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Human Resource Management in Professional Service Firms: Learning from a framework for research and practice[**]

Success in human resource management (HRM) depends on the question of whether applied practices of HRM meet specific contingency factors and are appropriately configured. Using this argument, the present article examines HRM in professional service firms (PSFs) in pursuit of three objectives. First, we introduce a conceptual framework that illustrates how the constitutive characteristics of PSFs, as contingency factors, influence HRM practices and research. Second, based on this framework, we summarize key findings of research on HRM in PSFs and open up potential avenues for further research. Third, we reflect on the argument that HRM in PSFs can contribute to an understanding of HRM practices in other organizational settings, leading to the question of the mutual transferability of HRM practices. Aside from these three primary objectives, we also introduce the contents of the special issue.

Key words: **professional service firms, human resource management, HRM practices, contingency theory, knowledge intensive organizations** (JEL: B52, J24, L84, M12, M14, M31, M41, M51, Z10)

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Introduction

Early research on human resource management (HRM) assumed that HR practices generally improve the effectiveness and efficiency of organizations (Doorewaard & Meihuizen, 2000; Pfeffer, 1995), although today it is widely acknowledged that success in the practice of HR depends on contingency factors such as the industry, local context, or strategy involved (Boxall & Purcell, 2011; Purcell, 1999). Following such a configurational approach, researchers tend to investigate HR practices in specific contexts and

> "search for understanding of the circumstances of where and when it is applied [...] and how some firms seem to have more appropriate HR systems for their current and future needs than others" (Purcell, 1999, p. 36).

Whilst researchers have increasingly been investigating HRM in manufacturing firms (Barton & Delbridge, 2004) or in public bodies (Morris & Farrell, 2007), research on HRM in Professional Service Firms (PSFs), such as law firms, accounting firms, management consultancies etc., remains comparatively rare. This is somewhat surprising due to the growing importance of PSFs, in terms of their global reach, economic power, and influence in institutionalizing management practices, accounting standards, among other aspects (Empson, Muzio, Broschak, & Hinings, 2015; Scott, 2008). Research on PSFs is now progressing, however, and in the wake of this "coming out of the shadow" (Empson et al., 2015), research on HRM in PSFs should be on the agenda for three reasons:

First, because PSFs are knowledge intensive, their human assets are their most important resource (Hitt, Bierman, Shimizu, & Kochhar, 2001; Hitt, Bierman, Uhlenbruck, & Shimizu, 2006; Sherer, 1995; Kor & Leblebici, 2005; Kaiser & Ringlstetter, 2011); in these firms the management of these assets is an important issue. The human resources of PSFs, the so called professionals, can "walk out of the front door every evening" (Scott, 1998, p. xii), and HR practices such as retention management and the motivation of professionals is therefore central to dealing with the "centrifugal forces" of professionals.

Besides the general importance of human assets in PSFs, secondly there are specific challenges based on certain characteristics of professionals, such as their high mobility and their striving for autonomy. Therefore, the management of professionals is said to be a very specific complex endeavor (Empson et al., 2015). For instance, it is often claimed that professionals focus on their clients rather than on any exclusive loyalty to their employer (Kinnie & Swart, 2012). Therefore in PSFs organizational culture plays a major role in integrating the organizations ("The one firm firm"), and HRM shapes this culture and the identities of the professionals to a great extent (Alvesson & Kärreman, 2007; Covelski, Dirsmith, Heian, & Samuel, 1998).

Third, how PSFs manage their HRM issues is important in a broader context because the study of HR practices in PSFs can offer relevant insights into HR practices in other organizational settings (Empson et al., 2015). In recent years, knowledge has been recognized as the main resource in the creation of competitive advantage for organizations, and business in general has become much more knowledge intensive. The management of "knowledge workers" has therefore become crucial in more bureau-
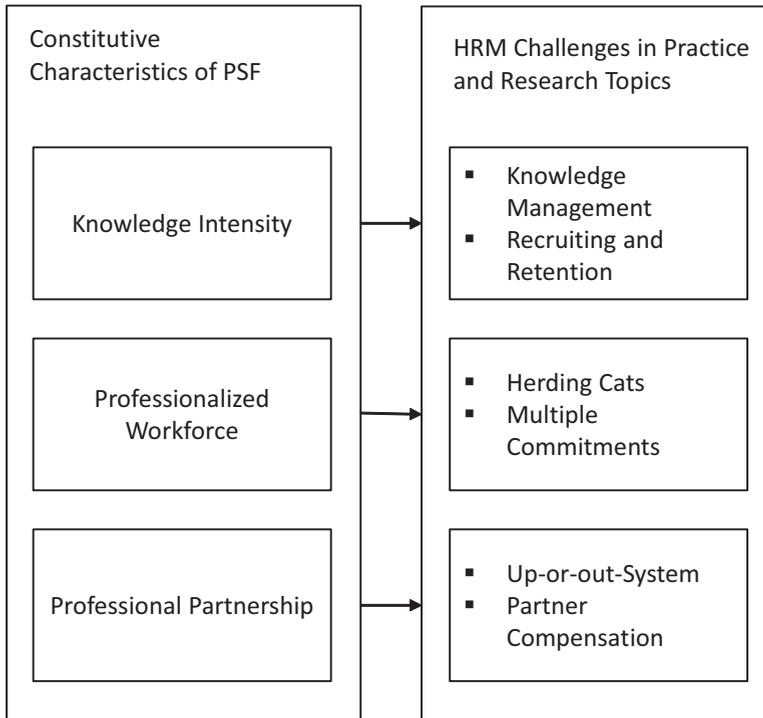
cratic organizations (Krausert, 2014). Considering how PSFs cope with the management of their professionalized workforce can offer relevant insights for other organizations that struggle to transfer their established HRM practices to knowledge-intensive business services and workers.

Following these three arguments, the purpose of this paper is threefold. First, we introduce a conceptual framework that illustrates how the constitutive characteristics of PSFs, as contingency factors, influence HRM practices. The framework will support our understanding of HRM practice and research in PSFs, and help us to derive insights about HR practices for knowledge workers in other settings. Second, we will summarize the key findings of research on HRM in PSFs by elaborating on this framework. Because of the scarcity of systematic reviews and conceptual accounts of HRM in PSFs (e.g., Swart, Hansen, & Kinnie, 2015), we provide an overview of the topic and open up some potential avenues for further research. Third, by developing the proposed framework we wish to highlight that research on HRM in PSFs can contribute generally to our understanding of how contingency factors are relevant to HRM in practice and research.

The remainder of the paper is structured as follows. First, we propose a framework that integrates the specific characteristics of PSFs that we consider to be most important for HRM practice and research. The conceptual idea for this framework is the Harvard map of HRM (Beer, Spector, Lawrence, Mills, & Walton, 1984), which provides a systematic link between situational factors, stakeholder interests, and respective HR systems and outcomes. Second, we integrate aspects of heterogeneity within the PSFs and introduce the notion of contextual change. These two constructs lead to the notion that it is essential for HR practices to be aligned with their specific environments and firm characteristics. Third, we will reflect on the framework and discuss the contributions for this special issue, before we end with some concluding remarks.

Introducing a framework for HRM research and practice in PSFs

The term PSF has been applied to a variety of organizations including law firms, accounting firms, business consultancies, investment banks, IT firms, architecture firms, universities, and hospitals. Common features of these firms have remained somewhat vague, but recent literature has developed a narrower understanding of PSF. Even though some conceptual ambiguities remain, researchers have made progress in distinguishing PSFs from other organizations and in defining their specific characteristics. Most prominent among these are *knowledge intensity,* which means that expert knowledge is used to provide services and solve client problems, a *professionalized workforce* with its distinct identity and need for autonomy (Nordenflycht, 2010), and the *professional partnership as governance form* (Empson et al., 2015; Greenwood & Empson, 2003; Kaiser & Ringlstetter, 2011). Without claiming definite causal relationships, we argue that these characteristics of PSFs pose specific HRM challenges and set the research agenda on HRM in PSFs (see Figure 1).

Figure 1: Framework for HRM in PSF

Constitutive Characteristics of PSF	HRM Challenges in Practice and Research Topics
Knowledge Intensity	▪ Knowledge Management ▪ Recruiting and Retention
Professionalized Workforce	▪ Herding Cats ▪ Multiple Commitments
Professional Partnership	▪ Up-or-out-System ▪ Partner Compensation

Knowledge intensity

PSFs rely squarely on knowledge for their survival. However, knowledge intensity *per se* is far from being unique to professional organizations, and there is much research on so-called "knowledge intensive organizations" such as those in the high-tech industry. Nevertheless, the knowledge intensity of PSFs differs from that of other knowledge-based organizations in at least two respects. First, the knowledge used for producing innovative, creative and customized solutions to clients' problems is more closely tied to the professionals involved than knowledge is tied to employees in other types of organization (Winch & Schneider, 1993). A highly educated workforce deals with a complexity of tasks and an ambiguity of applied knowledge. Therefore, organizational knowledge embedded in routines, processes and artifacts is less relevant than in, say, engineering organizations (Nordenflycht, 2010). Second, knowledge in PSFs is not primarily an objective entity but rather a social category and professionals must demonstrate high levels of expertise to receive legitimacy (Alvesson, 2001). This is because clients can assess only to a limited extent the "objective" quality of intangible knowledge products (Nordenflycht, 2010). Professionals therefore depend on their ability to symbolize rationality and expertise and to negotiate meaning; they need to demonstrate high professional standards (Alvesson, 2001) and must build a reputa-

tion, which clients use as a means of assessing the quality of a given PSF (Kaiser & Ringlstetter, 2011).

Based on a literature review, we suggest that knowledge intensity influences HR practices in PSFs, by raising the specific challenge of *recruiting and keeping* human talent (1) and by making the intersection of HR practices and *knowledge management* relevant (2).

Recruiting and keeping the right expertise (1) is crucial for PSFs, but highly skilled and intelligent people who gain the required knowledge and capabilities are scarce. From a functionalist perspective, recruiting practices and employer branding should be on the research agenda for this reason. Previous research has indicated that PSFs use specific recruitment practices such as the case interview, and it has been argued that these practices should be understood both as a way of making valid predictions of potential employees' future performance and as a way for PSFs to signal rationality and exclusivity to both the labor market and potential clients (Armbrüster, 2010). Research on recruitment practices in PSFs is scarce, however, and has not sufficiently taken into account the distinct characteristics of PSFs. For instance, Behrends (2007) used quantitative data from management consultants, advertising agencies and other PSFs, but his principal arguments refer to different recruiting practices in small and medium sized enterprises compared to larger organizations. Questions remain regarding the specifics of recruiting young professionals to PSFs. For instance, by selecting the right applicants we assume that recruiters in PSFs account for both the functionalist perspective of knowledge (knowledge used for solving client's problems) and the social element of knowledge (impression management). How can recruiters give weight to the different abilities and competencies that job applicants have, however? For instance, an applicant might be well versed in the tactics of impression management and might be able to negotiate meaning in conversations, but his/her cognitive ability to manage functionalist knowledge might be comparatively less well developed. Could the ability to manage the social dimension of knowledge by negotiating meaning distort recruiters' opinions on functionalist competencies? Which recruiting methods are the most appropriate, considering these issues? Existing research on recruitment and selection needs to be more fully used and new empirical research is needed to understand the peculiarities of recruiting in the context of PSFs.

The unexpected scarcity of research on recruitment is also reflected in research on retention, although the work of George (2015) and Campbell et al. (2012) are recent and notable exceptions. George showed that factors over which "HR practitioners have some influence" (p. 116) affect the likelihood of professionals remaining in a company. Campell et al. (2012) found (based on law firms) that high-earning professionals are more likely to quit established firms in order to establish a spin-off ("employee entrepreneurship"), and that such spins-offs have greater ramifications for the focal firm than when professionals move from focal firms to other established firms. Such research helps us to understand the dynamics of professional movements and market competition in professional fields. As reported by Campbell et al. (2012), the managerial implications of this might be that it can help to identify those professionals most likely to leave and set up new enterprises.

Beyond the functionalist perspective, understanding recruitment practices in PSFs is important because of the importance of professionals in society. As argued elsewhere (Scott, 2008), professionals are the "preeminent institutional agents of our time" (p. 219), influencing our worldviews, shaping the norms in society, and exercising coercive authority (see also Suddaby & Viale, 2011). Due to the importance of professionals within society and given the fact that recruiting is an important mechanism in social stratification, it is most important to understand *who* gains access to PSFs by being recruited to them (Rivera, 2012). Existing research has shown that recruitment and selection is not an "objective" but is rather a societal, political, or cultural issue (Ashley & Empson, 2013; Bryson, James, & Keep, 2013; Rivera, 2012). This brings questions of fairness, equality, and diversity into the spotlight, and given the strong influence of professionals in society it seems important to better understand these issues in the context of PSFs. Therefore, the question of who becomes a partner or who reaches the higher levels of management is relevant in this respect (see below for a discussion on partner decisions).

In a parallel line of thought (2), researchers have directly addressed the relationship between knowledge management and HR practice in PSFs (Robertson & O'Malley Hammersley, 2000; Swart & Kinnie, 2010; Swart & Kinnie, 2013). Consistent with more general research on this topic (e.g., Kamoche, 1997; Kang & Snell, 2009; Moore & Birkinshaw, 1998), these authors argue that HR practices influence knowledge sharing (Robertson & O'Malley Hammersley, 2000) and organizational learning in PSFs (Swart & Kinnie, 2010). For instance, Kinnie and Swart (2010) developed a framework of different learning orientations (exploration/exploitation) and related these to different temporal frames of solution delivery (accelerated/planned). They showed that HR practices contribute these combinations of learning orientation and temporal frames in specific ways. For instance, PSFs that rely heavily on expert solutions (temporal orientation: planned/learning orientation: exploitation) need to adapt their HR practices in ways that are different from those PSFs that rely on creative combinations (temporal orientation: accelerated/learning orientation: exploration). More specific is the literature on competency development and professional training. Existing research stresses the importance of the systematic development of professionals (Awuah, 2007; George, 2015; Pinnington, 2011; Pinnington & Sandberg, 2014; Stumpf, Doh, & Clark, 2002). Because of the opaque and ambiguous nature of knowledge and the customized nature of solutions for clients, it is important to integrate clients into the competency development of professionals (Awuah, 2007). Other key findings are that the development of competences strongly depends on staffing (assignment to the "right" projects) (Kaiser & Ringlstetter, 2011; Stumpf, 1999), a tight relationship with senior professionals (and their evaluation, counselling and feedback) (Burke, 1996), and good relationships with clients (Fosstenløkken, Løwendahl, & Revang, 2003).

Researchers have thus far offered useful insights into the relationship between knowledge intensity and HR practices in PSFs. Nevertheless, they have tended to overlook the fact that PSFs have become larger and more global, and have increasingly tended to integrate different professional services within multidisciplinary practices (Greenwood & Suddaby, 2006). How can PSFs manage the competence of their pro-

fessionals in settings where "boundaries between professional specializations are becoming blurred" (Suddaby, Greenwood, & Wilderom, 2008)? How can talent management systems account for the fact that professionals with different backgrounds (law, accounting, consulting) and from diverse jurisdictions need to be able to manage different professional areas within international multidisciplinary PSFs? A first step towards answering these questions was taken by Pinnington and Sandberg (2014), who empirically identified the "global strategists" as a new set of people required in large, global PSFs, but more research is required to answer these questions properly.

Professionalized workforce

The second constitutive characteristic of PSFs is a professionalized workforce, i.e., professionals with a heightened need for autonomy and with multiple commitments at any one time. A longstanding research tradition in the sociology of professions (Klegon, 1978; Macdonald, 1995) argues that professions in a narrower sense are characterized by social closure (including elements of self-government of the profession) and a distinct job ethos (like the Hippocratic Oath). In the context of PSFs, such professionals work in highly regulated areas such as law, accounting and architecture. However, the recent literature assumes that even in non-regulated industries such as business consultancy, professionals are governed by professional rules and have a strong aspiration for autonomy (Alvesson, 2001; Nordenflycht, 2010; Raelin, 1989).

As in the case of knowledge workers in general (Horwitz, Heng, & Quazi, 2003), professionals tend to resist command-and-control styles of leadership (Alvesson, 2000), and their leadership resembles what has figuratively been called "herding cats" (Mintzberg, 1998). In practice, "the challenge of managing professionals has led many firms and companies to believe that professionals are unmanageable, and as a result, they often give up trying" (McKenna & Maister, 2002). From an HRM perspective, this makes it more challenging to align a firm's strategy with the behaviour of professionals (e.g., by establishing leadership styles, incentive systems, work arrangements) (Merchant, Van der Stede, Wim A, & Zheng, 2003). For instance, Gmür et al. (Gmür, Kaiser, & Kampe, 2009) argued that performance-based pay, as a typical element of high performance work systems, does not necessarily lead to the increased commitment of lawyers; indeed, it might even corrupt intrinsic motivation. Some researchers have thus emphasized the importance of more subtle forms of control focusing on employees' identities and aspirations (Alvesson & Kärreman, 2004; Karreman & Alvesson, 2004). HR practices related to, for example, recruitment and performance management have been argued to be instrumental in shaping these identities. Covaleski et al (1989), for example, showed how the performance management and mentoring practices used in a large accounting firm shaped the identities both of those being evaluated and mentored and of those doing the evaluating and mentoring. It has even been claimed that these symbolic, identity-shaping functions of HR systems are more important in PSFs than their normal functions of selecting and promoting the "right" individuals in the organization (Alvesson & Kärreman, 2007).

One reason for the comparatively strong resistance of professionals to managerial control and autocratic styles of leadership relates to the multiple commitment foci of professionals. Professionals have been shown to be to varying degrees committed to-

wards their organization, profession and clients (Hall, Smith, & Langfield-Smith, 2005; Meyer, Allen, & Smith, 1993; Morrow & Wirth, 1989; Wallace, 1995). The question of how specific HR practices influence these multiple commitment foci is an important one. Researchers indeed have analyzed the tensions and conflicts between the commitment foci and discussed the influence of HR practices on these conflicts (Cooke, Lin, & Jiang, 2013; Jørgensen & Becker, 2014; Kinnie & Swart, 2012; Swart, Kinnie, van Rossenberg, & Yalabik, 2014). For instance, Jørgensen and Becker (2014) argued that HR practices can both foster professional and organizational commitment. Their research shows that PSFs tend to construct in their employer branding activities symbolic images that stress professional values rather than organizational idiosyncrasies. By stressing professional values, they signal to potential applicants that high professional standards are achievable by them were they to work in the organization concerned, thereby aligning different commitment foci.

Professional partnership

Professional partnership, in which the partners own the firm, distribute profits, and share risks (depending on the actual legal form, and depending on jurisdiction), is the typical form of governance of PSFs (Empson et al., 2015; Maister, 2003; Nordenflycht, 2010). External ownership is precluded in such firms such that partners are in managerial control without any need to report to and balance the wishes of shareholders or other external owners. We consider professional partnership as a form of governance to be central to the understanding of PSFs, although we acknowledge that not all such firms are governed as partnerships (business consultancies or architecture firms in particular often have other legal forms such as a stock corporation). Partnerships are recognized to be a preferred way of organizing professionalized workforces, even in larger professional firms (Greenwood & Empson, 2003). Applying such a form of governance brings specific advantages but it also brings its own challenges for organizations. This can be explained by considering the "Cravath Model" – a well-known catchphrase for the professional partnership and its related organizational and human resource structures, named after the law firm that is said to have conceived this model.

The Cravath Model essentially states that PSFs recruit exclusively fresh graduates of elite universities and train and advise them until they either become partners or leave the firm in a few years after failing to reach partner level (Sherer, 1995; Sherer & Lee, 2002). This is a specific kind of 'tournament' model of promotion (Connelly, Tihanyi, Crook, & Gangloff, 2014; Ghosh & Waldman, 2010), in which several candidates compete against each other for selection, and leave the firm if they are not selected (Galanter & Palay, 1991). Applying this model results in a workforce separated into associates and partners (owners). Depending on the relationship between partners and associates in this split workforce (in a leverage structure), the organization's personnel structure resembles a pyramid or a diamond (with firm-specific variations) (Maister, 2003; Sherer, 1995). Even though tournament models are not exclusively used in PSFs (Connelly et al., 2014) and the up-or-out-system is not applied in all PSFs (see some empirical data in Morris & Pinnington, 1998b), discussions on the features of the Cravath Model and its related HR consequences make up a substantial

body of research on HRM in PSFs. Researchers have particularly focused upon the *career-/up-or-out system*, the *partner selection,* and the *partner compensation systems.*

Career- and up-or-out-systems: The scarcity of labor markets, increasing transparency about income opportunities, tougher market competition, and the emergence of a new generation of associates unwilling to carry the burden of partnership because they have more of a focus on family and leisure time have all caused PSFs to modify their strict up-or-out-system (Galanter & Henderson, 2008; Sherer & Lee, 2002). As a result, PSFs have increasingly introduced non-equity partnerships (salaried partners), offered different forms of enduring non-partner positions (for instance off-counsel, permanent associates, legal directors), hired increasing numbers of laterals (partners from other PSFs), and introduced the ability to dismiss partners. The up-or-out-system nevertheless still serves as a model and much of the up-or-out rhetoric has survived, even when HR practices have actually changed (Galanter & Henderson, 2008; Malhotra, Morris, & Smets, 2010). This finding is supported by the empirical results of Malhotra et al. (Malhotra et al., 2010), in which the authors argue that alternative career paths and positions in law firms exist alongside the up-or-out-system. It is also consistent with the more general insight that professional values are preserved even though PSFs have become more managerial and "business like" (Faulconbridge & Muzio, 2008).

The extent to which the up-or-out-system and the idea of a "partnership" seems to be attractive for professionals and their clients (Greenwood & Empson, 2003), might also explain why some PSFs (e.g., business consultancies) label their top managers/consultants as partners, even though they are employed in stock corporations rather than as (equity) partners in partnerships (with specific legal forms like LLPs, i.e., limited liability partnerships). This reflects the findings of organizational identity research, according to which identity-relevant labels (such as the rhetoric of "partnership") can survive whilst the actual meanings attached to these labels might change (Gioia, Schultz, & Corley, 2000). Further support is gained from the notion of Morris and Pinnington (Morris & Pinnington, 1998b) that up-or-out is a strong professional norm (albeit one that is not universally applied). Summarizing, we can state that the up-or-out-system and career paths in PSFs are immersed in an ongoing process of modification and there remains a relevant question of how this influences motivational aspects, group cohesion (especially among partners and tenured non-partners), and professional identities.

Partner selection: Promotion to partner is the most important personnel decision in PSFs – not least because additional partner promotions allow firms to grow given that new partners need to leverage their competence with that of their associates (Galanter & Palay, 1990; Maister, 2003). It is further important because partner promotion is considered as the "super-bonus" (Galanter und Palay, 1990, p. 781) for associates, and the chance for achieving it is part of the implicit (psychological) contract between partners and associates. The potential prospect of becoming a partner contributes strongly to the motivation of professionals, encouraging them to work long hours (Galanter & Palay, 1990; (Greenwood & Empson, 2003). However, the chance of becoming a partner is generally on the decline (Ackroyd & Muzio, 2007; Galanter & Henderson, 2008), and as Galanter and Palay (1990, p. 755) pointed out, "for those

who achieve promotion, the meaning of partnership has changed. The prospect of an orderly procession to unassailable eminence has been replaced by an arena of pressure and risk amid frenetic movement" (Galanter & Palay, 1990). In such a context, Morris and Pinnington (1998b) raised several important questions, not least the "criteria for promotion to partnership; whether there was an up-or-out-policy for promotion to partnership; the existence of a formal appraisal system and its use in the performance decision; the extent of lateral hiring at partner level and below, and where the main responsibility of partner promotion decisions lay." (p. 8). By answering such questions Morris and Pinnington and others have shown that the number of billable hours remains the most important criterion for promotion (Brivot, Lam, & Gendron, 2014), but also that the notion of billable hours is increasingly decoupled from the hours actually worked. This is because firms increasingly focus on efficiency and the standardization of processes rather than on the actual work performed (Brivot et al., 2014; Leblebici, 2007). In addition, there is a particular aspect of the promotion decision in PSFs that the criteria by which performance can be assessed must be strongly oriented towards the future of the firm. The current performance of a junior professional provides little evidence of his/her performance as a project manager, the performance of a project manager little about his/her performance as a partner. Decisions on promotion in PSFs are therefore in practice rather like gazing into a crystal ball, unless appropriate diagnostic methods are used. This is important because most professionals still consider partnership as a lifetime relationship, even though PSFs are increasingly dismissing their partners and lateral movements at partner level have recently become more prominent.

Because women and minority groups remain under-represented in professional organizations (e.g., Crompton & Lyonette, 2011), diversity and gender are important factors to be discussed in partner selection (Galanter & Henderson, 2008). Even though the poor representation of women is not exclusive to the partnership level, problems of inclusion intensify when climbing the career ladder. Research has revealed a complex set of reasons (such as 'old-boy networks', career aspirations, working structures, gender biases, work-life conflicts; see e.g., (Ashley & Empson, 2013; Bolton & Muzio, 2007; Donnelly, 2015; Kumra & Vinnicombe, 2008; Pinnington & Sandberg, 2012; Walsh, 2012)), and it has often been claimed that more sensitive HR practices and work structures would make partnerships more inclusive (e.g., Donnelly, 2015). However, there are also some research findings that indicate that initiatives introduced by firms (like development programs, specific women networks, flexible work practices) seem to have little effect on gender balance at higher levels in PSFs (Donnelly, 2015). This is borne out in research on work-life balance (WLB; e.g., Kaiser, 2010; Kaiser, Ringlstetter, Reindl, & Stolz, 2010), which also shows that WLB practices do not only contribute to alleviating work-life conflict in professional organizations; other effects are also apparent. More research is hence needed to substantiate gender/diversity issues in PSFs, especially focusing directly on HR practices and their impact on gender balance and diversity. Pinnington & Sandberg (2013, p. 628) pointed out something that could be interesting in this respect:

> "The professional institutes can also do much more to improve career development policies in firms and encourage improved practices and skills in related activities, including

promotion and succession planning, promotion reviews and performance management. Professionals and HRM staff should be encouraged to be more expert in the practice of diversity management and be encouraged by senior management to engage in an open and constructive debate on issues relating to equal opportunities and flexible working practices." (p. 628).

Partner compensation and profit sharing: In PSFs that are organized as partnerships the compensation or profit-sharing of the partners follows a logic that differs from that of more typical organizations. In real partnerships (which we assume to be the model, even though not all PSFs are governed as partnerships), partners are co-owners of the firm and thus jointly responsible for its liabilities and profits. They hence need to share their profits according to a commonly accepted system, instead of remunerating their employed managers. Different profit sharing systems are known, which can be differentiated according to their performance orientation. E*at-what-you-kill* and *equal share* are the end points of a continuum of these systems, and lockstep (partners equally share profits according to their seniority level), managed or modified lockstep (lockstep, modified with some performance-oriented features), and merit-based systems (sharing based on evaluated performance) all lie between the two extremes (Anderson, 2001). While small PSFs might follow either an *eat-what-you-kill* system, in which each partner receives what (s)he contributes and only discharges a fee for joint costs, or an *equal share* model, in which the profit is divided equally, the question becomes more problematic when PSFs grow (Galanter & Palay, 1990). The Cravath model (introduced above) involves a (purely) lockstep system of profit sharing (Galanter & Palay, 1993, ©1991), and particularly UK-based large Law firms saw this system as the natural way of organizing their profit sharing. Recent descriptive data from law firms, however, indicate that such pure lockstep systems give way to more performance-oriented systems (managed lockstep and merit-based systems) (BDO, 2013; Major, Lindsey & Africa, 2012; Wesemann & Kerr, 2015). This finding differs from that of Morris & Pinnington (1998a), who argued that "lock-step has not been substantially replaced by performance-based systems" (p. 31). Moreover, even within lockstep systems it has become more common to downgrade partners in terms of their level of seniority when their performance falls over a longer period of time. Pahsigian (1985) argued that "if firms do use *ex post* settling up, the distinction between the marginal productivity model and the sharing models becomes increasingly blurred" (p. 395).

This idea enables us to question some issues related to partner compensation. In the literature, the sharing of profits in partnerships is particularly discussed from an economic perspective (e.g., agency theory; portfolio theory). Researchers have focused on equal sharing and the related lockstep system, and have discussed the effects of shirking, motivation, free-riding, or leaving (Bartling & von Siemens, Ferdinand A., 2010; Gilson & Mnookin, 1985; Huddart & Liang, 2005; Levin & Tadelis, 2005). This research offers relevant insights into why sharing rules can be effective, e.g., by taking into account peer pressure as a substitute for other forms of control (Kandel & Lazear, 1992). Non-economic accounts remain scarce, however (see e.g., Burrows & Black, 1998; Morris & Pinnington, 1998a), especially compared with the broad stream of literature on top management remuneration. Several research questions remain unanswered. For instance, research on top management remuneration in manufacturing

organizations has intensively analyzed the link between compensation schemes and corporate strategies (Gomez-Mejia, Berrone, & Franco-Santos, 2010), but the link between profit sharing systems and strategic orientations in PSFs remains an under-researched topic. Even though some (mainly) conceptual research has indicated that certain profit sharing systems have a better fit with some strategies (Swart et al., 2015, p. 15), empirical work that explicitly tests these assumptions is lacking. Further, there is much wisdom in the field (as shown by business magazines, reports from consultancies (Anderson, 2001) and our own conversations with managing partners of law firms about this topic) about the effects of different profit-sharing systems. For instance, performance-oriented systems are said to hamper collaboration between partners, and firms with lockstep systems seem to have difficulties in retaining high-earning partners ("rain-makers"). Whether such assumptions can be confirmed by rigorous empirical investigations, especially from a non-economic perspective, is an open question.

The complexity of the framework and HRM-systems as a solution

In this section we integrate heterogeneity and contextual change into our framework as two relevant dimensions of complexity. In so doing, we wish to raise awareness that HRM research and practice in PSFs are more complex than has been suggested to date. Regarding heterogeneity, we argue that beyond the characteristics that distinguish PSFs from other types of organizations, we can also identify differences between the single PSF-subsectors as well as between individual firms. Heterogeneity influences HRM in practice and accounts for specific research efforts and findings. With respect to contextual changes, as a dynamic aspect, we can observe that contextual changes strongly influence HR practices in PSFs. Integration of contextual changes into our framework points towards the fact that practitioners and researchers specifically need to deal with the contextual changes of PSFs and the new challenges that will arise in the future.

Figure 2: Extended framework for HRM in PSF
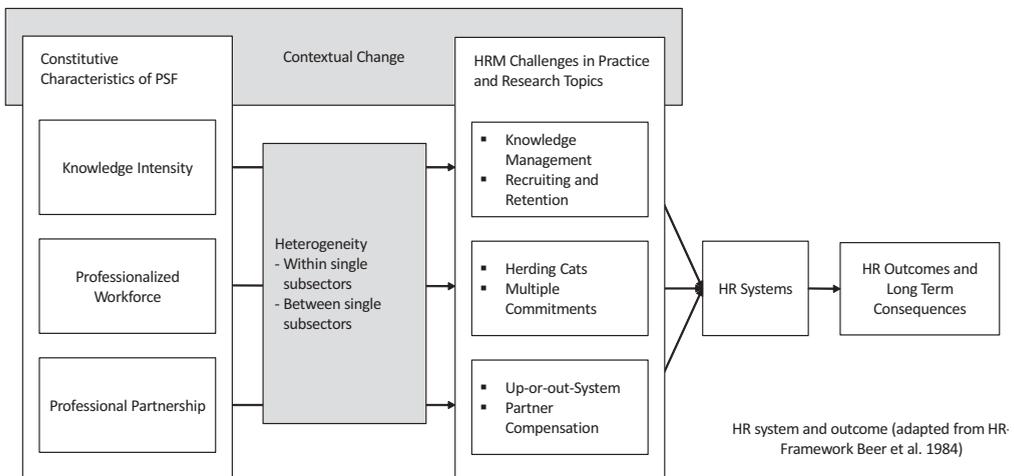
Against the background of heterogeneity and contextual change and following the Harvard map of HRM we argue that appropriate HRM systems, which consist of bundled (ideally complementary and consistent) HR practices rather than single activities, are important for the long-term success of PSFs. According to the subsector, the specific corporate strategy, organizational size, culture, etc., PSFs differ in their HRM systems. In the sections that follow we elaborate on these differences using an enlarged framework that includes heterogeneity, contextual changes and HRM systems (see Figure 2).

Heterogeneity

Establishing a research agenda on PSFs -in our case with a specific focus on HRM-requires as clear a statement as possible about what distinguishes them from other organizations (Empson et al., 2015). Nevertheless, within the boundaries of the subject area of "PSF" there is much heterogeneity among firms. While scholars on PSFs have established conceptual cornerstones capturing the commonalities among PSFs (see above), they have also developed a more nuanced view on their heterogeneity (Malhotra & Morris, 2009; Nordenflycht, 2010). Some of this heterogeneity can be traced back to contingency factors including size or the degree of internationalization. For instance, by following their clients in global markets, PSFs have themselves become more international (Morgan & Quack, 2005). In the wake of these developments, internationally oriented PSFs need to establish HR practices – e.g., for globally distributing professional knowledge (Boussebaa, 2009) – that can keep pace with the global focus. This is challenging because international contexts and their institutional differences increase institutional complexity. HR practices can be a focal point of conflict when competing institutional demands about appropriate HR practices arise (e.g., about remuneration systems, see Faulconbridge & Muzio, 2015). However, HR practices can also contribute to coping with conflicting institutional demands by reducing institutional distances and encouraging cross-national standardized working practices, e.g., through training (Faulconbridge, Muzio, & Cooke, 2012).

However, there is also heterogeneity that results from more PSF-specific factors. Malhotra et al. (2009) argue, that "the nature of knowledge, jurisdictional control, and the nature of client relationships" (2009, p. 896), influence the structure, management and strategy of PSFs. Due to these factors, law firms are comparatively nearer to the organizational form of professional partnership (high autonomy and discretion), whereas audit firms and (engineering) consultancies have a higher degree of bureaucracy. HRM policies and practices are likely to differ accordingly.

Research on different HRM systems in PSFs, as we show in detail later on, has provided some preliminary insights into how heterogeneity influences HRM. Law firms (e.g., Malhotra et al., 2010) and consultancies (e.g., Domsch & Hristozova, 2006) are among those PSFs for which the greatest knowledge about HR practices have been accumulated, but comparative research between different PSFs (law firms, consultancies, auditing, …), which could be used to evaluate the heterogeneity, remains scarce. More systematic insights about the heterogeneity of PSFs and its influence on HRM are therefore required.

Contextual changes

PSFs are highly institutionalized organizations. The archetype theory (Greenwood, Hinings, & Brown, 1990) and the institutional logics perspective (Lander, Koene, & Linssen, 2013), both widely used in the context of PSFs, account for this fact. Regulatory changes, technological shifts, competition, and globalization can have massive influences on structures, management systems and strategies of PSFs (Brock, 2006). The most important contextual change (trend) that influences HR practices is that PSFs are becoming more managerial and bureaucratic, thereby increasingly transforming the archetypal way of organizing from professional partnerships (P2) into management professional businesses (MPB) (Brock, 2006). From an institutional logics perspective, this has been interpreted as a shift in logics, for instance from trustee logic (in which professional values have a higher weight) to commercial logic (in which efficiency and monetary interest have a higher weight) in accounting firms (Lander, Koene, & Linssen, 2013).

Even though there is some controversy about how far-reaching such trends are (Ackroyd & Muzio, 2007; Brock, 2008), the literature does not question the fact that PSFs are increasingly introducing management practices like financial controlling, marketing, hierarchical leadership structures, and more systematic HR practices. Considering HRM, we can infer relevant influences between HR practices and the trend towards bureaucratization along two causal pathways. HRM can first *contribute to* making PSFs more managerial and second *benefit from* PSFs being or becoming more managerial. While the former refers to the influence of HRM on managerialism, the latter implies that HRM is increasingly receiving the attention and organizational power of partners, when managerial issues are generally becoming more important.

The topics being discussed against the increasing managerial practices used in PSFs are e.g., the emergence of new careers and managerial positions outside the professional pyramid, the control of professionals using performance-based pay, and the introduction of employer branding. Another aspect of becoming more managerial and efficient is the use of technology for all work processes. In the case of HRM, technology enables organizing data and information on the conduct, behavior, and skills of professionals, which can affect how PSFs identify, develop and recruit their talents (Wiblen, Dery, & Grant, 2012).

HRM systems

Research on HRM has shown that HR practices that have an internal fit between different practices (like recruiting, remuneration, selection and development) and are well aligned with firm's culture and strategy have a higher impact on organizational performance than those that do not (Alewell & Hansen, 2012; Boselie, 2013; Krauss, 2002). Following this assumption and based on our knowledge that PSFs are both specific and heterogeneous, researchers have investigated HRM systems that take both the specifics of PSFs and their heterogeneity into account (Alvesson, 2002; Andreas Werr & Annika Schilling, 2011; Doorewaard & Meihuizen, 2000; Gmür et al., 2009; Krausert, 2014; Richter, Dickmann, & Graubner, 2008; Stephen, Bhavini, David, & Teemu, 2008; Swart et al., 2015; Swart & Kinnie, 2013).

Overall, our research reveals two generic patterns of HRM: the first is characterized by tighter HRM policies and structures, resembling HRM in e.g., industrial organizations, and the second reflects lower degrees of formalization and structure. In their comparative case study on business consultancies, Richter et al. (2008) traced these patterns back to the degree of bureaucratization and managerialism that influences HR practices and systems. In professional partnerships (P2) characterized by a lower level of managerial interference, HRM seems to be less formal and more obliging towards partners, while MPBs use more extensively specialist HR staff and formal HR policies and regulations, similar to HRM in e.g., industrial organizations. Richter et al. (2008) concluded that either system can be effective as long as it fits the overall strategy, systems and culture of the PSF concerned, and they ended by arguing that PSFs should avoid "'mix and match' strategies that involve combining singular practices from different systems" (p. 199).

Doorewaard and Meihuizen (2000) supported these findings by specifically focusing on the link between strategy and HRM systems. In essence PSFs can follow two strategic options (Kaiser & Ringlstetter, 2011; Løwendahl, 2005; Maister, 2003): An *expertise strategy*, in which professionals focus on unique and highly customized solutions for complex problems, and an *efficiency strategy*, in which PSFs leverage existing solutions with a lower level of individual customization but with greater efficiency. HRM systems can support these strategic orientations by specifically implementing HR practices that fit with the strategic orientation of the firm. For instance, firms with an expertise strategy rely to a great extent on the knowledge of their high-profile professionals, which needs to be supported by specific individually oriented training (enhancing individual creativity and skills) and flexible working practices (Carvalho & Cabral-Cardoso, 2008). In comparison, firms with an expertise orientation rely more (but not exclusively) on organizational knowledge and established procedures. HR practices in such firms hence need to foster the skills of associates and partners to use and develop standardized solutions. Thus, firm-specific training is more important than in expertise-oriented firms. In a more recent exploratory study, Werr and Schilling (2011) empirically found similar patterns of HRM, which they called *talent factory* (efficiency oriented) and *expert houses* (expertise orientation). In their conceptual paper, Swart et al. (2015) also used the typology from Doorewaard and Meihuizen (2000) to describe different HR practices in efficiency-oriented and expertise-oriented PSFs. They further extended this line of thinking by arguing that efficiency-oriented PSFs rely on different forms of social and structural capital than expertise-oriented PSFs, and that HR practices are needed that support the development of the respective forms of capital. They concluded that efficiency-oriented PSFs focus on organizational capital and that HR practices in such firms should "develop firm-specific human capital" (Swart et al., 2015) (centripetal model). In contrast, expertise-oriented PSFs need a deeper understanding of their key clients and knowledge bases as well as tighter relationships with clients. In such PSFs, HR practices should for instance enable individual professionals to build up a reputation and attain high degrees of competence.

Summarizing the findings above, researchers have identified two generic strategies, which follows the idea of efficiency- versus expertise-oriented, or P2 versus MPB. However, there is some other work that brings alternative relevant perspectives

into the discussion. For instance, it has been acknowledged that HRM systems in PSFs need to take the multiple commitment targets of professionals into account (profession, client, organization) (Kinnie & Swart, 2012). Kinnie & Swart (2012) and Jørgensen & Becker (2014) both discussed HRM configurations that reduce potential tensions between professionals' multiple commitment foci (Jørgensen & Becker, 2014; Kinnie & Swart, 2012). From a very different perspective too, McClean & Collins (2011) showed that the non-professional workforce requires different HRM-systems, thereby enriching the debate on HRM in PSFs that almost exclusively focuses on professionals. Taken together, these more recent research findings enrich our understanding of the appropriate patterns of HR practices in PSFs and could greatly substantiate our knowledge of HRM systems in PSFs, if they could be more comprehensively combined with the more strategic and managerial research on HRM in different PSF archetypes (P2 versus MPB).

Discussion and contributions of this special issue

Reflecting on the framework

In this paper we have presented a framework that aims to improve our understanding of HRM research and practice in PSFs. In this section we wish to reflect on the specific contributions of this framework and the lessons that can be drawn.

First, we argue that the framework depicted above shows that the constitutive characteristics of PSFs – knowledge intensity, a professionalized workforce and professional partnership – pose specific challenges for the people-management dimension in such firms. Our review of the literature on HRM in PSFs (though not following a more systematic route) showed that we can arrange existing research within this framework. The framework can hence be supportive to PSF and HRM researchers; first by connecting their research to other discourses, and second to be more precise on how their research is related to the specific characteristics of PSFs. The latter is important for distinguishing between research that merely uses HR aspects in PSFs as a context, and research that focuses on the specific characteristics of HRM in PSFs. Both kinds of research are justified but contribute to different discourses, which authors must make explicit.

Second, the framework contributes to a broader discussion of how HRM practices depend on contingency factors such as industry, local context or strategy (Boxall & Purcell, 2011; Purcell, 1999). Specifically, the integration of heterogeneity and contextual change is important in this respect. In the framework, we have integrated heterogeneity as accounting for differences between PSFs, thereby stressing that differential HRM research is important even within the field of PSFs and their different types (law, accounting, or consulting), various sizes, and degrees of internationalization (from a few locally oriented professionals to firms operating worldwide with several thousand professionals). By taking this into account, HRM researchers empirically engaging with PSFs can better discuss contingency factors within the field of PSFs and elaborate their influence on HR practices. This will substantially contribute to the PSF specific discourse on HR research. However, the framework also makes us aware of the fact that the legitimacy to talk about "HRM in PSF" as a distinct field of research is only justified if we also focus on the commonalities of PSFs and discuss what makes

HRM in PSFs distinct to other kinds of organization. We hence need being aware of both the "internal" heterogeneity for understanding HRM in the PSFs themselves and commonalities of PSF, in order to better analyze the peculiarities of PSFs compared with industrial organizations. Striking a balance between the focus on heterogeneity within PSFs and the commonalities of PSFs is challenging but important for research on HRM in PSFs, in order to classify and interpret research findings in a reflective way.

A further important question in this context is the transferability of HR practices used in PSFs to knowledge workers in industrial firms. As depicted in the discussion in the section on "contextual change", PSFs are increasingly introducing managerial elements and sharpening their focus on efficiency. Thanks to these developments, PSFs are increasingly coming to resemble industrial firms in their management practices, while industrial firms have begun to democratize their management, reducing their levels of hierarchy and changing their authoritative leadership styles towards collaboration and supportive leadership. Therefore, the potential for the transfer of practices between PSFs and other organizations arises. Nevertheless, based on the developed framework it seems reasonable that specific peculiarities – like the professionalized workforce – retain their relevance and that a fully and mutual approximation of industrial and professional firms is unlikely. From the perspective of research on HRM in PSFs it will be an interesting research avenue to examine these limits of the reciprocal approximation more deeply.

Of course, this paper has limitations that we would like to discuss briefly. First, the proposed framework is based on conceptual considerations and although providing quite a comprehensive overview of the state of the art research, the literature review could be more systematic. Further, the framework remains an empirically untested proposal, and more research is needed to substantiate the proposed relationships between constitutive characteristics of PSFs and HRM challenges. Moreover, the paper has (intentionally) not integrated literature from knowledge workers and knowledge-intensive firms (e.g., Horwitz et al., 2006). Meanwhile the specific conceptualization of PSFs, which differentiates PSFs from a broader notion of knowledge-intensive firms, justifies this approach, but further research could integrate more systematically the research findings from different angles, where these are appropriate and meaningful. Second, we have not elaborated upon the dependencies and relationships between the different elements of the framework to a greater extent. For instance, the multiple commitment foci of PSFS are likely to influence other HRM challenges such as knowledge-management practices and/or the up-or-out system. Even though we have discussed HRM systems, in which the different elements need to be fitted together, the cross-influences of the challenges have not been to the fore.

To sum up, however, we are positive that the research framework supports researchers and could spur further research on the principles, practices and structures of HRM in PSFs.

Contributions to the special issue

We began this paper with remarks on the relevance and deficits of the research on HRM in PSFs. Taking this into account it seemed reasonable to push the research

agenda on HRM in PSFs and to invite international researchers to submit their work to a special issue in the *German Journal of Research in Human Resource Management*. According to our call for papers, we sought to better understand issues such as

- The role of HRM in general and in archetypal change,
- Motivating and ensuring commitment for professionals in the face of the contemporary shift in values of young professionals,
- Work-life balance, global talent management, recruitment,
- Different configurations of HRM,
- Gender issues related to HR practices,
- The organization of HRM in PSFs,
- The definition of professional competence defined and assessed in PSFs.

We received 23 abstract submissions focusing on topics such as turnover management, entrepreneurship and HR practices, knowledge management, and professional commitment. After initially inviting 9 authors to submit full papers and following two major rounds of reviews, we made a final decision to include three papers into the special issue. Even though not intentional, the three papers all use institutional logics as a theoretical framework. This makes the special issue more concise and focused, and the main contribution of the special issue to the literature could also be seen as applying the logics perspective to HRM in professional service firms. However, we still believe that research on HRM issues in PSFs should follow a broader agenda and we therefore provide a broad overview in this introduction. Furthermore we find this broader agenda to be embedded in the diversity of the HRM topics and perspectives addressed by the contributions to this special issue.

In the first paper, *Frans Bévort and Flemming Poulfelt* discuss why it is difficult for HRM specialists to have a more definitive role in PSFs and why such organizations seem to resist more formal HR practices compared to e.g., manufacturing firms. Based on a case study of a Big Four accounting form and a narrative analysis of HRM professionals in different PSFs, they argue that HRM rests on a bureaucratic logic, whereas professionals with managerial responsibilities (partners) follow a professional logic. Their narrative analysis shows the ambiguous experiences HRM specialists have when they work in PSFs and try to implement their understanding of a professional HRM. If HRM specialists try to introduce or expand HR practices in PSFs, they face difficulties because they attack the natural way of organization and the autonomy of professionals. Formal systems, rules and standards – by which HR practices are established – exemplify how the nature of bureaucracy clashes with professional logic, changing the power relationships between partners and HR specialists. This provokes the struggles described by Bevort and Poulfelt and results in a slow pace of change. Nonetheless, institutional pressures and operational demands push PSFs to introduce more formal HRM systems. The authors hence argue that "HRM in professional service firms may be 'too good to be true' in the sense that the need of HRM in PFSs seems obvious, but the task to achieve remains huge and still unresolved". The paper ends with several proposals for practitioners (both HR professionals and partners) on how PSFs could make more use of HRM specialists.

In the second paper *Susanne Ollila, Alexander Styhre and Andreas Werr* address one of the above-identified HR challenges in PSFs – knowledge management. More specifically, their empirical focus is the integration of knowledge in the work of engineering consultants and how this is shaped by organizational and HR practices. The paper is located in the previously well acknowledged shift from professional governance logic towards managerial governance logic in PSFs, a shift that previous research has often pictured as a conflict based on a claimed incompatibility of the logics. Rather than focusing on the shift as such, the paper focuses on the coexistence of the two logics and their interaction. This perspective enables the authors to investigate knowledge integration as taking place within a force field of professional and managerial logics. The authors identify the two aspects in which the logics reinforce each other in enabling knowledge integration (e.g., by creating incentives for the consultants to make their knowledge visible) but also tensions that potentially impede knowledge integration (e.g., by focusing department profitability, seeking knowledge from other departments was sometimes avoided). The paper concludes that the professional logic is a key driver of knowledge integration, but that the managerial logic, including its formal HR practices, may support knowledge integration through secondary effects if applied in a thoughtful way based on a basic understanding of and respect for the professional logic.

In the third paper, *Bernadette Bullinger and Corinna Treisch* focus on recruiting. They address the expectations of potential future professionals about their prospective employing PSF. Increasing our knowledge about what makes a PSFs attractive for applicants is relevant for practitioners, because of the high turnover rates and the resulting extensive demand on talented people. Theoretically, their study follows an institutional logics perspective. They infer from literature that the logics of corporation, professionalism and family influence job advertisements, but questions remain which logic informs a high attractiveness from the view of applicants. The empirical study starts with analyzing real job advertisements and identifying the rhetoric and information of them. Based on this, Bullinger and Treisch designed an experimental study, in which they present different job vignettes to potential applicants. Based on a choice-based conjoint analysis, they argue that potential applicants are heterogenic in their expectations concerning what makes an employer attractive. Different information parts of the job advertisements (like "required job related attitudes" or "required job related attitudes") are related to different logics. This shows that "choosing between potential future employers is characterized by great institutional complexity". By giving a more nuanced insight into this complexity, the paper from Bullinger and Treisch is also a relevant source for practitioners when writing their job advertisements or design their employer branding programs.

Concluding remarks

In the wake of the growing attention of researchers on the management of professional service firms, HRM is increasingly becoming an important area of scrutiny. Following the insight that real HR practices depend on contingency factors, the way PSFs manage their human assets is likely to be specific to them in certain respects. This introductory paper has developed a framework that integrates the constitutive character-

istics of PSFs and the resulting HRM challenges. Based on this framework, the paper has outlined the state of the research and has introduced the contributions of the special issue. The papers in this special issue greatly advance our understanding of HRM in PSFs, even though several questions remain unanswered. The research agenda for the future is therefore clear.

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