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Aligning Strategy and Talent in Creative Professional Service Firms

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Aligning Strategy and Talent in Creative Professional Service Firms

Introduction

All organizations are reliant on the quality of their human resources, but creative professional service firms (PSFs), including those involved in architecture, media, software development and advertising, are particularly dependant on the talent and motivation of their staff to exercise their expertise. The reputation of the firm is a combination of the professionalism and standing of its individual members and their macro reputation within their profession and wider society. There is no simple rule book or operating manual to address all of the scenarios professionals may encounter and the artistic element within the individual's work extends beyond technical competence, so individual talent and motivation to contribute are critical to firm performance.

This reliance on individual talent and motivation renders creative firms highly dependent on their ability to attract and mobilise the right individuals. PSFs need to attract not just creative people, but those who are best motivated to consistently perform and contribute at high levels and to work well with others within that particular firm. To date, the literature has treated PSFs within specific sectors as having homogenous human resource needs. Despite the intuitive importance of attracting and retaining individual professionals whose professional *motivation and talents* are aligned with a firm's strategy, our review of the literature suggests that theory provides few insights on how creative organisations can differ in their strategies for growth. We address this gap by firstly identifying distinct strategies for growth exhibited by creative firms, and secondly by exploring how these alternative strategies for growth can influence the firm's approach to organising and the type of talent it needs. A need to find new approaches to human resource management that are meaningful for business performance is required (Harris, Craig, and Light, 2011) to help business leaders manage talent and address the long term needs of the business. This is especially relevant to PSFs which tend to be small organizations ranging from a single individual to several hundred. In the case of the architecture industry only 1% of architectural practices in Europe have more than 30 staff (ACE, 2008). Thus with many firms, in the absence of human resource specialists the partners are often directly responsible for managing staff selection and rewards.

We address this challenge and provide guidance on how to manage talent within creative PSFs by undertaking a multifaceted project combining an extensive review of the academic and management literature with a series of interviews with managing directors or partners, senior management and practitioners of Irish based architectural organizations (See Exhibit 1). Ireland, which employs double the EU average within the creative industries (EU 2010) is a particularly appropriate research site.

We firstly identify two alternative strategies for growth employed by creative PSFs, which we label *Product Portfolio Strategy* and *Artistic Competency Strategy*. Secondly, we illustrate that as expected (Chandler, 1962; Galan and Sanchez-Bueno, 2009) the adopted strategy shapes the supporting structure of the organization. By linking the firm's strategy and structure to identify the organization's human resource requirements, we identify how firms can attract and retain the type of talent profile and motivational characteristics best suited to consistently perform and contribute to achieving its strategy for growth.

Exhibit 1: How the research was conducted

In response to the needs of PSFs to formulate human resource policies to attract and develop their most critical resource – people, this study analyzed multiple cases, incorporating semi structured interviews and archival data from seven firms. Case firms were selected for diversity on the basis of size and market engagement.

The research involved 21 semi structured interviews with founding partners, senior architects and ex employees of the case firms. Data was collected on the evolution of the firm, the roles of individuals within the organization, key competitors, target clients, successes and challenges faced, the establishment of relationships, human resource management, transfer of knowledge, transfer of creativity, building of reputation and trust, and the position and role of the interviewee in the process. During the interview participants were encouraged to speak about their own history, motivations and values as regards their career as well as those of the firm. Interview data was triangulated through archival data on the firm, individual CVs as well as public sources. Findings are particularly relevant to PSFs active within creative sectors and to smaller sized firms pursuing a single business focus.

Strategies for Growth in Creative PSFs

To date research examining strategies for growth in PSFs have focused largely on the influence of managerial routines (Jensen, Poulfelt, and Sascha, 2010). While valuable, this approach has overlooked the implications of the firm's strategy for growth on the required talent and motivation of its employees. Integrating the key findings from our research has enabled us to identify two distinct strategies for growth in PSFs, a *product portfolio strategy* and an *artistic competency strategy*.

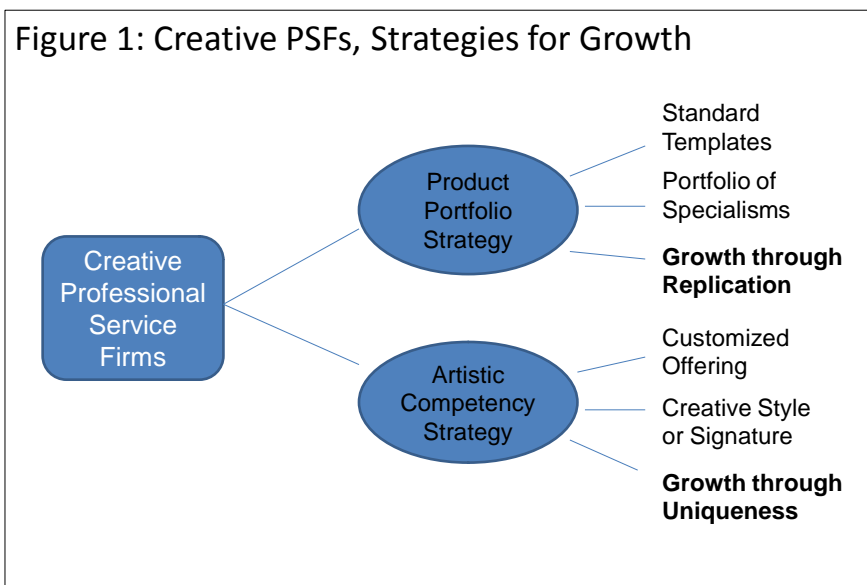
Product Portfolio Strategy

We found that some creative PSFs achieve growth through developing a reputation for delivering a 'standard' product, on time and on budget. Their served market tends not to prioritize originality but to require competent and functional buildings, often with constrained budgets. For example, an architecture firm may have developed several templates for school buildings, which can be taken 'off the shelf' and adapted to meet a client's specific criteria for size and budget. Architectural firms following this approach grow **through replication**, developing a broad portfolio of specialisms which can be applied to a range of projects, delivering an efficient solution to the client. We labelled this approach the *product portfolio strategy*, as the firms essentially develop a product or portfolio of products for sale to domestic and international markets, which are then adapted for different uses, allowing the firm to achieve economies through replication. Firms following this strategy may also project manage the complete project on behalf of the client.

Artistic Competency Strategy

Contrasting with the Product Portfolio Strategy other PSFs achieve growth through developing reputations for creating artistic and iconic buildings, which may gain international

renown and standing, for example IM Pei's glass pyramid extension to the Louvre in 1989 which shocked the world, now one of the most popular visitor attractions in Paris. Our findings relating to the artistic competency strategy provides a novel insight into the role of art for business sake (Fillis, 2006) where art not only has a commercial value but also a functional value. The firm's served market requires unique, customized and prestigious buildings which represent the client's standing, culture or aspirations. Clients usually approach these firms with a briefing for a unique, symbolic and often expensive landmark. International competitions are often used firms by these firms to build their reputation for creativity and to differentiate their offering to their served markets. Architectural firms following an artistic competency strategy usually develop a strong style or recognisable signature, for example Frank Gehry & Associates whose buildings include the Guggenheim Museum in Bilbao is widely acclaimed and almost instantly recognisable to the general public. Growth is achieved **through uniqueness**, exploiting a creative style or signature, often associated with the original founders of the firm.



Organizational Strategy and Structure

The two strategies adopted by creative PSFs, product portfolio and artistic competency strategy, echo the generic strategies of cost leadership and differentiation (Porter, 1985), that provide firms with the ability to gain competitive advantage and outperform rivals. Firms following a product portfolio strategy can achieve economies through replication, allowing them to compete on a cost basis while the artistic competency strategy allows firms to follow a differentiation strategy. In addition, as these strategies are almost mutually exclusive, determining the implications of the firm's strategy for growth on the talent and motivation of its employees required us to first examine the implications for organizational structure. As outlined in figure 2 below, our study discovered that PSFs are either **structured for efficiency** or **structured for creativity** along three critical, mutually reinforcing organizational dimensions:

1. Hierarchy: Formal or Flat
2. Centralization: Mobile Decentralized / Centralized Teams
3. Control Orientation: Commercial / Reputational

1. *Hierarchy: Formal or Flat*

PSFs that follow a *product portfolio strategy* tend to emphasise formal reporting structures, with a clear distinction between technically qualified architects and supporting administrative staff working on more routine project management. Offices are managed by key professional architects, who are expected to be flexible in their higher level activities and to engage in roles outside of their architectural function. For example, in addition to their technical duties professional architects are expected to engage in business development with potential clients to sell the firm's portfolio of 'standard' products, and to supervise administrative staff. This allows more junior architects to become involved in technically challenging roles quite quickly and often architects are employed on short term contracts, based on completion of specific projects.

In contrast those PSFs following an *artistic competency strategy* tend to display a flatter organizational structure, employing fewer but largely professional staff who have a greater range of technical competence. Few if any technicians or other administrators are employed, as "all architects" are required to deliver a unique or iconic product. While this flatter structure can have negative implications for young architects who may spend "years at the lower reaches of firms", engaged in relatively routine duties, from an organizational perspective an environment for creativity is developed, with ideas generated by inspiration from both within the team and from external sources. This creative ethos is also evidenced in the continuity of employment contracts, with fewer short term contract staff.

2. *Centralization: Mobile Decentralized / Centralized Teams*

Firm's following a *product portfolio strategy* utilise mobile *decentralized* teams, placed when and as required in response to business opportunities. Technology is utilised to facilitate communication back to headquarters as the primary emphasis is on being close to the client, to actively manage the project. Winning contracts often requires senior figures from the PSF to negotiate directly with the client and to be based on location, to actively manage the project for its duration. Knowledge of the specific local context is often critical to winning deals, and decentralized teams are then used to establish the firm culture on the project. As observed by one senior manager, "you need to get (local) people thinking the way you think, and therefore you need to have (firm) people there to help them in that process".

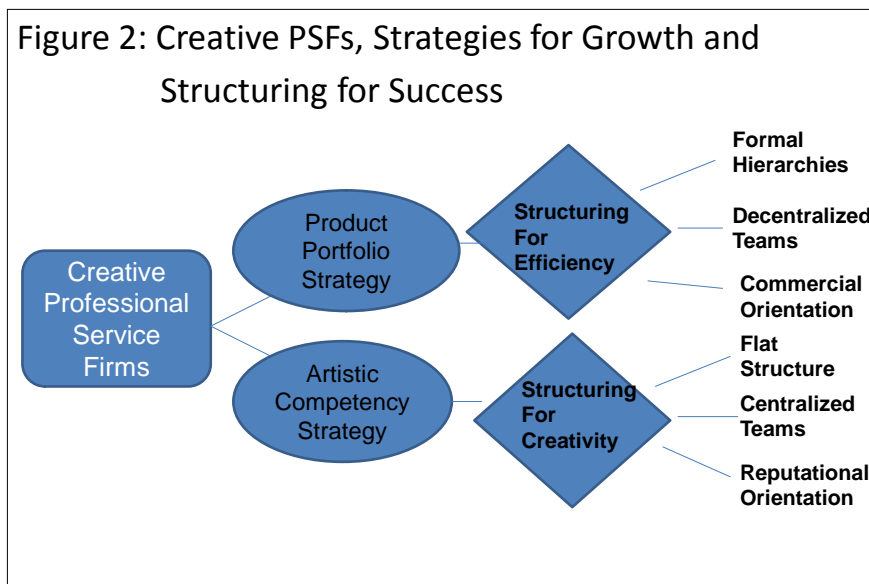
In contrast, *centralized* in-house team structures facilitate staff development and knowledge transfer in firms following an *artistic competency strategy*. These organizations do not need to commit resources and be visible in business locations as face to face visibility has little relevance to attracting subsequent business. It is the uniqueness of the product or the iconic status the building or structure achieves which will generate additional design opportunities for the firm. Centralized in house teams stimulate creativity. One director described the creative process as "needing to weave the experience with the people" requiring that the architects involved physically sit around a table to generate ideas. In house communication between professional colleagues is more important than direct client interaction to generate and then allow the creative process to evolve. Despite the potential problems of virtual communication, modern technology suffices to connect the centrally based business

development director with remote clients. This results in centralization of the planning, design work and tender drawing at the home location. The firm may not be directly responsible for the post design phase of the project although centralized decision making and development of the creative input are supplemented by on site support as necessary.

3. Control Orientation: Commercial / Reputational

Creative PSFs following a *product portfolio strategy* tended to operate in a highly competitive environment which may explain their strong commitment to achieving efficiency and clear commercial objectives. Business decisions are often ‘commercially’ rather than artistically motivated, based for example, on the number of opportunities in a market, “if a couple of projects that we are looking for happen, we will have to set up an office or set up a joint venture”. This strategy, which offers the client a ‘standard’ product requires firms to compete on efficiency which then underlies their approach to structuring the organization. One director suggested that this was because “there is a *commercial focus* to our work, so we understand, we measure it, we drive value through this measurement”.

A different approach was exhibited by those firms following an *artistic competency strategy*, as the principals tend to become involved in projects which motivated them and captured their attention, where they could be ‘hands on’ to develop a customized solution which would build their firm’s reputation. These firms tend to target projects where the client requires “people who are thinkers and makers and architects” rather than delivering a standard recipe or approach. The emphasis is on individual professional skills which cannot be replicated, to build the firm’s reputation and achieve growth. The individual professionals are focused on the project more as a learning opportunity which evidences their skills and builds their *reputation for creativity* with less emphasis on the direct commercial implications of success.



The structural implications of the alternative growth strategies are presented here as distinct and separately identifiable for clarity, but in reality the implications of each strategy are

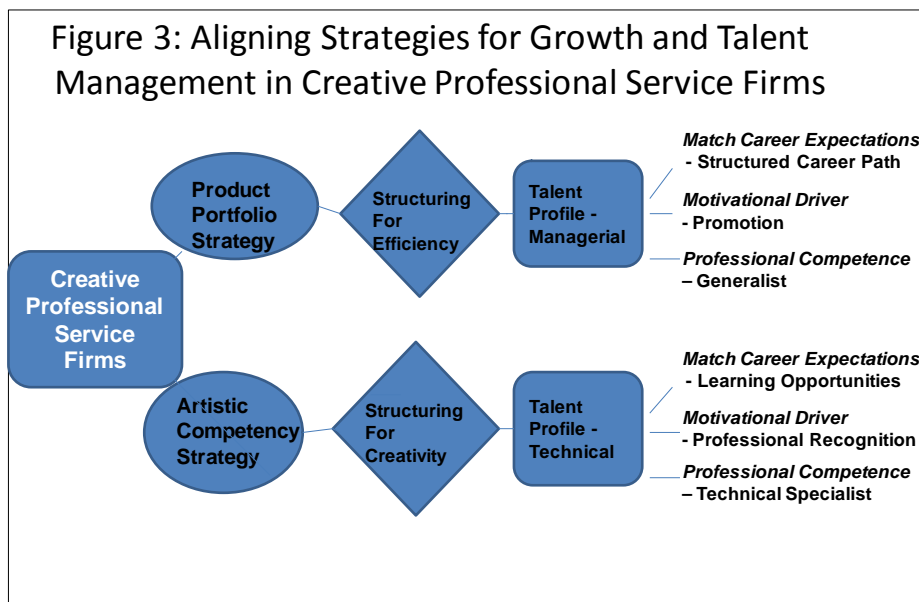
overlapping and collectively reinforcing. For example, for PSFs growing through an artistic competency strategy the use of centralized teams reduces the requirement for extended supervision and reporting structures across the organization and acts as an ideas incubator, thus enhancing the firm's ability to design unique and symbolic projects.

Aligning Strategies for Growth and Talent Management

Our findings have interesting insights for creative firms striving to achieve consistent performance and contribution from their individual employees. Firms want to employ not just the most talented and capable architects, but also those most motivated to achieving the organization's objectives. A sustainable strategy requires workforce engagement (Galpin and Whittington, 2012) and an individual is more likely to work better and engage when his / her personal objectives and characteristics are aligned with the organization's strategy for growth and the organization's supportive structure. Linking existing theory of career identification (Ibarra, 1999; Thornborrow and Brown, 2009) and associated threats (Ibarra and Petriglieri, 2010), with the findings from our study, we recognised that *each growth strategy has clear implications for the type of talent suited to achieving the firm's objectives*. To maximise the likelihood of success, and to retain skilled and satisfied staff, the creative firm must recognise the implications of the firm's strategy for the required talent profile of its employees.

Based on our review of individual motivation from the literature (Bennett, 2010; Bridgestock, 2011; Carpenter and Strawser, 1970; Schein, 1990, 1996; Wils, Wils, and Tremblay, 2010): we identified two distinct talent profiles aligned with the alternative creative PSFs strategies for growth. As summarised in Figure 3, we labelled these a *managerial talent profile* and a *technical talent profile*, which we associate with a product portfolio strategy and an artistic competency strategy respectively. The dimensions of individual talent and motivational profile identified comprise:

1. Employee Career Expectations: Career Paths / Learning Opportunities
2. Motivational Drivers: Promotion / Professional Recognition
3. Professional Competence: Generalist / Technical Specialist.



1. Matching Employees Career Expectations: Career Paths / Learning Opportunities

The PSF must recognise the impact of individual career expectations to ensure employee commitment to the firm's strategic objectives. The professional architect tends to choose his/her career path based either largely on his/her ambition to work in a specific firm because of its artistic reputation or the offer of structured career progression up the corporate ladder. For example, one architect summarised these alternatives, saying "it's really about your CV, trying to work at all the good practices and use that to either go into better practices or go into more commercial practices in a better role".

The PSF achieving growth through a product portfolio strategy is aligned with those individuals who prefer a *structured career path*, given its hierarchical organization structure and decentralized teams. To fully engage this type of employee and support their contribution to the firm detailed maps of opportunities on progression within the organization should be available. In contrast, creative PSFs achieving growth through an artistic competency strategy should aim to attract employees to the firm's reputation, because "people want to work there". The firm's status is derived from peer recognised reputation. To attract and retain technically competent, artistic and perhaps less conventional individuals, despite the slow and unstructured career progression within these firms, individuals expect to be exposed to opportunities for design recognition and *learning* from eminent specialists.

2. Recognising Motivational Drivers: Promotion / Professional Recognition

The PSF achieving growth through a product portfolio strategy is motivated by progressing up the corporate career ladder. These are often "key self driving individuals" and to enhance the commitment of these employees, the firm must provide individual *promotional* opportunities, status and rewards, recognising their commitment to achieving the firm's objectives.

Financial rewards are not as critical for encouraging employee commitment to firm objectives for the PSF pursuing an artistic competency strategy. The greater the artistic standing of the

firm the "less you actually have to pay because people actually want to work there". In addition, due to their long and arduous training, architects are accustomed to working to fulfil the requirements of the client's brief and "finances don't particularly come into play" but they are conscious of their *professional reputation*. These PSFs must recognise that employees are motivated by "working with good people.... not letting the team down ... because you can't contribute to success on your own", and tailor their recruitment and retention policies to attract this type of individual.

3. *Professional Competence: Managerial / Technical*

The flexibility required by firms pursuing a product portfolio strategy requires not only technical competence across multiple areas but also a high degree of managerial competency. Employees may be expected to work across various locations and also to take on a range of functional tasks as the environment dictates. These organizations are often managed as a collection of separate projects, where "everybody would be fairly proactive on things". Employees need to be able to manage teams, set up new offices, engage in business development, and interact with new and existing clients and partner in a range of markets. Flexible employees able to undertake administrative, technical, and business development roles, with professional competence across a range of areas and the ability to multi task are likely to be aligned with achieving the product portfolio strategy. While the employee within this type of firm needs to be technically skilled across a range of sectors, to have a breadth of skills across the firm's portfolio of products, e.g. from office to residential, the key professional competence is *managerial*.

In contrast, the artistic competency strategy places a high value on the employee's depth of *technical* ability in a specific area of specialisation, his / her capacity to create 'unique designs' for iconic buildings or bridges. The focus is not on achieving generic designs which can be 'reused' but to be benchmarked against the best, requiring "a lot of hard work, in terms of making the jump from the practical to the symbolic". Our findings suggest that to achieve the firm's artistic competency strategy requires recruiting individuals with a long term specialism and creative inspiration. Exhibit 2 provides examples of where the individual's motivation is aligned / mis-aligned with the firm's strategy for growth.

Exhibit 2: Examples of Success / Failure to align Firm Strategy, Structure and Employee Talents and Motivation.

Employee aligned to artistic competency strategy: Success

Alice co-founded her architectural practice in the 1970s and since then has focussed on one niche sector specialism. She also lectures internationally on architecture on a guest basis and runs a number of research projects within international universities. Alice prefers to have a hands on involvement in projects as a contributing member of the project team. Her design inspiration comes not only from within but from working in a studio structure with her colleagues and from teaching and travelling. Alice describes architecture as "the reason [she] gets out of bed in the morning". She has been invited onto numerous prestigious art and industry body councils.

Employee aligned to product portfolio strategy: Success

Patrick joined his current firm in 2007 following a position heading up an office at another firm where he headed up a regional office. He has built up experience on a large number of national and international projects across various sectors which he is noted as project managing. At his current firm he has been given responsibility for international business development which he co-ordinates within the firm. He spends most of his time travelling and meeting clients as the face of his organization and places primary emphasis and being visible to the client. His title and role within his firm has changed numerous times as the firm adapts to volatile business environments.

Employee not aligned to product portfolio strategy: Failure

John spent seven years at college which he believes were his best years professionally because he could focus on designing and making "where finances don't particularly come into play". He then moved several times across "design firms", working on public infrastructure projects with some success. John became more financially focused and changed "from a design firm to a much more commercial firm". However, he was not comfortable with the "commercial rat run" and left to set up on as a sole trader, "using [his] own technology" instead of employing individuals to maximise his output.

Conclusion

Our proposed framework demonstrates that creative PSFs need to be aware that their strategy for growth has clear implications for the talent profile suited to achieving the firm's objectives. As individuals are more likely to contribute if their personal career objectives are met, PSFs must consider the type of employee which will be motivated and aligned to their strategy for growth and then develop human resource policies to attract and retain the 'right' talent. The findings from our study facilitate an understanding of what desired employee characteristics complement PSF growth strategy. This has implications for human resource practice in these organizations if creative PSFs are to not just attract, but to retain the key professionals for facilitating organizational survival if not success.

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