

**Fourth and final event in the
ESRC Seminar Series: “Conceptualising the Contemporary Professions”
The Challenge of Change in Professional Service Firms**



Richard Gillingwater, Dean, Cass Business School, recently opened the fourth and final seminar in the ESRC Seminar Series addressing the topic of the challenge of change in contemporary professional service firms (PSFs). The debate gathered together more than 50 leading academics in this field to debate current research into PSFs. **Bob Hinings, Professor Emeritus at the University of Alberta**, delivered the keynote speech.

Richard Gillingwater set the scene by referring to the difficulties which the management of PSFs had been grappling with during the past decade, and emphasised the importance of setting this in context in order to understand better the scale of change that the sector was undergoing.

Professor Laura Empson, Director of the Centre for Professional Service Firms at Cass, explained how changing power dynamics could be placed at the centre of the event: “There has been a fundamental shift in the balance of power for PSFs over the past decade, away from the firms themselves, to groups of stakeholders, specifically: clients, professionals, regulators, and competitors.”



Professor Bob Hinings followed Professor Empson’s suggestion that PSFs are experiencing a decline in their relative position of power within the global economy by offering the long-view. He argued that although we are living in a time that seems to be full of change, change is rarely as revolutionary as some might suggest:

“Often when you look at how change is driven over a short period of time, it seems that leadership is crucial. However, when you examine things over the mid-term, it is technology which drives change. Taking the longer view, culture is often seen as the key driver.”

He suggested that the increase in women professionals (leading to more female partners) was an example of a potential ‘leverage point’ for change. Is there a tipping point at which these women comprise a critical mass, so that the nature of embedded interest in the firm changes? Findings by the Tavistock Institute suggest that the significance of a minority group increases substantially once they pass the 15% threshold.



Dr Heidi Gardner, Assistant Professor at Harvard Business School, presented a paper she is working on with Laura Empson: *Distributed Leadership in Professional Service Firms*. She focused on internal power dynamics, specifically looking at leadership processes within PSFs. This led to a discussion about the difference between formal authority and power, and its implications for leadership in PSFs.

Continuing the emphasis on power, **Dr Olivier Chatain, Assistant Professor of Management at the Wharton School of the University of Pennsylvania**, contributed to the seminar by focusing on *Changes in Competition Among UK Law Firms*. He emphasised the limited lifecycle of client relationships in spite of the switching costs that clients incur when building new advisory relationships. The discussion then moved on to the impact of the recession, with a suggestion



that under these conditions the potential costs associated with hiring and firing firms became a more fundamental concern.



Janet Gaymer CBE, QC, Visiting Professor of Practice at the Centre for Professional Service Firms, Cass Business School, then presented her research on *A New Work Bargain for Professional Service Firms?* Her new study examines the necessity and possible shape of a new work bargain within the top-end of the profession. Once again, the theme of power became evident, as Janet referenced the shifting balance of power between employers and employees. Professionals are likely to demand more say on how they work. In response the employer will need to customise the type of work on offer. Billing models will be impacted as a result, since if firms are using human resources more efficiently, they must also charge them out more efficiently. This is likely to trigger changes in other parts of the

organisational model. She argued that we will not, however, see the end of the “24/7 lawyer” but we may see a distinction developing between regular fee-earners and variable fee-earners.

The final presentation of the day was delivered by **Michael Izza, Chief Executive of the Institute of Chartered Accountants of England and Wales**, who provided a invaluable insight from the regulators point of view. He dwelt on the huge regulatory burden currently faced by the largest accounting firms, emphasising that senior people in large accountancy firms can spend significant amounts of time dealing with the core regulatory bodies. As such, the six largest firms have large numbers of experienced professionals who spend all their time devoted to this issue, and are thus not available for fee earning. He described a situation in which it was potentially possible for an auditor to spend more time explaining to the regulator what that audit is about, than on the audit itself. He said this was the “economics of the mad house”.



“Conceptualising the Contemporary Professions” is part of an inter-disciplinary academic seminar series funded by the ESRC. In this series the Universities of Leeds, Lancaster, Nottingham and Cass Business School examine current and future trends in the development of the professions - www.contemporaryprofessions.com