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Talent Management Leadership in Professional Services Firms

Introduction

What are the signs of a highly successful professional services firm? Surprisingly, they are relatively easy to identify. Walk into the offices of a firm or engage with a project team in a workshop and you quickly notice something unique. These firms have a unique culture, flowing with energy and a passion for the work that they do, along with a commitment and purpose for engaging with the client. Team members work well together and collaborate effectively. They are proud of the firm, and they believe that they provide a special value proposition to their clients.

More than any other industry, professional services is dependent on the skills, creative innovation and collaboration of its workforce in order to deliver services and solutions to clients. Market cycles have a major impact on talent management initiatives and this cycle is no different. It is during these cycles when talent management pays off. While voluntary turnover has slowed due to difficult economic times, employees within firms who have not paid attention to cultural fit, motivation and mission will find their employees more frustrated with their roles, less confident in the direction of the firm and more likely to leave as the market begins to grow.

This paper identifies the market trends driving the need for new talent management priorities and provides a talent management framework. It also outlines key metrics that firms can manage as well as key initial steps.

Challenges

Professional services firms – including consulting, IT, tax and audit firms – face numerous challenges moving forward. More sophisticated procurement strategies and technology productivity strategies are changing the way services are won and delivered. Within any specific professional services market, the ability to adapt and manage quality talent to meet client needs will be necessary in order to remain competitive over the next decade. This will have a profound impact on talent management strategies. Consider the following major trends in the market today.

Buying patterns demand integrated capabilities

As senior management places greater focus on professional service decisions, they are demanding more complex solutions. To achieve this goal, consultants must develop offerings that incorporate multiple capabilities. These projects may be delivered by one firm and can have implications across multiple geographies. Professional services firms must re-organize their delivery models and practices to extend these value propositions for clients. This is leading to more complex interrelationships between practices with talent management implications. The two most significant challenges are:

• How does aligning teams to fluidly work across traditional boundaries impact the organization’s culture?
• What are the capability requirements to meet these new demands?

For example, Figure 1 demonstrates how senior management is more involved with decision-making processes from corporate strategy through business planning requirements. Historically, corporate or business strategies would be delivered as discrete projects while projects involving financial strategy, marketing and branding or IT strategy and planning remained somewhat discrete.

Projects have been shifting towards more integrated approaches. A business unit strategy will incorporate marketing, operational and financial strategies along with IT alignment implications. The acquisition of a new business will involve organizational alignment, new operational processes, IT and marketing alignment, along with tax implications for specific decisions. To remain competitive, firms must provide rapid answers to more complex problems, or they must partner with other external firms or internal customer groups to address these problems.

North America faces significant challenges with multi-functional service demands, particularly in the consulting industry with larger clients. Even if one professional services firm does not win the entire project, it is more common for multiple firms to work together on the execution of a large transformational initiative. In Europe, this trend is even more complicated due to the development of the integrated European economy. In order to remain competitive, professional services firms are following clients outside of their home country to provide services in other countries.

For the past decade, professional services organizations have been undergoing changes and have faced the challenges of industrialization within their markets. Firms are continuously pushed to modify service delivery models in order to improve efficiency. Leveraging tools, organizing intellectual property and global resources are now the model for competing in today’s market.

Figure 1. Integrated Capabilities
A lack of leadership impedes employee motivation and sense of mission

Without proper communication from leadership during challenging times, employees feel a lack of awareness of opportunities (perhaps a specific project or a role) that could enhance their career goals. They may begin to question the overall mission of the firm. Is it changing or is it simply a temporary thing? This lack of transparency can dampen motivation and the overall sense of mission. This overall impact is a lack of focus.

With limited flexibility to stretch resources with growth opportunities, more effort is placed on sales initiatives and ensuring current clients are happy, it is easy for leaders to focus only on the business metrics and not on strategic talent management objectives. Most managers and leaders monitor turnover, staffing management, profitability and, of course, the work itself. Many managers themselves may be concerned about their own situation. It is in this environment that employees lack an understanding of where they fit in the organization and whether or not they are an important part of the plan moving forward.

In order to avoid this problem, leadership must carefully monitor employees, listen to their feedback, respond to the issues and identify a plan to maintain confidence and an overall understanding of the situation, as well as provide one-to-one communication with employees. Leadership can address this situation through consistent career management, mentoring and ongoing communication of the firm’s mission. This is important in order for employees to have a personal comfort level regarding how they fit within the organization.

Weak resource management systems hamper the ability to manage talent

Despite progress to improve management activities and optimize resource planning, many professional services firms continue to employ a simplistic talent management process. There are several reasons for this. First, many firms do not have the adequate systems to capture and manage the information. Second, many firms lack any ongoing management processes. This approach results in a more time consuming process for leadership and a lack of awareness regarding opportunities for employees.

The lack of a systematic approach limits management’s ability to address necessary initiatives and objectives that will identify, nurture and motivate employees. Metrics provide structure and benchmarks; and leadership is able to develop an organization built on common cultural values, a common mission and a motivation to succeed.

Combined with the proper capabilities, these professional services firms are positioned for high levels of performance. The end result is a more talented and motivated work force with the cultural traits to sustain leadership for the long run.

Talent Management Framework

Despite a significant investment, many professional service firms do not manage their talent as well as they should. They will track turnover, compensation levels and conduct an annual satisfaction survey. Many firms will provide ongoing training and thorough review cycles, and they will assess the career direction of their top performers. But many professional services firms would agree that they do not address talent management challenges with the proper level of sophistication. Too often talent management is left to the human resources department and top executives.
Professional services firms with leading talent management practices take it a step further. Talent management is at the core of leadership and management activities. These are leadership and management-based initiatives practiced by the entire management team. These initiatives include:

- Presenting a clear, strategic **mission** and strategy to be the best at something.
- Ensuring that employees have the **motivation** by empowering them to achieve professional and personal success.
- Focusing on the quality and **capability** of employees within the firm.
- Targeting a rigorous decision-making **culture** with a unique set of conduct, personality and interaction traits, which produce effective results and attract employees to work in the environment.

Figure 2 illustrates talent management initiatives and the foundation supporting the Talent Management Framework.

**Mission**

Employees need to believe that everyone in the organization is striving to achieve the same goals and objectives. Leadership must provide clear direction on what the firm wants to become. The mission needs to be a statement that the organization is passionate about and discuss where they believe that they can deliver a competitive value proposition. If an employee is passionate about the mission and they have faith in the firm’s capabilities to deliver on that mission, it represents a powerful anchor for employees to stay with the firm. Management should monitor the understanding and confidence of the mission on a regular basis in order to ensure that strategic and tactical steps in strategy and communication are working.

**Figure 2. Talent Management Framework**

<table>
<thead>
<tr>
<th>Core Talent Management Initiatives</th>
<th>Mission: A clear strategic company direction and targeted goals have been communicated that employees embrace and want to be part of</th>
<th>Motivation: Employees have a sense of purpose and believe that the firm will support them in meeting career and personal goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural Fit: The firm provides the conduct, values, and commitments to create a comfortable and productive work environment that employees embrace</td>
<td>Capability: Possess the skills, quality, flexibility and management talent to meet operational, financial and competitive goals</td>
<td></td>
</tr>
</tbody>
</table>

**Talent Management Foundation**

- HR Systems: HR systems to acquire, develop and retain talent
- Culture: Cultural characteristics for performance such as collaboration, teamwork and innovation
- Organizational Support: Firm systems, processes, tools, IP and organizational support to be successful
- Leadership: To provide the differentiation that makes the firm unique

*Source: Kennedy Consulting Research & Advisory*
Motivation

Motivation incorporates the management and leadership activities that make an employee want to work hard, improve and be as productive as they can be. These activities are effective when an employee sees that:

• Rewards are linked to performance.
• Career advancement is linked to performance.
• The firm will support employees who strive for career advancement.
• The firm will support employees if they must balance work and personal challenges.

When an employee believes that the firm’s leadership supports these objectives, it creates a higher level of commitment to the firm’s success. Ultimately, this leads to greater rewards and success for the employee. However, employees, who do not believe in this organization-wide commitment, will be less likely to provide the passion and extra effort it takes to make clients and the firm more successful.

Capability

Capability measures human capital. This includes the ability of the firm to deliver value to clients as well as the ability to respond to change. What are these employees good at? How strong are their communication skills? How well can they adapt to different situations? Do they demonstrate leadership and management potential? Do they provide the flexibility on teams to ensure success? Improved understanding of capabilities helps management to prepare for fluctuations in service demand, the ability to compete in adjacent service markets and the ability to compete for higher quality projects. As a result of the economic downturn, flexibility has risen to be an important measurement for employees. Capability is also critical from an alignment and depth standpoint. A professional services firm that develops a reputation of deep expertise in specific areas creates an excellent marketing opportunity to attract additional quality talent.

Culture

If a successful firm has a great mission, strong capabilities and effective processes to motivate employees, they are likely to be successful in the short-run. Motivated talent can be very productive and deliver strong value to clients. However, the special link that makes firms competitive for the long run is culture. Culture defines the “who” in the organization. It defines the firm’s values and unique traits that support highly productive and resilient organizations.

There is no specific formula for cultural fit and it often depends on the nature of the expertise, the style of leadership and types of buyers a firm is targeting. But regardless of the final formula, it is important that this formula is applied across the organization. Cultural fit develops the consistency and expectations that each employee expects from everyone else. If these values and traits are inconsistent or don’t measure up, it can stifle organizational energy, stall innovation, impede decision-making and ultimately impact the success of the organization and the attraction of the firm to both current and potential employees. A strong cultural fit creates an atmosphere where people want to stay and it has an impact on philosophies for performance and goals.
Talent Management Foundation

Underneath these leadership activities are the talent management foundation components. While the core talent management leadership activities are the critical areas of measurement, focus and activity, the foundation includes the core activities and infrastructure to manage the talent management process. Two foundation categories, HR systems and organizational support, involve the systems, processes and infrastructure to manage talent. Organizational support extends beyond HR because management activities, offering development and client processes all play into the talent management process. The other two foundation areas, culture and leadership, center on the communication and design of the organization.

Integrating Talent Management Leadership into the Talent Management Framework

Talent must be positioned as core to the overall firm not just human resources. The foundation or the talent management supply network is the role of leadership, their ability to cultivate a culture of success, develop the appropriate strategy for the firm and communicate the mission and goals to employees. HR systems, the organizational structure and processes, culture and leadership are all positioned to develop and nurture these assets. By improving communication between people and leadership, the possibilities for alignment improve across critical issues such as career enhancement, leadership development, flexible career paths, succession planning and rewards.

Talent Management Metrics

Most talent management initiatives focus on the core activities for managing talent. Traditional metrics capture performance criteria to assess:

- Are our employees happy?
- How many employees have left in the past year?
- Are they getting the training they want?
- Are they getting the training they need?
- Are we training them to become leaders?
- How much does it cost to find and train people?

These are key measurements, but they do not get at what it will take to align, motivate and incent employees to perform over a longer retention cycle. Therefore the core talent management initiatives identified in this paper need their own metrics for leadership to monitor and manage. Examples of these future talent management metrics are provided in Figure 3.

The impact of talent management leadership is summarized in Figure 4. Each of the initiatives outlined in this paper are interlinked and impact a variety of factors for a professional services business. Our evaluation concludes that it is important to consider how combinations of core leadership activities work together to deliver business results. For example, the combination of both capability and motivation has a significant impact on the quality of services and the overall client value obtained from projects. Essentially, highly motivated employees with the right combination of
Improving recruiting and retention is dependent on improving the sense of mission and cultural fit of employees within the firm. Current and prospective employees who are attracted to overall company values and objectives are more likely to want to stay with the firm even as challenges arise over the course of the career with the firm.

Mission and motivation provide the focus to achieve the performance and results necessary to meet the targeted areas of leadership. Passionate about the mission of the firm, a highly motivated base of employees will drive towards these goals with a laser focus.

Culture and capability provide a critical combination for the long term. An organization with the quality and the necessary skills, along with the traits to operate as a successful firm, possess the flexibility from a capability standpoint to change. They possess the flexibility from a cultural standpoint to collaborate, communicate, analyze and make the

<table>
<thead>
<tr>
<th>Traditional Talent Management Metrics</th>
<th>Future Talent Management Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Satisfaction</strong></td>
<td><strong>Cultural Fit</strong></td>
</tr>
<tr>
<td>• Job Satisfaction</td>
<td>• Company Values Understood %</td>
</tr>
<tr>
<td>• Leadership Satisfaction</td>
<td>• Strong Teamwork Within Project Teams %</td>
</tr>
<tr>
<td>• Career Advancement Satisfaction</td>
<td>• Strong Teamwork Across Organization %</td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>• Committed To The Success Of The Firm %</td>
</tr>
<tr>
<td>• Voluntary Turnover %</td>
<td>• Operate As Collaborative Organization %</td>
</tr>
<tr>
<td>• Involuntary Turnover %</td>
<td>• Committed To The Success Of Customers %</td>
</tr>
<tr>
<td>• Professional Staff Terminated %</td>
<td><strong>Capability</strong></td>
</tr>
<tr>
<td>• Sales Staff Terminated %</td>
<td>• Have The Necessary Resources %</td>
</tr>
<tr>
<td>• Manager Staff Terminated %</td>
<td>• Have The Necessary Talent %</td>
</tr>
<tr>
<td>• Corporate Staff Terminated %</td>
<td>• Client Satisfaction %</td>
</tr>
<tr>
<td><strong>Staffing Analysis</strong></td>
<td>• Confidence In Management Talent %</td>
</tr>
<tr>
<td>• Offer Acceptance Rate</td>
<td><strong>Motivation</strong></td>
</tr>
<tr>
<td>• Replacement Positions Filled</td>
<td>• Rewards Are Linked To Performance %</td>
</tr>
<tr>
<td>• Incremental Positions Filled</td>
<td>• Firm Supports Career Goals %</td>
</tr>
<tr>
<td>• Cost To Fill Professional Position</td>
<td>• Firm Supports Personal Goals %</td>
</tr>
<tr>
<td>• Cost To Fill Sales Position</td>
<td><strong>Mission</strong></td>
</tr>
<tr>
<td>• Cost To Fill Management Position</td>
<td>• Company Has Unique Value Proposition %</td>
</tr>
<tr>
<td>• Cost To Fill Corporate Staff Position</td>
<td>• Understand The Goals Of The Firm %</td>
</tr>
<tr>
<td>• Days To Fill</td>
<td>• Unit Understands Goals And Objectives %</td>
</tr>
<tr>
<td><strong>Career Management</strong></td>
<td>• Excited About Firm Mission %</td>
</tr>
<tr>
<td>• % Of Employees Promoted</td>
<td></td>
</tr>
<tr>
<td>• Hiring Manager Satisfaction</td>
<td></td>
</tr>
<tr>
<td>• Quality Of Hire</td>
<td></td>
</tr>
</tbody>
</table>

Source: Kennedy Consulting Research & Advisory
necessary decisions to support change for the future.

Productivity, innovation and growth are three other areas of quantifiable business impact supported by all four talent management initiatives. Quality supports higher rates; client value provides higher win rates; focus delivers execution superiority. Culture and capability are critical for innovation, mission and motivation and play an important role.

Next Steps – Where to Start

The path towards talent management leadership requires improvements to these initiatives, the foundation and measurement systems. Planning small targeted improvements will lead to immediate results and support longer-term initiatives. However, instilling the right leadership process and enacting measurement processes are required to be successful.

*Step 1. Focus on smaller, quick-hit, high-impact initiatives with a focus on motivation and capability*

It is difficult to prioritize one talent management leadership over another. However, executing on culture and fine-tuning a firm’s mission can take time. In the short term:

a. Conduct capability mapping of employees.

b. Focus on career enhancement and training programs for most valued employees.

c. Incorporate a flexible career path framework.

These steps will quickly address the quality of talent and projects and convey a message around employee
commitment, which will improve motivation.

**Step 2. Prepare to execute on the broader core talent management leadership process**

a. Leadership must prepare the entire management team to prioritize talent management as a core process of the firm. This will require the following:

b. Communicate long-term talent management strategy to employees.

c. Develop leadership processes and priorities to engage with employees.

d. Structure core culture priorities for performance measurement and recruiting.

e. Enact mentoring and management support processes.

f. Clarify and communicate firm goals to support the mission.

**Step 3. Enact a talent management leadership measuring process**

Information is essential in order for management to take the right steps to succeed with its talent management leadership process. Steps must be taken to organize the proper mechanism and collect information on an ongoing basis to provide management with the necessary information to take action on talent management initiatives.

**Step 4. Identify and make necessary improvements in talent management foundation areas**

Most likely, leadership and culture need to be addressed; however, the more complicated decisions will be centered on the HR systems and organizational processes that must be improved. This will be based on the current systems and processes in place as well as the competitive landscape of the firm. If a professional services firm is in an environment where flexibility and change are important, or if recruiting and retention will be critical issues over the next 12-18 months, it will impact the direction of investments and initiatives. Information and management processes will be very important in order to support these initiatives.
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Kennedy Consulting Research & Advisory provides accurate and reliable market sizing and forecasts on consulting services world-wide, needs-analysis and vendor profiling for buyers of consulting services, timely and insightful intelligence on the top consulting firms in their respective markets, and operational benchmarks that measure consulting performance.

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Established in 1970 as a division of what would be the media company Kennedy Information, the business unit in 2008 was renamed Kennedy Consulting Research & Advisory to reinforce its focus on proprietary research and custom advisory work for buyers and sellers of consulting services.