

Upfront interview

Making pussy cats out of tigers

Tom Tierney was worldwide CEO of international consulting firm Bain & Company from 1992 until he began to focus on the Bridgespan Group, Bain's non-profit affiliate, in 2000. Under Tierney's leadership, Bain grew its revenues six-fold, expanding from 12 to 26 offices worldwide. He has now captured what he learned from the experience in the book *Aligning the Stars* (Harvard Business School Press), written with Harvard Business School's Jay Lorsch. With talent shortages and companies increasingly reliant on a small number of key individuals, Tierney says that managing talented but demanding individuals now lies at the heart of many organisations and that the lessons of professional services firms – such as legal, accounting and consulting firms – are increasingly relevant to those in other industries.

Managing consultants has been compared to herding cats so many times that it has become a cliché. How correct is it?

You can't control these people. You don't know whether they're working 60 or 70 hours a week. Your most important asset is out of your control on a daily basis. Herding cats is a flawed metaphor. The cats are very powerful tigers.

How do you manage such people?

The really great firms give people a fair amount of independence. They don't control the people. They control the culture rather than the individuals.

Are the lessons from running a consulting firm universal to business?

Increasingly so. It took Harvard Business School 45 years to address professional services, a sector worth \$1trn worldwide. Professional services are a hidden giant. Professional services are driving economic growth.

I teach executives from all over the world and from a variety of different industries at Harvard. They all have something in common: they are selling their time and selling hired



Tierney: star gazing

talent. The lessons available from professional services firms can certainly be used in other businesses.

The basic business model of professional services is that people are the product; who they are and how they behave ultimately determines the financial performance of the business. Firms manage their top talent, their stars, to build lasting productive institutions. The people they pay are more important than the people who pay them. Star-driven businesses account for half of GDP. In 1950 it was 20 per cent.

Yet, the world is still focused on business models based on traditional industrial structures and manufacturing companies rather than services. As the world migrates to delivering talent this business model becomes more and more irrelevant.

So every business needs to identify and manage its stars?

Yes. The consequences are that you better understand who today's and tomorrow's stars are and that you are retaining and motivating them in the right way. This takes an investment of time and money.

One CEO told me that he didn't have a star system at his firm. But he went on to admit that he recruited aggressively and only employed one in 20 of those interviewed. Then there was rigorous performance assessment. Only one in 15 became a partner. Well, that sounds like a star system to me.

How does this effect the job of the CEO?

The CEO has to be a starmaker. It is not a war for talent but a war for stars. It's not just anyone you want. The stars of the future are, in fact, your most important customers.

Starmaking is the essence of general management because teams of stars, working towards common goals, drive business success.

The three things you need to make money are the right strategy, the right people and the right behaviour. Strategy matters most when there is turmoil but it is only about 10 per cent of the answer because implementing strategy is so challenging. People and behaviour are 90 per cent of the equation.

Behaviour is the way things are done, the culture of the organisation. Culture influences people every day – it's what guides them to act when management is not looking. The thing is that culture and leadership are hard to copy. There's no such thing as sustainable competitive advantage but a unique culture can offer a powerful competitive advantage.

How did you put this into practice as a CEO?

My philosophy was that the firm exists for the people rather than vice versa. My job was to serve the people – present and future. I wasn't going to be there for 100 years. It is a temporary job but there has to be a sense of perpetuity. Being built to last is very important. Senior people must invest in junior people; one generation must invest in the next. Organisations always need new blood. People need re-potting.

So CEOs needs always to be thinking of what happens when they leave?

From early on as CEO I was thinking about how the job would evolve. I tried to be a role model. Having an appropriate succession process was a critical dimension of shaping our culture, of shaping how we do things around here. Culture,

after all, is behavioural. How I behaved influenced the culture.

Stepping aside at the right time and in the right way was important. I planned years in advance. We have a sense of leadership as temporary service. We rotate the heads at our London office, for example. This doesn't mean that leaders can't be strong willed but that they put the firm rather than themselves first.

How can companies manage their stars when markets are tough?

Thinking about stars changes how you manage during a business cycle. You have to look long term. The temptation is to ignore the stars and to focus on profits. This undermines the future. Winners are able to attract, retain and motivate stars better than their competitors; this is especially important during tough times.

Interview by Stuart Crainer.