

## Business development

# Selling your service

Client relationships are sophisticated and sensitive arrangements. Improving a practice's approach to income generation requires more than imported selling strategies.

By Laurie Young

Client management and income generation at partner level have unique, often intuitive, rules and practices that are seldom articulated in academia or the business press. This makes the learning curve for new practitioners a steep one. Those that succeed learn a range of skills and techniques by which they win work – through intuition; tips from an experienced partner; or by gleaning insights from *ad hoc* courses and reading.

However, practice leaders that need to improve their firm's ability to generate income cannot leave revenue plans to such vague happenstance, particularly in changing external conditions. Nor can they rely solely on the well-trodden path of expensive hospitality. They need to find proven, practical processes that can be built into the day-to-day life of the practice; reliable techniques that will make existing and future partners 'consciously competent' in revenue generation. Unfortunately, there are a wide range available, some of dubious origin and effect.

### Are rainmakers the answer?

At the heart of most small firms, and at turning points in the history of the large networks, the vast majority of revenue is generated by a driven

individual, or a 'rainmaker'. This American term, which has its roots in merchant banking, describes people who have above-average capacity to generate business, often two to three times the industry average.

Such complex individuals exist in all professions; from law and accountancy to architecture and merchant banking. Interestingly, though, most do not themselves know how they generate such vast earnings; a problem for anyone who wants to harness or replicate their revenue-earning capacity. Moreover, despite a plethora of publications that use this term, there is yet to be a book, an article or a training course that properly codifies or captures their techniques. Most are simply dressing up bright ideas or concepts stolen from other industries by people who have never been a partner themselves, and have no idea of the context, challenges or pressures.

Where possible, leaders concerned with increasing revenue ought to understand and facilitate mechanisms by which rainmakers are recruited and developed. They should also identify any insights or approaches from rainmakers in their firm that will benefit the whole practice; explaining their importance and behaviour to other members of the firm. But rainmakers are driven, erratic people who need the



approval and comfort of huge social networks. As most of them do not have a clue how they do it, it is neither possible, nor desirable, to build the entirety of a viable organisation around the erratic behaviours, good or bad, of such (maddeningly) successful people.

### 'Proper' sales

Marketing people employed by private partnerships often say, with a tolerant smile, 'of course, the partners here do not like the word sales'. The implication is that there is a world of effective and professional salesmanship in other industries these poor souls need to learn. For instance, in all purchases there comes a moment when buyers need to make up their minds.



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successful businesses the world has seen. Leading magic-circle firms consistently earn vast revenues with net margins often three times the profits of the clients they advise. So perhaps ‘professional sales techniques’ are not all they are cracked up to be. It may be that concepts like ‘the sales funnel’ and ‘closing techniques’ should be used to prompt partners to think about aspects of income generation, but that they should not be the prime emphasis for a practice selling high-margin work.

#### Conceptual tools

A number of management models can be used to structure thinking and organise revenue generation a little more effectively. One of the most frequently seen in the professions is ‘pipeline management’ (Figure 1). This concept builds the generation of business into the day-to-day life of individual practitioners and groups of professionals. The discipline translates easily, particularly into project-based practices.

To use the funnel effectively, professionals need to build the processes into their working life. For example, secretaries and assistants can ensure regular contact with their intimate professional relationships, while to attract the wider constituency

they can work with the firm’s in-house or external specialists to create an individual marketing plan.

This concept has been successfully adopted by leaders of consultancies and accountancy practices. Some even build the concept into IT systems so the pipeline can be seen easily by managing partners. Others take a more informal approach, building in peer-review mechanisms to focus colleagues on the need to manage future business at the same time as conducting client work.

#### Client account management

There are also several components to the account-management approach adopted by a wide range of practices. First, the firm must identify and define the ‘major accounts’ from which work will flow, which can be as crude as ranking them by volume of business. Second, senior people need to dedicate time to managing those relationships.

The latter activity is not as straightforward as it sounds. It can be difficult to persuade partners to dedicate time to developing relationships. This is an investment in the future – one that can conflict with the need to earn cash in the short term. The success of such a strategy depends how convinced leaders are of the value that comes from long-term relationship management. Some set about it convinced by the concept; others take progressive steps, gradually releasing a greater percentage of billable time, or start with a trial of a small number of accounts.

Another complication is the need to determine the skills the firm wants from its relationship leaders. For instance, it may need someone who

Sales specialists have created tools for this moment. Dubbed ‘closing techniques’, they include among others: ‘asking for the business’; ‘overcoming objections’; the ‘assumed close’; and ‘open-ended questions’.

These techniques have now made their way into the professions and are taught in courses throughout the world. However, as professional services are intangible, and frequently intensely personal, if closing techniques are used too forcefully the agreement is likely to unravel. As a result, such approaches need to be handled with real care in a professional-service context.

Partnerships may be erratic, inefficient, political and fluid places, but they are also some of the most

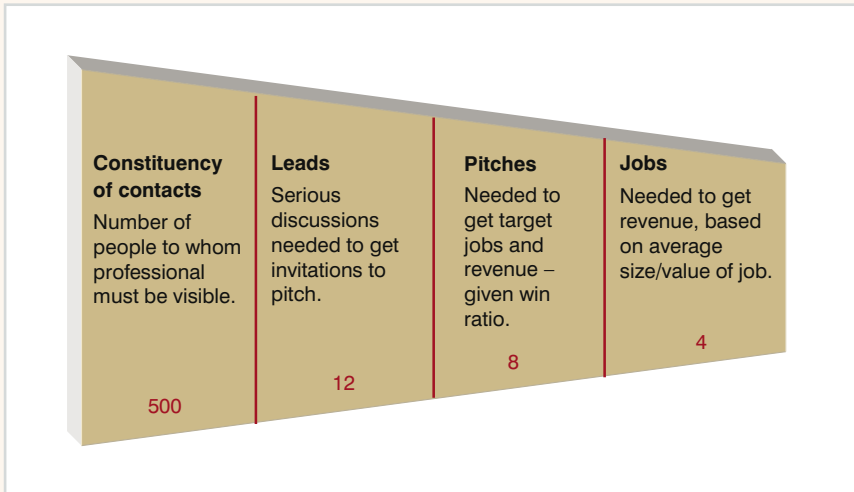


Figure 1. Pipeline management.

has a broad vision of their disciplines' relevance to business issues, so that they can become a generic advisor to a business. Certainly they will need to be able to understand and present the whole range of skills and services offered by the firm. At a minimum, excellent communications skills and a recognised ability to generate work will be needed. Successful individuals in this role are also frequently creative, able to spot opportunities and harness their own firm's abilities, forming teams to suggest ideas.

In addition to these so-called 'soft' skills, however, a deep knowledge of the industry in which the client operates may also be essential. Part of the value to buyers of outside advisors is the perspective they develop from handling the problems of several companies in the same

sector. Clients are often curious about how they compare to their peers, and are eager to hear any issues or trends that outsiders can identify from a deep engagement. A powerful position as industry expert is a very rich source of projects and fees.

However, leaders should also be cautious about this. Many of the relationship-management structures creeping into the professions originate in the technology industry. They, in turn, were based on 'account management' as pioneered by IBM in the 1980s, when it was the global market leader of computing. Yet when IBM faced its traumas due to the opening up of its market in the early 1990s it nearly went bankrupt – in part because its account managers had missed changing client needs. Similarly, after BT was privatised, it invested

heavily in account managers, but within five years its share of its prime market had dropped from 100 per cent to under 20 per cent. If, however, the theory (designed when these markets had semi-monopolistic distortions) was correct, BT should never have found itself in that situation.

### Recruiting 'business developers'

Many professional-service firms employ specialists to assist in account-management or income-generation activities. Their backgrounds, roles and tasks vary enormously, but they do seem to have one overriding objective: to maintain focus on client development and marketing issues while client-service staff execute projects.

Sometimes their work includes getting onto panels. They also normally assist with 'account planning' or managing the production of proposals. Some participate in meetings with clients, creating relationships and opening doors for client-service staff. Some even come from a sales background, and are expected to contact potential clients. Many firms report success in deploying specialists in this way, particularly in cultures that are receptive to sales calls such as in the US.

A number of practices, however, end up with disparate types of 'business developers' undertaking *ad hoc* activities at the whim of individual partners, too busy to think clearly about what these people might actually contribute to the life of the practice. This expensive resource can be poorly organised and inadequately led, barely justifying its costs or influencing partner behaviour. If so, a periodic review to put in place sensible structures and processes will pay dividends.

### A consultative approach?

Sometimes clients do not have a clear idea of the service they want or need. They are

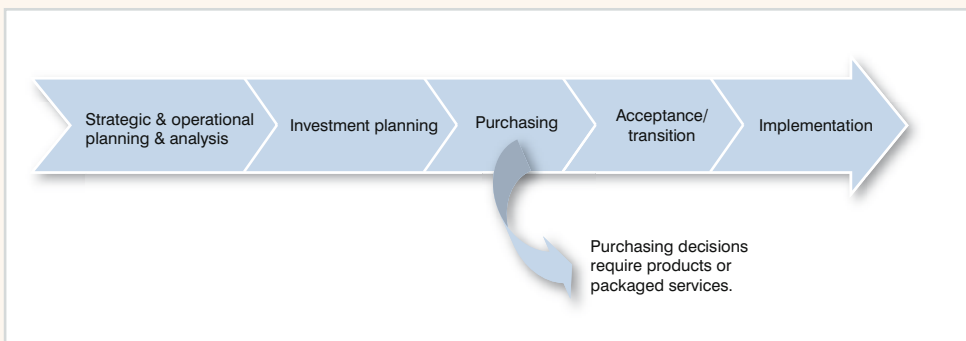


Figure 2. The business buying process.

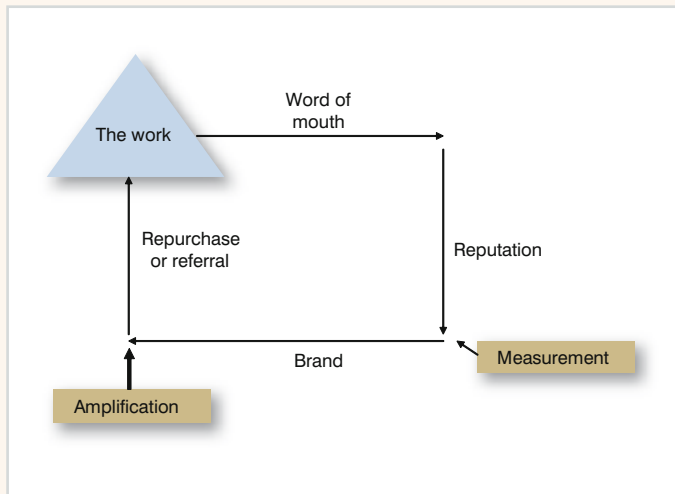


Figure 3. Building reputation from the work.

aware of a problem, and need help to clarify the issue or set strategy before instructing anyone. It is then important to adopt a consultative style; to listen and diagnose at an earlier stage in the client's buying processes (Figure 2). One partner in a New York-based firm recently said that American lawyers have become particularly good at this because the litigious nature of American society – and the increased risks for leaders of publicly-owned businesses – has forced them to develop relationships far beyond the in-house legal team.

As a result, it is now common for partners in leading international firms to take this much further, saying they want to become a 'trusted adviser' to their clients. The concept was introduced a decade ago by leading industry specialist David Maister. It puts structure and language around the way professional relationships develop, particularly the need to earn trust over time.

However, even where there is a profound professional relationship of this kind, the income stream can be vulnerable. For instance, in 2006 a director of Australia's largest international engineering company said that a 20-year relationship with one of the world's leading practices was likely to end as he was due to

retire. Similarly, a European patent firm discovered an individual was using the firm against company policy because their service was so good. Although a huge compliment to the partner involved, the firm had to initiate plans to obviate any loss

of revenue if this individual moved. In fact, a test of the trusted-adviser status is the ability of the principle representatives of both organisations to plan for the continuance of supply.

On the other hand, some clients will still work with practitioners they neither know nor like, if they feel they have outstanding technical skills. These people might choose a lawyer who impressed them by working on the other side in a previous deal. Similarly, some CEOs loath the merchant banks they deal with, knowing that, if a deal does not progress, they will approach competitors with the idea.

#### Get the context clear

There are many elements to successful income generation, but the overriding issue is setting the context in which this complexity can be managed. That context is all about the 'virtuous circle' (Figure 3) that comes from really good work. Most successful partners say that marketing begins with the work itself. They are right to say so. After a good experience, clients talk, creating 'word of mouth', which then turns into reputation. Clients then return for more and refer the firm to other people in turn. This keeps the cost of sale down and prices high, because the practitioner can concentrate on diagnosing and meeting all the clients'

needs, while closing sales is relatively easy in this context.

The crucial importance of 'beside manner' is also clear. Partners repeatedly say success is all about relationships, but this ranges from the way consumers are handled during personal projects like conveyancing, through the justification for client hospitality, and up to the sophisticated relationship programmes of global firms. All are designed to ensure that people are treated well enough to engender respect and trust. Such a close, respected relationship means work goes to tender less frequently and clients happily invest in a mutually-profitable exchange. Reputation-management and client-service skills are therefore two prime contributors to high-margin business development. Although clearly there is complexity and technique behind these, and it is immensely difficult to structure them into a practice.

Moreover, in the changing market for legal services, there are signs that the informal, familiar interaction of key people envisioned by most partners is no longer enough. Mutually-profitable relationships that stand the test of time have greater depth than mere friendly discussions, helpful informal advice and a free ticket to the occasional rugby match. They are also more than just excellent work executed well. Rather, they hinge on a degree of investment from both sides in mutually-profitable initiatives to facilitate healthy interaction between two organisations. In other words, both client and supplier gain if the principles ensure their organisations interact effectively.

Leadership teams therefore need to facilitate thinking that builds these approaches into their practice; ensuring techniques that have been intuitive and unarticulated are crystallised into everyday working life. Copying across disguised sales techniques from less successful industries is not the place to start. ■