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POSSIBILITIES FOR TOMORROW'S PROFESSIONALS

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Professional services firms have enjoyed boom times in recent years. Only a fool would have been seen a glitch in the growth path. Everything seemed to be in place to guarantee a rosy future. Now, in a radically changed world, these advisors will be truly tested. And the question must be asked: will they have what it takes to adjust to the new realities?

Until quite recently the global economy was in robust health. The decade of the Nineties saw an astonishing upsurge in entrepreneurial activity, fuelled by the promise of new technologies, the "death of distance", and the emergence of a new "24x7x52" customer. Manufacturing employment shrank and the service sector grew; people who couldn't make the switch either had to give up work or get inventive to survive.

The microchip and the Internet transformed the way we work. Deregulation, privatization, and lower transport and transaction costs made new markets and new labour pools accessible, providing new opportunities and dramatically increasing the level of competition.

Companies everywhere talked of "going global". They flexed their muscles and spread their wings, and spent fortunes on sharpening their competitiveness. Mergers and acquisitions were all the rage. There were new markets to conquer, new services to offer, new technologies to plug in, and new business models to design.

To survive and thrive in an age of "hypercompetition", companies had slash costs and add value. So they started to benchmark everything and went to war on waste. They reconfigured their supply chains, put novel outsourcing arrangements in place, and installed new systems. For a while, reengineering was a big money-spinner.

Then "invisible assets" and "intellectual capital" became big deals. Suddenly brands had to be built, valued, and protected. People needed training, coaching, and mentoring. Change programmes needed managing. Performance management systems had to be developed.

The past decade was indeed a golden age for consultants. They grew as never before. Hardly a day went by without news of another merger or takeover, another branding exercise, or a sexy new service offering. But that was then and this is now. Things will never be the same again. There are new challenges ahead.

It is still too early to know what the real fallout from the September 11 terror attacks on the US might be. But already, many things have changed.

In most industries in most countries, sales are plunging as customers head for the hills with their wallets firmly in hand. Record numbers of people have been laid off, so employees are jumpy about their jobs and wary about their employers' intentions. Security is a big issue and security precautions have introduced new friction into a recently "friction-free" economic system. From now, people, money, and goods will all take longer to move from A to B and it will cost more. Hassle is a new reality.

Some industries – tourism, investment banking, insurance – have already been hit hard. But virtually no sector is untouched. And in the weeks and months ahead, it will become evident just how inter-twined the players in the global economy have become.

Relationships between nations are shifting. Social values are changing. Overnight, new costs have been introduced into just about every organisation. Managers must think the unthinkable and do the impossible.

Some of these changes are a result of what U.S. president George W. Bush calls “the first war of the 21st century.” And of course, some executives have been quick to use the terror attacks and subsequent actions as an excuse for their lousy performance. But many were under way early in 2001. For proof, just glance at headlines in the *Financial Times* or *The Wall Street Journal* of September 10 and 11:

“U.S. jobs data may dent consumer confidence”... “Wall Street’s decline spreads beyond the technology sector”... “Moulinex falls victim to downturn” ... “Computer demand hits 4-year low among U.S. buyers” ... “Anglo American net sinks 7% on commodities downturn” ... “Central bankers gloomy on U.S.” ... “Central Europe’s economies start to feel chill wind of global slowdown”... “Japan’s battered economy hit by data blows”... “Hotels hit by drop in visitor numbers”....

As we look ahead into 2002 and beyond, it’s clear that “visibility” will remain a big problem. So many possibilities will have “if”, “but” or “maybe” attached to them that it’ll be hard to make calls on which way things will go. But business leaders don’t have the luxury of doing nothing just because they’re confused. They have to act.

At a recent leadership conference in London, Jack Welch, the former chairman of General Electric, warned of the costs of inaction. “Of course this is a terrible time,” he said. “Of course, we all mourn the people who lost their lives and we sympathise with their loved ones. But we also have to move on. And for some people, for some companies, this will be a time of immense opportunity.”

And so it will be. But only for those who look ahead, who imagine new possibilities, and who then have the courage and the capability to act fast and effectively – to seize this rare moment.

The business cycle is not dead. The current slump will not last forever. And the good news is that there’s money to be made now, just as there will be when an upturn comes.

As always, the best starting point in a search for opportunities is with what *clients* need – after all, it’s these more than anything, that matter in shaping tomorrow’s value propositions. Here are a few thoughts, to get you and your colleagues talking:

1. **Peering through the fog.** The future, as I’ve mentioned, is a murky place. As Cisco demonstrated, even the smartest technology may not give executives the insights they need. They’re drowning in data, and separating signals that *mean* something from noise that’s just *distracting* is harder than ever. So it’s no surprise that stress levels are going through the roof.

Professional advisers can play a useful role in helping clients calm down, step back, and put things in perspective. Also, in highlighting the insights that information may offer. And finally, in presenting clear options for action.

Worldwide, there is great concern that many of the executives now charged with managing through a recession have never *lived* through one. South African companies should worry on this score. The management ranks here have been decimated in recent years, and a shortage of management talent is undoubtedly the No.1 problem facing this country. This offers a window of opportunity to the advice industry!

2. **The boom in better governance.** Worldwide, corporate governance is on a roll. Companies are under pressure from many sides and from an increasing range of stakeholders (from governments, regulators, animal lovers and environmentalists, as well as from activists at trade gatherings in places like Seattle and Prague, from angry shareholders, from alert – and often hostile – media, and from disenchanted workers). In the future, managers will find more of their time consumed by governance issues. As they come to understand the personal risks and liabilities they face, they will need counsel and support.

However, it will not be enough to simply regurgitate or criticise elements of the “King II” report on corporate governance. Auditors and others will need to offer sound advice on the “how.” They will also need to be involved in ensuring compliance, in shaping new laws to support these recommendations, and in boldly bringing to book those who err.

3. **Smaller, faster, affordable interventions.** In the immediate future – and maybe even forever – it’s likely that clients will be more cautious about buying professional services. For all they might have gained from outside counsel, there have been too many reports of companies being badly burned by those they’ve paid to help them.

Many change management efforts have been dismal failures; very few have delivered the expected results. Major accounting firms have been guilty of shoddy reporting, resulting in some spectacular corporate collapses and huge losses to shareholders. In South Africa, government has spent fortunes on outside advice – often to little or no effect, or even with seriously *negative* consequences.

Awful damage has been done by questions about the “value-add” of those who advised SAA and by reports that one organization apparently paid a “consultant” *R9 million* for a one-hour talk on diversity. News that government is to offer courses to all administrators who deal with consultants reflects more harshly on service providers than on the people who hire and manage them.

Professional advisors and their fat fees are in the firing line. In the future, results will matter more than ever. So there is likely to be a swing by clients to more modest interventions with tight timelines, clear goals and “sensible” budgets; and to remuneration plans linked tightly to performance and results. Those who can deliver will gain a massive competitive advantage.

4. **More thoughtful thought leadership.** Ten years ago, the accounting profession in South Africa – as elsewhere – was debating whether or not its members should be allowed to advertise themselves. Now everyone does it. And *everyone does it pretty well the same way*. Other professions, too, have become blatant marketers. And since they’re all selling intangibles, “thought leadership” is their promise of choice.

But examine the offerings. Where are the real breakthroughs – the concepts and insights that fresh and new, and that will make a meaningful difference? What research really offers that “Aha!” that will transform a client’s business, make them more competitive, and deliver to the bottom line?

The fact is, most of what’s dished up as “cutting edge” is actually “ho hum” and “so what?” Most of what we know about management was known decades ago, and the new stuff is mostly just recycled, rehashed, and repackaged.

To an outsider, it is hard – if not impossible – to understand why one service offering is genuinely different to another. This means there are opportunities to a) produce new ideas and b) sell them in new ways.

In the new century, winning professional services firms will be those that not only develop new paradigms and processes, but also lead in sharing and leveraging knowledge within their own ranks. The ability to attract, grow, and keep talent will be critical.

South Africa is a unique management laboratory because it offers opportunities for learning and experimentation that few other countries can do. So local professionals should make the most of this environment and work harder to make explicit what they glean every day.

Of course, there are many other possibilities worth thinking about. Even a short brainstorming session would no doubt throw up countless “things to do” in 2002. But in my book, these four deserve special attention because they’re already on the radar screen, and already getting a good deal of attention.

If recent events have taught us one thing, it’s that extreme surprises should be no surprise. The context in which managers make their decisions and place their bets has been fundamentally altered. Whatever was learned over the past ten to 15 years must now be reviewed and maybe reinvented. Yesterday’s best practices may have some value, but tomorrow’s will surely be different. Those who create them will own the high ground.

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