small-firm advantage

Talent Strategies

BY MARJANNE PEARSON

It's not just about money. In today's economy, with the extensive growth of our clients' markets, and the resulting expansion in professional services firms, one of the most critical issues continues to be the availability of talent. This is especially critical for small firms, for which the loss (voluntary or not) of even one employee can have a significant effect on that firm's capacity to execute its work.

Rewards don't always come with dollar signs

Some people think that, to keep top performers, the best solution is salary increases and "stay-put" bonuses that create golden handcuffs. These financial rewards may be part of your talent strategy agenda, but it's not enough.

Talented people, who are the true assets of any professional services firm, are interested in far more than money. Numerous studies of knowledge workers have confirmed four traditional motivational factors for satisfaction:

1. interest in the work itself
2. earned recognition
3. opportunity for growth
4. sense of accomplishment

In research conducted by Knoll and CB Richard Ellis on the "New Generation in the Workplace," five factors were described as essential:

1. creativity
2. new and different work
3. freedom to work independently—without rigid rules
4. sense of camaraderie
5. team approach

Compensation is part of the equation, but obviously not all of it. Most of us want to believe that our earnings are based on the value of our contribution, as well as equitability within the context of the firm, but to be successful, your "better offer" must address key qualitative factors in addition to quantitative rewards.

This doesn't necessarily mean that you need to change your cultural DNA, but you do need to recognize that, in effect, our employees are free agents, in business for themselves but also linked to the success of our organizations, with the desire for both freedom and collegiality.

How do you measure success?

Small firms have a terrific advantage: Because of their size, it is easy for people to talk to each other and really know what everyone else is doing. As a result, it is more likely that they will collectively care about what they are doing. But everyone won't always know *why* it's important. So part of our job as leaders is to put it in context.

In large businesses, owners are often perceived as people who enjoy the fruits of others' labors; while in small firms, we see the owners working right next to us, putting in just as many (or more) hours and often under more stress. The reality is that all owners have fiduciary responsibility and must balance opportunity and risk, which they can't subrogate to anyone else. Their long-term goal is sustainability of the practice, which can be accomplished through a combination of good clients, good performance, and return on investment (ROI).

When we talk about our work, a significant portion of the discussion will focus on strategy, client requirements, design, and quality; however, we must also set goals that will lead to ROI—addressing schedules, budgets, net revenues, backlog, and operating profit. To measure success in financial terms, the results are easily calculated and readily available.

Think about what is really important: the critical measurements of success on your projects such as marketing impact, client satisfaction, project team satisfaction, and development of intellectual capital.

Metrics of Project Success

As part of your project reviews, don't focus only on the financial metrics but address broader issues that you and the team have jointly decided are important. As part of your monthly staff meeting, in addition to discussing updates on projects and marketing, include a brief overview on your firm's financial performance, to let everyone know how the firm is doing. You don't have to reveal all the details, but you could include a few key factors, such as targeted and actual net service revenues per full-time employee. Be sure to explain *why* it's important to achieve the targeted goal.

Here are examples of other critical measurements of success for projects.

Financial

► Is the project achieving or exceeding our targeted financial goals:

- Budgeted fees and expenses
- Budgeted profit

Marketing

► Have we achieved our targeted marketing goals for the project?

► Have we been able to expand our services or obtain more work with the same client?

Client Satisfaction

► Is the project achieving or exceeding the client's targeted goals for program, budget, and schedule? How have we created added value?

► Is the client satisfied with the quality and process that we have used to deliver services?

Employee Satisfaction

► Is the project team satisfied with the quality and process that we have used to deliver services on this project?

Growth & Development

► Have we created added value for ourselves? Have we been able to develop and optimize talent resources in:

- design
- innovation
- technology
- additional expertise in building or market type

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Collaboration that leads to success

Working together, employers and employees can discuss and calibrate their expectations and performance so they are collaborating towards the goal of achieving success.

As employees, we bring technical competence, ability to learn, flexibility, and adaptability, as well as our own character, motivation, and values. As we work, we contribute knowledge and expertise, as well as productivity, while we are developing judgment, commitment, and leadership skills. The resulting benefit for our employer is development of ideas and innovation, networks, and capabilities that will enhance the firm's value over time, and our benefit is employability, satisfaction, and rewards.

In a small firm, we don't need to develop complicated systems and procedures for formal performance evaluations, but we do need to have a mechanism to define and document expectations on both sides, as well as "boundaries" that actually empower the employee to achieve expectations. Further, since everyone wants to know how they are doing, we need to schedule periodic check-ins.

As an example, the founder of one small firm kept all of his notes in a chronological series of journals, and in the back of each journal, he kept a list of the people in his firm, as well as a list of qualities that he thought were essential for ownership. As he would work with various people and teams, he would subsequently jot down his thoughts about how each person was doing. This allowed him not only to engage in frequent and relevant feedback with each person but it also provoked him to think about each individual in terms of their personal goals and development opportunities within and outside the firm. That firm continues to be successful; it has grown to about 35 people, with ownership that has transitioned to the next generation.

True success is the ability to create value with measurable benefits for all parties involved. Ultimately, that will be the best offer.

Editor's Note: "Small Firm Advantage" is a column edited by Andrea Walden. To pitch story ideas or submit articles, contact her at andreawalden@vantagetcg.com.

ABOUT THE AUTHOR

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