

For real competitiveness, look beyond strategy



► **Robert Sawhney and Patrick J McKenna** discuss how firms should be integrating marketing, knowledge and leadership for superior firm performance.

Professional service firms (PSF) and those in knowledge intensive industries are facing the proverbial smoking gun. Years of unfettered success has left many firms insufficiently prepared for what is now a more challenging environment.

Firms need to become more competitive but have an incomplete view of what factors drive competitiveness and the role that strategy plays. Research shows that many firms are unhappy with the results of their strategic planning efforts, perhaps based on misperceptions about what is actually involved. Firms will have to move beyond the traditional view of strategy and recognise it is the culmination of aligning firm effort around expressed and latent client needs that will lead to superior performance, not the Porterian view of positioning which seems to be the dominant paradigm used in PSFs.

Understanding your value proposition and being able to articulate that in a way that solves client problems is the basis for strategic differentiation, not claiming you are the only firm in a particular space. PSF competitiveness is really about the resources of the firm and how they can be combined to deliver greater client value, an integration of both strategy and execution.

The competitiveness of a knowledge

intensive firm is reliant upon several key pillars depicted in the figure overleaf.

Marketing, in its truest sense, has nothing to do with promotion. Marketing is a mind set and firm culture that recognises client value and market focus is the key to success. Research is unequivocal, professional service firms that outperform their peers have/are:

- Client focused and responsive
- Innovative
- Committed leadership and strong values
- Understanding of their client industries and are trusted business partners
- Systematically collecting information about the market and using it for decision making
- Demanding of their professionals and support staff to share information across the firm
- Communicating clear values and beliefs across the firm that are lived and breathed by seniors and juniors
- Aware of what their competitors are doing
- Using knowledge to continually enhance the firms capabilities
- Thinking about the medium to long term

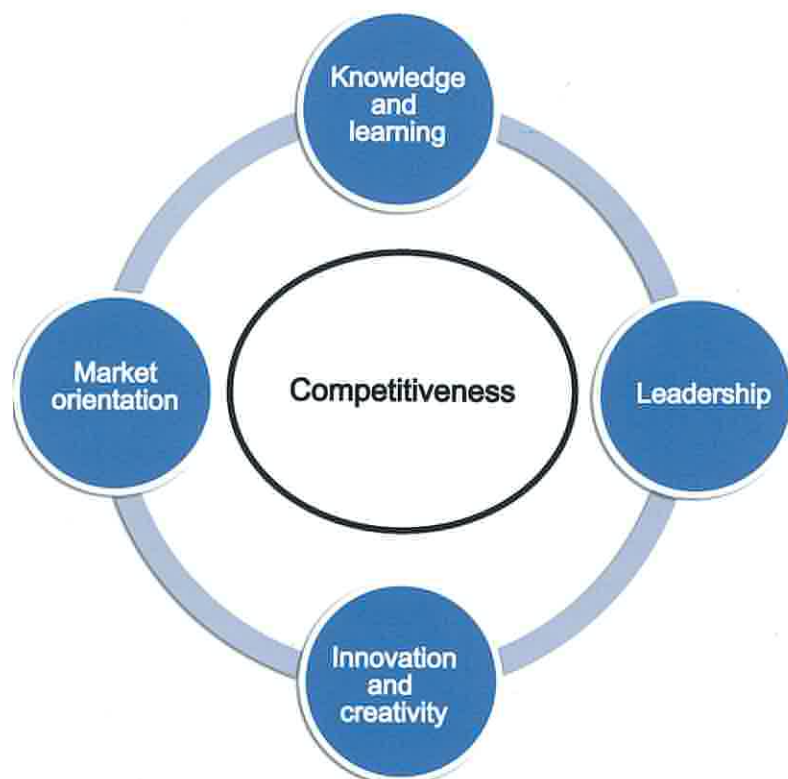
Since knowledge is the 'product' in PSFs and it is the professionals who voluntarily

part with that knowledge when working with clients and internal customers, the ability of the firm to leverage that knowledge becomes an essential part of the strategy process, not only technical knowledge, but knowledge about the firm's clients, their businesses, and the industry as a whole, including competitors. This part of the value creation process for clients is becoming ever more critical – as their level of sophistication increases so do their expectations. Winning alone through technical excellence is no longer sufficient. However, before one can implement a strategy that truly differentiates the firm, one must have a value creating culture pervading the entire firm. The culture that has the most significant impact on firm performance is a marketing culture (market orientation).

More than anything, 'beyond strategy' is a process of strategic change that enhances the competitiveness of the firm. Cultural change is never easy but it is demanded in these increasingly competitive times.

One of the major challenges facing PSFs is the ability of the firm to create firm specific capital that can reside within the firm even as key people retire or leave. The purpose of this is to ensure the continued success of the firm based on a culture, systems, and processes that are independent of any one person in terms of their impact on the firm. In this regard, it is the integration of leadership, marketing and KM that lead to the implementation of these firm specific processes that are so crucial to the on going viability of the firm. This is so since we know that leadership has a significant impact on the knowledge processes of the firm and the willingness of professionals to share.

Since knowledge is the key product of any PSF, the ability to generate and share



Key pillars for the competitiveness of a knowledge intensive firm

knowledge across the firm is a vital component of any PSF strategy. The ability to learn and adapt as time goes on is crucial to enhancing client value and hence the idea that a PSF can find a defensible strategic position may be counterproductive to the strategy process overall if firms become blinkered by analytic processes which restrict their ability to see changes and be willing to value emergent strategic processes. The work of Porter and others in the positioning school make useful contributions for the strategy process within PSFs but the fact that so many firms base their entire strategic thinking around these concepts is problematic, and one of the key reasons why so many report high levels of dissatisfaction with strategy initiatives. It is time for these firms to embrace strategy on a more holistic level and think of differentiation as something that involves operational effectiveness as much as positional perspectives.

Leadership has been shown to be a crucial antecedent to the development of a market orientation and knowledge based firm. In fact, without committed and

strong leadership in place, no firm can function effectively. This is particularly true for those firms which are attempting to move towards high performance since changes in behaviour are predicated upon a clear direction and firm values.

Overall, the list points to senior people within the firm and their 'management' behaviour as being the major limiting factor in the strategic change necessary to achieve a high degree of client focus and hence superior performance. This points to the need to create awareness among partners of the need for change and moving them in the right direction to overcome their existing cognitions before behavioural change takes place.

A number of research studies show that supportive and participative leadership styles are positively associated with the development and implementation of a market orientation. Since most senior professionals in a PSF can be considered to be much more than mere employees, a leadership style which includes their input into any change process must be superior to a traditional command and control type

approach. Supportive and participative leadership styles can be identified by their key components:

- Consults with people before making decisions and taking action
- Faces and shares problems with others
- Asks and listens to people for their ideas and input
- Focuses on relationships and is concerned with the emotions of others
- Treats people equally

Good leaders and hence good leadership then is a prerequisite to building a highly competitive firm. Unfortunately, in most PSFs, people are promoted to leadership positions based on their technical acumen and revenue generating capabilities as opposed to their ability to lead. In fact, leadership and strategy are often thought to unrelated concepts in many PSFs.

There are a number of approaches to implementing a market orientation, each with their own merit. The right approach will depend upon the context of your firm, the key issues you are facing, and the relevant weaknesses in your overall make up in terms of leadership, marketing strategy making processes, as well as the firm's use of knowledge and its ability to learn.

Leadership is a key variable because it has a major impact on the climate of the firm and how people act. Since market orientation is both a culture and set of behaviours, the behavioural norms and values of the firm will affect the degree to which knowledge is collected about competitors, clients, and the market and how that knowledge is used. If it is not properly shared and utilised then learning will not take place and the firm will continue on its current path.

For a free copy of the full e-book, contact Robert at bob@srchk.com

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