‘More than ‘Managing Across Borders?’
The complex role of face-to-face interaction in globalizing law firms

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Abstract

Economic geographical theories of both firm and regional development have increasingly placed significance on the sociological aspects of business activity. In particular, debates about clustering, embeddedness and relational networks have led to an implicit emphasis on face-to-face interaction as a key factor behind more effective explanation of economic activity in the global economy. However, the nature and role of face-to-face interaction is poorly understood and has not been analysed in depth. Drawing on research into transnationalizing UK-based law firms, this paper seeks to unpack the concept as it proposes a theoretical framework for conceptualising face-to-face interaction in the legal services sector. It argues that despite the globalization of firms in this sector, face-to-face interaction plays a crucial role in shaping both firm and industry success or failure in legal services. It thus argues that this form of economic practice warrants much greater empirical attention in theories of global economic development more generally.

KEYWORDS: ‘face-to-face interaction; globalization; economic practices; transnational law firms; knowledge management’
INTRODUCTION

Debates about the evolution and development of transnational firms have become increasingly concerned with the operational and functional challenges faced by firms in all sectors of the economy as they seek to extend their business activities into more markets across the globe (Morgan et al. 2001; Dicken 2003; Wrigley et al. 2005). Economic geographers, management theorists and business studies commentators have all contributed to a growing debate concerned with the factors shaping the way firms restructure themselves and reorganise working practices in order to become more effective and ultimately more competitive transnational firms (Yeung 2002; Dicken 2004). Much of this discussion has focused both theoretically and empirically on how firms ‘manage across borders’ through organizational structures and knowledge management (Bartlett and Ghoshal 2000; Brown & Duguid 2001; Nonaka and Teece 2001). Yet within this debate, an increasingly significant argument has been that corporate globalization involves a transformation not just of internal organizational structures or informational management and communications systems, but also a wholesale shift in working practices and interpersonal interactions amongst employees within and beyond the boundaries of the firm. Such a realisation has prompted a growing research interest in the social practices and interpersonal interactions between key actors in transnational firms (Wenger 1998; Malmberg 2003), and in particular a debate about how significant face-to-face interactions are in the operation and competitiveness of firms in the global economy (Mackinnon et al. 2002; Gertler 2003; Amin & Cohendet 2004).

This debate has attracted attention from researchers in all sectors of the contemporary global economy including manufacturing, extractive industries, retail and advanced services (Murphy 2003; Coe 2004; Beaverstock 2004). However it is the last sector that has prompted most research interest and also most debate. The reason is that since the early 1990s, arguments about the informationalization of the global economy and the increasingly important role of tertiary sector activity have come to the forefront of discussions concerning global city regions (Beaverstock and Boardwell 2000; Smith 2003), regional economy development (Grabher 2002a; Wood 2006) and innovation and learning (Grabher 2004; Falconbridge 2006). Research has thus examined the role and development of a number of advanced business service industries – investment banking, accountancy, management consultancy, advertising, private equity finance and legal services (Beaverstock & Smith 1996; Beaverstock et al. 1999; Grabher 2002b; Wood 2002; Jones 2002). Prevalent through much of this research and analysis has been the argument that central to the activities of these firms is the key role of face-to-face interaction. Developing the earlier arguments of those seeking to explain the apparent agglomeration of these firms in global cities since the late 1980s (Castells 2001; Sassen 2001), face-to-face interaction has been widely evoked as an important aspect of daily business practice and achieving competitiveness in many of these industries (Jones 2003; Hall 2006; Falconbridge 2006). Theorists such as Thrift (2000) have identified this as being a key feature of contemporary global capitalism and thus an important target for research.

However, whilst face-to-face interaction is now accepted as a paradigmatic concept in understanding the activities of advanced business service firms (and many other firms), relatively little empirical work has in fact engaged directly with the nature of it within firms in specific sectors. Understandings of face-to-face interaction at present
tend to be generic and the concept is often invoked with little critical scrutiny of what this form of social practice in fact entails. This provides the premise for this paper. Based on empirical research into the transnationalization of the UK legal service industry, it presents research into the role of face-to-face interaction in that industry in terms of corporate function, competitiveness, organizational development and corporate globalization strategies. Law firms have recently received more attention from economic geographical research where several studies have pointed to how the success of such firms is highly dependent on embodied knowledge, skills, working practice and the trustworthiness of fee-earning staff (Beaverstock et al 1999; Beaverstock 2004; Falconbridge 2005). These social aspects of economic activity are clearly constituted through a considerable deal of face-to-face interaction as a practice within and beyond firms. However, whilst this recent research has begun to examine the development of relational networks within law firms (Falconbridge 2006), it has not examined the specific nature face-to-face interaction in depth or engaged with it directly as a form of economic practice. As with work on other business service sectors, face-to-face interaction is rightly argued to be an important and central facet of corporate functioning, but it is still being treated as an unproblematic and undifferentiated form of practice. In contrast to this perspective, I want to argue in this paper that face-to-face interaction needs to be conceptualised as a more complex phenomenon than existing the literature has so far grasped and I develop a theoretical framework for understanding its function within these law firms. I also seek to develop arguments concerning how face-to-face interaction may be conceptualised beyond the legal services sector.

The paper is divided up into four further sections. In the next section, I examine existing approaches to theorising face-to-face interaction and its role in business service firms as can be derived from the existing literature in economic geography, management studies and economic sociology. The argument developed is that whilst existing theoretical frameworks provide a useful set of insights into the nature of face-to-face interaction, they do not offer sufficient sensitivity to the complexity of functions this kind of interaction fulfils in advanced business services (and by implication in firms in other economic sectors). The third section thus takes up this argument in proposing a conceptual framework for theorising the functions of face-to-face interactions within transnational firms. It aims to outline a theoretical framework for understanding the role of face-to-face interaction more widely. Subsequently, the fourth section then seeks to relate this general framework to the specific case of professional legal service firms in the City of London. It examines the role that face-to-face interaction plays in relation to four key aspects of these firms’ business operation: the acquisition, retention and undertaking of business deals; power and corporate control; knowledge and innovation and the development of (global) corporate culture. All four of these dimensions are discussed in the context of ongoing transnationalization in the UK-based legal services sector. With respect to each, the crucial significance of face-to-face interaction is explored in the daily practices of these firms undertaking their business. However, the distinct differences between these contrasting aspects of (transnational) legal service business are also established through the analysis. Finally, the fifth concluding section draws together the wider arguments of the paper in light of the empirical analysis and indicates how the implications of this work might be developed with regard to other economic sectors.

2 EXISTING APPROACHES TO FACE-TO-FACE INTERACTION
The concept of face-to-face interaction has grown in prominence within economic sociology, economic geography and regional science over the last couple of decades. Since the late 1980s, various theorists have identified the key role of face-to-face interaction in, for example, explanations of city-region growth and global city networks (Sassen 2001; Castells 2001; Smith 2003), the development of the global knowledge economy (Simmie 2001; Florida 2004) and the increasing significance of service industries of all forms (Den Hertog 2000; Salvatore 2003). In different ways, all of these debates argue for the key importance of face-to-face interaction between individuals and groups of individuals as being crucial to economic activity and both city-region firm-level success. In this section, I therefore want to draw out four distinct strands to the economic geographical literature that have contributed to understandings of what face-to-face interaction ‘is’ and how it is significant.

The first, and perhaps most widely-cited, centres on the primary role that face-to-face interactions play in leading to the agglomeration of economic activity in global cities and urban-regional nodes. Sassen’s (2001) classic argument in this respect states that the agglomeration economies that have produced global cities revolve around ‘the capabilities for global operation’ requiring a concentration of corporate command and control functions, knowledge exchange and innovation in one place. As Thrift (1994) pointed out some time ago, ‘face-to-face’ interaction has a primary and overriding role in all of Sassen’s ‘practices that constitute what we call economic globalization and global control’ (ibid.: xxii). It is thus a widely-accepted rationale that global city network has developed on the basis of this physical proximity of social actors and the need for face-to-face encounters. However, the global cities literature does not explore the nature of these interactions in depth other than to point to the role of both formal and informal interaction as important in this strong force towards agglomeration (c.f. Brenner 2005).

This leads to a second strand of literature concerned with the social embeddedness of economic activity and of the role of (interpersonal) networks. Again, although excellent reviews of the state of theoretical understanding around both the idea of embeddedness (c.f. Hess 2004) and on understandings of interpersonal networks already exist (c.f. Yeung 2003; Grabher & Ibert 2006), face-to-face interaction has not received specific attention. This is remarkable absence since even a cursory review of the embeddedness / network literature locates face-to-face interaction as a key mode of social interaction through which embeddedness is achieved or networks are (re)produced (Murdoch et al 2000; Wittel 2001). For concepts such as ‘institutional thickness’ to be meaningful (c.f. Amin & Thrift 1992), there is a reliance on the implicit assumption that many ongoing social interactions maintain the relationships that constituent this non-economic ‘influence’ on economic activity. Few commentators differentiate the form of that interaction, but a wide range of contributions locate face-to-face encounters as firmly at the centre of such issues (Grabher 1993; Sydow & Synder 2002; Ettlinger 2003). Other forms of interaction are acknowledged by some in the literature (Gasper & Glaeser 1998; Bathelt et al 2004; Panayides & Clifford 2005) – for example, the role of ICT-mediated relationships in developing embedded relations – but the centrality of face-to-face as a practice that constitutes embeddedness is clear. Similarly, in terms of the extensive literature on intra- and inter-organizational networks and their role in issues such as collaboration, co-operation, innovation and trust, there is a strong assumed primary role
for face-to-face encounters (Alvesson 2002; Gluckler & Armbruster 2003; Kilduff & Tsai 2003).

The third major strand of thought on face-to-face interaction spans the growing literature in economic geography and management studies on knowledge. This is where the most explicit engagement with the concept has been developed. In the global informational economy (Castells 2001), knowledge is argued to be central to all aspects of corporate activity. For firms, at least four major dimensions to debates about the function of knowledge have developed: products (Tidd 1995; Eppler 2006; Lin & Chen 2006), management and corporate governance (Morris & Epsom 1998; Morgan 2001; O’Donnell 2000), innovation and organizational learning (Nonaka & Tekeuchi 1995; Brown & Duguid 2000) and organization function and coherence (also related to issues of corporate culture) (Nohria and Eccles 1992; Alvesson 2000; Thrift 2000). A growing number of studies and theoretical contributions have argued that these knowledge dimensions to business activity are further complicated by and bound into ongoing processes of industry and firm-level globalization. Management theorists have pointed to the growing sophistication and complexity of firms as organisation as they seek to transnationalize their operations (Nohria & Ghosal 1997; Morgan 2001). Within all of these different debates about the role of knowledge, there is widespread reference to the significance of face-to-face interaction. Face-to-face interaction clearly represents a major medium by which knowledge is created and developed as well as transmitted, exchanged and codified.

In this respect, two recent contributions to the knowledge debate highlight the need for a better theoretical understanding of face-to-face interaction as a knowledge practice. First, Gertler’s (2003) analysis of the role of different types of knowledge in firms exposes a clear need to deconstruct what is meant by a ‘knowledge practice’. He argues that the key difference between tacit and codified knowledge has become an axiomatic issue in debates around innovation, technological change and knowledge management. He points out however that much analysis has conflated tacit knowledge into one category where in fact three ‘tacit knowledge problems’ exist: how to produce it; how to find and appropriate it and how to reproduce and share it (ibid.: 80-84). He further argues that three distinct school of thought have emerged on how to overcome these problems – those who suggest variously that a focus on a place (learning regions), groups (communities of practice) or key individuals (knowledge enablers) can overcome these problems (ibid.: 84-89). Yet Gertler argues, in deference to these approaches, that all three of these ‘tacit knowledge problems’ require a more careful consideration of ‘how tacit knowledge and context are produced before anything intelligent can be said about the conditions under which tacit knowledge can most readily be shared: that is, when proximity is important’ as well as ‘what types and why’ (ibid.: 95). Gertler thus identifies a key unaddressed issue: that theoretical conceptions of knowledge production, sharing and form have not made a conceptual link with what kinds of knowledge practices relate to each. In this respect, identifying when face-to-face interaction as a central form of knowledge practice is significant - and when it is not - is a key outstanding question in this debate.

Second, Amin and Cohendet (2004) have recently called for ‘a specific vision of knowledge practices in firms by broadening the existing understanding of what people know and do within organizations’ (ibid.: 1). They problematise what they argue is the
management literatures’ binary dynamic between knowledge as a possession and as practice. For example, Cook and Brown (1999) propose, in relation to firm-level innovation, that the ‘true innovative spark in firms lies in generative dance between possessed and practiced knowledge’. In contrast, Amin and Cohendet reject ‘the conventional distinction between knowledge and learning, cognition and behaviour, the material and the mental, the social and the psychological’ on the grounds that ‘knowledge should be studied as practice, and practice should be studied as an activity that is rooted in time and culture’ (Blackler 2002: 63 cited in Amin & Cohendet). Rather, they argue for ‘the concept of community as the all-important site of knowledge formation’¹ because it is ‘the site where hybrid knowledge inputs meaningfully interact’ (ibid.: 9). This in essence follows Brown and Duguid’s (1991) claim that ‘it is the organization’s communities, at all levels, who are involved in the contact with the environment and involved in interpretative sense making, congruence finding and adapting.’ (ibid.: 53). They thus argue that the process of generating, accumulating and distributing knowledge is achieved through the functioning of informal groups of people, or autonomous communities acting under conditions of voluntary exchange and respect of the social norms that are defined within each group. Therefore, for Amin and Cohendet ‘communities can be considered as key building blocks of the organization and management of corporate innovation and creativity’ (ibid.:9).

However, left in the background here are the practices here that constitute those communities. Face-to-face interaction clearly has an implicitly central importance in this argument, although its role and its relationship to other forms of knowledge practice (such as those mediated through ICT) remain undeveloped. My argument is that this leads therefore to a pressing theoretical need to ask what the nature of knowledge practices are and how they relate to each other. Arguably within this proposition lies the hypothesis that face-to-face interaction is the most important of these knowledge practices but exactly how significant it is in the nature of practice communities remains to be explored.

A fourth and final strand to the literature concerned with face-to-face interaction that needs consideration is concerned with performativity. Grounded in a sociological literature that can be traced back to the work of thinkers such as Erving Goffman (Goffman 1967), Thrift’s (1997) concept of ‘soft capitalism’, for example, has pointed to the way in which much contemporary economic practice (both in the production and consumption spheres) is bound into ‘performances’ by social actors. Thrift (1997) argues that direct social interaction is becoming more significant in all spheres of the economy. Furthermore, a number of theorists have examined from a sociological perspective the nature of work and its relationship to firm-success is heavily dependant on the nature of embodied face-to-face encounters between employees and also with customers in a variety of industries (for example, see Leidner 1991). Of particular relevance here, for example, is McDowell’s (1997) analysis of how women fair differently within the gendered environments of business service firms both in terms of ‘doing’ business service work and in their ability to participates in intra-firm social networks that are crucial to firm success. Such arguments draw on sociological analysis of the performative

¹ Amin and Cohendet’s approach seeks to extend current readings on corporate learning and knowledge by incorporating insight from pragmatist philosophy, cognitive psychophysiology, the sociology of science and work of performativity.
and cultural dimensions to work as an activity (c.f. Butler 1990; 2004; Pahl 1995; Bruni et al 2004)

Overall, however, it is remarkable that face-to-face interaction has become such a central concept within economic geographical and management thinking without extensive theoretical attention. All four of the literatures outlined above rely on this concept as a foundation for their wider arguments about the nature of firm and city-region development, yet the exact nature of face-to-face interaction remains to be unpacked. In this respect, the next section proposes a framework for theorising the role of face-to-face interaction in transnational firms. Whilst by no means claiming to be universally applicable, and also based around empirical research in professional legal service firms, it aims to offer an entry-point for developing a wider theoretical understanding of face-to-face interaction.

3 THEORISING FACE-TO-FACE INTERACTION

Face-to-face interaction needs to be theorised as a highly significant (if not the most significant) economic practice. The main contention I want to make is that face-to-face interactions between actors within and between firms constitute many of the key events that shape corporate development. In this respect, I therefore propose at least five areas which provide a useful conceptual framework for theorising the role of face-to-face interaction in transnational firms. Whilst there is obviously an enormous diversity concealed by the term ‘transnational firm’, I would suggest that these five concepts will help to shed light on the major functions that face-to-face interaction serves in many firms across all economic sectors, whether in professional business services or quite different sectors such as manufacturing or mineral extraction. The concepts outlined are not intended to capture every possible kind of face-to-face practice, but to provide a basis for theorising the major dimension common to a large proportion of firms.

The first role of face-to-face interactions concerns firm operation. Transnational firms as organizations require ongoing maintenance in respect of their productive activities. Thus, a variety of different face-to-face interactions play a key role in ensuring that firms continue to maintain all the day-to-day activities which are intrinsic to ongoing business operations: for example, the running of factories, hiring of sufficient employees or relate to suppliers and markets. All of these kinds of practices involve face-to-face exchanges at a variety of levels in the firms from senior management to those undertaking direct productive activities. Furthermore, for many firms such as those in business service sectors which deal in knowledge products, the practice of producing services themselves is heavily dominated by face-to-face exchanges.

Second is the implementation of corporate control functions. Face-to-face interactions have been identified as key in managerial practices (Jones 2002; Hall 2006) in a variety of sectors, both in the process of producing strategic decisions about running firms and in how management hierarchies exercise power over the firm as an organization. Few major decisions about how to run firms are taken without face-to-face interaction, most commonly of course in the form of Board room or senior management meetings. This also relates to a third role which can be distinguished as a discreet function of face-to-face: those interactions concerned with knowledge practices. As the knowledge literature already cited identifies, face-to-face interactions are important in
producing, sharing and deploying knowledge in a variety of ways within and between firms. Face-to-face is central to knowledge practice within firms, although the extent to which it is more or less important vis-à-vis other forms of knowledge practices will vary between firms and sectors.

However, a very specific and important form of knowledge practice I propose is worth demarcating as a distinct fourth major role of face-to-face interaction within firms: innovation. As the transformation of process or products, innovation is already associated by various theorists with direct social contact (Grabher 2004; Ibert 2004) and it is almost impossible to imagine theorising innovation without a role for this form of social practice. Yet the role that face-to-face interactions play in innovation is again likely to be complex and diverse, dependant on firm and sector. Fifth and finally, face-to-face interaction plays a major role in corporate coherence. As with any organization, face-to-face encounters provide a major arena of practice which ‘glues’ the firm together as an entity. The variety of practices where employees get to know each other, discuss values and strategies and build up relationships is crucial for engendered a common sense of corporate culture and identity. In transnationalizing firms, the physical distance between individuals scattered across global office networks presents a series of challenges in terms of enabling sufficient face-to-face interaction to occur for sufficient coherence to develop. This issue of coherence also overlaps the need for exercising effective control in the transnational firm.

These five dimensions to the role of face-to-face interaction are not of course exclusively relevant to transnational firms as distinct from firms generally. However, the wider fact that an increasing number of the largest and most important firms in the global economy are operating transnationally only serves to add a further dimension of complexity to the way in which face-to-face interaction occurs as an economic practice. As a consequence, having developed a framework for theorising the functions of face-to-face interaction within and between firms, there is also a need to make three further conceptual arguments about how we understand what face-to-face interaction ‘is’ as a practice which are especially important in relation to contemporary global interconnectedness.

First, in scalar terms, it is intuitive to understand face-to-face interaction as an inherently and exclusively ‘local’ phenomenon. It would seem logical to assume that individuals can only meet face-to-face in confined spaces of close proximity. However, drawing on an actor-network perspective (Murdoch 1999; Latham 2002; Latour 2006) I propose that face-to-face interaction is better understood as the an ‘event’ that is neither local nor global but rather the moment of deployment for a series of actor-networks that constitute agency to effect change within firms. Face-to-face interaction of course always occurs in a material place (an office, a meeting room, a restaurant etc) but its nature and impact is mediated through an actor-network of near and distant people, objects and relations. It is thus not intrinsically local, nor intrinsically social when the full set of associations that shape both its nature and impacts are made visible. I would also argue that to conceptualise face-to-face interaction in such actor-network terms renders it

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2 Latour (1996) defines an actor-network as ‘what is made to act by a large star-shaped web of mediators flowing in and out of it’ (ibid: 217). It is thus ‘made to exist by its many ties: attachments are first, actors are second’. For Latour, mediators are all the multiple entities (humans and non-humans) that by having relations with one another, produce ‘social’ action.
possible to more effectively theorise the nature of transnational firms where such interaction appears to occur in physically disparate locations across the globe that are difficult to reconcile with the close proximity intrinsic in the nature of any such interaction.

Second, and following on, it is dangerous to demarcate face-to-face interaction as ontologically distinct from other forms of interaction. Whilst apparently pure social interaction, face-to-face is better conceptualised through an actor-network informed approach that traces the distant and non-human associations that shape it as an event. For example, trading decisions within an investment bank may be heavily dependant on the close physical proximity and interaction of traders on the trading floor, but their discussions, decisions and actions that are mediated through face-to-face interaction are heavily imbued with the information supplied by global ICT system, the global media and individuals scattered around the globe but made proximate via various forms of communications technology. In this respect, there is a need to develop a theoretical understanding of how co-present face-to-face interaction only achieves agency (and has impacts) because of a much wider and extensive network of associations that shape its nature as an event.

Third, its relevance to understanding economic activity lies in its influence on tangible economic outcomes (for example, firm success or failure). Conceptualised as an event I propose that it is fruitless to try to theorise all the (millions of) possible forms of practice and influences on those practices that constitute face-to-face interactions. What is more relevant is to empirically trace and understand the linkages between face-to-face interactions and economic outcomes in terms of whether or not, for example, firms invest in a new branch plant, post a profit at the end of the year or decide to make the acquisition of a competitor firm. As several theorists have argued, a focus on practices risks a myopic concern with the micro-social intricate details of specific economic activity at the expense of those issues which most concern economic analysis (Allen 2003; Yeung 2005).

Having laid out a theoretical framework, in the next section I now move on to apply these theoretical argument to empirical research into the role of face-to-face interaction in transnational legal services firms.

4) FACE-TO-FACE INTERACTION IN GLOBAL LAW FIRMS

In recent years there has been a growing interest in law firms (or professional legal service firms (PSFs)) within the economic geographical literature (Beaverstock 2004; Falconbridge 2006). A particular focus of research has been the ongoing globalization of the legal services sector in terms of the firm-level transnationalization, transnational working practices and knowledge management (Empson 2002; Beaverstock 2004; Falconbridge 2006). Law firms in Europe and North America have been increasingly extending their operations into new markets and in that respect following trends in other producer service industries such as investment banking and management consultancy (Jones 2003). However, the legal service sector does differ from other producer service sectors in some important respects. Notably, law firms are constrained by the jurisdictional nature of legal regimes with lawyers usually qualified only in one jurisdiction even where they work outside that geographical space. In that sense, the
globalization of law firms has not been concomitant with the globalization of law itself (Beaverstock et al 1999). Furthermore, the nature of transnationalization in the sector has marked regional patterns because of the nature of firms in the sector. UK and European firms have extended their operations primarily into Asian markets not North America, and conversely North American firms have shown little interest in expanding into Europe. In that sense, the pattern of sector transnationalization in legal services is a more complex and fragmented one than in the investment banking sector (c.f. Jones 2003).

It is in this context that the research I present in this section into the role of face-to-face interaction in transnational legal service firms needs to be understood. The research presented draws on over forty in-depth interviews with senior lawyers and human resources managers in the top twenty UK-based law firms. The interviews were conducted in London during 2003 and 2004, normally in meeting rooms in the firm offices but also some over lunch in a restaurant or in a coffee bar. Generally the interviews lasted between forty and ninety minutes for the most part and were recorded and transcribed. Of the lawyers interviewed, the interviews covered a range of levels within firms that can generally be described as trainee lawyers, qualified lawyers, partners and senior partners. The firms that were covered in the study are indicated in the table shown in Figure 1. The findings also draw on a review of secondary textual sources comprising company annual reports, websites and other published industry information.

[INSERT FIGURE 1 NEAR HERE]

The interviews themselves covered a range of issues in addition to the function of face-to-face interaction which included the transnationalisation of these firms and the sector more generally as well as the development of working practices, the role of ICT and the nature of legal service business activity in the global economy. However, the key role of face-to-face interactions emerged as a recurrent theme through all these aspects of the project and in that sense the following discussion draws across the whole range of topics explored.

The remainder of this section sets out four areas of activity that the research suggests are crucial to law firm success and failure. It also indicates that face-to-face interactions represent key forms of practice that have a strong influence on the nature of economic outcomes for the legal services sector. These different areas of activity are not intended to map directly onto the functions of face-to-face interaction proposed in the previous section, but rather each demonstrates how these different functions of face-to-face are often combined simultaneously in the actual daily practices of doing business in these legal service firms.

4.1 Acquiring, retaining and ‘doing’ global business
The first major area of activity where face-to-face interaction is central to business activity is in business acquisition and retention. As has been identified in other professional service firms, transnational law firms rely heavily on developing interpersonal relationships as a mechanism for acquiring contracts. The practices by which firms acquire new business is thus mediated through a series face-to-face meetings and discussions. As one Partner explained:
“We never get business ‘cold’ in the UK, let alone elsewhere...people come to us, we talk to them, there is an exploration of what we can do...”  [Partner, Corporate Law, Firm2]

This process of face-to-face discussion is clearly both about providing and exchanging information, as well as developing trust and a degree of ‘compatibility’ on the part of both the law firm and the client. In legal services, the ‘products’ being offered to clients are often complex pieces of legal work and it takes a considerable amount of detailed face-to-face discussion for both parties to establish whether the required service can be provided adequately:

“Typically we enter into a phase of discussion where the client’ sounds us out’. With new clients, this is not often a quick thing...it takes time.”  [Partner, Corporate Law, Firm6]

Several interviewees emphasised the difficult nature of acquiring new business in overseas markets. Where firm reputation is limited, and where legal service firms are trying to break into new markets, then face-to-face interaction is the primary mechanism:

“We sent a guy to Tokyo a few years ago who did very well. It’s very hard to get a network but he succeeded...lots of seeing people, time and again...working on them. For the first couple of years, he did little else.”  [Senior Partner, Firm8]

“If a client gets the jitters in Poland or Slovakia for example, then Partners will go out there and see them. Sit down with them...that is important.”  [Partner, Firm9]

In this respect, as has been established in other business service industries, the performative nature of face-to-face is crucial in trust-building giving new clients confidence and an understanding what firm can offer. The new client pitch as a performance was perceived as a centrally important aspect of this:

“He [a senior partner] is very good at conveying how we work... how we deal with people here... how we will represent them...”  [Associate, Firm6]

And also as a consequence, key individuals who have ‘the right kinds of meeting skills’ [Partner, Firm3] and ‘know how to deal with people in these situations’ [Partner, Firm8] are significant assets for the firm. As with management consultancy firms, having the right kind of performative skills in these business acquisition practices appears to be strongly aligned with the criteria cited in law firms for promotion to Partner:

“Clearly these are an important set of talents and skill sets that one look for in Partners, and you can see with some more junior lawyers in this...
firm that they have those skills...although of course it is not just about that.” [Senior Partner, Firm1]

However, in these legal service firms there the situation where much business in fact ‘repeat business’ with longstanding clients who come back to the firm time and again for legal services. This too is similar to the situation found in management consultancy and banking (Jones 2003) and adds a further dimension of complexity to the significance of face-to-face interaction. The primary argument I would make is that much face-to-face interaction serves to retain ongoing business relationships with a community of clients who know key individuals (Partners) in the firm and have an ongoing personal relationship with them.

As one Partner explained, much of his personal contact was with individuals he has known for a long time:

“We have longstanding relationships. I will go to see people I have known for years to discuss their needs as they extend their operations.” [Partner, Firm2]

And this kind of interaction can therefore be occurring in the context of a relationship that amounts to a friendship:

“There are a couple of people I see socially in terms of various functions, or maybe we entertain them in a restaurant periodically...so if you’re asking me about why seeing them personally is important, it’s difficult to say...I see them a lot. I know them well...” [Partner, Firm6]

This kind of face-to-face interaction has the potential to be highly rich in terms of communication, trust and loyalty between individuals. However, the wider context of transnationalization in these UK-based firms calls into question the extent to which similar relationships can be generated and maintained in markets around the globe. Certainly for these firms there are distinct differences even in the area of business acquisition and retention between the nature of face-to-face interaction on the basis of longstanding relationships and client-firm employees who are relatively unknown.

4.2 Controlling the transnational legal service firm

Face-to-face interaction is also a major component of the social practices involves around organizational control in these law firms. Whilst clearly facilitated and mediated through ICT, the activity of management in these firms is heavily reliant on face-to-face encounters. Furthermore, as Falconbridge (2006) discusses, the managerial structure of legal service firms is very flat and does not fit the ideal-type hierarchical models developed within management studies in relation to other TNCs. Law firms are generally partnerships with the top 10-15% of employees effectively owning the firm and taking a democratic role in strategic management decisions. Within that upper layer in the firm, many firms do have a senior management team of ‘Senior Partners’ but they generally only have limited autonomy in major strategic decisions from the Partnership as a whole.
In considering the role of face-to-face interaction in controlling transnational law firms, it is this group within the firm that warrant most attention. However, there are a considerable number of managerial related activities that are heavily constituted through face-to-face interaction, and this varies between firms. Here I want therefore to focus on two major forms of managerial practice in legal services firms that I would argue are broadly relevant to the sector as a whole.

First, key strategic decision-making is something that requires face-to-face meetings. This is of course not surprising, but in transnational firms can require considerable amounts of (overseas) travel by senior managerial staff with all the associated costs and stresses which that entails:

“*The Senior Partners obviously meet here to discuss...the future direction [of the firm]. As we try to move into Asia, there are obvious some risks...these are the kinds of topics we have to sit in front of each and hammer out...not the kind of issues you can resolve over email, for sure.*” [Director, Human Resources, Firm1]

However, when compared to other business service industries such as investment banking, the Partner structure suggests that Partners enjoy greater autonomy within firm than senior managers in an investment bank. Several respondents pointed to the way in which Partners are being sent out on secondments to new offices and that they had considerable freedom to pursue new client business as they saw fit:

“*Obviously there will be meetings, and [John] will visit the office out there [in Singapore] regularly but those meetings will not be about the details of how the lead Partner is developing the business...I guess you could say it is bigger picture stuff and we are relying on those Partners to use their judgement.*” [Senior Partner, Firm5]

Second, however, the running of client projects involves a variable degree of face-to-face contact between the Partner and his team of lawyers. Legal service work tends to be project-led with a team of lawyers working for a Partner who has often acquired the business (as outlined above) and who manages the team of associate and trainee lawyers:

“*Typically, the Partner in this firm will act as the manager but it is the Associates who do much of the detailed work...the Partner will supervise and maybe get more closely involved if there are difficulties or if the lawyers in his [sic] team need a steer...*” [Senior Partner, Firm1]

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3 This varies between firms from different national contexts with, as Falconbridge (2006) notes, US firms having a much less close relationship between Partners and associates (junior lawyers) when compared to the more collegiate culture of UK firms.

4 As has been noted in other advanced business service sectors, there are still relatively few women in senior positions within the UK legal service sector. However, in legal services this increasingly reflects the high drop-out rate of women between the associate and Partner level in the firm. Most firms recruit even proportions of men and women as trainees and in fact in the UK women now outnumber men in applications for places at law college [Senior Partner, Firm1].
The research suggested the Partner’s role in this differs considerably from the qualified lawyers and trainees. Firstly, the Partner typically continues the ‘client management’ role after the business has been taken on:

*Much of the job of the Partner is to maintain that relationship...that relationship is so important and keeping the client happy and feeling they are being well served is the key...[and] dealing with the issues when things are not running smoothly...[that] is a very important part of the job. You have to be able to sit down and reassure them...*[Partner, Firm6]*

Managing the project also requires a variable amount of communication between the Partner and the qualified lawyers and trainees who in effect do most of the project work. In instances where it is a familiar piece of work (for example, drawing up a straightforward contract) the Partner may have only limited ongoing face-to-face discussions with his or her team as a means of checking the work is going according to plan:

“If it’s a routine piece of work...you know, a contract arrangement we do a lot of then my role is only really to oversee...there are plenty of associates [qualified lawyers] who can get on with that. They don’t need my input.” *[Partner, Firm3]*

However, in more complex projects the involvement of the Partner can be much greater, and this often entails a greater degree of face-to-face interaction as the Partner exercises closer control over the actions of their team:

“When you get involved is when we get into something a bit different...if it is new and we are finding our way. Its important for everyone involved to know exactly what is going on and so we have to go through it all together as a team.” *[paraphrased] [Partner, Firm7]*

Furthermore, if a project develops a problem in terms of, for example, becoming stuck in a technical wrangles or running behind schedule, then again the Partner is likely to become involved, and quite possibly other Partners or associates with specialist knowledge in the firm:

“If it’s a technical issue, then I will discuss this with the lead Partner - that’s [Mike] in the thing I am doing at the moment...and he will have to make decisions about how we go ahead...” *[Associate Lawyer, Firm5]*

However, the research suggests quite clearly that this face-to-face interaction is blended with other forms of communication in the managerial process. ICT in the form of telephone conversations, secure email and technology such as Blackberry’s and teleconferencing facilities are widely used. The research suggests though that face-to-face represents the ‘highest order’ and most demanding in terms of time and effort. In general,
more important issues managerial issues provoke face-to-face interaction between Partners and their team, and more routine matters can be addressed through less information-rich forms of communication using ICT.

4.3 Innovation and Learning

Conceptions of innovation and what it is have often been grounded in ideas about material products, whether these are traditional manufactured goods such as consumer electronics, the drugs developed by pharmaceutical companies or new genetically-modified plants developed by biotech firms (Nonaka & Tekeuchi 1995; Feldman 2000; Howells 2002). However, in legal services product innovation needs to be understood in both product and process terms, both of which are informational in nature and related to the transformation of social practices and representation of concepts and relationships (i.e. written documents such as contracts) rather than material objects.

With regard to ‘product’ innovation, the interviews suggest that (transnational) law firms are heavily reliant on the intense face-to-face interactions where innovation arises in the product delivery as a practice to develop better client service. The products themselves (for example, drawing up the contracts around a corporate merger\(^5\)) are always project specific to some degree but the key to business success is a combination of technical expertise with creative or innovative thinking within the given circumstances of a specific client project. Innovation in terms of the nature of the product thus arises out of a detailed understanding and thought given to legal service by the team of lawyers involved:

> “Law is obviously a technical profession so in terms of innovative approaches, it is really about... for example, if you draw up a contract there are certain things you have to do but dependant on experience within the firm, we may know how to improve something for a client to make it more effective, more water-tight” [paraphrased] [Partner, Firm6]

However, innovation also occurs in what might be described as the legal service production process. In comparison to a manufacturing or retail firm where a material good is made or distributed in a certain way, the distinction between process and product innovation is less clear. Innovation in terms of the quality of the service received by the client is also constituted through face-to-face discussion and the operational practices of doing legal service work:

> How we deal with client expectations and the level of service is extremely important...improving the way we do that has to be something that comes from the team themselves. It’s behavioural, about how we make sure the client side feel comfortable and trust the firm’s reputation...
[Senior Partner, Firm2]

Furthermore, in the context of the transnationalization of the legal service business, individual and firm-level learning is primarily emergent from face-to-face encounters and

\(^5\) For a more detailed analysis of transnational legal service products see Spar (1997) and Warf (2001)
discussions. One Partner commented on how practices of better client services had emerged through the experience of his team in a number of projects:

We had a discussion recently about how we could improve things...there was a project where the clients were...well, they were difficult. Very demanding and not easy to work with...and this was an issue with my group but in the end we felt we learnt some important lessons from that, and I would say have developed a better approach [on that] [Partner, Firm5]

Face-to-face interaction is thus also intrinsic to a process of individual and collective learning within law firms. As a knowledge industry, a constant process of learning amongst the lawyers in a team is essential to maintain the firm’s competitiveness. Client firms are themselves in a constant process of evolution and so corporate lawyers, for example, need to keep abreast of industry wide developments within the sector of their clients:

It is important in corporate law for us not to operate as if in a vacuum...the legal advice and services we provide are part of a suite of services our client companies use and their world is fast-moving. We need to be aware of this and be able to adapt the kinds of things we can do for them...you can only do that if you have regular contact with the people in those companies who know how things are developing [Partner, Firm3]

In summary, therefore, the research indicates that face-to-face interaction lies at the heart of innovative and learning practices within these law firms. As with the other dimensions discussed, other forms of communication and knowledge practice are also important but it is face-to-face encounters which the evidence suggests provide the key innovative moments in these legal service firms. This also extends to what amounts to process innovation in these business service firms as lawyers learn together through the teamwork based nature of client projects and meetings.

4.4 Global Corporate Culture
The final aspect of transnational legal service business where face-to-face interaction is essential to firm success concerns corporate culture, and in particular the role global corporate cultural norms play in maintaining organizational coherence and assuring a consistent standard of product for clients. With regard to organizational coherence, this is a challenge for legal service PSFs as much as any other transnational organization. In other business service sectors, face-to-face interaction has been identified as crucial in producing the relationship between employees across the global scale (Beaverstock & Smith 1996; Lewis 1999; Lowendahl 2005). The research interviews suggested that face-to-face interaction plays a crucial role in transmitting cultural norms through the organization. One Senior Partner explained his view of how cultural aspects to legal service practice are important:
Clearly we expect lawyers in this firm to act in a certain way...a high degree of professionalism. Law requires a high degree of trust...often we are dealing with sensitive and of course confidential issues and it is paramount that clients trust both Partners and their teams. That is true of any law firm of course, but it is true different firms have different cultures around that...we would be much more understated in our approach than an American firm, for example, and this is something new trainees have to learn by experience...you can’t teach it to them on a course. [Senior Partner, Firm3]

This reflects similar findings in other business service sectors (c.f. Jones 2003). Face-to-face interaction needs thus to be understood as the key practice that generates and maintains cultural norms and tropes within the transnational firm but in general face-to-face interaction is the practice which establishes behavioural norms and transmits commonalities in those forms of behaviour that are hard (or impossible) to express in codified forms of knowledge (handbooks, mission statements etc).

People learn about the culture of a place by working there...of course we have the presentations and the inductions when they are hired, but you only really get to know if you can fit in when you start working with people, when you’re part of a team, when you see how the Partners work” [Associate Lawyer, Firm4]

Consequently, as for other business service sectors, if a common ‘global-scale’ corporate culture is to be meaningful, then sufficient face-to-face interaction needs to continue to occur. Given the operational, managerial necessity of face-to-face in legal services, this is fortunately inherent in the nature of transnational legal service work but the attempts by firms to actively facilitate as much face-to-face interaction as possible through training and informal activities provides evidence of their awareness of its importance in terms of corporate cultural coherence:

Like many companies, we do run away-day courses and other training activities which are out of the office and less formal...there is no substitute for people spending some time outside work in terms of them really getting to know each other...and that is where the working environment is shaped as well I guess...[Director, Human Resources, Firm7]

Furthermore, in common with sectors such as banking and consultancy, transnational legal service firms actively seek to develop corporate culture through face-to-face interaction in a number of ways. First, at the lower levels in the firm the research found evidence of training strategies for trainees lawyers to meet each other in informal as well as formal workplaces settings.
“New trainees spend time together as a group and we encourage them to get to know each other out of the office...there is also a fair amount of corporate social life, so to speak...spending time over a meal or in a bar is important for trainees to network with each other...kind of the oil that helps lubricate the smooth running of the business in the background.”

[Director, Human Resources, Firm1]

Second, trainee lawyers in many of the larger firms were offered the opportunity of spending on of their training ‘seats’ in an overseas office. Trainees perceived this as an attractive ‘perk’ in recruitment terms and several Human Resources interviewees agreed it was ‘one way to make the larger firms more attractive for trainees’ [Director, Human Resources, Firm7]. However, the overseas training seat programmes are also clearly a deliberate strategy by larger firms to facilitate transnationalisation within the firm. As law firms extend activities overseas, they need more employees at all levels who are willing to travel and / or live overseas for extended periods. A key aspect of training new lawyers from the firms perspective is thus to expose trainees to overseas working environments:

To be honest, these overseas secondments are really just a taster... it is about trainees learning what it is like to be in an office away from London, and how that works and the difficulties and so on...it is also good for the firm overall to have that through-flow of people who have been elsewhere. If everyone just sat here [in London] then I think there would be real problems in maintaining the sense of those offices being an integral part of the firm [paraphrased] [Senior Partner, Firm5]

The research also suggested that where firms sought to expand overseas by recruiting lawyers in ‘local jurisdictions’ such as Eastern Europe, there was also a similar perceived desire for these staff to experience ‘the culture of the London office’ because this was the major place where ‘[our] whole atmosphere and culture was perpetuated’ [Partner, Firm4]

5) CONCLUSIONS – TOWARDS A THEORY OF FACE-TO-FACE INTERACTION

Within the UK-based legal services sector, it is clear that face-to-face interaction is a crucial form of practice that shapes firm and industry success (or failure). Clearly not all law firms are the same, and the concept of face-to-face interaction covers a diverse range of activities. However, the argument developed here is that there are a series of identifiable functions for and forms of face-to-face interaction that are common across the legal services sector and which if researched provide a basis for better understanding what influences the ability of legal service firm to operate and compete in the global economy. The theoretical framework proposed thus provides a means to conceptualise a variety of functions that face-to-face interaction is fulfilling in these firms. These are not peripheral or marginal activities to firm success, but rather lie at the centre of the ultimate determinants of success or failure.

However, these arguments concerning the role of face-to-face interaction in legal services firms have wider implications. Whilst distinct in some ways, the legal services sector has much in common with the wider producer service industries that are held up as being increasingly important in the global economy. Furthermore, many of the functions
of face-to-face interaction outlined in these service firms, are likely to hold considerable relevance across the economy more widely. Whilst manufacturing firms ultimately produce material goods, and retail firms ultimately have physical retail outlets that for the most part sell material goods, much of their business activity is similarly mediated through face-to-face relations. Clearly functions such as corporate power and control or the development of (global) corporate culture are likely to rely on face-to-face interaction in many firms, but as the management literature has begun to establish, knowledge practices that lead to innovation and simply the day-to-day operation of manufacturing production also are at least partially rely on face-to-face encounters between key actors. The fact that this is increasingly occurring in transnational rather than national-based firms in the global space economy only adds a further layer of complexity into the spatiality of face-to-face interactions which take place.

In that sense, the closing argument of this paper is that there is a need for much more empirical and theoretical attention to be paid to the role of face-to-face interaction in the global economy as whole. Yet this is not to argue for some over-determined view of economic activity as primarily driven by ‘social’ factors. The corollary of this need to better theorise face-to-face interaction is to then also develop more sophisticated understandings of when other forms of interaction (such as ICT) are important, and how ‘structural’ factors such as institutional, regulatory and financial issues are more significant. Law firms may rely heavily on the social skills of Partners for their success and competitiveness, but their fate is also very much shaped by institutional constraints, local labour markets and finance (c.f. The Economist 1996; Warf 2001; Falconbridge 2006). Likewise face-to-face interaction may be important to key dimensions of the activities of mineral extractive firms, but so too are physical environments, production technologies and global market prices. It is not therefore the intention here to claim a privileged role for face-to-face interactions over all the other aspect to economic activity.

In an obvious way, countless face-to-face interactions have always been present in economic activity of any form. Rather, the goal of this paper has been to develop a conceptual framework for thinking about general forms and functions of face-to-face interaction in the context of an increasingly knowledge-driven global economy. This entails shifting conceptions of face-to-face from a ‘soft’ sociological dimension to economic activity that cannot or need not be theorised, and moving the debate onto theoretical and empirical analysis of exactly how and to what extent face-to-face interaction is important vis-à-vis other factors that influence corporate competitiveness and ultimately firm and industry success or failure. Certainly this involves shifting the current debate away from its narrow focus on clustering and knowledge management towards a broader understanding of relationship between a variety of factors that influence the evolution of firms in the global economy.

[Acknowledgements]
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* **bold** denotes a firm with respondents in the study

(Source: Legal500.com database)
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