

# Trusted adviser



## Laurie Young analyses the practical approaches managing partners can rely on for effective income generation

Since the regulatory split between audit and advice, several accountancy practices have had to think through ways to generate income more realistically and more urgently. Some have discarded well-worn myths about revenue creation, while others have wasted money on ineffectual 'coaching' programmes. That experience, combined with that of other professions facing similar dilemmas, has exposed those practical approaches managing partners can rely on to drive growth.

### Appropriate context

Central to the success of any approach to revenue growth is an understanding of the complexity of the sales process. The elite tier of professional services firms enjoys a virtuous circle of success (represented in the diagram on the next page). It starts with the reputation which develops from a track record of first-rate work. Most successful partners say that 'marketing begins with the work'; and they are right. Study after study shows that after a good experience clients talk, creating reputation. They then return for more and refer the firm to others.

This has three fabulous effects which have enabled the margins of private partnerships to outperform many plcs for decades. First it attracts ambitious, hard working young professionals who want the satisfaction of challenging, rewarding work. Second, it keeps the cost of sales down because clients come to the practice when they have a need. Thirdly, it keeps prices high because the

practitioner can concentrate on diagnosing and meeting clients' needs; price is a consequence, not the focus, of discussion.

Clearly, there is complexity and technique behind this and it is immensely difficult to structure it into a practice for the first time. It does, though, make the difference between low-margin 'ambulance chasers' and high-margin excellence. If, for instance, it is reversed because the practice needs to generate income (to 'go out and sell') the cost of sales increases and prices slide as clients challenge partners to deliver the optional work they have proposed.

So, leaders should begin any review of the practice's ability to generate income with a hard-headed measurement of its competitive reputation. Practices need to explore exactly what clients think of the firm when they choose to use it and how individual partners compare with their competitors. Firms also need to know the propensity of clients to refer the practice to others. While there may be resistance among partners to such analysis, this factual data can be critical in changing behaviours and introducing relevant reputation-enhancing initiatives.

### Creating explicit technique from intuitive experience

The moment when professionals make partner is a defining point in their career. Client management and income generation in this context have unique, often

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intuitive, rules which are seldom articulated in the business press. Those that succeed learn a range of skills and techniques by which they win work. Either through intuition, tips from an experienced partner or by gleaning insights from ad hoc courses or books, they become 'unconsciously competent' at income generation.

However, practice leaders who need to improve their firm's ability to generate income cannot leave revenue plans to such vague happenstance, particularly in changing external conditions. They need to find proven, practical processes that can be built into the day-to-day life of the practice; reliable techniques which will make future partners 'consciously competent' at revenue generation.

This has led to experimentation with a number of new approaches. (Interestingly several have, en route, thrown out long-standing courses on 'strategic selling' and the like.) Some firms have educated their front-line people in 'business perspectives' by taking them through customised business school courses, but that does not seem to be enough. On the other hand, one of the Big Four has invested in a customised programme based on the work of a leading US psychologist on the interactions between business people. This has reported real success.

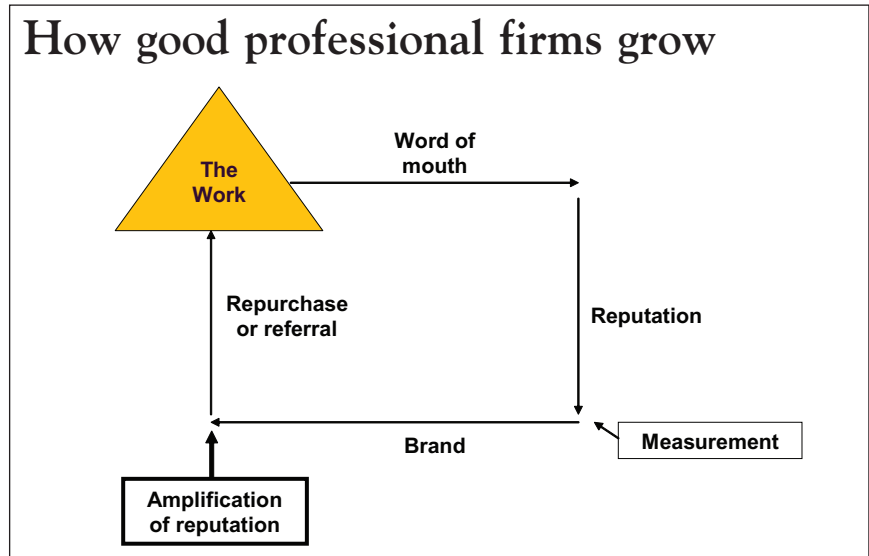
There have also been a plethora of publications promising to make every partner a 'rainmaker'. However, this overused term is often only dressing for ideas and concepts stolen from other industries by people who have never been a partner and who have no understanding of the context, challenges or pressures. Rainmakers do exist in all professions (generating outstanding revenues), but there is yet to be anything that codifies or captures their techniques. After all, most of these driven and difficult people have no idea how they do it. As a result, it is not possible to build a stable business around the behaviours of these individuals. Instead, if you find one, hire them and create room for their quirky behaviours, but do not try to build generic processes around them.

### Client account management

One of the first actions many firms took after Enron was to create relationship partners to manage those clients most likely to generate a stream of advisory business. Deloitte, which retained its consultancy arm, had a clear advantage in this because the role needs advanced consultative skills. Others tried to use ex-auditors or technical specialists. I remember the managing partner of one Big Four practice in Canada saying that even the world-class tax specialists he had tried to use in this role had not succeeded because they were used to working on projects referred to them by others.

Relationship partners who are expected to stimulate revenue from advisory clients seem to need a range of different skills and, without them, it is probably not worth bothering. Excellence in communication is the first. Successful individuals in this role are also surprisingly creative, and able to spot opportunities. They harness their own firm's abilities, forming teams to suggest ideas

## How good professional firms grow



and stimulate their client's imagination. They also need a broad vision of their disciplines' relevance to business issues so that they can become a generic adviser to the senior management team.

It is now common to take this relationship management role much further, to become a 'trusted adviser' to clients. This concept was introduced a decade ago by leading industry specialist David Maister. He argued that successful relationships change from the simple supply of a service through various states ('needs based' and 'relationship based') until the supplier reaches the position of 'trusted adviser'. As a result several practices have introduced this ambition into the personal objectives of those who are relationship managers for important clients.

### Institutional ties – beyond the 'trusted adviser'

Yet, even where there is a profound professional relationship, income streams can still be vulnerable. For instance, a leader of one of Australia's biggest, international engineering companies said last year that a 20-year relationship with a world-leading practice was likely to end because a director was retiring. A test of the trusted adviser status is therefore the ability to plan the continuance of supply. Mutually profitable relationships between organisations, which stand the test of time, have greater depth than friendly discussions, helpful advice and a free rugby ticket. They are also more than just excellent work executed well. They hinge on a degree of investment by both sides in mutually profitable initiatives to facilitate healthy interaction between the two organisations.

So the recent changes in the profession seem to have yielded a set of practical and effective ways in which leadership teams can improve the revenue generating capability of their practice. Combined with experience from other professions, methods are emerging to ensure that techniques, which have been intuitive and unarticulated in the past, can be crystallised into day-to-day working life.

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