

### The impact of European institutionalisation on professional services: the case of business consultants

Rudolph, Hedwig

Postprint / Postprint

Sammelwerksbeitrag / collection article

**Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:**

Wissenschaftszentrum Berlin für Sozialforschung (WZB)

#### Empfohlene Zitierung / Suggested Citation:

Rudolph, H. (2003). The impact of European institutionalisation on professional services: the case of business consultants. In L. G. Svensson, & J. Evetts (Eds.), *Conceptual and comparative studies of Continental and Anglo-American professions* (pp. 139-152). Göteborg: Göteborg University, Department of Sociology. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-16806>

#### Nutzungsbedingungen:

Dieser Text wird unter einer CC BY-NC-ND Lizenz (Namensnennung-Nicht-kommerziell-Keine Bearbeitung) zur Verfügung gestellt. Nähere Auskünfte zu den CC-Lizenzen finden Sie hier:

<https://creativecommons.org/licenses/by-nc-nd/4.0/deed.de>

#### Terms of use:

This document is made available under a CC BY-NC-ND Licence (Attribution-Non Commercial-NoDerivatives). For more information see:

<https://creativecommons.org/licenses/by-nc-nd/4.0>

# The Impact of European Institutionalisation on Professional Services: The Case of Business Consultants

Hedwig Rudolph  
Social Science Research Center Berlin (WZB)  
Research Unit "Internationalization and Organization"  
[Rudolph@wz-berlin.de](mailto:Rudolph@wz-berlin.de)

WZB - INTO  
Reichpietschufer 50  
D-10785 Berlin

## **Abstract**

The original signatory states to the Treaty of Rome had formally committed themselves to policies of liberalisation by implementing mutual recognition in the sector of professional services by the end of the twelve year transition period. In fact, the process took much longer and the freedom of services implemented in the early 1990s affected professional services in various forms and different degrees.

Business consulting is an industry with a tradition of rather low degree of market regulation in all European countries. However, it is indirectly affected by a high level of regulation in neighbouring fields of business services and in some of the fields where they have developed special consulting expertise. As a consequence re-regulations of these branches do have an impact on the consultants' business as well.

There is a wide agreement in the political and scientific debates over the shift of decision making arenas and powers from the national to the supranational and from the public to the private sector. We argue that business associations and large companies can be regarded as co-responsible for the increasing impact of supranational institutions on the sectoral governance.

Based on the analysis of documents and on expert interviews in Brussels and in Germany (with representatives of associations and companies) we will highlight the need for differentiation among professions (and would be-professions) and concerning groups of organisations (associations and companies).

Key words: European integration, re-regulation, multi-level governance, business consultants, associations.

# 1 Introduction: European institutionalisation and supranational governance\*

Building on the single market program, the EU treaties of Maastricht (1993) and Amsterdam (1998) again changed the institutional configuration of European governance affecting business organisations and business associations in supranational, if diverse and fragmented, ways. Thence the balance between European intergovernmentalism and supranational multi-level decision making in the European Union has been further shifted to the latter mode of governance. The supranational arenas and administrative organisations of Europe's peculiar multi-level institutional arrangement as well as its (legislative) output have become indispensable for a majority of business branches and individual companies. Beate Kohler-Koch (1999) has proposed the term „supranational network governance“ to study the specific transformation of intensive public/private governance in Europe. Scholars working in the tradition of historical institutionalism have recognized the loosening and/or transformation of the previously close institutional knit at the national level, albeit varieties of capitalism are found to predominantly persist. International or supranational institutions are held responsible for a general reduction of institutional impact on business organisation and co-ordination.

In an attempt to understand dynamics of international institutions and organisations more positively, recent work focused on standardisation processes promoted in diverse international arenas (Morgan, 2001). European integration scholars find increasing supranational problem solving capacities in a variety of policy areas (Scharpf, 1997). Moreover, regulatory competition (Heritier, et al. 1994) between national approaches at the supranational European level is suggested to result in mechanisms of national regulatory reproduction at the supranational level. Certainly one of the central features of Europe's multi-level institutional arrangement is the nestedness of supranational institutions in national institutions (Aspinwall, 1999), though the interrelation is subject of change due to institutional rearrangements at both national and supranational levels.

More generally, however, little headway has been made hitherto with regard to differing international institutional impact due to variations in institutional densities of *international regimes* such as the World Trade Organisation or the International Labour Organisation on the one hand (almost strictly intergovernmental organisations) and *regional integration regimes* established to more profoundly transform participating societies and business systems such as NAFTA and, most prominently, the European Union on the other hand. We are arguing here that supranational integration regimes are institutional arrangements deliberately designed to and in the case of the European Union capable of a far more pro-active promotion of institutional change at the domestic level, and of supranational institutionalisation with further reaching implications for organisations, i.e. beyond limiting the range of options for conduct and co-ordination. Furthermore, European supranational institutions appear to develop capabilities over time which have consequences beyond original intentions of

the powers creating them (as e.g. the European Court of Justice). Over time then, contextual rationalities of interest representation of wide varieties of public and private actors in Europe's unique multi-level polity are changing due to institutional change and supranational institutionalisation.

There is a wide agreement over the shift of decision making arenas and powers from the national to the supranational and from the public to the private sector. The latter has been recognized long to play a strong role in the supranational arena, e.g. due to the lack of resources of the agenda setting European Commission eagerly inviting resources and cross national input (most notably from business associations) to build up cases for transnational integration (Cowles, 2001). Vice versa, the European Roundtable of Industrialists in particular is seen as having a strong influence on the Commission agenda with regard to the single market project, Trans European Network developments, R&D politics etc. (Holman, 2000). Business associations and large companies thence can be regarded co-responsible for the increasing impact of supranational institutions on association governance, and on individual organisations. Table 1 shows the components of European supranational institutional arrangements and their changing impact.

Table 1: EU-institutional arrangement: changes over time

<b>Supranational institutionalised arrangement</b>	<b>Original mode of influence</b>	<b>Mode of influence developed in 1990s</b>
<b>European Court of Justice</b>	parallel supranational	normative supranational (since 1960s)
<b>Council of Ministers</b>	unanimous decision making	majority voting in single market and many other fields (since 1980s)
<b>European Commission</b>	agenda setting	agenda setting reinforced by other treaty based powers (competition authority), and intensified public private co-operation
<b>European Parliament</b>	consulting and limited control of Commission	co-decision and increasing control of Commission (since 1990s)
<b>Economic and Social Committee</b>	consulting	consulting
<b>Committee of Regions</b>	non existing	consulting
<b>Private interest governments</b>	supranational federation consulting	supranational network governance participation (since 1980s)

In a summary article on the role of business in European integration, Justin Greenwood (2000) argues this twofold impact of European institutions:

- Firstly, European decision making transforms systems of interest representation of business associations (complementing domestic governance with supranational governance).
- Secondly, supranational regulatory power directly and indirectly (with national institutional intermediation) impacts on individual organisations.

European *regulations* proposed by the Commission and decided by the Council of Ministers immediately become national law without further interference by national legislatures whereas European *directives* establish hard law *frameworks* which leave space for country specific adaptation.<sup>1</sup>

Greenwood's twofold impact statement (transformation of private interest governments and regulatory impact on organisations) is fair in general, however, it is opening room for a wide array of research questions due to the mixed characteristics of Europe's institutional arrangements and due to the uneven process of Europeanisation. Neither is the transformation of association governance in Europe universal across industries (Greenwood, 1998), nor can European regulatory impact on organisations be considered homogeneous overall. Flexibilities and ambiguities can be determined with regard to countries (participating in some aspects of integration and opting out of others; implementing and policing supranational regulations more or less faithfully), with regard to sectors and horizontal policies (uneven targeting of industries e.g. with regard to single market politics, unwillingness, or inability, or limited ability to cover certain policy areas, in particular areas with strong redistribution effects), and even with regard to individual companies or organisations (e.g. an antitrust case singling out one company). Given the unequal impact of Europe's institutional arrangement by default and/or by design, it is clear that supranational institutional impact creates stronger or weaker „adaptation pressures“ in the domestic arena (Cowles/Caporaso/Risse, 2001) requiring systematic comparative research efforts to analyse varieties of European institutional fragmentation of business associations and firms. Among the important public and private variables to be considered, the distribution of power across the multi-level arrangement, the strength or weakness of domestic institutional persistence, the combination and relative weight of powers in favour of European transformation, and the structure of industries may all have to be considered.

As a first analytical tool, we propose a simple typology designed to distinguish between predominantly intergovernmental modes of European governance (multi-national Europe: lower impact) and stronger supranational multi-level modes (supra-/transnational Europe: stronger impact) and between industries/policy fields characterised by lower and higher degrees of institutional regulation and state intervention.

In this paper I discuss just one service industry, business consulting. Business consulting is an industry with a rather low degree of market regulation. The market for business consulting, however, is indirectly affected by a high degree of regulation in neighbouring fields of business transactions, namely professional services dominated at the national level by high degrees of private interest government regulation reinforced by legal market protection (legal services, accounting services etc.).

Table 2: Impact of European governance on business associations and organisations

<b>European governance</b> <b>Industry/horizontal policy</b>	<b>Multi-national mode : pre-dominantly intergovernmental</b>	<b>Supra-/transnational mode: multi-level mix with strong elements of supranational authority</b>
<b>weak regulatory characteristics</b>	Private interest governance (PIG): no or low supranational impact: weak or no European associations.  no or little regulatory impact on organisations (only horizontal)	PIG: limited supranational impact: some development of supranational associations  limited regulatory impact (mostly horizontal and indirect)
<b>strong regulatory characteristics</b>	PIG: limited supranational impact (lowest common denominator) weak European associations (federations of national associations)  little direct and horizontal regulation of organisations	PIG: strong supranational impact: stronger European orientations of associations.  Stronger impact of direct and horizontal regulation of organisations

European policies aimed at cross border market integration since the establishment of the European Communities in 1957 (treaty of Rome). Mutual recognition of professional qualifications was to open markets for cross border activities within a 12 year period. However, rather little progress on the formation of a single European market was to be observed until the 1980s. In professional services, the Commission worked for decades predominantly with national domestic private interest groups to positively establish common European rules for cross national market entry in individual professional services (degrees, qualifications etc.). Frustrated by protracted national protectionism, the Commission finally decided in the 1980s to sideline national associations and private interest governments. The newly developed horizontal approach in professional services eventually forced mutual recognition on all services (except legal and medical services). The new approach can be regarded as a shift from multi-domestic harmonization to supranational multi-level politics primarily promoting market integration.

Concerning the Europeanisation of association activities in professional and consulting services, we expected a rather weak trend resulting more from a changing logic of influence in neighbouring markets. A shift from multi-national modes of governance to supra-/transnational modes is expected to lead to a transformation of private interest involvement and, subsequently, in a higher supranational regulatory impact on organisations (changing logics of influence). Higher supranational regulatory impact on organisations in turn is likely to reinforce private interest activities (e.g. due to changing logics of membership in business associations). Such an intensifying spiral movement can be regarded as a key ingredient for further supranational institutionalisation processes

eventually further transforming common practices of organisations and associations, if in diverse and fragmented ways.<sup>2</sup>

## 2 Business Interest Representation at European Level

Businesses in different industries develop quite specific relations with the system of political institutions depending on

- the key characteristics of significant industry markets (e.g. predominantly private transactions versus strong impact of institutionalised regulation; short time versus long time planning; cyclical versus stable; local versus international, etc.),
- the composition of an industry (predominantly SME; mix of smaller and larger; large companies only etc.), and
- the immediate importance of political regulation for market transactions.

If markets are predominantly local, regional or national at best, a lack of significant regulation of business transactions characterizes company relations, and firms are predominantly small or medium sized, companies have few incentives to invest resources at the supranational or international level. If key characteristics of markets are transnational, instead, and involve a high degree of institutionalised control (e.g. by law and direct government intervention), political communication of companies and business associations can be regarded a decisive (strategic) element of corporate coordination and success, eventually. In view of these characteristics, European professional services are clearly distinct cases. The business consulting industry relies on private business contracts mainly although the public sector increasingly is developing into an attractive market for some consultancies, and exhibits a certain resilience against political internationalisation via business associations. However, while a dominance of SMEs in business consulting at domestic levels can be observed, this dominance is highly qualified due to a small number of (pre-dominantly Anglo-Saxon) diversified global business consulting firms (frequently combining consulting services with other professional services such as accounting etc.) providing for a solid dual structure in this service industry.

### 2.1 Business Consultancy: Europeanisation limited and yet significant

„Professional services were ... the only area of economic activity where the original signatory states to the Treaty of Rome had formally committed them-

selves to implementing *mutual recognition* by the end of the twelve year transitional period laid down in the Treaty“ (Lovecy, 1999: 135, emphasis added). In practise, it has necessitated a much longer struggle reaching a decisive phase with the arrival of the single market project.

The relevance of interest mediation via associations cannot be defined in a general way for professional services because of the segmentation of the company structures. This holds particularly for business consultancies where the trend towards internationalisation of relevant markets combined with the pressure for growth strategies are promoting segmentation of the branch structure. Three segments can be clearly identified in all EU-countries: the top group of the big multinational companies, a substantial group of medium size firms of national and international origin and the vast majority of small and very small firms with local or regional reach only. It is before all the second group for which the liberalisation of markets poses problems. They have traditionally taken most advantage out of protected national markets and feel threatened by increased competition from abroad. This is why they may tend to take recourse to lobbying via federations on the national and - depending on the issues - European levels. In contrast, market liberalisation is conforming to the interests of big firms which are anyway operating on an international scale. As a rule, the big players do not see the need for organizing in an association the less so as they would have to accept compromises in order to define common targets with smaller firms.

Taking into account this structural configuration Greenwood's (1998) results of a comparative study on collective action in the European Union are no surprise. He has documented that associations representing the professions formed later, and came to Brussels later, than did business groups. Moreover, the patterns of European collective action in the domains of the professions are characterised as fragmented, poorly resourced and of limited influence. As a major indicator of lacking relevance, Greenwood (ibid.,: 136) is pointing to the fact that the „intersectoral European-level organisations representing the professions were either not in existence or not consulted“ when the Commission was drafting the framework for the freedom to provide services: The general system directives of 1989 and 1992 which re-regulated key issues regarding the free movement of professional workers.

Lovecy points to the specific features of market-closure and market-segmentation around which the profession's project has been constructed and which have constituted a major challenge to the European regional market integration project (Lovecy, 1999: 142). Professional associations represent particularistic forms of private interest government enjoying a range of powers allowing closed shop policies in both arm's length and co-ordinated business systems although with considerable cross-national, as well as cross-professional, differences. The general directives mentioned above have constituted a sea-change in the approach of the Commission with the aim of liberalising the professional sector. After years of difficult and cumbersome deliberations for passing measures to enable specific professionals to practice in another EU

country this sectoral approach was abandoned. The new strategy designed general directives requiring the mutual recognition of qualifications and diplomas encompassing the entire constituency of professions (excluding the health-related services and legal services). As the collective organisations of the professions are also the arenas for conflicts between 'neighbouring' professions over market boundary issues, changes of the context may also affect these power relations. „In contrast, the Treaty's market integration objectives have involved disaggregating such profession specific clusters at the national level, and replacing them at EC level by a quite different pattern of aggregation, on a cross-professional and cross-state sector-wide basis, around discrete policy issues such as Europe-wide mobility and competition“ (Lovecy, 1999: 147).

The sector-wide applicability of professional mobility came in the wake of the intergovernmental 'package-deal' agreement of the Single European Act (SEA) and adoption of the Internal Market Programme. As the SEA had introduced majority rules in the Council, DG III was able to manage the preparatory phase for the directives in a way that cut across the separate arenas of private interest governments within the member states thereby excluding national professional associations and the comparatively weak European federations of national professions, too (ibid.,: 149). Thus, this exclusion is not only indicative of the relative weakness of these organisations at the European level - as Greenwood (1998) assumes - but the manifestation of a governance transformation indicating the institutional weight of the emergent European regulatory state (Lovecy, 1999).

EU level institutions succeeded in changing the rules of the game of transnational market access. Within each member state, new co-ordinating agencies open for individual applicants had to be designated with a sector-wide remit parallel to EC's own pattern of policy sectoralisation. Moreover, within each member states' Permanent Representation a desk-officer had to be established dealing with issues of professional mobility also on a sector-wide basis. Thus, because of the general system directives national institutions and organisations have to at least act on European institutional requirements.

Greenwood's argument of limited internationalisation concerning the relevance of national differences in the composition of professional interests and their relationship with the state (Greenwood, 1998: 147), however, is opening up terrain for analysis with regard to cross national strategies. Whereas some professions in some countries clearly feel threatened by European level challenges to their control capacity, for others the European level change is perceived to open up chances to circumvent national barriers abroad. More favourable starting positions as a result of the EU general service directives can be expected for those groups (and their organisations) which are struggling for their status vis-à-vis professions with established market monopolies. This is the case for business consultants „squeezed in“ between the legal and accounting professions which are strongly protected in all European countries.<sup>3</sup> Business consultants have not attained the status of a traditional profession in

any European country. They have taken steps to substitute the missing legal shelter by initiatives both at company level and by association activities. And increasingly so at the European level.

## 2.2 Consulting Associations at European Level: Contextual Rationalities of Firms of Small and Medium Size

While we have argued that the logic of negative integration of EU is of limited direct relevance for business consultancies it is not without impact. The spectrum of associations in the sector of business consultancy has exhibited dynamism particularly in the 1990s - which means in the wake of the Internal Market project.

There are three European-level associations claiming to represent pan-sectoral professional interests:

- SEPLIS, representing the liberal professions, was formed in 1974 already;
- EUROCADRES (Council of European Professional and Managerial Staff) seeks to group together unionised professional and managerial staff and was created in 1993;
- CEC (Confédération Européenne des Cadres) representing salaried managerial staff primarily in industry and commerce; was started in 1989.

All three have only limited resources, yet, they are not cooperating with each other. Only the second and the third organisation are officially recognised as a (second level) social partner. Their late and reluctant activities in the European arenas are related to their sceptical position concerning the perspective of market liberalisation (Greenwood, 1998).

In the meantime, services have moved to the front and centre of the trade policy stage of WTO/Uruguay Round, too. This horizontal approach comprises all tradable services including the range of professional and business services - heavily or lightly regulated (Kakabadse, 1995). To cope with strong U.S. pressures, European Commissioner Pascal Lamy activated European service business groups to create a business forum supplying the Commission with input for the negotiations. The task was taken on by a British banker who in April 1999 created the European Services Forum (ESF) to provide for the single European interlocutor of the services industries (Interview with Pascal Kerneis, Brussels, 02.03.01). The aim is to defend the interest of European services industry towards the GATS negotiations in WTO. The composition of the members of ESF (the CEOs of 45-50 large companies in Europe and 35 trade associations) is reflecting the philosophy: On the one hand the personal connections of the

CEOs to the highest political national level should be instrumental, on the other hand a broad representation of exporting services was stipulated.<sup>4</sup>

ESF has adopted two basic principles when taking position papers: To concentrate on horizontal issues and to not work on a consensus basis. However, the key of success for EFS's mandate will be the work on domestic regulations, i.e. binding agreements on non-discrimination of foreign services suppliers. Professional services and particularly business consultancies are well represented in ESF. A major problem to be solved is the divergence of interest between the big companies and the trade associations who are supposed to represent all the members - also the large majority of small and medium size companies. Thus, the basic structural divide at the national level is reproduced at the transnational level.

Concerning the sector of business consultancies, FEACO, a federation of national associations, has been established at the European level already in 1960, for a long time serving mainly as a loose forum. It was not by chance but precisely in view of the implementation of the Internal Market that the office was transferred from Paris to Brussels in 1991. In the meantime, the membership has grown to 23 national associations. The main objectives of the federation are encouraging transnational networking by members, keeping a watching brief over the image of industry, and maintaining a relationship with the EC and other pan-European organisations.<sup>5</sup> The basic governance principle is „one country one vote“. Yet, the UK, Germany and France are clearly the most important members because of the volume of their markets for consultancy services. They can afford to generously subsidise the FEACO office and they are continuously represented in the executive committee (consisting of eight members - in principle on a rotating basis).

FEACO has initiated several issue working groups in 1996 with the aim to raise interest of members of national associations:

- Working group „Small Tops“ offers networking for small and medium size companies;
- the European Multinational Forum is a platform for big internationally active consulting firms (which are not easily engaged);
- working group „Relationship with European Commission“ forms a basis both for information and lobbying concerning business with the European Commission (sponsored consulting programmes and contracts given by EC).

The topics of the working groups are reflecting both the persistent cleavages inherent in the structure of membership and the increasing importance of institutional change at the European level.

Apart from the organisations of interest mediation on the EU level just described, there are a number of nationally based associations in the sector of business consultancy services which increasingly deal with European issues directly (Theobald, 2001; Rudolph/Padmanabhan, 2001). Germany's BDU provides one example for the stepping up of European activities. The Bundesverband Deutscher Unternehmensberater (BDU), the largest and most influential national association, is also the German representative in FEACO. Thanks to this constellation, the BDU can take advantage - alternatively or in combination - of national and European channels for information and lobbying activities. The considerable amount of resources that the BDU is prepared to sponsor for the functioning of FEACO is indicative of the relevance of the European agenda. One major hope is that the liberalisation trends characteristic for the Internal Market will contribute to an erosion of the regulations privileging the law profession in Germany which are said to be particularly strong. Thus, developments at the transnational level are taken as arguments for lobbying on the national level in order to improve the relative competitive position for business consultancies.

Obviously, changes of associations at the European level can be taken as an indicator that at least some groups have felt the need to refocus their instruments for information and lobbying. Moreover, in the service sector and in especially in professional services, the panorama of interest representation at the EU level has been and is reshaped by the influence of larger companies in particular. The format of ESF (sketched above) includes the double representation of firms and associations, a structure backed by the twofold need of high level company input as well as the representation of broad interests. The European services association FEACO, a traditional association of associations, lately has considered individual membership for large companies, too (provided that they are member in at least five national associations!). Association activities in business consulting thence can be considered to predominantly reflect contextual problems of the medium sized and larger companies not capable to climb up to the global competitors, whereas European level arenas and institutions are providing for an increasing relevance to open up business in neighbouring market segments.

### 2.3 Supranational Politics as Strategic Management of Large Companies: Regulation of Customer Markets

As stated above, business consultancies have traditionally been a branch without hardly any specific political regulation. As a consequence, the implementation of the Common Market does not imply major changes that might fuel substantial reappraisals. However, the dynamics of evolving governance structures at European level together with the increasing complexity of international economic transactions may be a seedbed for new opportunity structures. Again, these chances are not equally open to all business consultancy firms alike. The big or even very big ones will be privileged - in the end at least.

Since the mid 1990s large European firms are not only „going global“ in their market operations, but in their political realm as well. The Transatlantic Business Dialogue (TABD) is the most outstanding example of this development. Among the factors backing up this change was the growing realisation of government officials that they were ill-equipped to manage the global economic developments without a „dialogue“ with companies.

The TABD is an important arena promoting regulatory change in Europe and North America. Much like the European Service Forum sketched above, it displays a very strong involvement of large consultancy firms. The latter are most eager to support certain business issue groups lobbying for regulatory and other change. This is the case in logistics, for example. Consultancies are an active ingredient in both the Supply Chain Council (driven by industrial firms) and the Efficient Consumer Response Council (ECR, driven by commercial capital). Both groups are actively promoting regulatory change in Europe and North America to rationalize logistics operations across borders. When European Logistics Association (ELA), a European association of national federations of logistics professionals, invited large companies to register at the European association level directly, the only companies following the call were two big consultancy firms (Plehwe/Vescovi, 2000).

The supranational level of the European polity has a significant impact on consulting companies in yet another way. European institutional change and European institutionalisation created a new market for consulting businesses in the last 20 years.<sup>6</sup> Incidentally, many of the small start up consulting companies have been taken over by the big consulting firms.

Paul Adamson was one of the pioneers in 1981 of what was to become a specialised branch of the consulting business. European public affairs (PA) - consultancies such as Adamson were start - ups in the early 1980s when the attempt to create the single market introduced large scale institutional change and reorganisation with many companies eager to learn more about the European institutions. For about 15 years, European PA consultancies remained small specialised businesses mostly hired to do monitoring for companies or associations and to give specific advice on European institutions. The somewhat arcane character of European procedures and the difficulties in obtaining significant information generated the market for specialised consultancies. In the past five years, much has changed in the European PA consulting business. Almost all the leading independent specialists have been taken over by big consultancy firms due to the changing characteristics and requirements in European PA consulting. Adamson, known to be a specialist on European Parliament lobbying, has been taken over by the international consulting group BSMG adding Public Affairs and Association Management to the range of their services.

Thus, looking exclusively at associations in the case of business consultancies, finding a predominance of national market conditions and dismissing the

influence of single big firms (Greenwood, 1998) may misrepresent business influence at the European level. In fact, single large companies may have more economical and political clout than traditional national associations, and European federations of national associations. A lack of institutionalised regulation of the national market can hardly account for domestic predominance.<sup>7</sup> Research on European interest representation could benefit strongly if the focus on associations would be complemented by a research perspective centred on complementary or competing activities of single firms. Vice versa, European institutional impact on professional organisations is likely to be mitigated more by association involvement in the future due to the success of the European activating state in sidelining national private interest governments (with legal and medical service professions already proving capable in obtaining derogations at the supranational level).

Increasing efforts of both large consultancies and consultancy associations to be more involved in the European arenas affecting the demand side of consulting expresses the desire to create supranational network governance regimes by an industry currently displaying a weak regulatory state regime of governance at the supranational level.

### **3 Conclusions: Supranational Institutional Arrangements, Regulatory Intensities, and Industry Structures**

The transformation of European governance from multi-domestic forms to supranational multi-level politics has been found to have a significant impact on business associations and organisations in the service industries. Supranational arenas and institutional arrangements are solidly entrenched factors of influence since European institutional actors activated the supranational proto-state, or state in formation. Supranational network governance, however, is not necessarily an attempt to peacefully integrate all interests. Frequently the Commission attempts to pit groups against each other or manages to completely sideline private interest groups (national professional associations).

Consulting services are rather marginally subject to European regulation and thence to bargaining at the European level due to the low institutionalised regulatory impact on the core consulting markets, mainly. Indirectly, however, European governance (in consulting related professional services such as accounting, and wider demand areas for consulting services) matters a lot, and has resulted in quite specific contextual rationalities of lobbying for SMEs and large consulting companies likely to transform the boundaries of professional services in Europe's common market. Furthermore, consulting companies are affected by horizontal regulatory politics as any other business. Significant fragmentation can be observed with regard to institutional impact on business service organisations due to the mode of European market-making.

Concerning professional (business) services, they may be wrongly considered to be far behind with regard to Europeanisation processes observed in other industries (Greenwood, 1998). As a main reason for the reluctance to move to Brussels Greenwood cites the dominance of local (national) market characteristics companies have to tackle. A closer look reveals the need for a somewhat modified explanation involving a differentiated consideration of individual professions (or would be professions) (see Lovecy, 1999) and of different groups of organisations as we have argued based on the case of business consultancies. The aggregate look at „the professions“ and at umbrella business associations can be misleading due to the great variety of organisations in business services.

#### Notes

\* The concept of this paper was elaborated together with Dieter Plehwe in an attempt to put the politico-economic developments in the transport industry and in business consultancy into a comparative perspective. Financial support of the German Research Foundation (DFG) for the study of the consultancy industry is gratefully acknowledged.

<sup>1</sup> Further instruments such as Commission *communications* and *recommendations* do not have binding character and constitute the wide and ambiguous field of soft law which, however, is also found to have rather more impact than might be suspected due to intensified multinational discourse and co-operation ahead of issuance (Cini, 2001).

<sup>2</sup> For further details, particularly concerning the new regime of network governance, see Kohler-Koch/Eising, 1999.

<sup>3</sup> The health related services and the legal professions succeeded in establishing specific regulations at the European level, too, notwithstanding the EC's horizontal approach sketched above thereby extending the national interest government regime to the supranational level (Lovecy, 1999). Expansion strategies of consulting companies may be considered easier now into the field of accounting as compared to continued protection for legal services.

<sup>4</sup> On the U.S. side, associations are not part of that process.

<sup>5</sup> [http://www-feaco.org/brochure\\_activities.html](http://www-feaco.org/brochure_activities.html) (download 15.12.00).

<sup>6</sup> Information in this section is largely based on an interview with a PA consultant in Brussels in spring 2001.

<sup>7</sup> It would rather be interesting to examine in future research, whether the General Service Directive applies for accounting services (and not for legal services) is partly due to the influence of large global consulting firms firmly involved in the accounting industry, and less well positioned by own activities to make a strong presence felt in legal services.

## References

- ASPINWALL, M. (1999), Planes, Trains and Automobiles. Transport Governance in the European Union, in B. Kohler-Koch and R. Eising (eds.) *The Transformation of Governance in the European Union*. London/New York: Routledge, pp. 119-134.
- CINI, M. (2001), 'The Soft Law Approach: Commission Rule-making in the EU's State Aid Regime', *Journal of European Public Policy* 8:2, pp. 192-207.
- COWLES, M.G. (2001), 'Large Firms and the Transformation of EU Business Associations: A Historical Perspective' [<http://www.ey.be/EYBE/Site.nsf/Pages/ENConfcowles>, download 21.01.03].
- COWLES, M.G., Caporaso, J., and Risse, T. (eds.) (2001), *Transforming Europe. Europeanization and Domestic Change*. Ithaca and London: Cornell University Press.
- GREENWOOD, J. (1998), The Profession, in J. Greenwood and M. Aspinwall (eds.) *Collective Action in the European Union. Interests and the New Politics of Associability*, London: Routledge, pp. 126-148.
- GREENWOOD, J. (2000), Organized Business and the European Union, in J. Greenwood and H. Jacek (eds.) *Organized Business and the New Global Order*. London: Macmillan, pp. 77-98.
- HERITIER, A., MINGERS, S., and KNILL, Ch. (1994), Die Veränderung von Staatlichkeit in Europa. Ein regulativer Wettbewerb: Deutschland, Großbritannien, Frankreich in der Europäischen Union, Opladen: Leske & Budrich.
- HOLMAN, O. (2000), Transnationale Wirtschaft und europäische Integration: Die Rolle des European Roundtable of Industrialists, in Ch. Dörrenbächer and D. Plehwe (eds.) *Grenzenlose Kontrolle?* Berlin: edition sigma, pp. 254-268.
- KAKABADSE, M.A. (1995), The General Agreement on Trade in Services: Implications for professional and business services, in OECD (ed.) *Liberalisation of Trade in Professional Services*, Paris, pp. 45-50.
- KOHLER-KOCH, B. (1999), The Evolution and Transformation of European Governance, in B. Kohler-Koch and R. Eising (eds.) *The Transformation of Governance in the European Union*. London: Routledge, pp. 14-36.
- KOHLER-KOCH, B. and Eising, R. (1999), Introduction. Network Governance in the European Union, in B. Kohler-Koch and R. Eising (eds.) *The Transformation of Governance in the European Union*. London: Routledge, pp. 3-13.
- LOVECY, J. (1999), Governance Transformation in the Professional Services Sector. A Case of Market Integration 'by the back door'?, in B. Kohler-Koch and R. Eising (eds.) *The Transformation of Governance in the European Union*. London: Routledge, pp. 135-152.
- MORGAN, G. (2001), The Development of Transnational Standards and Regulations and their Impacts on Firms, in G. Morgan, P.H. Kristensen, and R. Whitley (eds.) *The Multinational Firm: Organizing across Institutional and National Divides*. Oxford: Oxford University Press, pp. 225-252.

- PLEHWE, D. and VESCOVI, S. (2000), Europe's Special Case: The Five Corners of Business-State Interactions, in M.-L. Djelic and S. Quack (eds.) *Globalization and Institutions. Redefining the Rules of the Economic Game*. Aldershot: Edward Elgar, pp. 193-219.
- RUDOLPH, H. and PADMANABHAN, M. (2001), 'Der soziale Ort für Frauen in der Branche Unternehmensberatung aus Sicht der Berufsverbände', *Zeitschrift für Frauenforschung/Geschlechterstudien*, 19:1-2, pp. 201-216.
- SCHARPF, F.W. (1997), 'Introduction: The Problem Solving Capacity of Multi-Level Governance', *Journal of European Public Policy*, 4/4, pp. 520-538.
- THEOBALD, H. (2001), Professionalisierungspolitiken im Kontext von Internationalisierung und Feminisierung - Das Beispiel der Verbände in der Unternehmensberaterbranche, Discussion Paper FS I 01-101 des Wissenschaftszentrums Berlin für Sozialforschung, Berlin.