of leading a company. Because of this reason and the modern business environment's demands in general (long term planning has been replaced by a big goal and how to operate in order to get there), one of my interviewees does not feel that strategy is the word that should be used in this context, or in today's business altogether. In his opinion, business agility or business concept agility would be a better term for it. However, in this study I will not discuss the terminology, but this is a possible research question for later studies on this subject.

At least two aspects are important to understand when considering strategic agility, namely a new way of thinking (basics of a strategically agile company), and an understanding of what affects what (system theory) – as one of my interviewees formulated it, *"finding the small screws that have a big impact"* (interviewee 4). This is an opposing view to the traditional management school in which a control is created if things do not go as planned, instead of finding out what is wrong – agility demands leaving out common sense, and true agility is very difficult to achieve (interviewees 2 and 4).

In an agile company decision making takes place where there is the best information, and the company is run by defining the right paradigms and values to be lived by, instead of excessive

control and hierarchy (interviewee 4). It is also very important to define the range within which people are allowed to work, and make very clear what is holy and what is just the current best understanding (interviewee 4). This can be represented as a double pipe, as seen in the below figure:
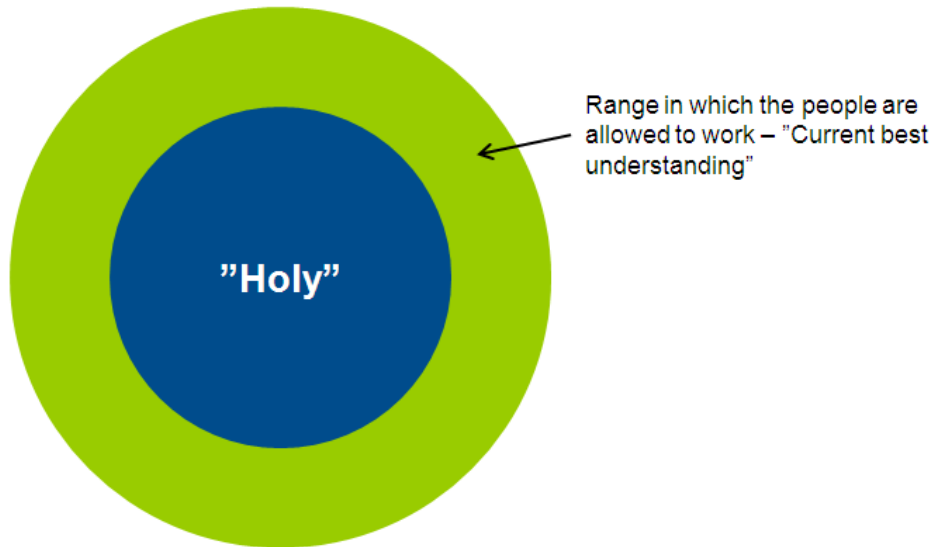
Figure 25: What is holy and what is the current best understanding

The core of the strategy is holy, and something that may not be altered from, but the outer pipe represents the range within which people are allowed to work based on their own judgment. This kind of thinking needs to be reinforced at Swot Consulting, so that the group discussions can be focused on more important questions instead of going over the rules of operating, and people stay within the agreed boundaries without someone watching over them (interviewees 6 and 9).

"There cannot be successful business if the direction and rules on how to operate are not clear." (Interviewee 9)

At Swot Consulting strategic agility means being able to utilise and benefit from arising possibilities. What strategic agility is not is not having a strategy or constantly changing it, having deep silos that prevent change, or being a weather vane that keeps changing direction with the wind (interviewees 6-8). Strategic agility is also not the same as flexibility, which is an operational term and refers to fine tuning, and not the journey towards the big goal.

Some people define strategic agility as covering both the strategic and operational element, and some view it more narrowly, as something that only has to do with top level planning and that does not belong to today's business environment. This relates to a discussion about whether or not strategic and operational aspects can be separated from each other. My interviewees tended to agree that they cannot be separated, and there is no strategy without action (implementation into operational processes), and one of them explained it in the following way:

"Strategic agility is moving away from the old planning paradigm where there were one group of people that did the planning, and another group that implemented it – this is not valid anymore because a strategy is constantly being fine tuned while implementing it, and hence operational is in fact strategic." (Interviewee 5)

However, some of my interviewees also had the opinion that sometimes strategic and operational aspects need to be separated in order to view them in more detail, but on the other hand, some of them thought that a separation between the individual level and organisational level would be better suited for this purpose.

In this study I discuss strategic agility as including the operational factor, because in my opinion there is no strategy without implementation into everyday operations, and therefore I see strategic agility covering the whole organisation from top level planning to concrete work and decisions made by individuals.

4.2.2 Role of Strategic Agility in a Small KIBS Context

The context of this study is small KIBS, and in order to understand what affects what, those two aspects need to be considered separately first.

Small Companies

Small companies have all the prerequisites for being strategically agile, yet this is not always the case.

"*Agility is an ideal that is easier to implement in a small company, but it is not self-evident.*" (Interviewee 2)

It is much easier to achieve and keep up strategic agility in a small company, because there are typically fewer locations and less people, and therefore not so many cultural differences. There are also better opportunities for moving people or entire teams from one project to another as a response to a changing market situation, i.e. natural or inbuilt resource fluidity (interviewees 2 and 5).

Small companies do not have the time and resources to create such structures that take away their agility, and with less people it is easier to gather everyone in the same room and create a collective understanding of where the company is headed to (interviewees 1, 3 and 5). Also strategic sensitivity is easier, because there are several people that look at the world from different viewpoints and they all have a possibility to have their voices heard.

Regardless of the above mentioned aspects, there are many small companies that are not strategically agile. People are not typically very agile, but they have their own comfort zones and they want to know what exactly they are doing next week (interviewees 2-3). There may also be entrepreneurs that have a strong vision and ideology, and want to control everything that happens in the company, without truly consulting anyone else. Another aspect of small

companies is that since it is easier to be agile when being small, small companies need to take into consideration that they are most likely competing against other agile companies (interviewee 3).

Until about 20 people it is easy to be agile, but from there a concrete need for actions needed in order to stay agile arise, and at about 40 people a company has to make a choice whether they will follow the traditional "highway" or remain agile (interviewee 4). Less than 50 people are still somewhat manageable, but after that it easily gets out of hand. At that point the decision making starts to be too much CEO centred, people are not sure what they are supposed to do, and they start to be divided into departments and different silos (either on purpose or without control), and politicking steps in (interviewees 4-5). With unnecessary hierarchy, control and limitations a company becomes less and less agile.

According to one of the Swot Consulting partners,

"our business is extremely simple when compared to for example Nokia – it is much easier to run the company with hands-on management, whereas in a big company there are several hierarchical layers and it is not possible to address everyone at once".

In big companies decision making tends to be a top-down process, and it is not a job for everyone – this means more process descriptions, etc. In a small company it is easier to listen to the employees, which is oftentimes more important to them than actually influencing what is decided in the end (interviewee 2). Also at Swot Consulting the employees have more freedom and they are welcome to participate in the decision making process.

KIBS

Not all KIBS are agile, even though agility is a part of their nature and organisational structure.

"There are many small KIBS that probably think that they are agile, but in reality they are completely fixated to what they and other companies in their industry have always done." (Interviewee 8)

One of my interviewees defined strategic agility in a KIBS in the following way:

"How well are we able to identify and find new organisational models and business concepts – this is the essence of strategic agility in a KIBS." (Interviewee 3)

In a KIBS it is built-in that the employees are smart (regarding both education level and experience), which creates an equality that is independent from the organisational structure. This means that everyone wants to take part in the planning and implementation, and everyone has their own opinion, which they typically find more grounded than the other people's opinions (interviewees 3 and 6-9) – according to one of my interviewees, *"this is the case in all KIBS, and has been so for at least the past 20 years"* (interviewee 3). One of my interviewees described the individuals in a KIBS as *"people that have a strong expert identity, as well as a strong will and vision"* (interviewee 5). This is different compared to a line organisation, and it creates a challenge of how to manage this equality without creating unnecessary structure but still keeping the organisation together – one of the Swot Consulting partners defined this as the *"challenge of managing smart people"*, and another one said that *"managing with a stick does not work in this kind of an organisation, but people need to understand why we need to do something"*.

In a KIBS clarity of the strategy is even more important than in other kinds of organisations, because the people easily interpret everything over intelligently, which makes it more difficult to create a shared understanding. Experts are individualists that need to shine and show how great they are, and this is something that is bound to be seen in the organisation (interviewees 7-8). The experts come from different backgrounds which affect how they do things – this is a strength, but it must be acknowledged and anticipated. KIBS are knowledge intensive by definition, and because the knowledge is mostly embedded in the people, the individual level is very much emphasised.

Because of these factors the management should allocate more time to spend with the people around them, and less time for work that does not have to do with leadership. Like one of the Swot Consulting partners put it:

"Members of our management team should not be going to customer meetings on their own and then spending time transforming flap notes to PowerPoint – if they had someone there with them, they would get three times more work done and be able to focus on what is truly important." (Interviewee 8)

However, up to know this has been viewed as a competitive advantage (the one who sells the project also executes it), but lately there has been discussion about whether the situation has changed and this approach needs to be reviewed.

It also needs to be taken into consideration that a management consultancy is a very specific type of KIBS: the role of the individual is extremely emphasised, and the risk of sub optimisation may be bigger especially if the consultants come from diversified backgrounds (interviewee 3). In a KIBS and especially a management consultancy every strategic initiative can be tested through one individual or an autonomous team, and the whole company does not need to be included. This is much easier than in any other kind of an organisation, but special attention needs to be paid to staying within the focus area of the company, and also letting go of those initiatives that do not take off (interviewee 3).

4.2.3 Applicability of the Strategic Agility Model Introduced by Yves Doz and Mikko Kosonen (2008)

Yves Doz and Mikko Kosonen's model does not automatically fit a small KIBS, but it is a good model and it just needs to be thought over in order to describe small KIBS. The basics are the same and can be applied to any company, but the model is on a very general level.

"Swot Consulting is a very different concept compared to what Doz and Kosonen have analysed, they talk about these matters on macro level, whereas Swot Consulting's challenges

are more about group dynamics – social psychology and how has leadership evolved." (Interviewee 1)

The original model does not need to be revised, but it needs to be approached from a different perspective.

To match the model with small KIBS, another dimension needs to be considered, and that is the individual level. Doz and Kosonen's context is on an organisational level, but in a small KIBS the role of individuals is strongly emphasized.

"Every expert looks at the world from their own specific viewpoint, and this needs to be integrated into the model." (Interviewee 3)

Each individual in a KIBS can in a way be compared to a unit of a portfolio company, i.e. a KIBS is a portfolio of people with different motives, which can easily lead to sub optimisation (interviewees 3, 5 and 8). The individual level factors are transferred into the organisational level and organisational knowledge by the means of management, and it needs to be considered what are the individual level factors or characters that constitute the organisational level factors (interviewees 3 and 5).

Strategic Sensitivity

Strategic sensitivity means knowing how the business environment is changing, and one of my interviewees crystallised it in the following way: *"It is strategic sensitivity to observe, notice, utilise and anticipate"* (interviewee 9). Strategic sensitivity is very important, and according to one of the partners, not enough attention is being paid to it at Swot Consulting:

"We have defined ourselves as a management consultancy that has a certain kind of offering and certain kinds of customers, and we are too content with that to proactively look what is happening around us, and to find ways of renewal and differentiation". (Interviewee 9)

Strategic sensitivity in a small KIBS needs to be thought on two different (but very connected) levels: the individual level and the organisational level. Individual level alertness and capabilities to be strategically sensitive are very important in a small KIBS, and especially how the individual level alertness is transferred to the organisational level. According to one of my interviewees, what is interesting here is *"what are our people not interested in and not looking for and therefore not finding, interest being the operative word"* (interviewee 3). There is always plenty of information available and systematic attention is only needed where there definitely is not enough information (interviewee 3).

There are two sources of strategic sensitivity in a small KIBS. One is from intensive interaction with customers, which demands a good understanding of the customer's business process. The second is on the outskirts of the normal operating environment, or even outside of it because it is nearly impossible to find anything new without looking outside (interviewee 9). In Swot Consulting's case this could be financial management, logistics, ICT consulting, etc., based on a thorough understanding of the customer needs. There are also very good IT based strategy tools that should be considered as a part of Swot Consulting's methodology toolbox (interviewees 6 and 9). The best way to make sure that these sources of strategic sensitivity are utilised, is to make sure that there are enough people that have a broad array of sources of information (e.g. contact with other people and organisations), and that are capable of mixing and matching their findings (interviewee 3).

Strategic sensitivity demands systematic attention and responsibility from the management, as well as methods through which it is implemented. Also fast choices and decisions are needed from the management, in order to benefit from strategic sensitivity. Strategic sensitivity is based on individual sensitivity and alertness, which are transferred to the organisational level with a well-defined system (interviewee 9). Some people are more capable of seeing and thinking in an innovative way (20/80 rule), but that does not take away the need for certain structure. There is not such a structure at Swot Consulting, and at least some of the partners acknowledge the need for a process through which new business opportunities and innovations are followed. Group discussions are one mean of transferring the results of individual alertness to the organisational level and making them available to everyone (building organisational knowledge) (interviewee 3).

"Instead of forcing the experts to look for information in areas that simply do not interest or motivate them, the best way to keep up strategic sensitivity and renew a company is to find new people with different interests than the ones already working there." (Interviewee 3)

It is crucial that the people are heterogenic when it comes to age, experience, interests etc (interviewees 3 and 5). One of my interviewees also made a point that *"it also needs to be taken into consideration that as people get older their viewpoints tend to get narrower, and they are not so interested in new things anymore"* (interviewee 3). Therefore if the average age is very high, it can pose a threat to strategic sensitivity and openness to new things. However, as one of my interviewees said, *"this risk can partly be mitigated by constantly reviewing the people portfolio by adding and if necessary, also getting rid of some people when the portfolio needs renewing"* (interviewee 3).

Also experimenting and piloting new ideas (i.e. probing) is a good method of renewal, but according to one of the Swot Consulting partners, it currently is more about product development than it is about business concept renewal. In a company like Swot Consulting, there is a good chance of experimenting either through an internal project such as productisation of work methods, or in a customer project. However, this demands a good balance between impulsiveness and discipline – this is a very important factor to consider at Swot Consulting (interviewee 6).

Collective Commitment

Collective commitment and owners' insight are very important factors in KIBS. They are also typically easier to achieve in smaller companies, because there are not so many (management) layers and the employees are closer to the management. However, reaching collective commitment in a KIBS may be challenging because of the strong egos and identities of the experts, as one of my interviewees formulated it, *"KIBS and especially management consultancies are companies that are full of primadonnas that have their own personal agendas"* (interviewee 5). Collective commitment of the management and the collective

commitment of the whole company should be reviewed separately because there may be discrepancies, and the collective commitment of the management is definitely a condition for the collective commitment of the whole organisation (interviewee 5).

Decision making needs to be very centralised in small KIBS, and the management team has to be capable of making fast decisions and implementation, as well as getting the rest of the organisation to commit to them (interviewees 3 and 5-9). One of my interviewees expressed this in the following way: *"the most successful companies are known for their fast decision making and a management team that has their hands deep in the business"* (interviewee 9), and "*there is no business concept if it is not accepted by the organisation*" (interviewee 9). However, the management team cannot take all the responsibility and make all the decisions, because then they will end up being "decision generators" and the other (senior) people in the company do not have to take responsibility and stand behind their decisions (interviewees 4 and 9).

At Swot Consulting the decision making is mostly centralised, but sometimes even very operative questions are debated with the whole company. Group discussions are very important when making big decisions – because the experts are smart, they also have plenty to contribute to these discussions. However, according to one of the Swot Consulting partners, *"it is important to stop the discussion before the people get stuck on a minor detail, because that is bound to happen"*.

At Swot Consulting the partners have reached a shared understanding regarding the big goal and strategic direction, as well as the ownership strategy, which are very important in a KIBS (interviewees 6-9). However, there have been a few public disagreements between the partners about more detailed questions, and according to one of the Swot Consulting partners *"in addition to a shared understanding and vision, we also need unanimous implementation, and not partner x giving a different answer than partner y"*. If the Swot Consulting partners were placed on the agility – strategic axis, they would be in different places when compared to each other, but together they make a relatively balanced whole. The significance of collective commitment and especially a shared vision and shared implementation will only increase when the industry sector structure will take off properly.

Decisions regarding strategy and its implementation are made by different teams, mainly the steering group (i.e. management team) and sales meetings in which all the employees take part, but the decisions are typically not followed very well (lack of implementation). One of the Swot Consulting partners put it this way:

"We make a lot of decisions, as well as decisions about making decisions, but most of them we do not implement". (interviewee 8)

One of the reasons behind this could be that the management is doing too much "real work" instead of focusing on management and implementation of decisions, but mostly it is a question of prioritisation and moving from a small and entrepreneur lead company to a bigger company that faces new challenges (interviewees 6-9). According to one of the partners, *"this is more of a growth challenge than a competence challenge, and more decisions need to be made regarding which internal development projects are being done, instead of deciding to do them all and ending up doing none of them".*

Once the division into industry sectors will start to be seen in practice, collective commitment will become increasingly important, because each of the partners is responsible for one of the teams (ME, IT, EE, Services and Development). However, this has not been seen as a problem, as said by one of the partners: *"there is a good team spirit within the management team, and we are able to agree on decisions and commit to them".* It also needs to be taken into consideration that by making the division and narrowing the focus of the company, some of the customers and projects will need to be left out, and this has to be compensated by increased profit and growth resulting from cumulated knowledge, vision about the development of the sectors, as well as more efficiency regarding resource fluidity and allocation. According to one of my interviewees *"the division is definitely a step towards strategic agility – strategic being the operative word here – and it needs to result in improved focus management"* (interviewee 5). However, caution is also needed, and one of my interviewees said that "*even though I think that the division is a smart step, Swot Consulting management team needs to make sure that they are capable of being strategic, and if not, then they need to go back to being purely agile because otherwise the only result from the division will be lost projects"* (interviewee 5).

The division into industry sectors was made because the company was getting too big to manage as one, and the partners wanted to strengthen the company's competences in the three industry sectors. The sectors will be managed through numbers and key performance indicators, but the sectors will still be co-dependent on each other. One of the risks regarding the division into industry sectors is creating stagnant teams that do not work with other teams – according to one of the Swot Consulting partners, *"always when profit centres are created, also brick walls are being built inside the organisation, which does not enhance resource fluidity"*.

There are many different meetings with a different group of participants and varying agendas that take place at Swot Consulting. The roles and participants of each meeting need to be reviewed – which meetings are informative, creative, based on history, etc. More information is needed from outside of the company (strategic sensitivity), and most likely some of the meetings can also be crossed over as unnecessary.

"The role of meetings that involve the whole company is to broaden the understanding of what is happening and how the organisation is evolving, by bringing in different individuals' viewpoints." (Interviewee 3)

At Swot Consulting there are two kinds of meetings that involve the whole company, i.e. kickoff meetings that take place twice a year and sales meetings that take place every two months. The functionality of the sales meetings keeps decreasing as the number of people increases, and according to one of my interviewees, *"all attempts to make decisions in those meetings should be left out, because that is not the right forum – instead they should be utilised for understanding the world and the business environment, and preparing the people for decisions to come"* (interviewee 3).

"A major management challenge at Swot Consulting is how to get people with big egos to function in a unanimous and logical way." (Interviewee 6)

This relates back to the relationship between the individual level and the organisational level, and how well are they integrated. Another challenge is how to make decisions in a democratic way so that the people commit to them, but at the same time in an efficient manner in which

the decisions actually get made. One of my interviewees said that *"it is important to mix discipline, focus and impulsiveness in a coherent package"* (interviewee 6).

Leadership by values and by defining what is holy and what is the allowed operating range may have a remarkable role in a KIBS (interviewees 3-4). However, they need to be well thought through and implemented in practice. The core (holy) is something that always applies, but experimentation within the set boundary is welcomed, as long as it is a conscious decision. In practice people often do not even remember the values, but at best they can provide them with answers to important questions – however, this demands that the values are the right ones from both today's and tomorrow's viewpoint (interviewee 3). At Swot Consulting the values are not necessarily remembered as a list, but they are being followed in practice which means that they have anyhow been internalised.

Motivation of experts is a very important factor in a KIBS, and it typically comes from constant learning and freedom of choice (interviewee 3). This reinforces the importance of the right personnel structure, which makes it possible for people to do things that motivate them and learn new things by taking part in more challenging assignments. One of my interviewees described the role of heterogenic personnel structure in the following way:

"What may be interesting and motivating to a junior expert, can be boring and uninteresting to a senior expert, and this is why you need people with a different experience and interest base." (Interviewee 3)

A question that the management team of a KIBS should keep in mind is how are possibilities for constant learning and freedom of choice created and maintained.

Other important management issues are how to keep up constant renewal and differentiation in comparison to the competitors (interviewee 9). This is best achieved by recruiting people with different interests and competences than the ones already working for the company. According to one of the Swot Consulting partners, *"we are not any different from our competitors – instead of the train going smoothly on the tracks, I would at least like to see a speed train, or maybe a red train instead of a grey one"*.

Resource Fluidity

Resource fluidity is typically easier to achieve in smaller companies, because they are not as developed and structured as bigger companies are (interviewee 2). However, generating cash flow is very important and it is a factor that may limit resource fluidity (possibilities for moving people from projects that create a lot of cash flow is limited) – nevertheless, moving entire teams to new projects is easier in smaller companies than it is in big corporations ("big ships are difficult to turn").

Small KIBS are typically fluid by nature because they lack a structure that would limit their fluidity, and therefore it is not a big issue in this context. This is also the case at Swot Consulting, and resource fluidity is not viewed as something that demands strategic attention. There are no limiting factors, and the allocation of teams is relatively automatic or built-in, even though there are teams that work together perfectly and other teams that do not work together so well. However, the importance of focus is increased because of the lack of structure (interviewee 3).

From an individual's point of view, resource fluidity means willingness to share information and be a part of the team, and openness and motivation are factors that constitute to this (interviewees 3 and 5). The individuals and the organisation learn as the individuals move from one team to another, and at the same time resource fluidity is improved.

At Swot Consulting the competences, work load, cross learning and physical proximity are factors that are taken into consideration when making decisions about team compositions. However, physical location is never the primary factor. In addition to team composition, it is also important to make sure that the roles are changing, meaning that sometimes a certain person is the responsible consultant, but sometimes only a participator or back-office worker. This brings in new perspectives to each task, and also tests people and what they are capable of doing (interviewee 3). At best, it can work as a substitute for horizontal job rotation, which is an important factor regarding motivation, learning and competence development, but is not really possible to achieve in a small KIBS (interviewees 3 and 5).

The team compositions are defined in a fluid way at Swot Consulting, but sometimes too many people are assigned to a certain project (over fluidity) – according to one of the Swot Consulting partners, *"sometimes this is a conscious decision, e.g. because of learning objectives, and sometimes it happens by accident"*. Sometimes also someone is chosen to a team because he/she is preferred compared to someone equally qualified, but this is not really a problem. One of the Swot Consulting partners defined the optimal team composition in the following way:

"When there is the right number and proportion of senior consultants, consultants, business analysts and assistants in a project team, the senior consultant is well equipped to handle several customer projects at the same time without jeopardising the quality of work". (Interviewee 6)

Resource fluidity is important as a source of cross-learning based on different work methods and different customers.

"People are able to bring forth new ideas based on what they have seen somewhere outside their normal scope." (Interviewee 9)

Swot Consulting's focus is only expected to get narrower and deeper in the future, and this includes a risk of only looking at a very narrow and focused area of business, which can at least partly be mitigated by cross-learning and changing team compositions. The division of the company into three industry sectors poses a risk to resource fluidity, and it is important to pay attention to staying flexible (interviewees 3, 5 and 9).

Experts work relatively independently and do not really need to be managed. However, leadership and motivation are very important (interviewees 3, 4 and 9). Experts are motivated by two things: constant learning and freedom of choice, and at Swot Consulting competence development is seen as something that needs more systematic attention, even though constant learning already takes place through the customer projects (interviewee 7).

4.2.4 Growth and Internationalisation

Maintaining strategic agility while growing and/or internationalising is challenging, and there are even some arguments that it is not possible. Oftentimes rigidity is viewed as something worth targeting, because it creates an illusion of credibility, like one of my interviewees said:

"Because we are bigger, we have to have a credible structure in order to be professional." (Interviewee 1)

In this viewpoint structure building cannot be explained by what is needed (rational process), but by what others are doing.

However, some structure is needed in order to stay agile, but it should be implemented knowingly and with consideration, and based on customer needs (interviewees 1, 2 and 4). In addition to structure, it takes a systematic approach and reconsideration regarding many of the teachings of traditional managerial disciplines. It takes guidelines, training, repetition and maintenance to stay agile, but also a tight focus and clarity regarding what is being done – according to one of the Swot Consulting partners, *"this is especially important when it comes to strategic sensitivity and collective commitment – strategic direction needs to be defined so well that everyone understands it the same way, starting with the steering team"*. One of my interviewees crystallised one of the main challenges regarding strategic agility and growth in the following way:

"How to combine individual working habits and methods with the more regulated functions and rules of a slightly bigger organisation, and create a coherent whole?" (Interviewee 6)

In order to grow, Swot Consulting needs to become more strategic, because otherwise the customer projects and offering will become too scattered. One of my interviewees expressed this in the following way:

"If the company does not become more strategic, growth will quickly stall because the actions taken scatter into small streams of operations that take up resources and do not take the company forward." (Interviewee 5)

The industry sector division is a step towards becoming more strategic, and it supports the growth strategy. It is also important to be able to say no to customers when considering projects that are clearly not in the company's focus.

Remaining strategically agile while growing requires controlled acknowledging of change, and it is very challenging if the operational mode relies on self management. At Swot Consulting this is seen as follows: *"a self managing organisation only works until there are a certain number of people, and we are reaching that point – if we want to continue growing, the role of management and leadership will need to change, especially if there will be more juniors in relation to seniors"* (interviewee 7).

Swot Consulting's main target is to grow profitably, which according to one of the Swot Consulting partners is enabled by the business environment: *"this business is big enough to match any growth targets that we might have"*. The company is also internationalising, and some more thinking is needed regarding where (geographically) to internationalise – so far it has been Russia and Germany. The number of people does not need to increase significantly, but there is benchmarking evidence that it is possible to get more turnover with the same number of people that there are now (interviewees 8-9). This will be achieved with improved sales and leveraging capabilities.

The Swot Consulting partners had slightly differing views regarding the priority order on who to recruit, but they all agreed that there are enough senior consultants in the company. The medium/long term recruitment needs are business analysts and (junior) consultants, as well as one or two experienced sales people. This view is also supported by some of my other interviewees that are familiar with Swot Consulting, because it is seen as supporting the chosen structure.

"There are possibilities for improving the cost-efficiency and motivation of people if more business analysts and not so experienced consultants are brought in, as long as they are capable of speaking their mind, challenging and bringing in new perspectives, because this is something that the experienced senior consultants are not typically strong at." (Interviewee 5)

Just like the seniors, also the juniors need to come from varying (educational) backgrounds and have competences in different industry sectors.

It is also very important to have senior consultants that have the competences (e.g. delegation skills) needed to leverage with the help of juniors, and that allow the juniors to challenge their existing understanding (interviewees 5-6). One of the Swot Consulting partners described this challenge in the following way:

"Currently the leveraging is not taking place – instead of leveraging, junior personnel are utilised as additional resources and juniors and seniors are doing the same things." (Interviewee 6)

The idea is to move to an organisation where job descriptions are rather based on competences than the number of years of experience, but this has not yet been implemented.

At Swot Consulting the fundamental challenge and bottleneck in growing is the sales and how to get more of it. Like one of the Swot Consulting partners said it, *"we are too focused on everybody doing everything instead of focusing on what somebody does best"*, and *"it is also important to have talented junior people to free the senior consultants' time for sales activities, but this is not the core dilemma"*. Part of the challenge is that the senior consultants are currently not capable of selling teams, because until now they have been selling individuals (i.e. themselves).

"The objective is to be one big team that the customer knows as Swot Consulting, instead of being a bunch of individuals." (Interviewee 6)

Incentives System

The incentives system at Swot Consulting is designed to make people work hard in order to get the income level that they want. However, the sales activities have not increased accordingly which suggests that either the targets are too high or the people do not really need or want to have the income level that they have themselves set. One aspect of motivating

experts is also that they tend to be more driven by their relative incentives (comparison to others) than the absolute income, because they are very competitive people (interviewee 6).

The incentives system at Swot Consulting is based on turnover generation, part of which comes from sales and part from participating in projects that were sold by someone else. The focus in on implementation, and according to one of the partners, *"it is possible to get quite a personal turnover without being the driving force in any sales case"*, and this is a dilemma. The good side of the current measuring and incentives system is that it is simple, but it needs to be considered whether what is measured and how it is rewarded should be reviewed.

"We may come to a situation where we have to take into consideration different people's life situations and accept new and more fitted principles regarding work, time spent on working, and money earned." (Interviewee 6)

However, money is not the main motivator for people when they choose to work in a small KIBS – they are more interested in the flexible organisation, learning a new business (consulting), working with several people and organisations at the same time, as well as on several different projects instead on only doing one thing (interviewee 6). People are different and some of them need more intellectual challenges, whereas some of them need something else.

4.2.5 Benefits and Risks of Strategic Agility

Strategic agility is very important in today's fast changing business environment. It is easier for an agile company to be customer oriented and strategically sensitive, and change or fine tune direction as needed. It is also easier for customers to get their message through, because there is no such structure or functions that would make it complicated (interviewee 2). Bureaucracy creates something to lean on, but it is also very difficult to change and it reduces innovativeness and strategic sensitivity (interviewee 1). As one of my interviewees said, "*sometimes agility takes place at the expense of strategic focus"* (interviewee 6).

Strategic agility demands transparency and openness, which are also very useful tools for corporate governance, and one of my interviewees expressed it in the following way:

"Everything is allowed if one can do it with a clean conscience and is able to explain it to the whole company." (Interviewee 4)

This keeps the people in a good spirit and takes away the need to take advantage of the system.

There are also risks associated with strategic agility. Bureaucracy and rigidity create a kind of justice (procedural justice), and rules and structure provide management with a tool that allows them to focus on something other than surveillance. In a small company it is easy to create a shared understanding, but according to some people, when there are too many people to gather in a single space to discuss matters, the best way is to create rules that the people accept and according to which they will function (interviewee 1).

People also appreciate knowing things in advance, and if communication and commitment are not handled well enough, there may be too many surprises and the people might not have enough time to adjust to them (interviewee 2). It also causes bad feelings if people hear about things that are important to them only afterwards.

Sometimes companies go overboard when reaching for strategic agility, which may lead to making mistakes as well as a lack of focus.

"It is always important to consider welfare economics – even if this change would benefit the company, would the impact on core business be such, that it is anyhow not worth pursuing?" (Interviewee 3)

Every initiative and experiment takes away resources from somewhere else, and this increases the importance of staying within the set boundaries. This is also why a clear direction and an understanding of the big goal are very important: their role is to guide the actions and ensure that the people stay within the focus of the company (interviewees 3-4).

4.2.6 Future of Strategy and Strategic Agility

Strategic agility does not take away the need for planning, and the meaning of a strategic direction is very much emphasised in this approach. However, in today's business environment change is constant and nobody knows what will happen a year from now, which all make the timeline for planning significantly shorter than what it once was.

"As the competitive environment changes, current strategy becomes meaningless and it needs to be renewed – the longer it takes, the shorter is the time that it can be benefited from, which significantly increases the meaning of implementation." (Interviewee 3)

According to one of my interviewees, *"strategic agility would be a useful approach for many companies, but the problem is that it demands going against common sense and linear thinking, and therefore I am sceptical about how fast it will spread"* (interviewee 4). It also calls for self-confidence from the management, because they are no longer able to base their decisions on "because I say so", and they also have to be able to explain why they do certain things.

In order to become strategically agile, companies need to take into consideration at least the following things:

1. **Make sure you have enough people:**
   One of the challenges that many KIBS face is that their employees are always fully employed, and there is no room left for creativity, innovativeness and pilot projects.

2. **Make sure that the people are committed to the big goal:**
   It is not enough that the management team understands where the company is heading to, but the employees also need to be committed to the big goal. Experts are very difficult to manage with a stick, but if they are motivated and committed to the direction of the company, they will provide the management team with valuable new ideas.

3. **Question every new structure and process, and only accept those that create added value:**

   Do not create structure or processes based on trying to look credible.

4. **Search through existing literature that approaches strategic agility from different perspectives**

   This will help create an understanding of what strategic agility could mean in your own organisation

5 Conclusions

Strategic agility is increasingly important in today's fast changing and turbulent business environment (e.g. Hamel & Välikangas, 2003; Hamel, 2007; Doz & Kosonen, 2008), and according to Doz and Kosonen (2008), strategic agility is especially important for knowledge intensive companies. Some companies approach strategic agility from the agile end, and some from the strategic end, and the optimal balance depends on the specific company and industry. Brown and Eisenhardt (1998) have expressed this as balancing between the chaos trap and the bureaucratic trap. Strategy is no longer something that the company commits to for several years to come, but it is constantly fine tuned while implementing it, i.e. planning and implementation are tightly intertwined and cannot be separated from one another. However, it is important to pay attention to the strategic direction that leads to the big goal, and make decisions accordingly.

KIBS and especially management consultancies are a special case from management point of view, because their most important asset, i.e. knowledge, is embedded in the people working for the company, which significantly emphasises the role of individuals. KIBS can be characterised with a high level of participation, active support of large groups of people, and considerable tolerance for variation (Alvesson, 2004). The individuals are also typically people that have a strong ego and viewpoints. According to Alvesson (2004), they have their own preferences and ideas about where the company should be heading to, which creates a management challenge, i.e. the challenge of managing smart people.

In practice strategic agility means letting go of the traditional control, hierarchy and surveillance, and replacing them with strong leadership, openness, peer pressure and self-management. In a way this also means letting go of common sense: instead of watching after what the employees are doing, provide them with the values, boundary conditions and guidelines on how to operate, and make sure that they are committed to the common goals and strategy. Leadership by values in KIBS is also supported by Alvesson (2004).

I started my research with Doz and Kosonen's (2008) definition of strategic agility, i.e. as a factor of strategic sensitivity, collective commitment and resource fluidity, which has primarily been designed for analysing big corporations. However, it became clear that even though strategic agility is a relevant aspect in small KIBS, their context is unique and different compared to big corporations. Therefore another dimension needed to be added to the original model, i.e. the individual level with specific factors that contribute to strategic agility. For this reason I have created a separate model which I will introduce in the next chapter. I have also made recommendations for Swot Consulting on how to improve their leadership and management system in order to become more strategically agile. These recommendations are presented in the last chapter.

5.1 Model of Strategic Agility in Small and Medium Sized KIBS

Strategic agility in small and medium sized KIBS is a function of two different levels and their successful integration: organisational level and individual level. Because of the nature of KIBS, the role of individuals is much more emphasised than it is in other kinds of organisations. The extent of strategic agility in a company depends on the individuals and individual level factors, and even more importantly, how well the individual level is transferred and integrated into the organisational level. This is done by means of management and leadership, and the collection of individual level factors are crystallised as the organisational level strategic agility. Organisational level strategic agility then links back to the individual level and results in increased motivation and commitment of the experts. In a strategically agile company the organisational level and individual level are tightly interconnected and constantly shape one another. This relationship is represented in the below figure:

Figure 26: Strategic agility is a function of the organisational level and individual level, which are tightly interconnected

Organisational level consists of strategic sensitivity, resource fluidity and collective commitment (Doz & Kosonen, 2008). The individual level factors are alertness, openness, motivation, self-management, and commitment – these factors and the two dimensions are represented in the below figure:
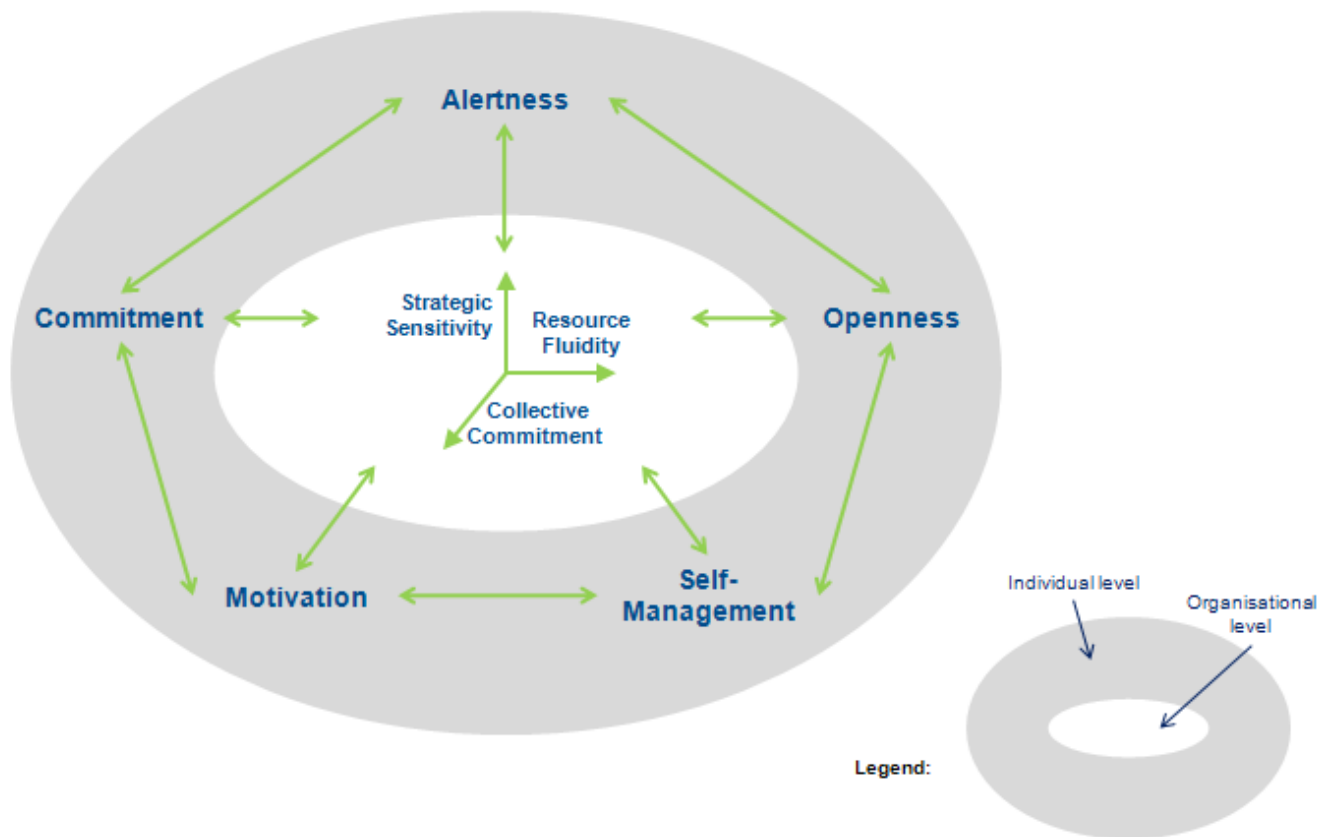
Figure 27: Factors of strategic agility in small and medium sized KIBS

Alertness

Individual level alertness is a factor that mostly contributes to strategic sensitivity, which is a collection of the results of different individuals' alertness and their successful integration into the organisational level. Alertness means being interested in the surrounding world and it is measured by how well trends and weak signals are looked for and detected, and also how well are the signals integrated into the company level. According to Doz and Kosonen (2008), alertness means being open to as much information as possible by creating and maintaining relationships with a variety of different people and organisations. Brown and Eisenhardt (1998) on the other hand state that in order to stay on the edge of chaos, a company needs to proactively look for change and use a variety of low cost probes.

Each expert views the world from a specific viewpoint depending on their education, personal experience and worldview, and in a strategically agile company these are lead in a way that creates synergies, but also managed so that the focus does not get obscured. According to Hamel (2007), it takes hundreds of strategic options in order to produce a few truly implementable ones, and therefore transmitting the expert viewpoints and observations to the management team is crucial.

It is important to map the things that the people are interested in and pay attention to the possible gaps between the individual interests and company level interest. Heterogenic personnel structure is a factor that increases strategic sensitivity, and group discussions are one management tool for collecting the results of each individual's alertness. As people get older their viewpoints become more restricted and they are not necessarily as interested in new things anymore – therefore it may be risky if the average age of personnel is very high. This risk can be partly mitigated by constantly renewing the interest portfolio, i.e. the individuals, and completing and pruning it as needed. It is essential to have people that have broad viewpoints and are capable of mixing and matching. Renewal is best achieved by recruiting people with a different interest map, instead of ordering people to systematically look for signals in areas that they do not find interesting. The most relevant question is how to eliminate rigidity by bringing in new people that force to increase openness and transparency.

I asked all the Swot Consulting employees to name their top three areas of interest, and grouped the answers under six headings, namely renewal ability, strategic ability, operative ability, overall economics, networking (with potential customers, partners etc.), and financial aspects. First three groups (renewal ability, strategic ability, and operative ability) are based on Swot Consulting's offering, and the other three groups are based on the answers that I got. The resulting interest mapping is introduced in the below figure:

Figure 28: Swot Consulting interest mapping (blue areas represent interests grouped according to Swot Consulting's offering, and green ones represent other interest areas)

From the figure it is clear that Swot Consulting employees are very interested in strategy related subjects, and also the other areas related to the company's offering, i.e. renewal ability and operative ability. However, the other areas and especially financial aspects do not seem to be particularly interesting, and therefore they are potential areas for more systematic attention. In addition to this, there are many areas that are left outside of this mapping, and it needs to be considered whether something crucial is missing from this interest figure. If there is, it needs to be addressed by recruiting new people or by finding other ways to address the gap.

Openness

Openness relates to all of the organisational level factors, and it can be seen as an enabler for them. From an individual employee's perspective openness means willingness to share information and ideas with others, and learn from them. It also means being open to new information that arises outside of the organisation. Openness is also important when it comes to results – both on individual level, team level and organisational level.

According to Hamel (2007), lack of resource fluidity is oftentimes a result of a political challenge that stems from protectiveness for one's own resources. Openness is an enabler to resource fluidity, because it makes politicking very difficult and takes away some of the obstacles that might limit resource fluidity. According to Doz and Kosonen (2008), people are typically only open to information that is close to what they already know and accept, and therefore being more open to the surrounding world also enhances strategic sensitivity. Openness also improves the collective commitment of the management team, because it makes it possible to have an informal and open atmosphere for discussion (Doz & Kosonen, 2008).

Companywide openness creates a structure that reinforces self-management and responsibility for one's own actions, which are further reinforced by peer pressure. The traditional "people do not need to know" thinking can easily be let go, because in reality there are very few things that cannot be shared with everyone – the real challenge is that it takes courage from the management to make themselves vulnerable to more open feedback and not being able to stand behind the argument "because I say so", but having to be able to share the reasoning behind their actions with the employees. However, attention must be paid to not overly emphasising individual people's results – rather follow the teams' (e.g. changing project teams – both external and internal, and more permanent segment teams) actions and results. Another very important aspect is that in order to benefit from openness, there needs to be

open discussion and an atmosphere that supports it. Being allowed to make mistakes is an important factor in creating an open atmosphere.

Self-Management

Management in a KIBS is problematic because KIBS lack the usual structure that reinforces management and leadership – they are fluid by structure and the experts work relatively independently and do not necessarily need to be managed. According to Alvesson (2004), it is also sometimes difficult for the management team to know what is happening, because the work itself is complex. This is why self-management, i.e. control and responsibility for one's own actions, is especially important.

The more there are projects with several consultants, the more management is needed, but the more there are projects with only one or two consultants, the more it is self-management that is needed. Self-management on its own can be dangerous, and it demands discipline and clarity regarding the strategic direction of the company, as well as and understanding of what is holy and what is the current best estimate, i.e. strong leadership. According to Alvesson (2004), what characterises leadership in KIBS is controlling the values, ideas, beliefs, emotions, and self-image of people.

Commitment

Commitment in a KIBS needs to be analysed on three levels: management, the whole organisation and each individual. The collective commitment of the management is a condition for the commitment of the organisation, and it is a part of the organisational level strategic agility (Doz & Kosonen, 2008).

A KIBS can be described as a portfolio of individuals: each individual's viewpoint is based on their own competences, experience, motivation and what they want to do, which significantly increases the risk of sub-optimisation and creates a challenge for getting the people to commit to the strategic direction of the company. The experts' opinions need to be heard in questions that are in their core competence area or will especially influence them, in order to get the people to commit to the big goal and strategic direction of the company, but also because they typically have a very profound understanding regarding their area of expertise. According to Doz and Kosonen (2008), oftentimes a supportive and humble attitude from the management team in asking questions and providing context for people leads to better results than giving fast answers.

In order to reach the commitment of each individual and eventually the whole organisation, decision making needs to be centralised and take place within the management team. It is very important that at the end of the discussion the management team agrees on decisions made and commit to them, because otherwise there is no chance of getting the other people's commitment. Also Alvesson (2004) emphasises the role of strong leadership and centralised decision making in KIBS, and according to him, a large majority of the people need to be convinced in order to implement a change. If asked, experts will always have their own specific understanding, and most probably they will consider themselves to be more fit for decision making than the ones who are actually making the decisions (this is especially true in management consultancies).

Once the decisions have been made and they have been discussed with the rest of the personnel, it is crucial to get the whole organisation to commit to them and agree to work within the set strategy, i.e. understand what is holy and cannot be altered from, and stay inside the allowed range of operating. The implementation responsibility needs to be divided across the organisation because otherwise it is very difficult to get the individual professionals to commit to the strategic direction of the company. According to Herremans and Isaac (2005), commitment of the experts entails making sure that they have the needed competences and providing them with autonomy and decision-making authority, but also making clear what are the boundaries.

Motivation

Motivation of experts comes from constant learning and freedom of choice. According to Maister (1993), this creates a contradiction to the company's interest in choosing projects that are similar to ones that have been taken on before, and therefore specific attention needs to be paid to this.

To keep experts motivated, attention must be paid to keeping the personnel heterogenic both horizontally and vertically, in order to ensure that everyone has a possibility to do things that motivate them, and move on to different things if they are not anymore motivated, yet ensuring that the operations are not compromised. This can be compared to job rotation in a more traditional organisation and the same benefits can be achieved, even though there are not real possibilities for horizontal job rotation in a KIBS (e.g. management consultancy where majority of personnel are consultants who work in customer projects that match their competences and/or willingness to learn new things).

According to Maister (1993), partners and senior consultants perform many tasks that could be delegated to someone else, which has a negative effect on learning possibilities and motivation. Another factor that affects the motivation of experts is growth of the company, because with growth comes more opportunities for learning and competence development (Maister, 1993). Strategically agile KIBS are able to maintain and create possibilities for constant learning and freedom of choice.

5.2 Recommendations for Swot Consulting

In this final chapter I will give recommendations to Swot Consulting based on the literature and the findings of the empirical study that were introduced earlier on in this thesis.

Strong leadership and clarity in the values and the allowed range of operating

At Swot Consulting the steering team (i.e. management team) has traditionally been more or less on the same level as the other people working for the company, but as the company has grown, stronger leadership and less hands-on management is needed, as well as more clarity regarding how the people are expected to work (also see the next recommendation and the link to divided responsibility in implementation). The need for stronger leadership is both regarding the time allocated for leadership, and the mindset – less "real work" and more time for the people (both employees and customers).

In order to make more space for leadership, autonomy and self-management are needed. This demands clarity in the values and the range within which the people are allowed to work. According to Alvesson (2004), in addition to managing the boundaries, it is also important to have a strong strategic direction.

Therefore I recommend that it is clearly defined what is holy (the core of the strategy and the values of Swot Consulting) and may not be altered from, and what is the range within which independent decisions can be made and experimentation is allowed (if not encouraged).

Strong centralised decision making, but divided responsibility in implementation

Both the in the literature (e.g. Alvesson, 2004) and the interviews the role of centralised decision making in KIBS was very much emphasised. However, group discussions are an important mean of getting valuable insight from the employees to back up the decision making. The discussions also give the employees a sense of being able to affect the decisions, which increases motivation and commitment. At Swot Consulting this means that the decisions are

made in the steering team (i.e. the management team) with the help of the advisory board (sparring role) and the group discussions (e.g. the sales meetings).

Even though the decision making needs to be centralised, the implementation responsibility needs to be divided in order to keep the people motivated and to free some of the management's time for other things such as leadership and guidance. In practice this means that individual (senior) consultants are given certain tasks or responsibilities, and a team to work with if needed. This idea has already partly been implemented in the Russia team.

Increased focus on implementation, not just planning and decision making

There is a history of agile decision making that has not always been documented, which has resulted in deciding about the same matters on several occasions, as well as a lack of implementation. All of Swot Consulting partners mentioned the implementation of decided actions one of the biggest challenges of the company, and more attention needs to be paid to it. Another aspect of this is sticking with the decided direction and not going back and forth as there are slight market changes. The market changes can be responded to by merely fine tuning the route that leads to the big goal (i.e. vision).

One way of improving the implementation capabilities is by limiting and prioritising the number of internal development projects, e.g. by making a list of development projects, placing them in priority order and deciding that only the top three ones will be implemented at the time. This approach demands strict scheduling and the chosen initiatives need to take place in a certain time frame. The priority list needs to be reviewed and if necessary, revised at set time intervals, and every time that a development project comes to an end, a next one is started (number one in the priority list).

Strong focus on improving sales activities and competences

Sales activities came up as a big challenge for Swot Consulting during the interviews. Currently all of the senior consultants are obligated to sell the company's services or a certain amount every year, even though some of them are very good at sales work and some are not so good. I recommend that the work distribution is reviewed to rather be based on competence than the title (this also goes for the division of tasks within the steering team).

Since sales is an important part of Swot Consulting's business and it is currently a bottleneck, additional focus also needs to be put on sales competence development regarding the people whose best competence is in the area of sales. This can be achieved by investing in sales training, and/or by pairing up people that are not so good at selling but that have development potential, with people that are experts at selling.

Renewed measuring and incentives system

Currently what is measured is sales and turnover generation, and the incentives are based on those two. However, this has not lead to the desired level of sales activity and hence the turnover target per person, and this raises two questions: whether the right action is measured and whether the incentives are tempting enough to get the people to go the extra mile.

If possible, the measuring system could be revised to become more competence oriented, i.e. in every individual's case his/her success in his/her best competence area (that is also something that clearly benefits the company) would be measured in addition to measuring turnover generation. There are however some problems related to this recommendation, i.e. not all competences are measurable, and if different things are measured in different people's case, it may seem unfair to some of them. Regardless of these problems, I recommend that the idea of adding a competence based module to the measuring and incentives system is taken into consideration.

Currently Swot Consulting's senior consultants' earnings are largely based on a bonus system that is based on their personal sales and turnover generation, and money is the only incentive. It should be rethought if money is enough to motivate the experts, or whether e.g. free time would be more tempting to them. This could be carried out by giving each individual a choice (link to motivation of experts) if they want to get their bonus as just money or just free time or some other individual value, or something in between, i.e. an axis with x weeks of free time (or other individual value) on one end and x euros on the other end, and the people would pick their desired place on that axis, after which a certain percentage of the maximum value (weeks and/or money) would be given to them based on their personal (measured) results. In most companies giving additional free time could be difficult, but in my opinion Swot Consulting has a good chance of doing it in the summer, when the customers are also on holiday and working is therefore not as efficient as it is during the other times of the year.

Focus on recruiting more junior personnel for leveraging, as well as improving the senior consultants' competences in utilising their work

Swot Consulting's current personnel structure is focused on very experienced and senior personnel, and there are only very few juniors. Based on the literature (e.g. Maister, 1998) and the conducted interviews, leveraging is very important, and it is something that the Swot Consulting partners feel is not taking utilised to its full potential.

The roles of each team member (senior consultant, consultant, business analyst, assistant) need to be defined and understood, so that the tasks in the teams are divided in an optimal way and everyone has a clear role (instead of everyone doing everything). The responsible consultant needs to internalise his/her role as a team leader and delegator, and trust the other team members to do a good job.

According to Maister (1993), 40-50 % of partners' or senior professionals' time is spent on something that could be delegated to a more junior professional, and still be produced with

good quality. This is also the case at Swot Consulting, and in order to get the full benefits of leveraging, the seniors need to learn to be team leaders and to utilise the work of junior people, but also new leveraging capacity is needed, i.e. business analysts and consultants (with not so much experience). No new senior consultants are needed at the moment, except possibly one or two experienced sales people.

Process for transforming the individual level alertness into organisational level strategic sensitivity

It takes a systematic process to transfer the alertness of the individuals into the organisational level and knowledge. With the help of such a process, information can be shared and it is easier for people to learn from one another. According to Cohen and Kaimenakis (2007), if the company does not succeed in constantly gathering new knowledge, it faces a risk of offering yesterday's solutions to today's problems. It is also important for small companies to integrate new knowledge with existing knowledge and apply it commercially, as well as succeed in gathering the right new knowledge (Naldi, 2008).

Currently the results of individual alertness are brought to other people's attention by sending an email to everyone in the company, but this is done quite seldom and only by certain people. There is also the downside that these emails are not always read because there are plenty of other, more acute emails. An intranet or a special place on the company server is one way of creating a place where people can log the things that they have seen and thought were important, and the management can follow them and take action as they find appropriate.

Another way is to have group discussions at a regular basis, but there is a substantial risk that not everyone gets their voices heard and valuable information is left unsaid. However, this risk can be mitigated by making the group small enough, and this is why I recommend that these discussions are held within each industry sector team. This also emphasises the role of the industry sectors in deepening the knowledge and competence of the team. The industry team leader would be responsible for gathering the information from the discussion and identifying

the most important findings, which will then be presented to the whole company and discussed together in sales meetings.

Clarity in different types of meetings

Currently there is a wide variety of different meetings that take place at Swot Consulting, i.e. advisory board meetings (with external members that have a sparring role), steering team meetings (i.e. management team meetings), kickoff meetings (twice a year, with the whole company), sales meetings (the whole company), industry sector meetings (roughly one third of the company), customer project team meetings, and internal development team meetings (e.g. productisation, marketing).

The roles and agendas of these meetings are somewhat unclear and overlapping, and they need to be reviewed and clarified. There is also a need for consideration regarding which meetings are really needed, and which are just remains of the past.

I recommend that the steering team meetings will be held more often in the future, in order to reinforce the leadership and guiding role of the team, and to make time for it. I also recommend that the advisory team meetings and the kickoff meetings are kept as they are now, because they serve their purpose very well.

Until now the role of the sales meetings has been to look back on what has already happened and to discuss important matters regarding the company's future and way to operate. However, since the company has grown, it is not anymore possible to make decisions with the whole team, and the discussions easily turn into a loud debate that does not necessarily result in anything productive. Therefore I recommend that the sales meetings are utilised as a forum to discuss the business environment and its expected development, i.e. as a means of improving the strategic sensitivity of the company, based on the work done in the industry sector teams (see the previous recommendation). I also recommend that the meetings are

held every two months like they have until now, but the name of the meeting will be changed to something that describes its purpose more accurately, e.g. foresighting meetings.

Industry sector team meetings are not yet clearly defined, and I recommend that they have a similar agenda that the sales meetings have had up to now. The focus can vary depending what is topical at the moment, but the meetings would at least include the following topics: strategic sensitivity discussion, success stories and key learnings from customer projects, key performance indicator review, sales activities review, and an action plan for what happens next.

Customer project team meetings and internal development team meetings serve their purpose very well, and I recommend that they are kept the same that they have been until now, and held as needed and with an agenda that is created based on that specific projects needs.

List of References

Acs, Z & Armington, C. (2004), Employment Growth and Entrepreneurial Activity in Cities, *Regional Studies*, Vol. 38 Issue 8, p911-927.

Almor, T. & Hashai, N. (2004), The Competitive Advantage and Strategic Configuration of Knowledge-Intensive, Small- and Medium-sized Multinationals: a Modified Resource-based View, *Journal of International Management*, Vol. 10 Issue 4, p479-500.

Alvesson, M. (2004), *Knowledge Work and Knowledge-Intensive Firms*, Oxford University Press, Oxford.

Brown, S. & Eisenhardt, K. (1998), *Competing on the Edge: Strategy as Structured Chaos*, Harvard Business School Press, Boston.

Cohen, S. & Kaimenakis, N. (2007), Intellectual Capital and Corporate Performance in Knowledge-intensive SMEs, *The Learning Organization*, Vol. 14 Issue 3, p241-262.

Deakins, D. & Freel, M. (2009), *Entrepreneurship and Small Firms*, McGraw-Hill Education, London.

Doz, Y. & Kosonen, M. (2008). *Fast Strategy*. Wharton School Publishing, Harlow.

Eriksson, P. & Kovalainen, A. (2008), *Qualitative Methods in Business Research*, SAGE Publications, Thousand Oaks.

Furusten, S. (2009), Management Consultants as Improvising Agents of Stability, *Scandinavian Journal of Management*, Vol. 25 Issue 3, p264-274.

Greiner, L. & Poufelt, F. (2005), *Handbook of Management Consulting – the Contemporary Consultant Insights from World Experts*, South-Western, Ohio.

Hamel, G. (2007), *The Future of Management*, Harvard Business School Press, Boston.

Hamel, G. & Välikangas, L. (2003), The Quest for Resilience, *Harvard Business Review*, Vol. 81 Issue 9, p52-63.

Herremans, I. M. & Isaac, R. G. (2005), Management Planning and Control: Supporting Knowledge-intensive Organizations, *Learning Organization*, Vol. 12 Issue 4, p313-329.

Korhonen, R. (2009), Näytä suunta, konsultti!, *Talouselämä* 26.1.2009.

Koskinen, I., Alasuutari, P. & Peltonen, T. (2005), *Laadulliset menetelmät kauppatieteissä*, Gummerus Kirjapaino Oy, Jyväskylä.

Kubr, M. (1996), *Management Consulting: a Guide to the Profession*, International Labour Organisation, Geneva.

Kuratko, D. F. (2009), *Entrepreneurship: Theory, process, practice*, Cengage Learning, Inc, Arlington.

Long, C. (2000), You Don't Have a Strategic Plan? – Good!, *Consulting to Management*, Vol. 11 Issue 1, p35-42.

Maister, D. (1993), *Managing the Professional Service Firm*, The Free Press, New York.

Marshall, C. & Rossman, G. B. (2006), *Designing Qualitative Research*, SAGE Publications, Thousand Oaks.

Mintzberg, H., Ahlstrand, B. & Lampel, J. (1998), *Strategy Safari: A Guided Tour through the Wilds of Strategic Management*, Prentice Hall, New York.

Morgan, R. E. & Page, K. (2008), Managing Business Transformation to Deliver Strategic Agility, *Strategic Change*, Vol. 17 Issue 5/6, p155-168.

Morris, T. & Empson, L. (1998), Organisation and Expertise: an Exploration of Knowledge Bases and the Management of Accounting and Consulting Firms, *Accounting, Organizations and Society*, Vol. 23 Issue 5/6, p.609-6241.

Naldi, L. (2008), *Growth through Internationalization: a Knowledge Perspective on SMEs*, Dissertation, Jönköping International Business School, Jönköping.

Richter, A. & Niewiem, S. (2009), Knowledge Transfer across Permeable Boundaries: An Empirical Study of Clients' Decisions to Involve Management Consultants, *Scandinavian Journal of Management*, Vol. 25 Issue 3, p275-288.

Sadler, P. (1998), *Management Consultancy: a Handbook of Best Practice*, Kogan Page, London.

Scarborough, N. M. & Zimmerer, T. W. (2006), *Effective Small Business Management – An Entrepreneurial Approach*, Pearson Education, Inc, Upper Saddle River.

Sipilä, J. (1995), *Asiantuntijapalvelujen tuotteistaminen*, WSOY, Porvoo.

Sull, D. (2009), How to Thrive in Turbulent Markets, *Harvard Business Review*, Vol. 87 Issue 2, p78-88.

Yin, R. K. (2003), *Case Study Research: Design and Methods*, 3rd Edition, SAGE Publications Thousand Oaks.

Interviewee 1: Researcher and an expert in the area of strategy.

Interviewee 2: Marketing director and founder of a very innovative and agile law firm.

Interviewee 3: Board professional and a senior expert in the area of KIBS.

Interviewee 4: CEO and founder of a very agile and fast growing software company.

Interviewee 5: President of a well known fund and an expert in the area of strategic agility.

Interviewee 6: Partner at Swot Consulting.

Interviewee 7: Partner at Swot Consulting.

Interviewee 8: Partner at Swot Consulting.

Interviewee 9: Partner at Swot Consulting.

Appendix 1: List of Figures

Appendix 2: Top 32 Management Consulting Companies According to Talouselämä on 26.1.2009
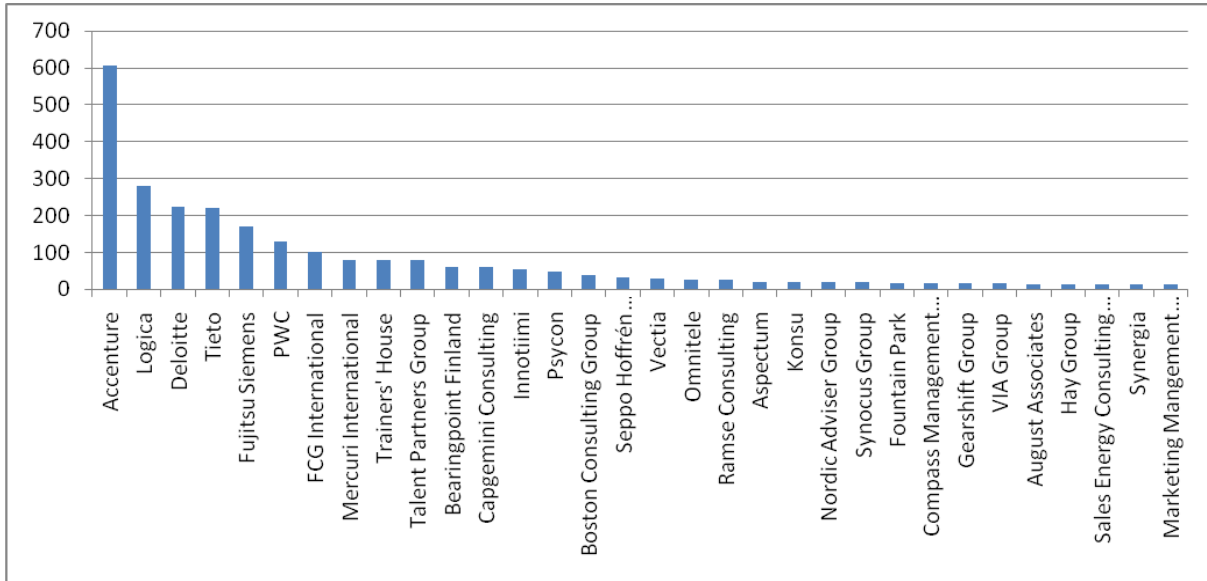

Figure 29: Number of consultants emloyed by the top 32 management consulting companies (Korhonen, 2009)
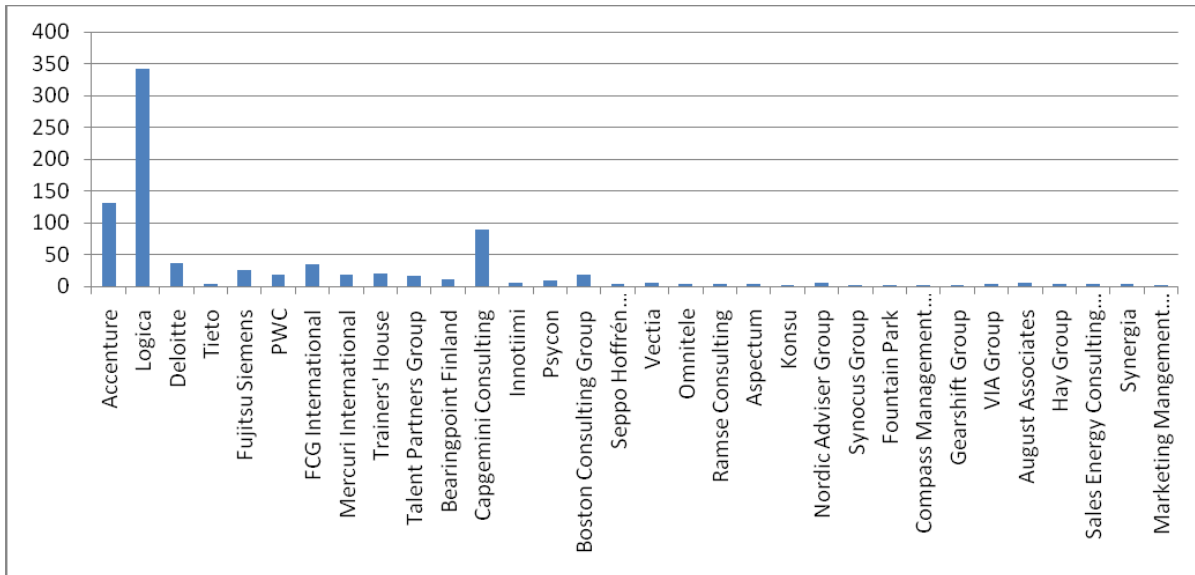

Figure 30: Turnover (M€) of the top 32 management consulting companies in 2008 (Korhonen, 2009)