



# Putting the *Professional* Back in Professional Services

By Greg Moore



## **Putting the Professional Back in Professional Services**

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Huthwaite, Inc.

22630 Davis Drive, Suite 100

Sterling, VA 20164

703-467-3800

[www.huthwaite.com](http://www.huthwaite.com)

# Putting the *Professional* Back in Professional Services

What must professional service providers do to create value for clients and win more business in today's competitive climate?

## Back to the Future

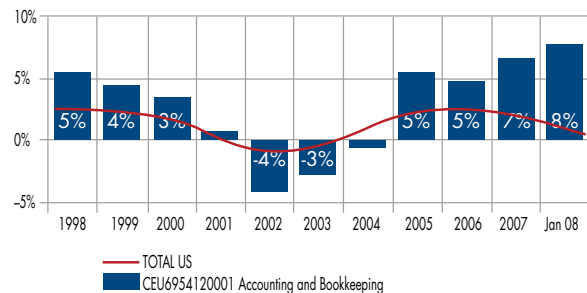
All too often, we come across people in professional services who are technically brilliant but too little to understand the business of their clients—let alone clients' specific issues and concerns. In medicine, prescription without diagnosis is malpractice; in the world of professional services the consequences may be less obvious, but it is just as real.

A decade ago, professional service executives were on top of the world. The economy was booming and corporations were spending an unprecedented sum on professional services. But all of that changed in the wake of the 2001 Enron scandal.

By 2002, employee growth rates in the accounting industry were falling faster than the US average (see Figure 1). Furthermore, in response to scandals Congress passed the Sarbanes-Oxley Act of 2002, prohibiting public accounting firms from auditing clients for whom they are simultaneously providing other services.

The response from the industry in 2002 was swift and dramatic: all employees would commit to a significant number of hours of technical training to ensure all corporate and client interactions were compliant with federal regulations and corporate ethics. Part fear of litigation and part desire to make sure clients were not being misled, the professional services industry became increasingly insular.

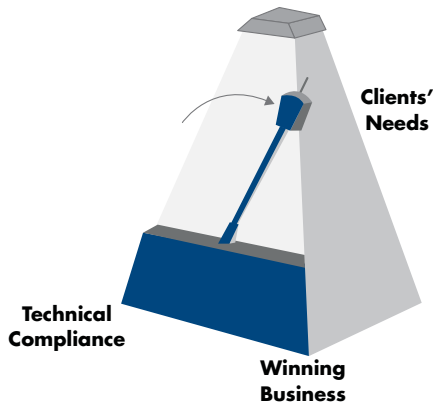
Today, the pendulum has begun to swing back as firms heavily invested in technical training



**FIGURE 1:** The mass exodus from accounting firms in the early 2000s sparked by industry scandals has begun to reverse. Accounting firm employee growth rates now outpace US employee growth rates.

Source: First Research; Bureau of Labor Statistics

# Putting the *Professional* Back in Professional Services



**FIGURE 2:** Technical skills will always be important, but must be balanced with the skills needed to create value for clients beyond technical knowledge.

are now recognizing the necessity of focusing on the needs of the client in an effort to win and/or protect business (see Figure 2).

One might look at 2007 and conclude that the industry is already firmly on the right track. It was, after all, a banner year as the Big Four—PriceWaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young, and KPMG—experienced double-digit revenue growth ranging from 14.4% to 17.4%. This growth, however, was not a result of more effective business development and more profitable engagements. Indeed, officials from leading accounting

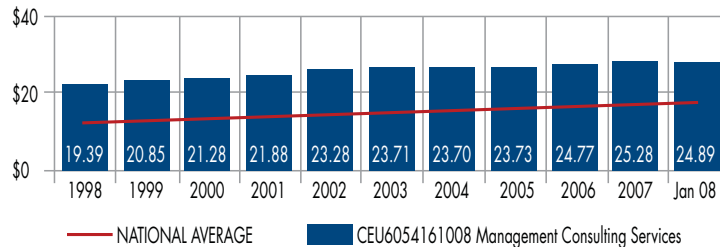
firms indicate the higher revenues were primarily due to higher personnel costs and compliance requirements, which were passed along to the client (see Figure 3).

So, there's still work to be done.

Partners and other executives are realizing that a focus on efficiency and technical skills at the expense of client-focused business development skills has created two problems:

1. Most professional services firms are dominated by people who merely **communicate value** to clients. Relying on their own resumes and the brand of their firms, consultants and other business developers believe their job is simply to point out problems and push solutions.
2. A talent-gap is growing as baby-boomer Partners begin to retire. Few firms have invested the time to coach the skills that **create value** for clients and lead to winning more business.

The result of these two problems is an epidemic among senior managers (tomorrow's Partners) who think “telling is selling.” In today's business climate, however, merely communicating value is not enough. Differentiation, higher fees and more loyal and long-term clients will go to those firms that embrace the skills associated with creating value. Firms—and more specifically, the leaders and Partners of those firms—that fail to get ahead of this curve may find themselves at a competitive disadvantage in the near future, putting significant revenue (and therefore Partner payouts) at risk.



**Figure 3:** Increases in engagement fees are due in part to higher personnel costs being passed along to the client - not more profitable engagements from value-creation.

Source: First Research; webCPA.com

## **Pre-requisite for Success as a Professional in Professional Services: Understanding Buyer Value**

Huthwaite recently conducted a seminal study of purchasing decisions and behavior in an effort to determine what buyers really value. Partnering with a top management consulting firm, Huthwaite conducted interviews with customers that purchased a commodity at a premium price. Our goal was to understand why a customer would pay more for something that could be obtained elsewhere for less.

### **Helping Clients See an Unrecognized Problem: A Skill that Creates Value**

Our research reveals that the most significant way a seller can create value for customers is to help them recognize problems they don't see themselves. Similarly, customers perceive value when a professional helps them realize the significance of problems they do see but whose magnitude they hadn't previously understood.

If you can help your clients in one of these ways, the study concludes, you're on your way to being differentiated in the marketplace, and have moved yourself (and your firm) into the space where you can now earn a premium on even the most commoditized products and services.

Now, in practice, it's not as easy as marching into a client's office and telling the client all about his or her problems. Top performers are able to use thoughtful, client-centered questioning skills in a manner that helps clients articulate their problems in their own words and discover for themselves the magnitude of their problems. Rather than telling clients what they should be concerned about—a tactic that our research proves has a low correlation with success—this approach recognizes fundamental conditions of business communication collectively referred to as the Confirmation Bias.

### **The Confirmation Bias**

Questions are the most effective tools for helping clients in the discovery of unrecognized problems. Behavioral research reveals that there are two reasons why this is true:

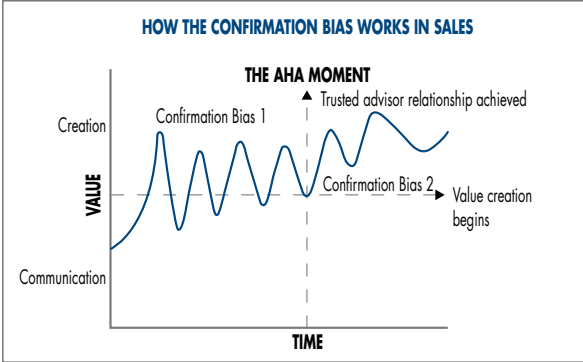
1. People value what they say and conclude more than what they are told
2. People value what they ask for more than what is freely offered

This confirmation bias, then, suggests that clients will always value conclusions they draw—with the assistance of appropriate guiding questions—more than answers and solutions forced upon them. The job of the business development professional, therefore, is to help clients identify their problems, acknowledge the extent of those problems and articulate the benefits of solving

# Putting the *Professional* Back in Professional Services

those problems. This means that business developers must resist the temptation to jump in with solutions until the client has asked for assistance.

Think of it as taking clients on a journey of discovery during which they have an "Aha moment" and suddenly see their problems in a different light. Figure 4 to the right graphically depicts this journey.



**FIGURE 4:** Moving above the line from value communication to value creation requires the ability to use one's questioning skills to get the client to see their problems in a new light.

Source: *Escaping the Price-driven Sale*, Snyder, McGraw-Hill 2008

At the start of the client interaction, the consultant is in the bottom left quadrant. No value has yet been created, so the consultant is merely *communicating* value (e.g., talking). As the consultant attempts to use questioning skills to take the client through the journey of discovery, the client starts seeing problems in a new light, as indicated by the spikes into the top left quadrant. These spikes reveal that the skills required by Confirmation Bias Part 1 are being effectively employed and value is being created in the mind of the client.

At the point in the interaction where the client has enough new insight the client asks the consultant for assistance in solving the problem. This is the realization of Part 2 of the Confirmation Bias. It is also a clear signal from the client that it is now appropriate to begin talking about solutions to the problem. Discussing solutions after receiving this critical invitation is genuinely consultative. Doing so before an invitation consigns the consultant and his firm to the world of commoditization where all professional services providers look alike and fees become the client's biggest focus.

*As the trend toward fixed-price billing becomes more widespread, those that know the behaviors of creating value will be in a better position to win.*

## What does Skillful Questioning Look Like?

What kind of questions have the greatest impact? Clients sometimes ask us to just tell them what the most powerful questions are—"make us a list" they say. But high-impact questions are *always client-specific*.

The best questions require a thorough understanding of your client's business—and the ripple effect that one problem left unsolved has on other parts of the client's business. These questions

## Putting the *Professional* Back in Professional Services

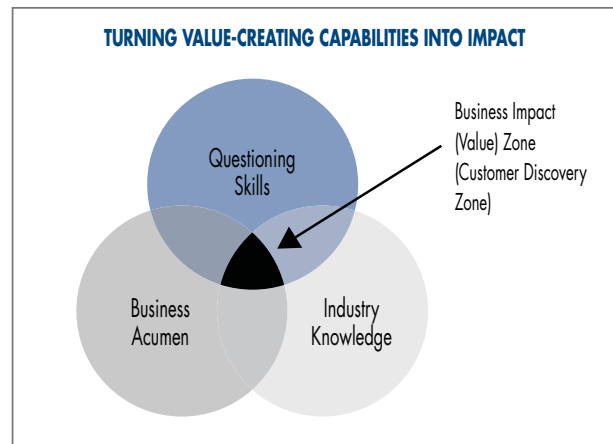
require sound business acumen. If an accountant doesn't understand that Days Sales Outstanding has an impact on the management of working capital, he may limit himself to providing basic accounting advice and may fail to help his client leverage the benefits of increased working capital. If a management consultant lacks an understanding of the components of an Operating Cycle, how will he help his client see the importance of this efficiency indicator (and how to lower it) when his client wants to go public or be acquired? Or if a corporate attorney fails to recognize the impact of an imbalance between exposure and revenue, he will likely also not be able to negotiate win-win agreements that increase revenues for his company.

Understanding the "business of business" always leads to better questioning.

Another component of effective questioning is knowledge of the client's industry. For example, how does the cost of fuel affect the airline industry? If your client is in the mortgage or real estate industry, might the lack of hard-money lenders and buyers of mortgages have some impact on the number of loans your client can sell? These are simple and obvious examples, but they do show that when you understand the trends in an industry, and the challenges those trends create for your clients, you're well on your way to making your questions even more insightful.

We call the convergence of business acumen, industry knowledge and effective questioning skills (which are largely based on the first two) the "Business Impact Zone" (see Figure 5). Interacting with a client in the Business Impact Zone will result in a dialogue that gets clients to articulate their concerns in their own words.

This creates value for clients as they discover the actual implications of not solving the problem(s), helps them arrive at a point where they want to take action, and causes them to ask you to help them solve their problem.



**FIGURE 5:** The intersection of questioning skills, industry knowledge and business acumen elevates the dialog between consultant and client and leads to value creation.

Source: *Escaping the Price-driven Sale*, Snyder, McGraw-Hill

## The Uniqueness of the Professional Services Sale Makes Value-Creation Even More Important

Anyone with client-facing responsibilities should be focusing on value-creation in today's business climate. However, there are several characteristics of the professional services sale that make value-creation even more important. Consider these characteristics that are usually not associated with selling a tangible product:

### The “Seller” is Part of the Sale

When a client is buying professional services, whether it is accounting, legal, financial, consulting, etc., they consider the credibility and frankly, the likeability, of the person that will be offering those services. Will that consultant bring the expertise needed? Will he or she fit culturally with the designated client staff? What if we move forward with this person/firm and we don't like them after the project begins? These concerns occupy a buyer's mind when purchasing professional services.

### The Client is Usually Seeking a Long-term Relationship of Trust

Unlike a product sale where a buyer can purchase a product because of its superiority—even if they dislike the seller—buyers of professional services are usually looking for the provider to partner with their organization over a longer period of time. This means as a buyer, I'm going to have to interact with you again as my provider. And if I don't like you or don't respect your expertise—even worse, if I don't trust you—the union is not likely to produce the desired result and both parties will feel dissatisfied with the outcomes of the engagement. (See side-bar for more details on the components of trust in professional services.)

### Components of Trust

While working with one of the Big Four firms, Huthwaite was asked to ascertain how buyers of professional services define 'trust,' and what they look for in sellers of professional services. When all the responses were analyzed, we found three consistent qualities clients were looking for:

**Concern:** defined as a focus on client needs not oneself, nor one's products and services

**Candor:** defined as being honest, not pretending to know, not exaggerating

**Competence:** defined as knowing what problems one's offerings solve, and how those offerings meet the needs of the client

In that study, “Concern” was cited as the area most lacking in the professional services.

Source: *Avoiding the Traps in Selling Professional Services*, Neil Rackham



### **Intangible Service**

If buyers can touch it, feel it or see it, they know exactly what they're buying and immediately many purchase concerns disappear. But in professional services, you never have the advantage of allowing the client to “kick the tires” the way sellers of products do. When clients don't have hard criteria or tangible products they often put more credence on soft criteria such as chemistry and credibility of the consultant.

### **The Sale is Typically a High-Dollar Purchase by the Client**

Professional services are usually purchased at the highest levels of an organization with direct involvement from top corporate leadership. The dollar amounts can be significant. One of our clients charges more than \$400,000 per month just to diagnose the problem. We've never met a client that is willing to pay large sums for someone to talk at them without an understanding of their needs, their industry or their business. The higher the dollar amount of the engagement, the more value must be created. With computer technology reducing the time accountants spend on tasks and the number of hours that can be billed, many firms are moving toward “Fixed-Price Billing” which prices engagements based on the value of the work, not the time spent to complete it. As this trend becomes more widespread, those that know the behaviors of creating value will be in a better position to win fixed-price engagements.

These characteristics make value-creation an even higher priority in professional services—all the more important that consultants possess the skills to help clients with their unrecognized problems.

## A Word of Caution for Implementers of Skills Training in Professional Services Firms

So far we've attempted to demonstrate there are distinct skills that elevate a professional services provider from average to excellent. We believe there is an opportunity to quickly capture market share for firms that embrace and demonstrate these skills.

If embracing these skills is something your firm desires, why not have all client-facing personnel simply read this white paper or a book on effective questioning skills? Having worked with professional services firms for more than 30 years, we offer the following “food-for-thought” to those tasked with implementing skills training. These are the challenges inherent in the industry that must be addressed at some level if a firm desires to improve the skills of its Partners and senior managers.

### Lack of Support Structure

Traditional sales organizations have a sales manager whose sole job is to develop the selling skills of his or her people through coaching and modeling. Professional services firms typically lack that formal structure. Furthermore, people hired or promoted into client-facing positions are usually expected to bring sufficient business development skills with them. Therefore, little is done to coach and develop selling skills in professional services firms. If new skills are to be embraced, some sort of coaching or reinforcement mechanism must be put in place that takes into consideration the lack of this formal coaching structure. Without it, our research concludes that as much as 87% of new knowledge and skills can be lost within just 30 days of training.

*[There] are challenges inherent in the industry that must be addressed at some level if a firm desires to improve the skills of its Partners and senior managers.*

### Skills Take Time to Develop

Reading a book can provide knowledge, but developing skill requires practice in a safe environment and feedback from experts who know what to look for and can provide advice. But even a one or two-day training event is just the beginning. Turning skills into habits that drive business results is a process that includes the coaching described above, reinforcement and assessment.

## Putting the *Professional* Back in Professional Services

Some best practices that have produced successful results in the face of these challenges include:

- **Customization** to ensure case studies, exercises, and other classroom activities reflect the realities of the learner. This enhances the transfer of concepts from the classroom to the client's office.
- **Inspection** of individual development plans by senior leadership. This inspection demonstrates that the firm takes skill improvement seriously and provides Partners with an opportunity to mentor and coach.
- **Assessment** of knowledge and/or skills in a non-invasive manner can help learners hone in on specific areas of weakness rather than trying to improve everything at once, which can be overwhelming and impede progress.
- **Recognition** of individual successes always proves to be a helpful means of letting an organization know that the skills work, that use of the skills matters to the firm and that the expectation that individuals embrace the skills is not going away. Whether it is a verbal mention during a meeting or conference, an email from a thought-leader in the firm or a write-up in a company newsletter, a success story has proven to be a very effective tool.

## Conclusion

Far too often client-facing personnel in professional services deliver prescriptions without proper diagnosis. Bright and justifiably proud, these professionals are eager to demonstrate their expertise, so they push solutions before clients fully understand the nature of their own problems. As a result, client relationships suffer and potential business is left on the table.

The mainstay of effectiveness in professional services will ultimately be the balance between an efficient focus on technical skills and the effective employment of value-creation skills. We believe those value-creation skills should be synonymous with business development skills, and given the fact that skills take time to develop, we predict great rewards to the firms that get ahead of the curve early.

Over thirty years of continuous research has provided Huthwaite with an established benchmark for criteria that associate themselves with successful training initiatives. The research supports the connection between positive behavior change in the sales force and successful business outcomes. Remember, it is not the training per se that makes the difference; it is the right training plus the consequent change in behavior. Be very clear on your objectives, align yourself with the right training partner, and you're on your way.

Putting the *Professional* Back in Professional Services



With more than three decades of delivering client results, Huthwaite is the leading sales performance and change management firm. As pioneers in the application of behavioral research and analysis to improving sales effectiveness, we impart the skills and processes to drive lasting change and measurable business outcomes.

Building upon our prestigious research legacy, broad subject matter expertise and success-based sales models, Huthwaite's approach integrates implementation and training strategies to cultivate critical competence across the client enterprise. In short, we help clients diagnose challenges, define success, prepare for change, implement sales performance solutions and support ongoing improvement. By continually revisiting this process, we empower clients to adapt to changing markets, anticipate new needs and stay ahead of the competition.

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