

## MEASURING BUSINESS DEVELOPMENT IN A PROFESSIONAL SERVICES ORGANIZATION? YES, YOU CAN!

by Doug Armstrong and Dean Fischer

The nature of the professional services business makes it challenging to measure marketing and business development efforts. But, with the substantial investments that firms make in these areas today, measuring return is critical. West Monroe Partners has found that, by putting in place the right building blocks—a well-defined business development culture, an effective framework for managing activities, the right individual performance measures, actionable analytics, and a realistic ROI formula—it is possible to measure the return on marketing and business development in a professional services environment.

At one time, professional services firms relied almost entirely on relationships to build their businesses. Partners “owned” their firm’s client relationships, and “marketing,” in large part, consisted of activities to nurture existing relationships into new or more business. Firms measured “practice development” effectiveness primarily by looking at their partners’ books of business.

Times have changed. Building and developing relationships, of course, continues to be a centerpiece of professional services strategy, but the approaches firms use to do so today bear little resemblance to those of the past. Several factors have combined to force a shift toward more “traditional” corporate marketing and business development strategies. With global channels and more information available to them than ever before, buyers can find and evaluate a much broader group of potential partners, from full-service providers to niche specialists and from global and national organizations to local firms. The profession, as a whole, enjoys less “loyalty” than a generation ago—on both sides. Partners and professionals more likely to move among firms, and key relationships are likely to move with them. Service buyers, who face a host of economic and other controls, are more discerning than ever; they are placing significant scrutiny on budgets and other factors during the proposal process—even when very solid relationships with a firm already exist. And, in a profession where everyone claims to offer the same things, firms must have a compelling answer to the question: why are you different and a better choice than the others?

To combat these trends, professional services firms must work harder to raise awareness, distinguish themselves, and make sure they always have a strong pipeline of potential new business. Consequently, most have defined formal marketing and business development strategies. They have established customer

relationship management (CRM) tools and programs and initiated aggressive advertising, e-marketing, collateral, public relations, and other programs. They have hired dedicated marketing and business development teams and vendors and made marketing and business development—rather than simply “practice development”—a meaningful part of the budget.

With marketing and business development as a key budget line item, how does a professional services firm make sure its expenditures are producing an appropriate return?

### THE BUILDING BLOCKS FOR MEASURING BUSINESS DEVELOPMENT RETURN

Measuring business development is challenging in many environments. In the professional services environment, where sales cycles can be long and the variables driving a buyer’s decision are often largely intangible, it can be downright difficult. But, it is essential for professional services firms of all types and sizes—and particularly for those with high-growth expectations.

West Monroe Partners is a six-year-old business and IT consulting firm, founded and managed today by senior consultants with many years professional services experience. The company’s founders knew that to build a successful business under a new and unknown name, they would need to rely on much more than just past business relationships. They would need to implement a formal, structured, and—for the industry—relatively aggressive marketing and business development approach. But, as leaders of a new and lean organization, they would also need to do so in a way that ensured the firm was getting maximum return from every dollar invested.



West Monroe Partners has established a measurement model that enables the company to set and manage its budget, manage expenditures proactively, time its campaigns to ensure a steady stream of new opportunities, and estimate the return on its marketing and business development expenditures. This model required putting in place these five building blocks:

- ◆ An effective business development culture—one marked by a strong partnership and well-defined relationships among marketing, business development, and the line
- ◆ A framework for organizing marketing and business development activities
- ◆ Individual performance measures that align with the organizational approach
- ◆ Actionable marketing and business development analytics
- ◆ A marketing ROI formula aligned with the firm's business structure and goals

This article—the first in a series on business development and marketing in a professional services environment—explores the processes and parameters that West Monroe Partners has put in place to establish these elements and, ultimately, measure the return on its marketing and business development investments. This approach is applicable not only to management consulting firms, but to a broad range of professional services environments as well, including accounting, tax, engineering, and legal firms. It also can benefit divisions of other organizations, such as banks and private equity firms, which have operations such as deal management that are similar to those of professional services firms. Future articles in this series will cover other elements of a successful professional services marketing and business development function, including knowledge management.

## AN EFFECTIVE BUSINESS DEVELOPMENT CULTURE

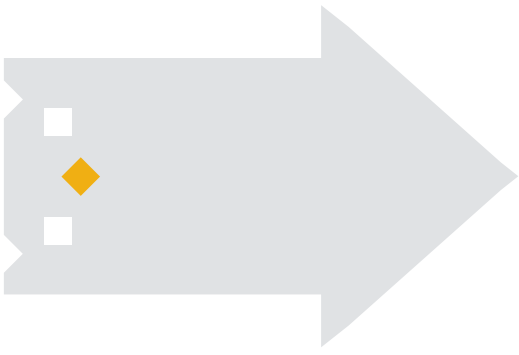
West Monroe Partners had a unique opportunity to build its culture and its operating environment from the ground up. Leveraging years of industry experience—and many strong opinions about the best ways to foster enduring client relationships and grow a professional services business—the firm's founders worked to create and nurture an environment that is collaborative, people-focused, and characterized by strongly held core values. They believed this would translate into better quality service, satisfied clients, and a successful organization for all employees.

Designing a business development approach that complements this distinctive culture was essential. The firm took several steps to do so, including creating:

- ◆ A business development philosophy that emphasizes long-term client relationships; while adding new clients is important to the firm's growth prospects, West Monroe Partners did not want to foster an environment focused on "adding clients for numbers' sake"
- ◆ Clear definitions of "business development" and the various elements that comprise it, including lead generation, opportunities, etc.
- ◆ A leadership structure that is part of the firm's leadership team and integrally involved in its strategy and day-to-day operations
- ◆ Processes, teams, tools, and training that support the business development approach
- ◆ Appropriate team and individual metrics
- ◆ A supportive sales environment, including sales meetings that engage consultants in sharing knowledge, best practices, and proven methods

Most significantly, West Monroe Partners wanted to ensure that its business development approach reflects its emphasis on teaming and collaboration. From the start, the firm has emphasized that marketing, business development, and brand building are not the marketing department's job; they are everyone's job—everyone from the president to the newest college graduate is expected to look for and participate on teams to develop opportunities and take responsibility for maintaining and enhancing the company's reputation throughout the relationship cycle.

All of the company's consultants receive training in business development processes and principles. Responsibilities for lead generation and opportunity development are carefully defined, and they are tracked according to established performance metrics. To foster coordination and avoid uncooperative competition, West Monroe Partners assigns and measures accountability for lead and opportunity generation to individuals, but it measures opportunity pursuit only at the team level. Once a lead has passed the firm's qualification criteria and becomes an opportunity, the firm will assign it to the most appropriate pursuit team—a team that may include anyone in the organization.



Finally, to foster appropriate business development behaviors, West Monroe Partners documented a sales measurement policy that supports the movement of opportunities through the sales cycle to closure—win or lose. Key principles include:

- ◆ Encouraging and rewarding **team** oriented sales behaviors and actions, **not** individualistic behaviors
- ◆ Recognizing and affirming that a pack of wolves will out-hunt a single wolf every time; we must work **together** and not compete against one another. Sales are always **team** wins, not individual wins
- ◆ Fostering sales **collaboration** rather than sales **competition**
- ◆ Establishing that the only responsibility of individuals in the sales process is to **generate leads**; everyone in the organization must hold themselves **individually** accountable for undertaking sufficient lead generating activities to meet the company's overall sales goal
- ◆ Reinforcing the obligation to **assist**, in a team-like fashion, the closing of an opportunity once the lead has been generated
- ◆ Establishing measures that encourage tenacious, individual **lead generation** activities simultaneously with supportive, team-oriented sales **closing** activities

### A FRAMEWORK FOR ORGANIZING MARKETING AND BUSINESS DEVELOPMENT ACTIVITIES

In professional services, leads come from many sources. To manage business development effectively—and ultimately, measure success in generating and developing opportunities—West Monroe Partners has found it useful to have a framework for categorizing, tracking and managing leads. With more than 200 people across seven locations participating actively in the business development process, this also helps the firm remain consistent, coordinated, and strategic in its efforts.

Through their business development strategies and metrics, many organizations reinforce only relationship selling and “hunting” activities. West Monroe Partners, on the other hand, promotes the concept of business development through a framework that aligns business development with the six pistons of an automobile engine. Just as an engine propels a car to speed, a smooth running sales engine—one that runs on all pistons, leveraging all available communication channels—generates momentum and growth for

the professional services firm. To keep the car running smoothly, the pistons must work continuously and in concert. Providing constant attention to the all of the business development pistons ensures a strong, high-performing organization. If the firm's employees emphasize relationship selling and targeting efforts but don't leverage other areas, such as the company's alliances, business development will not be as effective as it can be.

West Monroe Partners' six marketing and business development pistons (its “V6”) include:

**Brand awareness and public awareness**—leads generated through the firm's web site; collateral; topical content in newsletters; signage at industry-specific events; third-party recognition, including awards; advertising; and media campaigns.

**Key account development**—new business opportunities identified through organization-wide efforts to sell additional work to existing clients, either through scope changes, enhancements, or cross-selling new services. This piston seeks to leverage the things West Monroe Partners does best: producing great work, listening, helping clients overcome challenges, striving to understand a client's business, and responding proactively.

**New client relationships**—leads established at organizations with which West Monroe Partners has no prior relationship, primarily through direct sales and outbound calling and direct mail/e-marketing campaigns. Significantly, West Monroe Partners has implemented extensive prospect targeting activities to support this area, including using sophisticated targeting approaches and campaigns directed to particular job titles, industry sub-segments, geographic areas, and other market segments.

**External relationships**—leads generated through social and professional networks. This has long been the “traditional” form of marketing and business development in the professional services industry. Still vital at West Monroe Partners, the firm's approach complements other business development pistons. Team members are encouraged to participate in networking activities and trained to recognize leads and communicate the company's capabilities succinctly.



**Organizations**—leads identified through involvement in professional organizations (at the individual or company level) or events that West Monroe Partners hosts or attends. Activities in this area—such as presentations, board or committee participation, and conference participation—extend the firm’s visibility and exposure, while at the same time providing important professional development opportunities. West Monroe Partners has established processes for following up with new contacts generated as a result of these types of participation.

**Alliances**—leads obtained through partner and vendor relationships. West Monroe Partners maintains a formal alliance strategy, seeking to form partnerships with like-minded hardware, software, and service vendors that can help to strength market presence or enhance solutions delivery.

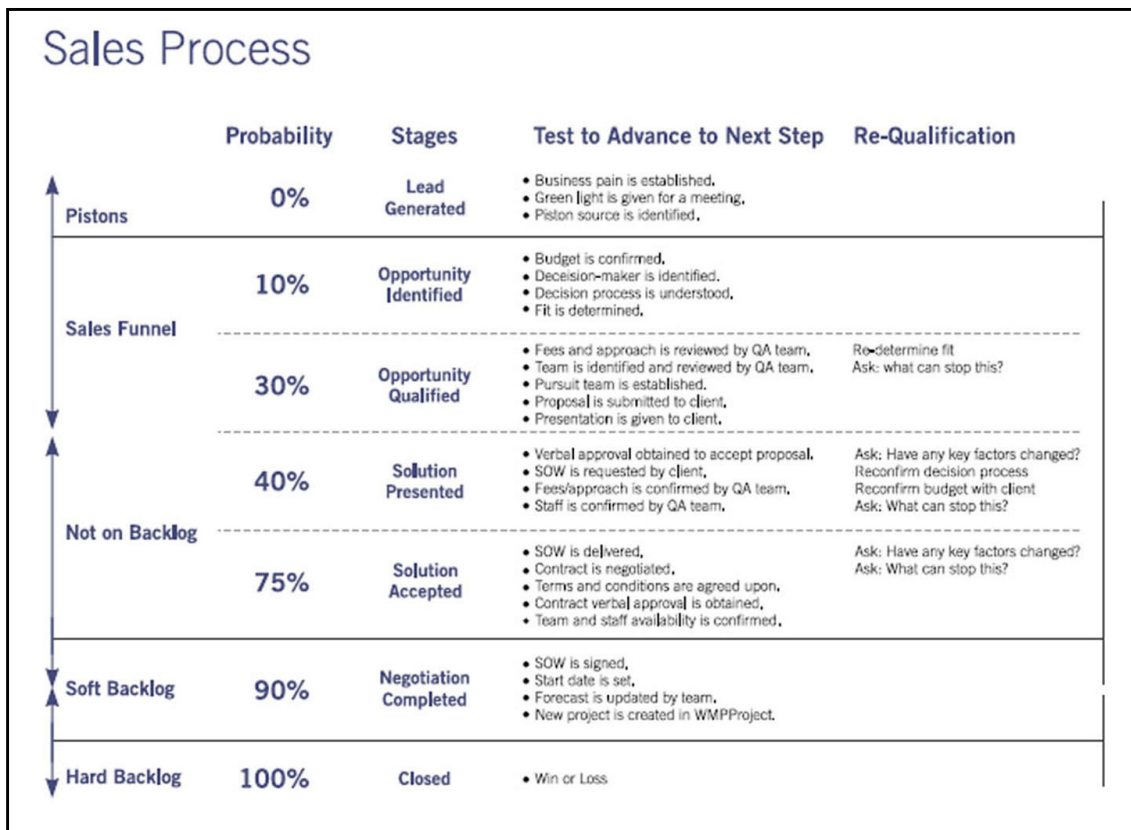
To support tracking and management, each new lead is assigned to one of the six pistons, as well as a probability level that helps in guiding actions and next steps. The firm then uses a sales funnel process (depicted below) to manage pursuit of leads through its

pipeline, as well as to understand its overall business development picture.

Finally, West Monroe Partners assigns marketing and line responsibilities for each piston—including planning, training, communication, and tracking—to teams comprised of marketing/ business development and line personnel.

**INDIVIDUAL PERFORMANCE MEASURES ALIGNED WITH THE ORGANIZATIONAL APPROACH**

As most professional services firms do, West Monroe Partners measures and ultimately compensates its directors based on their contributions to the top line. To support its desired business development culture, the firm realized it would need to take care in establishing the right individual measures, incorporating those measures into the performance management process, and communicating business development “results” within the organization.





West Monroe Partners utilizes its CRM system to produce reports used in the performance management process to assess and reinforce desired behaviors—individual generation of leads and opportunities and team pursuit/development of opportunities.

Some of its key individual measures for directors include:

- ◆ Total contacts in Outlook and the CRM system
- ◆ Contacts that are “shared” with the firm
- ◆ Total non-employee contacts that the individual “knows”
- ◆ Contacts created in the current year
- ◆ New opportunities originated by the individual
- ◆ Total activities (e-mail, phone, meetings) created
- ◆ Opportunities in which the individual was involved as part of a West Monroe Partners pursuit team

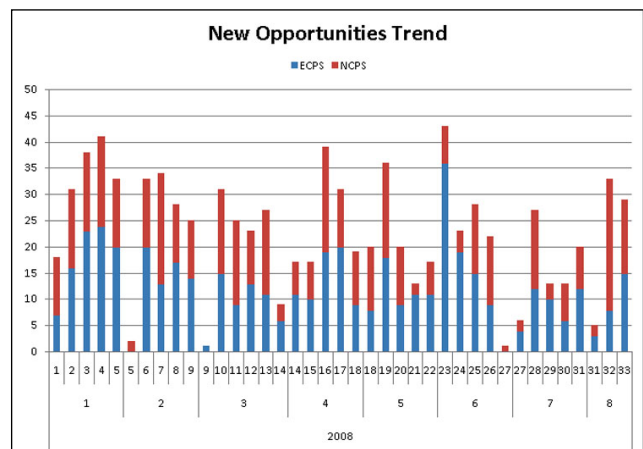
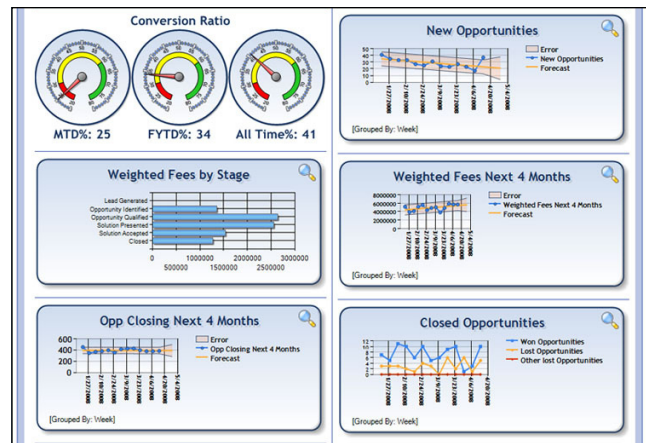
West Monroe Partners also looks at an individual’s activities across all pistons, with the expectation that a director should be producing opportunities from most or all pistons.

Some firms choose to publish individual measures of business development—typically as a “stick” to drive sales-oriented behaviors. But, these strategies require great care to ensure that they don’t lead to unproductive “competition” rather than collaboration. West Monroe Partners has chosen not to publish individual business development statistics, instead putting its focus on consistent application of the right individual measures.

**ACTIONABLE ANALYTICS.**

To measure marketing and business development effectively, a firm must have good data. West Monroe Partners has implemented a robust CRM strategy within its organization, using its customer relationship management (CRM) system to collect and manage contact information. This system interfaces with the firm’s proprietary CRM ClearSight™ dashboard (a tool that the company also implements for its clients) to provide real-time business development metrics and insight. For example, an executive seeking to understand status and trends of new opportunities can quickly look at:

- ◆ On overview of opportunities by stage, office, aging, or practice (top exhibit at right)
- ◆ More detailed statistics, such as conversion ratios and a new opportunity trend line over the past four months (middle exhibit at right)
- ◆ A detailed year-to-date trend line showing new opportunities with new and existing clients (bottom exhibit at right)





These tools provide the foundation for the firm’s marketing and business development analytics. But, making sure data in CRM system is complete, up to date, and accurate is what makes these systems valuable. Consequently, West Monroe Partners has ensured that the systems are part of a holistic CRM approach that reinforces the right business development behaviors across the organization—including ensuring that people add and update contact information regularly. To support this, West Monroe Partners has appointed a dedicated knowledge management and CRM specialist, whose role is to ensure that the firm’s people are trained to use the tools properly and to apply key processes that support the firm’s reporting goals. This individual also oversees data quality, works with management to monitor the status of the firm’s relationships by looking at factors such as contact activity level and most contacted companies, and produces a variety of customized reports and queries.

Establishing this level of data and insight has enabled West Monroe Partners to measure and manage business development activities more effectively. West Monroe Partners used its reporting tools to analyze 2007 business development and opportunity data to look for correlations among activities, opportunities, and revenues generated. The firm then used this information to plan marketing and business development activity.

By analyzing the available data, the firm identified:

- ◆ The average amount of time required for a business development opportunity to “pay off”

- ◆ The average size of a new opportunity generated through business development activity
- ◆ Peak periods for business development and for billable work during the course of the year

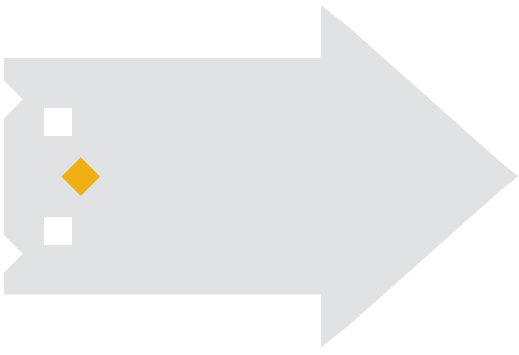
From this analysis, West Monroe Partners was able to plan and time its marketing and business development campaigns to target a certain level of revenue during traditionally slower periods.

### A RETURN FORMULA ALIGNED WITH STRUCTURE AND GOALS

As a young and growing organization with limited resources, West Monroe Partners not only wants to be able to direct its investments—both in people and expenses—properly, but to be sure that it is generating an acceptable return. With all of the above elements in place, West Monroe Partners found that it had the basis for developing a realistic assessment of the return on its marketing and business development investments—its business development ROI.

The first step in this process was to define marketing/business development ROI in a manner that is consistent with the firm’s business development culture. Based on its business model, West Monroe Partners defined the key elements of return as described in the table below.

Element of ROI	Definition	Assumptions and inputs
Client lifetime value	The amount of revenue generated from leads for the duration of their relationship with West Monroe Partners	<ul style="list-style-type: none"> <li>• Number of clients acquired annually through marketing/business development activities</li> <li>• Average project size per new client acquired</li> <li>• Percentage of new clients that retain West Monroe Partners for additional business after the first project</li> <li>• Average life of client relationship (in years)</li> <li>• Average revenue generated per year of that relationship (not including initial project)</li> </ul>
Brand enhancement value	The incremental value of marketing and business development activities to the firm’s brand	<ul style="list-style-type: none"> <li>• Number of contacts in CRM system</li> <li>• Newsletter impressions</li> <li>• Web site hits</li> <li>• Media placements (value of cost of ad in that vehicle)</li> <li>• Collateral produced</li> <li>• Quantity of awards and recognition</li> </ul>
Marketing and business development costs	Marketing and business development-specific costs	<ul style="list-style-type: none"> <li>• Payroll</li> <li>• Commissions</li> <li>• Non-payroll costs specific to all piston activities and programs</li> </ul>



The firm then uses the following formula to calculate ROI.

$$\begin{array}{c} \text{CLIENT LIFETIME VALUE} \\ \text{PLUS} \\ \text{BRAND ENHANCEMENT VALUE} \\ \text{MINUS} \\ \text{MARKETING/BUSINESS DEVELOPMENT COSTS} \\ \text{EQUALS} \\ \text{MARKETING/BUSINESS DEVELOPMENT ROI} \end{array}$$

Through this analysis, West Monroe Partners not only has been able to create a metric that it believes best represents the return on its marketing and business development investment; it also establishes benchmarks that the firm uses to manage ROI and to make realistic projections during the forecasting process. For example, the firm has determined that it can expect new client opportunities generated through business development and marketing to account for about 20 percent of the firm's revenue. And, it has established an annual benchmark of five to six percent for marketing and business development costs.

#### CHALLENGING, YES. IMPOSSIBLE, NO!

The nature of the professional services business makes it challenging, but critical, to measure the marketing and business development function. West Monroe Partners has concluded that, with the right building blocks in place—a well-defined business development culture, a effective framework for managing activities, the right individual performance measures, actionable analytics, and a realistic ROI formula—it's not impossible.

#### WEST MONROE PARTNERS.

Measuring performance and return on investment is one element of establishing an effective, client-oriented professional services marketing and business development function. The next article in this series will look at another element of successful marketing and business development: knowledge management.

West Monroe Partners works with many professional services firms to improve customer relationship management, knowledge management, and marketing effectiveness. The firm's comprehensive marketing and business development approach has helped it generate growth in excess of 300 percent over the past four years—resulting in its inclusion among the Crain's Fast 50 and the Inc. 5000 during 2008.

#### ABOUT THE AUTHORS.

**Doug Armstrong** is a member of the management team of West Monroe Partners, where he leads the Customer Solutions practice working with many clients to advance their customer and knowledge-sharing strategies. Doug is responsible for the company's business development function and business information systems. Doug has more than 20 years of consulting experience. He previously was a managing director with the Integration Services practice at BearingPoint and a partner with Arthur Andersen's Business Consulting practice. He is an adjunct professor at both Northwestern University and DePaul University.

**Dean Fischer**, president of West Monroe Partners, co-founded the company in April 2002. Dean has more than 26 years of experience helping clients respond quickly, cost-effectively, and successfully to issues such as revenue growth, continued cost reduction, and improvement and expansion of customer and supplier relationships—all amid increasing pressures to justify technology-based projects. Dean began his career with Arthur

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- ◆ of our clients' most critical projects, West Monroe Partners is a proven provider of growth and efficiency to large enterprises, as well as more nimble middle-market organizations. Our more than 300 consulting professionals drive better business results by harnessing our collective experience across a
- range of industries, serving clients out of offices across the United States and Canada.