

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

by Doug Armstrong and Dean Fischer

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.

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 RETURN

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

West Monroe Partners 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 required five key building blocks:

- ◆ An effective business development culture.
- ◆ A framework for organizing marketing and business development activities.
- ◆ Individual performance measures that align with the organizational approach.
- ◆ Action-oriented marketing and business development analytics.
- ◆ A marketing ROI formula aligned with the firm’s business structure and goals.

This article explores West Monroe Partners’ approach for measuring the return on its marketing and business development investments. This approach is applicable to a broad range of professional services environments including accounting, tax, engineering, and legal firms.

AN EFFECTIVE BUSINESS DEVELOPMENT CULTURE

Designing a business development approach that complements its

distinctive culture was essential. The firm took several steps to do so, including creating:

- ◆ A business development philosophy that emphasizes long-term client relationships rather than adding clients for “numbers’ sake.”
- ◆ Clear definitions of “business development” and the various elements that comprise it, including lead generation, opportunities, etc.
- ◆ A management 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 ensured that its business development approach supports teaming and collaboration—emphasizing that marketing, business development, and brand building are not the marketing department’s job; they are everyone’s job.

A FRAMEWORK FOR ORGANIZING 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 found it useful to have a framework for categorizing, tracking and managing leads.

Many organizations reinforce only relationship selling and “hunting” activities. West Monroe Partners’ approach 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 that runs on all pistons generates growth.

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

- ◆ Brand awareness and public relations
- ◆ Key account development, including cross selling
- ◆ New client relationships
- ◆ External relationships, including social and professional networks
- ◆ Participation in professional organizations
- ◆ Alliances with partners and vendors



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 to manage pursuit of leads and to understand its overall business development picture.

WELL-ALIGNED INDIVIDUAL PERFORMANCE MEASURES

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 establish the right individual measures, incorporate those measures into the performance management process, and communicate business development “results” within the organization. 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. These strategies require great care to ensure that they don’t lead to unproductive “competition” rather than collaboration.

ACTION-ORIENTED ANALYTICS

Measuring marketing and business development efforts requires 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. These tools provide the foundation for the firm’s marketing and business development analytics.

West Monroe Partners uses its reporting tools to analyze annual business development and opportunity data—looking for correlations among activities, opportunities, and revenues generated and using this information to plan marketing and business development activity and investments.

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, based on three elements:

- ◆ Lifetime value of a client relationship
- ◆ Impact of marketing and business development efforts on the value of its brand
- ◆ Payroll and non-payroll costs for marketing and business development activities

The firm uses this formula to calculate ROI.

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

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.

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, an effective framework for managing activities, the right individual performance measures, actionable analytics, and a realistic ROI formula—it’s not impossible.

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