

Transforming Consulting Firms into Real Businesses

By Suzanne Lowe

What do the following scenarios have in common?

- The leaders of a long-established professional partnership created a pathway to a “seat at the table” for its nonrevenue-generating marketing leader. This structural framework, coupled with the firm’s stewardship of a shared-accountability culture, contributed to the enterprise’s growing prominence in its sector.
- The directors of a professional association realized they had been approached by numerous respected thought leaders, all offering to co-create with them new educational offerings to help members improve their competitive effectiveness.
- The leaders of a small global firm’s marketing and HR functions teamed up on the firm’s first-ever initiatives on performance improvement and organization development to formalize how professionals could better collaborate and share accountabilities. The endeavor resulted in improved teamwork to market, sell, and deliver client services.
- Through a set of still evolving structural and cultural initiatives, the services division of a global IT company made substantial progress toward erasing the disconnect between marketing’s lead generation activities and the firm’s sales pipeline. This work has resulted in better linkage between the company’s service marketing investment and its sales return on investment.

Whether its management consulting or IT, as in the examples above, or any other professional services sector, each scenario signifies the maturation of the professional and business-to-business (B2B) services marketplace. In the economic models of yesteryear, a collegial group of like-minded practitioners could hang out a shingle – “John Doe & Associates” – and enjoy a satisfying career, untroubled by volatile economies, discerning clients or technological shifts.

The leaders of today’s professional service firms (PSFs) are increasingly becoming aware that they must transform their professional service firms into real businesses. Often, this epiphany surfaces when the enterprise faces a significant crisis -- a big economic recession, unexpected competitive encroachment, or the departure of a big client, rainmaker or practice. But make no mistake: the business environment of the new millennium has shifted forever. Executive managers will need to run their businesses *differently* in order to survive and thrive.

The theme of “doing things differently” presents numerous examples of how professional firms are breaking down internal silos preventing them from marketing and business development effectiveness. Since the most critical mandates of running a grown-up company are to make meaningful marketplace gains, grow the “right” revenues, and continuously improve the value proposition for clients, the work these firms are undertaking serves as an excellent example of how to transform professional organizations into competitively effective businesses.

There are four main factors that can guide a PSF to transform into a real business.

Diagnose first, verify with facts, and develop solutions later. Professional firms often feel tremendous pressure to hurry-up their responses to significant marketplace shifts. But making organizational changes is hard enough without first discerning -- and confirming -- the enterprise's real barriers to change. When I started researching and writing for *The Integration Imperative*, I was at first overwhelmed by the breadth and depth of people's opinions about why their marketing and business development functions weren't as effective as they could be. It was only after grouping their thoughts into logical categories that I was able to see a set of patterns, verify them with facts, and envision potential solutions.

Remember the combination of structure and culture. Savvy executive managers will deploy both *structural* and *cultural* initiatives as the springboard for change. Transforming a professional firm into a real business will require an overarching look at the organization's structure (frameworks, tools, processes, protocols, or policies). Structural changes might be required in the areas of formal business planning; resource and budget allocation; and measurement. Transforming into a real business may also require a dispassionate look at the enterprise's culture -- its informal customs, norms and standards -- and unabashedly redefining them. Real businesses aren't afraid to redefine the meaning of "the way we do things here."

Think about functions. Professional service firms sell their people, whose collective brain power serves as the product that clients eventually consume. This focus on people, while understandable and laudable for so many reasons, has prevented many leaders from thinking about their firms as businesses. Tomorrow's successful professional enterprises will harness people according to the functions required to gain market share and compete effectively. Real businesses do this well, including reconfiguring reporting relationships, functional accountabilities, reward structures, or even equity sharing models; informal professional partnerships often don't.

Reconfigure, on three dimensions. Transforming a professional organization into a real business will require executive managers to address their firms along three dimensions: left-to-right; bottom-to-top; and diagonally.

- The left-to-right dimension is manifested in a firm's *processes*. In what ways could professional firms improve their management of the handoffs in selling and other processes?
- The bottom-to-top dimension addresses the way professional organizations develop their individuals' *skills*. Many firms take only partial responsibility for growing their people's skills. In what ways could they improve the competency growth of every person, so that each individual (regardless of seniority or function) becomes more effective at growing the firm's market share or enhancing its value proposition for clients?
- The diagonal dimension is manifested in a firm's management of its *support* structures. Professional firms rely heavily on what I call the "Friendship Model of Marketing," where a pleasant but ultimately unreliable network of personal relationships accounts for a firm's marketplace progress. In what ways could these enterprises formalize their support functions' "diagonal" sharing of accountabilities, for example, between

marketing and IT, or finance and human resources? How about between nonrevenue-generating administrative functions and revenue-generating practitioners?

The bottom line: the services marketplace is maturing, and many recognized professional sectors, including engineering, management consulting, and law, appear to recognize this shift. Are you ready to transform *your* consulting firm into a real business? It will soon be a competitive imperative.

Suzanne Lowe, the president of Expertise Marketing LLC, is the author of two books for leaders and marketers at professional service firms: *The Integration Imperative: Erasing Marketing and Business Development Silos – Once and For All – in Professional Service Firms* and *Marketplace Masters - How Professional Service Firms Compete to Win*. For more information see <http://www.expertisemarketing.com>.

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