

STRATEGY AND THE FAT SMOKER

CHAPTER

In 1985, I wrote an article called “The One-Firm Firm”... [CONTINUE](#)

BY **DAVID MAISTER**

IN 1985, I WROTE AN ARTICLE CALLED “THE ONE-FIRM FIRM,” which identified a strategy common to leading firms across a broad array of professions—creating institutional loyalty and team focus. The one-firm firm approach is similar in many ways to the U. S. Marine Corps. Marines have a special bond and a shared pride, built on shared values and a shared striving for excellence with integrity. Every marine grasps the concept of stewardship—the organization, its reputation, and its very effectiveness have been inherited from previous generations and are held in trust for future generations.

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TWENTY-TWO YEARS ON

Most of the one-firm firms have retained their commitment to teamwork and collaboration rather than to individual entrepreneurialism. This is most clearly revealed in their special human resource practices, designed to enforce high standards of both teamwork and dynamism.

The April 29, 2006 issue of *The Economist* contains an article profiling Goldman Sachs, Then CEO Hank Paulson was quoted as saying: “Goldman is a hard place to be hired, a hard place to be promoted and a hard place to stay.” What these firms teach us is that the essence of the one-firm firm strategy (and what gives it its economic power) is not a superior ability to select markets and services, but a greater ability to achieve high standards through the consistent application and enforcement of espoused operating rules, philosophies, values, and ideologies.

One key feature still common to most one-firm firms is that the core (if no longer exclusive) strategy is to “grow their own” young talent. Professionals hired directly from school invariably have the strongest emotional ties to each other and to the firm, and they are the ones who find it hardest to abandon ship. Young hires are generally more willing to embrace the core teamwork culture and core values than are older lateral hires.

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Most of the one-firm firms have expanded their use of lateral (experienced senior) hires. The key has been to make sure that when new laterals join the firm, they know what they are buying into. The lateral must understand that he or she is joining a firm with an established ideology. “If you don’t like this ideology,” the clear message is sent, “don’t think of joining us.”

Most one-firm firms run judgment-based compensation schemes (with a studied avoidance of formulas). As always, the key to successful functioning of the system is agreement on values and ideology. This is because a successful compensation system requires trust: The members must believe that the compensation decisions are made by colleagues who have the firm’s best interest as their only agenda.

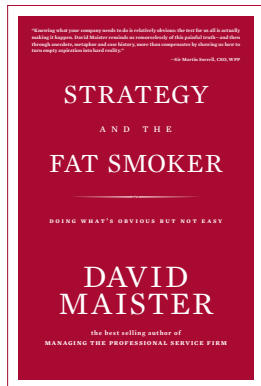
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In highly prosperous periods, productive partners grow impatient with management's reluctance, for example, to hire hastily in order to staff all of their new production, or to promote their favorite, busiest partner candidates. In busy times there is also a temptation to let investments such as training take a back seat to getting the work out the door. Only adherence to the firm's principles and values prevents opportunistic behavior that may have short-term benefits but long-term adverse consequences.

Managers of one-firm firms earn their money during these times. It is tempting to relax the disciplines in boom times, but boom times always recede and the bad calls always come back to haunt us.

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INFO



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ABOUT THE AUTHOR

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 acted as a consultant to prominent professional firms around the world, on a wide variety of strategic and managerial issues. In 2002, he was named as one of the top 40 business thinkers in the world (Business Minds, by Tom Brown, PrenticeHall/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) and *First Among Equals* (2002). These books have been translated into 14 languages. For seven years, he served as a professor on the faculty of the Harvard Business School (1979-85), prior to launching his consulting practice. He lives in Boston, Massachusetts.

In March of 2005, he finally took his own advice, gave up smoking and lost 30 pounds.

Visit his website at www.davidmaister.com.

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