

# BARRIERS TO MARKETING WITHIN PROFESSIONAL SERVICE FIRMS

A Study of the Understanding and Application of Marketing within  
Accountancy and Law Firms

A thesis submitted for the degree of Doctor of Philosophy

by

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## ABSTRACT

We live in a world of rapid change. Nowadays, there are virtually no organisations that haven't been affected in one form or another by changes in their environment. The professions, which have for centuries been sheltered against change, are under increasing and complex environmental pressures and as a consequence are experiencing considerable change and uncertainty. The overall pressures have been increased competition, more demanding and sophisticated clients, succession issues, deregulation, technological advancement and globalisation. These have acted upon sectors, which are encumbered with conflicts of interests caused by the nature of the partnership organisational structure and a compromised self-regulation based on the traditional professional culture.

Marketing has an important role to play as the organisation's interface with the environment. It is a "boundary-spanning organisational function through its constant interface with the external environment at large and with customers, competitors and channel members in particular" (Varadarajan, 1992, p.340), as well as with the various groups within the organisation. The key role attributed to the marketing function is as a tool designed to maximise efficiency.

Marketing has been very reluctantly adopted as a management tool by the professions. This thesis addresses the barriers to acceptance and implementation of marketing within professional service firms, given the intensity and complexity of environmental pressures they have been subjected. The research has focused on two of the traditional liberal professions, accountancy and law, through the study of the way marketing is perceived, understood and practiced within the organisation of seven accountancy and seven law firms.

A theoretical model has been developed and refined providing the explanation for the barriers to marketing within the professional service organisation. The findings based on analysis of the professionals' perceptions have

demonstrated that these barriers can be seen as a result of an organisational conflict between the need for response to contingency pressures and the internal and external institutional isomorphic pressures of maintaining professional legitimacy with the implications of forfeiting organisational efficiency.

The findings indicate that change within the professional organisation only takes place if subjected to contingency pressures and, in general, it is slowed down due to the institutional barriers of the professional partnership. The study has revealed that professionals are torn between the pressures of change and the need for respectability and maintenance of the status quo, which is evidence of the conflicting contingency and institutional pressures at play. The Marketing Champion has been proven to be a powerful driver for change in terms of initiating and leading the process.

The review of perceptions of the concept and role of marketing within professional service firms has revealed generational differences, misconceptions and outright conflict leading to resistance in its introduction and application, although professionals have individually practiced a wide variety of marketing activities in their pursuit of gaining and maintaining clients. There has been conspicuous resistance to the acceptance of marketing as a management tool across the professional organisation. The main barriers to implementation have been identified as the professional partnership structure and the professional culture.

Understanding on how marketing has being practiced within the professional organisation researched has been considered important in establishing the nature of the response to contingency and institutional forces. The research has been focused on the level of importance given to marketing as a strategic tool as opposed to the traditional tactical, communications mainly tool. The research has again shown that those firms who had a Marketing Champion, used marketing in a far more strategic manner.

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# CHAPTER 1

## INTRODUCTION

### 1.1. INTRODUCTION

The purpose of this chapter is to introduce the problem of the barriers to marketing within professional service organisation. It will describe the rationale behind the decision in pursuing this topic, based on the empirical observations made by the researcher and other authors, which will be elaborated. Finally it will put forward the approach adopted in the structuring of this thesis.

### 1.2. RATIONALE FOR THE RESEARCH TOPIC

In 1992, the researcher took over the newly created Corporate Marketing Manager position at ECI Ventures, a medium sized City based venture capital firm. This was the same year in which, S.D. Hunt, Professor of Marketing at the University of Texas, in a seminal article defining marketing, made a startling observation,

“Even people who customarily evaluate issues in a thinking, logical, and rational manner seem incapable of approaching cognitively, logically, and rationally the subject of marketing, particularly the advertising component of marketing. People seem to put their minds ‘on hold’ at the very mention of marketing. It is worth remembering that I.D.H.Weld (1882-1946), one of the founding fathers of the marketing discipline, was called before a special committee of the Minnesota legislature to explain why he taught what the legislature considered ‘dangerous doctrines’. As we know he was only pointing out that marketing intermediaries have a positive role to play in the marketing of agricultural products and are not there to exploit anyone, let alone, the farmer” (1992, p.307).

Hunt was expressing a deep-seated concern that marketing was far more misunderstood than Finance or Management and that the public needs to be

educated about the social values of marketing activities and institutions. Hunt viewed this as a responsibility owed to the marketing practice.

ECI Ventures Ltd was structured, like most professional service firms at the time in the UK, as a partnership of about 12 - 15 financial consultants whose background was mainly accountancy. The firm had a wide network of business connections, composed of accountancy firms, law firms and financial boutiques providing the essential leads and professional expertise for the investment deals that were the mainstay of ECI's activities. In this pervasive professional environment marketing had traditionally been viewed as 'taboo'. Nevertheless, there was a noticeable rising interest in marketing, to the point where the partners became interested in the possible use of certain elements of marketing within the firm. They were experiencing far stronger competitive pressures than they were used to, an increase in client sophistication demanding innovative and more complex professional services in what seemed to be a rapidly changing environment due to diffusion of technology, economic volatility and globalisation.

None of the ECI partners had any discernible expertise in marketing although they understood its management function within the commercial organisations they invested in. As stated by Barwise and Meehan,

“Marketing came into the vocabulary of PSFs (professional service firms) along with the relaxation of regulations preventing advertising and unsolicited direct contact with non – clients” (1999, p.235).

In the US, it followed the historic Bates vs. State Bar of Arizona Supreme Court ruling of 1977 which effectively de-regulated the professional body's rights to prevent their membership using a wide range of marketing communications and promotional tools (Morgan and Piercy, 1990). In the UK, the Institute of Chartered Accountants of England and Wales and the Law Society issued revised guidelines in 1984, which effectively relaxed the regulatory restrictions upon many forms of marketing communications for their members.

ECI's partners were unsure on what marketing meant and what it could do for them and the firm. There was confusion as to its meaning, was it advertising, was it selling or a combination of the two? Was marketing supposed to bring in new clients or look after the old ones, promote the firm or the partners or just promote their services? There was also confusion as to marketing's role in the management and development of the firm. Throughout the four years spent at ECI, the researcher observed partners' involvement with marketing being sketchy, an effort that was fragmented and localised. Marketing was perceived as a marginal support function less important than IT, internal accounting or catering. Marketing planning was seen as a tolerable novelty and not in any way part of a strategic business plan. The allocation of resources to marketing practice was limited and there were no measurement and controls in place linking the firm's performance to the marketing activities performed.

Based on the observations made in those four years, a number of questions started to develop, namely:

- Why has marketing been viewed as 'taboo' within the professional environment?
- Why was this environment at worst hostile and at best dismissive of marketing?
- Was this attitude conditional on the nature of the professional service, the size of the firm or its organisational structure?
- Was this localized in the City, or was it a national or international occurrence?
- How representative were these observations?

### 1.3. THE CONCEPT OF BARRIERS TO MARKETING WITHIN PROFESSIONAL SERVICE FIRMS

There has been, to a certain extent, little empirical research done on the subject of the acceptability and the practice of marketing within professional service organisation. Whatever has been done has been mainly US based,

concentrating on the effects of de-regulation, use of advertising and client selection criteria.

In the UK, Morgan and Piercy (1990) were the first to label the concept of 'barriers to marketing in professional service firms', which was further researched by Morgan (1991). From the cross section of firms within the accountancy, law and consulting engineering profession he studied, the majority had,

“...some form of organisation for marketing. The implementation of such an organisation was very variable, ranging from having a single partner, with marketing as one of a number of specific management responsibilities, as well as being a fee-earner, to full-blown marketing departments with over twenty employees” (Morgan, 1991, p.15).

Barwise and Meehan (1999) give a cynical account of this process. The marketing departments thus established in the larger professional firms, were mainly concentrating on communications, direct mail, advertising, seminars and conferences, as well as offering a supporting role to the bidding process. They were run by marketing specialists brought in mainly from the large fast-moving consumer goods companies and,

“...typically would report to a fairly junior partner whose main qualifications for the job were a good track record for selling new work and a reputation as a creative thinker” (p.236).

Morgan's (1991) study of the relative position of the chief marketing executive (CME) and his responsibilities showed that there was a dichotomy in the way professional service firms approached the question of the location of responsibility within the firm. In the firms, which had an individual, either a partner or a non-partner specialist who had a designated marketing responsibility, then the CME's position was related to the marketing function. Very often though, the marketing responsibility resided within the confines of a committee of partners, not warranting a separate functional consideration or being considered as part of the management function. While there was an acknowledgement of the necessity of marketing within the professional

service management, through the very existence of such a CME, nevertheless in terms of position power of the CME, it appears that it did not have the internal 'clout' of other management functions within these firms. It lead to the assertion that,

"In most professional service firms at least in terms of functional management positions, marketing is usually seen to be less important to the management and the future of the firm than finance. In many firms marketing is also seen to be less important as a functional area than the personnel function" (Morgan, 1991, p.18).

The professional marketers brought into the practice usually from outside of the profession, were not partners of the firm and reported either to the CME or to the executive committee. Morgan and Piercy (1990) concluded that there was a 'poor relation' scenario prevalent, recognised and accepted by the professions. They said that,

"In terms of power and status, professional marketers are normally located organisationally at sub – partner level and entirely dependent upon the partner with responsibility for marketing to gain representation of marketing issues at partner level and within the partnership committees structure" (p.960).

Almost a decade later, Barwise and Meehan (1999) supported this view asserting that the newly appointed professional marketers,

"...were rarely, if ever, leveraged by senior management to influence strategic thinking. The prevailing attitude to 'marketing' was at best tactical" (p.236).

This view was also supported by Morgan, Foreman and Poh (1994) based on the findings in their study of the organisation for marketing in architectural service firms,

"Most cases reported that marketing activities were integrated with a host of other management tasks and a burden on one or several partners which they tended to relegate below their valuable fee income generation time and priorities" (p.37).

Furthermore, widespread ignorance or a deliberate attitude of ignoring what marketing is and what marketing could offer to a professional practice was observed. One of the misconceptions was the assumption that marketing is nothing else but advertising and sales, which were seen unfavourably and in a denigrating way. Pheng and Ming (1997) in their study of the quantity surveying profession in Singapore, supported this view saying that,

“...many quantity surveyors have misinterpreted what marketing is all about. Some see it as manipulative, wasteful, intrusive and unprofessional, while most will see it as plain advertising and selling” (p.273).

These misconceptions seemed to be ingrained in the professions, to the extent that they were prevalent even at the level of their regulatory bodies. In his study on the use of marketing by professional associations, Wilson (1997) asserts that,

“The associations like many of the professions they represented before the present decade not only considered they had no need to market their services but had a positive distaste and disdain for the market – place and for marketing in all its forms” (p.49).

These misconceptions seem to be at the root of a number of management decisions taken by professional service firms. These firms would employ marketers with backgrounds in public relations or advertising (Morgan and Piercy, 1990) or those who came from fast moving consumer goods backgrounds (Barwise and Meehan, 1999). They in turn, would focus the marketing function in the majority of professional service firms on public relations, advertising and promotional literature. Many other marketing activities were deliberately ignored; in effect a self enforced vicious circle. Morgan and Piercy (1990) noted that the more substantive activities of marketing such as pricing, distribution and strategic responsibilities were considered by most professional service firms outside the ‘domain’ of marketing. He concluded that marketing, as was practised by professional service firms, was deliberately focused on the ‘trappings’ rather than the ‘substance’ of the function. Professional marketers with wider experience and

skills had not been employed because the positions offered were very narrow in scope and those employed perpetuated the limitations imposed on the marketing function.

Referring to the marketing practiced by the professional institutes themselves, Wilson (1997) comments,

“The great array of marketing tools which are available to institutes has barely been considered by them. Apart from the few traditional methods – brochures, news – letters, the occasional exhibition and the sporadic public relations effort – there is little evidence that the majority of associations may have considered the range of techniques available. They have largely been ignored, perhaps because of that distaste for marketing referred earlier” (p.51).

This was also observed at the firms they represented, as Yorke (1990), stated,

“Many professional organisations, with the exception of the large international firms, do not seem to follow even the most basic approach to practice growth and development” (p.320).

In support to this statement, he introduces Connor's (1981) listing of the three most critical mistakes made by professional service organisations, which were related to how they tried to organise themselves:

- (a). Defining and limiting marketing to 'getting new clients'.
- (b). Misunderstanding or refusing to examine the organisational implications of marketing.
- (c). Neglecting to tie individual marketing effort into the firm's appraisal system.

The picture drawn up till now portrays marketing as the Cinderella of the management functions within those professional service firms, which adopted such a function. It was placed at the periphery of professional management activities. As mentioned by Morgan and Piercy (1990), this isolation of marketing as a function was most apparent at strategic level. Their study

revealed that marketing had very little input into the firm's development strategies. The fundamental role of marketing, to be the interface between the organisation and its clients, was not fulfilled at firm level, although partners were providing their unique marketing services related to the gaining and maintaining of their own clients. Marketing, as a management function, was being kept at arm's length by the professional service providers who were practising their own system of client contact, market sensing and leadership. (Barwise and Meehan, 1999).

In organisational terms, in many professional service firms, marketing adoption and implementation had followed a similar, almost stereotypical pattern, as described by Morgan (1991) and running as follows:

The first stage involved the problem recognition by the management of the firm, usually the managing partner(s) or the management committee. There was an increased awareness of the usefulness of marketing practice as a response to increasing environmental pressures and the relaxation of professional regulations. This stage was characterised by uncertainty and lack of information. Very often the awareness of marketing was prompted by a me-too reaction to the competition adopting some forms of marketing.

The second stage involved the problem allocation or assignment of responsibility of marketing to either a junior partner or, in the case of larger practices with more substantial budgets, the appointment of a marketing specialist from outside the industry usually from a fast moving consumer goods background and experience.

Because of the lack of knowledge about marketing and the misconceptions about marketing, the firm might employ the services of a PR or advertising agency whose specialisation would influence the marketing activities of the firm. In effect, it was an abdication of responsibilities, a view, which has been supported by Morgan (1991). He summed up this stereotypical response of the professional service firms to the marketing issue. He said,



“The challenge of marketing to many professional service firms represents a large ‘black box’ filled with myths and half-truths, ambiguity in terms of the role of professionals and marketing, a dearth of information from both within and outside the profession, budget implications for the partnership and above all a surrounding background of uncertainty. Unable to face the uncertainty around the marketing ‘black box’ the responsibility is shifted from senior management of firm to individual partner, from marketing partner first to outside consultant and then to internal marketer who will further delegate many marketing tasks to subordinates and outside consultants” (p.21).

The research reviewed above showed that marketing was being introduced by the professional firms following external pressures and accurately presented the phenomenon of the empirically observed barriers to marketing implementation within professional service firms, but did not go far enough in respect to:

- Deeper understanding through a clearer definition of the significance and the role of marketing within society and the organisation based on existing literature.
- Better understanding through research and analysis of the perception of marketing, its concept, role, function and future by the professional service organisation, as represented by its professionals and support staff.
- Definition of the theoretical foundations of the responses by the professional service organisation to the external and internal pressures experienced.
- Clearer definition of the types of the barriers and the theory behind the phenomenon of the barriers to implementation of marketing within the professional service organisation.

These objectives have been at the core of the present research and have provided the framework for the thesis as follows in the section below.

## 1.4. THESIS SYNOPSIS

### Chapter 1: Introduction

The purpose of this chapter is to set the scene and introduce the problem of the barriers to marketing within professional firms. It presents the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors. It concludes with the delineation of the approach adopted in the structuring of the thesis.

### Chapter 2: Marketing

This chapter is providing an in depth look at what marketing is and its evolution. It provides a review of the currently accepted definitions of marketing and the history behind each definition. The chapter is an outline of both the intellectual and the pragmatic sides of marketing as well as the ongoing changes that are occurring within marketing management, as a body of knowledge, theory and practice.

### Chapter 3: The Professions

This chapter provides a review of the sociological approach to the professions covering the various definitions, classifications and models such as the 'professional project' and the 'power approach'. It further explores the nature of professional knowledge. It covers the struggles for legitimacy, which provided an understanding of inter- and intra-professional competition relevant to the present research. Finally, it explores the changes in the professions through the commodification and commercialisation issues.

### Chapter 4: Professional Service Firms

This chapter critically examines the traditional professional organisation and the radical transformation it has undergone in recent years. It examines its responses to the environmental pressures of increased competition, more demanding and sophisticated customers, deregulation, technological advancement and globalisation. The chapter is focusing on two of the

traditional professions chosen for this research, namely accountancy and law practice.

## Chapter 5: Review of the relevant Theoretical Frameworks

This chapter is providing an exploration of the relevant theoretical frameworks and is putting forward a theoretical model that would explain the barriers to marketing within professional service firms. The Contingency approach and its relevance to theory building and research in marketing have been identified. Conversely, the Institutional approach has been identified as relevant to the professions. The two approaches are outlined and their theoretical foundations traced. An in-depth review of the research they have inspired has been undertaken.

## Chapter 6: Methodology Approach and Strategy

This chapter is starting with a description of the understanding of the philosophical issues on which the research design is based. It discusses the different approaches and strategies to the research and will show the logical step-by-step approach to the choices made in the data collection and analysis methods used. Throughout it reviews the various problems related to the primary and secondary research process and the solutions adopted.

## Chapter 7: Contingency and Institutional Impacts upon the Professional Organisation

This chapter is an in-depth discussion of the research findings in respect to the perceptions of and the responses to contingency and institutional pressures by the professional organisation and its attitude towards change given its historic roles and professional culture. It covers the level of understanding of the marketing concept and function and the degree to which marketing is the preferred choice of organisational change when faced with sustained environmental pressures. Finally, it explores the acceptance or rejection of marketing as an agent for change by the professional organisation.

## Chapter 8: Barriers to Marketing Acceptance as Management Tool

This chapter is a continuation of the discussion of the research findings. It covers the causes of resistance to marketing acceptance and implementation as a management tool as illustrated by the findings. It demonstrates the role of the professional partnership and the professional culture in the process of acceptance and implementation of marketing as an agent for change. Finally it discusses the level of adoption of marketing as a strategic agent in maximising organisational effectiveness.

## Chapter 9: Conclusions

This chapter is a summary of the whole thesis. It provides an assessment of the value of the research done and it is an outline of possible future research strands.

### 1. 5. CONCLUSIONS

This introductory chapter has presented the problem of the barriers to marketing within professional firms. It has explored the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of this thesis. Its relevance lies in identifying the ignorance and misconceptions regarding marketing as possible barriers to marketing acceptance and use within professional service firms. It is therefore important to have a review of the understanding of marketing nowadays compared further on with the perceptions from the professional firms studied. The purpose of the next chapter is to review the currently accepted understanding of marketing by academics and practitioners.

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## CHAPTER 2

# MARKETING

### 2.1. INTRODUCTION

The preceding chapter has:

Introduced the problem of the barriers to marketing within professional firms. Presented the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of this thesis.

The discussion undertaken in the previous chapter identified ignorance and misconceptions regarding marketing as a possible barrier to marketing acceptance and use within professional service firms. It is therefore important to start the research by clarifying all aspects of the understanding of marketing nowadays which will be compared further on with the perceptions from the professional firms studied. The purpose of this chapter is to review the currently accepted understanding of marketing by academics and practitioners. The approach adopted has been:

- To explore the perceptions of marketing based on its historical evolution.
- To review the currently accepted definitions of marketing and the history behind each definition.
- To outline both the intellectual and the pragmatic sides of marketing, as well as the ongoing changes that are occurring within marketing, especially marketing management, as a body of knowledge, theory and practice (Webster, 1992).

### 2.2. MARKETING AS A SOCIAL AND ECONOMIC PROCESS

Marketing embodies a variety of concepts and tools. There are numerous definitions for marketing, which can be grouped broadly into two categories,

social definitions and managerial definitions. A social definition for marketing refers to marketing's role in society. From this point of view marketing can claim that its role is to lead to a higher standard of living. One of the most recent and widely used social definitions for marketing has been put forward by Kotler, who is stating that,

“Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others” (2000, p.8).

There are three important elements within this definition. Firstly, the basic idea that marketing is an exchange process, secondly, that marketing is fulfilling the customers' wants and needs and thirdly, that this exchange process is efficient and profitable on both sides. These elements require further exploration.

According to Harris and Cohen (2003), marketing is not a modern invention as some people might think.

“As an exchange process it can be traced back to ancient history, to the times when our ancestors began to produce crops or goods surplus to their own requirements and used them to barter for other things. An embryonic marketing occurred when the needs and wants of the customers were identified and anticipated and the surplus was tailored to fulfil these requirements. Hence the first elements of marketing, selling and advertising have been around as long as trade itself. There has been a widespread misconception that as long as the methods of production were inefficient, the goods were scarce and the competition underdeveloped, the producers did not really need marketing. Everything that was produced could easily be sold” (Harris and Cohen, 2003, p.946).

This era is considered as a 'production era' in which a 'production orientation' prevailed. All this changed with the industrial revolution when the

development of mass production techniques and the separation of buyers and sellers led to the first rudiments of what we recognise as marketing today.

As markets and technologies evolved, the ability to produce more than companies could sell increased along with the competition. This period lasting into the 1950s and even the 1960s has been called the 'sales era'. As economies of scale were necessary, companies had to grow large and the sales forces were pushed harder to cover larger territories and develop new markets. Using increasingly more aggressive advertising methods, companies had to embrace a 'selling orientation' in order to compete more effectively. Marketing at this time was very much a peripheral activity.

It was not until the 1970s that marketing really came into its own. Moving away from the post-production selling and advertising and the

“... 'sell what we can make' type of thinking towards a 'find out what the customer wants and we'll make it' type of market driven philosophy”  
(Brassington & Pettitt, 2000, p.11).

Many companies adopted a 'marketing orientation'. The discipline of marketing became more comprehensive and integrated and in certain industrial and commercial sectors marketing would become a major influence on corporate strategy. Since the 1980's marketing has been widely accepted as a strategic concept as well as a philosophy.

### 2.3. MARKETING AS A PHILOSOPHY

It has been argued that marketing must be regarded not simply as a practice but as a conception, i.e. the concept of a practice. Albaum quoting Lamb, Hair, McDaniel, (1992, p.4) states that,

“Marketing has two sides to it:

- (1) a philosophy, an attitude, a perspective, or a management orientation that stresses the importance of customer satisfaction, and
- (2) a set of activities used to implement this philosophy” (1992, p.314).

There have been earlier representations of marketing, which go far beyond this relatively 'simplistic' description above. Albaum introduces Bartels (1962) as a precursor of the established marketing concept as a philosophy, who identified the following, as relevant dimensions by which marketing thought can be measured:

1. The *Intellectual Dimension*, indicating the extent of its development along scientific and philosophic lines.
2. The *Temporal Dimension*, indicating its relationship to the times in which it has evolved.
3. The *Spatial Dimension*, indicating the character of its universality.
4. The *Interdisciplinary Dimension*, indicating its correlation with other social sciences.
5. The *Ethical Dimension*, indicating its co-ordinacy with ethical and spiritual concepts in human thought.
6. The *Spiritual Dimension*, indicating the extent to which the development of marketing thought coincides with the spiritual forces unfolding in the world.

Along with Albaum it is safe to say that the dimensional character of marketing thought has not been much considered since the 1960s, although there have been considerable interest in the interdisciplinary and ethical dimensions. The emphasis has been placed on the content of the marketing discipline rather than its philosophical dimensions.

Along these lines, Enright (1999) contends that the field of marketing has its own conventional wisdoms, which can be summarised in,

“...a number of key tenets, namely that:

1. Marketing is an ordered response to customer needs;
2. Through marketing research, customer needs can be anticipated;
3. Marketing planning facilitates the provision of goods and services;
4. Marketers can identify clusters of customers, known as target markets which can be reached via the process of marketing communications;
5. Customers can be targeted in a most effective way through the process of new product development;



6. Organisations are more effective if they employ marketing practitioners;
7. Increased understanding of market theory and practice leads to increased commercial success;
8. Marketing philosophy is a post Second World War phenomenon of north American origin;
9. Marketing philosophy is in its fourth stage of historical development and that this stage is one of social responsibility” (Enright, 1999, p.6).

It is interesting to note the perceived role of marketing within the organisation as a source for increased effectiveness and ultimately commercial success. Although Enright claims that the above tenets are universally accepted statements of beliefs with relatively little epistemological basis, this concept will play an important part in the arguments discussed within this thesis.

Regarding marketing chronicles mentioned by Enright in his last point, there are differing views as to whether the periodisation approach should be used in favour of the orientation approach and whether marketing is a modern phenomenon. Fullerton (1988) has challenged this last notion, being inclined to view that marketing began much earlier. Evidence of marketing practices could be found throughout history such as for example in the activities of the Dutch East Indies Company in the eighteenth century. Even the professions, which began to get established and form as corporations at that time, used very specialised forms of marketing which would be regarded today as precursors of Public Relations and Networking for acquiring and maintaining clients.

## 2.4. MARKETING AS AN ACADEMIC DISCIPLINE

The early roots of marketing as an area of academic study can be found in the early 1900s in the Midwestern American universities and were the product of two influences, namely:

a). The need for educated professional corporate managers due to the rise of large corporations following the rapid process of industrialisation and mergers of the late 1800s and early 1900s. As commented by Hunt (1992),

“The old apprenticeship system for business education and training was woefully inadequate for these large, complex institutions. If engineering is appropriate for university education, why not business?”  
(p.302)

b). The strong involvement of the Midwestern Universities with the farm sector which created a concern for the agricultural markets and the processes by which products were brought to the market and the prices were determined (Webster, 1992). These Universities started to analyse the movement of commodities from their source, either

“... from farm, forest, sea, mine or factory to the industrial processors, users and consumers...Three separate schools evolved that focussed on the *commodities* themselves, on the *marketing* institutions through which products were brought to the market, especially brokers, wholesalers and retailers in their many forms and variations and finally on the *functions* performed by these institutions” (Webster, 1992, p.2)

These approaches tended to be descriptive rather than normative leading to the development of a conceptual framework for the marketing discipline.

Using marketing terminology, Hunt (1992, p.301) suggests that universities are in the knowledge “business”. They store or “warehouse” knowledge through their libraries, disseminate or “retail” knowledge through their teaching function and produce or “manufacture” knowledge through research. He urges his fellow marketing academics to continue developing “the positive science half of marketing”, emphasising that “science” is mentioned in this context in the philosophy of science sense which implies a focus on scientific explanation. In one of his earlier works, Hunt (1983) gives a definition of marketing science as,

“...the behavioural science that seeks to explain exchange relationships, particularly those involving buyers and sellers” (p.10).

Hunt contends that there are four fundamental explananda that marketing science seeks to explain, which are:

- (1) The behaviours of buyers directed at consummating exchanges;
- (2) The behaviours of sellers directed at consummating exchanges;
- (3) The institutional framework directed at consummating and/or facilitating exchanges;
- (4) The consequences on society of the above behaviours.

Explaining these phenomena is part of the academic responsibility of 'knowledge for knowledge sake'.

## 2.5. MARKETING AS A MANAGEMENT DISCIPLINE

It is remarkable to note that in the early approaches to marketing study there is an absence of a managerial orientation. Marketing according to Webster (1992) was seen as a set of social and economic processes rather than a set of managerial activities and responsibilities. This started to gradually change and by 1948 the American Marketing Association defined marketing as,

“...the performance of business activities directed towards and incident to, the flow of goods and services from producer to consumer or user” (cited by Webster, 1992, p.2).

There is a definite change of emphasis in this definition, mainly the realisation that marketing functions are to be viewed as business activities rather than social or economic processes. In Webster's words,

“The managerial approach brought relevance and realism to the study of marketing, with an emphasis on problem solving, planning, implementation and control in a competitive marketplace” (1992, p.2).

Although not readily accepted by everybody in academic circles, the managerial focus of marketing gradually evolved in the 1950s and 1960s, being adopted by the mainstream marketing authorities. Several textbooks using the management perspective were published at this time, defining marketing management as a decision-making or problem-solving process

which relied increasingly on analytical frameworks from economics, psychology, sociology and statistics. Marketing began to be looked at from an intellectually demanding, analytically rigorous, science based and professionally managerial point of view. This process was given a tremendous impetus from the demand for higher standards in business education fuelled by the explosive growth in the number of undergraduate business students.

“By 1965, (American) business schools’ 63,000 undergraduate degrees and 6,600 masters’ degrees represented 12.8 percent and 5.9 percent respectively, of all such degrees. Since the mid-sixties, business education’s ‘market share’ has exploded. Now approximately one in every four degrees, both at the undergraduate and masters’ level is awarded to business students” (Hunt, 1992, p.302).

Webster (1992) underlines the importance of the more rigorous approach to business studies for the establishment of marketing as a legitimate management discipline,

“The incorporation of behavioural and quantitative sciences into business education gave important legitimacy to marketing as a separate academic discipline... The managerial perspective became the dominant point of view in marketing texts and journals, supported by management science and the behavioural sciences” (p.2).

Evolving away from the conventional sales management approach, marketing management became a widely accepted business function with an emphasis on product planning and development, pricing, promotion and distribution. Marketing research was widely used in management practice, its importance deriving from the ability to align the firm’s productive capabilities with the needs of the marketplace. The fulfilment of customers’ needs became the essence of marketing management and the mission of the entire firm. In support of Drucker (1954), Levitt (1960) and McKitterick (1957), Webster (1992) states that,

“The articulation of the *marketing concept* in the mid to late 1950s posited that marketing was the principal function of the firm (*along with innovation*) because the main purpose of any business was to create a

satisfied customer. Profit was not the objective; it was the reward for creating a satisfied customer” (p.3).

Certain authors view that in retrospect the 1960s were the era of marketing’s widest influence and brightest promise, while during the 1970’s marketers made important contributions to the development of the new quantitative and prescriptive portfolio models.

Nevertheless, the managerial focus of marketing hasn’t been readily accepted in certain academic circles and the marketing concept had difficulty in being accepted by industry. This has also been supported by Day who complained in 1992 that,

“Within academic circles, the contribution of marketing, as an applied management discipline, to the development, testing and dissemination of strategy theories and concepts has been marginalised during the last decade...Similarly, the marketing concept is nowhere to be found in a discussion of competing principles of management presumed to be causally related to the effectiveness of the organisations” (Day, 1992, p.324).

In support of the fact that other management fields have largely ignored the marketing concept, Day (1992) quotes Campbell (1977) in reporting that a review of all variables that have been proposed seriously as indices of organisational effectiveness has failed to mention customer satisfaction.

The view, that the satisfaction of customers’ needs and goals is the essence of marketing as management discipline, has remained throughout the decades and is confirmed in the current definition of marketing (management) provided by the American Marketing Association and quoted by Kotler (2000) as,

“...the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods, services to create exchanges that satisfy individual and organisational goals” (p.8).

## 2.6. MARKETING AS ENTREPRENEURSHIP AND INNOVATION

Some authors have shared the belief that the role of marketing as a function in shaping competitive strategy diminished in the 1980s and the 1990s and could erode further in the future.

This was reflected in the business world's perspective when in 1997, Sir Dominic Cadbury, Chairman of Cadbury Schweppes, addressing a meeting in the UK of the Chartered Institute of Marketing (CIM), said,

“A fixation with advertising and agencies makes it unsurprising that marketing has a struggle to be taken seriously in the boardroom and that the notion of marketing as a source of competitive advantage is regarded with suspicion” (quoted in Marketing Week, 29<sup>th</sup> May 1997).

Cadbury's remark was symptomatic of a 'fin de siècle malaise' in respect to marketing. In 1993, Brady and Davis expressed in a McKinsey Quarterly paper the concern that was emerging in industry that questioned the contribution made by marketing to business in the 1990s. The large budgets connected with marketing departments were under growing scrutiny and there were growing doubts as to their effectiveness and value for money. As reported by Dennison and McDonald (1995), a subsequent Coopers and Lybrand survey of senior executives in large FMCG, retail and service sector organisations, cast further doubts on marketing's contribution to contemporary business.

Furthermore, Dennison and McDonald (1995) report that a number of research studies had been undertaken with the purpose of reviewing the situation of marketing practice in the UK. The main conclusions of these studies were that few UK companies were marketing oriented at the time or were practising marketing competently at operational level. Those that were marketing oriented had a better performance in terms of return on investment (ROI) and market share. These conclusions gave a boost to marketing and

justified its importance in the contemporary business environment (Dennison and McDonald, 1995).

In the UK, a second wave of studies was done trying to establish if the picture had changed over time. A similar process was undertaken in the USA and in other countries, which is an indication to the extent of the concern felt mainly within academic marketing circles. The UK conducted studies re-confirmed the initial conclusions that marketing was important for business success. They were reporting encouraging indications that these companies were improving their marketing competence mainly through a general acceptance of the need for marketing orientation.

In the US, management theorists such as Drucker (1974) and corporate executives such as Welch (1981) held the view that marketing transcended the marketing function as a distinct organisational entity populated by marketing professionals performing specific activities (Kerin, 1992).

Kerin (1992) states that,

“The diminished role of marketing in the strategy dialogue can be traced to the contribution of the marketing discipline as a source of perspective and knowledge” (p.331).

The major contribution of the marketing discipline to strategic management according to Kerin in support of Day (1992) is the marketing concept, segmentation and positioning and market-product definition, which originated in the 1950s, 1960s and early 1970s. Day (1992) believes that the functional role of marketing in the strategy dialogue resides in,

“...matters of business definition and positions, choice of alternative growth paths, management of channel partners and relationships and cooperative strategies for serving markets” (p.327).

The future functional role of marketing as seen by Day will become even more integrative and supportive and possibly submerged within the domain of strategic management. Kerin (1992) believes that marketing should be at the forefront of strategic management. In his words,

“The functional role of marketing in strategic management deals with the entrepreneurial work of the organisation and organisational renewal and growth; in short, innovation” (p.332).

The view that innovation is at the core of marketing has been expressed in a variety of contexts over the years by top managers and marketing academics alike. Marketing’s role was seen as an initiator of innovative activity in the organisation and as a fundamental contribution to the strategic management process. Simmonds (1986) noted that marketing’s specific organisational function is to,

“...identify the opportunity for change and to induce the change within the organisation” as well as “...to identify from the subset of innovations which are possible and which are wanted” (p.486).

Kerin, Varadarajan and Mahajan (1990) regard innovation and entrepreneurship as central issues in strategic marketing planning and blame the lack of competitiveness in many firms on their oversight. In their writings on ‘marketing orientation’ Kohli and Jaworski (1990) also cover the concepts of innovation, entrepreneurship and growth.

Marketing’s organisational role as identifier of opportunities for change and as an agent for change as well as its potential role at the centre of strategic planning will be discussed in depth in the context of the professional service firms.

## 2.7. MARKETING AS INTERFACE WITH THE ENVIRONMENT

Within the marketing contribution to the strategy dialogue, Varadarajan (1992) examines this issue in reference to the developments in the corporate and strategy arenas of the time. Along with Hunt he supports Webster’s view that,

“Marketing is ...an applied discipline. The problems studied are defined by a changing environment... the phenomena we study are real world problems” (1988, p.49)



Referring to the strategic imperatives of the 90's Varadarajan (1992, p.341) lists,

“...(some of the) organisation's assets that are invisible, immobile, imperfectly imitable and/or intangible assets and that are also its sources of sustainable competitive advantage”, as:

- Marketing skills at large (e.g. positioning and differentiation skills, implementation skills);
- Market knowledge (e.g. monitoring and interpretation of environmental change; understanding buying behaviour, understanding of competitors' strengths and vulnerabilities);
- Customer orientation
- Customer service
- Customer relationship management
- Brand name and image.

He found recurring themes within big and small firms, that the importance to quality and innovation, customer service, customer satisfaction, being close to the customer, relationship marketing and management, building trust in buyer-seller relationships and market orientation (customer orientation and competitor orientation) were essential for survival and prosperity in an intensely competitive market environment.

Varadarajan's views,

“Marketing as a boundary-spanning organisational function through its constant and continuous interface with the external environment at large, and customers, competitors and channel members in particular, [is able to] develop certain unique competencies within the organisation” (1992, p.340).

It is important for this thesis to note Varadarajan's view of marketing as a unique, boundary spanning organisational function, in particular in context of the organismic view of the organisation discussed in Chapter 4.

## 2.8. MARKETING AS A PROFESSIONAL DISCIPLINE

Marketing practitioners and academics alike have long yearned for marketing to be recognised as a profession. In 1980, Peters noted that marketing scholars were beginning to view marketing as a professional discipline as opposed to an academic discipline only.

Marketing educators have been encouraged to see themselves as professional educators, in league with medical, legal and engineering educators, preparing and renewing professional managers. The literature review has revealed a long and embittered battle in proving the significance of research and knowledge developments in this field. Marketing educators are urged to make the marketing discipline focused towards “problem-oriented” research and less towards consulting research for the future benefit of marketing practitioners.

In Myers’ (1979) own words,

“Marketing is a ‘professional discipline’ and not an ‘academic discipline’. Marketing academicians should recognise that the overall importance of research and knowledge over the short-run or long-run, is to improve marketing practice and decision-making, and, in general, to advance the state of knowledge useful to the profession” (Hunt, 1992, p.304).

In support of this argument Westling (1977) states that,

“Our goal should be to try to make business more proficient and efficient – and this is not an unworthy goal. It is similar to the goals of engineering, law, medicine, pharmacy, agriculture and education. We are all professional disciplines, rather than academic disciplines... We should contend ourselves with borrowing from basic disciplines and concentrate on applications which enable business to do its job better and cheaper” (p.16).

As seen above, some academics are arguing for the role of marketing to be considered as a professional discipline first and foremost and much less as an academic discipline. The researcher considers that the quest for knowledge should not be limited to solving practitioners' problems, but should encompass the academic pursuit.

As summarised by Hunt (1992), the 'marketing is a professional discipline' debate is around the division of university disciplines between (a) academic disciplines such as physics, economics, psychology and history which conduct basic research that contributes to knowledge and (b) professional disciplines such as law, medicine and engineering which borrow knowledge from the academic disciplines and apply it for the benefit of their practitioners and ultimately their clients. This leads to the argument that marketing is a professional discipline whose knowledge is drawn by the marketing academics from the academic disciplines of economics, psychology, anthropology, sociology, mathematics and statistics for the benefit of the marketing practitioners.

Hunt (1992) views lawyers, physicians and engineers as intermediate clients for legal, medical and engineering scholarship. In his words,

"The ultimate client for a truly professional discipline is always the society and its needs. For law it is the society's need for a just legal system. For medicine, it is society's needs for health care. For engineering, it is the society's needs for buildings, bridges, highways and machines that are safe, functional, efficient and economical. And for marketing? I suggest it is the society's need for high quality products and services that are reasonably priced, responsibly promoted and conveniently available" (p.306).

The initial premise on which 'marketing is a professional discipline' was based is true insofar, only certain academic disciplines are closely related to recognised professions, such as law and medicine, but not all. Some disciplines are closely related to vocations, which are aspiring to become professions, such as marketing, management, finance social work and

journalism. Others are totally unrelated to any specific occupation, such as sociology and philosophy.

Along with Hunt it is fair to observe that none of the occupations associated with marketing such as sales, advertising, brand/product management, marketing research, wholesale and retail management, or distribution and marketing management have on their own yet reached the status or been awarded the status of 'profession'. Marketing research has probably progressed further than others (p.306).

In the UK, marketing has achieved the status of 'profession' through the efforts of the Chartered Institute of Marketing. Its high national and international profile has contributed to being awarded in 1998 the Royal warrant and to the members who keep up their continuing professional development (CPD), the coveted Chartered status. This brings marketers closer to the recognition given to established professions such as Chartered Accountants or Chartered Surveyors to which they have for so long aspired. It is now to be seen if this recognition is going to be as universal and unconditional as that awarded to the other professions.

The question arising at this point is why it has taken marketing almost a century to be recognised as a profession and in particular why its recognition is still resisted by the established professions. This thesis will consider only the view of the traditional professions on the marketing profession, leaving the discussion on the question raised for future research.

## 2.9. CONCLUSIONS

This chapter has been an overview of the current thinking on the meaning and role of marketing. Marketing theorists and practitioners have explored the 'what is marketing' question for a very long time and the literature covering this subject is vast. The research has been focused on those writings that have considered marketing's essence, i.e. its fundamental nature,

characteristics, properties or features. Marketing has been looked at from all possible points of view, as a philosophy, as an academic discipline, as an applied discipline, as a professional discipline and much more. The overall objective has been to structure and summarise the various strands of thinking and to attempt to encapsulate them as follows:

1. Marketing is a manifestation of the free-market, profit-oriented economy and a catalyst for innovation and progress. It is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.
2. Marketing acts as the organisation's interface with the environment. It is a boundary-spanning organisational function through its constant and continuous interface with the external environment at large and with customers, competitors and channel members in particular as well as with the internal environment and the various groups within the organisation.
3. Marketing is a response mechanism to customers' needs. If these needs change along to environmental changes, then marketing should follow with an appropriate response.
4. Marketing can be looked at either from a philosophical point of view as an attitude, perspective or orientation whereby customers' satisfaction is paramount or as a set of management activities designed to implement this philosophy.
5. Marketing thought has various dimensions by which it is measured. The present research interest lies with the intellectual and interdisciplinary dimensions, which will be considered in greater detail as part of the theoretical model construct in Chapter 5.
6. Most marketing practitioners desire for all of marketing practice to become more professional. However, marketing as a profession has encountered barriers created out of mistrust especially in relation to the ethical aspects of advertising.
7. Although marketing has been an academic discipline for almost a century, it has had a slow acceptance within academic circles that have looked unsympathetically at its claim as a social science and have looked down on its roots within the commercial, materialistic and profit oriented

enterprise. In response to this dogmatic scepticism, Hunt (1992) sums up the debate when saying,

“The central lesson of the 20<sup>th</sup> century is that a free economy is not only a requisite for material abundance; it is also particularly conducive, if not essential, for both a free polity and the maintenance and development of humanistic values in the truest sense of ‘humanism’, i.e., in the sense of those values associated with each individual’s right ‘to be’ and actualising his or her potential ‘to become’” (p.306).

The introductory chapter has identified the ignorance and misconceptions regarding marketing as possible barriers to marketing acceptance and use within professional service firms. It was therefore important to have a review of the understanding of marketing nowadays compared further on with the perceptions from the professional firms studied. It is relevant at this point to have an in-depth understanding of the professions, from a sociological and organisational point of view. This will be done in Chapters 3 and 4.

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## CHAPTER 3

# THE PROFESSIONS

### 3.1. INTRODUCTION

The preceding chapters have:

1. Introduced the problem of the barriers to marketing within professional firms. Presented the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of the thesis.
2. Reviewed the currently accepted understanding of marketing and its evolution through a comprehensive outline of the intellectual and pragmatic sides of marketing and the changes that are occurring within marketing management as a body of knowledge, theory and practice.

The sociological approach to the professions has spawned a number of schools of thought, focussed either on the taxonomy of the professions or on various theoretical models attempting to explain the professions. Some of the most relevant will be discussed in this chapter. It will start by reviewing the various definitions of the professions and classifications such as Reed's distinction between liberal, organisational and market-based professions. The issue of professionalisation will be discussed through a review of Larson's 'professional project' providing an understanding of the professions striving economically and socially. The presentation of the 'power approach' of the professions in the wake of the 'trait approach' will bring a perspective on the issue of control and the link between the professions and the state. An in-depth overview of the nature of the professional knowledge and the professions' claims to jurisdiction will lead to the issue of legitimacy. The study of the struggles for legitimacy will provide an understanding of inter- and intra-professional competition relevant to the present research. Finally, the

changes in the professions are explored through the commodification and commercialisation issues.

### 3.2. SOCIOLOGICAL APPROACH TO THE PROFESSIONS

In sociological terms the professions have been seen as,

“...occupations based on advanced, or complex, or esoteric, or arcane knowledge” (Macdonald, 1995, p.1).

Abbott summarizes the elements forming a definition for the professions,

“Professions were organized bodies of experts who applied esoteric knowledge to particular cases. They had elaborate systems of instruction and training, together with entry by examination and other formal prerequisites. They normally possessed and enforced a code of ethics and behaviour. This list of properties became the core of later definitions” (1988, p4).

Armstrong (1985) concurs with this definition by adding,

“...professions could be defined by the possession of certain traits, notably independent ethical or technical standards of performance and collegiate control of these” (p.133).

Reed (1996) uses the term ‘expert power’ and ‘expert groups’ when referring to the professions. Using Giddens’ definition, experts,

“...provide the systems of technical accomplishment and professional expertise that organize large areas of the material and social environments in which we live today...”(Giddens, 1991, p.27).

Reed also provides a very useful categorisation of the occupational groups that constitutes the expert division of labour, based on their respective knowledge bases, power strategies and organizational forms. He makes a distinction between:

- The independent liberal professions of the “typical Anglo-American form”; in this category can be considered practicing professionals such as the accountants and the lawyers. Drawing from Larson ‘s definition, Reed



(1996) contends that the independent liberal professions are characterized by a cognitive base that,

“...always emphasized abstract, codifiable and generic knowledge allied to complex tacit skills derivable from, but not reducible to, rational scientific knowledge acquired by protracted periods of study in higher education institutions” (p.584).

- The organisational or managerial professions which are located in large private and public-sector bureaucracies; this category would include management or marketing professionals. These professions, according to Reed (1996), have been unable to achieve the degree of indetermination, monopolization and control of their knowledge base, lacking the legitimacy provided by the connection of abstraction with general values, enjoyed by the liberal professions.
- The loosely formed group of ‘entrepreneurial professions’ or ‘knowledge workers’, such as financial or IT consultants who,  
“...depend on a highly esoteric and intangible knowledge base for mobilizing claims to expertise and the control over areas of work which the latter make available. They are less concerned with formal occupational and organizational credentialism and more focused on the extensively specialized cognitive and technical skills that will give them the political advantage in a wide range of task domains” (Reed, 1996, p.585).

Reed summarizes the categorization described above in tabular format as shown in Fig. 3.1. below:

<b>Expert Groups</b>	<b>Knowledge Base</b>	<b>Power Strategy</b>	<b>Organizational Form</b>	<b>Occupational Types</b>
Independent/liberal professions	Abstract, codified, cosmopolitan, rational	Monopolization	Collegiate	Doctors, architects, lawyers
Organizational professions	Technical, tacit, local, political	Credentialism	Bureaucracy	Managers, administrators, technicians
Knowledge workers	Esoteric, non-substitutable, global, analytical	Marketization	Network	Financial/business consultants, project/R&D engineers, computer/IT analysts

Fig. 3.1. Expert Division of Labour in 'Late Modernity' (Reed, 1996, p.586)

### 3.3. PROFESSIONALISATION

Professionalisation is defined by Larson (1977, xvii) as,

“...(an) attempt to translate one order of scarce resources – special knowledge and skills – into another – social economic rewards. To maintain scarcity implies a tendency to monopoly: monopoly of expertise in the market, monopoly of status in a system of stratification. The focus on the constitution of professional markets leads to comparing different professions in terms of the ‘marketability’ of their specific cognitive resources”.

The term ‘professional’ has a wide range of meanings. Macdonald’s attempt at the understanding and rationalization of the professions and professionalisation focuses on the concept of the ‘professional project’, firstly introduced by Larson in 1977 in her seminal work ‘The Rise of Professionalism’. This approach originates from the ‘Chicago School’ of American Sociology, or ‘Symbolic Interactionism’ and focuses on the professionals as acquirers and owners of specialist knowledge, creating and building up a monopoly of knowledge directly leading to a monopoly of the service on which it is based. This presumes the creation of a ‘social closure’ or social ‘exclusion’ as introduced by Weber and his following.

According to Macdonald (1995) the professional project is carried forward at three levels, the level of the individual, the practice or the firm and the professional association through three types of assets, economic organizational and cultural. The economic assets are important for the professions in regard to their need of maintaining and displaying their status and respectability, in short in the maintenance of the professional symbolism. Far more important are the organizational assets. The second half of the 20<sup>th</sup> Century has seen a growing change of the professional partnership into organisational structures. Accountants have been the most notable example, followed by the lawyers, mostly in the USA, but increasingly also in the UK. Architects' practices have become increasingly large due to globalisation swiping the profession. Doctors have been increasingly beneficiaries of organisational assets. Until most recently, doctors have been sole practitioners, but are now working in group practices, whereas hospital doctors and surgeons work in state or private bureaucracies. From the point of the professional project, the most important are the cultural assets, as it is aimed at reaching social closure in terms of knowledge, credentialed skills and respectability (Macdonald, 1995). The professions at all three levels mentioned earlier pursue the goal of maintaining the professional monopoly. The professional bodies pursue the same objectives of promoting the professional image and status in the eyes of the public, other professions and the state. In essence,

“...the professional project is intended to secure for its members economic and social advantage, thus achieving social mobility”  
(Macdonald, 1995, p.63).

The concept of a 'project' implies a sociological study done over time and has been used by sociologists such as Mann, Savage and Murphy in the shedding of light on the social class formation.

An interesting graphical representation of the theory behind the 'professional project' has been offered by Macdonald and is illustrated below.

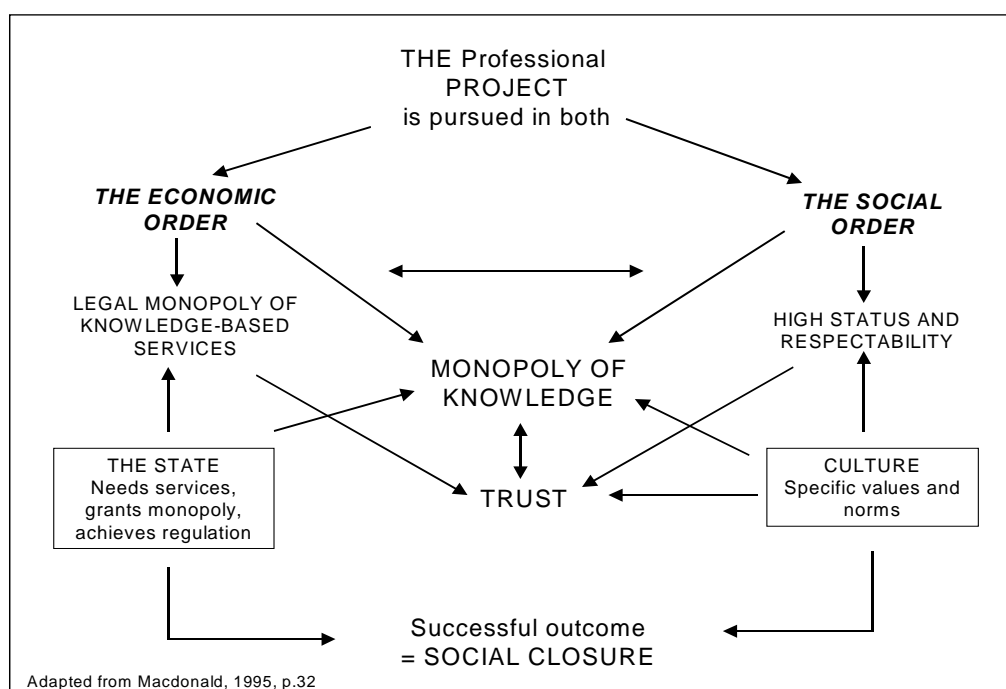


Fig.3.2. The Professional Project Diagram

This theoretical model is relevant in providing an understanding of the professions striving economically and socially. As shown in the section 4.3. a professional service is substantially different from commercially manufactured and marketed goods as it is an intangible delivered based on the trust between the provider and the client, derived from the status and respectability derived from lengthily acquired knowledge and expertise.

The research undertaken has concentrated mainly on the economic aspect of the professions, aptly expressed by Macdonald (1995, p.31),

“...the collective pursuit of economic advantage is, in a sense, more important, but cannot in the nature of things be separated from the drive for respectability. In the economic order, to use Weber’s term, the professional project is pursued in two main areas: the legal closure and monopolization of the market and the occupation; and the exclusive acquisition of the knowledge and education on which the profession is based”.

The 'professional project' has been variously considered of value in the study of the professions, as well as being damned as based mainly in the British/American culture. The reason was that its ethnocentricity would undermine any generalisation possible in modern sociology. As mentioned by Macdonald (1995), Torstendahl (1990),

“argues that the terms of 'professionalism' and 'professionalisation' are so bound into English language as to seriously undermine their validity and interest” (p.71).

In other words, that these terms are so laden with Anglo-American culture values as to be unworkable in another culture. To counteract this critique, Macdonald undertakes a comparative analysis of law and medicine in different modern societies, in England, USA, France and Germany in the attempt to ascertain if knowledge-based occupations are valid across cultures and how far the owners of specialist knowledge were able to pursue the professional project. He makes a crucial distinction between modern societies and earlier, traditional, agrarian societies, namely,

*“It is only in modern societies, where knowledge is a unified, autonomous realm (Gelner, 1988) and where free markets in goods and services exist (Weber 1978), that the opportunity for professions to emerge has occurred”* (Macdonald, 1995, p.72, his italics).

This is an important point for the perspectives studied in the present research and links into the conclusions drawn in Chapter 2.

Macdonald's study concludes with the observation that in societies with a history of a dominant state, such as France and Germany there has been a prevalence of weaker professional organisations and the state and the universities have had more control over the knowledge base than the practitioners. He argues that the professional project strives in the context of a pluralistic or decentralised state, so in a sense, it has proven to be of more use in Britain and the USA, where,

“...status groups are free to form round their own activities and features, while in France and Germany the tendency is for members of society to use the state structures and its off-shoots such as the

universities as the basis for status group formation and for social closure” (p.98).

These observations are interesting in shedding light on why professions in different cultures have different responses to changes in a free market society. It has been the focus of the present research to be limited to the UK based professions; hence the study is very much based on an Anglo-American cultural perspective.

Another earlier school of thought followed the ‘traits approach’ to the professions using the sociological task of listing the characteristics or traits of a typical profession based on examples of occupational groups that can then be classified into certain levels of professions. Macdonald (1995) mentions Goode (1957) as representative of this approach as well as Etzioni (1969) who used it to classify occupations into ‘professions’, ‘semi-professions’ and ‘non-professions’. The ‘traits approach’ to the professions ignored the considerations related to the knowledge base, the limits and reach of their jurisdictions and the different organizational structures in which these professions operate.

### 3.4. THE ‘POWER APPROACH’ TO THE PROFESSIONS

Following the ‘traits approach’ and following the idea that the professional principles of altruism, service and high ethical standards are coupled with the monopoly of knowledge, another school of thought emerged as the ‘power’ approach dominant in the 1980s. The exponents were Hall (1983) and Friedson (1983) who used a number of terms in connection to the professions such as ‘power’, ‘organized autonomy’ signifying the power to ‘licence and mandate’ their own work, or the ‘autonomy to influence’ or ‘exercise power over others’. All these terms refer to the ability of the professions to,

“...exercise of autonomy to prevent outside interference and supervision, while at the same time failing to exert formal control over members, relying merely on the informal private ostracism of non-compliant members” (Macdonald, 1995, p.5).

The 'power approach' led to Johnson's (1972) analysis focused on the relation between the producer and the consumer of professional service and how control is exercised over this process. Johnson (1980) also saw the professions as an 'articulation' of the modern capitalist state.

It has been found relevant from the point of view of the present research to understand and explore the 'power approach' to the professions but from an organisational behaviour angle. Therefore the empirical work of Homburg, Workman and Krohmer (1999) on the study of the power of the subunit within the organisation relatively to other subunits has been so relevant and is covered in-depth in section 5.2.5. Particularly pertinent has been their study of marketing unit's influence relatively to other subunits within a business unit, such as operations, sales, finance, engineering or technology. There is a point of divergence; Homburg, Workman and Krohmer's focus is mainly on large commercial organisations, whereas the present research aims to understand the 'power' of marketing within the liberal professional organisation of the firm, in other words the relative influence of a 'new' profession such as marketing within the 'traditional liberal' professions of accountancy and law. Nevertheless, Abbott's views on the professional power being intimately linked to jurisdiction are of importance and will further be covered below.

### 3.5. PROFESSIONS AND THE STATE

In respect to the distinctive relationship between the professions and the state, it has been related to the impetus of obtaining a monopoly over a particular provision of service, which could only be granted by the state. This relationship is deeply historical and goes back to a fifteenth century England that was politically united and institutionally pluralistic. As explained by Macdonald (1995), the balance achieved between the barons maintaining their rights and the Crown maintaining a unified political order relied on the support of the towns ultimately rewarded by charters allowing them a certain degree of autonomy. This translated in a balance of institutions forming the basis of a culture that allowed the occupations to become self-governing and

to develop into the modern day professions. In the case of the law this historical line can be traced directly.

There is a parallel between the formation of the professions in their present state and the rise of the modern capitalist industrial society, the link being the knowledge-based nature of both. Modern society is knowledge-based and the professions, as knowledge-based occupations, are an integral part of it.

As explained by Macdonald, the relationship between a profession and the state is fundamental. Occupations that seek the status of profession will attempt to secure the two dimensions of professionalism, namely market control and social mobility. This is achieved through establishing a legal monopoly, which is only secured through licensure by the state. This follows Johnson's (1982) argument that the process of professionalisation follows closely the process of state formation. There is a symbiosis in this relationship, namely the state in the 19<sup>th</sup> Century has been actively instrumental in the development of the professions. The symbiotic character of this relationship has been clearly stated by Johnson when saying,

*"...the professions are emergent as an aspect of state formation and state formation is a major condition of professional autonomy..."*

(Macdonald, 1995, p.102 quoting Johnson's original emphasis).

Johnson calls this process a 'historically unique articulation', whereas Mann uses the term 'crystallization'.

Another perspective has been explored and adopted for the present research, namely the institutional / isomorphic influence of the state upon the professions has been explored in depth in Chapter 5, section 5.3.1.

### 3.6. THE NATURE OF PROFESSIONAL KNOWLEDGE

According to Macdonald (1995) the professions, as knowledge-based occupations, only became possible when knowledge emerged as a socio-cultural entity independent of established social institutions. The dramatic



change that occurred about 400 years ago termed by Polyani (1957) as 'the great transformation' and by Jones (1981) as 'the European miracle' refers to the creation of a united cognitive system distinct from any other social institutions. In agrarian-based societies, preceding the modern period, there was no independence of knowledge. Tribal societies had some grasp of the nature of reality, but these were fragmented cognitive strands locked into closed compartments of the social, moral world. The transformation of multi-stranded perceptual systems of the pre-modern era into a unified cognition system started with the Renaissance in the early 15<sup>th</sup> Century, continued with the Reformation in the early 16<sup>th</sup> Century and the Enlightenment in the 17<sup>th</sup> Century. Once this cognitive change occurred, it became possible for individuals to develop and own an area of learning and expertise, i.e. become *specialists*. Britain allowed the formation of groups of specialists who developed into repositories of knowledge in their own right. These groups took advantage of another important characteristic of society in those times, namely the free market, allowing them to sell services based on their knowledge and expertise. This was the birth process of the modern professions.

The pursuit of economic exploitation of knowledge has had a continuous progress from the original Guilds and Livery Companies. The modern professions have still a historical connection to them, no less in the attempts to maintain the symbolism of certain traditions. As Macdonald says,

“In the guild, the members achieved a mastery of their trade, which interestingly enough, was called a 'mystery' in those days, and even today the titles Mister and Master are closely allied: and the masters of the mysteries were effectively beyond challenge in the matter of their guild knowledge” (1995, 160).

The guilds had far more autonomy and exclusivity over their trade knowledge than the professions of today. This is because the knowledge of any profession is in the public realm and can be challenged by other professions or by other institutions such as universities.

What characterizes the professional knowledge and what makes it so distinct from certain occupations is that it is *certifiable* and *credentialed* through certificates, diplomas or degrees (Weber 1978). So, professionalism is only achievable through extensive and prolonged study credentialed through high-level qualifications obtained from reputable institutions such as universities or professional bodies.

Another feature of professional knowledge that again makes it distinct of occupations is the degree of abstraction as described by Abbott (1988, p.8),

“For me this characteristic of abstraction is the one that best identifies the professions. For abstraction, is the quality that sets interprofessional competition apart from competition among occupations in general. Any occupation can obtain licensure (e.g., beauticians) or develop an ethics code (e.g., real estate). But only a knowledge system governed by abstractions can redefine its problems and tasks, defend them from interlopers, and seize new problems – as medicine has recently seized alcoholism, mental illness, hyperactivity in children, obesity, and numerous other things. Abstraction enables survival in the competitive system of professions.”

The use of professional knowledge in its practical application needs to be seen as being backed up by a formal, academic, abstract knowledge system. This is part of a ‘cultural’ dimension of the professional work as analysed by Abbott. The advancement of the formal, academic, abstract knowledge system will provide,

“...(the) legitimation and the scientific development that is necessary to maintain the professional jurisdiction of practice” (Macdonald, 1995, p.164).

Abbott goes further into the importance of ‘theoretical’ knowledge of professional work, by emphasising that abstract knowledge is at the foundation of the definition of the professions. He says,

“Many occupations fight for turf, but only professions expand their cognitive dominion by using abstract knowledge to annex new areas, to define them as their own, proper work” (1988, p.102)

Abbott is concerned about the balance between abstractness and concreteness or practicality, arguing that there is a need for equilibrium between the two in the pursuit of professional judgement, the ultimate tool in the professional claim for competitive exclusivity. He refutes the common belief that abstract professional knowledge is continuous with practical professional knowledge. His view is that the true academic professional knowledge is less practical than symbolic and that it legitimises professional work by,

“...clarifying its foundations and tracing them to major cultural values. In most modern professions, these have been the values of rationality, logic and science” (1988, p.54).

Abbott’s theory of professional knowledge implies that professions develop in fact an abstract formal knowledge system from their first origins. His attempts are directed towards the understanding of these systems and their effect on the professions’ jurisdictions. Regarding the professions’ formal knowledge system, he states that,

“It is not organized from common to esoteric or from treatable to recalcitrant. Rather it is organized along logically consistent, rationally conceptualised dimensions. In medicine there are etiology, gross pathology, micropathology, presenting pictures, treatments. In law there are rights, duties, procedures, and so on. While these resemble the dimensions of the diagnostic classification, they are in fact more formal and rationalized” (1988,p.53)

### 3.7. PROFESSIONS’ CLAIMS TO JURISDICTION

Abbott views all professions having three modes of working – a diagnosis, a treatment and an inference. Together with academic work they provide the basis for ‘the cultural machinery of jurisdiction’. Claiming jurisdiction by a profession implies recognition from society of its cognitive structure through exclusive rights, involving not only a cultural framework but also a social structure. The exclusive rights could be the monopoly of practice, public

payments, rights of self-governing and self-regulation, unconstrained employment and recruitment, professional training, licensing, etc. These claims can be made in the public arena through the media or can go much further into the political and legal systems. In the UK and generally in Europe, the state itself has been the target for claims of jurisdiction, whereas in USA the professions have established power through the public opinion enabling them the desired legal protection.

Occasionally, a profession's jurisdiction can be challenged by other professions or in time become eroded. An example given by Abbott illustrates this through the architects full jurisdiction on buildings' design having been eroded in modern times by the increasingly divide of their work between various types of engineers, lawyers and even accountants. These professional groups are responsible for various parts of the project, although the overall control in terms of design and management of the project rests with the architects. This reduction in the architects' jurisdiction compared to the situation one hundred years ago when architects did their own engineering is a reflection on the complexity of the task and the encroaching jurisdiction from other professions. This has led to the global increase in multidisciplinary practices (MDPs) led mainly by accountants recently.

The challenge of one profession's jurisdiction by another is an area of great interest and relevance to the present research as it provides an insight into the perceptions led by the traditional professions of accountancy and law in respect to marketing's role in terms of client relations. This also leads to an inter-professions' power struggle.

In fact, the issue of professional power is intimately linked to jurisdiction. In this respect, Abbott states that,

“Professional power can be operationally defined as the ability to retain jurisdiction when system forces imply that a profession ought to have lost it” (1988, p.136).

This statement has a unique relevance to the present research as it supports the thinking behind the present research in respect to the understanding of

the reluctance of the two traditional professions studied in relegating to the marketing function of certain roles and therefore minimizing marketing influence within the firm as will be discussed in the data analysis Chapter 7.

Returning to professional power, this has a number of sources; one is the power originating from the subjective jurisdiction of the profession itself, another comes from the outside of the system, either through association with the legal system, universities or by co-opting institutions of the upper classes. An American example is the setting up of a foundation with the purpose of providing money, publicity and ultimately legitimacy to pursue competition. The ultimate source of power is an alliance with the upper classes as pursued by elite professions. As explained by Abbott, in this case, a profession would draw both its recruits and clients from the upper classes, place its training in elite universities and adopt the ethics and values of 'stringent gentlemanliness'. This has been the strategy adopted by the nascent legal profession in Scotland more than a century ago with strong ties still in place nowadays as has been seen from the discussion of results in Chapter 7.

### 3.7.1. EXTERNAL FORCES IN CREATING OR CLOSING JURISDICTIONS

Abbott stresses the importance of the rise of the organisation and the march of technology in the last two centuries in opening "enormous areas of professional endeavor" (1988, p.144). Technological advances evolving from the Industrial Revolution onwards gave rise to the engineering professions. But even within a traditional profession as medicine, technology has brought in new specialities if not professions such as the radiologists. But the march of technology has also closed certain jurisdictions such as the demise of the 'telegraph electricians' to be replaced by the electrical engineers of today.

A consequence of the rise of the organisation has been the reshaping of management related professions. Large organisations in particular have generated new forms of specialism internally and externally. Internally, the

complexity of the methods of administration, planning and control has led to an increased need for management information services, operations research and program evaluation, leading to a rise in the management professions. Externally, the large organisations and also the giant and complex mechanism of the state required vast quantities of professional work. The indirect impact though, has been the commodification of knowledge.

### 3.7.2. THE COMMODIFICATION OF KNOWLEDGE

Abbott has extensively discussed the location of knowledge to be found in people, organizations and commodities. Historically, knowledge has been located in individuals and in organizations, but only recently has been incorporated into commodities. With the advent and progress of information technology that commodification has become a real threat to the professions. For instance, the computerisation of legal or accountancy forms and contracts has eroded the exclusive jurisdiction of either the accountancy or the legal profession to a point where each has started making inroads into each other's domain. Developments of computer-aided designs (CAD) are impinging upon engineers and architects. Although technology has made incredible advances in medicine, it is debatable how much patients will trust decisions based on a computer making diagnosis. The reach of knowledge has exploded with the advent of printing and this has led to the commodification of knowledge, but this has had no detrimental impact on the professionals as they are in the first instance practitioners. As long as the professions can keep control over the practical training in the use of their knowledge they can withstand the threat of disseminating of knowledge.

### 3.7.3. PROFESSIONS AND THE ISSUE OF LEGITIMACY

According to Abbott, legitimation justifies what the professions do and how they do it, in other words, the results of the professions are culturally valued and approved. For example, efficiency and probity are two cultural values adopted by both the engineering and accountancy professions. Legitimacy is

accorded to the legal profession because it is based on the values of justice, order and fairness. Doctors uphold the highest human value of health. These three examples illustrate that professional legitimation draws on cultural values which leads to the implication that cultural shifts will have an effect on the legitimation of professional results and thereby on competition between professions. In effect the ground of the socially defined cultural values is the ground on which the competitive battle of the professions takes place. Looking from the point of view of the present research, marketing's claim of client care at organisational level comes in direct competition with the lawyer and the accountants' claim of having the clients' interests foremost at heart.

#### 3.7.4. PROFESSIONS' RELIANCE ON TRADITIONAL VALUES AND ETHICS

The Professions' claims of high status and monopoly over their knowledge base and skills from the state have been coupled with the emphasis on respectability and gentlemanly character in particular in the early days. Macdonald (1995) reports on a number of studies showing that doctors were keen to distance themselves from trade, architects emphasised they were not builders, accountants insisted they were not auctioneers. This emphasis on uniqueness and specialism shifted to high educational attainment and technical expertise.

Besides knowledge, a profession needs to be wedged to a code of ethics, which is required in the effort of acquiring legitimacy. This indicates that the essence of the profession lies in its values. Some professions have an intrinsic argument in their concern with ethical questions, such as the clergy with the 'ought' questions, whereas the lawyers are concerned with what is 'right'.

### 3.7.5. LEGITIMACY STRUGGLES IN INTER-PROFESSIONAL COMPETITION

It is clear that marketing has been and continues to be engaged in a struggle for professional legitimacy within the organisation, which is even more acute and visible within the professional practice, such as a law firm or an accountancy practice. Here, the historical and societal legitimacy is being leveraged between the marketing profession and the profession being practiced with the later claiming prominence. In particular, certain professions such as accountancy and law have been far more prominent within the Anglo-American organisation in terms of their influence and control within the management. This needs a more in-depth examination as it has high relevance to the present research.

In his study of the comparative ascendancy of UK accountants in management hierarchies and the perceived dominance of the profession within the competitive corporate environment, Armstrong (1985) argues that the accountants in this country have achieved this position by assuming control over capital and labour. Although the engineering profession emerged from the Industrial Revolution as unique in its ability to innovate and create wealth, it has been displaced by the accountancy profession. As explained by Armstrong (1985),

“...accountants displaced engineers and other operational managers from key positions within the global function of capital because decisions of allocation between dissimilar operations could only be made on a common abstract – and therefore financial – basis” (p.136).

As explained by Armstrong the management accountants do not intervene or influence the labour of production. They do though, control the labour process in three inter-related ways. Firstly, through the budget allocations used to discipline and control the departmental managers, secondly, by rationalising the decisions of allocation of labour and capital to those operations yielding most profit and thirdly, by the language of the accounting systems acting as



vocabularies of motives in the limiting of any possible challenge by subordinates of top management decisions. Armstrong (1985) explains the extent of the accountancy profession on the key decision-making globally,

“The involvement of accountancy in key decision-making positions within the global function of capital has, in Johnson’s view (1977a, b, 1980), created a horizontal fission within the profession whereby the activities of the elite which creates, installs and supervises control systems have the effect of routinising, fragmenting and de-skilling the work of their nominal professional colleagues” (p. 137).

This reinforces the monopoly over them, which persists, not as a result of the esoteric nature of the accountancy knowledge base but only so long as it has control over capital.

It is important to highlight here the point made by Hanlon (1997) in support of Bourdieu (1984) that any form of cultural capital as owned by the professions is deemed to maintain or improve its currency, therefore it would take part in a struggle with other forms of cultural capital in order to legitimise its knowledge base. Hanlon considers that,

“...professional qualifications are an indicator of cultural qualifications. Hence they need legitimising and re-legitimising, and the people holding these qualifications and skills engage in practices and struggles which define and re-define their value...” (1997, p.850).

Furthermore, Hanlon (1998) contends that the struggle of redefining professionalism currently underway is actually a struggle to legitimise different types of cultural capital, in effect splitting the service class. Professionalism is being redefined away from its former social service role and ethos towards the priority of commercial issues.

Before concluding this section, it is interesting to note that from a cross-cultural perspective, German management is dominated by engineers. This is due to the fact that the techniques of financial control, which are the basis of the accounting professions in USA and UK, are instead taught to the engineering managers at undergraduate and postgraduate levels (Armstrong, 1985).

### 3.8. THE COMMERCIALISATION OF THE PROFESSIONS

The changes within the professional environment of the 20<sup>th</sup> Century have been widely mapped out. There have been a number of schools of thought that have adopted a sociological approach based on Marxist lines. Hanlon (1994) mentions a number of scholars who have explained these changes as being due to a post-modernist era, a disorganised capitalism, an increased flexibility of capital, or the consequences of class struggles. Hanlon himself questions to what extent are the present changes in capitalism the product of disorder or the product of a new emerging order and he centers his argument on the desire by capital to increase its profitability. Hanlon (1994) posits that the changes within the professions are due to the trend towards commercialisation, which is more pronounced in professions such as accountancy, being affected by market changes, capital restructuring and the traditions. He views medicine and academia less affected by these alterations than accountancy and law. These professions have according to Hanlon allowed capital greater control, which he explains through the Flexible Accumulation regime. He explains it as a shifting regime of accumulation, namely,

“The changes witnessed in the labour market over the past twenty years have their origins in the breakdown of the Fordist regime of accumulation. Fordism was based on a compromise between labour and capital which achieved stable growth and consistently high profits for much of the post-war period” (1996, p.340)

More important features to Fordism have been the division of the labour market into three, namely:

- Independent primary labour market composed of the middle class, career orientated labour;
- Subordinate primary sector composed of blue collar, trade unionised employment;
- Secondary labour market consisting of insecure, poorly paid employment giving greater flexibility to Fordism.

Another characteristic of Fordism was the development of bureaucratic control. Hanlon (1996) contends that the shift from Fordism to Flexible Accumulation entails,

“...an intensifying of the process of labour market segmentation so that the subordinate primary market has shrunk, the secondary labour market, which gave Fordism a degree of flexibility, has grown, and finally, there has been a significant shift within the composition of the independent primary sector – the service class. First, an ideological upgrading of the issue of commercialism so that profitability has emerged to be of paramount cultural importance. Second, the labour market changes outlined, which in turn were grounded in the increased vigour with which the search for profitability was conducted, have meant that numerically those service class occupations most involved in the search for profit, for example accountants, have grown most rapidly, hence altering the shape of the service class. Lastly, the intensified search for profit and the new, or renewed emphasis on commercialism has changed the organisation, the control processes, and the ideological outlook of many service class employees” (Hanlon, 1994, p.32).

Hanlon agrees that the degree in which the professions have been affected is dependent on market changes, government policy, capital restructuring and the traditions of the professions concerned.

### **3.9. CONCLUSIONS**

The sociological overview of the professions that forms the mainstay of this chapter has provided an invaluable insight into a number of concepts pertinent to the present research. Reed’s distinction between liberal, organisational and market based professions has thrown light into the differences between law and accountancy, as liberal professions on which the present research is based and marketing as an organisational or managerial profession. The latter has seemingly been unable to achieve the degree of indetermination, monopolization and control over its knowledge base and is still suffering from the lack of the legitimacy provided by the connection of

abstraction with general values, enjoyed by the two liberal professions studied. The liberal professions, such as accountancy and law, have the confidence and the empowerment of their codifiable and generic knowledge and the subsequent complex skills derived from it, based upon the esoteric knowledge acquired by prolonged periods of study in higher education institutions and throughout their professional careers, all of which they perceive as wanting in the 'new' organisational professions such as marketing. This could therefore influence inter-professional relations whereby the perceptions by the liberal professions of their organisational cousins could be seen as negatively altered.

The liberal professions have had the historical advantage in creating monopolies of expertise and following Larson's thinking, have been able to convert one order of scarce resources namely their special knowledge and skills into social and economic rewards. They have been able to establish a monopoly of expertise in the market, as well as a monopoly of status in a system of social stratification. This again has been lacking with the organisational professions, as they have risen through the 20<sup>th</sup> Century their attempts to establish a monopoly in the market have been unconvincing in the eyes of the liberal professions, although their social rise has been backed by an undeniable economic success.

The observations made on Macdonald's study on the 'professional project' are interesting in shedding light on why professions in different cultures have different responses to changes in a free market society. It had been the focus of the present research to be limited to the UK based liberal professions; hence the study is very much based on an Anglo-American cultural perspective.

Another very relevant insight has arisen from Macdonald's discussion on the knowledge-based link between state and the liberal professions based on their parallel formation along the rise of the modern capitalist industrial society. This point links well with the discussion on the impact of institutional isomorphism of the state upon the professionalisation of occupations done in

section 5.3.1. in respect to the common institutional bond and culture which the state and its organisational bureaucracy share with the liberal professions. It is clear though, that the legal monopoly, discussed by Macdonald, which the liberal professions have so successfully secured through licensure by the state, has been very slow in coming for the organisational professions such as marketing.

As mentioned previously, Abbott's theory of professional knowledge implies that the professions develop an abstract formal knowledge system from their first origins. This observation is valid for both the liberal and the organisational professions and the present research has covered in-depth the early roots of marketing as an area of academic study in section 2.4. The study has indeed revealed that although marketing has been an academic discipline for almost a century, it has had a very slow acceptance within academia, which has been unsympathetic at its claims of social science as it felt it was based on commercial and materialistic roots.

One of the most relevant issues arising out of this chapter is the professional legitimacy. According to Abbott, legitimation justifies what the professions do and how they do it, in other words, professional legitimation draws on cultural values, with the implication that cultural shifts have an effect on the legitimation of professional results and thereby on competition between professions. Marketing's claim of client care at organisational level comes in direct competition with the lawyer and the accountants' claim of having the clients' interests foremost at heart. Therefore, this opens the possibility of inter-professions competition on legitimacy grounds, which will be further explored empirically.

The commercialisation of the professions has been observed and analysed by many researchers of this subject. The chapter has incorporated an overview off the various studies undertaken by in this area. From the perspective of the present research the important aspect is Hanlon's recognition of the professions being affected by market changes, government policy, capital

restructuring and the traditions of the professions concerned. All these will be further investigated through the primary research undertaken.

The author considers along with Macdonald that the Marxist theories on which many of the sociological views of the professions have been based of having failed in theory and practice, on the basis of the obsession with class struggle and movement of capital and not taking into account the mechanisms of free market. Hanlon's supposition of social service professionalism is not justified. The professions have always sold, i.e. commercialised their services. The emphasis though, was more advisory in nature and less profit oriented than it is nowadays.

The present research has adopted a completely new direction, in essence explaining the changes within the professional environment as competing forces acting upon organizations viewed as entities operating in a free market. The ultimate aim of the organisation is to maximise its effectiveness in order to achieve its organisational objectives, which might or might not be the maximisation of profits. The theoretical underpinning of this approach is presented in detail in Chapter 5.

In the pursuit of an understanding of the barriers to marketing acceptance and use within professional service firms it was deemed important to have a review of the understanding of marketing nowadays compared further on with the perceptions from the professional firms studied. Furthermore, it is relevant to have an in-depth understanding of the professions, from a sociological perspective, which was covered in this chapter and from an organisational point of view, which will be covered next.

## CHAPTER 4

# PROFESSIONAL SERVICE FIRMS

### 4.1. INTRODUCTION

The preceding chapters have:

1. Introduced the problem of the barriers to marketing within professional firms. Presented the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of the thesis.
2. Reviewed the currently accepted understanding of marketing and its evolution through a comprehensive outline of the intellectual and pragmatic sides of marketing and the changes that are occurring within marketing management as a body of knowledge, theory and practice.
3. Reviewed the sociological approach to the professions covering the various definitions, classifications and models such as the 'professional project' and the 'power approach'. The nature of professional knowledge has been explored. The study of the struggles for legitimacy provided an understanding of inter- and intra-professional competition relevant to the present research. Finally, the changes in the professions have been explored through the commodification and commercialisation issues.

The present chapter will explore the professional organisation and the radical transformation it has undergone in recent years. It will start with a brief overview of the characteristics of services and in particular of the professional services. It will then examine the contingency pressures acting upon professional service firms and their responses to the environmental pressures of increased competition, more demanding and sophisticated customers, deregulation, technological advancement and globalisation. The focus of research has been on two of the traditional professions, accountancy and law. The choice of these two was made on the basis that they are overwhelmingly

recognised as professional organisations with distinctive organisational characteristics. Powell, Brock and Hinings say that,

“Given that these three professions (accounting, law and medicine) can be viewed as paradigmatic, the changes that have occurred in their organizations are likely to be indicative of what is also happening in professional organizations in other fields such as education, engineering and scientific research” (1999, p.3).

The exploration of contingency pressures and the corresponding responses will be done for each of the two chosen professions separately. Although there are overlapping features, the structuring of the material in this fashion was deemed necessary in order to have a detailed and in-depth account of the differences as well as similarities of organisational behaviour for the two professions.

## 4.2. CHARACTERISTICS OF A PROFESSIONAL SERVICE

There is a substantial difference between services and goods and this difference deserves a separate treatment in terms of marketing. Consumers evaluate goods and services differently and research studies (Ettenson and Turner, 1997) have represented services as a “distinct group of market offerings”. Zeithaml and Bitner (2000) define services as deeds, processes and performances that are produced not only by service businesses but are also integral to the offerings of many manufactured – goods producers. Mills and Moshavi (1999) consider that,

“Although a service is generally viewed as a deed, a performance or an effort which is rendered by a service provider for a client, it demands both client and service provider participation” (p.48).

Professional services have an interactive nature and their production and consumption are often simultaneous. This view is also supported by Yorke (1990) who says,



“Any service offering depends, for its long-term success, on the dyadic relationship which exists between a supplier and a client” (p.307).

He considers that most professional services are intangible dominant and their essence lies in the symbolic status of the personnel involved. This assertion is of significant importance for this thesis as it links the delivery of service to the legitimacy of the service provider. Yorke's definition of a professional is a service provider,

“...(who can) claim competence in a fairly narrow and well defined body of knowledge and set of skills which are guarded and/or controlled by a formal body or institution to which they are admitted” (1990, p.308).

Professional services, say Ettenson and Turner (1997) are offered,

“...(by) those professions that have a recognised group identity and that require extensive training and advanced study in a specialised field” (p.91).

These definitions are also supported by Brown and Swartz (1989) who view that besides the professional-client relationship, professionals have a unique set of characteristics,

“Professionals typically have advanced degrees, meet credentialing requirements and often hold equity positions in their organisations” (p.93).

Their uniqueness is emphasised by their sense of responsibility to the public and by a degree of independence to such an extent that any interference is impossible from clients or other individuals not admitted into their profession (Yorke, 1990).

In order to qualify as a professional a number of elements have to be present in an occupation, as suggested by Gumesson (1997):

- a). The existence of specialist know-how, experience and methods.
- b). The presence of individuals providing the service.
- c). A particular approach to carrying out an assignment.
- d). The provision of a solution to the problem.

Another set of criteria by which professional services can be distinguished from other services has been put forward by Yorke (1990). He states that professional services are:

- a). Advisory and focused on problem solving.
- b). Provided by a qualified professional known for his /her speciality under a specific title.
- c). Include an assignment requested by the client either on a voluntary basis or as required by statute.
- d). Provided by a professional who is independent and not connected with other suppliers.
- e). Supervised by professional associations which attempt to define the nature of the profession, to lay down requirements of competence, to control the practice of the profession and to enforce a code of ethics.

In organisational terms, the professional firm has been historically dominated by the P<sup>2</sup> archetype as described in Chapter 4, labelled P<sup>2</sup> because of the twin components of professionalism and partnership. Hinings, Greenwood and Cooper (1999) quote the following definition,

“A professional service firm has a primary resource and work force of a group of trained professionals who have agreed to work under the same organizational umbrella. An important characteristic of such firms is that these professionals agree to share ownership as a group of partners” (p.132).

There is however a degree of ambiguity in the existing body of literature in respect to the relationship between the client and the professional versus the relationship between the client and the partnership. It is therefore quite relevant to explore the unique characteristics of the professional services through a parallel drawn between marketing performed in a business-to-business context by the professional firm compared to a non-professional organisation.

### 4.3. BUSINESS-TO-BUSINESS MARKETING WITHIN A PROFESSIONAL VERSUS NON-PROFESSIONAL CONTEXT

The central issue in business-to-business marketing is the management of relationships between firms and in particular the relationship between the firm and its clients. Emphasising that all forms of relational exchange are covered within the remit of relationship marketing, Morgan and Hunt (1994) propose the following definition,

“Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges” (p.21).

Good relationships ensure that the key resources required by the organisation are easily accessed and the needs and wants of the customers are being met. These interactions are not limited only to those with customers but include suppliers, distributors, as well as organisations that don't deal with each others, such as competitors. This is particularly pertinent to the professional context where relationships between competing firms, such as legal firms need to be more than cordial when facing each other on the two sides of client representation.

Ford (1998) contends that business-to-business transactions, either in the form of a sale or a purchase should not be considered,

“...as an individual event, but as part of a series of interactions...These interactions form the relationship between the selling and buying companies. It also means that the business marketer's task is more than conventional “selling”. Instead, it is about managing a company's continuing relationships with each of its customers, within a wider portfolio. Marketing is also concerned with allocating physical and human resources between the relationships in a portfolio, adding new customers to the portfolio and deleting unsuitable ones” (Ford, 1998, p.152)

Within the professional context the prevailing organisational structure has been the partnership of individual professionals who are simultaneously owners and service providers and in most small and medium sized firms are also the managers of their organisations. Only in recent times have a limited number of the very large professional partnership firms relinquished the management to professional managers. The preference generally has been for management to be drawn from one of their partners. Within the unique archetype of the professional partnership (P<sup>2</sup>) conceptually introduced by Greenwood, Hinings and Brown (1990) and discussed in detail in section 5.3.3, the development and maintenance of relationships with clients has taken place at the level of the partner, or in any case at the level of the individual professional. Traditionally the partners have been jealously protecting their contacts as their extent and influence of these relationships have determined their prospects of bringing in work and ultimately have determined their share of the equity. It has also determined the professionals' own market value, as it has been an universal practice for partners or individual professionals to switch firms or set up new firms and take their clients with them. It is therefore no surprise that all efforts of consolidating clients' information in order to have a marketing led client care programme across the firm have been vigorously resisted and this has been one of the causes at the essence of the perceived barriers to marketing acceptance and implementation within professional firms covered by the present research.

#### 4.3.1. INTERFIRM RELATIONS

The importance of relationships between organisations has been explored extensively in the marketing literature going back to the foundation work in marketing (Young and Wilkinson, 1997). Much of the work revolves around the development of relationships as means of gaining competitive advantage, specifically, the importance of cooperation in order to compete as introduced by Morgan and Hunt (1994) and further expounded by Young and Wilkinson. In a buyer-seller relationship, a cooperative behaviour involves,

“...coordination of tasks which are undertaken jointly and singly to pursue common and/or compatible goals and activities undertaken to develop and maintain the relationship (Argyle1991)...Cooperative expectations arise between firms as a result of cooperative behavior and sentiments and also support and sustain that behavior” (Young and Wilkinson, [www.impgroup.org](http://www.impgroup.org), 27/01/06, p.4).

There is relevance here with the constant relationship building and maintenance pursued by professionals with their existing and potential clients in the nature of cooperative behaviour which includes attitudes, perceptions and sentiments, in particular the concern for the clients' well-being and trust with the ultimate goal of achieving a personal bond with all the parties involved.

In both professional and non-professional organisations, cooperative behaviour is based upon the operation of a system of inter-organisational norms, which are common understandings about the ways of conducting business through the facilitation of interaction within a social system. These relationships can be characterized by motives that could involve mutually compatible as well as incompatible goals. As mentioned by Young and Wilkinson, cooperation and competition coexist in relations through other-oriented and self-oriented motives and behaviour respectively. They contend that,

“Within a buyer-seller relationship parties might cooperate to achieve reliable quality, delivery, and acceptable price but compete for the most favourable payment term. Parties may continue to compete for more advantageous financial terms within the context of an otherwise cooperative relationship” (Young and Wilkinson, [www.impgroup.org](http://www.impgroup.org), 27/01/06, p.6).

The main difference is that within the professional context, the cooperative behaviour takes place at the level of the individual professional and is utterly dependent on his or her skills and abilities in achieving the desired mutual goals between the professional and the client. Whereas the non-professional

organisation pursues its relationship development at organisational level, the professional firm will rely on the partners' efforts in pursuing their own client relationships. The danger within the professional context is the development of incompatible goals between the individual professional and the firm, that can get aggravated to the point of the firm getting split up along different lines of interest of the partners who embody jointly the service providers and equity owners of the firm. This is not an uncommon occurrence within the professional context and has been used by junior partners unhappy at the distribution of profits among equity partners. The serious damage to the firm occurs when the departing professionals deprive the firm of their individual relationships with clients who would follow them in the new venture. As the success of the professional firm is based on the cooperation of individual professionals or partners pursuing common goals for the purpose of maximising the overall success of the firm, such disagreements can have catastrophic consequences. This is not the case of the non-professional firm where the core offering be it a product or service is not so fundamentally dependent on the individual.

#### 4.3.2. THE NATURE OF THE RELATIONSHIP

There has been considerable research into the social, rational, emotional and behavioural dimensions of the 'market relation', in effect into the paradigmatic essence of relationship marketing. It started by being centred on the business-to business markets but evolved to channel marketing, service and consumer marketing (Costabile, [www.impgroup.org](http://www.impgroup.org), 27/01/06). Many studies focused on the determinants of long-term relationships under the influence of models and methodologies developed by the psychology of interpersonal relationship, economic sociology and social networks theory. The direction of studies over the last 30 years has shifted to exchange processes based on dyadic and network relations that encourage co-operative partnerships between buyers and sellers. A major contribution was made by Dwyer, Shurr and Oh (1987) in identifying trust as the critical factor in the process of change from discrete market transactions to continuous exchange relationships. There have been a number of conceptualisations of trust in market

relationships, some uni-dimensional, others multi-dimensional. Costabile defines trust as,

“...the perception of reliability that, in a buyer’s view, is based on experience, or rather on the sequence of transactions/interactions characterised by the confirmation of expectations regarding performance and satisfaction ([www.impgroup.org](http://www.impgroup.org), 27/01/06, p.3).

Beside trust, market relations studies have identified other concepts that feature in durable relationships, in particular, commitment, stability, interaction, power, influence, dependence, reciprocity and co-operation. Commitment plays an important role along with trust in providing the “durable desire to maintain an important relationship” and is considered an antecedent to loyalty (Costabile, [www.impgroup.org](http://www.impgroup.org), 27/01/06).

Morgan and Hunt (1994) have identified the determinants of commitment as:

- Trust
- The degree to which customers and firms share the same values (value congruence)
- The level of shared aims of the relationship (goal congruence)
- The value of the benefits deriving from the relationship
- The costs following the interruption of the relationship

Trust and commitment are the key elements leading to reciprocity and co-operation in market relations. Co-operation has been extensively studied in the area of partnerships and firm alliances.

Building of trust, commitment and loyalty as a basis of the relationship between professionals and their clients is a fundamental activity indispensable in the success of delivering a professional service. It sits at the basis of acquiring the work in the first place but mostly it assures the long-term basis of the professional relationship. Without it a professional service would be impossible, its dyadic nature ensuring the commitment to the relationship on both sides, therefore reducing the risk of failure and uncertainty.

Studies in the area of relationship marketing have led to a number of models describing buying behaviour, linked to the concept of a life cycle of the relation (Costabile, [www.impgroup.org](http://www.impgroup.org), 27/01/06). A number of authors have supported the view that adopting a dynamic perspective gives a better understanding to the buying behaviour and the development of the relationship. One of the best-known models is Ford's (1980) five stages life cycle analysis of relationship development, as follows:

- 1). The pre-relationship stage – characterised by information gathering and the evaluation of the contents that relationship could develop;
- 2). The early or exploration stage – when the relationship requires tangible and intangible investment in experimentation with the exchange processes;
- 3). The development stage - characterised by high reciprocity in learning processes and investment, and thus in commitment;
- 4). The long-term or stability stage – characterised by the companies' acknowledgement of the importance of the relationship long-term;
- 5). The final stage or institutionalisation – when routines of exchange are adopted.

In support of Ford (1980), the model developed by Dwyer, Shurr and Oh (1987) also provides a five-stage view of the life cycle of the relationship, namely:

- 1). Awareness, which is a unilateral, pre-exchange process;
- 2). Exploration, which is initiated through mutual considerations and dyadic interactions;
- 3). Expansion where a deepening inter-dependence occurs effective communications;
- 4). Commitment, which supports high levels of mutual dependence;
- 5). Dissolution or disengagement.

According to Costabile, the main difference between the two models lies in the final phase of dissolution, which is initiated through a unilateral decision whereas all the other stages “require reciprocal attitudes and behaviours that tend to be synchronised” ([www.impgroup.org](http://www.impgroup.org), 27/01/06).

Dwyer, Shurr and Oh (1987) explain that,



“... dissolution begins with an intrapsychic stage in which one party privately evaluates his or her dissatisfactions with the other party, concluding that costs of continuation or modification outweigh benefits” (p.20).

Traditionally the relationships forged between professionals and their clients have been so strong as to transcend time and space. The relationships with the family doctor, family solicitor or family accountant were based on a deep understanding of the two parties and a long-term interdependence characterised by high levels of inputs, durability and consistency. This has continued to be the traditional kind of relationship that has historically existed within the professional firm and their clients. However, in a fast changing environment with high levels of competition, globalisation and de-regulation, the clients have increasingly questioned the values and benefits of the professional services received and have more and more reached the dissolution phase. This has put increasing pressures on the professionals, as it required advanced skills in the development and maintenance of the client relationship leading to changes in organisational structures of the professional firm and the use of new management practices. This will be explored in greater detail in the section 4.4 below.

Summing up the parallels drawn between marketing performed in a business-to-business context by the professional firm compared to a non-professional organisation, the similarity lies in the nature of the relationship between the parties, whereas the difference lies in the unique organisational structure of the professional partnership. In respect to the nature of the relationship, both, the professional and non-professional organisations have relationships with their clients that are conducted between individuals and as such, are based on the same psychology of interpersonal relationship. Whereas within the non-professional organisation the relationships with other firms or individuals are undertaken and maintained on behalf the organisation, within the professional firm, relationships with clients are developed and nurtured at the level of and for the benefit of the professional. Therefore it is important to distinguish between the marketing approaches used by the professionals in

this process and the marketing practices of the professional firm and to understand the conflicts arising from their diverging interests.

#### 4.4. THE CHANGING ENVIRONMENT FOR THE PROFESSIONS

There is a consensus amongst scholars that all the professions are under increasing and complex environmental pressures and as a consequence they experience considerable change and uncertainty. Powell, Brock and Hinings (1999) say,

“Markets for professional services have been deregulated, competition is increasing both within and between professions, clients are increasingly sophisticated and demanding. Changes in technology open new opportunities for service delivery and encourage the entry of new providers.... Institutional boundaries between professions, long protected by statute and tradition, have weakened as governments deregulate professional services and firms move to take advantage of new business opportunities” (p.1).

This is happening at a time when more occupations are looking for professional status such as management, marketing or public relations and are actively undergoing a process of professionalisation. At the same time, other professions, in particular, engineering has suffered from the reverse. Carter and Crowther (2000) report that,

“In delineating the characteristics of the period (1990-96) it is clear that there was a dramatic change in the status of the engineer. In six years ‘professional engineering’ went from being a dominant discourse to a marginalised discourse within Coastline Electric. The engineering hegemony on senior positions within the organisation changed, but more significantly, engineering was no longer a distinct, demarcated profession...It is argued that within Coastline Electric, the position of the ‘professional engineer’ has been unravelled, or deprofessionalised” (p.44).

Reed (1996) goes even further in suggesting that there are new forms of expert power and control emerging in late modernity and professionals have become far more involved in the 'politics of expertise', which he defines as,

“...conflicts over the exclusionary jurisdictional domains arising out of the contested monopolization of abstract knowledge and technique – is becoming more intense and unpredictable during a period of radical change (p.582).

He follows Drazin's (1990) argument that professionals in periods of upheaval caused by major technological breakthrough will,

“...focus more on perceived threats and opportunities and respond to innovation in a more political mode” (p.259).

It is useful at this point to clarify the distinction between the different types of professions, as this will have implications upon the direction of research and analysis adopted by this thesis.

#### 4.5. THE ACCOUNTANCY INDUSTRY ENVIRONMENT

This section will identify the environmental pressures acting upon accountancy practices globally and in the UK in particular. The overall pressures are globalisation, competition, technology and external regulation acting upon an industry which is encumbered with conflict of interests caused by the nature of the partnership organizational structure and a compromised self regulation based on the traditional professional culture.

In his book 'The Commercialisation of Accountancy', Hanlon (1994) argues that the nature of the accountancy work has been in a process of continuing transformation. It has become more commercialised and that the old notions of public service and objectivity have become redundant and are increasingly being replaced by commercial relationships requiring new social and commercial skills. He feels that the latter has become so important that it determines who will make it at the top of the profession and who will not. Of course this increased emphasis on commercial skills is different in the private sector from the public sector one.

According to Jim Gemmell, Chairman of Horwath Clark Whitehill, one of the ten largest accountancy firms in the UK, and one of the firms surveyed,

“Competition for business in the market place is not just going to get fiercer, it is going to get murderous” (Anon., 2001a, p22).

His predictions for the future of the accountancy profession were dire. Within the next ten years there would be only four global audit firms and four others with an international reach, no firms outside the top ten would have any significant audit and due diligence capabilities, the accounting market would be encroached by firms from outside the sector, possibly two large insurance and financial services firms and by two other IT companies. The mid tier firms were expected to suffer the most. According to Accountancy’s Analysis (2001a), they were already engaged in a bloody fight between themselves and the big Five (pre Enron – Andersen disaster) over, not only a slice of the lucrative owner-manager market, but also over qualified and experienced people to service their clients.

The industry has seen wave after wave of mergers and acquisitions that have intensified sharply with the arrival of the ‘consolidators’. This new organisational formula is designed to remove two of the most contentious issues faced by the accountancy industry nowadays, namely, the conflict of interest created by the provision of audit and consultancy under one roof and the issue of succession. These two issues are the most important internal factors of change, forcing the industry to re-assess its centuries old traditional organisational partnership structure and the threat to the professional culture. The data analysis will reveal that marketing which was ignored and shunned in the traditional partnership based firm is becoming an indispensable management tool in a fast changing and threatening environment. The arrival of the consolidators is the response to internal and external pressures forcing change within the accountancy industry.

A ‘consolidator’ is a completely new breed among accountancy firms, a company founded on the basis of raising funds for the exclusive purpose of buying out accountancy practices and corporate finance boutiques and

integrating them into an even larger corporate entity. In order to resolve the intrinsic conflict of interest once and for all, it usually offloads the audit function right from the start into another separate company and consolidates the remaining services under one roof. The exceptional drive that has sparked the arrival of these consolidators on the market has been, not only the sharpening competitive environment, but also the issue of succession.

#### 4.5.1. THE SERIOUS CONFLICT OF INTEREST UNDERMINING THE ACCOUNTANCY SECTOR

The Accountancy Industry has kept very quiet for a long time the fact that its growth was based on a serious conflict of interest, which is also prevalent in other professions not just in accountancy (Etzel, 2002). The Enron – Andersen crisis,

“...has thrown into sharp relief the way in which the provision of audit services has increasingly been used [*not only by the Big Five (now the Big Four)*], but also across the whole industry, as an entry to the provision of far more lucrative consultancy services” (www.uk200group.co.uk)

A research undertaken by *Accountancy* magazine shows that the Big Four made three times as much in fees in 2001 from consultancy as from auditing. The FTSE firms paid accountants £848m in 2001, out of which only £212m was for their statutory annual audit. In certain particular cases, the discrepancy is even more striking. For instance, BT paid PwC fourteen times as much in non-audit fees as in audit fees, whereas Andersen, which collapsed into Deloitte and Touche after the Enron debacle, earned 23 times as much in non-audit fees from media firm BskyB as in audit fees (Stewart, 2002). In the US audit fees made up 70% of accounting revenues in 1976 but only 31% in 1998, according to Arthur Levitt Jr., former Chairman of the Securities & Exchange Commission (Anon., 2002). He also found that some US auditors were undertaking internal audits for companies, then making them part of the control systems on which were based the financial

statements that they later audited. This was Andersen's case with Enron. According to Sridharan, Dickes and Caines (2002, p.14),

“Andersen performed both the external and the internal audits for Enron and also served Enron as consultant in non-audit and tax matters. Andersen's three-way relationship with Enron created the possibility for several conflicts of interest”.

Auditing has not been, traditionally, the most important income generating activity for accountants, but it has been valued as the basis on which their reputation was based and which allowed them to introduce other services to their clients such as tax advice, financing, planning and IT development. By allowing the provision of consultancy services to prevail through their enormous power of influence within the organisation, accountancy firms have put their integrity at risk in their auditing. In order to keep their clients happy and willing to purchase the highly profitable, non-audit services,

“...Andersen auditors allowed rogue Enron executives to inflate earnings and to hide debt, stretching accounting principles. This was made even worse by the shredding of documents by the (*Enron*) – Andersen team, which was (*rightly*) perceived as an attempt to hide the truth” (Cote, 2002, p.60).

It is ironic that it was in the wake of the 1929 crash that Arthur Andersen set up his firm to offer 'above the board' accountancy services, showing that the fine line between entrepreneurialism and crime is most often breached during stock market bubbles (Anon., 2002a). Auditors, by the very nature of the work they perform, should be able to stand firm against client pressure. It is truism that the firm becomes vulnerable the more dependent it is on a client for income and growth. As reported by Cote (2002) and many others, Enron was one of Andersen's major clients, thereby making the account highly vulnerable to the pressures of an aggressive CFO.

#### 4.5.2. THE PARTNERSHIP STRUCTURE WITHIN THE ACCOUNTANCY SECTOR

Professional service firms are overwhelmingly based on either self-employed owner practitioner or the partnership structure, where the owner is also manager of the business as well as provider of services, creating a number of inherent management problems. Andersen, for example, displayed the weakness within its organisational structure that diffuses power among the partners, which characterizes an industry based on the partnership structure.

Most large and medium sized professional service firms are increasingly being organised on similar lines to commercial, shareholder-based firms, having a CEO (US), or a Managing Partner (UK), an executive committee, a board of directors and generally, have in place,

“...comprehensive professional management policies. In fact, they are decentralized entities, structured to accommodate autonomous professional employees, i.e. the partners...Professional service firms are ill equipped to deal with major crisis. Their decentralized structure – a strength for quality professional services - becomes a weakness in a crisis situation. They are not structured to face the same business risks as traditional shareholder-based enterprises” (Cote, 2002, p.61).

While the American press wrote off Andersen in late 2001, the British press carpeted them for their closeness to New Labour and reported on their involvements with previous clients hit by fraud accusations. The climax in the UK came with the admission on Newsnight by John Ormerod, Managing Partner of Andersen in the UK, that “...he could not speak for the actions of his partners in the US”, a serious reflection of the global partnership’s failure in view of the slogan on the back of Andersen’s brochure claiming they are “One team, one voice, one global operation” (Lea, 2002, p.48).

#### 4.5.3. THE SUCCESSION CONUNDRUM

For generations of accountants, past and present, the partnership structure offered the benefits of increased remuneration through joint sharing of

expertise, vision and contributions to the practices' running costs. It was meant to provide for a very good living and pass the business to chosen successors. In the traditional provincial practices, succession was achieved within the owners' or partners' families and was one of the main causes why historically the professions kept strict barriers to entry and a very closed shop to new entrants. This happens seldom nowadays the prevalent trend being for business to be passed at retirement to non-related younger partners or to outsiders brought in through mergers and acquisitions by larger firms. The smaller firms are finding it increasingly difficult to find the right successors for their practices because of the difficulties in recruiting and training young qualified accountants. According to Linsell (2001, p.72), head of Rowe & Maws Professional Group,

“Graduates are being swept up by a range of employers and tempted by some very favourable salaries and fringe benefits, with the leading firms also offering training that some of the largest businesses in the UK are hardly able to match”.

The capital achieved by the older partners at retirement could be very variable and sometimes not very significant depending on the resources of the aspiring younger partners or the acquiring firm. Very often, in the case of the single practitioner reaching the retirement age, the practice would be wound up with the loss of the business altogether. In the past, practicing accountants with their insider knowledge of the industry would have invested their retirement savings into trusted pension funds and the stock market. With the problems that have plagued the UK pensions providers for the last few years and the sluggish and depressed state of the stock market, accountants have had to re-consider their retirement options.

“The idea of calling a halt and scooping the pool as a one-off deal was not part of the philosophy” (Bruce, 2001, p.25).

The arrival of the consolidators challenged this thinking. Armed with substantial borrowed capital, the consolidators would acquire partnerships providing the retiring or merged partners with a substantial material gain. In



the words of Jonathan Freedman, the then Finance Director of Tenon, the first mould breaking 'consolidator',

"There is a significant element of personal gain. The people there scoop the jackpot" (Bruce, 2001, p.25).

He also acknowledges the conflicting roles the partners were facing in the traditional partnership structure as owners, managers and service providers. The new ownership structure, as pioneered by Tenon, is based on shareholding, making the running of the accountancy business much easier. Bruce (2001) acknowledges that the fundamental issue within the industry is not so much the chasing of riches into an ever-shrinking market, but the real change occurring in how the concept of partnership is being seen. The large national accountancy partnerships such as BDO Stoy Hayward and Grant Thornton International are now increasingly aware of the limited lifespan of their partnerships. This is seen as true across all professional services, which will need to make substantial re-adjustments. According to Linsell (2001), a select few practices with the right strategic mix and the right geographical location will be acquired by the consolidators and will reach national if not global coverage. The majority of the remaining mid sized practices will be competitively squeezed by niche practices focused on certain market sectors and in specific towns. In the post Andersen world they will be increasingly considering the transition to limited liability partnerships with their more corporate form and public disclosure, which would also resolve the succession issue put now to the fore by the 'consolidators'.

#### 4.5.4. THE WORLD OF THE CONSOLIDATORS

The "consolidators are part of the new world order (that) won't go away" according to *Accountancy*, (Anon., 2001a, p.22) and is based on the very successful US experience in accountancy consolidation. It continues reporting that according to the Public Accounting Report, the four major US consolidators – Century Business Services, Centerprise, American Express Tax and Business Services and RSM McGladrey have achieved an increase of net revenue of 24.8%, almost twice as much as the overall growth of the 100 largest US accounting firms, with RSM McGladrey achieving a staggering

63% increase. Australia's consolidation has been even more shocking. Thirty-five consolidators have bought up to nearly 25% of the country's accountancy firms (Anon., 2001a, p.23).

In the UK, Tenon reached 9<sup>th</sup> position in 2001 in the UK's top ranking firms, achieved within 18 months. With the successful acquisition of BDO Stoy Hayward East Midland among a string of other mid sized acquisitions, it has targeted itself towards the mid-sized UK corporate client market apparently 'vacated' by the Big Five, according to Ian Buckley, Tenon's chief executive (Anon., 2001b, p.7). The £90 million capital funding required for Tenon's shopping spree has been raised in two placings. Tenon has paid on average between 12 to 16 times the adjusted profits of the acquired firms after partners' salaries and tax, usually paid 40% in cash and 60% in shares.

The rapid acquisition and integration of so many different firms has inevitably led to downfalls in term of subsequent profits, cultural clashes and fallouts. Having floated on the AIM in March 2000, Tenon achieved 16 acquisitions by April 2002, with ten times smaller profits achieved than expected and 66p share price compared to 160p the previous year (Ashworth, 2002, p.29). There is a similarity here with the troubles experienced with high consolidating costs and charges eating into the cash by Century Business Services in the US, whose shares have lingered at \$5 for two years from the high \$25 three years previously.

Formed in July 2001, the second experiment at the 'consolidator' model has been Numerica, slightly different from Tenon's business model, as having Levy Gee, a Top Twenty firm acquired in October 2001, as its cornerstone. The approach adopted by Tony Sarin, Numerica's chief executive, has been, "...to find a substantial practice with an infrastructure, a good IT platform and good people, and use that firm as a linchpin to grow a national business services group" (Ashworth, 2002, p.30).

Having raised £30 million by listing on the AIM, its annualised fee income has risen to £40 million allowing it to continue on its buying spree of like-minded

accountancy practices. Numerica seem to be offering 10 times the adjusted profit and 50/50 cash and shares split (Anon., 2001b, p.8).

In May 2002 a third consolidator appeared on the accountancy profession market called Vantis, a merger between four smaller firms and which were hailed to become the 24<sup>th</sup> largest accountancy in the UK (Anon, 2002b, p.1).

Andersen's disintegration has provided good opportunities for the consolidators. It is still to be seen if the UK companies without big international exposure will prefer the smaller accountancy firms with the more personal levels of attention to the integrated business services offered by the consolidators.

The consolidators like some well known accountancy firms before them have been very enthusiastic at adopting technology as cornerstone of their acquisition strategies. A classic example is Arthur Andersen installation of the first business computer application at General Electric in 1953, which later spawned Accenture, the world's leader of management and technology consulting services and solutions. Tenon, almost from the start of its empire building activities, acquired the Williams Allen Group which was strong at outsourcing, financial services and information technology consultancy and which became Tenon Technology Solutions. Numerica made its most important acquisition of its cornerstone Levy Gee because it had a history of making innovative use of IT both within the firm and by providing it to its clients. Another of Numerica's selections, the mid-tier firm Jayson Newman, acquired in November 2001, was technologically proactive which was without doubt a deciding factor. Tony Sarin admitted that it was selected,

“...for its innovative approach to providing solutions to clients such the development of Easycounting WebLink” (Meall, 2001, p78).

This is a product aimed at creating an umbilical cord between the client and its accountant.

According to Meall (2001) for firms such as the consolidators,

“Technology is vital: the success of their consolidation and integration efforts depends on it, as do the services they have, and will be providing to clients. Information and communication technologies will be the glue that holds these ever-expanding organizations together. Without it, they’d find their planned growth a lot more difficult to manage” (p.77).

#### 4.5.5. GLOBALISATION PRESSURES IN THE ACCOUNTANCY SECTOR

“...a great power of which the relations are worldwide...”

Macdonald (1995, p.202) quotes this phrase from the 1893 *The Accountant* to illustrate that accountancy had been unique amongst the professions in its ability to operate cross-boundary historically. Accountancy has followed the ebbs and flows of national incursions overseas. Up until the 1890s accountancy followed the progress of the British Imperial power, after that being overtaken by the USA and Germany.

In contemporary times, Aharoni (1999) provides a comprehensive overview of the implications for accountancy firms of the internationalisation of professional services. He states,

“The globalisation of accounting – fuelled by the need of the firms to follow their clients worldwide (Aharoni, 1993b; Cpert, 1991) was achieved mainly by the creation of a multinational enterprise” (p.24).

In contrast from the commercial or manufacturing multinational which generally are clusters of firms incorporated under different country laws and which are fully or partially owned subsidiaries, the professional service MNEs have started as loose connections of autonomous partnerships growing into international networks. According to Aharoni,

“Having established a network, accountants used it to diversify into more services, including mergers and acquisitions and legal services, thus increasing their size and achieving critical mass. Size has become a sign of quality and reputation and created an almost insurmountable barrier to new entrants” (1999, p.24).

This trend has been very strong in the 1980s with mergers, acquisitions and consolidations leading to the creation of 'mega-service' firms, crossing boundaries and involving not only accountancy but also advertising and management consulting. This global drive had its drastic consequences.

The repercussions of the Enron-Andersen, World Com and AOL Time Warner accounting scandals have had a substantial impact on the accountancy industry globally and in the UK in particular. In order to restore the public's and stock market confidence, the US Government had to take measures to force reform by imposing stricter regulations upon the industry. The US Senate was involved in passing a bill called the Public Company Accounting Reform and Investor Protection Act of 2002, designed to eliminate the auditor conflict of interest. It prohibits auditors to provide consulting services to their audit clients but would be allowed to do so for all other clients. Nevertheless the bill does not go far enough, allowing auditor firms to provide tax services if the client's audit committee approves it. In the opinion of Bernard Wolfman, Fessenden Professor of Law at Harvard Law School,

"Conflict-of-interest is present whenever a public company auditor renders non-audit services to anyone, not just to its audit clients" (2002, p.96).

In his view, "tax advice and tax planning are designed to save the company taxes", generally are applied legitimately, at other times the line between legitimate and the questionable is rather fuzzy. "Auditing is an vital function - a combination of health check and reality check" ([www.uk200group.co.uk](http://www.uk200group.co.uk)), when properly performed. Tax advice should not be an area in which auditors should be allowed to perform, as it would undermine their position of external and impartial auditors, even if approved and requested by the company's audit committee. Another big problem resides in the fact that the Big Five accounting and consulting firms in the US used to do the audit for 90% of the public companies. As they were selling the same services, there was very little difference between the firms when it comes to independent advice. In other words, the global interdependence between them is maintaining a conflict of interest. Tightening of US regulations through far-reaching

accountancy reforms could have implications upon accountants working in the UK.

#### 4.5.6. CONTINGENCY PRESSURE IMPLICATIONS UPON THE UK ACCOUNTANCY FIRMS

In the UK, government ministers have focused on the necessity of independence of non-executive directors sitting on public companies' audit committees responsible for dealing with the selection of auditor firms as well as for any non-audit work that the auditor might perform. In the wake of Andersen's demise, the public's perception of the profession has been seriously affected, a situation which the Institute of Chartered Accountants in England and Wales has not been able to improve. That has happened, in spite of its assurances regarding the message of high professional standards practiced in the UK in contrast to their US counterparts and as to the effectiveness of the self-regulation being practiced within the UK accountancy industry. For example, the members of The UK 200 Group, which is a mutual association of chartered accountants,

“...submit themselves voluntarily to an independent peer review of their procedures, the services they provide and the role of their partners in providing that service. No firm can become a member of The UK 200 Group without passing this peer review” (Hayward, 2002, p.24).

After the fall of Andersen, the concentration in the industry has even more increased, worrying the UK Government to the point where the trade Secretary has asked the Office of Fair Trading to investigate the implications upon the competition. The biggest worry according to the *The Economist*,

“...is that, if another big firm follows Andersen down, there would be then only three” (Anon., 2002b, p.65).

The global concentration within the industry and the audit conflict of interest are felt as serious pressure, activating increased attention from the regulators.

The regulatory bodies in the UK are the Financial Services Authority which supports the audit rotation and a competition enquiry into the Big Four

accountants, the Institute of Chartered Accountants in England and Wales, which licenses the firms to do audit work and can fine them if they go wrong, the Accounting Standards Board, the Stock Exchange and the Foundation which is a newly created body, designed to take over the monitoring functions of the industry. The Government is using the Foundation as a vehicle for its attempt to strengthen the restrictions upon firms (Kemeny, 2002). The shaking up of the accountancy sector has benefited other professional service firms, such as lawyers and financial services providers who have picked up tax work which has been traditionally been the domain of accountants. As the regulators are piling up the pressure onto the Big 4 to separate their audit and consulting businesses, the market could be the ultimate factor in the restructuring of the industry.

#### 4.5.7. THE DIMINISHING STATUS OF THE PROFESSIONS AND THE IMPLICATIONS UPON THE ACCOUNTANCY SECTOR

The repercussions of the Andersen fatality will be felt for years, if not for decades within the accounting industry. According to Lea (2002),

“Andersen might have been the smallest of the Big 5, but it was also the proudest” (p.46).

Their worldwide reputation was so great that in the late 90's they were receiving a million job applications a year and British final year students in 2001 were ranking Andersen as the 5<sup>th</sup> most desirable employer, after the Foreign Office, BA, Accenture and the BBC. Accenture is in fact the former Andersen Consulting business, which split up from the Andersen accounting firm in 2001, leaving the latter exposed and the weakest of the Big Five (Lea, 2002). When Enron filed for bankruptcy in late 2001 and the very serious threat of billion-dollar legal action against the auditor started looming, Andersen's worldwide CEO Joseph Berardino gave a stark warning for the industry and a terrifying admission of guilt, saying,

“Andersen will have to change, the accounting profession will have to reform itself. Our system of regulation and discipline will have to improve” (Lea, 2002, p.47).

The death knell to the Andersen brand and its reputation worldwide came when the US federal government brought charges of obstruction of justice against it. The wording of the indictment was such that it became clear the global partnership was at risk. It read:

“Andersen through its partners and others did intentionally and corruptly persuade Andersen employees to withhold records, documents and other objects from regulatory and criminal proceedings and investigations” (Lea, 2002, 50).

In the subsequent weeks, the Andersen partnership was broken up and its various parts joined forces with other practices. In the UK, Deloitte & Touche took over roughly half of the Andersen partners who had to act quickly for fear of losing £50 million of business through client defections to the competitors. The integration of Andersen’s partners and staff within Deloitte & Touche was not going to be without difficulty as there would be the inevitable clash of cultures. Andersen was a high-confidence organization, with highly motivated staff, “made to believe they were very bright and very special (and was based on) an extensive and deep-seated bonus culture” (Lea, 2002, 50). By contrast, Deloitte & Touche had a bonus-free structure, which made the smooth grafting of Andersen’s people even more problematic when it came to the integration of the two operations.

Tom Campbell (2002), Dean of the Haas School of Business at UC, Berkeley, believes that the diminishing status of the professions is at the “heart of most of the recent business scandals”, in particular the perception by the public of the conflict between the traditional role of providing professional advice and the chasing of ever increasing profits. He says,

“For centuries, even within free-market economies, we have recognized that the role of the professional is to provide expert advice. Period. The accountant would find the books were honest or not, and the fee would be the same. The attorney would say whether or not a case had merit, not what one could extort by threat of lawsuit” (p.3).



The professionals have given up their exclusive status of watchdog and independent arbiter of corporate financial integrity and have entered the forays of corporate enterprise for themselves. Campbell confirms this view,

“Confidence was placed in the professional because he or she had no ulterior motive. The decline in that confidence is directly related to combining the professional’s job with the ulterior profit potential” (p.3).

## 4.6. THE LEGAL INDUSTRY ENVIRONMENT

The present section will identify the environmental pressures acting upon law firms globally and in the UK in particular. Press and academic material has been consulted in order to put together a picture of the state of the legal industry at present, its development in the last twenty-five years and what are the pervasive trends. The legal industry is being scrutinized to identify if the contingency pressures have been making an impact on the law firms’ strategies and to which degree these firms have been impervious or receptive to change compared to other professional services such as accountancy. The discussion will concentrate mainly on commercial law firms; bar practices will be only briefly considered.

### 4.6.1. THE STATE OF THE LEGAL PROFESSION

In July 1992, the *Economist* published a survey of the legal profession and stated that lawyers were torn between being businessmen and being professionals. Roscoe Pound, an American legal philosopher and former Dean of Harvard Law School said that to be professional is to,

“...pursue a learned art as a common calling in the spirit of public service – no less a public service because it may incidentally be a means of livelihood” (Anon., 1992a, p.S3).

Pound’s successor at Harvard, Robert Clark presented a more succinct definition of lawyers, who are,

“...specialists in the normative ordering of human relations” (Anon., 1992a, p.S3).

Since the 1960's the legal profession as a business has been booming. The 1992 Economist survey confirmed that, since then, the world's population of lawyers had doubled and was over 2 million at the time. Its phenomenal growth was due to, not only increases in laws and legal codes, but mostly due to the boom in corporate activities. In Europe the boom also occurred in relation to the increasing EU laws and Eastern European privatization. Although the US has more lawyers per head than other developed countries, the legal professions in Britain, Canada and Germany have been growing faster. In twenty years between 1972 and 1992, nominal spending on legal services in the US rose from \$10 billion to \$100 billion, not including expenditure by companies on their internal legal teams.

Over the last four decades the law business seemed to be unaffected by economic cycles with growth apparently continuous and big firms rarely failing. The large law firms dedicated to service of corporate clients have been quite unique in the past and a prerogative of Anglo-American firms. Even in the UK and in the US, large firms have been rather unusual. Most law firms are small. For example, 60% of American's lawyers practice with fewer than five partners (Anon., 1992b). In the 1970's it was rare for a UK or US firm to have 100 lawyers. Nowadays many do and the giant law firms have more than 1,000 lawyers with partners making comparable or higher earning than top business executives.

#### 4.6.2. CHANGES IN THE LEGAL ENVIRONMENT

It is clear that the traditional legal environment has been undergoing dramatic changes in the last quarter of a century. In a longitudinal study undertaken in the US by Heinz, Nelson and Laumann (2001) using data from two surveys done in 1975 and in 1995, the most important development has been,

“... the sheer increase in the size of firms. The organization of the delivery of legal services was restructured and the relationships between lawyers and clients changed” (p.337).

The fact that the legal industry has been hit by relentless pressures is indisputable and it has been widely reported. Becker et al. (2001) mentions in the spring edition of McKinsey Quarterly that,

“Over the past 30 years, globalization, deregulation and technological change have reconfigured many service industries, such as banking and accounting” (p.45).

The legal industry has been perceived as more sheltered from such pressures than accountancy, for example, due to the historical importance of its local relationships and local and national laws which has maintained the relative fragmentation of the industry. However, since the mid 90's,

“A flurry of mergers of unprecedented scale and geographic reach --as well as several notable failures -- suggest that the legal business is losing its immunity to the macroeconomic forces that have propelled consolidation and stratification in other industries” (Becker et al., 2001, p.45).

This is also the insider view of Clifford Chance's partner Michael Bray,

“Of all the business professions, the legal profession has experienced the least amount of change. We are now seeing the changes that have affected other business sectors: consolidation and concentration, the leading players moving further ahead, some medium-sized firms struggling to identify a strategic positioning and a number of niche firms strongly making out their territory” (2003, p.10).

The process of consolidation through repeated mergers and acquisitions is a clear indication of an industry under considerable pressure. The most influential contingency factors have been globalization, deregulation, technology as well as the trend initiated by the giant accountancy firms towards providing global clients with integrated professional services through multidisciplinary practices (MDPs).

Professional service firms are very much client-driven organisations. Flood (1999) contends that, if there is an increased mobility within this relationship on each side, then the firm will undergo a process of change. He says,

“The lawyer-client relationship entails a structural coupling of cultures so that trust is possible between the two. This coupling comes about in part through the process of attracting and retaining clients. It is replete with contingency. Both clients and lawyers can move to different firms. With the decline in the durability of partnership during the 1980s, mobility has increased dramatically (see Eisler, 1991; Caplan, 1993)” (p.157).

Heinz, Nelson and Laumann (2001) summarize the changes that have occurred in the last quarter of a century in US law practices. These are:

- Larger numbers of women entering the profession;
- New specialties related to new sectors such as sports and entertainment law, or more substantive such as cyber law or health law
- Increased power and prestige of the corporate lawyer or counsel, who is internal, company employed;
- More loose and unstable ties between law firms and their traditional clients;
- Law firm partnerships which were considered life tenures in large firms have become more unstable, with expelling and poaching more acceptable;
- Partner earnings in large firms have increased greatly compared to the smaller firms;
- While almost all law firms were once locally based, it is now commonplace in the US to have regional, national and international branches;
- Many tasks, which were once performed by lawyers, are nowadays assigned to paralegals.

To a greater extent these changes have been also happening to the UK law sector and the professional culture is changing top to bottom, from the largest firms in the Magic Circle (a select group of top UK law firms) downwards to the smallest of firms. The rate of change is slow and reluctant in nature, as

reported by Marsh (2003), when it comes to innovation, such as sharing databases which has been in the past,

“...quite a foreign concept to many lawyers” or modernizing offices, law is considered as “...the second most change-resistant profession after academia” (p.21).

Nevertheless, innovative approaches have been reported. Eales-White (2002) writes about the overhaul of ‘management development’ at Allen & Overy. He

“...outlines their introduction of a “top-down” approach and its growth which, over time, has created a culture where development was seen as necessary, positive and welcome experience” (p.172).

#### 4.6.3. INCREASED COMPETITION IN THE LEGAL ENVIRONMENT

An interesting comparative study of inter-professional conflict has been done by Abbott (1988) in his empirical based case study ‘Lawyers and Their Competitors’. His attempt to answer the question of the causes of the lost pre-eminence of the English legal profession compared to the American one, is based on the assumption that the differences are traceable to differing competitors and types of competition by the profession in these two different cultures. Abbott believes the stronger competitive pressures come from outside the profession. He states that these provide the structure “that bends the two professions in different directions” (p.265). He sustains that these fall into seven categories, namely,

- Other free professions such as accountancy and banking
- Other professions associated with law. In America these are the notaries, out-of-state/out-of-country lawyers and disbarred individuals working for other lawyers. In England these are barristers, law stationers and lawyers’ clerks.
- The land professions, which are the real estate agents in the US and the estate agents, surveyors and valuers in England.
- Local officials, namely the justices of peace, magistrates, police and other municipal authorities, as well as their various clerks.

- National officials such as the Board of Trade, Inland Revenue, etc, a category more relevant in England than in the US
- Corporations, more important in the US than in England, namely, title trust companies, insurance companies, collection agencies, trade associations and the like.
- Finally a group composed of miscellaneous outsiders such as debt collectors in England and insurance agents in US.

Abbott concludes that the legal profession in both countries is under increasing competition from the general environment,

“Yet for reasons largely related to immediate status gains, the solicitors chose a set of rigid professional structures – in particular, clerkship – that sharply limited their ability to expand manpower. Nor did they invent techniques for seriously increasing individual output, although the use of managing clerks helped somewhat. American lawyers had freer professional structures, whether by accident or design, and therefore handled the expansion much more effectively. They grew both in manpower and, in certain areas at least, in output per individual” (1998, p.275).

Abbott claims that this difference led to a loss of jurisdiction by the solicitors compared to the American counterparts and that a certain deprofessionalisation occurred in certain areas of work.

Looking more closely to intra-professional competition, this has been determined by the pressures exerted by the clients in their expansion for new markets, in particular in the financial sector. The largest financial markets have been in the US, UK and Germany which has led to clients requiring legal assistance in their financial dealings. Also according to Becker et al. (2001),

“In the face of heightened global competition, companies increasingly base purchases of legal services on a more objective assessment of their value, defined as benefits of net price” (p.46).

This has led to companies, through their internal legal counsel, to abandon the traditional connections to their old legal firms in favour of shopping around for best expertise combined with best value for certain types of specialism.

There has been a widening gap in how various types of legal work are being viewed by prospective clients, in particular between the highly commoditized routine work which could be done in-house and the high-value-added legal services, such as M&A (mergers & acquisitions) and capital market transactions, which are paid at a premium. This is leading to intensified competition between law firms. Clients are increasingly valuing firms with a distinctive breadth and depth of specialization, leading to extensive efforts from these firms to acquire and retain the expert talent they need. To illustrate this case, Tsang was reporting in 2001 that in particular, Magic Circle firms go to extraordinary lengths to ensure they get best talent,

“Clifford Chance has pledged to use America-style pay deals to lure top M&A (mergers and acquisition) partners to its US arm. The firm intends ‘in exceptional circumstances’ to offer packages for top rainmakers from rival firms in a market where top partners can earn more than Pounds 2 million a year (Legal Week)” (Tsang, 2001, p.Law.9).

A very large firm will be in a better position to hold on to and to acquire new staff due to the substantial remunerations on offer, although the internal culture plays an important role. As Becker et al. (2001) comments,

“All other factors being equal, firms with particular distinctive and cohesive cultures attract and retain a greater share of top legal talent” (p.46).

Firm size or belonging to the Magic Circle does not guarantee less competitive pressures as has been experienced by Linklaters. Tsang (2003) is reporting that Vodaphone has previously used Linklaters exclusively for corporate work, but has been looking for cheaper corporate advice on secondary transactions.

#### 4.6.4. GLOBALISATION WITHIN THE LEGAL SECTOR

Clients’ increased participation into cross borders deals and their desire to access global goods, commodities, labour and financial markets have led to

the world's largest law firms being caught in a maelstrom of change. This is a view supported by *The Economist* (Anon., 1998), which ascertains that the international legal business had been fuelled by two main sources. The first was the increased cross-border activity and the second, the opening of financial markets that led companies around the world increasingly to raise funds in international markets. In addition, the sweeping forces of deregulation in the 80's and 90's within US and European economies and in particular in cross-border industries such as airlines, IT, telecommunications and energy have increased the level and the intensity of the competition. Companies who might have excelled on a local, regional or national basis found themselves facing world-class competition. They realized that in order to compete they needed to,

“...upgrade their skills, develop a distinctive basis for competition and aggressively reduce costs. Such globalising companies increasingly seek out law firms that can provide consistent ‘multilocal’ support and integrated cross-border assistance for significant global M&A and capital markets transactions, as well as anti-trust and tax matters” (Becker et al., 2001, p.45).

### Globalisation Strategies

International but increasingly domestic law firms have faced similar challenges to their clients in terms of global expansion, but haven't been able to agree on how to deal with them. Based on the developments over the last decade, four globalization strategies have emerged as presented by *The Economist* (Anon., 1998).

- Organic growth or ‘grow-your-own’ is a strategy favoured by Clifford Chance, which in 1998 had 85% of their lawyers trained locally. The drawback to this strategy is that it is slow and rather inflexible to sudden upsurge of legal work.



- Poaching teams of lawyers from the competition is a strategy which allows for a speeding up of the process, but could backfire dangerously, upsetting not only the law firm losing its experts but also the client. The poaching by Allen & Overy of a couple of partners from Bruckhaus, a German firm, had been viewed as unacceptable in Germany in 1998.
- The third strategy involved staying at home and forging links with a foreign firm, referring them clients and co-operating on cross-border work. Linklaters adopted this strategy when they set up the Linklaters If Alliance and this was also adopted by Freshfield in respect to their alliance with a prominent German firm.
- A fourth strategy adopted widely by law firms in the past 5-6 years are mergers and acquisitions where two or more firms would integrate every aspect of their activities from IT operations across all offices, all the way to creating a new brand and image. A major drawback to this strategy is the struggle to seamlessly blend the merging cultures, which can create lingering problems if not properly resolved. Another drawback is the pay disparity between cross border mergers. British firms employ more lawyers who are not partners, with the consequence of senior UK partners making more money than their German counterparts. Such a disparity is also true between UK and US firms. Most top New York firms have a higher level of profitability than the London ones. In addition, they also share profits among partners on the basis on how much business each partner brings in, which is known in the trade as 'eat what you kill', a revealing trait of the US legal corporate culture. In contrast, the top five law firms in London share profits between partners based on seniority, which is known as 'lockstep' and which they claim is encouraging teamwork and is minimizing internal conflicts.
- In the mid and late 90's UK law firms tried to consolidate their position in the financial markets by attempting to create alliances with US firms. These have been rather slow to materialize due to the increased M&A

activity within the US legal sector itself, at that time. This has led to UK firms turning their sights towards their German counterparts and a spate of mergers ensued. German law firms recognized the pre-eminence of the UK in cross-border legal transactions.

While law firms fought the consolidation battle, they had as a model the emerging Big Five global accountancy firms who were more advanced in this process. The model offered by the accountancy sector, was the merging of the largest US and UK firms which would,

“...pair off and suck other top European firms into a few global giants”  
(Anon., 1998).

This model was very appealing to the top law firms. By creating global legal giants, the level of high profits per partner could be supported, as more opportunities for growth were available. The virtuous cycle set in motion mentioned by Becker et al. (2001) would involve cherry-picking of talent from other firms, or take-overs of less profitable high-talent firms and a substantial investment in geographical expansion and technology to support the expected growth.

The provision of services for the global corporate deals market is clearly the domain of the global law firms such as Clifford Chance which was created by the most spectacular merger between London's Clifford Chance, with New York's Roger & Wellsand and Germany's Punder, Volhard, Weber & Axter. This merger made Clifford Chance probably the largest global firm. This position has been disputed by the New York based Baker McKenzie, which has been claimed to be, “...perhaps the only truly global law firm” (Anon., 2000). Baker who was originally based in Chicago, has expanded for the last 50 years having offices in 35 countries, which it does not own. Baker is seen as a ‘franchise’ operation “consisting of a conglomeration of local partnerships that act independently and keep their own profits” but operate under the Baker brand umbrella.

Globalization efforts of the top firms are not only the result of clients' geographically expanding interests, but can also cover global outsourcing as well. Hellier and Reves (2003) report that,

“Allen & Overy is the latest in a series of top companies including BT, Goldman Sachs and Tesco, that have experimented with or chosen to outsource some of their operations to India and other developing countries in an effort to make use of their large pool of skilled and lower cost labor forces” (p.21).

This is quite a bold move for professional firms that are usually concerned with keeping strict professional standards. As acknowledged by the report, Allen & Overy needs to evaluate if standards of security can be met if its documentation is produced electronically overseas.

#### 4.6.5. DE-REGULATION, SELF-REGULATION AND FURTHER REGULATORY PRESSURES

Law firms in the UK have had a strong tradition of self-regulation, which has been fiercely defended over the years. Over the last 30 years or so, the legal industry has been under increased pressure to open up, liberalize and to face increased scrutiny in its own, until now closed to the public, affairs.

Increased number of complaints addressed to the Law Society is pushing the UK government to impose pressures towards external regulation. Gibb (2003) is reporting that the Law Society's failure to improve its handling of 15,000 complaints a year from the public, is making the government take steps,

“...towards stripping solicitors of self-regulation by creating a complaints commissioner with the power to impose multi-million pound fines on the Law Society” (p.4).

Although the society would be the one to set targets for processing complaints and would be fined the hefty fines, it will actually hurt the 100,000 solicitors in England and Wales under the umbrella of the Law Society, who will pay the fines through their practicing certificates. They have reacted with alarm, in spite of assurances from the Lord Chancellor that the measure is confined to complaints of shoddy work, but,

“...did not mean that the profession would lose all its self regulatory powers under a review of the legal services that will report next year” (Gibb, 2003, p.4).

There is inherent danger at externally imposed regulation, in that it can be carried beyond the necessary limits and might not stop at the level of dealing with complaints. Lord Falconer has declared his proposals for a more modern if not more independent judiciary (Macintyre, 2003).

It is interesting to note that the government is determined to change the traditional attitudes of infallibility within the legal profession, to make it more receptive to public demands of clarity and simplicity. The Lord Chancellor,

“...called for an end to the attitude that a complaint was something to be ‘knocked down’ by ‘detailed legal analysis’ or because the person who made it did not understand the procedure” (Gibb, 2003, p.4).

The profession is facing reforms that would make it more accessible to public and clients. *The Times* is commenting that,

“Both the form and content of a solicitor’s life are changing and making the traditional family high street law firm seem as much of an anachronism as the old fashioned corner shop” (Anon, 2003).

*The Times* was referring to the reforming pressures, which the government intends to put on the profession to increase flexibility in the way legal services are delivered to the public. The profession, in the main, would welcome this action, if these reforms would provide new commercial opportunities, in spite of the traditionalists’ reluctance to what is called ‘Tesco Law’ – lawyers giving legal advice inside supermarkets or the setting up of hybrid multidisciplinary practices (MDPs), such as banks providing accountancy and legal services. The danger with these reforms is that, if set up inadequately, it could create grey areas, within which the self-regulation practiced by the profession might not work. In fact, the Lord Chancellor admits,

“The current system of pure self-regulation by solicitors through the Law Society, is complex, ineffective at protecting the consumer and slow at dealing with complaints” (Anon. 2003).

In December 2004 proposals were put forward to the Government by the committee led by Sir David Clementi for complaints to be,

“...channelled to a new independent ‘office for legal complaints’ in an attempt to ensure that the profession is more focused on consumer needs” (Gibb, 2004).

The 18 months inquiry is aiming to shift the focus from those who provide legal services, i.e. the lawyers to the consumers. If approved, such a measure will lead to the legal profession being overseen by a new Legal Services Board with a lay majority, chaired by a non-lawyer and accountable to Parliament. Such a measure would give a substantial contingency jolt to a profession steeped in its historical mission to remain independent politically and to hang on to the traditional self-regulation.

Other regulatory bodies are putting additional pressures on the legal profession. The Office of Fair Trading has been threatening with heavy fines the profession for refusing to change anti-competitive rules. According to Eaglesham (2002),

“...while the accountancy bodies have complied with the OFT’s recommendations, and the legal profession has made some changes – such as liberalising the rules on advertising, important freedoms continue to be unnecessarily restricted - the watchdog said” (p5).

It was referring to the Bar’s “...long-standing refusal to lift the bans on barristers conducting litigation and forming partnerships” (p5). The Government is again determined to shake up the legal services by breaking up the restriction barring lawyers to set up in partnerships with barristers. Under the December 2004 proposals, Legal Disciplinary Practices (LDPs) would be allowed to set up practices including, lawyers, barristers and even non-lawyers working in partnerships. Moreover, non-lawyers would be allowed to manage and own LDPs subject to ‘fit to own’ safeguards (Gibb, 2004). These measures are serious contingency forces that would eventually, if implemented, lead to organisational changes involving the extensive use of modern management practices such as marketing.

#### 4.6.6. TECHNOLOGICAL PRESSURES WITHIN THE LEGAL ENVIRONMENT

Competitive pressures are leading to a wider adoption of technology. An area, which the legal sector has embraced eagerly, has been the use of IT. *Computer Weekly* magazine is regularly reporting new installations by law firms across the UK.

“The introduction of the Benchmark system, falling IT support costs (*has led to*) increased end-user productivity. These IT improvements are allowing lawyers to deploy and track complex legal procedures online in real time and update areas of work in the system themselves. Clients can also use the system to remotely follow their cases” (Davis, 2000, p.10).

Magic Circle firms, such as Linklaters following in the steps of rivals Berwin Leighton and Dibb Lupton Allsop are using the Internet for setting up on-line legal services (Anon., 2000).

#### 4.6.7. PRESSURES FROM NEW ENTRANTS

According to Gibb (2003), in an economic squeeze,

“...other professions may be feeling the pinch of the economic slowdown but law is riding high” (p.3).

In addition, salary levels published by Clifford Chance show speedy rewards to those making into the Magic Circle. Students are attracted by these advantages to such an extent that in 2003, law has been the most popular undergraduate degree subject in the UK, with more than 16,000 students starting the degree out of 25,000 applications. If the trend continues, there could be a massive inflation of law graduates with a widening gap between demand and supply. An increasing number of City firms are currently curtailing their recruitment programmes or are asking their trainees to defer their start date by a year. There is though, no fear yet of the UK becoming over-lawyered as is the case for the US or Canada. According to Professor Gary Slapper, director of the Open University law programme,

“...solicitor-citizen ratio in the UK of 1:770, Britain still ranks as an under-lawyered society compared with, say Canada (1:462) or New Zealand (1:504)” (Gibb, 2003,p.3).

If the slowdown persists, then the large City firms will start holding salary levels and make lawyers redundant. Tsang (2003) has been reporting that the Magic Circle firms have started,

“...suffering some of the pain that the financial institutions have suffered over the last two years” (p.5).

If prolonged, this might dampen the popularity of the law degrees and the rate of entrance into the profession.

#### 4.6.8. LAW FIRMS' REACTION TO CONTINGENCY PRESSURES

The consolidation activity around 2000 – 2001 in the US legal environment was spurred on by a situation where profitability was being threatened even for the “profit leaders, historically viewed as untouchable’ who started to find it difficult to maintain the stream of first-rate clients and legal talent” (Becker et al, 2001, p.45). They reported that while the value of the M&A and other capital transactions raised the profit per partner at the very top of US law firms, there was a soul-searching process going on among partners,

“They are appointing non-lawyers as chief operating officers, building up their more promising practice areas while dropping others, opening and closing offices, shifting certain kind of work to cheaper offices, and rethinking their compacts with their own partners. Finally they are considering significant mergers and acquisitions - in most cases, for the first time” (p.45).

The appointment of non-lawyers as CEOs in the US signifies an important shift towards professionally managed partnerships that would lead to a much higher level of use of marketing practice.

According to the US edition of *The Economist* (Feb. 2000), law firms had to confront the similar issues when faced with the same globalisation as their

clients. Reena SenGupta, the editor of *Chambers Global*, a guide to the legal profession worldwide says,

“In the past, lawyers have not had to be very good businessmen. Now these firms have to be managed and led like any other company” (Anon., 2000).

Increased globalisation, de-regulation and increased transparency created by the substantially wider use of information technology have led to law firms being able to compare competitive prices and services and thus become more effective on the competitive scene with the result of further stratification of the legal market. In the US, a profitability map generated by Backer et al (2001) classifies law firms into:

- ‘Incumbents’ with low to medium profitability and relatively low number of partners. Their position in the market makes them vulnerable to talent drain, take-overs and mergers from the other categories.
- ‘Shapers’ are firms with high profitability and high numbers of partners and who dominate the market ‘by driving their evolution’. These are the global firms who from a strategic point of view set the pace in terms of having world-class skills, commanding premium fees and achieving rapid and highly profitable growth.
- ‘Specialists’ are those law firms that are focusing on a small selection of practice areas or sector clients that offer substantial returns. On the global scene these highly specialized firms, although with smaller numbers of partners but with world-class talent, the intellectual capital and distinctive brand, which attract the high premium fees from clients.
- ‘Full service integrators’ are conglomerates of medium profitability with an average of 300 partners. These firms are under competitive pressure to focus on the more profitable sectors, reduce costs and avoid losing talent to smaller, more cohesive firms. Among the US ‘full service integrators’ there is a trend that two types of conglomerates will emerge, the ‘aggregators’ or what is known in the UK as the ‘consolidators’ and the multidisciplinary practices (MDPs).



It is important to have a good understanding of the stratification of US legal sector as it has implications upon the recent growth of MDPs in the UK. In addition, the UK stratification of the legal market has seen the emergence of the Magic Circle, a top-quartile of firms significantly outpacing the others in terms of profit per partner and their ability to pay top money for expert talent.

The giant law firms belonging to the so-called Magic Circle are Clifford Chance, perceived to be the largest, Allen & Overy, Linklaters, Slaughter and May and Freshfields Bruckhaus Derringer. According to Gibb (2003), the top 50 City law firms achieved £4.2 billion in revenues in 2002-03, with the five Magic Circle firms accounting for 45%, American law firms 17% and other UK firms 38%. Clifford Chance, Europe's largest law firm with 233 London partners, had a staggering 11% market share of the UK market. In terms of earnings, there is a huge gap, a ratio of more than 10 to one, between the earnings of the large corporate law firms and the smaller High Street and legal aid firms.

#### 4.6.9. THE IMPLICATIONS OF THE RISE OF THE MULTIDISCIPLINARY PRACTICES (MDPs) IN THE LEGAL ENVIRONMENT

The legal industry is far more fragmented than the accountancy one which is more polarized with giant global firms at the top. The Big Four accountancy firms,

“...have huge international networks of offices, dwarfing those of even the biggest law firms. PriceWaterhouseCoopers, for example, has 150,000 employees in 150 countries, compared with Clifford Chance's 6,500 employees in 20 countries” (Anon., 2000, p.79).

Most accountancy firms nowadays provide an extended range of services away from just the traditional audit, bookkeeping and tax. They have been diversifying into consultancy in a much wider area of expertise, such as investments, pensions, information technology, and so on. Some of them,

“...prefer to be known as ‘professional service’ firms and are using the ‘one-stop shop’ argument to make inroads into the legal services” (Anon., 2000, p.79).

Their requirements from lawyers are not just the known legal specialties, but extend to legal advice on business strategy, investments, computer systems or human resources.

The growth of the global ‘multidisciplinary practices’ or MDPs has been slow in certain countries and in particular in the US where bar associations are banning lawyers from sharing profits with other professions. Potential legal firm candidates for mergers and takeover by the accounting giants have not been the large law firm but the hundreds of small and medium sized practitioners who are feeling the competitive pinch. According to *The Economist* (Anon., 2000),

“All top law firms including Clifford Chance, the most outspoken champion of globalization, are using the same argument against the ambitions of the accounting firms that the New York firms use against those of Clifford Chance and other London firms: that market segmentation is the key to legal services, because quality and reputation matters more than size or geographical reach. Being global will be less crucial than being the best, even in the competition for international business” (p.83).

The American Bar association has been criticized for resistance to MDPs. Don Rounds, the president of the American Consumer Alliance, a national coalition of consumer and small business groups said,

“The Bar Association’s archaic rules, offered in the guise of legal ethics, are really about protecting law firms’ economic interests” (in Cho, 2000).

Although the American Bar Association is still opposing MDPs, the US growth of the MDPs has continued apace and it is based on public demand and market realities. Covaleski (2002) states,

“For the first time in at least the last four years of Accounting Today Top 100 Firms reports, professional services ranks at the top client

niche. It was cited as a growth area by 74 percent of the firms responding to the survey. While professional services covers several non-law businesses, such as consultants and architects and engineers, practitioners and consultants said that lawyers often represent the biggest chunk of accountants' professional services client base" (p.31).

MDPs have grown mostly in Europe to the point where the giant accountancy firms were believed to be "...the largest law firms in the world" (Turman, 1999). The Big Five at the time, managed to align independent law firms under management services contract under which the Big Five firms would provide space, equipment, staff, technology in exchange for a management fee. MDPs are now widespread in Europe, where, according to Russell (2002), more than half of the countries allow at least some form of accounting – legal services bundling. The European situation was somewhat muddled in February 2002 when the European Court of Justice upheld Netherlands rules which prohibits MDPs between accountants and attorneys.

#### 4.6.10. THE PARTNERSHIP STRUCTURE OF THE LAW FIRM ORGANISATION

The US edition of *The Economist* (1989) was predicting that,

"By the end of the next decade there will probably be ten giant commercial law firms in the City of London, some of which will be American. They will each have a gross income of around £500m (\$800). Alongside them will be niche firms, specializing in insolvency, tax, intellectual property and entertainment, etc. Partnerships will be a thing of the past. Most firms will have incorporated and are likely to belong to multi-disciplinary practices (i.e., part of a holding company of accountants, architects and surveyors), with Chinese walls and all" (Anon., 1989, p.91).

*The Economist* was not very far off the mark, with the exception of the partnership issue. Law firms are still overwhelmingly structured as partnerships, where partners usually take decisions together by voting or

consensus. The drawback to this form of management is the complex and slow decision making and the eventual conflict of interest arising from it. Heads of law firms have to be able to carry the partners with them in whatever direction the firm is heading. Not being able to do so, leads to partners jumping ship or the break up of the partnership, which is not uncommon.

Michael Bray, partner of 27 years standing at Clifford Chance and a strong defender of the partnership structure of the City law firms says,

“They have a strong partnership ethos and the most successful firms have thrived because of a strong sense of ownership, ambition, entrepreneurialism and opportunism, and even a touch of serendipity” (2003, p.10).

He is also a defender of the professional culture and of the values it relates to,

“...but the key is the ownership by the partners, individually and collectively, of the ambition and adherence to a set of values that the firm believes represent its culture and what it stands for” (p.10).

However, Bray, who leads Clifford Chance’s customer relationship programme, acknowledges that the pace of change in the legal sector made firms realize the importance of strategic management. He says,

“Although all lawyers are notoriously suspicious of ‘management’, a high-quality professional management team adds enormous value. These and many other lessons have become embedded in the firm’s culture” (p.10).

This proves that the professional culture is changing in the face of contingency pressures.

#### 4.7. CONCLUSIONS

The overall pressures on the accountancy sector are globalisation, competition, technology and external regulation acting upon an industry which is encumbered with conflict of interests caused by the nature of the partnership organizational structure and a compromised self regulation based on the traditional professional culture.

Unlike accountancy, the law profession has been somewhat sheltered from environmental pressures due to its historical local relationships and local and national laws that have maintained the relative fragmentation of the industry.

Both accountancy and law have undergone an unprecedented process of consolidation at national and global levels through repeated mergers and acquisitions. This indicates clearly that both industries are under considerable competitive pressures.

The accountancy industry has seen wave after wave of mergers and acquisitions that have intensified sharply with the arrival of the 'consolidators'. This new organizational formula was designed to remove two of the most contentious issues faced by the accountancy industry nowadays, namely, the conflict of interest created by the provision of audit and consultancy under one roof and the issue of succession.

The most influential contingency factors for the legal sector have been globalization, deregulation, technology as well as the trend initiated by the giant accountancy firms towards providing global clients with integrated professional services through multidisciplinary practices (MDPs).

The strong regulatory measures planned by the Government recently in imposing external regulatory bodies dealing with public complaints and allowing mixed barrister-lawyers partnerships owned by non-lawyers, represent a serious contingency pressure that would lead to organisational changes involving the use of modern management practices such as marketing.

There has been a dramatic change in the demand of the law profession with a shifting of the balance of power between corporations and their law firms. The loosening of the traditional ties between corporations and their law firms and the increase in the influence of the internal corporate counsel in the choice of

law firms based on best expertise combined with best value for certain types of specialism.

There has been a double movement within the legal sector of consolidation especially on the global scale and the large discrepancy between earnings of partners in the giant firms dealing with corporate M&A work, compared with small or legal aid practices.

The professional law culture has undergone a clear change, although it is slow and erratic even in the giant Magic Circle firms. The internal make-up of the traditional professional law culture is undergoing a transformation influenced by far more women entering the profession, the erosion of the concept of partnership as life-long tenure and the specialization of smaller firms into new areas, such sports, entertainment, or health.

In the pursuit of an understanding of the barriers to marketing acceptance and use within professional service firms it was deemed important to achieve understanding of marketing nowadays compared further on with the perceptions from the professional firms studied. This has required an in-depth understanding of the professions, from a sociological perspective, which was covered in previous chapter and from an organisational point of view covered by the present chapter.

Extensive research has revealed that there has not been any significant work undertaken in explaining the empirically perceived barriers to marketing within a professional context. A need for a theoretical framework to sustain this topic and to provide a theoretical explanation for this occurrence is necessary. This will be done in the next chapter.

## **CHAPTER 5**

# **REVIEW OF THE RELEVANT THEORETICAL FRAMEWORKS**

### **5.1. INTRODUCTION**

The preceding chapters have:

3. Introduced the problem of the barriers to marketing within professional firms. Presented the rationale behind the decision of pursuing this topic based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of this thesis.
4. Reviewed the currently accepted understanding of marketing and its evolution through a comprehensive outline of the intellectual and pragmatic sides of marketing and the changes that are occurring within marketing management as a body of knowledge, theory and practice.
5. Reviewed the sociological approach to the professions covering the various definitions, classifications and models such as the 'professional project' and the 'power approach'. The nature of professional knowledge has been explored. The study of the struggles for legitimacy provided an understanding of inter- and intra-professional competition relevant to the present research. Finally, the changes in the professions have been explored through the commodification and commercialisation issues.
6. Explored the traditional professional organisation and the radical transformation it has undergone in recent years. It has examined its responses to the environmental pressures of increased competition, more demanding and sophisticated customers, deregulation, technological advancement and globalisation. The focus of research has been on two of the traditional professions, accountancy and law.

The present chapter will explore the relevant theoretical frameworks and will attempt to construct the theoretical model that will explain the underlying principles at the root of barriers to marketing within professional service firms. Extensive research has revealed that there has not been any significant work undertaken in explaining the empirically perceived barriers to marketing within a professional context. Consequently there has not been a theoretical framework to sustain this topic and to provide a theoretical explanation for this occurrence. The approach adopted has been to find and explore the relevant theories for marketing within organisations in general and the relevant theories for the professional organisation in order to review the conceptual foundations used and to assess their relevance to the topic researched.

The Contingency approach and its relevance to theory building and research in marketing have been identified. Conversely, the Institutional approach has been identified as relevant to the professions. The two approaches are separately outlined and their theoretical foundations traced. An in-depth review of the research they have inspired has been undertaken.

Finally, a new theoretical model is proposed that would explain the barriers to marketing within the professional context, based on the theoretical foundations explored and this model will be further validated through the primary research undertaken.

## 5.2. CONCEPTUAL FOUNDATIONS OF RESEARCH INTO MARKETING WITHIN THE ORGANISATION

### 5.2.1. THE CONTINGENCY THEORY OF ORGANIZATIONS

In the 1960s, the academic world that was engaged in management theory and research began to adopt a new and simple orientation, which enabled significant advancement in the study of organisational management. This new orientation is known today as the Contingency approach. This approach highlights the importance of situational influences on the management of



organisations and questions the rationale of an optimal, single way to manage and organise (Zeithaml, Varadarajan and Zeithaml, 1988).

Donaldson (2001) in his book on “The Contingency Theory of Organizations” says,

“The contingency theory of organizations is a major theoretical lens used to view organizations. It yields many insights and has substantial empirical support” (p.1).

“Today, the contingency approach dominates theory and research in the management literature” (p.37),

declared Zeithaml, Varadarajan and Zeithaml in their 1988 seminal article entitled “The Contingency Approach: Its Foundations and Relevance to Theory Building and Research in Marketing”. They contend that contingency approaches are positioned within management theories mid-way between two extreme views, that either universal principles of organisations and management exist or that each organisation is unique and each situation must be studied individually. This theoretical perspective needs further consideration and will be achieved through an in-depth look at the contingency theory from the organismic view of the organisation. A definition of the contingency theory paradigm will be presented.

### Contingency Theory – The Organismic View of Organisations

Developed in the 1960s, the contingency approach to management has its roots in the general open systems theory, as well as the Simon-March-Cyert stream of theory and research, which views organisations as problem-facing and problem-solving entities. Complex organisations are viewed as a set of interdependent parts, which constitute together a whole and which in turn is interdependent on its environment (Zeithaml, Varadarajan and Zeithaml, 1988). The open systems have two characteristics central to the contingency approach: adaptation and equifinality. The principle of adaptation states that elements within a system adapt to one another in order to preserve the

character of the whole system, whereas the principle of equifinality states that a system can reach the same final state following a variety of differing paths.

Morgan (1997) gives a very clear illustration of organisations as open systems as opposed to the closed mechanistic approaches prompted by the Industrial Revolution. The open systems approach to organisation recognises that individuals, human groups and organisations have needs that must be satisfied and they depend on the wider environment for various kinds of sustenance. This interpretation takes its inspiration from the work of Ludwig von Bertalanffy, a theoretical biologist. Developed in the 1950's and 60's,

“... the systems approach builds on the principle that organisations, like organisms, are ‘open’ to their environment and must achieve an appropriate relation with that environment if they are to survive” (Morgan, 1997, p.39).

According to Morgan (1997),

“Survival has been presented as a problem of adaptation, with contingency theory offered as means of identifying patterns of ‘good fit’ and showing how these can be achieved” (p.60).

This approach has been criticised by theorists and researchers who subscribe to the ‘natural selection’ view of organisations. They feel that there is an imbalance in the idea of organisational adaptability to the environment, whereby too much power and flexibility is attributed to the organisation in the process of adapting to its environment and too little to the environment as a force in organisational survival. The solution is to focus on the way environments ‘select’ organisations and this can be done through analysis,

“...at the level of *populations* of organisations and their wider ecology” (p.60).

According to Morgan (1997), this ‘population ecology’ view of the organisation brings Darwin’s theory of evolution right to the centre of organisational analysis. Morgan argues that organisations, just “like organisms in nature, depend for their survival on their ability to acquire” the resources needed for their survival (p.61). In this process they have to compete with other organisations in an environment offering limited level of resources and if there

is a scarcity of these resources, then only the fittest and most adapted will survive.

“The nature, numbers, and distribution of organisations at any given time are dependent on resource availability and on competition within and between different species of organisations. The environment is thus a critical factor in determining which organisations succeed and which fail, ‘selecting’ the most robust competitors through elimination of the weaker ones” (p.61).

Morgan (1997) summarises the strengths and limitations of these theoretical approaches:

- 1). The mechanical theories ignored the role of the environment, treating organisations as relatively closed systems that could be designed as clearly defined structured parts.
- 2). In contrast the organismic approach stresses that organisations are open systems, understood as ongoing processes rather than collection of parts.
- 3). The management of organisations can often be improved through systematic attention to the ‘needs’ that must be satisfied if the organisation is to survive. There are two implications deriving from this statement:
  - (a). The emphasis here is on ‘survival’ as the key aim or primary task facing any organisation.
  - (b). The focus on ‘needs’ leads to the view that organisations are interacting processes that have to be balanced internally as well as in relation to the environment. The subsystems such as strategy, structure or technology, have ‘living’ needs that must be satisfied, otherwise the openness and health of the overall system will suffer.
- 4). In identifying different ‘species’ of organisations, management is faced with the concepts of diversity and choice, or effective organisations are contingent on their propensity to choose and the quality of choice.
- 5). Linked to the above is also the virtue of organic forms of organisation in undertaking the process of development and innovation. This has had a major impact upon the theory and practice of corporate strategy, which focuses on achieving an appropriate ‘fit’ between organisation and the environment. Conversely, if innovation is a priority, then flexible, dynamic, project-oriented

matrix or organic forms of organisation will be superior to mechanistic-bureaucratic ones.

6). If 'ecological' views are adopted, then a theory of inter-organisational relations is necessary in order to understand how the world of the organisation actually evolves.

7). The limitations of the contingency theory as presented above, are associated with the dangers of using the 'living cell' metaphor to the extreme. The suggestions that all organisations 'need' to adapt to their environment as the contingency theory advocates, or that environments 'select' the organisations which will 'survive', according to the ecology theory, might lead to misleading concepts. Especially the natural selection view of organisational evolution ignores the fact that organisations are made of people who can determine the destiny of the organisation and have a free will choice whether to compete or collaborate. This observation is particularly relevant to the professions, which operate in very special environments with self-imposed barriers and regulations. In this instance the natural selection view of organisational evolution would be difficult to apply unaltered.

### The Contingency Theory Paradigm

At the most abstract level, Donaldson (2001) defines the contingency approach as the effect of one variable X on Y depending upon some third variable, W. He explains it thus,

"The effect of X on Y when W is low differs from the effect of X on Y when W is high. For example, it might be that when W is low, X has a positive effect on Y, whereas when W is high, X has a negative effect on Y. Thus we cannot state what the effect of X on Y is without knowing whether W is low or high, that is the value of the variable W. There is no valid bivariate relationship between X and Y that can be stated. The relationship between X and Y is part of a larger causal system involving the third variable, W, so that that the valid generalization takes the form of a trivariate relationship" (p.6).

The third variable, W, moderates the relationship between X and Y and it is called a moderator. Contingency factors are moderators or conditioning variables, although not all moderators are contingencies. For example, the

professional culture could be perceived as a moderator within the professional organisation, although it is not a contingency.

According to Donaldson (2001, p.6), the essence of the contingency paradigm in respect to the organisation “is that *organisational effectiveness* (is achieved through) fitting the characteristics of the organisation, (such as) its structure, to contingencies that reflect the situation of the organisation”, such as the environment, organisational size or organisational strategy. When using the contingency theory, the focus has been on organisational effectiveness because it has been concerned to explain the success or failure of the organisation. Donaldson argues that organisational effectiveness can have a wider meaning, including efficiency, profitability, employee satisfaction, or innovation rate. In fact,

“Organisational effectiveness can be defined as the ability of the organization to attain goals set by itself...or by its ability to function well as a system...or by its ability to satisfy stakeholders” (p.6).

Accordingly, organisational efficiency within the professional firm could be linked to the ability of the firm to attain its goals based on the adoption and implementation of marketing activities.

Based on the same conceptual antecedents, Zeithaml, Varadarajan and Zeithaml (1988) stress that the fundamental principle of the contingency approach, is that effectiveness, which they define broadly as *organisational adaptation and survival* can be achieved in more than one way, where certain organisational responses are more appropriate than others depending on circumstances. They state that,

“Effectiveness depends on the appropriate matching of contingency factors with internal organisational designs that can allow appropriate responses to the environment” (p.40).

Assuming, for example, the professional organisation being subjected to contingency pressures of competition, its effectiveness could be measured against an organisational response involving the development of a Client Relationship Management (CRM) programme that would offer the firm the competitive advantage it needs to survive.

According to Zeithaml, Varadarajan and Zeithaml (1988), the theoretical and practical contributions are achieved through:

- a). Identifying important contingency variables that distinguish between contexts;
- b). Grouping of contexts based on these contingency variables;
- c). Ascertaining the most effective organisational responses in each group.

They identify three types of variables within the contingency theory model, which they name *contingency variables*, *response variables* and *performance variables*:

- Contingency variables are the situational characteristics usually external to the organisation or to the decision maker within the organisation who has no possibility of being able to control or limit these variables.
- Response variables are the organisation's or the decision maker's actions in response to current or anticipated contingency factors or pressures.
- Performance variables are the outcomes of the responses performed by the organisation and they represent specific aspects of effectiveness that appropriately evaluate the fit between the contingency variables and the response variables.

If this theoretical model is to be applied to the professional context, then one can assume that the contingency variables would be the competitive pressures, technological, globalisation or regulatory pressures. These are external variables over which the professional firm has in theory limited influence of action. The response variables would be the structure of the marketing function and activities, whereas the performance variables would be the levels of growth rate or levels of confidence in ensuring continuous work, ultimately reflecting the confidence in controlling the internal and external environment. This would also reflect the fit between the marketing structures and activities and the external contingency pressures.

## 5.2.2. CONTINGENCY THEORY RELEVANCE TO MARKETING WITHIN THE ORGANISATION

It is important at this point to establish the relevance of the contingency theory directly to marketing, which is a management sub-discipline, as discussed in Chapter 2. This will be done through a review of the established contingency theories in the management discipline followed by those in marketing through a review of the contingency approach in the management and marketing literature.

Zeithaml, Varadarajan and Zeithaml (1988) emphasise the importance of the contingency approach to theory building and research to marketing scholars in two ways. Firstly, the general management literature and in particular - the organisation theory, strategic management and organisational behaviour – offer established contingency frameworks contributing directly to the development of marketing theory.

“In addition, several existing contingency theories have extensive research traditions which may represent an empirical foundation for research in related marketing areas” (p.38).

Secondly, they contend that the contingency approach offers an alternative technique for generating marketing theory. In fact, marketing scholars, as shown further on, have actively adopted the contingency approach in view of the nature of marketing as an organisational interface. By fulfilling its role as the organisation’s translator of customers’ wants and needs into the appropriate strategic responses, marketing works towards organisational fit and survival within its environment.

Zeithaml, Varadarajan and Zeithaml (1988) support this view when saying,

“Through the contingency perspective, marketing concepts and variables may be systematically related both in theory and research. The perspective should provide marketers with another avenue to pursue problems and issues that are unique to the marketing discipline” (p.38).

This is the very approach adopted for the present research, namely to use the Contingency theory as well as the Institutional theory, as described further on and propose a new perspective to marketing theory.

Citing the work of Alderson (1957) and Nicosia (1962), Zeithaml, Varadarajan and Zeithaml (1988) highlight the conceptualisation of,

“...marketing as a complex ecological system engaged in economic operations” (p.39).

The contingency approaches emerged almost simultaneously in the 60s from a variety sources. One of those who contributed substantially to the theoretical superstructure of the contingency perspective was Thompson (1967), who argued that,

“Differences in technological and environmental dimensions result in differences in structures, strategies and decision processes” (Zeithaml, Varadarajan and Zeithaml, 1988, p.39).

Thompson’s main contribution was operationalising these dimensions through the use of a technological typology and developing the simple but powerful 2x2 matrix, a technique that has become a standard in contingency work development.

“Contingent on the situational factors within these frameworks, Thompson proposed a set of organisation and decision strategies, which provide the organisation a degree of self-control despite interdependence with the environment” (Zeithaml, Varadarajan and Zeithaml, 1988, p.39).

Based on their review of academic literature, Zeithaml, Varadarajan and Zeithaml (1988) summarize that specific contingency frameworks have been either conceptually or empirically derived, but considerable effort has gone into the identification of important contingency variables within each management sub-discipline. In the early years of development the study of contingency frameworks involved only a single dimension, such as the level of environmental uncertainty, the type of technology, organisational size or the stage in the product life cycle. Alternatively, the construct of 2x2 matrices was



used that dichotomised two critical contingency factors such as environmental complexity and stability or growth rate and market position. The later trend involved further expanding the frameworks through the development of contingency theories by using multiple dimensions or contingency variables, which adds complexity but refines the overall picture.

### 5.2.3. CONTINGENCY APPROACHES IN THE MANAGEMENT DISCIPLINE AND THEIR PARALLELS IN MARKETING

Zeithaml, Varadarajan and Zeithaml (1988) contend that there is relevance between the contingency approaches to theory building and research and three major management sub-disciplines related to marketing, namely:

- a). Organisational theory focusing on the relationship between the external environment and organisation design and the organisational process;
- b). Strategic management involved with the formulation and implementation of organisational goals, strategies and plans;
- c). Organisational behaviour that is focused on the role of individuals and groups within the organisation.

a). Within the *organisational theory literature*, the major emphasis has been to identify the organisational designs or structures, defined as patterns of interaction between individuals or groups, that support the organisations' adaptation to environmental, technological and information-processing contingencies. This approach is extremely relevant to the present research of establishing the marketing structure within the professional service firm contingent to external environmental pressures, although it would be unable to explain the barriers to marketing introduction and implementation.

According to Zeithaml, Varadarajan and Zeithaml (1988),

“Contingency perspectives from organisational theory have been used in marketing organisation contexts” (p.42).

They cite Weitz and Anderson (1981) who developed a model for the design of the marketing function, based on the contingency perspective where the

structure of the marketing function depends on the environmental situation. Typical to the organisational theory literature, Weitz and Anderson match the environmental characteristics of complexity, unpredictability and interconnectedness in a 2x2 matrix with organisational characteristics of differentiation and integration correspondingly appropriate to organisations, which are either functional, decentralised, brand management, or matrix structured.

In another study cited by Zeithaml, Varadarajan and Zeithaml (1988) undertaken by Nonaka and Nicosia (1979), the marketing department is viewed as a processor of market information, where,

“The best organisation for processing information is the one that matches the variety of the environment” (p.43).

A centralised marketing department is considered adequate for processing homogenous and certain market information, whereas a complex, decentralised department is appropriate to process heterogeneous and uncertain environmental information. This study is relevant to the present research into marketing within the professional service firm, as it purports to the makeover of the marketing function within the firm contingent to the level of environmental uncertainty. In addition, the role of the marketing function as a translator of customer or market needs makes it the ideal contingency interface for the organisation.

Another example of relevance between contingency theory and marketing given by Zeithaml, Varadarajan and Zeithaml, (1988) is Ruekert, Walker and Roering (1985) who put forward,

“A contingency framework of marketing task structure and performance, in which the performance outcome of marketing activities is viewed as dependent on the nature of the task, the way in which the task is organised and the nature of the environment. The authors outline contingency theory propositions pertaining to organisation and efficiency, formalisation and efficiency, centralisation and effectiveness, and specialisation and adaptiveness” (p.43).

b). Within *strategic management literature* there is substantial relevant use of the contingency approach as a primary theory building method for the study of business strategy. It is important to note that strategic management is a sub-discipline closely related to strategic marketing. The focus here is on strategies developed and implemented by the organisation in order to compete in a specific industry with a specific product in a particular market or market segment. The strategy literature according to Zeithaml, Varadarajan and Zeithaml (1988) reveals that the contingency approach relates to the appropriateness of different strategies contingent on the competitive situations of businesses, which are defined in terms of environmental and/or organisational contingencies.

- Strategies for competing under various environmental contingencies, such as hostile environments or declining, stagnant, fragmented, mature industries or various stages of the product's lifecycle;
- Strategies for competing under organisational contingencies, such as high or low market share businesses, market leaders, challengers, followers and nichers;
- Strategies for competing under environmental and organisational contingencies, such as leaders and followers in low and high growth markets or varying levels of market attractiveness (high, medium and low) and relative competitive position of the firm (strong, medium or weak).

Environmental and organisational variables have been considered relevant contextual variables in the contingency approach to business strategy formulation. This has led to a development of valuable contingency models for practical use such as BCG growth-share matrix, GE / McKinsey Business Screen and the Shell Directional Policy Matrix.

Zeithaml, Varadarajan and Zeithaml (1988) cite a study by Burke (1884) that exemplifies the contingency approach in a strategic marketing context. It involved the study of strategic choices made by marketing managers facing four different environmental factors (the market, the business unit within the market, the firm and the business unit within the firm). It found that the strategic choices were, significantly and permanently increase market share, maintain market share or allow market share to fall. These adopted strategies were dependent on the manager's perceptions of five aspects of the product / market environment and organisation context, namely, market attractiveness, relative competitive strength, entry barriers, control over resources and the manager's perception of the relative importance of short-run business unit performance to his/her career success and monetary rewards (p.45). This study is relevant to the present research into marketing within the professional service firm, as it links the organisation's marketing performance to contingency factors related to the market, the firm and the business unit.

c). Within the *organisational behaviour literature*, the contingency approach has made a significant contribution to leadership theory and research. The focus here is on the leader's effectiveness contingent to the situational factors given that workers' needs and work situations vary requiring the leadership style to match the types of individuals involved and the characteristics of their work situation. Leadership studies have used the situational approach since the 1950s. Zeithaml, Varadarajan and Zeithaml (1988) give as illustrative example of theory leadership based on the contingency approach the work done by House (1971) who determined that,

“The level of leader structure depends on the ambiguity of the task and the level of leader consideration depends on the intrinsic satisfaction of the task” (p.46).

The parallels in marketing can be found within the contingency approach to marketing behaviour, which has been evidenced, by Weitz (1981) and Williams and Spiro (1985). Weitz' contribution was in putting forward a contingency model for investigating the effectiveness of sales behaviours across customer interactions. The model is showing that these are contingent

on the salesperson's resources, the nature of the customer's buying task, the customer-salesperson relationship and the interactions of these three sets of variables. The effectiveness of the sales person's behaviour is defined through adaptive sales behaviour, establishment of an influence base, the use of closed vs. open influence techniques and exerting control over the sales interaction.

Zeithaml, Varadarajan and Zeithaml's review of the relevant management literature concluded that although the contingency approach was widely used within the management discipline it had,

“...yet to be firmly established in the marketing discipline. However we contend that the *implicit* notion of contextual relevance of environmental and organisational variables is an underlying theme for theory building and research in numerous marketing studies” (p.46).

They felt that the foundation for development of an organised body of knowledge focused on the contingency approach was already in place. Referring to the contextual relevance in marketing, they emphasised the emergence of a vast body of research in a variety of marketing contexts such as industrial marketing, services marketing, international marketing, social marketing or marketing under various stages of supply and demand. This attests to the contextual relevance of contingency variables, which have,

“...led to the formulation of specialised marketing strategies and marketing behaviours” (p.47).

Zeithaml, Varadarajan and Zeithaml's advice to future researchers is to bring their contribution of the contingency approach to the marketing management field through the integration of basic laws and principles of marketing management with relevant situational factors.

The present research on marketing within professional service firms will draw substantially upon Zeithaml, Varadarajan and Zeithaml's theoretical foundations. The professional service firm (or the professional organisation) could be viewed as subjected to environmental *contingency variables* of globalisation, competition, technology and regulations, with little opportunity to control or manipulate these variables. The study needs to concentrate on the

*responses to these contingency pressures* from the point of view of adopting and developing a marketing structure within the firm, viewed as patterns of interaction between individuals or groups. The *performance variables*, which are the specific aspects of effectiveness, appropriate to evaluate the fit between the marketing structures and the environment will be defined and studied. As mentioned previously, this model will not be able to provide a satisfactory explanation to the barriers to marketing within professional firms. This needs to be sought elsewhere.

A further review will be undertaken below of research in marketing undertaken since the landmark overview article by Zeithaml, Varadarajan and Zeithaml in 1988. This research is making use of the contingency approach and has substantial relevance to the study of marketing within professional service firms. Two major research strands have been explored using the contingency approach in studying organisations in relations to market orientation and the power of marketing as an organisational subunit.

#### 5.2.4. CONTINGENCY APPROACHES USED IN RELEVANT RESEARCH IN MARKETING ORIENTATION

Harris and Piercy (1999) have used the contingency approach in exploring the “distinguishing behaviours, systems, structures, strategies and performance characteristics” of different types of market orientation. Their purpose is to aid practitioners in identifying barriers to particular types of market orientation as well as important clues to the ways in which superior levels of market orientation may be developed.

They put forward two separate definitions of market orientation by Kohli and Javorski (1990) and Narver and Slater (1990) that have become generally accepted as the cornerstones of contemporary research in this area. Kohli and Javorski conceptualise a three-component construct of marketing orientation comprising market information generation, dissemination and responsiveness to market intelligence. Narver and Slater, identify market orientation as a special form of organisational culture defining it as the culture

that “creates the necessary behaviours” (Harris and Piercy, 1999, p.619) for creating value and conclude that a market oriented culture comprises an orientation towards customers, a focus on competitors and co-ordination between functions.

Similarly, another study by Liu (1996) cited by Harris and Piercy (1999) analyses how market orientation is organised within the sample studied and finds that there is a correlation between market orientation and firm size. Liu finds that small to medium sized firms are more likely to generate and disseminate their own market intelligence, whereas the larger the firm, the more likely it is to rely on external consultants or buy-in market intelligence.

Research into marketing within the professional service firm needs to look into the level of marketing orientation by assessing the degree to which the firm is engaged in market information generation, dissemination and responsiveness to market intelligence as well as their orientation towards customers, focus on other stakeholders, but in particular the competitors and the co-ordination between functions.

Harris and Piercy (1999) cite a relevant study of Hooley et al (1990, p.7) on “...what marketing means to practitioners”. Based on cluster analysis used to classify respondents, Hooley et al identify four distinct groupings:

- The first cluster was the ‘*Marketing philosophers*’. These were, “...organisations where marketing was viewed as a guiding philosophy and the function of marketing was viewed as identifying and satisfying customer needs” (p.619).
- The second cluster were the ‘*Sales supporters*’ – organisations where marketing was confined to a single department and viewed as sales support.

- The third cluster were the '*Departmental marketers*' where marketing similarly was confined to a single department, but marketing was considered in terms of customer satisfaction.
- Finally, the fourth cluster were the '*Unsure*' organisations that did not exhibit any tendencies. Crucially, Hooley et al find significant differences between organisational systems, strategies and performance of the four clusters but more importantly, they conclude that,  
“...where marketing is viewed as a guiding philosophy for the entire organization (marketing philosophers) superior company performance is likely” (p.619).

Building on the work of Narver and Slater (1990) in analysing clustering responses, Greenley (1995a), cited by Harris and Piercy (1999), found five representative clusters identified by having:

- Comprehensively market orientation – firms exhibiting high levels of orientation towards customers, a focus on competitors and coordination between functions;
- Competitor focus orientation – firms exhibiting intense competitive focus and a high belief in rapid response to competitors actions;
- Customer focus orientation – firms exhibiting emphasis upon identifying and satisfying customer needs, whilst monitoring satisfaction levels;
- Undeveloped market orientation – firms characterized by poorly developed customer orientation, competitor orientation and inter-functional coordination;
- Fragmented orientation – firms displaying comparatively high customer orientation coupled with low competitive focus and limited inter-functional co-ordination.



Research into marketing within the professional service firm needs to look into the degree at which marketing is viewed by the firm's partners and staff in order to establish if marketing permeates the firm or is kept at the periphery or even completely outside. There is a need to assess the firms' customer orientation, competitive orientation and their inter-functional co-ordination.

#### 5.2.5. CONTINGENCY APPROACHES USED IN RELEVANT RESEARCH OF THE POWER OF THE MARKETING UNIT

Valuable empirical research has been done more recently in the US by Homburg, Workman and Krohmer (1999) in measuring the influence of marketing within the organisation. Their approach has been to study the level and determinants of the marketing unit's influence relatively to other subunits within a business unit, such as operations, sales, finance, engineering or technology. In studying the power of the subunit within organisations they have adopted to build upon the work done by Cyert and March (1963) who presented an alternative to the generally adopted economic view of managers seeking to maximise profits. In Cyert and March's view, managers have generally conflicting goals preventing them from reaching optimal solutions. Instead they attempt to reach satisfactory solutions, sequentially attending to goals, often using incomplete information on options and outcomes.

According to Homburg, Workman and Krohmer (1999), empirical research on factors determining the subunit power has been carried out in organisational theory, using surveys on a limited number of firms. They see power as a complex construct whose definition and operationalisation has been debated extensively in marketing and organisational literature. In marketing, it has been studied in the context to distribution channel relationships. More importantly, a conceptual distinction has been made between power and influence. They cite Stern and Sheer's (1992) definitions for the two concepts, as,

“Channel power is typically conceptualised as one channel member's ability to evoke a change in the attitudes and/or behaviour of another

channel firm”, whereas “Influence is a change in one party that has its origin in another party and thus embodies the successful exercise of power” (p.260).

This conceptual distinction could be particularly important in determining the most appropriate interpretation of the conflicting influences encountered by marketing within professional service firms (as explained previously in Chapter 1).

Homburg, Workman and Krohmer’s research was focused on marketing’s influence, which they define as,

“...the exercised power of the marketing subunit within a business subunit, relative to other subunits, over activities important to the success of the business unit” (1999, p.2).

Their study consisted of inductive field research followed by a survey of 72 managers in 27 U.S. firms and 20 German firms, where the respondents were primarily general, marketing, sales or R&D managers. The field interviews provided them with an important insight by identifying the strategic business unit as the appropriate unit of analysis, because they found significant diversity across business units in the factors used to predict marketing influence, as well as variations in the influence of functional groups.

Replicating Harris and Piercy’s research on marketing orientation or Homburg, Workman and Krohmer’s approach on measuring the influence of the marketing department or function in comparison with other such subunits within the professional service firms, has been considered for the present research, but has been rejected as inappropriate for the following reasons:

- There is very little similarity between the organisational structure of commercial firms such as those studied by Homburg, Workman and Krohmer and professional service firms. The partnership structure, which is so prevalent in the professional context, confers a unique organisational structure and culture unlike the commercial one.

- Within professional service firms, with the exception of the very large ones, it is very rare to have a well-defined marketing department, which could be considered as a strategic business unit. Many of the activities associated with marketing have been performed historically by the professional service providers themselves presenting marked difference with marketing as understood and practised by marketing specialists within the commercial context. It has been the purpose of the present research to attempt to understand these differences and to explain the various influences.

#### 5.2.6. RELEVANCE OF COMBINED THEORY INTEGRATION

The essential importance for the present research of Homburg, Workman and Krohmer's study lies in the relevance of the theoretical perspectives used. Uniquely within the study of marketing in the organizational context, they have drawn upon two fundamental theoretical perspectives, which are going to be proven to be of vital relevance to the professional context, the Contingency theory and the Institutional theory.

Similarly, Gupta, Dirsmith and Fogarty (1994) have drawn on both Contingency and Institutional theories in examining how professionals in an institutionalised environment, in particular, audit teams in the US General Accounting Office, are coordinated and controlled and what forces shape the structures organisations adopt in this process. They argue, in support of Scott (1987) that,

“Contingency and institutional theory explanations, when applied separately, offer only an incomplete understanding of the different roles played by various coordination and control practices that are used in contemporary organizations but that both theories together could be used to understand better the instrumental and symbolic roles fulfilled by coordination and control practices” (p.264).

Even more relevant is the integration of resource dependency theory and the institutional theory by Sherer and Lee (2002) in their study of institutional

change within 200 American law firms in relation to HR resource scarcity. Their findings highlighted the importance of legitimacy in building an institutional theory of change. Their explanation of the use of the two combined theories is as follows:

“Resource dependency theory does not, however, specify which at-risk organizations in an organizational field or industry will be the initial innovators or the early adopters of change. It simply suggests that organizations facing resource scarcities will seek to be more competitive in acquiring resources or to innovate in ways that allow them to make use of alternative resources. It is here that institutional theory provides an important contribution. Through its notion of legitimacy, institutional theory helps to identify which organizations are more apt to be initial innovators and early adopters” (2002, p.103).

The fact that Sherer and Lee have opted for the institutional theory in the context of law firms is extremely important as it relates to the issue of legitimacy. This will be extensively discussed further in the chapter, as it constitutes one of the most relevant constituents of the present research.

### 5.3. CONCEPTUAL FOUNDATIONS OF RESEARCH INTO INSTITUTIONAL THEORY AND THE PROFESSIONS

This chapter is exploring the theoretical foundation of the professions. There is a body of theoretical research related to the professional organisation, which, as it will be shown below, cannot be fully understood from organisational theory perspectives. A different approach has been found to be appropriate and the conflict between these two approaches has been offered as explanation for the barriers to marketing within the professional organisation.

In their seminal 1983 article, DiMaggio and Powell made new inroads into the organisational theory debate by opposing the contingency theory with institutional isomorphism, which is at the core of the institutional theory. Looking from an organisational diversity perspective, which posits a diverse

and differentiated world of organisations in structure and behaviour, DiMaggio and Powell highlighted the “startling homogeneity of organizational forms and practices” (p.148). They observed that increasingly structural changes in organisations seem to be “*less and less driven by competition or the need for efficiency*” and instead, a process of bureaucratization and other forms of homogenisation was emerging, making organisations “more similar without necessarily making them more efficient”.

Tolbert and Zucker (1996) have described the institutionalisation of an organisational population as occurring in three stages, each stage being culturally mediated. In the first stage, new organisational structures evolve and formalise in response to new problems and opportunities. In the second stage, a consensus develops in respect to the value of the new form. The spread of the new organisational form becomes widespread in the last stage due to the consensus becoming more permanent.

Looking at the roots of bureaucratization that was defined by Weber (1968), as the rational spirit’s organizational manifestation and which is a powerful way,

“...at controlling men and women that, once established, the momentum of bureaucratization was irreversible” (DiMaggio and Powell, 1983, p.147).

Weber (1968), in his treatise on bureaucratization, maintained that it was the result of three related causes:

- Competition among capitalist firms in the marketplace
- Competition among states, increasing rulers’ need to control their staff and citizens
- Bourgeois demands for equal protection under the law.

Out of the three, Weber perceived the competitive marketplace as the most important, which is surprising as competition is a contingency factor at the root of variations among organisations. The competitive market place, according to Weber, has made,

“...the official business of administration be discharged precisely, unambiguously, continuously, and with as much speed as possible.

Normally, the very large, modern capitalist enterprises are themselves unequalled models of strict bureaucratic organization” (cited in DiMaggio and Powell, 1983, p.147).

Meyer and Rowan (1977) state that,

“Bureaucratization is caused in part by the proliferation of rationalized myth in society, and this in turn involves the evolution of the whole modern institutional system” (p.347).

State bureaucratization has involved traditionally the expansion of large-scale organisations putting people into finely graded systems of organised ranks. All the ranks create a pyramid of authority or organisational chart, where,

“Higher ranks supervise the lower ranks making sure that the goals of the organization, set at the top, are achieved, by those at the bottom. To reinforce their authority, the higher ranks are given more power, more income, and more status than the lower ranks” (Dugger, 1989, p.137).

DiMaggio and Powell contend that the bureaucratization of the state has been achieved with, in parallel, the bureaucratization of the traditional professions, which have always been closely tied to the state such as the legal profession. The process of rationalization and bureaucratization has been shifting from the state and the professions to the organisations, which are becoming more homogenous. They stated,

“This process, in turn, is effected largely by the state and the professions, which have become the great rationalizers of the second half of the twentieth century” (p.147).

This can be explained thus,

“Highly structured organizational fields provide a context in which individual efforts to deal rationally with uncertainty and constraint often lead, in the aggregate, to homogeneity in structure, culture, and output” (p.147).

The organisational field, they define as,

“...those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers,

regulatory agencies, and other organizations that produce similar services or products” (p.148).

Organisational fields could be whole industrial or service sectors, the only condition required to exist is, if they are institutionally defined, a process involving four steps:

- An increase in the interaction among organisations in the field;
- An emergence of sharply defined inter-organisational structures of domination and patterns of coalition;
- An increase in the information load with which the organisation in the field must deal;
- The development of mutual awareness among participants in a set of organisations that are involved in a common enterprise.

In the initial stages of their lifecycle,

“Organizational fields display considerable diversity in approach and form” (p.148).

In the later stages of the lifecycle, once the field has become established, a process of homogenisation is unavoidably taking place through the homogenisation of the organisations within the field, as well as that of new entrants.

DiMaggio and Powell have based their research on the earlier work by Meyer and Rowan (1977) who state that,

“Organizations are driven to incorporate the practices and procedures defined by prevailing rationalized concepts of organizational work and institutionalized in society. Organizations that do so increase their legitimacy and their survival prospects, independent of the immediate efficacy of the acquired practices and procedures” (p.340).

Institutionalised rules acting upon these organisations may be either taken for granted or may be imposed by public opinion, the state or the law.

As described by Meyer and Rowan (1977),

“Many of the positions, policies, programs and procedures of modern organizations are enforced by public opinion, by the views of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws, and by the definitions of negligence and prudence used by the courts. Such elements of formal structure are manifestations of powerful institutional rules which function as highly rationalized myths that are binding on particular organizations” (p.343).

Examples of formal structures that are highly institutionalised and function as myths, as given by Meyer and Rowan (1977), are the professions, which they describe as following,

“Large numbers of rationalized professions emerge (Wilensky 1965; Bell 1973). These are occupations controlled not only by direct inspection of work outcomes but also by social rules of licensing, certifying, and schooling. The occupations are rationalized, being understood to control impersonal techniques rather than moral mysteries. Further, they are highly institutionalized: the delegation of activities to the appropriate occupations is socially expected and often legally obligatory *over and above any calculations of its efficiency*” (p.344, writer’s italics).

This is a clear definition of what lies at the core of the professions, those organisations and individuals operating in a rationalised, institutionalised environment where their activity is regulated according to state regulations, social, educational and moral rules to the sacrifice of organisational and individual efficiency.

### 5.3.1. INSTITUTIONAL ISOMORPHISM

In their study of the relation of organisations to their institutional environments, Meyer and Rowan (1977) introduced the concept of *isomorphism* further developed by DiMaggio and Powell (1983), who considered it as a “concept (that) best captures the process of homogenisation”. DiMaggio and Powell introduced Hawley’s (1968) description of isomorphism,

“A constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions. At the



population level, such an approach suggests that organizational characteristics are modified in the direction of increasing compatibility with environmental characteristics” (p.149).

Isomorphism is important in the context of the professional organisation as it explains the motivations in managerial decisions that are based on taken-for-granted institutional assumptions rather than conscious strategic choices.

DiMaggio and Powell (1983) contend that there are two types of isomorphism, namely, competitive and institutional. Competitive isomorphism explains the bureaucratization process put forward by Weber (1968) and which assumes,

“a system rationality that emphasizes market competition, niche change, and fitness measure” (p.149).

Competitive isomorphism is relevant to those fields in which free and open competition exists. It is definitely not relevant to the professions as well as to most of modern organisations. Instead they propose to supplement it by the institutional view of isomorphism, which can explain why organisations are competing,

“...not just for customers and resources, but for political power and institutional legitimacy, for social as well as economic fitness” (p.150).

DiMaggio and Powell cite Aldrich (1979), who argued that,

“The major factors that organizations must take into account are other organizations” (p.150).

Isomorphism is a process of organisational change, implying a change in formal structure, culture, goals or mission. DiMaggio and Powell (1983) suggest there are three mechanisms through which institutional isomorphic changes take place:

- a). Coercive isomorphism
- b). Mimetic isomorphism
- c). Normative isomorphism

Out of the three, normative isomorphism is relevant to the professions. Although all three intermingle in empirical situations and the professions are subject to the same coercive and mimetic pressures as any other

organisations, each has its own antecedents and may lead to different outcomes, so a review of all three will be undertaken.

a). *Coercive isomorphism* is the result of external informal and formal pressures exerted upon the organisation by other organisations they depend upon and by the cultural expectations of the environment they operate in. These pressures could be external forces, such as persuasion, which can be subtle or not, or an invitation to join. They could also be mandatory requirements imposed by the state, such as health, safety or environmental regulations imposed by law. A common legal environment can affect the organisation's structure and behaviour. Weber (1968) mentioned the profound impact of a complex, rationalised system of contract law that requires the necessary organisational controls to sustain legal obligations (DiMaggio and Powell, 1983). Meyer and Rowan (1977) contend that,

“Many myths also have official legitimacy based on legal mandates. Societies that, through nation building and state formation, have developed rational-legal orders are especially prone to give collective (legal) authority to institutions which legitimate particular organisational structures” (p.347).

Organisational structures such as those of the professions are reflecting rules institutionalised and legitimated by the state.

b). *Mimetic isomorphism* is the phenomenon of the organisation's modelling itself on other organisations as a result of either technologies that are poorly understood, or due to ambiguous goals or uncertainty within the environment. DiMaggio and Powell (1983) contend that modelling is a response to uncertainty. It is revealing how the mimetic process is taking place, as they explain,

“Models may be diffused unintentionally, indirectly through employee transfer and turnover, or explicitly by organizations such as consulting firms or industry trade associations. Even innovation can be accounted for by organizational modelling” (p.151).

The modelling role of the professional associations upon their members accounts for much of the professional organisations' similarities in behaviour and organisational culture.

It is relevant to note that there is a correlation between the size of the organisation and the degree of mimetic isomorphism. DiMaggio and Powell, make the observation that,

“The wider the population of personnel employed by, or customers served by, an organization to provide the programs and services offered by other organizations. Thus either a skilled labor force or a broad customer base may encourage mimetic isomorphism” (p.151).

This might help with the understanding of the adoption of certain marketing structures or activities by the large professional organisations as a mimetic process of blending within their customers' environment.

c). *Normative isomorphism* is the result of normative pressures and stems primarily from professionalisation, which is interpreted by DiMaggio and Powell (1983),

“...as the collective struggle of members of an occupation to define the conditions and methods of their work, to control ‘the production of producers’, and to establish a cognitive base and legitimation for their occupational autonomy” (p.152).

They define two professionalisation forces as being the main sources for institutional isomorphism, namely:

- a). Universities and professional training institutions provide the cognitive base for the formal professional education and the legitimation of the professions.
- b). Professional associations and professional networks across organisations provide the definition and dissemination of normative rules related to organisational and professional behaviour.

These two professionalisation forces create a mechanism that fashions pools of interchangeable individuals such as accountants or lawyers who not only operate out of professional practices, but also more importantly occupy similar

positions across organisations, covering a wide range of industries and sectors. The isomorphic impact upon the organisation they work for is manifested through the hiring of similarly educated, trained personnel, through common practices defined by the professional institutions they belong to and through common promotion practices.

“Many professional career tracks are so closely guarded, both at entry level and throughout the career progression, that individuals who make it to the top are virtually indistinguishable” (p.152), observed DiMaggio and Powell (1983).

They also noted that individuals within the professions modify their behaviour to fit common expectations in terms of appropriate style of dress, organisational vocabulary, standard method of speaking, joking or addressing others. This is perceived as particularly important in the financial services sector where legitimisation through credentials occurs. This anticipatory socialisation to common expectation acts as an isomorphic force.

It is relevant that in the process of professionalisation of management occupations, key staff have been drawn from the same universities and filtered down based on similar sets of attributes. They will tend to view problems in similar ways, develop similar policies, procedures and structures and make decisions in similar ways. DiMaggio and Powell (1983) state,

“The exchange of information among professionals helps contribute to a commonly recognized hierarchy of status, of center and periphery, that becomes a matrix for information flows and personnel movement across organizations” (p.153).

The process of professionalisation of management occupations is substantially reinforced by,

“Professional and trade associations (*that*) provide other arenas in which center organizations are recognized and their personnel given positions of substantive or ceremonial influence” (p.153).

Their role is therefore significant in the understanding of the professions.

### 5.3.2. THE IMPACT OF INSTITUTIONAL ENVIRONMENTS ON ORGANISATIONS

Meyer and Rowan (1977) provide the starting point for the summary provided below on the crucial consequences of institutional isomorphism upon organisations, keeping the focus on the professional organisation:

1). These organizations “incorporate elements, which are legitimated externally”, rather than in terms of productive efficiency.

“Thus, organizational success depends on factors other than efficient coordination and control of productive activities” (p.352).

2). They employ ceremonial assessment criteria to define the value of structural elements, which signifies acting on collectively valued purposes.

“The incorporation of structures with high ceremonial value, such as those reflecting the latest expert thinking or those with the most prestige, makes the credit position of an organization more favourable” (p.351).

This explains, for example, the high prestige and display of ceremonial attire and artefacts, which the legal profession has historically been associated with.

3). Dependence on externally fixed institutions reduces environmental turbulence and maintains stability. Consequently, the organisation becomes,

“...legitimate and uses its legitimacy to strengthen its support and secure its survival” (p.349).

It is significant that stabilization also arises as a result of the organisation becoming part of a wider collective network whose support is guaranteed by agreements instead on depending on performance. Underlining the historical importance of the professional associations in the process of legitimisation of the accountancy profession, Carter and Crowther (2000) say,

“Enrolment into the membership of anyone of these bodies requires a form of apprenticeship as part of the initiation ritual into the secrets of professional knowledge. It is through the use of this knowledge that accountants represent themselves, both to their own membership and

to external consumers of the services of accountants, as impartial purveyors of truth regarding organisations and their activities” (p.24).

4). A most important aspect is the evolution of legitimated organisational language, where words like lawyer, doctor or accountant will be universally understood as symbols signifying high levels of education, skills and responsibilities. Carter and Crowther (2000) support this when saying,

“Accountants, through their use of accounting language, constitute themselves as able to represent a ‘true and fair view’ of organisational activity and existence. Alongside this self-constitution resides a consequent implication of immutable, incorruptible, unchanging professional standards through an impartial application of accounting standards according to the ‘best practice’ of the time” (p.24).

5). Organisations “described in legitimated vocabularies are oriented to collectively defined and mandated ends”; accountancy services will not only have their own legitimacy but will also indicate that they are valuable to an organisation. There is a predisposition for trusting implicitly and employing organisations that follow legitimated practices. This is very much the rationale behind the continuing professionalisation of occupations such as management, marketing, or HR.

6). Conversely,

“...organizations that omit environmentally legitimated elements of structure or create unique structures, lack acceptable legitimated accounts to their activities. Such organizations are more vulnerable to claims that they are negligent, irrational or unnecessary. Claims of this kind, whether made by internal participants, external constituents, or the government, can cause organizations to incur real costs” (p.350).

The rational consequence is that organizations will strenuously avoid any deviations from the legitimated structure and will create barriers to insulate themselves from such situations.

According to Wells (2001), Institutional theory is particularly applicable when organisations' technical effectiveness is difficult to evaluate, such in the case of her study of health care. She states,

“Deprived of more objective measures of effectiveness, other actors rely on organizations' compliance with norms regarding structure and behavior. Those organizations that comply successfully with these standards gain legitimacy and thereby critical resources” (p.81).

For the purpose of the present research into barriers to marketing within professional service firms the most relevant is the point on which DiMaggio and Powell (1983) conclude their treatise on institutional isomorphism stating that,

“Each of the institutional isomorphic processes can be expected to proceed in the absence of evidence that they increase internal organizational efficiency” (p.153), with the corresponding implications upon external efficiency.

This must have consequences upon the nature of the established professional organisation, which would put it apart from all the other commercial organisations. The question occurring is how distinctive is the professional organisation and how uniquely does it respond to environmental pressures. It is relevant at this point to explore the pattern of change by the professional organisation.

### 5.3.3. THE DISTINCTIVE PROFESSIONAL ORGANISATION

There is a body of academic research based on the work of Greenwood and Hinings (1993) that views the professional organisation as an archetypal structure. They define an organisational archetype as,

“...a set of structures and systems that reflects a single interpretive scheme” (Powell, Brock and Hinings, p.3).

The interpretive scheme is understood to mean structures and systems that are permeated with meanings, intentions, preferences and values. The archetypal approach involves taking a more 'holistic' view to organisational

structure to include its beliefs, values and ideas. This is particularly relevant to the professional organisation as the professional culture plays an essential role in its organisational makeup and performance.

In support of the idea that the professional organisation is distinctive, Powell, Brock and Hinings, (1999) argue that,

“Professional organizations, from small professional partnerships to large professional bureaucracies, compose a broad organizational archetype with a high degree of commonality in structures, systems and, most of all, in their fundamental interpretive scheme” (p.4).

There are certainly differences between law firms and doctors practices, but similarities are more striking than differences. As suggested by DiMaggio and Powell (1983), the study of similarities among organisations might be more revealing than focusing on differences. According to Powell, Brock and Hinings (1999), the common thread is the set of professional values, beliefs and aspirations that characterise the professional organisation.

### The Professional Archetype

From the point of view of the present research, it would be important to understand the way in which the professional organisation seen as an organisational archetype adapts to change. This would involve the interpretive scheme or the value system of the professional organisation to be challenged by an alternative interpretive scheme that, in certain circumstances induced by external environmental pressures, might threaten to deligitimize the old and will be resisted. Thus, for example, introducing the marketing function within the professional firm could be perceived as an attempt to destabilise the legitimate interpretive scheme established.

Powell, Brock and Hinings (1999) summarised the characteristics of the archetypal professional organisation as outlined by organisational theorists of the 1960's and 70s, such as Scott (1965), Hall (1968), Montagna (1968),



Bucher and Stelling (1969) and Freidson (1970). They determined that the archetypal professional organisation:

- Had marked differences in the extent of professionalisation and bureaucracy in certain settings (Hall, 1968);
- The accounting firms studied were administered from within, but their standards were set externally by the profession (Montagna, 1968);
- Large healthcare organisations with dominant professional staff were characterised by fluidity and role creation by the professionals within the boundaries of the organisation (Bucher and Stelling, 1969);
- The traditional American hospital was described as an 'autonomous' organisation where professionals enjoyed considerable autonomy and decision-making discretion (Scott, 1965);
- Health care organisations exhibited 'professional dominance' by the professionals whose primary loyalty was towards their profession rather than the organisation (Freidson, 1970).

### Minzberg's Professional Bureaucracy

"Professional bureaucracies are not integrated entities. They are collections of individuals who join to draw on the common resources and support services but otherwise want to be left alone" (Minzberg, 1979, p.372).

Minzberg (1979) pushed further the work done by his predecessors and developed the concept of the 'professional bureaucracy' which contained elements of the previous professional model as well as bureaucratic structures. Most importantly, he considered it a "distinctive organisation" Powell, Brock and Hinings (1999, p.6).

Minzberg's professional bureaucracy has at its operating core the delivery of services by professionals directly to the client. There is a large element of autonomy, with professionals exercising self-management of their work with little supervision. Consequently, the professional bureaucracy organisation is a very flat organisation, not requiring middle managers. It also cannot rely on the formalisation of work processes or on bureaucratic controls to ensure quality. This is achieved through the professional standardisation of skills, internalised values and professional control, what Ouchi (1980) called 'clan control'. The standardisation of skills is achieved through professional training allowing the professionals within the organisation to work independently, though providing similar output. The considerable discretion allowed to the professionals is due to the nature of professional work involving the application of knowledge and expertise to complex problems.

The professional bureaucracy is also characterised by being highly decentralised with operating units loosely connected to each other. This is considered at the root of the problems in formulating a coherent organisation-wide strategy, which relies instead on the individual initiative in the development of individual professional projects.

Within a professional bureaucracy, decision-making is based on democratic and collegial values and it is done through participation and consultation. Administrative decisions are taken collectively by the professionals who seek control over the operations. The administrative structure is well developed as it provides the support system required to maximise the return on the professionals' expensive time. According to Minzberg (1993), administrators do not develop strategy independently,

“...but, rather, must cajole professional leaders to support and champion their initiatives” (Powell, Brock and Hinings, 1999, p.7).

### The Professional Partnership

Attempting an explanation on the particular organisational type and strategic management that characterises the professional organisation, Greenwood,

Hinings and Brown (1990) developed the P<sup>2</sup> model - professionalism and partnership. They said,

“Our thesis is that professional partnerships constitute an organisational type by virtue of their distinct strategic management practices. The configuration of controls used by their centers differs from previously identified patterns such as Williamson’s M- and H-forms of organization” (p. 748).

Greenwood, Hinings and Brown (1990) argued that professional firms differ from other organisations in two key ways:

- Professional partners combine ownership, management and the delivery of professional service;
- Their primary task is the application of expertise to complex problems requiring considerable discretion.

The P<sup>2</sup> model is seen as the traditional professional archetype, meaning that it had been adopted historically as the legitimate form of organisation, even when some firms have been organised in different ways. The professional partnership is identified as having a strategic direction, which is weak and not centrally controlled. Strategy adoption and implementation is only possible with partners’ consensus, who are individuals operating loosely autonomous operating units.

Summarising the developments in the professional organisation area, Powell, Brock and Hinings said,

“From the 1960s through to 1990, ...a consistent picture has emerged of the archetypal professional organization where power rests in the hands of the professional experts, managers administer facilities and support the professionals, decisions are made collegially, change is slow and difficult, and strategy is formulated and adopted consensually. There is little hierarchy and a relatively high degree of vertical and horizontal differentiation. Coordination and control occurs through the

standardization of skills and a strong clan culture of professionalism rather than through formalized systems and close supervision” (1999, p.7).

Hinings, Greenwood and Cooper (1999) have indicated that the undergoing change happening within the professional environment is leading to an emerging alternative organisational form, particularly in the larger firms that is far more oriented towards what they call ‘standard’ corporate practices. Following Cooper et al, (1996), they have named this organisational form a Managed Professional Business (MPB).

Their proposed comparison of the characteristics of the P<sup>2</sup> and MPB archetypes (Table 5.1.) is relevant in this context as it highlights the differences in terms of the *Interpretive Scheme*, *Systems* and *Structure*. It is interesting to observe that the *Interpretive Scheme* in the MPB case, which is actually the institutionally legitimated orientation of the organisation, is effectiveness, whereas in the case of the P<sup>2</sup> archetype it centres on two elements, *Governance* and *Task*, which describe fully the partnership structure.

	<i>P<sup>2</sup> Archetype</i>	<i>MPB Archetype</i>
<i>Interpretive Scheme</i>	<p><i>Governance</i> Fusion of ownership and control A form of representative democracy Revolving managerial tasks among the owners Local office as the centre of commitment <i>Primary task</i> Professional knowledge Peer control Work responsibility as indivisible Strong links with clients Widely distributed authority Minimum hierarchy</p>	<p><i>Effectiveness/Efficiency</i> Management Client service Competition Marketing and growth strategies Rationalization Productivity</p>
<i>Systems</i>	<p><i>Strategic Control</i> Rationality – low analytical emphasis Interaction – consensus decision making <i>Marketing – financial control</i> Specificity of targets – precise financial targets Tolerance of accountability – high Time orientation – short term <i>Operating control</i> Range of involvement – low Primary focus of involvement – professional standards and quality of service  Decentralization – centralization - decentralized</p>	<p>Strategic Control Rationality – moderate analytical emphasis Interactive – more directive decision making <i>Marketing – financial control</i> Specificity of targets – precise financial and market targets Tolerance of accountability – low Time orientation – short and long term <i>Operating control</i> Range of involvement – medium Primary focus of involvement – professional standards, quality of service, planning, marketing and compensation Decentralization – centralization – more centralization</p>
<i>Structure</i>	<p><i>Differentiation</i> Level of specialization – low Criteria of specialization – professional divisions and personal interest <i>Integration</i> Use of integrative devices – low  Use of rules and procedures – generally low, but emphasis on standards and quality</p>	<p><i>Differentiation</i> Level of specialization – medium Criteria of specialization – professional divisions and functional difference  <i>Integration</i> Use of integrative devices – medium, development of hierarchy and cross functional teams Use of rules and procedures – still emphasis on standards and quality but more rules generally</p>

Table 5.1. Characteristics of the P2 and MPB Archetypes

Source: Brock, D., Powell, M. and Hinings, C.R., (eds.) (1999), "Restructuring the Professional Organization", Routledge, London, p.134.

## 5.4. DISCUSSION ON OPTIONS FOR ADOPTION OF THE THEORETICAL MODEL FOR RESEARCH

In order to conclude the review of theoretical frameworks it is appropriate to discuss the options presented in the adoption of the suitable theoretical model relevant to the research of barriers to marketing within professional service firms. There are two clear options that could be considered in explaining the professional organisation which emerge from the discussions of the contingency and the institutional approaches. These are illustrated graphically in Fig. 5.1.

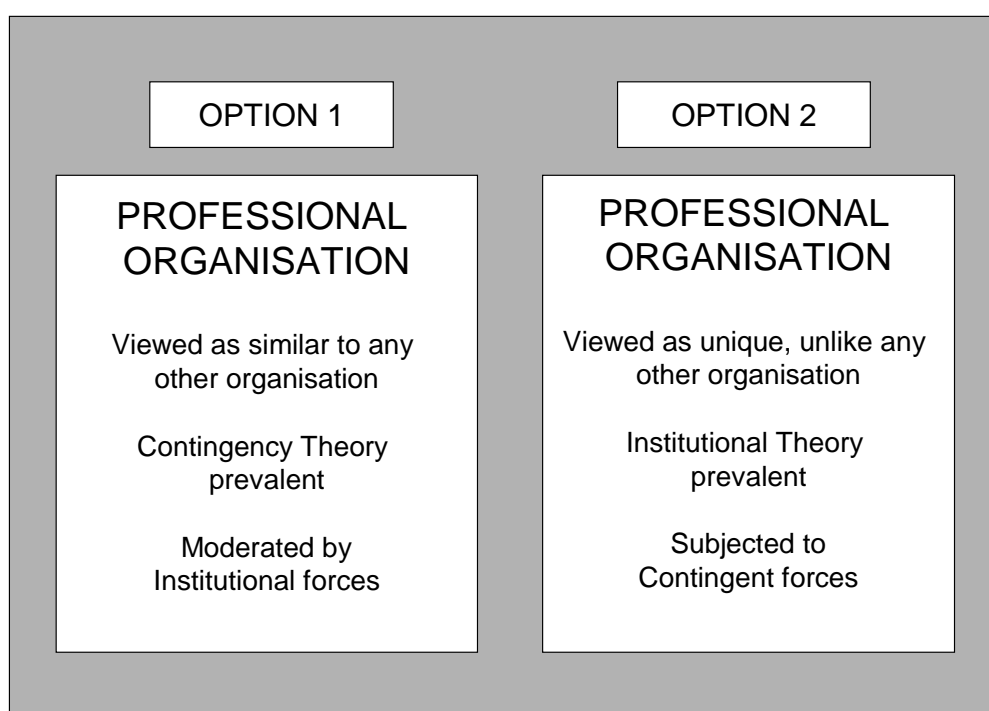


Fig. 5.1. Theoretical models for the professional organisation

Option 1 views the professional organisation as similar to any other organisation based on a black box approach ignoring any differences in terms of structures, strategies and behavioural processes. The contingency approach is assumed to be prevalent in explaining the understanding, role, adoption or rejection of the marketing function within the firm. The approach adopted is to link the marketing function to the firm's effectiveness, which, as

stated by Zeithaml, Varadarajan and Zeithaml (1988) depends on the appropriate matching of contingency factors with internal organisational designs that can allow the appropriate responses to the environment. The assumption made is that marketing as the organisation's interface with its environment has a strategic role in maximising the firm's overall effectiveness and will play a vital role in the continual adaptation of the firm to external contingency factors of more demanding and fluctuating customer base, sharper competition, increasing globalisation, technology changes and regulatory forces. This process will be moderated by internal and external institutional determinants that create inertia, slowing down or outright prevention of the continual adaptation to environmental change.

Option 2 views the professional firm as a unique and distinct type of organisation that has to be studied using different approaches. These stem from the institutional theory and are based on the institutional isomorphic processes, which, according to DiMaggio and Powell (1983), have created organisational structures driven less by the need of adaptability to the environment or by the need for efficiency. Given the assumption made of the role attributed to the marketing function as an interface tool designed to maximise efficiency, it is clear that a possible explanation for the barriers to marketing could be found here. Nevertheless, the increasingly complex and turbulent environment facing the professional organisation will induce it to experience uncertainty leading to change.

The professional firm needs to be viewed through Minzberg's professional bureaucracy and Greenwood's et al. P<sup>2</sup> professional partnership model, which has been undergoing significant change due to contingency environmental pressures. The impact of this change upon the archetypal professional organisation needs to be studied looking at the role marketing is playing in this process. A graphical illustration of this model is put forward in Fig. 5.2.



Fig. 5.2. Professional Service Firms subjected to opposing contingency and institutional pressures

The above diagrammatic representation illustrates the second model where the professional organisation is being subjected to conflicting pressures. From a contingency point of view, the firm is under increasing pressures from customers, the competition, technological innovation, deregulatory pressures and globalisation to change and adapt to the new environmental conditions. In this context, marketing fulfils the function of organisation's interface through its market and intelligence collection and analysis and its strategic role in maximising the firm's overall effectiveness. As an institutional organisation, the professional firm will be under internal and external institutional isomorphic pressures, which gives its defining characteristics. Externally the professional firm is subjected to influential external normative pressures of the educational system namely the universities and professional training institutions, which provide the cognitive base for the formal professional education and the legitimisation of the professions. In addition, the professional associations and professional networks across organisations provide the



definition and dissemination of normative rules related to organisational and professional behaviour. Regulatory pressures add to the process of legitimation, which the professional firms feel compelled to adhere to. All these external professional pressures, such as the professional education and the influence of the professional associations, have a formative and dependency role on the internal professional culture, which will act as a moderating variable in the contingency process.

The primary research will have to support or question this model. It will have to identify:

- The level of perception of contingency and institutional pressures by the professional organisation;
- The responses to these pressures in terms of changes to the organisational structures and systems;
- The organisational attitude towards change;
- The level of understanding of the marketing concept and function;
- The degree to which marketing is the preferred choice of organisational change when faced with sustained environmental pressures;
- The degree of acceptance or rejection of marketing as an agent for change by the professional organisation;
- The causes of resistance to marketing acceptance and implementation as a management tool;
- The influences of the individual characteristics of the professional archetype, in particular the professional partnership and the professional culture in the process of acceptance and implementation of marketing as an agent for change;
- The level of adoption of marketing as a strategic agent in maximising the organisational effectiveness.

## 5.5. CONCLUSIONS

Two theoretical frameworks have been identified as relevant to the topic of barriers to marketing within professional service firms, namely the Contingency theory and the Institutional theory. The Contingency theory has been explained using an organismic view of the organisation and Donaldson's (2001) definition of the contingency paradigm in respect to the organisation has been discussed.

Using a similar theoretical paradigm, Zeithaml, Varadarajan and Zeithaml (1988) underline the fundamental principle of the contingency approach as the organisational effectiveness (adaptation or survival) depending on the appropriate matching of contingency factors with internal organisational designs that can allow appropriate responses to the environment. They believe that marketing concepts and variables can be systematically related to theory and practice through the contingency perspective. Zeithaml, Varadarajan and Zeithaml have made an important contribution in highlighting the relevance between marketing and the contingency approaches to theory building and research.

Two further major research strands have been explored using the contingency approach, namely the study of organisations in relation to market orientation (Harris and Piercy, 1999; Kohli and Javorski, 1990; Narver and Slater, 1990) and the power of marketing as an organisational subunit (Homburg, Workman and Krohmer, 1999). The latter is unique in the study of marketing in the organisational context by drawing upon both Contingency theory and the Institutional theory.

The Institutional theory has been explored through DiMaggio and Powell's (1983) seminal work, who observed that increasingly structural changes in organisations seem to be less and less driven by competition or the need for efficiency and instead, a process of bureaucratization and other forms of homogenisation were emerging, making organisations more similar without

necessarily making them more efficient. They introduced the concept of institutional isomorphism, which is a process of organisational change, whereby organisations are becoming more homogenous in structure and practices in order to achieve institutional legitimacy to the detriment of their organisational efficiency. Isomorphism is important in the context of the professional organisation as it explains the motivations in managerial decisions that are based on taken-for-granted institutional assumptions rather than conscious strategic choices.

The pattern of change within the professional organisation has been explored and the question on how distinctive the professional organisation is, has been addressed. The work of Greenwood and Hinings (1993) which views the professional organisation as an archetypal structure and Minzberg's (1979) professional bureaucracy concept have been explored. Greenwood, Hinings and Brown's professional partnership - P<sup>2</sup> - distinguishing professional firms from other organisations through the combination of ownership, management and delivery of the professional service, which is unique in the application of expertise to complex problems.

Finally a theoretical model has been put forward which looks at the professional organisation from combined contingency and institutional perspectives. Environmental or contingency pressures are moving forward the professional organisation towards a process of change, into increasingly adopting and implementing marketing structures and practices, whereas internal and external institutional isomorphic pressures will induce the organisation in maintaining the status quo, in order to maintain its traditional legitimacy. This theoretical model will be further defined and refined through the analysis and discussion of the primary research done in Chapters 7 and 8.

In the pursuit of an understanding of the barriers to marketing acceptance and use within professional service firms it was deemed important to achieve understanding of marketing nowadays compared further on with the perceptions from the professional firms studied. This has required an in-depth understanding of the professions, from a sociological perspective, which was

covered in Chapter 3 and from an organisational point of view covered in Chapter 4.

Comprehensive research has revealed that there has not been any significant work undertaken in explaining the empirically perceived barriers to marketing within a professional context. This chapter has provided an exploration of the theoretical frameworks relevant to marketing and the professional service firms respectively, namely the Contingency theory and the Institutional theory. It has put forward a theoretical model that explains the barriers to marketing within professional service firms, to be validated by the primary research undertaken.

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## CHAPTER 6

# METHODOLOGY

### 6.1. INTRODUCTION

The preceding chapters have:

7. Introduced the problem of the barriers to marketing within professional firms. Presented the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of the thesis.
8. Reviewed the currently accepted understanding of marketing and its evolution through a comprehensive outline of the intellectual and pragmatic sides of marketing and the changes that are occurring within marketing management as a body of knowledge, theory and practice.
9. Reviewed the sociological approach to the professions covering the various definitions, classifications and models such as the 'professional project' and the 'power approach'. The nature of professional knowledge has been explored. The study of the struggles for legitimacy provided an understanding of inter- and intra-professional competition relevant to the present research. Finally, the changes in the professions have been explored through the commodification and commercialisation issues.
10. Explored the traditional professional organisation and the radical transformation it has undergone in recent years. It has examined its responses to the environmental pressures of increased competition, more demanding and sophisticated customers, deregulation, technological advancement and globalisation. The focus of research has been on two of the traditional professions, accountancy and law.
11. Provided an exploration of the theoretical frameworks relevant to marketing and the professional service firms respectively, namely

the Contingency theory and the Institutional theory. It has put forward a theoretical model that explains the barriers to marketing within professional service firms, to be validated by the primary research undertaken.

Every research process should involve a degree of philosophical retrospection and as this process involves at every step making choices, these should have a philosophical underpinning. The present chapter will use as a template the research process 'onion' model suggested by Saunders, Lewis and Thornhill, (2000, p.85) and will start with a description of the understanding of the philosophical issues on which the research design is based. It will be followed by a discussion on the different approaches and strategies to the research and will show the logical step-by-step approach to the choices made in the data collection and analysis methods used. Throughout it will discuss the various problems related to the primary and secondary research process and the solutions adopted.

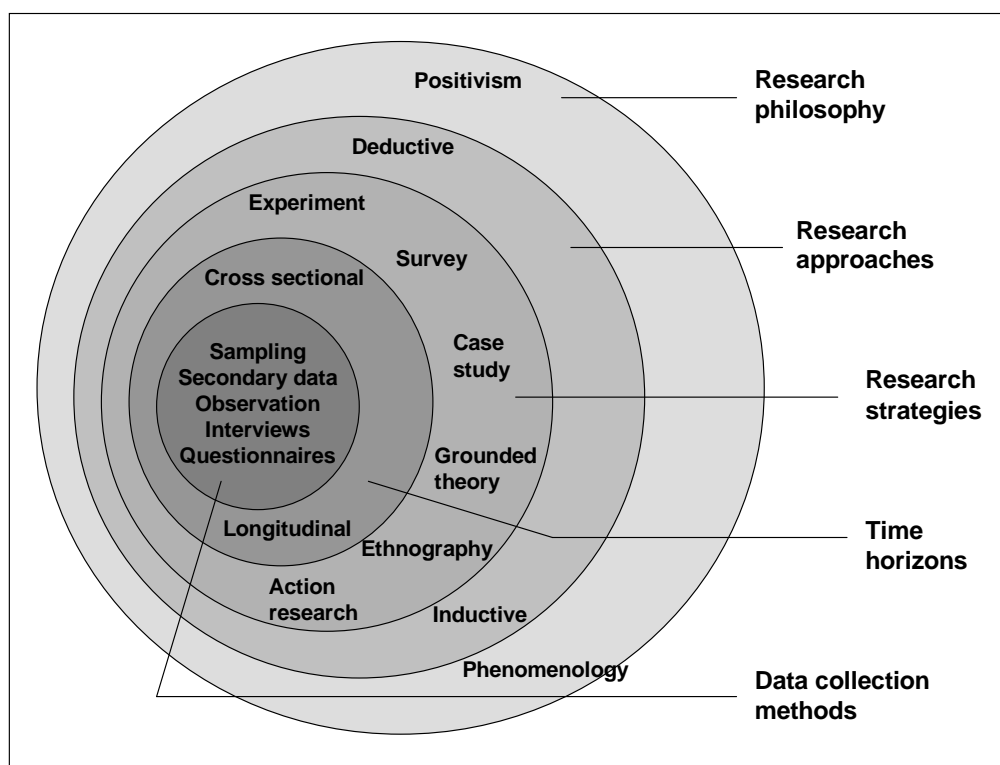


Fig. 6.1. The research process 'onion'

Source: Saunders, M., Lewis, P. and Thornhill, A., (2000), p.85.

## 6.2. THE RESEARCH PHILOSOPHY

The importance of the knowledge of philosophy in the research design process is helping the researcher to clarify not only what pieces of information need to be collected and from where, but which designs will work and why. Along with many other researchers and philosophers, Carson et al (2001) argue the purpose of the philosophical aspect of research in the following terms,

“A research position will have implications for what, how and why research is carried out. Consideration of the philosophy of research helps to contribute a deeper and wider perspective of research so that our own specific research projects can have a clearer purpose within the wider context” (p.1).

Similarly, Miles and Huberman (1994) believe that it is “good medicine” for a researcher to make his or hers preference clear in respect to the methodological approaches adopted. They say,

“To know how a researcher construes the shape of the social world and aims to give us a credible account of it is to know our conversational partner. If a critical realist, a critical theorist, and a social phenomenologist are competing for our attention, we need to know where each is coming from. Each will have diverse views of what is real, what can be known, and how these social facts can be faithfully rendered” (p.4).

The researcher’s approach to methodological design could very much be influenced by his or her past experience, education, upbringing or even religious beliefs. Knowledge of philosophy can help the researcher to identify and create research designs that might be outside owns experience. The adoption of a variety of research philosophies and positions can also be made depending upon the circumstances prevailing or depending on the nature of the research done (Carson et al, 2001). This very much does apply to the present research process. The approach used in its early stages has indeed

been based on the writer's early scientific education, coupled with an upbringing, which was strongly rooted in the positivist tradition.

In essence positivism or the positivist paradigm contends that the world, including the social world, exists externally and that its characteristics should be studied using objective methods totally independent of the observer. In fact the tradition in which the writer has been brought up, judged the level of academic intellect on the acceptance of a reality external and objective and that knowledge had to be exclusively based on observations of this external reality. There are a number of implications deriving from this position:

- a). The complete separation between the observer and the phenomenon observed.
- b). The purpose of research was to establish causal explanations, which worked within a framework of universal laws that explain dominant regularities.
- c). The approach had to be hypothetico - deductive, i.e. should start from fundamental laws and a series of hypotheses which were proved or disproved through observations.
- d). The understanding of the phenomenon was enhanced through a systematic reduction to its simplest elements.
- e). There should be a process of operationalisation by which the phenomenon observed could be measured quantitatively.
- f). In order to maximise the validity of the quantitative results, samples selected should be of a sufficient size.
- g). The use of cross-sectional analysis, whereby regularities could be more easily identified through comparisons of variations across samples.

The researcher regards the assumption of independence of the observer from the observed as incompatible with a reality, which revolves around humanity. The positivist approach has been used quite successfully to the study of natural and physical sciences but should be viewed with caution for the social sciences such as business and management where other philosophical positions need to be considered.



The nature of reality varies along a continuum according to Morgan and Smircich, (1980), from extreme subjective to extreme objective. They identify six distinct views about the nature of reality:

- 1) Projection of human imagination
- 2) Social construction
- 3) Symbolic discourse
- 4) Contextual field of information
- 5) Concrete process
- 6) Concrete structure

Marketing discipline as part of the social sciences should logically be studied through a social constructionist or phenomenological viewpoint, which directly contradicts the assumptions of positivism.

The phenomenological paradigm in its pure version contends that the world is socially constructed and subjective, the observer has to be considered as part of the phenomenon observed and not outside it and that science in general is driven by human interests. From these statements the research approach should be based on the understanding of meanings and what is happening. Phenomena should be looked at in their totality instead of reducing them to the simplest elements. Multiple methods of research should be used to establish different views of the phenomena using small samples investigated in depth or over time.

Although the positivist and phenomenological paradigms seem to contradict each other, there are increasing moves among management and marketing researchers to develop and use an amalgamation of these two viewpoints. Anderson (1983) in his article on the best method of evaluating marketing phenomena, contends that,

“A sole means of theory justification cannot be maintained as a viable description of the scientific process or as a normative prescription for the conduct of scientific activities” (p.25).

The researcher supports this view and has used a research approach, which uses methods based on both positivist and phenomenological paradigms.

The researcher's philosophical beliefs are summarised as follows:

- Marketing as a socially constructed discipline is subjective to phenomenological characteristics.
- The observer will inevitably have to be considered as part of the process observed, hence consideration needs to be taken on the influence created by his or her presence and the possible bias introduced when collecting and analysing the results.
- The study of marketing is driven by human interests; hence careful consideration of the sociological and ethical implications needs to be made.
- Research based on either meanings or facts are not mutually exclusive.
- The process of understanding what is happening can and should include a look for causality and fundamental laws.
- The mental exercise of reducing phenomena into their simplest components can be beneficial in the process of understanding the big picture.
- The formulation and testing of hypotheses should be used in the process of challenging theoretical constructs.
- Multiple research methods, such as triangulation should be used in order to establish different views of the phenomena and infuse confidence in the research process.

### 6.3. CHOOSING THE RESEARCH APPROACH

An iterative approach to the research process has been adopted and a more flexible research structure will allow for changes in emphasis as the research progresses.

From the starting point, early initial observations, underpinned by the literature review, have lead to a theoretical framework and a first set of assumptions.

These have been tested in the field via the analysis of data collected. An adjustment of the theoretical model and a new refined set of assumptions have been necessary. This process has been repeated until the stage was reached where no more relevant benefits can be derived from it. Within the present research, the process of refinement of the theoretical model has been done through each additional round of data collection and analysis from each of the firm visited and studied. By the time all fourteen firms have been visited, analysed and discussed, it was felt that no more relevant benefits could be drawn from continuing in researching additional firms as the results obtained seemed to be rich in significance for the scope of this study. It is important for the full understanding of the present research to take into account not only the meta-analysis presented in Chapter 7 and 8 but also each individual firm's analysis to be found in the Appendices C and D. Below is a diagrammatic representation of an iterative approach.

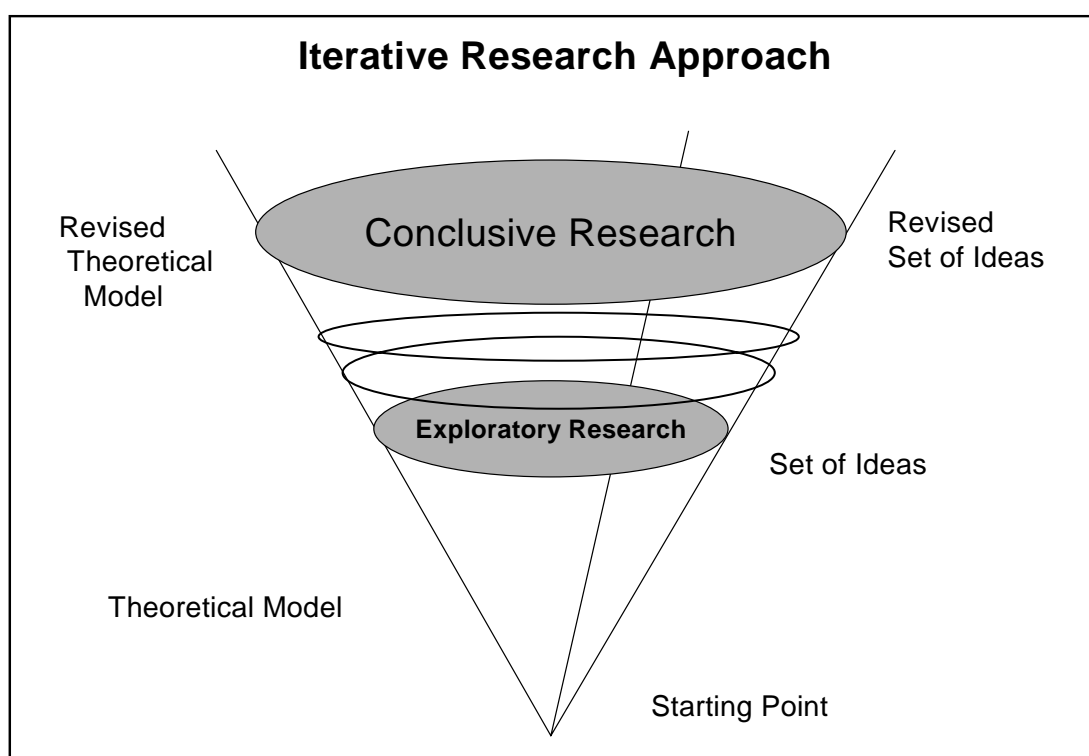


Fig. 6.2. The Iterative Research Approach

The deductive approach has been used when there was a need for clear understanding of the underlying theory at the beginning of research as

opposed to the inductive approach where the data is collected first and theory is developed following data analysis. The researcher felt that elements of the inductive approach could be incorporated, such as trying to get the feel of what was going on, especially in the exploratory phase, in order to understand better the nature of the problem. Nevertheless, commencing the research work from a theoretical perspective was deemed to provide advantages for the study of the marketing discipline within the professional context.

There is a wealth of studies in the marketing literature well supported by theoretical frameworks as discussed in Chapter 5. One of the most used and best loved by marketing researchers is the Contingency theory. The application of the Contingency theory to the professional context poses certain substantial difficulties, so the researcher felt that the Institutional theory would be more applicable to the professional context. The approach taken within this research has been to use these two contrasting theories together in order to find an explanation for the main research question regarding the barriers to marketing within the professional context. The reasoning behind the theory choices are given in Chapter 5.

Nevertheless, theory cannot be studied in a vacuum. The researcher needs to have a practical starting point leading to the appropriate theoretical foundation. Conan Doyle exclaimed, "It is a capital mistake to theorise before one has the data" (quoted by Easterby-Smith et al, 1991, p.21).

It is the belief of the researcher, based largely on earlier scientific background, that the efficiency and controllability of the data collection process could be maximised if preceded by a review of theories and hypotheses. In simple words, how would you know what data to collect and how to do it if you don't have a rough picture which only the theoretical framework could provide?

There are a number of important characteristics to the deductive approach, which mirror the positivistic principles. Firstly, the need to find causal relationships between variables. Secondly, the need for a rather structured methodology to facilitate replication, which ensures validity and reliability of

the results. Finally, operationalisation and generalisation imply the need for using quantitative research using samples of a sufficient size. This is not necessarily the case, as the present research has demonstrated that the qualitative survey of the fourteen professional service firms yielded significant results.

Yin (1994) suggests that if the choice has been made to use existing theories to formulate research questions and objectives, then the same theoretical propositions should be used to build a framework to organise the data collection and direct the data analysis.

## 6.4. RESEARCH STRATEGIES

### 6.4.1. THE IMPORTANCE OF SECONDARY RESEARCH

Secondary data, which is data collected for purposes other than the research at hand, can provide useful comparative and contextual information in the exploratory phase of the research. It was found to be a good starting point for the research, providing leads for defining the assumptions and in the structuring of the relationships between variables.

The present research has reviewed and evaluated the suitability of past research undertaken in the subject, namely Morgan and Piercy's 1989/90 study into the barriers to Marketing Implementation in Professional Service Firms, and Wheeler and McCallum Layton's longitudinal surveys 1997/99 entitled "Marketing the Advisers" - biannual benchmarking studies of marketing practices within business advisory firms.

Another important advantage of using secondary data is that it can provide the longitudinal element to a time-limited research. Historical data can be useful in order to understand the evolution of marketing practices within professional firms. For example, Morgan and Piercy's study undertaken in 1989 identified the lack of marketing qualifications and training of staff

involved in delivering marketing activities as one of the internal barriers to implementation of modern marketing principles. Wheeler and McCallum Layton's survey of 1999 found that the qualification levels of staff employed in marketing functions of respondent firms were poor. For example, in half of the firms, none of the marketing staff had marketing qualifications and compared with 1997 the qualification levels of marketing staff had fallen. This change was partially explained by the higher proportion of smaller firms in the sample and these are less likely to be employing qualified marketing staff.

The research undertaken by Homburg, Workman and Krohmer (1999) has been found of essential importance for the present research due to the relevance of the theoretical perspectives used. Uniquely within the study of marketing in the organizational context, they have drawn upon two fundamental theoretical perspectives, the Contingency theory and the Institutional theory, which have proven to be of vital relevance to the professional context. The secondary research conducted over the length of this project has revealed a dearth of previous research done within the professional organizational context and even less in respect to the acceptance and adoption of marketing practice.

#### 6.4.2. THE ARGUMENT FOR QUALITATIVE PRIMARY RESEARCH

Responding to Miles and Huberman (1994) encouragement of practicing "good medicine", it is appropriate to explore the quantitative / qualitative debate. Morgan and Smircich (1980) observe that the

“...appropriateness of a research approach derives from the nature of the social phenomena to be explored” (p.491).

If the subject researched is in an area that is mainly quantified such as finance, accounting or operational research, then the research methods used will be mainly quantitative. In marketing's case, as argued by Hirshman (1986), the key factors are socially constructed, like human beliefs, behaviours, perceptions and values. Research methods drawn from this perspective will be qualitative, such as interviews or observation.

Similarly, Carson et al (2001) support this view saying,

“Interpretive qualitative research methods are valuable for in-depth understanding of phenomena in the marketing domain, in managerial and consumer contexts” (p.64).

Nevertheless, Easterby-Smith, Thorpe and Lowe (1991) note that marketing academics have a strong preference for survey research methods. This, they argue,

“...may be because marketing as an academic discipline has emerged from economics and the behavioural sciences and both of these have well established quantitative traditions” (p.42).

In the commercial world, market research agencies still rely heavily on qualitative methods such as observation and focus groups. Interviewing and personal communication skills are considered more valuable than the mastery of statistical techniques, as reported by Jobber and Horgan (1987).

The emphasis throughout the present research has been to understand and explore the nature of the barriers of marketing acceptance and implementation within the professional service firms. These perceived barriers are an abstract phenomenon. This has required a thorough understanding of the organisational structures, processes and changes within the professional service firms and the micro and macro environment they operate. More importantly, the abstract (as well as elusive!) nature of these barriers has determined the nature of the research methods, leading to the decision to undertake a qualitative study of the beliefs, values and behaviours through the perceptions of the professionals involved in the process of acceptance, adoption and implementation of management practices within professional service firms.

In addition, the analysis of theoretical frameworks done in Chapter 5 has led to a theoretical model enabling the finding of answers for the issue of barriers to marketing within professional service firms. The model looks at the professional organisation from a combined contingency and institutional perspective. In a nutshell, environmental or contingency pressures are moving forward the professional organisation towards a process of change, into

increasingly adopting and implementing marketing structures and practices, whereas internal and external institutional pressures induce the organisation in maintaining the status quo, in order to maintain its traditional legitimacy. It is the purpose of the primary research to explore and question this model. As previously detailed in Chapter 5, primary research has attempted to identify:

- The level of perception of contingency and institutional pressures by the professional organisation;
- The responses to these pressures in terms of changes to the organisational structures and systems;
- The organisational attitude towards change;
- The level of understanding of the marketing concept and function;
- The degree to which marketing is the preferred choice of organisational change when faced with sustained environmental pressures;
- The degree of acceptance or rejection of marketing as an agent for change by the professional organisation;
- The causes of resistance to marketing acceptance and implementation as a management tool;
- The influences of the individual characteristics of the professional archetype, in particular the professional partnership and the professional culture in the process of acceptance and implementation of marketing as an agent for change;
- The level of adoption of marketing as a strategic agent in maximising the organisational effectiveness.

From this list of tasks it can be seen that a qualitative research approach had to be adopted, as overwhelmingly the key factors to be studied are socially constructed, like human beliefs, behaviours, perceptions and values (Hirshman, 1986).



### 6.4.3. TRANSPARENCY OF QUALITATIVE FINDINGS

Carson, et al (2001) emphasise the significance within qualitative research studies of clear and precise evidence of transparency. They say,

“Transparency is a vital dimension in the value of interpretive qualitative research methodologies used for research in dynamic marketing circumstances” (p.69).

Within the present research, it has been considered important to ensure full clarity and transparency, from the planning and execution of the interviewing process, to data analysis and theory building.

## 6.5. DATA COLLECTION STRATEGIES

### 6.5.1. QUALITATIVE DATA COLLECTION

Van Maanen (1979) defines qualitative methods as,

“...an array of interpretative techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (p.520).

Data collection techniques associated with qualitative methods are interviews, observation and diary methods. Qualitative data is typically open-ended and related to the temporal and special domain. This is quite relevant to the research of managerial problems as they usually are the unfolding of a process rather than structure. The aim of qualitative studies according to Carson et al (2001) is to gain understanding of a situation. They contend that,

“In-depth understanding is based on researcher immersion in the phenomena to be studied, gathering data which provide a detailed description of events, situations and interaction between people and things, providing depth and detail (Patton, 1980). It is concerned with things that really happen in organizations as researchers and people experience them” (p.65).

Qualitative research has been accused of being non generalisable. Although qualitative research tends to be either descriptive or comparative, it does not mean that it can't be generalised. According to Johnson and Harris (2002) generalisability can be associated with data or theory,

“In the former, researchers should be able to demonstrate that their findings will be replicable in all similar cases. With theory generalizability, the ideas and theoretical contributions reached at the end of the work are generalisable to future work that can advance progress already made. Quantitative research can have both data and theory generalizability, whereas qualitative research usually has just the latter” (p.109).

This has been the approach adopted for the present research to be able to contribute to theory generalizability through the use of qualitative research.

### The Semi-Structured Interview Method

Johnson and Harris (2002) mention that the most widespread methods of qualitative data collection are structured, semi-structured and unstructured interviewing, non-participant observation, company documents written or not purposely written for the research. The data collected through these methods, from either a document, a transcript or researcher's notes, in its rawest form is to be found as words.

The adoption of any particular data collection method is dependent on the research objectives. As the present research aims to clarify the causes of barriers to implementation of marketing by professional firms, the use of semi-structured interviews has been deemed highly appropriate. Such a method provided a good understanding of the respondents' world and allowed for a step-by-step logic of situations to be clarified. In the process of deciding the most appropriate method an exploration of decision factors has been considered. Easterby-Smith, Thorpe and Lowe (1991, p.76) mention that successful data collection is dependent on a number of issues:

a). *Degree of structure*. This has been dictated by the research objectives and by the degree of difficulty of access to the organisations or persons to be interviewed. If access is fraught with difficulty, then it is preferable to have a rather structured topic guide which may allow for deviation from the sequence but which will ensure that all questions have been covered. In the case of the present research, access to interviewees has been relatively easy, allowing for a semi-structured approach of interviewing.

b). *Interviewing skills*. It is an important element and the success of the data collection project relies on it. Generally, the interviewer needs to be able to distinguish between what is relevant and what not, to be sensitive to certain issues especially related to the internal politics, to have listening skills and finally be able to read non-verbal messages. Sensitivity to delicate issues can be achieved by an in-depth knowledge of the company and the industry. It was therefore essential to be well prepared in advance of an interview and an exploratory phase that acted as a dry run was felt important.

c). *Obtaining trust*. The same comment as to the need for sensitivity applies here. Trust can be achieved quicker if the interviewee can see the relevance of the project and if there is a reciprocal interest in the outcome of the research. Overall an excellent level of trust has been established during the interviewing process proven by the generosity shown by almost all interviewees with their time, supporting material, further discussions post interviews, further referrals and their tremendous hospitality accorded to the writer. The issue of taping or not the interviews is also related to the level of trust between the two parties and as proof of the trust created between the researcher and all the interviewees, the use of the taping recorder was never questioned nor challenged.

d). *Interview bias*. It is an unavoidable part of the research process, as the researcher even involuntarily will project her own opinions. Certain techniques such as probing have been used to minimise the level of bias. This issue is further discussed in section 5.6.3.

e). *Ethical issues*. These are again related to the 'micro-politics' of the organisation and the possible conflicts of interests experienced by the interviewees. The issue of confidentiality and the way data is processed and results utilised have been made clear at the outset.

### Planning the Interviewing Process

It was clear from the outset that in order to maximise the chances of collecting valuable information from high-ranking or very busy respondents, the interviewing process had to be carefully planned and executed. Therefore, there was a lot of thinking behind the development of themes to be discussed during the semi-structured, in-depth interviews. These have been derived from the work done in the development of the theoretical model as described in Chapter 5. The list of topics used for discussion at all interviews conducted can be found in Appendix A.

Careful planning was necessary in respect to the choice of introductory questions and the order of the subsequent themes/questions. The introductory questions were related to the perceptions and understanding of marketing. It was important to determine right from the start if the researcher and the interviewees were speaking the same language or were on the same wavelength. This was a good tactic in establishing the necessary level of trust and a sort of bonding that brought further benefits. The rest of the themes/questions were divided in three broad categories related to:

- The interviewee's views on the marketing function, structure, organisation and activities;
- The interviewee's perceptions of the contingency and institutional pressures the firm was subjected;
- Basic information on the firm and the interviewee, such as name, position, firm location, etc.

A decision was made to send the list of themes/questions in advance of the actual interview in order to establish credibility with the interviewee. It

demonstrated the level of knowledge of the topic by the researcher. Saunders, Lewis, and Thornhill (2000) support this approach,

“Providing participants with a list of the interview themes before the event, where this is appropriate, should help this aim and also promote validity and reliability through enabling the interviewee to consider the information being requested and allowing them the opportunity to assemble supporting organisational documentation from their files. We can testify to this approach and the value in allowing participants to prepare themselves for the discussion in which they are to engage” (p.252).

## 6.6. LIMITATIONS TO THE DATA COLLECTION PROCESS

### 6.6.1. SAMPLING

Usually, sample sizes are much smaller in qualitative than in quantitative research and, as mentioned by Johnson and Harris (2002), there are no rules as to how many is enough. The iterative process described previously in section 5.3 determined the number of firms studied. It was felt that the amount of data collected from the fourteen firms fulfilled the research objectives within the limitations of time placed upon this project.

Sampling techniques as defined by Saunders, Lewis, and Thornhill (2000),

“...provide a range of methods enabling to reduce the amount of data collected, by considering data from a sub-group rather than all possible cases” (p.150).

Sampling decisions are also influenced by the choice between cross-sectional and longitudinal designs. Cross-sectional designs focus on a wide number of organisations or situations studied over a short period of time. Longitudinal designs focus on a small number of organisations studied over an extended period of time.

A cross-sectional approach has been adopted for the present research, as it was considered appropriate for the study of professional service firms across the speciality spectrum, such as accountants and lawyers, as this might provide an answer to variations in the rate of adoption of marketing within these firms. It was decided to have an equal number of accountancy firms as law firms researched. Also a choice regarding the size of the organisations as well as a selection of the people to be interviewed was carefully made.

Based on early initial observation, it was expected that there would be substantial variations in the rate of acceptance and adoption of marketing in professional service firms based on their size and geographical location. The assumption was that larger firms have been subjected to stronger contingency pressures, hence, will have a better understanding of marketing and would practice a wider range of marketing activities. Similarly, firms located in the South East, because of competitive concentration would fare better in terms of marketing than regionally located firms. Therefore it was important to select a as wide as possible range of firms across the size spectrum and to have firms from the North of the UK as well as from the South East in the sample. The final sample of firms is summarised in Table 6.1. below:

<b>Firm</b>	<b>Types of Professional Service</b>	<b>Number of Partners / Employees (approx)</b>	<b>Location</b>	<b>Interviewee role / position</b>
Grant Thornton	Acc.	2,270 partners	National & Int'l	Marketing
Numerica	Acc.	100 partners	National & Europe	Marketing
Horwath Clark Whitehill	Acc.	81 partners	National	Marketing consultancy
Wilkins Kennedy	Acc.	35 partners	South East	Partner/fee earner
Sobell Rhodes	Acc.	10 partners	London (NW)	Partner/fee earner
Langley Partners	Acc.	7 partners	London (N)	Fee earner
Robert Clow	Acc.	2 partners	London (NW)	Partner/fee earner
Linklaters	Law	500 equity partners	City & Int'l	Lawyer/Marketing
Lovells	Law	345 equity partners	City & Int'l	Marketing
Taylor Wessing	Law	214 equity partners	City & Int'l	Marketing
Clintons	Law	20 equity partners	London / Soho	Partner/fee earner
Burness	Law	35 equity partners	Edinburgh	Marketing
Anderson Strathern	Law	34 equity partners	Edinburgh	Marketing
Bell and Scott	Law	10 equity partners	Edinburgh	Marketing

Table 6.1. Professional Firms studied

The last column in the table above illustrates the split between the marketing (8) vs. fee earner professionals (6) in the interviewee sample. The Global Marketing Director of Linklaters was previously a fee earner and has been considered as such from the point of view of the possible bias introduced in the data. The question arises that possibly the results might have been biased by the larger number of marketing professionals who would impose their views on promoting the role of marketing within the organisation. This would assume marked differences in opinions between the 8 marketing and the 6 fee-earners professionals. The data collected and the subsequent analysis do not confirm this assumption. In fact the information obtained from the interviews with fee earners have complimented and re-enforced the information obtained from the marketing executives. Interview after interview confirmed and supported the lines of enquiry. No discrepancy has been detected.

The analysis of the sample shows a relative balance achieved between type of profession, size of firm, geographical location as well as marketing vs. fee-earner professional interviewed.

### 6.6.2. ACCESS

For practical reasons a combination of purposive or judgmental sampling and convenience sampling has been used. Purposive sampling enables the researcher to make a judgmental decision in the selection process, whereas convenience sampling involves selecting those organisations that are easiest to access. The drawback in the latter case is the possible introduction of bias, but this can be controlled through the use of triangulation, which is the use of different data collection methods within one study in order to maximise the reliability and validity of the data. This is further discussed in section 5.6.3.

There was apprehension at the start of the present research that difficulties will be encountered in gaining access to firms and interviewees. This has proved unfounded. A systematic approach in contacting firms through a

variety of methods has brought a steady stream of potential candidates. The methods used were:

- Cold calling
- Placing an advert in the Marketing Forum Newsletter
- Personal contacts and networking

More difficulties were encountered in obtaining interviews from fee-earning partners, as their time is closely monitored and channelled towards bringing in revenues. It has been far easier to get access to Marketers or Practice Managers involved with marketing within the firms although good interviews were obtained from Principal Partners and Managing Partners in 6 out of the 14 firms studied. A complete summarized overview of the background of all the interviewees along with details of each interview can be found in the Accountancy and Law Comparative Tables to be found in Appendices D and E respectively. It is interesting to note that all interviewees have been very generous with their time. The interviews have varied between 50 minutes and almost three hours. All of them have been audio taped and transcribed verbatim.

Assurances of confidentiality in respect to named individuals have been given at every opportunity in order to achieve the trust required. Also assurances have been given that the stored data will be secure and not used for other purposes than those intended. Ultimately, the circulation of the completed research need to be restricted, as the identity of the firms cannot be disguised without serious loss of meaning.

### 6.6.3. BIAS IN DATA COLLECTION

A most serious aspect of the present research has been the concern regarding the bias that might be introduced by the interviewer and by the interviewees that would impair the quality of data and thus undermine the research outcome. The interviewer's bias relates to comments, tone of voice and non-verbal behaviour that might influence the interviewee's response. It



might also relate to the perception given by the interviewer of his or her authority in the matter discussed and thus induces the interviewee to give answers to please the interviewer.

As explained in section 5.2. the present research has adopted the phenomenological paradigm whereby the observer is part of the phenomenon studied with the deliberate objective of understanding its meanings and what is happening. Therefore the bias introduced by either the interviewer or the interviewee has to be accepted and has been considered in the analysis of the data collected.

Interviewees' bias relate to their perceptions of the interviewer as a person, of her knowledge of the firm and its business and her own bias towards marketing, for example. It is therefore possible that bias could be introduced by the interviewees' conscious or unconscious attempt to align themselves to the interviewer's points of view or expertise. The interviewee might be willing to participate to the interview but be sensitive to certain in-depth exploration of some topics. The successful steering through possible difficult questions is very much dependent on the interviewer's level of experience, communication skills and sensitivity in approaching certain subjects. This has been very much the case in the present research. Answers to sensitive questions have been carefully analysed and their deeper meanings thought and explored. As much knowledge has been acquired by the researcher prior to each interview as possible, of the sector, the firm, its structure and culture and the background of the interviewee. These were all helpful in the process of understanding and acknowledging possible bias.

Overall the researcher followed the key measures recommended by Saunders, Lewis, and Thornhill (2000, p.252) to overcome bias in qualitative interviews as following:

- *Interviewer's preparation and readiness for interviews.* As mentioned previously, the researcher took great care in acquiring as much information as possible and a thorough analysis of this data formed the groundwork prior to each interview;

- *Level of information supplied to the interviewee prior to the interview.* The researcher has endeavoured to send each interviewee the list of topics to be discussed prior to the interview. This practice was followed without fail and has had positive consequences in the readiness and the acceptance displayed by all those interviewed towards the researcher.
- *Interviewer's appearance and overall presence at interview.* Given the professional environment in which the interviews took place, the researcher has been very careful through appearance and style of communication to present herself in a fully professional manner.
- *Nature of opening comments.* This has been viewed as an important aspect of the interview. The researcher believes that a sensitive and open manner of starting the discussion with the interviewee can have a positive impact on its overall success. The practice used by the researcher has been to start with a brief introduction on her position, background and experience followed by the research objectives and the rationale in choosing the firm to be interviewed. This brief introduction had to be clear, succinct but friendly and had the purpose of building trust and putting the interviewee at ease, basically creating an atmosphere of openness and trust.
- *Approach to questioning.* The researcher has used a carefully prepared and rehearsed list of topics, which were generally but not too narrowly followed. Sometime it was felt that letting the interviewer digress and follow a line of thought was more important than to be too strict in following the topics as planned.
- *Impact of interviewer's behaviour during interview.* The researcher has learned not to interrupt un-necessarily. This was felt represented a mark of respect towards the interviewer and has proved beneficial in the quality of data obtained. Small comments steering the discussion have been used when necessary, but generally have been kept to a minimum.
- *Ability to demonstrate listening skills.* This refers to the point made above in respect to listening carefully not only to the content of the

discussion but also to the direction in which it was going. Mental or written notes were made regarding non-verbal signs given by the interviewee during the discussion. These were taken into account at analysis stage.

- *Interviewer's ability to question understanding.* The researcher has endeavoured throughout the data collection process towards clarity in understanding on both her part as well on the part of the interviewees.
- *Approach to recording of information.* All interviews have been fully recorded by audio taping as well as note taking by the researcher.

It is fair to admit that a process of learning on the part of the researcher has occurred during the interview phase of the research, with a good increase of abilities and interviewing skills, as the writer went from one interview to the next. The process of interviewing the fourteen firms started in October 2001 and lasted till August 2002.

#### 6.6.4. ISSUES IN THE USE OF INFORMATION FROM RETROSPECTIVE OBSERVATION

The original research idea has been based on the researcher's personal retrospective observations over a period of four years, while working as Corporate Marketing Manager at ECI Ventures Ltd. – a medium size venture capital company in the City.

Participant observation is a qualitative method of data collection deriving from work undertaken in sociology and anthropology. The purpose of participant observation is to discover meanings in people's actions. Saunders, Lewis and Thornhill, (2000), mention that participant observation has been used extensively in the disciplines attempting to get at the root of 'what was going on' in a wide range of social settings. Although used less in the past in management and business, they consider it a very valuable tool especially in combination with other methods. Easterby-Smith, Thorpe and Lowe, (1991), speculate that if organisations could be viewed as 'tribes' with their own particular sets of customs and practices, then participant observation can be

considered as a valid method in organisational and management research. As an example they suggest the work done by Donald Roy in 1952 that used this method successfully when working as a company employee in the machine shop of a large company. He was able to show how workers manipulated the piecework incentive scheme and managed to offer an explanation for the motives behind this (p.96).

There are a number of different roles, which the observer can assume as part of the research process. One classification suggested by Junkers (1960) is complete participation, participation as observer, observer as participant and complete observer. Easterby-Smith, Thorpe, and Lowe, (1991) consider this scheme confusing when put into practice and put forward their own classification which they claim to be more appropriate to management and organisational research, namely, researcher as an employee, research as explicit role, interrupted involvement and observation alone. The role of the researcher has been of that of employee, working within the organisation, alongside others and being one of them. The observation was not explicit and the researcher was completely immersed into the experience, gaining insights at first hand.

Easterby-Smith, Thorpe, and Lowe, (1991) raise the issue of ethics in respect to participant observation within organisations, which is considered by some researchers as deceitful. Fortunately, this is not the case, as the researcher was an unwitting observer at the time, without any intentions of using the observations for research purpose.

A more serious issue could be raised at this point regarding the reliability and accuracy of observations made so long ago and based mainly on recollections and notes. It is important to note that these observations were exclusively used as a source of questions for this study and not in providing the answers. A more detailed presentation of the original observations can be found in Chapter 1. Further use of observation as data collection method was not considered to be feasible due to time and accessibility constraints.

## 6.7. ANALYTICAL PROCEDURES

This section describes two specific analytical procedures that are particularly applicable to qualitative analysis as presented by Yin (1994). These procedures are based on a deductive approach which is the one adopted for the current research.

### 6.7.1. PATTERN-MATCHING

*Pattern-matching* involves predicting a pattern of outcomes based on theoretical propositions to explain what is expected to find. The basis of the procedure is the theoretical construct or framework, which will dictate the relationships between variables. There are two variations relating to this relationship. The first involves a dependent/independent relationship, whereby the outcome of one set of variables is dependent on the set of independent variables. If the predicted outcomes are found, the process is on the right track. On the other hand, if unexpected outcomes are found then the theoretical propositions need to be adjusted.

The second variation involved variables, which are independent of each other. In this case, a number of alternative explanations need to be put forward based on the expected outcomes. The findings will support one explanation, which is considered the valid one. The others will be discarded.

### 6.7.2. EXPLANATION BUILDING

*Explanation building* involves building an explanation while collecting data and analysing them. This method seems to be similar to the grounded theory approach. However, Yin (1994) differentiates between the two, since the explanation building is still designed to test a theoretical framework, more in an iterative way rather than generating a 'grounded' theory. The following stages have been proposed by Yin (1994) and Robson (1993):

- 1). A theoretically based proposition is devised which needs testing.
- 2). Data collection is undertaken through an initial case study in order to be able to compare the findings from this with the theoretically based proposition.
- 3). If necessary, amendments to the theoretically based proposition are made.
- 4). A further round of data collection is made, and so on.
- 5). Further iterations of this process are made until a satisfactory explanation is derived.

Both pattern-matching and explanation finding analytical procedures seem suitable for the present research and have been given due consideration in the process of data analysis and discussion.

### 6.7.3. QUALITATIVE ANALYSIS APPROACH AND PRACTICE

The approach adopted for the qualitative analysis of data is the one put forward by Saunders, Lewis and Thornhill, (2000), based on a synthesis of a number of authors' approaches and strategies. Based on their suggested approach, the mass of qualitative data has been disaggregated into "meaningful and related parts or *categories*" (p.382). This has allowed for a rearrangement of data and a systematic analysis. It represents a transformation of the nature of the data collected in order to allow for:

- Better comprehension and data management
- Merging of data from different transcripts and related notes
- Identifying key themes or patterns for further analysis
- Development or testing of hypotheses or theories based on these patterns or relationships
- Drawing and verifying conclusions

(Saunders, Lewis and Thornhill, 2000)

Following this approach, the analysis of data was done on all of the fourteen firms' transcripts. As more than one person was interviewed in some firms, the analysis for each firm involved the merging of data from all the transcripts and the secondary research notes done for each firm. The data from these

sources was categorised using the format of the interview plan (see Appendix B). Each topic or theme from that list became a general category of analysis. It is important to mention that certain categories had to be kept general, as there has been a certain variation in the amount and level of detail of the data. For example, the category named 'Introducing the firm' was deliberately left general to encompass a wider description of the internal and external illustration of the firm covering information such as markets, specialisms, position in the market or league, mission, geographical location and coverage. In certain cases, information which was deemed to be essential to the understanding of the research topic had to be discussed, such as for example, the circumstances of the appointment of the interviewee in his or her new position or the ambitions of a particular firm in joining a select group such as the 'Magic Circle'.

The practical approach of data analysis involved the reading line by line of the transcripts and allocating the relevant information from the line(s) or paragraph(s), depending on their meaning and suitability, into one of the defined categories. A sample of an interview transcript showing analysis coding can be found in Appendix C. The written analysis of this process has followed the search for emergent patterns and relationships in the re-arranged data grouped into the identified categories. These have been joined with others, kept as originally defined or subdivided in order to refine or focus the analysis as recommended by Dey (1993). A full list of all analytical categories can be found in Appendix B.

The process of assigning data and developing categories was done again in the meta-analysis of all the firms' analysis for the purpose of developing of Chapters 7 and 8 – the discussion of results. This time the categories identified were those developed from the proposed theoretical model in Chapter 5. All fourteen firms' analyses have been analysed again line-by-line / paragraph-by- paragraph and the information allocated to the categories identified. Again the search has been for emergent patterns, relationships and trends. These have been used to refine the theoretical model proposed as described in Chapter 9.

The purpose of the research has been to find meanings and reach understanding from the very detailed interview transcripts. As it has been considered important to analyse every nuance, the audiotapes have been transcribed verbatim and the material has been used in the fourteen firm analyses as well as in the meta-analysis in Chapters 7 and 8 with almost no alterations. The interviewees represent a cross-section of individuals with a variety of verbal abilities and communication skills. Therefore, certain quotes seem, at times, to be grammatically incorrect or stunted. The writer has not cleaned the errors, as this provides colour and meaning to the analysis. Making them grammatically correct would have been an interference that might have altered their true meaning. Very occasionally there was the need to insert a word or a short explanation in order to clarify a meaning. These are always appearing in brackets in the quotes used.

It is relevant to point out that the present research has proved the statement made by Saunders, Lewis and Thornhill, (2000) that,

“Data collection, data analysis and the development and verification of relationships and conclusions are very much an interrelated and interactive set of process” (p.387).

#### 6.7.4. BIAS IN DATA ANALYSIS

Bias in data analysis might be due to the background, education and experience of the researcher and this is relevant here given the qualitative nature of the research and the fact that data analysis has been undertaken on perceptions of the interviewees in regard to the role, function and application of marketing within the professional organisation. It is therefore appropriate at this point to have an expose of the researcher's background in marketing in order to clarify the basis on which the analysis has been made and the conclusions drawn.

The researcher's background is seeped in the professions. Starting from a professional family background and upbringing, the researcher has acquired



two degrees, firstly, the equivalent of an MSc in engineering, the second a MBA in Business Administration and a specialisation in Marketing and International Marketing. The researcher has 5 years of experience as an engineer in Automation and Electronic Components production and testing and 25 years of experience in various aspects of Marketing acquired in a number of multinational firms as well as SMEs in Europe, USA and finally in the UK.

The researcher has been able to observe a number of changes happening within the professions, from the apparent loss of status of engineering in the UK compared to Europe and the US, to the transformations of the traditional liberal professions following globalisation pressures, in particular the increased power and reach of merged large law and accountancy firms. Working experience in large and small commercial organisations as well as well as in a City Venture Capital professional organisation, pinnacled with the academic experience of the last seven years, have given the researcher the ability to compare the understanding and application of marketing within these various organisations. The impetus for the research has come from all the accumulated knowledge and experiences within and through the contact with so many professions.

## 6.8. ENSURING CONVINCING QUALITATIVE RESEARCH

Researchers in organization studies and generally in social sciences that have been using qualitative methods have had a difficult time in convincing their peers of the validity of their work. Some had to resort to triangulating the qualitative data with quantitative data in order to generate theory that could be then tested by peers. It is this aspect of independent testing that has damned qualitative research, as it is dependent on the personal interpretation of the researcher. This is the opinion reflected by Golden-Biddle and Locke (1993), saying,

“When the interpretive perspective of science is adopted, as in much of the work based on ethnography, the generally-accepted standards and

practices for writing and assessing the convincingness of this work become increasingly difficult to apply” (p.595).

The interpretive perspective, as explained by Golden-Biddle and Locke, considers that individuals use symbolic forms such as ideas and concepts to give meaning and structure to their social experiences. In effect, this perspective puts greater importance on individuals’ ideas, concepts, values and beliefs, which are expressed through language rather than on individuals’ behaviour. The researcher’s written work becomes a ‘text’ which can then be subjected to a ‘literary criticism’ approach, in effect an interpretation by the readers based on their background and experience. Using Golden-Biddle and Locke’s metaphor,

“...research products become texts, which researchers develop and readers interpret. Ethnographers develop texts by entering the field setting and converting the stream of field experiences into their written form, initially through their field notes and later through their manuscripts which are read by colleagues (including journal reviewers) and others...” (p.596).

Golden-Biddle and Locke contend that a ‘fundamental asymmetry’ occurs between the reader and the text because of the dissimilarity of experiences by the reader compared with the author or researcher. Given this difficulty it is important for a research based on ethnography to ensure that it can convince and moreover that it can prove its value. Based on a positivist tradition of science they suggest three dimensions of convincing of ethnographic work, namely, *authenticity*, *plausibility* and *criticality*. These are of paramount importance in ensuring the methodological rigor in pursuing accuracy, universality and researcher’s independence.

The Golden-Biddle and Locke dimensions of convincing in ethnographic research have been adopted in this instance to prove the value and rigor of the present work, as follows:

1. *Authenticity*. It has been the express purpose of the researcher to convey the genuine field experience as proof of ‘being there’. This has been achieved though deliberate and painstaking collection of data through extensive data

recording, but also parallel field notes on the firms visited and the individuals interviewed. Details of places, locations, relative position of the individuals interviewed within the firm, their backgrounds and experiences, their knowledge and training in marketing, etc. and far more personal detail have been recorded and have been systematically analysed and displayed in the Firms Comparative Tables to be found in Appendices D and E. Therefore authenticity is proven here through 'first hand experience' which the researcher has tried to convey in the analysed text the fact that the researcher has endeavoured to understand the interviewees' world as much as possible according to how they viewed it. Part of the convincing involves qualifying the personal bias of the researcher and author. This has been achieved through the depiction in the previous section 6.7.4.

It is important to make an important distinction between accuracy and authenticity. According to Golden-Biddle and Locke (1993), accuracy denotes preciseness and correctness, which leads to the possibility of creating one perfect account of the interviewees' world in other words an 'absolute' or 'universal' type of world. As mentioned previously, this is impossible and undesirable. Therefore ethnographic texts such as those used in the present research, need to convince through authenticity.

*2. Plausibility.* Providing a plausible story is a difficult task as it questions the 'common concerns' of the author and the reader, basically the author needs to establish a connection to the personal and the disciplinary backgrounds of the readers. Bridging the gap between experiences can prove challenging as it implies a skill in conveying a familiarity and relevance when writing the text.

The researcher has endeavoured to use a step-by-step approach in presenting the analysed material in order to create the familiarity with the reader. Concepts have been clearly, consistently and appropriately been defined and exemplified with excerpts from the data collected and analysed. The author has consistently endeavoured to 'bring to life' the text by making the story described as lively and interesting as possible. This has been felt necessary in order to convey the enthusiasm felt not only by the researcher

but also the energizing and surprising fervour and eager participation of almost all interviewees. Golden-Biddle and Locke (1993), give account to their observation of the need to *legitimate the atypical*, by using a “potent strategy” of writing into the text common experiences and broader categories which the text appeals to the readers to “hold in mind” (p.606). They also consider important to make sure the text emphasises the distinctive or singular contribution made by the researcher. This has been repeatedly made throughout the analysed text, in particular in respect to the two theories used contingency and institutional within the professional context and the findings regarding the marketing champion and other distinctive conclusions.

3. *Criticality*. Golden-Biddle and Locke (1993) view this dimension of convincing related to the ability of the author to probe through the text the readers’ ideas and beliefs that are ‘taken-for-granted’. This is probably the most difficult to achieve out of the three dimensions because of the strain it puts on the author to provide not only understanding of the interviewees world but also to provide,

“...a cultural critique of the assumptions underlying the prevailing theories and lines of thought in organization studies” (p.600).

This will challenge the conventional thought in which the organisational phenomena are perceived and studied. In fact, Golden-Biddle and Locke agree that the first two dimensions would be enough to ensure convincing of ethnographic texts. Nevertheless they assert that,

“Perhaps more clearly than in the other dimensions of convincing, a text achieves criticality not only through substance of its message, but through its form and rhetorical style” (p.600).

It has been in the researcher’s purpose to improve on the criticality of the analysed material by actively probing and challenging the known assumptions in order to reveal differences and new possibilities.

## 6.9. CONCLUSIONS

The research approach and strategies chosen can be summarised as follows:

A combination of both positivist and phenomenological paradigms has provided the philosophical underpinning to this research. The research approach has been iterative, allowing for more flexibility if changes of emphasis are to be made as the research progresses. Adopting a deductive approach whereby the research work will be initiated from a theoretical perspective has allowed for certain advantages in the study of marketing within the professional context.

The research strategies adopted involve the use of relevant secondary data, which have provided useful comparative and contextual information especially in the exploratory phase of the research process. A decision has been made to use qualitative research methods, which have provided a better fit for the research objective of understanding the resistance to marketing implementation and use within professional firms.

Semi-structured in-depth interviews of personnel within professional firms have been used throughout this research. Two specific analytical procedures which are particularly applicable to qualitative analysis have been considered, namely pattern matching and explanation building.

From the perspective of the researcher as ethnographer, it is important to explore and refine not only theories and concepts but also to challenge the prevailing assumptions and beliefs.

This chapter has concentrated on making methodological choices, which should be seen,

*“...as guiding principles for the creation of knowledge and in order to be effective ‘they must ‘fit’ both the problem under consideration and*

the ultimate presumptions held by the creator of knowledge” (Arbnor and Bjerke, 1997, p.9).

In the pursuit of an understanding of the barriers to marketing acceptance and use within professional service firms it was deemed important to achieve understanding of marketing nowadays compared further on with the perceptions from the professional firms studied. This has required an in-depth understanding of the professions, from a sociological perspective, which was covered in Chapter 3 and from an organisational point of view covered in Chapter 4.

Comprehensive research has revealed that there has not been any significant work undertaken in explaining the empirically perceived barriers to marketing within a professional context. Chapter 5 has provided an exploration of the theoretical frameworks relevant to marketing and the professional service firms respectively, namely the Contingency theory and the Institutional theory. It has put forward a theoretical model that explains the barriers to marketing within professional service firms, to be validated by the primary research undertaken.

This chapter has explored the understanding of the philosophical issues on which the research design is based. The different approaches and strategies to the research have been discussed as well as the logical step-by-step approach to the choices made in the data collection and analysis methods used. Throughout it has discussed the various problems and limitations related to the primary and secondary research process and the solutions adopted.

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## **CHAPTER 7**

# **CONTINGENCY AND INSTITUTIONAL IMPACTS UPON THE PROFESSIONAL ORGANISATION**

### **7.1. INTRODUCTION**

The preceding chapters have:

1. Introduced the problem of the barriers to marketing within professional firms. Presented the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of the thesis.
2. Reviewed the currently accepted understanding of marketing and its evolution through a comprehensive outline of the intellectual and pragmatic sides of marketing and the changes that are occurring within marketing management as a body of knowledge, theory and practice.
3. Reviewed the sociological approach to the professions covering the various definitions, classifications and models such as the 'professional project' and the 'power approach'. The nature of professional knowledge has been explored. The study of the struggles for legitimacy provided an understanding of inter- and intra-professional competition relevant to the present research. Finally, the changes in the professions have been explored through the commodification and commercialisation issues.
4. Explored the traditional professional organisation and the radical transformation it has undergone in recent years. It has examined its responses to the environmental pressures of increased competition, more demanding and sophisticated customers, deregulation, technological advancement and globalisation. The focus of research has been on two of the traditional professions, accountancy and law.

5. Provided an exploration of the theoretical frameworks relevant to marketing and the professional service firms respectively, namely Contingency theory and Institutional theory. It has put forward a theoretical model that explains the barriers to marketing within professional service firms, to be validated by the primary research undertaken.
6. Presented the understanding of the philosophical issues on which the research design is based. Discussed the different approaches and strategies to the research and will show the logical step-by-step approach to the choices made in the data collection and analysis methods used. Throughout it has discussed the various problems related to the primary and secondary research process and the solutions adopted.

The purpose of chapters 7 and 8 is to substantiate and refine the theoretical model put forward in Chapter 5 through a discussion of the synthesis of the fourteen individual analyses done on the data collected on the firms studied (see Appendices D and E). The chapters are structured along the framework of issues identified in Chapter 5, which are considered essential in the process of validation of the proposed theoretical model. The purpose of the primary and secondary research is to prove or disprove the theoretical model.

Given the considerable size of data collected and the extent of the analysis, it has been deemed sensible to split the meta-analysis into two findings discussion chapters, as follows:

**Chapter 7 – CONTINGENCY AND INSTIUTIONAL IMPACTS UPON THE PROFESSIONAL ORGANISATION** will cover:

- The perceptions of contingency and institutional pressures by the professional organisation;
- The responses to these pressures in terms of changes to the organisational structures and systems;



- The professional organisation's attitude towards change given its historic roles and professional culture;
- The level of understanding of the marketing concept and function;
- The degree to which marketing is the preferred choice of organisational change when faced with sustained environmental pressures;
- The acceptance or rejection of marketing as an agent for change by the professional organisation.

Chapter 8 – BARRIERS TO MARKETING ACCEPTANCE AS MANAGEMENT TOOL will cover:

- The causes of resistance to marketing acceptance and implementation as a management tool;
- The influences of the individual characteristics of the professional archetype, in particular the professional partnership and the professional culture in the process of acceptance and implementation of marketing as an agent for change;
- The level of adoption of marketing as a strategic agent in maximising organisational effectiveness.

## 7.2. PERCEPTIONS OF CONTINGENCY AND INSTITUTIONAL PRESSURES BY THE PROFESSIONAL ORGANISATION (ACCOUNTANCY AND LAW)

External validation of the respondents' perceptions of contingency forces has been considered important in achieving a thorough and reliable data analysis. The environmental pressures acting upon accountancy and law firms globally and in the UK in particular have been reviewed in detail in Chapter 4. This was done based on consulting press and academic material in order to put together a picture of the state of the accountancy and legal sectors at present, their development in the last twenty five years and what are the pervasive trends. The findings obtained through secondary research will be validated against those obtained through the survey undertaken.

The review of secondary sources of the environmental pressures upon the professional firms done in Chapter 4 revealed that:

- In the accountancy sector the overall pressures are globalisation, competition, technology and external regulation.
- The accountancy industry is encumbered internally with the conflict of interests caused by the nature of the partnership organizational structure and a compromised self-regulation based on the traditional professional culture.
- In the legal sector the most influential contingency factors have been again globalisation, deregulation, technology as well as the trend initiated by the giant accountancy firms towards providing global clients with integrated professional services through multidisciplinary practices (MDPs).
- In contrast to the accountancy sector, the law profession has been somewhat sheltered from environmental pressures due to its historical local relationships and local and national laws that have maintained the relative fragmentation of the industry. For example, the Scottish legal firms traditionally protected by a very loyal private client base that, in

turn, demanded continuity and loyalty, have been faced by acute contingency pressures leading to restructuring and consolidation.

- The client pressures within the legal sector have been exacerbated through the dramatic change in the demand of the profession with a shifting of the balance of power between corporations and their law firms. The consequences have been the loosening of the traditional historic ties between corporations and their law firms and the increase in the influence of the internal corporate counsel in the choice of law firms based on best expertise combined with best value for certain types of specialism.

### Strong Awareness of Contingency Pressures

The research undertaken has revealed that at the top end of the professional firms there is acute awareness of environmental pressures. For example, Numerica, the only accountancy 'consolidator' surveyed, is far more articulate than other professional firms in acknowledging,

"The UK accountancy market is undergoing dramatic changes as a result of current concerns about auditor independence, regulatory developments and increased client expectations" ([www.numerica.biz](http://www.numerica.biz), seen 27<sup>th</sup> November 2002).

It is also very much aware of the pressures coming from press and the regulators in particular from SEC in Washington, in respect to auditors' independence. In their Special Numerica Issue (Autumn 2001), it gives as a justification for integrating the pressures felt from increased competition. It states,

"The professional market has been facing constant evolution for the last 25 years and as a result working practices have changed significantly. The relaxation regarding marketing, the technology revolution and ever increasing expectations from clients, have led to great improvement in terms of technical development, improving standards, and quality control. But this all comes at a cost in an increasingly competitive business climate" (p.2).

Extensive knowledge regarding competition is available from partners and staff from the merged firms who have worked previously at their present competition.

At the top City Law firm Linklaters, environmental pressures are perceived to be “Very strong, they’re certainly very strong” (TL, 593). The lawyers are driven by the need to increase income from existing clients and get new ones constantly. The competition is felt intensely, the relationship being one of ‘healthy respect’ between competitors, rather than friendship. It is clear that the task of breaking into the Magic Circle is seen within Lovells as a competitive challenge and an uphill struggle with serious consequences if it doesn’t succeed. The Business Development Director is well aware of the fierce competitive pressures within the circle from his experience at Allen & Overy. He is reporting intense pricing competition between the Magic Circle firms especially when it comes to winning prestigious deals. He views the Magic Circle as the result of a consolidation process similar to the one the accountancy sector underwent in the previous decade. He believes that,

“This heralds an increasing consolidation of expertise, of client confidence, of deal activity and unless the firms such as Lovells very quickly manage, by right, to work its way into the Magic Circle, I think that a gulf will start to appear between us and those Magic Circle firms and we’ll be left behind” (TL0, 116).

#### Threat from Multidisciplinary Practices (MDPs) and the Consolidators

The growth of multidisciplinary practices (MDPs) is viewed as a potential danger, although receding. There was an expectation upon the first election of a Labour government that certain regulatory practices would be abolished, which would have paved the way for MDPs. This would have caused the legal sector to be under accelerated merger and acquisition threats with,

“The accountants coming in and hoovering up some of the big practices and creating big multi-disciplinary monoliths but that didn’t happen and I think it’s even less likely to happen now post Enron” (TL0, 802).

The opinion is different at Bell and Scott, where the Practice Manager believes in the increasing likelihood of accountancy and legal services delivered by one service provider,

“I suspect, ultimately they will be grouped together...solicitors and accountants will become more as one, in the way they are perceived by people, because it is a delivery of professional services to one client, one target” (TBS, 553).

She foresees client databases being merged, shared and targeted by the two professional groups, as well as sharing of resources. The only possible problem would be the merging of the legal and accountancy cultures.

For medium sized professional firms such as Wilkins Kennedy, competitive pressures are seen to come from the consolidators, such as Tenon, who have acquired a number of independent accountancy firms from the surrounding locality. The merged firms' integration within one very large firm has meant the loss of control for their respective Partners, economies of scale and higher fees imposed. As a consequence, a number of their pre-merger clients have become dissatisfied, opening some interesting opportunities for Wilkins Kennedy. The Partner in charge of marketing at Wilkins Kennedy believes the decision made by the firm not to join the consolidators is right, but there is a subtle understanding that in the long term this might change. The reason given for the decision was that,

“We took a decision to stay outside the consolidators because we felt it was beneficial to our clients and for ourselves not to be, it would be a positive disadvantage to our clients, for us to join a consolidator and I think that also breaks down friendship with clients” (TWK, 1174). Competition is being monitored closely, though, “It's not always easy... but generally we can obtain the information one way or another” (TWK, 1210).

The relationship with the competition is neutral and guarded. The perception of the market is that there is a polarising effect, which is happening in the aftermath of consolidation, with the consolidators acquiring medium sized firms and leaving a gap which Wilkins Kennedy are happy to fill.

For the marketing pro-active firms the general competitive environment is seen as more friendly. Increases in clients' acquisition rates have been facilitated by the relaxation of marketing restrictions, such as mail shots and telesales. As Sobell Rhodes' Managing Partner explains,

“We are making good inroads in attracting quality clients from the Big Five firms that two or three years ago may not have been possible. Overall it is a more friendly environment for us to attract more business” (TSR, 682).

### Threats from Regulatory Pressures

There is considerable anxiety in the accountancy sector over regulatory pressures from EU legislation that might be introduced in the UK, which would raise the turnover threshold from £1m to £4.8m at which companies have mandatory audit requirements. This would put a lot of SMEs outside the scope of the legal requirement and would hit the auditing accountancy sector very hard, in particular the smaller practices such as Langley Partners, whose bulk of clients are small enterprises or sole traders. It is estimated that small accountancy firms operate in a market that is 90% made of small family run businesses. Survival for accountancy firms will require diversification long term into other services, such as business consultancy, taxation advice in regards to self assessment, VAT expertise, assisting companies investigated by the Inland Revenue, forensic and matrimonial accounting. Many small accountancy firms do not have such an expertise.

Nevertheless, for a marketing pro-active firm such as Sobell Rhodes Government and EU pressures have induced them to, “...have more and more added value” (TSR, 801), driving towards a greater use of marketing practice. The Managing Partner feels that,

“In terms of the EU policies I haven't noticed any that would affect marketing insofar as we are concerned” (SRT, 1040), although he is aware of European accountancy firms being “far more restricted in general than we are in terms of their marketing. They do a lot less marketing than we do...” (TSR, 807).

## Threats from Client Pressures

There is a realization at Langley Partners, a small North London accountancy practice, that clients are becoming more demanding in terms of levels of service and quality,

“The market now dictates what you have to offer, what is a common phrase ‘a value added service’, if you’re not capable of offering your clients a value added service, they will not stay with you because they now, not only expect it, they demand it, the clients that are, for use of a better word ‘clued up’” (TLP, 197).

The dramatic change in the demand of the law profession with a shifting of the balance of power between corporations and their law firms noted from secondary research has been confirmed by the concern expressed by the Director of Business Development at Taylor Wessing regarding the possible repercussion of high fees demanded by top law firms. She says,

“I just don’t see how it can be justifiable for the level of profits to be accepted by sophisticated clients and increasingly I don’t think it will be” (TT2, 470).

The growing importance of the in-house lawyers will be the undoing to this situation. Their leveraging influence is growing to a point where it will tip over the balance of power between clients and their law firms. She explains,

“In-house lawyers are a relatively new breed, they’re moving into big businesses, they buy our services, they came from this background, they know how it works and if a recession hits proper, to my mind then, they’re going to say, I’m sorry I’m not paying that, I’m just simply not paying it, if you want my business that’s the rate that I’m prepared to pay” (TT2, 471).

This signals a tipping of balance of power within the buying chain of the client-lawyer relationship, towards the client. Such a situation having already occurred in other professional sectors such as accountancy, could trigger a ‘revolution’ requiring “...massive investment and behavioural change” (TT2, 482), although the legal firms seem to be ill equipped to do it. Change will not occur unless there are contingency pressures to do so, as can be seen from this quote,

“Until they’re forced to and as long as the guys are earning too much money, they’ve got no need to change” (TT2, 484).

Change will occur only slowly as lawyers are cushioned against the consequences of an economic downturn through their litigation work. The rationale put forward by the legal profession in support of the high level of rates is that provision of legal work is dependent upon a personal professional delivery that cannot be automated. She says,

“There’s also quite an arrogance in lawyers thinking that they cannot automate things, ‘I really do because I’m so clever’ and of course they are clever, but an awful lot of it is just too manly driven, I’ve always felt that, but until someone makes them change, they won’t” (TT2, 491).

This shows that change within the legal profession is dependent on certain levels of contingency pressures.

The Scottish firm Anderson Strathern perceives control over its environment as uneven with “...an extremely tight grip on the (private client) market” (TAS, 775) due to the traditional strong loyalty from the “landed gentry and old money” and rural clients. Certain Anderson Strathern Partners have relationships to these clients that are very strong, even family bonds,

“We have a number of very, very experienced fee earners that have such a vested interest in the market place itself that their fee earning abilities are much stronger than a lot of the other firms could possibly be” (TAS, 775).

Conversely, the corporate market is far more competitive and the work of the Corporate Department far more liable to external factors, as explained by their Marketing Executive,

“The firm has less of a grip on the market at the moment because we’re struggling with changing our own image away from private clients into these new areas and that’s where things like the re-branding of the Employment Unit come in because it’s a younger, fresher area of work so we’re making moves to push ourselves out more prominently in those areas...So I think the level of control, it varies vastly between departments” (TAS, 783).



### Threats from New Entrants

The thinking behind the design of the data collection envisaged that new entrants into the professional sectors would create contingency pressures upon the firms. The analysis of data revealed that new entrants were perceived to be threatening only for firms at the very ends of the size scale. The Senior Partner of Robert Clow Accountants worried about the impact of rogue accountants without proper training encroaching upon his business, whereas, at the other end of the scale, the Business Development Director at Lovells perceived US firms to be the new entrants in the legal sector at the time of the survey. There was a clear perception that,

“...there are a number of US firms now, which are making a play for Europe in a way that they haven't, they're getting far more aggressive” (TLo, 774).

The competitive pressures were seen to have increased following transatlantic deal activity, pushing a lot of UK firms to seek dual listings on Wall Street. The US firms were hitting back, arguing that,

“...only they have the relevant regulatory securities expertise to be able to advise on that kind of thing, and that's why you see Clifford Chance opening large in New York. You've got Linklaters sending their senior people over there full-time to start engineering mergers. You've got Allen & Overy recruiting some of the brightest and best ...so as to bring on board that securities ... expertise, so as in turn to defend against the encroachment from the US of those firms” (TLo, 776).

### Friendly Competitors

In certain niche situations within the legal environment, relationships with competitors are kept more than friendly as they can be a source for referrals, as described by the Partner in charge of marketing at Clintons,

“If they can't act (on behalf of clients) we will act and the entertainment industry is quite a small world, so, if for whatever reason you have a common interest, which happens frequently, you know you've got three

or four other lawyers who you can give the work to, so it's an extremely important relationship, the relationship with competitors, particularly in the entertainment world" (TC, 493).

This unique working relationship between direct competitors is only possible in the legal environment where each opposing party has legal firms to represent them. Their knowledge of the competitors needs to be, and usually is very good, as partners have to study carefully their opposition when representing clients. Clintons are also shielded from globalisation pressures due to the nature of their expertise and the market they are operating in, most of their clients prefer, for reasons of privacy, to use the services of a smaller firm. These clients,

"...would never even go to an international firm, (so) we don't feel particularly threatened by international, it's just simply another world, in reality" (TC, 569).

A similar situation has also been reported by the Marketing Director at Burness who has a high awareness of the political scene in Edinburgh, regarding competitive trends and referrals opportunities. Burness is the smallest of the five big Scottish firms and the only one without a London office, so they rely heavily for corporate work on referrals directly coming from competitors.

Having identified that the accountancy and legal firms researched are acknowledging the general seriousness of the external contingency pressures they have been subjected to, it is important to examine the form and strength of their reactive measures in term of organisational changes. The research has revealed that in addition to the contingency internal and external contingency pressures of the clients, competitors, technological advancement and globalisation identified in the theoretical model in Chapter 5, professional firms have had to undergo sometimes dramatic organisational changes due to the serious conflict of interest within the profession and the implications of regulatory pressures deriving out of this as well as the succession conundrum, as presented earlier in Chapter 4.

The challenge to the present study is to demonstrate the direct link between the various responses and the identified contingency pressures as follows:

- Responses to the Conflict of Roles within the Professional Organisation
- Responses to Succession Pressures
- Responses to Client Pressures
- Responses to Competitive Pressures
- Responses to Technology Pressures
- Responses to Globalisation

These will be reviewed in the next section.

### 7.3. PROFESSIONAL FIRMS' RESPONSES TO CONTINGENCY PRESSURES IN TERMS OF CHANGES TO ORGANISATIONAL STRUCTURES AND SYSTEMS

The two chosen industries have been scrutinized to identify if the contingency pressures have been making an impact on the firms' strategies and to what degree these firms have been impervious or receptive to change.

The secondary data review done in Chapter 4 has revealed that:

- The accountancy industry has seen wave after wave of mergers and acquisitions that have intensified sharply with the arrival of the 'consolidators' - a new organizational formula designed to resolve firstly, the conflict of interest created by the provision of audit and consultancy under one roof and secondly, the issue of succession.
- In the legal sector there has been an unprecedented process of consolidation at national and global levels through repeated mergers and acquisitions. This indicates clearly that the industry is under considerable contingency pressures.

- The double movement within the legal sector of consolidation especially on the global scale and the large discrepancy between earnings of partners in the giant firms dealing with corporate M&A work compared with small or legal aid practices.

### 7.3.1. RESPONSES TO THE CONFLICT OF ROLES WITHIN THE PROFESSIONAL ORGANISATION

In contemporary times the professional service sector has faced a serious conflict between how it views its role as a provider of independent and impartial professional expertise and the pursuit of profits. In their quest for continuing growth and maximization of profits, the professional organisation is leaving the static and immovable environment of the traditional professions and is finding itself within an environment subject to environmental contingency pressures from clients, competition, globalisation and regulation. The professional service firms have been very reluctant to go for a complete separation of these two strategic directions and have continued in practicing both, as it served their interests for continued growth. In the accountancy sector, auditing has provided a guaranteed entry into client firms making it far easier for advisory services to be promoted and sold by their consultancy departments. David Furst, the Chief Executive of Horwath Clark Whitehill, expressed in *The Times* his reluctance at the idea circulating of segregation, or the de-coupling of audit and non-audit work in order to resolve the conflict of interest existing in the industry. In his view,

“Auditors should not provide any service, such as internal audit or the selection of financial systems, on which they are asked to provide an independent view. However, in other areas, their in-depth knowledge of a client and the world in which it operates makes them best placed to advise on business matters” (Furst, 2002, p.30).

Even the ‘consolidators’ who have decided to separate their auditing from their consultancy arms have done it half-heartedly. For example, Numerica, one of the largest ‘consolidators’, with all the variety of safeguards it has set in place to ensure that it cannot bear influence upon the audit opinions issued by

AV Audit, displays the conflict of interest still very much in place through the admission of the Group Marketing Director that,

“Effectively Numerica Business Services sub-contracts staff to audit, to HRB AV Audit, so the same people will be working on the same job. So there will be a situation where our head of the charity group will be sitting there providing audit and accounting advice to the same client, billing them on two different bills, but that’s where independence comes in because that’s when the independent Conflicts Committee steps in” (TN1, 84).

The Group Marketing Director is convinced that it will still work due to the requirements of transparency and accountability imposed by the publicly quoted structure as opposed to the partnership one. This imperfect solution is a half-hearted response to the pressures felt by the industry from EC Directives and the SEC ruling. It will not be resolved until there are clear regulatory guidelines for a firm separation of conflicting responsibilities. For example, auditing could be provided by a government body, leaving the rest of the accountancy services to be made available by the commercial accountancy sector.

Numerica has been, and still is, under clear and substantial external contingency pressures, from competition, globalisation, technology and increasing regulatory pressures from professional and governmental institutions. It has nevertheless been extremely proactive in accepting and adopting change by re-inventing itself in the form of a merged ‘consolidated’ structure with a completely new organisational model.

Andersen’s implosion has been a frightening wake-up call for the accountancy sector worldwide, which has been watching closely to assess how far will the financial liability travel, given that the reputation has completely gone. There is the worry of long lasting damage reflecting on the whole profession, according to Grant Thornton’s Director of International Marketing Communications,

“Such damage to the profession and the integrity of the profession that you can say, okay well, there are opportunities to develop our

business, but actually the biggest challenge to any accountant firm at the moment...I think it will be some time before the profession regains its reputation" (TGT, 494, 500).

This situation has compelled Grant Thornton to structure its international organisation as a non-trading, not for profit charity based in Illinois. Grant Thornton national firms do not share profits with other firms across borders. This has been implemented down to national and even regional level, where, for example, the Australian firms do not share profits within their national boundaries. By having 'firewalls' between national firms as well as between regional branches it insures that financial liabilities do not spread beyond their own boundaries to bring the global firm down, as seen from Andersen's case.

Even within small practices, such as Langley Partners, the contingency pressures initiated by the conflict of interests are being keenly felt and acted upon. Langley Partners' Audit Manager has the perception of the whole profession being under pressure with firms,

"...putting in contingency plans now", either by getting out of auditing altogether or by finding niches, although "(you) need to have a reputation to go with the niche and it's not as easy ..." (TLP, 93, 95). He says, "...there are so many things that you need to be aware of in the world of regulation that we operate in... we're also in a world, which is coming over from America as well, of court action and negligence cases and the like, so you need to be careful, you cannot advise people inappropriately or off the cuff advice, you need to be extremely careful in how you advise people" (TLP, 562, 564).

There is a clear acknowledgement here of increased regulatory pressures following the Andersen global case. The repercussions seem to be felt all the way down the whole of the accountancy profession.

### 7.3.2. RESPONSES TO SUCCESSION PRESSURES

Identified clearly by the primary research undertaken, succession issues have proven to be a substantial pressure in pushing for change within professional firms in respect to acceptance and adoption of marketing. This is the avowed

reason for Sobell Rhodes' unique organisational structure of a partnership with incorporated subsidiaries. The compelling force pushing Sobell Rhodes to use marketing extensively is due to the two senior partners' retirement and succession strategy. The Managing Partner made this clear to the writer right from the start of the interview. The firm was engaged in implementing a strategic plan of acquisitions in order to accelerate the growth of the firm in order to achieve the necessary critical mass, which would make it more attractive for potential take-over by the consolidators. The partners' retirement packages based on their client list were perceived as not fulfilling their financial expectations, in spite of the business being 'very profitable'. The only way of realizing a substantial capital at retirement by the partners was to sell out to an accountancy conglomerate or consolidator. This issue has also preoccupied and has been extensively debated by the partners at Wilkins Kennedy.

Ensuring long-term survival of the firm linked to the issue of succession is forcing Langley Partners to take a hard look at the firm's future direction. This is reflected in their Audit Manager commenting,

"...we can either say, right, we are happy with our lot and we're happy to stay how we are, or we want to take the next step up, and we've still got a young core of Partners and Managers and this is going to be our lives for the next forty to fifty years for some of us, for others not" (TLP, 129).

Partner succession issues have been resolved at Grant Thornton. The Director of International Marketing Communications says,

"...we're too big; we long ago left that one behind. You have to think of us more as a business than as a big partnership" (TGT, 574). The succession system is explained, "An equity Partner coming in has to put in Partner capital... and he takes it out when he retires and any dividends and benefit he's had from working for Grant Thornton will have been reflected in his income over the years when he was a Partner. So we haven't, as an organisation, paid goodwill since Grant Thornton was set up" (TGT, 575, 579).

This is an interesting example of a successful practice that has faced its problems early on and has bravely undergone change leading to the present partnership structure but with the issue of succession fully resolved. The above quote leads to an interesting question, whether reaching partnership level in such large firms is conditional upon the ability to contribute substantial capital or the demonstration of ability in providing future substantial fees for the firm by what in the US are termed as 'rainmakers'.

At Robert Clow Accountants succession seems, on first impression, to be assured through the father – daughter partnership, although this is not seen as long term. The Senior Partner feels that his daughter,

“...will probably retire with me” (TRC1, 663), due to, what he perceives, is her inability of running the practice, “...she’s not equipped to run a practice” due to lack of “knowledge (and) experience” (TRC1, 671, 675).

She has experience as a very competent auditor but lacks enough experience in tax and in the complexities of running a general accountancy practice covering all specialities required. The Senior Partner’s perspective is of the entrepreneur who, as owner-manager, feels his successor needs to be in control over all areas of expertise required and managing through delegation is not even considered. This is a clear example of lack of management skills in the accountancy professional education hampering succession chances.

### 7.3.3. RESPONSES TO CLIENT PRESSURES

The data obtained through the survey undertaken reveals changes occurring in professional organisations, which can be explained through increased client pressures. The Grant Thornton’s Director of International Marketing Communications reported an important change in customer expectations, which actually influenced the accountancy profession’s response to these new conditions.

“Our clients’ expectations are being conditioned by their experience of other service providers” (Director of IMC, 1993, p.8), she said.



If customers are used to switch suppliers when necessary, as is rather widespread in a commercial context, then this could be extended to providers of accountancy and financial services too. Switching accountants, which is an important decision, was becoming more acceptable. She added,

“The consumer is becoming more receptive to the idea of change and there is more volatility” (Director of IMC, 1993, p.8).

This is also confirmed by the Managing Partner of Sobell Rhodes who knows their old clients are finding it increasingly easy to change accountants. To counter it, he values responsiveness and close bonding with the clients in order to ensure loyalty as well as a careful selection of prospective clients in order to have future happy relationships. He says,

“(Client Relations Management) CRM becomes much more important.. You can’t take it for granted otherwise the clients will leave... The clients are becoming more knowledgeable about how to do it to change their accountants, so you got to get into a good client service in order to retain them and not take (it) for granted, and turning into advocates as well” (TSR, 659, 661).

Client pressures can induce a change within the professional organisation along an organisational model very similar to that of the clients. An interesting example is provided by Wilkins Kennedy, whose management structure at the start of 2001 was completely restructured from a committee based structure, traditionally suited to a partnership, to appointment of partners to head up the firm’s management functions. It is clear that Wilkins Kennedy have decided to follow the same organizational model they generally would advise their clients to have, as described by the partner in charge of marketing,

“...if we were a Limited company or we were advising a client, we would say well you need an IT Director, you need a Marketing Director, you need an HR Director, a Managing Director and possibly a Chairman. So we came at it very much from that focus, so we moved away really from the committee structure to appointing a Partner to head up the various disciplines and for my sins I suppose I was given the marketing position” (TWK, 32).

This approach of replicating the management structure of their clients can be interpreted as a form of mimetic isomorphism practiced by Wilkins Kennedy in its efforts to gain credibility and acceptability in the market, dictated by the need of adapting to the transition from a small firm to a much larger organisation. This is carried even further with the appointment of Marketing Partners for each office that would support the partner in charge of marketing in the management of marketing activities for the whole firm, which is similar to having separate marketing responsibilities out in divisions as would be the case with a commercial enterprise having separate divisions or branches.

The loosening of the traditional loyalty ties between professionals and their clients is perceived by Langley Partners to be at the root of the profession being in the state of flux. Their clients seem to display a flagging loyalty due to their competitors using far more marketing methods and this is seen as an increasing pressure upon the firm. Langley Partners' Practice Manager says,

“...people (clients) don't have the loyalty anymore, they have more focus on things like price and because of clever marketing tools and direct mail and the like, people get indications that they can get cheaper service elsewhere” (TLP, 138).

The fact that competitors can, and do poach some of their clients using various marketing practices, is an indication to Langley Partners of what marketing can offer and a proof of its effectiveness.

In the Scottish market, law firms have been faced with new and challenging client needs particularly in the areas of commercial property, banking and finance, leading to demands for provision of a 'full service'. This has forced firms to merge and consolidate so they could expand and develop their legal offering. Anderson Strathern was founded in 1992, the result of the merger of two long established Edinburgh firms, successfully operating for many years in the traditional market of “the landed gentry, old money” (TAS, 618). They are an excellent example of the unique traditional relationships still existent between lawyers and their individual clients as illustrated by their Marketing Executive,

“The firm is seen as ... a lifetime partner for an individual and for a client rather than being someone that you would nip along to get to do some work and then nip to someone else” (TAS, 619).

Both firms have been in practice for over 200 years, but jointly have embarked on a concerted effort to modernize and evolve. Accepting and practicing marketing, in certain instances, in a vigorous and determined manner is part of this process. The Marketing Executive at Anderson Strathern believes in marketing having a stronger voice within law firms in Scotland. He says,

“I believe entirely that a firm of medium to large size requires to have a marketer at Board level and I think in the future we will probably see Marketing Partners springing up in a lot of smaller firms simply because now the market is so crowded, there’s so many niches and specialisms that people really need to attack - a lot more focused areas and it takes a degree of expertise to make sure that’s done properly” (TAS, 83).

At the time of the interview this was quite a revolutionary view, probably not entirely supported by partnerships across the professional service markets, but a view that is increasingly prevalent nowadays as will be seen in section 6.9.

#### 7.3.4. RESPONSES TO COMPETITIVE PRESSURES

Powell, Brock and Hinings (1999) said,

“Since the late 1980s professions in many countries have seen their statutory protections for providing certain services either reduced or removed completely. This has opened the door to more intra- and inter-professional competition” (p.9).

Breaking into the Magic Circle for Lovells, a top City law firm, involves adopting the same strategy as those firms within the circle specifically, attracting top clients, attracting the best people within the firm, raising the profile as well as the fees, but without having the cachet of the magic circle label, which makes it all undoubtedly the more difficult. Translated in

marketing terms, this uphill struggle is seen by their Business Development Director,

“...(to) be a kind of continuum of activity and as far as I’m concerned my focus is to make sure that we raise our game in terms of our CRM activities, that we start to undertake far more structured and concerted and sustained targeting activities and that these two are far more closely allied to a sustained brand-building campaign” (TLo, 124).

He feels a review of the marketing done by Lovells is necessary to focus it on the values they are trying to communicate. This is a shaking up process involving,

“...(the killing of) a lot of sacred cows in terms of the firm’s existing attitudes because the firm, as highly regarded as it is, is seen as rather grey, seen as a place which doesn’t like to put forward dominant, individual personalities, it likes to see or portray itself as a very friendly Partnership, very collegiate” (TLo, 141).

This assertion gives a clear indication that external contingency pressures created by the competition from the Magic Circle firms are pushing Lovells to adopt marketing measures that would involve a change in the rather institutional or professional corporate culture of the firm.

At Langley Partners, a small to medium sized accountancy firm, stronger competitive pressures and the raising of the audit threshold are blamed for the changes in the profession, which led to adoption of marketing initiatives. Langley Partners’ Audit Manager says,

“The profession has changed a lot over the past eighteen months, probably going back to the past four or five years since I actually started, ... there’s a lot more competition, the audit limit has gone up which means that where we are now placed in the market makes it slightly harder for us” (TLP, 67).

The competitive pressures are felt from the smaller firms who are competing on price, which meant that some of Langley Partners’ clients hit by recession have deserted them. The competitive squeeze is also felt from above with some of their larger clients gravitating towards the Top Twenty or even the Top Four. It is interesting to note that increased competition is perceived as a

change factor within a sector that traditionally viewed it as atypical to a profession. Whereas in a commercial sector competition would be viewed as healthy and necessary, the institutional culture within the accountancy profession makes it alien. It is clear that marketing is being seen as a necessary tool to counteract competitive pressures felt,

“...we’ve really had to take a step back and look at, who we are, and where we want to go, and that’s where marketing came in” (TLP, 79).

Competitive pressures are felt closer and closer to home, with other accountancy firms trying to poach their clients right from under their very noses, as seen from this comment,

“A lot of people undertake the same sort of (marketing) exercise (as we do). We are a registered office for a lot of our clients so we get a lot of correspondence from people (competitors) touting for our client’s business, which is in the form of seminars and newsletters” (TLP, 184). There is a form of institutional mimetism happening here; as Langley Partners are increasingly aware of their competitors’ marketing tactics, they are reacting by doing the same.

The practice of poaching clients from other firms seems to be more widespread than previously expected. For the Junior Partner at Robert Clow & Co Accountants contacting prospective clients directly or cold calling is unthinkable and very much frowned upon, although other accountants are doing it,

“...people do that type of thing, I’ve got clients who have had letters from other accountants” (TRC2, 278).

This practice must be seen as a reaction to increasing competitive pressures felt at all levels in the market.

Competitive pressures felt by Wilkins Kennedy have had their impact on the level of fees as the company has absorbed the rapid increase of salaries without putting up the fees at the same rate,

“...salaries in the market place have probably increased by probably 40% over three years and our fees have probably gone up about 15-18% in three years. Our fee rates are competitive, we monitor fee rates

in comparison to other firms and our fee rates typically fall close to firms far smaller than ourselves...” (TWK, 1199).

The firm has absorbed salary increases and is keen to maintain a competitive level of fees. The margins have been kept by cutting costs through hot desking, packing in more staff in the existing office space, although a move to new premises is being planned.

Coping with competitive pressures is a sign of adaptability and flexibility to environmental pressures. In this respect, Sobell Rhodes feel confident in respect to competitors and good at ‘converting’ competitors’ clients. Moreover, they even feel they can poach dissatisfied SME clients from the Big Four, made easier post Andersen. According to Sobell Rhodes’ Managing Partner, the firm is being pro-active by charging a fixed rate, making themselves different from the competition,

“...we’ll be pro-active, because we try to bring as much added value as possible and we’ll get a set charge for specking out all (the clients’) needs for the next year” (TSR, 488).

Sobell Rhodes’ marketing initiatives are designed and planned according to the market and competitive intelligence collected through networking, allowing them to feel confident in the competitive arena. The Managing Partner says,

“I don’t know anybody that is doing quite like what we are doing. I think we are way, way ahead of any body who it is close to us, maybe a firm up in Bradford who is close (to us) in some areas, but not on such a wide sphere. We are trying to keep up ahead with all the best. So we are trying to be the best of the best” (TSR, 525).

Even for the Senior Partner at Robert Clow & Co Accountants who are at the lower end of the market in terms of size, competition creates “...problems to a large degree” (TRC1, 254). It is interesting to note that they feel the competitive threat coming not from the larger accountancy firms in the locality but,

“...(from the) very small accountants who may not be qualified, may be part qualified, may work from home, have no overheads, maybe

completely useless, may not know anything, but I'm still in competition with them" (TRC1, 260).

The threat of being undercut by sole trading accountants with very low overheads is real as he positions the practice towards the lower end of the fee scale. The competitive pressures on the sole practitioners are forcing them either to merge with others or go bankrupt. He has been aware of the large numbers of bankruptcies happening at the lower end of the accountancy sector for his last 30 years of accountancy practice. Based on this knowledge he is aiming to position the firm to attract a certain level of quality client. He says,

"...one of my main path decisions, is to do just that, try and improve the quality of the client, because I think, it's like in any business, you don't really want to compete at the bottom, but you have to work your way up to a certain... you have to start at the bottom but if you can work your way up to a certain level, hopefully new business will be at that level" (TRC1, 286).

In spite of the declared competitive threats perceived, Robert Clow Accountants have had a steady growth positioning themselves as the traditional high street accountancy practice.

### 7.3.5. RESPONSES TO TECHNOLOGY PRESSURES

Technological pressures have induced the professions to change fundamentally the way they provide their services although there are degrees of acceptance of technological change depending on the level of professional and institutional entrenchment. This can vary across the generations. In the case of Robert Clow & Co Accountants both father and daughter partners admit that technology has changed the way they provide the service, although the Senior Partner is far slower in adopting it than his daughter. Her drive for change is tempered by his reluctance,

"Yes technology, I'm always trying to think of new things to do with it, trying to drag people out of the dark ages. I think everyone's had a computer on their desk apart from (the Senior Partner) for years, (he has) got his three months ago... But we need a better IT Department to actually

really make the most of what technology has to offer” (TRC2, 596). She says, “...you don’t meet anyone who can do book-keeping now without the right software, I mean we’ve got to respect the software, but technology has changed the whole emphasis on what the job involves. You don’t spend time anymore putting accounts together from various books, the computers do it for you, but you do spend a lot more making sure that the accounts have the right disclosures in” (TRC2, 501).

Clients are mainly the agents pushing the profession for technology adoption, as seen from this quote from the Junior Partner,

“...a client came up with the idea to put his accounts on a CD-Rom, he quite liked that idea. I put his annual accounts on a CD-Rom, so he could print it out” (TRC2, 524).

Technological advancements that could enhance services and could provide competitive advantages are not pro-actively sought. Their adoption is almost always reactive based on pressures from clients. This situation is being blamed on the size of the practice. The Junior Partner says,

“I want to keep up with it and if someone else is out there doing something that people (clients) like...particularly being small and keeping up with the technology is difficult because you’re not there, things could pass you by, we could quite happily sit in this building and the whole world could have the next technological revolution and we’d never know” (TRC2, 563, 557).

Some of the professional firms surveyed have managed to turn the technological threat into strength. For example, Numerica sees the adoption of new technology “...as a huge, huge competitive advantage...” (TN1, 495).

Similarly, Grant Thornton is making good use of new technologies and has developed a worldwide intranet successfully used to strengthen the international brand. According to their Director of International Marketing Communications,

“...we’re using technology very well internally and we’re learning how to use it externally” (TGT, 400).



Significant in this case is the use of the intranet in the global teaching and learning process. Grant Thornton's international branches are being taught marketing methods by the UK center via the intranet. The 'Communications' web page has even a link to the UK Institute of Marketing and Marketing Associations. It means that good marketing practice is being spread across the world through their network of firms and through them to the local professional and business practice.

The introduction and use of the Internet has been a definite force for change as Grant Thornton's Director of International Marketing Communications says,

“...the other very big change which also forces a coherence that wasn't there a few years ago is the transparency that flows from the web” (TGT, 520).

Clients' expectations of Grant Thornton presence and image globally are pushing them for clarity, transparency and brand unity, which can only be achieved through a global, unified branding strategy.

This is a tool also extensively used by Sobell Rhodes who have a website that is stylishly designed, comprehensive, quite imaginative and easy to navigate. It has a wide quantity of material covering in detail their services, activities, firm news and partners' description and photographs and even their personal interests. This gives the impression of a bigger company than they actually are. In a departure from the traditional accountancy website they have a page detailing their 'Service Commitment' and another one with useful links, such as to the INAA group – the International Network of Accountants and Auditors – and other financial institutions. The care and attention given to the website is proof of their cohesive communication strategy.

A close examination of Clintons' website revealed that it is elegant and understated as befits a successful Covent Garden law practice. More surprising was the information displayed which makes it quite unique amongst other London based firms of similar size, in particular the information revealing the extent, the diversity and the glamorous image of their client

base. It even provides tantalizing glimpses of their litigation successes by mentioning names of their famous clients. Prospective clients are obtained through partners' networking and referrals, but the website acts as a magnet for the world at large and signals their success with clients of importance. Undoubtedly, their clients' lifestyle has an impact on Clintons who will try to imitate it in the pursuit of client satisfaction. This could be qualified as client mimetism. As the Partner in charge of marketing affirms,

"We communicate face to face well, we have an Internet site that we've just finished, it's been updated so that's much better, we do a lot of work by e-mail, we don't do video conferencing, but I'm sure if that tacks on we'll have to do video conferencing, we're led by our clients, if our clients want to do video conferencing then sooner or later that facility will, I'm sure (it will) be used" (TC, 282).

Embracing new technologies is culturally seen as acceptable and required due to the nature of the market they are dealing in. They have embraced new technologies,

"...wholeheartedly I hope, we have to because of the type of... entertainment is intricately linked with the media isn't it, so we've had state of the art computer systems ever since, we have a website and we all work on e-mail, we have Internet access for everyone here if they want it" (TC, 304).

Technology is also embraced and viewed as positive at Langley Partners for two reasons. Firstly, it is adopted for the fulfilment of clients needs and as the Audit Manager says,

"...without understanding of technology and the way that computers work, we're not going to understand clients controls and their systems and therefore we're not going to be able to identify their weaknesses and recommend accordingly how to overcome those weaknesses. Technology is a must in this day and age for any type of firm" (TLP, 604).

Secondly, there is a perception that technology must be embraced because it is an integral part of their clients' lifestyle. In turn the Partners are compelled to adopt lifestyles matching the clients and with it comes the adoption of new

technologies within the firm, such as the newest computers or the use of the Internet. There is a clear mimetic behavioural pattern being displayed in this case very similar to the one observed at Clintons. More research is needed in this area to establish to what degree the adoption of technology is achieved by professional necessity and to what degree because of a mimetic response to client expectations from their adopted accountancy firm.

Bell and Scott are quite unique in the Scottish and probably in the UK legal environment in terms of adoption of technology and IT. The Practice Manager proudly admits,

“We were the first in this. We were probably one of the first to have a website in the city. We were the first firm to take out a know-how lawyer, which now it is commonplace in the city, and we took the know-how person on in 99” (TBS, 322).

A know-how lawyer is an expert in knowledge management systems with the aim of improving services to client. Effectively from the point of view of the firm,

“...(it) aims to make sure that we are doing most efficiently delivering the service to clients in the most cost effective manner” (TBS, 340).

This illustrates clearly that Bell and Scott are an innovative firm, one of the few ‘early adopters’ of new technologies, as seen from this quote. This is in contrast to the situation in the more traditional practices, such as Horwath Clark Whitehill where the adoption of technology is slow.

### 7.3.6. RESPONSES TO GLOBALISATION

Globalisation of professional services has occurred as a response to clients’ own relentless globalisation drive. David McDonnell, chief executive of Grant Thornton, comments on their worldwide expansion,

“Our clients are increasing their international focus as global economic forces extend into the owner-managed and entrepreneurial sector. Whether doing business in another country for the first time, or taking advantage of growing international opportunities, our clients need an

adviser who is also a friend and ally on the international stage” ([www.gti.org](http://www.gti.org), seen 11<sup>th</sup> May 2003).

Because many of their clients have expanded internationally, Grant Thornton has deliberately and persistently done the same. Grant Thornton’s global ambitions have been made clear,

“Grant Thornton’s ambition is to be the first choice adviser for independent businesses wanting to develop internationally” ([www.gti.org](http://www.gti.org), seen 11<sup>th</sup> May 2003),

Developing and maintaining a high profile global brand is seen as essential but is achieved with painful sacrifices by the joining overseas firms that have to relinquish their corporate names and identities and adopt the Grant Thornton International brand. Stronger adoption of marketing on the global scene has been in the English speaking countries due to the Americanization of business in general. International firms wanting to operate under Grant Thornton’s brand umbrella have no choice but to adopt marketing practices used by the majority and at the highest standard. There has been pressure to conform with the consequences in terms of marketing growth, as the Director of International Marketing Communications says,

“...there’s been a lot of downward pressure on firms to be more professional about the way they manage marketing and that has... in the last twelve months, if I look at our Asian division, they’ve gone from two marketing professionals to perhaps eight or nine” (TGT, 644).

In certain cultures the rate of adoption of marketing has been faster, depending on how ingrained marketing is, as part of the overall business culture. The Director of International Marketing Communications at Grant Thornton sees the changes that happened over the last two decades in terms of adoption and practice of marketing as,

“Massive... the change is phenomenal, absolutely phenomenal” (TGT, 657). This is due to “...pressure from clients. Clients expect to have

consistent experience wherever they travel, that doesn't mean to say they expect everything to be the same, they don't, but they expect to be able to recognise the experience" (TGT, 662).

The desire for global expansion is seen as the rationale for the increased importance given to marketing at Lovells, as declared by their Director of Business Development,

"If a firm such as Lovells is going to succeed, then it has to build relationships with big complex multi-national organisations, it can't simply rely on its traditional stalwart clients, it has to build its client base, it also has to sustain, nurture and protect its existing client base and as I say business development is vital in helping to achieve that" (TLo, 64).

Lovells, still in the throes of a consolidation following their latest global mergers and acquisitions at the time of the interview, was adopting Marketing that was felt as the necessary method of retaining the old and targeting new clients.

Globalisation has had an effect on most professional service firms as seen from the analyses of the Firms Comparative Tables (Appendix C and D). The general response has been either to create international conglomerates of independent partnerships such as Horwath Clark Whitehill or become affiliated to international associations such as EURO DEFI which is a European group of accountants and lawyers, IAPA which is the International Association of Practicing Accountants, or INAA – the International Network of Accountants and Auditors.

Sobell Rhodes have adapted successfully to the pressures of globalisation and increased international communications. Their Managing Partner's early initiative as a founder member of the INAA is paying off as he comments,

"The website is there, the directory is there, that goes around the world and brings new international business" (TSR, 572).

The setting up of the INAA was,

“...originally as defence against the Big Five firms, so clients can become international – it was a defensive measure. You lose the client because they want international operation” (TSR, 833).

The membership within the INAA offers definite advantages as an inside track to international work,

“...we’ll obtain work from our international associates because we won’t be in a beauty parade, they say speak to Sobell Rhodes in London and we will set him up in the UK” (TSR, 838).

He sees the future in INAA joining forces with the International Legal Group that will increase the networking capabilities of the group and bring in more international referrals,

“...a three pronged approach will be looking after clients’ affairs; there will be cross-referring constantly (between) accountants, solicitors and bankers” (TSR, 841).

An international strategic alliance between accountants and lawyers is seen as a great source of referrals.

Another example of active response to globalisation is Anderson Strathern who claimed to be, at the time of the interview, “the sole Scottish representative to the Association of European lawyers”. According to their website,

“This is an inter-linked community of jurisdictions from almost all European countries with the ability to work in harmony, providing a consistent, commercial response on cross-border issues” ([www.andersonstrathern.co.uk](http://www.andersonstrathern.co.uk), seen 18<sup>th</sup> January 2004).

Responding to external and internal pressures involves change. The study is attempting to establish to what degree the introduction of marketing practice is part of the process of change undergone by the professions. The discussion on the review of responses to contingency pressures by the professions done above has also given an indication of their level of propensity and attitudes towards change. This is an important issue, as it will add to the previous work done by Hinings, Greenwood and Cooper (1999), and will be further explored in the next section.

## 7.4. PROFESSIONAL FIRMS' ORGANISATIONAL ATTITUDE TO CHANGE

The review done in Chapter 4 revealed that:

- There is a clear change occurring in the professional law culture, although it is slow and erratic even in the giant Magic Circle firms.
- The internal make-up of the traditional professional law culture is undergoing a transformation influenced by far more women entering the profession, the erosion of the concept of partnership as life-long tenure and the specialization of smaller firms into new areas, such as sports, entertainment, health, etc.

Hinings, Greenwood and Cooper (1999) have supported the observation that “Many professional firms, especially the larger ones, are undergoing change with an emerging alternative organizational form which is more oriented towards ‘standard’ corporate practices” (p.131), which they have called a ‘Managed Professional Business’. They also report a consensus amongst researchers that major changes are taking place in professional service firms (Stevens, 1981; Nelson, 1988; Galanter and Palay, 1991). The difficulty for change by the professional partnership structure is due according to Hinings, Greenwood and Cooper (1999),

“...primarily because of the way those two features, the professional, and the partnership, interact on the authority system” (p.131), basically, the collegial nature of the decision-making is “...juxtaposed with individualized, autonomous day-to-day activities. As a result dealing with long-term, strategic change is difficult because of the lack of an organisationally prescribed, hierarchical system of decision making which can be mobilized when necessary” (p.131).

The present study is putting forward an alternative more comprehensive view which states that the resistance to change induced by contingency pressures is caused by countering institutional forces as described in Chapter 5.

The professional organisation has been observed as generally slow to change. The perception at Horwath Clark Whitehill in 2002 was,

“...the market place will change dramatically” (TH, 402).

under the various environmental pressures. This declaration was also in line with their then Chairman's acknowledgement in 2001 of serious competitive pressures within the industry. It is quite indicative of the resistance to change within this traditional organisation that there have been more than 18 months between the Chairman's declaration and any signs of corporate strategic change. Horwath Clark Whitehill was suffering in that period from lack of clarity in its future direction and understanding of the means necessary for adapting to change. The replacement of the Group Marketing Director, previously reporting to the CEO with a Partner in charge of marketing and the sub-contracting of their business development services seemed like a step back. The weakening of the marketing function at national level looked divergent to industry trends. This was the sign of Horwath Clark Whitehill undergoing a painful process of change where top management had to be renewed before it had to find and proceed on the path for survival.

The newly appointed Business Development Director at Lovells blames his predecessor for having failed to engage the partners in the marketing process at a time of strong contingency pressures. His appraisal of the situation is quite stark and extremely relevant. He said that his predecessor,

“...was kind of negligent for not engaging the Partners and making them aware of the dangers and of the need for change and that in my view is the single most important role that any senior operation manager can play in professional services. You don't have to be a marketing genius, you just have to know that there is a need for change and be prepared to put yourself out on a limb and champion these changes to often sceptical and intellectually quite arrogant Partners” (TLo, 202).

His predecessor had been confronted with a strong institutional culture of the legal profession when faced with the need for change and with the requirement of using marketing as a tool for change. The above quote supports the role of the Marketing Champion as a driving force for change.



Characteristically, professionals are torn between the pressures of change and the need for respectability and of maintaining the status quo, which is evidence of the conflicting contingency and institutional pressures at play. Illustrating this, the Partner in charge of marketing at Wilkins Kennedy comments on their desire to overhaul the firm's image through the adoption of new technology,

"...the new website will be a lot more live, it will be changing, we'll be updating the information, there'll be a new service through it, a search facility so it will be a lot more lively. But at the same time, it will still emphasize, I suppose, traditional values that (exist within) the profession, I suppose there's the kind of gravitas that one wants to portray, that we're sound, that we're solid, respectable, we're not here today and gone tomorrow" (TWK, 113).

In the smaller practice, in particular those lacking a Marketing Champion or a clear strategic direction coming from the top, change seems to be overwhelming and confusing, pushing firms to resort to hiring of external consultants for guidance. In the case of Langley Partners, the feeling was that,

"...we needed to change our focus, we needed to decide where we wanted to go" (TLP, 105).

The re-assessment, in terms of a new market positioning, was undertaken by the Partners with the help of an external marketing expert,

"...who really was going to pull the synergies of the firm together and focus us marketing-wise" (TLP, 107).

Langley Partners are aware of the necessity for change in the face of external and internal pressures. There is a definite feeling of uncertainty and lack of control, which pushes the firm towards considering a longer-term perspective. With an overall firm culture that is entrepreneurial, 'hands-on', 'sink-or-swim', their approach has been anything but strategic; instead it has been tactical, ad-hoc, opportunistic and short-term.

For the very small practice, such as Robert Clow & Co Accountants, maintaining the professional traditions is seen as a unique strength in a

changing world and is exploited as a marketing advantage. Although the Senior Partner does not practice marketing in the generally accepted way commercial firms or possibly his clients would do, he is, on the whole, well aware of his clients' needs and has an excellent intuitive understanding of marketing principles. He is the traditional high street family accountant who is the archetypical 'instinctive marketer'. The success of his practice is due to his congenial approach to customer care and its steady growth is due to word-of-mouth recommendations and judicious acquisitions of smaller practices. Clients have been happy to join and stay with this practice because of the perceived value-for-money they get from him – honest straightforward service delivered by a professional whose expert and friendly help is available anytime and at no extra cost. His informal, gentlemanly approach in business dealings has endeared him to clients, who find his old fashioned trusting principles comforting and reassuring in an increasingly threatening world.

Nevertheless, more and more professional partnerships are changing their traditional organisational structures from professional partnerships to a 'managed professional business'. According to Grant Thornton's Director of International Marketing Communications,

"The partnerships have been forced to move to more managed structures and that will continue" (TGT, 614), with the consequence of marketing being widely accepted. "You only have to look at the (marketing) material that is emerging from firms of all sizes to look at the way that marketing management data is part of the management of the firm anyway and I think that's all happening. Now it may not have penetrated some of the smaller firms..." (TGT, 620).

The study of the Numerica case is important as a clear example of a professional organisation committed to change by attempting to resolve the conflict of interest facing all professions between its role as a provider of independent and impartial professional expertise and the pursuit of profits through the separation (albeit in a compromised way) of the two conflicting interests. By deciding to emulate the incorporated commercial organisation in its drive of expansion, it has solved the shareholding and succession issues.

By becoming a publicly quoted company it has found access to vast finances allowing it to expand rapidly but has created new problems of accountability. Whereas in a partnership structure the pace of growth of the professional organisation is controlled exclusively by the partners and is limited by the partners' personal wealth, in a PLC the organisation is under the shareholders' permanent scrutiny. Numerica has found this at their own bitter cost and the accountancy arm has had to revert recently back to a limited liability partnership, although it remains part of the Numerica Group plc group of companies ([www.numerica.biz](http://www.numerica.biz), seen 12<sup>th</sup> February 2005).

The above discussion identifies that the process of change is more acute in the larger professional firms although the research has shown that it is taking place across the whole spectrum and in both accountancy and legal sectors considered. The main area of concern for this study is the role marketing plays in the process of change and the correlation between the contingency pressures and the introduction of marketing as a reactive management tool, which will be discussed next.

## 7.5. MARKETING – THE PREFERRED CHOICE OF THE PROFESSIONS' ORGANISATIONAL RESPONSE TO CONTINGENCY PRESSURES

It is clear, at this point, that contingency pressures upon the professional organization are inducing organizational changes, but the question to be answered is to what degree is marketing the preferred route or the agent for such a change. The primary data analysed revealed a correlation between increased competitive pressures and the acceptance of marketing. The Director of International Marketing Communications at Grant Thornton confirms that marketing acceptance within the accountancy sector was taking place not out of internal adjustments but because of the strong competitive pressures, which started to make a serious impact in the late 1980s and beginning of the 1990s. She said,

“Competition, since the Institute of Chartered Accountants relaxed its restrictions on advertising in the early 1980’s, has become overt and increased. Pressure has intensified on existing client relationships and consequently on profit. So, the profession had no choice but to move to more active marketing. The days of passive practice development, when work walked in through the door, are long gone” (Director of IMC, 1993, p.7).

Accountancy firms were starting to realize that in order to gain new clients, there had to be clear differentiation and added value and in order to keep their existing clients, they must manage relationships, build loyalty “...and delight customers” (Director of IMC, 1993, p.7).

The connection between external contingency pressures upon a professional firm and the use of marketing is evident from the reaction of the large City law firms and in particular at Linklaters. The 1986 London stockmarket crash gave a serious jolt to all City law firms. In 1989, the *Economist* made some chilling predictions based on extrapolations from the accountancy sector, a prognosis of what was to come,

“The parallels with financial firms before and after the London stockmarket’s 1986 Big Bang are glaring: conglomeration; megafirms; globalisation; niche businesses; fierce competition for fee income; the poaching of top-flight teams” (Anon., 1989, p.91).

According to their Global Marketing Director,

“Linklaters (which) is a well established traditional city firm, realized in the 1990’s along with many other of the Magic Circle firms, and this was as a result of the recession in that period, that they had to improve their marketing activities now” (TL, 20).

Typical of those times, and as a move similar within the accountancy sector, the knee jerk reaction was to turn to what they believed marketing embodied, which was advertising, practiced from the centre across the corporation,

“Marketing in its early days was very much about marketing communications and the reason for that, was it was easier to understand if you are a non-specialist” (TL, 65).

De-regulation of marketing practices, in particular promotion of legal services, happened late compared to other professional services, due to the restrictions on the bar rules and size of practice. It actually started when the Companies Act of 1967 scrapped a rule that limited firms of solicitors, and indeed of all partnerships, to 20 people, although,

“The pace of change stepped up – due mainly to Big Bang, the growth in mergers and acquisitions (M&A), the prospect of European free-for-all in services and the growing globalisation in the securities business” (Anon., 1989, p.91).

Responding to contingency pressures through appropriate organisational changes where marketing plays a crucial role is confirmed by the Global Marketing Director, when saying that,

In times of “great economic pressure”, there is a need “to find an appropriate marketing structure for a newly integrated international organisation” (TL, 17).

According to the Business Development Director at Lovells, consolidation has become unavoidable within the legal sector pushing,

“...increasingly the professional services (towards)...moving into a contingency mindset” (TLo, 227).

His task of converting the Partners towards accepting the process of change within the firm is being made easier because of client pressures,

“The fact ... that clients are far more discriminating now about how they use firms and far cleverer about the way they play one firm off against another. They are also far more demanding in terms of their service level expectations and increasingly they expect law firms to show an understanding in the commercial issues that clients face rather than simply being terrific lawyers, and once you put all those things together what you have, is basically a demand to be a marketing focused organisation” (TLo, 230).

The link between client pressures and the need for marketing within this context is clear. There is also evidence that the large law firms are accepting

and adopting marketing on a wider scale. Speaking from his previous experience at Magic Circle firms and referring to the top 30 law firms, he says,

“You might hesitate to call ...(them) marketing driven organisations, because they’re not, but at least they’re organisations which are increasingly focused on the need for marketing” (TLo, 235).

These firms are into different phases of marketing adoption, with Clifford Chance and Linklaters contingently more receptive with a relatively stronger marketing orientation, whereas Slaughter & May are at the other end of the spectrum, with Lovells somewhere in the middle. The Magic Circle firms are uniformly,

“...well run, aggressive and inquisitive” (TLo, 740).

It is very interesting to note that with the exception of Allen & Overy, all are professionally managed,

“They have professional Chief Executives, Chief Operating Officers... Linklaters and Freshfields all have Chief Operating Officers” (TLo, 741).

This is a clear indication that professional organizations under extreme and complex contingency pressures chose to forego management by peers in favour of professional management brought from the outside and operate within an organizational structure similar to commercial organisations. This has also been observed at Burness, a Scottish law firm originally established in 1894 but completely rebranded in 1998 into a new and dynamic entity with a Management Board with the IT, HR and Finance Directors having been replaced by more senior specialists. This reflects the firm’s move towards having a stronger management team. The Burness Marketing Director believes that the new organisational structure introduced,

“...makes us a much more cohesive bunch and I think we’re actually driving at a much faster speed than we probably predicted we would be” (TB, 121).

It is clear from this statement the perceived need by the Partners at Burness of a more dynamic, more cohesive and faster performing organisation, most likely induced by the contingency pressures the firm is facing.

A shining example of a firm that has vigorously embraced marketing following strong contingency pressures is Bell and Scott of Edinburgh. They underwent a drastic change in the early 90s triggered by a change in the way residential properties in Scotland were sold. According to their Practice Manager,

“It came hand in hand with the booming property in England and estate agents being more regulated, I think. A large part of our business relied on that sector and we had to choose, we had to close it down” (TBS, 619).

It is clear that this constituted a dramatic external contingency pressure combined with the retirement of the last of the founders' heirs that triggered the Bell and Scott's opportunity for change. The perception is that it was a 'life or death decision' followed by a change in market orientation which radically differentiates them from the competition,

“Then we became more targeted...we are still today, whereas lots of people aren't. Those who are still around and were doing similar things then are still breaking up bits. Just last week a firm announced that they were breaking up their residential conveyancing part and property shops because they can't focus, they can't target and position themselves properly in the sector. They are not credible... We were a much bigger firm at the time in people terms. There were a lot of redundancies, both at staff and partner level, (a) hard time” (TBS, 621).

The outcome of this decisive decision to divest of their property shop business and focus on a clearly defined niche market and the determined adoption and practice of marketing has led to what the Practice Manager describes,

“What has come of it is a well positioned, well managed, very strong, healthy business” (TBS, 630).

In respect to Numerica, the only accountancy 'consolidator' surveyed, the regulatory pressures are pushing the two auditing and consulting arms of the company further apart, imposing the use of different colours and names, different identities a situation that is felt as a contradiction from a marketing point of view. The Group Marketing Director said,

“...what the regulators are doing is trying to make us appear as distant and separate as possible and of course from my perspective, for cross-selling I need to make them appear as close as possible” (TN1, 109).

Cross selling is still seen as necessary for the growth of the ‘consolidator’, so the separation has happened only in name but not in essence.

An interesting question arises here, regarding the possibility of a causal link between the prominence given to marketing within the firm to its perceived role in being able to straddle a fine line between contradicting interests. With its PR role, marketing can not only facilitate the selling of services, but can be seen as being able to control the public and the regulators’ perception of an organizational model which has transcended the conflict of interest inherent in the industry. Marketing could just be doing the dirty job in this case, or it might truly be a positive instrument for change.

Internal marketing done through internal communication is being led by the Numerica Board with the help of the Marketing and HR departments and of outside consultants. It has the strong support of the Chief Operating Officer who is keen to manage change in an efficient way. This was done through,

“...a series of e-mails explaining what was happening and giving people an opportunity to go and discuss the change with their line managers. So there was a structure in place for feedback” (TN2, 467).

The case of Wilkins Kennedy revealed yet again a correlation between marketing acceptance and application and organisational changes, where marketing introduction in the firm would be brought in as part of changes in management practice leading to organizational change. The Partner in charge of marketing states,

“I think as a firm, the fact that we moved away from the previous committee structure shows that we clearly accept the importance of marketing” (TWK, 59).



He believes that the firm's commitment to marketing was defined at the time of the changing of the management structure.

For a marketing proactive firm such as Sobell Rhodes, marketing can provide a point of differentiation in clients' eyes as explained by their Managing Partner,

“What we are trying to do is create an understanding, by our sphere of influence that we can (be) doing better or add more value than the competition in a certain market... create things that are different and more in tune with what the clients want...” (TSR, 46, 48).

This is an obvious admission that marketing is the tool used as a response to competitive pressures.

The Marketing Director at Burness perceives her marketing group's efforts in particular, as contributing to Burness' success in acquiring new clients through fortnightly tenders. Her involvement is in the lengthy preparation for submission, as well as in the extensive de-brief of successful as well as unsuccessful tenders. Partners are involved in variable degrees but the responsibility lies with the Marketing team, giving them a more positive internal exposure. It also allows the marketing team to undertake a regular internal audit on the firm's staff or review the record of deals in order to be able to submit accurate firm information. Overall this is an activity that re-enforces marketing's position within the firm,

“Marketing really has become a reliable hub for that now” (TB, 580).

If the assumption of the causal link between contingency pressures upon the professional organization and the use of marketing can be sustained, as shown from the above examples, then the opposite situation should support it as well. If the organisation does not appear to be under contingency pressures, then it will not feel compelled to adopt marketing. This was the case with Langley Partners who,

“...never really had to use marketing as a tool until last year or so, because the profession has actually changed” (TLP, 61).

Marketing was felt unnecessary because the firm had sustained a healthy growth over a number of years based on acquiring new clients through,

“...good contacts, good networking and word of mouth and we hit the right industries at the right time. For example the fashion industry, it was like a snowball effect and we acted for a great proportion of Great Portland Street (businesses) and the surrounding area through word of mouth and it was really networking, word of mouth and good contacts with banks and the like, enabling us to grow year after year and marketing was not necessary because we were just growing and we didn’t need to look back and think where was the next client coming from because they were queuing up” (TLP, 62).

Instead, succession pressures are pushing Langley Partners towards re-thinking their strategic objectives and towards organisational re-structuring. Maintaining the status quo doesn’t seem to be an option, instead the future growth of the firms is seen to require the use of marketing. The Audit Manager says,

“We’re putting in a succession plan in the form of marketing and targeted marketing to ensure that the firm carries on growing to make all of us secure in our futures and marketing is a vehicle for us to do that and that’s how we view marketing at the moment” (TLP, 131).

The relatively recent drive for marketing comes from Partners and staff’s acknowledgment of the necessity for change,

“Everyone is in it together really and everyone supports it fully because people are understanding that we need to change... not change, but re-direct where we’re going...” (TLP, 300).

A similar situation has been observed at Lovells. The complacency observed by the newly appointed Business Development Director at Lovells is seen as the result of their past successes in an environment devoid of external or internal pressures. Firmly put in place, structured management practice, including marketing,

“...(in) a firm like Lovells, has traditionally been seen as optional” the cause being that, “Lovells is a very successful firm, it’s very profitable, it’s one of the larger, if not largest firms in the City and they’ve been complacent” (TLo, 185).

The Partner in charge of marketing also confirms this same situation at Clintons, a medium sized Covent Garden based law firm with a unique niche position in an expanding market,

“...the vast majority are existing clients and the vast majority of our work comes from our existing clients and referrals from those existing clients, so we don’t like losing clients and it doesn’t happen that often... we’re happy because we have enough of them...” (TC, 454, 475).

He argues that their continued success has been the rationale behind Clintons not having a professional marketing executive in the firm. He says,

“...we have a very successful practice, a very profitable practice, and we’ve never had a marketing department and we are all in our own right, I suspect, good marketers, some more than others... we don’t, at the moment, feel it’s worth having a separate marketing department with databases and all those things” (TC, 14, 22).

There is no shortage of new clients, which are acquired mostly through referrals and a very effective personal networking by the Clintons’ partners. Nevertheless, Clinton’s privileged position in the market is placing them under constant threat of takeover.

It is clear that organisations that felt secure in their market, in other words were under contingency pressures of no substantial consequence, had little incentives to introduce marketing. For those firms that did, marketing was at first perceived as alien and in most cases its role was misunderstood. Only through determined application and practice or under the guidance of a marketing experienced executive or partner did the perceptions change. It is thus important that a review of the perceptions of the concept of marketing and its changing role within the professional organisations should be undertaken at this point.

## 7.6. PERCEPTIONS OF THE CONCEPT OF MARKETING AND ITS CHANGING ROLE WITHIN THE PROFESSIONAL ORGANISATION

Workman, Homburg, and Gruner, (1998) believe that,

“Marketing will and should continue to exist as a functional group” (p.12) which is in accordance with the position of other researchers. They cite Webster who claims, “...if marketing is everybody’s responsibility, it ends up being nobody’s responsibility and the marketing skills of the organization atrophy. Marketing specialists are needed” (p.12).

### 7.6.1. PERCEPTIONS OF MARKETING

In a traditional institutional environment such as Horwath Clark Whitehill, marketing has been limited to the communications function at national level, whereas at local level it is considered as an ad-hoc tactical tool. The variable perception of marketing is in part due to the generational gap and in part to the partnership structure. The Marketing Consultant interviewed at Horwath Clark Whitehill says that,

“Understanding and interpretation of Marketing is somewhat different depending on whom you are talking to. There is a strange, almost a barrier, in the way in which in some areas, (in) some offices, there seems to be a cut off point depending upon the age of the partners with regards to marketing” (TH, 38). He explains this discrepancy on “...the way accountants were trained” (TH, 41).

The older partners are still locked into the institutional mindset of the professional governance, which historically forbade any form of marketing. This was reinforced by the lack of competition due to the regulatory demands for compulsory tax returns, which made any form of marketing un-necessary. The older generation of accountants have a passive, reactive attitude of the type,

“The customers will come to me...” (TH, 52).

The younger generation of partners at Horwath Clark Whitehill are far more disposed to the practice of marketing and have more understanding of it. In the much harsher present environment they perceive marketing far more as a necessity, they

“...see it as something that has to be done in order to maintain their client base” (TH, 46).

The differences in the perception of marketing between professional generations are clearly seen in the case of the father – daughter partnership at Robert Clow & Co Accountants. Both partners display a limited if not confused understanding of marketing. The Senior Partner says,

“I equate marketing to advertising” (TRC1, 15),

The Junior Partner equates marketing with practice promotion, but is dedicated to understanding her clients’ needs and to provide them with what is necessary. Her perception is,

“Marketing is how you put yourself across to other people...Not just clients but I suppose everybody, you market yourself, you’re selling yourself but not specifically selling to one person or group or people, just creating an image for everybody is, I suppose, how I see marketing” (TRC2, 17, 21).

Predictably, she assumes the projection of personal image as marketing, in view of the size of the practice and the importance of personal relationships in getting new work.

Equating marketing with advertising or promotion is not new within the professions and explains why marketing has had such a low estimation in the professional sectors. Linton (1985), in his ‘Promotion for the Professions’, expressed a wide held opinion among the professionals at that time that,

“Not every profession can undertake promotional activities - the code of conduct may not allow it. Nor is the term promotion always acceptable for professionals; it can be associated with the hype of some consumer goods manufacturers, or other activities that seem to be far from professional” (p.7).

The Partner in charge of marketing at Wilkins Kennedy confirms the generational differences of perception, although marketing is becoming increasingly an area of interest with more senior partners in those firms that are more responsive to change. He says,

“We have people in most offices at a lot more junior level who have got marketing interests. We have one of our tax seniors in the office here who takes quite an interest in marketing, he’s active with the local Runnymede Business Partnership and he’s Chairman of one of their steering committees, which he did totally himself. He Chairs an ad-hoc group of staff that looks at coming up with marketing ideas for the office and that is reasonably mirrored in most of the other offices. So yes, there is staff involvement, we look to encourage certainly Managers to be involved actively in marketing anyway” (TWK, 1082).

The nature of the partnership structure is given as another factor in the explanation of the reluctance of the older Partners to the acceptance and use of marketing. Senior Partners are equity partners at Horwath Clark Whitehill, whereas the younger partners’ remuneration is salary based.

“So, the profit share motive is that over and above what is necessary comes from the senior partners’ profit... therefore questions are being asked regarding any additional (marketing) expenditure” (TH, 56, 59).

The generational dichotomy in terms of objectives and perceptions that have an impact on the perceptions and adoptions of marketing has also been observed at Langley Partners. The firm’s success is clearly due to the Partners’ contacts and networking skills. The situation is different at managers’ level. The Audit Manager feels that although he and a few others are improving their networking skill through management courses, it is far more difficult for them to acquire contacts. It is apparent that there is a conflict between the first tier and the second tier in the organisation, where the second tier of younger accountants feels they haven’t got the opportunities and the rewards of the Partners.

Within Horwath Clark Whitehill there is a perception that accountancy and marketing are at the opposite ends of management, with opposing objectives.

Marketing is perceived as,

“Tendency to feel that there is within the marketing environment a need to push boundaries, being more innovative which is the creative side of marketing” (TH, 62), which conflicts with “...the training accountants have received, because accountancy comes from measuring and recording the profit at the end of the day. So you can see the two make strange bedfellows anyway” (TH, 64).

This conflict of interest can create ‘unease’ or even ‘dissent’ within the firm and will last as long as the older generation is in charge of running the firm,

“The decision making unit is within the more mature ones. This is not going to disappear until the new generation will take its place” (TH, 75).

This opinion is debatable as the younger generation of accountants will become equity partners one day and,

“...by the time they get to that decision, it will be money out of their pocket, so they might inherit the same thought processes” (TH, 79).

Because marketing is perceived in a traditional professional environment as being of lesser importance, it is not unusual for the practical application of marketing to be left at the discretion of the individual local offices and the responsibility given to a junior partner, whose education and training in marketing is anyway minimal or non-existent. The Marketing Consultant at one of Horwath Clark Whitehill offices says,

“(In the last) two or three years, since I have been here, the (marketing) duty has been given to a younger partner inside the partnership at each office” (TH, 107).

This would inevitably lead to a general perception across the firm of marketing being a passing fad or an experimental management function.

Manpower and resource under-allocation in respect to marketing is a reflection of the perceptual importance accorded to marketing by the professions as exemplified also at Anderson Strathern where a very demanding marketing function was left in charge of a junior and previously

inexperienced marketing executive albeit very enthusiastic and committed. Marketing was practiced one step removed from the seat of power, namely the Board. Since the departure of the previous Marketing Director, the Marketing Executive has been reporting to the Director of Support Services whose role is the general management of the firm with a seat on the board. The Director of Support Services has the ultimate responsibility for day-to-day affairs, the approval of day to day spending, planning,

“...and anything significant such as production of new publicity materials, advertising, things like that, he will approve the majority of that but on occasions it will go up to the Board and they will approve direct from there” (TAS, 181).

One source of conflict in respect of marketing's role within the firm has been perceived to be by the professional practitioner in the area of client management, because,

“...it touches at the heart of individual partner relationships with clients” (Director of IMC, 1993, p.9).

The individual partner's relationship with the client has been traditionally considered inviolable, with partners jealously guarding the details of their relations with their clients, as this determined the partners' status, remuneration and succession within the firm. Problems arising from partners' resistance to interference in what they see as their area of control over their own clients and ultimately the control over their own performance has been experienced in a number of firms surveyed, such as Wilkins Kennedy. The Partner in charge of marketing,

“...does not (want) to take it away from the Partner, but it's really to make sure that a client feels loved and wanted and if the individual Partner isn't always able to do that, then we can do it centrally in one way or another” (TWK, 728).

The small traditional partnership has survived based on intuitive marketing, on close client relationships and understanding of client needs. This is seen from a quote given by the Senior Partner at Robert Clow & Co Accountants,



“...too many businesses neglect their existing customer base and waste an awful amount of time on a non-existent, hopeful customer and they undervalue those existing customers, so you have to keep the existing customers happy first” (TRC1, 80).

This intuitive approach to marketing is acknowledged when saying,

“I suppose... one does unconsciously ... be thinking of marketing quite a lot... I'm a very instinctive person” (TRC1, 544, 549).

His approach to client relationship is cost-effective and simple, as he puts it bluntly,

“I don't have time to waste, I don't take people out to lunch, I don't put on events, I don't do any of that kind of stuff, but if there's something to be done that's going to help them, save them money, then I'll make a suggestion, then I'm proactive” (TRC1, 101).

This lack of time is an acknowledgement of the steady growth of the firm, which is run very much as a family business where the owner-manager is in charge of everything. This is a typical small professional practice situation where the professional who is also the owner of the practice has to deliver the service while concurrently running the business.

The intuitive approach to marketing that has been practiced traditionally is also displayed at Clintons, where marketing is not acknowledged as a separate management tool in the firm, although there is a good understanding of the concept. Marketing is,

“...everything we do to attract business” (TC, 27).

The Partner in charge of marketing concedes that what they do are in effect marketing activities when saying,

“I had lunch today with some potential clients, we took an advert out in a publication yesterday, we sponsored an art gallery thing three or four weeks ago, whatever, seminars we give to clients, we believe in it because we do quite well” (TC, 27).

Clintons practices a mixture of marketing activities, some that are typical to the traditional professional service firms such as networking, and some that are typical to marketing proactive firms. It is clear that the Partners have managed comfortably these activities up till now, in spite of their extent and

complexity, although matters might change, as the firm expands to reach a certain critical mass. The Partner in charge of marketing sees this coming,

“It may well be the case, from an administrative point of view, we will need someone to come in at some point as our turnover increases to deal with the more mundane aspects of database management, so I suspect we’re on the cusp of that” (TC, 32).

This comes across as a condescending insinuation implying that the Partners perceive marketing as an administrative issue, not as a strategic tool.

At the other end of the spectrum, large professional firms employ professional marketers whose knowledge and understanding of marketing within professional organisations are deep and mature. The Director of Business Development at Lovells, responsible for marketing within the firm, has a good understanding of the concept of marketing as applied to legal services. Not surprisingly for a marketing professional with a CIM Diploma in Marketing and twelve years experience in marketing and business development, his answers are comprehensive and appropriate. He says,

“Marketing in simple terms is understanding what your client or potential client needs in terms of legal advice. That means by extension, understanding the pressures facing that client, understanding the market dynamics, understanding the compelling events which force the clients to act in certain ways, then identifying which areas of expertise you have to offer the client in order to help him or her to match those challenges and communicating to the area that you have those areas of expertise” (TLo, 26).

This response is indicative of the importance given by professional marketers at that level of the understanding of contingency pressures within the environment they operate in, and the correct responses that need to be made.

For a marketing committed firm such as Bell and Scott, the understanding of the marketing concept is reflected in the language used by the interviewees, coming across as marketing knowledgeable, confident and determined. The importance placed by Bell & Scott on marketing is reflected in the marketing terminology used by the Practice Manager and her marketing group,

“...(She) uses them (marketing terms) without thinking because marketing is enforced within the firm. It is good business practice” (TBS, 635).

Succinctly summarized by the Marketing Executive, Bell and Scott’s marketing practice is limited to a number of well-thought, planned and targeted activities,

“We do not advertise, we are a medium-sized firm and we believe that (by) using Relationship Marketing we can target our audience more effectively than advertising. We have also used a limited amount of Public Relations. Because of the size of the firm when using PR, we have found out that we do not have huge stories the papers want to know about. The majority of what we do is corporate entertainment. We hold seminars, speakers, lunches, our partners take our clients out, and they try to know the people” (TBS, 15).

The emphasis is clear,

“We concentrate on Relationship Marketing...we have a determined effort (here) to build up client relations” (TBS, 15, 22).

The understanding of marketing relates to a thorough knowledge of the market, saying,

“Knowing the people (the clients), this is what we understand by marketing at Bell & Scott is all about, it is not advertising, it is not PR, (not) here anyway” (TBS, 20).

Marketing provides the necessary support for the Partners and the marketing group is committed to “...give them quite a platform” (TBS, 24).

This is achieved through Direct Marketing campaigns specially designed to reinforce the brand, using a permanently updated client database whose value is well understood by all in the firm as seen through this quote,

“Everybody in the firm knows the value and importance of the database for marketing purposes” (TBS, 32).

The thorough understanding of marketing is not limited to the marketers, but right across the firm. Marketing permeates throughout the firm, staff are being marketing trained and are expected to get involved,

“So we have people across the firm involved in marketing, though regular training sessions have helped to enforce the value of marketing

in the firm and who is involved. The message that gets through is that everybody in the firm should and is involved. (The Marketing Executive) goes to great lengths to reinforce that at every opportunity” (TBS, 78).

#### 7.6.2. PERCEPTIONS OF THE CHANGING ROLE OF MARKETING WITHIN THE PROFESSIONAL ORGANISATION

There are a wide variety of opinions of what the role of marketing should be. At the most active end of the spectrum in terms of understanding, adoption and practice of marketing is Numerica, the only accountancy consolidator researched. Their Group Marketing Director sees the role of the marketing function as building the brand and facilitating the job of the Sales Team in supporting the fee earners in winning clients. The supporting role of the Sales Team is described by the Group Marketing Director as follows,

“...we’re trying to make their job as easy as possible and then they let go, none of them have a portfolio, they hand it over to the fee-earners and start again on a whole new prospect list and we then work with fee-earners about client care and satisfaction levels” (TN1, 30).

In a traditionally institutional environment such as the one at Horwath Clark Whitehill, marketing has been seen as a centrally controlled tactical tool concentrating exclusively on communications,

“...house style, the brand” (TH, 104), with an overall objective “...to achieve an increase in the awareness over the whole country of the firm” (TH, 136), but very much devoid of the day-to-day activities done at local level.

This leads to a dichotomy between centre and local branches in terms of marketing interests.

A similar situation has been observed at Taylor Wessing, the prestigious City law firm, where some of the administrative staff perceive marketing as only providing literature, merchandising and events. This opinion is shared by some of the fee earners as their Business Development Analyst confirms,

“If you speak to fee earners, I suspect some of them will think the same thing but then others will see us as a tool they can use to market the firm” (TT1, 129). She believes marketing has a strategic role within the firm, “...to put the firm’s strategy into action by winning new clients, maintaining existing clients and using marketing tools to achieve that” (TT1, 132).

There is a strong ambiguity and confusion in the perception of the role of marketing within the firm, which comes across quite clearly in this quote,

“We’re there as a resource for the whole firm but not everyone either believes in you or has a use for you...if they know what you can do, then they will come back to you time and time again” (TT1, 139).

This is a clear indication that when the purpose of marketing is understood and accepted, then it is enthusiastically used by the fee-earners.

At Wilkins Kennedy the role of marketing is being extended from bringing in more work to the improvement of the recruitment process, as explained by their Partner in charge of marketing,

“...we’re looking obviously through marketing to improve our recruitment as well, so it’s not just actually bringing in new clients, it’s actually marketing in a way that will actually encourage people to join Wilkins Kennedy for a career’ (TWK, 365).

A defining moment in Grant Thornton’s history and contributing factor to its success has been the re-thinking of its corporate strategy, which was done in the late 80’s and early 90’s. The Director of International Marketing Communications first job was to define their market and although it has been further refined at the edges, Grant Thornton has maintained the course it set in 1988/89. Once the market had been defined, then the structuring and the organisation of resources in order to communicate with the customers in that market has been the role of the marketing function ever since. Even the word ‘customers’ would bring Grant Thornton Partners to the edge of their seats as it had a ‘selling’ connotation.

“The word ‘sell’ was completely alien” (TGT, 110). The change that has taken place in the last 12 to 14 years is clear, “It would have been

inconceivable that you could have had a discussion about market share or anything that a marketing professional would take as second nature, it wasn't there. Now well, we've been tracking market share for twelve years, I can have quite sophisticated discussions these days about the role of marketing and where it fits in and how it increases profitability and all the rest of it, because it is part of the family now whereas it wasn't (then)" (TGT, 111).

The perception of the role of marketing within the firm has changed since the Anderson Strathern' Marketing Executive has joined the firm, with the Partnership having,

"...moved on from seeing marketing as simply someone to check text or someone to read a press release before it's issued" (TAS, 70).

There is a higher degree of acceptance with the role of marketing having evolved, to be accepted as a strategic management tool. He says,

"Marketing is now involved in monthly meetings with the departments and has strategic input in some respects" (TAS, 71). There is an acceptance amongst the partners of "...the need to be more market sensitive" (TAS, 76).

The role of marketing has been changing from a backroom supportive role to a strategically leading one. This is what the Marketing Executive wholeheartedly supports,

"...marketing in some respects needs to lead a business, rather than simply assisting it with its own initiatives. Marketing shouldn't be the secondary response to a problem, it should be the instigator of the planning and the strategy making and it should guide the business forward and be the first point of contact for new strategies, new ideas and then obviously the fee-earners come in and they back that up and provide the services that the marketer actually tries to put out there" (TAS, 88).

Until recently the responsibility of marketing rested with a Marketing Manager and a Marketing Assistant, but this was changed to a Marketing Director and a Marketing Executive, a move that the current Marketing Executive attributes,

“...to thinking about marketing in a more serious light within partnerships in Scotland” (TAS, 39).

The change has been induced externally rather than internally, although there is a definite attempt for marketing to take control over all communication channels. An example is the website that was the responsibility of the IT department in the past,

“...recently it's Marketing that now takes full control over those, we're updating our website at the moment and I have to say that our IT Department have had very, very minimal influence over how that's done. So the Marketing Department seems to be pushing into areas of other people's roles a lot more, taking more of a defining purpose within those areas” (TAS, 43).

## 7. 7. CONCLUSIONS

The research has revealed that in addition to the internal and external contingency pressures of the clients, competitors, technological advancement and globalisation identified in the theoretical model in Chapter 5, professional firms have had to undergo sometimes dramatic organisational changes due to the serious conflict of interest within the profession and the implications of regulatory pressures deriving out of this as well as the succession conundrum, as presented earlier in Chapter 4.

The discussion on the review of responses to contingency pressures by the professions done above has also given an indication of their level of propensity and attitudes towards change. The process of change is more acute in the larger professional firms although the research has shown that it is taking place across the whole spectrum and in both accountancy and legal sectors considered.

It is clear that organisations that felt secure in their market, in other words were under contingency pressures of no substantial consequence, had little incentives to introduce marketing. For those firms that did, marketing was at

first perceived as alien and in most cases its role was misunderstood. Only through determined application and practice or under the guidance of a marketing experienced executive or partner did the perceptions change.

The above review of perceptions of the concept and role of marketing within professional firms has revealed generational differences, misconceptions and outright conflict leading to resistance in its introduction and application, although professionals have individually practiced a wide variety of marketing activities in their pursuit of gaining and maintaining clients. There has been a conspicuous resistance to the acceptance of marketing as a management tool across the firm. The main barriers to implementation have been identified as the professional partnership structure and the professional culture, which along with other institutional barriers will be discussed in next chapter.

In the pursuit of an understanding of the barriers to marketing acceptance and use within professional service firms it was deemed important to achieve understanding of marketing nowadays compared further on with the perceptions from the professional firms studied. This has required an in-depth understanding of the professions, from a sociological perspective, which was covered in Chapter 3 and from an organisational point of view covered in Chapter 4.

Comprehensive research has revealed that there has not been any significant work undertaken in explaining the empirically perceived barriers to marketing within a professional context. Chapter 5 has provided an exploration of the theoretical frameworks relevant to marketing and the professional service firms respectively, namely the Contingency theory and the Institutional theory. It has put forward a theoretical model that explains the barriers to marketing within professional service firms, to be validated by the primary research undertaken.

Chapter 6 has explored the understanding of the philosophical issues on which the research design is based. The different approaches and strategies to the research have been discussed as well as the logical step-by-step



approach to the choices made in the data collection and analysis methods used. The various problems and limitations related to the primary and secondary research process and the solutions adopted have been discussed throughout.

The present chapter has discussed the research findings in respect to the perceptions of and the responses to contingency and institutional pressures by the professional organisation and its attitude towards change given its historic roles and professional culture. It has explored the level of understanding of the marketing concept and function and the degree to which marketing has been the preferred choice of organisational change when faced with sustained environmental pressures. Finally, it has covered the acceptance or rejection of marketing as an agent for change by the professional organisation.

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## **CHAPTER 8**

# **BARRIERS TO MARKETING WITHIN THE PROFESSIONAL ORGANISATION**

### **8.1. INTRODUCTION**

The preceding chapters have:

1. Introduced the problem of the barriers to marketing within professional firms. Presented the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of the thesis.
2. Reviewed the currently accepted understanding of marketing and its evolution through a comprehensive outline of the intellectual and pragmatic sides of marketing and the changes that are occurring within marketing management as a body of knowledge, theory and practice.
3. Reviewed the sociological approach to the professions covering the various definitions, classifications and models such as the 'professional project' and the 'power approach'. The nature of professional knowledge has been explored. The study of the struggles for legitimacy provided an understanding of inter- and intra-professional competition relevant to the present research. Finally, the changes in the professions have been explored through the commodification and commercialisation issues.
4. Explored the traditional professional organisation and the radical transformation it has undergone in recent years. It has examined its responses to the environmental pressures of increased competition, more demanding and sophisticated customers, deregulation, technological advancement and globalisation. The focus of research has been on two of the traditional professions, accountancy and law.

5. Provided an exploration of the theoretical frameworks relevant to marketing and the professional service firms respectively, namely Contingency theory and Institutional theory. It has put forward a theoretical model that explains the barriers to marketing within professional service firms, to be validated by the primary research undertaken.
6. Presented the understanding of the philosophical issues on which the research design is based. Discussed the different approaches and strategies to the research and will show the logical step-by-step approach to the choices made in the data collection and analysis methods used. Throughout it has discussed the various problems related to the primary and secondary research process and the solutions adopted.
7. Discussed the research findings in respect to the perceptions of and the responses to contingency and institutional pressures by the professional organisation and its attitude towards change given its historic roles and professional culture. It has discussed the level of understanding of the marketing concept and function and the degree to which marketing is the preferred choice of organisational change when faced with sustained environmental pressures. Finally, it has covered the acceptance or rejection of marketing as an agent for change by the professional organisation.

The present chapter will cover the following:

- The causes of resistance to marketing acceptance and implementation as a management tool;
- The influences of the individual characteristics of the professional archetype, in particular the professional partnership and the professional culture in the process of acceptance and implementation of marketing as an agent for change;
- The level of adoption of marketing as a strategic agent in maximising organisational effectiveness.

## 8.2. BARRIERS TO MARKETING ACCEPTANCE AND IMPLEMENTATION AS A MANAGEMENT TOOL

### 8.2.1. THE PROFESSIONAL PARTNERSHIP STRUCTURE

The partnership structure of most professional firms is seen as the root of the resistance to marketing. Partners universally perceive marketing as a dispensable overhead. Marketing within a Partnership such as Clintons, is considered unnecessary in good times; it is expenditure straight out of the partners' profits. The Partner in charge of marketing is clear on this point; marketing is not seen as bringing any benefits worth spending,

“We've never, at least until now, thought that it was worth investing in a separate marketing department because it's a straight overhead for us” (TC, 15).

Limiting what is perceived to be unnecessary marketing expenditure is important for Clintons' Partners but measurement of marketing results is not done. The Marketing Executive at Anderson Strathern acknowledges the existence of a “massive divide” between the fee-earner and the support service performed by marketing, which is explained by the former being a profit maker and the latter, a profit user. This fact is undeniably at the core of the low perceptions of marketing within partnerships and will last as long as this form of management structure exists.

Because partners are also owners of the firm and decisions are made consensually, the marketer in charge might feel that he is accountable to all the partners, which in large firms with hundreds of partners could be intolerable. Grant Thornton's Director of International Marketing Communications explains,

“The issue is perhaps best expressed by the phrase ‘Hearts, heads and wallets’. In the heart there is an acceptance that the proposed change might be a ‘good thing’. That is until the realization in the head that the change means doing things differently, a reluctance

strengthened by the knowledge that the activity is paid for directly out of the individual partner's wallet" (Director of IMC, 1993, p.4).

Talking from personal experience she recalls the feeling of alienation that she and many marketers in similar positions in professional service firms experienced when she said,

"In the early stage of change, some of the marketers will doubt whether they are welcome and probably also doubt whether what they are doing is marketing in the sense of the word as they know it. Certainly some of them are rather like prophets in a foreign land. They can feel isolated and professionally lonely and they have the daunting task of encouraging the firm to pay more than lip service to the function" (Director of IMC, 1993, p.4).

The greatest task facing the marketers is the selling job they have to do internally rather than externally when saying,

"What this means in practice is that they are likely to succeed more as a result of their inter-personal skills than their marketing competence" (Director of IMC, 1993, p.5).

The resistance felt by these early marketers was open and unambiguous. The Global Marketing Director recalls the partners' reactions when she first joined Grant Thornton. Expressions like "We are not a supermarket" or "it's our money she's spending" or "young lady, you do realize I will have to earn £10,000 worth of fees to pay for your journey here" felt very disconcerting (Director of IMC, 1993, p.5).

Unless there is a well-defined management structure in place, decision-making within a partnership has to be consensual and is inherently cumbersome. This is the case observed at Langley Partners, as described by their Audit Manager,

"...the seven Partners sit round a table and seven Partners make decisions together, no-one makes decisions over and above other Partners, everyone makes a decision and a couple of people might not be happy with that but ultimately five other people would be and they'd vote on it so five rules over two and then seven people are happy" (TLP, 293).

Hence, funding marketing activities out of partners' profit will always lead to difficult decision-making and slow introduction of marketing organisational structures.

Partners' resistance to change puzzles the Global Marketing Director at Linklaters. Although the average age of the Partners is quite young, probably around 40, there seems to be a resistance to accepting or using marketing,

"You would be surprised how many young marketing-unfriendly Partners there are" (TL, 638), she says.

She believes this is due to the partnership structure, the Partners being owners and managers, therefore there is a conflict of interest, whereas,

"...if you look at FTSE 100, there is a separation of the two, so management can, in a quite unhindered way, come up with the best strategy, the best solutions going forwards and in their mind, because they're not the institutional shareholders as well, they can think in a slightly less encumbered way" (TL, 556).

The partnership structure has an impact on the professional culture, as it requires consensus in all matters, it develops a need for peer approval. She says,

"...the other thing with the professional culture is there is a lot of cohesion and a need to belong and a need to build consensus and the trouble is if you have an organisation like that, then inevitably it's quite hard to make change because the change is not just one person, it's the whole lot" (TL, 559).

This is clear acknowledgement of the difficulty in implementing change within partnerships, which operate on the basis of consensus, versus incorporated organisations where change can be implemented from the top.

Talking on behalf of the firm, the Group Marketing Director of Numerica recognizes the failings of the partnership model saying,

"...basically the partnership model, we think, is very restrictive and outdated, you forget about succession planning and you tie up the capital and you are stuck with dead wood and you don't reward those that perhaps deserve it" (TN1, 44).

Marketing cannot be successfully implemented unless there is a change in the way the professional partnership is being managed. Referring to Grant Thornton, the Director of International Marketing Communications says,

“...this is now a managed business, it happens to be structured as a partnership but you simply can’t have 250 Partners deciding what’s going to happen, you have to run it as if it were an incorporated business” (TGT, 68).

Illustrating the problems still encountered by marketers operating within professional partnerships,

“If you happened to be in a business that’s not run in that way and many partnerships still aren’t, partners are a problem” (TGT, 70).

The Partner in charge of marketing at Wilkins Kennedy concurs,

“A Partnership is a difficult vehicle; it’s not like a Limited company. With a Partnership you’ve got thirty two very much hands-on individuals who each own their little bit of the firm and who have got very strong views” (TWK, 266).

The partnership structure creates internal barriers to certain management decisions such as the ones related to marketing and unless the managing partner or important partners have had experience of marketing or are interested in marketing, marketing will be thwarted in such an environment. Marketing’s success within Grant Thornton was based on the Director of International Marketing Communications determination to push marketing to have a voice in strategic management terms.

The partnership structure of a professional practice creates an environment where the practice of marketing is considered as a non-essential activity that detracts from the time spent on dealing with customers’ problems and delivering the service. The Audit Manager at Langley Partners says,

“...we are a service client led profession and I can’t neglect my everyday client’s needs to undertake marketing” (TLP, 144).

His complaint is typical of partnerships where marketing is left in charge of a fee bringing Partner or a Practice Manager,

“...it would be nice for me personally to have more time to invest in marketing, it would be nice if I could sit down with all the Partners on a regular basis just to talk about marketing” (TLP, 488).

The accountancy fee structure is based on time billing for each customer. The more time billed against a customer, the larger the fees and this determines the internal allocation of rewards and in particular the leverage and status within the firm. This very much depends on the relationship between the individual partners and the senior partner.

The Director of Business Development at Taylor Wessing blames the partnership structure for the reluctance in adopting marketing within professional firms. She says,

“You’ve got to be very careful how you do it, you can talk culture but you can’t (talk marketing)” (TT2, 396).

The Partners see marketing as “...all puff and nonsense” (TT2, 401). They consider their professional success based on their ability to get clients and to build unique individual relationships with their clients and this is perceived as a core contribution to the firm. Anything else, such as marketing and even management, is viewed as superfluous, “...it’s back-up, it’s admin” (TT2, 403). This prevailing viewpoint amongst Taylor Wessing’ Partners is undermining the creation of a cohesive corporate culture that leads to a unique brand. The Director of Business Development agrees that,

“What they don’t understand ... it’s all about underpinning anything you do through the system, the common approach across the firm and I wouldn’t say we do have a common approach across the firm” (TT2, 405).

She believes lawyers have an entrenched view of management, which compares badly with the view of their own profession, when saying,

“...I’m used to very cynical people on this particular subject and if I was working in a different environment I might have a very different view but I’ve worked in Partnerships for fifteen years now and it has been a pretty strongly held belief and view, less so in the accountancy practices actually, because they are much better at management, lawyers manage appallingly, they don’t manage their lawyers and they view people in management on the whole as people who have failed in what they’ve done



and hence coming back to delivering consistency, it's quite difficult to do that" (TT2, 417).

Lawyers' cynicism towards management practice that would include marketing can be explained as the overconfidence of a profession reliant on intellectual ability to serve their clients in an environment that has been historically unencumbered by contingent pressures.

Another aspect of the partnership structure that detracts from corporate use of marketing activities such as CRM is the traditional culture among Partners of certain firms, such as Horwath Clark Whitehill, jealously protecting their clients to the point where,

"...(marketing) individuals are not allowed to contact (someone else's) client without the Partner's permission" (TH, 262).

Consequently,

"The actual contact with the client on a verbal and non-verbal basis is very much down to the client-data Partner at local level, rather than central" (TH, 260).

The Director of Business Development at Taylor Wessing similarly expressed the frustration she encountered in developing a corporate CRM programme,

"...Partners are naturally insecure, they're naturally very worried about the clients not being their clients, as opposed to the firm's clients; we're obviously very keen to make them the firm's clients and not individuals clients which is a rationale for doing all of this" (TT2, 266).

This quote shows the obvious conflict between what the Partners believe to be their personal interests in holding onto their clients and the firm's interests in making sure the potential of these clients is maximised through cross selling and further referrals. It is not surprising there is resistance to CRM implementation within the firm with the further repercussions upon the acceptability of marketing within the firm.

Partners' obsessive attitude towards holding onto their own clients has been observed also at Clintons, where clients' lists are considered the property of the individual Partners. Here again the conflict is evident between the interests of the firm and the personal interests of the Partners. The Partners'

client list defines the shareholding level ultimately. This is explained by the Partner in charge of marketing,

“...people are protective of their own clients, it’s always in partnerships, one of the big issues, you have partners who have their own practice and they want to build up their own practice because that means that there are potential rewards, if the business might go up because they’re doing better, but we also understand that you have to share, so there’s always an amount of tension there, I think you have to have the competition to grow the business, but if you become overprotective it falls apart, so there’s a constant nice tension between building your own practice and looking out for the firm” (TC, 209).

Although the clients will pay the bills to the firm, their allegiance might be with the firm, but in most cases they would follow their chosen Partner if he would chose to leave the firm.

## 8.2.2. THE PROFESSIONAL CULTURE

The professional culture is dominated by the almost supreme belief in the professional’s expertise, acquired through many years of study and continual training. It is also based on the conviction of the special relationship between the professional and the client and the belief of being close to his problems and from this point of view, it clashes with marketing claims of being the main function within the firm to represent clients’ interests.

There is an assumption across all at Langley Partners that existing clients are thoroughly understood and their needs do not need to be researched or their satisfaction levels checked because of the professional nature of the services provided. Their Audit Manager says,

“...any professional practice that didn’t understand their own client’s needs and expectations would find it very hard to succeed because we are a client based profession, we’re a service based profession, we need regular contact with our clients to know what their expectations are” (TLP, 214).

Contacts, networking and establishing relationships based on trust are the basis for success in this firm. He says,

“Networking is the key to this business, if you have good contacts you will always get work and you will always have a good relationship and if you don’t have a network of people that you know that can give you work, then it’s very hard to succeed” (TLP, 309).

There is no formal recording of market intelligence either at Burness or at Clintons, both law firms of comparable size to Langley Partners. The Partner in charge of marketing at Clintons comments,

“Much of it is in our heads, or in our contact lists, or on our computers, in our database, it’s within each of our individual practices and also we’re still small enough that we each know what the other is doing, so we communicate well as a partnership and much of it is held within the partners heads and between the partners and the assistants, we don’t have an all singing, all dancing place...” (TC, 162).

This fragmented information system is the reflection of the small size of the firm, the professional culture prevailing and the partnership structure that still holds back investment in a marketing database. In spite of this, there is evidence of the firm being on the brink of change, as explained,

“...we have obviously an accounts system, so we know who our clients are by our financial services and we’re just introducing a new accounts package which includes a proper database, so we will have in the next six months a database where I can press a button and it will list our sports clients” (TC, 165).

In the case of Robert Clow & Co Accountants, a small father-and-daughter accountancy partnership, the emphasis on personal client care is strong, very much due to the Senior Partner’s congenial nature combined with his efforts to reach out to his clients. He justifies it thus,

“...well, it’s my nature anyway, because I care, and it shows, and I put myself out as well” (TRC1, 68).

The firm’s strength lies in the relationship with clients and the perceptions they have of him,

“A lot of the clients like to know that I’m there, like to see me now and again, (the Junior Partner) will do the work, but ... I have more authority, I have great experience, I can make people feel comfortable” (TRC1, 358).

Because the nature of the relationship with clients is so important for the survival of the firm, the Senior Partner finds delegating difficult, as it would also involve a loss of control over the quality of the service. In respect to the importance of delegation, he comments,

“Oh yes, as much as possible, ... although, I look at everything, I know what’s going on... I’m sure with three quarters of those clients if they rang up today, I could pick up the phone and discuss their tax returns, not the figure, but I could, without referring to the file, I know exactly what’s going on” (TRC1, 370, 376).

The traditional professional culture prevails but is felt to be diminishing in the post Enron era. The Junior Partner feels there is a dilution in the value of the accountancy qualification as the number of graduates has been increasing with,

“...people who don’t want to be accountants (they) are doing accountancy exams just to get the qualification ... rather than to actually be an accountant” (TRC2, 490).

This is an indication of changes happening within the professional environment, which was traditionally considered as an elite because of its tight barriers to entry. As these have come down the image and standards are perceived to be diminishing.

Professionals have rejected marketing as irrelevant as they perceived their services would provide everything their clients needed. To a great extent this has been true for centuries, but in a professional practice, with moderate or large numbers of professionals, it leads to managerial anarchy. The Director of International Marketing Communications at Grant Thornton, confirmed this, saying,

“...the nature of partnerships, ...are by definition anarchic...If you’re trying to introduce marketing into an environment where it’s new and I did that in 3i and I did it in Charterhouse, the big difference between

doing it in those two environments and doing it here, is that, it was obvious who God was. God was sitting there, he was the Chief Executive and if he said it was going to happen, it happened. In a firm of accountants, how many Gods are there?...There's a whole pantheon of Gods" (TGT, 58).

The incompatibility between the professional culture and the marketing driven organisational culture has become obvious from the start of the 1980s when, following advertising deregulation, the Big Eight firms, precursors of the present Big Four accountancy firms, started to employ experienced marketing people coming mostly from successful commercial sectors. The Director of International Marketing Communications at Grant Thornton says,

"...most firms employed an FMCG marketing person, in fact (there were) some very good people,...because I use some of them and the organisations spat them out. I mean without exception they didn't last and the reason for that is very simple, because what these FMCG guys were used to a culture where ...what the customer wanted was absolutely central to thinking and also they were from structured corporate environments and not surprisingly these people didn't last" (TGT, 23).

This is a clear indication of the chasm in corporate cultures between the commercial and the professional environments, to the point where transfers of expertise from one to the other were consistently unsuccessful at that time.

This has also been the experience at the City law firm Linklaters who, after a one-year search, have appointed a Global Marketing Director with a legal background. She justifies this by saying,

"I have the benefit of looking at those structures and looking at what worked and what didn't, with the benefit also of understanding the lawyer culture because I'm afraid once you're a lawyer, you're always a lawyer" (TL, 113).

Her successful relationship with Partners is,

"...because they see me as one of them" (TL, 517).

She believes the process of improving relationships between the marketing professionals within Linklaters and the fee earners requires her as a facilitator because,

“...I speak the language, I can interpret, I can help people understand what you do say and what you don't say” (TL, 524).

The same viewpoint is prevalent at Clintons whose acceptance of marketing practice within the firm is conditional on the individual's legal background and commitment as a fee earner, as explained by Clinton's Partner in charge of marketing,

“...if they had marketing experience and they were a good lawyer and able to keep their own clients, yes we'd be interested because it would help us be better organised and all the rest of it, it would be a positive thing” (TC, 397).

The Marketing Director at Burness believes that her position was conditional on having done,

“...two years in a smaller firm to get to grips with law, to get to grips with partnerships and to get to grips with the sector” (TB, 138).

Coming from another law firm was regarded as essential, the comparison being like the requirement for membership to an exclusive club that is basically the restricted professional environment with its own culture.

Working in the legal environment as a marketer requires a special resiliency and dedication to withstand the negative attitude of the Partners as seen from Burness' Marketing Director's comment,

“...working with Partners requires stamina, it requires perseverance, it requires a significant amount of humour to be able to deflect any sort of negative and it requires initiative to be able to turn that on its head. Lawyers, I find, are intellectually gifted but that does not mean that they can understand where you're coming from and inevitably you spend half your time telling them what's so blooming obvious, you don't get your job done” (TB, 228).

This has had implications upon recruitment of marketers with the right personality to withstand the negative attitude from fee earners and ability to

succeed in spite of it. Better acceptance by Partners leading to better working relationships is achieved if supporting staff has legal training. This was confirmed by Burness' Marketing Director who explained that support to the marketing function is provided by a Knowledge Management Group and a Librarian who "...are all lawyers" (TB, 242).

These quotes are illustrative in reflecting the obstacles in the way of marketing acceptance within the legal environment, where there seems to be a need for a mediator or an interpreter between the marketing and the legal professionals. This can lead to a high level of uncertainty amongst the marketers within the professional firms. There is a definite lack of professional confidence on the part of the marketers within Linklaters, created by the lawyers' deep-seated institutional culture of superiority, as seen from this quote,

"One thing you certainly do not use is any marketing jargon, ... nothing like that. I think the trouble is a lot of marketers feel they have to demonstrate they have the same professional skills and technical ability that the lawyers do but it's in a different field and so they tend to come out with things to impress and the trouble is that the lawyers just switch off" (TL, 525).

Faced with the necessity of adopting the marketing function but faced with the cultural reluctance and distrust towards marketing, professional firms such as Lovells will do the utmost to avoid using the term marketing and will mask marketing activities under the guise of other management functions. The review of the presentation entitled *'Change and challenge. Raising the banner of business development at Lovells'* made in May 2002 to Lovells' Partners by their newly appointed Business Development Director, in charge of the marketing function, has revealed that the 'marketing' term is absent throughout and all identified marketing activities are put under the banner of business development. This is a clear example of institutional culture shunning marketing.

A similar situation has been observed at Taylor Wessing where marketing practice was disguised as 'business development'. Upon joining the firm, their Director of Business Development found marketing's reputation to be beyond redemption. Instead of attempting to change marketing's image through education and culture change she took the quick and easy route of changing its name. She justifies it thus,

"The reason we changed to Business Development was (that), when I came to the firm, it had a Marketing Department that hadn't been very effective and marketing had become a dirty word, so I consciously changed it to Business Development in order to separate the past from the current position" (TT2, 144).

The reputation of the marketing department was at its lowest, with a bad history and the feel was that it had to be rebuilt from the ground up, with a new name and a new team. The feeling now is that this idea,

"...proved very effective because we've now got a very strong team, it's very well respected and it's a very different animal to that which it was" (TT2, 154).

The internal cultural change in the acceptance of marketing is sometimes so slow that marketers within professional service firms have to resort to unusual measures to achieve their objectives. The Director of Business Development at Taylor Wessing feels that internal marketers administering CRM do not have the necessary leverage with the Partners who are required to implement it. In a witty way she illustrate this argument,

"You can actually get through a lot more clients, if you pay someone (external) that is going to have a more systematic approach or do some market research and all that type of stuff which then gives you the stats that you need to be able to leverage the Partnership into doing what they should be doing in the first place" (TT2, 250).

This is proof again of the low intellectual and professional image marketing has internally, to the point where, highly paid consultants need to be brought in to convince Partners of the necessity of marketing practice. The Marketing Director at Burness is happy to use promotional methods that have low partners' involvement and consequently less resistance, as she is concerned of their obvious passivity to some of her initiatives. There is a possibility that



marketing practiced at Burness is somewhat devoid of lawyers' involvement, as a parallel existence to their legal activities.

Interesting is also the quote given by the Marketing Communications Manager at Numerica in respect to the chasm between professional and commercial cultures. For a marketer working in a pro-active environment such as Numerica,

“... you don't feel that you've got that negative influence at the start of the day that you're fighting against, you can just come in and do your job and yes, of course, you've always got to coach people and persuade them and encourage them and hold their hand a bit, but people here generally want to be helped, they recognize that you can add value and you can make a difference and that is very, very refreshing” (TN2, 167).

When queried further on the likely cause of professionals' negative perception of marketing, the Marketing Communications Manager blamed it on the reluctance to accept the necessity of marketing expenditure, saying,

“...they don't necessarily understand the value and they may not necessarily invest in the resource either, so your hands are tied behind your back, they don't invest, so you can't even make a difference ...” (TN2, 178).

Bell and Scott can claim with confidence that they are ahead of many large firms in terms of marketing orientation and practice,

“...but it is still a constant battle”(TBS, 418).

They are also keenly aware of the barriers facing them. The battle is seen against the mental barriers of the fee-earners. These are fought back through performance measurement, increased accountability and control. The strategy adopted is a 'carrot and stick' approach that seems to bring in results. The stick, according to the Marketing Executive are,

“...(the) Partner Appraisals, and we are looking to tighten up our controls that are ultimately mean they are more accountable to each other” (TBS, 424), whereas the carrot are the “...Reward Allocations depending on performance. We just need to make it a bit more

marketing orientated, development orientated and which we are working on” (TBS, 435).

It is remarkable the amount of marketing training the firm is putting its staff through, reflecting the determination of the Marketing Champion and its marketing group in softening the institutional barriers prevalent in a professional environment. The Practice Manager says,

“One of the biggest barriers is persuading the people that it is OK to sell” (TBS, 225).

Selling is perceived as unseemly to the legal profession and is not accepted easily. In fact the Practice Manager and her team have to disguise the process in order to make it acceptable. She explains,

“It just doesn’t sit comfortably with them, so what they perceive, as ‘selling’ is the mental barrier and it is easily overcome by (the Marketing Executive) explaining when these opportunities are, that it is not selling, but it is merely a conversation...That is probably the biggest barrier that is up against marketing” (TBS, 230).

The professional education and culture is perceived as intellectually superior to the marketing profession. There is also the perception that selling, and by implication marketing has a discreditable association with cheap tricks used by dubious salesmen. The Practice Manager explains,

“They get this impression, one of the terms used during one of the training sessions was that they think of “car salesmen”, they think “double glazing salesmen” and they think that is what we’re expecting them to do, to go out and put themselves in the same sort of way” (TBS, 242).

The professionals’ resistance to selling and to cross-selling in particular, is very much in place, in particular in a traditional professional environment such as Horwath Clark Whitehill, where there is unease felt at the prospect of selling their services in order to maintain or acquire new business. Selling,

“...is not something that sits very comfortably with accountancy” (TH, 183).

This is true across other European cultures as stated by Linklaters' Global Marketing Director,

"You couldn't possibly sell in France the way you could sell in the UK, indeed the word sale is a dirty word and the culture is quite different" (TL, 90).

The Marketing Director at Burness realizes that lawyers need to do their own selling and she admits that,

"I know which people are my better salespersons and therefore I tend to naturally spend more time with them... they're responsive, yes... they are generally better at bringing in money" (TB, 321).

This is an indication of the resistance she is facing from some lawyers in implementing marketing programmes, and as a default, feels that she has a better working relationship with partners who are more adept at marketing. This quote is also very significant as it gives the impression that those lawyers who are marketing active are more successful within the firm.

Even at Numerica, as their Group Marketing Director pointed out,

"...there is a feeling with the more traditional ones, or the older ones, that it's very gauche to sell and you wouldn't ever dream of mentioning another service to a client who was already happy and could you trust your colleagues anyway..." (TN1, 289).

The Group Marketing Director sees it as a long-term battle,

"...trying to convert professionals who see themselves very much as professionals, that selling isn't the worst sin ever" (TN1, 294).

Within Numerica there are still pockets of very pervasive anti-marketing culture. The peer pressure on the partners who are engaged in forensic accounting from their constant association with barristers, who are still steeped in the institutional culture, is quite incredibly pervasive. This is seen from this comment,

"...our forensic accountants are constantly in court, constantly hob-knobbing with these barristers, it's got to be about the worst end if you're trying to be modern and marketing-driven...and they can't stand my marketing. I had a very aggressive e-mail the other day about if you

and your bloody clip-on pony tail advertising people can't get this right, I suggest you don't do it" (TN1, 471).

When the Group Marketing Director was further probed on this issue, it was confirmed that the connection with the barristers is definitely the cause of the opposition to marketing, "...because it doesn't happen anywhere else" (TN1, 480). This example is important as it illustrates the variations in the degree of institutional culture, which acts as countering pressures to the process of change within the professional organisation as put forward by the theoretical model in Chapter 5.

To an even greater extent than in the accountancy sector, law firms have accepted with difficulty the realisation that they need external professional help in marketing their services, due to a deep-seated institutional culture. Linklaters' Global Marketing Director acknowledges this, when saying,

"It was quite hard I think for law firms to understand...(and) ...to accept that anybody externally could do it other than themselves" (TL, 71).

The Partner in charge of marketing at Clintons leads a marketing committee that is answerable to the partnership and includes three other partners, but indicatively not the Managing Partner. Its composition seems to be rather vague,

"...there are also, or will be, a couple of assistants as well, so it will be making sure that they understand why marketing is important at an early stage" (TC, 39).

This ambiguity is a reflection of the institutional culture prevailing and a lack of experience in organizing the marketing function by a partner. Clintons uses external consultants for website design and the occasional marketing advice. The external marketing consultant assists with marketing meetings and is used as 'someone to bounce ideas off'. It is significant that they have chosen a consultant unrelated to the entertainment industry, for fear of conflicts of interest in the possible advising of competitors. The Partner in charge of marketing explains this arrangement,

"...it's not on a retainer basis, he comes from a very much non-entertainment industry background so he wouldn't be advising other

professional firms in the industries which we operate, but he understands those industries and understands where a lawyer might actually need the right people to attract more business” (TC, 47).

Even the adoption of generally accepted management tools such as corporate planning is being resisted due to the ingrained institutional culture prevailing. The professional culture within Taylor Wessing has made their partners reluctant to adopt and use a planning process that was considered acceptable only as a corrective measure to failure. The Director of Business Development says,

“...for historic reasons the culture of this business, if you’re asked to do a business plan it’s normally because your area is in difficulty and people have shied away from it” (TT2, 174).

In another quote she says,

“...I’ve always known we needed to do it, but there’s been a huge resistance here to doing market research” (TT2, 333).

This illustrates the traditional institutional opposition to the use and the expense of marketing and ultimately to modern management methods.

Partners at Taylor Wessing look upon marketing in a disparaging way, to be avoided at all cost in an intellectual professional environment, which makes the work of the marketing professional extremely difficult and quite dispiriting. The branding exercise undertaken at the time of merging with another firm was unlikely to be continued after the merger, as the Partners’ attitude towards it was patronising,

“...everyone goes ‘poo, poo, it’s a load of nonsense’. I mean it really is the attitude of people, it’s just like ‘don’t waste my time with it’” (TT2, 588).

Common standards and a common delivery of the marketing service will be achieved, but not under a ‘branding’ banner, because,

“...that’s when everybody falls about laughing” (TT2, 592).

The Director of Business Development is forced to use non-marketing terminology to be able to get her ideas and her plans through,

“So it’s a language thing and if I started trying to live and eat and breathe the brand they’d all fall about laughing at me, but if I actually am developing tangible things which might reflect those values, that’s the point, but I’m not talking marketing nonsense at them, is their perception of it” (TT2, 597).

### 8.2.3. CHANGES IN THE PROFESSIONAL CULTURE

The rate at which the professional culture is changing has been found to be different in each firm, but overall it has been faster in those firms engaged in the adoption and implementation of marketing. One of those very successful in this process has been Numerica, actively engaged in changing the traditional professional culture into a more commercial, proactive one. The Group Marketing Director is very enthusiastic about the newly emerging culture, saying,

“The people here are fantastic, I think there’s always been a culture that, if you can’t market, you can forget it. Because we started off small and grew, there isn’t a role for someone who’s going to be sitting there expecting stuff to happen” (TN1, 240).

Strong encouragement is given to fee-earners to become increasingly proactive in establishing and cultivating their own prospects with the support from the marketing and sales teams such as,

“...how to write a proposal, how to close a deal, how to network” (TN1, 340), as well as how to increase retention and acquisition rates.

Numerica’s 110 Partners, who enjoy the title of Directors, have a marketing awareness that is quite variable. The Group Marketing Director’s opinion is that,

“...there are the superstars and there are the dinosaurs but the bell in the middle is quite large” (TN1, 267) and she is prepared to work with those who are more open to marketing.

The ‘dinosaurs’ showing no motivation in adopting a marketing orientation are seen to be on their way to retirement or out of the company altogether. The staff appraisal system and the bonus structure, under development at the time

of the survey, included market goals measurements, a significant incentive towards increasing Numerica's marketing orientation.

Grant Thornton's Director of International Marketing Communications is also confirming,

"...(a) major cultural change (happening) inside professional organisations" leading to shifts not only of behaviour but also of resource allocations and shifts in values. The changes have been so profound that it was felt as if a 180-degree turn occurred within the professional organisation,

"...moving from a technically driven and production driven operation, and this change has taken place in organisations which, historically, were structured around rewarding and promoting technical competence" (Director of IMC, 1993, p.3).

Marketing thinking within professional firms has gradually become more acceptable and has started to be thought of at the higher echelons by the senior partners or the more powerful partners. The results of this change could be seen within Grant Thornton with the introduction of marketing and selling modules within the professional training programme done in house. Conversations with partners on topics such as market share, sales targets, lead generation, which were alien only a few years earlier, became less and less unusual.

Talking from her experience in marketing within legal practices in Scotland, the Marketing Director at Burness thinks,

"...the legal fraternity generally now, has accepted that marketing is here to stay and it does deliver benefits, business benefits, which can be tracked and so it's important that we harness those..." (TB, 69).

This is another confirmation of the slow but determined progress in the acceptance and application of marketing.

Even more significant is the willingness of certain firms under the direction of a Marketing Champion (see section 6.8.1) in trying new marketing methods following competitor firms' success with such methods. Discussing the use of telesales, the Managing Partner of Sobell Rhodes says,

“We do know firms who are quite confident and use it very, very well and they just cracked the subtlety of how you do it professionally. We are very close to other firms of accountants that are happy to share that information. I think we can take it in house, eventually” (TSR, 302).

This quote is quite significant as it shows Sobell Rhodes culture being flexible and being prepared to adopt new ideas inspired by the competition.

The Marketing Champion’s role in influencing the process of cultural change is also seen at Taylor Wessing. Here doing simple marketing activities such as visiting clients is seen by the Partners as a burden, but their Director of Business Development sees this changing under her steady efforts. She says,

“Increasingly they’re doing it more effectively ...as the people that ... go and do the visit are a bit nervous, so they increasingly take me with them and therefore, because I do quite a bit of them, you get some continuity in it. So gradually it’s just beginning to lift up, but it’s very recent, it’s just been like pulling teeth up until now” (TT2, 276).

Obtaining information from the deal makers, i.e. the Partners and the lawyers has been difficult at times, as,

“...it was constant chasing ... It wasn’t that they didn’t want to give you the information, I think it was a cultural change, because they’d never been asked for it or if they’d been asked they didn’t know why” (TT1, 420).

This is an indication of the change occurring within the professional culture, overcoming the barrier lawyers have in promoting their achievements. The efforts have been successful in respect to the understanding, acceptance and increased usage of PR, as seen from this quote,

“...over the last few years, because they can see where the information is going to and why you’re using information, the information flow has just been so much better... there are still challenges within the firm but certainly for corporate which was the first department that we really focused on, it’s been great, it’s been fantastic. Last year we were top for AIM because we were getting all the AIM (Alternative Investment Market) information out into the market and the league tables could take that information” (TT1, 423, 425).



The involvement of the whole Partnership at Anderson Strathern in actively engaging in marketing activities and the setting of their very first Business Plan with a strong marketing input is quite significant for a medium sized Scottish firm. Even more significant are the implications of the cultural change induced by the Partners having far more of a strategic view on how to achieve marketing objectives as explained by the Marketing Executive,

“...I think the marketing efforts that have been put in by the Partnership just now are changing the emphasis of that Business Plan and it’s more of a Marketing Business Plan. People aren’t simply saying we’d like more of this piece of business or we’d like to expand this area, they’re saying that we’d like to create an image of the firm as being pre-eminent in this area and then there’s a lot more thought going into exactly how that shapes the firm and what each department’s plan does to the image of the firm as a whole and how that moves forward. So they’re doing a lot more on that at the moment” (TAS, 313).

This indicates an organic change within the firm towards the espousal of marketing as part of the partners’ responsibilities. The openness of communication of information and decision making has created an atmosphere conducive for marketing to be effectively practised by the individual departments, as explained again by the Marketing Executive,

“...the departments do quite a lot of their own marketing, they organize their own structured meetings, they organize a lot of their own individual marketing efforts, that’s mostly in terms of entertaining and business development between firms to try and encourage better referrals, that kind of thing” (TAS, 328).

Branding the house style at Bell and Scott is not limited only to publications or stationery but is extended to the training of new recruits. The purpose is to build a corporate attitude and a culture suited to the firm’s overall objectives of understanding client needs and providing the right service. The firm is building the right attitude from the start in their staff, creating a client awareness atmosphere suitable to a marketing orientated organisation. It is extremely relevant how client focused and in retrospect how focused on marketing their staff induction is, as explained by the Practice Manager,

“They are told how they should speak to clients, they are not here to impress people with their legal terminology, they are here to get across an answer to their problem. The most understandable way for the client and that may mean either a very academic response or a very non-academic response depending on the client. It has to be an awareness that they have to find a level that suits the client not the other way round. In style of letters and in everything that goes out not only the way it looks, but the content is very much in layman’s terms” (TBS, 303).

Regular marketing training is extended also to the partners,

“...to enforce the value of marketing in the firm and who is involved” (TBS, 79).

The fee earners are being trained to be receptive to opportunities that seem at times common sense instructions, but in fact could sit comfortably in a commercial environment sales force training manual. As an illustration, the whole of the firm was involved in a training session in summer 2001 entitled, “When is marketing appropriate?”. According to the Practice Manager, the purpose was to reinforce,

“...why we market Bell & Scott, who is involved in marketing in Bell & Scott and when they should go and do it. Also suggesting different approaches they can use and different times they can use it, i.e. as when they first meet a client, when they are half way through doing the work for a client” (TBS, 218).

Cultural change has been taking place across the entire accountancy sector in the UK according to the Director of International Marketing Communications at Grant Thornton and is still happening in a delayed way across the world. There is evidence that in countries where institutional forces prevail, the resistance to change is much stronger. Speaking from global experience, she comments,

“In terms of having professional marketing on board, our German firm is the worst in the world” (TGT, 49).

This is due to a culture, which is strongly institutional and opposed to change, whereas, firms from the Far East, with a much stronger entrepreneurial

tradition and a culture with a more flexible approach to opportunity and change "...have just absorbed it totally" (TGT, 54).

#### 8.2.4. OTHER INSTITUTIONAL BARRIERS

##### Barriers from the Professional Institutes

The analysis of data has revealed that, at least in the early days, barriers to marketing practice have been imposed through 'the restrictions and limitations' imposed by the professional institutes. From her own experience, the Director of International Marketing Communications at Grant Thornton recollects,

"I can think of no other situation in which a marketing initiative as innocuous as an information mail shot could be criticized by the Accounting Institute on the grounds that the sender should have encouraged the recipient to contact their own existing professional adviser rather than the sender for additional information!" (Director of IMC, 1993, p.9).

However, there has been a gradual change towards a realisation by the professional institutes of the benefits of marketing practice not only for their members but also for the benefit of the whole profession. The Marketing Consultant at Horwath Clark Whitehill recollects being approached by the Thames branch of the Institute of Chartered Accountants to run a PR campaign promoting,

"...not a firm in particular, but for accountancy in general" (TH, 382).

The research has revealed that the assumption made of the professional institutions having a strong influence upon the professional organisation in the maintenance of professional standards as well as professional culture in opposition to change, is only partially true. In respect to maintaining the standards of service quality and training the professional institutions have maintained their role, while relaxing the restrictions on marketing use. The picture painted by the Managing Partner at Sobell Rhodes regarding the professional associations they are dealing with, such as the Institute of Chartered Accountants in England and Wales, is of a gradually liberalizing

organization with a dual role as a policeman and support provider. In the wake of the Andersen fiasco, they are desperately trying to keep the government out of intervening in the regulatory process, so,

“They are trying to protect the public in the same time avoid compulsory regulation by the government by seeking to have their own policing system” (TSR, 751). In respect to marketing, “the small to medium size firm does not feel well supported by the Institute as far as generating more business... there is very little support from a marketing point of view by the professional Institute” (TSR, 752, 754).

The professional associations such as the Law Society is viewed unsympathetically by the Business Development Director at Lovells on its inability to identify its activities with the firm’s problems. He believes the Law Society to be,

“...an apparent irrelevance except that you have to pay your dues to it” (TLo, 785).

His perception is that it represents mostly the smaller firms and is so out of touch with what big firms are doing that,

“They (don’t) have much time for it at all... There doesn’t seem to be any great desire to get involved in Law Society Committees and so on” (TLo, 791, 795).

The professions have been under increasing external regulatory pressures since the Enron case and the professional institutions that traditionally have performed the role of watchdog, have been desperately trying to keep the process self-regulatory. Their efforts of tightening of standards have had negative effects on the smaller practices. In respect to the workings of the Institute of Chartered Accountants of England and Wales, the Senior Partner at Robert Clow & Co Accountants believes that they are constantly changing the accountancy standards, making them increasingly stringent and thus restricting the ability of the smaller accountants to perform certain lucrative services. He says,

“I’m less than I was because I can’t do insolvencies, I’m restricted on investment advice, I can’t do audits, I’m not a registered auditor any

more, but as a firm we have to be separately registered as an auditor so whereas I used to pay my fees to the Institute which is about one hundred pounds a year, I'm now paying four hundred pounds a year to be a registered auditor, I'm paying six hundred pounds a year to be registered under the financial services act, it's all pointless, where's it all going to end" (TRC1, 775).

Over the last thirty years he has seen a gradual tightening of standards, which he feels as restrictive and un-necessary,

"...we're restricted, over the whole (of) my career, the whole thing has changed, you used to get very intensive training as a teenager, ...we produced perfectly good accountants, I could give investment advice, I could liquidate companies, I could do everything quite competently, the first thing they brought in were insolvency laws, so suddenly I can't wind up a company, I don't know why not, but you have to take exams, then investment advice, you have to be registered for investment advice and then we have to be registered separately for all audits..." (TRC1, 768). He sums it all up saying, "A lot more regulation, more and more restrictions, achieving nothing at all" (TRC1, 784).

Tightening regulations seem to hurt smaller professional practices more than anything else, as they impinge on the traditional professional style of dealing with clients. The regulatory efforts of making professionals more accountable are changing the nature of the traditional relationship between clients and their accountants. He says,

"We now live in a world where form takes precedence over substance...this is going back to dealing with business on a gentlemanly basis, can't do it anymore, it should be good enough that I'm a Chartered Accountant end of story, that's how it was, that's how it should be" (TRC1, 788).

He feels that the professional reputation, which once allowed clients to have total trust and confidence in their accountants, has been eroded and is being ring fenced by stringent standards enforced too rigidly. It is obviously the price paid by the swinging going to the other extreme and over-tightening a previously lax industry self-regulation.

The above section has been a detailed overview of the barriers to acceptance, adoption and implementation of marketing within accountancy and law firms. The partnership structure and the professional culture of most professional firms are seen as the root of the resistance to marketing. There are strong indicators of incompatibility between the professional culture and marketing. It is also true that the professional culture is changing at a rate that has been found to be different in each firm, but overall it has been faster in those firms that are marketing proactive and where the firms' culture is undergoing a process of change. The next section is going to discuss the catalysts within this process, those factors that have been recognized as enforcers of the process of change within the firm and who have contributed in a consistent way to the acceptance and adoption of marketing. These have been identified as the Marketing Champion and the Marketing supportive CEO.

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## 8.3. FACTORS OF ADOPTION OF THE MARKETING FUNCTION

### 8.3.1. THE MARKETING CHAMPION

The Marketing Champion concept was revealed as a result of a contradiction observed in an assumption made to the theoretical model. It was assumed that large firms, in distinction to smaller ones, were subject to more severe contingency pressures and as a result were compelled to introduce more complex organisational changes in respect to marketing and had a wider range of marketing activities. Indeed, the Comparative Tables (see Appendices C and D) of all the professional firms surveyed revealed an overall correlation between the size of the firm and the level of adoption of marketing. The assumption made is generally true, with one prominent exception. It was noted that a few small firms such as Sobell Rhodes Accountants and Bell and Scott, the Edinburgh law firm, have undergone substantial changes in their organisational structure and in the firm culture and were practicing committed and robust marketing on a scale comparable to much larger firms. This was due to an individual within the firm identified as the 'Marketing Champion'. In the case of Sobell Rhodes, or Wilkins Kennedy, this was the Managing Partner or a Partner strongly committed to marketing practice, whereas in the case of Bell and Scott, it was the Practice Manager actively supported by a marketing group and a marketing experienced Managing Partner. The reverse also supported this concept, namely, those firms (even the larger ones) that did not have a Marketing Champion had a much weaker commitment to marketing and their marketing performance was much weaker.

The Marketing Champion plays an important role in the active promotion of marketing within the firm not only through the consistent use of marketing but also in making marketing acceptable internally and within the industry and in the change of the internal professional culture. This is very much the case with Grant Thornton's Director of International Marketing Communications – a driving force in the process leading to their present global success. This has

been achieved through her determination of placing marketing right at the centre of management decisions. Right from the start, she says,

“I refused to join, unless I sat on the Management Board. So from day one I was part of the senior management team here and that team was four people and I did that not because I have a desire for power but I really didn't think that you could achieve anything unless you were part of that group” (TGT, 77).

Similarly, the Director of Business Development at Taylor Wessing whose main responsibilities cover all areas of marketing communications and business development, sits on the Executive Board of the firm and consequently is involved in the strategy development of the firm as well as its implementation.

Prior to the appointment of the new Business Development Director the business development / marketing function at Lovells had a low profile performing modestly, only based on requests from departments, which made the lack of support from Partners not surprising. He says,

“The level of our output is reactive, uninspired, doing just what's required, just the bare minimum and that's it” (TLo, 561).

His challenge was on two fronts, firstly to improve the skills and standards within the business development / marketing team through new, better qualified recruits and through better motivation of the existing team; secondly, through setting rigorous expectations for his team and making sure they deliver. Referring to his team, he says,

“I should hope (to) improve the way they perform in practice, restructuring where necessary, setting quite rigorous expectations on the people here and making deliberately quite high commitments to the firm so that their expectations on us rise correspondingly as well, so it starts to get uncomfortable if you don't deliver” (TLo, 570).

He is putting in place a framework of annual marketing planning that will cover both the central marketing unit as well as the business development managers attached to the practice departments. The proposed measures of change give a good indication of the Business Development Director's level of expertise and his thorough approach to evaluating the internal and external



factors involved in making marketing work at Lovells. It is clear that he is positioned to become the Marketing Champion at Lovells.

Part of the role of a Marketing Champion is to identify weaknesses in the firm's ability to assess its environment and the contingency pressures it is facing. The Business Development Director at Lovells illustrates this through the assessment of the situation he inherited upon joining. Market and competitor research was not done, either through internal or through external means. Consequently, there was a poor appreciation internally of competitors' capabilities. He says,

“There is very little awareness and it often comes as a shock to them when the likes of North & Rose or Herbert Smith for example say that they're doing so much better in corporate terms than Lovells because Lovells thinks that they have a God given right to an elevated status when they don't realise what our competitors are doing and that our competitors are actually extremely active and often extremely aggressive in the market” (TLo, 532).

In the case of Wilkins Kennedy, the Marketing Champion is a Partner whose understanding and commitment to the application of marketing within the firm is unusual for a member of the accountancy profession, but this can be explained by his previous employment in the automotive industry and first hand experience of marketing in action. He said,

“My first job was with Ford, selling motor cars which was when the motor industry was right at the bottom in 1979/80 and I found myself as the interface between Marketing and Finance. So, I then moved out of Marketing into Finance and then moved into (accountancy) practice” (TWK, 122).

His outlook on marketing is definitely at odds with his colleagues when saying,

“...the individual partners, who, whether they would agree or disagree, really are (practising) marketing, because every time they're actually talking to someone they're selling themselves” (TWK, 145).

His partners are clearly slow in acknowledging their networking efforts as a form of marketing, whereas his previous marketing experience at Ford has enabled him to see the benefits of salesmanship in action.

It is obvious that in the case of Sobell Rhodes, their Managing Partner is a Marketing Champion driving a wide range of strategic and marketing activities. He has a widespread interest in exchanging views with other professional firms and affiliated organisations, as far afield as the US, on management and in particular marketing practice. The cross fertilization of ideas and the input brought in through these contacts have obviously contributed to the marketing impetus within Sobell Rhodes. Belonging to such an ideas exchange group,

“...has helped historically with our marketing initiatives” (SRT, 151) and has shown that it can help with the firm’s overall performance. The statement, “We perform better in all indices...” (SRT, 194) is a clear sign of the effectiveness of marketing practice within these firms.

There is a similarity with the situation at Anderson Strathern where the hiring and the surprising departure shortly afterwards of a Marketing Director with US experience and clout gave a strong jolt to the Partners and created the impetus in acquiring a better understanding and application of marketing. It has led to an unusual number of fee earners becoming involved taking over marketing responsibilities such as client care activities and guidelines. The Marketing Executive says,

“So they’re all now working very hard and they’re all switched on to marketing and they’re all doing their bit and I simply provide a running commentary along the side if you like, I report in to them on certain matters. Each of the 25 Partners are responsible for achieving three key goals a month, varying between entertaining certain key individuals who might be prospective clients through to better communication with fee earners (TAS, 209). The result is surprising, “...there’s a huge range of goals... if each month all 25 Partners complete their goals and then you multiply that out across the year, then it’s a huge amount of extra business development work that’s being done at a very minimum

time (and) cost to each individual fee earner. So that's just one of the initiatives that's in place in the new business plan" (TAS, 218).

The Marketing Champion is an agent for change through his role in persuading and educating his colleagues into marketing practice. The Managing Director of Sobell Rhodes sees this as,

"...a process of filtering it down so that more and more people are involved and it becomes a cultural issue" (TSR, 330).

Making marketing become part of the corporate culture is essential in increasing the overall acceptance of marketing within the professional environment of the firm and towards a stronger marketing orientation, eventually making the firm more competitive.

This is also the experience at Lovells where their Business Development Director believes that partners and associates need to be made to take-over the ownership of the marketing function within the firm whereas previously they felt detached and alien from it. This might have been done through performance related pay. There was no intention at the time of the interview to link partners and associate performance to pay, although other law firms such as Hammond Soddards have recently introduced such as scheme.

Ultimately the role of the Marketing Champion is to induce his firm's partners into becoming proactive in selling themselves and bringing in work. According to the Managing Director at Sobell Rhodes,

"In professional services, you've probably heard it, there are 'Finders, Minders and Grinders'" (TSR, 335). He sees his partners as mainly 'Minders' and 'Grinders', where the 'Minders' are those 'conservative' accountants who "look after clients, they don't loose clients, (but) don't bring very much" (TSR, 341), whereas the "Grinders are people that you never want the client ever to see. You just put them in the background because they are basically nerds. We don't have too many of those but every firm has (them), to some extent, and you need them" (TSR, 342).

He sees as vital the transformation of Minders and possibly some of the firm's Grinders into Finders through a change of perspective and culture, saying,

“...there is a fantastic buzz that people get from finding and bringing in clients” (TSR, 345).

The cross-fertilization exercise he is engaged in has taught him that marketing orientation, and ultimately firm's success, is based on being able to bring in business effectively through staff flexibility and increased ability to sell the firm and their services. He says,

“If you are a marketing orientated company then what you seek to have in a period of time is to recruit people that are capable of finding as well. The most successful firms I found, that I'm aware of, do have a higher preponderance of Finders, amongst their senior people” (TSR, 350).

The Marketing Champion's role as facilitator is doubled with that of educator and trainer in the process of new skills development for the fee earners and ultimately increases the marketing orientation of the firm. This is very much the case for the Marketing Director at Burness. She views her role entailing,

“To facilitate the marketing opportunities and marketing experience including the learning of new skills for my fee earners and so arming them with the skills and the knowledge to be able to go out there to develop the business and to critically be just not (only) excellent technical lawyers, which is an area I have absolutely no control over really, but to be the ultimate client-facing them” (TB, 56).

Generally she has observed a generational difference in the effectiveness of training she does with the partners. There is less resistance from younger lawyers, so training is seen to be more effective as they are more susceptible to accepting marketing. As a woman, she had to use a higher level of persuasion, perceived by her male colleagues as “utter exploitation”, indicative of the resistance to her marketing efforts. She seems to have accepted it and be

“...prepared to take the rejection and come back again” (TB, 66), which demonstrates a commendable determination on her part. The Marketing Champion needs to have above average interpersonal skills, because,

“You’re just dealing with so many different people, if you didn’t apply intuition frequently, then you’d be beating your head against a brick wall” (TB, 88).

This is due to the nature of the delivery of legal services, where lawyers are

“...used to finite start stops and they’re trained to deliver their service in a very restricted fashion” (TB, 76).

Contributing to the transformation of the firm into a learning organisation is another feature of the role of the Marketing Champion. The learning process needs to be systematic and should be linked to the determination to be successful in the firm’s marketing activities.

### 8.3.2. THE MARKETING SUPPORTIVE CEO

Within the professional organisations surveyed that had a Marketing Champion within the organisation, his position would have been far less effective without the active support of the firm’s CEO whose marketing understanding and experience provides the drive towards acceptance and implementation of marketing within the firm. An example is Numerica’s CEO who is an accountant with strong views in terms of marketing. This has been seen from his chairing of the Managing Partners Forum, which is the arm of the Professional Marketing Forum,

“A 3,000 strong regionally-based members’ association, dedicated to raising the standards of professional services marketing and to enhancing the credibility of marketers working in professional service firms worldwide” (<http://www.pmint.co.uk/pm>, seen 24<sup>th</sup> July 2004).

Similarly, at Grant Thornton the Director of International Marketing Communications considered herself lucky to have had a very supportive Managing Director,

“For the ten years I was Marketing Director of the UK firm, my boss used to say to me, ‘I don’t always know what your end result is going to be..., but I know, I have to be seen to support you’” (TGT, 80).

It is clear that in times of change, there is an increase in the use of marketing, which needs to be supported at the highest level of management within the firm,

“You can't effect change without someone (with marketing responsibility) at that senior table” (TGT, 171).

At Lovells, a prestigious City law firm just outside of the Magic Circle, the Director of Business Development is reporting directly to the Managing Director, which places him right at the top of the management structure within the firm. He confirms the high value and the interest Lovell's Managing Director places upon marketing, when saying,

“Very, a very high level of interest. She recognizes that marketing and business development is a core strategic function of the firm and that, as the firm grows, becomes more complex both in terms of the product mix it can offer and in terms of the international breadth and the number of offices it opens, then business development and marketing will become an increasingly important function of that” (TLo, 60).

The support from top management and the Partners is essential to the development of the marketing function and its acceptability as a strategic management tool. It is relevant to note that institutional and professional resistance to marketing is still being displayed in spite of the obvious benefits it brings. The fact that even with the support given, marketing is being placed under the remit of a business development umbrella is indicative of the relatively low opinion lawyers still have of marketing.

The analysis of primary data has revealed that the marketing supportive CEO has been exposed to a commercial environment and most likely has seen marketing in action or has been exposed to successful marketing activities. In the case of Burness, the Managing Partner was a Purchaser of legal services himself. As former Head of Clydesdale Bank's Legal Division,

“He comes with private practice experience but also experience of seeing it from the other side and that's quite critical” (TB, 128), says Burness' Marketing Director.

The unusual high level of marketing practice at Bell and Scott is due to the Managing Partner who is 'driving' it forward. His vision is translated into action by the determination, knowledge and marketing skill displayed by the Practice Manager and her marketing group. The Managing Partner has acquired his management and possibly marketing knowledge and expertise by owning and running other businesses. The Practice Manager comments on his position,

“Company director for a number of companies, they are operating in a competitive environment. So, he is a businessman who acknowledged the importance of marketing and the development. We are fortunate in his life experiences, if you like, not necessarily his professional qualification” (TBS, 172).

It is relevant to note that the Managing Partner is the real support for the Practice Manager who is the actual Marketing Champion of the firm.

Similar to the situation at Bell and Scott, the impetus for marketing at Anderson Strathern was given from the very top, by the firm's Chairman who,

“...plays quite a key role in that, he is a very keen marketer himself, he's one of the people that is very much recognizing the need for that” (TAS, 185).

The championing of marketing by the Chairman is felt through his active participation in a number of marketing activities. He was spearheading a programme of client satisfaction surveys at the time of the interview.

It is clear from the section above that the 'Marketing Champion' with or without the support of a 'Marketing supportive CEO' has been a unique and revelatory factor that needs to be added to the theoretical model developed in Chapter 5. It represents an important stimulus in the process of change within the professional service firms along the contingency forces discussed earlier and it plays a huge role in the acceptance and practice of marketing. The next section will concentrate on examining the level of adoption of marketing within the firm and in particular the use of marketing as a management tool in a tactical or strategic way within the firm.

#### 8.4. FROM TACTICAL TO STRATEGIC - ADOPTION OF MARKETING AS STRATEGIC AGENT IN MAXIMISING ORGANISATIONAL EFFECTIVENESS

In the early stages of acceptance and implementation of marketing following the deregulation of advertising restrictions by the professional associations, marketing was seen in a very limited way as a tactical tool, merely defined through its most visible methods and techniques, such as advertising, public relations or direct mail and completely ignoring its longer term strategic contribution. In the early years of this process very large City law firms like Linklaters, went to,

“...create centralized marketing functions, (but) they tended to be much more focused on marketing communications as opposed to business development” (TL, 22), according to their Global Marketing Director.

She complained that, at the time of the interview, the marketing group was too much orientated towards marketing communications and not enough towards providing partners with an overall client strategy. The newly appointed Global Marketing Director advocated a return from a previously decentralized to a centralized form of marketing practice suitable to a mature organisation which,

“...becomes so complex, so large, so international, that you have to have a group who can at the very least set strategy and policy, who can develop the standard tools and processes which can then be communicated throughout the organisation” (TL, 60).

The marketing way of thinking, putting the customer at the center of the organisation's strategic objectives and organizing the structure and the resources of the firm to deliver against these objectives at a profit, was such a radical concept, requiring a shift that very few partners in professional firms were prepared to acknowledge or to act upon. This fact was confirmed by the Director of International Marketing Communications at Grant Thornton, who noted that many professionals see this behavioural and cultural change as,



“...alien and for which most have not been trained. The reason behind resistance can often be insecurity and a genuine concern about lowering professional standards” (Director of IMC, 1993, p.3).

A number of firms researched such as Horwath Clark Whitehill, are still steeped in the traditional view of marketing very much seen as a quick fix,

“Let’s do some marketing...What marketing can we do this week’...It is more of an ad-hoc process”, (TH, 233).

These firms have either been very small and sheltered from contingency pressures or without a Marketing Champion or a marketing supportive CEO.

In a small professional firm such as Robert Clow & Co Accountants, marketing is not formalized in any way within the practice and is not even considered as a management tool to be used in the running of the business, in spite of the Senior Partner’s acknowledgement that,

“Marketing equals growth, new customers, new business, expansion” (TRC1, 20).

The approach to practice promotion is rather whimsical as stated by the Junior Partner,

“It’s funny if you’re talking about advertising sometimes he (the Senior Partner) will spend on things because he feels like it, rather than because I think he’s got any particular plan or structure” (TRC2, 83).

The case of Langley Partners is even more revealing. The impression coming across is of the firm heading along on impulse without much strategic thinking behind their actions. The firm’s energies are being ploughed towards tactical measures based on the thinking,

“...(of) just getting the impetus and maintaining that...” (TLP, 124).

There is no marketing focus responsibility within the firm. Instead, marketing expertise is provided by an external consultant, the Partners making the tactical decisions and those related to marketing expenditure, with the Audit Manager left to deal with implementation and day-to-day running of marketing activities. His involvement with marketing is very much part time and he comes across as being under a lot of professional pressure, unable to make

marketing a priority. The lack of direction comes across strongly when he says,

“We have a lot of ideas here and unfortunately the days go by extremely quickly and I get a hundred phone calls a day and before I know it, my day is finished and I haven’t done what I was meant to do and instead of a list of thirty things to do, I’ve got a list of fifty things to do and it just increases” (TLP, 156).

Marketing initiatives are not budgeted as part of an overall firm budget because marketing has only a tactical role instead of strategic. An estimate of possible marketing expenditure was left in charge to the external marketing expert, who is also in charge of the firm’s marketing planning, which explains the lack of internal marketing focus and commitment by the staff. There is serious confusion between strategies and tactics; in addition marketing concepts are misunderstood and misused. It is obvious that Langley Partners had no plan to formalize the marketing function or making it part of the management of the firm.

A similar situation has been observed at Clintons, where marketing decisions are made informally between Partners and by a marketing committee. The Partner in charge of marketing commenting on the marketing meetings says,

“They’re not as regular as they should be, but we do as a committee, not latterly, but we should be meeting once a month, once every two months we will meet formally, informally we’re meeting very regularly, once a week or more, because I’ll be speaking to the other partners involved in marketing almost on a daily basis and certainly on a weekly basis, just chatting and saying what’s happening and what we’re doing” (TC, 192).

This is a very ambiguous comment that reflects the casual approach to marketing and ultimately its value in the eyes of Clintons’ Partners.

At the other end of the spectrum, those professional firms surveyed who have been subject to highly intense contingency pressures, have used marketing as a strategic agent in maximising their organisational effectiveness. This is illustrated in Numerica’s case, whose process of change has been actively

managed by top management using marketing as an essential management tool. It is evident that their CEO's marketing orientation has been a positive element in the application of marketing practice throughout the firm. The understanding and acceptance of marketing seem to have permeated most levels and marketing is being seen as an important way of achieving their corporate objectives of survival and growth. The strategic importance given to marketing within Numerica is further illustrated by the fact of having the Group Marketing Director sitting on and directly reporting to the Board of Directors. This is quite unique for a professional firm, as the traditional partnership structure would have prevented this happening, as acknowledged by the Group Marketing Director,

"I obviously report to the Board, because we're not a Partnership" (TN1, 14).

The ultimate level of responsibility rests with the Group Marketing Director who is in charge of marketing strategy development and implementation for the firm. Numerica's shareholding structure makes marketing far more accountable and for the directors more acceptable, as acknowledged by the Marketing Communications Manager,

"We try to measure and monitor everything that we do and demonstrate effectiveness rather than just throwing money at an event... it's just that the budgets are very, very carefully planned and controlled" (TN2, 197, 208).

The change of the role of marketing is also seen at Taylor Wessing through the use of more sophisticated marketing tools. As part of a marketing audit the Director of Business Development has introduced a rigorous monitoring system of marketing activities and expenses. She says,

"We actually analyze anything from the amount of time spent on something through to the number of people we've got through the door. What we haven't got at the moment, because the computers aren't linked, is we haven't got the conversion figures" (TT2, 354).

This reflects positively on her ability to run an efficient marketing department that is accountable.

The departure of the US trained Marketing Director seems to have galvanized the Partnership of Anderson Strathern into embarking on a concerted marketing planning effort as described by their Marketing Executive,

“...these are the first steps that are being taken just now by the Partnership themselves to a serious dedicated planning and set of goals to be achieved” (TAS, 285).

The Partnership’s Annual Conference provided the basis for,

“...a plan of pretty much every marketing activity that each department wants to have a hand in over the next twelve months. So from that obviously we can work out budgets, we can work out a rough idea of how many hours each year fee earners and Partners will have to spend on marketing” (TAS, 290).

The fact that the entire Partnership was engaged in this process bodes well for the future of marketing within that firm, as it involves acceptance of its role in achieving objectives set through an internal decision process. The barriers of resistance that might have been in place facing an imposed process from a non-fee earner such as the former Marketing Director were possibly disappearing in a collective resolve to achieve it from within.

Being aware of competitors’ marketing strategies and in particular the consolidators’ moves is important for Sobell Rhodes in their attempts at maintaining their competitive advantage. As the Managing Partner says,

“At Tenon and Numerica so far there is a certain degree of lethargy after the initial surge of the take-overs and the large sums they’ve paid out. I think they will become more of a force in the future in terms of their marketing, their profile, how they approach things. They are using similar (marketing) methodologies to us whereas the smaller firms don’t use our methodology. A lot of firms don’t use our methodology, similar methodologies to the SME market” (TSR, 715).

Using marketing planning, as part of the overall business planning, is an indication of strategic use of marketing within the firm. Sobell Rhodes practises this, which is unusual for such a small firm, but understandable in the view of having a determined Marketing Champion who is the Managing Partner with an interest in business strategy. The plan is discussed and

developed around certain key events during the year, such as around Budget times, when topical information is being sent to clients, or quarterly business breakfast events organized to improve client awareness of Sobell Rhodes. The objective according to the firm's dedicated Marketing Manager,

“...(is) creating marketing opportunities at different times of the year” (TSR, 57).

The marketing plan is prepared together by the Marketing Manager and the Managing Partner, who says,

“It comes out of the Annual Business Plan that I do on behalf of the Practice that is then vetted and approved by the partners. That then filters down to the Marketing Plan which (the Marketing Manager) and I agree upon, basically to achieve what we are setting out in terms of new clients and additional business from the sphere of context that we have” (TSR, 62).

There seems to be a lot of preparation going into the development of the marketing plan, with,

“...a lot of research that goes into it... getting feedback and actually stimulating individual sections of the practice, individual partners to actually produce their own marketing as well...” (TSR, 67).

There is clear firm involvement and participation in the marketing practice. The partners and directors are being involved according to their talents and overall objectives and their activities monitored and constantly encouraged by the Marketing Manager, although there is a permanent time and resource conflict between delivering the service and marketing. Unusual for a small firm such as Sobell Rhodes is their well thought mission statement, which fits within their overall business strategy and planning, out of which the marketing strategy is derived. It is interesting to note the degree of sophistication in terms of strategic business and management planning used by this firm similar to those used by much larger incorporated businesses. It is clear that there is a desire within the firm spearheaded by the Marketing Champion in fashioning the firm along corporate lines and less as a partnership, in order to convey to clients and ‘consolidators’ alike, that Sobell Rhodes is of a more substantial size and quality firm than it is in reality.

The most proactive of all the firms surveyed in respect to marketing is Bell and Scott of Edinburgh, a 'model' firm from the point of view of marketing practice. They came across as focused, dynamic, very much in control of their own destiny and in control of their environment. Bell and Scott have responded effectively to contingent forces, i.e. changes in the market, competition, restructuring and concentration of the legal sector by deliberately having positioned themselves in the construction and real estate niche market in Scotland. Their strength lies in their marketing driven ability to build and maintain relationships with clients and their determination to add value to their businesses. The firm, according to their website is committed to strategic management of its business and its people, by

“...supporting the development of staff that is reflected in the performance of the firm, teams and individuals” ([www.bellscott.co.uk](http://www.bellscott.co.uk), seen 29<sup>th</sup> December 2003).

Their website further states,

“Our staff understand how they contribute to achieving the firm's overall strategy. We have a plan with clear aims and objectives, which are understood by everyone. Communication is the key to the achievement of firm, team and individual objectives” ([www.bellscott.co.uk](http://www.bellscott.co.uk), seen 29<sup>th</sup> December 2003).

This is a reflection of a confidence rooted in a pro-marketing culture with well performing internal marketing where firm objectives and goals are effectively communicated to staff.

Bell and Scott are quite unique in the mastering of marketing research techniques and their use of competitive intelligence that is used ultimately for strategic marketing planning purposes. The Marketing Executive explains one of her projects,

“The competitive activity report looks at other law firms especially around Edinburgh, that is where the majority of our clients are. It examines the services they are offering in comparison to the services

we are offering. That can be used for the strategic marketing plan and how we take the thing forward from there” (TBS, 383).

Bell and Scott have created a learning environment where individuals are involved in searching for new and innovative ways of doing business beyond the boundaries of their local market. The focus of the competitive activity report is wider than just their direct Edinburgh competitors. The Marketing Executive is looking at other firms they could learn from,

“I (have) just been looking at law firms wide, because there are initiatives within the law firms that we could, maybe similar to those we are producing. There is always something that we can have a look at. The big law firms have a lot of money and a lot of technology they can use and if we can do something on a smaller scale or if there is something that they are doing that we can mimic. We are not here to re-invent the wheel. For a smaller medium-sized firm our budget isn't vast so, therefore we use the technology, we create new technologies within the firm. We do examine other initiatives that other law firms use” (TBS, 392).

Bell and Scott have a strategic marketing orientation that is kept up-to-date by observing and learning from the big City law firms. It is remarkable for a small firm to have such a determination to compete on equal footing with the seriously big firms in terms of marketing practice, as stated by the Practice Manager,

“We are pretty much ahead of the big ones, from a marketing perspective” (TBS, 414).

Their strategic marketing planning process is impressive indeed in the level of detail, its methods of implementation and the use of control consulting judgement. The Practice Manager comments,

“From a marketing perspective, we need to do more is control and monitoring. People generally do have the willingness, that is not lacking, but if they can get away with it, they will” (TBS, 132).

Measuring the effectiveness of marketing activities is rarely done in small or medium sized firms and it is even overlooked in the large firms that are seriously engaged in marketing. It is therefore remarkable that Bell and Scott's commissioned an independent survey to study the effectiveness of

their direct marketing campaign that was done with the objective of strengthening the firm's brand. The results were very encouraging and according to the Practice Manager

“There was a significant increase in awareness of the name and what we did” (TBS, 265).

This is particularly important in a market and a city with hundreds of law firms with Scottish names that sound very much the same.

### Brand Building

Brand building is considered by the Group Marketing Director as the main marketing objective at Numerica, an important tool in the fight for league positions. This is seen as crucially important as it determines the level of work and clients Numerica is trying to acquire. Because the market outside the Big Four is so homogenous, Numerica sees branding as the only method to differentiate the firm from the others, in effect replicating what the Big Four have done at a lower level. The Group Marketing Director sees the firm's entrepreneurialism as the essence of the brand and the need for this message to be communicated internally and externally, both directly and through staff activities. Brand values have been identified based on the firm's culture, which is portrayed as innovative, dynamic, entrepreneurial,

“...not arm-length accountants but much more concerned about getting business results for our clients” (TN1, 148).

The Global Marketing Director believes the success of Linklaters' branding was based on having involved the services of an external branding specialist to oversee the whole process. It is clear that substantial expenditure has been made, indicating Linklaters' commitment to the process. The branding exercise involved consulting 350 out of 450 Partners - a lengthy and well planned out consultative process. In charge was one of the Partners who ran it as a workshop, eliciting objections, problems and alternative routes. It is relevant to note that Partners found the process difficult, as she explains,

“...we then spent a lot of time refining, if you like the concept, into something specific and trying to articulate the brand idea was quite



hard, because as an organisation that focuses on words, to have words represent something, rather than every word mean absolutely what it says is very difficult... The brand idea is achieving the unachievable, so we did actually push the Partners out quite a long way because for your average lawyer that's quite hard" (TL, 393).

Branding requires the use of imagination and this seems to go counter to the legal training.

The Director of Business Development at Taylor Wessing expressed doubts as to the rationale on how feasible it is to brand a partnership. She believes that a consumer environment is more conducive in setting up brand values and can make a whole business think and breathe these brand values, with the infrastructure and systems to support. A professional firm is unable to achieve this,

"...as the whole basis or strength or ethos, particularly of this firm and is true of many firms, is based on individuality, collectedness and differentiating personalities, I think it's very difficult to create true brand values through that" (TT2, 367).

What she finds most difficult to achieve when it comes to branding is finding the 'differentiation factor'.

Branding is adopted in certain circumstances to reposition a practice following intense contingency pressures. This is the case with Burness, one of the first Edinburgh legal firms to shake the old fashioned image of W&J Burness. Re-branding involved moving to the new offices and undergoing,

"...a bit of a cultural change by being the first firm to remove the private client arm and become a completely independent commercial firm" (TB, 479).

The Burness brand is now known, according to their Marketing Director,

"...for being progressive, forward-thinking, reflective, not only in the directory listings and the accolades we've received over the years but in the culture and by recruiting of trainees who come in to buy into this culture. I think everybody who's joined Burness in the last two years joined a firm that they thought had a particular image which was

associated with being contemporary, forward-thinking, progressive, innovative and so we very much approach all our marketing with a strong brand focus” (TB, 482).

A stronger brand has made achieving success of marketing initiatives much easier.

A successful brand is always linked to achieving differentiation within the marketplace. This was the conviction of the former Marketing Director at Anderson Strathern. He was convinced that differentiation was key in assuring success in the competitive battle. He believed,

“...that the world’s moving too fast and there’s too much competition so you have to be different to, rather than better than the competition to compete” (TAS, 388), as explained by Anderson Strathern’s Marketing Executive.

The legacy of the former Marketing Director in terms of positioning the firm on a completely different platform to the competition seems to have forced the firm to think strategically,

“The idea of differentiation is something that through this Director we did a lot of work on and we had some very good successes ... now we’re re-assessing our position ...and how far we want to take that and exactly how different we are, trying to work out our place in the market again and the idea of branding ourselves is very much in the Partnership’s mind at the moment ... and they are looking quite heavily at how each department can be marketed itself” (TAS, 407).

This quote has a special significance as it reflects how much the firm is absorbing, adopting and implementing marketing concepts. The fact that they were thinking of branding a department separately from the firm’s brand is a departure from the norm within the legal environment and more akin to a commercial enterprise. This has a strategic significance as the firm was considering being a portfolio of brands based on their legal specialisms or strengths that is quite unique,

“The firm is different in the way it does things in that respect, it has already moved away from having the image of one front door, one firm, one image and it’s now picking up on the fact that there is a different image to the departments and it comes from the people, from the work

and they are trying to pick up on that and move forward and find a way to market the firm as a whole as having each of these different specialties and different images within it” (TAS, 418).

Brand building is also necessary to create the fusion of the merging cultures of acquired practices. This is of strategic importance as it insures the rapid assimilation of hopefully congruent, but still distinctive practices, in their makeup and internal culture. As seen from Taylor Wessing’s merging experience there is a need for defining not only the overlapping characteristics of the merging partners, but also to create a fusion of talents, expertise and cultures post merger. This is the role of the branding exercise, which needs to be organic and involve all of the staff and which is seen as a serious problem by their Director of Business Development. She says,

“Our next stage is to start trying to communicate that to people, but the problem is we’re dealing with incredibly intelligent people, these are not stupid, they’re very, very clever and they’d just fall about being sick on the carpet if you throw this sort of stuff at them. They just go ‘Don’t give me that marketing talk’” (TT2, 393).

This is yet another confirmation of the misconceptions regarding marketing within the professional environment.

Even at Langley Partners, where the brand has only been implicitly identified on the back of their outgoing firm culture, there is recognition that focusing sixty to seventy people in the same direction without an explicitly defined brand, image, or message is rather difficult and in future this might have to change.

Branding is also considered as strategically important by the Partner in charge of marketing at Wilkins Kennedy in their quest for growth, identity recognition and ultimately succession realization. The rationale behind the decision to brand is seen as an important strategic step in the repackaging of the firm in order to increase its capitalization in case of a potential merger with another firm. This is explained thus,

“It seems to me that we should brand for two reasons; one is to actually maximise our market penetration and also to maximise our value. That with what is happening in terms of consolidation, we have always been quite fiercely independent which we see as our marketing niche, that we do remain fiercely independent, but at some point in the future if we were minded at all (to) sell, it seems to me that we would only maximise our value by having a clearly definable brand” (TWK, 810).

Although they underwent,

“...a very long and tortuous process a few years ago with coming up with our logo” (TWK, 295),

the Partner in charge of marketing is prepared to change yet again the firm’s name from Wilkins Kennedy to just WK, an inspiration from Price Waterhouse Coopers who recently changed theirs to PWC. This is again an example of mimetic thinking along the lines of fashioning the firm to appear more alike to the top tier of the accountancy firms. The repeated reference to PWC is an indication of the constant comparison being made between Wilkins Kennedy and the Big Four and the aspiration to be like them. There is the acknowledgement that they are not in the same league but there is a clear indication of institutional mimetism here, this time in relation to an aspirational competitor.

In the case of Robert Clow & Co Accountants placed at the lower end of the accountancy market, although the father and daughter partners don’t fully understand the concept of branding, there are a number of activities that could be associated with branding, such as making sure that the practice is clearly and visibly positioned in the high street. The branding of the firm revolves mainly around the senior partner’s personality who carries the firm forward.

### Internal Marketing

Of greatest importance in the process of culture fusion post mergers is the use of Internal Marketing, which has been practiced at Numerica comprehensively. In Group Marketing Director’s words,

“We’ve been doing massive induction programmes, where I’ve been talking about it to all the new acquisitions, we’ve got a branding document that goes out to everyone (staff)” (TN1, 150).

Team building is another tactic for organizational integration,

“We’ve built teams that focus on different industry sectors and that’s completely multi-disciplinary, so that supports the team element of the brand values” (TN1, 160).

Internally, branding was explained to staff with the help of a brochure highlighting the importance of adhering to the agreed brand and to include it in all activities. The purpose of this exercise was to create a sense of belonging, identified by Ind (2000) as ‘living the brand’. It obviously has been successful based on the opinions expressed by the Marketing Communications Manager and the Marketing Executive saying,

“People were quite passionate about it, they were... passion makes a difference doesn’t it?” (TN2, 403, 405). When asked what feelings does the new brand stir up, they replied “We’re part of something really... I don’t know, just something exciting, something that’s interesting and innovative” (TN2, 409).

‘Living the brand’ is considered important to the point of having the HR department devise incentive schemes to support the internal branding effort.

A similar process relating to the use of internal marketing is being performed at Sobell Rhodes where marketing is actively practiced at senior level but the Managing Partner feels that it needs to permeate further down to staff. This is done through increasing the awareness of the young staff through weekly meetings called ‘Awesome’, meaning,

“...we are more awesome than anybody else” (TSR, 585).

The whole of Sobell Rhodes' staff of 50, including partners, are encouraged to attend. Team spirit and staff morale are being kept up with good communication of marketing message and merit rewards.

It is quite encouraging the way in which a small to medium sized regional professional service firm such as Bell and Scott is using internal marketing to inform and motivate their staff. What is even more impressive is the command of language used internally very similar to the one used by large commercial organizations which could be again an indication of institutional mimetism. Here is a quote by the Marketing Executive,

“One thing I'm trying to do at Bell & Scott is try to use Internal Marketing as a major tool. We do hold a lot of importance on the fee earners here and we expect them to be involved in marketing externally, so therefore to use Internal Marketing within the firm we've tried quite a few things, which have been quite successful. Bringing the staff together because I think that is really crucial to motivating your staff to go out there and actually do something for the firm” (TBS, 188).

The stories included in the internal newsletter put on the intranet reflect topics of general interest as well as for motivational purposes, such as contributions from fee earners and charity events organized by the staff,

“...that has brought the whole firm together. Internal Marketing has registered up there very highly, but since I came just because it is crucial to motivate them to go out and do something for the firm and for themselves. It is also the marketing that we ask them to get involved in it has promoted to them that it is going to develop them personally as well, it is not just for the firm. We are very keen to encourage personal development and send them to Networking Training events and things like that” (TBS, 194).

It is clear that Bell and Scott are using motivational methods similar to those used by larger London City firms or commercial organizations they are trying to emulate.

## 8.5. CONCLUSIONS

The above chapter has endeavoured to substantiate the elements of the theoretical model using the framework of issues identified in Chapter 5 through a detailed discussion based on a meta-analysis of the fourteen individual analyses done on the data collected.

The partnership structure and the professional culture of most professional firms are seen as the root of the resistance to marketing. There are strong indicators of incompatibility between the professional culture and marketing. It is also true that the professional culture is changing at a rate that has been found to be different in each firm, but overall it has been faster in those firms that are marketing proactive and where the firms' culture is undergoing a process of change.

It is clear that the 'Marketing Champion' with or without the support of a 'Marketing supportive CEO' has been a unique and revelatory factor that needs to be added to the theoretical model developed in Chapter 5. It represents an important stimulus in the process of change within the professional service firms along the contingency forces discussed earlier and it plays a huge role in the acceptance and practice of marketing.

Understanding on how marketing is being practised within the professional firms researched has been considered important in establishing the response to contingency and institutional forces. The discussion in the preceding section has focused on the level of importance given to marketing as a strategic tool instead of the traditional tactical, ad-hoc, communications mainly tool. It is relevant to note that those firms who had Marketing Champions used marketing in a far more strategic manner. The discussion covered the use of marketing planning, branding and internal marketing. A more detailed comparative analysis of the whole range of marketing activities practiced by all the firms researched can be found in the Appendix D and E.

In the pursuit of an understanding of the barriers to marketing acceptance and use within professional service firms it was deemed important to achieve understanding of marketing nowadays compared further on with the perceptions from the professional firms studied. This has required an in-depth understanding of the professions, from a sociological perspective, which was covered in Chapter 3 and from an organisational point of view covered in Chapter 4.

Comprehensive research has revealed that there has not been any significant work undertaken in explaining the empirically perceived barriers to marketing within a professional context. Chapter 5 has provided an exploration of the theoretical frameworks relevant to marketing and the professional service firms respectively, namely the Contingency theory and the Institutional theory. It has put forward a theoretical model that explains the barriers to marketing within professional service firms, to be validated by the primary research undertaken.

Chapter 6 has explored the understanding of the philosophical issues on which the research design is based. The different approaches and strategies to the research have been discussed as well as the logical step-by-step approach to the choices made in the data collection and analysis methods used. The various problems and limitations related to the primary and secondary research process and the solutions adopted have been discussed throughout.

Chapter 7 has discussed the research findings in respect to the perceptions of and the responses to contingency and institutional pressures by the professional organisation and its attitude towards change given its historic roles and professional culture. It has explored the level of understanding of the marketing concept and function and the degree to which marketing has been the preferred choice of organisational change when faced with sustained environmental pressures. Finally, it has covered the acceptance or rejection of marketing as an agent for change by the professional organisation.



The present chapter has explored the causes of resistance to marketing acceptance and implementation as a management tool as illustrated by the findings. It has demonstrated the role of the professional partnership and the professional culture in the process of acceptance and implementation of marketing as an agent for change. Finally it has discussed the level of adoption of marketing as a strategic agent in maximising organisational effectiveness.

A summary of the essential issues identified in this chapter will lead to a revised theoretical model, which will be put forward in Chapter 9. Finally, a number of areas have been identified through the meta-analysis that have been found to require future research will be summarily discussed in the concluding chapter.

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## CHAPTER 9

# CONCLUSIONS

### 9.1. INTRODUCTION

The preceding chapters have:

1. Introduced the problem of the barriers to marketing within professional firms. Presented the rationale behind the decision of pursuing this topic, based on the empirical observations made by the researcher and other authors and put forward the approach adopted in the structuring of the thesis.
2. Reviewed the currently accepted understanding of marketing and its evolution through a comprehensive outline of the intellectual and pragmatic sides of marketing and the changes that are occurring within marketing management as a body of knowledge, theory and practice.
3. Reviewed the sociological approach to the professions covering the various definitions, classifications and models such as the 'professional project' and the 'power approach'. The nature of professional knowledge has been explored. The study of the struggles for legitimacy provided an understanding of inter- and intra-professional competition relevant to the present research. Finally, the changes in the professions have been explored through the commodification and commercialisation issues.
4. Explored the traditional professional organisation and the radical transformation it has undergone in recent years. It has examined its responses to the environmental pressures of increased competition, more demanding and sophisticated customers, deregulation, technological advancement and globalisation. The focus of research has been on two of the traditional professions, accountancy and law.
5. Provided an exploration of the theoretical frameworks relevant to marketing and the professional service firms respectively, namely

Contingency theory and Institutional theory. It has put forward a theoretical model that explains the barriers to marketing within professional service firms, to be validated by the primary research undertaken.

6. Presented the understanding of the philosophical issues on which the research design is based. Discussed the different approaches and strategies to the research and will show the logical step-by-step approach to the choices made in the data collection and analysis methods used. Throughout it has discussed the various problems related to the primary and secondary research process and the solutions adopted.
7. Discussed the research findings in respect to the perceptions of and the responses to contingency and institutional pressures by the professional organisation and its attitude towards change given its historic roles and professional culture. It has discussed the level of understanding of the marketing concept and function and the degree to which marketing is the preferred choice of organisational change when faced with sustained environmental pressures. Finally, it has covered the acceptance or rejection of marketing as an agent for change by the professional organisation.
8. Explored the causes of resistance to marketing acceptance and implementation as a management tool as illustrated by the findings. It has demonstrated the role of the professional partnership and the professional culture in the process of acceptance and implementation of marketing as an agent for change. Finally it has discussed the level of adoption of marketing as a strategic agent in maximising organisational effectiveness.

This concluding chapter will start by summarising the research question. It will succinctly state the value of the present research by expounding what it has added to the existing knowledge of marketing, the professions, the professional organisation and finally the contingency and institutional theories. It will further expand on the revised theoretical model redefined through the analytical findings from Chapters 7 and 8 based on the theoretical model put

forward in Chapter 6 and the discussions on marketing, the professions and professional service firms in Chapters 2, 3 and 4. It will conclude by discussing a number of possible research strands, derived from the present study that could be followed up in the future.

## 9.2. THE RESEARCH QUESTION

The main research question can be formulated succinctly thus:

What are the barriers to marketing implementation and practice within professional service firms and how can they be explained through organisational theories?

Specifically, it has been necessary to split this research question into objectives to be achieved, namely:

- Deeper understanding of the significance and the role of marketing within society and the organisation.
- Better understanding of the perception of marketing by the professional service firms.
- Understanding of theoretical foundations of the responses by professional service firms to the external and internal pressures experienced.
- Better understanding of the types of the barriers and the theory behind the phenomenon of the barriers to implementation of marketing within professional service firms.

## 9.3. VALUE OF THE RESEARCH

### **Contribution to Social Science knowledge**

The present research has contributed to knowledge by spanning four distinct areas of study. It has spanned two sub-disciplines of management, marketing and organisational behaviour and has brought new understanding into two categories of professions, the liberal professions of accountancy and law on

one side and the organisational profession of marketing. Most of all, it has brought clarity into the complex inter-professions conflicts and relationships.

### **Contribution to knowledge of Professional Service Firms (psfs)**

The thesis has been based on the assumption and has clearly demonstrated that the professional service firm needs to be studied as a unique and distinctive form of organisation. Building upon the work of Greenwood and Hinings (1993) that views the professional organisation as an archetypal structure the thesis has taken the more 'holistic' view to organisational structure to include its beliefs, values and ideas, through the research of organisational perceptions. The professional organisation advocated by Powell, Brock and Hinings (1999), has a common thread that is the set of professional values, beliefs and aspirations that have been empirically studied by the present research and that characterise the professional organisation. Minzberg's professional bureaucracy is an organisation borne as a result of normative pressures and stems primarily from professionalisation, which are strong isomorphic forces. The key element in the professional organization is that it incorporates institutional elements, which are legitimated externally, rather than in terms of productive efficiency. In addition, the professional organisation has been historically shaped as a professional archetype ( $P^2$ ) that uniquely combines ownership, management and the delivery of professional service. This combination of professionalism based on institutional isomorphism and ownership structure makes the professional organisation responses to contingency forces totally unique and different from any other type of organisation. This has lead to a re-think of the underlying theories operating within the professional environment as described below.

The present research has uniquely identified the issue of succession, as a contingency factor within the professional environment. This is a unique contribution to knowledge of the professional service firms (psfs).

### **Contribution to knowledge of the Professions**

The thesis has contributed to the further understanding of the differences between the different types of professions according to Reed's distinction between liberal, organisational and market-based professions. It has thrown light into the differences between law and accountancy, as liberal professions on which the present research is based and marketing as an organisational or managerial profession. The empirical research has proven that marketing as a profession has been unable to achieve the degree of indetermination, monopolization and control over its knowledge base and is still suffering from the lack of the legitimacy provided by the connection of abstraction with general values, enjoyed by the two liberal professions studied. The liberal professions, such as accountancy and law, have had the confidence and the empowerment of their codifiable and generic knowledge and the subsequent complex skills derived from it, based upon the esoteric knowledge acquired by prolonged periods of study in higher education institutions and throughout their professional careers, all of which they perceive as wanting in the 'new' organisational professions such as marketing. This has therefore influenced the perceptions by the liberal professions of marketing by being considered of little relevance compared to their own. The process of change of perceptions has only occurred when strong contingency factors have forced the professional organisation to get recourse to the help of an organisational profession such as marketing in its response to these contingency pressures requiring higher organisational efficiency.

The liberal professions have had the historical advantage in creating monopolies of expertise and following Larson's thinking, have been able to convert "...one order of scarce resources (namely their) special knowledge and skills into social and economic rewards" (Larson, 1977, xvii). They have been able to establish a monopoly of expertise in the market, as well as a "monopoly of status in a system of social stratification" (Larson, 1977, xvii). This again has been lacking with the organisational professions, as they have risen through the 20<sup>th</sup> Century their attempts to establish a monopoly in the market have been unconvincing in the eyes of the liberal professions,

although their social rise has been backed by an undeniable economic success.

The observations made on Macdonald's study on the 'professional project' are interesting in shedding light on why professions in different cultures have different responses to changes in a free market society. Whereas the marketing profession has been borne out of the need to respond to market changes and has been a manifestation of the free-market, profit-oriented economy and a catalyst for innovation and progress, the liberal professions have striven to maintain their legitimacy and monopoly over their social and economic rewards, in effect have striven to maintain the status quo.

Another very relevant insight has arisen from Macdonald's discussion on the knowledge-based link between state and the liberal professions based on their parallel formation along the rise of the modern capitalist industrial society. This point links well with the discussion on the impact of institutional isomorphism of the state upon the professionalisation of occupations done in section 5.3.1. in respect to the common institutional bond and culture which the state and its organisational bureaucracy share with the liberal professions. It is clear though, that the legal monopoly, discussed by Macdonald, which the liberal professions have so successfully secured through licensure by the state, has been very slow in coming for the organisational professions such as marketing.

The thesis has been building upon Abbott's theory of professional knowledge that contends that the professions develop an abstract formal knowledge system from their first origins. This observation is valid for both the liberal and the organisational professions and the present research has covered in-depth the early roots of marketing as an area of academic study in section 2.4. The study has indeed revealed that although marketing has been an academic discipline for almost a century, it has had a very slow acceptance within academia, which has been unsympathetic at its claims of social science as it felt it was based on commercial and materialistic roots.

One of the most relevant issues arising out of the sociological overview of the professions is the professional legitimacy. According to Abbott, legitimation justifies what the professions do and how they do it, in other words, professional legitimation draws on cultural values, with the implication that cultural shifts have an effect on the legitimation of professional results and thereby on competition between professions. Marketing's claim of client care at organisational level comes in direct competition with the lawyer and the accountants' claim of having the clients' interests foremost at heart. Therefore, this opens the perspective of inter-professions competition on legitimacy grounds, which have been fully explored empirically and this is an important contribution to the understanding of barriers to acceptance and implementation of marketing within the professional organisation.

### **Contribution to knowledge of Marketing**

The thesis has built upon the work done by Hunt (1992), Kerin (1992), Day (1992) and Varadarajan (1992) and has shown that marketing can be looked upon as a manifestation of the free-market, profit-oriented economy and a catalyst for innovation and progress. It is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. At organisational level, marketing acts as the organisation's interface with the environment. Varadarajan's definition of a boundary-spanning organisational function through its constant and continuous interface with the external environment at large and with its stakeholders as well as with the internal environment and the various groups within the organisation is particularly relevant as the empirical findings have demonstrated. It places marketing clearly within the contingency theory model, by showing that it is a response mechanism to customers' needs. If these needs change along to environmental changes, then marketing in theory follows with an appropriate response.

A major contribution to marketing knowledge has been the identification of the concept of Marketing Champion, which is still unexplored and has uniquely emerged as an important factor in the process of reducing the barriers to



marketing within professional firms. It has been identified as an agent for change within the professional environment.

### **Contribution to Research Methodology**

From a methodological point of view the thesis has built upon Golden-Biddle and Locke's (1993) ethnographic research by contributing to the application and development of perceptual analysis. This approach puts greater importance on individuals' ideas, concepts, values and beliefs, which are expressed through language rather than on individuals' behaviour. The empirical research has been the collection of perceptions from various individuals within the organisation. This accumulation of written material which becomes a 'text' has been subjected to a analytical approach similar to 'literary criticism', in effect an interpretation by the researcher based on the individuals' interviewed background and experience. The uniqueness of the methodological contribution is that the written material has undergone two levels of analysis, the first analysed data at firm level based on one set of parameters, the second, analysed the fourteen resulting analyses on a different set of parameters resulting in a meta-analysis. This has been used in the final discussion of findings.

### **Contribution to knowledge of Organisational Theories**

Building upon the work of Sherer and Lee (2002) in addition to Homburg, Workman and Krohmer (1999), Workman, Homburg, and Gruner (1998) and Gupta, Dirsmith and Fogarty (1994), the thesis has used combined theory integration by developing a theoretical model based upon two theories, contingency and institutional. The further refined theoretical model has been developed based on the empirical findings obtained through the research and will be detailed in the section below.

## **9.4. REFINEMENTS TO THE THEORETICAL MODEL**

Below is the diagrammatic representation of the revised theoretical model, taking into account a number of refinements that will be discussed further.



Fig.9.1. Revised Theoretical Model

Based on this theoretical model, the barriers to marketing within professional service firms can be explained as a result of an organisational conflict between the need for response to contingency pressures and the internal and external institutional isomorphic pressures of maintaining professional legitimacy with the implication of the necessity to forfeit organisational efficiency. As seen from the discussion in Chapter 2, marketing can be seen as the organisation's interface with the environment. It is a boundary-spanning organisational function through its constant and continuous interface with the external environment at large and with customers, competitors and channel members in particular as well as with the internal environment and the various groups within the organisation. The key role attributed to the marketing function is as a tool designed to maximise efficiency.

The survey undertaken has revealed that across the whole spectrum of the professional firms there is acute awareness of environmental pressures from

clients, competitors, technology, globalisation as well as regulatory and succession pressures. The succession implication needs to be added as an internal contingency pressure to the theoretical model, as it was not originally foreseen.

At the top end, the contingency pressures are felt more keenly as the risks are far greater than in the smaller firms, although the organisational changes they engender could be equally far-reaching. For the marketing pro-active firms the general competitive environment is seen as more friendly and the feeling is of being more in control over the firms' destinies. This is due to the nature of the marketing function of continually monitoring the environment in order to provide the appropriate strategic solutions.

Change within the professional environment will not occur unless there are contingency pressures to do so and in general change is being slowed down due to the institutional barriers of professional partnership. The study has shown that professionals are torn between the pressures of change and the need for respectability and of maintaining the status quo, which is evidence of the conflicting contingency and institutional pressures at play. The Marketing Champion has been proven to be a driver for change in terms of initiating and leading the process.

The assumption that there will be pressures from new entrants has not been confirmed as true. It was thought the increasing numbers of newly graduated accountants and lawyers would put additional pressures upon these professional sectors from bottom up. Instead the sectors have effortlessly absorbed them in the drive for overall growth. Younger accountants as well as graduating lawyers need to join larger firms in order to train and qualify and generally end up by joining these firms, rather than setting up as sole practitioners. There has been tremendous pressure upon existing sole practitioners to join forces with other firms. This is due to increased competition levels and upward consolidation, which makes it far more difficult for sole practitioners to survive.

The survey has found no substantial evidence of pressures coming from new entrants, except at the very ends of the size scale. The smallest accountancy firm feared rogue operators, whereas the largest law firm was concerned in respect to the entrance in the UK market of US law giants.

The research has revealed a consistent link between external contingency pressures upon a professional firm and the use of marketing. Also a link between marketing acceptance and application and organisational changes, where marketing introduction in the firm would be brought in as part of changes in management practice leading to organisational change.

There is clear indication that professional organisations under extreme and complex contingency pressures chose to forego management by peers in favour of professional management brought from the outside and operated within an organizational structure similar to commercial organisations. More and more professional partnerships are changing their traditional organisational structures from professional partnerships to a 'managed professional business' (MPB), with the consequence of marketing being widely accepted. With very few exceptions, the overwhelming majority of the top professional practices in the two sectors studied are managed businesses, increasingly focused on the need for marketing and in different phases of marketing adoption. The research has also proved that marketing is not adopted by organisations that do not perceive to be under contingency pressures. It is clear that organisations that felt secure in their market, in other words were under contingency pressures of no substantial consequence, had little incentive to introduce marketing as a defined management function.

The variable perception of marketing is in part due to the generational gap and in part to the partnership structure. The older partners were still locked into the institutional mindset of professional governance, which historically forbade any form of marketing. This was reinforced by the perception of the lack of competition due to the regulatory demands for compulsory tax returns, in the case of accountancy, which made any form of marketing un-necessary.

Traditionally marketing has been equated with advertising or promotion and the image these activities projected in the commercial sector provided the explanation of why marketing has had such a low estimation in the professional sectors. The resistance to marketing has also been seen originating from a perception that accountancy and marketing are at the opposite ends of management, with opposing objectives. The low perceptual importance accorded to marketing by the professions has been at the root of the under-allocation of manpower and resources. Because marketing has been perceived in a traditional professional environment as being of lesser importance, it is not unusual for the practical application of marketing to be left at the discretion of the individual local offices and the responsibility given to a junior partner, whose education and training in marketing is anyway minimal or non-existent. The professional education and culture is perceived as intellectually superior to the marketing profession. An explanation of the low intellectual and professional image attributed to marketing within the two professional environments studied can be due to the perception that marketing lacks the professional legitimacy attained through prolonged and continual study and the external support of the law.

The traditional partnership has survived based on intuitive marketing, on close client relationships and understanding of client needs. One source of conflict in respect of marketing's role within the firm has been perceived to be by the professional practitioner in the area of client management. The individual partner's relationship with the client has been traditionally considered inviolable, with partners jealously guarding the details of their relations with their clients, as this determined the partners' shareholding, status, remuneration and succession within the firm. Problems arising from partners' resistance to interference in what they see as their area of control over their own clients and ultimately the control over their own performance has been experienced in a number of firms surveyed.

The review of perceptions of the concept and role of marketing within professional firms has revealed generational differences, misconceptions and outright conflict leading to resistance in its introduction and application,

although professionals have individually practiced a wide variety of marketing activities in their pursuit of gaining and maintaining clients. There has been a conspicuous resistance to the acceptance of marketing as a management tool across the firm. The main barriers to implementation have been identified as the professional partnership structure and the professional culture.

The partnership structure of most professional firms has been seen as the root of the resistance to marketing. Partners universally perceive marketing as a dispensable overhead. Decision-making within a partnership has to be consensual and thus is inherently cumbersome. Hence, funding marketing activities out of partners' profit will always lead to difficult decision-making and slow introduction of marketing organisational structures.

The professional culture is dominated by the almost supreme belief in the professionals' expertise, acquired through many years of study and continual training. It is also based on the conviction of the special relationship between the professional and the client and the belief of being close to his problems and from this point of view, it clashes with marketing claims of being the main function within the firm to represent clients' interests.

The incompatibility between the professional culture and the marketing driven organisational culture became obvious from the start of the 1980s when, following advertising deregulation, the Big Eight firms, precursors of the present Big Four accountancy firms, employed experienced marketing people from successful commercial sectors. Most of those subsequently left, unable to succeed in the professional environment. The research has indicated the existence of a chasm in corporate cultures between the commercial and the professional environments, to the point where transfers of expertise from one to the other was consistently unsuccessful at that time.

Obstacles have been exercised in the way of marketing acceptance in particular within the legal environment, where there seems to be a need for a mediator or an interpreter between the marketing and the legal professionals. This can lead to high levels of uncertainty amongst the marketers within the

professional firms. Faced with the necessity of adopting the marketing function but faced with the cultural reluctance and distrust towards marketing, some professional firms will do the utmost to avoid using the term marketing internally and externally and will mask marketing activities under the guise of other management functions such as business development which is culturally more acceptable. The internal cultural change in the acceptance of marketing is sometimes so slow that marketers within professional service firms have to resort to unusual measures to achieve their objectives, such as bringing in highly paid consultants to convince partners of the necessity of marketing practice.

There is a strong mental barrier and resistance amongst professionals regarding to selling and to cross-selling in particular, this being true across the size and type of professional service spectrum. Even the adoption of generally accepted management tools such as corporate planning has being resisted due to the ingrained institutional culture prevailing. Partners in certain firms have been reluctant to accept the introduction of a planning process across the firm, because it was considered only acceptable as a corrective measure for failure within a particular department.

The rate at which the professional culture is changing has been found to be different in each firm, but overall it has been faster in those firms engaged in the adoption and implementation of marketing. Here marketing thinking has gradually become more acceptable and has started to be thought of at the higher echelons by the senior partners or the more powerful partners. Cultural change has been taking place across the entire accountancy sector in the UK, and from the limited findings, it is still happening in a delayed way across the world. There is some evidence that in countries, where institutional forces prevail, the resistance to change is much stronger (e.g. Germany compared to the Far East).

The research has revealed that, at least in the early days, barriers to marketing practice have been imposed through 'the restrictions and limitations' imposed by the professional institutes. However, there has been a

gradual change towards a realisation by the professional institutes of the benefits of marketing practice not only for their members but also for the benefit of the whole profession. The institutional influence of the professional institutes seems to be diminishing in respect to acceptance of marketing, although they are fighting a rearguard battle against increasing Government led regulatory pressures.

The Marketing Champion concept has again not been envisaged in the original theoretical model, discovered as a result of a contradiction observed within an assumption made initially. Namely, it was assumed that large firms, in distinction to smaller ones, were subjected to more severe contingency pressures and as a result were compelled to introduce more complex organisational changes in respect to marketing and had a wider range of marketing activities. There were some notable exceptions to this assumption. A few small firms underwent substantial changes in their organisational structure and in the firm culture and were practicing committed and robust marketing on a scale comparable to much larger firms. This was due to an individual within the firm identified as the Marketing Champion. The reverse also confirmed this; the larger firms that did not have a Marketing Champion had a much weaker commitment to marketing and their marketing performance was much weaker. This is relevant as it gives an indication of the generalizability of the Marketing Champion concept.

The Marketing Champion plays an important role in the active promotion of marketing within the firm not only through the consistent use of marketing but also in making marketing acceptable internally and within the industry and in the change of the internal professional culture. Part of the role of a Marketing Champion is to identify weaknesses in the firm's ability to assess its environment and the contingency pressures it is facing. The Marketing Champion is an agent for change through his role in persuading and educating his colleagues into marketing practice but ultimately his role is to induce his firm's partners into becoming proactive in selling themselves and bringing in work. The Marketing Champion's role as facilitator is doubled with that of educator and trainer in the process of new skills development for the



fee earners and ultimately increases the marketing orientation of the firm. Contributing to the transformation of the firm into a learning organisation is another feature of the role of the Marketing Champion where the learning process needs to be linked to the determination to be successful in the firm's marketing activities.

The research has shown that the position of the Marketing Champion within the organisation would have been far less effective without the active support of the firm's CEO whose marketing understanding and experience provides the drive towards acceptance and implementation of marketing within the firm. The marketing supportive CEO has been more likely exposed to a commercial environment and has seen marketing in action or has been exposed previously to successful marketing activities.

Nevertheless, the Marketing Champion with or without the support of the marketing supportive CEO has been a unique and revelatory factor that needs to be added to the theoretical model developed in Chapter 4. It represents an important stimulus in the process of change within the professional service firms along the contingency forces and it plays a huge role in the acceptance and practice of marketing.

In the early stages of acceptance and implementation of marketing following the deregulation of advertising restrictions by the professional associations, marketing was seen in a very limited way as a tactical tool, merely defined through its most visible methods and techniques, such as advertising, public relations or direct mail and completely ignoring its longer term strategic contribution. The marketing way of thinking, putting the customer at the center of the organisation's strategic objectives and organizing the structure and the resources of the firm to deliver against these objectives at a profit, was such a radical concept, requiring a shift that very few partners in professional firms were prepared to acknowledge or to act upon.

At the other end of the spectrum, those professional firms surveyed who have been subject to highly intense contingency pressures, have used marketing

as a strategic agent in maximising their organisational effectiveness. The understanding and acceptance of marketing seem to have permeated most levels and marketing is being seen as an important way of achieving their corporate objectives of survival and growth.

Understanding on how marketing has being practiced within professional firms researched has been considered important in establishing the nature of the response to contingency and institutional forces. The research has been focused on the level of importance given to marketing, in particular, marketing planning, branding and internal marketing, as a strategic tool instead of as the traditional tactical, ad-hoc, communications mainly tool. The research has again shown that those firms who had Marketing Champions used marketing in a far more strategic manner.

## 9.5. SUGGESTED STRANDS FOR FUTURE RESEARCH

The research done has essentially confirmed the theoretical model put forward in Chapter 5, but has also revealed a number of interesting issues that would require future study:

1). *The Concept of the Marketing Champion*, as mentioned previously, has uniquely emerged as an important factor in the process of reducing the barriers to marketing within professional firms. It has been an agent for change within the professional environment. There are a number of questions related to this issue that warrant further investigation. Firstly, how unique is the Marketing Champion to the professional sector or is it prevalent in other sectors as well? Given that Ind (2000) introduced the 'Branding Champion' in the general context of the branding process and Carter and Crowther (2000) introduced 'Quality Champions' in the context of Total Quality Management (TQM), there is the likelihood of extending the concept of the Marketing Champion to other organisational areas. Secondly, if the Marketing Champion is an agent for change, then, could any individual become such an agent coming from other management functions across the organisations? Are there

Financial Champions, HR Champions or Manufacturing Champions engendering profound strategic and cultural changes within the organisation?

2). *Isomorphism in the Professional Organisation.* Mimetic isomorphism was discussed in Chapter 5 and was introduced by DiMaggio and Powell (1983) who explained it as the phenomenon of the organisation's modelling itself on other organisations as a result of either technologies that are poorly understood, or due to ambiguous goals or uncertainty within the environment. According to Boons and Strannegard (2000), the mechanisms of isomorphic change introduced by DiMaggio and Powell (1983) are not clear-cut,

“...but in many cases overlapping and interlinked. For instance, professions do not act solely based on norms. Even though professions are sources of norms, they may create conditions for mimesis to occur; professional norms may trigger uncertainty and, in turn, mimetic pressure” (p.9).

The research done has revealed instances of mimetic behaviour within the firms studied, such as the introduction of organisational changes or the practice of marketing activities, in order to replicate what competitors or clients were doing, without the obvious necessity for such changes or activities based on increased effectiveness. Within an institutional or professional environment it might be justified in the process of legitimisation. Further research might help with the understanding of the adoption of certain marketing structures or activities by the large professional organisations as a mimetic process of blending within their customers' environment. It would be interesting to study the prevalence of such mimetic behaviour within the organisation in a non-professional environment.

3). *Barriers to marketing in non-professional sectors.* The disquieting observation made by Hunt (1992) as cited in Chapter 1 was the expression of the concern that marketing was far more misunderstood than Finance or General Management and that the public needs to be educated about the social values of marketing activities and institutions. Since 1992 much has been said and written regarding marketers' skills and attitudes, but the reason

for concern expressed by Hunt is still prevalent today. A report by Research International shows that in US and European companies,

“Out of the seven key management functions of manufacturing, customer service, IT, accounts, sales, marketing and HR, marketing ranks sixth in terms of respect, only ahead of HR. The marketer’s role is seen as advertising and promotion with demand generation a distant second”. The report further states, “Marketing is not seen as contributing significantly to the strategic development of companies” (Mitchell, 2004, p13).

It would be therefore pertinent to investigate the possible existence of barriers to marketing within different non-professional contexts.

4). *Barriers to marketing within the professional sectors studied across geographical boundaries.* The research done in global professional firms has shown that cultural change has been taking place across the entire accountancy sector in the UK for example, but it is still happening in a delayed way across the world. There is evidence that in countries where institutional forces prevail, the resistance to change is much stronger. The example given in Chapter 6, of the possibility of having a marketing professional on the board, exposed the German firm as being “...the worst in the world” (TGT, 49). This is due to a culture, which is strongly institutional and opposed to change, whereas, firms from the Far East, with a much stronger entrepreneurial tradition and a culture with a more flexible approach to opportunity and change “...have just absorbed it totally” (TGT, 54). This topic warrants further investigation in respect to the correlation between the levels of institutional barriers and marketing acceptance and practice across the demographic cultural spectrum.

5). *Relevance of the proposed theoretical model to explain organisational issues in other contexts.* As discussed in Chapter 4, in general relatively little research has looked at the organisation from a combined contingency and institutional perspective. As shown by the research done, this perspective is particularly relevant to the professional organisation, but it would be a significant development to extend it to the organisation in a non-professional

context, along the work of DiMaggio and Powell (1983) and Meyer and Rowan (1977).

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## INTERVIEW TRANSCRIPTS

TAS – Anderson Strathern Solicitors – Marketing Executive interview held 12<sup>th</sup> November 2001

TB – Burness – Marketing Director interview held 12<sup>th</sup> November 2001

TBS – Bell and Scott – Practice Manager and Marketing Executive interviews held 12<sup>th</sup> November 2001

TC – Clintons – Partner in charge of marketing interview held 18<sup>th</sup> July 2002

TGT – Grant Thornton – Director of International Marketing Communications interview held 4<sup>th</sup> November 2002

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TH – Horwath Clark Whitehill – Marketing Consultant interview held 24<sup>th</sup> October 2001

THN - Horwath Clark Whitehill – Notes following a telephone conversation with the Marketing Consultant on 10<sup>th</sup> January 2003

TL – Linklaters – Global Marketing Director interview held 19<sup>th</sup> June 2002

Tlo – Lovells – Director of Business Development interview held 29<sup>th</sup> May 2002

TLP – Langley Partners Accountants – Audit Manager interview held 11<sup>th</sup> April 2002

TN1 – Numerica PLC – Group Marketing Director interview held 4<sup>th</sup> September 2002

TN2 – Numerica PLC – Marketing Communications Manager and Marketing Executive interviews held 19<sup>th</sup> September 2002

TRC1 – Robert Clow & Co Accountants – Senior Partner interview held 8<sup>th</sup> August 2002

TRC2 – Robert Clow & Co Accountants – Junior Partner interview held 14<sup>th</sup> August 2002

TSR – Sobell Rhodes Accountants – Managing Partner and Marketing Manager interviews held 30<sup>th</sup> April 2002

TT1 – Taylor Wessing – Business Development Analyst interview held 9<sup>th</sup> July 2002

TT2 – Taylor Wessing – Director of Business Development interview held 9<sup>th</sup> July 2002

TWK - Wilkins Kennedy Chartered Accountants – Partner in charge of marketing interview held 19<sup>th</sup> November 2001

## APPENDIX A

### INTERVIEW TOPICS

#### 1. UNDERSTANDING AND INTERPRETATION OF MARKETING

*Do we speak the same language?*

*What is Marketing? = How do you define Marketing?*

*Note: Distinction to be made between a personal vs. the firm vs. the profession's interpretations.*

#### 2. THE PRACTICE OF MARKETING WITHIN THE FIRM

Note: Distinction needs to be made between the practice of modern Marketing and client relationship development as having been practised traditionally.

*How is Marketing being practised here?*

##### 2.1. Who is responsible for Marketing?

- a. At what level: board, partner with marketing responsibilities, marketing professional
- b. Background, level of education, training, experience, externally / internally acquired, remuneration, involvement in decisions on marketing resource allocation

2.2. Marketing department: size, responsibilities, budgets, achievements, training, recruitment, prospects, future

2.3. Total marketing expenditure: as percent of income?

2.4. Measurement of marketing results: client satisfaction surveys, monitoring of client response & new business, other methods

2.5. Use of marketing research: understanding clients buying behaviour, competitor intelligence

2.6. Use of marketing planning: regular marketing audits, competitive analysis, strategic marketing – part of overall firm's strategic planning

2.7. Relationship between fee-earners and the marketing unit: overlap, separate, status, involvement in marketing

2.8. CRM: understanding, monitoring, responsibilities

2.9. Branding: understanding, importance, differentiation process

2.10. Communication methods used: Advertising, PR, Direct mail, Events, Internet, Sponsorships

2.11. Use of new technologies: Internet, website, e-mail, video-conferencing

2.12. Internal marketing: staff involvement in marketing, staff training in client care

2.13. Marketing training: marketing orientation programmes for staff.

### 3. BUSINESS ENVIRONMENT

Environmental pressures:

- 3.1. Clients: retention and acquisition rates
- 3.2. Competitors: nature of relationships, friendship and attrition
- 3.3. Take-overs: friendly, hostile, alliances
- 3.4. New entrants – rate of entry
- 3.5. Professional associations
- 3.6. Professional education
- 3.7. Professional culture (external)
- 3.8. Government, EU policies affecting industry & firm
- 3.9. Technology
- 3.10. Globalisation: international branches, alliances, overseas co-operation projects
- 3.11. Environmental uncertainty levels: in control, out of control

### 4. INFORMATION REGARDING THE INTERVIEWEE (S)

- 4.1. Name
- 4.2. Title
- 4.3. Role within the organisation
- 4.4. Personal interest / disinterest in Marketing

### 5. GENERAL INFORMATION ABOUT THE FIRM

- 5.1. Name
  - 5.2. Address
  - 5.3. Type of professional service
  - 5.4. Size/ Revenue /Number of partners
  - 5.5. Age of firm, age of partners
  - 5.6. Professional culture (internal)
  - 5.7. Learning environment?
-

## APPENDIX B

### CATEGORIES USED FOR QUALITATIVE DATA ANALYSIS

1. Introducing the Firm
  - 1.1. General information on the interviewee: name, title, role within the organisation, personal interest in Marketing
  - 1.2. General information about the Firm: name, address, type of professional service, size/ revenue /number of partners, age of firm, age of partners, professional culture (internal), branches
  - 1.3. Markets, specialisms, geographical coverage, affiliations to national and international groups
2. Understanding and Interpretation of Marketing
  - 2.1. Role of Marketing within the Firm
3. The practice of Marketing within the Firm
  - 3.1. Responsibility for Marketing
    - a. At what level: board, partner with marketing responsibilities, marketing professional
    - b. Background, level of education, training, experience, externally / internally acquired, remuneration, involvement in decisions on marketing resource allocation
  - 3.2. Marketing department: size, responsibilities, budgets, achievements, training, recruitment, prospects and future
  - 3.3. Marketing expenditure
  - 3.4. Measurement of marketing results: client satisfaction surveys, monitoring of client response & new business, other methods
  - 3.5. Use of marketing research: understanding clients buying behaviour, competitor intelligence
  - 3.6. Use of marketing planning: regular marketing audits, competitive analysis, strategic marketing – part of overall firm's strategic planning
  - 3.7. Relationship between fee-earners and the marketing unit: overlap, separate, status, involvement in marketing
  - 3.8. Use of CRM: understanding, monitoring, responsibilities
  - 3.9. Use of Branding: understanding, importance, differentiation process
  - 3.10. Communication methods used: Advertising, PR, Direct mail, Events, Internet, Sponsorships
  - 3.11. Use of new technologies: Internet, website, e-mail, video-conferencing
  - 3.12. Use of Internal marketing: staff involvement in marketing, staff training in client care
  - 3.13. Marketing training: marketing orientation programmes for staff
4. Perceptions of the impact of the Business Environment on the Firm



Environmental pressures:

- 4.1. Clients: retention and acquisition rates
- 4.2. Competitors: nature of relationships, friendship and attrition
- 4.3. Take-overs: friendly, hostile, alliances
- 4.4. New entrants, rate of entry
- 4.5. Professional associations
- 4.6. Professional education
- 4.7. Professional culture (external)
- 4.8. Government, EU policies affecting industry & firm
- 4.9. Technology
- 4.10. Globalisation: international branches, alliances, overseas co-operation projects
- 4.11. Environmental uncertainty levels: in control, out of control

**NOTE:** Each category has been used as a code for transcript analysis. For example, category 3.2. – Marketing Department – has been allocated **CODE 3.2.** (see Appendix C for an example of allocation of analysis codes).

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## APPENDIX C

### SECTION OF BELL AND SCOTT INTERVIEW TRANSCRIPT - TBS

**PRACTICE MANAGER AND MARKETING EXECUTIVE  
BELL AND SCOTT SOLICITORS  
EDINBURGH**

**Interview Date: 12<sup>th</sup> November 2001**  
**minutes**

**Interview duration: 1 hour and 30**

**Interviewer – Bold typeface**

Practice Manager – Normal typeface

Marketing Executive – *Italic typeface*

**Understanding of marketing.**

*We concentrate on Relationship Marketing. We do not advertise we are a medium-sized firm and we believe that using relationship marketing we can target our audience more effectively than advertising. We have also used a limited amount of Public Relations. Because of the size of the firm when using PR, we have found out that we do not have huge stories the papers want to know about. The majority of what we do is corporate entertainment. We hold seminars, speakers, lunches, our partners take our clients out, and they try to know the people. Knowing the people, this is what we understand by marketing at Bell & Scott is all about, it is not advertising, it is not PR, here anyway. We have a determined effort to build up client relations. (CODE 2)*

The other thing we are doing to support our partners - and give them quite a platform - is Direct Marketing, which has been quite gimmicky, in the last two campaigns we have done. The purpose is Brand Awareness (CODE 3.1) – that comes to being introduced to new people, there isn't so much of a ...(brand new) situation. So far we have done two in the last three years.

**Are the Direct Marketing campaign based on existing database or new?**

New database. The database is constantly updated. It is only 3 and a half years old and it is updated all the time.

*Everybody in the firm knows the value and importance of the database for marketing purposes. Everybody in the firm knows, that any new information about new client or contacts has to be entered into the database. There could be damage to the firm if any information in the database is incorrect. (CODE 3.8)*

**How do you keep the database up-to-date and again how do you build up the database?**

From a control perspective, for every new matter we work on, every bit of work we do here, has to have an account sheet so has to open a new account. There is an account sheet on the back of it there is a form for the marketing information, which should be entered. This has to be marked in order to be passed as a new client or a new contact. In addition, when there is an event, new information or feedback is passed from partners, obtained through networking opportunities, lunches is passed onto the database. (CODE 3.4)

**How do you monitor Direct Marketing responses? How do you follow up on responses? Do you have mailing lists I suppose?**

Yes, just recently, we have done a campaign consisting of 4 postcards sent to contacts. The final post card included a competition, where people could win an artist commission. The response received from that we managed to compile the data from the response we got back from the clients and contacts and we were able to assess the success of the campaign. In respect to the rate of response received, it is a very recent campaign so it is hard to assess the profitability of the campaign.

*We have received a 9% response rate to the direct mail campaign, so we had reasons for a dinner competition as well where we would collect email addresses. We are in process of producing a new what is called a 'Property Update', an e-mailed Newsletter containing news and articles covering all the current legal issues which affect the property industry. We specialise in the residential and commercial property developments, so basically the campaign response card included a space for the e-mail address, so we can get their e-mail addresses and put them onto our database (CODE 3.10).*

**Is this 'Property Update' sent regularly?**

*Yes, it is sent monthly. We are now at the third issue, just to be sent out. So gradually as the database is increasing in size we had a good response from it. It is a good one with current news, articles, new cases that have just come out that affect our clients and contacts in the property industry. So it has had a very good feedback.*

One of these added value matters that everybody is now providing, information-feature clients. It has a double edge sword for us; it helps develop expertise and shows our clients what is happening in the market. (CODE 3.4)

The practice of Marketing within the firm. Julie (Hocknell) is the Marketing Executive. We have a marketing group, which consists of myself (Sarah McLean) and a Partner and Julie to try to have a balance to Marketing. You need a balance in whatever you do, it is important the partners to be involved. My involvement gives a perspective across the functions of firm and Julie brings the marketing expertise and theory to everything we do. (CODE 3.1)

So we have people across the firm involved in marketing, though regular training sessions have helped to enforce the value of marketing in the firm and who is involved. The message that gets through is that everybody in the firm should and is involved. Julie goes to great lengths to reinforce that at every opportunity. (CODE 3.13)

**What sort of training do you do?**

*We have a monthly marketing meeting for all the departments in the firm, we have 4 departments, Residential development, Commercial development, Private clients and Litigation. We have marketing meetings for all of them, every fee earner within the firm, prepares a marketing report each month. They all have their own separate marketing requirements and the produced marketing report for each month tells them what they have been doing, and what they are proposing to do for the month. So we can analyse what everybody is doing, see if there is any crossing over. (CODE 3.12)*

*These meetings have also been used to do training sessions such as trying to promote the services of the Private Client and Litigation departments to the residential and commercial departments. Just a crossover, we can help with the cross-selling training session, which highlighted the identification of opportunities when speaking to clients. There is a possibility of cross-selling to clients services from other departments. That was done with a quiz type training session, we tested the knowledge, we prepared profiles for the two departments, Private Clients and Litigation for the other two departments to know everything when talking*

*to clients. The Residential development, Commercial development departments know everything on what these two departments do, the products and services they got to be able to sell. We give them training on how to sell these products across. That was an example of a training session we have done most recently.* **(CODE 3.13)**

From a budgetary perspective, the marketing budget will vary year on year. In the current year, it was set at approx. 2.5% of income. **(CODE 3.2)** One of the aims this year was to develop our website internally and externally. We have set aside the money to do that. What has actually happened is that the majority has been done in house....