Building the case for leadership in professional services

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This paper arises from Roffey Park’s work with professional services firms, our own research in this area¹, a webinar on the topic² and a roundtable discussion with participants representing legal, accountancy and actuarial firms. It is structured around a number of questions, is intended to further the inquiry into leadership in Professional Services, and offers practical guidelines for those working to make the leadership in their own firms even more effective.

We want to thank Reeves for hosting the event and participants for their comments, insights and experiences which are compiled in this paper along with Roffey Park’s own reflections. Some unattributed comments are included as a number of participants preferred to remain unnamed.

For over 65 years, Roffey Park has provided tailored leadership development programmes, management consultancy and coaching, training courses and research services to many of the world’s leading companies and organisations. For further information about Roffey Park please refer to the inside back cover.

We would welcome your thoughts on developing leadership within professional services. We look forward to hearing from you.

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² http://vimeo.com/54921010
The nature and challenges of professional service firms

Financial and Professional Services firms account for 14.5% of the UK GDP and employ just over 2 million people. Weathering the economic environment of the last 5 years, including increasing competition from India and China, has not been without challenge or without impact and has created a sensitivity around price that has led some firms to become even more specialist, and increasingly focus on high value work only.

Many firms have restructured, been involved in mergers, and some have collapsed.

Never before has it been more important that firms retain the clients they have, compete for new clients with new and different products and approaches and reposition themselves in their current, adjacent and emerging markets.

This requires partners and senior managers to be entrepreneurial, collaborative and ethical, to lead their firms in ways that create a culture which releases these qualities in others - and that cannot be sabotaged by smart people.

What makes professional services firms unique?

Professional service firms very often sell intangible services to clients that don’t automatically see their need for those services. This requires them to continually persuade clients, in the face of a constant downward pressure on costs, that what they do is value for money. Also, clever people are the product in professional service firms. They are essentially talent businesses. Firms sell the time, knowledge and expertise of a limited number of individuals, and the rewarding nature of the work attracts smart people who see their work as a career and not just as a job. One challenge is that they can identify more closely with their profession and professional specialism than with the firm they work for, so sustaining their engagement, loyalty and motivation towards the firm can be crucial. In some companies leaders very often take the line of least resistance where strategic direction is concerned and get away with it. This can be a recipe for disaster in professional firms where people hold power based on professional expertise that the firms rely on and where they primarily identify with their profession. Convergence around a strategic direction that all people move towards, therefore, is more a matter of permission seeking from staff (true buy-in) than it is about strong direction (compliance).

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What makes professional services leadership unique and how does it challenge the partnership model?

The uniqueness of professional service leadership encompasses thought leadership that moves professional service firms away from the continual selling of the humdrum towards new and different services, enthusing, motivating, and rewarding talented staff to give of their best. At the same time it involves influencing growth strategies, getting self-selecting people to converge around such strategies and move forward together, building excellent relationships and partnerships with clients, colleagues and, increasingly, other professional service firms.

Being made a Partner is the career aspiration for many in Professional Services: it is seen as the pinnacle of success and has well documented appeal:

- Professional and personal status
- Autonomy – partners enjoy considerable autonomy in their particular professional specialism and the intellectual challenge that goes with technically complex projects
- Recognition – both within the firm and outside
- Lifestyle and income
- Stakeholder in the business - equity partners have a stake in the success of the firm and how rewards are divided
- Partners influence the strategic direction of the firm.

As a model, however, becoming a partner can challenge the requirements of being a professional service firm leader and set up a series of polarities that need to be managed and balanced:

Many partners report tension in addressing these polarities, as simply doing less of one at the expense of the other always gives rise to a new set of problems.

Professional Service leader development, therefore, needs to have an over-arching purpose: to assist partners to lead across all the bases that connect the polarities so that they can constantly craft an appropriate and balanced leadership response.
So what will create a convincing case for leadership and for leadership development in Professional Services?

Often those at the top in professional service firms have got there without any personal or leadership development, and can need convincing of the benefit.

The suggestions below stem from our own work and the comments of participants in the roundtable discussion.

Creating the case for leadership

- Demonstrate how leadership adds value – in the context of client value, i.e. return on investment.
- Solicit stories from competitors who have taken leadership development to heart and are more successful.
- Produce reports on the levels of professional satisfaction, morale, needs – met and unmet, levels of shared purpose in the organisation.
- Continually flag up the complexity of the professional services landscape and how it is no longer appropriate to respond to challenges as and when they arise.
- How is everybody performing? Not just the firm’s stars but its B-listers as well – the largest portion of the workforce. What could leadership do for them? Talk about it.
- Follow through and accountability can no longer be left to chance. Leadership must ensure this happens.

Factors to consider in offering leadership development

- Consider starting with the graduate intake. Help students think beyond their professional, technical qualifications to understand that leadership skill development is key to progressing to partner level.
- Demonstrate the difference between leadership and management such as better delegation of priorities but don’t get hung up on the difference.
- Demonstrate the connection between the leadership development programme and the firm’s strategy.
- Use methodologies that partners can relate to and find desirable. For example, coaching where the perception has shifted from coaching being seen as remedial to almost a badge of honour.
- Shift people from knowing to doing. Include real firm case studies and scenarios that partners recognise and which require a leader response.
- Develop competencies that include all aspects of professional service leadership.
• HR credibility needs to be earned. This is not just about individual credibility as professional credibility also needs to be established.

• Require partners to develop together so that they develop as a leader community and model collaborative and systemic approaches.

• Reward on a balanced scorecard rather than exclusively fee earning.

• Be careful of labels. Getting partners to develop in the right areas is more important than what it is called.

• Use stealth and little by little approaches - leadership, and leadership development within professional services firms is like hiding vegetables in sauces so that children eat their five a day. It’s completely necessary but we may not want to shout about it.

• Watch how long it takes. Time = fee income so do a lot in as little time as possible but ensure that you’re not just scratching the surface.

• Build reflection as a discipline into the development so that partners experience breakthrough thinking that truly shifts their leadership practice.

Above all to develop leadership skills, and practice the behaviours necessary for the role, it is important to ensure any development is intellectually stretching, relevant, experiential, and delivered by credible experts in their own field.

It is also important to recognise that any investment in developing an individual’s leadership capabilities, is ultimately for the benefit of the whole firm establishing over time an organisational culture in which good ‘leadership’ is valued and recognised as much as technical expertise and fee earning.

And for the programme to succeed, the visible, active sponsorship of the Managing Partner is key, not least in role modelling the behaviours the programme aims to foster.
Roffey Park experience

Partner development at Reeves

Rapid growth has a significant impact on the dynamics of any organisation, but for partnerships the issues are even more complex.

Established over 100 years ago in London, Reeves is a major accountancy and financial services firm practising in the south east of England. With an annual turnover of £20 million and 300 staff, Reeves underwent rapid growth in recent years. In particular, the merger of its predecessor firm Reeves and Neylan, with FW Stephens in 2010 saw the partnership acquire a base in the heart of the City and increase its staff by nearly 50 percent to become the 25th largest professional services firm in the UK.

The challenge

For Reeves to achieve the necessary growth, it needed to develop different skills in the firm which strengthened the collective leadership - so distinctive to a partnership structure - as well as engendering a sense of the firm’s collective breadth of experience. "A partnership is very different from a limited company or other commercial organisation with an MD and director roles," says Karen Thompson, Training Manager at Reeves. "Our organisational performance relies on excellent communications and working relationships across offices".

Traditionally Partners had been entrenched in their own niche areas of knowledge, for example company accounts, pay and benefits, or tax, and their base of clients reflected their individual specialism. Now they needed to work together, across different areas of the business, cross-selling products and services in order to win bigger, more broad-based client contracts. They also needed more strategic capability.

The solution

Roffey Park and Reeves worked together to design and deliver a Partner Development Programme to help build the management capability and strategic mindset needed to take the firm forward.

The Partner Development Programme comprised an initial round of psychometric and 360 feedback followed by three two-day modules on:

- **Leading Self**, including themes such as purpose as a leader, authentic leadership, presence and gravitas, and integrity as a source of power
- **Leading Clients**, with issues such as building trust in client relationships, pitching for new business, commercial and strategic awareness and key client management
- **Leading the Professional Services Firm**, including learning focused on coaching to improve performance in others, influencing without formal authority and communication strategy and vision – eg ‘thinking like an owner’

One-to-one coaching by the programme tutors between the modules reinforced the learning and included setting specific work-related tasks plus personal development goals, ensuring development was ‘live’ and highly relevant.
The lessons

Partners at Reeves are now capitalising on the breadth of expertise right across the firm rather than relying too much on selling within their own specialism. At a time when the professional services market as a whole has been stagnant, Reeves has continued to grow and its profitability has improved. “What we’ve noticed is a much greater degree of cross referral and team working than we had previously,” says Reeves’ Managing Partner Clive Stevens. Many firms have gone backwards - we haven’t.” Clive added, “Communication and people management has improved. We have more direct conversations about performance, developing and rewarding those who do perform well, and being more open with those who don’t.”

Staff at all levels in Reeves report moving away from a ‘just do it’ mentality to richer, more open discussions between Partners and managers. For Partners, building awareness and understanding of how they relate both to each other as the leadership team and to their staff and clients has been powerful.
Roffey Park: The Expert as Leader Research

Summary
The backbone of information-based economies is comprised of organisations whose work centres on the application of technical expertise. How these organisations develop effective leadership – both strategic or ‘distant’ leadership and ‘nearby’ leadership of individual employees – is hugely important and something in which views have shifted over the last decade. In particular, there has been a growing recognition that:

• Where possible, technical experts should be led by people who can draw on relevant technical expertise themselves
• Technical experts can be developed into effective leaders, although they often need particular support to do this.

The main areas of our research findings are outlined below.

Expert leaders: the benefits and motivations
There was a common view among our case study organisations that having leaders with relevant technical expertise brings several key benefits:

• Leaders have credibility, both inside the organisation and externally
• They are more able to hold technical experts to account within the organisation
• They provide strong role models for technical employees at all levels.

However, many technical experts are averse to taking on people management roles. Firstly, it dilutes the attention they can give to the specialist areas that attracted them to their careers in the first place. There can also be a lack of value placed on leadership as an activity, as it is about achieving through others and not what one knows and can do as an individual. Indeed, for many experts, moving into leadership can present a direct challenge to some of their values and threaten to strip them of much of their sense of self worth.

Common characteristics of technical experts
Our research suggests that, contrary to some perceptions, technical experts are not averse to collaboration and in general prefer working in small teams to working independently. Nor did we find – with the exception of researchers in an academic setting – that they are generally low on organisational commitment.

As well as vocations attracting particular personality types, disciplines also breed their own cultures and one may need to be a certain type to fit in. What is more, where technical experts lack people skills, this is often in part a result of limited exposure to people with different mindsets. Thus, we argue that the mindsets and behaviour of technical experts are cultural, not just a result of innate personality traits, and that emotional intelligence in particular can be developed.

Experts and leadership competencies
We obtained a mixed picture on technical experts’ ability to build common purpose, some leaders seeing them as typically only concerned with their individual work areas, but others seeing them buy into organisational vision very strongly. We argue that the dedication of technical experts is strongly determined
by what makes intellectual sense to them. If their own areas of interest are not closely related to the overall focus of the organisation – for example, as for researchers in a university – it will be a struggle to get technical experts to buy into and help build a common organisational purpose.

When it comes to supporting others’ development, we found that technical experts often do not see the value of the coaching and mentoring people, flitting straight from a directive or ‘teaching’ style to leaving people unaided. They can also struggle to understand why reports might underperform when they have the right technical skills and knowledge, for example, because of a lack of confidence.

The leadership capabilities identified by the research as key for technical experts are depicted in the model below.

How do excellent expert leaders develop?

As they moved into leadership, our interviewees found that, as well as progressing their own careers and being more influential, an important reward was the satisfaction that came from supporting the professional development of others.

Particular learning points included the need to be resilient and move on from failures; and to be authentic and open in how one communicates and interacts with people.

Learning and development strategies

We found learning and development programmes to play an important role, with some caveats. They work best if they are fast paced, lead by people who are recognised experts in their field and based on experiential learning. They should also be practically relevant to the participants’ jobs and the demands they will face as leaders.

Developing self awareness is key to many technical experts becoming effective leaders. Thus, we argue that receiving feedback on one’s leadership style is extremely valuable, whether as part of a learning and development programme or within the day-to-day work context. Another practice that supports technical experts step into leadership is encouraging and recognising thought leadership.

There is a balance to be struck between developing leadership skills across the board and selecting technical experts who are most suited and motivated to become leaders. Encouragement and persuasion is needed, but some technical experts will never make the calibre of leaders needed to be effective in certain leadership roles. Parallel career structures, which enable technical experts to progress their careers without taking on people management, can thus be an important element in harnessing the potential of some valuable individuals and keeping them motivated and committed to the organisation.
About Roffey Park Institute

Roffey Park is an internationally renowned leadership institute based in the UK and Singapore.

We develop people who develop organisations.

With over 65 years’ experience of leadership, organisational development, human resources and coaching, we provide executive education and research to many of the world’s leading companies and organisations.

We offer tailored leadership development programmes, management consultancy and coaching, training courses and research services. Our qualifications are accredited by the University of Sussex.

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