

6 Business development

What are investors and acquirers looking for?

When I asked one PE investor what they looked for in sales, she replied, 'it's not complicated Joe: good clients who spend more money each year'. However, it actually *is* complicated, because the systems and people to effectively find and keep those clients are fairly rare in consultancies.

Buyers want your sales team to be hitting the figures I have emphasised throughout this book, a minimum of 20% annual growth on 20% EBITDA. To minimise risk, they would rather that no single client contributed more than 25% of the firm's revenue and would prefer blue chip and board-level clients as these are more valuable contacts for the buyer interested in cross-selling.

To make this happen, much has to happen behind the scenes, and buyers would like to see systems that are measured and continually improved. This doesn't simply concern IT systems such as CRM, but also systems of training, recruitment and rewards which place sales at the centre of the organisation. This effort should also shift the responsibility for sales away from the founder and to the wider team, de-risking the business and removing a major limit on sales potential.

Sales strategy

Mindset (again)

Whilst there are many exceptions, most founders who start their first small consultancy come either from a large consulting firm or a senior management position in a large company. In most cases, unless they were a partner, they will not have done much business development and often feel resistant to it. This is a tragedy because without sales the firm will fail. In my advisory sessions, which

DOI: 10.4324/9781003149217-6

here generally turn into coaching sessions, several things have commonly happened to this person.

- They have spent too much time and money on marketing in the (often subconscious) hope that this will supplant the need for sales.
- They have wasted days locked in a room doing sales planning, strategising and research, getting their fonts just so (and spending as little time as possible talking to potential clients).
- They are sometimes actually great at the relationship side of business development but falter when it comes to negotiating and closing the deal, often giving discounts before they are even requested.

What to do? Here is what works for my clients that are shy of sales:

- Believe in your expertise and your services. Read previous testimonials and remind yourself of your successes. Remind yourself that even without any expertise, an objective, independent view is valuable in its own right. You are an expert who can help people. Your sales job isn't to persuade everyone to hire you but find out if they are in that group you can help and tell them how.
- Let your marketing, branding and thought leadership do most of the work. Clients want to know (i) can you do the work well?; (ii) will you make their lives easier?; and (iii) do they respect you? By the time you speak to clients, you should have answered those questions for them with testimonials, thought leadership, videos and case studies. If the answer to these questions is no, you shouldn't be working with them anyway.
- Stop selling and start consulting immediately. In my own work, I love problem-solving and I'm good at it, so I just start doing it as soon as I speak to someone. It is less like selling and more like giving the client a live preview of your capabilities.
- Do not wait until clients are looking for people to fix their problems. By then, it is too late, and you may end up in procurement hell. Instead, target your thought leadership, marketing and messaging to when clients are setting their priorities and prioritising issues (rather than solutions). Seventy-one per cent of clients say they want to be contacted earlier by consultancies,¹ and the earlier you engage, the more time you have to build a relationship and show clients that you understand their challenge.
- When it comes to a sales event, some shy consultants 'act out' a specific personality that helps them say things they wouldn't normally be comfortable with. One of my clients channels Ruby Wax and another, Alan Sugar. I've no idea if this works as sales tools, but apparently it can make the process feel more comfortable.

- Others reframe the sales meeting. Some focus on simply getting to a 'no', arguing that they are not trying to sell, but just need a decision. Others frame sales as a skills development exercise, often doing ten calls in the morning to get the day started.
- Clients primarily buy on trust. This is trust in skills (your people can do the job), trust in your values (your people won't let the client down outside of the job) and trust in your firm (the brand, as more than just the people). The best way to build trust is frequent touches and honesty. Building trust is better for sales than any trick or technique you will learn in a business development seminar.

From you to them

Early on, the responsibility for sales lies with the founder(s), and clients are usually simply buying the time of that person. Logan Naidu of Dartmouth Partners told me:

How do you make sure that one or two individuals don't own all the relationships? We were like that for the first three or four years. Despite my best intentions, the client know they're buying you, they're not buying Dartmouth. My regular routine was Tuesday, Wednesday and Thursday nights out with clients selling daytime meetings, constantly. But the growth of the business has been focused around creating an organic sales engine outside of your two or three main people.

When the sales engine is not expanded beyond the founders, things go wrong later in the growth cycle. As Greg Francis of the Access Partnership told me:

For years I gathered all of the business development to myself, which is of course a single point of failure and absolutely stupid in business terms. But I thought it was enabling capabilities of a different sort in the people we were hiring. While that might have been true for a while, it certainly wasn't a roadmap for growth. So we had to reinvent our company to have more commercial awareness across staff which had never been a requirement, which was very difficult.

Whilst it is difficult early on, a CEO or founder needs to transition from marketing and selling services to marketing and selling the firm. Shifting the focus from you to other seniors takes time, but typically involves the following movements:

1. A system of recruitment, development and incentivisation of capable and connected seniors mentored *and delegated to* by the partner(s) to support

- delivery and sales. These should be introduced to existing clients with reassurances about the quality of work, but should also begin to sell more commodified services to new clients (I cover this more in Chapter 8, on talent).
2. Purchase of an integrated CRM system that is used strategically and systematically to build intelligence on and relationships with client stakeholders.
 3. Placing (the right) sales at the core of the business. As the business grows this must be reflected in recruitment, development, promotion, rewards, performance management, communications and culture.
 4. Continuing development and improvement of strong sales IP to guide and feed the business development process.
 5. Recruitment of experienced juniors to work on more commodified work. For existing clients, this might initially be 'back-office' work. Juniors can be increasingly exposed to sales training, mentoring and experience.
 6. A cascade of sales meetings focused on measurement and improvement integrated with developments in propositions and marketing.

Even after sales have become integral to everyone in the organisation, partners should still spend the majority of their time on business development. David Maister's recommendation of between 70% and 80% of partner time on business development is still the target I would suggest for firms with more than 20 employees. The exception is the *managing* partner (or CEO), who should spend an increasing amount of their time running the firm as it grows.

Success in sales for a consultancy requires technical competences that we discuss shortly, but most important of all is a deep cultural awareness throughout the firm that, for the company to thrive, the pipeline must constantly be full and that this is everyone's responsibility. Furthermore, if juniors are to become seniors, they must already be adept at business development and know that this is a large part of their own success in the firm. In larger firms, I generally suggest including business development time as part of the utilisation target for all grades. It is harder to measure, but psychologically it will reinforce the importance of sales to the firm.

Your consultants must develop an instinct for sales. For example, they should have at least (say) four proposals in front of clients and (say) 20 presentations, seminars, meetings, conferences or referrals on the go. Equally, maintaining close relationships and providing value outside of projects to existing clients is important. The key competencies for sales will depend on the firm, but research shows that the following are important for successful sales in professional services:

- A strong personal network.
- A 'visible' brand as an expert in the relevant industry/service.
- Confidence in one's expertise and a willingness to challenge the client.
- Strong interpersonal skills which build trust.

Generally, the maturity of your sales functions will match the size of the firm (see Figure 6.1). This is not to say that later stages are 'better' than earlier ones, as each stage should match the capabilities of the firm. There are economies of scale and scale to establishing mature systems in a large firm that simply don't exist for a small firm.

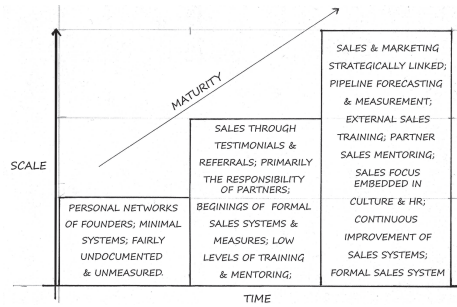


Figure 6.1 Example maturity levels for a consultancy's sales function.

Strategy and plan

Your sales plan should extend and implement your marketing strategy (Figure 6.2). Whilst your marketing strategy moves potential clients from being oblivious to informed, your sales plan enters in to move them from a state of engagement to signing a contract and ideally becoming an advocate for your services.

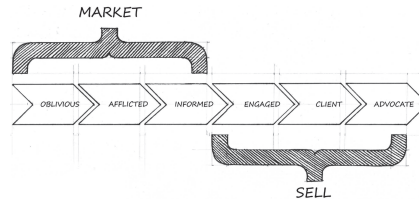


Figure 6.2 The new client journey.

An interesting comment from one of my interviewees was that marketing should be prioritised over sales. The reason, they argued, was two-fold. First, by prioritising marketing, you are investing in the asset of the firm rather than events. Second, by prioritising marketing over sales, you are less likely to be held hostage by dominant rain-makers who can threaten to take 'their' clients elsewhere. I am not convinced that the two need to compete however. The former, for growing firms, is more embedded in systems and content whereas the latter is embedded in the skills and culture of the firm.

It is also worth emphasising that not all sales are equal. Your sales plan should focus on investing in your core high-margin, high-revenue services (Figure 6.3). This also means either improving or dropping those areas which do not deliver on this.

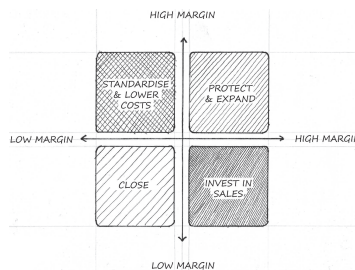


Figure 6.3 Sales priorities for growth by client type.

Even a solo consulting firm needs sales targets if it is to have any direction and ambition. As firms grow, these headline figures must be broken down into business units (usually service or industry lines) and to individual clients or partners, depending on your preference (see Figure 6.4). These should be tied into individual targets for seniors. This should be a two-way relationship where feedback from individual clients and seniors feeds into subsequent target setting on the basis of client/industry opportunities and new service development.

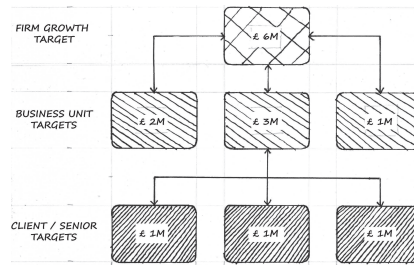


Figure 6.4 Cascading sales targets.

The targets should feed into individual plans for each client. The focus, once again, needs to be on the *right* sales – the ones which fit the core proposition of the firm.

The sales plan should begin with high-level sales targets (targets for qualified leads, proposals/presentations, contracts, conversion ratios), which are then broken down for priority sectors and services and target clients (organisations and roles). If the firm is big enough, targets should be assigned against specific leaders who may break these down into targets for individuals in their teams. Once the 'what' is set, then the 'who' and 'when' and 'how' can be detailed (see Table 6.1). I've put a template for a sales plan at joemahoney.com, but a good PSA/CRM system will have this integrated.

As I discuss below, the implementation of your sales plan is contingent on your pipeline. If the pipeline is looking weak, planned activities should be accelerated or bought forward. If the pipeline is too full and additional resource is not available, activities should be postponed. Additional sales activity should also be linked to specific marketing campaigns, such as new thought leadership or services.

Finally, I would stress that in larger firms, a crucial link for sales is with the teams doing the implementation. In pursuit of growing sales, some consultancies bring in specialist sales resource, but the danger here is that this resource sells anything they can to hit their targets. The results can be poor project quality and dissatisfied clients or projects which distract the firm from more useful activity.

Table 6.1 Components of a consulting sales plan

	Components	Examples
What?	Target revenues, firms, roles for sectors and services. Target pipeline measures and conversion ratios.	Twenty per cent revenue growth overall. Twenty-five per cent growth in telco and 15% growth in media. First contract with TelcoUSA (minimum £55,000), 15% growth in all clients; increase qualification by 15% and target pipeline ratios of 12: 3:1.
Who?	Who is responsible for each target? Targets for business units, leaders and teams.	John responsible for TelcoUSA; Claire responsible for media; Ahmed responsible for telco. Ahmed's team targets to follow.
How?	Ongoing tactics linked to specific marketing campaigns (for example, referrals, renewals, upsells, cross-sells, new prospects, new segments). Specific activities for specific roles. Investments.	Sales effort to follow marketing campaign for TelCom Conference this year; 25% increase spend on LinkedIn ads = target of 15% more qualified calls. Sales campaign to 'capture' Telco USA. Claire to increase farming revenue from media by 30% and new business by 10%. Launch of new report to be supported all through emails to contacts.
When?	Monitoring points; dates to link with marketing campaigns; key client events calendar (for example, trigger events, conferences, release of results).	5th June, outreach to TelcoUSA Director at TelCom conference to coincide with marketing campaign. 2nd February, Ahmed to discuss expansion of project in ClientX to non-core services.

Formalising sales

The sales process

My interviewees' firms went about sales in a variety of ways. For some, reputation for quality drove potential clients to their door and sales was simply a matter of correctly qualifying clients for the right projects. However, in most other firms, strong sales were generated through establishing strong relationship with clients, but also developing strong systems for sales. As argued above,

developing IP for sales, improving sales, diminishing costs and reassuring buyers are crucial.

Better understanding the perspective and milestones of your clients' decision-making will allow your people a better engagement with the process and how deals should be managed. Ensure you formalise from the client point of view, not your own. At one level, this is about understanding your major clients buying processes and how you can help them efficiently at different stages. But this might also involve changing only the language you use to your clients' perspectives. For example, 'initial meeting' might shift to 'understanding pain points' or 'presenting solution' might become 'compare solutions'. However, more generally, there is often a mindset shift needed by consultants (including partners) to understand that the best way to know what and how to sell is to ask the clients themselves. This shift also requires an understanding of what information and insights will best incline the client to buy from your firm. Sellers who provide unique insights and follow a formal process are 30% more likely to be high performers than those who do not.²

With these things established, what does the sales process itself look like? Sales tend to be initiated by three triggers. The first is when marketing hands leads over to sales for a more personalised and human interaction. The second is when clients approach the consultancy, often in response to a recommendation or thought leadership. The third is when seniors strategically target clients in one firm in a bid to win specific work. From these starting points, three further things must usually happen in order to maximise the chances of a good sale:

1. The client must be convinced of your expertise and ability to solve their problem or help with their opportunity. If your marketing has done its job, and passed on thought leadership, case studies and testimonials, much of this will have already been achieved. But in the first interaction with the prospect, it remains crucial for whoever is leading the sale to truly wow the prospect with their understanding of the client challenge/opportunity, how it is affecting their firm and the potential solutions. This is crucial in framing your firm as the most likely to help the client but will also help you in negotiations.
2. The problem and challenge must be clearly agreed and understood by both parties. The consultant and the client should help each other understand the potential benefits of getting the solution right and the consequences of doing nothing. This will help considerably when discussing pricing.
3. The client and project must be qualified. This means asking: Whether there is budget for the project. If the client has the authority to authorise spend. If not, what needs to be done to influence the right person? What priority the project is for the client? When is the project likely to start?

Finally, what are the key dependencies of the project and the expected milestones? This information will help you weigh the opportunity in the pipeline calculation (discussed below) and better help the client get the project rolling.

These things are not necessarily done in a specific order (Figure 6.5) and may be spread over several meetings. The next step, if possible, is to having a discussion around the value of the project if it is done well. For value-based pricing, this is crucial; but even with other forms of pricing, it is useful to understand and emphasise the true value of the project to the client (financially, psychologically, personally, reputationally) before moving on to the pricing discussion. For value-based pricing (discussed shortly), this conversation might end with a price range for the project, for example, 'given the value of the benefits we've discussed, how about I develop some options for you priced between £70,000 and £250,000?'

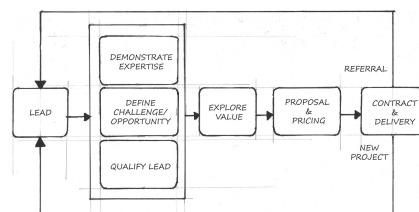


Figure 6.5 A high-level sales process for consulting firms.

A price range is useful because it allows you to give the client options. If you only give the client one price, they only have two options: to go ahead or not. If you give the client several options, this increases the chance of a 'yes' but also allows you to remove options during negotiations instead of cutting your price for doing the same thing.

Your own sales process will of course be more detailed and tailored to the different types of clients you serve and the services you sell. It might include:

- Processes of engaging different clients.
- Guidance on client conversations and relationships.
- The sequence and timing of passing on thought leadership and testimonials.

- Key events in the sales process.
- Creating innovation during the sales process.
- Weekly firm sales meetings.
- Scripts or structures for sales calls.
- Templates for proposal writing.
- Using and managing the pipeline.
- Training and mentoring on all of the above.

For some firms, sales also include other activities. A few years ago, I wrote a paper on how McKinsey & Co. sell without selling.³ This was very often by exercising 'soft power': alumni relationships, free resource on steering committees, sponsoring conferences, working with top universities, secondments with key clients and working on think tanks. Whilst no small firms have the resources of McKinsey & Co. it is worth thinking about how 'soft power' might work in getting your name in front of key clients⁴.

In addition, to the processes of sales, there are also the processes of monitoring, supporting, incentivising and goal-setting, which should be given more attention as the organisation grows. One of my interviewees opened up the weekly sales meetings held by seniors so that juniors could dial in and listen. This helped juniors realise how important sales was in moving up the organisation and encouraged them to pursue leads of their own.

Pipeline management

A Harvard study found that firms which managed their pipeline had 15% higher revenue growth than those that did not.⁵ Moreover, they discovered that firms which clearly defined the sales process, spent at least three hours a month on pipeline management, and trained their seniors on pipeline management, had 28% higher growth. Pipeline effort is clearly worth the work, and a partner should be made responsible for managing this.

Buyers of consulting firms see a healthy pipeline as one with more than 75% of business booked for the next three months and 50% booked for the next six months. This is the ideal of course, and will depend on the type of projects you deliver, but managing your pipeline effectively is crucial to ensuring that your staff are not over-stretched or underemployed. Most professional services automation software has some form of pipeline metrics which combines the 'heat' of each lead (cold, warm, hot) with the likely staffing requirement. This allows you visibility of resourcing problems on the horizon, which, in turn, should allow you to concentrate your sales efforts, stretch or compress existing work and flexibly use your associates.

A forecast of monthly income can be achieved by discounting the predicted deal size by the chances of that deal happening. This is your Discounted Sales Pipeline (DSP). I've put a simple spreadsheet tool for tracking your pipeline at joemahoney.com, but here (in Table 6.2) I have detailed a simplified DSP calculation. It multiplies the chances of success of each pipeline stage with the average value of the service being sold and the number of leads at that stage (the bold number in brackets). This provides you with an approximate sales figure for future months and allows you to plan resources accordingly. More importantly, it allows you to increase your focus and effort at different stages of the pipeline to ensure that you are hitting the revenue targets you've set.

As your practice grows and you gather more data on the likelihood of success of different services, your model can be tweaked to be more precise and capture more subtle metrics. One useful metric for growing firms, illustrated in Figure 6.6, is what Equiteq calls the 'pipeline index' which is created by the following ratio:

$$\text{Pipeline Index} = \frac{\text{Discounted sales pipeline}}{\text{Delivery capacity at full sales}}$$

If the index is at 1, the two are perfectly matched. If the index is more than one, your resources will be stretched, unless you:

- Use associates.
- Hire quickly (though this should only be done if stretching is a common problem).
- Take people over utilisation targets (not a good idea in the medium to long term).
- Postpone or turn down work.

If the index is less than one, this means you will have consultants on the bench, unless you:

- Increase your sales efforts.
- Bring forward work further down the pipeline.
- Replace associates with employees (though check you are replacing like with like).
- Manage your employees' presence (for example, bring forward holidays, postpone start dates, make redundancies).

It is also crucial to remember that managing the pipeline is not simply about forecasting – in fact, I would recommend separating pipeline management from forecasting. If your discussions focus on close dates, probabilities and deal

Table 6.2 Calculating discounted sales pipeline by client

	No. Monthly Leads and Probability of Success						Contract (100%) DSP
	Leads (5%)	Meetings (10%)	Proposal (20%)	Presentation (25%)	Contract (100%)	DSP	
Service 1	(16)	(8)	(4)	(2)	(1)	39,000	
£10,000	£8,000	£8,000	£8,000	£5,000	£10,000		
Service 2	(32)	(16)	(8)	(4)	(3)	176,000	
£20,000	£32,000	£32,000	£32,000	£20,000	£60,000		
Service 3	(33)	(14)	(7)	(5)	(2)	385,000	
£50,000	£82,500	£70,000	£62,500	£100,000	£100,000		
Service 4	(20)	(8)	(4)	(2)	(2)	510,000	
£100,000	£100,000	£80,000	£80,000	£50,000	£200,000		
					Total	1,110,000	

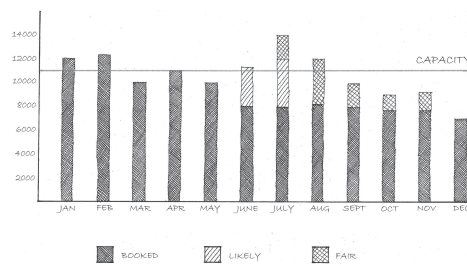


Figure 6.6 A visualisation of a Pipeline Index (Discounted vs. Capacity).

sizes, then you are forecasting. Management means ensuring that the pipeline process is working productively and that all opportunities are being met by a strongly motivated workforce. It is also ensuring that staff understand sales priorities (see below) and that the right discussions and proposals are happening (for example project utilisation and leverage is creating sufficient margins). Weekly sales meetings are crucial to prioritising pipeline work. At strategic reviews, the sales meetings should offer insights as to whether different people need to be recruited at different grades and whether the incentivisation scheme is working.

Finally, I also advise thinking carefully about the client *journey* through the pipeline. It's important that the experience as leads progress from prospect to client is as good, if not better, than their experience working with you. It would be a useful exercise to map out typical pipeline routes and touch points to see how your firm can add value to each client as they progress and follow up with those who fall out.

Incentivising the right sales

'Feeding the machine is our biggest challenge', says Chris Gibson of Pen, which reflects how stressful finding the right amount and right type of sales can be. However, 'right' is key here: the wrong type of sales will pull your firm out of shape, ensure poor quality delivery, over-stretch your people and damage your reputation. You should therefore be clear to all partners and senior managers

what the right type of sales are and how many each should be expected to bring in. Ideal sales:

- Fit with your value proposition
- Maximise margins
- Minimise partner time
- Have the right leverage ratio
- Repeat or develop existing offerings
- Are in your target sectors and markets

The prioritisation of the right types of sales can be achieved by:

- Measuring them by market, service, sector, team and consultant
- Frequently and publicly reporting on targets
- Tying targets in with appraisals and bonuses

Generally speaking, larger projects tend to be more profitable because of economies of scale: their set up and partner sales time is usually proportionally lower. Several of the interviewees for this book emphasised that part of their niche was multinational firms, simply because projects were larger and the prospects of repeating successful contracts in other parts of the client were greater.

Advice on selling

Challenge and insight selling

When you buy a widget (can of beans, computer, car), what you get does not depend on you, and if you don't get what you ordered, you can usually send it back for a refund. Selling most consulting work is very different not just because the outcome is generally an unknown and partially dependent upon the buyer, but also because a bad consulting project can actually do damage to the client more widely (imagine if buying a faulty can of beans could destroy the value of your house!).

All these features of consulting work mean that trust is absolutely crucial to business development. The importance of trust is why referrals from trusted sources and previous experience with a consulting firm are the top routes by which clients find their consultants. However, trust can also be built through familiarity, and as we saw during COVID-19, this is eminently possible in the digital age: case studies, webinars, video testimonials and quality thought

leadership, all provide potential clients with ways of familiarising themselves with you or your firm. In larger firms, the brand is a symbol of trust, but as Steve Newton, founder of Elixirr, told me, smaller firms cannot rely on this: 'one of the steepest learning curves to overcome coming from a large firm is that you're suddenly without the power of a calling card'.

Whilst traditional approaches to sales emphasise the benefits of the service, the problem is that buyers simply don't trust messages from people they have no experience with. Some time ago, a study by Bain & Co. found that 80% of consultancies believed they sold a 'superior value proposition' to clients, but only 8% of clients agreed.⁶

This is not to say that telling the clients about the benefits and value of your offerings is unimportant, but this has to build on the clients' existing understanding of why they need your solution. This involves what has come to be known as 'insight selling'. In their book of that title, Schultz and Doerr studied 700 business-to-business (B2B) purchases.⁷ When they compared those who won a sale with those who came in second, they found a pattern among the winners. Clients reported that the sales people:

- educated me with new ideas and perspectives.
- collaborated with me.
- persuaded me we would achieve results.
- understood my needs.

Indeed, selected consultancies were three times more likely to have educated buyers with new ideas and perspectives than the runner-up choice. Note that the benefits or values of any services are not mentioned here. Instead, an insightful expert educates the buyer about new ways of doing things. Successful consultants make clients more aware of their need for the service and build trust and confidence in the seller's expertise.

Harvard Business Review made comparable observations when they reported on a research study of B2B sales. Some of the results were surprising.⁸ In their study they classified five types of sales people:

- Relationship builders create friends and advocates in the client firm.
- Hard workers work longer hours and make the most calls.
- Lone wolves are confident rule-breakers.
- Problem-solvers are reliable and detail orientated.
- Challengers use deep understanding of client business to generate challenging insights.

Challengers outperformed all others. Those insightful and often provocative sellers accounted for nearly 40% of high performing salespeople, which increased to 54% in more complex B2B sales, such as those in management consulting.

This insight is supported and developed by another study of B2B sales,⁹ which found that in sales meetings, sellers of B2B services expect to talk about creating value for clients through the products they sell, whereas buyers expect sellers to show a deep understanding to their specific firm, which results in insights about doing things differently.

Challengers go against conventional wisdom. Instead of leading with the benefits of what they are selling, they seek to educate clients about why their firm needs to do things differently. This leads the client to seeing the value of the services on offer. The emphasis here is much more on educating by revealing useful insights rather than simply telling the client about the benefits of service X. One of the key insights from behavioural ('nudge') theories is that when people are more likely to accept change, then they come to their own realisation about its benefits. I believe the success of challengers is based on similar psychology.¹⁰

In order to achieve the two crucial steps of educating clients and building trust in your expertise, the following are common examples of good practice:

- Research in detail the specific client and firm as well as the industry.
- Understand their drivers, needs and opportunities with which your services will help.
- Provide tailored and insightful content marketing through a sophisticated CRM system.
- Use account management to build strong relationships between individuals.
- In early meetings ensure you listen and learn as well as providing insights.
- Collaborate with clients to explore new angles and innovative ideas.
- Be confident in your expertise and do not be afraid to challenge clients or ask 'stupid' questions.

What clients want

The top three reasons that clients buy consultants are, in order of importance: a good reputation, competitive pricing (though please note, not necessarily the cheapest!) and a good fit with the buyer's values.¹¹ To a great extent, then, your ability to win at a sale will be determined long before you attempt to contact a

lead. Developing this finding is research¹² showing that B2B clients buy value on five different levels:

1. Inspirational value (the ethics, values and vision of the firm).
2. Individual client value (what are you bringing to the person, for example, network, growth, CV material).
3. Ease of doing business with the client (access to seniors, building strong relationships).
4. Function (revenue, costs, quality, innovation).
5. Basics (price, regulatory, specifications, ethics).

The research shows that the more levels that the seller pays attention to, the more likely they are to be successful in their sales. Unfortunately, most consultancies only pay attention to levels 4 and 5 – focusing on delivering good services for a reasonable price. Levels 1–3 are generally ignored, but play a crucial part in moving a sale from 'probable' to 'likely'.

The other important research insight shows us that clients want to be contacted much earlier in the problem journey.¹³ A typical problem journey for a client involves five steps:

1. Noticing something is not working well.
2. Identifying the cause.
3. Identifying the solution.
4. Scoping, planning and prioritising the implementation of the solution.
5. Implementing the solution.

If left to their own devices, many clients will arrive at (4) and then send out tenders for solution implementers via procurement. The consultants duly arrive and often find that the problem the client thinks they have and the solution they think they want will not actually help a huge amount. This isn't surprising, as the client manager is rarely an expert in that specific issue or in the research needed to identify the cause and solution. Many clients realise this and 71% of them wish that consultancies had contacted them earlier.

Earlier contact works for both the client and the consultancy, as the former doesn't waste time and money chasing the wrong issue and consultants avoid procurement hell. The lesson here for sales (and marketing) is the value of conducting more informal speculative and open conversations with clients as well as using thought leadership to help clients understand their 'unknown unknowns' (the things they don't know they don't know but are important) and 'known unknowns' (the things they know they don't know but are also important).

Ideally, this will also be done when you are working in an existing client. 'Land and expand' has a bad reputation, but if you are genuinely helping a client

identify, understand and solve issues or opportunities, then you are adding value to their firm. Angrez Saran, founder and CEO of 8Works, told me:

We have a 6–8 week engagement which is our bread and butter, but from there we embed ourselves with our clients helping them build this capacity to deliver change more widely. This gave us recurring annual revenue which allowed us to rapidly grow our business by focusing on new clients.

The importance of working on sales with existing clients brings us nicely to our next topic: account management.

Account management

When I asked Edward Beals, founder of the process change consultancy Loft9, how he managed to grow in such a competitive area, he replied, 'every time we won an account, we had to take it from someone else. It was really competitive'. Their ability to do this, he argued, was down to competitor consultancies taking their eye off the ball once they'd landed a client. This is ill-advised in today's competitive market which will punish a firm's inattention to clients. Two figures from recent research highlight the failure well:

- Sixty-five per cent of clients are ignorant of their current consultancies' offerings.
- Eighty-five per cent of clients' service 'wish list' included services already available from their current provider

This underscores the importance of developing strong communications with the client. This does not happen by accident or as a natural result of the sales process. Instead, it requires a defined process or method that trained account managers can use to shift how your services are seen. Good account management makes the difference between a transaction and a genuine partnership. In the early days, this will typically be done by partners, but as firms expand, engagement managers or dedicated account managers will take on the role.

There are many account management methods to choose from, but at their heart, they all involve:

- Improving communication with the client about your achievements and your potential.
- Developing and deepening relationships with key client stakeholders, especially at board level.
- Identifying new challenges and leads within existing clients.
- Capturing feedback and market intelligence from the client.

- Building projects in the firm for long-term revenue (for example, licencing, annual or cascading projects, joint investment or innovation projects).
- Ensuring payment is made promptly.

Account managers should be trained, incentivised and supported in building client relationships. They should also seek to develop their stakeholder relationships upwards, towards the board, so that there is less chance of a competitor usurping your firm. In addition, a partner should be touching base with the most senior business owners not only to develop new business, but also to understand future plans and check on client satisfaction. Changing trends in the client market should be anticipated by the consultancy through solid thought leadership and key clients should be invited to be on the firm's advisory board or participate in strategy reviews.

The amount and type of extra effort involved in delighting the client will differ between the start-up and the more established firm. A start-up is likely to sacrifice time to ensure the highest quality delivery in pursuit of repeat business and testimonials. An established firm is likely to have less of an issue with their pipeline and more of an eye on margins and finding more systematic ways of delivering value. This said, firms large and small should think about the items in Table 6.3 as ways of building stronger relationships with clients. Some take more effort than others, but it is wise to systematise many of these activities by making them regular diary entries.

Table 6.3 Strengthening client relationships

Low investment	Regular calls and visits. Forwarding/mailing relevant thought leadership to client contacts. Provision of personal mobile number. Social activities and entertainment. Introductions to firm partners and useful outsiders.
Medium Investment	Free training. Invite to firm offices (for example, for reverse seminar). Research involvement (for example, survey input and output). Off-project advice. Cases written up of successful projects.
High investment	Joint applications for prizes/awards. Co-authored publications. Intra-firm mentoring/work placement opportunities. Joint investment or partnerships, for example, innovation projects.

Strong account management should be supported with a well-managed CRM system. A strong system doesn't simply support the account manager, it also captures and manages their knowledge and reduces the risk of the firm developing a strong dependency on individuals. In addition to the digital capture and processing of client information and communications, CRM can be used to capture much of the knowledge that normally resides in the heads of account managers.

CRM helps increase profits by improving the value of your interactions with potential and existing clients and spans marketing (designing campaigns and measuring impact), sales (capturing information, supporting and measuring the pipeline) and delivery (upselling in existing projects). Effective CRM results in lower cost of sales, higher rates, longer and more projects, lower client churn and greater loyalty. A well-used CRM system will tell the account manager:

- The history of the client (projects, etc.).
- Who the key contacts are and who knows them in the firm.
- The level of readiness or maturity of the firm.
- Any research on the firm.
- The thought leadership and cases that contacts have been sent.
- Useful details (for example, needs and personalities) of key individuals.

This should be used systematically to build stronger relationships and demonstrate your potential value to each client stakeholder. A great CRM system is also something buyers look very favourably upon.

Referrals

Referrals are the most common route for clients finding out about consultancies. They come with a huge benefit, because the consultancy's value is already framed by a trusted contact of the client. This makes it unlikely that there will be much competition. As you grow, therefore, it is worth establishing a consistent, systematic approach to getting the best referrals possible. This process should also tie in post-project feedback, testimonial gathering and case-writing, but should be primed by mentioning it early on.

Ideally, this will be timed to catch the client in the best mood possible, which means asking at the right time (perhaps over a post-project celebration) and also steering the referral to target the right roles in the right companies. This conversation might also include getting a video-based testimonial which praisers your value. First and foremost, you need to ask. Hinge University found that 80% of professional services buyers would provide a referral if asked¹⁴. If a key client or great case is reluctant, then it is often worth offering a swap for a quality referral (or testimonial) of your own.

However, it is important to bear in mind that 95% of non-client referrals are made by people who have not met you.¹⁵ They are made by people who know that you have a good reputation for working in a specific space. Therefore the best things you can do in order to maximise your referrals are to improve the visibility of what you do and how well you do it, which we covered in the marketing chapter.

Pricing

Ten principles of pricing

Pricing is a craft and mastering it will allow you to generate higher profits. Before getting onto the best pricing models to maximise profits, several principles should be emphasised:

1. Your first focus should always be delivery of great client service. Whilst you must develop your own strategies to maximise profitability, your direction should be informed by conversations with your client about the best way to incentivise their and your teams to create the best outcomes. Does it suit them best to buy time, to have pricing certainty, to buy from a menu of deliverables or to have a true business partner?
2. The only sustainable pricing strategy is based on a *continual increase* in the value of your work and the client's perception of that. A knowledge system which improves your firm's expertise, impact and value as well as a marketing strategy that is entirely focused on quality and value will allow you to drive higher prices regardless of how they are calculated and avoid conversations about day rates. This will allow you to create higher margins, to hire and train better staff and create a virtuous cycle of value. You want to be forever better, not forever cheaper.
3. A great pricing strategy cannot make up for a poorly selected niche. Your niche provides the ceiling on your fees. A well-selected niche together with a powerful UVP and marketing message will do better for your profits than any pricing model. However, if we assume that you are reasonably happy with your niche, then a focus on intelligent pricing will not only improve your profits but also keep your clients and staff happier due to higher levels of predictability, fairness and performance.
4. Don't compete on price unless your overheads are cheaper because of your business model. This won't apply to most readers of this book for whom the price target should be towards the top of your competitors. We will examine discounting shortly.

5. Generally, consultancies overestimate the importance of cost to their buyers. Frederiksen et al. (2013: 60) found that more than 50% of sellers say price is among the key drivers in a buyer's decision, but only 28% of buyers actually rate price that highly. In another survey of over 3,000 client executives, only 6% ranked price the most important factor when buying consulting services – on average, it was the ninth most important attribute.¹⁶ You may say, 'well I'm sure buyers say that, but...'; however, in my experience and certainly with those firms who grew successfully, value, innovation and impact were all rated as more important than price.¹⁷
6. Whilst different types of consultancies get their competitive advantages from different types of pricing, generally speaking the *time and materials* (T&M) approach to pricing is wrong for most consultancies. It fails to link revenue to what the client *will* pay or the quality of the work, most clients dislike it and it encourages consultancies and clients to participate in a race to the bottom on price.
7. Even in a well-chosen niche, there are likely to be consultancies offering similar services to yours, including some that you don't know, but more than likely that your client does not know. A client only has so much time to scan the market, and a strong consultancy will ensure that *in their area of expertise* clients should not need to look far. If you have been doing your job in creating and distributing thought leadership, useful connections, research and general educational meetings, it is likely that you will be one of the first ports of call for your client. Even if the client has found similar services elsewhere, your marketing, pricing and framing should differentiate your quality and add value.
8. It is often argued that *value-based pricing* is the ideal solution for the average consultancy or sole trader. However, what many authors fail to note is that value-based pricing is not always suitable, either because it is too hard to measure and the preferences of the client are for something else or because you simply can't generate the value that justifies this type of pricing. Value-based pricing *can* be useful, as we shall see, and the value conversation is definitely worth having. I've put a list of questions you can use to frame value in the client's mind at joeomahoney.com.
9. For most consultancies, mastering *project-based pricing* (a variant of fixed pricing) will be the best approach. It is a skill that is developed with practice, and will allow you to negotiate more effectively, attract more clients and achieve higher margins. Here, it is a good idea to offer different options for the project: gold, silver, bronze levels or specific options which can be removed in order to meet the client's budget.
10. Strong prices are pointless without skills to achieve margins from them. Three things are crucial here: training in pricing and negotiation (too many

partners discount excessively in order to win); a detailed understanding of what the project is *actually* costing the firm (so that pricing and negotiation does not hit the big margin contributors); and strong project management skills especially around utilisation and leverage (so costs on the project are minimised).

What should pricing be based upon?

What drives your pricing (i.e. how price points are arrived at) has nothing to do with how pricing is presented to clients. There are three bases for pricing your services: your costs, the client and the competition. Let's first take your costs. At its simplest, T&M pricing (sometimes called 'cost plus' or 'time and expenses' pricing) calculates the overhead cost of the firm and adds a percentage for target margins to create the target revenue for the firm. This is then divided by the target delivery days for each role so that 'roles × days × price' is equal to the target revenues. In any project, it is important to know the actual cost of overheads by consultant hour (or consultant day) so that your internal pricing can influence your price setting, take account of project costs and easily calculate project margins (predicted and actual). You should know your break-even on every project you bid for, whether it meets your margin targets, and the costs which might be minimised or eliminated should the client object.

Next, let's look at client-based pricing. I don't know a single consultancy that sells into the finance and public sector markets and does not charge them different rates for the same service. Whilst this might flag an ethical issue, in most cases it is because the finance client signals that cost is less of an issue for them and that the value of the output will be worth more. This was most obviously demonstrated in my first consulting gig in banking when the client took the *consulting* team out for a Michelin-starred meal (existing clients please take note!). For client-based pricing, the key is strong negotiation. In the absence of fixed formulae for determining prices, the partner must be able to back up their negotiations with strong supporting evidence, an emphasis on value and a line-by-line justification for deliverables or services.

Finally, competition-based pricing. Michael Porter shows us that there are three competitive strategies: cost, quality and niche.¹⁸ The vast majority of small consultancies should not compete against each other¹⁹ on cost, but on quality or focus, which means that cost should be less important to your client. If you have done your annual competitor analysis, you should know their price points and should be pricing yourself towards the top of the pack, as first, this level of pricing is generally not a disqualifier, and second, it can be a signal of quality.

For the vast majority of founders reading this book, it is the client and the competition that should *drive* their pricing, as pricing on your internal costs leaves money on the table in most situations.

Moving away from time and materials

Now we better understand what drives price points: how should the client be charged? There are several pricing models, and below I have listed the four most common with their pros, cons and some advice in using them.

Time and materials pricing (Table 6.4) is, by a hair, the most popular form of pricing by consultancies, used by 48% of management consultancies, 60% of IT consultancies and 35% of advertising consultancies²⁰. It is relatively straightforward, but does not maximise profits because fees are generally priced on internal metrics (usually costs + X%) rather than external ones such as the value of the delivery to the client. Strategically, such pricing also does incentivise consultancy efficiency (for example by automating processes), meaning that

Table 6.4 A summary of time and materials pricing

Description	
Fee is based upon an agreed day or hourly rate for different 'grades'. Bill for the time worked plus any material expenses.	
Pros	Cons
Useful for unclear scoped projects	Doesn't maximise profit
Useful to utilise unused billable capacity	Clients don't like the open-ended risk
The consultant's favourite	Encourages consultants to take longer than needed
The simplest structure	Can't bill in advance
Provides clear understanding of costs	More likely to lead to payment disputes
	Often used with cap leading to poor quality
	Doesn't lead to more efficient operations for you!
Advice	
If using T&M, ensure constant communication with client about current total: no surprises! Experiment with other fee models to seek advantage vs. competition. Reward lead partner on project margins, not revenue, to encourage efficiency.	

there is a risk the firm may not keep up with competitors in their ability to price low or generate margins. This form of pricing is relatively common in new firms but, in my sample, became less common as firms grew.

Although time and materials is the most common way of pricing consulting projects, generally it produces sub-optimal revenue:

1. Clients don't like it. They don't like the uncertainty of not knowing what the final cost will be. Indeed, research shows that clients would actually much prefer a higher fixed price than a variable lower price. There is even a psychological term for this called the 'Taxi Meter Effect'²¹: the anxiety associated with ever-increasing costs over which the client has little control.
2. T&M doesn't maximise your potential revenue as it does not consider the amount the client would pay based upon the value of solving the problem, the presence of competition and the relationship you have with the client.
3. T&M doesn't encourage you to be efficient or to innovate. If you are being paid a fixed cost, or on the value delivered there is a huge incentive for you to innovate to improve the value to the client or to do things quicker. Without this incentive you are likely to stay doing what you have been doing.
4. T&M means you can be easily compared with the competition and commodified. Procurement or the client director can easily say 'competitor X charges 80% of your day rate, can you match it?'

In terms of moving away from T&M pricing, if a client insists, a good tactic is to offer it but to make it so expensive so as to discourage the client; but if they insist, then you do very well out of it anyway (Table 6.5).

Table 6.5 A summary of value-based pricing

Description	
Sets the price based upon the worth of the service to the client. Fees are based on specific perceptions and demands of one client segment.	
Pros	Cons
Potentially higher fees if you can convince the client	Competition means it is difficult to convince client (unless you are doing rocket science work)
	Value to the client and budget are usually two separate entities, making it hard to sell the idea
Advice	
When setting fees, think about the 'next best alternative' for your client and the value of your differentiation.	

Everyone and their dog urge consultants and coaches to charge by the value they deliver, and there are a plethora of books and webinars on to how frame conversations to achieve this (charges are typically between 10% and 40%, depending on the project and clients). However, the huge hairy horsefly in the ointment is that you can only do this if (i) the client will let you, (ii) it is relatively easy to create unambiguous and fair measures of value, (iii) the competition isn't perceived as better quality than you and (iv) the project lends itself to a value conversation. For this reason, value pricing only accounts for around 15% of all consulting contracts (Table 6.6).

Table 6.6 A summary of risk-reward pricing

Description	
Base fee + a risk/reward fee based on the outcomes achieved.	
The risk/reward element can be fixed or variable.	
Risk/reward is based on outcomes (for example, time/cost/scope/quality/outcomes).	
The risk element eats into your profit on the project.	
Pros	Cons
Hi-profit potential for great firms	Risk of zero profit
Consultancy focused on 'Demonstrates 'skin in the game'	Can be long hours and stressful
	Requires strong monitoring and measurement
	Risks conflict with the client over disagreements
	Are you only giving your best work if you get a bonus?
Advice	
Undertake only with previous clients where trust is a premium (no gaming!).	
Agree and test meaningful metrics.	
Easier for more commodified work.	
Continuous close communication with client on progress towards goals is required.	

Risk/reward pricing has similar success dependencies as value-based pricing, with a similar upside if all goes well. As with value-based pricing, it is important to define how results will be measured and how disagreements will be mediated, and is best conducted with clients with whom there is an existing trusting relationship.

For most consultancies, mastering *project-based* or *fixed pricing* will be superior to any other approach (Table 6.7). Project pricing, done properly, has several advantages:

- It is attractive to clients because it is easier to budget for and associated with less anxiety.
- It encourages the consultancy to increase their margins through innovation and greater efficiency.
- It encourages the consultancy to think of services as products which are comparable.
- It enables deliverables to be reduced to fit budgets during negotiations.
- It is easier to charge a larger proportion upfront than alternatives.

Table 6.7 A summary of project-based or fixed-fee pricing

Description	
Fee is based on total days estimated effort and addition of markup or a fixed sum.	
Client pays the same fee regardless of how much effort you expend.	
Pros	Cons
Gives client certainty	Quality of work can diminish as hours run out
Easier to charge upfront fees	High risk on client co-operation
Easier planning for client and consultant	
Your efficiencies create greater profit	
Advice	
Anticipate and manage change requests clearly and explicitly.	
Requires strong time management, gateways and resource management.	
Experience and training needed to price effectively.	
As you become more efficient, keep the fee the same.	

Yet, project (and value-based) pricing is a craft which improves with practice. It requires you to go back through previous projects to see what reasonable prices are and then be quite precise about the various deliverables and stages involved with the project. It also means that you need to have a clear understanding of how different workstreams or deliverables are costed so that when a client asks you to reduce prices, you can shift the value of the deliverables rather than

simply discounting. This doesn't mean that the deliverable isn't done, but, for example, a more junior response is used, training is done at the client's site instead of off-site or delivery is virtual instead of face-to-face. Developing a clear view of these options is crucial to well-managed project pricing.

Finally, a note on retainers. A retainer is typically a regular payment by a client to a service provider or an individual to be on 'stand-by' or which includes a basic package of work with an opportunity to pay for more. That payment then enables the client to access the skills and experience of that worker or service provider on demand or for a set period of time. Ideally, if the client does not use the time, they pay the retainer nonetheless and 'lose' the time. Retainers are usually great for two reasons. First, they provide ongoing predictable revenue (which buyers love) but also because it is a chance for ongoing access to the client which is ideal for follow-on work. However, retainers also come with risks. Clients can ask for work at short notice when your pipeline is full or ask for work beyond the specifications of the contract. These can both be managed quite simply through a retainer agreement, which specifies details on notice, adjustments and reviews.

Matching what you do to pricing model

Returning to the different business models outlined at the start of this book (with the caveat that they are rarely 'pure'), the general approaches to pricing are summarised in Table 6.8. I would estimate that 80% of people reading this book will be in the Experience/Relationship model.

Rocket science work (typically one-off creative and high value projects) is highly priced not simply because it requires a great amount of (rare) skill, but also because the benefits to the client of getting it done right massively exceed the potential savings of shaving 10% off the price. Indeed, a high price here is, as the Stella advert used to say, 'Reassuringly Expensive'.

Another way of matching your price to what you are doing is to match the stage of the project (see Table 6.9). Here, high potential pricing options are aligned with the project stage. You obviously wouldn't be on retainer for typically one-off work, such as strategy creation or design work. Nor would you charge T&M for ongoing maintenance work (which would quickly become a zero-hour contract!). The question marks around 'design and procure' really depend on the type of project. As we have seen, value- and risk-based pricing are well suited to projects where agreed, specific and transparent measurements of outcomes are available. These may or may not be available with design and procure work.

Table 6.8 Pricing strategy by business model

Business model	Ideal pricing	Justification	Engaging clients
Rocket science/ Brains	High price	High level of niche expertise mitigates risk. Strong cost: outcomes ratio. Price relatively unimportant to client.	Emphasise risk of sub-optimal delivery. Emphasise your expertise. Ensure client knows it is rocket science.
Experience/ Relationship	Fixed cost/ value pricing	Value pricing can give higher margins if project is suitable. If not, client preference is fixed cost. Cost is important, but not the priority. Price towards top of 'class'.	Emphasise your experience and 'fit' with the team/firm. Negotiate cost on what the client gets, not absolute rates.
Procedure	Low cost	More is more commodified and open to competition. Yet, more standardisation creates opportunities to automate processes.	Emphasise low cost, but also seek testimonials and data which emphasises quality in key areas. Seek to raise switching costs for the client.

Table 6.9 Pricing alignment with project stage²²

		Time and materials	Fixed fee	Value/risk	Retainer
Project type	Strategy creation	✓	✓	✗	✗
	Design and Procure	✓	✓	??	✗
	Implement and Transition	✓	✓	✓	✗
	Maintain and Improve	✗	✗	✗	✓

Discounting

Despite many gurus telling consultancies never to negotiate, on average, on average actual rates are only 85% of headline rates – especially for juniors, who have the biggest impact on margin²³, and 65% of consultancies admit they discount²⁴ (I'm assuming others do, but don't admit it). It is simply unrealistic to tell consultancies not to discount. Even if you're avoiding procurement, most managers will ask automatically. This still means that you should try your hardest not to discount. Low-balling usually backfires due to the 'Winner's Curse' (the winner has had to discount so much that a profit is impossible) and it becomes all but impossible to later raise prices. Discounting is especially common in the US and UK but less so in the rest of the world. Whilst not being naive enough to think that discounting should never happen, it is worth reminding ourselves of the negative implications of discounting:

- Considerable research shows that clients who receive discounted goods or services perceive them less favourably. For example, Suri et al. found that 'consumers' perceptions of quality and value for the product were higher when price information was presented in a fixed format versus a discount'.²⁵
- Once discounting has been done, it is incredibly difficult to raise it to a higher level. Many years ago, I sold an annualised service to a client at a 40% discount (they were my first client for this service), and it took seven years to get it back to the usual price. Lesson learned.
- Price cuts have a disproportionate effect on your profits. A consultancy with a 25% profit margin that continuously discounts at 10% requires a 67% increase in sales to maintain the firm's profits. This can create a vicious circle of low profits → low investment → low quality delivery → price cuts → low profits.

If you are going to cut prices, it is crucial to do so in a way that retains the quality of your brand or earns you concessions that you value. I would advise that any discounts should always be temporary and are marked as such in the invoice.

Negotiation

Negotiation is one of the weakest skill set in many founders' arsenals, especially when compared to procurers, who have often undertaken years of training and whose existence often depends on their ability to trim costs. This is in addition

to the tendency of (some) partners to discount in order not to lose a deal. Before long, such weaknesses can seriously eat into margins.

The extent to which you should negotiate should depend on two things. First, your context – are there competitors? Is this a brains or a procedure project? Are you the best in your field? Have you been referred to the client or is this a competitive tender? Second, whether you have been shortlisted. If you get the email telling you that you are in the top three, you are in a strong position and should push back on all but the most minimal discounting. A good tip is to ask what prompted them to select/shortlist you, so as to remind them of how good you really are.²⁶ Foremost in your mind should be that you are better than the competition (or thereabouts) and so you *should* be more expensive. There is no service in the world where the best is the cheapest. If you experience one of those awful negotiation intermediaries that large clients use to shave another few percentage points from a price at the end of a negotiation, push back strongly. It appears that these increasingly common firms have enough success to justify their existence, but I have never had any client lose a deal following my advice to ignore these entreaties.

Most often, negotiation takes place when there is a shortlist of consultancies. Even at this stage, however, it is highly unlikely that price will be a deciding factor, so do not feel the need to undercut others. You should have a clear idea of the value of the client to you and the minimum margins you can accept for the project. Remember that the price you agree on now could also inform any future negotiations on projects with the same client. You may wish

As detailed above, discounting in the first instance should take the form of reducing value – or more specifically, your costs. On a fixed price project, this will be line items, and from a value-based project, it will be the value delivered. If your proposal has included options or a tiered pricing structure, this should be much easier. If this is insufficient then you should have pre-prepared a set of 'swaps' – things that the client can give you in exchange for a small discount, such as:

- A minimum spend over a specific period.
- A position on the firm's advisory board.
- A video testimonial and a joint case-study.
- Introductions to three other CXOs in similar firms.
- Payment in advance or expedited payment.

Whatever tactics you use, it is imperative that your seniors have good external training in sales and negotiation. There are plenty of books out there²⁷ on

negotiation, but there is nothing like practicing with experts. From my own experience, two pieces of advice stand out. The first is to master the art of silence. My early preference was always to fill awkward silences with offers: 'if that's too much, we can always discuss' or 'I know that sounds expensive, but the impact will be massive' – almost discounting before the client even asked. Nor any more! The second is to invoke policies: 'I'm afraid our policy is not to kick-off until the initial payment is received' or 'we can't do that as it's our policy not to discount on senior rates'.²⁸ For some reason, clients respect 'policies' more than 'what I say'.

Procurement

When my Dad, who was a senior at what is now Deloitte, suggested pushing back on prices paid for their lawyers, he was told that 'it really wouldn't do to question the fees of another professional'. Things have changed somewhat in the last 50 years! There will be few readers of this book that have not become frustrated with the inefficiencies and stipulations of many procurement departments. Over the last ten years, I have been involved in two large-scale projects to help public sector organisations buy professional services through a consideration of value rather than price. Sadly, the practice is rare, although there has been some progress. The one benefit of going through procurement is that once you are on the preferred supplier list or framework agreement, then you are ahead of most of the competition. Sometimes, for example, in defence contracts, this can be a barrier to entry to others. However, achieving this often means signing up to terms and conditions that are not in your favour.

If you have to go through procurement, then most of the advice in the pricing section still holds. The difference is that you will often be unable to have the conversation on pricing with someone who is clear about the value of the project. My advice with procurement is as follows:

- Meet the client (buyer) whenever you can and build that relationship. Where this is not allowed, talk to procurement where possible. Research the firm and get as much inside information about what procurement is looking for.
- Work with the client to get around procurement by breaking a project up so that it is underneath the radar (usually below the minimum spend for procurement visibility). I have known powerful directors simply ignore procurement until the work was completed. Where you already have ongoing work in the company, seek to frame the additional project as an extension.

- Whether you are successful or not, seek a debrief from procurement and record this so that you can do better next time.
- In all your communications, signal your value and quality.

Takeaways

- Most of your sales effort is done before you sell. Targeted thought leadership and strong marketing will boost your sales by establishing your position as a quality provider of client value.
- Sales is a skill, probably the most important one in a growing firm. It can and should be learned from experts.
- As an overarching strategy, business development needs to shift from the connections of the founders to a centrally managed capability of the whole firm, especially the senior team.
- Each step of the sales process should eventually become systematised and partially automated, from assessing and approaching leads through to gathering testimonials and referrals.
- A solid sales plan will have a logical progression from the marketing strategy through to identifying key metrics for success, detailing who is responsible and the associated budgets and the tactics by which the targets will be achieved.
- Snipers and shotguns are needed: snipers target a handful of firms with personalised outreach whilst shotguns use a generic message about a common challenge which can be automated. The latter transforms into the former once leads are warm.
- Sales skills and competencies should be built and incentivised throughout the organisation and staff trained using external experts. You should explore insight, value and challenger selling to maximise your success.
- A discounted sales pipeline should be used early, maintained and improved to give you more accurate forecasts of revenue.
- You should aim to price towards the top of your (realistic) competition.
- Pricing is best improved through continuous improvement of your delivered value.
- Pricing is a skill which is not developed through T&M approaches. Value and project-based pricing will improve your pricing skill most. They are also better suited for negotiations.
- If you must negotiate, use swaps.