



**Cass Business School**  
CITY UNIVERSITY LONDON

## **Cass Centre for Professional Service Firms - Inaugural Discussion Forum**

### **Leadership and change in challenging times**

**April 30<sup>th</sup>, 2009**



The Centre for Professional Service Firms held its inaugural discussion forum on 30 April, 2009, at Cass Business School. **Professor Laura Empson** (Centre Director), **John Griffith-Jones** (KPMG, Chairman, EMA Region), and **Tony Angel** (Standard & Poor's, Executive Managing Director, EMEA) were joined by over 100 senior professionals, policy makers, ACADEMICS and MBA students to discuss the following questions:

**Do professional service firms hold powerful leadership lessons for all organisations?**

**Or will the current economic crisis put their existing model of leadership under unsustainable pressure?**

Richard Gillingwater, the Dean of Cass Business School, welcomed everyone to the first of a series of evening events to be organised by the Centre for Professional Service Firms at Cass Business School which aim to:

- Introduce research being undertaken by members of the Centre at Cass
- Invite senior leaders to present their views on the chosen topic of the day
- Build a community of professionals to contribute to these ongoing debates.

**What are the leadership challenges of the current economic environment?**

Today's economic environment presents new challenges for business leaders and for scholars of leadership. It is natural to hope for heroic individuals to lead us out of crisis but what happens when yesterday's business heroes become today's villains? Is it time to develop a more subtle and sophisticated understanding of leadership, which emphasises the power of collective leadership? Professional service firms have pioneered this approach. They have rejected conventional heroic and hierarchical concepts of leadership and have created strong leadership groups of professional peers.

***Do professional service firms hold powerful leadership lessons for all organisations? Or will the current economic crisis put their existing model of leadership under unsustainable pressure?***

Laura Empson posed these question at the start of the event and went on to examine the myth of the heroic leader.

**How does collective leadership cope in a crisis?**



'Even a very well-organised anarchy is going to struggle to convert itself into a hierarchy.'

**Laura Empson**

This collective model of leadership can work very well in a booming economy, said Laura Empson. But in a crisis, the systematic and sensitive process of consensus-building which goes hand-in-hand with collective leadership suddenly becomes hopelessly cumbersome: 'Even a very well-organised anarchy is going to struggle to convert itself into a hierarchy. It is hard to become a hero in a hurry. And the kind of leader who was brilliant at navigating the complex interpersonal dynamics embedded in the Leadership Constellation may lack the authority and ability to act decisively.'



'Leaders of professional service firms need to judge how far to assert themselves in responding to the present crisis, to make necessary changes, without bringing the whole system down.'

**Tony Angel**

In a crisis, Tony Angel said, leaders in professional service firms need very actively to manage - and indeed to push - their organisations. These firms are very stable systems: you need to push them hard to make them move at all. But at some point there is a risk that you will push them too far, go beyond their natural elasticity, and find that the organisation is irrevocably and inadvertently changed in a fundamental way.

'The issue for leaders of professional service firms is to judge how far to assert themselves in responding to the present crisis - to make necessary changes, without bringing the whole system down,' he said.



'In a downturn, you need more consensus, not less; and you need people to be more engaged, not less.'

**John Griffith-Jones**

On the other hand, John Griffith-Jones's instinct was not to push the firm but to 'dig in.' At KPMG, at least, he believed that the culture was so deeply ingrained that an attempt to change the model would be a complete failure. And in any case, he said, 'In a downturn, you need more consensus, not less; and you need people to be more engaged, not less.'

Tony Angel pointed out that the Turner Review, which looks into a regulatory response to the current global banking crisis, identifies the need for improvements in the skill level and time commitment of non-executive directors, and shareholder discipline over corporate strategies. 'These are precisely the areas where the leadership and governance model in professional service firms has served them well.'

Tony Angel described how he thought the governance of a professional service firm provided checks and balances that were not generally present in the corporate model:

- **Close engagement by the owners of the business** – Compared to external shareholders in corporations, the partners understand the business intricately. They usually have strong views and they are not inhibited in expressing them
- **Relative lack of a hierarchy** - Senior managers on the executive board should have little fear in voicing their opinions and challenging the managing partner or CEO, who typically has no direct control over their remuneration.
- **Highly decentralised leadership** - the strategy of the firm is implemented through the day to day interactions of hundreds of partners and professionals with their clients. Each one of them can be leaders in their own sphere

Tony Angel concluded: 'If the strength of these firms lies in an intricate set of checks and balances, and the ability of leadership to manage within them, then there is a risk that the current crisis will change them forever. The true test for the leaders of professional service firms today is to avoid that trap by developing frameworks that respect and maintain the ethos they have so carefully cultivated.'

### **Did the heroes fail us?**

Tony Angel asked if recent business failures could be put down to the failings of specific individuals – their abilities, education, or personalities.



'We need to look beyond the characteristics that may or may not make a good leader. We need instead to reflect on the framework, the organisation, within which leaders operate.'

**Tony Angel**

He argued that, in some cases, the success or failure of the organisation probably did turn too much on one person, but it did so because of a bigger issue - a failure of governance structures within some organisations.

'We need to look beyond the characteristics that may or may not make a good leader: we need instead to reflect on the framework, the organisation, within which leaders operate. We need to look at the checks and balances, and the governance structures that surround those individuals. Just as professional service firms have learned a huge amount about management and organisation from the corporate world in the past few years, so, perhaps, there is something that the corporate world, and in particular the financial services industry, can learn from professional service firms.'

### **How does collective leadership work in professional service firms?**

Laura Empson argued that in order to study leadership in professional firms, 'we need radically to rethink our whole concept of leadership.' So far, there has been almost no substantial, empirical research about leadership in professional service firms and much of the generic leadership research that has been done to date is not particularly useful in the context of professional service firms.



'Professionals by and large do not want to be led. And professionals by and large do not want to be leaders - at least not leaders of their firms.'

**Laura Empson**

'During my past 15 years of studying professional service firms I have been struck by two things: professionals by and large do not want to be led. And professionals by and large do not want to be leaders – at least not leaders of their firms. Professionals get their kicks out of doing their professional work. Senior professionals will have spent many years acquiring specialist expertise, and typically all they really want to do is to be left alone so they can apply it to solving problems for their clients.'

This might explain why they don't want to be led - but why do professionals generally not want to lead? Laura Empson suggested that it was actually about retaining power. 'In general, power comes from controlling access to key resources. In a professional firm those key resources are valuable expertise and client relationships.'

'When you take on a major leadership role in a professional service firm you need to move away from your clients and your fee earning work that represent your source of power, and in return you find yourself in a new role which may offer you relatively little formal power. In this context, leadership means something quite different.'

Laura Empson pointed out that most leadership research looks at leadership as a quality that an individual possesses. However, based on her observations of leadership in professional firms over the years, she suggested that it should be viewed instead as a process of interactions between key stakeholders.

- **Senior executives** - typically two people, a managing partner and senior partner, or CEO and Chairman, one person to drive the firm forward and one to make sure that the rest of the professionals are still on board
- **Heads of businesses** - of fee earning areas such as specific practices and offices, the sometimes 'reluctant' leaders
- **Heads of business services** – the heads of areas such as HR or Finance or Marketing, the 'professional' managers
- **Key influencers** – who have no formal leadership role but whose support is essential for any initiatives that the leadership want to promote, and whose opposition can kill an initiative outright

These key stakeholders are part of what Empson has called the 'Leadership Constellation', a collective model of leadership. It is this model that she will be examining and testing as part of her new research project. In this collective model, leadership is not just about something that the individual leaders are doing.

- Leadership is a **process of interaction**
- That occurs among a **constellation of stakeholders**
- Seeking to **influence, make, and implement** major decisions

And an effective leader is therefore one who is able to navigate this complex set of dynamics to achieve a particular purpose.

### **Does a professional service firm need a leader?**

In a firm with a strong culture, and a strong governance framework, is a leader really necessary? John Griffith-Jones described his experience at KPMG, explaining how, when he was elected Senior Partner, he imagined for a moment that he was about to discover the 'magic levers of power' that he had always assumed were at the heart of the firm. Yet he soon discovered that there were no levers in his new office, 'just a desk'.



'Is the senior partner simply an emergency service, to be wheeled out in a crisis?'

**John Griffith-Jones**

His description of KPMG was of a 'soft democracy' (his election as Senior Partner was not contested, for example: 'soundings' had been taken before his nomination), not a hierarchy but a 'gentlemanly' meritocracy, 'with a hard edge that everyone understands.'

He asked if, in an organisation such as this, the Senior Partner was simply 'an emergency service, to be wheeled out in a crisis', or whether he or she has a wider role to play. In answer, he described the three key roles for the leader of a professional service firm.

- **To be the face of the firm** - an embodiment of its values
- **To represent fairness** – to intervene if partners are 'behaving badly', for example, and to be trusted to act appropriately
- **To encourage innovation** – innovation and strategy should come from the bottom, but the leader creates an atmosphere that welcomes them

'Control' was not mentioned - except to say that both he and his CEO tried to exercise minimum control. 'We both feel that we can do more good by persuading people to do more, than by preventing people doing what they are inclined to do.'

In conclusion, John Griffith-Jones reinforced the need for further research: 'We don't really know why it works, but it works. It's an enigma wrapped inside a mystery.'

### **Who will lead us out of the crisis?**

Unhappy the land that needs heroes. In the UK, Laura Empson suggested, we tend to admire those leaders in the mould of Henry V, or Churchill, who win battles against impossible odds. In the USA they're more likely to make heroes out of successful business leaders - those who build empires rather than slay dragons.



'Business schools are as much at fault as the business press in creating the myth of the heroic leader.'

**Laura Empson**

'Whether it's Jack Welch or Steve Jobs, there's a strong tradition of charismatic, autocratic leaders who become totally identified with the success of their firms,' she said. 'With the help of the business press, and business schools, these leaders are mythologised. They are turned into celebrities. With no one back at the office with the courage to stand up to them, they start believing their own press. And, as we have seen, they can make the most terrible mistakes. Both Jeff Skilling of Enron and Fred Goodwin of RBS were praised as great business leaders in their time, and both had case studies written about them by leading business schools.'

Laura Empson argued that 'Business schools are as much at fault as the business press in creating the myth of the heroic leader. Business schools have a vested financial interest in gratifying the vanity of business leaders; and this conflicts directly with our responsibilities as individual scholars to remain scientifically sceptical and to challenge conventional wisdom'.

## Continuing the discussion

Professional service firms leaders in the audience joined in the debate.



'In my experience, to lead an organisation you need between 20 and 50 opinion leaders. With that group, even a big organisation can move swiftly.'

'I never have any perception that the firm is changing or that we are innovating. People do it - they invent businesses out of thin air - but it is as if the whole firm were permanently on an escalator. If there are no jolts, you can suddenly look around and realise you are on a different floor.'

'Professionals like to live in harmony but the leader has to have the courage to say the difficult thing.'

'You need to leave really good people the room for creative chaos. For 95 per cent of the time you let them do their thing: for the remaining 5 per cent you move in to stop them.'

'Success for a global law firm in the current economic crisis will mean keeping the firm largely intact. You might lose people or businesses, but if you can keep the culture, the structure, the collegiality, I think you can claim success.'

