

How to create and sustain value

Strategies to help you outperform your competition

A Grant Thornton white paper for professional services firms

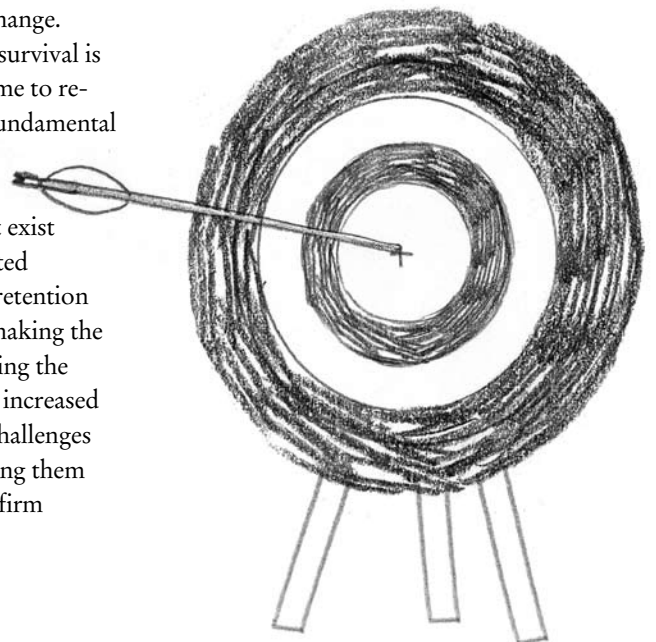
The road ahead: are you headed down the right path?

Seeing clearly into the present is a simple task for most professional services firms, but knowing what the future holds is not nearly as straightforward. In setting a course for the future, some professional services firms prefer to take the easy route. Others opt for Robert Frost's fabled road less travelled. There is, however, a powerful way for your firm to differentiate itself from the competition, and pursue continued growth and increased revenues: by forging an entirely new path, built solidly on long-term goals and visions.

Setting a clear, bold course forward can be daunting, but it may be easier than you think. The process begins with the acknowledgement that times have changed and your firm's processes, systems, goals and strategies must also change to keep pace. As Dr. W. Edwards Deming, one

of the world's leading quality gurus, noted, "it is not necessary to change. Survival is not mandatory." If survival is coveted, however, it may be time to re-examine some of your firm's fundamental beliefs and processes.

We all know the pressures that exist today and those that are expected tomorrow: commoditization; retention of strong people; technology making the world smaller and hence bringing the competition to your doorstep; increased fee pressure, etc. While these challenges can be overwhelming, addressing them in the right way can give your firm the advantage.



Positioning your firm

Building a high-performing and sustainable business requires hard work, but it's not rocket science. To grow over the long term, particularly in today's turbulent economy, you need to set a clear strategy designed to enhance revenue and motivate your people to execute effectively.

One way to achieve this goal is by assessing the strength of your people, strategy and sales model. For most professional services firms, the fortitude of these pillars ultimately determines your business success—and if any of them are weakened, your potential for growth will be at risk.

Although it takes hard work to motivate your people, strengthen your strategy and build a sales model, it can be relatively simple as long as you avoid the tendency to make things more complicated than they need to be. Stripped to their essentials, professional services firms bring together **People** around a **Strategy** and a **Sales model**, all designed to generate **Revenue**. By having robust processes in place to ensure these three elements work in sync, you can do much more than simply close existing operational gaps, you can position your firm to outperform your competition.

While there are no hard and fast rules for realizing these results, our experience shows that best practices certainly exist. To help you get started down the path, here are some sign posts to lead the way.



Test your performance potential

To create and sustain value, your firm must have processes in place to bring together the right people around a strategy designed to generate increased revenue and sales. To test your firm's process maturity, answer the questions below. "No" answers or uncertainty are clear indicators you have work to do.

People engagement/training

- Do you know what attributes and activities are needed for long-term success in your firm?
- Are there compelling reasons for your people to want to demonstrate those attributes?
- Do you have clarity on where your people are now relative to those goals/attributes?

- Do you understand the gaps that need to be closed?
- Do you know the necessary steps to close those gaps?
- Do you have the right change management components for long-term success?
- Do you have ongoing processes in place for employee engagement and future leadership training?

Strategy

- Do you know where you want to be in three to five years?
- Do you know where you are today in key areas of that three to five year picture?
- Has your firm identified and highlighted gaps?

People: your most valuable asset

While most organizations recognize the importance of their people, few businesses rely as heavily on their people as professional services firms. Without exaggeration, your people are the lifeblood of your business—which is why it is imperative that you provide them with opportunities to grow and incentives to stay.

For your younger generation of workers, this means clarifying your expectations and tying their performance to specific objectives. Leaders will need to act as good coaches and provide their people with honest feedback to ensure they are playing their part in helping the firm reach its strategic goals. All partners, from the most seasoned to the young future leaders, can benefit from honest feedback designed to enhance their performance and productivity. The key is to put processes in place capable of concretely showing people how they are performing so they can respond appropriately—and to deal with non-performance swiftly and decisively.

Set your people up for success

Consider implementing partner support and development programs—based on simple yet effective processes—that enhance performance and help partners address strategic challenges and opportunities, move through the stages of their careers, and determine their own highest and best use. These programs may include

- a leadership development program for new partners and high-performing professionals,
- a renewal program for mid-career partners,
- an optional health and lifestyle evaluation, and
- processes to support succession planning.

Implementing these programs may mean significant change—and change can often be difficult. To help enhance the success of any change initiative as you pursue your strategic objectives, you should aim to

- closely link your programs to the firm’s business objectives and integrate them into the firm’s coaching and management structures;
- provide partners with absolute clarity on the firm’s vision and what’s expected of them;

- Do you know which strategies are needed to close those gaps?
- Do you know which strategies have been successful in the past?
- Do you have a change model in play that works for you?
- Are your practitioners and partners experts in the implementation of plans?

Sales success

- Can you understand and articulate your sales objective(s)?
- What is your market focus?
 - Who are your target clients?
 - How do you plan to get more business from existing clients?
 - What qualifying criteria do you use in client identification?
- Do you know the right sales model for your firm?
- Have you customized that model to your circumstances and culture?

- Do you know the right process for rollout?
 - Have you created a high-level plan for change management?
 - Have you run a successful pilot group?
 - Have you documented learnings from that pilot group?

- provide regular fact-based feedback;
- align any income sharing programs with firm goals;
- encourage your partners to be good teachers and your managing partners to be the right coaches for your organization;
- foster a culture that supports proactively dealing with issues; and
- keep in mind, above all, that dealing with tricky issues may be easier than you think.

Benefits: attraction of new partners and greater firm profitability

By linking measurable goals to income sharing, regularly tracking progress and establishing constant coaching contact, you can be remarkably effective in helping partners move smoothly through their career transitions. You should also see benefits in the form of attracting new partners into the firm, gaining clarity on performance expectations, and increasing your firm's profitability and value.

Address your biggest fear—commoditization

You need to keep your people challenged, and equip them with the tools they need to combat a trend that threatens all professional services firms: commoditization. If clients only look to your people as resources who can rubber-stamp the business decisions they've already made, it becomes almost impossible to differentiate your services from those offered by low-cost providers (or by suppliers in lower-cost jurisdictions). To re-establish your people's value, you need processes to keep them consistently engaged in their highest and best use.

Again, there are no one-size-fits-all solutions to these challenges, but solutions nevertheless exist. For instance, are your senior people spending time on matters that could be handled by more junior people? This doesn't mean making your partners less accessible to clients; it's about providing more value, not less,

and being strategic about how to accomplish it. You also need to think through how your people are positioned with clients. If they are only consulted after clients make their business decisions, you need to find ways to help your people move up the chain of decisions to a future-oriented spot by engaging clients at the initial stages of any key business decision. Take an example from the legal profession, for instance. To move up the value chain, law firms would ideally want to undertake processes to position themselves to be involved at the early stages of a contemplated transaction, rather than being contacted to draw up the contracts after a deal has already been negotiated.

To help achieve an optimum outcome, it makes sense to align your organizational goals with your strategy from the outset.

Strategy: getting from here to there

Clarify vision

Firms that have not taken the time to clarify their clear strategic direction may be facing some serious challenges. While everyone is heads down, concentrating on the work of the day, your firm will be heading in a direction, which may or may not be the optimal direction. If your unintended default strategy, or lack of a clear strategy altogether, brings you to a dead end, you can rest assured that your leadership and managing partners will be brought to task. Do you know where the path you are on will take you in one year? Five years?



Align goals

To help achieve an optimum outcome, it makes sense to align your organizational goals with your strategy from the outset. Although every firm will have its own unique objectives, common goals may include

- growing your revenue, improving sales and increasing profits;
- accelerating the time it takes for younger professionals to become productive;
- attracting and retaining top talent;
- honing the sales skills of your people;
- increasing new partner productivity;
- improving the ROI on your professional training investments;
- avoiding service commoditization by identifying strategies that foster sustainable growth;
- rejuvenating your partners' careers; and/or
- grooming the next generation of leaders.

It may be tempting to approach this process as a series of tasks. However, strategic planning requires careful consideration and rigorous focus on implementation and accountability.

Establish accountability

Ultimately, the key to superior performance is inspiration, which means you must uncover the key strategic vision that will inspire your team to greatness. To do this, professional services firms need to ask—and answer—these critical questions:

1. Where do you want to be?
2. What plan do you need to get there?
3. How will you execute?

As the last question makes clear, planning alone is not enough. You also need to implement your plan. Too often, organizations engage in robust strategic planning sessions but then fail to integrate their learning or the associated plans into their daily activities. In fact, this failure to implement has become a significant issue in many practice areas. Fortunately, this problem also has a solution. To make sure your strategic vision does not die on the vine, you need a process for establishing and following up on key accountabilities. Even if your strategy isn't perfect, you will be far better off if you execute than if you have the perfect strategy and don't execute.

At its most basic level, this process will help ensure selected partners and employees are accountable for completing a specific activity on a specific day, thereby putting in place and managing the systems for progress reporting, verification of task completion, accountability and follow-up necessary for implementation. As long as your people are being asked to complete tasks that are important to your firm and aligned with its vision, this simple process can significantly improve execution and, ultimately, your business results.

In the new world of business, competition is bound to increase. Professional services firms that prepare by engaging in deliberate strategic planning and deliberate execution will be positioned to outperform their competition.

Sales: if you build it, they may not come.

The days of hanging out a shingle and having clients come to your door are long gone (if they ever truly existed). Setting up shop and developing a strategy are not sufficient on their own. You also need to foster growth by establishing an effective sales model.

Few topics strike fear into the heart of professional services firms like business development. In some cases, partners believe they are not effective sales people. In other cases, professionals feel that sales functions aren't part of their responsibilities. Regardless of the reasons, a failure to develop a robust sales model can cause your firm to lose hundreds, and maybe even thousands, of opportunities. In addition, there are many simple business development opportunities that get missed each day. We believe that those who say they cannot do business development are often selling themselves short, and that the vast majority of professionals and their organizations are not leveraging their goodwill.

But it doesn't have to be that way. Just like strategy development, building an effective sales model is not as hard as you may think. Chances are your firm already has some stellar sales professionals that you simply have to identify and motivate by putting some simple processes in place.

Solicit client feedback

Your clients can provide you with exceptional feedback, if you encourage them to share their expectations and their view of value received. It's all too easy to fall into the trap of assuming you're providing the value clients expect. Soliciting, measuring and evaluating client feedback and satisfaction levels, however, tends to encourage higher levels of customer service that can go a long way towards offsetting potential product or service commoditization. It can also help you uncover additional revenue opportunities within your existing client base.

Select a methodology

Methodologies already exist to help you identify solutions within the context of your own operating environment. As a practical example, Grant Thornton LLP developed and utilizes a sales ladder designed to help professional services firms enhance their business development skills. Through this process, which includes developing strategies for enhancing referral systems and better qualifying prospects, professional services firms learn how to leverage their goodwill to win in the marketplace.

By creating a sales culture, building an effective sales model, and training the right people in your firm to execute it, you can put your firm on a solid path for future growth.





Boldly stay the course

There is little doubt that professional services firms face a wider range of strategic challenges than in the past. From plotting your path forward, making progress on your business plans, retaining star performers and improving business development in order to avoid service commoditization, to maintaining your competitive edge and everything else in between, the amount of work you need to engage in to accomplish your goals can seem insurmountable.

By developing simple processes and aligning them to your strategic goals, you can do more than just perform better today without compromising future success, you can also position yourself to perform better tomorrow without compromising current success.

Contributors

Jol Hunter

Business Risk Services
T (902) 420-7176
E jhunter@GrantThornton.ca

Doug Moore

Tax Services
T (604) 443-2147
E dmoore@GrantThornton.ca

Patti Daum

Financial Advisory Services
T (604) 443-2188
E pdaum@GrantThornton.ca



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