

# PETER SCOTT CONSULTING

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### **Future proof your firm – by aligning your future strategic focus and your people**

*Future proofing* a professional firm should aim to **maximise owner value, reduce risks and create competitive advantage**. The focus should be on those things which will be future drivers of competitiveness and areas identified as risks to the business. A firm's people are its greatest asset but also arguably comprise its greatest risks. By aligning future strategic focus with managing people risks to ensure ***the right people will be in the right places***, a firm will be better able to secure its future competitiveness.

Markets are changing fast and only by continuously questioning the validity of the status quo and adjusting as necessary will firms be able to successfully respond to the powerful forces impacting on their businesses. Doing nothing cannot be an option in today's aggressive and ever more competitive professional services markets.

#### **Ensure your firm will be *in the right place***

Strategic planning for a firm's future direction and growth requires continuous research, analysis, planning and decision – making – **and is client driven**. Planning for a firm's future should begin with a process of analysis of both external and internal change factors exerting influence or control over a firm, followed by decision – making based upon that analysis. Briefly, here are just a few questions to begin that analysis.

- *Are you now **in the right place** in relation to your strategic focus?*
- *Do you in a planned and methodical way **listen** to clients, prospective clients and referrers of work about:*
  - *How you are perceived in the market place?*
  - *Any capability gaps and improvements needed to your service?*
  - *Their legal needs in the future?*
  - *Your strengths and weaknesses compared to competitors?*
- *What are the risks to the future of your firm?*

- *Are your existing strategic plans realistic and achievable within given timescales?*
- *Do you currently have a clear, achievable and resourced plan to plug any gaps in your ability to provide clients with what they want from you and to ensure continuing client satisfaction and loyalty?*
- *Are you finding it difficult to ‘stand out from the crowd’ and create meaningful differentiation from your competitors?*
- *Do you currently have **the right people in the right places**?*

### **Align your people with your future strategic focus**

Your strategic planning process should be extended to include a realistic and achievable plan to ensure that not only will the firm be in the right areas of practice 10 years ahead, but that it will also have **the right people in those areas of practice** to ensure its future competitiveness.

Firms will need to be agile if they are to successfully identify and respond quickly to threats to their businesses, including threats involving their human capital – their people, and to take advantage of opportunities. To be agile, firms must focus strongly on change management, have quick response times to threats and strategic opportunities, have streamlined decision – making processes and have people who are open minded, flexible and prepared to learn new skills and ways of operating. Future – proofing a firm’s people is likely to require a focus being placed on these as well as on the following:

- The firm’s future leadership
- Ensuring it will have the right people in the right places 10 years ahead
- Preventing loss of talent and as a consequence, client relationships
- Reconciling the interests of younger partners, older partners, key staff and clients; and
- Developing the skills of a firm’s people and managing their performance.

To successfully future – proof your firm’s people will involve dealing with a number of issues which are often not seen to be priorities or worth spending time and money on. For example:

- Understanding peoples’ **career expectations** which should cover not only associates but extend to existing partners and in particular to those approaching the end of their careers. There are many ways in which people can be asked about these matters, but unfortunately it would seem many firms avoid doing so, the consequence being that they lose good people;
- Providing clear and meaningful **career paths** for younger people, whether they are potentially partners or not, to help manage their career expectations. This should be of vital concern to firms seeking to future - proof themselves given that career paths for associates may be less certain when fewer partnership options may be available. At the same time ‘partnership’ is no longer the ‘holy grail’ it once was for associates and firms will need to ensure they build a firm which is **the place at which people want to work** if they are to retain their best people;
- Making sufficient **investment** in its people to develop the skills and behaviours required for a firm to succeed. In today’s highly competitive markets, any firm that wants to be successful must ensure that the performance of its people is actively managed. Ensuring that a firm’s people are highly trained, skilled and motivated should therefore be priorities.
- Managing **performance**. For example:
  - Is everyone willing to expand their knowledge in new areas and develop new skills;
  - Is there a plan in place to manage continuing competence?
  - Have performance criteria and target levels of performance been agreed with everyone?
  - Is there in place a process of feedback and review to manage performance and is it effective in building high performance?
- Putting in place **future partner programmes** which are designed to bring associates through to partnership, so that when they become partners they can begin to *add value* as partners immediately. And ideally partner programmes should continue throughout partnership;
- Having **transparent admission and progression policies** so that aspiring future partners know what will be expected of them. Putting these in place and being seen

to operate them fairly in practice can help to avoid disappointments and the loss of good people;

- Having a well thought - through **strategic recruitment plan** designed to build for the longer term as well as to fill short term gaps when there are not already suitable people capable of taking on proposed roles. The 'talent market' is highly competitive when seeking to attract the best people and knowing how to compensate, integrate and evaluate incoming hires will be vital.
- Ensuring a firm's **profitability** is sufficient to enable it to attract good people will be vital and if necessary a **profitability improvement plan** will need to be put in place.
- **Fairly matching reward to contribution** can also be a difficult issue to deal with, particularly if a firm has a 'lockstep' system involving parity of earnings but where competitor firms already have performance-based elements to reward. As a result, increasingly firms are accepting the need to move to remuneration models involving an element of performance-based reward in order to be competitive in the talent market.
- **Aligning partners' age profiles with future strategic focus.** Part of the planning to future proof a firm's people should also involve thinking at least 5 to 10 years ahead and considering who are going to replace partners likely to be retiring over that time scale in a firm's chosen areas of work? Obtaining answers from partners who may be thinking of retiring over the next few years to some of the following questions can help:
  - *When do they wish to retire?* (Ideally retirements should be staggered over reasonable intervals so a firm can better manage the cash flow challenges of paying out retiring partners).
  - *What do they want to achieve from their careers before they retire?* (Firms should try to harness their skills and experience and make them feel valued).
  - *How do they propose to bring on new partners to take over their practices by developing them and easing them into client relationships for a planned handover?* (Involving clients in a firm's thinking and handover plans is vital).
  - *Do they wish to 'wind down' gradually by moving to part time working?*

- *Once they cease to be partners do they wish to consider a continuing role within the firm which can add value to the firm?* (Firms should consider using former partners for roles such as risk and compliance, mentoring and training, where they have appropriate knowledge and skills).

Focusing on such issues is likely to highlight a firm's future - proofing challenges:

- Will the firm have the right people in the right places to enable you to achieve your future strategic objectives?
- If not, what steps should you now take to future - proof your firm?
- If this will not be possible, are there other options?

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