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Barry Donovan, chairman of a small but rapidly growing consulting firm, was thinking about what he intended to discuss with his colleagues at the firm's management committee meeting the next morning. Although he was satisfied with the firm's high profits and wide range of new business opportunities, Donovan found himself worried about the task of setting the strategic direction for a worldwide consulting firm and managing the continued growth of its staff. "Where are we headed? How can we manage this organization when it doubles in size?" he wondered.

And yet, what could be done? Managing directors and vice presidents were so involved with developing new business and advising clients that no one ever sat down to consider the future of the firm or of its various functions. Addressing longer term strategic issues always seemed to give way to the intense short-term pressures of serving clients and coping with the expanding flow of daily responsibilities. And the situation was exacerbated by the rising number of professionals—mostly MBAs—that the firm had recently hired. To become productive, contributing members of the organization, they needed time and guidance from their seniors. As it stood, the limited contact they had was in hurried meetings about specific projects, and that certainly wasn't an effective way to learn about the business or to develop expertise with clients.

All these factors added up to one important need: more attention to management. And that conclusion went to the heart of the firm's problems. Management was an uncomfortable, almost dirty word to most of Donovan's colleagues, all of whom had been handpicked for their ability or potential as consultants, not managers. Even those on the management committee saw themselves as specialists—strategists, marketing experts, or advisers—not as general managers. Given all this, how could Donovan make sure that managing was not always put off until tomorrow?

Moreover, Donovan wondered what would happen to the organization itself. He had always prided himself on running a firm that was free of all the bureaucratic structures and systems that he had seen so often in larger client companies. But could the firm grow and at the same time preserve the informal communication and coordination among professionals that had earned it a fine reputation?

This organizational dilemma will look painfully familiar to people in many professional and financial service firms, where the products and services are inextricably related to the intellectual capabilities of the professionals and their interpersonal effectiveness with clients. In such organizations, most people

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with positions of authority are in the center of the production process. By contrast, managing a firm like this, which includes developing a business strategy and training and continually motivating staff, takes professionals out of the mainstream of production and into a more isolated environment.

Whether consultants, investment bankers, accountants, architects, or lawyers, the senior members of these businesses all struggle with the same problems:

How to find professionals to manage the people and business problems, given that the professionals are not hired, trained, or rewarded for managing.
How to train, assimilate, and develop a growing staff without creating an excessively hierarchical organization.
How to achieve strategic control and coordination among departments in a dynamic environment where effective strategy has to be made by people close to the action.
How to grow in size but remain nonbureaucratic.

Barry Donovan's firm, like many traditional professional enterprises, adopted the conventional solution to these problems. It moved experienced and talented professionals into management positions, expecting them to delegate their client accounts and professional activities to juniors so that they would have enough time for managerial tasks.

This conventional approach has obvious shortcomings. If you take your best producers and make them managers, you lose their professional contributions and risk making them dissatisfied over time. Most professionals build their identities around their work. They chose their careers because they found the work exciting and challenging—not because they wanted to be managers. Moreover, much of the nature of management work conflicts with the very things that make professional work so exciting.

Professionals like their work in part because they get rapid and measurable results. It's a good psychological fit. A consultant can watch a project move along and get immediate feedback from the client. An investment banker arranges a public offering; securities salespeople initiate and close a sale. Managers, however, achieve results gradually—often over months and years. And even then, the outcomes are not concrete and visible, nor is there clear feedback. Developing younger associates, for example, is a long-term process, and one without clear benchmarks. The same is true about forging and implementing a company's new strategic direction.

In addition, professionals enjoy the content of their work. They usually find it intellectually challenging and demanding. But managers must often involve themselves in details that can seem (and often are) unglamorous. They may have to create or monitor a new administrative process, advise a young person about career concerns, or figure out whether to open a new practice area. While these issues may be as complicated and thorny as deciding on a building site or managing an audit, they won't necessarily interest the specialist.

Further, successful producers often work alone or with a small team of associates. They have the autonomy to pursue any direction that seems to make business sense. Managers, on the other hand, deal with a more complicated web of relationships—with superiors, peers, and subordinates—and they all need continual attention.

For all these reasons, putting the best producers into managerial positions can hurt both the business and the producers themselves, especially if they're reluctant to go into management. As the director of a professional firm, then, you're caught in a bind. If you leave the best producers in place and choose the poor producers to manage, you confirm professionals' traditional disdain for management. Producers with less-than-outstanding reputations are unlikely to have much influence as managers in organizations where the most valued and respected attributes are professional skills. Moreover, these less talented people are just as likely as their colleagues to find management unappealing.

If, on the other hand, you bring in professional managers from the outside, you'll find that they lack substantive expertise in the business and hence will not be able to participate in the strategic and human resource decisions that lie at the heart of professional service management. At best, you'll get help on routine administrative matters. At worst, the professionals will ostracize the newcomers and reinforce their status as outsiders. Full-time managers, whose raison d'étre is managing, are also more likely to reduce autonomy and to increase bureaucracy and structure. These actions create rigidities that make it difficult to respond to client needs and market changes and that therefore demotivate professionals. No matter what, you won't solve the firm's real problems of growth and direction.

Have It Both Ways

Fortunately, there is a solution to the very real problem of how to manage a professional firm—"the producing manager." Producing managers are both formally responsible for management activities and actively engaged in the production of client services. In a sense, the role isn't new. Good managing partners have always retained their professional work and ties to clients while taking on management responsibilities. But rather than hope that people with just the right mix of professional and managerial skills will appear at just the right times, we suggest developing those people from within and reinforcing the producing manager idea throughout your firm's structure and operating policies. The company will thereby get the managerial attention it needs, both from newly designated producing managers and from people who may have been trying to juggle producing and managerial responsibilities for years. Moreover, by having people who both produce and manage, a professional firm can keep in touch with its market and thereby gain a competitive advantage.

An organization built around the producing manager concept looks fairly simple. It consists of a number of small units, each headed by a producing manager who keeps abreast of the business and stays in touch with the professionals. These units may be geographically based, as in the case of consulting firms, or they may be based both on business activity (auditing, tax advising, consulting) and on geography—an approach that many public accounting firms use. However the units are organized, the enterprise has a relatively flat structure, without the layers of hierarchy so familiar in corporate organizational charts.

The benefits of the flat structure are many. It gives professional firm employees the autonomy they need to work within highly competitive and dynamic environments. When a producing manager needs to consult with the company's leadership on a deal that risks large amounts of capital, for example, he or she won't have to go through many intervening levels. Moreover, a flat structure is psychologically important to professionals, who generally like freedom in their areas of expertise.

The role of the people at the main office (those above the producing manager level) varies with firm size, complexity, and type of business. The top officers may be almost entirely involved in management, or they may be producing managers as well. In a small, 50-person consulting firm, for example, the president can spend a significant portion of his or her time working with clients and still lead effectively. The chairperson of a large consulting firm, however, usually leaves managerial duties only to bless an important assignment or to maintain a relationship with a long-standing client.

The glue that holds the units together is not tight control by top management but the personal relationships among the producing managers themselves. These ties are based on respect for each other's abilities, priorities, and problems, as well as on a shared commitment to the firm's goals and directions. Producing managers don't communicate via strictly formed hierarchical avenues. They communicate up, down, and across their complex web of relationships.

Producing managers, therefore, must have good "people" skills. If this seems inconsistent with the image of a professional working on projects in isolation, remember that any successful professional has to build effective relationships with clients. Good producing managers put that skill to work inside the firm.

With the right combination of professional and managerial skills, producing managers can guide their colleagues along the fine line between professional autonomy and commitment to the organization's overall goals. The best way to achieve this balance is through careful selection of staff and a clear understanding on everyone's part of the enterprise's values and practices.

Just as producing managers must help people balance autonomous functioning and commitment to group goals, top executives need to keep the units from becoming fiefdoms where professionals eschew cooperation with members of other groups. Coordination is frequently necessary—when two officers in a consulting firm are working for divisions of the same corporation, for example, or when multiple areas of an investment bank are working for one client.

The best way to make certain that collaboration takes place is to ensure that producing managers have enough contact with each other. Unit boundaries need to be clearly defined to preserve their autonomy; but they also must be very permeable to encourage collaboration. A consultant in one location should feel free to call on specialists in another office to help with a client. Similarly, an investment banker should be able to ask a research analyst to gather data revelant to an initial public offering.

Streamline measurement systems

A producing manager organization relies primarily on its employees' commitment and the quality of their work for internal control, but it also needs formal systems to monitor the crucial quantitative aspects of its work. Law and consulting firms, for example, need to measure staff utilization; in investment banks, critical measurements focus on profitability of trading desks, revenues generated by business units, various products' share of the market, and deals done away. These measurement systems can be allied with the producing manager idea in a way that fosters the cooperative climate.

Above all, professional firms must keep their systems simple and limit them to only the most important factors, no matter which variables they're measuring. Producing managers must therefore be clear about the information they really need and not leave systems design to specialists, who can bury the business in unnecessary and even damaging data.

One engineering consulting firm's complex method for allocating project costs, which included overhead for any unit that billed even a few hours for a project, actually inhibited cooperation among the engineers, who should have been working together. Unit managers were so concerned they'd incur costs and not show commensurate profits that they abandoned whatever communications they had, and the firm's profits suffered.

Another principle that must guide measurement systems is this: keep them focused on the overall firm profitability. Producing managers and company leaders do need data on unit performance, but any setup that concentrates so heavily on units' results that managers lose sight of the need for cooperation can be very damaging.

Choose People Wisely

A professional firm's most important asset and competitive weapon is, of course, its professionals. An enterprise that wishes to institutionalize the producing manager concept needs quality people more than ever because the traditional, hierarchical allocations of responsibility and authority no longer apply. The caliber of the people producing and managing, therefore, takes on new weight. They must be able to work well with little oversight. Their abilities and standards must be beyond doubt.

Because the caliber of the professionals is so critical, producing managers spend hundreds of hours visiting accounting departments, law schools, and business schools to interview prospective candidates. Continual infusion of able people is the source of producing managers several years down the road.

Top leaders of the firm must be insightful about which people they choose to promote to producing manager positions. But what criteria should they use? As we said before, successful professionals who have the respect of their peers are the best candidates. Further, if they have shown that they can work well with clients and others on the outside, they will probably also be able to manage the internal relationships that are so important. In their past work with clients, these potential producing managers should have had experience managing multiple relationships within and across divisions.

On top of professional competence, potential producing managers need three specific, related skills. First, they need to be seen throughout the firm as people of integrity, dependability, and trust. Second, they have to be able to understand the other professionals' needs and find ways to meet them. Last, they must have an intangible kind of wisdom and experience that enhances the other professionals' ability to make decisions under complex and uncertain conditions.

Without a genuine interest in managing, though, these people won't be good picks. Ideal candidates for producing manager positions are accomplished producers who are enthusiastic about taking on managerial responsibilities and interested in having their careers move in this direction. They also should show a willingness and an ability to look beyond deals, clients, and projects to where the business is headed and to be innovative about direction and goals.

It is important that the leadership doesn't criticize strong producers who decline to move toward management. There is a legitimate, necessary, and even important place in professional firms for people who want to remain solely producers, and their individual contributions and client relationships make them valuable. Because producing manager firms place such a high value on the act of producing, they are especially well equipped to reward pure producers for outstanding performance.

Teach the balancing act

New producing managers, once chosen, need some training. Informal training—in the form of conversations with senior members both about expectations and about how to deal with a new set of problems and issues—usually accompanies formal, ongoing training programs. Just as most businesses run programs on changing products and services for their professionals, special training for new producing managers can help them develop the managerial expertise they'll need to respond to their changing career orientation and new responsibilities.

An initial session with new producing managers about the frustrations of the job can go a long way toward helping them allocate time to management. The point of this session—as well as of subsequent teaching—is to stress that effective management rests on finding and maintaining a balance between managing and producing. The right balance varies from one position to another—even within the same firm—and it depends on a number of factors: the nature of the business, the importance of personal involvement with clients or customers, and the experience, autonomy, and number of subordinates. Thus each producing manager must determine the right balance for him or herself.

It is important to help newcomers to the role address this issue early on, because their jobs will be fraught with constant time pressures, conflicting demands, and complex trade-offs. Achieving an effective balance between producing and managing, between strategic issues and short-term execution of transactions—without obliterating personal time—requires that people have a clear concept of what they want to accomplish—or an agenda.[1]

We're not talking about a "to do" list. An agenda is a handful of issues that reflect the manager's critical business objectives. This list of loosely connected goals serves as a mental map for the producing manager when making decisions about priorities, time allocation, and people.

To start off on the right foot, newcomers to the function need help building their agendas and using them effectively. They will soon realize how hard it is to implement an agenda. Pressures of the moment often compel people to move from crisis to crisis. Producing managers, therefore, can easily postpone managerial tasks and long-term strategic issues. Since their first love is producing, under pressure, they're less inclined to manage. Formal programs that emphasize the importance of an agenda and provide on-the-job help in fashioning, adjusting, and establishing priorities within it will enable professionals to advance as quickly as possible through the transition from full-time producer to producing manager.

When producing managers use the agenda as a filter or screen to evaluate each of their activities, day-to-day emergencies are less likely to take over. Many managers get by with an unwritten and unarticulated agenda, but explicit ones are more effective. In dynamic industries like financial consulting services and many other professional service businesses, agendas will change, of course, as business and organizational conditions evolve.

The producing manager's agenda and his or her network of relationships are critically hinged together. Without either one, a producing manager will effectively be unable to balance producing and managing roles or to make any of the trade-offs the job requires. Without strong relationships, the producing managers will not have access to the information needed to identify appropriate business strategies and thereby develop a realistic agenda.

Without an agenda, producing managers' use of the network can be inefficient and lack direction. One producing manager without an agenda reported, "I often feel that other people control me and my time." This comment is not unusual. Professionals in service businesses usually succeed because they're responsive to clients' needs. At the extreme, this responsiveness can turn into a "trying to please everybody all the time" mind-set. An explicit agenda allows managers to identify accurately the relationships most critical to accomplishing crucial business and organizational goals.

Agendas enable producing managers to pinpoint important relationships; educational programs and on-the-job training can help them manage them. Obvious as it may seem, the similarity between managing inside relationships and dealing with clients isn't immediately clear to many new producing managers. Some assume that they must suddenly direct and control people like army generals. They need to remember that they can apply the same time, attention, and consideration to superiors, colleagues, and subordinates as they did to clients. It is just as important to analyze the goals and expectations of a young subordinate as it is to be sensitive to a client's needs.

When they're helped to see the parallel with client interactions, they can determine what bosses and coworkers want and need and provide it without giving away the store, just as they would with a client. Reciprocally, colleagues and subordinates often feel obliged to meet the manager's expectations. Once new producing managers understand this simple idea, they can adopt a management style that feels comfortable and works well within the flat structure.

Initial and ongoing training can also keep producing managers abreast of the business's strategic direction and other important factors. How cultural training is offered—week-long programs, weekend seminars, short meetings for key producing managers—is not important. What matters is that managers discuss and reexamine cultural premises regularly and that they consistently signal to others that they understand and will be responsive to their needs. Over time, such actions build trust among people. In producing manager organizations, members' shared assumptions, beliefs, and values provide the tightest control system of all.

Reward performance

All managers need evaluation and reward systems to keep them on track. Producing managers are no exception. They need quantitative assessments of their units' financial results and of their own contribution to them, and they need personal feedback on their managerial activity. How well are they creating strategic directions for the business, recruiting and

1. See John P. Kotter, *The General Managers* (New York: Free Press, 1982).

developing professionals, encouraging communication with other parts of the firm, and building teamwork within and across units?

While pure producers in these firms are usually reviewed by peers, the few people at the top will have to do much of the assessing and evaluating of the producing managers. As burdensome as this may seem, it's important to making the producing manager idea work. Such discussions reinforce the legitimacy of managerial activities in the firm. It is therefore imperative for even the most senior managers to be in touch with the firm's operations, so they can observe the producing managers at work.

Compensation must recognize producing managers' managerial accomplishments as well as the business they've brought in. Whatever the specifics of the business's compensation program, it must tie a large enough portion of its rewards to total-firm results to encourage smooth functioning and cooperation among the various units. This does not mean that all share equally in a bonus pool but rather that individuals' rewards should reflect total-firm results, as well as individual unit performance.

We have, we hope, painted a picture of an organization that can adapt well to changing and uncertain environments and motivate people to work productively. Its structure is flat, its management and control systems limited. Multiple channels of communication can move information quickly to those who can act on it. A sense of connection and interaction pervades the enterprise. The producing managers strive for success in their own units, but they all also understand their interdependence.

One question remains. How large can such businesses become? We know of no research or crystal ball that can answer this question for sure.

We do know that these firms grow—that is, they split or add new units—as the original divisions become too much for one producing manager to handle or as the business develops new activities. Expanding like this isn't easy. In one fast-growing securities sales force, for example, the manager needed to transfer some of his clients to six new regional managers. The whole process took time. The new producing managers had to build internal relationships with their salespeople. The manager had to help by weaning older salespeople away from him and toward their new bosses. The new producing managers had to do the same thing when they transferred some of their clients to their salespeople. These new managers also had to build new ties with support people.

Despite the great time, skill, and work required to multiply successfully, many producing manager firms can grow to formidable sizes. The only limit to growth is the supply of qualified producing managers and the commitment from top leadership to spend the necessary resources to develop them. Most important of all, the entire organization has to be devoted to an established set of values and goals, including the producing manager concept itself.