



Leading Professional Services Firms – Being an Entrepreneur

Almost all of us know of at least one friend or acquaintance who works in a consulting firm, or who has started one. Many of us, particularly in staff functions like HR, Marketing, IT etc. nurture hopes of becoming an entrepreneur, and leverage our professional skills and networks to do business on our own. In this article, I would like to focus on my experience in running a professional services firm, and some of its rewards and challenges. My experience, of course, may not be relevant for your specific situation.

I do not come from an entrepreneurial family. My grandfather worked as a supervisor in a tea garden and my father worked all his life in the public sector. The purpose of education was to get a secure job. We were not rich, but very proud of the fact that my father was honest. The thought of starting a business was farthest from my mind. I was progressing well in my career with appropriate job changes which had taken me quite a distance in the usual rat race. Then three things happened that changed the course of my life.

The first was my disagreement with my current boss at that time. This was accentuated when I found that he was taking credit for what I thought was my “performance” in his appraisal! He had enough clout in the system to get away with it. I wanted to be free of my boss. But my experience with “bosses”, in general, was not too great. So I wasn’t sure if I would land up from the frying pan into the fire! Much later, a friend of mine quoted some article which claimed that bad bosses are the single biggest factor in producing entrepreneurs! Looking back, today, I wasn’t sure if I had a “bad” boss or I was a “difficult” team member. A bit of both, I think.

The second fortuitous factor was that while I was going through that phase, a friend of mine (my previous boss!) had just started his Human Resource Consultancy and he was looking out for someone to lead his business in the West. We discussed my current situation and came to the conclusion that I would work with him for three years, contribute to his business, learn the ropes of how to run a business, and then start my own organization. This was my first role as a business head, and I thought this would be a good simulation if I had to do something similar on my own. Eventually, I stayed for four years and moved on after we created a very successful HR consulting firm which was eventually sold to an US multinational.

The third factor was a man whom I did not know, but who had, by then, become famous as a man who created wealth for himself and many others, *without paying any bribes!* I have worked in organizations which are known for their ethics, and I know of honest people who work in organizations which are not always honest. But Narayan Murthy, to me, was the real “proof of concept” that I needed, to assure myself, that an honest man could also be successful in business.

My choice of joining and subsequently starting a professional services firm had a lot to do with my values. After many years of reflection, I realized that there are some situations that make me see red, some books or movies that make me cry, some things I do that I really feel good about.

These “irrational” strong values can be attributed to both my upbringing, and to my life changing experiences. In my case, these values are freedom, justice and love.

One of my finest experiences of work till that time was in a professional services firm. I experienced a large degree of freedom working in small groups in different client projects. Some of my best friends are from my days with this firm. I was convinced that such firms can offer an environment of a large degree of freedom and caring. Later, when I decided to set up Great Place to Work®Institute as a separate entity in India, one of the things that attracted me very much to this framework was the emphasis on “fairness”. My personal values were completely in sync with our vision of making India a great place to work.

One of the things I would like to emphasize here is that I do believe it is possible to do many different things and work in diverse areas while being aligned with one’s own values. The fact that I chose to work in a professional services firm is simply governed by my own exposure and the opportunities I obtained.

Understanding what a professional service firm is is critical for any entrepreneur in this area. My two stints in consulting firms helped. But I am immensely grateful to David Maister whose seminal book “Managing the Professional Service Firm” is a masterpiece that any entrepreneur in this area must read and then read again.

Broadly speaking, if a company producing products is at one end of the spectrum, those who sell services (legal / accounting firms) is at the other end of the spectrum. In reality, the lines are blurred since there is a service component in every product, and services companies are also coming up with products (e.g. e-tax filer). However, understanding where you are positioned in this spectrum is very important. On one hand, you might be in commodity services like providing temporary manpower, procedure based services like running a BPO (Business Process Outsourcing), expertise based services like most “grey hair” consulting firms, or at high end “rocket science” services like complex legal advisory services. The key success drivers of all of these businesses are different. A commodity or a procedure based professional service firm is run on the basis of efficiency, as opposed to expertise in “grey hair” or “rocket science” consulting. The compensation you pay and the fees you get are very different at both ends. The kind of talent you will recruit and the way you will develop it are different. For example, in procedure based firms like BPOs training and standard operating procedures are vital, whereas in grey hair consulting, most learning happens through the process of “apprenticeship” with experienced colleagues. The governing structure in a commodity or procedure based professional service firm, is a typical corporate structure, whereas in most grey-hair or rocket science consulting it is a partnership model (even if technically is a registered company).

In a commodity or procedure based firm, a manager mostly supervises the producers, and there are specialists who sell the products and services to customers. In grey hair and rocket science services, the manager is the product or the service! She has to both produce and manage, apart from supervising and coaching less experienced professionals in her team. The person who delivers is often also involved in business development.

Not appreciating the differences between firms in different parts of this spectrum can be fatal. You may end up paying grey hair consulting salaries for procedure based services or expect the same people who deliver in procedure based services to provide grey hair consulting services.

This explains why so many IT companies have such difficulty in building their consulting services. Even a company like IBM struggles after acquiring PwC.

Understanding the space you need to operate in is the first step if you are planning to start a professional services firm. However, before I took the plunge, I made an exhaustive inventory of my skills & competencies and mapped it with what I thought would be required to become an entrepreneur in this space. While there were many gaps, the positives I identified were my health, a low threshold for money (having paid off my housing loan), family support, and willingness to share both and potential wealth we create and credit for any achievement. There were many gaps. But there is one, the absence of which can make the life of the entrepreneur tough. I call this the ability to distort reality to match your vision! Most entrepreneurs are dreamers, however, to make sure that they do not give up; they have the ability to find positive signs in even the most disheartening situations. In other words, you have to be a bit of a gambler. There is a story that Fred Smith, the founder of FedEx, when left with a small amount and no money to pay his people, went to Vegas and gambled – and won enough money to see through the crisis!

I also took the precaution of keeping enough money in my bank to cover the minimum household expenses of my family for one year, and increased our medical and hospitalization insurance, as well as, my life insurance cover. Now I was ready for the battle!

That was two and half years ago. Since then we have expanded our business, recruited some very talented people, and done a lot of things... however they are all work in progress, and time will judge the impact of what we have managed to create.

So, do I regret my decision to become an entrepreneur and start a professional service firm. Yes, of course, I do. I should have started ten years earlier! Good luck.

Prasenjit Bhattacharya is CEO of The Great Place to Work® Institute, India. Views expressed are personal. Prasenjit can be contacted at pbhattacharya@greatplacetowork.in