

Excerpt from
“Researching Professional Service Firms: An Introduction and Overview”
by Laura Empson, Daniel Muzio, Joseph P Broschak, and Bob Hinings, (2015)
in *Oxford Handbook of Professional Service Firms*,
edited by Laura Empson, Daniel Muzio, Joseph P Broschak, and Bob Hinings,
published by Oxford University Press, pp. 4-8.

WHAT EXACTLY IS A PROFESSIONAL SERVICE FIRM?

One reason it is so difficult to gain accurate aggregate data about the PSF sector is that there is very little agreement among researchers about what exactly is a PSF. Indeed von Nordenflycht (2010) shows that scholars have applied the term to organizations operating in more than 30 distinct knowledge-based sectors. This lack of clarity parallels similar longstanding debates in the sociology of the professions on the definition of professions and professionalism (Abbott, 1988; Anderson-Gough et al. 1999; Evetts 2006; Freidson 1994; Krause 1996; Kritzer 1999; Macdonald 1995).

In its narrowest sense, a PSF could simply be an organization where the majority of income-generating staff are members of an established profession, i.e., von Nordenflycht’s (2010) classic or regulated PSF. This definition would encompass accounting and law firms, engineering consulting firms and architects practices, but would also encompass medical practices which are not normally classified as PSFs. The definition of PSFs could be expanded to include a wide range of knowledge-intensive activities and aspirant professions, such as management consulting, executive search, and advertising, as the *Journal of Professions and Organizations* suggests (Brock et al. 2014). Using this approach, investment banks should be classified as PSFs, though typically they are not. Why are some types of firms unambiguously classified as PSFs whilst the professional status of other apparently similar ones is unclear?

It is not particularly helpful to organizational scholarship to establish narrow definitions, which exclude firms which potentially have important insights to offer in terms of comparative analysis (Greenwood et al. 2014). Equally, highly inclusive definitions undermine the credibility of the study of PSFs by making it difficult to justify the distinctiveness of the phenomenon we seek to study. We need to establish some clear boundary conditions by defining a set of characteristics which clearly identify the organizational phenomenon we are investigating whilst enabling us to distinguish between the different kinds of PSFs which may possess these characteristics to varying degrees. To avoid succumbing to crude generalisations we need a definition which allows for heterogeneity among the firms (von Nordenflycht et al., this volume) as well as for the hybridised nature of many professional organizations (Kirkpatrick and Noordegraaf, this volume).

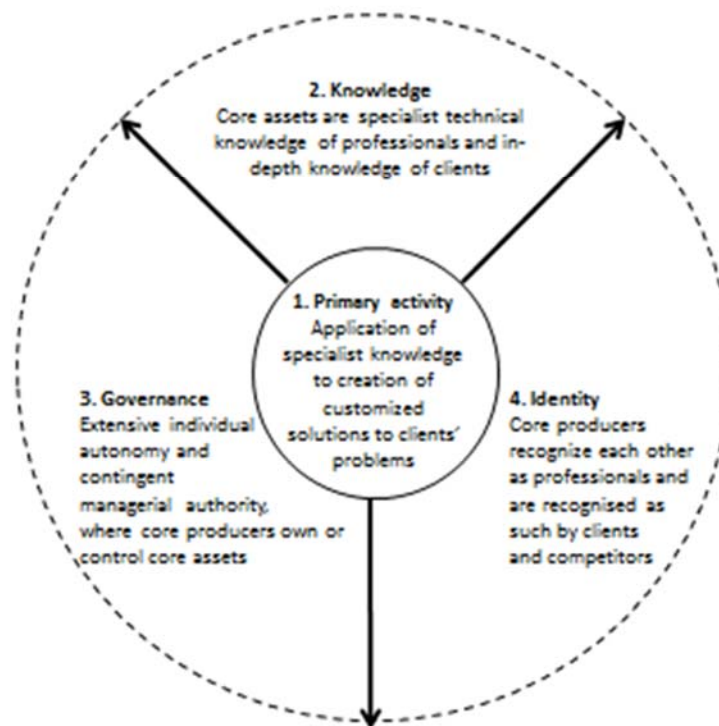
The definition needs to encompass a small high street legal or accounting practice, and a magic circle or “Big 4” firm. And looking inside a “Big 4” firm, the ultimate multidisciplinary PSF, the definition needs to encompass the highly regulated audit function (where an auditor’s first duty is to uphold the public interest) with the management consulting function (where a consultant’s first duty is to his or her client). What do these

various firms and distinctive parts of multidisciplinary PSFs have in common which distinguishes them from many other kinds of knowledge-intensive organizations?

In seeking to establish a definition of a PSF, it is important to recognise that it is unwise to attempt to defend phenomenologically derived boundary conditions in the rapidly changing environment in which PSFs operate. The boundaries need to be as flexible as the firms themselves, yet conceptually credible. As Zardkoochi et al. (2011) argue, the problem of defining PSFs is that changes in the context can render the definition irrelevant over time.

For the purposes of this Handbook, we define a PSF according to four key characteristics (see Figure 1.1). We recognise that many organizations will possess *some* of these characteristics. We argue that a PSF will possess *all* of them, to varying degrees. By accepting that a PSF must possess all four characteristics but can do so to varying degrees we recognise the heterogeneity that exists within the sector whilst drawing some conceptually defensible boundaries around the phenomenon under investigation. This makes it possible to conduct more structured comparative analysis within the sector as well as between other sectors.

Figure 1.1: Defining characteristics of a Professional Service Firm



These defining characteristics reflect the areas of research which have attracted the most sustained attention from PSF scholars over the years. They are consistent with previous definitions by, for example Lowendahl (1997), Morris and Empson (1998) and Greenwood et al. (1990). They reflect von Nordenflycht's (2010) defining characteristics (knowledge intensity, low capital intensity, and professionalised workforce) but extend and refine his definition by bringing the themes of customisation, governance, and identity to the fore.

1. Primary activity: Application of specialist knowledge to creation of customised solutions to clients' problems

The concept of customisation is central to the definition of a PSF (see Empson 2008). From this, as will be demonstrated, flow the three additional defining characteristics relating to knowledge, governance, and identity. This criterion excludes firms primarily engaged in financial services activities which are dependent on substantial capital reserves (e.g., investment banking or private equity funds) as a PSF is above all a knowledge-intensive and not a capital-intensive operation. This criterion also excludes generic knowledge-intensive firms, such as software, biotech, or “big pharma” companies, which sell packaged products. According to this criterion, a “claims farm” law firm specialising in personal injury law suits (employing large numbers of para-legals engaging in highly routinised processural work) will also be at the outer boundaries of the PSF definition, because its primary activity is not sufficiently customised. What distinguishes PSFs from these kinds of firms is the bespoke nature of professional work which requires an intensive interaction between professionals and their clients.

But this definition alone does not explain why hospitals and large engineering companies are typically not considered PSFs but rather as examples of the broader category of professional service organization (Scott 1965; Larson 1977). We need to refine this further, with reference to other defining characteristics of PSFs.

2. Knowledge: Core assets are specialist knowledge of professionals and in-the depth knowledge of clients

The concept of knowledge (including expertise and “know-how”) has been extensively researched in the PSF field but from a relatively narrow base. The focus has tended to be on the professionally accredited knowledge of the established professions and on whether firms employing other forms of technical knowledge can reasonably lay claim to being professional (Abel 1988; Macdonald 1995; Freidson 1994). Other strands of research have focussed on the acquisition of knowledge at the individual level and the codification and sharing of knowledge at the firm level (Morris and Empson 1998; Empson 2001). But as important, and typically neglected within the PSF literature, is the in-depth knowledge that individuals and firms develop about their clients over time, enabling them to apply their specialist technical expertise appropriately (Fincham 1999; Handley et al. 2006). In its fullest examples this leads to the co-production of knowledge whereby professionals pursue ‘shared learning’ with their clients (Fincham 2006; See also Faulconbridge, this volume)

3. Governance: Extensive individual autonomy and contingent managerial authority, where core producers own or control core assets.

Experienced professionals require, or at least expect, extensive levels of individual autonomy, legitimated by the requirement for professionals to preserve the right to make choices about how best to apply their specialist technical knowledge to the delivery of customized professional services (Freidson 1994; 2001; Empson 2007; Faulconbridge and Muzio 2008). As Derber (1982) states in these settings professionals will enjoy high levels of both teleological (control over ends) and technical (control over means) autonomy. This extensive emphasis on individual autonomy is associated with relatively low levels of managerial authority and intervention. This is particularly so in partnerships, the prevailing form of governance within the traditional professions (Greenwood and Empson 2003) but is also common in corporate professional service firms which mimic the characteristics of the partnership form of governance (Empson and Chapman 2006; Von Nordenflycht 2014; See also Leblebici and Sheerer, this volume). This feature helps to explain why large engineering

companies and hospitals, for example, are typically not considered PSFs as they are typically part of a larger corporate or public sector organization, employing a wide array of workers, and subject to more conventional bureaucratized forms of organising (i.e., they are autonomous rather than heteronomous professional organizations; Scott 1965; Larson 1977). The relatively small number of publicly quoted PSFs are interesting aberrations yet these firms are typically still substantially owned and operated by the professionals who work within them. This emphasises the essentially dynamic nature of the concept of the PSF.

4. Identity: Core producers recognise each other as professionals and are recognised as such by clients and competitors

Since professionals may be only loosely bound together through their formal governance arrangements, they rely upon a shared understanding of the concept of professionalism to provide an ethical-based framework to guide their actions (Anderson-Gough et al. 1999; Evetts 2006; Grey 1998; Muzio et al. 2011; See also Alvesson et al., this volume). For PSFs within the established professions, this professional identity may have been acquired through years of education and professional training and is embodied in formal qualifications. Other kinds of PSFs rely instead upon internal socialisation into professional norms of behaviour. In all contexts, the firm itself is emerging as an increasingly important site where “professional identities are mediated, formed and transformed” (Cooper and Robson 2006: 416). In this context, professional identity is increasingly redefined from a matter of qualifications to a matter of displaying the appropriate attitudes and dispositions such as commitment, commercial acumen and customer focus (Anderson-Gough et al. 1999). Above all, members of a PSF recognise each other as professionals and are perceived as such by their clients and competitors. Many knowledge-workers may consider themselves to be professionals and recognise each other as such. But only if their employing organizations possess all of the other defining characteristics can they be said to work for a PSF in the fullest sense that we are deploying here.

References

- Abbott, A. (1988). *The System of Professions: An Essay on the Division of Expert Labor*. Chicago: University of Chicago Press.
- Abel, R. L. 1988. *The Legal Profession in England and Wales*. New York: Blackwell.
- Anderson-Gough F., Grey, C., and Robson, K. (1999) *Making Up Accountants*. Aldershot: Gower Ashgate.
- Brock, D., Leblebici, H., and Muzio, D. (2014). “Understanding professionals and their workplaces: The mission of the *Journal of Professions and Organization*,” *Journal of Professions and Organization* 1(1), 1–15.
- Cooper, D. J., and Robson, K. (2006). “Accounting, professions and regulation: Locating the sites of professionalization,” *Accounting, Organizations and Society*, 31: 415–444.
- Derber, C. (1982) *Professionals as Workers: Mental Labor in Advanced Capitalism*. Boston: Mass.

- Empson, L., and Chapman, C. (2006). "Partnership versus corporation: implications of alternative forms of governance in professional service firms," *Research in the Sociology of Organizations*, 24:139–170
- Empson, L. (2001). "Introduction: Knowledge management in professional service firms," *Human Relations*, 54 (7), 811–817.
- Empson, L. (2007). *Managing the modern law firm*. Oxford: Oxford University Press.
- Empson, L. (2008). "Professional service firms," in *International Encyclopedia of Organization Studies*, S. Clegg, and J. Bailey, (eds). Thousand Oaks, CA: Sage.
- Evetts, J. (2006). Short Note: "The Sociology of Professional Groups: new directions," *Current Sociology*, 54 (1): 133–143.
- Faulconbridge, J., and Muzio, D. (2008). "Organizational professionalism in globalizing law firms," *Work, Employment and Society*, 22(1): 7–25.
- Fincham, R. (1999). "The consultant–client relationship: Critical perspectives on the management of organizational chance," *Journal of Management Studies*, 36 (3): 335–351
- Fincham, R. (2006). "Knowledge work as occupational strategy: comparing IT and management consulting," *New Technology, Work and Employment*, 21(1) 16–28.
- Freidson, E. (1994). *Professionalism Reborn: Theory, Prophecy and Policy*. Cambridge: Polity.
- Freidson, E. (2001). *Professionalism: The Third Logic*. Chicago: University of Chicago Press.
- Greenwood, R., and Empson, L. (2003). "The professional partnership: Relic or exemplary form of governance?" *Organization Studies*, 24(6): 909–933
- Greenwood, R., Hinings, C., and Brown, J. (1990). "P2-form" strategic management: corporate practices in professional partnerships. *Academy of Management Journal*, 33, 725–755.
- Greenwood, R., Hinings, C. R., and Whetten, D. (2014). "Rethinking Institutions and Organizations," *Journal of Management Studies*, 51(7): 1206–1220.
- Grey, C. (1998). "On being a professional in a 'Big Six' firm," *Accounting, Organizations and Society* 23: 569–587.
- Handley, K., Sturdy, A., Fincham, R. and Clark, T. (2006) "Within and beyond communities of practice: Making sense of learning through participation, identity and practice," *Journal of Management Studies*, 43 (3): 641–653.
- Krause, E. A. (1996). *The Death of the Guilds: Professions, States and the Advance of Capitalism: 1930 to the Present*. Connecticut: Yale University Press

- Kritzer, H. (1999). "The professions are dead, long live the professions: Legal practice in a postprofessional world," *Law & Society Review* (33): 713–59
- Larson, M. S. (1977). *The Rise of Professionalism: A Sociological Analysis*. Berkeley: The University of California Press.
- Løwendahl, B. R. (1997). *Strategic Management of Professional Service Firms*. Copenhagen Business School, Copenhagen, Denmark: Handelshøjskolens Forlag.
- Macdonald, K. M. (1995). *The Sociology of the professions*. London: Sage
- Morris, T., and Empson, L. (1998). "Organization and expertise: An exploration of knowledge bases and the management of accounting and consulting firms," *Accounting, Organizations and Society*, 23(5–6): 609–624.
- Muzio, D., and Kirkpatrick, I. (2011). "Reconnecting the Study of Professional Organizations with the Study of Professional Occupations," *Current Sociology*, 59(4): 389–405
- Scott, W. R. (1965). "Reactions to supervision in a heteronomous professional organisation," *Administrative Science Quarterly* (10): 65–81.
- von Nordenflycht, A. (2010). "What is a Professional Service Firm? Towards a Theory and Taxonomy of Knowledge-Intensive Firms," *Academy of Management Review*, 35(1): 155–174.
- von Nordenflycht, A. (2014). "Does the Emergence of Publicly Traded Professional Service Firms Undermine the Theory of the Professional Partnership? A Cross-Industry Historical Analysis," *Journal of Professions and Organizations*, 1(2): 137–160.
- Zardkoohi, A., Bierman, L., Panina, D., and Chakrabarty, S. (2011). "Revisiting a Proposed Definition of Professional Service Firms," *Academy of Management Review* (a dialogue), Vol. 36, No. 1, 2011

