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Follow your stars

As more companies become service providers, they need to find the star performers on their payrolls who can create relationships with customers.

If you build it, we were told in the movie *Field of Dreams*, people will come. But what if you are not building anything? What if your business involves services and not manufacturing?

More companies make their money this way. Since 1980, professional service-sector revenues have surged tenfold to over US\$1 trillion (S\$1.73 trillion). A recent survey by Bain & Company of 18 outstanding professional-services firms indicated that growth is only going to continue surging.

IBM, long just a very big computer company, holds the high-water mark for product companies getting into the game. IBM's Global Services business now counts 40 per cent of company revenues and delivers profit margins of 28 per cent.

And as more companies make their money this way, other companies are deciding they want to get into this very

lucrative game.

What separates the winners from the many losers in the game is that the best services companies understand that their people are their only products.

They realise strong performance requires getting top talent to act instinctively in ways that always promote the company's strategy. They realise that these "stars" are people who are not only excellent at what they do, but also excellent at collaborating with others. So they build their companies around teams of star performers, who collectively and individually create relationships with valuable customers.

The services winners align their star talent with strategy. In product-focused companies, management can control the customer experience by controlling the quality of the product and the processes for value creation and delivery. In

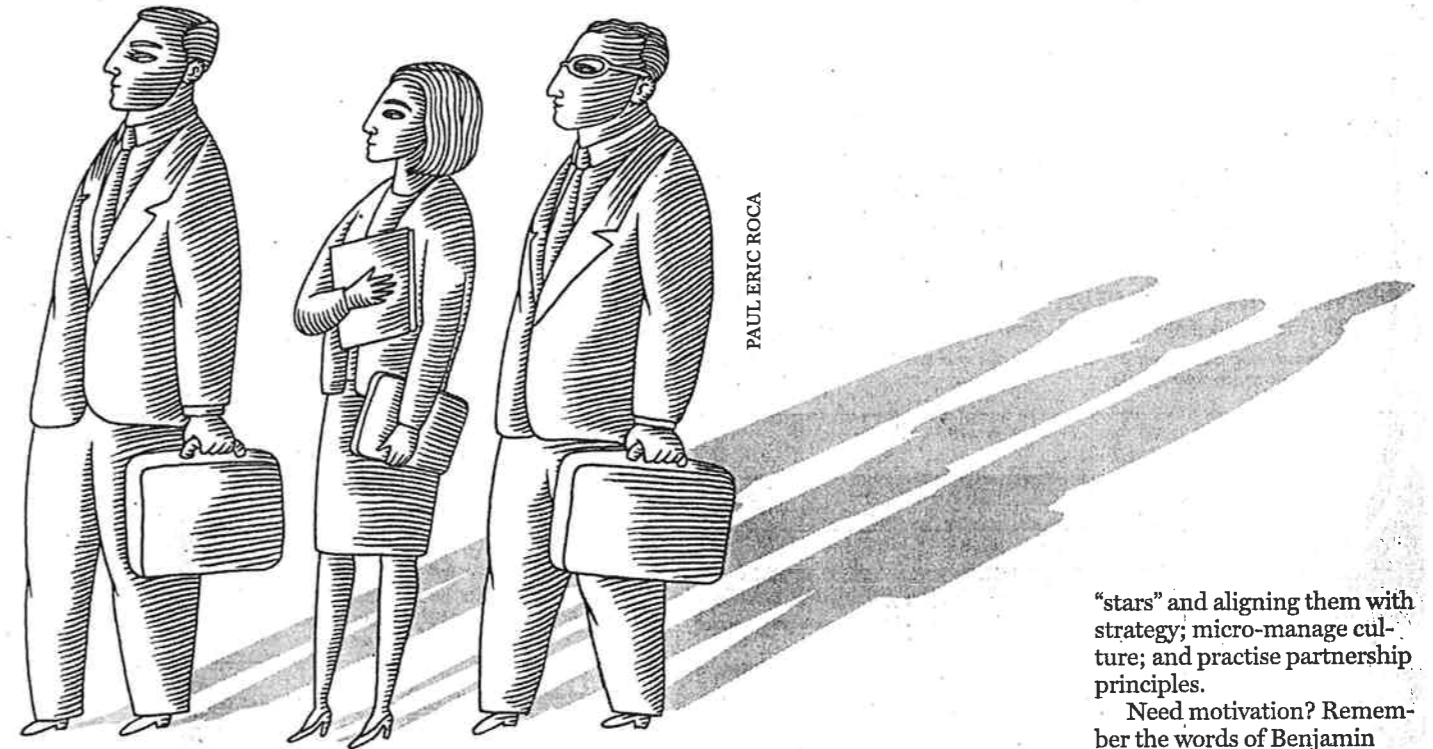
service companies, the customer's experience depends on his interaction with an individual — an experience that is much harder to control.

In successful, star-driven organisations, top managers lead by ensuring consistency in how their people behave. They influence their stars' everyday behaviour in large part through mentoring, performance reviews and compensation.

They perfect the art of helping stars achieve their own personal goals with customers and colleagues, while achieving the goals of the firm.

Singapore Airlines, long a benchmark for service excellence and profitability, got there in part through exacting and consistent processes for delivering the best customer experience in its industry.

A second thing winners do is micro-manage their culture. Culture, at its core, is a system of beliefs that an organisa-



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tion's members share about the goals and values important to them, and how they live them. Culture is "how we do things around here".

Leaders of the strongest professional-services firms are explicit about where to plant cultural guideposts, and what those guideposts signify.

These firms don't restrict their employees' freedom to take action on their own initiative, and to use their own judgment. Instead, by their own actions and examples, they set intangible but strong boundaries of expectation.

Many of the best service organisations behave as partnerships, even if they are not. They structure themselves

around peer relationships, participatory governance and accountability for customers. The partnership structure has proved useful to professional-services firms because it fosters alignment between the professionals, the organisation and strategy of the firm. It creates a context conducive to team success, for there is the belief, starting at the top, that "we are all in this together, no matter what".

Success in the services sector can be tricky to attain, in large part because it is harder to control strategy, results and customer relationships when people are your product.

Success can plateau or slip away if talent erodes or doesn't

perform in line with customer expectations and strategic imperatives.

Witness what happened at Arthur D. Little. Founded in 1886 as the world's first management consultancy, the firm lost its lustre in recent years, struggled to attract top talent and last year filed for Chapter 11. Filing for Chapter 11 is to ask for protection against creditors, and is the first step in filing for bankruptcy.

Success can also blow away overnight on the misguided moves of a few.

To get ahead in this game, your company should try adopting three approaches of the winning services companies: Focus on developing

"stars" and aligning them with strategy; micro-manage culture; and practise partnership principles.

Need motivation? Remember the words of Benjamin Franklin to his fellow patriot rebels: "We must indeed all hang together, or, most assuredly, we shall all hang separately."

Article contributed by Tom Tierney, Bain & Company's former worldwide managing director; Sarabjit Singh Baveja, a Bain vice-president based in San Francisco; and Ravi Vijayaraghavan, a Bain vice-president based in Singapore. This is a condensed version of an article which first appeared in The European Business Journal, April 2003.

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