

Edition: July 2021

Q&A: Bruce McFarlane – “In setting up BlueRock, our founder wanted the wealth to be shared between people.”

In our Q&A, Bruce McFarlane, CEO of the BlueRock Group and Managing Director of BlueRock Law, explains the growth benefits of a multidisciplinary firm and why the key to a successful future involves maintaining a fun culture.

BlueRock takes a holistic approach to professional services and the business spans more than 10 divisions across accounting, private wealth, law, insurance and digital services, to name a few. Why did the founder opt for a multidisciplinary model?

When Peter Lalor, who is now our Chief Entrepreneur, started BlueRock with eight accountants in 2008, it was an accounting firm only. However, he felt that in the SME space there was a gap in the market for someone to offer multidisciplinary services to SMEs. Obviously, the Big Four professional services firms are multidisciplinary and they have also pushed into law in recent years, but in the middle market and the small end of the market, no one was doing it. In about 2013, we started adding to our team – one lawyer, one leader running the digital team, and one expert from a wealth management firm. Now we have 230 people across every aspect of business and private wealth, with accounting advisory at the core. We believe BlueRock saves clients time and money because they get to be part of a broader range of conversations than if they were just with one traditional law firm or one wealth management firm. We aim to help them reach their goals faster while identifying risks and opportunities as we go.

As a Melbourne-based firm, what impact has COVID-19 and recurring lockdowns in Victoria had on the business?

Even though we are still performing well, COVID has had a significant effect. We made a lot of decisions quickly in March last year when the pandemic started. We’re a multidisciplinary, entrepreneurial advisory firm and we have a lot of small to medium-sized clients, particularly in the hard-hit hospitality and retail sectors. We also have an investment arm that co-owns and jointly operates some businesses. So, on March 16 last year, we had to shut our hospitality venues and lay off 500 people. The next day we had a COVID case in our head office and had to shut down, and by March 20 we’d cut all our staff to part-time

work and put all our directors on 70 to 80 per cent pay. To get through this tough phase of business, we focused on clear communication and lots of extra support. Together, we have come out the other side pretty well.

At the time you were running BlueRock's law firm, but then you took over as CEO of the whole business in the middle of last year. The pressure on the leadership team must have been intense.

Yes, but we communicated well with our people and our clients. One of the advantages we have is that 50 per cent of our business is in accounting, so when the pandemic hit we were front and centre with all of our clients as they accessed government incentives such as JobKeeper. So, after two quiet months, work suddenly got busy again in the accounting firm. Our finance and wealth management businesses were also going crazy as people tried to refinance their home loans. We went from being in an uncertain position to bouncing back strongly in about two-thirds of our business disciplines. Law took a bit longer.

Tell us about the law division?

As with a lot of law firms, things slowed down generally when COVID first hit across our four areas – commercial, property, litigation and employment. Employment is not a big part of our business, but it had a spike with JobKeeper and the rise in redundancies and layoffs because of COVID. Property and litigation slowed right down initially because of law changes and people's reluctance to push litigation during lockdown, but they rebounded pretty quickly. Commercial law makes up about 50 per cent of our business and it has compensated for some of the other areas that have gone down. So we've ended up around where we budgeted to be – the result is not quite how we envisioned it, but the overall outcome has been good.

You mentioned that the accounting division has held up pretty well during the pandemic. How has that been achieved?

Our accounting firm is the most mature part of our business and during the early phase of COVID we ran lots of information webinars and sent out free advice to people to help them deal with government incentives. That really turbo-charged the growth of the accounting practice again. The other key strength is digital. We set up a digital agency about seven years ago with some ex-Deloitte guys. When COVID first started, that division lost 60 per cent of its work in the first two months, but then clients started thinking, 'Hang on, I'm not set up to do this online thing well'. We have a digital marketing business and a digital systems business, and both have gone gangbusters in the past 12 months. COVID forced people to ensure that they're in the cloud and that all their systems talk to each other. So having a tech-savvy accounting firm and a digital agency that's connected to it has been crucial to growth in our market.

You spent 20 years in senior roles at Hall & Wilcox. What lessons did you learn that have translated well to BlueRock?

Hall & Wilcox is a great firm, so I learnt lots of things. I was on the board for six of the last eight years I was there. I got to see a 100-year-old law firm go from having about 70 people when I joined in the late 1990s through to having about 600 people and 85 partners when I left. I was fortunate, running the commercial team, to witness national expansion and huge growth at close quarters. What I loved most was working in an entrepreneurial way, rather than in a corporate way, with the accountants, other advisors and my client base. I saw that a firm could provide a more holistic solution for clients in that smaller end of the middle market, which BlueRock is now targeting. I also learnt about people. Some of the partners I worked with when I joined Hall & Wilcox very much prioritised culture and people. I feel that it's harder to maintain such a collegiate culture as a larger firm. So my challenge now as BlueRock grows quickly is to maintain a people-first culture in a professional services sector that traditionally drives its income from charging clients and where people are rewarded based on those relationships with clients rather than on their relationships with their colleagues.

Part of that people focus at BlueRock is to ensure that “fun is the name of the game”. How is that achieved?

Our vision is to do the things you love with people you care about, knowing that great things will then happen. We live that vision every day. The truth is that we spend more time at work with our colleagues than we do at home, so we need to make sure the work environment is connected and caring – and it's also a lot more fun when you do it that way. We focus on culture and community. The firm has been independently rated as a great place to work, and we do things for our people and culture all the time. You can't just leave it to chance. These are not my ideas. I'm a custodian of the business and I must ensure that the culture that was developed by Peter Lalor and his colleagues from day one is now maintained as we expand.

What is one thing that you do for staff that is different to most other firms?

One of the key things is our structure. In most professional services firms, the people accumulating the wealth are usually the white males at the top. In setting up BlueRock, Peter wanted the wealth to be shared between people. So we set up a holding company called Everything Is Awesome, and every employee – regardless of their level – is eligible to invest in shares in the company and have a stake in its direction. In the four or five years I've been at the firm, the value of those shares has doubled.

So the goal is to motivate people and reward them, too.

Absolutely! We motivate people through equity opportunities and other perks such as regular retreats, free lunches, gym memberships etc. But we also expect a high-performing

team, so we provide a lot of support and feedback to help everyone be their best. We're very transparent with our expectations and financial performance as a business, and everyone knows where they need to be.

Can you tell us about your leadership style?

I guess I have quite a collaborative style. As the leader in a multidisciplinary firm, I'm not an expert in most of the disciplines that I supervise, so it's not really up to me to be telling people how to organise their business areas. We have 35 directors, so my role is really to ensure that the senior people are all working together to achieve for the greater good of growing the business. That includes a coaching and mentoring role. BlueRock is a very young business and at age 50, I'm pretty much the older professional in the group, so my job is very much about bringing some grey hair to the table. Another task for me is to engage in some brand building. Peter and the original directors very much flew under the radar and purposely did little marketing.

Why is that?

Well, they grew really quickly without it. So I guess the view was that the business would just grow via relationship-based word of mouth, but as you grow nationally and internationally there's the capacity to be a market leader and there's been increasing brand recognition for BlueRock.

You worked for many years at a big law firm, and many of your accounting directors worked for the Big Four or other large firms. What is the appeal of working at a smaller business such as BlueRock?

Most of us have landed at BlueRock because we no longer really wanted to be with a Big Four or a national firm, but we wanted to keep the good bits out of them. As professionals we want to collaborate with colleagues and clients, but people often feel that their voice is lost in a large organisation. They just become a number. One of the things we're doing now is starting another Melbourne office to test how we can expand in smaller ponds, rather than in bigger offices. Some people may have heard of Dunbar's Number, the theory that you can only form close relationships with up to 150 people. Once you get past that number you forget people's names and you're just not connected. We've spent the past 12 months looking at team sizes and working out how we maintain the culture we've built for the past 13 years. What better way to test that than to actually set up a new business? We're calling it BlueRock 3030, with a long-term vision of having 30 offices that are all doing \$30 million in revenue. We are looking at how we expand nationally and internationally, and what's the right size office and what are the best products and services to offer in each office for the SME market. We're not going to handle IPOs or class actions, for example. We'll leave that to the other players and stick to our knitting in terms of our SME client base.

What will be BlueRock's biggest challenge in the years to come?

We're planning to grow 20 per cent year on year, and we've grown more than that in the past few years. The challenge is in how we balance our expansion plan while maintaining our collegiate and collaborative culture and still having a sense of fun.

On that fun side, you set up a cycling group called Dendy Riders and you are keenly involved in surf lifesaving. Is that how you chill out?

Yes, I'm a MAMIL (middle-aged man in lycra!) when I'm fit enough to get on the bike. I had a hip replacement 18 months ago, so I haven't been doing as much riding as I'd like. But I have four children and like to stay active. I used to run the lifesaving program in my area, so I'm big into Nippers and my kids surf and do lifesaving. And then as a Melburnian I have to love footy. It's in our DNA.

Which club do you support?

My team played in the AFL grand final last year, but they weren't wearing yellow and black*.

What else should people know about BlueRock?

Just that we're a different firm and we describe ourselves as being entrepreneurial advisors rather than as lawyers and accountants – and that we have created a great place to work.

www.bluerock.com.au

* Richmond won the 2020 AFL grand final against Geelong 12.9 (81) to 7.8 (50).