

Felix Lowinski

Consulting for Equity

Analysis of an Innovative Compensation Scheme in the Consulting Industry

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The advent of the New Economy introduced a new compensation scheme to the consulting business: Consulting for Equity. By serving new kinds of clients such as high-tech start-ups, which are prospect-rich but earn poor cash-flows, consultants started to share in the business risk of entrepreneurs. While there was great enthusiasm within many consulting firms to participate in the dynamic development of entirely new industries, the new role of consultants as shareholders of their client firms may incur substantial changes in the incentive structure of both the client and the consultant. Accordingly, in applying the principal-agent framework, this dissertation analyzes whether the application of Consulting for Equity enhances the client-consultant relationship by aligning the interests of the client and the consultant. In our theoretical analyses we show that Consulting for Equity can, at least under certain circumstances, improve the client-consultant relationship because it may reduce incentive problems that prevail in fixed or hourly fee arrangements. Moreover, it may also render risk sharing between the client and the consultant more efficient.

In order to complement our theoretical results, we present explorative empirical evidence regarding the outreach and the basic features of Consulting for Equity in the German consulting market. Our results also highlight problems of applying Consulting for Equity in practice.

**With a preface by Prof. Dr. Dirk Schiereck, European Business School (ebs),
Oestrich-Winkel**

Felix Lowinski was born in Dorsten, Germany in 1973. After the completion of a two-year banking training program, he studied economics at the Universities of Oklahoma, Mannheim and Heidelberg, where he took a diploma in Economics in 2001, presenting a thesis on the Corporate Governance of microfinance banks in Eastern Europe. He went on to work as a research assistant at the Institute for Mergers & Acquisitions (IMA), Witten/Herdecke University from 2001 to 2004. In 2005 he received a doctoral degree (Dr. rer. pol.) from the Faculty of Economics and Management at Witten/Herdecke University. Since 2005 he has been working for WestLB AG in Düsseldorf.

Inhaltsübersicht

1. **Introduction**
2. **A Typology of the Client-Consultant Relationship in Management Consulting**
 - 2.1 The Evolution of the Management Consulting Service Sector
 - 2.2 The Market for Consulting Services
 - 2.3 Management Consulting – Definition, Characteristics and Economic Functions
 - 2.4 The Price for Advice in the Client-Consultant Relationship
 - 2.5 Consulting for Equity as a New Outcome-Contingent Compensation Scheme
 - 2.6 Conclusions for the Relationship between Clients and Consultants
3. **The Theoretical Framework of the Principal-Agent Theory**
 - 3.1 A Delineation of the Principal-Agent Theory within the New Institutional Economics
 - 3.2 The Principal-Agent Theory
 - 3.3 The Principal-Agent Model – Adverse Selection and Moral Hazard
 - 3.4 The Applicability of the Principal-Agent Theory to Analyze Consulting for Equity
4. **Consulting for Equity under Adverse Selection and Moral Hazard**
 - 4.1 Information Asymmetries in the Client-Consultant Relationship
 - 4.2 Aligning the Interests of Consultants to those of their Clients
 - 4.3 Hidden Action of the Consultant
 - 4.4 Unobservable Quality of the Consultant
 - 4.5 Consultant Moral Hazard and Unobservable Quality of the Start-up Firm
 - 4.6 Implications for the Applicability of Consulting for Equity under Moral Hazard and Adverse Selection
5. **Consulting for Equity in Germany – Empirical Evidence**
 - 5.1 Overview
 - 5.2 The Design of the Empirical Study
 - 5.3 Empirical Results
 - 5.4 Conclusions
6. **Summary and Outlook**

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