

Professional Consultancies in the European Union: Findings of a survey on commercial interest intermediation

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1. Introduction

Both public debate and scholarly writing agree that professional consultancies are part of a growing market, in terms of the number of companies involved as well as their weight in the business of interest representation and public affairs within the European Union (EU). Moreover, commentators argue recurrently that styles and forms of European interest representation are shifting towards professionalism, competitiveness and market dynamics at large, and this tendency is frequently attributed to professional consultancies. In this reading, the latter are becoming a protagonist and point of reference for the above mentioned transformation of European interest intermediation and policy-making. This observation is supported by a number of indications, however, reliable evidences have rarely been generated. In fact, the few existing surveys on interest representation at EU level have focused exclusively on the entire sector, i.e., on European federations and associations, direct company representations and, amongst others, professional consultants. Up till now, no study has been conducted to provide precise numbers and estimates about the scope, structure and weight of the consultancy sector as such. The present survey aims to respond to this neglect and wishes to shed some light on a small, yet important sector of the European polity. Many of the findings to be presented here are explorative and, consequently, this study is no more than a first step towards assembling information and findings to be complemented by further ones.

2. Data and methods

The survey used data from the *European Public Affairs Directory*¹ (1999) to generate the sample of consultancies to be analysed. In this regard, we considered all those organizations listed under four rubrics: a) law firms, b) political consultancies, c) public relations consultancies, and d) economic and management consultancies. This dataset comprised 290 companies, of which five had closed their establishment or European office during the course of our investigation. A small standardized questionnaire was sent twice to each of the organizations (i.e., to the consultancy's president and vice-president) in the summer of 1999. Most questionnaires were filled in by regular staff. However, as the response rate was very low (less than 15%), the firms were contacted anew via telephone, and questionnaires were then filled in either via telephone or fax. This procedure was time consuming, yet effective and allowed to raise the response rate to 77.9% (N=222) until spring 2000. Rudimentary information on the remaining 63 consultancies was extracted from the *Public Affairs Directory* (1997 and 1999) and/or from the internet – in many cases, both sources allowed to gather information in regard to headquarters, the year of

¹ The *European Public Affairs Directory* is a directory listing all organisations working in the realm of European policy-making or public affairs. It is updated each year and intends to provide a comprehensive list of people and organizations working at the EU level. It provides names and addresses of professional organizations (e.g., trade associations, interest groups, chambers of commerce, think tanks, labour unions, law firms etc.), media representatives and European institutions (Commission, Parliament etc.).

establishment and the number of staff. Thereupon, data was coded, recorded and analysed statistically via SPSS, producing those figures and findings to be presented here.

It needs to be mentioned, however, that the data of this survey has some limitations. First, the questionnaire was expressly concise in order to secure high response rates – an expectation that resulted to be futile. Second, some organizations were unable or unwilling to disclose information, particularly in regard to annual turnover and staff members. Particularly smaller companies on the one hand, and law firms on the other hand are under-represented when considering these two items. Third, some consultancies furnished information (e.g., in regard to staff and types of clients) that would have needed further specification and/or cross-checking. This is particularly the case with a handful of international corporations, which had some problems in identifying the size of their European offices. Due to these limitations, the dataset of this study needs to be interpreted prudently. However, as our aim is to engage into an explorative analysis of the European consultancy sector, we are still able to generate some interesting evidences and complementary, albeit cautious conclusions. Undoubtedly, more data and more profound research would be needed to comment on and verify the information exposed here.

3. Assumptions and expectations

Before presenting the findings from our survey, it seems advisable to summarize the assumptions or expectations commonly formulated in scholarly literature. On the one hand, these assumptions guided the design of our questionnaire, on the other they provided an interpretive framework for the analysis of the data assembled. Here, though, it needs to be recalled that scientific debate has rarely formulated core assumptions for the commercial consultancy sector alone. However, the suppositions and expectations brought forward in regard to the structure and dynamics of interest representation within the EU either comprise the consultancy sector and/or refer to it as a protagonist or prominent illustration. In this sense, our findings will certainly not settle scholarly debates conclusively, yet provide some evidences for one or another position. For the purpose of our analysis, we will distinguish between four core assumptions, each of them implying an opposing presupposition, which will both help to better interpret the findings.

First, the most often formulated opinion in regard to our topic foresaw a continuing growth of the sector concerning the number of consultancies, their size and area of operation within the EU (Mazey & Richardson, 1993: 198; Pfeifer, 1995: 41, 94; Eising & Kohler-Koch, 1994). This assumption inspired most surveys of European interest intermediation between the 1980s and the early 1990s. In the latter years, this position has lost adherents. Instead, it is argued that the growth was and is more moderate (Greenwood, 1997; Buholzer, 1998: 12). For the consultancy sector we could thus formulate a counter-assumption arguing that the growth was merely an episode accompanying the Single European Act and the progress made in regard to European integration. The consultancy market would thus expose a high level of saturation today and a consequent adjustment of numbers and services. A closer look at our data, here on

the growth of the consultancy market along the time-axis, should provide some evidence for one or another position.

Second, the former assumption was commonly associated with the opinion that the sector of European interest representation was characterized by a high degree of fragmentation² and that the growth of this sector would even increase fragmentation and competition (Andersen & Eliassen, 1996; Eising & Kohler-Koch, 1994). This process would ultimately hinder any attempt to order and control this market – and this worry was particularly pronounced in the late 1980s. This assumption can be specified in regard to commercial consultancies. According to this presupposition the consultancy sector should be highly fragmented in the sense that we are dealing predominantly with small niche providers and, therefore, with a little integrated market that is still dominated by (national, issue- and/or service-related) divisions or segments. Against this position we might point towards the process of economic integration and concentration under way, which has been discussed widely under the catchword of ‘globalization’. If this development applies to the European consultancy sector, it would necessarily lead towards a stronger integration of the European market, in the sense of an integration of different (national, issue- or service-related) sectors and a concentration of different corporations into transnational enterprises. At the same time, this development would imply a pronounced integration of European markets and corporations into a larger, ‘global’ business. For this purpose, we will take a closer look at the size of the different consultancies, their area of operation and their connectedness with international corporations.

Third, these opposing viewpoints are related to a further question: how strongly are interest intermediation and consultancy services professionalizing and institutionalizing on the European level? In regard to commercial consultancy we could formulate two opposing assumptions. On the one hand, it has been argued that many services, and most prominently those associated with effective lobbying, are strongly personalized in the sense of requiring personal contacts, skills and experiences, and thus often executed by former functionaries or insiders of the polity. This feature is responsible for a less pronounced professionalization, a more fluid market of consultancy providers and smaller companies – and a secluded area of ‘hidden politics’. Professionalization would be merely symbolic public exhibition of one’s seriousness and value. On the other hand, it can be argued that consultancies give ample testimony of an increasing professionalization and institutionalization of commercial interest representation (van Schendelen, 1993b; Buholzer, 1998): first, these companies are able to establish themselves successfully besides the existing trade associations (which are even won as clients); second, they expand in terms of staff and national branches; third, they successfully provide professional skills and services beyond and above the specific interests or issues to be treated (i.e., as ‘neutral’ professional tools to be learned and applied by a new managerial staff). Both assumptions

² In more generic terms fragmentation means, on the one hand, the (disjointed, more or less contentious) co-existence of commercial consultancies and advocacy interest groups (external segregation), and on the other, the strong fragmentation of the consultancy market according to national areas of operation, privileged contacts with European institutions, specialized policy fields and issues, dominant clients and the like (internal fragmentation). In this view the consultancy sector would appear as a small, little integrated and concentrated field held at distance by EU institutions and trade associations, and thus ultimately structured as a niche market.

reach beyond this survey, however, it seems interesting to discuss these issues when considering the size of the consultancies, their typical clients and services.

Finally, the above stated assumptions have all implications for the question as to whether we are witnessing a persistent divergence or gradual convergence of national styles of interest intermediation and public affairs. In scholarly writing it has been argued on the one side, that every European state has a predominant policy style, and these political cultures also influence the forms and strategies of interest intermediation and public affairs (Andersen & Eliassen, 1995; Kohler-Koch, 1997; Mazey & Richardson, 1994: 175-7). It has been argued, for instance, that professional consultancy in general, and lobbying in particular, have their cultural roots in the Anglo-Saxon world, whereas organizations of the Romanic and Germanic world will use rather trade associations and government institutions for their purposes. This ‘cultural’ argument would imply, again, a stronger fragmentation of the market along national divisions, and the latter should be visible when considering the countries such consultancies and their clients come from. On the other side, it could be argued that professional consultancies are gradually establishing themselves above and beyond national divisions as European players, meaning that they expand their area of operation beyond their national origins and assemble a multinational panel of clients. In this sense, there would be a Europeanization of professional consultancies, i.e., a stronger integration of markets, services, and policy styles. The advent of this common European style of interest intermediation could be interpreted then either as an expansion of a dominant, Anglo-Saxon policy style onto the European arena; or as the advent of a new, multicultural European style, which emerges from an intermingling field of national providers and transnational corporations. Some of our findings will help to generate some tentative evidences, particularly when considering the countries in which consultancies are represented on the one side, and the national provenance of their clients on the other.

4. Findings and estimates

In the following we will present the main findings of our survey in four steps. First, some basic information on the growth of the sector is to be featured. Second, we will illustrate the size and structure of today’s consultancy market. Third, we will sketch the geographic area of operation of European consultancies. Finally, we will look at the type of clients these consultancies have.

4.1. Growth of the consultancy sector

The increasing importance of European policy-making can be illustrated not least with reference to the growing number of interest groups and organizations engaged into lobbying the institutions of the EU and advising organizations in European public matters. Professional consultancies have benefited from this development because of the higher demand for monitoring, counselling and lobbying services. In fact, the growth of the entire interest group sector, which has been illustrated by a number of studies, is true also for the market of professional consultancies. This development can be illustrated when asking in which year the different companies were established. As portrayed in Figure 2, most European consultancies were founded around 1990, with a minor peak in the early seventies and eighties. Hence, the number

of consultancies operating in the EU has not grown steadily but rather irregularly; and these waves seem to follow and/or anticipate the different stages of the European integration process (Kohler-Koch, 1994; Greenwood 1997, Buholzer, 1998: 12; Grant, 1993).

While these numbers are in line with findings on the growth of the field of trade associations and NGOs at large, they need to be interpreted with caution because they merely take into account the companies still in place today. Indeed, the figure underestimates the size of the consultancy market at earlier stages of European integration, because a number of consultancies might have closed down their offices in the meantime. Moreover, possible ‘ups’ and ‘downs’ of this growth process might be levelled out due to the withdrawal of less successful companies.

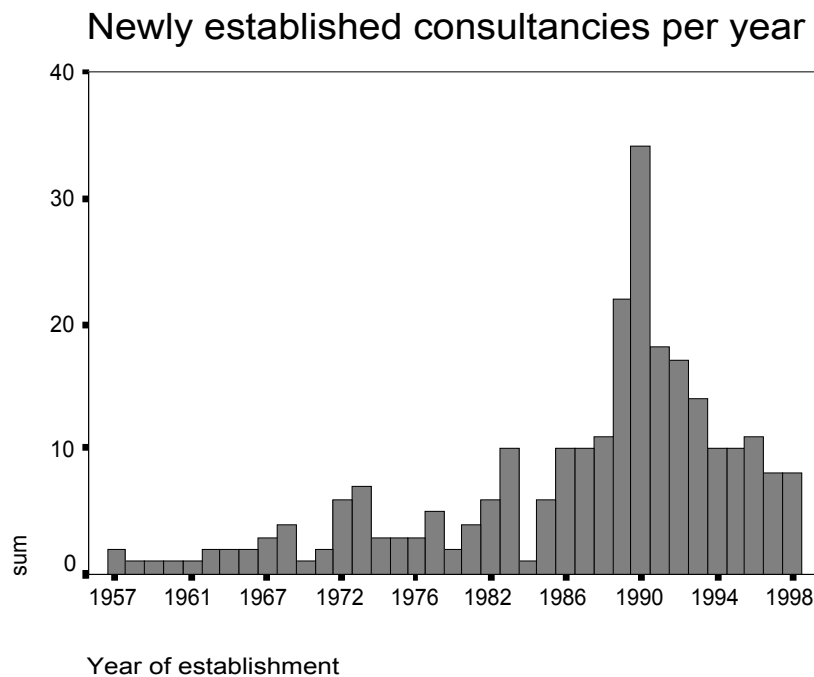


Figure 2

However, the figure still gives us an imperfect, yet adequate impression of the pace of growth, particularly in regard to recent times. These findings do not speak a clear language, though. In fact, while there is a strong peak of new establishments around 1990, which would confirm the impression of a transitory growth of the consultancy sector, still there are between 8-10 new companies opening their offices per year, which speaks of a slow, yet, persistent growth of the sector. Hence, neither the assumption of an overcrowding nor the presupposition of a saturation of the field is valid. Rather, an irregular and slow, but steady growth process is under way.

When we differentiate these numbers according to the different types of consultancies operating in the EU, we get a more detailed picture of the development of the market (Figure 3 with the cumulated numbers). This figure reveals that the consultancy sector has been evolving unevenly between the different types of consultancies. Indeed, there has been a propensity to

establish law firms,³ and this fact has led to an exponential growth of this segment during the eighties and nineties: while 16 law firms were established between 1976 and 1985 (and as many a decade before), this number increased by 5.3 times in the following ten years. A similar observation can be made for the political consultancy sector, which grew by 5.4 times during 1986 and 1995, yet, from a much lower level (i.e., 7 foundations between 1966 and 1975 and 9 between 1976 and 1985). The two other sectors, finally, have been developing far less, both in regard to the absolute number of newly established companies and to the pace of this growth (e.g., only 4 and 5 new PR companies were established during the two first decades, while 3.8 as many were founded during 1986-1995).

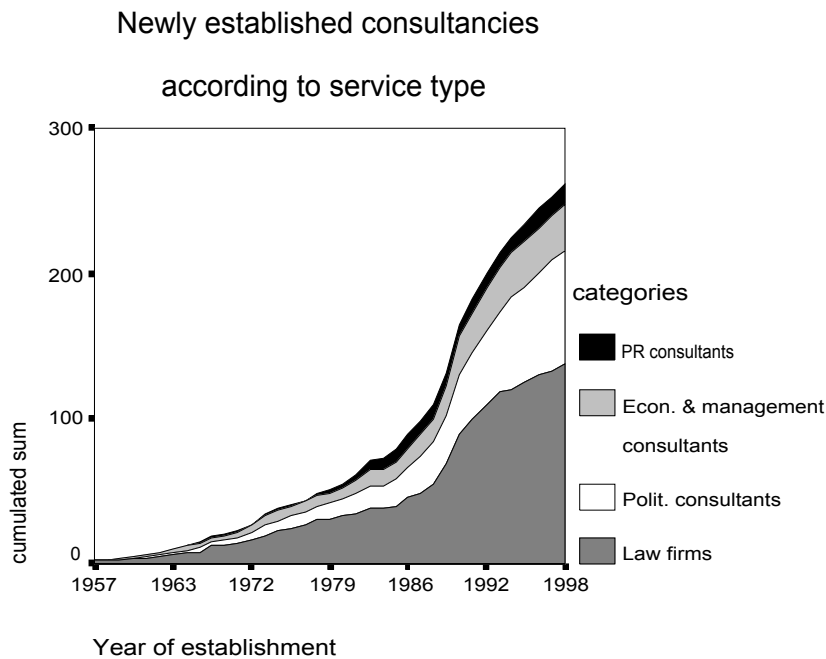


Figure 3

In view of these developments it is no surprise to see that today's consultancy market is dominated by law firms and, to a lesser degree, by political consultancies. As illustrated by Figure 4 there are only a few PR and economic & management (E&M) consultancies in place. This first glance at the structure of the consultancy market, however, should not lead to over-hasty conclusions about the size and weight of the different sectors, given the fact that we are dealing merely with organizational units – bluntly disregarding their size and weight.

³ To be more precise: our data is unable to tell us whether there was a less pronounced propensity to establish other types of consultancies. Possibly a much higher proportion of other consultancies was established in the past. However, if this was the case, then these firms were less successful and thus short-lived. What we can thus say, is that more law firms were established and had better chances of surviving.

Consultancies according to service type

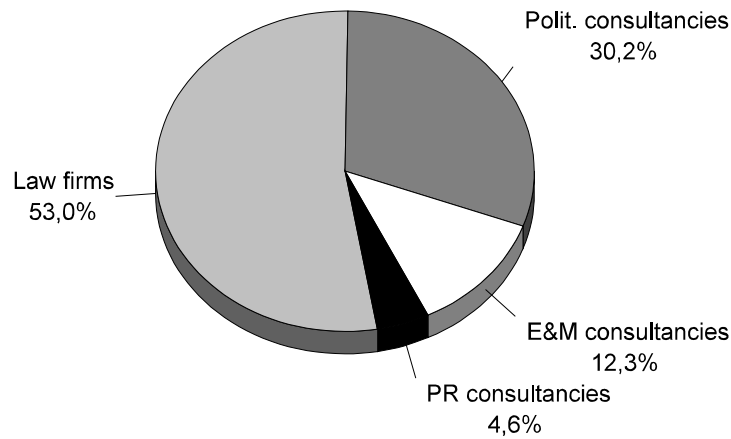


Figure 4

4.2. Size and internal structure of the consultancy market

In fact, the number of organizations working at the European level offers but a rough impression of the growth and magnitude of the market. A more accurate picture can be drawn when considering the companies' staff members and annual turnover. These items are indeed valuable indicators, however, we need to make two reservations before presenting our findings. On the one hand, not all consultancies were ready to disclose this sensitive information. On the other hand, some of the major transnational companies had troubles identifying staff or income associated exclusively to EU-related consultancy work. For these reasons we will need to rely on estimates – with all imperfections this kind of information implies. Moreover, the above mentioned reservations are true particularly for E&M consultancies, because we are dealing primarily with global enterprises with a wide portfolio of services, within which EU-related consultancy work is merely one element. For these reasons we will exclude E&M consultancies from the following estimates – referring to their staff and annual turnover only as we see fit.

4.2.1. Annual turnover and staff

One item of our questionnaire was geared to gaining information about the annual turnover of the professional consultancies working in the EU; in the case of transnational firms, we asked exclusively for the returns of their European bureaus or establishments. The aim was to get an impression of the size and weightiness of the market. Of all 285 companies, 74 disclosed their annual turnover (i.e., 26%). These responses give us a modest, yet sufficient base for estimating

the turnover of the entire market.⁴ According to these estimates, the annual turnover was about € 0.45 billion or 447 million in 1998. The E&M consultancies would add a further € 216 million to this figure, however, as indicated above, this turnover can be associated only partly with EU-related consultancy work. Table 1 illustrates how the annual turnover of the market (E&M consultancies set apart) divides between the different sectors. These numbers confirm the dominance of the law firms because these companies are responsible for more than two-thirds of the entire returns.

Table 1
Size and structure of the consultancy market

	annual turnover		staff		no. of companies	
	in € million	%	sum	%	sum	%
PR consultancies	22	4.9	254	6.7	13	5.2
Political consultancies	113	25.3	849	22.5	86	34.4
Law firms	312	69.8	2672	70.8	151	60.4
E&M consultancies	216	--	2002	--	35	--

A similar picture is generated when considering the staff. Again, our questionnaire asked merely for the staff members working within the consultancies and/or European branches or offices. Based on the responses of 260 companies, we estimate the total number of employees to be about 3775. Further 2002 staff members work for E&M consultancies, which, however, are excluded from our estimate due to the above named reservations. It has to be noted, moreover, that the above mentioned numbers are not related to the lobbyists or consultants alone, because our figures embrace all employees, i.e., also technical and secretarial staff on the one hand, professionals responsible for non-EU-matters or non-EU-related consultancy on the other. Hence, these figure offer rather a good impression of the working power of the companies and their potential human resources. It is evident, again, that law firms make up the biggest share of personnel, assembling more than two-thirds of total staff.

The numbers exposed so far illustrate, first, that the consultancy market is strongly dominated by law firms. This fact is consistent with observations from individual European

⁴ We opted to estimate the annual turnover according to the following procedure. First, we identified those companies that had disclosed both their annual turnover and the number of staff members (N=73). This information allowed us to calculate the average ‘income per staff member’. This average income was then multiplied by the total number of staff working in the different types of consultancies. In order to verify the adequacy of this procedure we repeated these calculations, first, by making a distinction between the different consultancy types, second, by distinguishing between companies with different sizes. In all three cases the estimated total turnover of the market varied only very little.

countries – and from the USA as the country with the highest levels of lobbying and professional consultancy work. Second, the indicators presented so far suggest that the European consultancy market has a moderate size, when compared with the number and size of trade associations within the EU on the one hand, and with the established consultancy sector in the USA on the other (Walker, 1991; Goldstein, 1999; Scholzman & Tierney, 1986). Indeed, professional consultancies are far from dominating or controlling the field of European interest intermediation. The latter seems rather to be governed by trade associations, company representations, individual interests coalitions and networks. However, what can be said with certainty is that professional consultancies have established successfully as an important player within European policy-making.

4.2.2. Fragmentation or integration of the consultancy market?

In view of this growth, we have to ask whether this development increases the fragmentation of the European consultancy market along national, issue- or service-related divisions, or whether it bolsters the integration of the various markets and the concentration of the participating businesses. For this purpose, we can draw on the average size of the companies as a possible indicator: indeed, one could assume that fragmentation increases the more staff is dispersed throughout a high number of companies or employers; complementarily, we could speak of a high level of integration when staff tends to be concentrated in a small number of individual corporations.

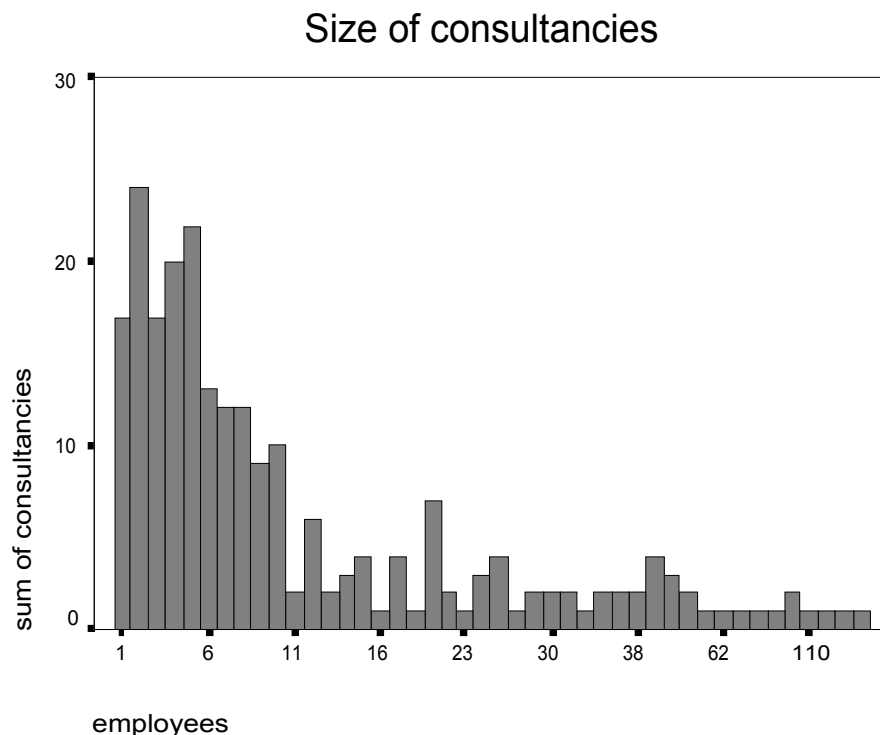


Figure 5

Figure 5 provides a picture of this issue by ordering the consultancies according to the number of staff members they employ. These findings seem to confirm the assumption of a

strong fragmentation of the market – although we do not have any longitudinal data that would allow us to assess conclusively the actual situation in terms of ‘more or less integration’. Indeed, 50% of all consultancies have seven or less employees, and only 7% of them employ more than 50 staff.

Distinguishing between the different types of consultancies, we see that this fragmentation is particularly evident amongst political consultancies: while E&M consultancies employ an average of 57 staff members, this number drops to 18 and 20 employees per law firm and PR-agency, and to 10 staff members per political consultancy. These differences indicate that the assumed fragmentation of the market does not apply to those sectors obviously being absorbed by the gradual integration and concentration of business under way for more than a decade. This is most apparent in the realm of E&M services (e.g., the role of PricewaterhouseCoopers, of Arthur Andersen, KPMG and many others), but also in the case of Public Relations (e.g., Hill & Knowlton), and – to a lesser degree – of legal offices. In fact, the comparison of different Public Affairs Directories and our own survey refer repeatedly to law firms that had just merged or where in the process of merging in order to offer clients a wider scope of legal advices and local bureaus in the different capitals of Europe.

This gradual integration and concentration has not only an European dimension, but a global outlook as well, because many of the European consultancies belong to transnational enterprises – and this is even the case amongst smaller companies or bureaus. Our questionnaire was geared to providing information on this global dimension by asking respondents to specify whether their consultancy belongs to a world-wide operating company.

Table 2
Global scope of action

	Are you part of a world-wide operating company?			
	no		yes	
	number	% (of rows)	number	% (of rows)
PR consultants	4	40.0	6	60.0
Political consultants	43	62.3	26	37.7
Law firms	65	54.2	55	45.8
E&M consultants	10	32.3	21	67.7
All consultancies	122	53.0	108	47.0

Findings are summarized in Table 2, which also indicates the differences between the four types of consultancies. We see that almost half of the companies answered the question positively. As expected, this was particularly the case amongst E&M and PR consultants. Further computations unveil additionally that there is a strong correlation between the global

commitment and the size of the various European establishments: offices that belong to transnational enterprises are three times bigger than European or local ones.⁵

These figures suggest that the process of integration and concentration operates on the horizontal and vertical dimension alike, i.e., as an integration of various providers into larger corporations *and* as an integration of European and non-European markets into a global business. Most prominently this process is true for E&M services, and is seemingly expanding to legal services as well. However, an exception to this observation are political consultancies, which are still smaller in regard to staff and annual turnover. Furthermore, they are – to a great extent – restricted to the European market (see Tables 1 and 2). Apparently, this market segment is less exposed to the above mentioned processes and/or demonstrates a greater resistance against organizational concentration and integration. The latter might be due also to a particular feature of this sector: personalized skills and contacts might be far more important for the quality and value of the services offered.

4.3. Geographical area of operation

A further goal of our survey was to assemble information on the geographical area of operation of European consultancies. We asked companies to name those countries, in which they have a proper establishment and/or cooperate with local partners. Based on these responses we can try to answer the following questions: Is there any pattern guiding the choice of countries consultancies opt to work in? Are there any differences between the various types of consultancies? Are corporate strategies more oriented towards specialization or towards expansion? The dataset offers some interesting figures that allow for tentative answers.

4.3.1. The consultancies' countries of origin

First, our data provides information on the national home-base of European consultancies, at least for law firms, for which reliable material is available. As shown in Figure 6, the most important observation to be made is the predominance of Anglo-Saxon and German legal offices – not to forget the high number of Belgian law firms (i.e., 33 of the 41 Benelux cases), which illustrates the convenience of contracting locally based consultancies for legal advice and support. Apparently, these Anglo-Saxon and German consultancies benefit from a double demand: for instance, German law firms benefit from their big national market and the many clients asking for advice and support on European public policies, and, secondly, from international or foreign organizations requesting counsel and guidance on German law and policy initiatives. In this sense, the predominance of British, German and US law firms mirrors the importance of these countries within European policy-making, both as actors *and* targets of political or economic influence-taking.

The predominance of British, US and German based consultancies, however, cannot be explained by these observations alone, because in this case there would be, for instance, much

⁵ The European establishments of global enterprises employ an average of 34 staff, while the consultancies with a local and/or European scope have an average of 12 employees only. This figure does not alter a lot when excluding E&M consultancies (those with the most staff): in this case, the average staff comprises 22 persons amongst the European branches of transnational enterprises and 12 employees for the other consultancies.

more French law firms around, given their nation's weight in the European concert and the potential market of clients they could capitalize on. Further explanations thus need to be added in order to give some sense to these discrepancies.

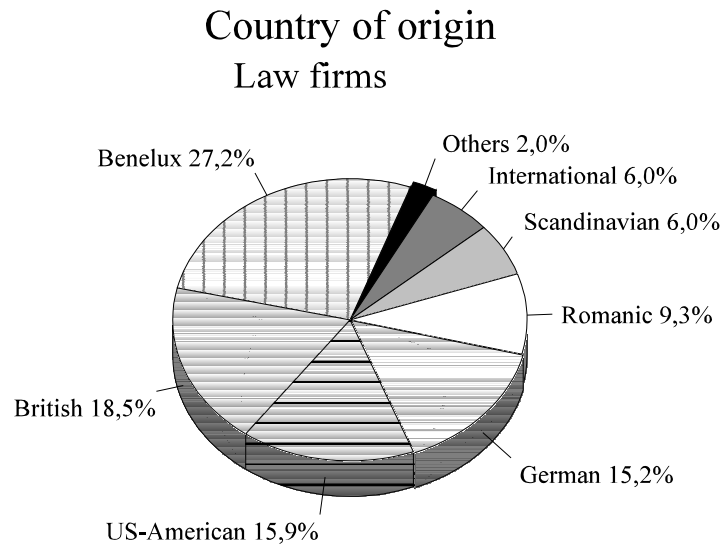


Figure 6

In fact, Anglo-Saxon and German consultancies do not merely benefit from a bigger national market and thus more potential clients. Additionally, in these countries there is a stronger propensity to deal with European policy matters in terms of professional consultancy and lobbying: i.e., law firms from these countries are more inclined to engage into public affairs *and* organizations from these countries are less wary and more inclined to contract commercial consultancies when addressing European policies. In the remaining countries, other forms and strategies of monitoring, counsel and influence-taking (e.g., through trade associations and governments, through political rather than legal forms) might be of more importance than a commercial and legal form of advice and interest intermediation. This interpretation would underline the persisting importance of different national styles of policy-making and interest intermediation within the European polity.

4.3.2. The width of the consultancies' European commitment

In order to validate this and other related assumptions we have to move to the data related to the geographical area of operation. In fact, we asked consultancies to name the countries (both member states and states awaiting membership), in which they are represented by an own office and/or cooperate with local partners. From these answers we can get, first, a picture of the breadth and size of corporate profiles, and, second, a sense for the patterns and factors guiding the choice of countries.

In order to get a first impression of the consultancies' area of operation we calculate the average number of countries they are engaged in, both through proper national offices and local partners. In this way, we get a picture of how strongly consultancies concentrate their activities on a few countries or expand their area of operation to a wide array of countries, possibly to the

entire European continent. Table 3 reveals a rather modest extension when the entire field of consultancies is concerned, i.e., consultancies work in an average 3 and 5 countries respectively.

Table 3
Area of operation

	Average number of countries (other than Belgium), in which consultancies are active via (N=230)	
	an own office	a local partner
PR consultants	2.6	5.8
Political consultants	3.8	4.3
Law firms	2.2	5.2
E&M consultants	7.6	4.3
All consultancies	3.4	4.8

A better indicator than these general figures are the precise numbers for the different types of consultancies, which partly underscore the findings presented before. In fact, E&M consultancies are not only the biggest enterprises; they have the most extended area of operation as well. Moreover, they are the only ones to have more national offices than local partners. PR consultancies have a modest area of operation, which parallels the impression gained before. In regard to the other two consultancy types, however, our expectations have not been confirmed here: while European law firms have been described as medium size offices, they tend to concentrate their efforts on a couple of countries only; political consultants, on their part, have a quite small European bureau but are represented in a larger number of countries, especially when national establishments are concerned. These findings can be specified further when distinguishing the four types of consultancies according to the number of national establishments they have (see Table 4).

Table 4
Range of corporate portfolios

(in % of consultancies with national establishments)

	no office*	1 - 4 branches	5 and more	sum (no. of cases)
PR consultants	50.0%	30.0%	20.0%	100% (10)
Political consultants	44.9%	34.8%	20.3%	100% (69)
Law firms	25.0%	64.1%	10.8%	100% (120)
E&M consultants	35.5%	19.3%	45.2%	100% (31)
All consultancies	33.5%	47.8%	18.7%	100% (230)

* other than Belgium office

These numbers bring several findings to the fore. First, there is still a substantial number of consultancies with merely a Belgian (often Brussels) office, and this is particularly pronounced amongst PR and political consultancies. Second, most consultancies have merely a handful of national branches, and this feature is particularly characteristic for law firms, where only a minority has more than four national establishments. Finally, there are those consultancies with a considerable number of national establishments, and this is true especially for E&M agencies.⁶ On the basis of these findings we can portray the related corporate strategies as follows:

- Law firms tend to specialize on a couple of countries in order to develop a high professionalism in legal counselling. Many of these companies have a rather reduced staff – and this segment makes up 39.8% of all law firms. Bigger companies are either established Belgian chancelleries engaged in EU-related consultancy work and/or international offices, the latter being at the lead of the above mentioned integration and concentration processes.
- Political consultancies are typically small companies (i.e., 1 to 10 staff members) and Belgian based only (40.3% of all cases). Seemingly, the capital of these companies consists of a small number of qualified consultants actively engaged into close relations with the European institutions. The other consultancies with a wider area of operation tend to maintain more staff as well. That is, while these companies aim to offer their clients comprehensive monitoring and lobbying throughout the main European capitals,

⁶ These differences are strongly related to the above mentioned variances between big and small companies. In fact, a cross-tabulation of both variables (i.e., number of staff and national branches) unveils a significant correlation (i.e., 0.365 Pearson's correlation coefficient), thus indicating that companies with more European staff are more likely to maintain more national branches. This correlation exhibits some variations when considering the various types of consultancies involved: on the one hand, the correlation coefficient is the lowest amongst law firms (0.295 Pearson) because there are a number of smaller companies maintaining some national branches (20.3% of all cases) and a number of bigger companies with a Belgian office alone (8.5%); similar observations can be made for political consultancies (0.312 Pearson), while the highest correlation is given amongst the other two types (e.g., 0.485 Pearson amongst E&M consultants).

this orientation seems to motivate them to increase their working power in Brussels as well.

- E&M consultancies are among those with a pronounced transnational range of operation, arguable in tune with the international or global outlook of the companies they aim to service. While there are a considerable number of smaller and Belgian-based companies (16.1% of all cases), the proportion of big and Europe-wide corporations clearly dominates this sector (32.3%).
- In regard to public-relations companies, finally, the patterns are less clear. While bigger companies tend to dominate this small sector, we have an even distribution according to the number of national branches they have. Moreover, case numbers are too low to allow for significant statistical judgements.

4.3.3. ‘Favourites’ and ‘families’ among European countries

These findings provided a rough picture of the companies’ scope of action, yet we have learned little about the panel of European countries they are represented in. On the basis of the consultants’ responses (see appendix 1) we can develop some results of interest, which will be related exclusively to the entire consultancy sector, though. On the one side, this is due to the low number of cases in some of the sectors targeted (i.e., particularly PR and E&M consultants), on the other, individual cross-checks have not dismantled any significant differences that would have justified further analysis for each of the four consultancy types. In fact, what the choice of countries is concerned, there seems to be a rather pronounced consensus between the different companies, allowing us to produce a synthetic picture of this issue.

Figure 7 summarizes the findings of the first question, i.e., it displays those countries in which consultancies maintain a proper national branch. This graph largely confirms the expected centrality of a number of Western European countries.

Consultancies with national branches
according to EU countries (in %)

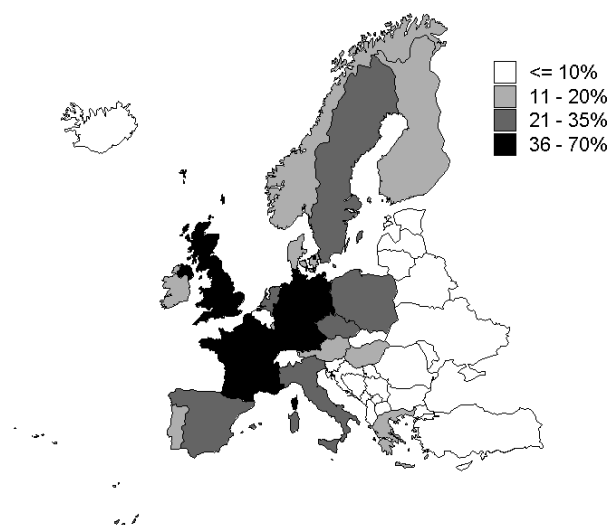


Figure 7

In fact, two out of three consultancies maintain an office in Great Britain, and every second has an establishment in France and/or Germany. These ‘core’ countries are surrounded by a secondary ‘rim’, which consist of Spain, the Netherlands, and Italy (with every third consultancy) on the one hand, and Poland, Sweden and the Czech Republic (with every fourth consultancy) on the other.

This picture does not alter greatly when we move to the European countries, within which the European consultancies cooperate with local partners (see Figure 8). The primary difference to the previous figure is the fact that many more consultancies are active in European countries via local partners (i.e., 1170 local partners in comparison to 785 establishments). Moreover, Figure 8 illustrates that those Western European countries belonging to the secondary ‘rim’ (Spain, Italy, the Netherlands) join the inner circle of core countries as soon as local partners are concerned, thus relegating the Eastern European countries to a secondary and tertiary ‘rim’.

Consultancies with local partners
according to EU countries (in %)

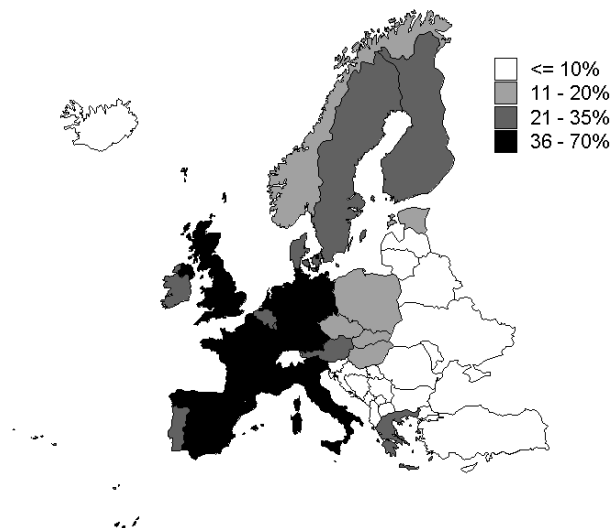


Figure 8

We can deduce a latent corporate strategy from these findings: consultancies get involved in the leading three member states of the EU via proper establishments *and* local partners, while they engage in member states of secondary importance preferably through local partners (if these countries are considered at all). This observation suggests that consultancies do not opt for one or another country at random, but rather follow particular considerations and patterns when defining their area of operation and putting together the ‘portofolio’ of countries. Indeed, it is an intriguing question to ask whether consultancies tend to become active in a particular group of countries, i.e., whether countries group into distinct clusters with particular characteristics. In order to answer this question we drew on cluster analysis because this statistical procedure helps to classify items according to their similarity or dissimilarity – i.e., in our case

on the basis of whether the various countries were nominated or not nominated concomitantly. For our purposes we opted for a similarity measure (here, Jaccard's measure) in order to determine whether consultancies tend to follow similar choices when deciding in which countries they become engaged. It is noteworthy to highlight, though, that different clustering measures produced similar clusters, which is considered generally as a sign for the robustness of the clusters unveiled. The following computations considered all countries in which consultancies have either a proper bureau or cooperate with local partners. Separate calculations for each of the two items did not produce significantly different clusters, thus allowing us to take a summative picture of the patterns guiding the choice of countries.

Following the statistical procedure we generated the dendrogram in Figure 9 and the corresponding statistical measures of appendix 2. Both graphs reconstruct the process by which individual countries are assembled into different groups – from small clusters with very similar cases to an all-encompassing and thus very heterogeneous cluster.

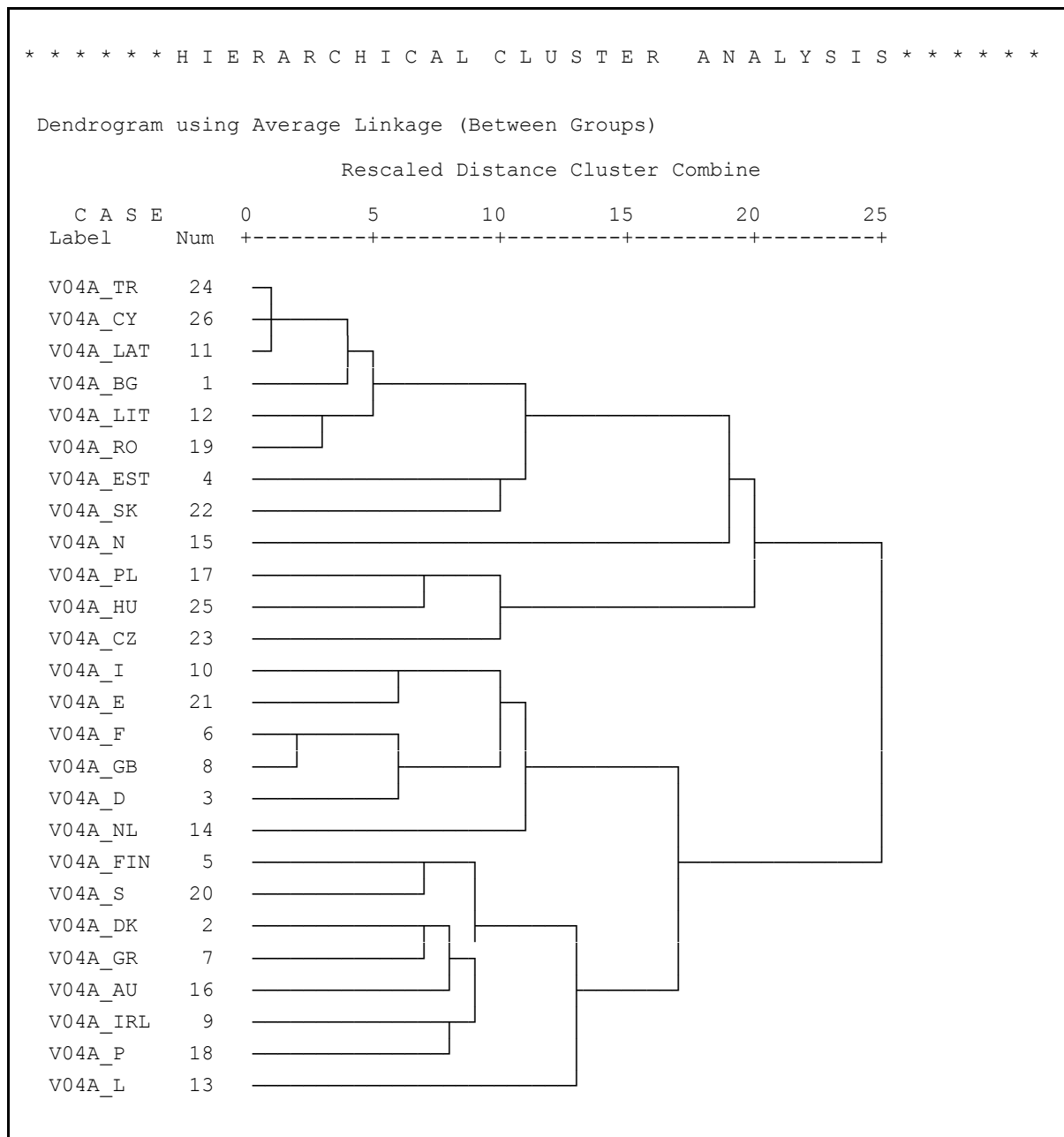


Figure 9

In view of both statistical measures and interpretive considerations it seems convenient to distinguish between five clusters⁷ – one of which consists merely of one country (i.e., Norway) and thus will be neglected in the following. The other four clusters can be described as followed:

⁷ As exhibited by the chart in appendix 2, the coefficient measure decreases steadily along the different clustering steps, thus not offering a clear cut indication when best to terminate any further clustering. However, a moderate gap emerges after step 21 (from 0.546 to 0.433), thus indicating that any further clustering would decrease the similarity coefficient (and the homogeneity within the newly generated cluster) in a significant manner.

- The first group consists of the ‘core’ Western European countries: France and Great Britain as the most frequently named ‘pair’, Germany with strong alliances to this couple, moreover Italy and Spain as a second important pair, finally the Netherlands. Here, we are dealing with countries that have been part of the European integration process from its beginning or belong to the more influential ‘newcomers’ (i.e., Spain), having in both cases shaped the EC/EU in a decisive manner. This cluster represents 48.8% of all nominations, i.e., every second consultancy has a branch or local partner in this cluster of ‘favourites’.
- The second group exhibits a less clear structure because it gathers ‘older’ and ‘younger’ member states across different geo-political and cultural areas. The only common trait is a rather negative one, i.e., this cluster is made up of the ‘peripheral’ Western European countries. On the one hand, this refers to older member states with a smaller weight within the EC/EU (Greece, Portugal, Ireland), on the other to ‘younger’ member states (Sweden, Finland, Austria) which are generating a more influential position but have not yet become part of the corporate profile of European consultancies. In certain respects, Luxembourg plays an intermediate role between this and the former cluster, possibly because it is the seat of the European Investment Bank. This cluster makes up 30.6% all of countries named, i.e., every third consultancy is represented herein.
- The third cluster assembles ‘core’ Eastern European countries awaiting membership to the EU: Poland, Hungary and the Czech Republic. This small group comprises those states, which are already negotiating their membership, and which will probably join the EU next. This group of countries collects 8.3% all of nominations.
- The fourth and final group consists of the ‘peripheral’ Eastern European countries. This cluster is even more heterogeneous than the ‘peripheral’ Western European cluster. Hence, the many differences between Baltic, Slavic or Mediterranean countries dissolve in view of one common denominator: the one of joining the queue of those countries awaiting membership to the EU without a definite perspective or time table for the future. This final cluster represents 9.9% of all countries named.

The above sketched clusters point to a number of patterns or factors, which can be ranked as follows. Obviously, the primary factor determining whether a country is part of a portfolio, is the presumed importance of this nation state within the EU. A second factor partly associated with the above indicated one is related to the status of the respective country. Here, we can distinguish between older and younger members and between member states and candidates awaiting membership. A third factor is the geo-political and/or cultural region. For instance, the clusters unveil a clear east-west divide. However, this factor might also be a mere reflection of the above mentioned variables (weight and status of the different countries). This doubt is confirmed when looking at the internal structure within the different groups: geo-political or cultural divisions are perceivable only in a minority of cases, for instance, when Spain and Italy join a ‘Romanic family’ and Sweden and Finland assemble into a Scandinavian ‘family’. These ‘families’, however, are far from encompassing all their members. Moreover, all other possible ‘families’ (Slavic, Baltic, Germanic, etc.) disjoin in view of the above mentioned dominant factors. However, if one takes a look at the individual consultancies, one still percei-

ves a tendency to combine kindred countries (e.g., France, Italy and Spain, or Norway, Sweden and Denmark), and this strategy is particularly opportune amongst companies with more than a handful of national bureaux.

These different clusters instigate further questions. How are these clusters related to each another? Do they stand for different corporate strategies, in the sense that distinct ‘communities’ of consultancies are present in different sets of countries? Or are there, instead, cumulative effects between the clusters? The findings of our research tend to confirm the latter assumption: the more national branches or local partners consultancies have, the more does the range of countries expand from the first until the fourth cluster. That is, smaller consultancies tend to concentrate on the ‘core’ Western European countries, bigger ones add the ‘peripheral’ and ‘core’ Eastern European countries, while the few multinational companies are amongst those expanding their area of operation towards the remaining European nations. This picture is validated when considering only those consultancies with one national office or local partner other than the Belgian establishments: we notice that they are present only in countries from the first cluster, i.e., 39.1% are active merely in Great Britain, 21.7% in Germany, 17.4% in France, 4.3% in Italy, Spain and the Netherlands, and 8.7% in Luxembourg.

The cumulative order is best validated, however, when comparing the average number of national offices according to the type of clusters indicated: companies being represented in the first cluster of countries are active in an average of 8.1 countries, and this average increases when we move to cluster two (11.0), three (13.3) and four (15.8). Moreover, when we consider the number of staff employed by these consultancies, a similar relation becomes apparent, i.e., the closer we move to cluster 4, the bigger the company is in terms of staff: companies operating in the core Western European countries are relatively small and have an average staff of 24.9, while this number increases in regard to clusters two (29.0 members), three and four (43.7 and 37.3 employees). That is, smaller companies concentrate on the ‘really important’ countries, while the bigger ones can ‘afford’ to expand their area of operation towards the other countries as well.

These numbers suggest that European consultancies make up a well established market with strong ties to the few old and ‘strong’ member states; and these corporations tends to expand from there towards the other groups of countries via mergers or enlarging enterprises. This feature might be explained by historical reasons because the European consultancy market was build up by Western European companies from the leading nation states, which then have tended to expand towards the other countries as the enlargement of the EC/EU advanced. For many companies, this expansion towards an increasing number of countries (both member states and nations awaiting membership) might be a necessity in order to provide their clients with a voice in those capitals with powers to influence the course of European integration at large, of European policies in particular. This expansive strategy, however, is not the only possible choice to be perceived. In fact, the data proposes a number of different corporate strategies as to the geographical area of operation. We suggest a distinction between four different alternatives, each of them representing a certain segment of the market:

- First, there are those companies that tend to combine a Belgian office with a representation in one of the leading Western European countries (e.g., Great Britain *or* France *or*

Germany). We estimate that these cases, which were portrayed above, make up about 11.5% of all consultancies. They could be termed “national specialists”;

- Second, we can identify those consultancies with a medium-sized area of operation (2 - 11 countries) and that tend to concentrate on the ‘core’ Western European countries – the bigger ones adding some of the ‘peripheral’ Western European and/or the ‘core’ Eastern European countries. Here, we are dealing with what could be called “mainstream consultancies”, which make up roughly about 57.7% of all companies;
- Third, there are those enterprises that cumulate or complement several clusters in order to provide their clients a wide range of European countries (i.e., 12 to 20 nations). These companies could be termed the “wholesalers” and comprise about 23.8%;
- Finally, there are those corporations that opt to specialize primarily on less favoured countries (clusters 4, 3, and 2). They make up about 7% of the market and could be termed the “niche suppliers”.

4.4. Consultancies and their customers

A further goal of our survey was to generate findings on the clients professional consultancies work for. Respondents were asked to characterize their principal clients in regard to the type, level of action, and country of origin. Responses were ranked from the first most important to the fourth least important item, thus providing us with information on the order of clients and their characteristics.

4.4.1. The different types of clients

Our questionnaire proposed an open list of possible responses, including trade associations, individual companies, non-governmental associations and government institutions. Most respondents used this categorization, while only some consultancies added further categories (i.e., individual persons, distinctions between governmental and EU-institutions). To gain a first glimpse into the data it seems advisable to ask for the importance of the different types of clients independently from their ranking. Table 5 summarizes these findings by counting how many consultancies named the various clients, be that in first, second, third or fourth position. The numbers confirm that individual companies play the leading role amongst customers, with almost every consultancy naming this type of customer. Furthermore, more than half of the consultancies work for government institutions, and a quite interesting finding is that every second consultancy indicates to deliver services to a trade association – i.e., trade associations do rely on commercial services when representing the interests of their memberships. Finally, every fourth consultancy indicates to work for non-governmental organizations, although we cannot distinguish, whether NGOs have cultural, sportive, economic or political missions.

Table 5
Customers

(in % of consultancies naming a client – multiple answers)

	trade association		company		NGOs		government	
PR consultants	40.0%	(4) ^a	100.0%	(10)	30.0%	(3)	50.0%	(10)
Political consultants	63.8%	(44)	92.8%	(64)	24.6%	(17)	58.0%	(40)
Law firms	52.6%	(61)	99.1%	(115)	18.1%	(21)	56.9%	(66)
E&M consultants	23.3%	(7)	100.0%	(30)	40.0%	(12)	73.3%	(22)
All consultancies	51.6%	(116)	97.3%	(219)	23.6%	(53)	59.1%	(133)

^a total number of consultancies naming a client

When we differentiate these findings according to the type of consultancies involved, we do not perceive any significant variance when considering individual companies as customers. However, variations emerge when looking at the other clients. Amongst political consultancies, for instance, there is a higher proportion of companies servicing trade associations – with two out of three agencies naming this kind of customer. This is true for law firms as well, although, here, only every other company names this type of client. These findings confirm the above indicated cooperation between commercial consultants and trade associations. E&M consultants, on their part, are significantly more often involved with government institutions and NGOs, while PR consultants are above average only when NGOs are concerned.

The differing weight of the various customers is underlined when taking the ranking between them into account: most respondents named individual companies first (84.3% of all consultancies, N=229), trade associations and government institutions second (40.7% and 34.4.% respectively, N=189), and government institutions and NGOs third (39.8% and 31.5% respectively, N=108).⁸ It is to be noted that the number of consultancies naming a second, third or fourth customer decreases considerably (i.e., from N=229 until N=21). These numbers suggest that the consultancy sector differentiates itself into a group of agencies with a limited range of customers (i.e., primarily economic corporations), and a segment of consultants servicing a greater variety of clients. Indeed, about half of the consultancies work for one or two types of clients (17.5% and 35.8% respectively), while the other half names three or four of

⁸ The above sketched differences between the four types of consultancies are reproduced when considering the ranking or order of clients. Amongst political consultants, for instance, 17.4% named trade associations as their most important customers, while only 7% of all consultancies indicated this client first. Conversely, political consultancies are above average in regard to individual companies (71% versus 84.3%). Moreover, E&M consultants name government institutions more often as their most important customer (12.9% versus 5.2% of all consultancies) and as the second most important client (48% versus 34.4.%).

them (37.6% and 9.2%). Hence, the market is divided according to the degree of specialization and/or variety of customers.⁹

Our questionnaire was geared to unveiling a second feature of the customers, namely whether we are dealing primarily with international/non-European, European, national or local actors. Respondents were asked to indicate which categories apply mostly and to rank them accordingly. When we look at these responses independently of their ranking, we perceive that international customers play the most decisive role by far: i.e., 86.1% name European clients and 70.9% international/non-European customers, while merely 40.2% indicate national and 22.9% local clients. These findings do not vary significantly when distinguishing amongst the various consultancies analysed: law firms service slightly more often non-European clients (74.8 versus 70.9% of all consultancies), political consultancies are somewhat more active amongst European customers (89.6% versus 86.1%), PR agencies work more for national clients (70% versus 50.2%), and E&M consultants serve more often European and local customers (90.3% versus 86.1%, and 45.2% versus 22.9%). Also, the ranking amongst these responses confirms roughly the first insight: consultancies tend to name European clients first (52% of all consultancies, N=223), international/non-European and European customers second (38.4% and 36.8%, N=185), and national, as well as non-European and local ones third (42.6%, 28.7% and 20.2% respectively, N=94). Hence, we have a supremacy of international clients, while national and local customers tend to be regarded as secondary in their importance and weight.

It is to be noted, however, that respondents might have indicated ‘international/non-European’ and ‘European clients’ in order to refer in a summative form to clients from individual nations. This would explain the discrepancy between the relatively low percentage of respondents naming national customers on the one hand, and the considerable number of consultants naming European and non-European countries when asked for the national provenience of their clients – an item of our questionnaire that will be analysed in the following chapter. However, we assume that these ‘non-European’ and ‘European’ customers will have an international scope of action (in the former case, they would not be involved so numerously in European public affairs otherwise). From this point of view, the first two categories would be necessarily ‘mixed’ ones, i.e., used by the respondents in order to refer to international organizations with a clear national provenience and root.

4.4.2. The customers’ countries of origin

This observation leads us to the final item of our questionnaire, which asked consultants to name their clients’ countries of origin – as far as the nationality or regional provenance applied at all. Consultancies could name countries or regions as they saw fit, however, they were asked to rank them according to their importance. To give a broad overview of all the responses we first summarize how often countries were mentioned irrespective of their position. The findings

⁹ Unfortunately, our survey does not provide enough data to explain these differences. We can only point to two factors of some relevance. On the one hand, the degree of specialization or variety seems to depend partly on the type of consultancy we are dealing with: political consultants name more often three different types of clients (43.5% versus 37.6% amongst all consultancies), while PR consultants more often indicate two of them (60% in comparison with 35.8%). On the other hand, there is a causal relationship between the size of consultancies and the number of different types of clients, i.e., bigger companies tend to be less specialized in this regard.

demonstrate that most customers come from a couple of countries only (see appendix 3). In fact, two-thirds of all responses (65.1%) refer to either the USA, Great Britain, Belgium, Germany or France. These numbers expose the strong involvement of the USA in European public affairs, and once again confirm the protagonism of a small community of core Western European countries – not to forget the many Belgian organizations (presumably EU institutions, trade associations and the like) with a substantial interest in European policy-making. All other countries play a minor, even minimal role: 23.9% of all responses refer to the other thirteen Western European countries, 1% to a handful of Eastern European nations, and 5.8% to Asian states.

This picture does not alter a lot when considering the ranking amongst the various countries named. Great Britain and the USA are mentioned mainly in first or second place, Belgium in second or third, and Germany and France in fourth or fifth position.¹⁰ More interesting than this ranking is the fact that consultancies indicate merely an average of 2.5 countries. That is, consultancies do not tend to diversify their portfolio in regard to various national or regional markets. Moreover, even every fourth consultancy indicates to have clients from one country or region only.¹¹ In these cases, the list of countries mentioned is a little more varied,¹² thus suggesting that we are also dealing here with “national specialists” and “niche providers”, who offer services to a particular, national market alone.

In view of these findings we see that customers from the above stated ‘top five’ countries are particularly prone to contract professional consultancies and thus actively engaged in European public matters. As demonstrated by Table 6, almost every other consultancy has an Anglo-Saxon customer, and every fourth company has a German or French client – leaving aside for a moment the Belgian clients, presumably many Brussels-based institutions and associations. This sharp contrast between strongly committed and less active countries is complemented by some differences between the ‘top five’. On the one hand, it remains important to notice that customers from the Anglo-Saxon countries use the services of professional consultancies far more often than Germany and France, and this fact was already attributed to the political culture of the former nations, which encourages stakeholders to engage into public affairs via commercial agencies. On the other hand, we can observe that customers from these

¹⁰ When we compile the figures in more detail, we arrive at the following ranking (numbers indicate the proportion of consultancies naming this country – please note the decreasing total number of respondents):

1. Position: GB (22.4%), USA (20.0%), B (16.6%), D (8.8%), EU (6.8%), NL (3.4%), F (2.4%) (N=205)
2. Position: USA (19.6%), GB (17.0%), B (10.5%), F (9.8%), EU (7.2%), D (5.9%) (N=153)
3. Position: USA (17.8%), B (15.9%), F (12.1%), GB (10.3%), D (7.5%), EU (3.2%) (N=107)
4. Position: GB (18.8%), D (15.6%), F (6.3%), Asia and Japan (both 9.4%), USA (6.3%) (N=22).

¹¹ To be more specific: 25,4% of all consultancies mention merely one country, 22,4% two, 36,6% three, 11,7% four and merely 3,9% name five countries.

¹² Belgium is named by 9 of these consultancies, followed by Great Britain (8), the USA (6), the EU (5), Germany (4), Spain (3), Italy (2), and France, the Netherlands and Norway (1). 11 consultancies claim to have clients from varying countries.

countries tend to have different preferences in regard to the services used: in relative terms, more political consultancies than law firms say to have US-American and British clients, whereas the contrary is true for Germany and France, where proportionally more law firms claim to provide services to clients from these countries. In other words: while there are already less German and French clients requesting legal services, this discrepancy as against the Anglo-Saxon nations increases remarkably when considering political consultancies, PR and E&M agencies. Again this seems to point to the different political cultures in place. Anglo-Saxon nations are used to public affairs and are more inclined towards overt political consultancy and lobbying. French and German political culture, instead, tends to discourage commercial consultancy altogether, but political consultancies in particular. At the same time, though, the etatist and/or legalistic orientation of these countries seems to encourage the use of legal advice insofar as it very often regards public policies and affairs as a legal matter.

Table 6
Country of origin of clients (selection)

(in % of consultancies naming the country – multiple answers)

	USA	Great Britain	Belgium	Germany	France
PR consultants	30.0% (13) ^a	50.0% (5)	60.0% (6)	0.0% (0)	10.0% (1)
Political consultants	51.6% (32)	45.2% (28)	25,8% (16)	16.1% (10)	17.7% (11)
Law firms	44.8% (47)	44.8% (47)	33,3% (35)	23,8% (25)	21.9% (23)
E&M consultants	39.3% (11)	39.3% (11)	35,7% (10)	17.9% (5)	10.7% (3)
All consultancies	45.4% (93)	44.4% (91)	32.7% (67)	19.5% (40)	18.5% (38)

^a total number of consultancies having a client from this country

This latter observation leads us to a similar question raised before: namely whether the countries are mentioned in groups or packages, in the sense that consultancies might tend to service clients with a particular territorial and/or cultural background as a means of specializing their services. Again, we ran cluster analysis in order to detect whether the nomination of countries assemble into distinct groups or clusters. In accordance with the data of this item, however, we opted to omit certain countries that were rarely mentioned and chose a different statistical measure more in tune with the structure of the data.¹³ Figure 10 reproduces the

¹³ In difference to the data on national offices and local partners, where every country could assemble at least a dozen responses, the material of this second item discriminates much more between the favourite countries and the seldomly mentioned cases. Here, we had a number of countries with only one or two nominations. On the one hand, we opted to disregard those countries being mentioned only once, twice or three times in order to reduce the number of ‘empty cells’. On the other hand, we opted for a different coefficient measure more in tune with the structure of the data. Indeed, Jaccard’s measure takes those pairs, in which both countries were named, and subtracts them by the sum of those pairs, in which each country was named at least once – disregarding those pairs, in which no country was named. Hence, the primary focus is on coinciding ‘positive’ responses. In the item to be

dendrogram developed by this clustering procedure (see appendix 4 for the detailed statistical measures). In view of the statistical material it seems adequate to abort the clustering process after step number 12 (see appendix 4), and before clusters are further combined at level 20 (see dendrogram, Figure 10).

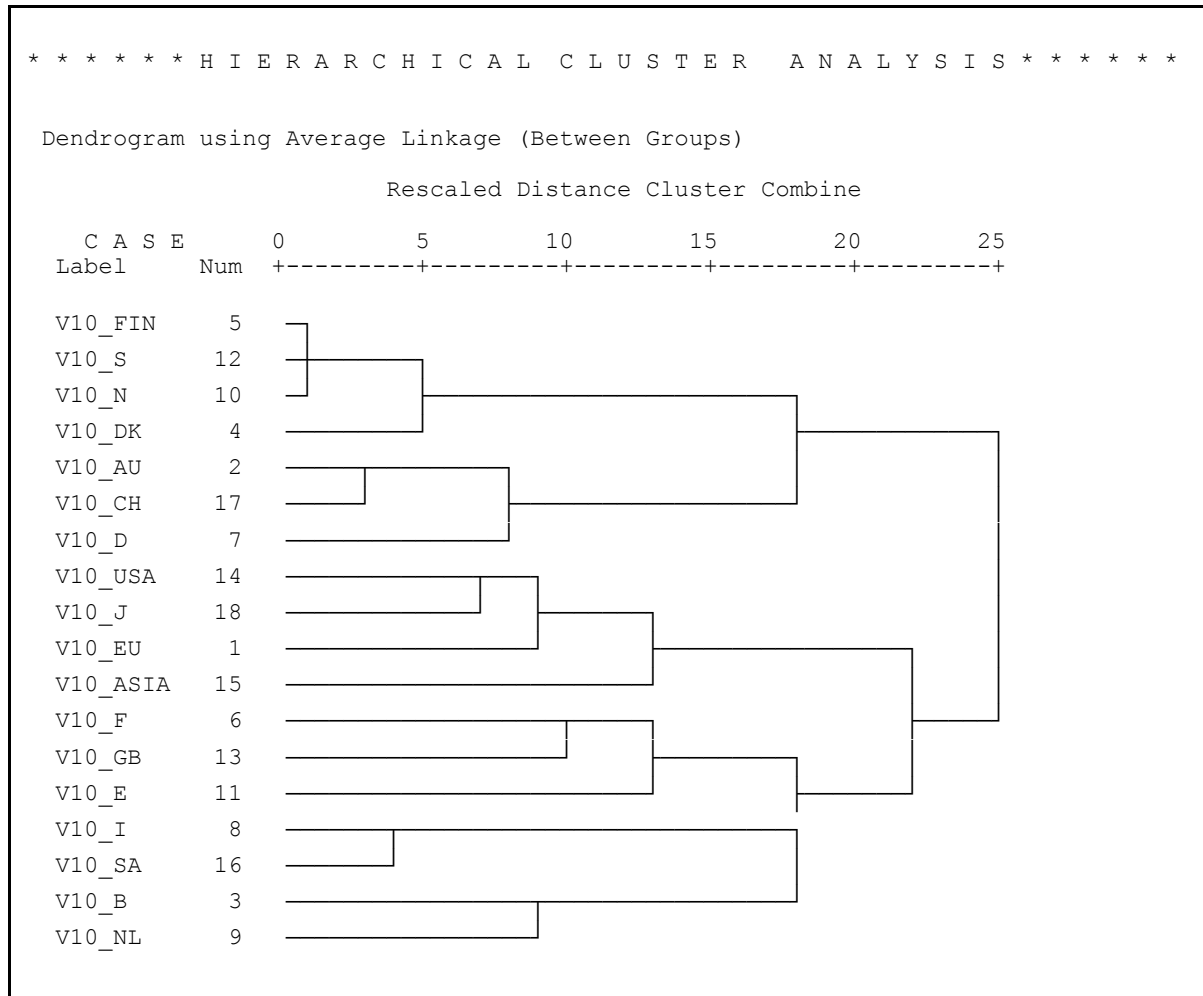


Figure 10

This decision is not only justified by the statistical measures, but makes also most sense in regard to interpretive considerations: this way, clustering leaves us with six distinct groups, which can be identified as specific geo-political and/or cultural regions:

- a Scandinavia region with Finland, Sweden, Norway and Denmark (4,2% of all responses);
- a German and central European region with Austria, Germany and Switzerland (10.1%);

analyzed here, though, this applies only to a number of ‘favourite’ countries. Yule-Y’s measure controls this discrepancy better because it calculates the relation between the two diagonals of the cross-table thus producing a value for each pair of countries that considers nominations and non-nominations alike.

- a group of international economic powers or regions, i.e., USA, Europe, Japan, and Asia (31.3%);
- a cluster of weighty member-states: Great Britain and France, finally Spain (28.1%);
- a small pair consisting of Italy and South America (3%);
- and finally a Benelux-region with Belgium and the Netherlands (17.3).

These clusters seem to be interrelated differently, when comparing them with the first cluster analysis. In the case of national offices and local partners we argued that the different group of countries were linked in a cumulative order, i.e., consultancies tended to combine them, particularly when bigger companies were concerned. In the case of the clients, however, this interrelation does not seem to be valid at all. Companies do not combine these groups, rather they tend to restrict themselves to one of them. In fact, we cannot perceive that bigger consultancies have clients from several clusters, while the smaller ones refrain to one of them. On the contrary, further computations demonstrate that individual companies tend to cumulate clients *within* one cluster rather than affiliating customers from different clusters. A proof of this impression is provided by the correlation between the different clusters summarized in Table 7 and 8. In the case of national branches and local partners, a look at Table 7 demonstrates that all these clusters are interrelated positively, i.e., the fact that consultancies are active in one group of countries makes it very probable that they are active in the other ones as well. Particularly the two clusters of Western European and the two groups of Eastern European countries correlate in a highly significant manner.

Table 7
Country of operation

(correlation matrix – Pearson coefficient, N=230)

	Cluster 1	Cluster 2	Cluster 3	Cluster 4
Cluster 1 (core Western-European countries)	1.000	.684**	.317**	.316**
Cluster 2 (peripheral Western-Europ. countries)		1.000	.415**	.513**
Cluster 3 (core Eastern-European countries)			1.000	.639**
Cluster 4 (peripheral Eastern-Europ. countries)				1.000

** significant on a level of 0.01 (two-sided)

A different picture is provided by Table 8, which assembles the correlations between the clusters of countries customers come from. Here, most clusters do not uncover any significant correlations. The few significant measures, moreover, have a negative valence, that is, a consultancy that has clients from one group of countries will probably have no customers from the other groups. This is particularly the case for the three dominant clusters: having a client from one of the international economic powers or regions excludes to a certain extent having a client from the core European nations (particularly the Benelux countries, but also France, Great

Britain and Spain, as well as Germany, Austria and Switzerland). These figures point to a clear division between international/non-European customers on the one hand, and clients from individual European nations on the other.

Table 8
Customers' countries of provenance
(correlation matrix – Pearson coefficient, N=205)

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	Cluster 6
Cluster 1 (Scandinavian)	1.000	.059	-.103	-.037	-.057	-.162*
Cluster 2 (Germanic)		1.000	-.145*	.085	-.088	-.010
Cluster 3 (economic regions)			1.000	-.170*	-.106	-.234**
Cluster 4 (core countries)				1.000	.014	-.057
Cluster 5 (Italy, South America)					1.000	.017
Cluster 6 (Benelux)						1.000

* significant on the level of 0.05 (two-sided)

** significant on the level of 0.01 (two-sided)

With these findings in mind we move to the final question asking as to whether particular clients tend to be served by companies with a number of similar features, as, for instance, size and area of operation. That is, do clients from different countries choose a different type of consultancy? To this end, we have compared means, i.e., we have computed the average number of staff members (as an indicator of a company's size) and the average number of countries they are engaged in (as an indicator of the operative scope of action) for each of the customers' countries of origin. Table 9 summarizes these findings, which reproduce a picture similar to that portrayed by previous data. In fact, clients from different countries are serviced by different consultancies.

Table 9
Which companies work for which type of clients?

Clients come from	Companies' profile	
	staff members (mean)	branches or partners (mean)*
Poland	3.0	0.0
Estonia	2.0	3.0
Denmark	3.8	3.8
Sweden	3.5	5.5
Norway	4.0	3.2
Finland	5.0	5.8
Ireland	3.5	4.0
Greece	3.0	0.0
Portugal	4.0	12.0
Italy	6.6	6.4
Spain	9.7	7.8
Switzerland	14.7	8.2
Japan	14.2	5.7
EU	18.8	8.3
Austria	15.8	13.0
Luxembourg	19.0	4.0
Germany	20.8	7.2
France	21.2	6.4
Asia	23.8	7.3
USA	25.5	7.1
Belgium	29.3	6.7
Netherlands	62.4	7.6

* other than Belgian office (i.e., "0.0" means: Belgian office only)

First, the few Eastern European, the Scandinavian and some Mediterranean clients are associated with rather small companies. Second, customers from Italy and Spain are placed at an intermediate position, because the appointed companies are a little bigger. Finally, we have clients from the 'core' European countries and from important non-European regions or countries that are served by rather big consultancies, although this observation is true particularly for the number of staff members, and less for the number of national branches or local partners. These numbers suggest that the consultancy market is still segregated into a group of big, transnational corporations servicing customers from the 'core' countries on the one hand, and a group of smaller, specialized suppliers or 'niche providers', which focus on clients from 'peripheral' countries on the other hand. In this regard, the earlier observed intergration and concentration of the consultancy business seems to be particularly true for the important national

markets, disaggregating thus into a much more fragmented field in regard to the other, ‘peripheral’ European markets.

5. Conclusions

The European consultancy market has undergone some changes during the last two decades. This general observation was charged with hopes amongst those being part of the business, as well as worries being voiced by the European institutions themselves. In fact, the late 1980s and early 1990s brought a lively public debate on interest groups and lobbying, particularly pronounced in regard to commercial consultancies, which were in part seen as a protagonist or an illustration of the advantages and disadvantages of professional lobbying. Particularly in view of the strong growth of the sector accompanying the advent of the single European market, there was an apparent uneasiness as to an overcrowding of European institutions with lobbyists, an increasing fragmentation and competitiveness amongst the many interest groups and consultancies, and finally the risk of promoting ‘hidden politics’ above and beyond the established routines of consultation and decision-making procedures (Pfeifer, 1995: 43; van Schendelen, 1993a). In the meantime, institutions and consultants have returned to ‘business as usual’, not without engaging in an adaptation to the new situation: here, we can refer to the European Parliament’s code of conduct, as well as to the attempts of the sector to engage into an autonomous organization and control of the profession through common professional associations, rules and codes (e.g., the Confédération Européenne des Relations Publiques, the Institute of Public Relations and the Association Belge des Conseils en Relations Publiques and their codes of conduct), although these attempts are restricted to specific occupations (e.g., public relations or law firms) and do not extend to the consultancy sector as such (Lahusen & Jauß, 2001).

This new easiness might be attributed to the fact that developments within the consultancy market have been far less pronounced and turmoiled than expected. Our own survey underlines this observation quite clearly, when considering the five comprehensive questions this study attempts to answer. First, our data produced some evidence in support of the argument of an accelerated growth of interest intermediation and consultancy in the late 1980s. It demonstrated that a number of consultancies opened European offices, particularly in the aftermath of the Single European Act and in anticipation of the approaching single European market. However, the pace of this growth has slowed down strongly since the early 1990s, without coming to a halt though. These five years of accelerated growth are, therefore, not a mere episode leading towards a saturated, possibly even shrinking market. Rather, the growth is slower, yet still apparent, suggesting that commercial consultancies will be a part of the European polity that should be taken into serious consideration. As we saw, this growth was particularly pronounced amongst law firms, and to a lesser degree amongst political consultancies. However, in regard to personnel and finances, the predominance of law firms (and secondly E&M consultancies) is out of question, thus indicating a strong legalistic orientation of European public affairs.

Second, some of our findings suggested a stronger institutionalization and professionalization of the consultancy market. On the one hand, the slow but steady growth process just outlined suggests that commercial consultancy has been successfully established as an appealing and legitimate option at EU level. On the other hand, we have noticed that consultancies still

service predominantly individual companies, yet have successfully expanded their range of customers in other areas as well. In fact, a considerable number of consultancies referred to government institutions, NGOs and trade associations as important customers. Consultancies have become an important provider of skills and services above and before the specific interest to be represented. These observations might be indicative of a new climate conducive to commercial consultants and a further institutionalization and professionalization of services and skills offered.

Third, is this development determining an international reorganization and restructuring of the market as well? That is, are we observing a gradual integration and concentration of the consultancy market, both in regard to companies, their clients and (national) markets? Our survey was aimed at generating some representative data on these items. First, we illustrated that the fragmentation of the market into distinct (national, issue- or service-related) segments is decreasing, and thus replaced by a gradual integration and concentration, which is particularly pronounced amongst economic & management (E&M) consultants and, to a lesser degree, Public Relations. However, while there is a moderate tendency amongst law firms to merge into transnational companies, this is not true for the entire segment, nor is it for political consultants. Here, the picture of a more strongly fragmented market is still valid, and is particularly apparent amongst the many smaller companies in terms of their staff, annual turnover and geographical area of operation. In this segment of the market, the picture of a more fragmented field with a stronger emphasis on personalized skills, contacts and working relations is still true, even if this does not apply to all political consultants. It remains to be seen whether these bigger companies will take a lead in the further integration and concentration of this market segment as well.

Fourth, what choices are made in regard to the specific geographical area of operation? That is, in which countries do consultants opt to be active? Our survey suggests a dominant and a minoritarian strategy. The first one is oriented towards being present in a number of really important member states – bigger companies being active in more countries than smaller ones. The second strategy is geared towards specializing on a particular nation state, both in the sense of recruiting clients from this country and of focusing consultancy work (e.g., monitoring, legal advice or lobbying) on it. This picture shifts, however, when customers are concerned. Here, the specialization on individual national markets seems to be the dominant strategy, while reserving a multinational panel of clients for the small community of transnational corporations. Hence, while there is an expansive tendency in regard to the consultancies' area of operation (in regard to the number of national branches and local partners), there is, at the same time, a much more restricted focus on national markets (in regard to customers and their provenance). These contradictory observations, however, fit quite nicely into an overarching corporate strategy that dominates European public affairs quite clearly: consultancies tend to enlarge their geographical area of operation in terms of national branches and/or local partners merely as a means of providing their clients from a very small number of countries with a large portfolio of services or branches and thus with a higher probability of effectively furthering their interests throughout the (important) European capitals. In many cases this development seems to be a necessity for safeguarding the corporate's comparative advantage in view of an EU, in which a greater number of member states will have a say, and in which a changed decision-making process will

presumably engender more bargaining and consensus formation among an increasing number of interested parties.

This latter observation raises questions about the state of the art of European integration in the realm of interest intermediation and consultancy. Against the backdrop of a pronounced concentration and integration of European consultancy services above and beyond individual national markets our data seems to suggest that national markets and policy styles or political cultures are still prevalent on the European level. This is apparent when considering the country of origin of consultancies and clients. In fact, the professionalization and institutionalization of public affairs and lobbying is particularly advanced in the Anglo-Saxon world, Great Britain and the USA, entailing both a higher level of professionalism in regard to skills, tools and services, and a higher level of acceptance and legitimacy of this form of interest intermediation and organizational support. This observation applies particularly to law firms, because the policy style of the USA and Great Britain, but of Germany and France too, has a legalistic turn, meaning that policy matters are articulated and processed preferably in terms of legislative debates, administrative proceedings and court litigation, which involves a greater dependency on legal expertise and advice.

The European consultancy market is thus still fragmented along national frontiers, unveiling a predominance of a couple of countries (i.e., Great Britain, Germany and France, Italy, Spain and the Netherlands). This predominance partly mirrors the weight of the related national 'markets' – that is, there are many more clients from these countries that use consultancies in order to support their issues and carry their concerns to Europe and, finally, have less mistrust to use this form of interest intermediation. At the same time, there are many more clients that wish to follow and/or influence policy-making in these 'core' countries as well. Commercial consultancies thus establish their firm position within the European polity on the ground of a limited number of 'core' countries, including the other European countries either as specialized 'niches' or as supplementary establishments of a broader corporate portfolio and a more effective consultancy work

It is perceivable, though, that the integration process under way in particular segments of the sector will continue to prevail, particularly when considering the enlargement of the EU and its internal reform, which will instigate a wider scope of action amongst European consultancies and a stronger integration of the companies and national markets involved in order to effectively monitor and influence the increasingly complex policy-process. However, the moderate progress made in this regard seems to demonstrate a latent 'clash of cultures' between those countries strongly engaged into using and furthering professional consultancy on the one side, and those countries relying rather on other (institutional) means of counsel and interest intermediation on the other. A more integrated market, which amalgamates different forms of interest intermediation is seemingly under way, yet far from reaching a level at which it would be justified to speak of a new and changed situation.

Appendix

Appendix 1: National branches or partners (Multiple Answers)

Group \$BRANCH National branches
(Value tabulated = 1)

Dichotomy label	Name	Count	Pct of Responses	Pct of Cases
Bulgaria	V04_BG	10	1.3	6.5
Denmark	V04_DK	25	3.2	16.3
Germany	V04_D	68	8.7	44.4
Estonia	V04_EST	10	1.3	6.5
Finland	V04_FIN	27	3.4	17.6
France	V04_F	78	9.9	51.0
Greece	V04_GR	22	2.8	14.4
Great Britain	V04_GB	102	13.0	66.7
Ireland	V04_IRL	21	2.7	13.7
Italy	V04_I	44	5.6	28.8
Latvia	V04_LAT	7	.9	4.6
Lithuania	V04_LIT	9	1.1	5.9
Luxembourg	V04_L	20	2.5	13.1
Netherlands	V04_NL	48	6.1	31.4
Norway	V04_N	23	2.9	15.0
Austria	V04_AU	26	3.3	17.0
Poland	V04_PL	32	4.1	20.9
Portugal	V04_P	29	3.7	19.0
Romania	V04_RO	11	1.4	7.2
Sweden	V04_S	34	4.3	22.2
Spain	V04_E	51	6.5	33.3
Slovakia	V04_SK	12	1.5	7.8
Czech Republic	V04_CZ	32	4.1	20.9
Turkey	V04_TR	8	1.0	5.2
Hungary	V04_HU	28	3.6	18.3
Cyprus	V04_CY	8	1.0	5.2
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	Total responses	785	100.0	513.1

132 missing cases; 153 valid cases

Group \$PARTNER local partners
(Value tabulated = 1)

Dichotomy label	Name	Count	Pct of Responses	Pct of Cases
Belgium	V05_B	59	5.0	34.9
Bulgaria	V05_BG	12	1.0	7.1
Denmark	V05_DK	43	3.7	25.4
Germany	V05_D	99	8.5	58.6
Estonia	V05_EST	17	1.5	10.1
Finland	V05_FIN	43	3.7	25.4
France	V05_F	111	9.5	65.7
Greece	V05_GR	39	3.3	23.1
Great Britain	V05_GB	108	9.2	63.9
Ireland	V05_IRL	48	4.1	28.4
Italy	V05_I	83	7.1	49.1
Latvia	V05_LAT	13	1.1	7.7
Lithuania	V05_LIT	13	1.1	7.7
Luxembourg	V05_L	45	3.8	26.6
Netherlands	V05_NL	74	6.3	43.8
Norway	V05_N	22	1.9	13.0
Austria	V05_AU	40	3.4	23.7
Poland	V05_PL	29	2.5	17.2
Portugal	V05_P	44	3.8	26.0
Romania	V05_RO	14	1.2	8.3
Sweden	V05_S	53	4.5	31.4
Spain	V05_E	78	6.7	46.2
Slovakia	V05_SK	17	1.5	10.1
Czech Republic	V05_CZ	21	1.8	12.4
Turkey	V05_TR	11	.9	6.5
Hungary	V05_HU	22	1.9	13.0
Cyprus	V05_CY	12	1.0	7.1
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	Total responses	1170	100.0	692.3

116 missing cases; 169 valid cases

Appendix 2: National branches or partners (Cluster Analysis)**Considered Cases ^a**

Cases					
valid		missing values		all included	
N	percent	N	percent	N	percent
227	79.6%	58	20.4%	285	100.0%

a Similarity measure according to Jaccard

Overview of the clustering

Steps	Combined Cluster		Coefficient	First Appearance of the Clusters		Next Step
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	24	26	.833	0	0	2
2	11	24	.811	0	1	5
3	6	8	.809	0	0	8
4	12	19	.773	0	0	6
5	1	11	.755	0	2	6
6	1	12	.721	5	4	19
7	10	21	.709	0	0	16
8	3	6	.694	0	3	16
9	17	25	.685	0	0	17
10	5	20	.679	0	0	15
11	2	7	.672	0	0	12
12	2	16	.662	11	0	14
13	9	18	.653	0	0	14
14	2	9	.621	12	13	15
15	2	5	.619	14	10	21
16	3	10	.618	8	7	20
17	17	23	.608	9	0	24
18	4	22	.600	0	0	19
19	1	4	.593	6	18	23
20	3	14	.581	16	0	22
21	2	13	.546	15	0	22
22	2	3	.433	21	20	25
23	1	15	.389	19	0	24
24	1	17	.364	23	17	25
25	1	2	.238	24	22	0

Appendix 3: Country of origin of the clients (Multiple Answers)

Group \$COUNTRY customers' country of origin

Category label	Code	Count	Pct of Responses	Pct of Cases
U.S.A.	29	93	18.4	45.4
Great Britain	15	91	18.0	44.4
Belgium	2	67	13.3	32.7
Germany	6	40	7.9	19.5
France	5	38	7.5	18.5
EU	0	38	7.5	18.5
Netherlands	10	20	4.0	9.8
Japan	37	18	3.6	8.8
Spain	13	13	2.6	6.3
Italy	8	11	2.2	5.4
Asia	31	9	1.8	4.4
Sweden	14	8	1.6	3.9
Switzerland	36	6	1.2	2.9
Norway	11	5	1.0	2.4
Austria	1	5	1.0	2.4
Denmark	3	4	.8	2.0
Finland	4	4	.8	2.0
South America	33	4	.8	2.0
Canada	30	3	.6	1.5
Russia	32	3	.6	1.5
Ireland	7	2	.4	1.0
Luxembourg	9	2	.4	1.0
Korea	38	2	.4	1.0
Portugal	12	1	.2	.5
Greece	16	1	.2	.5
Poland	20	1	.2	.5
Estonia	24	1	.2	.5
others	35	4	.8	2.0
varied	39	11	2.2	5.4
		-----	-----	-----
	Total responses	505	100.0	246.3

80 missing cases; 205 valid cases

Appendix 4: Country of origin of the clients (Cluster Analysis)**Considered Cases^a**

Fälle					
valid		missing values		all included	
N	Percent	N	Percent	N	Percent
205	71.9%	80	28.1%	285	100.0%

a Yule-Y colligation coefficient was used

Overview of the Clustering

Steps	Combined Clusters		Coefficient	First Appearance of the Clusters		Next Step
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	5	12	.831	0	0	2
2	5	10	.775	1	0	5
3	2	17	.702	0	0	7
4	8	16	.644	0	0	13
5	4	5	.586	0	2	14
6	14	18	.451	0	0	8
7	2	7	.403	3	0	14
8	1	14	.343	0	6	11
9	3	9	.306	0	0	13
10	6	13	.263	0	0	12
11	1	15	.118	8	0	16
12	6	11	.088	10	0	15
13	3	8	-.164	9	4	15
14	2	4	-.184	7	5	17
15	3	6	-.217	13	12	16
16	1	3	-.404	11	15	17
17	1	2	-.629	16	14	0

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