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Researching the Post-Pandemic Professional Service Firm: Challenging our Assumptions

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The pandemic-inspired shift to remote and hybrid working has accelerated changes already underway within the professional service firm (PSF) sector. Taken together, these changes will potentially undermine some foundational assumptions about PSFs. Given the impact these firms have on the functioning of institutions more generally (Suddaby and Viale, 2011), these changes will likely have far-reaching implications. The pandemic, therefore, provides scholars with a remarkable opportunity to study this highly significant sector as its firms, and the professionals who work within them, struggle to make sense of their new working world.

For professional service firms, the Covid crisis provoked a sudden, wholesale, and initially temporary shift to remote working. Overnight, as firms went into lockdown, previously unthinkable changes became unavoidable, and then routinised. As the pandemic persisted, many law, accounting, consulting firms, and investment banks announced plans to institutionalise their remote working ‘experiment’. In the UK, for example, accounting firm KPMG is converting its London offices into meeting rooms. Meanwhile, law firm Linklaters will allow staff to work away from their office 50 per cent of the time, and staff at investment managers Schroeders will be able to work from home indefinitely. Consulting firms have quickly positioned themselves as experts in remote working, arguing that they pioneered this ‘work anywhere’ model and are, therefore, ideally placed to advise clients on how to make the switch.

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For professional service firms the short-term benefits of hybrid working are relatively easy to quantify. PSFs' expensive city-centre real estate costs are reduced as the cost burden is transferred to employees. Meanwhile, employees' productive capacity increases as commuting hours are converted to billable hours. In exploiting short-term financial gains, PSFs emphasise the benefits to employees of hybrid working in terms of increased flexibility. This is problematic. As Mazmanian et al. (2013) explain, for professionals the 'work anywhere' promise quickly translates into the 'work everywhere' problem. Professionals are given increased autonomy about *where* they work, but yield control over *when* they work, with the attendant problems of overwork and alienation. For PSFs the cost savings of remote working are significant and immediately calculable. The longer-term costs will also be significant, though less easy to quantify.

Indeed for professional service firms, and the people who work with them, the shift to hybrid working will have numerous unintended consequences. It is simply accelerating and exacerbating changes already underway. As discussed below, when taken together, these changes constitute a profound challenge to some established 'truths' within PSF theory.

FOUNDATIONAL ASSUMPTIONS

Defining the term 'professional service firm' is notoriously problematic, reflecting the persistent debate within the academic literature about the professional status of specific occupations. Empson et al. (2015) have identified four key boundary conditions, a set of organizational characteristics, all of which are possessed by PSFs (see Figure 1).

These characteristics explain exactly what law, consulting, accounting, architecture, and advertising firms, as well as investment banks, have in common; and what distinguishes them from other knowledge-intensive organizations, such as hospitals, universities, pharmaceutical, and software companies, which employ 'professionals' but are not PSFs. As Figure 1 represents, a PSF is defined by its work – the application of specialist knowledge to creating customised solutions to clients' problems. Any knowledge-intensive organization is defined by its specialised knowledge, and most professional organizations engage in a degree of customisation, but only PSFs have an exclusively commercial focus on solving clients' problems. The remaining characteristics build upon this first foundational characteristic. All PSFs, whether large or small, within an established or aspirant profession, incorporate these three additional characteristics – associated with *knowledge*, *governance*, and *identity* – to varying degrees. The shift to remote working raises important questions about these defining characteristics and, therefore, our very conceptualisation of PSFs.

KNOWLEDGE

A professional's knowledge is developed over many years through a craft-based apprenticeship process (Faulconbridge, 2015). Alongside formal training in codified knowledge (often including specialist degrees and professional qualifications), junior professionals develop tacit knowledge about how to apply that knowledge by observing senior

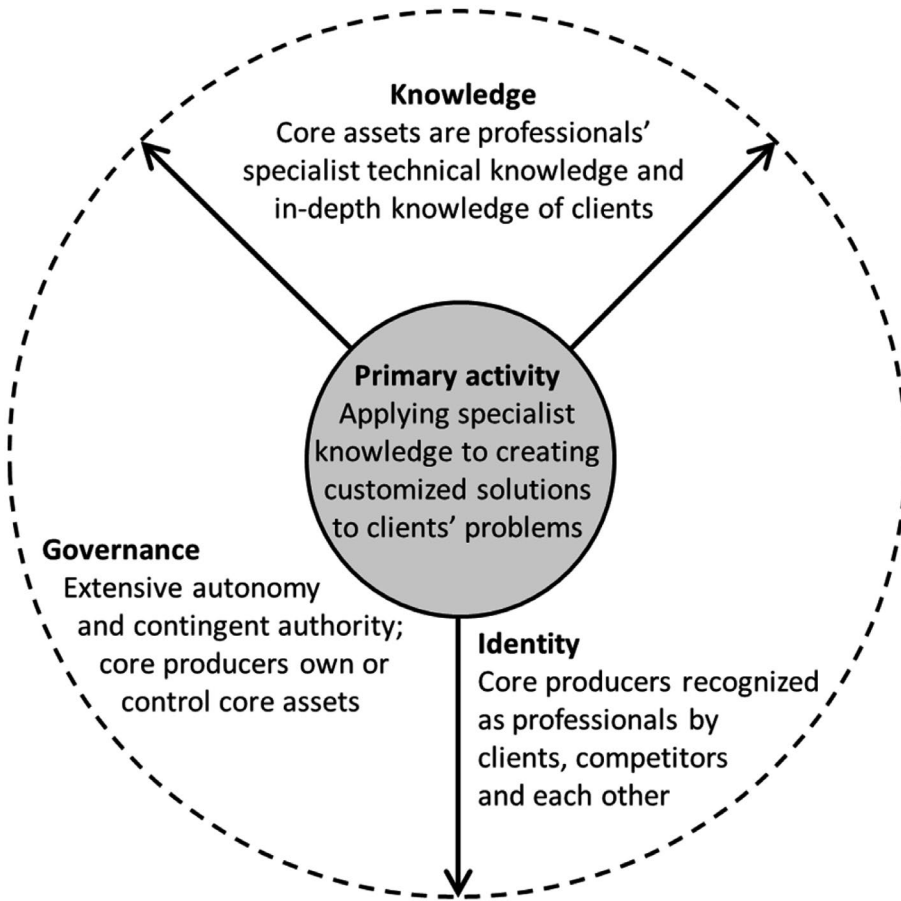


Figure 1. Defining characteristics of a professional service firm
 Note: Adapted from Figure 1.1 originally published in Empson et al. (2015).

professionals in interaction with their clients. In the process they also acquire client knowledge. Through repeated interactions and interventions, the client develops a trust-based relationship with a specific professional and will turn to them first with their most challenging (and lucrative) work (Broschak, 2015). In recent years PSFs have sought to institutionalise the client relationships of individual professionals, while procurement functions in client firms have attempted to weaken long-standing ties with specific PSFs. Nevertheless, the individual client-professional bond has remained strong, and represents a source of power for professionals within their firms.

The shift to hybrid working gives scholars the opportunity to study changes to a centuries' old craft-based method of knowledge acquisition and application. For example, when there is less opportunity for in-person observation of experienced professionals, how will juniors be socialised into professional working practices and acquire the necessary tacit knowledge? Will hybrid working add momentum to PSFs' attempts to substitute

person-to-person interaction with A-I-based digitalisation? In a more depersonalised digitalised environment, what new methods will PSFs develop for ‘enriching’ the client experience? Eroding the traditional apprenticeship model of knowledge acquisition may have far-reaching consequences. For example, as relationships between juniors and seniors become digitally mediated, will junior professionals struggle to build close relationships with senior sponsors? If so, will promotion processes become more dependent on organizational metrics? Will the trust-based relationship between professional and client become more transactional? Will this in turn diminish the power of senior professionals within their firms?

GOVERNANCE

PSFs are typically governed as partnerships, with ownership and profits shared among professional peers (Greenwood and Empson, 2003). Whereas many PSFs have abandoned partnership as a legal form, they often emulate its organizational characteristics – specifically extensive autonomy and contingent authority (Empson, 2017). In recent years, increased external regulation and increased ‘professionalisation’ of PSF management have restricted autonomy and strengthened authority. Nevertheless, senior professionals are still afforded extensive autonomy to make finely tuned judgements about how to apply their expertise. They select, and often elect, leaders from among their peer group, whose authority is highly contingent upon retaining the support of their peers. Leaders, therefore, must engage in a protracted process of consensus-building to win support for significant decisions. When autonomy is extensive and authority is limited, cultural control is the prevailing form of managerial regulation. Professionals traditionally join straight from university and undergo lengthy socialisation into professional and organizational norms. They compete with their cohort through a tournament promotion process and those who survive establish a dense network of peer-based relationships. The resulting social embeddedness of senior professionals helps create an environment where peer control and mutual monitoring reinforce established norms of cultural control.

This raises important questions for scholars of post-pandemic governance in professional service firms, as hybrid working potentially undermines informal mechanisms of cultural control. If senior professionals can no longer directly observe junior colleagues at work, technology-based surveillance will become more commonplace. This subverts established ideas about the meaning of professionalism; in such an environment, what distinguishes a junior professional from a call centre worker? When junior professionals work in isolation, how will strong cohort bonds develop among them? Will those who are more physically present gain a competitive advantage in the tournament model of promotion? If women professionals are disproportionately inclined to work from home, will they be even less likely to progress within their firms? When senior professionals spend significantly less time physically ‘at’ work, will they become disengaged from firm-wide management and governance? In such a context, when social embeddedness is undermined, is partnership governance meaningful or even sustainable? And if mechanisms for strong socialisation, informal mutual monitoring, and cultural control are diminished, is professional wrongdoing likely to become even more commonplace?

IDENTITY

In professional service firms identity, both professional and organizational, serves three functions. First, for professionals, strong identification with the organization and the profession provides some degree of ontological security (Alvesson, 2001). When work is highly ambiguous and the working environment particularly insecure, sustained overwork becomes easier to endure if the professional self is submerged within the professional organization. Second, for PSFs, identity regulation ensures compliance with organizational and professional norms, going beyond professionals' beliefs and behaviours to encompass how they are embodied (Ibarra, 1999). In recent years PSFs' concept of the professional ideal has expanded to incorporate people other than white heterosexual middle-class males; nevertheless, powerful norms persist about the correct way for professionals to look, speak and dress. Third, for clients, the trappings of an elite PSF identity, such as high-status buildings and material signifiers of commercial success, provide reassurance they will receive a high quality of service to justify the high levels of fees charged.

In another 'Covid Commentary', Ashforth (2020) has argued that the post-pandemic virtualisation of work will erode organizational identification more generally. This raises important questions for identity scholars of PSFs. As physical contact between professionals and their workplace diminishes, will other sources of identity become more salient? Working from home, surrounded by reminders of their domestic selves, professionals will find it harder to perform the aspirational professional identity. If so, how will this affect their sense of themselves as 'professionals'? Will ties between professionals and their organization become more tenuous when the organization has less to offer by way of status signifiers? When a professional and client are meeting virtually in their homes rather than in their organizations, will this strengthen person-to-person ties but weaken organizational ones? Will PSFs develop new methods of identity regulation or will they simply introduce more formal technology-based surveillance and control?

CONCLUSION

The shift to hybrid working, while offering benefits to both professional service firms and professionals, will have many unintended and potentially negative consequences. The pandemic has accelerated numerous changes already underway within PSFs, in terms of knowledge, governance, and identity. Many of these changes potentially challenge our foundational assumptions about the distinctiveness of these firms. The next decade will, therefore, be a particularly exciting time for PSF scholarship, as professionals work out how to adapt to the post-pandemic world.

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