

## **Leadership and innovation lessons from professional services firms**

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# Leadership and innovation lessons from professional services firms

## **Stimulus paper**

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**Professor Ilfryn Price, Sheffield Business School**

# Stimulus Paper Series

**The Leadership Foundation is pleased to launch its new series of 'Stimulus Papers' which are intended to inform thinking, choices and decisions at institutional and system levels in UK higher education. The papers were selected from an open tender which sought to commission focused and thought-provoking papers that address the challenges facing leaders, managers and governors in the new economic environment facing the UK.**

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# Contents

<b>Introduction</b>	<b>01</b>
Preamble	
<b>The context: professional services firms (PSFs)</b>	<b>04</b>
Professional services firm sectors	
Professional services firm structures	
Current and future challenges	
<b>A leadership and management framework for PSFs: the practice management guidelines</b>	<b>08</b>
Practice establishment	
Practice context: understanding the business environment and markets	
Practice strategy: developing or reviewing a strategy	
Practice planning: developing a business plan	
Practice finance: getting the numbers right	
Practice relationships and service: client relationship management	
Practice development: targeting, marketing and business development	
Practice people: developing staff and skills	
Practice leadership: leading your management team	
<b>Summary</b>	<b>25</b>
<b>Conclusions</b>	<b>27</b>
<b>Acknowledgements</b>	<b>28</b>
<b>References and further reading</b>	<b>29</b>
<b>Biographies</b>	<b>30</b>

# Introduction

This paper compares and contrasts higher education with professional services firms (PSFs). It considers what (if anything) leaders in higher education may gain from reflecting on how other sectors are evolving and the extent to which lessons can be learned by looking outwards. The implications of some of the lessons we identify and the impact of the disruptive innovations which have influenced professional service firms and other industry sectors are considered in a follow on paper, also published by the Leadership Foundation, 'Disruptive Innovation and the Higher Education Ecosystem 2012'.

As authors we have been participants in, and observers of, changes in professional services firms for some time. Over the last 15 years we have authored three editions of the Royal Institution of Chartered Surveyors (RICS) Practice Management Guidelines (1996, 2003, and 2010). In 2010<sup>1</sup> we suggested that:

*The business environment has continued to change. For larger practices especially, business has become increasingly global, with technology enabling the availability of knowledge from virtually anywhere and at any time. Property and construction industries have boomed through private finance, though 'best value' and other changes have added uncertainty to the public sector. Developments such as Official Journal of the European Union (OJEU) notices and framework agreements have added complexity, especially to government procurement. Adjudication and latterly mediation have joined the suite of dispute resolution processes, and building contracts have become longer and more cumbersome.*

*The Companies Act 2006 has placed new burdens on directors, whether they carry that title or not, and other legislative requirements have been enacted. Environmental concerns have increased, and at the time of writing (mid 2010) a new government promising significant austerity has presented further challenges. The Social, Technological, Economic, Political and Environmental (STEPE) framework in which businesses operate is shifting rapidly. For the fortunate individuals and practices, some of those changes may have opened new professional and business opportunities. For others, they have further challenged the status and income of the classic independent professional.'*

Whether higher education has actually seen an equivalent degree of change is debatable. Our aim in this paper is to pose that question and see what insights the management of PSF's might offer academic leaders, professional managers and perhaps governors of higher education institutions (HEIs) in the potentially turbulent future. We say this in the spirit of seeking insights from other relevant sectors beyond the boundaries of the higher education sector, not as predictions or prescriptions but more to pose questions. We are also very aware of the diversity of higher education institutions and the many differences with the world of professional services.

We structure the paper by outlining the world of PSFs, its many manifestations and some of the current challenges in Section 2. We then move on to compare and interpret one particular leadership framework we developed to understand PSFs, and use this to identify some potential questions for higher education leaders. Finally, we conclude by exploring how, in the light of some of the current drivers of change, our view of the higher education sector may evolve as a new ecosystem emerges.

## Preamble

### Imagine a business context where:

- People either expect to stay with one employer for the rest of their career or to leave after a period of postgraduate work experience.
- Leadership positions tend to be filled by people towards the end of their career who have been nominated, for a fixed period, by a voting procedure amongst a select group of senior staff.
- Teams with specialist expertise have considerable autonomy to explore many avenues, typically independently.
- A single business model dominates the landscape and it is somewhat difficult to see much differentiation between organisations (other than by size or geographical coverage).
- Annual budgeting is undertaken but large contingencies are maintained to cover overspends by some senior members of the community.
- There is little systematic emphasis on delivering real efficiency and cost control. Lavish expenditure on international visits to conferences is not uncommon.
- The cultural narrative contains many stories about 'heroes and mavericks'.
- Personal development is 'on the job' with the occasional event to inform individuals about recent technical or legal changes.
- The cost of delivering different services is very difficult to ascertain. The business works on an assumption that overall they will deliver a marginal profit – with considerable cross-subsidy between areas.
- Marketing is very limited and business development is often ad hoc and based on long-standing personal relationships.
- Ownership rights and governance are in the hands of a very small number of players who invite new owners/governors into the organisation by a somewhat opaque process.
- A few senior 'others' who are in 'management' as opposed to 'leadership' roles are typically not directly present in the decision-making process (although they are often, quietly, highly influential).

**Now fast-forward 25-30 years** and imagine a new landscape where a new ecosystem has emerged. The sector has become significantly polarised into three sub-groups; a small number of very large multinational players owned by corporate enterprises; a large group of small generalists who operate in local markets and compete to a large extent on price; and a modest number of mid-range players who focus on one or a few 'niche' markets (including some outside the UK).

Rewards for professional expertise are likewise polarised with a few specialist stars charging four-figure sums per hour whilst earning accordingly and many whose traditional autonomy has been curtailed. As with other private-sector firms, the middle has been squeezed, and:

- The majority of those joining the organisation stay for a relatively short period of time and often move between those in their particular part of the new ecosystem.

- Individuals who stay in the same organisation for their entire career are increasingly viewed negatively by the leaders.
- Senior leaders typically combine expertise in more than one specialist area with considerable formal management experience and qualifications. Specialist senior managers are now represented in almost equal numbers in the senior decision-making bodies.
- Governance has been transformed with independent non-executive members selected through open advertisement of roles.
- The market is highly competitive with many different business models and many alternative and highly differentiated modes for the delivery of services. Marketing is highly regarded with sophisticated processes used to engage and connect with critically important clients and intermediary organisations.
- Strategic and financial planning are highly integrated, with significant and constant business intelligence informing strategic and operational priorities.
- Innovation is a strong feature of the competitive landscape and is a routine aspect of the work of both the 'specialists' and the 'senior managers'.
- Investment in people is high and the strategic development of 'talent' a major demand on all leaders, but 'talent' is no longer automatically associated with particular professional knowledge.
- The cost and profitability of all services are subject to constant review and high levels of investment are made in the use and tailoring of sophisticated IT systems.
- Business units have become, or are fast becoming, oriented along sector-specific rather than exclusively professional lines.
- The cultural narrative still retains some examples of heroes and mavericks – although the former are now associated with inspirational leaders and the latter with innovative risk- and opportunity-takers.

You may by now have identified these imaginary worlds. The former is a caricature of the world of the professions around 30 years ago and the latter the 'new world' of the professional services firm in 2011. You may also have perhaps felt some resonance with some of the changes which have taken, and are taking, place in the higher education ecosystem. For these reasons we suggest higher education may benefit from examining which aspects of the world of this other 'intellect rich' sector may be of value in understanding how the higher education system may evolve.

*"The world of professional service organisations is complex, highly regulated, people orientated, data rich and highly analytical. "Of course HEIs are different" the paper concludes. I agree that we are different but I also support the suggestion that there is much learning that we can apply to the challenges that we face."*

**Will Spinks, Registrar, Secretary and Chief Operating Officer, The University of Manchester (previously Head of UK Business Services, AstraZeneca)**

# The context: professional services firms (PSFs)

2

Broderick (2011)

*'It is common practice to separate universities and private sector firms in any discussions about funding, core ethos, mission and ethics. As someone who has spent roughly half his career in universities and half in the private sector it is my direct experience that this is a gross over generalisation. An alternative approach is to group together organisations that operate in the high-value end of the knowledge economy (such as universities and professional service firms) where creativity and innovation have the greatest cache and sophisticated means of communication and relationships are the norm. Business does not drive successful organisations in these sectors, rather it flows from being an engaged and active participant. Both universities and professional firms can gain much from looking at best practice in each other's sectors.'*

**Professor David Maguire, Vice-Chancellor, University of Greenwich  
(previously Chief Scientist, ESRI – a Global provider of Geographic Information Systems)**

## Professional services firms and sectors

The influence and impact of the professional services sector is considerable. According to one source<sup>2</sup> the collective global revenue of the sector in 2010 was estimated at close to \$2 trillion with a conservative annual growth rate of 10% over the past three decades. This makes it one of the fastest-growing business sectors. Roughly 20 million people work in over one million professional services businesses which range in size from one-person businesses to the 'Big Four' firms (PriceWaterhouseCoopers [PWC], Ernst & Young, KPMG and Deloitte) who employ over 500,000 professionals between them.

PSFs are typically focused on specific services and Table 1 illustrates some of the more common sectors and some illustrative names of firms in each category with an indication of their geographical coverage.



**Table 1:**  
Some Common PSFs

Sector	National	International/Global
Accountancy	Grant Thornton BDO Baker Tilley PKF	PWC KPMG Ernst & Young Deloitte (all are the consequence of mergers)
Legal Services	Irwin Mitchell Hammonds Wragge & Co. Olswang	Clifford Chance Linklaters Freshfields Allan & Overy
Property Services	Bidwells Strutt & Parker Smiths Gore Cluttons	JLL CBRE DTZ Savills
Management and IT Consultancy	Tribal Capita Hay Serco	IBM Accenture McKinsey Booz Allen

In addition to these examples, PSFs also operate in fields including architecture, consulting, engineering, marketing, search and selection, research and business intelligence and public relations.

## Professional services firm structures

Structurally there are a number of different business models used by PSFs. Traditionally, when firms move beyond being a 'sole practitioner' they work on the basis of a partnership model (a business structure where the owners are partners in the enterprise who all share in both the rewards and liabilities which may arise). Originally, such partnerships had almost unlimited and shared liability and as a consequence the decision to admit a member to the partnership 'club' was a particularly serious matter. Today the more common model is a Limited Liability Partnership (LLP) arrangement. Whilst the liability demands may have changed, the critical importance of who to allow into the partnership remains a key decision.

A number of professional services sectors have moved to a more corporate ownership structure with the larger firms, in some sectors, becoming public limited companies. The drivers for this change are varied but typically include the desire to raise capital to expand the business, often internationally. Whilst the ownership rights and responsibilities may change, the culture and ways of leading such organisations retain many of the characteristics associated with the traditional partnership model.

Recently, the legal sector has been taking stock of the impact of changes introduced in the Legal Services Act which will allow for Alternative Business Structures (ABSs) to be introduced. The ABSs are a new form of practice that will allow non-lawyer organisations to provide legal services and lawyers much greater flexibility in the way they practise. The introduction of ABSs also allows much wider

options in how lawyers and non-lawyers can share the management and control of a business. An ABS will allow external investment in ownership of law firms. The concept of 'Tesco Law' becomes a potential reality and in the process radically disrupts the world of the traditional high street solicitor. Whether this disruptive innovation has such a decimating impact on the profession remains to be seen but it would be a very brave firm that did not at least contemplate and prepare for such change.

*"After 25 years in the law, I moved to a senior position at Northumbria University. Tom Kennie and Ilfryn Price's paper has enormous resonance for me, the following areas in particular: I am writing this on the eve of the introduction of alternative business structures within the legal profession. As a Board Member of the Solicitors Regulation Authority I have been concerned by the "head in the sand" approach by some elements of the legal profession, and I fear that this attitude will have damaging consequences for some. Whether the use of the words "consumer" or "customer", as opposed to the more traditional "client", is palatable or not, the Government agenda has been made clear (indeed by the last two Governments) and whilst firms may choose not to become an ABS, I would argue that they at least need to be better informed as to what these changes may bring to the market place, and to position themselves accordingly. In my very brief time in higher education, I see similar disruptive influencers (in particular, new entrants) – as a reaction to Government intervention and deregulation, and again I fear for those institutions who do not wish to consider the impact on their market (recognising that by using that very term "market" I alienate some colleagues). The conclusion from PSF of "differentiate or die" is one that may have parallels in the world of higher education as others enter the market.*

*Secondly, we are reminded of the "routine cull of firms": I lived through many of those in my 25 years in the law. They are extremely unpleasant at the time, although, hindsight demonstrates that those who have been eased out of their firms generally relocate to places where they find an environment that suits them better. It appears almost impossible to achieve a "cull" within the higher education sector. It is quite clear from our TMP visit to a number of American universities that this is an area of concern and one being talked about at some length. It is a difficult area but in my view essential to tackle within UK HEI as universities have to adapt to a different regulatory environment.*

*Lastly, I am most struck by the need for universities to consider their "client relationship management", as we have to find ways of working differently, and engaging with organisations in more proactive ways. This is a piece of work that I am leading on at Northumbria, and I am encouraged to see that some thought is being given to this in the sector. I hope the paper prompts positive debate about these difficult issues"*

**Lucy Winskell, Pro Vice-Chancellor (Region, Engagement and Partnerships)  
at Northumbria University  
(previously a partner with Sintons LLP, a leading law practice in the NE of England)**

## Current and future challenges

In the light of the changes which have taken place and are now taking place, what have been some of the trends already apparent in the professional services marketplace? Four key themes come to mind:

**Competition:** If there ever was a time when professionals lived in a cosy world, 'conspiring against the laity' then those days have long since past (as have the ivory towers and gleaming spires of academe). The competition in the professional services sector is fierce and is increasing. This is leading to consolidation (the next theme).

**Consolidation:** To respond to these increased market demands a substantial level of consolidation has been taking place at all levels. At the more global and complex end of the market, the need to offer global scope and scale has led to informal 'best friends'-type relationships or uncoordinated networks of independent partnerships leading to much more globally integrated firms. At a national level the need to offer geographic coverage has also led to the merger of many of the larger PSFs in many sectors. Even in the 'niche' or 'boutique' end of the market, where firms offer a very focused business proposition, the need for scale has led to mergers and acquisitions. However, consolidation by itself can lead to bigger problems unless the third challenge of differentiation is addressed.

**Differentiation:** Without re-articulating a sufficiently distinctive offering, the benefits of increased scale and scope will not by themselves lead to success. The history of the professional services sector is full of cases where simply bolting together two (or more) failing firms in the hope of delivering a new offer led rapidly to failure on an even greater scale. To avoid this outcome, firms (particularly those in the middle of the market) need to clearly articulate their distinctive competencies. This is, of course, notoriously difficult in the ultimate world of the 'intangible service'. A lucky few may well be able to differentiate on the basis of some highly distinctive technical or professional capability which they have developed and have managed to secure through some form of protection of their intellectual property. This is rare and the market advantage is difficult to sustain over substantial periods of time. For others, the source of differentiation is a deep and detailed knowledge of a particular industry sector, or differentiation is developed by a focus on service excellence or process innovation.

**International standards and governance:** A further trend which has become apparent in recent years has been the development and growth of professional standards, often with an international or global reach. Whilst these have existed for some time, their influence has grown in light of the demise of firms such as Andersens, following the collapse of Enron, and more recently as a response to the global economic downturn in 2008. A related matter has been the increased scrutiny of professional bodies as they have had to respond to the challenges of self-regulation. Independent members of such bodies are now much more common and increased oversight seems unlikely to reduce.

# A leadership and management framework for PSFs: the practice management guidelines

Having provided some context we now move on to exploring in more detail the management and leadership processes applicable in this sector and a select few of the questions which may be relevant to some aspects of higher education leadership and management.

We developed the Practice Management Guidelines as one of a number of alternative frameworks which aim to identify the key leadership and management elements associated with the creation of a sustainable, high-performing and profitable professional services firm. Our particular model was developed in the context of the surveying profession but others have emerged in other professional disciplines such as law and general consulting practices.

The 2010 model is illustrated in Figure 1.



**Figure 1:**  
Practice Management  
Guidelines Model

What lessons or questions might be of most relevance to higher education?  
We address the questions via each component of the model.

## Practice establishment

Our founding premise in the guidelines was that whether individuals were considering setting up their own practice; considering an application/invitation to partnership in their present firm or another; already a partner/managing partner in a single firm; or considering becoming part of a networked practice in a form of a federation, choosing what form of enterprise to establish was a fundamentally important question to ask. The common feature of all these positions is that they involve some network of relationships between an individual and key colleagues, prospective or actual. We suggested asking the following questions:

- Is there a basis for trust and common interest?
- What values do you share?
- What value do each of you bring to the table?
- Who are the key clients?
- What are they seeking?

But the questions are not sufficient, particularly for a new firm which has to:

**Plan:** where its founders want the firm to be in, say, three to five years and, within that framework, identify the expected resource consumption and income of each fee-earning unit and any central function.

**Determine risk:** to identify and periodically review prospective impacts and what can be done to ameliorate them.

**Decide the financial structure:** for the practice, its income-generating potential and operational costs. Will it own or lease the infrastructure of the business, i.e. its premises and equipment? That, along with the speed with which it pays suppliers and gets paid by clients, determines the funding requirements of the business.

**Manage performance:** to create a systematic approach to the management of financial performance. This will require the partnership to delegate true control to nominees.

**Monitor performance:** so that current performance information is collected and made available regularly to enable appropriate financial management.

**Control margins:** to ensure that their business is viable. Professional firms tend to be fixed-cost businesses: income fluctuates yet costs remain almost unchanged.

All the above might be said to be business basics for any form of organisation. However, professional services firms have to do what the name implies, sell the services of professionals at a profit. The firm faces other fundamental issues such as:

**Price right:** A big challenge for professional firms, who often have to tender competitively for new business, is the issue of pricing work at a level that maximises returns while maintaining competitiveness. To establish the price for a service requires an appreciation of what the market can bear, allied with an understanding of the resources required to complete the task and their cost. It requires planning the costing, and charging of individual fee-earners.

**Manage cash flow:** Firms do eventually cease to exist as a going concern if they experience a period of adverse cash flow that they cannot fund, even though many are normally profitable businesses generating a good margin. In these circumstances, financial managers must have the authority to suspend or reduce partners' monthly drawings, or even penalise those who are failing to manage client payments well. Sound short-term debt arrangements must also be in place to create a cushion against the worst conceivable cash deficit.

**Manage partners' investment and return:** A final challenge is to ensure fair treatment for those 'equity' partners (i.e. those who have invested in the firm) and give individuals a return reflecting their personal contribution to fee-earning and the management and development of the practice. The exit route for retiring partners also needs to be considered and return of their equity contribution, their undrawn profits and contribution to the practice over the years.

The recent debate sparked by A.C. Grayling's proposed New College of the Humanities is at least a reminder that new and different establishments are a potential component of a future higher education ecosystem.

**Business establishment:** some key questions for higher education leaders

1. To what extent will the current commercial considerations require many more varied and different forms of business structure for HEIs as they seek to fund their enterprises in new and different ways?
2. To what extent might the idea of personal equity investment by 'partners' with all its associated risks, but also rewards, become a feature of some areas of the higher education landscape?
3. (How) will an HEI retain and promote its wider societal purpose and so ensure it maintains its 'public good' whilst also being more business-like?

## Practice context: understanding the business environment and markets

As the guidelines went through successive editions we found ourselves needing to pay more and more attention to this aspect of practice management, as the context, the professional services ecosystem, evolved rapidly. We recommended two approaches: scenario planning and STEPE (social, technological, economic, political and environmental) analysis, both of which are growing in relevance and becoming more common in the higher education sector, albeit often at a sector or institutional level and less so at a discipline level.

Early in 1997<sup>3</sup> we suggested, based on our own work with scenarios and an analysis of the UK's higher education sector using Porter's five forces model, that higher education might expect significant change. In the event, between 1997 and 2010 it showed there was either considerably more inertia than we predicted or, depending on your viewpoint, higher education was more resilient to the impact of 'market forces' than we expected. In 14 years only one institution

3

Price and Kennie (1997)

disappeared from the higher education landscape in a merger. More recently with several developments including the Browne Review, a change of government, a still uncertain 'impact' factor entering the Research Evaluation Framework (REF) the raising of the 'fee' threshold (in England) and the impact of the many policy statements following the White Paper on higher education and others which might be included in the now delayed higher education bill, the prospect of greater turbulence has returned. How real this will prove in practice however, remains an open question. We will return to this issue in our linked second stimulus paper.

This paper is not intended as a repeat or summary of the numerous higher education scenarios which have been published in the last 13 years. We do, however, suggest that the changes we summarised in the preamble point to some questions:

- Will the sector see increasing polarisation? We return to this question under strategy and in the related stimulus paper.
- If so, will academic jobs see similar polarisation between the commodity model of a high volume, price-competitive model and the high-end specialist, high-cost model?
- Will managerial skill or academic talent determine most rewards?
- Will regulation of the sector diminish?
- What will the balance between public, private not-for-profit and private for-profit business models be?
- Will the structure of academic departments change? The large surveying and accounting firms now tend to be organised into sector-focused business units. The larger legal practices are starting to adopt similar models.
- Will there be political pressure to 'save' local universities, much as there has been to preserve local hospitals?
- Will quotas remain for student numbers? If so will they become tradable assets?

**Context:** some key questions for higher education leaders

1. What drivers of change do you see impacting the higher education sector and which of these do you perceive to be most critical and most uncertain?
2. What scenarios have you considered for the sector as a whole or for your particular institution?
3. How responsive and agile is your institution or faculty and do you have a sufficiently versatile structure and culture to respond to possible changes?

## Practice strategy: developing or reviewing a strategy

In our guidelines we did not attempt to define particular strategies. We did, however, suggest firms should be aware of their particular sources of competitive advantage and embody them in a statement of practice direction, a phrase we chose to be different from, and avoid confusion with, statements of vision and mission. We suggested such a statement should aim to clarify the purpose of the firm and also:

- Confirm responsibility to those working with it.
- Capture the essence of the practice and what makes it different from others.
- Establish criteria for decision-making.
- Encourage consistency of action.
- Create coherence and a sense of belonging and pride in the firm.

This statement should not:

- Create confusion about the identity of the firm.
- Confuse responsibility with promises.
- Create some bland copy which is virtually identical to that of many other firms.
- Become a catch-all for any decision.
- Lead to contradictory outcomes and unintended consequences.
- Be viewed by others as vague and uninspiring (nor characterised as 'motherhood and apple pie').

### **Strategy:** some key questions for higher education leaders

1. What differentiates your institution or faculty from its immediate peer group?
2. How sustainable, commercially or socially, is that differentiation?
3. Which, if any, segments of your 'market' are demanding solutions that cross traditional disciplinary lines?

Publicly at least it is not clear that the strategies of many UK HEIs answer these questions. We studied the first 12 revealed by an internet search in June 2011. All emphasised, without specifics, an excellent student experience and selected research excellence. Perhaps this is inevitable when HEIs will rely, predominantly, on two income streams, research grants most of which stem from governments or large charities, and grants/fees earned by attracting students. PSFs rely on hours billed and margins generated by them. They have, however, increasingly focused their strategies on specific sectors rather than areas of expertise. Will the way degrees and departments increasingly evolve demand similar moves away from the traditions of the past?



## Practice planning: developing a business plan

If the statement of practice direction has a likely timescale of at least three to five years, the firm's business plan typically covers a period for one to two years. It identifies the steps which need to be taken to realise that strategy and provides a basis against which to evaluate progress. Common components are likely to include:

- Good accounting practices in respect of management control (see page 14).
- Division of the business into components, by either service type or client segment (we advised considering both, since success with one service for a particular client can often generate openings for other profit centres in a practice).
- Measure of the current performance and profitability of each component.
- Financial performance targets derived from the statement of practice direction.
- Identification of any investment requirements.
- Indication of allocated staff resource.
- Assessment of how sensitive the plans are to changes in the main forces that might affect those plans. This not only implies being ready for business not materialising, but also includes planning for circumstances of greater-than-expected demand.

PSFs are financed with a large element of partner equity and plan in terms of forecast business rather than the traditional fixed income assumed in many HEIs. HEIs have also traditionally sought to retain small surpluses and seen capital budgeting as a separate process. With a changed economic environment and limitations on providing separate capital funding HEIs are now having to include plans for capital funding into their business plans by using revenue surpluses to contribute to new estate or infrastructure projects.

Higher education has embraced the world of business planning for many of its activities. So often, however, it can become a rather predictable process, going through the motions to satisfy the paymasters but lacking in innovation. Tomorrow's plans will, we believe, demand more of the creative and innovative capacity of academe to be harnessed in the business planning process. The recently launched i-lab@he process<sup>4</sup> may help contribute to the change of emphasis which we sense will be both demanded and necessary.

### Planning: some key questions for higher education leaders

1. What more do we need to do to strengthen and enhance our approaches to academic business planning?
2. What more can we do to inject even greater levels of innovation to ensure that the creativity of the academic community is being used to maximise the value of the plans which are created?
3. What more can be done to maintain momentum and ensure the timely delivery of business plans and also avoid planning overload?

## Practice finance: getting the numbers right

Former Harvard Business School academic David Maister is considered a key authority on managing professional services. We adopted his acronym RULES for the key influences on practice profitability, namely R – rates and recovery; U – utilisation; L – leverage; E – expenses and S – speed<sup>5</sup>.

**Rates:** refers to the ‘charge-out’ rates associated with selling professional time. The nearest higher education equivalent is the fees for different students and programmes.

**Recovery:** refers to how much of the potential income from work done for clients is actually collected as cash. At an individual level, practices sometimes use the ‘recovered rate’ as a summary of the impact of potential leakages. A fee earner may have a headline charge-out rate of £200 per hour, yet dividing the cash actually paid by clients for the work by the chargeable hours recorded might show the recovered rate to be £150 per hour. Recovery for HEIs might be thought of as the impact of fee waivers and bursaries and how they reduce the ‘headline’ income which might be anticipated.

**Utilisation:** concerns the proportion of a fee-earner’s time that is chargeable. This is usually described as a percentage of the total fee-earning time which an individual professional is expected to bill. So if the expected level is 1,700 hours and the fee-earner bills 1,500 hours their utilisation rate would be assessed as 88%. These figures are representative of the levels expected in large city-type legal practices. In higher education the use of workload modelling is partly a step towards some form of measure of personal productivity although formal comparisons between projected and actual time useage is not assessed. One suspects if it was the results might well indicate utilisation rates are above 100%.

**Leverage:** reflects the ratio of partner or directors to other fee-earners and is an indication of how effectively a firm is structured. Typical leverage rates are 1:3 for high-end consultancy work to 1:6 for more volume-based work (e.g. IT projects due diligence in accountancy) to 1:15 for highly process-oriented work (e.g. debt collection or lower-level conveyancing work). Leverage in higher education might be thought of in terms of research group structures and the ratio of principal investigators to post docs and research students, or the ratio of academic staff to professional service staff.

**Expenses:** refers to the annual operating costs borne by the firm, which are summarised on its annual profit and loss statement. The bulk of costs are often fixed. Expenses clearly translates directly to higher education.

**Speed:** measures how quickly work done by fee-earners turns into cash received by the firm. It is evaluated as how quickly clients are billed in days (since the work began) and how quickly they pay, again in days. This aspect of financial planning will become much more relevant to higher education as the diversification of funding towards more direct funding of student fees occurs and work for external clients becomes more significant.

5

Maister (2001)

An area where this type of analysis is becoming important is in relation to the consultancy work already done by HEIs. In many instances this may not be done with a full appreciation of the real costs of delivering services or of how this might be done (at lower cost) and hence at a higher level of profitability. A second area, where this type of approach is becoming of increasing importance, is the area of workload modelling, the costing and pricing of programme delivery and the delivery of knowledge-based services more generally.

#### **Finance:** some key questions for higher education leaders

1. When considering fee levels to what extent will greater diversity emerge as student demand begins to influence price?
2. In addition to the use of the Transparent Approach to Costing (TRAC) methodology and workload modelling, will more precise means be necessary to fully assess the real cost of delivery of higher education?
3. Will the potential funding gap in capital funding demand new sources of investment particularly from private-sector investors?

A further area where firms have focused attention has been in relation to the use of office space and the cost of back-office facilities. Facilities, including information and communication technology (ICT), remain the second biggest item (after staff) on most firms' budgets. Flexible working, without dedicated desks or cellular offices, for partners is becoming much more common, especially in practices where fee rates are under more pressure. Higher education, as a sector, has proved notoriously resistant to newer forms of working<sup>6</sup> and HEIs tend, unlike PSFs, to own their own land and buildings. Many have invested in new facilities partly in a bid to appeal to students. Whether the excess overhead becomes a competitive hindrance remains an open question.

## Practice relationships and service: client relationship management

Over the past few years most large PSFs and a significant number of medium- and small-sized practices have recognised the value of adopting a much more systematic approach to looking after their key clients. The process is referred to in different ways but increasingly the concept of client relationship management (CRM) has become firmly embedded in the lexicon of many firms. In the guidelines, we suggested three levels of client relationship management. Here we highlight a few aspects of the characteristics associated with these levels of activity, from the most basic (Level 1) to the much more sophisticated (Level 3). Without too much translation a similar analysis might prove enlightening to those institutions who wish to develop their 'business-facing' and 'employer engagement' activities.

*"I believe higher education institutions need to become much smarter at customer relationship management. Besides the obvious need to understand and anticipate student motivation and behaviour, there is a much greater prize to be won through creating stronger, smarter links with business and industry in our localities. The new agenda in which students want and expect internships; where research funding through industry collaborations is essential for survival; and where collaborations with other deliverers of public service or education is likely to be paramount, bring customer relationship management much more to the fore. No longer will our reputation or history be sufficient to ensure we have the right relationships with the right organisations or individuals at the right time.*

*As the professional firms have known for some time, investment in understanding the context, business models, cultures and behaviours and future plans of key customers is essential if organisations are to continue to succeed and grow. In an increasingly competitive world those universities who have worked hard to build relationships with key customers and stakeholders, including the student body, are much more likely to survive."*

**Shirley Atkinson, Deputy Vice Chancellor, University of Sunderland  
(previously Executive Director of Finance and Resources at Nexus)**

**At Level 1** there should be evidence of the following:

- Where do your current fees come from? A shortlist of the key clients who constitute the most significant sources of revenue (and risk) for the firm.
- Whom do you know? A document which summarises the key contacts in each of these key clients.
- Who is the steward for this relationship? A list identifying the client partner/director for each key client. (Note the emphasis in the role is to facilitate, not control, access to the client and has a long-term perspective.)
- What do you know about the client? A short summary of the current business challenges facing the client and the particular issues facing your key contact.
- Where have they come from? A document detailing a good understanding of the key contact's history and whether you share any past connections.
- What do they think of your firm? A summary of the informal feedback received from the key clients over the past six to 12 months about the quality of advice and level of service provided.
- Are you adequately sharing your business intelligence? An assessment on whether appropriate systems exist to enable some basic client data to be recorded, maintained and made available to those who are engaged with the client.

**At Level 2** in addition to the evidence above, most of the following issues will now be addressed:

- Where will future fees come from? An extended list that includes the key clients who are the fastest growing sources of revenue and profitability.

- Whom do you not know in the client organisation? A list identifying whom you need to get closer to in order to build a broader and deeper relationship with the organisation.
- Who is in the client development team? A file on who else in the firm, particularly from other service areas, is involved in sharing know-how and intelligence about the client.
- What do you know about the client's strategic and political challenges? A short summary of the future, more strategic, business challenges facing the client, together with an appreciation of the political and organisational context within which your key client operates.
- What makes your clients 'tick'? An assessment of how well you know your key contacts as individuals, with whom do they get on or have a 'tetchy' relationship and which teams in the client organisation talk to each other.
- What do they really think of your firm? A document outlining, beyond the informal feedback, independent formal evidence that substantiates your judgement that the client really is satisfied with the quality of advice and level of service being provided.
- Do you routinely 'mine' the data held on key clients for interesting patterns and opportunities? A routine review and interpretation of the data held on a client (which is sometimes held passively), with a view of exploring for business opportunities.

**Level 3** is a much more strategic, sector-wide approach to developing existing and new client opportunities. At Level 3, the firm would be seeking the following evidence:

- How much more business does the firm want to be doing in this business sector in three years' time? A clear strategy that develops this and other key clients in this sector.
- Whom do you not know whom you need to know in this sector? An extended list of some of the movers and shakers in this sector and a detailed approach on how to gain access to them (e.g. identify who might be able to broker an introduction).
- Who is doing business analysis to understand comprehensively how this sector is changing? A document identifying what is changing or likely to change in this sector and how this will play out in terms of the need for the services the firm provides (e.g. what is likely to increase or decrease in importance).
- Where is the sector going? A summary of how likely consolidation will happen in this sector and will our client be acquired or be the acquirer.
- What does this sector think of your firm? An exploration of the strength your firm's 'brand presence' in this sector?
- Should your firm use potentially challenging business conditions to build your knowledge of this sector? An exploration into options such as the secondment of a staff member into the client organisation, or a shadowing opportunity to a member of the client organisation within your firm.

A few HEIs have made similar attempts to address 'client relationship management' but for many more there is little real coordination of the multiple links which exist

between the institution and those clients (and stakeholder) organisations which are so critical to their future prosperity. It seems likely that this topic will loom larger for the future. Client relationship management in higher education has historically focused strongly on alumni relations. Many institutions have also developed relationships with key feeder schools and international agents or partners.

The nature of academic research also encourages the development of particular networks, often at an individual level. Some institutions have also invested heavily in tracking and handling enquiries from prospective students. The PSF experience seems to suggest that client relationship management will require increasing focus in the future.

#### **Relationship management:** some key questions for higher education leaders

1. Where is client relationship management in your institution's or faculty's current priorities?
2. How well do you understand the reason why prospective students choose your institution or faculty? Have you evidence to support what you say?
3. Which of the 'levels' above best describe your current client relationship management practice?

## Practice development: targeting, marketing and business development

Successfully managing client relationships is just one requirement for business success. The successful firm will also want to develop new business from new prospects. We suggested that much of what is considered marketing in professional firms is often wasteful of resources and, in some instances, a waste of time. Firms across the world have boxes of brochures that are out of date and remain unused, or have poorly targeted public relations efforts that do not adequately illustrate the business benefits gained from the using the firms.

We concluded that marketing and business development should be viewed as a 'contact sport'. Armchair analysis, as a starter, can help to focus the effort, but ultimately it is essential to meet prospects face-to-face, listen to their business needs and try to match the firm's expertise to eliminating or reducing their challenges. Of course it can be helpful to leave a brochure as a reminder of how your firm has helped others, or direct them to your website that highlights current case studies of similar successful projects, but this is not enough on its own. Marketing is central to the success of the firm and needs to be a proactive concern of all employees.

We also stressed the importance of understanding the client's perspective. While some buying criteria are conscious, such as very specific local knowledge or access to a particularly innovative approach, other buying criteria are subconscious, i.e. not specifically recognised but important in influencing the buying decision. For instance, a dynamic young professional team would probably seek to work with a team that has a similar culture. A client seeking advice on better utilisation of

its property assets would be more favourably disposed to a supplier whose own offices expressed understanding of changing workplaces. The ability to map out the target's buying criteria requires a significant understanding of the target's business. A PSF must understand its client's characteristics, its likely business problems and its culture. This understanding will come partly from analysis of the available evidence, and partly from informed conjecture.

This is a convenient point at which to highlight what is still a key difference. PSFs generally seek larger contracts from a smaller number of business clients. HEIs in relation to their core undergraduate offerings are largely in the market, or markets, for large numbers of 'consumers' paying for what they have seen as a standardised product, although increasingly they are also seeking evidence of the distinctiveness of these offerings. In the 'employer engagement' area the challenge is, however, different and more akin to the PSF context. In this area the need for targeted effort to be invested in a small number of prospects is critical to success.

A targeted investment in reaching decision-makers so as to understand their needs is likely to be a more productive approach to business development than the direct mail or email approaches which are adopted by some institutions. In essence the key to PSF marketing is to be clear about who your markets are, identify a small number of prospects and then design a tailored campaign to gain access to and win them as clients for your firm.

**Business development:** some key questions for higher education leaders

1. How do you currently spend your marketing investment? What is your estimated return on investment in the various activities?
2. Who undertakes marketing and business development in your unit? How visible are those who will be ultimately involved in the delivery and is this adequate?
3. Do you have a clear, agreed and routinely updated list of targets whom you are seeking to influence – at school, faculty and institutional levels?

## Practice people: developing staff and skills

Our guidelines sought both to remind surveyors of their professional obligations for Continuing Professional Development (CPD) and also to suggest the obligations needed to be considered as part of staying competitive. Indeed the guidelines stated that "the firm's learning plan should flow from the firm's business plans and business challenges; therefore it should be created from the perspective of the business result you want to achieve." It is interesting also to note the recent trend in some parts of the business world to create roles such as chief operating officer (COO), chief information officer (CIO) etc. The most recent addition to this is the chief learning officer (CLO) and/or the chief people officer (CPO). The CLO role goes well beyond the remit of the training manager and includes responsibility for developing people and codifying the lessons of experience across the organisation.

The CPO is likewise more than the Human Resources (HR) manager and has a wide remit for the firm's culture and development. Recruitment is costly. A former partner in an international property consultancy<sup>7</sup> recently summed up the costs of losing and replacing a professional:

- Cost of lost productivity – both in the individual role and the impact on the department overall.
- Cost of lost knowledge and contacts.
- Lost revenue, sales or goodwill.
- Cost of covering the vacant position – this will be either the cost of a temporary member of staff or the lost productivity for another staff member to cover the role.
- Internal cost of the staff loss and replacement – the time costs for both the line manager and HR personnel involved in the exit interview, the administration of the leaver process (payroll/finance admin, HR admin etc.), drafting the job advertisement, initial review and sifting of CVs, any testing and interviews.
- Lost cost of any training given to the staff member.
- Cost of recruitment via an agency if applicable or referral fees – this is often as much as six months' salary.
- Administration of the new starter process (HR, finance and departmental costs).
- Training and induction of the new staff member.
- Lost productivity whilst the new employee is learning the role. It can often take four to six months while the new employee gets up to full productivity. If the productivity goes from 0% to 100% over a six-month period the cost is equivalent to three months' salary.
- The above costs are offset by the saving in salary cost while the vacancy remains unfilled.

In an HEI, will this full cost be realised or will it be dispersed across different budgets and departments? As a rule of thumb, Stuart suggests the cost of losing and replacing a professional equates to a year's salary, hence for a company with a 20% attrition rate the cost to the bottom line is 20% of total salary cost. Viewed in this light, it is not surprising that PSFs have given much more managerial attention to recruitment and selection of new trainees and investment in developing them via structured career levels that reflect both experience and formal managerial responsibility. Figure 2<sup>8</sup> illustrates the traditional stages of career development and comes from a paper that also discussed how a global law firm was introducing business management education for newly recruited lawyers, before they were exposed to professional practice. In similar vein, in a move borrowed from large corporations, large PSFs are increasingly using sophisticated development and assessment centres to identify future partners.

7

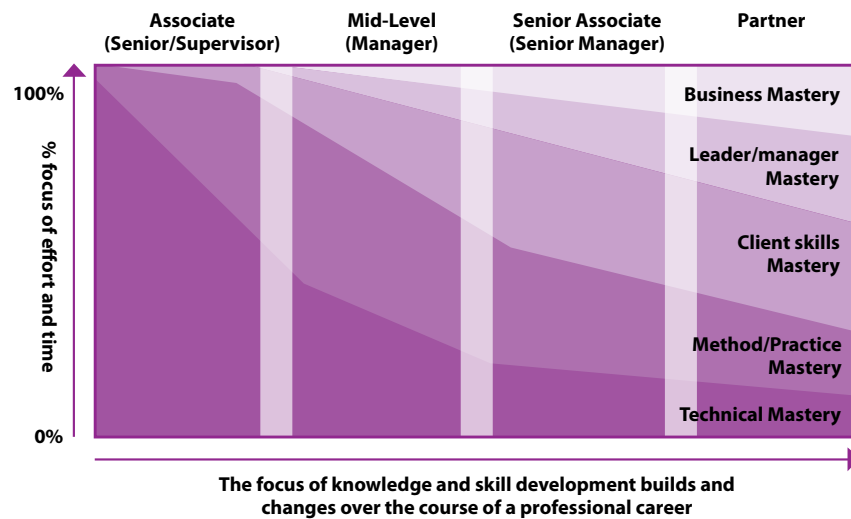
Stuart (forthcoming)

8

Spencer et al (2011)



**Figure 2:**  
The development of  
professional skill



The connections to careers in higher education may also be partly reflected in this framework. In the academic career there may well be a parallel set of 'transition' points as an individual begins to move from their core solo academic work to taking on responsibilities for a team and the relationship management of a major funder or client. The mix also changes as an individual takes on more leadership and management responsibilities. Similar patterns can also arise for those in professional service roles in higher education as they move from being a technical specialist to a more general management role.

**People management:** some key questions for higher education leaders

1. What is your institutional or departmental attrition rate per year? Do you know what this costs you?
2. Do you routinely conduct and review 'exit interviews'?
3. Have you got parallel structures for recognising professional and managerial contributions?
4. What personal and organisational development processes will the institution need in the future?

## Practice leadership: leading your management team

If there is one area where the issues facing PSFs and HEIs surely coincide it is in the leadership challenge. The modern professional services firm frequently finds that new business opportunities require more interdisciplinary working and greater flexibility in response to particular client requirements. Enabling horizontal communication links between apparently independent cells of consultants thus becomes a key leadership function. Indeed, the essence of managing professionals is providing direction and an environment in which they can perform, rather than dictating their performance. The following paragraph could equally apply to academics:

*Professional personnel are, by definition, skilled and autonomous individuals. They will expect the exercise of authority to flow through a process of influence and negotiation, rather than through reliance on more direct, position-based authority. Their professional activities can produce stronger external relationships with clients or fellow specialists than with fellow consultants in the practice. Similarly, their links within a firm may be stronger with a particular team and business unit than with the firm as a whole.*

In the Practice Management Guidelines we contrasted managing professionals with 'conducting the feline orchestra' – which comprises understanding the different players and seeking to set a tempo for their performance. We summarised the challenge in a series of imaginary cats. It should be noted that while the 'herding cats' metaphor for managing academics also has a long history, in reconsidering the below 'types' for higher education one has to allow the possibility of inter-breeding and hybrids<sup>9</sup>:

- I Solo cat:** The loner who walks by him or herself.
- I Top cat:** The entrepreneur who wants to drive every deal.
- I Aristo cat:** The traditionalist, for whom the old professional ways are still not only the best but the only way.
- I Plain old puss:** Reliable and friendly, but passed over for promotion and lacking apparent motivation to change their ways.
- I Grand old cat:** Great in their day but living on the memory and reputation of past glories.
- I The Number 10 cat:** The consummate politician, usually on the lookout for number one.
- I The cat who 'always lands on his feet':** Difficult to pin down and make accountable.
- I The cat with attitude:** Has an opinion on everything and is always right (in his or her eyes anyway).

Our point was, that the practice management challenge is to find roles in which the different characteristics serve the purpose of the firm, especially as its business context changes. We hope we might all be able to identify parallel cat types in the higher education world and the equivalent challenge remains – how do we play to their strengths and create a collective team of complementary players. We suggested in 1996, and have seen as the guidelines evolved, a growing role for individual and team feedback to help individuals recognise their strengths (and 'lesser strengths') and the value and behaviours associated with being a member of a team.

Perhaps this is most important near the top of the firm. Boards should make a difference. So why do so many not operate as well as they might? This extract from the 2010 edition of the Practice Management Guidelines seems to us to be transferable if 'VC', 'dean', or a local alternative term is substituted for 'managing partner'. An analysis of the comparable 'top team' challenges for HEIs can be found in Kennie and Woodfield<sup>10</sup>.

9

Kennie, Price and Middlehurst (2001)

10

Kennie and Woodfield (2007)

**First**, most suffer from a 'lack of reality check' on how they actually operate in practice. Many think they are a team when, in fact, they are no more than a group of individuals – at best, high-performing 'single leader working groups', but often no more than adequately performing managers, with each member of the 'top team' delivering on his or her agenda with the team leader and the CEO or managing partner holding them accountable for delivering on their area of responsibility. Most top teams, for most of their time, are not teams at all. Some can succeed for a while on this basis, but when conditions tighten, the cracks begin to appear and ultimately this is a precursor to business underperformance or failure. So, what can you do about it?

**The critical 20%:** It is important to acknowledge that for a majority of the time together it is OK not to be operating as a top team (perhaps as much as 70-80% of the time). However, it is equally important to identify and agree on those issues (the critical 20-30%) on which it is absolutely essential that you do operate as a top team. These are the issues on which you will hold each other mutually accountable, rather than the practice head (managing partner) holding each individual member individually accountable. These are the issues where a lack of team discipline can lead to the collective downfall of a practice. This first issue is really challenging but absolutely vital.

**Agenda setting:** It can often be quite insightful periodically to review what a practice or business leadership team is actually spending its time discussing at board or other meetings. So often, the rhetoric of 'being strategic' and operating as a team looks much less realistic when one actually reviews the formal agenda over a couple of months. The urgent forces out the important, the operational the strategic and the short term the long term.

**Establish team 'ground rules':** Being promoted to a practice leadership role is typically on the basis of high personal performance, an ability to earn high fees, to lead a team of like-minded professionals. Given this typical trajectory, is it any surprise that it can be a tough transition when these individuals are then required to operate with the collective interest of the team as the predominant motive? This is not to suggest that team working does not happen on the way to the top. It does, but it is a different sort of experience. At 'the top' the issues are (or should be) more complex and yet, paradoxically, they often require an ability to simplify the complexity in order to reach a resolution.

In addition, the implications and impact of the decisions taken are more significant. Furthermore at this level the visibility of the senior team and how they operate is much more significant. One or more practice leaders looking dejected, or behaving inadvisably, can send cataclysmic signals across a business. Given this, it can often be helpful for the leadership team to consider questions such as:

- What behaviours and 'ground rules' should we collectively commit to?
- How will we avoid (or deal with) the 'leaking' of sensitive information?  
For example, in cases where there is evidence of the political undermining of other members, or a lack of honesty about the performance of a member of the leadership team, or an unwillingness to talk about the elephant (or elephants) in the room.

So often the vast majority of the time which leaders spend together is overly focused on 'what' the team must deliver and not enough on 'how' the team should behave individually and collectively to deliver its agenda.

**Foster team performance through rewards:** High levels of team performance do not just happen. It is often a reflection of what practice leaders give attention to. If all the rewards are for individual performance, we should not be surprised if that is what we get, and be even less surprised if team working is limited.

Apply these four basic dimensions of team discipline and there is more than a fair chance that a team will be more than the sum of its parts. If not, it is likely to be operating at less than its optimum, a cost you might well come to regret, whether you are in professional services or higher education.

**Practice leadership:** some key questions for higher education leaders

1. Are you clear what is, or should be, in your team's critical 20%?
2. Does your board agenda reflect the right issues? Are you spending enough time on the critical 20%?
3. Have you spent sufficient time recently thinking about 'how' you operate as a team as well as the 'what' you need to do as a top team?
4. Does your reward structure signal and reward team performance, or might you be sending conflicting signals?

# Summary

We concluded the third edition of the Guidelines by listing critical policies and processes that practices must have in place. There are also other matters which are evidence of sound commercial practice, and these were given as 'recommended' requirements. Finally, the issues that practices should review and consider implementing are listed in the 'advisable' category. Reviewing these against the higher education context we offer the following analysis:

Essential for practices	Relevance to higher education?
Documentation setting out the legal framework under which the firm operates and summarising their business structure.	Already in place in HEIs.
A policy setting out their response to regulatory risks and requirements including health and safety, data protection, money laundering, equal opportunities and general employment legislation.	Already in place in HEIs.
Practices which comply with the requirements of the RICS including, but not limited to, the need for professional indemnity insurance and accounts for clients' monies and for recording the continuing professional development (CPD) of partners and employees.	HEIs have these types of process in place in part and this seems likely to become more of an issue in the future. As HEIs become even more involved in higher risk projects where even higher PI insurance limits are demanded.
Sound systems for financial management and control of their own and their clients' funds.	HEIs already have these in place but they are likely to become even more important.

Advisable for practices	Relevance to higher education?
Consider the potential impact of future strategic changes and explore the possible scenarios and risks associated with these changes in the external environment.	Increasingly common in higher education but more likely to become a routine process as part of institutional research as opposed to a periodic or one-off activity.
Succession plans for key individuals.	Whilst some work has been done in higher education much work is necessary to develop this further.
Consider whether enhancement of the firm's approach to client relationship management is needed.	Likely to become more of an issue.
Implement a policy and good practice in relation to the environment and sustainability.	HEIs are increasing doing substantial work in this area and with a requirement for major carbon reductions expected this will grow in significance.
Consider the merits of having a more explicit policy on corporate social responsibility (CSR).	HEIs often do much 'public good' work; increasingly this will require greater visibility and emphasis.

Recommended for practices	Relevance to higher education?
Procedure for documenting and periodically reviewing policies.	Already in place in HEIs.
Producing a statement which articulates the firm's strategic direction and business plan, and within this a process that documents the key risks that could impact on its business.	HEIs do this but the public nature of these documents changes and will continue to change as institutional differentiation and competitive advantage become even more critical. Increasingly we may see a public strategic plan and a private strategic plan emerging.
Consider the importance of having suitable contingency and business continuity plans in place to deal with difficulties which could reduce, or lead to the failure of, the firm's ability to operate.	HEIs are probably better equipped than many PSF's in this area, although business continuity related to the risks of failing to deliver on time, on budget and to client needs may become more significant.
Develop an annual budget and cash flow forecast.	HEIs do this and it will become even more significant as the funding for capital investments is increasingly funded by cash from the main revenue generating activities of the university.
Develop a client relationship management (CRM) programme appropriate to the size and complexity of the business.	Much more likely to become an important issue.
Have a process for regularly identifying prospective clients and generate a business development plan for these targets.	Much more likely to become an important issue.
Have a process for the periodic review of those plans annually, at a minimum, by the managing partner or partners.	Much more likely to become an important issue.
Have processes in place to obtain feedback periodically from clients on the quality of the service provided and means by which this feedback leads to improvements.	Very limited in higher education currently at the corporate level but of increasing importance as clients and student expectations grow.
Consider whether to adopt a formal quality assurance system.	Already well developed – although a greater emphasis on the consequences of poor quality and how quality could be enhanced are likely to become even more important.
Establish a performance and development review (PDR) process appropriate to the size and complexity of their business.	Whilst PDRs are to be found in most HEIs their use in practice often falls well below the levels which one might expect (with a few notable exceptions).
Reflect on the methods used to manage and control the flow of documentation and know-how, which is critically important to the delivery of professional advice.	An area for growth and development.

# Conclusions

What then might be the main points? What key lessons emerge from the comparison?

Of course HEIs are different. We have omitted discussion of their public and societal role or their sensitivity to policy decisions. We have not contrasted ethics and regulation or ventured into the vexed question of whether higher education continues to fulfil all aspects of its 'public good' mission. We have not dwelt on unionisation, common in higher education and negligible in PSFs. All potentially stabilise the higher education ecosystem as do the institutions of academe itself.

We do contend that the ecosystem of PSFs has changed dramatically, with a few clear successes achieved by different strategies. Some market leaders such as McKinsey have retained their niche. Others have failed or been acquired. Strategic differentiation, focus and client alignment have become dramatically more important. Business development activities have mushroomed, with many firms employing or developing specialists in that activity and associated relationship management. HR policies have become more focused on attracting and developing talent, internationally in many cases, but equally, often consciously, only retaining a proportion of those recruited; the so called 'up or out' policy. Much more emphasis has been given to leadership and business than simply professional skills. Cultures, work, and workplaces, have all become much more flexible and interactive. Above all perhaps the traditional mainstream has shrunk considerably.

Firms that clung for too long to the older 'patterns',<sup>11</sup> the enabling institutions of one professional ecosystem, have suffered or gone extinct as the wider environment has changed. What once enabled proved limiting. The success stories were sometimes new entrants who commoditised individual professions (think Specsavers) and sometimes established firms who managed to shift the old pattern. Both cases seem to us plausible scenarios for higher education. We explore in our follow on Stimulus paper how these different drivers of change have and are disrupting higher education and offer some potential scenarios for the landscape of higher education in the next 5 to 10 years.

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We intentionally invited several of our reviewers to speak from their own first hand perspectives of having worked in business and higher education - some had also worked directly in a number of different parts of the professional service sector.

**Dr Tom Kennie and Professor Ifryn Price**



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# Biographies

## Dr Tom Kennie

Tom is a director of Ranmore and works across the higher education and professional services sectors on a range of leadership development, coaching and consulting projects. He is co-programme director of the Leadership Foundation Top Management Programme (TMP). He has a particular interest in the leadership of creativity and innovation and recently established the i-laboratory for higher education ([www.i-lab-he.org](http://www.i-lab-he.org)).

Prior to forming Ranmore some 16 years ago he spent 8 years in the professional service sector, latterly as an HR Director. Before this he was an academic at the University of Surrey and at the University of Technology in Kingston, Jamaica. Tom is a graduate of the University of Glasgow, did post-graduate work at the University of Sussex and completed his PhD at Imperial College London.

With Ifryn Price he co-authored three editions of guidelines for the Royal Institution of Chartered Surveyors (RICS) on the management of professional practices, the last in 2010, having originally qualified as a Fellow of the RICS (FRICS).

## Professor Ifryn Price, Sheffield Business School

After completing a PhD at Cambridge Ifryn joined BP Exploration as a geologist in 1975 and spent 18 years as an oil industry professional including managing BPs Exploration and Production Research Division. In 1991 he was asked to lead a two year Process Review project for BP Exploration; a task which involved capturing the lessons the corporation was learning concerning organisational transformation and seeking other insights into the topic from companies, business schools and consultancies on a global basis.

From 1993 Ifryn pursued a career as an academic researcher and consultant, in the emerging field of facilities management and the wider areas of organisational development and complex adaptive systems theory. His 1998 book, *Shifting the Patterns* was one of the first to draw evolutionary theory and organisational development into a new approach to understanding organisations.

His current research and application interests are the development of strategic systems for businesses to assess the use they make of facilities, the facilitation of partnerships and the use of complexity and memetics to appreciate new working arrangements. In 2007 he was chosen by BIFM as one of the 20 most influential pioneers of the subject. He recently co-edited an international book, *Managing Organizational Ecologies: Space, Management and Organizations*.

# Notes



# Stimulus paper

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