



# 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 practice leader: have you got what it takes?

MIKE MISTER  
PARTNER, PSFI



## ARTICLE 1

# Practice turnaround and the role of the practice leader: have you got what it takes?



MIKE MISTER  
PARTNER, PSFI

**“Hard work and courage is the most important. It’s having the confidence to do the right things to get there.”**

PARTNER, EY

Perhaps the first critical question to address when faced with a failing practice is whether the right practice leadership is in place? If your strategic market choices are correct, and you have deployed good people – then that only leaves one other variable: leadership.

In this article we look at what attributes are needed to be a high performing practice leader; how to balance the competing priorities of going to market, making financial decisions, managing the team and how to handle under performance.

### Attributes of a high performing partner

Most partners appointed to practice leader have already established a track record in the firm and it’s fundamental that new leaders recognise that a lot of their credibility is wrapped in what they have done before. It can be a powerful weapon for a new leader to ask themselves ‘what is my reputation and how do I leverage it’ as well asking ‘what do I now need to change in what I am doing?’.

Being trusted and trustworthy with the ability to flex leadership style were often cited by the leaders we interviewed for this report. The other qualities highly valued were inclusiveness, assertiveness, being tough when needed, caring, collaborative and courageous.

**“We like leaders who are like swans ‘serenity on top’ and don’t freak out at the first sight of a crisis. Calm is comforting to people.”**

JULIAN HOWARD, SENIOR ADVISOR AND  
FORMER MANAGING PARTNER, MACFARLANES

It is also a truism that most leaders don’t have the luxury of picking their team from scratch, they have to work with what they’ve got or ‘inherited’. The following principles can help in driving high performance.

### 1. Setting the direction

Being clear on the vision and setting a definite direction of travel sets high performing leaders apart. Clearly, it is helpful to involve the team in the decision making, as well as being flexible in terms of the “how” to get to the destination. If time permits, leaders should consider creating a new leadership team and working through all the “what if” scenarios with them.

### 2. Commitment

A high performing practice leader invariably uses strong communication skills to build commitment in the practice. They are open to everyone in the team and keep the channels of communication open. They focus on playing to their strengths and dealing with issues quickly. Commitment from the leader underpins how inspiring a leader they are, and the more inspiring, the better able they will be to change mindsets, attract lateral hires into the group and be compelling to clients. A committed practice leader also finds it much easier to secure senior sponsorship.

### 3. Execution

The practice leader needs to focus on how they are taking action. Are they following up with people, are they protecting the team? Good leadership also means not shying away from tackling under performance. The rest of the group will be scrutinising the action taken by the leader. In fact, a large part of the leaders’ job is knowing when to act and that can often take bravery and courage.

**“The ones good at turnaround tended to be the ones who were assertive (not aggressive) and got on with it. They were not afraid of having challenging conversations.”**

CLAIRE ROWE, PARTNER AND FORMER CEO, SHOOSMITHS

## Attributes of a high performing practice leader

### Ambitious

- Do they want to build a business?
- Do they seek partners to expand their portfolio?
- How committed are they to create opportunities?
- Are they setting a clear, ambitious direction for the practice?

### Engaged and engaging

- Do they have the right mix of clients?
- Are they doing the right type of work?
- Do they lead significant accounts?
- Is their advice valued?
- Do they engage their team?
- Do they talk and listen?

### Collaborative

- Are they creating opportunities for others?
- Are they working well with peers?

### Financial contribution

- Is their revenue generation on track?
- Is their contribution profitable?
- What are their growth projections?
- Is their market viable?

## Getting the balance of priorities right

It can be overwhelming running a practice and can feel like trying to “boil the ocean” at times. Being clear on which priorities to focus upon is a crucial element of turning around underperformance.

### 1. The go-to market strategy

There is no substitute for understanding the marketplace. Keeping close to the right clients is essential in this regard. This might mean more resources are needed, or trading on relationships established elsewhere in the firm. A leader needs to be credible and lead by example. If they are telling partners to be in the marketplace, they need to be seen in the marketplace too.

**“Have a proposition that the market wants. Target the right clients and long-term relationships.”**

PARTNER, EY

### 2. Right partners

The leader needs to make a realistic assessment of the team. Who’s in and who wants out. For those that want to leave, help them out with dignity. Those that have to be exited should be treated with respect and a watchful eye kept on the exit process. For those who are staying the question becomes how can the leader help them perform as well as they can?

### 3. Finances

There is only so much cost that can be cut and it’s a mistake to think cutting costs is the fastest route to success. Rather costs need to be controlled and instead of a kneejerk 10% ‘haircut across the board’, it is far better to reduce where needed and invest where sensible. A leader fundamentally needs to find a set of metrics that go beyond the financials alone and include client service, client satisfaction and staff engagement.

**“Driving growth whilst controlling costs – but making investments nonetheless.”**

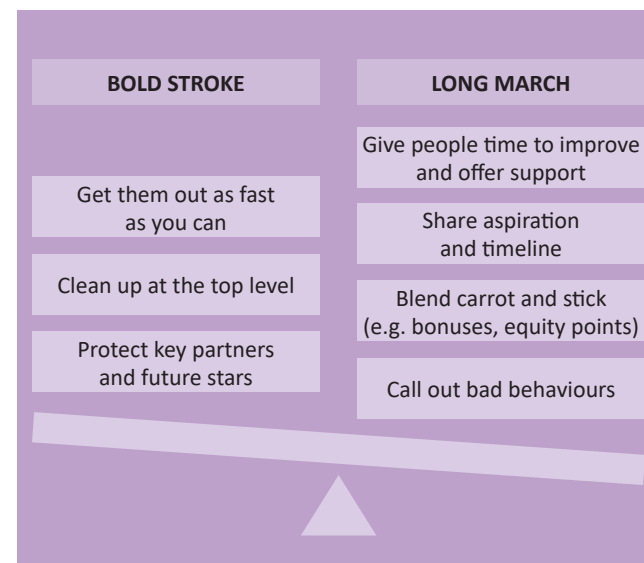
FORMER DEPUTY MANAGING PARTNER OF A GLOBAL MANAGEMENT CONSULTANCY FIRM

## Managing underperformance

The challenge for the leader is to get the balance right between acting quickly and taking the long view. The leaders we spoke to differed on how bold they felt it was necessary to be, although all our interviewees were very clear that time was a critical factor. In turn this impacts how much time they would give people to turn things around, but it was clear that all felt there was a balance to be had. Most said that they wished they had moved faster, and that the people could probably have coped with a faster pace of change. At the end of the day the leader is dealing with a set of circumstances with many parameters and the leader’s situational awareness will be key to the judgements that they make. However, what is without debate is that it is vitally important the practice leader feels empowered and able to make their own judgements.

**“Sharp knife, clear conscience.”**

JAMES GEORGE, PARTNER AND FORMER INTERNATIONAL MANAGING PARTNER, OC&C STRATEGY CONSULTANTS



**“Never start cleaning the stairwell other than from the top. 4:1 seniors to junior ratio. People think they are protected at partner level but we must prove ourselves every day.”**

PARTNER, KEARNEY

**“Identify the low energy partners (e.g. ambition, drive, intellect, confidence). If they are young then move them out of the firm as they won’t improve. If they are mature, actively manage retirement process or at least call it early.”**

JULIAN HOWARD, SENIOR ADVISOR AND FORMER MANAGING PARTNER, MACFARLANES

### Advice for new leaders

We collated the best advice from the leaders we spoke to into a top ten pieces of advice for practice leaders.

1. **Create & communicate a clear picture**

Get people to look up, beyond their daily challenges and see the future direction. Keep it positive and seek opportunities. Avoid flip flopping on decisions. Communicate client successes. Buy-in is critical. Work with your peers and the broader team.

2. **Be brave and courageous**

Don't shy away from decisions, even if the data isn't perfect (which it won't be!). Sort the people out as fast as you can. Be bold with your vision.

3. **Take a holistic view**

Look at the work, the people, the structure, the partners – all the components and indicators of where the practice is strong and weak.

4. **Drive up the energy and creativeness**

Fire up and release the enthusiasts and take out the high profile dysfunctionals. Create a meritocracy – get the young to find a new way. Have an open mind to embrace innovation. Grow talent by giving responsibility one rank higher than current role.

5. **Be tough but fair**

Be open and transparent. Personal relationships may need to be sacrificed for the good of the business. Coach those who are exiting. Don't fire people without giving them a chance.

6. **Listen to clients and get an external view**

Act on their observations as sometimes clients may give invaluable insights and can help co-create a strategy.

7. **Use expertise of others**

Make good use of external expertise, others who have experienced this sort of thing before.

8. **Get support**

Get senior sponsorship. Have good mentors. Make use of HR, BD and Finance functions.

9. **Retain your client focus**

Don't lose contact with the market.

10. **Lead by example.**

**Mike Mister, Partner, PSFI**

Mike works with professional services firms on designing, developing and supporting change agendas and building improved leadership capabilities in partners. His areas of expertise include helping organisations understand the importance of partners as leaders in building sustainable practices, the leadership and motivation of diverse, high performing teams and leadership across the partner life cycle.



# Practice turnaround and the role of the Executive

ORI WIENER  
CHAIRMAN, PSFI



## ARTICLE 2

# Practice turnaround and the role of the Executive



ORI WIENER  
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."**

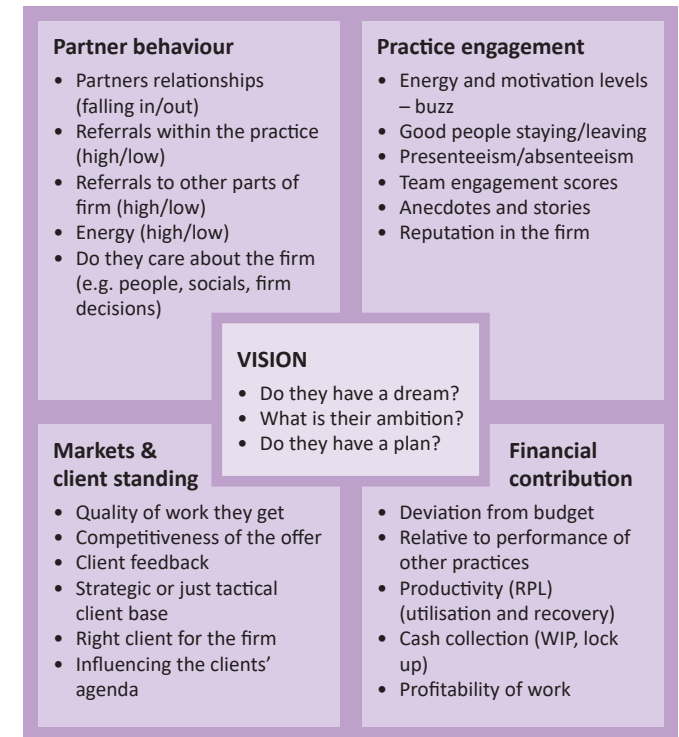
**FORMER SENIOR PARTNER OF A GLOBAL LAW FIRM**

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.



# Practice turnaround and the role of the Board: an enabler or a brake?

HENRY MARSDEN  
MANAGING PARTNER, PSFI



## ARTICLE 3

# Practice turnaround and the role of the Board: an enabler or a brake?



HENRY MARSDEN  
MANAGING PARTNER, PSFI

**“It needs a holistic view, the work, the people, the structure, the partners – the right leader.”**

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

Boards have risen to the challenges of COVID-19, but as professional services firms begin to move beyond the pandemic they are now faced with extended times of turbulence and economic crisis. Boards have to engage even more actively with the challenges of practice management and underperformance and support their management teams to ensure that they act as enablers of change, rather than becoming a hindrance.

We look at how Boards can act as a brake to turning around performance and what they should do instead to enable change and growth.

**“Beware of false starts – there is a need to get a grip from the beginning of the crisis. We could have gone earlier – we lost a year in getting up to speed and running hard.”**

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

### Barriers to turning around a practice

Our research highlighted five major ways in which Boards can become a hindrance to change:

#### 1. Fear of change

Often Boards fear tackling an underperforming practice, particularly where it has been historically important or it was a once innovative practice that has run out of steam due to changes in the market.

Considerations of cutting or changing a practice can raise tricky existential questions for the Board as to whether its actions will change the DNA of the firm beyond recognition. When considering radical change for a practice, Boards often worry about potentially losing the backing of the partners or even key clients if they make unpopular choices. This often drives a Board to undertaking extensive and time-consuming consultations.

Fears regarding how partners and clients will react are valid and important, but this nervousness can lead to indecision. Boards have to be careful that an extensive consultation with affected parties and does not result in the Board becoming disempowered and stuck.

**“At a previous firm everything you hear on calls would be positively messaged and a lot of back patting ‘We had another great month’. But we failed to have tough conversations. People were scared it would break the culture but you do need to break the culture if you need a different trajectory.”**

**PARTNER, BAIN**

#### 2. Remuneration system

Remuneration systems can be a challenge as there are so many different permutations in terms of whether it is owned by the Board on behalf of the partners, or given to the managing partner to manage. Our research found that where partner remuneration is driven by the Board, the managing partner is undermined in implementing change as they can't use remuneration to incentivise or sanction underperforming partners. Boards typically don't manage remuneration systems to drive performance given that they are elected. This often means that remuneration can't be used as an effective driver for change unless it is moved into the executive space.

#### 3. Lateral hiring

When transforming a practice, firms often choose to bringing in external talent, often a big name, to support a turnaround. As Boards are usually integral to the lateral approval process, managing the voting and related consultations they can often act as a barrier.

Our research found that Boards are often reluctant to nuance their firm's culture to accommodate a big name. They can get stuck thinking the lateral isn't going to fit when actually the argument becomes circular in that these lateral hires are not going to fit in an underperforming culture in any case.

Boards do need to ask themselves whether a lateral will damage the culture beyond what can be tolerated, or rather whether the lateral hire could act as a catalyst to evolve the culture into something more commercial and dynamic and be the change that is needed.

#### 4. Complacency

Our research found that many Boards unduly tolerate an underperforming practice, accepting it as a given. Underperformance is sometimes explained away as a reality of law that certain practices are always countercyclical. But this explanation can be misapplied with some practices fundamentally underperforming relative to the rest of the firm.

#### 5. Confusion over mandate

Boards often understand their constitutional role and voice but can be confused over mandate. They can be torn between petitioning on behalf of underperforming partners and agitating on behalf of those whose take home pay will be lower as a result of carrying and subsidising the underperforming partners.

Board can act as catalysts – they can say enough is enough or they can act as brakes on the necessarily painful plan managing partners need to execute.

**“Have a holistic view of components and indicators of where it is strong and weak. Be very focused on changing a small number of things. Hold the course. Week by week, month by month governance – not changing focus all the time. Drive the two or three that have strategic impact.”**

**PHIL DUNMORE, FORMER MANAGING PARTNER AND HEAD OF CONSULTING, WIPRO**

#### The enabling role a Board needs to play

Having stepped into the challenge of COVID, Boards need to keep up the momentum despite the threat of economic turbulence, keeping their feet off the brakes and act as an enabler of change, embracing the challenges of practice turnaround.

Boards need to imagine the future world and analyse the key trends shaping their business context. Together with the Executive team they need to be decisive on when to pivot the firm’s strategy to ensure a sustainable and resilient future.

#### A strong leader who is prepared to step into the challenge

An enabling Board needs to start with a strong leader in the senior partner who realises the need to sort out the problem of an underperforming practice and are willing to step into the challenge. There are a broad range of options for the senior partner such as to invest more in the practice, bring on the right lateral hires, have a plan to change things around and change the remuneration structure, but the crucial thing is to grasp the nettle and take action.

**“First you have to get unequivocal support from very senior leadership. You have to be honest, blunt even, about your intention but at the same time paint a picture of opportunity. It takes a lot of talking and listening. You want to go fast but can’t.”**

**PARTNER, EY**

Our research highlighted the need to decide on a clear plan and execute it well. We also found the level of trust and cooperation between the Board and the Executive team can’t be underestimated.

We’ve seen the pandemic spark better discussions and collaboration between Boards and their Executive teams and it’s vital this closer way of working continues during the choppy waters ahead.

#### Engaging the partnership

Once the Board has looked at available options and worked out a plan, they then have to engage the partnership to avoid a revolt, or a nervous partnership looking over their shoulders wondering when they might be next.

Done badly and the firm ends up losing the very partners that they don’t want to do.

**“Moving quickly can be a good thing. While it is always tempting to ask for more information and do more analysis, delay can be costly. You need to act once the solutions are clear.”**

**JASON HAINES, GLOBAL CFO AND OPERATIONS DIRECTOR, A&O**

To do it well, a strong narrative needs to be created with partners around the plan, the timings and how the plan will be executed aligned to the firm’s culture and values. Many of the larger changes require a vote and a mandate from the partnership in any case.

#### Providing air cover

The Board can also play an important role in providing air cover for the Managing Partner and Executive team. Once the Board has stepped into the challenge, and the Managing Partner has picked up the task of getting buy-in from the partners, the Board can be a helpful, supportive voice in the process, providing support and air cover for the inevitable bad press that will follow. The senior partner can step into the PR space and help build a strong supportive narrative with the press around why the changes are necessary and why they support the firm’s strategy.

**“Get air cover because it takes time and rushing causes more problems than it solves.”**

**FORMER CEO OF A GLOBAL LAW FIRM**

#### Henry Marsden, Managing Partner of PSFI

Henry has worked with firms in an advisory capacity over the last 20 years in the field. As an experienced consultant and advisor as well as coach, Henry designs, develops and delivers development programmes to professional services clients. His work focus is on leadership development, supporting partner conferences, leadership development programmes, succession planning and top team development.



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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