



# Building high performing practices in challenging times

Practice management, how to spot an underperforming practice and how to turn things around are perennial challenges for professional and financial services firms. These problems which were exacerbated during the pandemic have been brought into sharp relief with recession looming, with practice leaders, firm managements and Boards in crisis mode, with little time to focus on the day-to-day practice management.

Building High Performing Practices explores the nature of practice group underperformance and its causes. The report examines three key areas of focus that leaders have used to turn underperformance around and put practices onto a growth trajectory. To inform this report, we've interviewed 40 leaders across the professional services industry to capture the wisdom from their experiences in leading these changes.





## FOREWORD



HENRY MARSDEN  
MANAGING PARTNER, PSFI

We have seen that the ability to rapidly build and expand successful practices differentiates successful firms from those who have stagnated, lost ground or ceased to trade. Successful firms have the ability to identify new clients or new services that clients need that fit their strategic direction. They then work hard to rapidly build capability (or walk away from “red herrings”) and then to scale the practice across the firm’s footprint to differentiate. For the partners involved, this is stimulating, exciting, positive and satisfying – many are humble but with a little prompting will be delighted to share these success stories.

But then we noticed that many leaders were asking us about the “xx practice” in the firm and what they should do about it. They use phrases such as “lost its buzz” or being “unable to turn around financial contributions” indicating problems that are way beyond the temporary blips that all practices experience from time to time. They would equally notice that affected partners were beginning to fall out or were forming resistance groups to what they knew was not working and that attracting or retaining talent was becoming an issue.

**“Turning around performance starts with connecting as a human – I have a picture of every person. I know their birthday, their children, their wedding, when born, parents still alive. Every interaction is recorded.”**

**PARTNER, BCG**

Conversations during the pandemic shone a light on these issues and the threat of recession brings them into sharp relief. It was clear that what had been known by many, for some time, would have to be addressed by someone if the underperformance is to be addressed. We took this opportunity to talk to over 40 leaders in different PSF industries (law, accounting, consulting) to gather their insights and experiences in turning around firms or practice groups when confronting these issues.

We distilled their generous contribution and were struck by the metaphor of the three bladed propellor that can drive a firm to future success or throw it into reverse. No blade can be detached and the aim for firm is to get the blades aligned, to act in unison to drive organisations to perform at the highest level.

The three blades are:

- The practice leader(s) – the partner(s) who hold the critical leadership roles in the practice
- The firm’s Executive team – their willingness to address the issues, bring resources to the challenge or to take more radical steps
- The firm’s Board – who play a far more critical role relative to corporate organisations given that they are representing the partners as owners and so have a different duty to those who may be considered as underperforming

Given the breadth of this topic Mike, Ori and myself have written three papers examining each propellor blade for you to draw on. That said we want to make it clear that dealing with only one blade in isolation will not be sufficient to turn things around. There are many situations where a brave practice leader ready to address the issue is thwarted by an unsupportive Executive or Board. Similarly, a bold Managing Partner looking to address the issues can be casting around to find the right person to fulfil what is needed as a practice leader.

We hope that these papers provide an invaluable resource to those who are confronted with the question of “How do we turn around and rebuild an underperforming practice in challenging times?”.



# Practice turnaround and the role of the Executive

ORI WIENER  
CHAIRMAN, PSFI



## ARTICLE 2

# Practice turnaround and the role of the Executive



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CHAIRMAN, PSFI

In less turbulent times, an Executive team might have enjoyed the luxury of light touch leadership, but in today's climate the Executive needs to look at its mandate in terms of driving performance, and like the Board, step up and play their part.

Our research highlighted three major systemic barriers to high performance that an Executive team needs to resolve.

### 1. The future of the practice

The starting point for an Executive team looking at an apparently failing practice is to ask itself the critical question of whether they want and can fix the practice, sell it or close it.

When addressing that question the Executive also needs to consider whether the practice still fits with the firm and its strategy. This is often a good time to seek clarity on the direction of travel of both the firm and the practice group, by revisiting purpose, vision, mission and values.

Members of the Executive team also crucially need to be aligned on their views of the practice's performance and decide whether there is a future for the practice either within their firm or elsewhere.

**"It's important to work out what the KPIs should be. These need to be objective, agreed and aligned with the broader firm strategy our client base and sectors."**

**FORMER SENIOR PARTNER OF A GLOBAL LAW FIRM**

It's tempting to focus on utilization to try to understand a practice's performance but this risks a very short term and blinkered perspective. The Executive needs to look at the total contribution of the practice, not just its financial contribution. That said many partners do not understand basic financial relationships. Leadership teams therefore need to make sure that partners understand these profit drivers and support them in managing these to allow financial contribution to become a key indicators of success.

**"You need to understand the business and economic cycle – what is happening in general. Form a view by reading the press, listening to clients, reacting to broader changes. Short term and long-term needs are different and you have to think through both."**

**JULIAN HOWARD, SENIOR ADVISOR AND FORMER MANAGING PARTNER, MACFARLANES**

We've identified four interlocking areas and their metrics that need to be looked at together to get a true and balanced picture of practice performance to help make decisions as to a practice group's future: partner behaviour, markets & client standing, practice engagement and financial contribution. We have also noticed that all four are linked via a firm's vision and its components.



**“Leading indicator for me is a lack of energy and motivation.”**

PARTNER, BCG

It is vital to understand the passion of the partners in the practice when trying to assess whether it can recover and go the distance. Are the partners positive, collaborative, strategic and keen to address their collective challenges? Do they have support from across the firm network?

**“We relied on the partners and leaders of the practice. We are looking for passionate partners up for doing something about the situation.”**

FORMER CHAIRMAN OF A TRANSATLANTIC LAW FIRM

Many of those we interviewed emphasised that however tempting it might seem, it is a mistake to keep clients at arm's length when looking at a practice turnaround. They all advocated seeking client feedback on performance and the people involved. They also looked to find insights from competitors' actions.

## 2. Practice leadership

The next potential performance barrier to review is the practice leadership. The Executive has to resolve the potential dilemma of whether to back the current leader(s) or appoint a new leader or leadership team. Both alternatives may have distinct advantages and disadvantages.

In making this decision and evaluating the current leader(s) an Executive should be probing the leader(s)' mindset, whether they show the right behaviours and have the required skillset and how well positioned they are within the practice group and the firm. Ultimately the Executive needs to ask itself whether the incumbent or potential leader(s) has sufficient energy and credibility and an engaging vision to take the practice forward.

**“Practice leaders need to engage with issues. Where they do not it is time to change.”**

CLAIRE ROWE, PARTNER AND FORMER CEO, SHOOSMITHS

Once a decision has been made, it's important that the Executive ensures that the practice leadership has the appropriate mandate to lead their practice, implement changes and make decisions. The Executive needs to ask itself critically whether they are setting the practice leadership up for success or failure. Success is likely to require offering themselves as a sounding board, making leadership training available and providing air support for the practice leader when difficult decisions need to be made and implemented, especially in the light of resistance from long-standing, well-connected partners.

## 3. Partnership ethos

Once a turnaround has been accomplished the next fundamental question becomes “How can we sustain the practice for the long term?” Our research found four critical approaches that answer this fundamental challenge: pay attention to culture, invest in the next generation, constantly monitor performance and refresh the vision.

The power of culture to both resist change but also potentially to carry it should not be underestimated. It therefore becomes essential for practice leader(s) to promote and shape an effective culture promoting teamwork, setting ambitious targets and taking responsibility.

**“The belief is that the team and collaboration is greater than individual. Partners sell the vision and set the direction and the team is the engine for performance.”**

PARTNER, MCKINSEY

In terms of investing in the next generation the Executive should be clear on their organic growth plans and lateral hiring strategy, using organic growth to build from within and grow the firm's own stars of the future. Selective lateral hiring, when accompanied by effective

and sustained onboarding can fill specific gaps and can also foster a certain, healthy competition which (if well managed) can raise performance across the board.

Expecting that performance will continue, once improved is not an option – performance needs to be constantly monitored.

**“I always liked the Welch idea of chopping off the least performing 10%. Done badly and it's a disaster. Done well and it really does create high performance and above average returns.”**

ANONYMOUS, BIG 4 ACCOUNTING FIRM

**“Many leaders get nervous and take short cuts but I like to build from fundamentals. It's not about finance, it's about a noble purpose, an emotional connection – people want to belong – they are hungry for this. Shut up and show them, they learn faster.”**

PARTNER, BCG

Finally, the practice group's leader(s) needs to find and articulate the right purpose and vision for the practice group. This sets the tone and basis for the group's culture and will determine whether people want to buy into the group's strategy and its plans for the future and commit to the practice and firm or not. This may be about determining the balance between wanting to be the most profitable practice group in the market or seeking to have the broadest client base or may be more about providing members of the practice higher degrees of autonomy in terms of servicing clients.

## Ori Wiener, Chairman, PSFI

Ori is one of the leading international authorities in the areas of strategic business development as well as pricing, fee negotiation and profitability improvement. Ori regularly delivers international development programmes and has worked with senior and mid-level Executives from over 75 professional firms including investment banking, asset management, accounting, consulting and law firms.



Thank you to Mike Griffiths, Managing Director of Consulting Skill, who helped interview the leaders for this research project.

Understanding that professional and financial services firms are all different, we take an expertly nuanced view, underpinned by decades of experience to be able to work alongside leaders of professional and financial services organisations to bring transformational change.

Our clients, many of whom have been with us for more than 20 years, trust us to support them on their most complex issues around business & leadership strategies, senior people capabilities, and strategic decision-making.

We are building an independent, international, and diverse organisational development and leadership consultancy to help you access, navigate, understand and apply the most relevant leading edge thinking and research to help your business grow.

We offer evidence-based thinking combined with years of hands-on experience and tailor our work and advice to suit each client's needs.

Above all we care deeply about our clients, placing the highest possible value on our relationships with you, balancing warmth and support with curiosity, insight and challenge to get to the heart of the issue so we can help you make a real and lasting improvement to your business.

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