

**Alternative Business Models for Professional Services Firms Colloquium**  
**February 11-12, 2009**  
**Summary**

More than 90 scholars and practitioners gathered at Harvard Business School to participate in a two-day colloquium on alternative business model for professional service firms. These alternative business model professional service firms (ABM PSFs) met with the objective to begin a thoughtful, productive and provocative dialogue on the evolution of the professional services industry.

During the two-day event, faculty led discussions about the challenges and opportunities for this next generation of professional service firms.

The program opened with Professor Das Narayandas moderating a panel on **“The Client’s Perspective.”** This panel discussed the evolution of the relationships among clients, ABM PSFs, and consultants. The unique relationships developed by ABM PSFs with their clients are key differentiators for the new generation of professional service firms. These relationships are defined by a long-term strategic perspective that permits in-depth understanding of a client’s particular needs. As educated consumers, clients are attracted to the control, flexibility and low-cost options offered by ABM PSFs. Overall, the benefit for the client is to work with experienced, highly adaptable consultants that inspire trust due to their connection/affiliation to the ABM PSF.

*“Clients do like the opportunity to access professional expertise easily and relatively inexpensively.”*

- Michael Blumstein, Gerson Lehrman Group

Ashish Nanda, Harvard Law School Professor, led the panel on **“Strategic Choices for Alternative Business Model PSFs.”** Firms expressed an interest in creating and establishing organizational structures that will promote future business growth. Determining the type of clients, professional networks and consultants ABM PSFs collaborate with are strategic decisions for these firms. Given the current economic environment, simultaneous brand and a category development were identified as key differentiators to gain a competitive advantage.

*“We are very interested in understanding the fundamentals of building a large, scalable, high quality and consistent workforce. We consider the entire life cycle of an independent expert from identifying the person or business with the appropriate skills and certification to their retention. We are confident that this business model which works well for us and our customers is also very attractive to independent consultants who can then explore all the opportunities that may arise without the constraints imposed by a traditional employer-employee relationship.”*

- Yair Grindlinger, Support Space

*“This is a defining moment for these firms – it’s about defining ourselves.”*

- Mark Harris, Axiom

In her panel, Professor Amy Edmondson distilled the leadership challenges for these firms when developing their own **“Human Capital Strategies”** for recruiting, rewarding and retaining the best professionals possible.

- The first challenge is an inability to project a clear career track for new hires.

*“In a world that moves from ‘careers as a series of positions’ to ‘careers as a series of projects’, this is one of the more extreme examples.”*

– Rene Limacher, a-connect

- The second challenge is offering career progression and performance measurement to engaged consultants.

*“Most of these firms are relatively young. Career development is an area that has not materially impacted them (ABM PSFs) and therefore they have not implemented many measures. What are their plans and what is the timeline? Since people are their life blood, this area could be a significant issue if not addressed soon.”*

– Jim Brennan, Sony Music Entertainment

- The third challenge is maintaining a firm culture while balancing structure and flexibility when scaling up.

*“Organizational behaviors need to change or there will not be enough pull to allow the alternative business models firms to grow to their full potential.”*

– Sherry Manetta, Conning (member of a-connect’s professional network)

*“Can flexible work be culturally acceptable as part of a mainstream career path for both men and women?”*

- Stephanie Khurana, Higher Aims, LLC

Professor Nitin Nohria engaged his panel in a discussion about **“The Role of Information Technology.”** Nohria suggested that information technology (IT) is yet to emerge as a transformative factor for ABM PSFs and invited the panelists to discuss the opportunities posed by information technology. The traditional opportunities for professional service firms were mainly in the areas of market expansion, talent matching and human resource management. Social networking platforms were identified as disruptive technologies that offered challenges and opportunities to these firms. A particular challenge stems from the self-perception by PSFs which regard themselves as brokers of expertise which has an implication on the value or devaluation of human capital by the proliferation of IT in the business solutions.

*“Companies are waking up to the fact that they have to do more with less...much more. They are relying on more flexible workforces and hiring contractors to improve margin and utilization. Companies are demanding more value beyond the "match" and traditional staffing and consulting firms will continue to get squeezed for more value...from both customers and independent professionals.”*

– Gary Swart, oDesk

Afterwards, Professors Heidi Gardner, Jay Lorsch and Leslie Perlow facilitated discussion groups to talk about emerging issues in the field. The following day, in a session led by Professor Robert Eccles, participants gathered to report the results of the group discussions. Two themes emerged on the second day of the conference:

- The evolutionary nature of ABM PSFs prompted a discussion about branding, new categorizations, and the politics of identity involved in claiming or disclaiming a new category. Some argued that traditional service firms are evolving (broadening) and as such new categorization is obsolete. This evolutionary model broadens the professional services category to include new models of talent and client engagement. Many participants argued these firms are actually claiming a new identity which pushes for a re-categorization that requires firms to establish a new brand identity, business models, and mechanisms for accreditation. Placing these firms under a single category would limit the flexibility and diversity previously enjoyed. The group also wrestled with generating an inclusive label that includes a globalized platform, delivery mechanisms enabled by technology, and new service models that engages a talent network. Therefore, defining an identity was recognized as a pressing issue, particularly the formation of a professional association for ABM PSFs.
- The current economic climate is pushing clients to cut costs and increase the diligence on proposed solutions. Consequently, ABM PSFs see opportunities in their ability to offer alternative business solutions that include IT and flexibility in project development. Some firms are investing more in business development by establishing a brand in the market. Other firms are forging relationships and alliances to improve legitimacy of the ABM PSF category.

This conference marked the beginning of a dialogue on this new service business phenomenon. This new model will continue to be studied and evaluated to determine its impact on the professional services industry and the opportunities it offers individual professionals.

The conference organizers are pleased to have accomplished the goals set out in organizing this event. Conference attendees were appreciative of having a highly interactive program that provided a forum for a productive dialogue about the future of this burgeoning sector.