

**GRI-rapport 2002:4**

## **The Organising of Expert Firms**

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## **ABSTRACT**

A prevalent assumption in discussions on expert labour is that experts organise their work according to an occupational logic. The question, however, how the occupational logic come to dominate the greater part of expert firms is not often considered in the literature. Even if such firms of 'free experts' are said to be of increasing importance for the economy in businesses such as IT-consulting, finance, computers etc., there is a lack of studies showing what such experts actually do and how such firms are organised. Some especially interesting examples of expert firms are those located in the area of finances. Although finance receives a great deal of attention from researchers, there are few studies of the organisational aspects of financial expertise, and the role the social setting plays in experts' performance. This article addresses both of these issues, describing the organisational setting of the experts in investment banks and how these experts organise their work. The aim of the article is to illustrate how the occupational logic of organising has come to dominate the firm, underlining that the administration in these firms has but a minor supportive role.



## The Organising of Expert Firms

Our times have been described as ‘the age of experts’ (Brint, 1994), indicating that experts are nowadays given a more prominent role than before and are in demand in new areas of our technologically driven society. The traditional professions used to legitimate their status by referring to their social mission in society, but this is not the case of the ‘free experts’ of our time. Instead, they view themselves as market oriented, and rather state their value in economic terms. Also, when it comes to the organising of firms, the ‘free experts’ seem to choose a different path from that of their predecessors. Most studies of experts focus on those stationed in large bureaucracies, but the free experts of today are not to be found in these kinds of organisations. Instead, they practise within ‘purer’ expert firms, where the overall organising practice focuses on work rather than administration.

Business life has always involved a global network of transactions. The increased possibilities presented by fast communication and transportation in our time have, however, simplified a widening of all markets substantially. As globalisation has influenced the terms of business in general, so it has also done in the case of professions. For this group, the changes are sometimes described as being of considerable importance, as they might transform the profession’s base of authority (Ackroyd, 1996; Greenwood and Lachman, 1996). It has been suggested that the various professions will handle these changed circumstances in different ways (Reed, 1996). Some professions might become more influential, while others might lose their prestigious position, as professional status is to be seen as a social process, influenced by the changes in society as a whole (Torres, 1991).

## EXPERT KNOWLEDGE AND ORGANISING

In research on professions that has been conducted from an organisational point of view, a frequently debated subject is professionals' position within larger organisations (Boreham, 1983; Freidson, 1984; Barley and Tolbert, 1991). This theme is usually discussed from two angles. First, professional work is seen as organised by a logic that is not in harmony with the one exhibited by bureaucracy in large organisations (Freidson, 1971). Professional work, according to Freidson, is organised following an occupational principle, giving the expert the authority to judge and plan the production process. The production process in itself is not controlled by anybody except the expert. Instead, there is a social control of the expert, exercised by colleagues within the occupation. In contrast to this, Freidson presents an administrative organising principle. Here, authority is related to a formal position within a hierarchy. Control is exercised through rules and routines practised during the production process. As the principles for planning and controlling do not correspond in these two organising logics, integrating the two is often presented as problematic.

The second issue that is often discussed in literature about expertise in larger organisations is whether power conflicts occur between professionals and managers (Boreham, 1983). Such conflicts are seen as coming to the fore often, as professional authority is a result of social and political processes similar to those that create administrative influence. In a hybrid form of organising, where selected elements of the occupational logic of collegiality and the administrative logic of hierarchy are brought together in the same organisation, tension often evolves between these two contradictory organising rationales. This tension is usually regulated through various negotiation processes. In these negotiations, managers and professionals are seen as representing the two organising logics, and also as two groups with an interest in exerting influence within the firm. The problematic situation consequently includes not only differences in organising practices, but also a struggle for power between groups.

In discussions about the changing circumstances of today's economy, attention has been paid to how experts meet the new challenges. Processes of the bureaucratisation of occupations, or of the occupationalisation of organisations, are brought to light (Barley and Tolbert, 1991), considering whether the managers or the experts will benefit most

from the changes. The question is also phrased in terms of how professions handle the changing circumstances if the changes threaten their status and autonomy, and how they influence the organising processes involved in producing expertise (Greenwood and Lachman, 1996). The studies often focus on hybrid organisations and the relationships between managers and experts, taking an interest in the power games between them (Denis et al., 1996) or in how distribution of responsibility influences the experts' status (Sitkin and Sutcliffe, 1991). The outcomes of these studies, however, indicate that the process of change is complex and not easily classified. Bacharach et al. (1991) underline this ambiguity by using the metaphor of a 'see-saw', indicating that there often will be no one stable and dominant group in these hybrid organisations when they are operating in a context of change.

Lately, interest has also been shown regarding how administrative practices are brought into homogenous professional organisations such as accounting (Hinings et al., 1991) and law firms (Tolbert and Stern, 1991; Cooper et al., 1996, Winroth, 1999). The theme of such analyses concerns how these typical professional firms introduce 'management' and the form and content the experts attribute to this practice. The intention of this 'management introduction' is to attempt to create more systematic administrative support for the production of professional services.

### *Categorisation of Expert Labour*

In sociology, the professions are given considerable interest. One of the main efforts in sociological research has been to categorise expert groups and to analyse the process by which an occupation acquires the status of a profession (see e.g. Torstendahl, 1990). In organisational theory, the discussions have been more explicitly related to expertise in organisations rather than their position and status as a group in the society. An accurate categorisation of experts does, however, also support the discussion for organisational conditions. One aspect generally emphasised lately is contemporary expertise being more fragmented than before. Thus Reed (1996) distinguishes three types of expertise.

The first type of expertise is the well-known category of the independent traditional professions<sup>1</sup>. Their basic power strategy has long been described as the most prestigious model: to monopolise and police abstract knowledge and technical skills applied in the

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<sup>1</sup> Reed (1996) does, however, name this group 'liberal professions'.

area of expertise. The traditional professionals' claims of cultural and technical authority are usually connected to the existence of an association and a formalised occupational structure (in the table categorised as the 'collegiate' organisational form). Typical examples of this category are lawyers and doctors.

The second type discussed is the managerial or organisational professions, located in large private- or public-sector bureaucracies. They have not been able to monopolise positions or control a knowledge base in the way the traditional professionals have. Instead, they have been forced to rely on a more fragmented and diverse knowledge base and task repertoire. Their strategy for acquiring and maintaining power is described as 'credentialism' (reliability). Since they are both the creators and beneficiaries of bureaucratic rationalisation, they generate new control systems to further strengthen their position. At the same time, this continuous bureaucratisation threatens the 'areas of uncertainty' opened by skilful craft expertise, which sometimes leads to the conflicts discussed earlier in the article. Examples of this category are technical and economic experts, often situated in managerial positions.

The third type of expertise Reed introduces is 'entrepreneurial professions' or 'knowledge workers'. He describes them as new arrivals on the labour market. They depend on a highly esoteric and intangible knowledge base, a sophisticated combination of theoretical knowledge, analytical tools and tacit knowledge, and are less concerned with formal education. In Reed's description, they focus on specialised cognitive and technical skills that will give them political advantage. They maximise their political and economic advantages by aggressively marketing their refined and portable knowledge/skill base. In this group, Reed includes financial/business consultants, R&D engineers and IT analysts, among others. Also, the experts of investment banks could be described as exhibiting the characteristics of 'entrepreneurial professions'. I will, however, label this group free experts (borrowing from Beckman, 1989), since the traditional professions were also presented as entrepreneurial earlier, and this is, for instance, still the case of lawyers (Winroth, 1999).



Table 1: Expert Division of Labour in 'Late Modernity' (Reed, 1996, p 586).

<b>Expert Groups</b>	<b>Knowledge Base</b>	<b>Power Strategy</b>	<b>Organisational Form</b>	<b>Occupational Types</b>
Traditional professions	abstract; codified; cosmopolitan; rational	monopolisation	collegiate	lawyers, doctors, architects
Organisational Professions	technical; tacit; local; political	credentialism	bureaucracy	managers; administrators; technicians
Free experts (knowledge workers)	esoteric; non-substitutable; global; analytical	marketisation	network	financial/business consultants; project/R&D engineers; computer/I.T. analysts

In Reed's analysis of the expert division of labour, he sees the free experts as the group who have benefited most from the economic liberalisation and the socio-political deregulation that dominated governmental and corporate decision-making agendas in much of the 1980s and 1990s. The terms of the more globalised business environment demand increased flexibility, mobility and speed, terms to which these free experts have no problem adjusting. For the organisational professions, though, Reed sees a dilemma. The bureaucracy is based on a stable foundation, on an ability to standardise and plan, something that exists only to a lesser degree in business today. Indications of a change to a more horizontal division of labour have been discussed for instance by Barley (1996), underlining how experimenting with more collaborative organising practices take place within corporations. Even though bureaucracies will still be of great importance as a form of organisation, there are signs that their earlier dominance might not be as overwhelming during the 21<sup>st</sup> century.

Reed discusses three organisational forms: collegiate, bureaucracy and network. The use of the term 'network' to describe a certain type of organising has been criticised, however, as the term is seen as too indefinite (Nohria, 1992; Barley and Kunda, 2001). Bureaucracies can be seen as one form of network, and furthermore, the network metaphor is also accurate for the 'collegiate' organisational form. Reed's conceptualisation therefore becomes too vague to be useful in discussing work organisation in any detail. Thus, I will analyse my findings, as well as the relationships between various expert groups, using the concept of occupational and administrative

organising logic (Freidson, 1971) mentioned earlier. This will also allow me to discuss the assumptions present in much of the literature on hybrid organisations.

Even though the new free experts are seen as an interesting group, given greater importance in business life than in the past and sometimes directly connected to the 'new economy', not much has been written about them. Most studies of experts either focus on traditional professions or on experts that have been long established in large corporations. But even studies that take an interest in free experts seldom address the subject of organising. Themes such as management control of investment banks (Eccles and Crane, 1988), problems with inside information (Hayward and Boeker, 1998) or adaptations to professional identities (Ibarra, 1999) are interesting, but do they capture the special characteristics of this expanding organisational form? I would like to argue that the work organisation, and its closer relationship to an occupational logic than in most hybrid organisations, is one of the specific and most important aspects for understanding how these firms of free experts operate.

## METHODS

The theme discussed in this article evolved during an ongoing study of investment banks. More explicitly, interest was taken in how the experts construct their identity and roles as professionals, how they perform their expertise, and how the experts and the firms legitimate the experts' status and importance in the wider business context. Interest in the theme of organising work emerged during the introductory interviews and was therefore given a larger scope later.

There are several reasons why investment banks became an interesting example of how the occupational organising logic operates and how it is brought to the fore in our time. First, the occupational logic is very accentuated throughout the whole firm, where the practice focuses around four expert categories (brokers, traders, analysts and experts in corporate finance), supported by the back office. Second, even though the industry is not new, its exceptional growth during the last two decades has changed the terms of business thoroughly. The importance and acknowledgement given investment banks in contemporary business life today is substantial. As the investment banks mirror the widened interest in the economy within business and society today, and as they have developed production processes in line with the increased demand for expert knowledge, they become an interesting example of how the 'free experts' can develop their organising practices.

The interviews were conducted in two of the largest investment banks in Sweden (where three big national firms are described as dominating the Nordic business). The number of employees in these firms is about 500. Both firms have offices in all Scandinavian countries, in London and in New York. They have also followed the trend of growth in the business over the last decade and have consequently increased in size considerably. The firms are both seen as leaders on the Scandinavian market, and both are top ranked in evaluations made by customers.

## *Research Design and Logic*

The study is anthropologically inspired and originates from an interest in the construction of identity, organising and legitimacy of expertise and firms. My own interest in the organising of experts' work guided me into this theme. As the data that emerged in the interviews gave rise to a more explicit example than I had expected, I followed this line more deeply, judging it as fruitful for a theoretical discussion. Following this, how a researcher ought to understand the process of organising becomes an essential question.

The processes of organising have been considered in many ways in the literature, but two basic approaches can be discerned (Czarniawska-Joerges, 1996). In everyday language as well as in research, organisations are often described as objects within which various forms of work are performed. The organisation is seen as the reason of, or the frame for, the organising process. If organisations are seen as socially constructed, though, the organisations become a result of the organising processes. Within the latter approach, the focus is on the organising process itself and on how people contributing to it jointly develop their understanding of the process. The time-honoured concept of 'work organisation' can accordingly be interpreted in two different ways: one as the type of organisation (different from, let us say, a 'play organisation') and the other, adopted here, as the way work is organised.

A constructionist view of the organising processes accordingly shifts the focus of research from structures to processes (Czarniawska-Joerges, 1996). Structures have already been given considerable attention within organisational theory. If organisations are not seen as objects, however, structures become a more doubtful focus of interest, as it is not the structures that define the organising process. Consequently, this study focuses on how these organising processes are reproduced and given meaning by the experts themselves in their accounts of their work.

Methods used for the study were participant observation, interviews, and document analysis. The documents produced within the firm were economic analyses of corporations, business or economic trends in society. Magazines and financial papers have also been of interest for the overall knowledge of the business.

## *Research Process*

Initially, interviews were conducted with financial managers in some of the largest investment banks in Sweden. These interviews helped me to understand the nature of the business and led to further contacts and interviews with the experts, who were the category of my primary interest. I was also able to gain permission to conduct observations later on. The interviews with top managers were also important for gaining a view of how the experts were seen and treated within the firms. The focus of expert knowledge for business, and the trust in their judgement regarding the services provided, gives top managers a more care-taking role than in many organisations. Their task is to provide a suitable environment for the experts.

The interviews with experts were equally distributed between the expert categories. Initially, the top managers gave suggestions for suitable expert persons to interview. Later, I could specify requirements regarding whom to contact, depending on my need for a particular type of data and interest in meeting various social categories (e.g., 'high-level' sales, or junior sales) or experts varying in specialisation focus (e.g., macro verses share analysts). I was also allowed to specify requirements regarding meeting persons identified in earlier interviews as being particularly important to the firm. The study started in October 1999 and at the time of writing this article (February 2001) it is approaching completion. The article is based on 28 interviews, written reports and presentations, and observations of the work site.

Interviews started with open questions about the expert's background, educational training, the structuring of the workday or -week, what their work was about, skills needed, difficulties to handle, the culture of the business and the control of work. I let interviews develop in line with the aspects described by the respondents as specific to the business or their work, and I was attentive to themes they personally found problematic or fascinating. I was aiming at achieving insight into themes that are of interest for the practitioners, but also at remaining sensitive to how they presented various concerns. A direct question reflecting theoretical concerns might not be the best way of finding out how organising processes look in practice. It seems more fruitful to learn how the respondents express their interests in their own vocabulary. Consequently, the interviews gave me insights into the experts' work, as well as knowledge of the vocabulary they use. Interviews lasted on average about 90 minutes,

ranging from 60 minutes to more than 2 hours. When it was allowed, the interviews were taped and later transcribed; in other cases, I took notes during the meeting.

A clear if somewhat surprising picture of the organising of expertise work emerged quickly. There were no formal organisation charts or job descriptions. Instead, as the experts became socialised into the work place, they were taught whom to co-operate with and whom to turn to. When discussing their tasks, all experts claimed that co-operation is indispensable for service. My surprise regarding how these various experts handled all co-ordination and co-operation themselves may be attributable to an attitude formed by socialisation in organisational theory research, which has shown a distinct preference for viewing organisations from an administrative perspective (Barley and Kunda, 2001). Instead of taking an administrative logic as a prerequisite, I have opted to follow my respondents' perspective and show how this continual co-ordination without manager interference functions. This illustrates a situation where managerial interference is minimised. The following presentation also includes some cultural information that will give the reader a view of the context in which these experts practise their work. Having acquired an overall knowledge about work procedures and organising procedures, I was able to categorise the data more closely. Interviews rarely provide information about what people take for granted, which makes observational data crucial as a complement.

A tentative description of the organising process was produced next, including general information about the role investment banks play on the financial market and the account of the considerable growth and change of the business over the last decade. It also contained a more detailed description of the organising process and the precise tasks of the various experts, a part that will be omitted in this article because of space limitations. This document was presented to the respondents and received positive feedback. Any corrections made concerned minor misunderstandings. I have taken the respondents' comments as an indication that my understanding of the organising process in investment banks is accurate.

## THE BUSINESS OF INVESTMENT BANKING

In general, the largest investment banks in Sweden can be described as primarily active in two lines of business. First, they mediate transactions on the Stockholm Stock Exchange, transmitting contacts between buyers and sellers, in a line of business called 'Equities' or 'Securities Broking'. The second line of business is expertise in corporate finance. Here, the service provided is financial advice for top managers by experts in financial restructuring. By way of introduction, the work in the line of Equities will be presented, including a description of the place of work and the expert's working processes. A shorter presentation will be made on the line of corporate finance, followed by some comments on organisational control.

### *Equities or Securities Broking*

The business line of equities involves four categories of employees: the brokers (called 'sales' in the field, a term I will also use in the following text), the traders, the analysts doing research, and finally the business support people. These four categories cooperate closely with each other during the workday. This paper focuses on expertise work, and consequently the business support will not be discussed here, even though it is crucial for the production. As my studies include more than one investment bank, the description presented here concerns general aspects of the work setting in equities.

### *The Place of Work.*

Sales and traders are seated in one big room, around long desks. Every person has his/her own section of a desk, equipped with screens, computers and a number of telephones. There are screens around the walls of the room, showing the prices of frequently traded shares. The analysts are also placed in a close setting, with their own equipment, but in a slightly calmer area. Because many people are working in a small space, talking on the phone or with colleagues, there is always noise and the sound of persons moving in the room, and the noise is sometimes quite loud. But the lively place of work does not seem to bother the people working there:

It is nice to work with people around. I do not want to sit in a corridor again. So many small things you have to ask people about, and I am not disturbed by them. You save a lot of time, which is just taken for granted. If somebody is sitting 20 meters away, it is enough for you not bother going there to discuss. (Analyst)

These experts describe their situation as autonomous, but their need for a close social setting is explicit. There is a continuous flow of information between the colleagues in the room. These unrelenting discussions are important for distributing information about trends on the market and the testing of new ideas. The close setting also indicates the need for rapid action when necessary. Phone lines become very busy when movements on the financial market are intensified, and sales need quick communication with analysts as well as traders.

Sales.

Sales are divided into two categories – institutional sales and private sales. The institutional sales serve only a few institutional customers with large investments, such as banks, capital funds, insurance companies or large corporations. Private sales are responsible for a larger number of customers who usually do not invest as much capital; these include trade unions, foundations or wealthy individuals. The task of institutional as well as private sales is to keep customers informed about news or expected changes on the market and to make it easy for the customer to change their investment portfolio according to this information. As the income of equities is arbitrage of trade, the goal is to create as many transactions as possible.

Sales describe their work as independent. They are responsible for a limited number of customers and are expected to generate transactions among those. How they generate the transactions is, however, up to them, as this private sale describes:

It is nearly like a variant of franchising in our business. We all have our own clients, but the strategy for how to relate to them is our own concern. Well, within the frames of the Financial Supervisory Board, of course.

Various sales develop different strategies depending on how they relate to the market (as illustrated also by Smith, 1981). Some are described as very analytical, with considerable knowledge about the market. Others are described as customer oriented, being extraordinary skilled in handling customers.

The working day of sales is structured by a few fixed points of time. The early morning is spent reading various financial papers, national as well as international. The first point of time of importance is at 8.30, when there is a video-conference in which the



analysts from various offices present their view of the market. The analysts dominate the meeting, giving their perspective of recommendable transactions for the day. Thereby sales are given ideas for what to recommend to their customers. The analyses can be more closely studied in reports or shorter written comments after the meeting.

The Stockholm Stock Exchange opens at 09.00 and closes at 17.30, the other two points of time structuring the day of sales. Between these hours the salespeople keep in contact with their clients by phone, communicating with some of them several times a day, and with others only some times a week. Not only sales are involved in the creation of transactions – the other experts of Equities contribute to this process as well. The analysts' forecasts are crucial as these contain the information sales use to advise transactions for the customers. If there are special questions related to any of the forecasts, the customer can also speak directly with the analyst who specialises in the business of interest.

There have to be contacts between the analysts and the fund managers. So the analysts must be customer oriented, service minded, able to communicate. We work in teams, even though there are no stable ones. (Sales)

Traders are also involved in these temporary work teams, as they are the ones who set the prices of various shares when customers are interested in investing (described in more detail later). Like the analysts, the traders are also specialised into specific sectors, making it necessary to speak with a specific person when interested in a particular business. The co-operation between sales, analysts and traders therefore becomes continual, even though the participants of the various teams serving a certain customer keep changing. Consequently, everybody is involved in a number of customer service teams in any given day.

The contact with clients is not restricted to talking business on the telephone, but also involves meetings in more social settings. Having lunch with customers is common, either for discussing some investment, or in larger arrangements where firms present their strategies and try to create interest among investors. There are also breakfast meetings and dinners in the evenings.

Analysts.

The analysts have acquired a more important role in the service of the investment banks during the last decade. Initially, they were doing deeper analyses to support the sales, but as years went by, the analysts came more and more in focus. Nowadays the annual evaluation of the service in investment banks, made by customers, is seen as important, and becomes well-known as it is published in magazines and papers. These evaluations focus mostly on analysts and their service, and have made them the most visible 'stars' of the business.

The analysts are divided into two subcategories. One category is called share analysts, focusing on share values, and examining large companies within a specific business. The other group is called macro analysts, focusing on broader scenarios and strategies for various sectors. For them, inflation, exchange rates, GNP, and statistics on national sectors are of importance. Their reports are essential as they create the base for the formulation of strategic advice of the firm, which also becomes the foundation for the share analysts' prognoses.

The task of the analysts is to produce insightful reports, keeping sales as well as customers informed of possible future scenarios of the market. To always be right is not seen as the most important issue, though, as one analyst presents it:

It is not to always be 'right' that gives the best ranking. It is whether you are experienced as a good discussion partner and generate interesting ideas. Everybody is wrong 50% of the time. But you have to present something interesting and in some way right. The customers reward you if you are daring more than if you're always right. You're allowed to be wrong, but you are not allowed to do a bad job.

The reports the analysts produce are of various sizes. The flow of information being enormous, customers as well as sales prefer short and compressed notes. There are larger reports produced annually and quarterly, but also smaller ones, from about 4 to 100 pages. Most information consists of short comments presenting suggestions in barely 15 lines. The analysts have been described as 'spurting out' 200-300 messages on e-mail every week.

The analysts generally start their day in the same way as sales, i.e. reading financial papers and participating in the video-conference. During the day, they are involved in

contacts with customers, but not as regularly as the sales are. They must, however, serve customers as well as sales when needed. Therefore, the more thorough research and writing is often done in the evening. Since timing is crucial in the business, an interesting report has to be presented within hours or days to be useful.

The share analysts are expected to support the sales in their relations with customers, so nowadays their social skills are seen as of great importance. How to fulfil the role of an analyst, to combine interesting information and cultivate relations with customers is, however, described as something the individual has to find out him- or herself.

It is mostly up to yourself, how to do it. Everybody strives for good results, good rankings, but it is up to everyone to find a way to reach it. To find the alternatives.  
(Analyst)

Even if sales and analysts are the ones who create the order for trading, the pricing of the product and the actual transaction is put into other hands.

#### Traders.

In an ethnographic study of traders, Urs Bruegger (1999) compared the situation of a trader with that of a test pilot in the US Air Force. Pilots are described as either having 'it' or not, needing to be made out of 'the right stuff', and this is something that they share with traders, according to Bruegger. The traders seem to be a fascinating expert category, as they are given the leading role in movies ('Wall Street') as well as ethnographic studies (Abolafia, 1996; Bruegger, 1999).

Traders can broadly be described as either proprietary or arbitrage traders (market makers). The proprietary traders execute the orders from customers, generated by contacts with sales. To be able to conduct a transaction, the customers need a price for the security they are interested in trading. As the price for a certain security can vary throughout the day, the trader has to set the price at which the customer is offered to sell or buy. The price must be reasonable, as the customer could turn to another bank if given a better price there (especially the institutional customers, who keep in contact with several firms), but the firm cannot lose money on the transaction, either. The communication between traders and sales is therefore intense in this matter. If the customer accepts the price, the trader executes the transaction. The arbitrage traders focus on transactions made only for the brokerage house. They analyse the setting of

prices between various security markets, and if they find securities they judge to be priced over or under their value, they trade.

The work of traders is very intense, and for these transactions, seconds or minutes could be vital. One sales describes them as follows:

They have to be like tennis players, every second means a new decision for business. If you have lost a ball, you have to concentrate on the next. These people eat in front of the computer; they hardly have time to visit the bathroom.

Even if traders work primarily during the open hours of the Stockholm Stock Exchange, the trading of securities is global, making the market open internationally twenty-four hours a day. This creates a ceaseless information flow on the market. The information the traders use, however, is not presented in reports, since their time frame is very short. Therefore, the information shared among the traders themselves is described as important for their performance, and sometimes this performance is even described as teamwork. This teamwork can apparently take two possible forms. In the first model, described as common in banks, there is a chief who decides on a strategy for the trading of the day. The other traders are expected to follow his initiative. The second model is more often used in investment banks and gives the traders more autonomy.

Here we are smaller than in a bank, and for historical reasons less directed. Each person is responsible for their own trading. The teamwork consists of open talk and discussions. The responsibility is individual, but we work as a team for trying out new ideas. It is a way of spreading information about tendencies in the market, a way of spreading it to others. (Trader)

The three expert groups sharing their place of work and everyday life do not, however, produce all the expertise within the brokerage houses. Behind the so-called 'Chinese Walls' there are the experts on corporate finance. Because of space limitations I will present their work only briefly. It is necessary, however, as I wish to point out that those working in the other basic line of business in investment banks also organise their work following the occupational logic.

## *Corporate Finance*

The business line of corporate finance includes only experts within the area, and business support. The special knowledge the experts offer to top managers is competence in financial transactions. The type of advice they provide might include how a corporation could restructure its practice, for instance by a merger or an acquisition, and how this restructuring could be financed. The typical progression is to start as an analyst, advance to an associate, perhaps later become an associate director, and finally a director. The directors are primarily involved with customer contacts, supported by the others for the research and the construction of solutions.<sup>2</sup>

Compared to Equities', Corporate Finance experts are a more homogeneous group. Even though they might not have the same level of education, their working tasks are all about financial transactions. Their situation is similar to that of the traditional professions such as law or medicine, where the younger generation is trained in their expertise by the older, gradually reaching the level of full expert. The co-operation of work, however, takes place in various teams in which people are expected to work independently, and on more than one project at a time (consequently also with various colleagues). The time frame for the teams producing the service is longer in Corporate Finance than in Equities, as projects take longer both to initiate and to accomplish.

## *The Organisational Framework*

The managerial control of the service production process did not visibly appear in the descriptions of the experts' work. The brokerage houses were rather described as providing an arena for expert performance, an arena with the technical equipment, business support, and the social context needed to produce the services. This is also explicit in Eccles and Crane's (1988) study of management control in investment banks, where they underline how the need for adaptability and flexibility in the organising processes creates a situation that does not allow tight management control. Eccles and Crane suggest four basic categories of control systems: (1) reports related to calling activity, (2) evaluations from customers, (3) internal cross-evaluations within and

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<sup>2</sup> If needed, the special expertise of an analyst at Equities can be demanded. In these cases, careful actions are taken to secure the confidentiality of the transaction. As the corporate finance experts work with cases not yet publicly known, no discussions are allowed between the lines of business that could be seen as involving inside information. Therefore, what are described as Chinese walls are erected between the two lines of businesses, and it is in the interest of the investment banks themselves to convince the market that no illegal information is transferred between the lines (discussed by Hayward and Boeker, 1998).

between departments, and (4) measures from financial outcomes (1988:147-148). These control activities are all results of services already provided, which further indicates the managers' lack of interference with production. I would like to complement this list with two more forms of control used in investment banks, and even though only one of them can be described as a system, they both set important rules for the game played.

As the trade of securities is considerable within the brokerage houses, there are also restrictions on the amounts of the transactions made within the house. The traders all have a position of their own to trade with, so the sums of money transferred daily can be huge. If all of them were trading with losses, it could have large consequences for the economic balance of the house. Therefore, all transactions are registered, and the overall economic situation of the firm is meticulously followed up on a day by day basis.

A more subtle form of control is the social context of the firms. As in all cultural contexts, socialisation into a work setting is a matter of learning how to behave, as well as how to perform. In the firm, the experts learn the norms and values of the profession and the way to become successful. As Granovetter (1985) commented, the economic rationale of behaviour is often neglected in social studies. Indeed, I would like to emphasise the importance of economic motives among the experts in investment banks. Top managers often commented upon this, saying that they are dealing with persons who are extremely 'money driven'. Even if the controls are indirect, when it comes to the possibility of influencing behaviour by means of financial rewards, the experts are described as easily steered.

## **EXPERTS IN CLOSE CO-OPERATION**

The experts in the investment banks describe their situation as a mixture of independence and of close co-operation. The overall task the experts are expected to fulfil is to create transactions. As they are supposed to find strategies for accomplishing this themselves, and are given autonomy in this, they compare their situation to that of entrepreneurs. All experts within a firm share this situation and expectations, and therefore their task becomes a collective one. Consequently, the experts help and support each other within the expert categories, as well as between the groups. The

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sales have the primary contact with customers but need support from traders as well as analysts to effect their services. Not just anyone belonging to one of these categories is suitable as a co-operator, though, since they are all further specialised into various sectors. Therefore the teams have to be formed, adjusted and re-formed, contingent on the interests of specific customers. This makes stable teams impossible. In their place, a continuing interactive process of creating specially formed teams evolves in which teams are formed according to the need of a customer. The temporary co-operation therefore becomes like a fluent network.

The occupational logic prevailing in the organising of the work is distinct in the case of investment banks. The experts control and plan their work themselves, limited only by financial restrictions in the amount of sums transferred, and the accepted ethics of the business. Their freedom in solving the given tasks is accordingly relatively wide. Creativity and uniqueness are rewarded as long as they contribute to the overall goal: increased transactions. In the production process, the demand for resources varies, and the experts ask for support when needed. It can be a need for support from others in the same expert category, or from other experts, or from the administration, but regardless of the kind of support required, a flexible supply system is at their disposal. Resources are accessible when needed, especially for the experts working on the front line: sales in talking to customers, and traders facing the action on the financial market.

When compared to discussions in the literature, the lack of managerial interference emerges as a unique characteristic of organising in investment banks. The so often brought up debate concerning conflicts between managers and experts does not come to the fore in such firms. Firstly, there are few middle managers to be in conflict with, as the chief responsibility lies in the hands of senior experts, still practising their expertise. Secondly, the primary function of administration is to support the experts, not to try to restrict the experts' influence. There are few, if any, studies showing managers as active behind the scenes only, in a support role, in a whole firm. In investment banks, though, the experts play the leading role; it is their demands that are fulfilled, and it is they who are most admired and respected. Focus is on action and performance, not on control or formal authority.

### *Firms Predominated by an Occupational Logic*

As mentioned earlier, most organisational theories put their trust in an administrative logic. If the occupational logic is brought to the fore, it is usually related to a small company or a special part of a bigger one. In the case under study, however, the occupational logic dominates the whole firm, as the work is primarily performed when producing expertise. If this situation is compared to the one in hybrid organisations where the administration plays a more marked role as a co-ordinator, as in a university, for example, one finds important differences. When focusing on the research practice in universities, the occupational logic of organising is predominant. The researchers work according to their own initiative, networking with colleagues of interest, planning their own agenda, and taking responsibility for the results. Universities are, however, also responsible for higher education in a form that is standardised, as a sort of mass production. A large number of students take a number of courses to earn their degrees. The various courses are taught by teachers who are qualified in a special field. Therefore the need for co-ordinating both around each course and between courses, planning the education flow, becomes a central function within universities. The administration does not play only a supportive role here, but also a co-ordinating one. Therefore the influence and the function of administrators becomes more evident in this form of hybrid organisation, where the administration has a participative role in making the process of producing educated students work.

Most discussions in the literature on experts focus of those working in large hybrid organisations such as universities, hospitals or industries selling expertise. The situation of 'pure' firms dominated by the occupational logic in organising is hardly ever described. The special situation for these expert firms somehow becomes overlooked. Even though there are a few examples of studies of law and accounting firms that could be included in the 'pure' expert firm category, few of these cases made clear how the organising processes of these firms distinctly differ from the hybrid organisations mentioned above.

As the conditions of business life have changed, voices have been raised emphasising the need to focus on work organising processes in organisational theory (Barley and Kunda, 2001). The authors underline how changed conditions are also reflected in the processes of organising work, and, to understand the experimenting of post-bureaucratic modes of organising in our time, the prerequisite of firms strongly



influenced by administration no longer holds. In the example of an expert firm presented here, the occupational logic of organising prevails in the firm to a degree not earlier acknowledged. And for this organisation model – which focuses on a core of expertise supported by only a minor administrative part – the investment banks are but one among many expertise firms in business life today organised in a similar way. This is a form chosen by many free experts such as IT-firms, business consultants and also the large commercial traditional professional firms such as law and accounting firms. As the form for expertise firms in our time seems to be similar when it comes to organising logic and the terms they face in business life, closer studies of these expertise organisations becomes indispensable.

The absence of administrative control in the production process of investment banks can be seen as a puzzling phenomenon, as accounting and economic analyses are usually understood as instruments of managerial control. In an organisation where the ‘language of economics’ is the only one spoken, however, there seems to be no need for middle managers or bureaucracy. Experts of management control instruments organise their work in a way similar to other experts and, in practice, declare the judgement of experts to be more appropriate than that of administrative regulation.

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