

**THE VIRTUAL FUTURE OF PROFESSIONAL SERVICE FIRMS:
IDENTIFYING EMERGING INTERPRETIVE SCHEMES CAUSED BY
TECHNOLOGY ENACTMENT**

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INTRODUCTION

This paper explores the effect of emerging technologies on professional service firms' (PSFs') organizational archetypes. In particular, we seek to develop an understanding of emerging virtual PSFs, the types of archetypes they apply and the "interpretive schemes" underlying these archetypes. Our aim is to show how technology is an important driver of archetype change, and to assess to which degree virtual professional firms can be considered a distinct archetype alongside the professional partnership (P2) and the managed professional business (MPB) (Cooper, Hinings, Greenwood, & Brown, 1996).

The relation between technology and institutional change has been firmly established in prior research (Brock, 2006; Brock et al., 1999; Fountain, 2004; Greenwood, Hinings, & Suddaby, 2002). However, in existing research on organizational archetypes the effect of emerging technologies has to a limited degree been explored. This is puzzling, since the role of technology in the change of PSF archetypes is particularly prudent due the increased importance of information and communication technology in professional services.

The paper extends current research on technology as a force of institutional- and archetype change. In our empirical exploration, we have studied the context of virtual law firms. Studies of law firms have been central in the development of archetype theory (e.g. Cooper et al., 1996; Malhotra, Morris, Hinings, 2006; Pinnington and Morris, 2003). Recently, there has been a great interest among practitioners in the use of technology within these firms resulting in an increased discussion about 'the virtual law firm'. The research presented in the following explores virtual law firms over time to reveal key characteristics of this form of organization.

THEORETICAL BACKGROUND

Archetype theory has its roots in neo-institutional theory and has become one of the most influential theories used to analyze organizational change (Brock et al., 1999; Cooper et al. 1996; Greenwood & Hinings, 1993). An archetype is 'a set of structures and systems that consistently embodies a single interpretative scheme' (Greenwood and Hinings, 1993: 1055). In turn, an interpretive scheme is an underlying common orientation of values and norms (Cooper et al., 1996). Interpretive schemes shape 'prevailing conceptions of what an organization should be

doing, of how it should be doing it and how it should be judged' (Greenwood & Hinings, 1988: 295).

In the early 1990s the P2 was identified as a distinct organizational form of PSFs (Cooper et al., 1996; Greenwood et al., 1990). This form is based on professional and altruistic norms and values, and the partnership as the key governance system (Greenwood et al., 1990). The key foci in a P2 are professional knowledge, peer review, responsibility and strong client relations (Greenwood et al., 1990). In parallel with the identification of the P2, a number of market based and institutional changes in the 80's forced the development of an alternative archetype (Brock et al., 1999; Cooper et al., 1996). In particular, four main trends were pointed out as particularly important for this archetype change: deregulation and increased competition, technology development, globalization and increasing customer demands. PSFs started orienting away from the altruistic societal mission of the P2, towards profitability and becoming a managed professional business (MPB) (Cooper et al., 1996). Instead of professionalism, profitability became a key factor in the evaluation of success in PSFs as commercial and corporate logic substituted the trustee and professional logic of the P2.

Greenwood and Hinings (1993) argue that the P2 and the MPB are centers of gravity for PSFs and that these archetypes represent equilibriums. Cooper et al. (1996) however point out that archetypes can be sedimented, and more recent research have found that organizations integrate the different underlying logics of the two archetypes by combining continuity and change (Ackroyd & Muzio, 2007; Brock et al., 1999). There are also a number of examples where organizations often apply forms that represent hybrids that combine professional and corporate interpretive schemes and values. For example, the global professional network (Brock et al., 1999) and the corporate type partnerships with formalized structures (Empson & Chapman, 2006).

Whereas, literature on PSF archetypes regularly defines, exemplifies and provides references to social and regulatory changes that produce non-isomorphic institutional changes, the emphasis on technology changes has been very limited. For example, Greenwood, Suddaby and Hinings (2002) state that technology disruptions can produce jolts, but do not elaborate further on the issue. In the reviewed research, no papers explicitly address the impact of technological changes on archetype change. Brock, Powell, and Hinings (2007) suggest that "when there are strong pressures for field level change, i.e., deregulation or technological advances, the number of viable archetypes will increase in response to these pressures (Greenwood & Hinings, 1993)". However, an elaboration on these technological advancements is absent. A useful conceptualization in understanding such technological advancements is the separation between objective and enacted technologies (Fountain, 2004), which emphasizes the difference between the actual technology and how it is used in different contexts and settings. In understanding archetypes change, enacted technologies seem particularly interesting.

METHODOLOGY

In exploring technology and archetype change, a mixed method approach was used. First, we conducted an in-depth qualitative exploration in the context of Silicon Valley to develop an understanding of the enactment of technology in professional service firms. This geographical context was consciously selected as an area where we assumed that it was possible to identify professional service firms enacting information and communication technology. Our identification of relevant informants thus started quite broadly and followed a snowballing logic

(Noy, 2008). In total twelve 1-1,5 hour semi-structured interviews were conducted in February, March and April 2015. Through the interviews we also obtained access to internal documents and information available electronically. Through our initial interviews, virtual law firms stood out as emerging organizational forms where the enactment of technology was prominent.

Subsequently, we carried out a longitudinal media study to establish the historic development of how technology was enacted over time. The emerging type of virtual law firms offer an exemplar context to study how technology shape and change institutions over time, in particular observing changes in interpretive schemes underpinning potential new organizational archetypes. Gordon, Shackel, and Mark (2012) suggest that law firms offer an interesting extreme context to understand technological enactment, as they are highly conservative and thus would expect them to be slow in terms of technological adaptation. The aim of the longitudinal media study was to capture how technologies had been enacted and how virtual law firms had developed over time. This study also gave key contextual information about the institutional changes over time in the context of law firms. The main source of data was the Factiva Dow Jones database, which contains newspaper and magazine articles on a wide range of topics globally. The search term 'virtual law firm' was used to access relevant articles for our study. This search resulted in 271 articles. Among these articles, a number of them were duplicates and some of them only mentioned the concept of 'virtual law firm' without any further insights to develop an in depth understanding of these types of firms. These papers were excluded and the final database contained 204 news articles from a very wide range of newspapers and geographies. The concept of a virtual law firm had two meanings in the media study. First, it meant a collection of lawyers from different law firms working for a particular client on a particular case – typically a major case. This can be seen as a kind of a law project where people from different firms with different capabilities take part. This definition was not linked to technology as such. The other meaning of the word virtual law firm referred to as a firm where lawyers have no common office, but work from home or their own rented office and where they are coordinated based on communication technology. This conceptualization was the primary focus that we emphasized in the empirical mapping

The analysis of the media study was done in three main phases. First, we used time to read all the articles and get familiarized with the data. This familiarization enabled us to develop an indicative understanding of the different phases of the development of virtual law firms over time. In turn, the data was coded in two main steps which focused on informant centric and research centric coding respectively (Gioia, Corley, & Hamilton, 2013). In this process, the data was first coded in NVivo using inductively derived codes. In turn, the data was classified according to institutional change and interpretive scheme. Five main themes were used: institutional change in the form of market, regulatory and technological change as well as virtual law firm and interpretive schemes. In the process of doing this classification, the 4 identified phases were seen in reference to the different themes to see what type of changes were taking place in the institutional setting and interpretive schemes across phases.

FINDINGS

Our initial interviews revealed how technology in general and emerging information and communication technology in particular was changing law firms. One informant explained: *“20 years ago, the trend was for bigger and bigger firms. The new internet based technology have*

radically changed that. It is now possible to be cost-efficient, global and specialized due to the opportunities virtual collaboration and client interaction provides". While law firms previously needed to share resources, library and administrative support the relevance of physical law firm premises diminish in importance as virtual interaction emerge as an alternative. Also, the hierarchical structure of law firms is reduced due to less need for assistants. The Virtual law firm in this way promote flexibility and better work-life balance. In particular, our interviews indicated that the way technology was enacted in Silicon Valley could change our perception of what a law firm could be.

Based on the theoretical framing within institutional theory, 3 main categories were used as a starting point for the data analysis: (1) institutional changes in the form of market, regulatory and technological change, (2) the nature of and the development of virtual law firms were considered, and (3) in particular the development of the interpretive schemes in these firms. In the process of analyzing the data 4 main phases were identified as separate periods that showed differences in one or more of the themes considered. These were; 1990-2001: The prospects of the virtual law firm; 2002-2006: The age of the virtual sole practitioner, 2007-2010: Virtual law firms as real competitors, and 2011-2014: Spreading out and experimenting. Each of these phases will be described in the following.

The institutional context in the first phase (1990-2001) reflects the formation of a technology based law industry. The trend was unbundling of services and increasingly cost-sensitive clients that made initiatives to save costs on law services for example by contracting their own paralegals. The focus on costs became especially strong following the 'dotcom bubble' from 1997-2000. Clients were becoming more knowledgeable, demanding, and able to do an increasing number of tasks themselves. At the same time, the technological development and the internet in particular seemed to enable smaller law firms and single attorney practices to have a role in the future of law. The nature of what was referred to as virtual law firms was multifaceted. Some companies used the internet to connect sole practitioners and lawyers (e.g. Davis & Co and Alternative Legal). Another approach was to use the internet to create referral networks. Yet other companies chose to focus in areas of law that were primarily oriented towards filling in forms such as Visa application (e.g. www.visanow.com) and for divorces (e.g. Desktop Lawyer) by using the internet to automate and support this process. Two main underlying interpretive schemes were driving the establishment of virtual firms. First, the commercial focus was evident in the articles as a continuation of the efficiency and effectiveness logic of the MPB. Different arguments were addressed, such as the opportunity for reducing support staff in virtual firms and the reduction of office politics. The most important interpretive scheme was however related to work-life preferences. While some lawyers point out that they want to separate their personal and private life, many practitioners emphasize that working from their own house enabled them to have more time with their family.

The second phase (2002-2006) represents a special time in American history. While the terror attacks on the 11th of September had an effect on many industries, the law firm market was also seriously affected. Also, the burst of the DotCom bubble and the financial crisis in the early 2000s had considerable impact. Among others, law firms faced a serious downturn in their M&A business from 2001-2004 (25 May 2006, Legal Week Global Edition). For the virtual law firms, the crisis was however also very direct. Following the DotCom bubble many internet technology companies – including a number of virtual law firms failed. The financial crisis also had an impact on clients and they had increasingly tough demands. The key new technology relevant for the virtual law firm in this phase was IP technology that enable cheaper, faster and

better communication. However, as the technology in this phase developed and enabled an improvement in user friendliness it was not a key differentiating factor of law firms. It seemed that the main business model of virtual law firms was to specialize in a particular area in a particular state. The key interpretive scheme identified in the description of virtual law firms, was as in the first phase related to commercial logics and work-life preferences. In addition to these two interpretive scheme a third scheme related to the need for client orientation in the virtual law firm was also identified.

The global financial crisis that took place in the third phase (2007-2010) has been considered by economist as the worst crisis since the great depression of the 1930s. Thousands of lawyers and support staff lost their jobs and firms cut salaries. As the financial crisis were hitting these firms, they had to fire associates, staff as well as partners as well as ask for reductions in salaries with the aim to cover rent. In a market where the traditional law firm model was considered to be 'fat' (The Legal Intelligencer, 16th of October 2007), the virtual law firm was proposed as one of the approaches to law that in particular was able to solve the problems of high priced law services. The virtual law firms had until 2007 been primarily smaller local firms with some form of physical presence. However, during the financial crisis firms with a larger lawyer base and a wider geographic spread was established. Virtual law office technology providers (e.g. Directlaw and Virtual Law Office Technology) were developing increasingly better solutions. The main change in the nature of virtual law firms in this phase was that rather than being a mechanism of sole practitioners in their local market, the firms that established has a desire to become national and international large firms. Example of such firms in the US was Virtual Law Partners (VLP), Rimon and Axiom. Also, rather than aiming for smaller clients, these firms were aiming at the customers of the traditional larger firms. The firm model for these ambitious virtual law firm are that they hire partner-level lawyers with an established client base, reduce the billings of traditional big law firm in half and let the lawyer keep almost all of what they are charging. While the lawyers operate remotely, they co-ordinate the firm through software solutions and centralized billing, IT support, marketing, and recruiting efforts. A key interpretive scheme in these firms was based on work-life preferences. In addition to this scheme, commercial values were used as in the previous phases. However, the client perspective was to an increasing degree added to these values. A final interpretive scheme detected in this phase was the professional scheme.

In phase 4 from 2011 and onwards, the global economy was recovering from the financial crisis. The difficult market conditions implied that law firm companies used alternative strategies. One example was a shift in growth towards international markets. In the area of human resources, they introduced initiatives to copy some of the traits of virtual law firms such as flexible working options and alternative career paths (Guardian, 2nd July 2011). The Legal Services Act (LSA) took effect on the 6th of October 2011. It enabled the establishment of alternative business structures, which is defined as a situation where a non-lawyer is a manager or an owner of a more than 10% of a law firm. The technology that had the most impact in this phase was automated document creation services (e.g. Epoq Legal, LegalZoom and Rocket Lawyer). Also, practice management software such as Total Attorneys, Clio, Rocket Matter and MyCase supported smaller law firms. Another key development happened within apps that enabled improvement and customization of software based case management packages. In addition, the apps, social media was increasingly mentioned as an important area where enacted technologies are impacting law services – and the client relationships in particular. In 2012, Axiom entered the list of Financial Times top European Law firms as the first virtual law firm.

The virtual law firm model was until 2010 largely a US and UK phenomenon. In this phase the model spread to new cities with the US such as Chicago, and abroad in Canada and Ireland. Also, established virtual law firms were building a global presence. The key interpretive scheme in the virtual law firms seemed to be work-life preferences. In addition to the work-life preferences, the client and commercial logic still has key root in virtual firms. Additionally, the professional scheme was identified.

CONCLUDING DISCUSSION

Our findings reveal how technological changes affect the way PSFs organize and offer its services. Above we have presented data from our exploration of virtual law firms as a case of how PSFs enact new information and communication technology. The empirical data presented above demonstrates how the role of technology and interpretive scheme in these firms are changing over time. In the 1990s, information technology seemed to be a way to differentiate law firms. Over time, technology has become increasingly more of a utility – and it is the enactment of the technology that is essential in value creation. In particular, during the last years, the enactment of the technology in the client-professional relationship is particularly important. The role of virtual law firms within the law firm industry has also been changing. In particular, from being an envisioned future perspective at the start of the internet age, the firm model has developed towards being primarily a supporting technology for sole practitioners to becoming a full-fledged archetype used by highly ranked law firms. Finally, the interpretive scheme within this archetype has been enlarged over time, among others caused by the development of technology. As a starting point, virtual law firms were rationalized based on the desire for lower costs and by taking a work-life balance perspective. However, as technology has developed, these firms seem to have developed an ability, based on the technology, to actually support the client-relationships – thus, enabling a client-based logic in the firm. Additionally, the increasing completeness of available technology has enabled virtual firms to integrate the professional perspective into their firm model, based on the integration of autonomy, professional knowledge development, and specialization that the technology now enable.

The virtual law firm not only enables the establishment of a new interpretive scheme, but it can be seen as an integration and hybrid of the schemes of the P2 and MPB. Our findings thus support extant research suggesting the emergence of archetypical hybrids (Cooper et al., 1996; Greenwood et al., 1990), resulting from technological changes. Our exploration show how the technology enactment by virtual law firms affects “interpretive schemes” that underpin the archetypes observed and the role of technology in institutional change.

Our empirical investigation focused on technology as a major institutional driver of change and illustrate how technology enables overcoming traditional trade-offs in professional services such as size and globalization. First, the interviews and media study reveal that virtual law firms as well as virtual legal service providers can have a truly global ambition, yet seek to organize with reduced cost and managerialism and with less reliance on formal networks and governance structures than more traditional law firms do. Second, the global ambition does not necessarily require an increase in multi-disciplinarity, but could be based on a niche service marketed and offered to a global market.

REFERENCES AVAILABLE FROM AUTHOR(S)