It's <u>all</u> about collaboration (Part 1)

We hear about the lack of collaboration in professional services firms a lot. Pretty much every day of the week we hear stories of a 'silo mentality' or a 'protective' approach to client relationships, which keeps colleagues as far away from clients as possible and a lid on (potential) growth.

Firms talk a lot about the need to focus on broadening services to clients of a firm, and it's all well intentioned. But in the end, the old phrase "actions speak louder than words" holds true.

There are exceptions. And the benefits those firms reap from well planned, action-based collaboration are eye-watering, both in absolute terms, but especially in relative terms when compared to firms who lack the will and/or skills to foster collaboration.

The effect of collaboration in professional services firms has been measured by a lot of clever people over many years, not least by Heidi K. Gardner, Distinguished Fellow and Lecturer at Harvard Business School. In her article "When Senior Managers Won't Collaborate", Ms Gardner's ten years of research demonstrates rising revenue and higher hourly rates when more collaborators are involved in more complex work. Fundamentally, collaboration based revenue outstrips discrete based revenue by as much as six times depending on how many fee-earners are collaborating. Better still, there's an exponential effect too.

But it's not just about the money, there are other benefits:

- Longer-term client engagement
- Higher fees and improved margins from more complex work
- Less pressure on price
- Enhanced client loyalty
- More visibility of pipeline
- Competitive edge
- Greater differentiation
- Higher level "C-Suite" relationships
- More work from own clients
- Reduced impact from negative market cycles

All of which is good. Great in fact. And worth striving for, surely?

The blunt truth though is that fostering a collaborative environment in professional services firms is, like breaking down barriers to cross-selling*, hard to achieve. In many cases, very hard.

So, given that it's so worthwhile for so many reasons, why is collaboration so difficult?

- There's often an immediate downside
- It takes time for the upside to appear
- Collaboration doesn't feature in the appraisal / feedback / 360 loop
- There are perceived and real financial disincentives / penalties
- Individual performance is measured and rewarded over team performance
- Collaboration is often confused with "cross-selling"
- Old habits die (very) hard
- Fee earners don't know how to collaborate**

Downside – investing precious hours in fostering relationships with other fee-earners in different practice areas and/or different offices is exactly that – an investment, and it will inevitably take time to produce a 'reward' in the shape of new or more complex work. So there's a time delay which, should a firm be focused too heavily on hours recorded and billed by a fee-earner, will highlight a barrier to collaboration: there's not an immediate return. Which means……..

Investing in advance – therefore recognising the immediate downside of the investment of time and effort in collaboration, and focusing on the longer-term benefits of winning more interesting, complex work at higher margins, where there's less pressure on price. However, such investment in advance should not be to the detriment of the collaborator – if it is, collaboration is likely to wither on the vine right from the start.

Appraisals – if a firm which focuses exclusively or too heavily on hours recorded/billed and has an annual appraisal process which mirrors that, then this can be another barrier to fostering collaboration even if there is a stated "one firm" approach to developing business with clients. It is not unusual to find very little emphasis on strategic activity that is a long-term investment during an annual review of performance. And that's assuming an appraisal takes place at all. This is relatively easy to fix but can take time. It sometimes requires a review of the HR strategy as well as of the hours recorded/billed model if it blocks out, intentionally or not, all other aspects of fee-earner activity.

Financial disincentives – are partly linked to the annual appraisal. Again, if performance is based 100% or predominantly on a fee-earners' hours recorded/billed, then this can be a real barrier to collaboration. This is especially true if, by collaborating with colleagues in other offices/countries, the work generated is recorded and billed in those other offices, with no recognition of where the original impetus came from. The outcome is obvious – if it isn't worth it, it doesn't happen. Financial disincentives, which at their worst can be penalties, are often the biggest barriers to collaboration. They lurk throughout professional services firms and in the vast majority of cases have done so for decades and decades.

Measurement – as with the topics above, the measurement of individual performance can be one of the main barriers to fostering collaboration. Some professional services firms recognise this and in a few cases, have or are in the process of balancing out the emphasis on hours billed by enhancing measurement of *activities* that are investments in people/leadership, long-term business development, internal networking and collaboration across offices and countries. In so doing these firms are forging a much brighter future for themselves in their competitive landscape because they allow fee-earners to look towards the horizon - not just for themselves but even more critically, for their clients - instead of looking no further than the end of their noses, or more realistically, their pockets.

Confusion – collaboration is not the same as introducing a colleague to a client in the hope of generating a separate line of work – that's cross-selling. Collaboration is about combining brainpower and using that combined expertise to the benefit of clients and solving their more complex problems. It's about being much more of the *actual* valued adviser, rather than thinking that just introducing a colleague to a client somehow ticks the box for being a valued adviser or having done some cross-selling. It is simply not that straightforward. Similarly, collaboration is not just about a partner delegating work downwards, or sideways for that matter.

Old habits – die hard. More often than not, very hard because the "auto-pilot" effect is very, very strong. It's more often than not ingrained during the competitive 'dog eat dog', 'up or out' years that precede partnership. Consequently, it can be very difficult to break the cycle and requires a significant effort from the leadership of a professional services firm to achieve this. How? By focusing on the upside - the benefits. In addition to more profitable work, these might include long-term senior level succession, the valuation of equity, the reputation of the firm, rankings and more interesting and intellectually stimulating work.

Conclusion

It doesn't matter if the barriers to collaboration are real or perceived - they still need to be addressed, constantly. The downside for a fee earner is limited and, at worst, short term. The upside is significant and long term. But for a firm as a whole it's slightly different – there's significant downside in not fostering a collaborative environment, but massive upside. Consequently, investing the time and effort in creating and fostering an environment which is truly collaborative really is a complete "no brainer".

Nevertheless, the barriers to true collaboration are usually real, strong and high, and therefore difficult to break down. Consequently, there's a choice – either invest the time and effort in fostering and rewarding true collaboration, or don't. Which is the easier decision of course. But let's remind ourselves of the benefits:

- Longer term client engagement
- Higher fees and improved margins from more complex work
- Less pressure on price
- Enhanced client loyalty
- More visibility of pipeline
- Competitive edge
- Greater differentiation
- Higher level "C-Suite" relationships
- More work from own clients
- Reduced impact from negative market cycles

All of which means that in the end it's all about collaboration because there's really no choice. Without collaboration, there's no growth and without growth there's actually shrinkage (because there's no such thing as standing still) and with shrinkage there's loss of ground to the competition. And all professional services firms know where that leads.

**See PACE article: *It's all about collaboration (Part 2) – How do I collaborate?*
*See PACE article: *Barriers and solutions to cross selling*

PACE®

The PACE Partners LLP
75 Newman Street
London
WIT 3EN

t +44 (0)1932 260062
e tpp@thepacepartners.com

www.thepacepartners.com

It’s all about collaboration (Part 2)

How do I collaborate?

Part I of *It's* *all* *about collaboration* focused on the compelling reasons for creating an environment of collaboration in a professional services firm and what that means. The two key conclusions are:

1 It's extremely worthwhile
2 It's difficult!

As far as the latter is concerned, it's worth reiterating that collaboration is not just about assembling the various 'parts' of expertise to address a piece of work for a client – that's project management; not least because the various parts of the solution could (depending on the nature of the assignment) complete the work required entirely independently of each other. Nor is collaboration just about delegating work. And collaboration isn't simply cross-selling either.

This article focuses on the difficulty of collaboration, and answers the question a fee-earner might reasonably ask:

"Ok then, how do I collaborate?"

Because this is, to some extent, equivalent to eating an elephant, let's break the question down into eight bite sized pieces:

1 Who do I collaborate with?

It's unlikely that a fee-earner has time to collaborate with everyone in the firm. So, consider carefully which colleagues have pertinent expertise and experience that is relevant to your key clients. Research what type of clients they have successfully served and what sort of work that involved, and demonstrate that knowledge by inviting specific colleagues to collaborate on one (or more) of your clients where their expertise is likely to be of value to the client. In other words, identify opportunities for your chosen collaborators. Likewise, given the constraints of time, it is worth investing some effort in considering which colleagues are working with clients to whom *you* could bring value in terms of *your* expertise and experience. And, if the list of potential collaborators is long, invest a bit of time in working out who might be more interested and therefore receptive to a discussion.

2 Be a generous team player

When it comes to allocating financial recognition of client work, be fair and better still be generous in recognising the contribution of colleagues. In other words, don't take all the credit. Similarly, consider the merit of involving colleagues more in the process of winning work such as presenting at pitch meetings, interacting with clients more etc, because more often than not clients buy strength and depth. Also, treat everyone as a partner – try to avoid imposing last-minute deadlines on colleagues, especially at weekends. Having this mindset increases the possibility of continued collaboration.

3 Be available

This might appear to be blindingly obvious, but in practice it's important to be an active and visible collaborator. That means both making the time for yourself but also for others to collaborate. Part of being available is communicating openly and collegiately and regularly giving and asking for feedback.

4 Lead by example

The surest way to become a true and successful collaborator is to start with oneself and lead by example. It will soon catch on. Colleagues will want to work more with you, so it becomes a self-fulfilling outcome. Coaching others (obviously in a positive and nurturing manner) builds trust. Telegraphing wins achieved by a team rather than just by yourself enhances credibility and propensity to being seen as a worthwhile and valuable collaborator.

5 Non-billable hours

There are increasing numbers of professional services firms whose leaders are de-emphasising the importance of billable hours by a) decreasing billing hour targets and b) increasing the importance of accurately recording non-billable activity. To enhance collaboration, this includes investing in and recording time for coaching, joint meetings (internal and external), feedback sessions, giving advice, mentoring, collaboration initiatives and much more. The key is to focus on activities and their outcomes to continually facilitate and encourage investment in collaborative activity, and in so doing removing or reducing the barriers. Put simply, this is changing an approach of some hours being 'just non-billable' to those same hours being recognised as an investment in being competitive. Also remember, if it isn't targeted or actively prioritised/required, it won't get done!

6 Learning

Learning is an important example of non-billable activity which enhances collaboration, but the effort required to learn about colleagues' clients takes time and effort. So, it makes sense to enable it to happen in the first place (as per 5) and to reward the effort, either financially or simply by giving due recognition.

7 Celebrating success

So simple but so rarely done to the extent to which it should. When collaboration is working and positive progress is being made, then find ways of celebrating success. It can be a range of actions, from something as simple as a private or public "Thank you" and/or "Well done" through to making sure that everyone's contribution to a win is put up in lights.

And last but by <u>no means</u> least…

8 Don't forget to collaborate with clients!

Perhaps stating the blindingly obvious, but we have observed many collaboration initiatives which completely omit the client. One method which many firms use is secondments which work well, although sometimes we find a lack of structure to secondments. Firms that do it really well have a briefing-in process, regular updates back at the office, and a full de-brief. Even without a secondment in place, collaborating with clients is imperative. Without this mindset and approach, collaboration can easily just turn into selling. So, look at any collaboration initiative almost exclusively from the client's point of view and invest time in considering what might motivate <u>them</u> to engage even more than before. What areas of skills and expertise can your firm bring to bear which the client might be motivated to consider and, if all goes well, benefit from?

PACE®

The PACE Partners LLP
75 Newman Street
London
W1T 3EN

t +44 (0)1932 260062
e tpp@thepacepartners.com

www.thepacepartners.com