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Shifts and Adaptations:
A Q&A for Professional Services Firms

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No industry or profession is immune to shifts, of which there are many: regulatory, new market entrants, and economic, as examples. Economic shifts tend to be sweeping, leaving no industry, profession, company or individual behind.

It seems to me that just like in nature, adaptation is the single most important trait a company, regardless of industry, can possess to make it through this current economic shift. I used to think that the "why" questions were the hardest, but really it is the "how" questions that are the most challenging. For many firms, learning how to adapt may be the most valuable lesson of the next few months. Adaptation not only leads to modified behaviors but also stimulates a change in thinking patterns. When a leader, employee, or consultant gets out of a "thinking" rut, whether by force or willingly, new ideas around strategy, marketing, operations, etc. can blossom. That's opportunity.

This installment of Georgian Bank's monthly Q&A series features two of the country's leading experts to the professional services industry. I hope that you will read carefully the ideas and advice that Paul Gladen and Andrew Dietz have generously shared because each offers information that is pertinent in answering: How can my firm adapt and create opportunity?

Participating in the Q&A are:

- Andrew Dietz, Managing Partner
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When we think of the professional services industry, we immediately think of law firms and accounting firms. Those fields can be divided into different segments and specialties as well. Thinking about right now, today, which professional services segments are doing well and why? And which segments are struggling and why?

Paul Gladen, President, Muzeview:

At Muzeview we tend to think about this first from a client problem perspective rather than with respect to individual professional disciplines. Clients have business opportunities and challenges that have strategic, legal, financial, people or technology dimensions. In this environment, key issues that clients need help with include:

- cost reduction
- securing access to finance
- talent issues such as layoffs - while motivating retained staff
- reducing the risk of fraud

Firms should focus on identifying what expertise they have to help address these challenges quickly and cost effectively.

Also sectors such as Healthcare, Cleantech and Government offer better opportunities in the short to medium term.

Andrew Dietz, Managing Partner, Creative Growth Group:

The firms or practice groups that are doing especially well are those that:

- Offer a service with a clear, direct and immediate ROI or mission-critical benefit to the client that can be captured within 2009. For instance, a practice that helps free up working capital or which drives cash more quickly into the business or which dramatically lowers cost without lowering quality for a company.
- Resist commoditization because they've become "famous" for delivering a specific benefit to a defined audience with whom they've built deep trusting relationships and become part of that client's "inner circle" of advisors.
- Are tied to a current or upcoming legislative change or component of the economic stimulus package that is about to cause significant change in certain companies.
- Are embracing the downturn as an opportunity to capture market share from competition and which have increased the quantity, quality and velocity of their client development initiatives.
- Not reliant just on one or two rainmakers in the firm but have, instead, developed a broader client development culture which rewards individual *and* collaborative rainmaking initiative.

Those firms or practice groups which aren't doing one or more of the five elements described above are having a more difficult time. We're seeing a lot of budgets "on-hold" and also a lot of shift in the behavior of clients as they seek deeper price concessions from their advisors.

JCA: For those segments that are "challenged" how can they modify their practice to take advantage of the opportunities in the market?

PG: Firms need to focus on the clients that will be the long-term winners in those challenged segments. They should focus on services that address client pain points, which require outside expertise, and for which they can clearly demonstrate the short-term business value. Firms should be willing to make tough decisions about exiting services or niches that don't offer long-term growth potential and re-direct resources to stronger opportunity areas.

AD: Those firms that are challenged should:

- Develop, identify or repackage at least one service offering so that it delivers a clear, direct and immediate ROI or mission-critical benefit to the client that can be captured within 2009. They must better link their services' benefit directly and urgently to the support of the top strategic issues of their client's business.
- Counter commoditization by clarifying what they are or aspire to be especially "famous" for in the minds and wallets of their most important clients.
- Strive to become part of more clients' "inner circle" of advisors.
- Find a link between their services and a current or upcoming legislative change or component of the economic stimulus package that is about to cause significant change in certain companies.
- Embrace the downturn as an opportunity to capture market share from competition and increase the quantity, quality and velocity of their client development initiatives.
- Broaden the resources the firm has to make rain. Invest in the development of those professionals with the highest potential for client development success.

JCA: Each of you works with and advises professional services companies. What are you hearing from your clients about their strategic plans for 2009? How are you advising them?

AD: It is a typical “normal curve” mix. Some are adopting a “freeze all activity” and “hunker down” approach. A larger group of others are very cautiously moving forward. Then there are a handful of optimists and opportunists who are aggressively pursuing market share. We, of course, believe that now is the time to sow the seeds of future success through strategic and energetic client development efforts – but you’ve got to be in a financially sound position to sustain this and not all professional firms are capable of it.

PG: We’re seeing clients be much more disciplined and focused. We’re advising them to review plans on an almost continuous basis. The environment is so volatile, firms need to be ready to adjust and re-focus. It’s imperative that firms gather, evaluate and respond to market intelligence as frequently as possible.

JCA: What is the single biggest hurdle that professional services companies will have to overcome throughout 2009?

PG: Client uncertainty. Clients will use market uncertainty and volatility as an excuse for delaying work. Firms need to demonstrate clearly the benefits and value of a proposed course of action. Does it deliver a clear ROI? Does it reduce risk? Does it create competitive advantage? Advisors should help clients think through the consequences of both action and inaction.

AD: I agree with Paul. The single biggest hurdle is fear of the uncertain future. This is a “wait and see” mindset. Instead, we should be working to create our futures.

JCA: What is the single most important opportunity that the profession can seize in 2009 that will position it well into 2010?

PG: The single biggest opportunity is to invest in relationships with the clients that will be the winners in 2010 and beyond. Which clients are financially strong? Which clients are investing in new markets, products and services or still recruiting top talent? Which clients are gaining market share? Businesses that invest and innovate through a downturn will be the winners in the long term.

AD: At Creative Growth Group, we believe the single most important opportunity that a professional can seize in 2009 that will position it well into 2010 is to ask that exact same question to their client and then marshal all available resources to support their client’s 2009 success.

JCA: In general, how would you summarize the attitude of professional services companies today? How is that attitude impacting client relationships and new business development opportunities?

AD: The wisest professionals are stepping up to their role of cool-headed guide helping to lead clients through the darkness and to the light. If they can do that and continuously prove their worth, they’ll assure their “inner circle” position.

PG: Firms are cautious and cutting back. That will jeopardize relationships if firms aren’t proactive in understanding client needs and offering ideas. Firms need to manage carefully the impact on client service of any layoffs or cost reduction initiatives within their firm.

JCA: Marketing has always been a delicate practice in the professional services arena. Marketing, for the most part, has been relationship-driven. How is a professional services firm to market in an economy when layoffs are happening and consumers aren’t buying?

PG: Relationships are more important than ever. One area in which professionals can enhance their relationships is through sharing their own knowledge and insights about what is happening in the marketplace.

Clients are making decisions based on the available intelligence they have from their own customers, suppliers and what they read and hear in the media. Firms that are gathering information from across their client base and building market and competitive intelligence have additional valuable insights that can help their clients to reduce their own uncertainty and fear and enable them to make decisions.

Firms should proactively share the intelligence they have via face-to-face meetings, briefing papers and consider organizing events where the firm’s professionals and clients can

exchange insights and perspectives (subject of course to client confidentiality) on the market. By using their unique position to facilitate the rapid exchange of market knowledge, firms can play a valuable role in helping clients make decisions (and in the process help themselves).

AD: The good news about relationship marketing is that it doesn't have to cost much. Intelligent dialogues that benefit a client cost you nothing except your time. More of those please.

JCA: All companies, regardless of industry, are concerned about costs. How can professional services companies be more efficient? Is it leveraging technology to do more with less? If the answer lies in technology, how does that impact relationships?

PG: At Muzeview, we think technology can help, but firms should focus on being more efficient in using their existing knowledge and expertise.

Firms should look at the expertise and insights contained within their body of client work and their marketing communications materials. Are there insights from one client that can be applied to another? Are there lessons from the last downturn that can be used today? Can marketing materials for one industry niche be re-purposed for a different industry?

Cost reduction is not a strategy for growth. Gaining greater leverage from existing knowledge assets is.

AD: Efficiency is important, and was the topic of conversation at a recent Creative Growth Group event for our Rainmaking Council members. I'm including below some of the information that emerged from that event. First and foremost, though, firms need to focus on quality versus quantity.

1. When sponsoring events, either play a key role that will maximize your exposure and lead you to direct relationship building opportunities or save your money for something else.

2. Hold people MORE accountable for results in marketing and business development investments. Implement measurements and

track return or marketing investment.

3. Invest in the best opportunities that are part of a long term strategy. Be creative. Learn all about the client. Figure out a way to be different.

4. Establish pursuit teams to go after the most important prospects. This will provide focus, get people involved and invested, generate more creative ideas and train some of the less experienced staff in business development.

5. Make securing existing relationships a priority. Consider conducting client satisfaction interviews to uncover problems AND to surface unmet needs. Retaining existing relationships and providing more services to the best customers is the most effective investment in marketing dollars.

6. Develop electronic networks as part of the business development plan. Make connections with LinkedIn, Facebook, and Twitter. Use Blogs. Use electronic networks to research prospects.

7. Invest in the big opportunities. Customize presentations and brochures for the specific client. Tailor it to their specific needs. Stop using standardized materials.

8. Be willing to be creative in pricing. Focus on value, not on price. Sell the value of the relationship and expertise, not the value of paying less. Provide ideas and thought leadership that will save or make money, not just compliance. Look forward and anticipate the future versus looking back and being the historian. Invest in your clients by identifying win-win compensation models, i.e. pay-for-performance, etc.

9. Develop ways to demonstrate value with assessments and diagnostics that either help uncover opportunities for your client to increase revenue or pinpoint areas to reduce cost. Run cost-benefit analysis.

Conclusion

As you well know, we are in the middle of a global economic shift, which many of us didn't see coming – and never to this extent. Sometimes shifts can be seen, affording companies the time and opportunity to plan strategically and adjust steadily. Other times,

like today, shifts occur unexpectedly and plans have to be executed quickly. That is where adaptation becomes most crucial. The firm that adapts best becomes better suited to survive and thrive.

If you have questions or comments, please contact one of the Q&A participants, or me at javent@georgianbank.com.

*With more than two billion dollars in assets at December 31, 2008, Georgian Bank is the second-largest bank headquartered in Atlanta. According to the **Atlanta Business Chronicle**, Georgian Bank is one of the fastest-growing private companies in Atlanta, ranks in Georgia's "Top 10 Financial Institutions" and has moved up to number 71 from number 83 on Atlanta's list of "Top 100 Private Companies." Georgian Bank serves entrepreneurs, local businesses, business owners and high-net-worth individuals in metro-Atlanta.*