

## **PSMG NEWS ARTICLE – IN-DEPTH VERSION**

# **The future of professional services marketing**

**The professional world has changed...but what about  
marketing and business development?**

**By James Newberry and Maeve Jackson**

“The world has changed” is the opening line of Peter Jackson’s movie trilogy of Tolkien’s Lord of the Rings. Whilst we are not suggesting an end quite as cataclysmic as this story, the world of professional services marketing is also changing dramatically – and we mean step change rather than incremental.

New technologies, much tougher market conditions, and the impact of legislation are transforming the business position of many legal, accounting and other branches of the professions. Can we expect such transformation now to be wrought on the marketing department? If we can, how much will the current marketing operations in professional firms have to change over the next five years?

From talking to partners, directors and managers in a range of firms, and experience of working in the sector, it is our belief that we are about to enter, Tolkien-like, a **Fourth Age** of marketing and business development in professional services.

This new era is going to demand more and different things of the **structures** and **people** that make up the commercial function. Looking briefly at the structures of each of the preceding three ages, we can track the development of marketing up to now, and take a peek into the new age to see what it may look like for those working in it.

### **The First Three Ages**

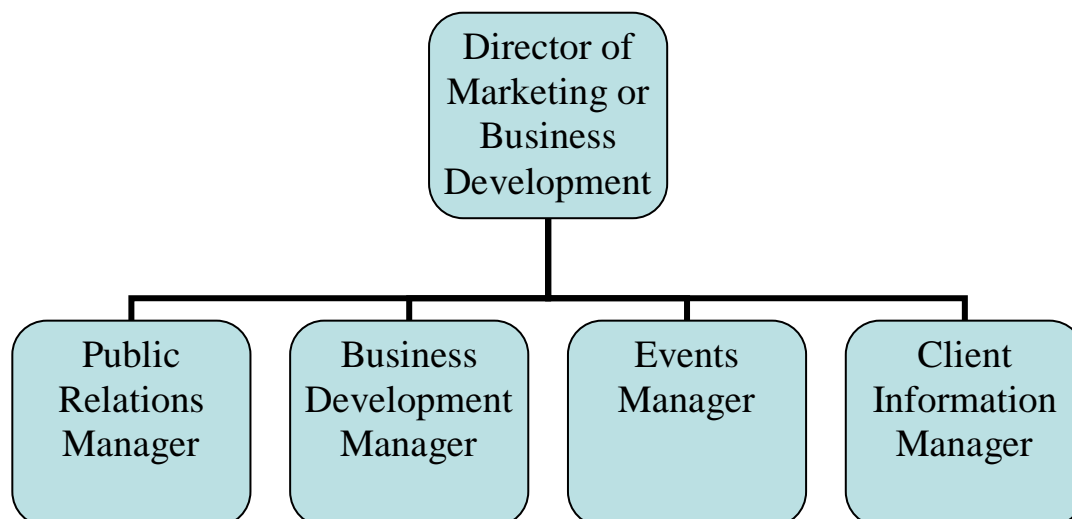
Where we are now is the culmination of 20 to 30 years of development and increasing sophistication. In the beginning, there was the **Nascent** structure – our First Age. When the world was this young, the old restrictions on the ‘professions’ were still firmly in place (e.g. no poaching of other firms’ clients). Thus, marketing consisted simply of partner(s) assisted by a person or persons usually pulled from secretarial or administration roles to help with events and social occasions. In some small firms this model still operates.

The relaxation of restrictions on commercial operation, increased volumes of work, the greater number and sophistication of client demands (e.g. RFPs), and the cross-over of marketing professionals from the wider service sector all contributed to a growing professionalism of marketing support. In time and with further business growth, a new type of structure began to emerge, employing a broader range of people and their specialist skills - albeit heavily focused on marketing communications, and initially located within a professional entity that was devolved (e.g. office, practice group).

At its zenith, and it is still with us in many firms today, we have a version of the classic, centralised **Functional**<sup>1</sup> structure that is our Second Age, an example of which is shown in Diagram 1.

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<sup>1</sup> As described in Exploring Corporate Strategy, Fourth Edition, 1997, by Gerry Johnson and Kevan Scholes, Chapter 9, page 367.



*(Diagram 1)*

This structure pulls together the firm’s specialist marketing and business development operatives into a central entity led by a dedicated director/head (or possibly partner). Centralisation allows for more efficient and effective provision of service to the firm, as operating units ‘bid’ for time and expertise from the centre; and greater control of budgets and the development/implementation of strategy.

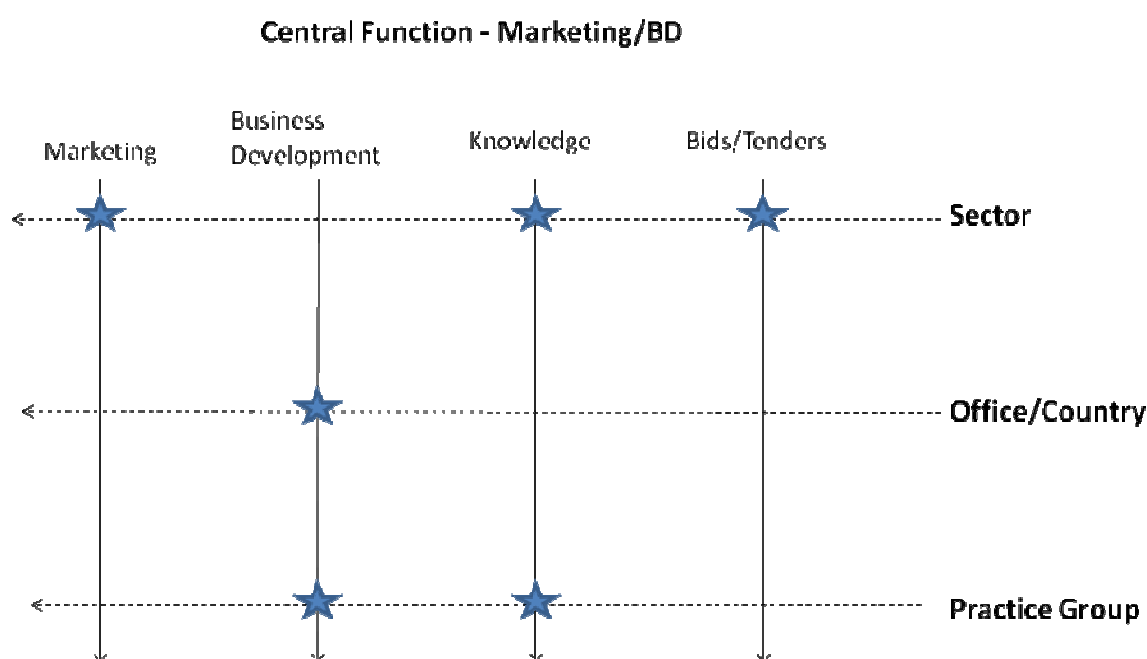
However, it has disadvantages: principally, inflexibility and lack of understanding regarding the perceived ‘specialist’ needs of professionals in practice groups or offices. Typically, staff in a centralised function can have: significant demands placed on their time (e.g. responding to tenders); many ‘masters’; and are expected to turn their hands to anything vaguely commercial.

If not strongly controlled, the centralised function can break down in larger, more complex firms, reducing efficiency and effectiveness as multiple operating elements (branch office, practice group, sector group) go native and set up their own support functions - and a de facto, piecemeal **Multidivisional**<sup>2</sup> structure is born.

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<sup>2</sup> Ibid, page 370.

These downsides have led to a Third Age of development – the **Matrix<sup>3</sup>** structure an example of which is shown in Diagram 2. In these usually larger organisations, specialist functional support is aligned at office/branch, practice group or sector level, but with a clear reporting line to the centre. In practice, not all elements of functional support are devolved in this manner, because for some specialisms (e.g. large bids) it makes more sense to remain centralised – so many firms employ a hybrid combination of both.



(Diagram 2)

The matrix should give operational units a greater say in their key marketing and BD activities, with support staff that work closely with and understand them better, whilst benefiting from the continuing influence of central strategy, operational efficiencies, and knowledge transfer. However, issues of control and conflict between centre and operating unit can still predominate – based around, in essence, who has the final say?

<sup>3</sup> Ibid, page 373.

Formally, the structure may have the centre as the primary reporting line, but with the devolved units actually paying for the staff and so wanting what they see as legitimate control of them. And things can become VERY complex and inefficient - with practice group, country and sector all active and vying for client attention, leading easily to duplication of effort and dissipation of central direction.

### **Key Issues for 2010-2015**

The question we pose then is how, going forward, current and future market developments are going to affect the way that marketing is structured. There are a number of relevant trends here.

**Limited scope of “marketing”.** One of the universal truths of the last 20 years is that, despite a growing structural sophistication, there is still no clear or widely accepted view of what “Marketing” and “Business Development” are. Indeed these two terminologies can appear interchangeable.

And although it has expanded out of its original marcoms remit, the prevalence of truly strategic marketing - as practised in the wider business world - is playing serious “catch-up” in a lot of professional firms. Taking the classic 4Ps, professional services marketing’s real impact on and control over *Pricing*, what and how *Products* are developed, and how service is delivered to clients (*Place*) is generally weak: the exceptions to this that do exist only serve to prove the truism. About the only area of significant expansion that we are seeing is in the areas of *Promotion* based around new media.

**Partner role disaggregation.** Whilst marketing's role remains limited currently, the opportunities to break out of its strait-jacket are beginning to appear. Under pressure from clients to adopt more business-like practices and, in the law, from the potential impact of market liberalisation, partners and other professionals are struggling to cope as the traditional “jacks of all trades”. We see real responsibility for operations management, pricing and project management being granted to a small but growing cadre of non-professionals.

**Product/service development.** Previously neglected, product/service development is now becoming important as firms seek to differentiate their offering to complement better operational efficiency. This requires marketing/BD and practice groups to work together to create client-centric solutions that cut across existing structural boundaries. Imaginative solutions are also being created in some firms by using third parties or other branches of the professions (e.g. between law firms, pension consultants and others), and this too requires product development and project management skills.

**Turbulent uncertainty.** A number of firms have led a trend in recent years to combine Business Development and Knowledge Management teams into one unit for what appear to be logical reasons i.e. getting closer to the professionals. At the extreme, either for budgetary or perhaps ideological reasons, one or two have dispensed with BD specialists altogether and handed the job to professional support staff. But then some other firms have all but abandoned their use of in-house professional support relying on external contracted provision.

These examples highlight to us that economic turbulence and client demands are producing major knock-on effects that are rippling through: old orthodoxies are being actively challenged everywhere – especially in the last few traumatic years. So if firms can successfully outsource routine, low value areas of *professional* activity, why not do the same thing for support services and marketing or BD in particular?

This is more than just a twinkle in the eye of a few managing partners or chief executives. It is happening.

### **The Fourth Age**

In conclusion, we believe that the marketing operations of many professional firms will, indeed **MUST** have a different look five years from now if they are to meet the challenges we highlight. In the coming Fourth Age, that look will ask a number of serious questions of current practitioners.

The potential exists for Marketing in the professions to move beyond the limitations of its “Promotion-plus” role, into a wider remit as part of a commercially-relevant operational ‘team’ with partners/professionals and other non-professional specialists. In the most progressive firms, Marketing will begin to drive pricing strategy, tactical implementation and project management– as we believe that it should do. Increased emphasis and expertise will be needed to cover new media activities and New Product Development.

To implement this successfully will require greater expertise from marketing and BD staff than many departments currently possess. Therefore, firms will adopt a more complex and fluid organisation structure, moving away from the simplicity and relative straightforwardness of functional structures as we have defined them. The coming, typical department of 2015 will more closely resemble our matrix operation, **BUT** with even more complex dimensions as external contractors and other professional service co-providers join the mix.

The end-point for this Fourth Age we have called the **Stakeholder** structure. In it, specific parts of the marketing function are outsourced and managed by a small central team using clearly-defined contracts for agreed services: for example, knowledge and research, PR, and event management.

In this paradigm, the efficient management of direct and indirect target-setting and reporting will be vital for success. Today, this is one for the future but, with the unstoppable drive from clients for greater operational efficiency, it is likely to be taxing professional service minds pretty soon.

Of course, we have no crystal ball. Our version of a Fourth Age future is only one possibility, but it is one for which all the signs are observable now.

What are you and your firm doing to be ready for it?

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*They are active collaborators in the style of the Fourth Age of professional service marketing and welcome your views on the future as described in this article. Call 01227 730411 or email [james.newberry@peoplescope.com](mailto:james.newberry@peoplescope.com).*