

MANAGING THE PROFESSIONAL SERVICE FIRM

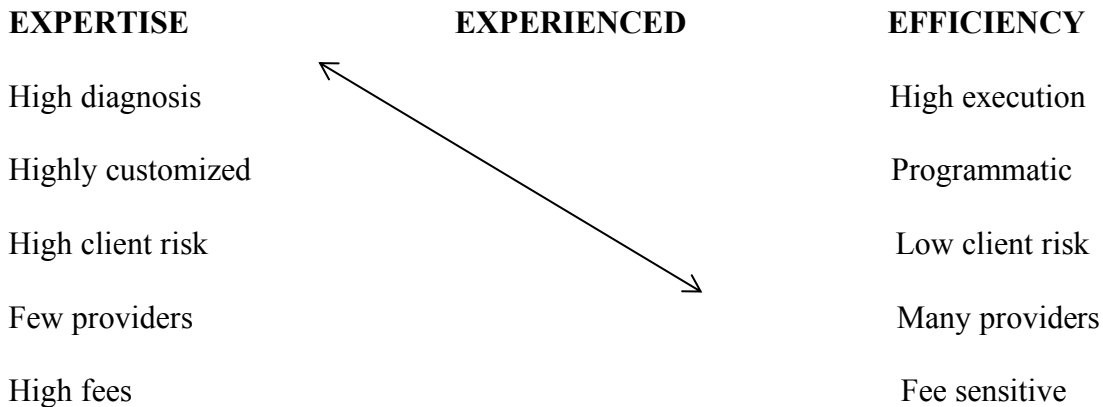
By David H. Maister (1993)

**Summary Prepared by:
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The firm makes its most money when it leverages its resources such that a customized service is provided using reproducible and standardized parts.

Extensive experience with similar problems is worth more than an extra degree of intellect.

Spectrum of Practice



EXPERTISE - Build practice on individual reputations, publish, speak, quoted, build reputation within the profession, lots of autonomy, inspirational leadership

EXPERIENCED – Institutional reputation, build practice via specialized knowledge disseminated through seminars and newsletters, use of paraprofessionals

EFFICIENCY – Core of high volume clients, technology subs for labor whenever possible, organized management, measure performance, key is operating systems more than specialized labor

Match management practices to the practice. Failure to determine where a firm fits along this spectrum is the largest cause for failed strategic plans. Delegation is a major problem. Even when a firm is more efficiency based, seniors do not delegate work to juniors enough.

Leverage and use of paraprofessionals is encouraged throughout book. Must measure the success of engagements. Many find that 125% of profits come from 80% of clients, while 20% of clients lose 25% of profits.

Systemic Underdelegation

Solutions:

- Measure hours worked on engagement and multiply by salary of each participant.

- “No activity in the office surpasses in importance good management of the scheduling process.” Make teams defend their staffing use.

Practice Development Package

1. Listening – gathering market intelligence
2. Superpleasing – WOW current clients
3. Nurturing – marketing to existing clients
4. Courting – selling and proposing
5. Broadcasting – generating leads and inquiries (speeches, receptions, referrals, etc.)

	Existing Client	Prospective Client
Aware of a new need	Superpleasing	Courting
Not aware of a new need	Nurturing	Broadcasting

Highest ROI comes from superpleasing, and lowest from broadcasting. Next is nurturing, then courting. Firms spend most time on 1-2 because they mistakenly assume that 3-5 happens as a matter of course.

Systematic Means of Listening to Clients

Focus groups work well, particularly if group consents to be videotaped. Attend industry meetings with clients and provide written summary of intelligence gathered. Use engagement team debriefings and systematic client feedback – written not verbal.

“Goods are consumed, services are experienced.”

$$\text{Satisfaction} = \text{Perceived Service} - \text{Expectation}$$

Keep clients informed of progress, e.g., send e-mails telling them how things are going. It’ll remind them that they are not lost in the corporate shuffle.

Process for decision point:

1. Lay out alternatives
2. Make a recommendation
3. Ask for client’s opinion and instructions

Good idea to send written summaries of meetings and phone calls. Of course, send clippings of pertinent info.

Service Quality Program

- Understand client's uniqueness
- Listen carefully and do not substitute their judgement for client's
- Explain well
- Inform client in advance of next steps
- Help client reach own conclusion
- Keep client informed and involved
- Document work well
- Avoid jargon
- Be accessible
- Keep promises and deadlines
- Make client feel important
- Show an interest in client beyond current assignment

Note: Intellectually challenging? No! No grand gestures, but many, many little actions when interacting with client.

"There is no substitute for a mailed questionnaire to each and every client at the end of every single client project." (May be more difficult when working with individual clients and not corporations.)

Establish meeting agendas and send reports in advance. Keep meeting focused on discussion, not presentation. Call afterwards to confirm goals were met.

Key – Learn to persuade, not assert.

Marketing to Existing Clients

Firms say they believe in getting business from existing clients, but resources and energy overwhelmingly placed on getting new clients. Why is it easier to cross-market to existing clients?

1. Trust and confidence already established
2. Easier to determine needs (you already know them)
3. Non-competitive and less pressure on fees
4. Marketing costs lower

"Existing clients are charged for what is readily given away to prospects."

Each client should have a written marketing plan (like Amy Davis' "Business Plan"). Have the plan reviewed and approved so that there is a concrete commitment to execute the plan.

To get new business, **demonstrate expertise**. Great return on time invested.

How Clients Choose

Must understand the purchasing process, not the selling process. Clients ask: (1) Can you do the work; and (2) Do I want to use you? This is a two stage process, with the former being the qualification stage and the latter the selection stage. Qualification is rational, logical, and based on facts; selection is intuitive, personal, and based on impressions.

Key is gaining client's trust and confidence. They are buying a relationship. Talk is cheap. Client will look for clues. Build clues into the process! "The first thing that will catch my attention is your preparation." It demonstrates initiative. Do preliminary research. Use the web. "I will be a lot less impressed by your preprinted brochure than something that has been put together for me. I do not want to hear about you and your firm; I want to talk about me and my situation. I hate to be sold, but I may be willing to buy."

Clients are suspicious of our motives. Give a favor to get one. "If I'm your prospect, treat me as if I were already a client."

"I discount all your assertions about your expertise until you give me some evidence to back them up." Don't tell client about expertise; demonstrate it. Turn assertions into questions.

"Don't patronize me by trying to tell me what's going on in my business."

"Before I want to hear how you'll solve my problem, you need to get me to agree that it's worth solving." Help client visualize the benefits of the service. Let client determine methods after talking with them.

"Sit down, distribute your materials in advance, and let's go through them together. If I want to ask about something, don't say 'we'll get to that.' It makes me feel that you're inflexible."

Clients place great weight on how flustered we become when asked a tough question.

Attracting New Clients

"Raspberry Jam Rule" – the wider it's spread, the thinner it gets. "Rather than paying a little attention to a lot of prospects, it is always better to give more attention to a small, well-selected audience."

"Marketing tactics that illustrate one's competence (such as speeches, seminars, and articles) are infinitely more powerful than those which assert it (such as brochures, direct mail, and 'cold calls' to 'let me tell you more about our firm.'"

MARKETING STRATEGIES

FIRST TEAM – demonstrating expertise

Seminars (small scale)

Never more than 25 prospective clients. “If you want to reach 200 people, do it 8 times,” research the attendees,¹ partner opens conversation with client.²

Speeches at clients’ industries meetings

“The goal of an effective speech is not to ‘impress’ the whole audience (in case they might ever need your services). That’s nice PR, but it doesn’t produce much revenue. Your main task in a speech is to make the handful of prospective clients who have need of your services today *want* to contact you afterwards to learn more.”

Have something for them if they leave their card (article, handout, survey results). If they don’t even do that, there’s a lack of interest. If they do, they’ve taken a small step in the seduction process.

Articles in client-oriented trade press

“Articles can be a powerful substitute for brochures. How much more effective it is when a prospective client makes an inquiry to say, ‘Yes, we’ve written a few articles on that subject, let me send them to you’ than to say, ‘Here’s our brochure.’ The life of a well-written, reader-friendly article can be many years.”

“Articles can have a credentializing effect. Since many, if not most, professionals do not write for the client press, what begins as *an* article on a subject can easily become *the* article. Over time, articles can be accumulated into a bound book which, though less likely to be read from cover to cover, helps to create the image that the firm ‘wrote the book’ on a given area of practice.”

“Most effective articles are 2,000 to 5,000 words of the form: ‘If you have the following issue to address, here are the pros and cons of your major alternatives, here are some things to take into account, and here are some lessons we’ve learned recently about the best way to proceed.’ By implication, though never explicitly, the article suggests ‘... and if you’d like to hear more, call me!’”

“The power of articles is such that it would be wise to set a target of one article per year, per professional.”

Proprietary research

“Research logically precedes the three main tactics of seminars, articles, and speeches. For each of these to be effective, you need to have special information. If you have special information they cannot get elsewhere, prospects will come to

¹ More difficult with individuals than companies; remember that Maister is usually referring to professional services firms that work with companies, such as consultants.

² “As soon as we knew that you were coming, we tried to do our homework. We noticed that ... This must be challenging, how are you dealing with the consequences?” This shows: discipline, organization, enterprising, “got-yourselves-together,” willing to invest in the relationship. “Already, you have distinguished yourself from the typical professional – and the seminar hasn’t yet begun!”

your seminar. If the planned content covers what any competitor could present, they are unlikely to come.”³

SECOND TEAM

“No one wins new business *quickly* through networking and community activities.⁴ If you’re doing the articles, speeches, and seminars, by all means get involved in community activities. It’s a wonderful add-on, but a poor substitute.”

Community activities

Networking with potential referral sources

Newsletters

“Newsletters are often published on a regular schedule, and this, almost inevitably, leads to a deterioration in quality. A newsletter is put out not because [the partners] have something new to say, but because it’s time to put an issue out. Done well, a newsletter can be powerful. But like a good article, it must have real substance, a point of view, and offer an interpretation of recent events, not just an unprocessed reporting of them.”

CLUTCHING-AT-STRAWS TEAM

Publicity

Be careful that publicity is not based on ego and an easy substitute for the other tactics.

Brochures - Seminars (ballroom scale) - Direct mail - Cold calls - Sponsorships of cultural/sporting events – Advertising - Video brochures

“Marketing is truly about *attracting* clients. Marketing must be a seduction, not an assault.”

Managing the Marketing Effort

“Certain high-visibility activities often receive excess investment, while others, frequently crucial to the firm’s success, are neglected.”

“Professionals who are good at client counseling are the same ones who excel at selling. Both areas require the same set of skills: understanding the client’s business, listening, asking the right questions, persuading, and following through.”

“Teams that have developed a joint plan and allocated responsibilities among themselves tend to keep each other honest. The planned activities have a higher probability of being

³ Maister suggests charging for a seminar to weed out those who do not have a real interest in the topic. It also forces the provider to have something special to say. Not sure how this would work in the PNC environment, but thoughtful, nonetheless.

⁴ Right now, Wealth Planning and PNCA need to generate new business without long delays. Need a sense of urgency.

executed if there is an obligation to one's peers. In addition, small teams provide an excellent vehicle for coaching, mentoring, and the transfer of skills. They provide a route for marketing novices to work together with experienced rainmakers, without being a burden on the latter."

Teams create an esprit de corps. "Simply publishing and discussing the level of activity of each team (not just team results) on a regular basis (say, quarterly) can cause an extra degree of added motivation to follow through on commitments."

Teams should be created with those who have a shared interest in a common market or among those with practice specialties. Assignments should not be permanent. No wish lists, but only concrete action. Team leader should ensure that there is sufficient time to complete actions so that team does not become demotivated. Plans should be for 3 months.

Each action must have an individual responsible. "What is everybody's responsibility is truly nobody's." Use peer group meetings and one-on-one sessions to act as a conscience, review results, and set new goals. The firm must show that it notices, cares, and appreciates the effort.

How's Your Asset?

Income statement may be good, i.e., revenues high, but balance sheet (marketable skills) can be deteriorating badly.

Relationships are valued by how *deep* they are.

Existing clients may give you a chance to try something new when a new client will not because they trust that you will do what it takes to get it right.

"Most people acquire their skills and knowledge by opportunistic insights, not structured learning (the phrase is from Donald Schon). However, you can rely too much on 'random' experience as a teacher. To learn well, you have to set out to learn some specific *something*. You have to focus your attentions on building a highly specific set of knowledge and skills. This is true not only because focus means that individual pieces of learning are more likely to be cumulative and hence speeds up the value creation process, but also because (with ever increasing intensity in each profession) clients demonstrably value specialization." **DEPTH FIRST, AND THEN BREADTH.**

Seminars and piecemeal learning tend to be "**frosting on what needs to be a more substantial cake.**"

There are "very few who have been able to build their careers on technical skills alone. These few are the rocket scientists of their professional specialty, who have somehow persuaded the market that they are closer to the frontier of their discipline than their competition. For the vast bulk of the remaining professionals, to be a valuable professional takes a variety of interpersonal (counseling) skills." This includes helping the client understand more and see issues in a fresh and revealing way.

"Doing it [counseling] takes skill, not knowledge, and a professional without that skill will not have great career prospects. The answer, of course, comes from

practice. But it must be practice in a situation where you can afford to fail, afford to watch yourself, try different approaches and learn. That means rehearsals and role plays. Some of us can develop these skills rapidly by repeated experience in front of real clients. For most of us, a little off-line practice would work wonders, particularly if there's a video camera around! While professional knowledge can be codified and easily shared, professional skills can only be developed through practice.”

Many people learn from experiences, but without reflection, they never know what they learned exactly, and how they learned it. (Suggests keeping a personal journal.)

Skills are developed through experience, yet firms take a haphazard approach to staffing engagements.

Questions to Pose to Yourself:

- In what way are you more valuable to the marketplace than last year?
- What are your plans to enhance your value?
- What specific new skills do you plan to acquire or enhance in the next year?
- What's your personal strategic plan for your career over the next 3 years?
- What can you do to make yourself (even more) special?
- What, precisely, do you want to be famous for?

The Motivation Crisis

“In his Pulitzer prize-winning book *The Soul of a New Machine*, Tracy Kidder describes the “signing on” process to select members of a team. Rather than make unfulfillable promises by, for example, minimizing the scale of the effort required, or by presenting the project as one that would allow for a balanced lifestyle, Tom West took the opposite approach. He described accurately the high demands that the work would place on people, and presented the project as one that only the “best and the brightest,” the truly committed, would be suited for. Not surprisingly, he screened out early those who would not be able to take the pace, and generated an enthusiasm and commitment to success from the very beginning.”

Keep people busy. “Expressions of discontent, complaints about the firm, and poor morale never surface more frequently than when there is not enough work to keep everyone occupied.”

Quick feedback is imperative because ... “Many professionals live in constant dread that someone will find out that [they] have been faking it for years.” Give them scoreboard-oriented goals and autonomy.

Motivate! “One does not motivate a professional by being the ‘good guy’ and lessening the pressure. Rather one does it by helping the individual accept the pressure as a

challenge to his or her professional pride. A good coach is simultaneously the chief cheerleader and chief critic. The best coaches tend to be abrupt, demanding ...” Professionals need to understand the meaning in their work. The best leaders spend more time framing their team’s understanding of their work than getting their team to do stuff. They create an environment where commitment and creativity can be unleashed. They spend a lot of time defining *what* must be done, little time on *how* to do it, and significant time on *why* it’s important.

Intensity must not be lessened. “Future success will flow only to those individuals and firms who are willing to meet the intensity demanded by today’s practice.”

The Importance of Scheduling

Scheduling = most important managerial activity. It affects:

Cost of the work, its quality and timeliness, professional development, client satisfaction, motivation and productivity, and dissemination of expertise.

How to Create a Strategy

Strategic planning is creative more than analytical. It’s about finding new ways of doing things that provide an advantage over the competition.

Ask each person whether the firm can improve in these areas: hiring, training, methodologies, client counseling, disseminating and building firm-wide expertise, organization and specialization, listening, research and development.

Senior staff must be *convinced* that they will personally benefit from doing things differently. “People always feel more committed to self-selected goals than to goals and plans imposed from above.”

Trying to anticipate the future is fatally flawed. The marketplace is too changeable. “The goal is to *create the responsive organization.*”

When putting together a plan, spend 20% on figuring out *what* to put in the plan, and the other 80% on *how* to get it done. “Paperwork should be minimized. The only piece of documentation that matters in this process is listing action commitments: who will do what and by when. Only actions will be accepted, not goals.”

Mandatory client feedback “is a move more profoundly strategic in achieving service quality than any amount of training programs and retreat speeches could accomplish.”

Fast-Track Strategy

Four key objectives for any practice group:

- Raise client satisfaction (Retention)
- Increase skill building and dissemination of skills (Talent Development)
- Improve productivity (Risk Management)
- Get better business (New Business)

For each of the above, create a chart with 5 columns marked as follows:

Action	Person Responsible	Time Required	Due Date	Completion Indicator

“A specific, ironclad meeting date is chosen approximately three months hence to review the execution of the plan, and its impact.” A new plan is agreed upon at that meeting, too. “That’s it – that’s fast-track strategy making.”

“If you’re making progress on client satisfaction, skill building, productivity, and getting better business, you’ve got all the strategy you need. And if these aren’t your objectives – well, it’s hard to imagine what you’re up to.”

“It’s not grand scheme, inspirational vision, analysis-paralysis strategy making. There are no great volumes of paper, nothing to be filed on a shelf, no ‘Business Unit Planning Methodologies,’ no ‘Analysis of Strengths and Weaknesses,’ no ‘Competitor Analysis,’ no boring presentation to sit through; just action steps which people commit to. It’s strategy through activity. Try something, anything, but *act – now!*”

These strategies are not complete, nor are they long term. They are the first of a series of actions that will be reconsidered, reanalyzed, and readjusted every 3 months. “The plan is theirs.” Visibly monitoring the process is critical, as is sharing the best ideas from each team.

How Practice Leaders Add Value

Chapter 19 is so important and so directly on point that it is reproduced in its entirety. The key points are:

- Practice leaders, i.e., *managers or coaches (used interchangeably because they are one in the same)*, can make a huge difference.
- Professionals need managers to help them focus on the important long-term objectives, and not just the most urgent.
- Good managers coach by gently suggesting, rather than telling (at least most of the time). They use a form of “just dropping by counseling.”
- Managers should generate enthusiasm about the practice. (Ask: “What do you want to be famous for?”)
- Motivation must be specifically geared to the professional.
- “Good coaches tell people not only *what* could be improved, but *how*.”

- Like athletic coaches, good managers celebrate success and then immediately “raise the bar.”
- Small wins through pilots will encourage “stretching.”
- Good coaches suppress team egos (including their own) for the betterment of the team.
- Follow-up is just about *everything!*
- Practice leaders can spend their time on:
 1. Administration, tracking, and financial matters
 2. Billable work (personally doing what needs to be done)
 3. Personal client development (selling and marketing)
 4. Client relations
 5. Working with professional members of the team
- Administration is not managing or leading. Delegate as much as possible.
- “A manager adds the most value not by selling, but by teaching others to sell. A manager’s role is to be a teacher first, and a ‘doer’ second.”
- Practice leaders should be judged on aggregate team performance and paid for performance as such.
- Good coaches are seen to have “pure” motives. They are paid to help.

The “One-Firm” Firm

Examples: McKinsey, Goldman Sachs, Hewitt Associates, Latham & Watkins

Characteristics of One-Firm Firms:

- Loyalty
- Firm Identity
- Teamwork & Conformity
- Sense of Mission
- Hard Work
- Single contact point with

- Enter areas big, or not at all
- Selective in the business they take
- Few leave the firm – though an “up or out” system applies, they actively place alumni and keep good relations with them
- Subjective compensation process based on total contribution to the firm
- Openness about firm financial matters
- Pay between highest and lowest paid professional is condensed more than at other firms
- Deeply held mutual respect across departmental, geographic, and functional boundaries
- Rarely pioneers, but enter somewhat later into emerging markets
- Internally consistent, especially in its culture and HR systems
- Broadly admired, but not easily copied, by competitors

“A superior individual in an otherwise poor-profit office can be rewarded appropriately. Vigorous efforts are made to assess contribution to the firm that does not show up in measurable factors. Other organizations don’t realize how much time they waste fighting over allocations of overhead, transfer charges, and other mechanisms caused by profit center mentality. We often don’t know precisely who brought in that account, but at least we don’t fight over it; we get on with our work. Our people know that, over time, good performance will be recognized and rewarded.”

“Hewitt’s commitment to R & D is built into its organizational structure. Rather than scatter its professional experts throughout its multiple office system, it chose to concentrate its professional groups in three locations in order to promote the rapid cross-fertilization of professional ideas.”

“Meetings are valued (and clearly designed) as much for the social interaction as for whatever the agenda happens to be.”

“The high-commitment, mission-oriented, team intensive characteristics of one-firm firms are reminiscent of another type of organization: the Marine Corps. Indeed, one-firm firms have an elite Marine Corps attitude about themselves. An atmosphere of a special, private club prevails, where members feel that ‘we do things differently around here, and most of us couldn’t consider working anywhere else.’”

Elements of a High Performance Unit:

- Entry into the unit is extremely difficult and very selective.

- Acceptance into the group is followed by intensive job-related training, followed by team training.
- Challenging and high-risk assignments are given early in the individual's career.
- Individuals are constantly tested to see if they measure up to the elite standards of the unit.
- Individuals in the unit, as well as the group, have autonomy and have permission to take risks more than others.
- Training is viewed as continuous and related to assignments.
- Individual rewards are tied directly to collective results.
- Managers are seen as experts, pacesetters, and mentors (rather than as administrators).

According to a McKinsey partner: "You've got to find the best people you can, and the trick is to understand what *best* means. It's not just brains, not just presentability. You have to detect the potentially fully developed professional in the person, and not just look at what they are *now*."

Ask: What type of firm are we, collaborative or entrepreneurial (what Maister calls "farmers" or "hunters")?

Coordinating Industry Specialty Groups

There are industry specialists and functional specialists.

"Most firms quickly come to recognize that there are industry-specific activities that the local office cannot, should not, or will not do for themselves that justify more centralized approaches. The charter of these groups is to coordinate firmwide activities, not centralize them. Those responsible for firmwide industry activities frequently have more responsibility than authority."

"The single most important determinant of the success of an industry practice area is the selection of the individual to head the practice." Maister notes the importance of organizational political skills.

"Industry programs must be assessed by a procedural, judgmental process rather than a numerical, measure-oriented system. Ultimately, industry investment programs are strategic choices."

