How a Management Consulting Firm Grew to a Multi-Million Dollar Business Thanks to Client Relationship Management

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Case Study Series: What's Working in Marketing & Selling Professional Services

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OVERVIEW

In 2004, the Brookeside Group Inc. was a five-person, $800,000 management consulting firm in Massachusetts, with a solid book of business, satisfied clients, and happy employees. But CEO Tom Cates was faced with a challenge common in small consultancies—how to grow the firm.

To take Brookeside to the next level, Cates, a Wharton MBA and former IBM sales guy, decided to focus growth efforts on client retention and loyalty. He sought to create a systematic approach to client relationship management that would work not just in theory, but in practice.

SITUATION

How Can We Grow This Firm

As a management consulting firm, Brookeside was adept at building relationships and becoming a trusted advisor to its clients. Cates was proud of the success the firm had achieved and the 20-year relationships with some of its clients.

Even though Cates considered himself a "loyalty zealot," he also found himself getting energized, and sometimes distracted, by new leads and possibilities, "It's the salesman in me, when I get a new lead, the juices get flowing and all of a sudden I can't remember my clients' names."

In 2004, he set out to develop an approach businesses could use to grow in a focused, systematic way. One of the firm's best clients, a Fortune 500 financial services company, was encountering some client retention and loyalty issues. This provided the opportunity for Cates to further research customer retention both to help his client keep and grow their profitable accounts, but also for Cates to use himself with Brookeside's clients.

With a long-term relationship already in place (10 years), the client was one of the firm's favorites. "They loved us and loved the work we did with them," says Cates, "It was what you might consider the best sort of professional service relationship—consultant to trusted advisor." By all accounts it was a successful relationship. Brookeside delivered the consulting services, the client was happy, and it generated $250,000 to $500,000 per year in project revenue. "I thought everything was perfect. I'd send out satisfaction surveys and get '9's out of '10's."

But still, he wondered, could he grow the business by strengthening this, and other, client relationships? His financial services client had high satisfaction scores from their customers as well and they were losing accounts, so was satisfaction really telling the whole story, or was there more to these business relationships?

APPROACH

Think About the Client Relationship on All Dimensions

Cates shifted his thinking and his approach. Organizational climate research done by his friend at Harvard Business School identified six dimensions of a manager-employee relationship.[1] Drawing on this framework, Brookeside developed the Relationship Climate[TM] model[2] and identified six dimensions that could be used to assess the strength of a client relationship. Brookeside used these to analyze their client's account relationships:

Satisfiers

- **Integrity** – Can you be counted on to act in a predictable manner? Do I believe what you say? Are you reliable, dependable? Are you trustworthy in your business dealings?

- **Competency** – Can you actually deliver the product or service you have promised? Do you have the people, skills, experience, systems, and processes needed to perform as expected?

Motivators

- **Recognition** – Is our relationship important to you or am I "just a number"? What have you done to demonstrate and reinforce the importance of our business relationship?

- **Proactivity** – Do you only do what has been contracted for, or do you go above and beyond? Do you look out for me and ensure that I don't encounter any surprises?

- **Savvy** – Do you understand the "bigger picture?" Do you know what my day is like, how my firm makes money, how our business operates, how we succeed, and have you demonstrated how you can help me achieve my goals?

- **Chemistry** – Do I enjoy working with you? Do I look forward to our next meeting, or is each interaction a series of missed communications and disappointing appointments?

The analysis showed that their client's account teams were excelling at the first two dimensions, the satisfiers: integrity and competency. After applying these principles to their own relationship with this client, Brookeside found they were in the same predicament. According to Cates, "We never dropped a ball on them and our focus was on delivering great service. They rewarded us with a decent amount of business." It turns out, however, that the relationship was missing some key elements. "We were missing the motivators: recognition, proactivity, savvy, chemistry."

Gain a Deeper Understanding of the Client and the Business

To turn it around, he embarked on an initiative to understand the client's business at a more substantive level and then proactively identify and bring ideas to the client. In addition, "I spent more time getting to know the senior executives, networking with them, and getting to understand them on a personal level," says Cates.

Although Brookeside had done project work with this client for 10 years, Cates learned that because the work had been distributed across the client organization, no one member of the organization had a sense of the overall picture. To remedy this, he brought the senior executives together and shared his insights—both on individual projects Brookeside had done for the company along with a deep-dive analysis of their business. He identified gaps in their strategy and what they would need in order to successfully execute their strategy. The client was impressed.

Make It Real

The work Cates proposed would translate into a long-term engagement—but the client, a conservative company, was hesitant to commit. Still, Cates persevered. The team developed a detailed three-year work plan for the client. When completed, the Gantt chart spreadsheet became known as "The Scroll" —stretching four feet high by eight feet across.

"We went into the senior executive's office and taped this up on the wall. All of a sudden it became real for him and was no longer some sort of hypothetical exercise. We showed exactly when and what would happen during the course of the work." What this did, says Cates, was to enhance the savvy dimension of the relationship: "This provided a forum and opportunity to demonstrate that we understood where their business was going, and the challenges they were facing, and what it would take for them to execute their business plan."

Be Specific

The action items on the long-term plan were specific. For example, Brookeside had a management training and leadership development practice. The client was growing, but had a large group of managers that were approaching retirement age. Looking at the employee base by tenure, Cates saw that they had a bimodal distribution— employees were either new to the company (less than 10 years experience) or very experienced (more than 20 years with the company)—but, not many in the 30- to 50-year-old group. He performed a rigorous analysis to forecast staffing and management requirements by department, factoring in growth and retirement.

"It was the first time anybody had ever sat down and really thought through the management challenge ahead of them," reports Cates, "We gave them the calculations to show why they were really going to need this. We demonstrated our savvy, then we proposed a three year plan demonstrating how we could help them, displaying our proactivity."

Anticipate Problems—Before Clients Leave

In order for their client to take the same approach with their customers and to roll it out across all accounts, Brookeside developed a software tool that allowed them to capture client feedback around the six dimensions of the Relationship Climate model. Account managers entered their own perceptions of the relationship by responding to the same survey as clients and results were shared with them by email.

This process identified the gaps in perceptions from both sides of the relationship. For example, did the manager think he was lucky to have kept the client, while the client thought the firm was great and would gladly give a referral if asked? Or, did the manager think the relationship was a solid one, but the client was already talking to a competitor about switching?

"This worked really well with those managers who just didn't know these gaps existed. Once they knew, they could change their behavior," says Cates. To help those managers, who may have felt there were other factors (tools, experience, etc.) responsible for the performance gap, a benchmarking system was embedded into the tool, to show how the manager ranked compared to their peers in the company. "When you get to see how you compare to your peers—all of sudden, we're motivating you to change."

RESULTS

Profitable Relationships Extended

In the four years since Cates first embarked on the relationship management program and proposed the three-year plan with the financial services client, Brookeside has been contracted to completely revamp their leadership development and training program. Bookeside now runs a series of rolling 18-month initiatives for the client's managers and salespeople.

With the launch of the relationship assessment tool, Brookeside was also able to identify systemic weaknesses and areas of opportunity where the client could increase account managers' skills in order to better meet customer needs. This resulted in additional training opportunities for Brookeside with the client.

Although the client did not initially commit to the entire three-year proposal, they did commit to an expanded annual engagement, which became a de facto four-year engagement. Brookeside saw its revenue from this one client increase 20-fold during this period. Deploying Brookeside's Relationship Climate™ model company-wide has also dramatically increased their client's own retention rate to an amazing 93%.

New Revenue Stream Created

Since piloting their relationship assessment tool with the financial service client, Brookeside has created a new revenue stream by rolling it out for use within their other client companies. Furthermore, they have begun partnering with other consultants to help them grow their businesses by giving them another tool to use with their own client base.

The firm took their simple relationship reporting tool and built it out to create a web-based software product called EnAct to analyze and distribute Relationship Climate™ results. EnAct not only identifies customers that are at risk of defecting, but also reveals the motivation behind their decisions, and what can be done to prevent customers from leaving.

The original tool was expanded to feature a knowledgebase of industry-specific best practices. So, in addition to learning how customers score the relationship and how they compare to their peers, managers get feedback on how to improve their performance—through software-generated, personalized action plans. Today, the revenue from EnAct alone exceeds $1 million.

Cates was able to successfully grow the firm through this systematic approach to client loyalty management and the new product launch. Today, the firm has 17 full-time employees and annual revenue approaching $5 million.

Cates attributes their success to the mind shift that it's not enough to do quality work for your clients: "Are we the best consulting company around? I don't know, but I do know there are a lot of smart consultants out there. So, our clients don't have to do business with us. We have to create the motivation and the desire for them to want to do business with us." He advises other service professionals to do the same, "Even without implementing a tool like EnAct, simply recognizing the six dimensions of a relationship and reevaluating the way you fulfill them in your client relationships can be invaluable."

Additional Insights from the Brookeside Group

- **Be methodical.** Do account plans. Track your progress. Think hard about creating loyal relationships. Shift your thinking so you're giving existing relationships their due, rather than chasing every lead that comes along.

- **All relationships are not created equal—choose where you invest.** The real cost is time. It's easy to think about your client when you're on an engagement but, frankly, that's what you're getting paid to do. But, it's harder to make that investment outside a project. It takes an ongoing investment of time to build loyal relationships. Choose an appropriate level of investment for each client.

- **Educate your staff.** Can you talk as intelligently as the client's staff can about their people, their industry, their challenges? You can probably drop almost anybody from our staff into one of our client company's staff meetings and they would be a quite accepted and valuable member of that team.

RESOURCES

- Brookeside Group – www.brookeside.com

- A PDF of Brookside's "Organizational and Relationship Climate" graphic

- A PDF of EnAct – web-based relationship management software developed by Brookeside Group

Footnotes:

[1]Stringer, Robert. Leadership and Organizational Climate. 1st edition. Upper Saddle River, NJ: Prentice Hall, 2002.

[2]Patent now pending.

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