

BUSINESS DEVELOPMENT IN RECESSION

Part 4 – The blueprint for prospective clients

By James Newberry and Maeve Jackson of People Scope

Risk taking is no longer in fashion. Recession has seen to that. So what are the implications of this for professional firms looking to develop new sources of business, post-credit crunch? Well, a much-diminished appetite for the 'new' is clearly evident everywhere: many clients are not willing to take risks on unknown or untested firms, partly because many of them fear for their own jobs and don't want unnecessary exposure. And not many professional firms are 'out there' pursuing new clients in new markets. Therefore, the onus for new business development is now on existing clients and existing non-trading contacts. Smart firms have recognised this and have been actively pursuing programmes that are focused on this reality. In this article we examine the implications of the new conservatism, and what will make for a sales-successful firm in the near recessionary and farther future.

Less money, more value

One reason for the lack of expansiveness in many firms' business development activity is quite simple. Budgets have been cut and thus the quantity of promotional activities has reduced significantly. Those activities that remain have to be much better targeted to pass muster. So for many, some of the traditionally self-indulgent partner hobby horses (e.g. golf days and other entertainment) have been put away...for the time being. In itself, this is no bad thing. In fact, the new emphasis on ROI (Return On Investment) for BD activity is one which deserves to be retained beyond the recession. Marketing partners and directors please note.

However, what this does is assist the push in emphasis for developing new streams of business onto existing clients and non-trading contacts. There are two points to note here. First, those firms that invested in effective client relationship management in the good times are now in pole position to recoup their investment: by better client retention, but also by being better connected to exploit the other opportunities that are there. Those that have no embedded CRM practices are in danger of losing out to this competition – and losing out they are. Second, the onus for individual professionals is now much more on cross selling and the exploitation of referral opportunities. Unfortunately, in our experience, these are two related skill-sets for which many professionals are woefully ill-equipped! Training partners and specialists please note.

Stop the loose cannons

For those professionals without business development focus, we have already noted the propensity to do two things. With time on their hands, either they indulge in unproductive displacement activity (e.g. lawyers updating precedent banks) or they chase after any source of new business that moves. Tender frenzy is now an observable phenomenon in a significant number of firms: why else would public authorities be receiving many hundreds of responses to their tender notices, very few of which have an earthly hope of success? And at the same time, we observe, some of these tender chasers (and other professionals) are choosing **not** to consult and work with their BD or marketing teams as they go it – often disastrously – alone.

Indeed, it is in dealing with your average public sector tender that the fundamental flaws of many professionals come to the fore, in failing to grasp what good business development really is. The world of “Best Value”, targets, cost/benefit analysis, quality standards, processes and procedures etc. is positively Martian to your average partner, who possesses neither the time nor the commitment to muster sufficient empathy to bridge between the two worlds.

Here we believe that the initiative lies with the firm's BD specialists to get out there amongst their fee earners and professional teams to get a better grip on what is going on. They then need to offer material direction, advice, training, coaching and – if necessary – real 'grunt' to help their professionals target properly and focus their efforts in the right places. Amongst other things, this means introducing or being persuasive enough to enforce Go/No Go criteria for tenders, so that many hours or days of time are not wasted on no-hope opportunities.

Pricing – flexibility **and** creativity

Clients need to reduce costs because they are under pressure. This is resulting in a widespread 're-pitch' movement that puts even well-established incumbents in the position of competing for their existing business as if it were new, followed by the grumble that the client "has just asked for a 20% reduction in fees". There are plentiful numbers who have then been trapped by this, unprepared.

So what is the recipe for effective pricing by professional service firms in hard times? Debate has raged with clients for some time (even before recession struck) about the inappropriateness of hourly rates as a business-like method of charging for all types of advice. What is clear now is that those who do not possess a workable model that involves a menu of pricing options – hourly rates, fixed fee, contingency, volume discounts etc. – that can be applied in conjunction with more robust transaction management and monitoring processes are losing out when price pressure is applied. The absence of these workable processes, and therefore the ability to apply alternative charging methods efficiently, condemns a firm to the tyranny of a client's hourly rate discount 'snap' demands.

The other success ingredient that appears to be present is strategically interesting. Those firms that have listened harder to clients interpret the need to reduce costs as an opportunity to re-engineer the way they work, **and** help clients re-engineer their processes to be more efficient. For example, at the extreme, this means professional firms exploring whether to make or buy in (i.e. sub-contract) certain elements of the service they provide.

This more open approach can result in clients achieving reduced external costs, without drastic falls in the adviser's headline prices and/or profitability, although revenues will probably still suffer. But such creativity has even been known to result in these innovators receiving more of the reduced client spend 'pie' than they had before. Culturally, this is anathema to some old school advisers ("you can't show them what we do!", "we have to retain the mystique" etc.). They will lose out.

Three new business tips

Having explored to a fair degree what not to be doing, what are the main things to be concentrating on to make the most of your firm's new business opportunities? Here are three of the main routes to success.

Track and manage the pipeline – in our experience, "how much potential new work do I have?" is a question that troubles relatively few professionals we have come across – even when existing work flows have all but dried up. Get them to track and then focus their activities on creating a viable pipeline of new business contacts and opportunities that - although it won't usually create instant results – should begin to deliver a stream of new assignments over the short to medium term, if done well.

Use your networks –all good professionals must be encouraged to "get out there" to help populate their pipeline. Having the time to do it should no longer be an excuse.

What is required by many is the kick-start (from their BD advisers?) to focus their attentions on which associations, forums, conferences, seminars, virtual networks and other gatherings will yield most return. And then commit to a regular programme of activity.

Targeted marketing activity – in difficult times perhaps more than in the good ones, there is much to be said for selecting and implementing specific marketing activities designed to keep the name of your professionals and the firm in front of clients and known contacts as frequently as possible, so that the fewer opportunities to do business are not missed. Regular email alerts; advice tips; and focused, small scale direct marketing campaigns are still the best (and most cost effective) ways to do this.

We have heard of and seen some very successful awareness and lead generation campaigns of this type carried out over the past 12 months. Sadly, there is a ‘but’ here. Where most of them miss out on or fail is when responsibility for follow up and selling is handed to the firm’s professionals. Even with little or no work on, the marketing investment disappears down a black hole of inactivity, because most partners and senior professionals do not see their job as that of a sales person; many lack the ability or confidence to perform even a perfunctory role. This brings us to our final thought reflecting a theme that has been present throughout this article.

A new model for BD in the professions?

In our view, most professional firms get the business development service they deserve. Because in nearly all cases, selling and the selling process (we can now use the ‘S’ word, even with lawyers!) remains a highly flawed responsibility of every firm’s senior professionals, the only expertise required of BD support staff can be that of a glorified (and sometimes highly-paid) ‘gofer’ – even if they have the ability to do more.

What recession has done is exacerbate this problem. ‘Gofer’ bid teams conspire in the churning out of no-hope tender after no-hope tender, because that is all they are asked to or sometimes can do. We believe that the time has come to bring the professions into the modern business world. The sales role must be removed from service delivery and exist in its own right. Professional firms need their own dedicated and expert sales forces, working in partnership with their professionals but with express responsibility and accountability for the whole of the sales process.

In fact, the idea is not new and has been floated and tried by a few: some have contracted out parts of the process, and a number of successful BD managers that we know have ‘de facto’ already created such a role for themselves. Now it is time to go to the next level. It will not be easy to implement, but the rewards for those firms that achieve it can be significant. They will be able to demonstrate clearly a return on their marketing investment, rather than continue to stare down the black hole - as they have done for centuries.

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In the next article, we will investigate the leadership qualities and behaviours best suited to recession.

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