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Business-to-business professional service relationships under multiple logics

Abstract

Trends towards service standardization and formalization appear to be contradicting rather than supporting service-dominant logic. Few studies have tried to understand how organizations deal with these contradictions. This paper explores the presence of contradicting logics in business-to-business professional service relationships. Based on 78 interviews with buyers and sellers, the study shows that the nature of the relationship is defined by the need to balance the contradicting logics at both the individual and firm level. While individual relationships have traditionally been intimate, more instant relationships and knowledge of context is replacing intimacy under increased formalization and goods-dominant logic to ensure co-production. At the firm level, parallel rather than single relationships are used under a more formalized and goods-dominant logic. These findings add to existing knowledge about the integration of service- and goods-dominant logics and suggest that a revised conceptualization of client-professional relationships is needed.

Keywords: Service logic, professional services, business relationships, parallel relationships, formalization.

Introduction

Extensive research has been done during the last decade to study the move towards a service-dominant logic (e.g., Grönroos, 2011; Madhavaram & Hunt, 2008; Ordanini & Parasuraman, 2010). However, limited work has been done on understanding how goods- and service-dominant logics are integrated in services. Past research suggests that professional services represent a particularly interesting context for understanding how service- and goods-oriented logics are integrated. These services are highly complex, customized, and intangible (Fitzsimmons, Noh, & Thies, 1998; Lovelock, 1983) and can be seen as extreme representations of the service-dominant logic (Lindberg & Nordin, 2008). Even in these extreme cases, research suggests that the goods-dominant logic prevails. Professional service firms, among others, develop customized solutions that are based on standardized modules (Sundbo, 2002) and solutions (Løwendahl, 2005) as well as routines (Jensen, Poulfelt, & Kraus, 2010). At the same time, growth and commercialization have led to many professional service firms transitioning from a partnership governance model towards becoming managed professional businesses (Cooper, Hinings, Greenwood, & Brown, 1996). This shift typically includes increasing standardization of services, and it has been criticized because it limits the ability of professional service firms to support the complexity and customization that are necessary in the services they supply (Guzak & Rasheed, 2014).

In the service and knowledge-based economy, the buyer-supplier relationship is at the heart of value creation, which takes place in co-production between buyers and sellers (Ramírez, 1999; Vargo & Lusch, 2004). This is also true for professional services, where clients are key contributors to success (Bettencourt, Ostrom, Brown, & Roundtree, 2002; Chase, 1978; Mills & Morris, 1986). The client-professional relationship can be characterized by extensive and intense interaction as well as value co-creation (Bettencourt et al., 2002; Karantinou & Hogg,

2007) in line with the service-dominant logic. However, to the extent that the goods-dominant logic influences the relationship, it would be interesting to understand whether and how the relationship incorporates this logic. To do so, this paper addresses the following research question: What is the nature of the client-professional relationship under conditions of combined service- and goods-dominant logic?

By addressing this question, this paper aims to contribute to two main theoretical areas: First, the research acknowledges the co-existence of service- and goods-dominant logics and shows empirically how these conflicting logics are combined in client-professional relationships. Second, the research adds to the development of a theory of professional service firms in general (Greenwood, Li, Prakash, & Deephouse, 2005; Løwendahl, 2005; Von Nordenflycht, 2010), as well as to research on client-professional relationships in particular.

The paper is structured as follows: First, the core theoretical foundation of service- and goods-dominant logics is described. The concepts of a professional service firm, a professional service and the client-professional relationship are then addressed. Following this theoretical background, we describe the methodology used to study the research question and present the findings, showing how client-professional relationships are structured where goods- and service-dominant logics are present. The final sections of the paper contain a discussion and a conclusion describing implications for research and practitioners.

Theoretical background

Service- and goods-dominant logics

Building on service-based research traditions (e.g., Berry, 1983; Lovelock & Gummesson, 2004; Lovelock, 1983; Zeithaml, Parasuraman, & Berry, 1985), service-dominant logic has been described as fundamentally different from the traditional goods- and exchange-oriented

perspective on organizations (Vargo & Lusch, 2004; Vargo & Lusch, 2008). Goods-dominant logic represents a perspective on the organization that originates in classical economics (Smith, 1776). It focuses on the production and transaction of goods. In the case of services, it implies that services are produced and delivered. Service-dominant logic, on the other hand, sees value creation as co-produced (Ramírez, 1999) and services as being created for and with the customer. It thereby promotes a co-productive and relationship-based point of view, focusing on value creation based on applied capabilities in the client's context. Thus, while customer relationships are essential for exchanging and potentially customizing products in a goods-oriented logic, the customer relationship is at the heart of value creation in a service-dominant logic.

While this presentation reflects a dichotomous view of the two logics, a number of researchers have proposed that they might rather represent two ends of a continuum. Shostack (1977), for example, proposes that goods and services are not homogeneous categories, but rather ends of a continuum ranging from intangible services to tangible goods. Grönroos (2000) suggests a marketing continuum ranging from transactional to relational strategies, where he claims that a relational approach is likely to be superior in the case of services. However, he recognizes the possibility of taking intermediary positions. In the field of business services purchasing, scholars have referred to transactional and relational purchasing strategies as part of different paradigms (Axelsson & Wynstra, 2002) and proposed that they are incompatible. More recent research has suggested, however, that these different strategies can co-exist (van der Valk & Rozenmeijer, 2009). Coviello, Brodie, Danaher, & Johnston (2002) find that only 41% of business service firms use a relational approach to marketing, while 27% use a transactional approach, and 32% combine the two approaches. Finally, Altinay and Altinay (2008) find that the goods- and service-dominant logics reinforce rather than contradict each other. These

findings suggest that developing more knowledge about the integration, combination, and reinforcing effect of different logics is important.

Professional service firms and services

Professional service firms can be defined by the professional workforce they employ and the knowledge-intensive services they deliver (e.g., Greenwood et al., 2005). Professional service firms represent a key segment of service industries and consist, among others, of management consulting firms, accounting firms, law firms, and advertising agencies (Jensen et al., 2010). The importance and peculiarities of these types of firms suggest that they should be seen as a separate field of research that requires its own theoretical foundation (Greenwood et al., 2005; Løwendahl, 2005; Von Nordenflycht, 2010). Such a perspective has been adopted in service research (Apfelthaler & Vaiman, 2012; Guzak & Rasheed, 2014; Jensen et al., 2010).

Key characteristics of professional services are that they are highly intangible (Greenwood et al., 2005; Løwendahl, 2005) and often subjectively evaluated (Gummesson, 1979; Mitchell, 1994). While goods can be transacted and exchanged, this is more difficult in the case of professional services, since they require extensive co-production (Ramírez, 1999). In fact, even in cases characterized by replication, tailoring the replicated solution to the client's needs requires significant interaction in the creation of the service (Bettencourt et al., 2002; Ramírez, 1999). Thus, transactions in professional services are highly relational in nature (Bettencourt et al., 2002; McGivern, 1983). All these characteristics suggest that the nature of value creation in professional services fits well with service-dominant logic.

Client-professional relationships

Extensive research exists on the nature and characteristics of service relationships in general (Berry, 1983; Bitner, 1995; Czepiel, 1990). However, if we look at research on the nature and

characteristics of business-to-business service relationships (Howden & Pressey, 2008; Woo & Ennew, 2005) or professional business-to-business service relationships (Ostrom & Iacobucci, 1995; Woo & Ennew, 2005), relatively little work seems to have been done. Scholars have taken a number of theoretical perspectives in order to understand these latter types of relationships. Examples include role theory (Schein, 1988), agency theory (Sharma, 1997), and social capital and network theory (Kitay & Wright, 2004). In addition to this theory-based research, there are two traditions that study client-professional relationships as such. The first tradition considers the development of successful working relationships (e.g. Bettencourt et al., 2002; McGivern, 1983). The other one takes a more critical and interpretive stance, and points to the persuasive nature of professionals (e.g. Fincham, 1999). Both traditions focus extensively on describing the particular characteristics, asymmetries, and tensions of the relationship that make it difficult for clients and consultants to become equal partners in the context of a given assignment. They do not, however, clearly define and conceptualize the relationship. Thus, while research has aimed to understand topics related to professional-client relationships, such as their value (Howden & Pressey, 2008) and how professional service firm employees sustain client dialogue (Fischer, Sieg, Wallin, & Krogh, 2014), limited research has been done on defining the client-professional relationship as such.

One of the few studies to define and conceptualize these relationships in depth is the study by Haytko (2004), who inductively classifies advertising-client relationships at the individual and firm level, and finds three main categories at each level. The informants, i.e., the 20 account managers she interviewed, seemed to prefer more intimate and dependent relationships. Haytko identifies three types of firm-level relationships and three types of individual-level relationships. At the individual level, she finds that practitioners talk about a business relationship or define the relationship as a “business friend” or “personal friend”, where self-disclosure, trust, and intimacy are key separators of these different categories. At the firm level,

Haytko identifies vendor, partner, and “surrogate manager” as key categories of the relationship. A vendor is an order taker and is excluded from the planning and goal-setting of the service to be created. A partner works closely with the client and takes part in planning future advertising activities and in implementation. Finally, the “surrogate manager” category represents an exclusive relationship where the advertising agent is highly embedded and indispensable to the client because of the agent’s knowledge of the client firm.

Haytko’s framework was developed in the context of agency-client relationships in advertising from a supplier perspective. Other research on the advertising industry (Broschak, 2004) has shown that stable sole-sourcing relationships based on exclusivity, loyalty, and infrequent switching are common in this industry. In many other professional services, such as investment banking, management consulting, and law, sole-sourcing is seen as only one of multiple options used by suppliers (Baker, 1990). Thus, agency-client relationships in advertising seems to represent an outlier in terms of the exclusivity of the client-professional relationship. Even so, Haytko finds that 17% of the relationships she studied fit into a highly transactional category with a vendor-firm relationship and a strictly business, individual-level relationship.

Methodology

The objective of this paper is to explore the nature of the client-professional relationship under conditions where both goods- and service-dominant logics are present. A qualitative in-depth research approach, which enables the study of client-professional relationships in context and incorporates inductive components, therefore seems appropriate (Miles & Huberman, 1994; Yin, 2003). The type of research question, the complexity of the research phenomenon, and the need for contextualization suggest taking a qualitative approach (Creswell, 2003; Yin, 2003).

Research setting

The research was done in the management consulting context. The International Council of Management Consulting Institutes defines management consulting as “*the rendering of independent advice and assistance about the process of management to clients with management responsibilities*”. Management consulting thus includes consulting in, for example, fields like human resources and recruiting, communication, information technology, finance, organization, strategy, and marketing (Kubr, 1996). This context was chosen because the service-dominant logic that has traditionally dominated consulting services and manifested itself in the form of long-term client-consultant relationships has been challenged by a more competitive and goods-dominant approach among buyers. In the past, the purchasing of consulting services has been informal and unregulated, where managers have had the opportunity to retain autonomy and develop close relationships with consultants (Werr & Perner, 2007). However, during the last 5 to 10 years, clients have started involving purchasing professionals to an increasing degree in these types of decisions, in both the public (Schiele, 2005) and private sectors (Werr & Perner, 2007). This is likely to have had implications for the client-consultant relationship, since buyer organizations have been formalizing purchases (Perner, Werr, & Bianchi, 2014; Schiele, 2005). Underlying these initiatives is an increasing orientation towards a transactional approach in buyer organizations that can be linked to a goods-dominant rather than a service-dominant logic.

Data collection

To gain in-depth insight into the research topic and question, interviews were conducted with 51 buyers of consulting services in 16 large organizations across the public and private sectors in Norway. The private organizations operated in a number of different industries, such as telecommunications, pulp and paper, materials, energy, and logistics. The interviewed buyers

were typically part of the top management group, division heads or key middle managers. Management consulting services are often shrouded in confidentiality and perceived as highly strategic in buyer organizations. Moreover, services of this type are bought infrequently in organizations by a wide set of individuals with different roles. Thus, it was difficult to find organizations that had recently used consultants and the relevant individual within these organizations. Within the bounds of these limitations, the selected organizations and individuals were chosen to reflect a diverse set of informants in order to capture the variation in the nature of the client-professional relationship.

While it was difficult to establish the level of formalization in an organization before starting the interviews, larger organizations were chosen based on the assumption that they have more formalized processes than smaller firms. Following this approach, 31 of the buyer interviews were conducted in organizations with highly formalized purchasing processes. The 20 remaining buyer interviews were conducted in organizations with more limited formalization, but where there appeared to be increasing incorporation of the purchasing function in connection with consulting service purchases. Moreover, interviews were conducted with 27 partners and leading professionals in firms in the fields of business consulting (20), recruitment (5), and communication consulting (2). These professionals came from different firms and had been used by one or more of the buyers during the last five years.

The number of interviews was chosen based on a saturation approach, where the benefit of further interviews was compared to the time and cost of conducting each new interview. Each interview lasted for one to one and a half hours. The format of the interviews was semi-structured and included open questions about three main themes: the purchasing processes in the organization, the general criteria applied to the selection of management consulting services provider, and the client-professional relationship, in particular. All informants were asked the

same core questions in these main areas to enable data triangulation in the analysis phase. All of the informants agreed to the interviews being taped. The tapes were then transcribed in full and imported into Atlas.ti, a qualitative data analysis program.

The data were analyzed in three main phases to arrive at a conceptualization of the client-professional relationship. First, the data were broadly categorized to separate out information of particular relevance to the client-professional relationship. The objective in this phase was to become familiarized with the data and to reduce the amount of material to be analyzed. In the second phase, the focus was on the first order analysis aimed at understanding the informants' centric terms and codes in their description of client-professional relationships (Gioia, Corley, & Hamilton, 2013). The focus in this phase was on putting in place descriptions of the nature of the client-professional relationship as perceived by the informants.

In the third phase, the focus was on the second order analysis (ibid.), where researcher-centric concepts, themes, and dimensions were emphasized. In this phase, the informants' descriptions of the concept of a client-professional relationship were compared to existing research, in particular Haytko's (2004) conceptualization, to look for higher order classifications and categorizations. The identified classifications were probed for both confirmatory and disconfirmatory evidence. The higher order categorizations will be described in the following, and illustrated using statements from the informants. Table 1 illustrates the analytical process of the study.

Table 1: Overview of the analytical process of the research

(Please insert Table 1 from separate file about here.)

In the example shown in Table 1, the quote was categorized as relevant to the general client-professional category in the familiarization phase. The informant's description was then used as a preliminary indicator of what the quote was describing in the first level analysis. This particular quote concerned the individual-level relationship. Finally, the quote was related to Haytko's categories, and in particular to the "business friends" category in the second level of analysis. As will be described below, the second order analysis was difficult, and the categories had to be rethought. However, there seemed to be an adequate fit for the illustrative quote in the example. To ensure the trustworthiness of the data analysis, the final conceptualization of the client-professional relationship was presented to scholarly peers within the area of management consulting, and to consulting firms and buyer organizations.

Findings

"We have [relationships]...with firms, but the most important thing for us is to have relationships with individuals...."

The CFO of a publicly traded company about his client-professional relationships.

The client-professional relationship was identified as existing at two main levels: the firm level and the individual level. Buyers and sellers referred to relationships as involving both repeated economic interactions at the firm level and as consisting of personal components at the individual level. The firm-level relationship could be established formally through contracts or by the supplier having been hired by the buyer multiple times and the relationship being embedded in multiple individuals. At the same time, buyers and professionals pointed out that a relationship most often existed across the firm level and the individual level. Thus, the relationship involved both repeated transactions and interactions, and individual social and psychological connections. It was also deemed possible for the relationship to exist solely at the individual level. The buyers did not define the client-professional relationship as being

solely based on repeated firm transactions, however. The relational nature of professional services suggested that, to the degree that a firm relationship existed, an individual level social relationship was also present.

The individual-level client-professional relationship

It was suggested by one of the informants that a client-professional relationship could exist as a business-oriented relationship, as illustrated by a partner in a leading international consulting firm, who pointed out:

“...it is not so close, there is no personal aspect that makes me feel that it is too tight, and when we have a discussion, we discuss as representatives of our companies.”

Even so, most informants, and buyers in particular, pointed out that there is an individual dimension to the client-professional relationship that is important. As pointed out by the business development manager in a division of a major local company:

“...people and managers in the firm need to have relationships...one should not be so naïve as to believe that it is just the firm and that it is a formal matter...In the end it is people.”

In describing the individual-level, client-professional relationship, buyers and sellers alike describe the social nature of the relationship, where “love at first sight” was mentioned as one way in which a relationship could be established. Thus, an individual-level relationship was seen as something that could either develop over time or something that took place “then and there”. As pointed out by the CEO of a local consulting firm:

“...those instances where relationships that just happen ‘then and there’ are decisive, it is likely to be in situations where the suppliers are relatively equal.”

Both sellers and buyers pointed to the relevance of a personal relationship – in the form of a personal history together. As stated by the partner of a leading international consulting firm:

“I went to school with some of the people I have that type of relationship with now. The relationship started there....Then it becomes very personal and very long lasting... Most relationships you link back to a personal relationship outside of the job...But the relationship has developed through assignments, which strengthen and reinforce it.”

Even so, buyers and sellers alike emphasized that relationships should not be too close and private. In fact, individual-level relationships seemed to gravitate towards the “business friends” category – either from intimate personal relationships, for example based on long-term personal relationships, or from business relationships established through formal contracts. If a very close friend or the brother of a consulting partner was in a key position in a client firm, he would likely be very cautious about buying consulting services from his brother. Thus, private relationships that are very close are not likely to develop into client-professional relationships. As stated by the partner of a leading management consulting firm:

“If the personal relationship is very strong, it is difficult to turn it into a large client. Then it is almost a barrier...it is better to use acquaintances than close friends.”

The CEO of a national consulting firm also pointed to the same limited relevance of private relationships:

“There will be examples of ‘garden fence’ relationships and such...but they are almost non-existent. Relationships that are not first and foremost tied to the professional, and past experience with each other in the roles we have...they make up a very small part – have very little significance...People who are members of alumni societies – who graduated in the same year from [business school] and such – it almost doesn’t occur.” He continued:
“It is a coherent experience – that to come from one role to a consultant role – and to take

the old relationships with you – that you will sit back and harvest in the role of consultant...That is definitely a misunderstanding.”

However, some consultants saw great benefits of making the relationship personal. As pointed out by the CEO of a leading communication consulting firm:

“My experience is that, when you manage to move the client relationship over to the private arena and start to care about customers as people, that is when the customer relationship takes off, and it is then hard to fire them and it becomes easy to address difficult situations....”

Even so, the empirical data suggested that there are risks associated with establishing a too tight relationship based on a professional one. As suggested by a human resources manager in a large publicly owned firm:

“There is...a danger that the relationship will become too close. It is difficult, and it is easy to rely on people you know.”

A senior consultant at a major international management consulting firm elaborates on the nature of the relationship:

“When it comes to friends, then I do not want a friend as a client, but I can have a client as a friend.”

To the degree that the commercial element deteriorated in the client-professional relationship, the empirical material suggested that it is converted into more of a private relationship – and should be terminated as a client-professional relationship. As illustrated by the partner of a local management consulting firm:

“When the parties do not get anything out of it and feel that it does not give them anything....If it is personal it can lead to loyalty to the client. It can be personified...so I should have stopped before. Not because the relationships are bad, but with respect to real impact.”

The firm-level relationship

The formal, established firm-level, client-professional relationship was described only by very few informants. The commonality across informants was their description of the client-professional, firm-level relationship as a form of pre-selection – where the buyer selects a given supplier before considering other suppliers on the market. The relationship entailed a preference for a particular firm or set of firms when an assignment was needed. As described by informants, relationships could be based on two to three projects a year, with limited meetings in between. In some cases, there might be considerable time between projects. Two key dimensions were identified as distinguishing types of firm relationships as described by informants: the level of formality in terms of the extent to which the relationship is based on a written or relational contract, and the exclusivity of the relationship described as the extent to which the firm also has relationships with other suppliers of a given type of service. These two dimensions will be considered in the following and used to develop a typology of firm-level, client-professional relationships.

Level of formality

The most formal type of relationship described by informants was a preferred supplier frame agreement, where the supplier or buyer has a contract regulating services rendered during a specific period. Based on the interviews, these types of firm-level relationships seem to be becoming increasingly common. In fact, these types of contracts are the formal mechanism

primary identified as being used in client-consultant firm relationships. As stated by a leading partner at a major international management consulting firm: “...*frame agreements are in a way formalized relationships.*”

At the other end of the formal-informal continuum, buyers described non-contractual firm relationships as the sum of a number of personal relationships and as existing without formal contracts. This perspective on the firm relationship can be illustrated by the following quote from a strategy director of a major international, publicly traded firm:

“...firm relationships are, call it a form of accumulation of personal relationships...you build up more and more connection points... from your organization to...the other organization...and there is communication across these points in your own organization so that the management gets a varied impression of what the overall connection is...”

Respondents mention the notion of a “family supplier”, which is a relational agreement that is highly informal. These types of agreements are largely based on mechanisms such as trust, commitment, and relational norms. An example of the “family supplier” can be illustrated by a quote from a strategy manager of a major international firm:

“...the consultant is used as a dialogue partner for the board of directors in strategy definitions.”

The empirical research showed that buyers develop goodwill to particular suppliers – given that the buyer firm is satisfied with past performance. The goodwill was described as leading, in turn, to increased legitimacy of a particular supplier firm and to institutionalization of the relationship. There were examples in the interviews where it was part of the client’s culture and

habits to use a certain consulting firm. As pointed out by the business development manager in a sub-division of a publicly traded firm:

“I believe that, because one has been in it for so long, because one has that kind of track record and history in the firm, then it becomes legitimate to use these [consulting firms].”

The CEO of a national consulting firm, however, limits the relevance of the legitimacy-based firm relationship:

“It is very seldom I hear about institutional relationships that are of significance... But it is clear that it can develop into a habit and use can increase.”

The empirical data suggested that the level of formality also influences the nature of the relationship. In the case of formal relationships, it was suggested that the contract would cut across individuals in the firm. On the other hand, non-formal relationships were not as equally distributed, so that, rather than everybody in a client firm knowing everybody in the consulting firm, only three or four people knew one another. As pointed out by a human resources manager in a major publicly owned firm:

“When it comes to [consulting firm x], there are three people we relate to. It is the same for [firm y].”

The interviews illustrated that large firms are likely to have different relationships across divisions and that these types of relationship might have different significance across the organization. Thus, in a number of cases, the divisional level rather than the corporate level was the relevant level of the firm relationship. The notion of a firm as it is described here incorporates relationships at the business unit and division level.

Exclusivity

In addition to the level of formality, there was a large difference between relationships in terms of whether they were exclusive or not. At one extreme, there were a number of cases of a single-source relationship in the form of a “family supplier” or a single frame agreement. At the other extreme, there were situations where the firm had relationships with multiple – up to ten – suppliers and where a competitive approach was taken to decide which supplier to use for each assignment. As pointed out above, formal and non-formal, non-exclusive relationships were used extensively in both the private and public sectors. In fact, most clients seem to rely on multiple companies for the same types of services. As pointed out by a senior partner at a leading international management consulting firm:

“The relationship is more important than ever ...but it is less exclusive.”

At the same time, consultants pointed out that one supplier was often used more frequently than others. Some consultants pointed out that the parallel relationships were often linked to different decision makers. However, others emphasized that the parallel relationships could be related to the same decision maker in the client organization. A partner in a major international consulting firm commented:

“My close connections also decide to use others instead of me or us.”

One point that should be added to the notion of parallel relationships is the limitation in terms of the number of relationships a given firm would be able to maintain. Developing relationships is time-consuming and costly due to the need for repeated interaction. As noted by a deputy CEO:

“...it is clear that, over time, we only manage to maintain this type of relationship with people with a handful of actors, not with very many.”

Typology of firm-level relationships

Four main types of firm relationships were identified based on the exclusivity and formality dimensions, as shown in Figure 1. At one end, there was the traditional notion of the client-professional relationship – “the family supplier”, which was a single source relationship based on relational rather than formal contracts. In the more formalized organizations, single source relationships were also used, but these relationships were more formal and initially based on competitive tendering – referred to as the single frame agreement.

Figure 1: Typology of firm-based client-professional relationships

(Please insert Figure 1 from separate file about here.)

As an alternative to single-source relationships, parallel frame agreements seemed to be becoming more and more prevalent in firms. These agreements incorporate multiple formal relationships, in which social relationships could exist or be relatively scarce. In the less formalized organizations, multiple informal relationships were extensively used, as discussed above.

Discussion

The combination of goods- and service-dominant logics in management consulting seems to suggest that the nature of client-professional relationships is less intimate and more parallel than previous research has suggested. The increasing use of formal processes and contracts and parallel relationships, as well as clients’ desire to refrain from “lock in” relationships, suggest that management consulting clients largely do not want to form “surrogate manager” relationships. This is similar to what was proposed by Haytko (2004). While such relationships are likely to have key benefits in terms of co-production, which is emphasized under service-

dominant logic, it seems to often compromise the professional ethics and independence of external suppliers of professional services. This finding highlights the potential limitations of the applicability of a purely service-dominant logic in intangible and knowledge-based services.

An overview of the notion of a client-professional relationship under conditions of combined logics is shown in Table 2. The table illustrates how, under combined logics, client-professional relationships integrate features from both service- and goods-oriented logic. In particular, these relationships are challenged by having to constantly balance between exchange and co-production. In dealing with this tension, the key emphasis seems to be on co-production in projects, where the service is co-created within the framework of a given assignment. The main way of dealing with the competing logics from a buyer perspective was to develop multiple relationships with alternative suppliers that could be asked to compete for assignments.

Table 2: The client-professional relationship under multiple logics

(Please insert Table 2 from separate file about here.)

The empirical data presented above suggest that client-professional relationships at the individual level can exist in a given project and outside a firm-to-firm relationship. The “instant” relationship is an example of such a relationship. This form of relationship illustrates that co-creation does not necessarily have to be embedded in a long-term exclusive relationship. Rather, it suggests that the notion of a service-dominant logic in a professional service setting can be thought of as much as a mindset and a way of approaching co-production as the existence of enduring relationships. To the degree that a relationship can be developed and value created within assignments, it might be possible and more easy to integrate the two logics.

While client-professional relationships were found to be fundamentally individual and social, the organization was found to be closely integrated with the individual-level relationships. Thus, thinking about the client-professional relationship as a multi-level construct, as past researchers have done, appears to be adequate and important, and Haytko's framework suggests key universal dimensions that are a very good starting point for analysis. While a relationship can be formally established at the firm level – for example in the form of a frame agreement – it quickly becomes individual as services are created. However, contrary to the emphasis in existing research on the relevance of intimacy, trust, and closeness (e.g., Granovetter, 1973; Liang and Lian, 2007) as characteristics of client-professional relationships, the data show that the individual-level relationships seem to be gravitating towards the “business friends” category.

Figure 2 illustrates the client-professional relationship as it can be defined based on the empirical data presented above. The nature of the relationship as individual- and firm-based is shown in the middle of the figure. The firm-level relationship is illustrated by the arrows between the egg shapes, and the individual-level relationship by the arrows between the persons. The transition of the relationship across levels is indicated by the vertical dotted arrows. The relationship can also cut across levels in the sense that it can be between an individual and a firm or vice versa, as illustrated by the crossing arrows. An example of such an individual-firm relationship would be where an individual consultant has multiple connection points in a client organization, but the client organization perceives the relationship as being firm-based at their end, although individually based at the consultant's end.

Figure 2: The client-professional relationship

(Please insert Figure 2 from separate file about here.)

The key identified categories of the individual- and firm-level client-professional relationship are added at the bottom and top of Figure 2, respectively, where the primary scope of the individual relationship is as a business friend or a social relationship. Private relationships and relationships that are exclusively business-oriented are outside the scope of the client-professional relationship. In the case of the firm-level relationship, the notion of a vendor and a partner did not stand out as clearly separate categories in management consulting under conditions of conflicting logics – since it appears that the consultants can be partners in projects, but vendors in between active projects.

In the study presented above, the exclusivity and formality dimensions were found to be more relevant dimensions for classifying firm-level relationships than the dependence and co-operative ability dimensions proposed by Haytko (2004). The greater relevance of exclusivity and formality compared to dependence and co-operative ability reflects the difference in underlying logics in the advertising and consulting setting, which this study aimed to capture. The difference in identified underlying dimensions nicely illustrates how an amplified goods logic in a service setting changes the nature of client-professional relationships. The revised conceptualization of firm-level relationships is included at the top of Figure 2.

The paper adds insight to theory on professional service firms by offering an empirically based conceptualization of alternative forms of client-professional relationships at the firm level. While many professional service firms are organized and managed on the basis of a service-dominant logic and focus on long-term relationships, the described changes in the buyer organizations' logic and the nature of the client-professional relationships is likely to have strategic implications. In fact, research suggests that the business models of professional service firms are about to change (Christensen, Wang, & van Bever, 2013). The research presented

above forms a conceptual basis for understanding the changes taking place in the context of business-to-business professional services.

Finally, the research presented above provides new insight into the individual-level relationships that form the basis for value creation in professional services. While extensive research has been done in the area of the professional service firm, much less research has been done on micro-level individual relationships in professional services. The desire for limited intimacy that characterizes many client-professional relationships is likely to have implications for value creation in professional services that should be incorporated in future research.

Conclusions

Existing service and marketing research has described the benefits of applying a service-dominant logic and defined it as a new organizational paradigm. In contrast to this perspective, the research presented above recognizes that organizations and their buyer-supplier relationships are defined by multiple logics. Thus, rather than taking a dichotomous view of goods and services, the study proposes that an integrated perspective might be a better approach.

Existing research primarily defines the client-professional relationship as a single firm-to-firm level relationship and sees the individual-level relationship as a way to understand the intimacy of these firm attachments (Haytko, 2004). The research presented here, which was conducted under conditions of conflicting logics, adds to these conceptualizations by showing empirically in the context of management consulting services that the client-professional relationship is primarily an individual-level concept that can exist within or without a firm-level relationship. Even so, individual level relationships are seldom extremely intimate and should be characterized as professional rather than personal. The empirical data also suggest that client-

professional, firm-level relationships should be characterized as less exclusive and more formal than has been the case in existing research.

Implications for research and suggestions for future research

Building on the foundation that goods- and service-dominant logics co-exist, more empirical and conceptual research should aim to define how these logics interrelate and the impact this has on value creation in services. Thus, rather than further elaborating on the adequacy of the service-dominant logic, it is important that researchers study the real-life situations of organizations that deal with conflicting logics.

The goods- and service-dominant logics have similarities to market and professional institutional logics (Friedland & Alford, 1991; Thornton et al., 2012). While market logics emphasize market mechanisms, transactions, and a business orientation, professional logic points to expert knowledge and trust as key foundations. The institutional logics perspective has gained much interest in the management community over the last 5-10 years (Pache & Santos, 2013; Thornton et al., 2012) and research has been done on professional service organizations from this perspective (Lounsbury, 2007; Reay & Hinings, 2009). While past research in institutional theory has been concerned with institutional and organizational responses, the institutional logics perspective takes a micro-level point of view (Powell & Colyvas, 2008) and is interested, among other things, in the strategies and actions of actors dealing with institutional changes and conflicting logics (McPherson & Sauder, 2013). In particular, this perspective has been interested in understanding organizations where multiple logics are present, referred to as hybrid organizations (Pache & Santos, 2013; Reay & Hinings, 2009). Even though this perspective is likely to be relevant and interesting in understanding services where multiple logics are present, it has only to a limited degree been explored in the

context of services. Future research should consider the interlinkage between service- and goods-dominant logics and how organizations are dealing with these different logics in the creation of services.

The fact that limited intimacy seems to be a key characteristic of the client-professional relationship contradicts what one would expect from a co-productive view of services, where contextual understanding is essential to value creation (Vargo & Lusch, 2004). Existing research has found that decreasing intimacy could threaten relationship development (Halinen, 1997) and hurt value creation in professional services (Bettencourt et al., 2002). While some initial conceptualizations of the intimacy in business relationships does exist (Beetles & Harris, 2010), more research should be done to develop a better understanding of the impact of intimacy on value creation.

The research presented here suggests that buyers and suppliers of consulting services consider the relationship to be something that does not have to develop over time, but can take place “then and there”. Thus, the notion of a relationship seems to be more related to the social connections between people than to repeated business exchanges. In fact, the data suggest that these instant social connections – often referred to as “chemistry” between clients and consultants – can be experienced as much more powerful than a relationship that has existed for years. Some authors (e.g., Halinen, 1997; McGivern, 1983) have pointed out that personal chemistry plays a central role in the client-professional relationship. However, as it is a highly tacit concept, many researchers have refrained from further exploring this dimension of the relationship, and more research is needed in this area.

Finally, the notion of a parallel client-professional relationship needs to be better understood. It would be interesting to establish whether such service relationships enable the same co-produced value as do durable single-source relationships. While research on purchasing has explored the notion of parallel sourcing (Richardson, 1993), very little work has been done on this in services and in relation to co-produced value under multiple logics. More research should be done in this area.

Implications for practitioners

The conceptualizations of the client-professional relationship presented here are likely to give practitioners a better understanding of the degree to which, and how, client-professional relationships can be used in marketing and as a resource for professional service firms. Since the scope of the relationship seems to be changing, this has extensive implications for the marketing and resource decisions of professional, as well as other business-to-business service firms. Existing research on professional service marketing emphasizes to an extensive degree the importance of developing close relationships with clients (Maister, Green, & Galford, 2000), and it points out that resources are developed in these relationships (Bettencourt et al., 2002; Skjølvsvik, Løwendahl, Kvålshaugen, & Fosstenløyken, 2007). The research presented here suggests that it is becoming increasingly difficult to develop such close relationships. At the same time, the ability to create instant confidence seems to be of great importance under the changing conditions. Thus, the relationship resources that a firm has previously valued might be under siege. In turn, these changes are likely to influence the types of people a firm employs and its human resources.

From a client point of view, the proposed changes are of particular importance in relation to the value and outcome of the professional services they buy. While taking a goods-dominant

approach to the purchasing of services might have considerable impact on costs, it might have very negative impacts on value creation in knowledge-intensive services. As the relationships are becoming less intimate, clients need to ask themselves: Are these changes affecting the value we get from the professional services we buy? Do “instant” relationships enable the same degree of co-production and value creation as the long-term relationships we had in the past? How can we facilitate the best possible co-production of services with less intimate relationships?

The formalization of purchasing processes in buying organizations has largely been driven by institutional forces and logics, where private organizations are copying the formalization efforts taking place in the public sector. Practitioners should endeavor to evaluate and measure the results of the professional services they buy and try to develop an understanding of the degree to which the long-term or instant relationship enables or constrains these results. If they find that formalization and reduced use of long-term single relationships hurts value creation, they should rethink their formalization efforts.

Limitations

A key contingency factor that is likely to be relevant to the nature of client-professional relationships is culture. There are likely to be differences in relationships across countries and regions that have not been taken into account in the research presented here. A highly experienced consultant who has worked extensively throughout Europe pointed out these differences. He emphasized that, while client-professional relationships are relatively professional in Scandinavia – where the study presented above was conducted – they are likely to be far more personal in other parts of Europe. While “wining and dining”, according to the informants, is of little relevance in the Nordic countries, it is much more prevalent in Southern

Europe. In fact, the cultural as well as institutional embeddedness of the client-professional relationship as it has been defined here is an interesting avenue for future research.

The empirical study presented above has primarily focused on large buyer firms, due to the infrequency and limited amount of such purchases among smaller firms. While it could be argued that the processes used by smaller firms are similar to those found in large firms, it could be claimed that the selection of cases is biased because smaller client firms are not included. Thus, a more varied set of clients should be included in future research to develop a better understanding of the degree to which conflicting logics are relevant to smaller firms and how they deal with these logics in structuring their client-professional relationships.

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