

What The Leader Needs To Know: Client Focus Can Drive The Growth Of Professional Services

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March 2004

The Opportunity

Following several decades of fast paced growth – many professional services firms have been forced to contract over the past few years. The challenges of maintaining, much less growing a firm, have been compounded by several factors.

First, the public scandals have hit several components of the sector, particularly financial advisors and accounting firms. These have eroded the long held trust placed in professionals and their organizations.

Other components of the sector have seen a strong influx of independent professionals. Senior professionals in firms and corporations are becoming disillusioned with life in large organizations. They opt instead to “hang out a shingle” much as the traditional physician did before the domination of group practices.

Mid to large sized corporations have been the traditional clients of the bigger, more well known and lucrative firms. Against the backdrop of scandals and independents with lower overhead accompanying lower fees, the corporate client is demanding more and more value from the professional services provider.

Many leaders of professional services organizations believe that value is defined by greater and greater professional knowledge, expertise and capacity. Therein is the competitive opportunity.

Value is not defined solely by the professional, (i.e. technical) expertise and performance of the firm. Certainly, these are necessary to the firm’s success. But to borrow from that old expression, they are not sufficient. As in any other industry – it’s not just how good the service is – it’s how it is delivered that keeps it from becoming a commodity and grows its value.

The professional services business that thrives is the one that not only has world class technical expertise and performance, but knows how to deliver them in the specific ways that loyal, targeted clients value.

How To Leverage It

1. Build & Communicate The Business Case For Customer Focus

Regardless of whether your enterprise is legally a partnership or not – professionals have a partnership mentality. Successful professionals have three

characteristics: 1. mastery of a discipline; 2. solid analytic and problem-solving skills; and 3. the confidence to advise clients on how to manage their business. Emphasizing the resulting tendency to act independently is the fact that it is personal not team contribution that leads to advancement and reward. In this context it is crucial that the firm invest in educating leaders and professionals about the fundamental principles of a customer focus strategy and the financial benefits of executing it.

A key principle to emphasize is the need for the client to experience a consistent, differentiated, valuable relationship (as defined by them) regardless of which particular professional they are working with. Second in importance is the fact that if all professionals focus on delivering consistent, differentiated value when working with clients, growth is accelerated and relationships deepened. Finally, the economic benefits of a customer focused strategy need to be clearly communicated. Given the analytical skills of the audience this communication must include projections rooted in the firm’s business model, client base and financial performance to date.

2. Target The Right Clients

Professionals tend to build client relationships on an opportunistic basis. Starting out any client or prospect is welcomed by the professional new to business development. The result is a client base that is extremely diverse. On the surface this appears to be a strength, i.e. relationships across a broad range of industries and geographies. However, many professional services firms have difficulty determining the real profitability of any given client, much less the entire client base.

Careful financial analysis of client segments and profitability can be quite revealing. Two examples illustrate this.

In one firm, senior leadership believed that government contracts did not generate sufficient

profits. In fact, given the pressures on the firm’s fee structure they suspected most government work resulted in a loss to the firm. Fortunately, they invested in a careful analysis of their government sector work. The facts proved that government clients were the most consistently profitable segment for the firm.

In another firm, leadership strongly believed in the value of Fortune 100 accounts – and pursued them aggressively. Indeed they were successful. However, financial analysis showed that for the firm’s top 10 accounts with average revenue of \$1.2M, the firm lost money in 4 of the 10 accounts. Why? First, Fortune 100 companies are pursued by virtually every

professional services firm. Second, these companies know their business is highly valued and demand fee discounts. Third, Fortune 100 clients typically demand additional services during the life of an engagement. Because of the perceived value of the relationship many professionals are hesitant to ask for the increased fees to deliver the additional services.

A critical step in executing a client focus strategy is identifying your most valuable client segments.

3. Define Value & Service With Science Not Opinion

When firms do decide to pursue a client focused strategy the decision about what clients value is often made in a conference room by the leadership team. The discussion consists of voicing conclusions and recommendations based upon each leader's personal experience. Keep in mind the point made above – professionals usually build client relationships on an opportunistic not strategic basis. A discussion based on personal experience about what clients value is therefore going to lead to decisions based on what has been experienced by chance.

A much more rigorous, reliable process is called for.

First, it's not what clients value that is important. It is what your most important clients value that causes them to do the things that drive sustained, profitable growth for your firm.

Second, you need to provide clients with an unbiased opportunity to tell you what they really value from a professional services firm.

Third, the answer to the first question is not a topic for discussion. It is a matter of fact. You build a statistical model based on your most important client segment, what they value, and what they do in return for this value. The model predicts your client loyalty and sustained business growth based on whether or not you consistently deliver certain very specific sources of value. Science - not debate - is the way to define the value and service that will build client loyalty.

4. Achieve Early Wins

In most situations successful change is accelerated by an early demonstration of results. This is particularly important in professional services firms where people are, again, highly analytical and independent. As one senior leader of a professional services firm recently said to us "...remember who we are. We can find the weakness in any argument – no matter how sound. We take pride in being able to prove anybody wrong. And we're not always aware when this two things work to our detriment."

Once you have scientifically defined the client experience that will drive your growth - prove that it works. Select a cadre of leaders and professionals to deliver the new experience. Track and document the results. Key to credibility and the execution of your strategy, capture the lessons learned to allow you to continually improve the delivery of your differentiated and valuable client experience. Once 4 – 6 small teams have delivered the experience to a like number of clients with proven results professional independence will be tempered. Professionals will

begin to demand the opportunity to play a role in executing your client focus strategy.

5. Focus Where The Leverage Is

Leaders and seasoned professionals set the tone for your firm. Throughout the process of formulating and executing your client focus strategy invest in engaging these people. Once they are engaged they will engage, lead and coach the rest of your organization.

About The Author

Leo F. Flanagan, Jr., Ph.D. is President of Flanagan Consultants, LLC. He has over 25 years experience in improving strategy execution across global industries. Flanagan Consultants, LLC helps leading companies formulate and execute their business, marketing and human resources strategies. They pride themselves not on providing advice rather on partnering with clients to rapidly achieve breakthrough results in business performance. Clients include leaders in financial services, technology, hospitality, pharmaceuticals, consumer products, government, and retailing. Leo can be reached directly at 203-321-8423 or Leo@FlanaganConsultants.com. He welcomes your questions, thoughts and reactions.