

The Leadership Summit

London, 28 January 2019

Raise and realise potential

At the Managing Partners' Forum's second Leadership Summit, hosted by HSBC, Mike Mister from the University of Cambridge and Dr Nigel Spencer University of Oxford presented their insights on leadership and talent development for the 'poly-technic' future of professional services firms.

The cycle of success

The presentation focused on the role of talent development in creating a cycle of success, and how this shapes the leadership agenda. At the outset, delegates were invited to consider three questions:

- How are you creating ongoing revenue growth?
- What are you doing to instil client loyalty?
- How are you accessing the all-important discretionary effort from your people?

Although many professional services organisations reported that 2018 was a good year in terms of revenue and growth, Mister described the current business environment as VUCA – volatile, uncertain, complex and ambiguous. He presented today's challenges in the context of a 2008 *Harvard Business Review* model "Putting the Service-Profit Chain to Work" which identified client loyalty as the most significant factor for both revenue growth and profitability. Data shows that this remains the case today. He asked delegates to think about what their firms are doing to make clients more 'sticky' and encourage their people to 'go the extra mile'.

Delegates were thinking about the balance of revenue growth across the business – i.e. which practice groups had the potential to grow faster. They agreed that client loyalty is built on relationships and mutual understanding, and discretionary effort is about engaging people at all levels in the business.

Mister related these themes back to the 2008 model. Building revenue growth and profitability means winning in the marketplace. The battleground is client loyalty/satisfaction, which builds revenue and reputation, and is predicted on service quality which is underpinned by employee engagement. This means recruiting and retaining the best people and incentivising them to put in the discretionary effort needed to provide the best client service that underpins the firm's reputation and drives its growth and profitability.

This winning formula can be encapsulated into a single sentence: get good people to do good work for good clients who pay well.

Talent drives service quality and client loyalty

But attracting and keeping good clients and staff is challenging. Employee productivity is key – a busy firm is a happy one. But this is a delicate balance: avoiding under-utilisation without killing your people. People want to be busy, not burnt out!

Winning the war for talent means engaging people so that retention becomes voluntary. It is also about recruitment –and moving people on where necessary. Challenges include full employment and rising salaries, generational expectations and technology, which is changing organisational structure.

Reshaping PS business models

What shape will/should professional services firms be in future? Until now, they have thrived under the traditional pyramid model with fewer partners at the top of the pyramid supported by many staff at the bottom. However, as technology, which is taking the grunt work out of routine processes through contract automation and AI-powered research, and facilitating flexible resourcing such as contract labour, is replacing and changing junior roles, leaders need to create career paths that develop the skills that organisations and individuals need to drive/continue their individual and collective cycles of success.

Another leadership challenge is the investment that advanced technology requires in terms of finance and data volume. This is leading to more collaboration between firms and suppliers who are pooling their resources to develop new solutions. Mister presented two alternative professional services models: an inverted pyramid with more senior staff than juniors, and a pyramid model with partners at the top, supported by a tripartite organisation comprising a central triangle of core staff flanked by contract and technology functions.

Broadening career paths

Spencer looked at the effect of new business models – and technology – on talent development and career paths. The first significant consideration is the potential relocation of early career roles as routine tasks are automated and outsourced. How do firms create long-term career paths as their business model evolves? Developmental stretch builds engagement, so career development is critical to retention. New developments also create new opportunities: some firms are offering their clients new services which create associated roles. And there are career paths in technology and innovation. The breadth of opportunity is a way of attracting graduates and others with diverse training and skills.

However broader career opportunities require a new skillset and a new mindset. Leaders need to make roles and professional identities less fixed so that people can move between different career pathways. What does career agility mean for the firm in terms of both culture and bottom line?

Law firm clients identified seven key skillsets that they required from their external counsel:

1. Strategic, long-term thinking (to help clients manage change).
2. Commercial awareness of industry trends (to help clients identify opportunities and risks). They are not looking for in-depth knowledge of their industry, but awareness of the pressures and constraints they are under.

3. Agility and flexibility (to work across teams and business units and create collaborative work groups around specific client challenges). Spencer highlighted the value of leaders adopting a coaching mindset.
4. Breadth and diversity of thought (to solve complex client challenges and recruit from different talent pools).
5. Moving from giving answers to creating value by facilitating thinking.
6. Data aware – combining data awareness with soft skills, so that people who are not data analysts learn to ask questions that make sense of the data
7. Curiosity and a mindset of continuous learning. As client – and firm – environments evolve, education must become more iterative. The challenge for the leadership is to have the confidence to keep learning, and the curiosity to learn from other organisations and industries.

Saïd Business School asked millennials to identify key skill-sets for business success. Most were soft skills: problem solving, communication, decision-making, leadership, reputation-building. Only two technical skills made it to the top ten: project management and analytical skills. Although only 22% of respondents felt equipped with these skills at entry level, they expected to build 81% of them through experience rather than training courses. The lesson for leaders is to provide new joiners and junior associates continuous on-the-job learning and confidence-building client-facing experience.

The ‘poly-technic’ professional

This fed into a discussion of the possible future career journeys for professionals, which, for example might start in a legal practice area, progress to a data analytics role and a client-facing management role. As professional services firms move away from a hierarchy/pyramid structure, career progression, with learning and development facilitating the transition between different parts of the business, becomes genuinely poly-technic, or ‘many-skilled’. Spencer explains that this requires continuous learning to acquire a portfolio of skills that are transferable across roles and organisations, creating an agile professional identity.

Our definitions of development, loyalty and career progression are changing alongside the rise of new business models. The following questions are guidelines to help leaders boost engagement and opportunity and develop and retain ‘poly-technic’ professionals and match their evolving career expectations:

1. Does your senior leadership team role model a mindset of ongoing learning, indicating that flexible skill-sets will be key to the firm’s long-term business performance?
2. How often do you create opportunities for your teams to carry out practical learning ‘experiments’ – in your workplace, or with clients?
3. Are you offering mentoring and coaching to guide your people through new career paths with more transition points?
4. Is your L&D evolving towards a pool of rich learning resources which people dip into whenever they need, rather than a series of sequential programmes set up to support a single career path?

The presentation was followed by a panel which included Ian Jeffrey, CEO at Lewis Silkin, Fiona Robb, and chaired by Maureen Penfold, managing partner at Kingston Smith who then opened up the discussion to the audience.

Joanna Goodman