

How to rapidly grow consulting sales with a 'performance benchmarking' proposition

If you think a 'performance benchmarking' proposition is NOT RELEVANT as a sales growth opportunity for your particular consulting firm, you may be wrong!



This is a white paper for all owners of SME consulting firms and business development executives in larger firms who want to accelerate sales and company growth through the creation of a compelling value proposition that sets your company or consulting practice apart from competitors

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Your take-outs from this paper

For the 15 minutes or so in the reading of this paper you will learn:

How a Unique Value Proposition transforms sales and enables the increase in fee rates by changing a prospect's focus from the cost of your service to the overwhelming benefits, and how a simple performance benchmarking proposition can achieve that level of transformation.

What the term 'performance benchmarking' actually means in the context of the consulting process, why it almost certainly applies to your firm regardless of your consulting discipline, and how it enables you to quickly create a compelling and Unique VALUE Proposition to grow the value of your firm.

You will be able to compare your own services and consulting sales and delivery process with and without a performance benchmarking proposition in your toolkit, and correlate the hard benefits that may accrue as a result.

The key steps in creating a performance benchmarking proposition and the MUST HAVE technology enablement characteristics that play to the business process of consulting and the marketing potency characteristics of a Unique Value Proposition.



Introduction

Equited exists to help consulting firm owners grow the sales and equity value of their business. Because most firms in our industry suffer from sales feast and famine cycles, or quickly reach unbreakable growth ceilings, it is not surprising that the most pressing issue facing our clients is how to create <u>sustained</u> sales and profit growth into the future.

Only through reliable cash flow can we sleep easier at night knowing that we can pay the salaries of our staff, stay wealthy AND create a sizeable pension through the sale of our consulting businesses at some point in the future. Because the equity value growth of your firm is reliant upon the size and risk of future profits continuing, consistent sales growth is vital.

So whether you are just running your business for cash or to build it for sale, creating reliable sales growth preoccupies all of us for different reasons; business, personal and financial. But why is it so elusive for most firms in the consulting industry?

In our long history of growing our own consulting firms and helping scores of others, the common limiting factor to sales growth is the absence of a compelling and unique value proposition that relates to a needy market. We have discovered that it is this area of business development owners find most challenging.

So we have written this paper to put forward a simple solution that in our opinion most firms could exploit, but few are doing so, either effectively or at all. We are going to focus on something called the performance benchmark', identify why it probably applies to your business, how it can be used to create a compelling and unique value proposition to give you competitive advantage and rapidly accelerate your sales growth.

The word 'performance benchmarking' is a term which may or may not mean anything to you and it means different things to different people, but for now please put your perceptions aside, forget the terminology and trust us that your firm is either doing it already or should be doing it!



The consulting sales challenge

Selling consulting services is hard work, let alone in a tough economy!

We find that there are three broad reasons why firms struggle to grow their sales and scale their firm:

- They are selling the same thing as many other competitors
- The market does not need or want what they are selling
- Not getting the message across (sales and marketing)

We know what you are thinking – "This is not rocket science"! So we will not labour these three points, suffice it to say that despite the apparent simplicity of the logic, most firms still struggle to get it right.

Selling consulting is hard, but often we make it harder because we tell a complex story about an intangible service, using language the client can't comprehend, requiring them to spend vast sums of money up front to find out what their problem is, for benefits that cannot be guaranteed or quantified.

Ok we embellish for emphasis, but in short:

- For them it is a high risk use of their meagre budget
- For you it means long and costly sales cycles and fewer clients

In a tough economy such as now (at the time of writing) it gets worse because unless you are able to position your service in terms of <u>value</u> <u>creation</u> to the client, you may come under the budget knife. Worse still, unless you can show a return on investment in 3 or 6 months, clients may decide that your cost is one that falls well below the 'must have' line!

So the key is presenting a proposition that only you can offer, your clients will understand and need, and couched in terms of value creation. We call this a compelling **Unique Value Proposition** and most firms don't have one, but a performance benchmark can change that.



The difference a Unique Value Proposition makes to sales

Do the benefits of your proposition clearly outweigh the cost?

Your audience must clearly see that what you are selling is going to quickly make them money or create **VALUE**. The further up the value pyramid your proposition sits, the easier it is to sell and the fee rates you charge can be raised as perception moves from cost to opportunity.

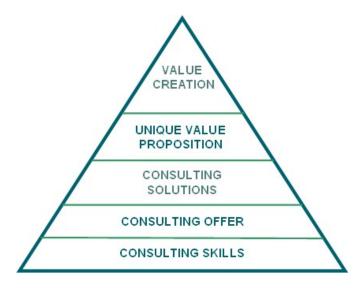


Diagram courtesy www.Futurecurve.com

A compelling UVP for your consulting practice is not just a marketing message to get the attention of your audience over and above competitors, but also the packaging of the services underneath it enabling you to:

- Close sales more easily
- Sell on more services in the same client
- Increase fee rates
- Deliver at consistently high quality

These four dimensions not only produce sales growth, but also the equity value of your firm. But achieving that sounds like a mountain to climb, so what is within the easy reach of most consulting firms to create a compelling UVP with these Nirvana-like characteristics?

This is where the 'performance benchmark' comes into play! But first we may need to convince you that this probably does apply to you.



Why YOUR firm can leverage a benchmarking UVP

Do you help your clients identify gaps and improve performance?

Whether you are a sole practitioner, a £1m firm, £10m firm, £100m firm or a practice head in a giant firm, your initial intervention in a typical client engagement is probably some form of health check, performance assessment or gap analysis of a process, capability, value or system, done to identify the performance improvement potential for the client and to enable the planning and execution of change.

This is probably true whether you work in business and management consulting in all of its forms (strategy, HR, change, programme, operations, financial, economic and environmental, marketing, BPR, risk etc), or IT consulting, engineering consulting, or tax and audit consulting, or almost any kind of consulting.

If it is not true, your entry engagement is NOT some form of assessment to identify performance improvement potential for the client, then it may be that you are one of the few examples where this does not apply, or perhaps it does but you have not thought about the sale of your service in this way.

So the term 'performance benchmarking' is a catch-all, for the purposes of consistency we will use it throughout the remainder of this paper, but you can substitute that term with a permutation of any of these, or term of your own that best describes what you do...

Health check

Assessment

Diagnostic

Best Practice

Excellence Model

Gap Analysis

Comparison

Compliance (to regulation)

Performance Improvement

Audit

Questionnaire

Survey

Discovery methodology



How a performance benchmarking proposition can grow the value of your firm

Addressing the issues of" feast and famine and scalability

Earlier in the Introduction we talked about the two big problems we see owners facing as they develop their consulting firms - sales feast and famine cycles and unbreakable glass ceilings. The performance benchmark can be an aid or a remedy to both.

Sales Feast and Famine

A performance benchmarking proposition...

- Grabs attention, gets more leads and closes quickly because clients see it as a low risk taster of what you are capable of
- Increases the clients' appetite to extend your engagement because they can visualise and measure the value created over time
- Enables you to price on value not day rates because clients perceive a high return for a small investment

Reaching glass ceilings

Most consulting businesses get started through the 'expert knowledge' of one or two consultants and their relationship with a small number of key customers. While this may be lucrative on a small scale, growth can only be achieved with more experts and more connections – this is both exhausting and unsustainable.

Whilst an 'expert' can walk into a new prospect or client and instinctively know where to look for problems, what the solutions might be and the benefits that will derive from working with you, less experienced consultants (though knowledgeable of the industry) may not be as capable.

Once the 'expert' has worked successfully with the client, the business can find it difficult to maintain a dialogue and sell on more services without the expert's deep involvement.



Only by addressing the issue of scalability can sustainable growth be achieved.

Well structured and delivered, the performance benchmark can:

- House the expert's knowledge, locking Intellectual Property (IP) into the business so that your dependency on the expert is reduced and many other consultants can sell and deliver
- Provide the basis of ongoing communication with clients, as they re-measure their performance to track progress on improvements
- Create a focal point for your industry community, sharing best practice and positioning your business as the experts in your niche



Case Study



Using a Performance benchmark to Consolidate a Niche Position

In the 1990s WCI evolved from a pure manufacturing and supply chain consultancy to one involved more generally in process re-engineering projects.

Almost by chance, for a pharmaceutical client, they found a process for handling adverse event reporting to the regulators known as pharmacovigilence, completed an improvement project and developed a value proposition.

Once it was clear that they had a solution with clearly quantifiable benefits, it became quite easy to network with other companies and complete similar projects. A spate of mergers in the industry generated further process integration work.

However, the challenge was to move from doing a series of discrete projects to having an influential role in the sector and a regular flow of business. A performance benchmark was created that assessed both the reactive transaction processing and proactive risk management aspects of the function. This was used with clients to periodically review performance improvement. The proposition was then rolled out to many new clients and used to launch high-value consulting engagements.

A performance benchmark that started as a spreadsheet was developed into a web-based application that clients could review and change themselves, with or without consulting support or moderation. This generated a new annuity revenue stream.

The cross-industry knowledge that WCI now possessed enabled them to consolidate their position by creating a 'club' of members known as pvnet which included annual conferences in the US and Europe. These brought together senior managers from the leading companies in a wealthy industry to share best-practice, all under the auspices of WCI as thought leader for the industry.

See: http://pvnet.wcigroup.com/



How it changes the sales and delivery process

Imagine having a performance benchmark proposition in your toolkit

Our experience is that a performance benchmark can be transformational. Look through the process steps below 'Without benchmark' and see if they concur with your experiences. Now look through the other column and see how having a benchmark in your 'toolkit' would change things.

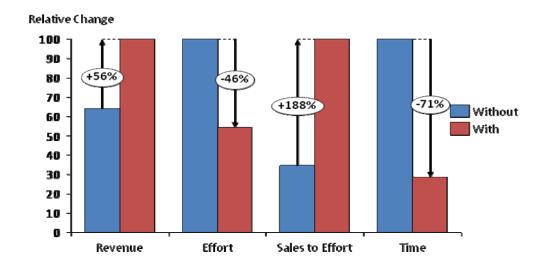
	Without benchmark	With benchmark	
Initial Meeting with Prospect	Interesting open discussion	Same client-issue discussion,	
	about the client and their	but expertise and approach	
	problems, with moves by you to	displayed visually and tangibly	
	try and describe what you could	using the benchmark, along with	
	do and how it might generate	quantification of typical benefit	
7 15	benefits.	ranges.	
Initial Proposal	If order not taken on first visit, summarise meeting and	Propose a workshop benchmark for 2 days, at say £5k.	
	proposed approach. Suggest a	Potentially take the order on	
	diagnostic phase with uncertain	initial visit. (Consider doing as a	
	levels of the benefit. Possible	loss leader, as you know it will	
	value, £15k to £25k. Decision	generate great value and	
	likely to be negative or delayed	demonstrate your capability in a	
	due to cost, lack of alignment or	limited and controlled	
	uncertain benefit.	timeframe).	
Initial Diagnostic	Complete the analysis phase,	Hit the analysis phase using the	
	but with issues arising, such as confusion because of limited	benchmark with good	
	detail on your way of working	interaction with the	
	and the challenges in getting	management team. Results show the expectation on the	
	time and mindshare from the	range of benefits. Assignment	
	management team in your	likely to be larger as business	
	client.	case is stronger.	
Implementation Phase	On the assumption that the	The size of the programme after	
•	consulting capability is high and	analysis may be the same as	
	the analysis good, you may	without the benchmark, but the	
	convert a £200k project.	chances of sale are increased by	
	However, lack of initial	the level of engagement and	
	engagement and buy-in may	alignment with the client.	
	negate or delay decisions.		
Sell-on Services	Assuming the project goes well	Revisiting the benchmark scores	
	it may be difficult to find	both immediately after the	
	reasons to engage in further	project and at later dates gives	
	work if your area of expertise is exhausted or sell on services	you both revenue, and the opportunity to discuss other	
	have not been pre-packaged as	'problems' and possible	
	the next level of value creation.	engagements.	
Further engagements around the	While you will have a	Not only do you have your IP	
group	compelling case study from the	wrapped up in the benchmark,	
	assignment (this should	but you have the opportunity to	
	ALWAYS be done!), new	take it to other operating units.	
	engagements require you to	You can demonstrate how units	
	start this process again from the	may compare against each	
	start	other, identifying strengths,	
		weaknesses and performance	
		improvement opportunities	



Calculating the hard benefits in sales value

Win 50% more business for half the sales effort in a third of the time

Clearly the exact benefits will vary by which sector of consulting you work in and the service you provide. However, based on our many years of experience in building and deploying performance benchmarking propositions, we have measured the value with and without and as a rule of thumb you can expect to gain 50% more business for half the sales effort and achieve this in less than a third of the elapsed time. If you start to add in the benefits of rolling out a group wide programme, then the benefits will clearly multiply accordingly.



These values are based on our experiences as described below. They will certainly vary by industry and firm, but overall the principles will remain the same.



		Without	With
		Performance	Performance
	Unit	benchmark	benchmark
Initial Engagement	Cint	benemnark	benemnark
Initial Meet; prep and			
visit	days	4	2
Benchmark Value	£000s	·	£5
Probability of sale	%		50%
1st Phase Analysis	70		3070
Diagnostic Phase value	£000s	£20	£30
'Direct' activity to sell	days	5	2
Elapsed time to convert	weeks	6	1
Chance of conversion	%	35%	75%
Implementation	70	3370	7570
Implementation value	£000s	£200	£200
'Direct' activity to sell	days	5	4
Elapsed time to convert	weeks	2	$\frac{1}{2}$
Chance of conversion	%	50%	55%
On-Site Follow-on	70	3070	3370
Benchmarks			£10
Chance of conversion	%		75%
	%0	£50	£100
Sundry additional work	4		
'Direct' activity to sell	days	10	5
Elapsed time to convert	weeks	500/	1
Chance of conversion	%	50%	75%
On Site Work Same			
On-Site Work Summary Revenue Value	£000s	£132	£206
		**	
Sales Days	days	24	13
Revenue/sales Day	£000s/day	£6	£16
Elapsed Time	weeks	14	4



How to build a benchmark as a VALUE proposition

Getting levers, questions, answers and a link to VALUE in place

Earlier on in this paper we talked about the importance of a compelling Unique Value Proposition (UVP) to sales growth and equity value in a consulting firm. We also identified that most firms can create a performance benchmark to accelerate sales. However in many cases it is also possible to link the output of your benchmark to the value creation change for the client if improvements are made from their current position towards best practice.

Depending on the level of maturity in your existing proposition, linking your performance benchmark to value maybe something you are able to do in one go when you first develop your benchmark, or it can be left until later once you have some learning and experience under your belt. So the creation of your performance benchmarking proposition can be done in two stages - build it first and then link it to value creation.

Stage 1 – Build your performance benchmark

The first step is to define the focal point of the benchmark describing what it is there to do. This ideally needs to be in the area where you have a specific expertise in a niche, can clearly differentiate yourself from others and you have some unique perspective or point of view. You will be trying to consolidate the very essence of what you do.

The Equited performance benchmark is called the Equity Growth Accelerator (EGA) because our specific niche is evaluating the equity value of a consulting business.

Yours could be anything relevant to you, for example:

- Business continuity health check
- Operational performance gap analysis
- Hedge fund risk assessment
- Organisational agility diagnostic
- Team performance improvement analyser



This focal point then needs to be structured into a specific number of subareas, ideally between 5 and 10. These sub-areas encapsulate holistically everything that needs to be measured or assessed within the focal point of your performance benchmark. As the term sub-area is not very appealing, you may call them measurement points, business drivers, risks, levers etc. For the Equiteq EGA benchmark we have 8 sub-areas and we call them Levers, or The 8 Levers of Equity Value. Try to ensure that each sub-area is mutually exclusive, and overall they are collectively exhaustive for the process you are assessing.



Once the focal point and structure are in place, the questions you are going to ask and the answer ranges need to be defined.

While results or output measurements are interesting (profitability percentages, machine outputs, transactions per employee, quality of service level delivered, CO2 emissions etc), telling a client that they are below average for the industry helps little in determining what needs to be done to improve.

The best performance benchmarks focus on the <u>core processes</u>, both for the direct, reactive delivery of the product or service as well as the enabling proactive ones, such as staff or product development. While there may be some quantified results in the scoring, the focus should be on the levels of <u>'process maturity'</u>, describing the way key elements of



the process are designed and managed. The descriptions for the scoring should clearly describe the steps from poor practice to best-in-class.

You can see from this example that questions do not need to be absolutely quantitative, in fact qualitative answers often play much better to the consulting sales and delivery process. The objective is to enable you to run the initial performance benchmark in a low cost, well structured workshop environment with you as the moderator. The client will appreciate the structured approach, be inclusive in the debate on each question, and witness the credibility of your expertise, both in the way you guide the workshop and the intellectual property you have built into your benchmarking tool.



From a consulting business' perspective, the gaps and changes required form the basis of the engagement for the implementation phase, with the client clear on the process improvements to be delivered and over time, as you complete a number of performance benchmarks, comparisons with other clients can be made, against best-in-class, average and lowest.

Stage 2 – Link to value

Remember the value proposition pyramid and the potency of your offer when value creation is the focus?

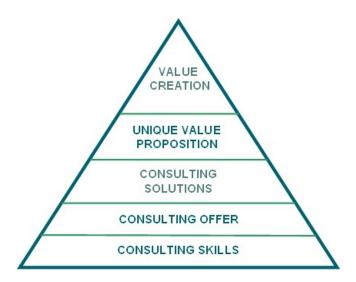


Diagram courtesy www.Futurecurve.com

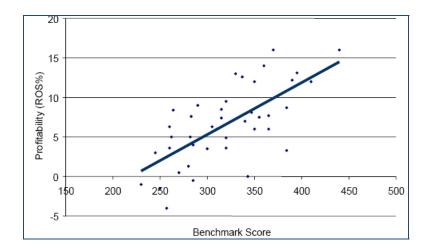
It is often possible to correlate the output scores with overall business performance, whether financial performance (return on investment, sales growth, % margin, etc) or other points of value of importance to the client, quality for example, or risk reduction.

With some thought and a little 'knowledge engineering' it is usually possible to create an algorithm in your benchmark to produce this output.

If you can make a clear link between changes in performance and the value that will be created as a result, this makes a very compelling sales proposition. It also enables you to enter into new fee rate arenas, such as a share of gains made by the client.

The scatter chart below is an actual example of a sales slide used to sell a performance benchmarking proposition demonstrating the correlation between client scores and profits.





At Equiteq we link our performance benchmark scores to M&A financial data as a key input to valuing a consulting business. Clients can clearly see how changes to their business processes will increase equity value and which priorities will create the greatest gain in the least time.



Technology to make it happen

Make sure the consulting 'MUST HAVE' capabilities exist

Clearly your performance benchmark can be done in spreadsheets for individual clients. However, as you progress and want to do such things as compare multiple client sites, multiple clients, multiple versions and multiple time periods this becomes a very complicated and difficult process requiring the most advanced spreadsheet software skills and version control. Having been through this ourselves it very quickly becomes cumbersome and unsustainable.

So a web-hosted application is the ideal because it is so accessible and scalable. There are a number of key <u>MUST HAVE</u> capabilities we believe are absolutely necessary for the consulting delivery and sell-on process and to create the UVP effects we have been discussing in this paper.

Stage 1 – Initial Diagnostic Workshop

In the first intervention the firm needs to demonstrate its expertise in order to extend the engagement into a longer term relationship.

The technology needs to be designed for use in face to face workshops enabling you to adopt the role of Moderator in the debate around the levers, questions and answers in your performance benchmark. You need the flexibility to add advisory content to any question under debate and the ability to append attachments and supportive knowledge collateral in any media type so that the client is left with access after you depart the initial workshop. This increases their belief in your capabilities on-going.

Stage 2 – Benefits Assessment, Improvement Planning and Execution

In the initial low cost engagement your performance benchmark will have produced some kind of gap analysis against best practice or other comparators, so now you want the client hooked into you for performance improvement planning and execution that can be **linked to value**.

So the technology needs to be capable of professionally comparing your client against best practice, against others and identifying their most important change priorities for highest value creation. This pulls your client to the next intervention. A smooth and professional journey to this



point is achieved through graphical output reports such as comparative radar charts, strength and weakness heat maps and value charts.

Stage 3 – Building a long term client relationship and extending sales across an enterprise

Often in a consulting process we walk away between interventions, this causes uncomfortable gaps, vacuums and risks, sometimes requiring us to go in and re-sell multiple times over.

Therefore your technology needs to be available as a highly secure online tool that your clients can access while remaining under your administrative control to assign users and authority. This means that they are able to internally review their output, distribute to more executives for input, change and monitor performance scores over time. This increases client dependency on you because of their dependency on the IP you have provided, and they naturally sell it for you across the group!

Prior to developing our own benchmarking application, we researched a wide range of existing off-the-shelf applications and online services. They all have strengths and weaknesses and different price points, here are some we looked at.

http://www.inquisite.com

http://www.knowledgeharvesting.org/default.htm

http://www.meniscus.co.uk

http://www.qpr.com/performance-management.html

http://www.sisense.com

http://www.brightindex.co.uk

http://www.benchmarkinternational.com

http://www.scoreresearch.com

http://www.mphasis.com/offerings/process_consulting.asp

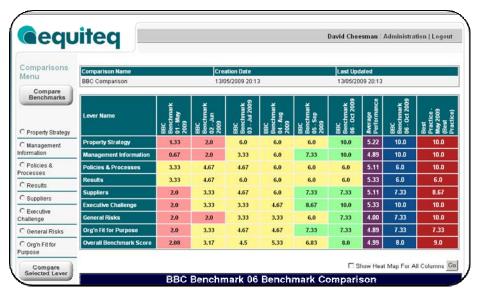
http://www.u3.dk

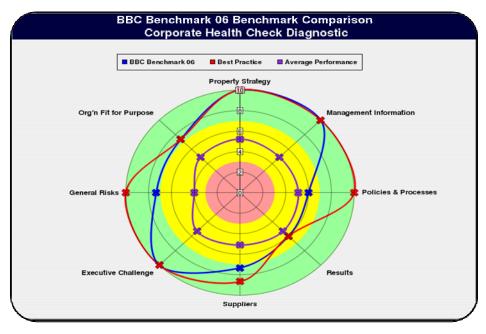
http://www.benchmarkingplus.com.au/home.htm



Any of these services may or may not be right for you, but we could not find anything that met our MUST HAVE criteria above for the right price, so we built our own! We have now used it to complete over 60 equity value performance benchmarks using the service we call the Equity Growth Accelerator (EGA)

Serendipitously, many of the consulting firms we have engaged with using the EGA intuitively reached the conclusion that they could exploit a similar methodology by creating a performance benchmark for their clients. We were asked if our technology could be made available and this led us to develop it as a web based 'Software as a Service' offering. The two screen-shots below are examples of some of the output graphics, a performance heat map and a comparative radar chart.







The Equiteq Performance Benchmarking Platform

Built BY consultants FOR consultants

We call this the Revenue Growth Accelerator (RGA). It is an online performance benchmarking technology platform purpose built for the consulting sales and delivery process, and the enablement of a compelling and unique VALUE based proposition (UVP) as discussed in this paper. You also receive expert support on how to convert your knowledge and expertise into a compelling benchmarking proposition.

It gets you rapidly to market without the high cost associated with development and starting from a clean sheet of paper.

We have priced it to be affordable for consulting firms of all sizes, from sole practitioners, through mid-market consulting firms, to large practices in big firms. The pricing is based on three principles to minimise your risk and link our reward to your success:

- 1. We agree a no obligation free 'proof-of-concept' period
- 2. You are able to recover initial costs on the first sale
- 3. The licence fee is tightly linked to your sales success

Next Step

We would be happy to explore how your firm could exploit a performance benchmarking proposition and give you a demonstration of the technology to see if this fits for you.

Contact Tony Rice on +44 1252 724264 or email tony.rice@equiteq.com





About the Authors

David Cheesman

Dave created the Equiteq performance benchmark and also developed the performance benchmarking platform now used by our clients

He conducts equity growth planning with clients, helping them to create the capability for sustained sales growth. He then supports the management team from implementation to the delivery of superior performance. Dave has a detailed knowledge of best practices in consulting businesses and is also an expert in knowledge engineering, packaging and leveraging consulting methods into repeatable processes.

Bruce Ramsay

Bruce supports Equiteq growth clients in Business Development and Market Proposition Development.

Bruce spent 15 years with WCI, from its early days as a fledgling consultancy through to it becoming a global business and eventual sale. Initially he brought a structured, methodological approach to selling early stage engagements, combined with a value-based approach to selling change programmes within his own supply-chain sector. Subsequently, as Sales Director, he took these approaches and the benchmark into play across the whole company. Now with Equiteq, he helps clients with similar growth challenges, as well as leading them through the sale process to realise equity value.

Tony Rice

Tony helps consultancies to build effective marketing processes, a pivotal element for sustained growth.

He is a specialist in business to business complex product and service marketing. He understands how to automate processes by blending the online and offline channels together to create large communities of contacts, nurture those relationships and convert them to leads and sales.



About Equiteq

Equiteq was founded in 2004 to provide M&A transaction support, information and advice to buyers and sellers of consulting firms. We help owners of consulting firms grow rapid equity value and then we project manage the realisation of that value through a sale to a third party. On the acquisition side we provide sophisticated tools and expertise to fast find a wide pool of target firms that meet the ideal profile of the buyer.

All the client-facing staff in Equiteq have been involved in the growth and sale of their own consulting firms over the past twenty years. Our advice is down-to-earth and based on what we know works in practice – no textbook theories! We provide this advice in a number of different ways to suit both your personal needs and stage in the growth of your firm. Our current clients range from independent consulting contractors who want to build a firm, to firms that want to grow faster, to firms that are ready to find a buyer to global businesses that wish to invest in European consulting firms. You can read our client testimonials at www.equiteq.com.

We provide a wide range of information, tools and advice via our website, www.equiteq.com for those who just want a source of available information to dip into as and when the need arises. For those with more serious growth and investment aspirations we can act as Board advisor or CEO mentor on a quarterly basis to assure growth. Our aim with this approach is to ensure that you have a solid equity growth plan and that at least quarterly you get to work ON the business as opposed to in it! We can also provide hands-on consulting support to help you remove barriers to growth like lead generation or sales support.

