

DAVID MAISTER

PRESENTATION HANDOUTS > STRATEGY

copyright 2003 David Maister

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA
TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

TABLE OF CONTENTS

STRATEGY AND CULTURE ... 3	PROFITABILITY 25
Goals 4	Professional Service Firm Profitability26
How Would You Describe Your Mood? 5	What Does Underdelegation Hurt?27
A Great Place To Do Great Work 6	Why Does It Happen?28
Some Principles Of Strategic Planning In Professional Firms 7	Solving The Underdelegation Problem29
Some “Friendly Skeptic” Questions To Appraise A Strategic Plan 8	A Profitability Quiz30
What Is Professionalism? 9	Job-level Profitability Reporting.....31
Practice What You Preach10	Non-reimbursed Hours32
How Successful Offices Did It 11	Profitability Improvement Tactics33
The Nine Key Attributes.....12	QUALITY 34
What Produces Superior Profits? The Causal Model 13	Dimensions For Quality Improvement.....35
Key Questions On The Causal Path 15	Some Quality Leverage Points36
Lessons From “Built To Last” 16	Causes Of Quality Failure.....37
Good To Great 17	Quality Questionnaire38
The Key Processes Of A Professional Firm 18	About David H. Maister.....39
What Is A Value? 19	
Goldman Sachs’ Business Principles20	
The “Professionalism Program”21	
What Do We Need To Overcome?22	
Types Of Professionals23	
About Your Work: 24	

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

STRATEGY AND CULTURE

3

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

GOALS

Following are listed some possible improvements in your career and working life that you might desire. Which are your top priorities?

1	Earn more money
2	Achieve higher position within the firm
3	Obtain more autonomy in my work-life
4	Greater recognition and respect from clients
5	Greater recognition and respect from colleagues inside the firm
6	Greater recognition and respect from others in the profession
7	Get more interesting / challenging / prestigious clients
8	Get more interesting / challenging work from the types of clients I do have
9	Become more involved in decision-making in the firm
10	Have better juniors to work with
11	Learn new things / build new skills
12	More teamwork / collegueship inside the firm

HOW WOULD YOU DESCRIBE YOUR MOOD?

That of Your Colleagues?

Your Juniors?

1. Burned out or Jaded
1. Cynical or Skeptical
2. Bored or Complacent
3. Dutiful
4. Hopeful
5. Interested
6. Intrigued
7. Enthused and Excited
8. Passionate and Energetic

A GREAT PLACE TO DO GREAT WORK

What WOULD make a firm a great place to do great work?

1. Smart, energetic colleagues?
2. A disproportionately high percentage of top-end assignments?
3. An A+ client list?
4. Real mutual support and collaboration among partners?
5. Lots of help around?
6. A willingness by the firm to provide the tools and support needed?
7. High standards, enforced with help and discipline?
8. A clearly articulated set of values that everyone believes in?
9. A firmwide reputation, not dependent on individuals, that helps each person in the marketplace?
10. Practicing with others who share mutual interests?
11. A firm driven by principle, not expediency?

TWO QUESTIONS: WHAT WOULD YOU ADD TO THE LIST?

HOW WELL DO YOU MEASURE UP?

SOME PRINCIPLES OF STRATEGIC PLANNING IN PROFESSIONAL FIRMS

1. Strategy Is More About Building Capabilities Than It Is About Marketing
2. Strategy Is Primarily A Process Of Establishing Values: The Way We Will Operate
3. Strategy Should Be Primarily About Improvement Of Existing Businesses And Only Then About New Markets And Services
4. Strategy Development Is Primarily A Creative Activity, Not An Analytical One
5. The Goal Of Strategy Is Not To Forecast Where The Market Is Going, But To Create The Responsive Organization Which Will Adapt Wherever It Goes
6. Most Of Strategic Planning's Value Is In Figuring Out How To "Make Things Happen". It Is Not So Much About What We Should Be Doing, So Much As It Is About How To Get It Done.
7. In "Making Things Happen", Strategic Planning Cannot Exclude Review Of Major Firm Policies Such As Managerial Processes, Reward Systems, Measurement Systems, And Structure.

SOME “FRIENDLY SKEPTIC” QUESTIONS TO APPRAISE A STRATEGIC PLAN

1. What special capabilities do you plan to have that your best competitors cannot match?
2. In what way are your investment priorities likely to be different from those of the competitors?
3. Specifically, which 5 or 10 clients, by name, represent your most likely (not most desirable) new business sources for the next few years? (i.e. have you researched this point?)
4. What is the one most significant thing (each) that the main competitors are doing that will affect you? What do you plan to do in response?
5. How do you know the clients will like what you're planning? What field testing have you done? What client input have you obtained?
6. Who, specifically, is going to do this? Which of their other activities are they going to give up? Who's going to do those?
7. In what way do you plan to take advantage of the firmwide network? How do you plan to get the cooperation of others?
8. How do you plan to contribute to the firmwide network? How will what you are doing benefit them?
9. What are the staffing implications of your plans?
10. Where will you get the staff from?
11. What are the main assumptions on which your plan is based? Which is the most “risky”? (i.e. if it can go wrong, where will it go wrong?)
12. Who was involved in the development of this plan? Is everyone in agreement? (Who was not consulted? Do they have a role in executing the plan?)
13. On whom will you be dependent for the execution of this plan? Do they have sufficient incentive to do their part? Is it in their interests to do what you want? Do you have to modify your reward systems to make this happen?
14. If this plan is executed successfully, how will your skills and capabilities be enhanced? (i.e. apart from earning more money, how will you be stronger?)
15. Who will be in charge of executing each component of the plan?
16. What early warning signals will there be if the plan is not working? What contingencies have you put in place?
17. What is currently your greatest competitive weakness? Is that what your target clients would identify as your greatest weakness?

WHAT IS PROFESSIONALISM?

I.	Take pride in their work, and show a personal commitment to quality
2.	Don't have a "I'll only do it if you pay me for it" mentality
3.	Reach out for more responsibility
4.	Anticipate, and don't wait to be told what to do: Show initiative
5.	Do whatever it takes to get the job done: Do not watch the clock
6.	Are team players
7.	Are eager to learn the business and roles played by those they serve
8.	Get involved and don't just stick to their assigned role
9.	<u>Listen</u> to the needs of those they serve
10.	Learn to understand and think like those they serve so they can represent them when they are not there
11.	Are observant, honest, and loyal
12.	Accept criticism constructively: eager to learn and develop
13.	Are amenable to ideas of others
14.	CARE

Source: David H. Maister, *True Professionalism*, Free Press, 1997

PRACTICE WHAT YOU PREACH

Survey of 139 professional service firm offices worldwide,
examining relationship between employee attitudes and
financial performance

5500 responses (55%)

29 companies

15 countries

28+ different lines of business

People's rating of their office's current performance
(1-6 scale with 6 being top performance.)

QUESTION TEXT	MEDIAN
1. Quality Client Service	4.85
2. Quality of Work	4.79
3. Market Reputation	4.72
4. Long-term Client Relationships	4.65
5. Profitability	4.50
6. Growth	4.27
7. Being a Great Place to Work	4.03
8. Innovativeness & Creativity	4.00
9. Collaboration & Teamwork	3.90
10. Skill & Career Development	3.07

Source: Maister, Practice What You Preach, Free Press, 2001

10

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

HOW SUCCESSFUL OFFICES DID IT

(Scale: 6=Strongly Agree; 5 = Agree; 4 = Somewhat Agree; 3 = Somewhat Disagree; 2 = Disagree; 1 = Strongly Disagree)

Financially successful offices outperformed the rest on 85% of employee attitude questions. What they most outperformed on were:

	1. Enthusiasm and morale around here has never been higher.
	2. Management gets the best work out of everybody in the office.
	3. Management of our office is successful in fostering commitment and loyalty.
	4. The management of our office always listens to our people.
	5. People are more dedicated here than in most other organizations.
	6. Considering the office as a whole, the compensation system is managed equitably and fairly.
	7. Management around here is trusted.
	8. The quality of the professionals in our office is as high as can be expected.
	9. Management operates in accordance with the firm's overall philosophy and values: they practice what they preach.

Source: Maister, Practice What You Preach, Free Press, 2001

II

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

THE NINE KEY ATTRIBUTES

A regression was performed to see which of the 74 questions best predict financial performance. The result was the nine key attributes (which explain over 50% of all variations in profit performance, in spite of big differences of country, size of practice, line of business)

1. Customer/client satisfaction is a top priority at our company.
2. We have no room for those who put their personal agenda ahead of the interests of the clients or the office.
3. Those who contribute the most to the overall success of the office are the most highly rewarded.
4. Management gets the best work out of everybody in the office.
5. Around here you are required, not just encouraged to learn and develop new skills.
6. We invest a significant amount of time in things that will pay off in the future.
7. People within our office always treat others with respect.
8. The quality of supervision on client projects is uniformly high.
9. The quality of the professionals in our office is as high as can be expected.

Source: Maister, Practice What You Preach, Free Press, 2001

I2

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

WHAT PRODUCES SUPERIOR PROFITS? THE CAUSAL MODEL

Financial Success



Consistent Excellence In Quality And Client Relationships



Energy, Excitement, Enthusiasm Among All Providers



Ability Of Leaders To Create And Sustain Enthusiasm (Not Just Compliance) In Others

LESSON: TO OBTAIN SUPERIOR RETURNS, YOU DON'T WATCH THE MONEY. YOU WATCH (AND MANAGE) THE THINGS THAT PRODUCE THE MONEY.

Source: Maister, Practice What You Preach, Free Press, 2001

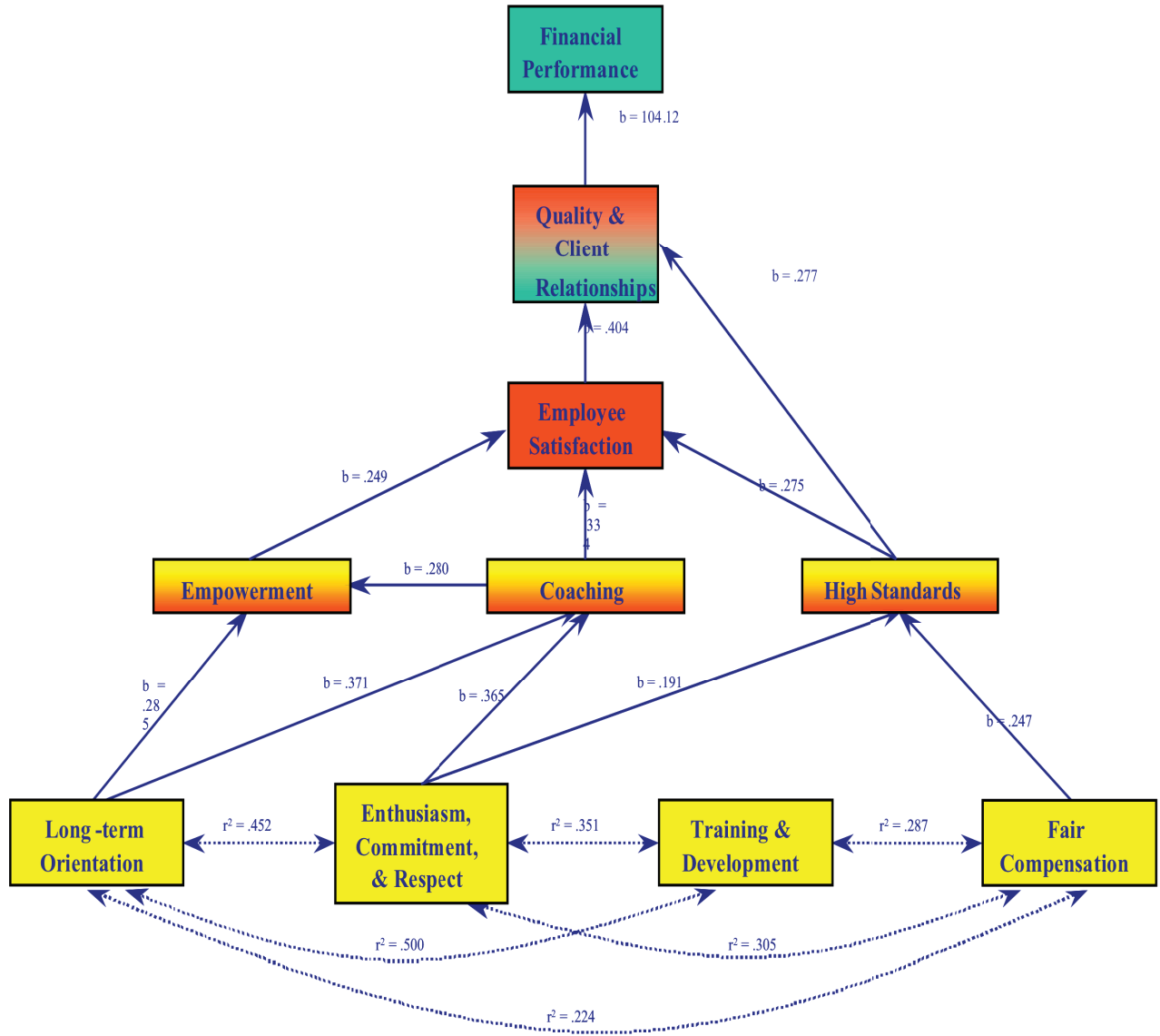
13

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM



KEY QUESTIONS ON THE CAUSAL PATH

QUALITY AND CLIENT RELATIONSHIPS

- Client satisfaction is a top priority at our firm.
- Most people in our office do "whatever it takes" to do a good job for their clients.
- The quality of service delivered to clients by my group is consistently high.
- The quality of work performed for clients by my group is consistently high.
- We always place the clients' interests first, ahead of those of the office.
- We are extremely good at building long-term client relationships.
- We do a good job of resolving client problems when they occur.
- We have a real commitment to high levels of client service, and tolerate nothing else.
- We have a real commitment to high quality work, and tolerate nothing less.
- We keep the client informed on issues affecting their business.
- We listen well to what the client has to say.
- We make our clients feel as if they're important to us.

HIGH STANDARDS

- Poor performance is not tolerated here.
- The quality of the professionals in our office is as high as can be expected.
- This is a very demanding place to work.
- We have a strong culture. If you don't fit in, you won't make it here.
- When necessary, people put the needs of the office ahead of their own.

EMPLOYEE SATISFACTION

- I am committed to this firm as a career opportunity.
- I am highly satisfied with my job.
- I get a great sense of accomplishment from my work.
- The overwhelming majority of the work I'm given is challenging rather than repetitive.

LESSONS FROM “BUILT TO LAST”

by James Collins and Jerry Porras (Harper Business, 1994)

THE COMPANY ITSELF IS THE ULTIMATE CREATION

Purpose beyond profit	AND	Pragmatic pursuit of profit
Fixed core ideology	AND	Vigorous change
Conservatism around core	AND	Bold, committing, risky moves
Clear vision and sense of direction	AND	Opportunistic experimentation
Big Goals	AND	Incremental evolutionary progress
Selection of managers steeped in core	AND	Selection of managers that induce change
Ideological control	AND	Operational autonomy
Cult-like culture	AND	Ability to change, adapt
Invest for long-term	AND	Demands for short-term performance
Philosophical, visionary, futuristic	AND	Superb daily execution
Organization aligned with core ideology	AND	Organization adapted to its environment

VISIONARY COMPANIES LISTED:

3M, American Express, Boeing, Citicorp, Ford, General Electric, Hewlett-Packard, IBM, Johnson & Johnson, Marriott, Merck, Motorola, Nordstrom, Philip Morris, Proctor & Gamble, Sony, Wal-Mart, Walt Disney

GOOD TO GREAT

Common Properties of Companies that Made the Transition (That Others Don't Do)

From the book by Jim Collins

LEADERS WHO:

- Are ambitious for their institution, but not personally
- Have humility and will
- Show unwavering resolve and calm determination
- Rely on standards, not charisma, to motivate

BET ON PEOPLE, NOT STRATEGIES

- Decisively get the right people on, and off, the bus
- It's who you pay, not how you pay them
- Don't build people's values; find people who share values
- Rigorous, not ruthless

CONFRONT THE BRUTAL FACTS

- Climate where truth is heard
- Don't let vision and self-confidence get in the way of dealing with truth
- Dialogue and debate, not coercion
- Autopsies without blame
- Build mechanisms to turn information into red flags that cannot be ignored

HEDGEHOG CONCEPT ("ONE BIG THING")

- Focus exclusively on things that meet three tests:
 1. You can be truly the best in the world
 2. It makes money
 3. You are passionate about doing it

A CULTURE OF DISCIPLINE

- Stick to What You Selected: Commit
- Success comes from determination over time, not one dramatic stroke
- Give autonomy and freedom within the framework
- Courage to say "no"

"The real question is not "Why Greatness?" but "What work makes you feel compelled to try to create greatness?" If you have to ask the question "Why should we try to make it great? Isn't success enough?" then you're probably engaged in the wrong line of work"

17

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

THE KEY PROCESSES OF A PROFESSIONAL FIRM

1. Creating Innovative Solutions to Client Problems
2. Finding New, Efficient Ways to Lower Cost (to us) of Performing Professional Tasks
3. Earning Unprompted Referrals from Client Work
4. Turning Individual Client Assignments into Long-Term Relationships
5. **Continuously** Gathering Market Intelligence and Tracking Emerging Client Needs
6. Generating Awareness of Capabilities in Important Markets
7. Turning Inquiries into Assignments
8. Developing New Services
9. Attracting High Quality New Recruits
10. Transferring Skills to Junior Professionals
11. Developing and Growing New Senior Professionals from Junior Ranks
12. Disseminating and Sharing Skills and Knowledge Among all professionals
13. **Helping** Professionals to Continue to Grow and Develop their Capabilities Throughout Their Careers

Source: David H. Maister, True Professionalism, Free Press, 1997

18

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

WHAT IS A VALUE?

1. Something is a value if and only if you are willing to enforce it.
2. A value is NOT a high aspiration you plan to strive for (that's a dream).
3. A value is a non-negotiable minimum standard to which *everyone* must comply.
4. To have values, there must be a system for responding to and eliminating non-compliance.
5. Such a system would, preferably, begin gently with a closed-door office visit and counseling session to provide help.
6. If this does not induce compliance within a finite time, exit must be required.
7. So, what do you believe in enough to be intolerant about?
- 8. With NO exceptions?**

Possibilities:

1. Level of minimum technical competence?
(DO YOU HAVE TO BE A STAR OR IS COMPETENCE ACCEPTABLE?)
2. Behaviors in dealing with those around you?
(EG, RESPECT, INTEGRITY, KEEP YOUR WORD)
3. Behaviors in dealing with clients?
(EG NO TECHNO-NERDS ALLOWED: WE CARE ABOUT OUR CLIENTS)
4. Minimum Financial contribution
5. Personal career growth?
(IS LIFELONG LEARNING ENCOURAGED OR REQUIRED)
6. Individualism versus Team Player?
(ARE EACH OF THESE ACCEPTABLE?)
7. Minimum standards in supervising client transactions?
8. Etc, etc.

Source: David H. Maister, True Professionalism, Free Press, 1997

19

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

GOLDMAN SACHS' BUSINESS PRINCIPLES

1. Our clients' interest always come first. Our experience shows that if we serve our clients well, our own success will follow.
2. Our assets are our people, capital and reputation. If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard.
3. We take great pride in the professional quality of our work. We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest.
4. We stress creativity and imagination in everything we do. While recognizing that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves in having pioneered many of the practices and techniques that have become standard in the industry.
5. We make an unusual effort to identify and recruit the very best person for every job. Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm.
6. We offer our people the opportunity to move ahead more rapidly than is possible at most other places. We have yet to find the limits to the responsibility that our best people are able to assume. Advancement depends solely on ability, performance, and contribution to the firm's success, without regard to race, color, age, creed, sex, national origin or disability.
7. We stress teamwork in everything we do. While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the firm and its clients.
8. The dedication of our people to the firm and the intense effort they give their jobs are greater than one finds in most other organizations. We think that this is an important part of our success.
9. Our profits are key to our success. They replenish our capital and attract and keep our best people. It is our practice to share our profits generously with all who helped create them. Profitability is crucial to our future.
10. We consider our size an asset that we try hard to preserve. We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy and the esprit de corps that we all treasure and that contribute greatly to our success.
11. We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs. We know that the world of finance will not stand still and that complacency can lead to extinction.
12. We regularly receive confidential information as part of our normal client relationships. To breach a confidence or to use confidential information improperly or carelessly would be unthinkable.
13. Our business is highly competitive, and we aggressively seek to expand our client relationships. However, we must always be fair competitors and must never denigrate other firms.
14. Integrity and honesty are the heart of our business. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.

THE “PROFESSIONALISM PROGRAM”

(or, How to Really Enforce Your Values)

1. Professionals agree to be coached and managed to strictly enforced, agreed-upon standards. Appoint team leaders who are judged SOLELY on the performance of the team, with their own personal statistics being deemed irrelevant. Team leader’s job is to coach team members, and to act as primary agent for introducing “consequences for non-compliance” with excellence standards. Preferably, these consequences should consist of help, support, encouragement and concern.
2. Teamwork is mandatory, not optional. Require every professional to belong to a team, “donating” a minimum of Xoo non-billable hours to the team, jointly scheduled by the team, with strict accountability for projects committed to.
3. Continual investment in getting better. Every team submits a quarterly non-billable hour budget showing which actions will be taken in the four areas of (a) generating better business, not just more business; (b) lowering the cost to the firm of performing selected professional tasks; (c) becoming more valuable to clients on current tasks; and (d) disseminating skills, horizontally and vertically.
4. Enforce excellence in wise management of clients’ resources and firm’s finances. Measure profit-per-partner (or total return on partner’s time) at the engagement level, thereby holding partners accountable for the profitability of their matters (revenues and costs), not just personal billable hours.
5. Excellence in client satisfaction is an enforced standard. Institute mandatory client feedback on every transaction, with full managerial follow-up, results to be used in performance counseling and compensation. Eventually, firm should offer an unconditional satisfaction guarantee.
6. Excellence in managing those you supervise is an enforced professional standard. Institute mandatory “upward feedback” on project supervision performance on every transaction, to enforce good supervision of matters, with strict accountability for results.
7. Personal professional growth is a non-negotiable minimum standard. Require every professional to demonstrate personal professional/career progress every year (zero tolerance for cruising). Personal progress on personal strategic plan is a strict accountability.
8. All professionals must show a sincere interest in clients’ affairs and a sincere desire to help them. Require every professional to contribute to business development.
9. Departmental resources are considered collective assets, and cannot be allocated autonomously. Team leader is responsible for staffing all engagements. No professional has the autonomy to staff his/her own job.
10. Primary focus on relationship building. Allocate specific non-billable budgets to be spent nurturing designated key existing clients, the total of these to sum to at least 60 percent of all non-billable marketing hours.
11. Be intolerant about the pursuit of excellence. Be prepared to fire any professional that does not participate in these programs. You’re allowed to fail; you’re not allowed to not try!”

Source: David H. Maister, True Professionalism, Free Press, 1997

21

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

WHAT DO WE NEED TO OVERCOME?

WHY DON'T WE/THEY DO IT NOW?

(Recommended course of action depends upon which of the following apply. In general, don't start lower down the list if items higher on the list are at work.)

1. They view it as a long-term investment, and they're too busy looking after immediate pressures (**SYSTEMS**)
2. They feel more accountability and pressure for other things; they intend or would like to do it, but they feel they don't have the time to do it. (**SYSTEMS**)
3. The people haven't been given the support, tools or training to do it (**SYSTEMS**)
4. It's viewed as discretionary, there are no consequences if they don't do it (**SYSTEMS**)
5. The people think the firm wants them to worry only about short-term, and not engage in long-term activities (**SYSTEMS**)
6. It's not "valued" by their peers: the culture doesn't reinforce this (**ATTITUDES**)
7. Our people don't want to do it. They are more comfortable on technical topics, and not comfortable with interpersonal issues. (**ATTITUDE**)
8. There is no perceived competitive pressure or threat in this area (**ATTITUDE**)
9. People view it as an optional choice (to be used if and when convenient). (**ATTITUDE**)
10. Our people don't understand why it's important (**KNOWLEDGE**)
11. Our people don't know how to do it (**KNOWLEDGE**)
12. Our people know what to do and want to do it, they're just not very good at it (**SKILL**)

TYPES OF PROFESSIONALS

DYNAMOS

CRUISERS

LOSERS

WHAT PERCENT OF ALL PROFESSIONALS ARE IN THESE CATEGORIES?

Source: David H. Maister, True Professionalism, Free Press, 1997

23

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

ABOUT YOUR WORK:

GOD, I LOVE THIS!

I CAN TOLERATE IT

I WISH I DIDN'T HAVE TO DO THIS!

WHAT PERCENT WOULD YOU PUT IN THESE CATEGORIES?

ABOUT YOUR CLIENTS

I LIKE THESE PEOPLE AND THEIR SECTOR
INTERESTS ME

I CAN TOLERATE THEM

I WISH I DIDN'T HAVE TO DEAL WITH
PEOPLE LIKE THIS!

WHAT PERCENT OF YOUR CLIENTS WOULD YOU PUT IN EACH CATEGORY?

Source: David H. Maister, True Professionalism, Free Press, 1997

24

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

PROFITABILITY

25

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

PROFESSIONAL SERVICE FIRM PROFITABILITY

$$\frac{\text{PROFITS}}{\text{PARTNERS}} = \frac{\text{PROFITS}}{\text{FEES}} \times \frac{\text{FEES}}{\text{HOURS}} \times \frac{\text{HOURS}}{\text{PEOPLE}} \times \frac{\text{PEOPLE}}{\text{PARTNERS}}$$

$$= \text{MARGIN} \times \text{RATE} \times \text{UTILIZATION} \times \text{LEVERAGE}$$

HYGIENE FACTORS: MARGIN and UTILIZATION

HEALTH FACTORS: RATE and LEVERAGE

**IF YOU'RE NOT INCREASING EITHER RATE OR LEVERAGE,
YOU'RE CRUISING!**

Source: David H. Maister, Managing the Professional Service Firm, Free Press, 1993

WHAT DOES UNDERDELEGATION HURT?

What does the firm lose by having this degree of inefficiency?

- a) Higher project costs, which means either higher fees or lesser profits
- b) Lose skill building (development) of people not delegating
- c) Lose skill building (development) of juniors
- d) Poor junior morale, motivation: often leads to turnover/retention problems
- e) Senior people have no time for senior tasks:
Business Development
Attentive Client Service
Supervision and Coaching
Innovation
- f) If senior people swamped, can and does lead to poor turnaround (service) to clients (bottlenecks)

Source: Maister, Managing the Professional Service Firm, Free Press, 1993

27

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

WHY DOES IT HAPPEN?

1. Reluctance to invest the training time necessary for successful delegation
2. Can't delegate at last minute ("I've tried that and it takes the juniors longer than it takes me. It would take too long to explain it, its quicker to do it myself)
3. Fear of quality risk (Juniors not sufficiently trained)
4. We haven't hired the people to delegate to
5. Low incentive to build skill in others
6. Low incentive to reduce engagement costs
7. Pressure on personal billability (I'm rewarded for what I do, not what I supervise)
8. Fear of what else I'll have to do if I delegate the easy stuff
9. Worry about having to manage others if I delegate
10. I'd have less fun supervising rather than doing
11. Belief that what I do can't be systematized
12. I like working in my comfort zone
13. Threatening to ego, status and compensation if I prove juniors can do it
14. I want to hold on to the client relationship, so I'll do it all

Source: Maister, Managing the Professional Service Firm, Free Press, 1993

28

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

SOLVING THE UNDERDELEGATION PROBLEM

1. Place greater stress on engagement-level profitability measures. Hold project leaders responsible for profitability of individual client engagements, (not just sub-measures such as realization rates) including careful allocation of costs.
2. Modify reward system: Reduce importance of personal billable hours as key performance measure and, instead, stress hours (or, better, dollars) managed.
3. More management involvement in decisions relating to staffing of engagements, work assignment policies. Use this involvement to “challenge” staffing plans and promote strategic view of resource allocation (not just tactical expediency).
4. Introduce mandatory (every engagement) evaluations by staff of their engagement experience (see next page) to track, incent and reward skill-transfer activities.
5. Use performance appraisal process to challenge past work activities, allocation of time, success at skill transfer.
6. To identify opportunities for improved efficiency, conduct “industrial engineering studies” of common engagement types. Re-examine past engagement files and critique staffing strategies. Use to spot opportunities to develop methodologies and training to get basic tasks performed by lower cost individuals.
7. Provide management skills training to encourage experienced people to be comfortable delegating
8. Protect those who delegate until they find replacement activities. Make it less risky for individuals to take on new tasks.
9. If starting at top, overload or raise expectations to force delegation of less important material.
10. If starting at bottom, start by hiring paraprofessionals
11. Make use of semi-permanent teams to avoid delegating into a “pool”.
12. Begin with pilot area (go for early success)

Source: Maister, Managing the Professional Service Firm, Free Press, 1993

A PROFITABILITY QUIZ

You are asked to rate the items on this list in three ways. First, rank the items from 1 to 16 according to which action will have the QUICKEST impact on profitability. Then rank the items according to which will have the MOST PERMANENT impact on profitability. Finally, for EACH item, rank your firm's performance on a scale of 1 to 5 (1=we're not working on this; 5=we've really got this one under control).

	RANK FOR QUICK IMPACT	RANK FOR PERMANENT IMPACT	CURRENT PERFORMANCE
A) Earn higher fees (through client service, specialization, innovation, etc.)			
B) Use marketing to get better work			
C) Improve engagement management performance			
D) Increase leverage in the delivery of services			
E) Speed up skill-building in professionals and staff			
F) Make greater use of paraprofessionals			
G) Deal with underperformers			
H) Develop methodologies to avoid duplication of effort			
I) Reduce turnover of staff			
J) Drop unprofitable services			
K) Drop unprofitable clients			
L) Invest in new (higher value) services			
M) Increase utilization (billable hours per person)			
N) Reduce overhead costs			

Source: David H. Maister, *Managing the Professional Service Firm*, Free Press, 1993

JOB-LEVEL PROFITABILITY REPORTING

1. Net Cash Receipts

MINUS

2. Cost of non-partner time (Non-partner hours times cost per hour of each person)

MINUS

3. Uncollected disbursements

MINUS

4. Cost of unbilled time (Value of hours not billed within thirty days times cost of borrowing)

MINUS

5. Accounts receivable cost (Bills outstanding over 30 days times cost of borrowing)

EQUALS

6. Gross Contribution

DIVIDED BY

7. Partner Investment in the matter (partner hours times cost per hour of the partner)

EQUALS

8. RETURN ON PARTNER INVESTMENT

Source: David H. Maister, True Professionalism, Free Press, 1997

31

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

NON-REIMBURSED HOURS

**WHAT YOU DO WITH YOUR REIMBURSED TIME IS YOUR INCOME;
WHAT YOU DO WITH YOUR NON-REIMBURSED TIME IS YOUR FUTURE!**

1. How Many Non-Reimbursed Hours Do You Work?
2. What percentage of them are spent productively?
3. What percentage of them are spent on planned, scheduled activities?
4. What percentage of them are spent in joint, team activities?
5. What categories do you have for managing non-billable time?

e.g.

Increasing Value to Clients

Finding ways to lower cost of performing professional tasks

Disseminating skills and knowledge

Getting better business

Source: David H. Maister, True Professionalism, Free Press, 1997

PROFITABILITY IMPROVEMENT TACTICS

(In approximate order of STRATEGIC importance)

- A) Charge higher fees. **MUST WORK ON THIS, I.E. FIGURE OUT A WAY TO MAKE YOURSELF MORE VALUABLE ON THE MARKETPLACE, THROUGH SOME COMBINATION OF SPECIALIZATION, INNOVATION, ENHANCED COUNSELING SKILLS, ETC.**
- B) Use marketing to get “better” work. **THE PRIMARY ROLE OF MARKETING, CLOSELY TIED TO GETTING FEES UP: I.E. MAJOR STRATEGIC ISSUE.**
- C) Improve engagement management performance. **IF PROFITS ARE TO IMPROVE, THIS WILL ONLY BE DONE BY IMPROVING HOW PROFITABLY ENGAGEMENTS ARE RUN: PROPER STAFFING, PROPER DELEGATION, EFFICIENT USE OF PEOPLE’S TIME. PROJECT LEADERS SHOULD BE HELD ACCOUNTABLE FOR ENGAGEMENT SUCCESS, CONSIDERING REVENUES AND COSTS OF RESOURCES CONSUMED.**
- D) Increase leverage in the delivery of services. **CRITICAL LONG-RUN ISSUE, TO ENSURE THAT HIGH PRICED PEOPLE ARE NOT WASTED ON LOWER VALUE TASKS.**
- E) Speed up skill-building process in staff. **MAJOR ISSUE. WE SELL SKILL. THE MORE WE HAVE THE MORE MONEY WE CAN MAKE.**
- F) Make greater use of paraprofessionals. **IMPORTANT LEVERAGING AND COST OF DELIVERY ISSUE.**
- G) Deal with underperformers. **CRITICAL ISSUE. STOP LEAKING PROFITS TO THOSE WHO ARE NOT EARNING THEM, AND RE-INVIGORATE MORALE BY REMOVING IRRITANTS.**
- H) Develop methodologies to avoid duplication of effort. **AN IMPORTANT ISSUE: IT REPRESENTS AN OPPORTUNITY TO MAKE AN ONGOING REDUCTION OF COST OF DELIVERY OF SERVICES.**
- I) Reduce turnover of staff. **A MAJOR COST SAVINGS NOT ONLY IN REDUCED HIRING, REGAINED EFFICIENCY, BUT ALSO IN INCREASED ENTHUSIASM AMONG ALL STAFF.**
- J) Drop unprofitable services. **NO-ONE WANTS TO DO THIS IN THE SHORT RUN, BUT IF LOW PROFITABILITY CANNOT BE FIXED THROUGH MORE EFFICIENT STAFFING (I.E. LEVERAGE) THEN WORKING TO REPLACE LOW PROFITABILITY WORK WITH HIGH PROFITABILITY WORK IS CRITICAL TO LONG-RUN SUCCESS.**
- K) Drop unprofitable clients. **DITTO.**
- L) Invest in new (higher value) services. **CLEVER STRATEGY IF WE DELIVER THESE NEW SERVICES WITH EXISTING PERSONNEL, I.E. WE ARE SUBSTITUTING HIGHER VALUE WORK FOR LESS VALUABLE. BUT IF NEW SERVICES ARE RENDERED BY NEW PEOPLE, PROFITABILITY OF CORE PRACTICE IS UNAFFECTED.**
- M) Increase utilization (billable hours per person). **ESSENTIAL SHORT-RUN ISSUE IF YOU ARE CURRENTLY UNDERUTILIZED. NOT, HOWEVER, A SUSTAINABLE LONG-RUN STRATEGY.**
- N) Improve speed of billing. **THIS IS A HYGIENE ISSUE, WHICH WILL IMPROVE CASH FLOW (A WELCOME OUTCOME) BUT DOESN’T REPRESENT A SHIFT IN BASIC PROFITABILITY.**
- O) Improve speed of collections. **DITTO.**
- P) Reduce overhead costs. **CAN BE AN IMPORTANT SHORT-RUN ISSUE IF THERE’S FAT THERE, BUT NOT A LONG-RUN TACTIC. OFTEN IMPLIES FALSE ECONOMIES.**

Source: David H. Maister, Managing the Professional Service Firm, Free Press, 1993

QUALITY

34

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

DIMENSIONS FOR QUALITY IMPROVEMENT

	CONFORMANCE (RELIABILITY, CONSISTENCY, DEPENDABILITY)	PERFORMANCE (SUPERIOR OUTCOMES AND VALUE)
CONSULTATIVE QUALITY (THE INTERACTION WITH CLIENTS)		
TECHNICAL QUALITY (THE WORK)		

35

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

SOME QUALITY LEVERAGE POINTS

1. Hiring
2. On-the-job training
3. Client Feedback Systems
4. Management Behavior
5. Creating the Quality Culture/Climate
6. Proposals (negotiating quality dimensions)
7. Formal Training
8. Peer Review Systems - During Project
9. Reward System - Seniors
10. Peer Review Systems - End-of-Project
11. Principal Admission process
12. Managing Project Mix
13. Monitoring Procedures
14. Methodology Development and Improvement
15. Reward System - Juniors

36

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

CAUSES OF QUALITY FAILURE

1. Mis-Specification of Goals of Project
2. Lack of Skills in Dealing with Clients
3. Work-teams overloaded / overscheduled
4. Poor staffing of Engagement
5. Mid-Engagement Changes in Client Desires or Needs
6. Attitudinal or Motivational Problems
7. Engagement Budget pressures
8. Failure to Access Expertise elsewhere in firm
9. Inadequately trained staff
10. Lack of Incentive to do Quality Job
11. Poor Methodologies
12. Excessive reliance on Standard Methodologies
13. Inadequate Support Staff

QUALITY QUESTIONNAIRE

1. In this firm, we set high standards for the quality of our work
2. The firm has provided to me the training I need to do high quality work
3. Promotions in this firm are primarily based on quality of work performed rather than economic factors such as chargeability or utilization
4. We are aggressive in looking for new and improved methodologies for performing our work
5. I receive the help I need in learning how to deal with clients
6. My engagement leaders are usually more concerned about the quality of the work I do than they are about the profitability of the engagement
7. When I finish a piece of work I usually receive a constructive critique from my engagement leader
8. At this firm, we learn from the engagement experiences of others by exchanging new ideas and approaches
9. On engagements, my engagement leader is usually active in helping me learn new skills
10. When given new assignments, I usually get the chance to expand my skills, rather than just apply skills I already have
11. My engagement leader makes sure that tasks and projects are thoroughly understood when they are assigned to me
12. I am proud of the quality of work we do at this firm
13. My engagement leader actively encourages me to volunteer new ideas and make suggestions for improvement in our work
14. We are active in seeking ways to be more valuable to our clients, beyond the technical excellence of our work
15. We are aggressive in seeking client feedback and evaluations of our clients' satisfaction with our work

38

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM

ABOUT DAVID H. MAISTER

(pronounced MAY-ster)

David Maister is widely acknowledged as one of the world's leading authorities on the management of professional service firms. For two decades he has advised firms around the world in a broad spectrum of professions, covering all strategic and managerial issues.

In 2002, he was named as one of the top 40 business thinkers in the world. (BUSINESS MINDS, Prentice Hall/Financial Times)

He is the author of the bestselling books:

MANAGING THE PROFESSIONAL SERVICE FIRM (1993),

TRUE PROFESSIONALISM (1997),

THE TRUSTED ADVISOR (2000),

PRACTICE WHAT YOU PREACH (2001),

FIRST AMONG EQUALS (2002).

His books have been translated into Arabic, Chinese, Danish, Dutch, Estonian, French, Indonesian, Japanese, Korean, Polish, Russian, Serbo-Croatian, Spanish and Turkish.

A native of Great Britain, David holds degrees from the University of Birmingham, the London School of Economics and the Harvard Business School, where he was a professor for seven years.

39

copyright 2003 David Maister

PRESENTATION HANDOUTS > STRATEGY

90 COMMONWEALTH AVENUE BOSTON, MA, 02116 USA

TEL: 1-617-262-5968 WWW.DAVIDMAISTER.COM DAVID@DAVIDMAISTER.COM