PROFESSIONAL SERVICES

ANCHORS IN A PROFESSIONAL STORM

Professional service firms — the ones traditionally hired to help other businesses — have increasingly found themselves in rough waters. ***Dominic Houlder, Bernhard Kerres*** *and* ***Harry Korine*** *believe that these firms need to change. But, first, they must ensure that they have anchors to keep them from drifting into turbulent waters that could destroy them.*

It is a time of change for professional service firms. From audit to tax and from advertising to specialised consulting, the story is similar. Regulators are proposing bans on what kinds of work these firms may do in order to reduce potential conflicts of interest. And with the media publicising multiple cases of negligence over the last ten years, professional firms have lost some of the prestige they once enjoyed as custodians of business standards and values. As a result, many companies have become wary of the value such firms really can provide.

As though that weren't enough of a problem, the worldwide economic downturn has made some business leaders much more cautious about spending money on outside help.

Costs also are becoming a challenge for professional service firms because clients have become insistent that any work be done by the senior principals of the firm (the ones who sold the contract), not junior associates who are usually assigned to handle things once a contract is signed. However, the top talent usually charges the highest rates, and those rates were probably not included in the bid for the contract.

The result is that professional service firms must adjust the way they secure — and carry out — assignments. The firms that traditionally advise others about how to change must now change themselves. Unfortunately, when you combine 50 years of past success with inflexible professional norms and throw in a strong dash of cultural inbreeding, making such change happen from within is extraordinarily difficult. But it must happen if these firms are to avoid being relegated to the role of mere transaction agents, which would not only affect their standing, but their profitability.

Change masters

In order to understand how strategic change occurs in professional service firms, we have undertaken a programme of in-depth qualitative research in two very different organisations, Saatchi & Saatchi and PricewaterhouseCoopers (PwC). The former is an award-winning advertising firm; the latter is a well-established audit, tax and advisory business.

Saatchi & Saatchi and PwC stand at opposite ends of many of the areas that define professional services: advertising is often a matter of executive discretion while accounting matters are usually mandatory. Then, too, advertising has an external emphasis (the marketplace) while much of the work that PwC does is focused on the internals of how clients work. Saatchi & Saatchi, to most, is a creative enterprise; PwC, to most, is tied to rules and procedures. The two firms also represent diametrically opposed decision-making styles (hierarchical for Saatchi & Saatchi as a corporation, and collegial for PwC as a partnership). We believe that if a model of managing change works in organisations with such dissimilar characteristics, it also is likely to hold in less extreme cases.

For at least a decade, Saatchi & Saatchi in London had been, in the words of its own managers, 'on the back foot', 'apologising towards the industry, the client and ourselves', trying to be all things to all people. Over the last few years, under the leadership of CEO Robert Senior and with a commitment to creative excellence, the UK firm has repositioned itself to be a top competitor in the complex process of increasing customers' brand awareness and loyalty, emphasising the purity of creative thinking and highlighting the excellence of delivered work.

PwC also has faced pressure to transform as audit services have been increasingly commoditised over the past ten years and regulatory changes were put in place since the Enron scandal. PwC is giving increasing emphasis to advisory work, and reinventing how it serves its clients, seeking to provide an integrated, seamless offering across geographies (internally known as the 'One Firm' strategy).

In Saatchi & Saatchi and PwC, the conditions for change are similar: there is an emerging threat to the core business and a sense of unease

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at the top about how to balance core business and new initiatives; to address the uncertainty, both firms have launched a broad-based transformation programme.

It is in this context of uncertainty that those individuals who can identify with the ideals implicit in the new strategy emerge as critical to the success of their firms' change effort. These individuals are typically experienced, but not necessarily members of the senior leadership; they are idealists in the sense that they have a strong view of what the professional service should offer, that is, the purity of creative thinking or the credibility of advice. The new strategy allows them to live their ideals, and they therefore pursue it with a zeal that brooks no compromise. When everything around them appears to be in flux — the rules of the game, the clients' expectations, indeed the organisation itself — they are the anchors in the storm who, by their unflinching approach, give the new strategy a name and a story.

Though similar in the need for change, each firm, of course, has a unique history and mode of operations.

Change at Saatchi & Saatchi

Robert Senior came to Publicis Groupe, the owner of Saatchi & Saatchi and many other creative and media companies, in 2005 with its acquisition of the agency he had founded, Fallon; but he was not put in charge of the Saatchi & Saatchi UK organisation until 2008. At that time, the CEO of Saatchi & Saatchi Worldwide, Kevin Roberts, decided

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to give Senior a bigger role in the firm's effort to reposition itself as the main competitor in the process of connecting the brand of the client to the customers' awareness. Senior's predecessor in the job was consensus-oriented and had focused on building concepts for the future. Senior, on the other hand, emphasises the creative quality of the work, and he polarises opinion in the firm. He is strongly supportive of people who 'get it', but quickly bored in the presence of bureaucrats. Senior will never be a disciple; he has his own view and, on occasion, has been known to speak scathingly about those who refer to the corporate focus, Lovemarks (see www.saatchi.com), without giving serious thought to its implications for the creative output of the company. However, there is enough freedom within the framework of Lovemarks and enough encouragement from the top to tailor it to local and specific client challenges to allow him the space to operate, as the following example illustrates.

In direct competition with another agency over one of the firm's largest accounts, Senior and his team were told by an over-bearing client to just repeat what they had done for another large client. Senior declined, emphasising instead 'what we think is right for you': a brand new idea involving a novel, costlier and riskier communication process. The ensuing campaign was highly successful and inspired new confidence not just to the London agency but throughout the whole Saatchi & Saatchi network. Although the firm had done many interesting things in the past and had won awards, this was the first really innovative work in recent years for a difficult key client.

Perhaps just as importantly, the story of how Senior stood up to a key client came to embody the new strategy for many people in the firm, both younger associates who took to Senior's principled approach and more senior professionals who rekindled their interest in advertising. Senior's strength was that he stood up for what he believed would be best for the company, and the firm stood by his recommendation for the client. In this way, Senior proved to be both a change leader and a corporate anchor for the changes he envisioned and prescribed.

Change at PwC

While PwC and the other 'Big Four' audit firms (Deloitte Touche Tohmatsu, Ernst & Young and KPMG) had never set out to do the wrong thing, corporate failures and very high levels of remuneration enjoyed by partners had started to raise public concerns about whether the accounting and related professional firms were effectively carrying out their social role of risk assurance effectively or had just become another kind of 'we'll do anything' consulting business. After all, the practices of Arthur Andersen, working for Enron, effectively caused the breakdown of that professional firm.

PwC did not have such a wound to heal. However, to transform the company, Ian Powell was elected as managing partner for the UK firm in 2008, with a mandate to make PwC into "One Firm", a powerhouse doing the right thing for its staff, clients and the community. *One Firm* stood in contrast to a company that had historically seemed to be a federation of individuals; *powerhouse* related to bringing the firm's many talents to bear in an integrated way on the most important issues facing clients.

Nigel Vooght had been successful in PwC because of his ability to win and develop valuable relationships with the boards of major financial institutions. A world-class sailor in his youth and a fierce competitor to this day, Vooght has always thrived on business challenges, and, as he says of himself, he can become "disruptive, if bored". The partners selected him to become the global head of PwC's Financial Services practice in 2010 because they wanted someone who "would shake the trees".

In order to focus the energies of PwC Financial Services' far-flung entities on "wanting to work together" across national and specialist boundaries, Vooght provoked the firm with a question: "What would it take to double revenue?" Lacking hierarchical authority to enforce collaboration, Vooght instead offered new paths: on the one hand, novel line of service growth plans financed by the territories out of their own revenues; on the other hand, "Big Bets" to excite the partners around the world and show them in what areas the firm could contribute to shaping the future landscape of financial services.

Although too early to declare victory in 2011, the moves initiated

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and tirelessly promoted by Vooght and the financial services leadership team are already beginning to bear fruit. Some territories have agreed to invest a proportion of current revenues in future growth. Several personalities with backgrounds in industry and regulation have joined PwC Financial Services to help build a stronger presence at the most senior levels of corporate and institutional decision-making, with concrete business wins to show for their efforts. Perhaps most importantly to Vooght, the firm has embraced his ideas and teams worldwide have made them work in their own territories. Ultimately, he wants people to "behave like owners, not like managers"; it is all about emphasising the "90 per cent of good that is in people, rather than the ten per cent of bad".

Anchoring the change process

How did change happen in these firms?

In both firms, formal change management processes were in place. Yet, both senior leaders and managers in the field stress the often unanticipated importance of singular individuals providing the impetus necessary for real change to take place. These individuals act as anchors of the change process in four ways:

– Identifying themselves personally with the new strategy necessary for change and speaking out about it
– Articulating the new strategy with a purity and practical vividness that speaks to the fundamental reason why many people joined the firm
– Showing a public commitment to the new strategy, standing up to clients and internal opposition, and
– Being determined in putting the new strategy into action, pursuing every detail to make it right.

We observed that a critical condition for the success of a new strategy is the placement of anchors in a dramatic event, either in the relationship with a well-known client or in dealings with powerful internal stakeholders. The anchor's standing up for what they believe in a critical meeting, for example, becomes news and spreads the word in the firm on the reality of the new strategy. The story of the dramatic event is like a call to arms. Those who feel an affinity for the ideals of professional service embodied in the anchor's stance at the event will usually seek out the anchor and join in the pursuit of the new strategy. Thus, with each retelling of the event, the new strategy gathers more adherents, to the point of eventually having an impact on clients — and even recruits who, years later, have heard about it.

Astute senior leaders recognise emerging anchors and give them the freedom to live out the new strategy in their own ways. Invariably, the intransigence of anchors can lead to conflict with clients and, internally, with people who do not believe. In fact, as a consensus builder himself, Richard Hytner, Deputy Chairman of Saatchi & Saatchi Worldwide, was troubled at times by Senior's polarising style and particularly worried that his tendency on occasion to mock the company's vision might have an undermining effect on his own and the company's efforts to develop Saatchi & Saatchi's position as the Lovemarks Company. However, Hytner could see that Senior's unswerving commitment to the quality of work, what he called "the unreasonable power of creativity", and his refusal to simply follow client dictates was fully consistent with the firm's historical values: restless, courageous and transformational.

When anchors come into conflict with the established way of doing things, senior leaders have the choice of supporting the anchors or mollifying their opponents. This is the real test of the determination of the leadership to seeing change through. If they choose to undermine anchors and attempt to mitigate the impact of the dramatic events that can influence many others, the chance for change may be lost. If, on the other hand, they support anchors and give more responsibility to people who believe in the ideals implicit in the new strategy, they tap a powerful lever for moving the professional service firm off the blocks. ◘

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