



Journal of Organizational Change Management

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Article information:

To cite this document:

Nader Seyed Kalali Ali Heidari , (2016), "How was competitive advantage sustained in management consultancies during change", Journal of Organizational Change Management, Vol. 29 Iss 5 pp. 661 - 685

Permanent link to this document:

<http://dx.doi.org/10.1108/JOCM-10-2015-0188>

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How was competitive advantage sustained in management consultancies during change

The role of dynamic capabilities

The role of dynamic capabilities

661

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Abstract

Purpose – The purpose of this paper is to study the process in which dynamic capabilities renewed operational capabilities to sustain competitive advantage in management consulting firms of Iran during a period of drastic environmental changes.

Design/methodology/approach – Using a grounded theory building approach, comparative longitudinal case analyses were conducted in consultancies of Iran. The research was based on a deep study of documents, observations and interviews with managers and employees of 14 consulting firms.

Findings – It was found that during a period of environmental changes there was a relationship between dynamic capabilities and competitive advantage, but this relationship was mediated by the role of marketing and technological capabilities of a firm. It was also found that trust-building capabilities of the consulting firms moderate the relationship between dynamic and operational capabilities. The research explores homogeneity and heterogeneity of dynamic capabilities among consultancies too.

Originality/value – This research shows that under changing environmental conditions, dynamic capabilities of consultancies can become a source of competitive advantage. Moreover, it discusses whether dynamic capabilities are idiosyncratic or are best practices. It also explains the role of trust-building capabilities of consulting firms in moderating the relationship between dynamic and operational capabilities in the particular environment of Iran.

Keywords Dynamic capabilities, Operational capabilities, Consultancies, Sustainable competitive advantage, Trust-building capabilities

Paper type Research paper

1. Introduction

The main focus in strategy research has been the source of sustainable competitive advantage of firms. Much has been written and numerous studies have been conducted on this subject; among these are the literature on industrial organization (Porter, 1980), Resource-based theory (Wernerfelt, 1984; Barney, 1991), and dynamic capability (Teece *et al.*, 1997).

The resource-based view explains that valuable, rare, inimitable and non-substitutable resources can be the source of competitive advantage (Barney, 1991). But this theory which was first introduced by Wernerfelt (1984), has been criticized because it can only be applied to static environmental conditions. In most of the studies conducted using RBV theory, “generic characteristics of rent generating resources” have been identified, but no attention has been paid to the function of these resources during environmental changes. Moreover, the processes and mechanisms through

The authors would like to express the sincere appreciation to the editor and two anonymous reviewers. The earlier versions of this paper also benefited from the insightful comments of Dr Mark Ebers. These were really helpful and the authors are indebted to him for his kind help. The authors would also like to thank Dr Hendrik Wilhelm for his valuable suggestions.



which the resources are enabled to create competitive advantage have not been discussed (Priem and Butler, 2001). RBV cannot explain how these valuable resources can be renewed and help the firm to keep its superior cash flows in the future (Wang and Ahmed, 2007).

Dynamic capability theory is an extension of RBV which can be used for dynamic situations and shows how the firms' advantage is sustained over time (Ambrosini and Bowman, 2009). It has encapsulated the evolutionary nature of resources and capabilities and emerged to enhance the RBV (Wang and Ahmed, 2007). This view has attracted serious attention in the last two decades and several studies have been conducted using this perspective. This concept was first introduced by Teece *et al.* (1997), and Teece and Pisano (1994) and was explained in more details by Teece (2007). He explained that "the dynamic capabilities framework highlights organizational and (strategic) managerial competences that can enable an enterprise to achieve competitive advantage, and then semicontinuously morph so as to maintain it" (Teece, 2007). This theory finds its origins in Schumpeterian, Kirznerian, evolutionary and resource-based theories (Schumpeter, 1934; Kirzner, 1973; Nelson and Winter, 1982; Wernerfelt, 1984) and is influenced by the theory of growth of the firm (Penrose, 1959).

Regarding the fact that dynamic capability theory has been subjected to theoretical debate, several definitions have been developed to describe it. Eisenhardt and Martin (2000) wrote dynamic capabilities are "organizational and strategic routines by which firms achieve new resources configurations as markets emerge, collide, split, evolve and die." Winter (2003), on the other hand simply defined these capabilities as "those that operate to extend, modify or create ordinary capabilities."

In empirical studies conducted on the dynamic capabilities, the components of dynamic capabilities have also been mentioned. However, in various studies, different components have been mentioned such as: mobilizing and transforming capabilities (Lampel and Shamsie, 2003), knowledge creation and absorption, knowledge integration and knowledge reconfiguration capabilities (Verona and Ravasi, 2003); absorptive and transformative capabilities (Pandza and Holt, 2007); sensing, seizing and reconfiguring (Ellonen *et al.*, 2011); sensing, learning, integrating and coordinating (Pavlou and El Sawy, 2011); coordination, learning and strategic competitive response (Protogerou *et al.*, 2011); strategic sensemaking capacity, timely decision-making capacity, change implementation capacity (Li and Liu, 2014); absorptive and transformative capabilities (Wang *et al.*, 2015) and sensing, learning and reconfiguring capabilities (Wilhelm *et al.*, 2015). Therefore, it seems that the nature of dynamic capabilities is still subjected to debate.

One of the current theoretical discussions about the nature of dynamic capabilities is whether these capabilities vary from company to company or are similar to one another. Eisenhardt and Martin (2000) believe that dynamic capabilities have commonalities within firms and are best practices. However, they are also certainly idiosyncratic in their details. On the other hand, Teece (2007) considers them as firm-specific and unique capabilities which are rooted in path-dependent histories of individual firms. Despite limited efforts to answer this question (Jantunen *et al.*, 2012; Fourné *et al.*, 2014), the question is still open and further qualitative studies are required to provide a more suitable answer to it.

In addition, the studies so far conducted on the dynamic capabilities have primarily focussed on industries such as information technology and communication (Cepeda and Vera, 2007), manufacturing sector (Protogerou *et al.*, 2011), publishing industry (Ellonen *et al.*, 2011) and high-tech firms (Wang *et al.*, 2015). Meanwhile, few studies have been conducted on the dynamic capabilities in the management consulting

industry (Heusinkveld *et al.*, 2009). This is while management consulting industry, due to its special features, is subject to extreme dynamics and can be an attractive industry for investigating the role of dynamic capabilities. The dynamics with which consulting firms deal is caused both by the environmental dynamics (changes in customers' preferences, technology and competition) within the industry and environmental dynamics of client industries outside the consulting industry. Therefore, it is expected that consulting firms that survive for a long period of time are those which are equipped with special capabilities that enable them to survive.

Moreover, despite studies which have adopted a quantitative approach to examining the relationship between dynamic capabilities and performance (Pavlou and El Sawy, 2011), we still know a little about the mechanisms that relate dynamic capabilities to performance outcomes (Eriksson, 2014); especially because there are still few qualitative studies in this area.

In the present research, the researchers seek to find answers to the above questions by studying the effect of organizational capabilities on firms' performance. We especially became interested in this subject because the worldwide economic sanctions against Iran had made doing business really difficult in this country during the period under study. Management consulting firms had faced sudden and unpredictable change and the competitive landscape was shifting.

In fact, occurrence of environmental changes had forced consulting firms to adopt appropriate reactions in order to survive. The sanctions had severely decreased the demand for consulting services. In addition, client firms expected that management consulting firms be able to genuinely help them to solve problems such as financing or increasing efficiency. Prior to international sanctions, management consulting services in Iran were primarily symbolic and non-functional. Thus, environmental changes forced consulting firms to make serious changes in their business; that is, dynamic nature of the environment had caused the firms to abandon routines and become dynamic. Therefore, the dynamic environment provided a suitable context for studying the process of change in these firms.

Management consulting firms reacted to this situation with different strategies and reached different outcomes. In this battle, some firms failed and some other thrived. What makes the difference among them? Are dynamic capabilities a source of performance in this era of dramatic change? So, we conducted an explorative study to answer these questions.

This inductive research develops a process model and shows how a number of management consulting firms in Iran have managed to maintain, and even increase their high performance in a changing environment and why some firms have failed to do so. This process of organizational change has been explained by focussing on organizational capabilities, because as previously mentioned, management consulting industry is subject to dynamics that make a capability-based approach to organization suitable for explaining the factors affecting the performance of the consulting firms.

The results of our research indicate that in a changing environment, the main source of competitive advantage in Iranian management consulting firms is meta-capabilities that are very similar to capabilities which are known as dynamic capabilities in the literature. However, these meta-capabilities do not affect firm's performance directly but rather can maintain the firm's previous performance through marketing and technological capabilities. There are also other capabilities which moderate the relationship between meta-capabilities and operational capabilities. We use the term "trust-building capabilities" to describe them.

To answer the question whether or not there are commonalities within consulting firms that let them earn and sustain competitive advantage, the variance in the

performance of two groups of consultancies, which were performing above industry average, were compared. The present research also discusses whether meta-capabilities are similar or different in firms within an industry. The findings of our research show that in spite of general similarities in appearance and the influence mechanisms of these capabilities, they differ in the details. These similarities and differences have been shown through a case-by-case analysis. Thus, this research has found a suitable response to the theoretical debate regarding homogeneity and heterogeneity of dynamic capabilities in firms within an industry.

2. Research design

To do this study, the CEOs and some of the managers and employees of 14 Iranian management consulting firms were interviewed in 2013. In the following year (2014), the same people were interviewed again. Archival data of 2010-2013 were also studied retrospectively. Numerous site visits and friendly discussions were conducted with employees of these firms. Therefore, to understand what the consulting firms' capabilities are and how these capabilities are related to firms' performance (revenue per employee), a longitudinal study within 2013-2015 was conducted in 14 consulting firms and the gathered data were strengthened by retrospective archival data of 2010-2013.

In this research two groups of firms were studied; all of them were performing above industry average but the first group consisted of four firms with significantly higher performance than others and the second group consisted of ten firms with lower performance. In fact, the first group firms were able to sustain their previous good performance while the performance of the second group firms diminished dramatically and they were struggling to survive rather than seeking competitive advantage. The differentiation is based upon the firms' revenues divided by the number of employees (revenue per employee). This metric can show the ability of an organization to create rents from human intangibles.

Using polar samples is helpful, especially when we intend to study the reasons for the success of one group compared to the failure of another group and intend our findings to be grounded in multiple cases (Eisenhardt, 1989; Pettigrew, 1990). In the past, other researchers had also used the analysis of two or more groups of polar-type cases in their studies (Martin, 2011; Maurer and Ebers, 2006).

A grounded theory approach (Glaser and Strauss, 1967) was used to do this comparative longitudinal case analysis and *ex post* interpretation. The qualitative method and grounded theory approach were used because although dynamic capabilities' commonalities have been believed to exist in theory, only limited empirical evidence identifies what they are (Wang *et al.*, 2015). Eriksson (2014), in a comprehensive literature review, mentioned that the methods used in dynamic capabilities research line have been mainly qualitative, and this is likely to continue until quantitative measurement develops considerably. Moreover, the grounded theory method is suitable for studying processes so it can be useful for understanding dynamic capabilities which develop and influence organizational routines over time.

The best application of grounded theory is when there are no pre-assumptions to be tested or if there are, they are so abstract that they cannot be tested quantitatively and deductively (Martin and Turner, 1986; Suddaby, 2006). So, it is essential that researchers conduct more qualitative studies so that dynamic capabilities are better understood and also the processes and mechanisms of their effectiveness become clearer.

As we explained in the introduction section, the findings of the previous studies regarding the three questions of the present research are still ambiguous and

insufficient: first, what is the nature of dynamic capabilities in Iran's management consulting industry which is subject to extreme dynamics and environmental changes? Second, are these capabilities homogeneous or heterogeneous in the firms within this industry? And third, can these capabilities basically affect the performance of the firms? And if so, what is the process of this effect? To answer these questions, it seems appropriate to use the grounded theory approach.

In our research, data collection was started in 2013. Taking into consideration Yin's (1984) recommendation to use a variety of sources, three main data collection methods were used: semi-structured interviews, archival data and site visits. Sample size can be distinguished by considering saturation in qualitative research and it cannot be predetermined (Glaser and Strauss, 1967).

The board members of the Iran Management Consultants Association were asked to provide a list of the management consulting firms which had survived and also had a better performance than their competitors in the consulting industry during the last 20 years. They introduced to us 37 firms which had these specifications. These firms were selected on the basis of sales, profit and number of employees. Although all of them were living under the same environmental conditions, they had different performances. They were contacted and recurring interviews with the CEOs of 16 firms were done. However, the other 21 firms declined our invitation to take part in the study.

During these interviews, the interviewees frequently mentioned two other main competitors that were not included in the initial list of Consultants Association. So, the CEOs of these two firms were also asked to participate in the study. One of them agreed to be interviewed and the other one did not. Moreover, three firms were disregarded and consequently eliminated from the list after their CEOs were interviewed; this decision was made because of insufficient data. Therefore, data from 14 firms were finally analyzed. Due to confidentiality issues, the names of these firms are not mentioned directly in this paper.

After interviewing with the CEOs and in some cases with the board members of these 14 consulting firms in the first round, the four best performing consulting firms (which had sustained their previous good performance) were selected for further studies. As mentioned earlier, the selection is based upon the firms' revenues divided by the number of employees (revenue per employee). Therefore, some of these four firms' executives, managers and experts were also interviewed. The details of the interviews are shown in Table I. Numbers with superscript * show group interviews and the ones without superscript * represent individual interviews. The four firms of the first group are differentiated from others by fictitious titles of PER, COMP, STAR and TAS. To sum up, overall, 46 interviews were done with CEOs, board members, executive managers and experts of these 14 firms.

The gathered data consisted of more than 100 hours of interviews over a period of two years; More than 1,000 pages of documents were studied too. These documents consisted of the contents of firms' websites, advertising brochures, firm and top managers' CVs, some of the project proposals and reports, PowerPoints, formal correspondences, R&D reports, project management reports, firms' meeting minutes and researcher notes of his observations.

To analyze the data, the methods recommended by Glaser and Strauss (1967), Miles and Huberman (1984) and Holton (2007) were used. Repeated sortings, codings and comparisons, which characterize grounded theory method, were among them. Validating the relationships became possible by searching for confirming and disconfirming examples while considering the time sequence of events. Throughout the research, the emerging model and the data were continuously compared with each other.

Table I.
List of interviewees
in management
consulting firms
with higher and
lower performances

Informant	Consulting Firms with higher performances (group 1)				Consulting firms with lower performances (group 2)				
	Firm	2013	2014	Total	Informant	Firm	2013	2014	Total
CEO	PER	1+1*	1	3	CEO	Firm 1	1	1	2
Member of board	PER	1*	1	2					
Executive 1	PER	1	–	1	CEO	Firm 2	1	1	2
Senior expert 1	PER	–	1	1					
Senior expert 2	PER	–	1	1	CEO	Firm 3	1	1	2
CEO	COMP	1+1	1	3					
Executive 1	COMP	–	1	1	CEO	Firm 4	1+1*	1*	3
Senior expert 1	COMP	1	–	1					
CEO	STAR	1	1	2	CEO	Firm 5	1+1*	1*	3
Executive 1	STAR	1	–	1					
Executive 2	STAR	–	1	1	CEO	Firm 6	1	1	2
Senior expert 1	STAR	–	1	1					
Senior expert 2	STAR	–	1	1	CEO	Firm 7	1	1	2
Senior expert 3	STAR	1	–	2					
CEO	TAS	1	1	2	CEO	Firm 8	1	1	2
Senior expert 1	TAS	–	1	1	CEO	Firm 9	1	1	2
Senior expert 2	TAS	1	–	1	CEO	Firm 10	1*	1*	2
Total interviews		12	12	24	Total interviews		12	10	22

As we moved further, a number of elements of the model which were not observed in the new data were eliminated or new elements were added to the model. This process continued back and forth. Gradually, some elements of the model were stabilized, because they were no longer inconsistent with the new data. Nevertheless, more data were collected. When theoretical saturation was obtained, we stopped collecting new data. Achieving the final research model was made possible by comparison of successful and unsuccessful firms. In other words, our analysis was based on the similarities between the firms in the first group (successful firms) and the differences between the firms in the first group and the second group (unsuccessful firms).

The data were coded through three coding phases, namely, open coding, selective coding and theoretical coding. Open coding begins with reading the collected data line-by-line and comparing the incidents in the data. In this phase, the researcher focusses on patterns among incidents that yield codes (Holton, 2007).

In the present research, the informants were asked to explain their firms' strategic goals and their activities to achieve them during the period under study. The gathered data were meticulously analyzed and research codes and concepts were obtained. To identify the codes, categories, themes or labels, asking three questions was helpful (Czarniawska, 2014): "Are these people, these documents, and my notes, saying the same thing?," "Are these people or documents saying the same thing, but in a slightly different manner?" or "are they saying something else?" Positive answer to the first question leads to formation of a new category, label or theme. Positive answer to the second question determines the property of a category; and positive answer to the third question forms yet another new category.

With the beginning of selective coding, open coding should be stopped and coding should be restricted to variables that are associated with the core category and make it possible to develop the theory. Therefore, selective coding can only begin when the researcher has managed to identify the core category (Holton, 2007).

In our research, considering the questions asked from the respondents, firm's operational capabilities were determined as the core category and the data were organized around this core category. The elements of operational capabilities have been presented in Figure 1. In fact, when the respondents were asked how they had managed to maintain the performance of their firms, most of the times, they mentioned their marketing strengths and service development capabilities. In answer to this question, the respondents that the performance of their firms had declined mentioned lack of resources for maintaining and strengthening their marketing and service development activities.

By determining operational capabilities as the core category of the research, research data were recoded with regard to this core category. The same was done regarding the new data. Finally, after open coding and selective coding, theoretical coding was conducted. At this phase, the relationship between research variables was identified and the final research model was obtained.

The data structure consisting of research categories, themes and aggregate dimensions is shown in Figure 1. During the interviews, the researcher was always accompanied by a colleague and all of the interviews (except for group interviews) were taped and then transcribed verbatim. Archival data and follow-up interviews helped to triangulate interview data. The findings were tested by reviewing the data again and again. Member checking with some of the informants was also used and the final model was discussed with them as well as the members of the Iran Management Consultants Association.

3. Consulting industry and environmental changes

During 2010-2014, management consulting firms in Iran were faced with so many difficulties. International sanctions, high inflation rates and continuous economic recession eliminated so many firms from the market. While the inflation rate was 10.1 percent in 2010, it reached 39.3 percent in 2012 and the GDP growth rate was

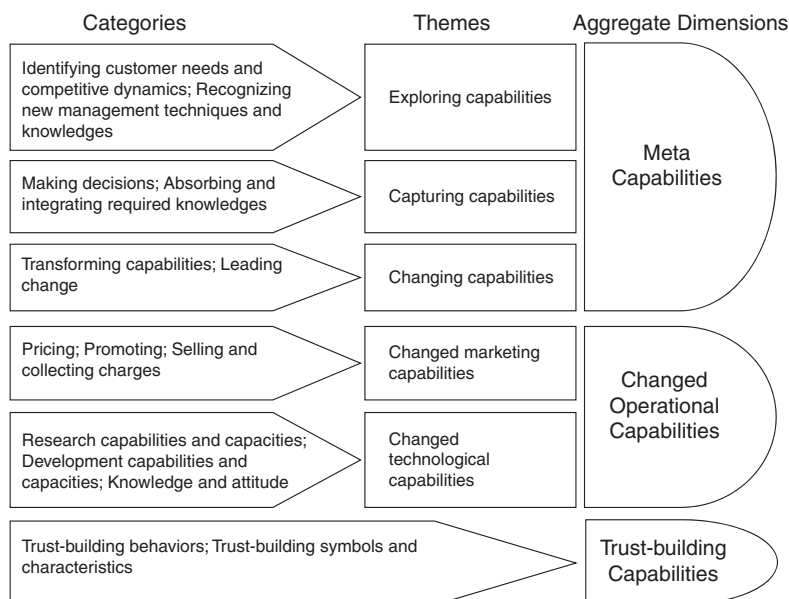


Figure 1. Data structure

–6.6 percent in 2012 (World Bank, 2015). In fact, Iran economy was simultaneously suffering inflation and recession especially in 2012 and 2013. So, clients could not pay their debts and liabilities. Their priorities also were changing and they were no more interested in buying traditional consulting services.

In Iran, management consultancy service is a quite new profession and usually local firms provide such services. There are numerous players in this industry. Many natural and legal persons have a share of this market.

Competition is a key issue in consulting industry and industry players should know how to create and maintain competitive advantage and create value for themselves and their clients, because lack of understanding can lead to their early downfall and failure. Moreover, players within this knowledge-based industry tackle so many dynamisms because they have to learn the rules of competition within the industry and also understand the rules of competition of their numerous clients in various other industries. Customer preferences and changes of technology should also be considered in a wide range of economic activities. Therefore, the firms which are active in consulting business should have the capacity to make their resources and capabilities dynamic. The most well-known consulting firms of Iran started their business in 1990 and 2000. Most of them are local SMEs or micro-enterprises with less than 100 employees.

While most of these firms were managed with traditional methods, PER, COMP, STAR and TAS had developed special characteristics and meta-capabilities during their lifetime. Although other firm's CEOs believed that these capabilities were redundant and expensive, they only proved their effectiveness during the crisis period. The value of these capabilities was realized when the severe environmental changes began. These meta-capabilities helped these four consultancy firms renew their key operational capabilities and sustain their performance.

In the following, these four companies are briefly introduced.

PER company is one of the most famous management consulting companies in Iran. For over two decades, this company has been active in the fields of management consulting services, training, publication, holding conferences and management research in Iran. PER areas of consulting expertise include strategy, organization and project management. Its managers and experts are mostly industrial engineers who have also taken management or MBA courses. Recently PER has become active in the field of virtual education and software solutions and has developed various new products and services.

COMP is a company that provides management consulting services focussing on information systems and knowledge management. This company has over two decades of experience and has been involved in most major national projects in the field of information systems management. COMP seldom sells its consulting services to the private sector and most of its customers are governmental organizations. This company also provides consulting services in the areas of strategy, organizational development, human resource management and marketing. Recently, it has developed new services in the area of organizational architecture consulting which has attracted many customers. Due to its strong IT capabilities, in recent years, COMP has developed software products as well. In addition, COMP is one of the few management consulting firms in Iran which has collaborated with well-known foreign consulting firms.

STAR started providing its consulting services in the operational areas such as quality, production and productivity management, but over the last five years, it has also entered the areas of organization, corporate finance and strategic and economic consultancy. STAR now has been divided into several independent companies and

SBUs and is growing rapidly. Recently, STAR has established its office in a neighboring country of Iran and tries to enter the consulting market in the Middle East and subsequently, Central Asia. Online presence of STAR is very wide; many websites and extensive internet advertising are among the specific characteristics of this company in comparison with other consulting firms in Iran.

TAS is one of the oldest management consulting firms in Iran. This company's services are not limited to consulting and it is also active in the fields of education, research and training and providing executives for companies. Recently, this company has attempted to enter different areas of business such as tourism and financial markets. TAS is one of the few Iranian consulting firms that has offices in the Middle East and Europe. This company also has extensive international cooperations. The number of full-time employees and consultants of TAS is significantly more than those of other consulting firms in Iran.

4. Findings

4.1 *Meta-capabilities*

In order to be aware of environmental changes and adopt a suitable response, consulting firms had exploring, capturing and changing mechanisms. The first group firms were equipped with capabilities which allowed them to systematically identify and respond to these challenges. In contrast, companies whose performance had declined either had essentially no such capabilities or these capabilities were very poor in them.

4.1.1 Exploring capabilities. Identifying customer needs and competitive dynamics. Both groups of consulting firms communicated with their customers via different channels (phone, e-mail, in-person meetings, etc.) and were more or less aware of their needs. However, through specific organizational processes, the first group tried to gather and analyze information about the demands and interests of clients. In all these companies, a certain person was responsible for writing periodic reports in this regard. These companies recorded customers' complaints and recommendations in special forms and created internet groups to connect their consultants with clients. In these companies, regular brainstorming meetings were held for introducing new ideas and using them and some rewards were considered for these ideas. Also, sessions were held periodically with employees of other businesses of the company (such as publication and training) to understand their views on customers' behavior. Reports of the external environment analysis and managers and experts consultation sessions to identify competitive dynamics were usual in the first group.

All four companies had the same general processes for identifying and analyzing their customers' needs and only differed from each other in the details. For instance, in an independent center founded for research, STAR had assigned one of its main teams to investigate the behavior of customers, understand the current situation and predict its changes. In PER fortnightly meetings about customers were held between managers and experts of training, publishing and consultation businesses and customers' demands, complaints, and interests as well as exploitable opportunities were discussed. PER also had created an internet customers' club which by subscribing to it, customers could gain access to management knowledge and news. On various occasions, TAS invited top managers of client organizations to a meal and in a friendly and informal environment, became aware of their concerns and needs.

In contrast, in the second group of consulting firms, there were no systematic procedures to identify customers' needs and their knowledge of customers was based

on CEOs' or top managers' personal perceptions. Sometimes, actions were taken in this regard but were not persistent. For example, one of these companies provided evidence of a study on customers' needs from years ago, but this study had never been repeated.

Recognizing new management techniques and knowledges. All the studied management consulting firms were trying to recognize new management tools and knowledges but there were differences between the first and second group in this regard. To identify new management tools, the second group relied primarily on the CEO or board of directors of the company. These people, who usually had higher education degrees in management or related fields (usually industrial engineering, accounting or economics), were enthusiastic about research and tried to keep themselves updated. The activities of these companies to identify new management tools and knowledge were confined to dispersed efforts of these individuals or ad hoc teams that worked under their leadership and had not turned into organizational routine.

In contrast, companies in the first group had managed to considerably promote the culture of innovation and entrepreneurship in their companies. All these companies had centers or independent firms for R&D with full-time and part-time employees. These individuals were continually benchmarking the world's top consulting firms and collecting and analyzing the knowledge of customers and competitors. In addition, all these companies either held their own annual conferences on various areas of management knowledge or provided special facilities for their employees to participate in such conferences.

Although there were many similarities between the four companies in the first group, differences were detected in the practices of these organizations. For instance, over the last decade, PER has held four well-known annual national and international conferences in Iran, two of which have been hosted during the last five years. In contrast, COMP did not hold a conference, but encouraged its employees to attend management conferences by offering cash incentives. TAS preferred to hold small conferences and meetings with more expert audience and contributors and had extended its activities in this regard beyond the borders of Iran. Finally, STAR regularly scanned new consulting services offered by its competitors in Iran and by gaining access to the project reports of these companies, tried to analyze and, if necessary, imitate them. Out of the first group firms, three companies had continuous relations with foreign consultancy firms and tried to learn the latest tools, techniques and innovations in consultancy services from them or imitate their behaviors.

4.1.2 Capturing capabilities. Making decisions. Companies that scanned environmental changes did not stop at this point. The next step required that alternatives be developed and the best solutions be selected. Between the years 2010 and 2015, the four companies in the first group responded to these changes in ways that, despite differences in details, were generally similar. All these companies had their priorities focussed on service innovation and market development. Naturally, the amount of attention and resource allocation to each of these solutions was different in these companies and the results were not the same either. They tried to make decisions based on scientific analysis. Numerous meeting documents and reports of expert analyses confirmed this fact. Most of the new projects in these firms had a business plan, their target customers had been specified and necessary organizational measures had been taken in order to take advantage of the opportunities. Coordination meetings with complementary businesses also helped to establish alignment between business units. These companies had minor differences in decision-making processes.

For example, in STAR, traditionally all new projects had to have a detailed business plan, but in the three other companies a lot of new projects were solely based on a simple plan, including the market and financial calculations.

In contrast, the second group companies rarely had a business plan for new projects and decisions. Most decisions were made by the CEOs or board of directors and relied on the intuition and belief of managers in high commercial potential of their ideas.

Absorbing and integrating required knowledges. To formulate and implement their solutions, the first group firms needed to acquire new knowledges and assimilate it into their organizational processes. Cooperation with software companies and using internal IT capacity helped these companies to implement innovations that required the use of information technologies (e.g. creation of CRM systems). To make the necessary changes in marketing processes, marketing experts from inside and outside the company were consulted. Another important measure taken by these companies to absorb and integrate knowledge was to set up an independent unit or a separate company for research purposes. Thus, research was independently funded and a larger number of management doctoral students or graduates of MBA were invited to cooperate. Also, knowledge sharing was done in a controlled way by holding occasional meetings or setting up cross-functional teams. Creating changes in the workplace layout, a more informal way of holding meetings, and calling employees by their first name in the workplace was used to create a more dynamic and friendly atmosphere in some of the first group firms.

Despite the general similarities, there were many differences in details among the first group firms. For example, STAR and TAS had set up an independent center and company for R&D respectively, while PER and COMP companies had dedicated an independent department in their companies to R&D activities. STAR, PER and COMP pursued the same policy in recruiting university graduates. They preferred to hire people who held a bachelor's degree in engineering from one of the top state universities of Tehran and held master's or doctoral degrees in management too. TAS, on the other hand, preferred to attract intelligent and talented individuals with a different background. STAR and COMP were highly professional in the field of IT and their owners had educational background and extensive experience in this field. While TAS and PER met this need through partnerships with software companies. All these companies had provided a very exhilarating and cheerful work environment. However, TAS, due to its vast physical space, provided a wider range of individual and group facilities for its staff.

In contrast, the second group firms mostly, had to reduce costs and lay off staff to the extent that the R&D budget in most of them reduced drastically. While the first group firms shared new knowledges in a controlled way among their employees, the second group of companies refused to do so. They expressed their serious concern about the possibility of abuse and personal use by staff. Many of the managers of these companies said that at least one of their former experts had exploited the knowledge database of the company and had independently founded a consulting firm or had begun to work as a freelance consultant. In general, the second group firms were in an unstable condition and were trying to use temporary solutions and take short-term measures in order to survive.

4.1.3 Changing capabilities. Transforming capabilities. To implement the developed solutions, reconfiguration of capabilities was necessary. Reconfiguration in the first group of firms had been done by using four methods: renovation, innovation, boundary expansion and emancipation.

Renovation improved the former activities of the company and changed the way they were conducted. Thus, the former activities were not stopped, but rather evolved. For example, devising systematic pricing policies based on old traditional methods and improving the appearance and content of the websites had been seriously considered in all the four companies of the first group. Innovation mention new activities. For example, internet or e-mail marketing or interviews of company managers in newspapers, magazines and other media were among these activities. Boundary expansion refers to activities that were done in the past, and in the new situation, the company had expanded them. For instance, wider advertising of consulting services while organizing conferences and seminars was an example of boundary expansion. Emancipation referred to activities that used to be done by teams within companies and later an independent department or company had been assigned to them (e.g. research or training activities).

Among the four companies of the first group, STAR was really inclined to emancipation. During the five years under study, it had founded two companies and ten independent centers. TAS owned five subsidiary companies and institutions, two of which were new. PER and COMP had pursued the emancipation policy through creation of new departments and granting them autonomy in allocation of resources. PER and STAR performed very actively in innovation; CEOs of these companies had been interviewed by different journals and magazines and in these interviews, they had introduced the services of their companies. Also, TAS had recently started advertising use of its international cooperations. Renovation and boundary expansion were common in all companies and were more or less similar. For example, all companies had updated their traditional CRM systems by using IT or had developed their consulting capabilities in the former areas.

Unlike the first group, the second group firms had not taken significant measures to reconfigure their operational capabilities. Despite the fact that managers were aware of the need to make changes, due to the loss of a large part of their staff, they were unable to do so. Moreover, since a definite solution to exploit the opportunities and deal with threats had not been developed in these firms, there was no need to reconfigure the capabilities. Almost all of these firms were run as before and no significant changes had occurred in their operational capabilities.

Leading change. Leading change in the first group firms had been through giving incentives to employees to cooperate. Offering rewards to staff to accomplish firm initiatives, collecting staff opinions at every possible opportunity, the use of motivational phrases by managers in private meetings and conversations, strengthening communication between employees through the use of electronic channels, giving more authority and responsibility to employees, and moving employees between different parts of the organization were some of these measures.

However, the first group firms had minor differences with each other. For example, STAR had developed a unique and innovative system for managing and monitoring the performance of its employees that helped the executives in managing change projects. COMP and PER CEOs participated in most expert meetings and tried to show their interest in the change projects. TAS CEO also gave special cash bonuses to his active employees which encouraged them to work harder.

The second group of companies took more or less similar measures. Managers' attendance in expert meetings, inspirational lectures, job rotation and giving more authority was also practiced in these companies. However, due to limited financial

resources and facilities of these companies, giving rewards was not so common. Moreover, these companies did not have significant change plans to modify and improve their organizational capabilities and processes and the above mentioned activities were mostly used in daily procedures.

4.2 *Changed operational capabilities*

The first group firms had perceived environmental changes better and developed appropriate solutions for them. To accomplish these solutions, they had to make changes in their operational capabilities. In other words, the company was unable to achieve its goals through previous operational capabilities. Most of the changes took place in two categories of operational capabilities: marketing capabilities and technological capabilities.

4.2.1 Changed marketing capabilities. Pricing. In the past, prices of consulting services were always determined through negotiation and were a function of the average price of those services in the market, the financial strength of the client company, and the friendly relationship between the managers of the consultant and client firms. However, sometimes the consultants were willing to offer a very low price and even disregard their own profit in order to enter a new market or test a recently designed service.

CEO or one of the top executives of the consulting firm usually personally finalized the price with the client. Experts and other managers had no role in this process. It was only for participating in public sector tenders that pricing had a more predictable procedure and was done by scientific analysis. However, few companies participated in tenders because purchasing consulting services in Iran's market has always been based on connections and most projects are given to consultants through tender exemption.

The customers' new need which required the consultants to present a scientific logic for their proposed prices caused consulting firms to become concerned about pricing. The four companies of the first group tried to make the pricing process scientific and systematic through cooperation with university professors, doctoral students of management and MBA graduates. In addition, these companies used the brand of university professors and their own company's reputation for price skimming of some of their new services.

In the period under study, in all the first group firms, new processes for pricing were designed through R&D, which were documented as new organizational procedures and instructions. TAS and PER had finalized a range of specific prices for each type of consulting services. Conducting projects at higher prices ensured higher quality and it was guaranteed that the project report would be updated periodically for a specified period after completion of the project. In STAR and COMP, each consulting service had been divided into modules and each module had a certain price, and the customer could purchase a certain number of modules based on his financial ability and need. For example, in one of these companies, strategy development service had been divided into analysis of the macro environment, industry analysis, internal analysis, stakeholder analysis, SWOT analysis, development of strategic options, developing strategic statements, implementation of strategy and establishing strategy control system.

In contrast, among the ten companies in the second group, no company had a clear method for pricing its services. During 2010-2015, the executives of these firms were willing to price their services as low as possible so that they could sell them. Therefore, they lost the trust of their customers because customers had realized that they were only concerned with selling their services and were willing to sacrifice quality.

Promoting. Consulting firms used traditional methods to introduce their services to clients. They usually periodically sent advertising brochures of their services along with a cover letter from the CEO to former clients or a group of potential customers; or took advantage of the friendly relationships of their managers, presented company services in a formal session to managers and employees of the client companies. In case of client's interest, the consulting firm submitted a proposal of the project steps and a description of offered services to the client companies as well. All fourteen companies followed almost the same procedure and only differed from each other in details such as quality, frequency and volume of these activities.

It is noteworthy that brand of consulting firms was highly dependent on their executives' personal brand. The more famous these managers were in the market, the more famous the consulting firm was with consumers. In other words, regardless of advertising brochures, promotional activities in consulting firms were mainly dependent on the relationship of the managers and were not performed systematically.

During the research period, the first group firms gradually realized that in order to sell their old and new services, it was essential to change their marketing activities. IT capacity of these companies and their partnerships with software companies helped them to successfully perform activities such as e-mail and internet marketing, and improve the appearance and content of their websites. Using experts from outside the company or internal consultants who were experts in the areas of branding and advertising helped these companies to improve the appearance and content of promotional materials such as brochures and internet advertising and increase the volume of advertising. Cooperation with academics also helped to strengthen the company's brand and services. In most of the PowerPoints and proposals presented to clients by these companies in the period 2010-2015, at least one university professor had been mentioned as project partner, to the extent that this feature had turned into one of the firms' advantages. Several media interviews of the executives of these companies, promotional use of international cooperations, creation of customer databases and increased targeted communication with customers via phone, e-mail and face-to-face meetings were among other new promotional measures taken by these firms.

These companies were also succeeded to increase the frequency and reach of their promotional activities by advertising consulting services through complementary businesses such as publications and training, and increasing their presence at conferences, seminars, workshops and exhibitions. These new activities led to design and implementation of new procedures for promotion in these companies.

However, there were differences in the type and amount of changes that these companies made in their promotional activities. For example, PER, which held famous conferences in Iran, increased advertising for consulting services in its own conferences. STAR insisted heavily on internet advertising to the extent that it created twenty independent and exclusive websites for its subsidiary firms, and services. For example, a magazine that was published by this company or ranking services provided by PER, each had a separate website and was advertised independently. It should be noted that, PER and STAR also created e-shops to sell some of their products. TAS made promotional use of its extensive international cooperations. TAS had offices in two other countries and did joint projects with foreign companies that in terms of quantity and quality were greater than those of other Iranian consulting companies. COMP was more concerned with upgrading its old promotional activities and took

measures such as strengthening the content and appearance of its websites and increasing the quantity and quality of its advertising brochures.

The second group firms also, more or less, recognized the need for these changes but no capacity for learning and innovation was left in these companies and the number of their marketers had decreased dramatically. While the first group firms made the best use of the capacity of their complementary businesses, some second group firms completely stopped their training and publishing businesses in this period in order to reduce their costs.

Selling and collecting charges. In the past, by taking advantage of the friendly relationships of their managers with managers of client companies, consulting firms managed to sell their services. Through targeted telephone calls, in-person meetings and appointments and introduction of their services to top managers and experienced experts of client companies, they tried to sell their services to them and collect their charges. Collection of services fees was especially vital for a consulting firm to continue its business, because in Iran legal complaints have a very complex, lengthy and costly process, and they often lead to no certain result. Therefore, it was only the consulting firms that had to ensure the fulfillment of their rights in receiving their charges through continued follow-ups from the clients.

All studied companies reported that in some projects, despite the fact that they had fulfilled all their obligations and had submitted the project's final report to the clients, they had not even managed to collect the advance payment for their services long after the completion of the projects. In some cases, they had never been able to collect fees for their services or had received far less than the original fee, or had collected the fees several years after the completion of the projects. Given the high rate of inflation in Iran, receiving delayed fees for services imposes severe losses on consulting firms.

During environmental changes of 2010-2015, some changes occurred in the practices of consulting firms for selling and collecting charges, which were limited in comparison to changes in pricing and promotional activities. Creating CRM system in all the four firms of the first group was one of the innovations in this field. These companies tried to accelerate collection of fees for their services during the crisis years and refrain from selling services to high-risk customers. All the companies increased their attendance in conferences, seminars, workshops and exhibitions and engaged in sales activities. There were also differences between the first group firms. Different maturity levels of CRM systems were among these differences. For instance, STAR, which offered a wide variety of products and services, used a more advanced CRM system compared to its competitors by which it organized its sales activities, customer services and marketing. This system allowed the company to solve the problems of individual customers and accurately assess the performance of its sales staff. But COMP, TAS and PER used paperless technology mainly to track clients' account history for future sales; a procedure which traditionally used to be done on paper.

In contrast, the ten companies in the second group had faced with the crisis of collecting fees for services and many of them were unable to collect them. They were also faced with surplus human resources in sales and marketing departments. In these companies, sales management and collection of fees continued to be performed traditionally, and sales-related activities were very limited in national and international events such as conferences and exhibitions.

4.2.2 Changed technological capabilities. Research capabilities and capacities. The absorption and integration of new knowledge helped improve the technological capabilities of the companies of the first group. In the field of research, these

improvements included the development of skills and capacities for benchmarking top management consulting companies of the world, systematic study and analysis of the knowledge of customers and competitors, designing scientific methodologies for the company's old and new services, and increasing the number of specialized research teams in various fields of management. The most important driver of these improvements was employing PhD. students of management and MBA graduates of top Iranian universities that allowed these firms to enhance the quantity and quality of research activities in their companies.

However, there were differences in the types of changes that occurred in these firms. For example, for its research purposes, STAR had established an independent center which was managed as an SBU, and TAS had launched an independent company for its R&D purposes. PER and COMP had also dedicated independent departments within their companies to this issue and had increased the research budget.

In contrast, the second group of firms had really limited organizational research and CEO or some of the key managers conducted research individually or with the help of ad hoc teams.

Development capabilities and capacities. In the first group firms, development capabilities and capacities also improved. These firms succeeded in strengthening their capabilities for management consulting, development of IT-based tools and systems, and development of customer-oriented services. For example, STAR created within itself a special capability for ranking of Iranian companies and became the market leader in this field. COMP developed within itself a new capability in the area of organizational architecture. Given that this area of management consulting was considered a blue ocean in Iran's management consulting market, this company managed to create lucrative income flows through price skimming. PER managed to create and develop the capability for interdisciplinary consulting in the areas of finance and strategy, which was much needed by multi-business and financial holding companies in Iran and also TAS, which had extensive R&D facilities, was able to provide customized services for its numerous customers.

In contrast, the second group of companies could not develop new services with new market standards. Few new services which were developed by some of them between the years 2010 and 2015 or improvements made in previous services, were not comparable with the first group firms.

Knowledge and attitude. The absorption and integration of new knowledge and reconfiguration of existing capabilities also changed the knowledge and attitude of the staff and managers of the first group firms. Interdisciplinary knowledge of researchers, consultants and managers in these companies was strengthened. Functional knowledge of researchers and academic knowledge of consultants increased due to improved communication between the two groups and their attitudes toward each other changed. In the past, researchers believed that consultants have not been scientifically updated for a long time and consultants believed that, behind the closed doors of their rooms, researchers are engaged in excessively theoretical and impractical research. In addition, the willingness of employees to develop ideas and innovative solutions in these companies was strengthened. For example, TAS and PER had established an educational institution for holding MBA courses. Managers and researchers of these firms attended some courses or watched videos of these courses. Also, instructors of these courses sometimes invited the consultants to explain one of their consultancy cases in class. In the research teams of TAS, at least one consultant

was a member of the team and if needed, other consultants were invited to some meetings. In STAR, the layout of tables and work environment was in such a way that researchers and consultants were in contact with each other during the day and friendly chats were exchanged while giving or receiving consultation.

In contrast, in the second group firms, dominant intellectual paradigm had not changed. Consulting services were provided in a few areas and interdisciplinary research was not common in these companies. Personal knowledge of the executives and consultants of these companies increased through self-study or experience gained while working and there was no systematic organizational approach in this regard. In addition, since research in these organizations was in the form of short-term projects carried out by ad hoc teams, consultants and researchers basically could not have constructive and continuous communications.

4.3 Trust-building capabilities

Trust-building capabilities were a group of firm capabilities which were present in each of the firms in the first or second group at a low or high level. These capabilities included trust-building behaviors, symbols and characteristics. Managers of some firms consciously exhibited special behaviors which could win the trust of clients. Trying to observe the rules and principles of professional negotiation, in various ways, they established friendly relations with their clients. For example, since managers of governmental organizations in Iran have certain political-religious affiliations, they participate in certain political and religious gatherings. The managers of a number of consulting firms exhibited similar behaviors and interests and attend same gatherings. While the others, who rarely had any political-religious affiliations, did not participate in such events and lived in a kind of isolation. Behaviors of top managers of consulting firms were imitated by other key managers and experts in these firms and turned into organizational norms.

Trust-building symbols and characteristics in consulting firms also won the trust of clients. Managers of some of the consulting firms were affiliated with certain groups, parties or organizations, which to the managers of client companies meant brotherhood and having shared views. In fact, some firms were known for affiliation with a certain group and attracted particular groups of customers. This situation was severely intensified because of political nature of doing business and economic activity in Iran. Some of these managers had close familial or friendly relations with their clients which reinforced the bond between them. These firms tried to establish long-term relationships with their clients. Therefore, they were even ready to provide special services in a certain period of time as required by clients beyond the obligations of the contract and for free. In return, clients companies also provided reciprocal support for consulting firms. For example, they helped consulting firms with payment of consulting fees or sharing their organizational information and knowledge. The way consultants spoke, dressed and their appearance also sent an important signal to clients because it showed the norms shared between them.

These shared behaviors, symbols and characteristics created ties between the employees of client and consulting companies and they considered each other as associates. This had several positive results for consulting firms. One of these results, which falls within the scope of our discussion, was that when such a tie between consultant and client companies was formed, required costs in consulting firms to change and improve their operational capabilities were drastically reduced.

First, consultants gained access to knowledge database of client companies; part of this database was related to the projects that had been done by competitor consulting

firms for client companies. In this way, it became possible to gain access to clients or competitors' knowledge and the costs of knowledge acquisition and creation to improve marketing and technological capabilities in consulting firms that had strong trust-building capabilities reduced dramatically.

Second, client companies provided facilities and opportunities for the consulting firms to develop customized solutions for their problems. These resources helped consulting firms to pay the costs of acquisition and reconfiguration of knowledge that could also be used in other situations out of the pocket of client companies. Due to the knowledge-based nature of consulting firms and their limited physical and financial assets, such help was very valuable to them.

Third, expectations that client companies had from their trusted consultants during the period of environmental changes was far less than other consultants and they were less strict on these consultants.

While some firms reported their power to build trust between themselves and their clients, the others reported the existence of distrust, neutral attitude of clients and the need to spend much money to attract the attention of clients. Therefore, the firms with weaker trust-building capabilities had to procure the necessary resources to improve and change their technological and marketing capabilities, while during the period of environmental changes they had faced shortage of resources. Thus, the trust-building capabilities of consulting firms played a decisive role in moderating the relationship between meta-capabilities and operational capabilities. Stronger trust-building capabilities reduced costs of changing the operational capabilities and increased the effect of meta-capabilities in changing operational capabilities. In other words, the stronger were the trust-building capabilities of consulting firms, the higher was the effect of meta-capabilities on operational capabilities and the weaker were these capabilities, the lower was the effect.

In Iran, due to inefficiency of legal mechanisms, trust has a very important role in economic transactions. Naturally, building trust based on shared political-religious norms is much more difficult than creating calculative trust and breaking it is also more difficult. Some firms had obvious political-religious affiliations with a number of political-religious power centers in Iran; for example, their style of clothing (e.g. wearing, or not wearing a tie) and appearance (e.g. growing or not growing a beard as well as its style) was indicative of their religious beliefs and political views. Some of them had very close family ties or friendships with the managers of client companies and had sold management consulting services to them for long years, because in the context of Iran, individual relationships simply become organizational relationships. In contrast, the others usually were able to sell consulting services through participating in tenders (which are few) and in some cases where they managed to sell their services outside the tender procedure, they had to meet clients' needs efficiently (with high cost) because the clients' trust in them was a calculative one.

5. Competitive advantage

Modified operating capabilities helped first group firms to be innovative in their services and develop the market of their services. Therefore, the high performing consulting firms succeeded to sustain their high performance (revenue per employee) during the under study period. Development of new services included the development of services in new fields of consultation, in new industries, and development of highly specialized services for special needs of clients.

STAR was the most successful company in the development of new services. Creating a comprehensive system for ranking Iranian companies, designing productivity

measurement systems, creating a system for measuring employees' satisfaction and designing an excellence award were among new services provided by this firm. In the area of strategy development for holding companies and merger and acquisition consultancy, PER had developed unique services. In the field of international trade consulting, TAS had succeeded in giving consultation to Iranian companies for marketing their products in the Middle East and Central Asia, and giving consultation to European companies to market their products and invest in Iran and Iraq. Also, COMP had developed new and distinctive services in the field of organizational architecture and information systems strategy and had become the market leader in these areas. PER and TAS each had established an educational institution which held MBA and DBA courses. TAS had recently received the required license for admission of PhD students in management and admission of the first group of students in 2016 was on its agenda. STAR continually negotiated with associations and policy makers to convince them to stimulate the demand in the public and private sectors for consulting services.

All the first group firms regularly reviewed their old services and improved them. Improvement of services included strengthening current consulting services through using more quantitative and scientific methods and techniques, enhancing the academic and scientific aspects of current services, and changing the form and appearance of current services and using new concepts and wordings in them. For example, from the four companies of the first group, two companies reframed their old strategic planning and organizational design services in a new form and adjusted them to new government policies. Thus, they developed new services that were highly appealing to public sector organizations. Some of the notable new or improved services were named as: the strategic planning model to deal with economic sanctions, strategic planning during economic recession, jihadi management, investment risk management, cost management during crisis, modification of consumption patterns and management of marketing and sales during economic sanctions. In the final stages of the present study, the concept of resistive economy had also appeared in the project proposals and reports of these companies.

In contrast, the second group firms had no serious program to identify and take advantage of such opportunities. Three companies had performed limited activities in this regard, which had stopped in the very beginning. Two companies began a series of sporadic initiatives in 2014, but other companies took no specific measures. Some of the CEOs of the second group firms even mocked the new national policies and believed that these policies would have no result for the country. Some of them still continued to believe in their capabilities in providing old services such as the establishment of ISO 9001 standard as their specific capabilities and too much attachment to the past had destroyed their ability to change.

In Table II quotes from two groups of firms are presented to characterize research categories through showing differences and similarities between higher and lower performing firms.

The process model of sustaining competitive advantage in management consultancies of Iran which shows the relationship among research constructs is depicted in Figure 2.

6. Discussion and conclusion

What was introduced as meta-capabilities in this research is very close to the capabilities which in the strategy literature are called dynamic capabilities. During the period of change, dynamic capabilities allowed companies to change their operational capabilities. Trust-building capabilities by changing costs moderated this relationship.

No. Categories	Evidence from group 1	Evidence from group 2
1 Identifying customer needs and competitive dynamics	“We regularly gather data about our customers’ opinions” (Executive 1, STAR)	“We have close relations with our customers. They told us their expectations” (CEO, Firm 8)
2 Recognizing new management techniques and knowledges	“A special section of the conferences that our company holds is dedicated to new managerial tools” (PER, Senior Expert 1)	“I, myself always follow new advances of management and business. I am reading regularly and keeping myself updated” (CEO, Firm 2)
3 Making decisions	“We write a business plan for any new initiative in our firm” (CEO, STAR)	“Key decisions are usually made by myself with consultation of board members” (CEO, Firm 5)
4 Absorbing and integrating required knowledges	“Doctoral students and professors of management help us understand and assimilate state-of-the-art knowledge” (CEO, TAS)	“Project management has not changed. It follows the same logic. Unfortunately, in Iran, senior managers of our organizations are essentially incapable of learning even the basics” (CEO, Firm, 9)
5 Transforming capabilities: renovation	“The results of old projects are not thrown away. Most of new managerial techniques are repetition of old concepts which are only reframed. In our firm, old knowledges are kept and documented” (CEO, COMP)	“I have created a knowledge base in my company in which the documents of former projects are archived. We exploit them in our new projects” (CEO, Firm 6)
6 Transforming capabilities: innovation	“We have increased our online presence through new methods” (Executive 2, STAR)	“In our firm, innovation is incremental. We have tried to get better gradually” (CEO, Firm 4)
7 Transforming capabilities: boundary expansion	“We advertise our services in seminars and conferences more than before” (Senior Expert 2, PER)	“We are really reclusive now. We don’t have enough financial resources to develop our activities” (CEO, Firm 5)
8 Transforming capabilities: emancipation	“I have tried to give independence to several departments of our company. I expect that they can earn money in return” (CEO, TAS)	“Management of the firm is centralized. We allocate budget to departments and control the expenditures in detail” (CEO, Firm 2)
9 Leading change	“We motivate our employees through delegation of authority” (CEO, COMP)	“Unfortunately the firm resources are not enough to reward the employees.” (CEO, Firm 3)
10 Pricing	“We have developed new pricing methods. Modular pricing is one of them” (CEO, STAR)	“We have to decrease our prices. Our marginal profit has diminished severely” (CEO, Firm 6)
11 Promoting	“Nowadays internet is the most important media in advertising” (CEO, STAR)	“Our advertising methods have not been changed significantly. I usually rely on my own relations with customers” (CEO, Firm 3)

Table II.
Quotes from
research informants
illustrating research
categories

(continued)

Table II.

No. Categories	Evidence from group 1	Evidence from group 2
12 Selling and collecting charges	"We prefer to work for reliable customers. We don't take risks" (CEO, PER)	"They don't pay our service charges. We don't know what to do in this situation" (CEO, Firm 8)
13 Research capabilities and capacities	"In the recent years we have paid attention to develop scientific methodology for our projects" (CEO, PER)	"We have laid off so many of our employees, especially our research employees" (CEO, Firm 8)
14 Development capabilities and capacities	"The quality of our consulting services has improved in the recent years" (CEO, TAS)	"In past, we were stronger in consulting than today" (CEO, Firm 6)
15 Knowledge and attitude	"The attitudes of consultants and researchers toward each other have improved in our firm" (CEO, TAS)	"We prefer consultants to researchers. We need employees who can create value" (CEO, Firm 9)
16 Trust-building behaviors	"Our relations with our clients are very close. We are like family" (CEO, TAS)	"We can't win their trust" (CEO, Firm 2)
17 Trust-building symbols and characteristics	"We are like them. They prefer to work with their family members" (CEO, TAS)	"They don't consider us as people they can trust. They behave us as if we are aliens from space" (CEO, Firm 1)

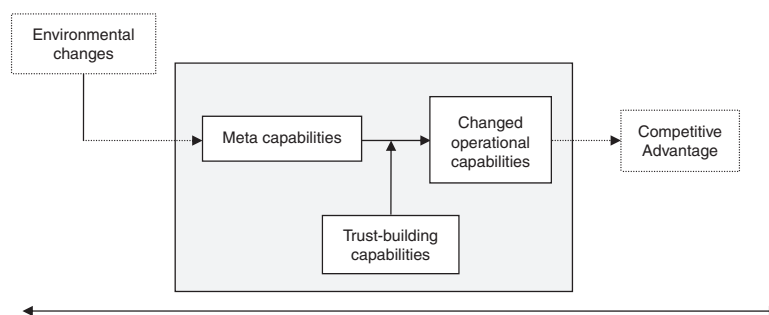


Figure 2.
The process of sustaining competitive advantage in management consultancies of Iran during environmental changes

During the period of environmental stability, dynamic capabilities had little effectiveness for consulting firms and operational capabilities met their needs very well. In addition, meta-capabilities were very expensive. Companies that had not invested on dynamic capabilities embraced change through creative and temporary solutions such as reducing the number of personnel or stopping R&D activities. They believed that this period was going to be very short and they would be able to resume their ordinary activities, but contrary to their initial perception, not only the previous condition was not restored but also the condition deteriorated and lasted for years. Therefore, dynamic capabilities which were not that useful for the companies during the period of stability, became very valuable during the period of change.

To control the costs of dynamic capabilities, the first group firms used managers and experts who held two positions at the same time. They were in charge of a dynamic and an operational capability simultaneously. Dynamic capabilities had not been randomly created in the first group firms but had evolved over time and were

path dependent. Therefore, these capabilities could not be easily imitated and only few companies were successful in developing them.

The findings of the present research are in many ways consistent with the theories of evolutionary economists and specifically with the views of Winter (2003) about change. Winter (2003) considers the role of dynamic capabilities to be the extension or modification of operational capabilities and argues that their differences with operational capabilities lie in their higher position in the hierarchy of capabilities. Previously, a number of quantitative studies had shown the effect of dynamic capabilities on the company's performance through operational capabilities (Pavlou and El Sawy, 2011; Protogerou *et al.*, 2011; Wilhelm *et al.*, 2015). With a qualitative approach, the present study has demonstrated the mechanisms and details of this relationship.

The contribution of the present research to the literature is that, first, it shows under changing environmental conditions, through changing operational capabilities, dynamic capabilities can become a source of competitive advantage for consulting firms. While under stable environmental conditions, dynamic capabilities lacked sufficient effectiveness and efficiency, with the beginning of environmental changes, they became a source of competitive advantage. In addition, so far little research has been done on the role of meta-capabilities in consulting firms (e.g. Heusinkveld *et al.*, 2009). So, our research is one of the first studies in this regard.

Third, the present research gives a response to the debate on the issue of whether dynamic capabilities are idiosyncratic or are best practices (Easterby-Smith and Prieto, 2008). Eisenhardt and Martin (2000) argue that although dynamic capabilities have taken different paths to be established and are different in terms of many details, they bear many similarities with each other. In other words, dynamic capabilities have commonalities in key features and idiosyncrasies in details. However, Teece (2007) considers dynamic capabilities as unique capabilities which have evolved over time and vary from company to company.

In a study on four magazine publishing firms, Jantunen *et al.* (2012) showed that dynamic capabilities have both idiosyncratic and common features across an industry. Fourné *et al.* (2014) studied several large global firms which were operating successfully in both emerging and established markets. They argued that dynamic capabilities differ in form and detail because they address context-specific challenges. Along with these studies, our study shows that dynamic capabilities of firms have similarities, and even affect with the same mechanisms. However, they differ from each other in the details. In other words, in successful companies in a certain industry, dynamic capabilities and their effects are similar in general and unique in details. This may be due to the fact that while competing each other, these companies try to develop similar capabilities but the path that each takes in order to develop these capabilities is different. We tried to explain what differs and be specific about the details – who enacts them, tasks, processes and mindsets.

Finally, this is one of the first studies in which the important role of trust-building capabilities of consulting firms in moderating the relationship between dynamic capabilities and operational capabilities has been investigated in the special environment of a developing country.

The present research can teach management consulting firms that, under conditions of environmental change, possessing dynamic capabilities can help them to survive and have a better performance. In addition, this research showed how consulting business is done in Iran's business environment and how successful Iranian consulting firms adapt themselves to environmental changes.

Although this research achieved its goals, however there were some limitations that should be considered. The present research is an inductive study and its output is a model. It is necessary that other researchers conduct deductive studies to test this model so that more evidence may be provided to confirm this framework.

Second, the present research does not contain all successful and unsuccessful management consulting firms in Iran. Therefore, the findings are limited to the sample under study. There may be other firms with different characteristics or capabilities in comparison to the firms studied by us. Evidently, conducting quantitative studies in the future which include larger samples can be helpful in this regard.

Third, another main limitation of this research was related to the periods of collecting data. If it had been possible to collect the data within a longer period of time, the value of the findings would have increased. If longitudinal studies are conducted over longer periods of time, they can add to the richness of management studies and help researchers to notice and analyze more details and complexities.

Finally, given the limitation of the research resources and facilities, this research was conducted with a focus on dynamic capabilities and their mechanisms in Iran's management consulting firms. However, it was also possible to view the subject from another perspective. We could study organizational core rigidities instead of dynamic capabilities (especially in less successful firms). Organizational core rigidities are caused by previous organizational routines which have been effective in the past but have gradually lost their positive effect. In other words, the organization has failed to update its operational capabilities and yesterday's valuable routines have turned into today's organizational core rigidities.

In conclusion, we hope that our findings sheds some light on the understanding of dynamic capabilities in management consulting firms, however there are still so many other things that require further studies. For example, how dynamic capabilities in management consulting industry have been formed over time and have grown, can be the subject of future research.

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