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### Up or out? Archetypes and person-organization fit in Dutch law firms

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# *Archetypes and HRM practices in Dutch law firms*

## *1. Introduction*

For the purpose of investigating P-O fit between law firms and lawyers, it is necessary to measure the properties of firm and lawyer that are presumed to determine fit. Research on P-O fit focuses on the congruency of values and goals, and so does this study. Fit research has developed and used different value measures such as the Organizational Cultural Profile (Cable & Judge, 1996; O'Reilly, Chatman, & Caldwell, 1991). However, these measures are applicable to all kind of organizations and do not distinguish value elements that might be essential for a specific industry or organization. As the purpose of this research is to study the mechanisms of fit in professional service firms, especially law firms, I needed to develop specific methods to measure the most relevant and distinguishing values in this environment. The archetype theory of professional service firms offers a classification that may be used as a basis for measuring value differences between firms. Archetype theory describes configurations of professional service firms that are determined by distinctive 'interpretative schemes' (Greenwood et al., 1990). HRM practices such as career and reward systems are presumed to be clearly distinguishing elements within the archetypical configurations. HRM practices express the values and goals of a firm and contribute to attracting and retaining employees with similar values and goals. These employees are satisfied, committed and perform better. To express the firm's values and goals, HRM practices need to be aligned mutually (internal alignment<sup>2</sup>) and with the other characteristics of the organization (external or vertical alignment). The purpose of the

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<sup>2</sup> HRM studies frequently use the term "fit" to describe the alignment of HRM practices. I choose to use the term alignment to avoid confusion with fit in P-O fit.

research described in this chapter is threefold: first, to establish whether the archetypes of PSFs are recognizable among big Dutch law firms; second, to investigate whether HRM practices are different in firms with different archetypal characters and third, to investigate whether HRM practices are internally and externally aligned. I will start with discussing the theory on the alignment of HRM practices in general and then follow with archetype theory, which can be seen as a specific theory of alignment in PSFs, to continue with the HRM practices of the archetypes. I will then describe the method and measures used to investigate the research questions among the big Dutch law firms and the results of this study.

## 2. *HRM and firm performance*

### 2.1. *Human Resource Management.*

In this study, I will use the term Human Resource Management (HRM) as the approach of personnel management that aims at developing and using policies and practices that support the (strategic) goals of the firm. Since HRM appeared in management and academic literature in the 1980's, many definitions have been proposed but none has gained universal support. Nowadays, the use of the term HRM ranges from a synonym for personnel management to a specific academic discipline (Boon, 2008; Paauwe, 2009). Nevertheless, there is agreement that selection, compensation, motivation and development of personnel belong to the HRM practices and are objects of HRM research (Guest, 1987; Huselid, 1995; Paauwe, 2009; Van Otterlo, 1999). The proposed definition fits best the subject of this study, the use and effects of HRM practices. In my definition, HRM is personnel management with a strategic intention.

#### 2.1.1. *Resource based view.*

The strategic character of HRM – as opposed to the traditional, mainly administrative employment management - reflects the resource based view of the firm (Barney, 1991). The resource based view asserts that firms derive sustainable competitive advantages from resources (human, technical, organizational, financial and other) that are valuable, rare and inimitable. The resource based view can be understood as the paradigm of strategic HRM research (Becker & Huselid, 1999). In the domain of this thesis, the professional service organizations, human resources are the dominant source of distinctiveness and competitive advantage. The resource based view therefore underlies the theoretical framework and the hypotheses that will be developed in this thesis.

## *2.2. HRM and performance.*

A main objective of HRM research has been to establish the relationship between HRM and firm performance (Bowen & Ostroff, 2004; Huselid, 1995; Paauwe, 2009; Van Otterlo, 1999; Wright, Gardner, & Moynihan, 2003). As HRM provides instruments that are supposed to contribute to the firm's strategic goals, it is important to know if these instruments are effective. As Paauwe (2009) and others (Huselid, 1995; Wright et al., 2003) have argued, results of this research to establish effectiveness have been mixed, but HRM and performance appear to be at least weakly related. Research has found direct links between HRM and employee attitudes (Delery, 1998; Huselid, 1995; Subramony, 2009; Wright et al., 2003); employee attitudes also have been found to moderate the effects of HRM on other outcomes. Some authors observe that, by nature, HRM practices can only effect employee attitudes directly, and have only indirect effects on other aspects of firm performance (Delery, 1998; Rogg, Schmidt, Shull, & Schmitt, 2001). By effectively selecting and training employees and by assessing and rewarding the proper behavior, HRM practices contribute to the fit between employees, the job and the organization (Boon, 2008; Werbel & DeMarie, 2005). Better fit results in better performance. HRM practices also express the culture of the organization and influence a climate that can improve or hinder the firm's effectiveness (Ferris, Arthur, Berkson, & Kaplan, 1998; Rogg et al., 2001; Werbel et al., 2005). Among mixed results of HRM-performance studies, the effect of HRM on employee attitudes and behavior – directly and through the organizational climate - stands out as well established.

## *2.3. Alignment of HRM practices.*

The relationship between HRM and firm performance implies that the better HRM practices are mutually aligned and congruent with the goals and other characteristics of a firm, the stronger their effectiveness (Bowen et al., 2004; Paauwe, 2009). In recent HRM studies, strength of HRM has been related to the alignment of HRM practices rather than to the quality of these practices as such (Subramony, 2009; Werbel et al., 2005). Two types of alignment have been distinguished: internal or horizontal and external, organizational or vertical alignment. Horizontal alignment refers to the common goals and rationales and the mutually reinforcing character of HRM practices. Vertical alignment is the congruency with the values and goals of a firm's strategy and other management practices, such as the governance structure, procurement and control systems. (Chênevert & Tremblay, 2009; Guest, 2001). For instance, HRM practices that focus on efficiency can be assumed to fit in a cost leadership strategy. Support for

the effects of alignment of HRM practices is growing, but studies on the character, mechanisms and effect of vertical and organizational alignment of HRM are still rare (Boon, 2008; Chênevert et al., 2009; Verburg, Hartog, & P., 2007). Several authors have noticed and regretted the lack of a theoretical framework to study this alignment of HRM practices (Delery, 1998; Guest, 2001; Huselid, 1995; Paauwe, 2009). By combining HRM theory with configuration models in PSF business studies, this study will try to contribute to filling this gap.

### *2.3.1. HRM alignment and P-O fit.*

A major aim of this thesis is to investigate the fit between the employee and the culture or strategy of a firm, as expressed by the HRM practices of this firm. Several authors have pointed at this function of HRM practices (Boon, 2008; Bowen et al., 2004; Ferris et al., 1998). Some authors have linked this function to the study of P-O fit (Boon, 2008; Ferris et al., 1998). One of the assumptions is, that HRM practices effect the P-O fit through the processes of attraction, selection and attrition, as proposed by the ASA (attraction-selection-attrition) theory (Schneider, Goldstein, & Brent Smith, 1995). If so, we wish to understand why and how HRM practices by expressing a certain culture or strategy, attract some employees and repel or drive away others.

The configurational theory of the archetypes of professional services firms may serve as a model to investigate and analyze the internal and external fit of HRM-practices. In the next paragraphs, I will describe the archetype theory and investigate its relevance and its usefulness for this purpose.

## *3. Archetypes of Professional Services Firms*

### *3.1. Professional partnership and managed professional business*

In PSF research and literature the archetype theory, proposed by Greenwood, Hinings and Brown (1990), has made an important contribution in describing and analyzing the development of PSF's (Cooper, Hinings, Greenwood, & Brown, 1996; Greenwood et al., 1990). An archetype has been defined as a combination of values, strategies, processes, structure and systems in an organization that reflect a single "interpretive scheme" (Brock, 2006; Cooper et al., 1996; Greenwood et al., 1990; Kil, 2010). Some would perhaps prefer the Weberian concept "Idealtyp", but to avoid further terminological confusion I will keep to the terms that are most commonly used in PSF-research. Basically, two archetypes have been identified and extensively described: the traditional *professional partnership (PP)* and

the more recently developing *managed professional firm (MPB)*. Later, some authors (Brock, 2006; Kil, 2010) have tried to distinguish additional archetypes, but most literature on PSF archetypes focuses on the first two.

*The professional partnership.* In their study on big accountancy firms in the US and Canada, Greenwood et al. (1990) described the 'professional partnership' (PP) as the archetypical model of the PSF. In the professional partnership, the partners own, govern *and* manage the firm and provide the professional services. Providing professional services means that professionals apply expertise to complex problems that require a significant degree of discretion, in direct relationship with their clients. This nature of the work makes it difficult to manage or control. Autonomy, equality and collegiality are important values. Most professionals aspire to partnership.

Greenwood et al. (1990) found a central focus on professional standards, training and work methods and a bottom up, consensus seeking process of financial target setting. Enforcement of targets and budgets was characterized by broad margins of discretion. Profit shares were equal and not related to individual revenues or annual performance evaluations.

*The managed professional business.* The 1990 study noted some signs of more substantive controls and of performance based profit sharing. Also, some firms were developing more rational, centralized and focused marketing policies and operations. A few years after the publication of the study of Greenwood et al., the "managerial" elements that they noticed had become widespread in professional services, also in accountancy and law (Brock, 2006; Morris et al., 1998b; Pinnington & Morris, 2003). As PSFs grew, merged and globalized, they increasingly developed the methods, systems and style that are needed to manage large organizations. This led to the identification of a (archetypical) configuration with a more 'managerial', corporate, character (Brock, 2006; Greenwood & Empson, 2003; Pinnington et al., 2003). For Law, Accountancy and other 'classical' PSFs the model was first described in the 1990s and is commonly referred to as the 'managed professional business' (Brock, 2006; Cooper et al., 1996; Morris et al., 1998b; Pinnington et al., 2003).

The managed professional business (MPB) is a more centralized and consciously coordinated business than the professional partnership. The involvement of the partners in operational or even strategic decision making is reduced. Other managers than the professionals themselves have a bigger part in management, at a higher level. The performance of the professionals, including the partners, is controlled and assessed and the equal profit sharing is replaced by performance based systems. More

value is attributed to work process management, cost efficiency and quality control. Business development, marketing strategies and sales methods become more important. (Pinnington et al., 2003). New technologies and techniques facilitate the commoditization and standardization of some professional services. Brock (2006) links these characteristics to the scale and diversity of multinational and multidisciplinary firms that he calls the Global Professional Networks (GPN). The observations on a more corporate type of firm are in line with marketing theory that defines different commercial strategies dependent on the “product” (commodity) vs. “practice” (custom)-like type of services (Empson, 2007; Hansen, Nohria, & Tierney, 1999; Maister, 1997; Mayson, 2007); more “product-like” type of services fitting better with the MPB. Comparable distinctions have been put forward by Lowendahl and Mayson (Lowendahl et al., 2001; Mayson, 2007). Lowendahl (2001) sees commoditization as opposed to professionalization but makes no clear distinction between more or less customizing or commoditizing firms. Hansen et al. (Hansen et al., 1999) studied knowledge management in PSFs with customization vs. commodification strategies; whereas the first emphasized collegial interaction, the latter invested more in standardization and process management. Greenwood and Empson (2003) link this difference with the PP archetype for the customizing PSFs and the MPB archetype for the commodifying firms. Commodification is connected with the recruitment of paraprofessionals that Pinnington and Morris (1998b) observed in firms that do not use a formal up-or-out-policy. These observations describe a different type of PSF with more corporate features, in which ownership, management and professional responsibility are separated or at least become clearly distinguished functions.

### *3.2. Archetype shift or differentiation?*

Some researchers have described the changes in professional services firms as a shift of archetypes (Brock, 2006; Pinnington et al., 2003), be it in a slow and gradual transition (Cooper et al., 1996). Although some studies outline new leading archetypal models for PSFs, evidence for the shift away from the partnership model is at most partial. Morris and Pinnington (1998b) found that profit sharing systems in British law firms were very diverse. Partner appraisal was used by a few firms only, but more likely in firms with performance based profit sharing. Equal shares and lockstep (meaning annually increasing shares for newly admitted partners) persisted, sometimes as part of a firm’s strategy, sometimes because of the obstacles in changing the system. Some firms combine performance appraisal with lock step. Overall, Morris & Pinnington (1998b) found only modest evidence

for a general innovation of profit sharing systems.

In 2003, Pinnington and Morris studied the possible archetype change in professional services – from PP to MPB – in a broader perspective. They found MPB-type changes such as quality and management control policies, marketing methods, more partner appraisal and performance monitoring alongside PP-type continuity of consensus seeking practices and peer control. The adoption of more ‘managerial’ practices could imply a shift away from the partnership model, but many firms seemed to combine elements of both models. Greenwood & Empson (2003) also argued that the PP firm is all but extinct. The professional partnership (or private corporation) still has major advantages in some types of professional services, especially the avoidance of agency costs. Agency theory, formulated (among others) by Jensen and Meckling (1976) poses that the interests of owners and employees differ. By designing and using control and incentive systems, owners have to align employees’ interests and motives with their own. These systems can bring about considerable costs. By combining ownership, management and professional workforce, professional service firms can minimize these costs. The advantages of commitment of partners/owners have been amply demonstrated (Wallace & Kay, 2008).

The partnership model provides professional incentives and collegial controls that are hard to replace by formalized, bureaucratic systems – taking into account the nature of the work and professionals’ desire for autonomy. Greenwood et al. (2007) confirmed these assumptions in their study among management consultancy firms. The combination of ownership, management and profession may stimulate productivity and profit. On the other hand, growth, geographic scope and diversification of services limit the advantages of the PP and enhance the need for more bureaucratic and corporate structures, as Segal-Horn and Dean describe for the big global firms (Segal-Horn & Dean, 2009). The costs of these systems are added to those of collegial control, which persists also in large firms. Lowendahl (2000), Kor and Leblebici (Kor & Leblebici, 2005) and Greenwood and Empson (2003) observed the tendency for *diseconomy* of scale in professional services firms. Cost levels– e.g. of information, control and appraisal systems, performance incentives – increase with the size of the firm. However, these disadvantages of the MPB are diminished when a firm adopts a strategy of commodifying its services. In these firms, efficient processes, standardization and division of tasks are necessary to optimize profits; this requires control systems and close management of costs and margins. These systems replace the (costs of) close involvement of the



senior professionals in management. (Greenwood et al., 2003; Greenwood et al., 2005; Stumpf, Doh, & Clark, 2002).

Brock (2006) recognizes that a diversification of archetypes for PSFs seems to be prevailing over the development from one type to another. He proposes a division of PSFs along two dimensions, size and strategy. He positions the professional partnership in the segment of smaller, local and generalist firms. The opposite is the global professional network. In between these opposites Brock places the 'Star', a mid-sized highly specialized firm. Ackroyd and Muzio (Ackroyd & Muzio, 2007) analysed the changing staffing ratios in UK law firms and concluded that access to senior positions, especially partnership, had become more limited in larger firms. Instead of a change of archetype, they propose the rise of a 'reconstructed professional service firm'. They observe a differentiation of HRM-systems and policies but not a clear development towards more solid and elaborated management practices.

In conclusion, the results of the archetype approach of PSFs have been mixed. The approach has been helpful in detecting and describing the diversification in the recent development of PSFs as well as the systematic, interrelated character of the elements of policies, structures and systems in each type. The diversity in the development of PSFs has led some authors (Brock, 2006; Kil, 2010) to try to redefine or complement the original archetypes. In this process, the original clarity of the concept of the archetype has gone somewhat lost. However, the difference between the PP and MPB archetypes remains the best described and investigated and therefore offers the most comprehensive research proposition. Different HRM systems and the way that professional careers are structured form an essential part of the differences between PP and MPB. I will therefore use the systematic distinction developed in the archetype theory to describe and analyse the horizontal and vertical alignment of HRM practices.

### *3.3. HRM in professional service firms' archetypes*

In management studies on the development of PSF's (Greenwood, Deephouse, & Li, 2007; Morris & Pinnington, 1998a; Pinnington et al., 2003) HRM practices such as the up-or-out career policy or the senior associate positions have been included; besides this, literature about HRM in professional firms is scarce.

In PSFs, the career policy for professionals is the central and most distinguishing element of HRM, because the career determines the development and retention of the professional workforce. Other HRM practices are closely connected to the career policy. Therefore I will first

discuss the career policies and systems and their significance for HRM in PSFs.

### *3.3.1. The up-or-out career model.*

Traditionally, the career system in professional services firms is “up-or-out”: a professional is either promoted or leaves the firm (Greenwood et al., 2003; Greenwood et al., 2005; Malhotra, Morris, & Smets, 2010; Malos & Campion, 1995; Morris et al., 1998a, 1998b; Pinnington et al., 2003). Professionals enter the firm with the aspiration to achieve the status of partner. In most professional services, this status can be reached in two career steps: the trainee period followed by the associate period. The associate period may be subdivided in a junior, a mediator and/or a senior part.

The up-or-out model is said to have its origins in the academic world; in American literature, these origins are attributed to universities in the 19<sup>th</sup> century, notably Harvard. At the end of the 19<sup>th</sup> century Paul Cravath of Cravath, Swaine & Moore declared it the system for his law firm; it became also known as the Cravath Model (Sherer et al., 2002). European studies point to the early professional training and associations of lawyers, doctors and scientists or even the Medieval craftsman’s guild (Henssen, 1998). It is very well conceivable that the system has multiple origins; it even can be argued that in a trade or profession that demands a considerable amount of on-the-job training and is practised in non complex, undifferentiated organizations, up-or-out is the ‘natural’ system. This is in line with the findings of Morris & Pinnington in their 1998 study, that up-or-out is regarded as part of the professional ideology, as a norm of professionalism (Morris et al., 1998a; Van Otterlo, 2007).

The up-or-out career system aims at retaining professionals as long as they have the chance and ambition to become partner (i.e. owner). It can be regarded as an extension of the solution to the agency problem. Up-or-out provides strong motivation and performance incentives at relatively low direct costs (Greenwood et al., 2003; Greenwood et al., 2005). The downside is that talented professionals in due course have to be admitted to the partnership; the system otherwise would lose its appeal. Admitting more partners reduces the profits pro partner, unless the growth of the partnership is matched by the growth of returns and profits of the firm. Up-or-out therefore leads to growth at a rate that is dependent on the leverage ratio (Morris et al., 1998a; Sherer, 1995; Sherer et al., 2002). Every new partner in a firm with a leverage ratio of, for instance, 1 : 5, requires 5 more non partner professionals to maintain leverage ratio and profitability. In addition, up-or-out causes high turnover as professionals that do not qualify for partner have

to leave; recruitment, training and outplacement costs are comparatively high. Professionals who leave the firm are well trained, experienced and often continue their career elsewhere with considerable success. A large supply of suitably talented starters and/or a very high recruitment attractiveness are supposed to be conditions for a successful up-or-out policy (Malos & Campion, 2000; Sherer et al., 2002). Also a firm needs excellent outplacement opportunities.

The up-or-out system has been compared to a tournament (Galanter & Palay, 1991; Malhotra et al., 2010). The strongest are promoted and the others remain at the original level. However, as Morris and Pinnington (1998a) point out, in up-or-out the losers leave the firm and the tournament has a delayed nature: up-or-out becomes critical only at the point of partner selection. Moreover, up-or-out can be applied to an individual professional who is evaluated against fixed standards, while the tournament results depend on the relative strengths of the competitors. Of course, comparative evaluation of the human capital and performance of a professional will always play some role in (up-or-out) promotion decisions, but rarely as the only or even the most determining factor. The tournament theory nevertheless stresses and explains the – perception of – competitiveness among younger professionals that is found in career research (Dikkers & Jansen, 2007; Wilkins, 2007).

### *3.3.2. Alternative career models.*

The up-or-out system has probably never been the only system in professional services; since long some firms or industries have used more individualized and differentiated career policies. Also, most firms that use up-or-out policy have mitigated some aspects of the systems, for instance by allowing senior associates who have no aspiration or chance to make partner to stay. Nevertheless, up-or-out is assumed to have been the dominant career policy in professional services at least until the last decade of the 20<sup>th</sup> century. Since then, pressures to look for alternatives have become stronger.

Several authors have paid attention to the shift away from the up-or-out model or the search for alternatives. Sherer and Lee (2002) describe how the scarcity of talented lawyers was followed by HRM policies that created new associate positions, aimed at retaining senior lawyers without having to promote them all to partner: the permanent senior associates or salaried partners. The latter are senior associates with special status and benefits. Another innovation was the hiring of (staff) lawyers for work of a routine or investigative nature that did not involve sensitive client contact; professionals that are nowadays known as professional support lawyers. Morris and

Pinnington (1998a) investigated the supposed shift away from the up-or-out policy to more differentiated career structures in British law firms. Their assumption was that adoption by PSFs of a structure with more corporate elements led to this change. However, contrary to their expectations they found only 28% of British firms reporting the use of a formal up-or-out policy. Furthermore, a clear (negative) relationship between the up-or-out policy and aspects of the MPB model was only found for the substitution of professional staff by paraprofessionals. Sherer and Lee (2002) observed that the senior and staff lawyer tracks were often combined in some form with the up-or-out system and that the HRM innovations led to a diversification of career policies throughout the industry (Sherer et al., 2002).

Morris and Pinnington (1998a) observed that the reporting of a formal up-or-out policy by a minority of the investigated firms did not imply that up-or-out as a norm for the professional career is restricted to these firms. On the contrary, interviews with (managing) partners indicated that “up-or-out has a resonance as a professional norm”. Up-or-out as a professional standard is reinforced because the largest firms, “the citadels of the profession” are expressly using it. This observation is repeated in other environments. For instance, the results of a compensation & benefits survey among Dutch accountants in 2007 (Nierop, 2007) indicated that, although almost no big accountancy firm in the Netherlands reported to use up-or-out as the dominant career policy, a major part of participating accountants report that their firms are using up-or-out or similar practices.

Malhotra et al. (2010) found that in elite UK law firms, up-or-out is only rarely a formal policy, but nevertheless in most firms enacted by the attitudes and behaviors of partners and associates, who often leave the firms after a negative promotion decision. At the same time, up-or-out is combined with alternative career tracks and permanent positions such as counsel, senior associate or salaried partner.

Many law firms (and other PSFs) seem to have mitigated or abandoned the up-or-out system, but others have resumed the policy (KSU, 2003-2004). The transformation and diversification of careers did not necessarily imply a movement away from the up-or-out career model. Thus, in line with different types of PSFs, the career policies in law firms diversified (Morris et al., 1998a; Sherr, 2000). Yet the assumption is still that in a professional partnership, up-or-out is the typical career system, while in the managed professional business career paths can and perhaps should be more diverse. Meanwhile one has to take into account the possible divergence of officially espoused policies and the policies as perceived by the professionals.

### 3.3.3. *Other HRM practices; incentives and training.*

Other HRM practices can be assumed to be related to the choice of career policy and to express the archetypical character of the firm. Among these practices, different compensation systems and training programs can be distinguished and have been included in PSF studies.

*Incentives.* The up-or-out career system provides strong performance and development incentives through the perspective of promotion to partner. Firms with an up-or-out policy therefore typically do not need performance-related compensation systems. Most likely, in these firms the annual increases in fixed salary are linked to tenure and market levels but less to performance assessment. These firms are supposed to use no or only modest variable, performance related compensation elements such as bonuses (Boon et al., 2001; Hitt et al., 2001; Malos et al., 1995, 2000). On the other hand, firms with a more differentiated, individualized career policy need more extensive and formal assessment systems to support performance related salary development; they are likely as well to offer substantive (i.e. up or above average market level) variable income to compensate for the promotion to partner incentive in up-or-out (Brickley & Zimmermann, 2001; Leblebici, 2007).

*Training.* Furthermore, the up-or-out policy implies an intensive, but uniform education and training program for young lawyers (Greenwood et al., 1990; Malos et al., 1995). A more differentiated career policy could be expected to offer more diverse, individually measured training opportunities.

Malos and Campion (1995, 2000) described the up-or-out policy as an options-based model of career mobility in professional services firms: the career and other HRM systems are based on the options that the firm and the professional have on future results and rewards. In their 2000 study among 117 US law firms, Malos and Campion found internally consistent relationships among career-related practices and other HRM elements – e.g. a uniform career structure matches with uniform training programs and compensation systems. This internal consistency of HRM practices resembles closely the concept of internal and strategic alignment of HRM practices as discussed in paragraph 2.3.

### 3.4. *HRM and other elements of the archetypes*

Conceptually, different bundles of HRM practices can be ascribed to the PP and MPB. These practices are presumed to be aligned internally and externally with the other archetypical elements of a PSF. Table 1 summarizes how the HRM practices and other elements are attributed to the archetypes in literature. I choose the term “elements” to include all features – culture

and values, strategy, structure, systems and other- that define an organization by their mutual, interdependent relations, similar to the elements of McKinsey's 7 S-model (Waterman Jr., Peters, & Phillips, 1980). Taken together, these elements form the single 'interpretive scheme' of the archetype theory (Greenwood et al., 1990). For the purpose of this study, I divide the elements into two main sections, HRM and governance. In each section I describe the characteristics of these elements within the PP and MPB.

**Table 1: The Archetype Elements**

Note: some elements can be allocated to a. as well as b. E.g., partner appraisal and compensation systems are elements of the partnership structure but also of management and control systems. In table 1, they appear under the first applicable heading, but in the review of results, these elements may be discussed under more than one heading.

**a. Partnership and Human Resource Management Policies and Systems**

**Partnership**

**Professional Partnership**

Personality and intellectual, analytical skills are essential conditions to be eligible to partnership. Performance, practice building and entrepreneurship are based on these factors. Timing and process of the admission to partnership are standardized; timing is earlier than average, the process shorter than average.

The partnership is an association of equals. Full equity is acquired through annual ('lock step') increases of profit shares. Besides lock step, profits are shared equally without differentiation. The goodwill of the firm is primarily connected to the human capital of individual partners. No goodwill

**Managed professional business**

On the basis of good personal and technical skills and performance, management and commercial qualities are decisive in the partner criteria. As admission depends on the assessment of these qualities that normally are developed later on in the career, the timing of the admission process is individualized. Timing is later than average, the process longer than average and involves elaborate business planning.

Partners have different skills and performance levels and accordingly different profit shares. Profits are attributed according to individual performance, (annual) assessment

payment on entrance is required apart from lock step. Goodwill payment on departure is at most basic (= 1 extra profit share maximum).

Partner performance is monitored and evaluated by the partnership and/or the board, but this is primarily aimed at improvement and development. Tolerance for temporary and incidental underperformance is large. When performance remains structurally under partnerships' standards, the poorly performing partner is dismissed. Partners meet frequently, in formal and informal meetings. There is intensive collegial support and consultation that also serves as an informal quality control system.

and/or previous ranking of partners. New partners pay substantial goodwill compensation on entrance (in whatever form). On departure, partners receive more than basic goodwill payment.

Partner performance is extensively monitored and assessed, with a focus on the performance in developing and managing a practice. There are formal quality control systems, also for partners' performances. Underperformance is followed by diminished profit shares and only in the long run by dismissal.

Sources: (Brock, 2006; De Haas, 2006; Empson, 2007; Gabarro, 2007; Greenwood et al., 2003; Greenwood et al., 1990; Greenwood et al., 2005; Malos et al., 2000; Mayson, 2007; Morris et al., 1998a, 1998b)

## **Human Resource Management**

### **Professional Partnership**

The professional staff consists of trainees, associates and partners. There is no job differentiation within these professional levels. Trainee and associate positions are temporary, until the next promotion decision. Permanent senior associate or salary partner positions are exceptions for technical/academic experts and similar. The configuration of the professional groups resembles a column more

### **Managed professional business**

The professional staff consists of paralegals, trainees, associates and partners. Within each group, especially the paralegals and associates, different functional and hierarchical positions exist. Associate positions can be permanent, as counsel, senior associate and/or salary partner. These positions may offer a career line separate from partner. The configuration is pyramid shaped: the

than a pyramid: the number of junior and senior associates is equal or only slightly higher than the number of partners. Leverage is low, does not exceed 1 : 3. Staffing policy is focused on recruitment and development of starting young professionals. Lateral hiring is exceptional, restricted to specific needs and opportunities. Paralegal staff has a general practice support role, is not part of the professional staffing policy.

Recruitment is targeted at top legal talents; this is supported by the firm's reputation. Selection and promotion criteria focus on intellectual qualities, so do the education and development programs. These programs are standard to all professionals in the first years; individual development is derived from training on the job and mostly informal mentorships. Recruitment and training are well-staffed departments in the firm; costs are comparably high.

Personal fit within the firm is essential for promotion. Personal, management and commercial skills are not neglected and of gradually increasing importance during the career, but remain secondary.

Compensation and benefits are uniform, promotion to (senior) associate is only moderately expressed in compensation increases. The

trainees and associates each clearly outnumber the partners. Leverage is relatively high, may exceed 1 : 4. Paralegal staffing and lateral hiring are structural parts of practice development policy. Paralegals have an expanding role in client service.

Recruitment policy and programs are broad and diverse. Selection and promotion criteria comprise a wide range of intellectual, social and personal qualities; selection and promotion can be job specific. Education and development programs after the first introduction courses (first year) are individualized and aimed at legal expertise but also at management and social skills. Formal mentorship may be part of these programs.

Compensation is based on individual performance and development evaluation. Personal planning and evaluation systems are detailed and elaborate to supporting a differentiated personal, career and compensation development. Promotion to a higher rank is rewarded with a substantial salary increase. Variable pay is an important compensation element, above average, increasing with tenure.

Professionals may choose between different career options, such as entrepreneurship (partnership perspective), specialist legal work



salary scheme is linked to tenure, performance is relevant only in extreme cases. Variable pay is not or moderately used (clearly below market average). Performance and development motivation is mainly derived from the attractiveness of the partner position.

The firm uses a formal up-or-out-policy. Promotion standards are applied strictly at the end of career phases, but evaluation otherwise has the character of general performance and development feedback.

About 10-20% of professionals reach partnership, others leave voluntarily or are dismissed; turnover peaks in the years preceding partnership decisions. A majority of the professionals that depart find a job through the firm's network.

Sources: (Brock, 2006; De Haas, 2005; Greenwood et al., 2003; Greenwood et al., 1990; Kor et al., 2005; Malhotra et al., 2010; Malos et al., 2000; Morris et al., 1998a, 1998b; Sherer, 1995; Sherer et al., 2002)

(senior associate or counsel position) and /or practice management positions. The partner in charge has an integral responsibility for the professional performance and career of his associates.

The firms do not use a formal up-or-out policy; professionals stay even when promotion opportunities are exhausted. Turnover peaks in the 3d year (end of traineeship) but remains fairly stable and moderate after that. Less than 10% reaches partnership, but a much larger part (more than 25%) stays on after the first 10 year.

## **b. Strategy, governance and management**

### **Strategy**

#### **Professional Partnership**

Reputation is crucial, is based on the in depth, specialized legal know how of the partners. Reputation and personal skills of the partners are also

#### **Managed professional business**

Reputation is very important but a top 5 or 10 reputation is not necessarily a strategic priority. Reputation will be based primarily on excellent

the most important marketing assets. Marketing and client relations focus on these qualities. Business development and marketing policies are primarily intended to support the partners. The firm's policy aims at customization of services for complicated, new legal problems and fields. Economic success depends more on rate level than leverage. Strategy and policy making is a partially informal, reciprocal process of interaction between board and partners. Opinions and preferences of the partners are as important in strategy making as business analyses and planning.

client services, efficiency and the (business-like) style of the lawyer, thus depending more on institutional, corporate than personal qualities. Business development, marketing and sales are essential management activities, requiring a relatively large support department. The business development department targets potential objectives (markets and clients) for the partners and develops marketing policies and projects. They may support partners by pre-sales and network-building activities. The firm welcomes possibilities for commoditization of legal "products", partners look for opportunities to leverage their experience and know how by standardizing and delegating work. Leverage is the central profit driver. Rational business analyses and planning are dominant in strategy making.

Sources: (Angel, 2007; Brock, 2006; De Haas, 2006; Empson, 2007; Gabarro, 2007; Greenwood et al., 1990; Greenwood et al., 2005; Leblebici, 2007; Lorsch et al., 2002; Maister, 1993, 1997; Morris et al., 1998a; Pinnington et al., 2003; Stumpf et al., 2002)

## **Governance and management**

### **Professional Partnership**

The authority of the partnership is delegated to the board, but the partnership still has frequent formal and informal meetings where strategy and policy issues are discussed but also operational matters that arouse

### **Managed professional business**

The board has an autonomous management responsibility as in a corporation; the authority of the partnership is limited to strategic decisions, the approval of annual budgets and reports and the election

the interest of individual partners. Some categories of operational decisions remain reserved for the partnership; these may concern staffing and HRM matters (lateral hires, senior associate promotions, compensation issues), practice development and marketing and issues concerning the firm's reputation. Policy making is a reciprocal process. The board consists of (managing) partners; only partners have formal governing authority, although the board may delegate a wide range of operational responsibilities to general and/or staff managers. There are few management levels in practice and support, not more than one or at most two. Practice group or location management is a responsibility of one of the partners. These management tasks consist mainly of coordinating the actions of partners, support departments and the communication to and from the board and are not regarded as too burdensome.

of board members. Partner meetings are limited to approximately 4 regular annual meetings. The board may consist of partner and non-partner members. The latter are general (C.O.O.) or staff managers with responsibilities on the highest management level, not limited to operational matters. They may have authority in partner matters. Strategy and policy making is a process that is strictly managed by the board; the preparation involves the partners, practice groups and support departments in a coordinated way. Practice and support departments may have two or more management levels. The management of practice groups and offices is a substantial task of a partner who has the authority to direct the actions of group members and support departments.

Sources: (Brock, 2006; Empson, 2007; Greenwood et al., 1990; Morris et al., 1998b; Pinnington et al., 2003; Stumpf et al., 2002)

#### 4. *HRM and archetypes in Dutch law firms*

##### 4.1. *HRM in Dutch law firms, introduction*

Literature on the development of human resource management in Dutch Law firms is limited to a few opinion articles in professional magazines. The following paragraphs are mostly based on the observations and experience of the author.

Until about 1990, HRM in Dutch law firms resembled the traditional PSF systems as described by Sherer and Lee (2002) for the USA. Law firms were small – until the 1990's, the largest firms had 50 lawyers at most, only very few firms had more than 10 lawyers. Partnership was the dominant structure. The partners owned, governed and managed the firm. They adopted the dominant HRM practices in the industry. HRM departments did not yet exist or had limited administrative tasks. The professional norms and culture resulted in an informal, moderately strict up-or-out career system. In most firms, lawyers who were not promoted to partner were allowed to stay, but most of them preferred to leave, similar to the UK lawyers described by Malhotra et al. (2010); often, lawyers left before their partnership admission was formally evaluated. Permanent senior associates were rare. Salary systems were tenure based; yearly appraisals (if any) were often informal and focused on development. Incentive pay like bonuses still was exceptional. Formal training and educational programs were limited to specialist courses and the obligatory education for trainees.

Growth of Dutch law firms in the 1990's, autonomously and by national and international mergers, was accompanied by a professionalization of HRM; the larger law firms attracted HR professionals and developed HR departments and policies. Career systems were more consciously designed and managed. The traditional systems were discussed, mitigated and sometimes abandoned. In line with different types of PSFs, career policies in law firms diversified also in The Netherlands (De Haas, 2005).

#### *4.2. Research proposition*

Combining theory on HRM bundles and alignment with PSF archetype theory and the observations on the development of Dutch law firms as discussed, my proposition is that a differentiation of HRM practices is discernible among Dutch law firm. These HRM practices are internally aligned and form different HRM bundles that correspond with the PP and MPB archetypes. Also, I propose that these HRM bundles are aligned externally with the strategy, governance and management elements of the archetypes.

I do not propose a link between archetype, size and geographical structure, but since some authors have suggested such a link (Brock, 2006) I will include these characteristics in my analysis.

#### *4.3. Method*

##### *4.3.1. Interviews managing partners.*

To test my proposition, I used interviews with managing partners of the top 20 law firms in The Netherlands about HRM, partnership, reputational,

economic, commercial, governance and organizational items. Structured interviews are better suited for investigating and analyzing complex, multidimensional concepts like the archetypes of law firms than is possible by general quantitative surveys (Wanrooy, 2007; Yin, 2003). Further, my experience as a consultant in this field helped formulating the questions and interpreting and analyzing the answers.

The interviews consisted of open questions about 43 items that corresponded with the elements of the HRM practices and the other archetype elements as summarized earlier. The items are listed in Appendix I. I expected that an open interview would result in more information. Examples of the questions are: How do you assess the reputation of your firm? What range of authority is reserved for the partners? How do you assess the partnership culture in terms of mutual informal contacts, openness, loyalty of the partners, and stability of the group? Does your firm use variable pay systems, if so, what criteria are decisive and what is the average level?

I approached the managing partners of the 20 largest law firms in the Netherlands, according to the listing of KSU (KSU 2007; the ranking of the big Dutch law firms is stable over the years; with two exceptions, the 2012 listing of the top 20 contains the same firms). These Firms employ 75 to 552 lawyers, together with support staff approximately 150 to 1100 employees. Four firms are Dutch offices of UK and USA based global firms. Of the other firms, five have one single office, three firms have two offices, and seven have three or more offices.

I chose not to include smaller sized firms, below 75 lawyers, because in many of these firms it is difficult or impossible to distinguish the features of the archetypes in HRM practices. For instance, in smaller firms the staffing and leverage ratios, the position of permanent associates and the governance model are often dependent on incidental and opportunistic factors. Policies and structures of smaller firms are less explicit and may be less stable due to fast changes in size and composition. Further, results from smaller firms will be more difficult to compare to international research on PSFs. Even the smaller PSFs that are object of research in the international context are big firms compared to the Dutch top 20. Therefore, I chose to limit the interviews to the largest 20.

Managing partners were approached because I assumed they have the most complete insight and inside knowledge of the firms' strategy, structure and culture. They combine the viewpoint of managers and professionals. Furthermore, managing partners of different firms share the same position,

educational and professional background, whereas the positions, background and education of managers/non-professionals may vary considerably.

One managing partner did not reply to my request – followed by two reminders - for an interview<sup>3</sup>. In two firms, the managing partner was not available, but the general manager and the HRM manager could be interviewed instead. I found these interviews consistent with the others, so I included them in the research. Of all other 17 firms, I could interview the managing partner; four of them were accompanied by the HR-manager and one by the general manager; the (HR) managers provided factual information about the systems in use, staffing ratios and turnover.

#### *4.3.2. Reports and rating*

After each interview I wrote out the answers in summary and the resulting report was sent to be checked by the interviewees. When necessary, I sent two reminders over time. Eleven reports were returned with some adjustments or additions, but in general these were marginal. On the other eight reports I received no comments.

The contrast between the archetypes offers the opportunity to range every interview item on a range between two opposites, described in Appendix I. The answers were interpreted and coded by the author and an independent coder (a colleague organizational psychologist, who is acquainted with the professional environment and with law firms in the Netherlands but was not involved in this study) on a standardized form with a 5 point Likert scale (1 = completely in agreement with the professional partnership, 5 = completely in agreement with the managed professional business). On eleven of the original 43 items, the information was too scarce, vague and/or non distinguishing to rate and analyze properly and I discarded these from our analysis. The remaining 32 items provided sufficient information to identify and analyze the HRM bundles and archetype elements.

We compared our ratings and resolved differences by discussion; on a few items, where adjacent scale positions were equally plausible, I chose for a midpoint rating (e.g. 1 and 2 became 1.5). The range of Spearman's correlations was deemed sufficient. This procedure demonstrated that our scores were reliable and could be used to analyze the results.

#### *4.3.3. Triangulation*

*Compensation and Benefits Data.* I subsequently checked the information from the interviews about compensation and benefits systems with the

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<sup>3</sup> In the 2010 ranking, this firm had dropped out of the top 20

data on salary levels and systems of Dutch law firms that have been systematically collected by my firm since 2001 for benchmark purposes. This database comprises data of more than 100 middle sized and big law firms, including 14 of the 19 law firms in the sample. On only three positions these data showed deviations from the interview rating; two of these could be attributed to HR-system changes that were implemented just before or at the time of the interview. Overall, the information from the database confirmed the interview results on salary systems, variable pay, compensation related performance criteria and senior associate positions.

*Leverage, profit level and profit sharing.* KSU/SDU (2001-2011) annually publishes an overview of developments, performances and ratios in the bigger law firms. The leverage overviews confirmed our information. Published information on profitability in the Netherlands is still scarce and mostly indirect, but I found no apparent contradictions with our interviews. Information on profit sharing systems could be compared with data I collected for other purposes in 2006.

These independent sources with data from a majority of the law firms in the sample confirmed, or at least did not contradict, our findings. This triangulation (Miles & Huberman, 1994) strengthened our trust in the reliability of the interviews on the other items as well.

To analyze the interview results and test my proposition, I first ranked the 19 firms according to their overall score on all HRM items. Dividing the firms in two groups according to this overall score produced a group of nine firms with a lower than median score, indicating a similarity to HRM bundle of the PP (mean score of these firms: 2,37) and a group of ten firms with higher than average mean scores, indicating a MPB bundle of HRM practices (group mean 3.51). I will refer to them as the PP and MPB group. To support our analysis of the external alignment of HRM to other elements, I calculated the mean score of each firm on the economic, commercial strategy, management and governance elements (hereafter: governance elements).

The group division is helpful in analyzing the results, but the overall scores represent a continuum between extremes rather than a clustering; firms with lower average overall scores in the higher group may have more in common with the higher scoring firms in the lower group than with the more extreme firms in the same group. This has to be taken into account in the analyses.

## 5. Results

### 5.1. Internal alignment of HRM practices

According to the scores on the interview items, the elements distinguished for the PP and MPB (Table 1) are distributed between both groups as follows.

*Career policy and practices; up-or-out.* Seven firms have a strict or moderate up-or-out policy (scores 1-2); six of them are within the PP group. In the MPB group, only one firm has a (moderate) up-or-out system. In five firms in the PP group, lawyers who are not promoted to partner are asked or expected to leave the firm; the four other firms do not have an outspoken policy on this point. Only in two firms, departure is discussed immediately after the non-promotion decision. In the MPB group, one firm expects the non promoted to leave, the others are neutral (five firms) or encourage staying on by offering other permanent associate positions.

*Permanent (non-partner) senior positions.* Most firms have at least one permanent senior position, also in the PP group. Only four firms reported to have no, or only incidental, positions for permanent senior associates; three of these four belong to the PP group. Seven out of eight firms with two or more different, permanent senior associate positions belong to the MPB group. These permanent positions have titles such as senior associate, salaried partner, local partner, counsel, legal director etc.

*Promotion criteria and processes.* In firms in the PP group, some degree of partnership perspective is an important argument for all promotion decisions, also in the earlier associate career stages. However, this also regards most (seven) firms in the MPB group. In the three other firms, partnership perspective is irrelevant for the earlier associate stages, each promotion is based on criteria that are specific for the related career step. The difference between the groups is relatively small (2.4 vs. 3.0), smaller than the difference of the average scores on all items together. PP group firms apply their promotion criteria somewhat more strictly, but the difference on this item is even smaller (2.4 vs. 2.7).

Six firms in the PP group have a relatively early and short partner admission process. In the MPB group, only one firm has an early *and* short admission process. In the other firms in this group the admission processes start later and/or last longer; longer than one or even two years.

Of all firms, only two have an explicit outplacement policy for non promoted associates; both firms belong to the PP group.

*Performance management.* All firms use appraisal systems for the



associate lawyers covering all relevant aspects of performance; the interviews did not provide information that justified distinguishing firms according to the content and effect of these systems, besides the promotion criteria as discussed before.

In the big Dutch law firms, equal profit sharing is the dominant system. In all PP group firms, profits are shared equally among the partners with lock step for new partners. In the MPB group, six firms use partially or completely differentiated, performance based profit sharing systems. On average, the tolerance for underperformance is somewhat higher in the PP group (2 vs. 2.7). In all but one firm in the PP group, underperformance is sooner or later followed by dismissal, as these firms do not use differentiated systems to compensate for underperformance (being straight with underperformance in equal share firms was called "managed equal sharing" by one of the managing partners.) In all firms in the MPB group but one, underperformance is compensated by reduced profit shares (systematically through the profit sharing system in six firms, by incidental board decision in the others).

*Compensation.* All PP group firms use strictly tenure based salary systems. Fixed salaries are raised yearly, regardless of performance. Underperformers are eventually dismissed. In the MPB group also, three firms have strict tenure based systems. Seven firms apply more flexible, performance related systems. None of these seven firms has an up-or-out policy.

In the PP group, four firms have none or very modest performance based variable pay; the five others pay moderate bonuses. In the MPB group, all firms have average to high variable pay levels. The groups are clearly distinctive in this respect (2.3 vs. 4.2). The majority of all firms, but particularly in the MPB group, link variable pay to a broad range of qualitative and quantitative performance criteria such as commercial, scientific, organizational and other performances besides billable hours. In the PP group, the firms that use bonuses are inclined towards more quantitative criteria.

*Training and development.* Unlike the other HRM elements, the development and training programs were not distinctive between the groups. Only three firms in all have organized their own programs as an alternative to the obligatory programs that are organized by the Bar Association; two in the MPB and one in the PP group. In both groups, most firms (six and seven) take part in the "Law Firm School", a program for trainees in the big, internationally operating, Amsterdam firms, organized by these firms and the Free University of Amsterdam. More firms in the MPB

group have formal mentoring programs (eight versus four in the PP group).

*Staffing policies (including leverage ratio and turnover).* Only one firm in the PP group applies lateral hiring at the more senior levels as a structural staffing policy, against eight firms in the MPB group.

The results for leverage ratios are mixed; averages are lower in the PP group, but only four firms in the PP group have a lower than middle (3) score, while two firms (both UK firms) have higher scores; in the MPB group one firm has a low leverage ratio, five firms have a middle score.

In six firms in the PP group, turnover peaks in the years directly before and after the partnership decisions. In the MPB group, this is only the case with two firms; with the others, turnover is more or less spread equally over the years. However, as none of the firms had records of turnover data or ratios, the reliability of this outcome is probably not very high.

*Summary.* The group analysis of the interview results supports the internal alignment and differentiation of HRM practices in the big Dutch law firms as proposed. Career practices, partnership and compensation are aligned. Differences between staffing policies and performance management are smaller; training and development practices are non distinctive, except for the formal mentoring practices.

#### *5.2. External alignment: relating the HRM practices to other archetype elements*

To study the external fit, I analysed the correspondence of the scores on HRM practices with those on the other archetypical elements (referred to as 'governance'). To acquire a general impression of external fit, I related the average score of every firm on the governance items to the score on the HRM items, lower scores indicating a similarity with PP elements. This relation is expressed in Figure 1. The scores of the individual firms are represented by the black quadrangles.

Figure 1

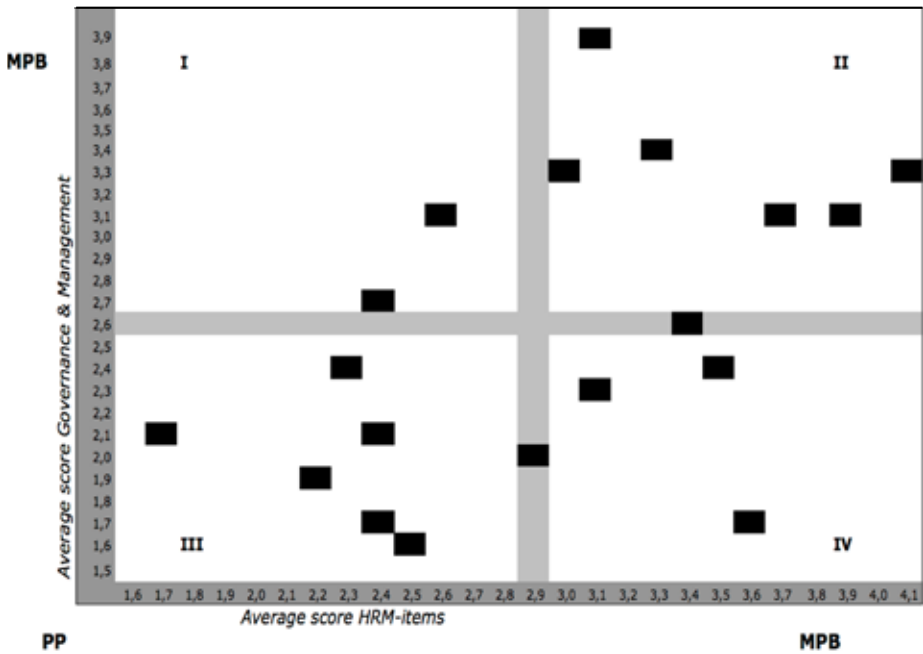


Figure 1 demonstrates that firms that combine PP HRM practices with MPB governance (quadrant I) are relatively rare, as are firms with PP governance and MPB HRM (quadrant IV). In 14 firms, a PP or MPB score on HRM corresponded with a similar score on the governance items (quadrants II and III).

The difference between the average overall scores of the groups on the governance elements (2.18 and 2.93) corresponds with the difference on the HRM elements, although the governance difference is smaller. Some firms in the PP group have a higher (more MPB-like) score on the governance elements and vice versa; however, there is a major overlap. Seven firms in the PP group have a lower than average score on the governance items. Seven firms the MPB group have a higher than average governance score.

*Reputation and economics.* Both PP and MPB groups consist of firms from the upper as well as the lower reputation categories (this difference is, off course, relative: all 19 firms have a good to excellent reputation), of bigger and smaller firms, of more or less profitable firms. There are more firms with a focus on a reputation of (scientific) expertise in the PP group, but this difference is small.

Following archetype characteristics, I had assumed that the rate level

would be the critical factor in the economic performance of the professional partnership, while leverage would be essential in the managed professional business. The distinction between the rate levels was not confirmed by the results. As discussed, the difference between the leverage ratios was not conclusive either. Leverage and rate level appear clearly interconnected and linked to the location (Amsterdam) and/or the international character of the firm. Both are indications of a dominant international transaction practice. Management control, profit and rate level are neither distinctive between the PP and MPB groups nor related to the HRM practices. Firms with rate and leverage levels that are higher than average also have a more than average intensity of management control and apply their appraisal and promotion criteria more strictly.

*Commercial strategy.* There is a notable difference in commercial strategy of the firms in both groups. Firms in the PP group rely on the commercial abilities and initiatives of the partners (eight firms) while in the MPB group five firms have a more corporate marketing approach, with a more autonomous, active role of the marketing department. Also, there are more firms in the PP group with an explicit policy of customization. None of the big law firms focuses on commoditization of its services, but seven of them have a mixed strategy, combining customization with commoditization. Of these firms, six are in the MPB group. Not all managing partners seemed to be fully aware of the implications of this item, so conclusions about this element are not solid.

*Partnership culture, authority and meetings.* The partnership culture (mutual and group involvement, intensity and scope of contacts, position and distinctiveness as a group, as reported by managing partners) is stronger in the PP group. All firms in the PP group have low to mean scores; only three firms in the MPB group have a lower than mean score. On the items regarding the governance position of partners, six firms in the PP group have a moderately high involvement of partners in strategy and management issues. Seven firms in the MPB group have a mean to high score, indicating more authority for board and management. The frequency of partner meetings is somewhat higher in the PP group, corresponding with a stronger partnership culture and partner involvement.

*Management structure.* Four firms in the MPB group have board positions and strategic involvement for managers (non professionals); only one firm in the PP group. However, the firms with strictly operational management positions were equally divided between both groups (both two firms). As for practice group management, four firms in the PP group have a more than

moderately developed management structure; two firms have hardly any practice group management positions. In the MPB group, all firms have at least some formal practice group management structure, five of them with more than moderate elaborateness.

*Single or multi office.* In the PP group, two firms have more than two offices; six firms in the MPB group. Of the eight multi-office firms, seven firms have less than average partners' involvement and frequency of partner meetings. Within these seven firms, the strength of partnership culture is moderate at most. A majority of the firms with a high degree of partnership culture are one-office and/or regional firms. Partners meet more frequently in one-office firms. The connection with a decentralized structure is apparent. There are nine firms with a more than average intensity of practice group management; five of those are firms with more than one office in The Netherlands. Multi office firms use differentiated career policies, permanent associate position, lateral hiring, performance based rewards and profit shares; partnership culture and involvement are weaker and management structures more intensive.

In multi-office firms, management and control systems are on average more developed, as is marketing support. This control intensity also characterizes the Dutch firms that are part of global firms. Among the three firms in the PP group that use a relatively elaborate partner admission procedure are both UK based international firms in this group. Apart from that, the international firms are among both PP and MPB groups.

## 6. Discussion

### 6.1. Alignment of HRM practices.

I proposed that a differentiation of HRM practices would be discernible among Dutch law firms; that this differentiation could be described in terms of different HRM bundles that correspond with the PP and MPB configurations. This proposition is confirmed by the analyses of the interviews, demonstrating a clustering of HRM practices in the firms that can be characterized as internal alignment. Career policy and partnership culture are characterizing features of the HRM-bundle in each firm. These findings support the contingency approach of HRM (Chênevert et al., 2009; Paauwe, 2009; Verburg et al., 2007).

The bundle of HRM practices that fits the PP archetype consists of an up-or-out career system with non promoted lawyers leaving the firm, an absence of permanent senior associate positions with the exception

of positions for academic experts, an appraisal of partnership potential in every promotion decision and a relatively early and short partner admission process. Profits are shared equally by the partners; underperformance is followed in due course by dismissal. Salary systems are tenure based; variable pay is moderate at most. Firms of this archetype use lateral hiring for senior positions only incidentally. Turnover peaks in the years just before and following the partner admission decision. Other practices could not be linked to this bundle, especially the – strictness and elaborateness of – performance management systems. The difference in leverage ratios was relatively small; leverage appeared more strongly related to profitability. Educational programs other than formal mentoring were not distinctive. An active outplacement practice was found with two firms only – both with predominantly PP-like HRM practices.

The MPB-related bundle includes a differentiated, individualized career policy, two or more permanent senior associate positions, intensive use of lateral hiring and a postponed and lengthy partnership admission process. Profit shares are more frequently performance based; underperformance is managed and compensated by this differentiation. Salary systems are performance based; variable pay is a substantial part of annual income. Turnover is spread equally over the associates' years. The firms make intensive use of lateral hiring and of formal mentoring programs.

I also proposed that the HRM practices would be aligned with the strategy, governance and management elements of the archetype. The results supported this partially. More firms with PP-like HRM practices focus on a reputation of scientific expertise and on a strategy of customization. Partnership culture, partner's involvement in management and frequency of partner meetings are higher in the PP group, relating partnership culture and partner governance to PP-like HRM practices. There is some distinction in non-partner management and in practice group management structure, but less convincing.

Analyses also indicated refinements of the presumed distinction between PP and MPB. The management structure appears only weakly related to other elements. Opportunistic and incidental factors probably are dominant in the choice of management structure and the set up of management positions by professional firms, confirming the findings of Wanrooy (2007) and of Ackroyd and Muzio (2007) for the UK.

No firm has a perfect and complete PP or MPB bundle of HRM practices. The overall scores on all HRM elements (2.37 in the PP, 3.45 in the MPB group) indicate that extreme consequences are mitigated by most firms

(e.g. the consequences of up-or-out or underperformance); almost every firm combines practices that are associated with different bundles. The group division is an instrument for analysis; in reality, every firm has its own position between the extreme PP and MPB types. The findings support the clustering that Malos & Campion (2000) found in US firms, using the options theory as a framework. They show a considerable variation of HRM policies and systems. As was found by Morris and Pinnington (1998a) in the UK, relatively few firms explicitly apply a formal up-or-out policy. The results also support the assumption (Morris et al., 1998a; Sherr, 2000) that a moderate form of up-or-out is not giving way to a more differentiated system; up-or-out and differentiated systems are alternative (strategic) choices for a PSF. As Malhotra et al. (2010) have found for the elite UK law firms, mostly informal up-or-out practices coexist with other career possibilities. My analysis demonstrated that career practices such as up-or-out are not isolated, but part of the HRM bundle and of the broader configuration of a firm.

#### *6.2. Reputation and economic factors.*

The proposed differences in reputation, rate level and leverage were not supported; these items appeared interconnected, as might have been expected. Although it seems that firms with the highest reputation in their segment have a preference for up-or-out and related PP-like HRM systems, the results do not clearly distinguish between top and modest reputation firms. Nevertheless, the two firms that are ranked in the top 3 by all colleague firms both belong to the PP group. The lower reputational PP-firms are regional firms that may be seen as high reputational firms in their region. Firms that apply an up-or-out career policy need a strong labour market position to support their career and staffing structure, and a more than average reputation – at least among possible recruits – appears to be conditional for up-or-out. These observations suggest the PP-like HRM practices are related to reputation, but the evidence from the data is not conclusive.

The most reputed firms are also the firms with the more substantial international finance and transactions practices, some of them Dutch offices of international (UK) firms. Reputation, rate level and leverage are interconnected, but not or only weakly linked to the archetypes. Leverage ratios in Dutch firms probably may be too modest -at most 1 : 5.5 with an average of 1 : 4 in Top 10 firms (KSU-SDU, 1999-2012) - to be really distinctive for the archetypes; factors like (labour-) market position, quality of practice and size are probably (still) more significant. A general tendency towards a 'reconstructed law firm' (Ackroyd et al., 2007) where partnership

closes the ranks and a growing salaried workforce labours in deteriorating conditions is hard to recognize among Dutch law firms.

The firms with the highest rate and leverage levels have the more intensive management control processes. Strictness of selection and promotion, intolerance for underperformance relate more clearly to financial performance than to other HRM practices. In these firms, the partner admission process starts later and often, especially in the big international firms, it takes more than one year. This relation can be interpreted both ways: financial performance can be the result of this selectivity, but can also create the conditions to be selective. Strict promotion procedures do not keep these firms from maintaining a high leverage. The relationship with the size and quality of a marketing department can also be explained both ways: marketing contributes to success, or profits enable a firm to employ a larger and better support staff. Dutch law firms just begin to get acquainted with strategic marketing options such as customization and commoditization. Managing partners certainly recognize the choices and opportunities, but implementation of these strategies, for instance by standardizing processes and recruiting paralegal staff, is as yet barely visible.

### *6.3. Single office and multi-office firms.*

The interview results indicate that single office firms more frequently have the partnership and HRM systems of the PP. Multi-office firms (and among them the firms that are part of multidisciplinary organizations) predominantly have the governance and HRM characteristics of the MPB. It is understandable that in firms where all partners work together in one office, partnership culture, mutual commitment and loyalty, peer control and support are more easily maintained than in geographically dispersed partnerships. Social coherence and informal peer control appear to be the dominant management system in one-office firms, as well as in the smaller regional firms. In general, big multi-office firms apply more formal management tools such as differentiated appraisal and compensation systems and marketing methods in order to keep partners and other professionals aligned with firm's strategy and performance goals.

The internal alignment of HRM practices ascribed to the professional partnership and the managed professional business is recognizable in Dutch law firms. Results indicate a differentiation of HRM according to strategy and culture of a firm. HRM practices are (externally) aligned to the governance and management practices that reflect the position of partnership in the firm, such as the management involvement of partners. Other elements of governance and management are not clearly different between firms of



different archetypes. These elements, such as intensity of management control or strictness of appraisals, appear to be more closely related to factors of economic performance than with archetypical differences.

Multi-office and/or multidisciplinary firms (firms with more than only legal disciplines) probably have more differentiated, individualized career policies and more developed governance, management and control systems, also in HRM, as Segal-Horn and Dean (2009) have argued; the MPB archetype is prevalent in this type of firms, as the single office firm resembles more probably the PP.

Also, the Dutch law firms that are part of global firms can be found in both groups. Elements of the Global Professional Network described by Brock (2006) can be recognized in these multinational and multidisciplinary firms. There may be a few firms that approach the “Star” type PSF (specialized, supreme expertise, national operation) that Brock proposes as a third (arche-) type. However, these firms fit the description of the professional partnership especially well. In the Dutch context, the Star is a successful PP more than a separate type. Some big firms that are part of global networks remain professional partnerships and others resemble a franchise, while some national practices have the governance or HRM character of a GPN. Size, geography and market strategy apparently are not, at least not sufficiently decisive to predict HRM and governance choices of Dutch law firms, nor are reputation and profitability. The findings support the observation that the PP archetype is not giving away to the MPB, but that firms choose between – elements of – both archetypes the configuration that fits them best (Greenwood et al., 2003; Pinnington et al., 2003).

This study has demonstrated how a configurational approach of the firm can be helpful in analyzing HRM bundles of policies and practices. In the professional service firms, the archetype theory offered such a configurational approach. The differences between the professional partnership and the managed professional business are mirrored in the different HRM bundles in the big Dutch law firms. These differences go beyond those in size, reputation, profitability or managerial development and connect to the firm’s culture and strategy, sometimes explicitly, but probably often tacitly. Especially the position of partners and partnership is (still) distinctive for big professional firms. The differences may be expected to have a profound influence on the climate in the firm and on the fit with the values and goals of recruited lawyers.

#### *6.4. Limitations*

The interview method I used to investigate the position of big law firms

in the Netherlands offers insight into a broad range of aspects, but also has its limitations. With few exceptions I only interviewed the managing partners, whose opinions may not always be representative for the partners and other professionals of the firm. Further, they might be suspected of emphasizing the positive features and obscuring the negative. I was able to check the information with factual data from other sources (size, leverage, compensation levels and systems) but on other items such as profitability and rate levels such sources do not exist. All controls indicated that there is no reason to believe that the information from the interviews is severely biased, but there is nevertheless some reason for cautiousness.

The study includes 19 firms only. This is 95% of the targeted group, but the absolute number is small. Conclusions therefore have to be drawn carefully and with recognition of this limited scope.

#### *6.5. Follow up*

By distinguishing different types of law firms with regard to partnership and HRM, this study offers a framework to investigate the connection between the different types of professional organizations and the attraction, selection and retention of lawyers with different values, ambitions and personalities. Given the characteristics of the HRM bundles and archetypes, the professional partnership can be regarded as an attractive organization for the determined, intellectually ambitious young lawyer, whereas the managed professional business is more attractive for the lawyer who prefers a conscientiously managed organization with individualized career and development programs and who might be more business-oriented. The study on the archetypes of the law firms precedes the research of the values, expectations and ambitions of young lawyers, the fit with their law firms and the effects of fit.