

PETER SCOTT CONSULTING

Briefing Note September 2023

Your people

“If you don’t drive your business, you will be driven out of business.”

BC Forbes, journalist and publisher, *Finance, Business, and the Business of Life* (1915)

Professional firms do not manage themselves – as BC Forbes said in the above quote, they need to be *driven*. In a people business that means those responsible for running the business will need to actively manage how their people work, perform, and behave, in a way that will help the business achieve its goals.

Many professional firms are now facing challenges which if not addressed quickly and effectively are likely to be ultimately destructive. It is clear that many of those who now lead their firms are responding to these challenges well by addressing some of the most fundamental issues relating to their businesses including:

- The changing expectations of clients;
- The attitudes of their people in relation to how they adapt to a changed business landscape; and
- The need for firms to be run as profitable businesses, with all that entails in terms of managing performance of people.

To deal with these issues which are usually at the heart of the need for change, firms must be agile and 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.

However, current experience shows that not everyone is open-minded and prepared to change how they work and behave. Recently I was facilitating a discussion with partners in a law firm regarding how they could improve their financial management, and at the end of the discussion I asked each partner how they were going to manage their practices differently with a view to being more profitable. Each of the partners responded positively with their ‘action plans’ – except one partner who said,

“I am not going to operate any differently from the way I have worked for the last 30 years”.

Faced with such an attitude, how can those charged with managing the business, approach overcoming such obstacles? Here are a few thoughts which may help.

1. Ensure that people know what is expected of them.

Enhancing performance and changing behaviours are individual matters, and so be clear as to what you are seeking to achieve with each person. What should this individual be doing:

Differently?

Better?

More of?

Less of?

Unfortunately all too often it is never explained to people what levels of performance they should be achieving or how they should be behaving (***Nobody told me I should be doing that!***).

To manage this process effectively should involve **obtaining** and **giving feedback**.

How best to **obtain feedback** on how the performance and behaviour of someone rates against any agreed levels of performance or norms of behaviour? Here are some of the options available:

- Feedback only from those you report to?
- Feedback from your peer group (e.g. your partners) on a confidential basis?
- Feedback from those who report to you on a confidential basis?
- Feedback from all of the above on a confidential basis? i.e. 360° (all round) feedback

Why is such peer / colleague review, provided on a confidential basis, now often regarded as a preferred method to achieve the most objective, honest, and effective form of feedback?

Ask yourselves, who is better placed than colleagues to provide feedback to identify what someone could do better, to build on a person's strengths, and to reinforce what they are already doing well? It is often shown that an individual who is under-performing or who is not complying with agreed norms of behaviour, is more likely to react favourably to feedback from colleagues (who are seen to be trying to help) rather than being *told* by the person to whom they report "to work or behave differently".

Peer pressure can be a powerful tool to change attitudes.

What is the effectiveness of the different ways of **giving** feedback? For example:

- 'Downward only' once a year? (The typical 'appraisal' which is often 'one way only' and too judgmental)
- on – going / informal? (The everyday process of giving feedback which if done well can often be the most effective form of giving feedback)
- Collaborative Performance Development Reviews? (which can, if managed well, be very effective in improving performance and behaviour – see below).

Collaborative Performance Development Reviews (PDRs)

- Everyone needs to be 'on-side' if Collaborative PDRs are to be effective;
- Collaborative PDRs are a process by which a business works with its people to **together** plan, monitor and review their work objectives and overall contribution to the business;
- They should be a continuous process of setting objectives, assessing progress and providing on-going feedback and support (such as training, coaching, mentoring etc) to help everyone meet their objectives and career goals;
- Collaborative PDRs should **NOT** be an annual form-filling exercise, but a process to help improve the performance and behaviour of everyone and as a result, the competitiveness of a business.

Characteristics of a 'healthy' Collaborative PDR programme?

- Needs to be fair, transparent, and consistent;
- Should be practical and easy to understand;
- Should define and align each individual's objectives with a business's strategy and values, so everyone knows where they stand;
- There should be realistic and achievable criteria to provide a touchstone for each individual's development and which can serve as a basis for objective assessment;
- There should not be a single 'mould', so PDRs should recognise the varying motivations and forms of contributions that different people can make, and then play to their strengths;
- Monitoring and providing feedback should be a **collaborative** process whereby both reviewers and those being reviewed contribute by **two-way** communication;
- The process should recognise that the main source of motivation for most professional people is their desire to achieve and to develop personally;
- High performance should be **recognised** to reinforce positive behaviour, for example by:
 - acknowledging and saying '**thank you;**'
 - celebrating successes;
 - giving public recognition.

PDRs should ideally also:

- Provide an accurate picture of an individual's performance and contribution to the Firm across a broad range of criteria;
- Include positive feedback for a job well done and constructive feedback where improvement is needed, and a plan for how to improve performance / behaviour;
- Support decision-making about promotions and reward.

The agreed follow-up to support development should then help to improve performance and behaviour, using training, coaching, mentoring etc as appropriate.

Setting and agreeing objectives

The outcome of each feedback review meeting should be to **identify key development priorities**:

- Key strengths to build on and any areas where development may be needed;
- Any support needed;
- Individuals should be responsible for implementing their agreed objectives and development plans;
- The reviewer (and others where appropriate) should be responsible for:
 - Offering a **support programme** to meet the needs of the individual;
 - Periodically reviewing with the individual progress in implementing agreed objectives.

However, not everyone will respond positively to constructive feedback from colleagues which is designed to help them. What if a managing partner is faced by someone who steadfastly refuses to work or behave as has been agreed within a firm?

2. Understand WHY an individual does not wish to adapt to a changing world.

People have all kinds of reasons for not wanting to 'go with the flow', and engaging an individual in discussion can often lead to a solution. Sometimes having a dialogue can even reveal surprising reasons for being unwilling to change.

An example of this which comes to mind, and which illustrates well why it is so important to understand the thinking of the individual unwilling to change, was a performance / behaviour exercise I carried out with a law firm some years ago. I interviewed the partners on a confidential basis and many of them mentioned a partner who was senior and held a great deal of sway within the firm, and who was generally well regarded. However, for the previous fifteen years that particular partner had been saying '**No**' to every proposal which would have brought about beneficial change to the firm, and they put this down to his being naturally cautious and conservative in nature and thought he had the best of intentions by trying to stop them making what he considered might be costly mistakes. However, there was also a feeling that he had been holding back the firm.

I eventually interviewed the partner concerned and asked him why he had for years been saying 'No' to proposals for change? His answer was surprising and did not reflect well on him. He said -

"The stupid people, don't they understand what I have been doing? Partners' meetings bore me, and so I lob a grenade in to liven things up!"

Once that became known within the firm, that partner never again raised objections to any proposals for change and that firm has gone from strength to strength.

3. Make the strong case for change.

Given that professional firms are collections of individuals, and many are still organised as partnerships (and many are also still culturally 'partnerships' even if structured as LLPs or limited companies), then ***taking your people with you*** is a fundamental requirement. The people in the business will need to be persuaded that change is necessary and so building a consensus within a firm as to the need to make changes is a necessary first step.

Partners in professional firms are in my experience on the whole fairly sensible people and can distinguish between strong logical arguments which make good sense to them, from proposals which are weak or flawed. If they are presented with sound and well-thought through common sense arguments for a particular course of action, then many partners are likely to be supportive.

Managing partners should however not assume that their partners have as much knowledge about the business and the threats and opportunities which may exist. There is often a vital first step to take, namely to '*educate*' partners as to the reasons which make particular courses of action necessary. If they can have their eyes opened to the facts, then they may be more likely to accept changes.

Unfortunately, some partners do not always think logically when proposals are made which are likely to affect them because the very idea of changes to how they work or their positions within a firm are likely to be regarded as threats and they will raise the barriers. Emotions such as fear are likely to drive their thinking and so a managing partner will need to approach the process of persuading people to change with these issues in mind, and to adopt a tone and a style of persuasion to assuage, such emotions.

As always it is about ***communication, communication, and more communication!***

4. Accountability

I am increasingly hearing partners when discussing performance and behaviour, making comments, such as ***"We need accountability in this firm"***.

What they mean by **'accountability'** is that all partners should adhere to what they have agreed to do, but sadly this is all too often lacking, and as a result there are no consequences for not playing by the rules. One way to tackle this is to agree within a partnership / membership of an LLP, an **accountability statement**, to be signed by each partner / member and incorporated into the partnership deed or members' agreement. Here is an example of one I helped the members of an LLP to prepare.

As a member I fully accept and agree that each member must be accountable to every other member for his or her actions because our firm will only be able to make the progress, we all want it to make to achieve our full potential, if each of us, as part of our bargain as individual members, behaves in relation to the firm, its clients and everyone in the firm, in a manner consistent with the principles, and way in which we have agreed the firm is to be run, and on the basis that each member puts the interests of the firm before any personal interests or agendas.

*Without limiting in any way my agreement to the above overriding obligation, **I undertake to support in the fullest possible way:***

- *The implementation of all decisions made by our LLP;*
- *Those mandated with the onerous task of managing the firm; and*
- *Every other member in the firm as each endeavours to fulfil their respective roles in the firm.*

Would all your partners / members be prepared to sign and adhere to that? Just by asking them to sign it is likely to be a good test of whether they are prepared to change!

The advice I would give to any partners who are unwilling to change, would be to suggest they read for their own benefit and wellbeing, one of the best books on change I have read, (*"A survival guide to the stress of organisational change"*, Price Pritchett & Ron Pound, 1997 Pritchett & Associates, Inc.) –

"The organisation is going to change – it must – if it is to survive and prosper. Rather than banging your head against the wall of hard reality and bruising your spirit, invest your energy in making quick adjustments. Turn when the organisation turns. Practice instant alignment"