



L.E.K. Consulting

Using account planning and relationship management programs

Scene A: The largest revenue-generating client of a top-tier professional firm bolts for one of its strongest competitors. The client relationship had been shepherded by one of the firm's most successful practice leaders. Members of the executive committee are stunned at the defection. No one knew the client was vulnerable to being "picked off."

Scene B: A newly hired marketing director asks for a list of the firm's top 100 clients. She is astounded to learn that such a list does not exist, even though the firm brings in hundreds of millions of dollars in revenue each year. It takes her six frustrating weeks of explaining and even pleading with separate profit centers and far-flung practice leaders to build the list.

Each of these tableaux is real. Each, and others like it, illustrates a reality that exists in too many professional service firms today: an insidious gate-keeping culture in which "selling business" is built upon a fragmented and hierarchical model of seniority and tenure, access to clients and client information is guarded, and firm-wide account planning is only given lip service.

L.E.K. Consulting's story is remarkable because of its early recognition of the competitive advantages that could be derived from the adoption of systematic relationship management processes, with strategic account planning as an end, and a rigorous business development process as the means to achieve a competitive advantage. In the early 1990s, L.E.K.'s commitment was a bold step in a direction that few other professional firms had demonstrably embraced. By the late 1990s, the concept of client relationship management (with a multitude of accompanying software packages that offered technological support) had been well accepted in the professional service world. By then, L.E.K. already had made noticeable strides in its sector.

L.E.K.'s case is also extraordinary because it had the courage to embrace what would be a significant shift in the cultural fabric of the firm. And it was refreshingly

unabashed in its commitment. Through their words and their behaviors L.E.K.'s partners communicated their conviction that the program would work.

But L.E.K.'s leaders gave their commitment much more than lip service. They did the heavy lifting that is required to succeed at a significant competitive mission. They made the program work by setting up the structure for it to become imbued throughout the firm. They reported on its accomplishments. They kept at it.

There is a final reason why L.E.K.'s approach to account planning and relationship management is so competitively savvy: it created a market-focused infrastructure that is built upon processes that are so unique to the firm that they are exceedingly difficult for rivals to copy. This market-driven infrastructure also gives L.E.K. the distinct advantage of having an early-alert system about shifts in the clients' needs, and provides a framework for the firm's response.

THE L.E.K. CONSULTING STORY

L.E.K. Consulting is a global business-consulting firm that specializes in growth strategy, mergers and acquisitions and value management. Founded in London in 1983 by three partners, it has grown to become a \$125 million (USD) firm with 450 professionals, including 70 vice presidents/owners, in 16 offices in Europe, North America and Asia Pacific.* Since its beginning, the firm has advised more than 20 percent of the Fortune 500 companies in the USA, the Eurotop 300, and the largest Australasia firms, as well as a rising number of start-ups, private equity firms and government organizations.* In 1993, it merged with the Alcar Group as a way to increase its leadership in the value-based management arena. And since 1997, it has published an annual Shareholder Scoreboard with *The Wall Street Journal* of how 1,000 major companies returned value to their shareholders the year before.*

An "Uh-Oh!" Moment

L.E.K. makes it look easy, right? But professional service firms like L.E.K. don't get to the top tier of their sector without working to overcome some significant marketplace challenges. In 1994, the firm began training its vice presidents and senior managers in new approaches to selling and client retention. After an analysis of the life cycle and sources of the firm's revenues, L.E.K. management arrived at a sobering insight. More than half of the firm's U.S. revenues were generated from its London or Australia clients. And for the firm's top ten U.S. revenue-generating clients in any year, there was a half-life of the total revenues. That is, revenues for the top ten revenue-generating clients for any given year dropped by 50 percent in each subsequent year thereafter.

Leon Schor, the firm's business development and quality vice president, realized that L.E.K. was facing the same pitfalls as its other management consulting brethren: the episodic nature of the sales cycle of a professional service firm. "It's part of the landscape of being a consulting firm," said Schor. "You can't count on having the same amount of work from clients every year. It's not just for one reason, but many: clients need time to digest our work; maybe the CEO position changes hands. Whatever. But that meant we had to replace half of each year's revenues just to stay even in the next year. We had to do something to retain client relationships while broadening our base."

At about the same time as this moment of truth, the firm's U.S. management, including Vice Presidents Scott Shlechter, Francis Hawkings, Marc Kozin, Dan Schechter and Stuart Jackson, had two critical epiphanies:

1. *Relying on the traditional professional services "rainmaker" selling model was an unacceptable competitive choice.* They believed this model in fact limited the firm's potential to compete effectively; it could only grow as much as those few rainmaking individuals could make it grow. Moreover, by 1993, L.E.K.'s U.S. founding vice president had moved on. L.E.K.'s vice presidents saw an opportunity to change the model – to turn *everyone* into a selling contributor, and to have the firm's revenue base become less dependent on any one individual.
2. *Competing by staging an extensive, monolithic branding campaign was an unacceptable competitive choice.* There was too much ground to cover vis à vis its competitors, and there were too many young entrepreneurial unknowns at L.E.K. But they believed that L.E.K. could effectively compete by harnessing its proactive energy towards a new kind of competitive excellence: systematically following a defined program of relationship-oriented business development.

And so, L.E.K. began to vigorously – and meticulously -- enact a distinctive set of relationship management processes. A U.S.-wide business development function was introduced to directly support and, in some ways, even manages the professionals who are selling. The central theme is *process* – to repeatedly, systematically and strategically implement business development processes with potential clients, and to emphasize referrals in highly "networked" industries. The mantra is to follow relationships.

"Our business development processes are founded on the principle that existing relationships are the most important driver of revenue," declared Kozin, now the president of L.E.K. North America. "We decided it was as important to build relationships with individuals, as with companies. We will stay close to an individual from job to job, company to company. And that takes a systematic planning and follow-up approach." But the real kernel is not that L.E.K simply tracks people as they shift from job to job, but that it discerns a pattern about the services they need, their recognition of their need to be helped, and their willingness to be helped.

Woody Allen the Sage

Woody Allen said, "Eighty percent of success is showing up." This "get-it-done" attitude is at the heart of L.E.K.'s relationship management approach. Everyone is expected to "show up" with positive energy and enthusiasm about selling business and managing accounts.

Here's what it looks like:

- *Central coordination.* Along with heightening its expectations for professionals, L.E.K. built a framework of extraordinarily coordinated, centralized and proactive internal support that enables professionals to plan, manage and grow their relationships. It resembles a hive of activity on two levels:
 - Selling support. Business development managers follow up on all new U.S. contacts. Ten percent of these contacts are cold calls initiated by the business development team. They arrange meetings, request pre-meeting research, and obtain directions. They send electronic reminders to professionals about short-term follow-up action items. They work to fill-in business development days to optimize the vice presidents' travel time and expenses. They review proposals prior to their delivery to a prospective client. They coordinate selling activities with L.E.K.'s many marketing initiatives, so that each time a client is made aware of L.E.K., it can be recorded and tracked.
 - Strategic account management and planning guidance. L.E.K.'s approach to business development morphs the traditional notion of account planning. "At L.E.K., account plans aren't the drivers of business development initiatives; they are the result of them," said Schor. As part of its strategic focus on all its relationships, L.E.K. business development managers notify the vice presidents of the timetable for reinitiating longer-term opportunities. They maintain and monitor a centralized contact management and calendar database, enabling them to work side-by side with the vice presidents to manage both current and potential client opportunities. Twice a year, they lead detailed account reviews and forecasting sessions with each office.
- *Collaboration.* None of this bustle of activity could succeed without a deep commitment to collaborate internally. Each of L.E.K.'s vice presidents, their administrators, business development professionals and marketing professionals agrees to perform a set of matrixed tasks in order for the others to work effectively. A set of norms has been adopted that everyone follows. For example, two vice presidents are expected to attend each sales appointment. Another example is that vice presidents are expected to proactively build their database of contacts, and to plan the frequency of contact with them.

- *No secrets.* Collaboration couldn't occur if L.E.K. had a closed-door culture. All contacts are deemed the property of the firm, not of the individual professional who made the contact. (When L.E.K. instituted this practice in 1993, it was quite unique for a professional service firm.) All contacts are expected to be recorded. Access to and use of the contact and activities database, although varying by role, is clearly explained in firm wide documents and orientation sessions.
- *Measurement.* With its no-secrets ideology, L.E.K.'s commitment to measurement works well. On a monthly basis, the business development group measures the number of all sales appointments and referrals. It also tracks proposals (lost and won) and makes reminders about follow-up action items. In the U.S., it also maps the number of contacts made at marketing-oriented client facing activities.
- *Training.* L.E.K.'s training programs set the tone for its cultural norms on developing relationships. They also teach the professionals about the firm's unique process and its eventual measurement. Every vice president worldwide participates in the firm's sales training. And, by their third year, consultants will have participated in L.E.K.'s systematic business development training program. A ten-step training document is also given to managers and newer vice presidents on how to build a book of business the L.E.K. way. But training isn't just a once-a-year event. In its refresher primers, internal written communications and daily interactions, L.E.K. management makes it explicit precisely how it expects its professionals to sell new business.
- *Quality.* Business development professionals conduct a quality review on at least a quarter of all completed assignments. A few weeks or a month after work has been completed (with a special focus on new client projects), a business development manager contacts the L.E.K. vice president who headed the assignment to initiate a quality review. The business development manager asks if the project leader would like to have a quality review conducted on the project; the answer is usually "yes." Then the business development manager conducts a 20-30 minute online-aided telephone interview with the project's client decision-maker. They review a set of questions, some close-ended and others open-ended. The questions are designed to obtain feedback and commentary about clients' impressions of the quality of L.E.K.'s work, perceptions about L.E.K.'s interactions with them, and most important, how they are integrating L.E.K.'s work into their business. Business development managers offer clients a neutral agent to whom they can candidly offer their perceptions about the firm's performance and value, strengths, weaknesses and areas for improvement, and willingness to recommend L.E.K. to others. This process is as much about assessing client satisfaction as it is about paying attention to evolving client needs and marketplace shifts.

- *Standardization.* The glue for all the elements above is standardization. For each North American L.E.K. office, this includes: real-time calendars for all vice presidents; pre-meeting preparation and information for all vice presidents; introduction to L.E.K. and sector experience slides; client development packs; proposal templates; conference presentations; marketing event follow-up; mailing campaigns; and a formal inbound lead and information request process.

It's a Numbers Game

Imagine a virtual funnel into which prospects are drawn because of their attraction to a firm's valuable services and highly expert professionals. L.E.K.'s proactive account management program is based this model. It works to manage its connection with every individual who can either directly purchase its services or indirectly influence their purchase. The goal, of course, is to move the firm and its clients through this virtual funnel, providing extraordinary value with each step, toward a mutually beneficial end.

"We believe in the concept of six degrees of separation," stated Stuart Jackson, head of L.E.K.'s Chicago office. "Our business happens because we cultivate relationships intentionally with private equity investors, our alumni, and value-added resellers. We also include board members, venture capitalists, lawyers, our business school alumni, and, of course, our friends and social contacts."

These numbers not only translate into revenues for the firm; they mean revenues for the individual professionals too. In multiple ways, from the earliest training exercise onward, L.E.K. management emphasizes that "working the network" and account planning are critical parts of each professional's compensation and reward. The goal is to increase their proficiency in understanding their buyers' decision making, and in successfully meeting their needs with value-added services.

An important element of L.E.K.'s compensation and reward system is each professional's self-assessment regarding his or her effectiveness in client relationship management, account planning and contribution to revenue growth. Yearly, each professional is asked to complete a hard-copy self-assessment tool to measure his or her progress in selling. As part of their review, vice presidents also receive feedback from Schor and from each other in peer reviews.

Clearing Out the Sand from the Wheels of Progress

L.E.K.'s makeover into a relationship management powerhouse wasn't seamless.

It took the overt participation of L.E.K. leaders to ensure the successful early steps of the firm-wide shift to a formal program. "For example, from the program's first day, even through to today, we required professionals to submit account activity reports," recalled Schor. "Scott Shlechter, then the president of L.E.K. U.S., was the first one to get in all his reports. He demonstrated his belief in the importance of this approach."

Others followed suit. The results spoke for themselves, as these and other L.E.K vice presidents began to noticeably – even dramatically, in some cases -- improve their client retention and acquisition rates. Soon, from witnessing the demonstrations of their peers, it became clear to other L.E.K. vice presidents that they could increase their effectiveness by participating in a systematic program. “They began to ‘get it’ that a system could help them,” said Schor.

Some of the hurdles were external. In the early days of the program, and even today, as business development managers continue to work to arrange appointments with prospective clients, they encounter unspoken skepticism: “This guy is not a management consulting professional. How could he *really* understand my business enough to help me solve my problem?” But each member of L.E.K.’s entire four-person business development group is cut from the same cloth: mature sales professionals, seasoned in business and deeply focused on increasing L.E.K.’s marketplace leadership. Their consistent and articulate manifestation of business acumen usually overcomes this skepticism, often to L.E.K.’s eventual competitive advantage. “It’s more than just setting a certain number of appointments per month,” reported Schor. “It’s about understanding our business environment enough to tell a vice president, ‘Here are three companies we should be working with. Let’s write them a compelling letter and then call them.’ We then work with the vice president to write the letter.”

The biggest internal challenge is “the learning curve.” Vice presidents are still beginning to learn how the systematic L.E.K. program is supposed to work. A few others welcome the coaching they are offered by the business development group. Still others, perhaps those coming into L.E.K. with a book of clients from another environment, have had to adjust to L.E.K.’s unique process. In the main, however, this adjustment has unfolded smoothly.

THE RESULTS

L.E.K.’s client relationship development methods have achieved solid results. From 1997 to 2003 the firm achieved a 12 percent annual growth rate.* The firm’s success in growing its revenues is backed up by a second important competitive achievement: Ninety percent of revenues are derived from referrals and past clients. By working to build its clients’ loyalty and keep bringing them unsurpassed value, L.E.K. protects itself against competitive inroads while simultaneously growing the firm.

In addition, L.E.K. has established a worldwide marketing committee whose focus is coordinating activities internationally and identifying and implementing business development and marketing processes worldwide. And account planning has become an accepted practice in most of the firm’s international offices.

Another competitive accomplishment is the way L.E.K. reduced its dependence on a short list of rainmakers, and simultaneously deepened its professionals’ ability to understand and meet the needs of their clients. “Our top three sellers still only sell less

than a quarter of the total of our revenues," noted Schor. "This also combats the perennial professional services challenge of balancing the 'selling the work' with the 'doing the work.' We are more balanced than we were before, and that helps us serve the clients more effectively."

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