

How to Become the Firm of Choice



ROBERT J. LEES AND AUGUST J. AQUILA

Dedication

Bruce W. Marcus (1925–2014)

A pioneer in the field of professional services marketing,
friend and mentor

Jack Gabarro

Friend, colleague, and mentor, without whom this book
could never have been written

Head of events and books

Leah Darbyshire

Commissioning editor

Laura Slater

Editorial assistant

Edward Bowes

Published by ARK Group:

UK, Europe and Asia office
6–14 Underwood Street
London, N1 7JQ
United Kingdom
Tel: +44(0) 207 566 5792
publishing@ark-group.com

North America office
4408 N. Rockwood Drive, Suite 150
Peoria IL 61614
United States
Tel: +1 (309) 495 2853
publishingna@ark-group.com

www.ark-group.com

Layout by Susie Bell, www.f-12.co.uk

Printed by Canon (UK) Ltd, Cockshot Hill, Reigate, RH2 8BF, United Kingdom

ISBN: 978-1-78358-272-3

A catalogue record for this book is available from the British Library

© 2017 ARK Group

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, except in accordance with the provisions of the Copyright, Designs and Patents Act 1988 or under terms of a licence issued by the Copyright Licencing Agency in respect of photocopying and/or reprographic reproduction. Application for permission for other use of copyright material, including permission to reproduce extracts in other published works, should be made in writing to the publishers. Full acknowledgement of author, publisher, and source must be given.

DISCLAIMER

This publication is intended as a general guide only. The information and opinions it contains are not intended to provide legal advice. The publishers bear no responsibility for any errors or omissions contained herein.

ARK Group is a division of Wilmington plc. The company is registered in England & Wales with company number 2931372 GB

Registered office: 6-14 Underwood Street, London N1 7JQ. VAT Number: GB 899 3725 51.

Contents

Introduction	ix
So, what is the next level?	xi
An invitation to a firm's retreat	xiii
Cast of characters	xv
Acknowledgements	xvii
About the authors	xix
Part 1	
Where to begin	3
Oh no! Not another bloody meeting!	7
Cliff's opening remarks	9
Nathan's story	11
Questions from partners	17
Rules	19
Mark's opening comments	21
Mark's findings	29

Categorizing the issues 31

Let’s get to work! 33

Markets questions 35

Clients questions 37

People questions 39

Financial questions 41

Underpinning beliefs questions 43

What we agreed to agree 45

Mark’s closing comments 47

Cliff’s closing comments 51

Part 2

Two weeks later 55

Mark’s opening comments 57

Findings and proposals 59

 Markets Team 59

 Clients Team 62

 People Team 65

 Financial Team 69

 Underpinning Beliefs Team 71

Making it happen 75

Change is tough 77

What do we do with the partners who don’t want to join us? 81

A picture is worth a thousand words 83

Part 3

Two years later 87

A final word 91

Part 4

Exhibits and key concepts 95

Other works by the authors 115

Introduction

When David Maister published his seminal book, *Managing the Professional Service Firm*, in 1993, professional service firm markets were relatively unsophisticated, with little competition for either clients or people.

In the intervening years to 2007 when Rob and his co-authors Tom de Long and Jack Gabarro published their best-selling book, *When Professionals Have to Lead*, professional service firm markets had become much more competitive. The global players in the accounting and legal markets had drawn away from the pack, leaving the other firms feeling the cold winds of true competition for the first time.

But today's markets make 2007 look benign. Competition is fierce across all segments of the market and with increased regulatory scrutiny also impacting firms' actions, only the sheer scale of the global firms protects them from some of the buffeting faced by other firms. Now, we are seeing competition driving some firms out of business and an ever-increasing number of firms merging in the belief that with size comes safety. But, it does not. Even the global players, as Arthur Andersen would testify, are not immune from the ravages of competition.

Safety, and the opportunity to grow and progress, only comes from clarity around which services should be sold into which industry sectors, to which clients, and critically how they should be delivered, and by whom. With all of those decisions being relative to competitors. No firm competes in a vacuum and if firms are going to win in today's markets, decisions about how and when to compete necessitate a strategy based on not just their own but also their competitors' actions – even those they might not be aware of yet.

Probably the only thing we can predict with any certainty is that competition will only get tougher. So, how do firms break out of the pack and put themselves in a position to enjoy sustained success?

Our answer is simple: firms have to make an explicit decision to become “the firm of choice” in their chosen markets. And, in doing so, they must move their operations to the next level. So, what do we mean by the next level?

So, what is the next level?

Every firm operates at a specific level. What it does, and how it does it, generates its revenue and, ultimately, its profit. Of course, firms can increase profit by adding profitable service lines to their offering or by reducing their labor costs, to name but two possible actions, but that is not what we mean by the next level.

Taking your firm to the next level means analyzing every aspect of the firm's operations and improving the way they are carried out. Nothing is sacrosanct.

Ensuring all of the firm's internal operations and processes are aligned with what the firm needs to do to be successful in its markets becomes one of the key drivers. Also, the firm must have an absolute commitment to being the best. The next level brings with it a refusal to accept the status quo alongside a belief that the firm can always do better.

And doing better is always relative. Being the firm of choice means always being better than your competitors. Making sure that you are the firm that targets the right industries and clients, recruits the people who will make a discernible difference to the firm and its clients, and develops them faster and more effectively than other firms.

In our thinking, becoming the firm of choice and continually striving to move to the next level are absolutely intertwined. Being the firm that people and companies want to come to isn't a one-off. With competition getting ever tougher, firms must focus on sustaining that position – a challenge which forces firms to continually reassess their position and to strive to be even better.

An invitation to a firm's retreat

Dear Reader,

We would like to invite you to join the partners of Samson, Boyd & Johnson (SBJ), a mid-size law firm in the New England area, as they wrestle with how to take their firm to the next level – to become the firm of choice in their chosen markets. You may decide to be an observer watching the events and decisions of the partners as they unfold or you can become an active participant by adding your suggestions and proposals from your knowledge of your own firm.

Whichever you decide, you will find this book is written as more of a story than as a traditional business book. Our aim is to tell the story in a way that helps our readers understand the challenges of becoming the firm of choice and, critically, how to do it. As such it contains a wealth of practical lessons and advice.

You will be absolutely familiar with the challenges our firm faces. They are the challenges all firms have tried, or are currently trying, to address, but which few firms have come close to resolving completely.

Part One sets the scene. The opening chapter sees Cliff Johnson, the firm's current managing partner, musing over the major challenges the firm is facing and closes with his belief that, if the firm is to survive, it simply cannot continue to do what it is doing now.

The subsequent chapters in Part One include Nathan Taylor's description of what his firm, Kaufmann & Vales, did to move to the next level (Nathan's story). This is followed by Mark D'Angelo (SBJ's external consultant) walking the partners through how the retreat will work. He suggests the partners should have in their minds a model of what the very best firms do as they think about what SBJ should do in the future (Mark's opening comments).

In the following chapters, the partners are split into five teams (Markets, Clients, People, Financial, and Underpinning Beliefs) to address the issues Cliff and Mark have identified. Each team is asked to come up with the key issues they believe need to be dealt with. The chapter 'What we agreed to agree summarizes the teams' conclusions.

Part One concludes with closing comments from both Cliff and Mark. In his comments, Mark reinforces, through the use of a new model of professional service firms in action, the inter-relationship of the activities in professional service firms and the need for the teams to work together in coming up with solutions to the issues they are investigating (Mark's closing comments).

Cliff's closing comments signal the end of the retreat, with the partners scheduled to meet again two weeks later.

After opening comments from Cliff and Mark, Part Two moves straight into each team's findings and proposals. The teams have grasped the importance of working closely on their proposed solutions – just as they have understood that they don't have to have all of the answers and should look to other professional firms for best practice. The Markets Team, for example, uses the practice segmentation in professional services matrix that Mark had been taught, and the People Team uses an article on best practice in learning in their proposals for upskilling the firm's people.

When all of the teams have discussed their proposals, Mark leads two sessions on Making it happen. In the second of these, Change is tough, Mark walks the team through his accumulated knowledge of how to ensure any change initiative in a professional service firm is successful.

Cliff briefly takes center stage again when asked by Mark to respond to the question, What do we do with the partners who don't want to join us? Mark then reprises his model of professional service firms in action (A picture is worth a thousand words) before handing over to Cliff for him to close the retreat.

By the time we get to Part Three, two years later, Cliff has retired and Kate Wellington has replaced him as managing partner. And the wheel has gone full circle as Kate is describing what SBJ did to move to the next level to another firm in her international association trying to do the same thing. Kate's talk details the results of SBJ's change initiative – how they became firm of choice in their chosen markets, their financial results, what worked and what didn't, and what they could have done better.

Finally, Part Four provides all the exhibits and key concepts presented in the book.

We hope you find this book useful and a real addition to your critical thinking and strategic actions – and that it inspires you to help take your firm to the next level.

Rob Lees, London, UK
August Aquila, Minnetonka, MN

Cast of characters

Cliff Johnson, managing partner of Samson, Boyd & Johnson (SBJ)

Cliff is the second managing partner in the 60-year-old New England firm of Samson, Boyd & Johnson. Cliff started with the firm right out of university and quickly progressed. At age 28, he was the youngest associate to be named partner. William Boyd, the firm's first managing partner, took Cliff under his wing and while Cliff learned a lot from William Boyd, he also developed his own style over the years. The partners trusted Cliff to always do the right thing and he never let them down. Cliff recently became a grandfather and is looking forward to spending more time with his grandson.

Nathan Taylor, managing partner of Kaufmann & Vales (KV)

Nathan, MP of Kaufmann & Vales, passed the bar 24 years ago and worked for Kaufmann, Jones & Nagel until their merger with Vales & Partners four years ago. Nathan is originally from Concord, Massachusetts and moved to California to go to law school. He now lives in San Francisco with his wife, Pattie, and their two sons, Nathan Jr. and Jack. He has never given up his allegiance to the Boston Red Sox.

Mark D'Angelo, outside consultant

Mark has extensive experience working with the leaders of professional service firms in both the US and abroad. He has worked with the largest of the international accounting and law firms, as well as many small and mid-size firms. His services range from strategic planning to organizational design, human resources, and change management. Prior to becoming a consultant 15 years ago, Mark worked for one of the Big Four accounting firms as their Chief Learning Officer. A keen runner, Mark tries to do a couple of marathons every year but has to admit that his times are getting slower! Mark lives in Chicago, Illinois, and has three daughters, Shelly, Jen, and Terri. All of them are Cub fans.

Kate Wellington, potential successor to Cliff Johnson

Kate Wellington has been with Samson, Boyd & Johnson for 20 years, starting with the firm right after college. An international tax specialist, Kate has been on the firm's management committee for six years and has been an integral part of helping the firm grow and stay on course. Recently, she has become Cliff Johnson's right-hand person and has led many of the firm's most important projects. Kate has two children, a son, Cary, who is attending a state university, and a daughter, Grace, still in high school.

Acknowledgements

No book is ever written without the help of countless people who challenge writers to dive a little further into the topic, write with more clarity, and question the relevance of their topics. We want to acknowledge and thank the following individuals who assisted us in this book. Without them we know that the book would be lacking.

Firstly, we'd like to thank the real Nathan Taylor. "Nathan" asked that his firm's case study be disguised and that he wasn't identified. However, although disguised, Nathan's story describes what happened as the real Kaufmann & Vales struggled to up its game and move to the next level.

But Nathan wasn't the only contributor to our thinking, and we'd also like to thank:

Greg Barber, President, Schenck SC; Wayne Berson, CEO, BDO; Bob Bunting, Principal, RL Bunting and Consulting, and former Managing Partner, Moss Adams; Rick Francis, Partner, Abdo Eick & Meyers LLP; Nigel Haddon, CEO, Haddon Consult; Patrick J. McKenna, internationally recognized advisor to the leaders of premier law firms; Mike Mister, Partner, Møller Professional Service Firms Group; Nick Page, Chairman, Bond Dickinson LLP; and Neil Rigby of Wild Page, who created our great cover image.

And, finally, we would also like to thank Emily, Kate, and Daphne, who supported us through this journey.

About the authors

Robert J. Lees is the co-author, with Harvard Business School professors Tom DeLong and Jack Gabarro, of the best-selling *When Professionals Have to Lead: A New Model for High Performance*. He is also co-author of the HBR article “Managing talent: The key challenge for today’s professional service firm”. Rob also co-authored, with August Aquila, *Engaging Partners in the Firm’s Future* and *What Successful Managing Partners Do*. He has also published numerous articles on professional service firm strategy in both the US and UK.

Before retiring last year after 25 years working with leading professional firms across the world, Rob had spent the last ten years consulting with firm leaders on how to improve their strategic position and, critically, how to deliver it. During this time, Rob also helped set up Møller Professional Service Firms Group, the UK’s leading PSF consulting firm on improving individual, team, and firm capability.

Rob held several notable positions prior to moving into consulting, including global head of human resources at EY and head of EY’s global leadership institute in Cambridge, Massachusetts. He was also head of professional development in EY’s UK firm and director of professional development at Morgan Stanley.

Rob currently collaborates on selected research projects and writes on issues relating to firm strategy and performance. He can be reached at roblees2@sky.com

August J. Aquila is an internationally known speaker, consultant, and author and has held leading positions in the accounting profession for more than 30 years. He held several executive leadership positions with American Express Tax and Business Services, Inc., was a partner in a top-50 accounting firm in Chicago, and regional marketing director for Coopers & Lybrand in Chicago.

August specializes in helping firms develop performance-based compensation plans, transitioning firms from one generation to another,

creating transformational strategic plans, conducting dedicated M&A searches, and taking firms to the next level.

In 2004, 2007, 2009 to 2015 he was selected as one of the “Top 100 Most Influential People in The Accounting Profession” by *Accounting Today*.

He is the author of hundreds of articles and several books on practice management, mergers and acquisitions, and compensation plan designs. Recent books include *Engaging Partners in the Firm’s Future* (Bay Street Publishing), *What Successful Managing Partners Do* (Bay Street Publishing), *Performance is Everything* (AICPA, 2012), *Compensation as a Strategic Asset* (AICPA, 2007), and *Client at the Core* (John Wiley & Sons, 2004).

He can be reached at aaquila@aquilaadvisors.com or 1-952-930-1295. For more information, see www.aquilaadvisors.com.