

# FINANCIAL TIMES

## Corporate



### **Effective Client-Adviser Relationships 2012**

The importance of advisory firm management in delivering the consistent service and commerciality demanded by clients in an uncertain world.

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## Foreword

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This is the second year we've undertaken research to understand what makes an effective client-adviser relationship. This year we've extended our survey to include accountancy, property and consulting in addition to the law.

The survey was sent to the FT readership and MPF members, providing a good way of tapping into the opinions of senior decision-makers on both the client and advisory side around the world. 569 responded. By comparing their views on key topics and collating examples of best practice, this report aims to provide practical insights to help you shape your firm's management strategies.

The report underlines the often conflicting pressures faced by advisers. What matters most for clients is management's ability to ensure that a consistent client service is being delivered. Technical competence and the responsiveness of individual advisers are increasingly seen as hygiene factors: critical if absent but no longer as influential in selection.

Clients also want a more strategic, commercial dialogue with their advisers, particularly in a more complex, uncertain and global business environment. This isn't a new issue: 87% of advisers already recognise that they need to develop a more commercial skill-set. But many firms have been slow to adapt to fundamental shifts in client needs.

Creating a consistent client service and a culture of commerciality is next-to-impossible unless a firm is well-managed. And 62% of client CEOs say that the impression of being a well-managed advisory firm is an essential pre-condition of selection. The only way to create the impression of being a well-managed firm is to become one, ideally through someone taking ownership and responsibility for delivering a more sophisticated and client-centric approach to client-adviser relationships.

Whether you are a professional firm leader, a professional manager, a fee earner, a client or just interested in finding out more about effective client-adviser relationships in the professions, we hope that you will find this report to be instructive and useful.

We are particularly grateful to consultancy Meridian West for conducting the research and writing the report, and thank you to everybody who took part in the survey and interviews.



**Caspar de Bono,**  
Managing Director B2B,  
Financial Times



**Sir Nigel Knowles,**  
Joint CEO, DLA Piper,  
MPF Chairman

# Executive summary

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## A revolution is underway in professional services.

Firms in the advisory sector – accounting, law, property and consulting – are undergoing a radical transition. This is driven by a fundamental shift in client needs: as challenging macro-economic factors persist, and the regulatory environment becomes more complex, clients are becoming more demanding about quality and consistency of service, and the price they are willing to pay.

### **This report highlights a number of factors impacting the underlying dynamics of the client-adviser relationship:**

- 80% of clients expect a more consistent level of service
- 69% of clients want more added-value extras from their advisers
- 61% of clients are trying to achieve more with less resource
- 55% of clients are experiencing a more risky business environment.

### **As a result:**

- 87% of advisers recognise they need to be more commercial
- 71% of advisers expect the number of firms offering discounts to win work will increase.

The challenge for advisory firms is how to best respond to these trends in a way that adds value to clients whilst maintaining the firm's profitability and growth.

After an initial chapter exploring the changing landscape for advisory businesses, this report devotes a chapter each to four core building-blocks which must be aligned to respond effectively to changing client needs. Each chapter highlights best practice examples and innovative approaches from leading firms. The key findings emerging include:

### **Contribution of management**

- The impression of whether a firm is well-managed is important for clients.
- Shaping internal attitudes towards clients and developing C-suite level relationships through regular dialogue are key priorities for management.

### **Knowledge and commercial awareness**

- Advisers need to really get under the skin of their clients' business.
- Clients want advisers to provide a more commercially-savvy view of future risks and external benchmarks.

### **Added-value services**

- Account planning and client feedback are the added-value extras that clients find most beneficial.
- Clients actively encourage firms to invest further in these areas.

### **Supporting people**

- Although advisers are appraised on their client service and commerciality, fewer are given adequate training and support to deliver on these competencies.
- Further investment in project management tools and protocols is welcomed by advisers to help deliver more profitable client service.

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# Chapter 1

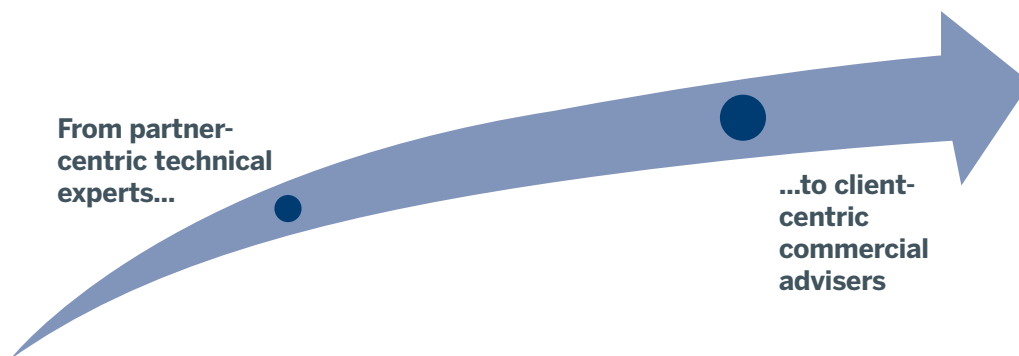
## The changing dynamics of client-adviser relationships.

*“When it comes to metrics for measuring the performance of advisory firms I only ever think about four things: innovation, cash flow, strategic health and alignment. That captures how you align your value towards your people, structures, reward and governance.”*

**Richard Thorby**, Executive Director, Matrix Consulting

In a challenging global business environment, client organisations have broken down internal silos to drive greater efficiencies. In line with this change, in-house positions such as General Counsel, Head of Tax and Head of Corporate Real Estate have seen their roles become more strategic. As a result many clients are reassessing the value of their relationship with external advisers.

Although clients’ businesses have become more agile and innovative, there is frustration that many advisory businesses have not implemented the same degree of change. As a consequence, whilst revenues at advisory firms have begun to recover, underlying profitability often remains at best static. The health of the wider economy does not account for this trend entirely. Instead a more fundamental shift in the advisory sector is occurring.



### The old model for professional firms:

- Fee-earner led
- Hourly rate
- Internally-focussed metrics
- Functions working in silos
- Informal project management
- In partners’ comfort zone

### A new model for professional firms:

- Collaborative
- Alternative fee arrangements
- Externally-focussed metrics
- Functions working together
- Sophisticated project management
- Out of partners’ comfort zone

Exhibit 1. Towards a new model for professional firms.

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### **Towards a client-centric model**

The fundamental shift in the model of advisory firms can be summarised as a move from partner-centric technical experts to client-centric commercial advisers, see Exhibit 1. Many of the leading firms have made large strides on this journey towards a client-centric model, but there is still a way to go to successfully embed all the changes needed to reframe the client-adviser relationship for mutual benefit.

### **Clients are driving this change**

Mike Strong, Chairman, CEO & President, EMEA of property consultancy CBRE recognises that the demands of his firm's clients have profoundly altered over the last decade: "Whereas previously they looked for self-contained, one-off transactions, clients now want a more holistic client-adviser relationship that goes across many markets internationally and different service lines."

The clients in our online study place similarly high demands on their advisers: **80% say they expect a more consistent level of service and 61% say they are trying to achieve more with less resource.** This may result in clients trying to do more work in-house or outsourcing work to lower-cost providers.

The knee-jerk response in the face of price competition is to cut charge-out rates: 71% of advisers in our poll expect the number of firms offering discounts to win work will increase over the next three years. Yet this aggressive discounting can have a negative impact on profitability if work is not scoped or managed effectively.

At the same time clients are contending with increased regulatory complexity. 55% of clients say they are managing a more risky business environment. To complicate this further, 37% cite improving communication and collaboration as among their three biggest challenges.

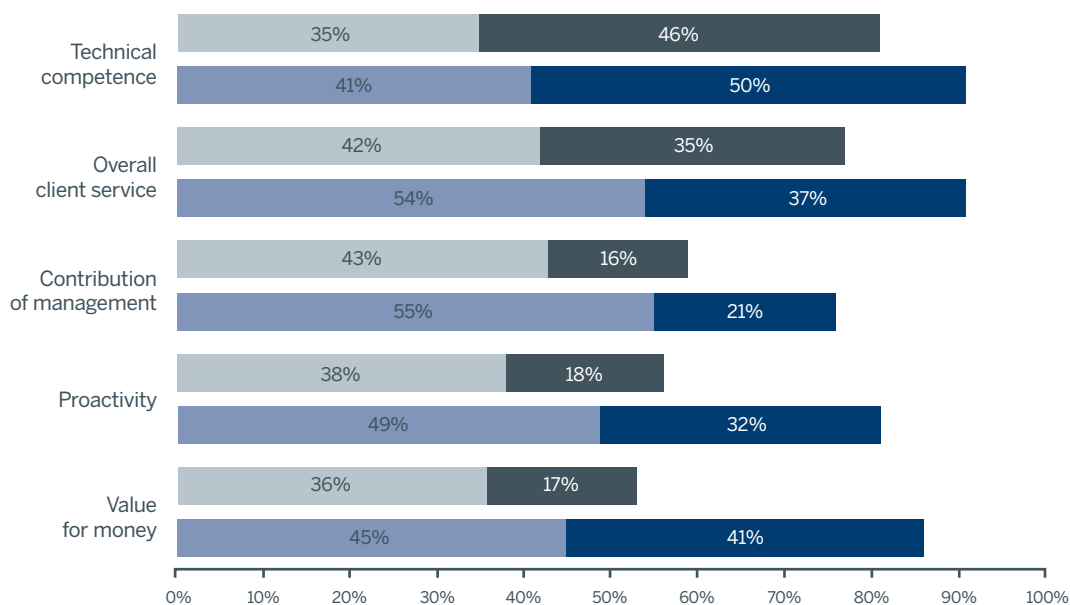
### **The risks of inertia**

Doing nothing in response to changing client demands is not a viable strategy. Responding effectively necessitates a new way of reassessing value and a wholesale refocusing of the client-adviser relationship. According to Trina Gordon, Global President and CEO of executive search firm Boyden, it is critical to extend and deepen client relationships at every opportunity: "In any sort of advisory culture you have to be confidently attuned to what clients are thinking" she says. "In uncertain global markets, the cost of not delivering value with the relationships you enjoy is too great, which is why relationships must be value-driven from the perspective of the client and less transaction-driven from the perspective of the adviser."

Many firms have been slow to embrace the change to a more client-centric model. This is due in part to resistance from some fee-earners and complex organisational structures. Working in a more collaborative way with clients, often to a fixed-fee, requires more sophisticated project management and negotiation skills and can sometimes result in awkward conversations that are difficult to manage. This has the potential to push individuals out of their comfort zone. Changing partner behaviour requires courageous management. The need for advisory firms to change how they do business will not disappear when market conditions normalise. Yet with this threat also comes opportunity: firms that continue to evolve to meet changing client demands will be highly successful and those that struggle to respond will do less well.

### **So where are we now? Benchmarking performance in 2012**

Clients' assessment of their advisory firms' performance suggests that there is significant room for improvement. When we asked clients to rate their main adviser, and advisers to assess their own performance, the gap between the two sets of results is clear. Advisers currently believe they are delivering a much better service than the reality clients experience, see Exhibit 2.



**Exhibit 2. Advisers are rated well for technical competence but less so for proactivity and value for money.** (In general how would you rate the service you receive from your main adviser against the following criteria?)

Client : good   Client : excellent   Adviser : good   Adviser : excellent

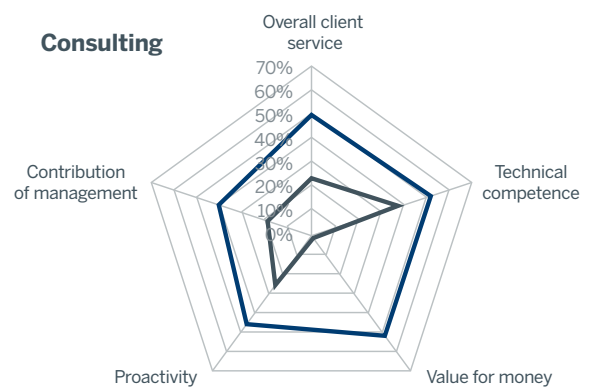
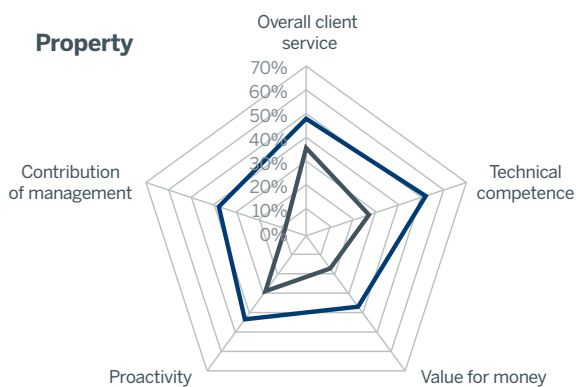
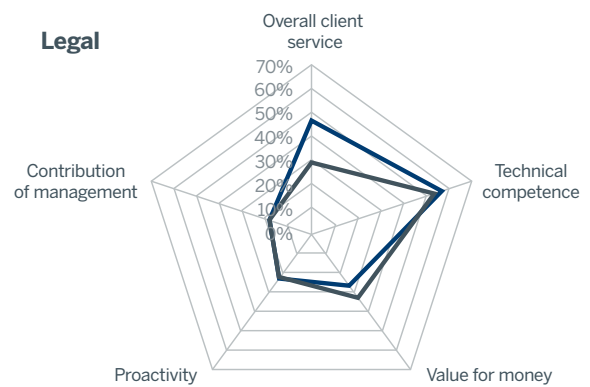
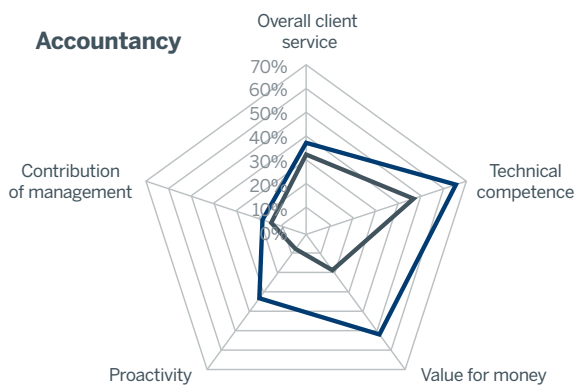
Whilst 81% of clients rate their main adviser as either good or excellent for technical competence, the scores for proactivity and value for money are much lower, at 56% and 53% respectively. The disconnect with the view of advisers is stark: 81% of advisers rate their ability to be proactive as either good or excellent, and 86% believe they deliver good or excellent value for money.

When responses to this question are analysed at a sector level many interesting findings emerge:

- **Lawyers'** scores most closely align with clients'. Clients rate their **lawyers** highly for technical competence (54% excellent) but much less highly for proactivity and contribution of management (22% and 18% excellent respectively), see Exhibit 3.

- Clients also rate their **accountants** highly for technical competence (47% excellent) but there is a large disconnect in the perception of value for money, with 51% of **accountants** rating themselves as excellent in this area but only 19% of clients giving an excellent rating.
- Of all the professions **property** scores highest for client service and proactivity; 36% and 29% of clients score their **property** advisers as excellent in these areas.
- There is great disparity in the perception of **consultants** and their clients about value for money, where 51% of **consultants** say they offer excellent value for money but only 2% of clients agree.

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**Exhibit 3. Exploring excellence at a sector level: lawyers' views are most closely aligned with their clients.** (In general how would you rate the service you receive from your main adviser against the following criteria?)

■ Client: excellent    ■ Adviser: excellent



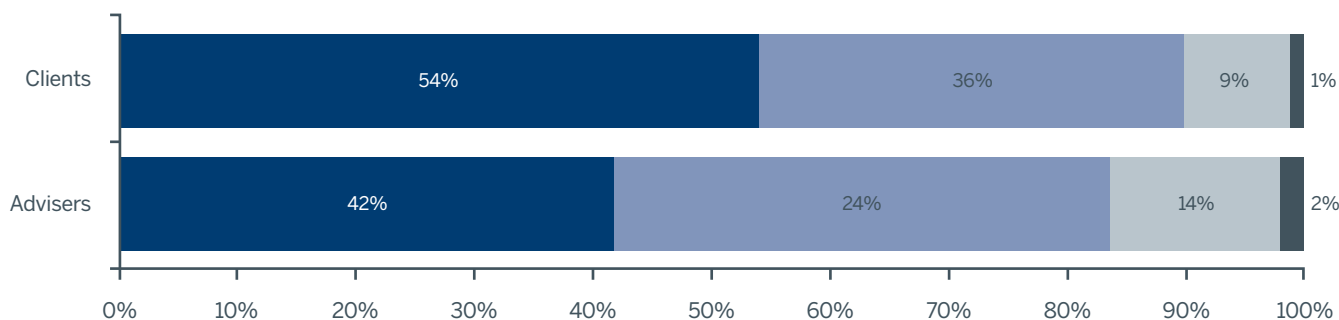
## Chapter 2

### The contribution of management.

This chapter explores the priorities for management to deliver a well-managed firm and why this matters for clients. We capture the views of senior management at advisory firms and at client businesses on the essential contribution of management to the wider context of the client-adviser relationship.

#### Do clients take notice of management's contribution?

The answer is a resounding yes: clients expect their firms to be well-managed and take notice of management's contribution when deciding who to instruct. 54% of clients say the impression of whether a firm is well-managed is an 'essential precondition of selection' and a further 36% say it is 'important but not essential', see Exhibit 4. This means that **over half of all clients will only instruct a firm that they perceive to be well-managed**. When responses of only client CEOs are taken into account, the proportion saying the impression of being well-managed is essential moves up from 54% to 62%.



**Exhibit 4. Over half of clients believe that the impression of being well-managed is an essential precondition of selection.** (What impact would your impression of whether a firm is well-managed have on your selection?)

■ Essential precondition of selection ■ Nice to have but not important ■ Important but not essential ■ Not at all relevant

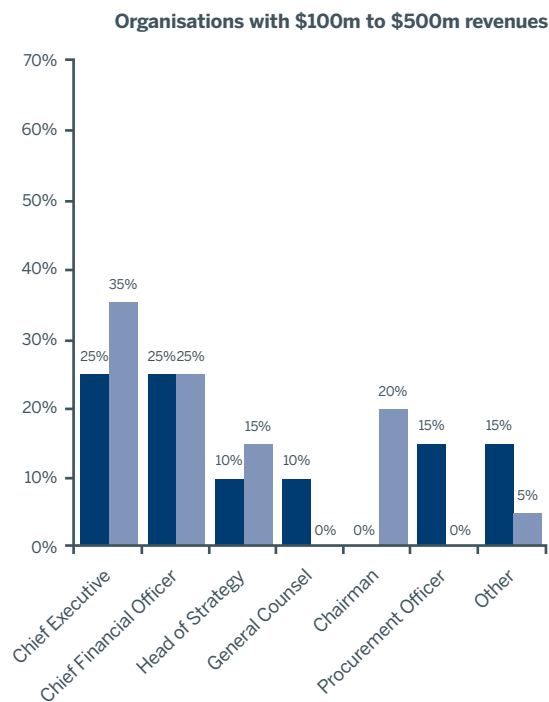
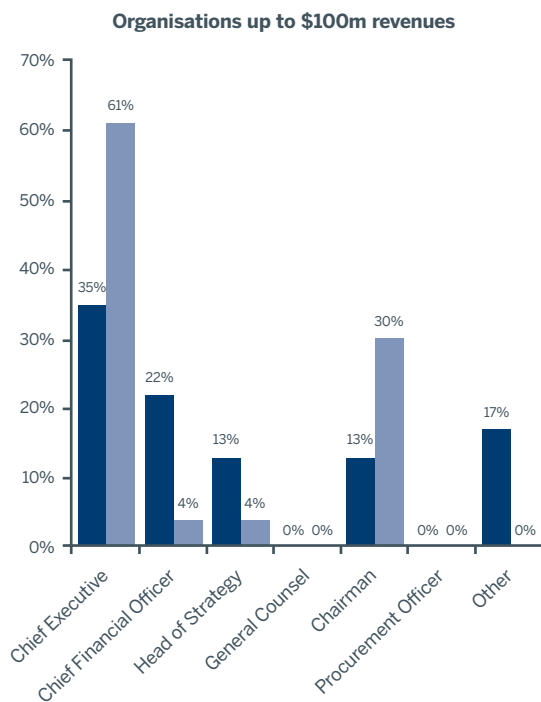
Firms that focus solely on partner-centric marketing messages, such as the quality of their technical expertise or the responsiveness of their people, run a risk in not articulating messages about their management prowess. As Exhibit 4 illustrates, advisers currently underestimate the extent to which promoting messages about management excellence will resonate with clients.

#### The influence of client CEOs

One of the surprising findings from last year's Report was that client CEOs are critical decision-makers when selecting advisers. That observation has been reconfirmed in this report, see Exhibit 5.

For organisations with annual revenues of up to \$100m (i.e. most clients of most firms) CEOs are primarily responsible along with their Chairs for over 90% of instructions for complex work and 48% of instructions for routine work.

Among larger clients with revenues of between \$100m and \$500m the CEO and Chairman are still collectively responsible for instructing over half (55%) of the complex work. Whilst marketing campaigns that target the General Counsel or CFO are important, firms should not disregard the influence of the CEO: nearly half (49%) of CEOs are involved in selecting advisers for complex advisory work and 33% for routine transactional work.



**Exhibit 5. CEOs are critical decision-makers when selecting advisers.** (Who in your organisation is primarily responsible for selecting advisers?)

■ Routine, transactional work    ■ Complex, advisory work

### Priorities for management

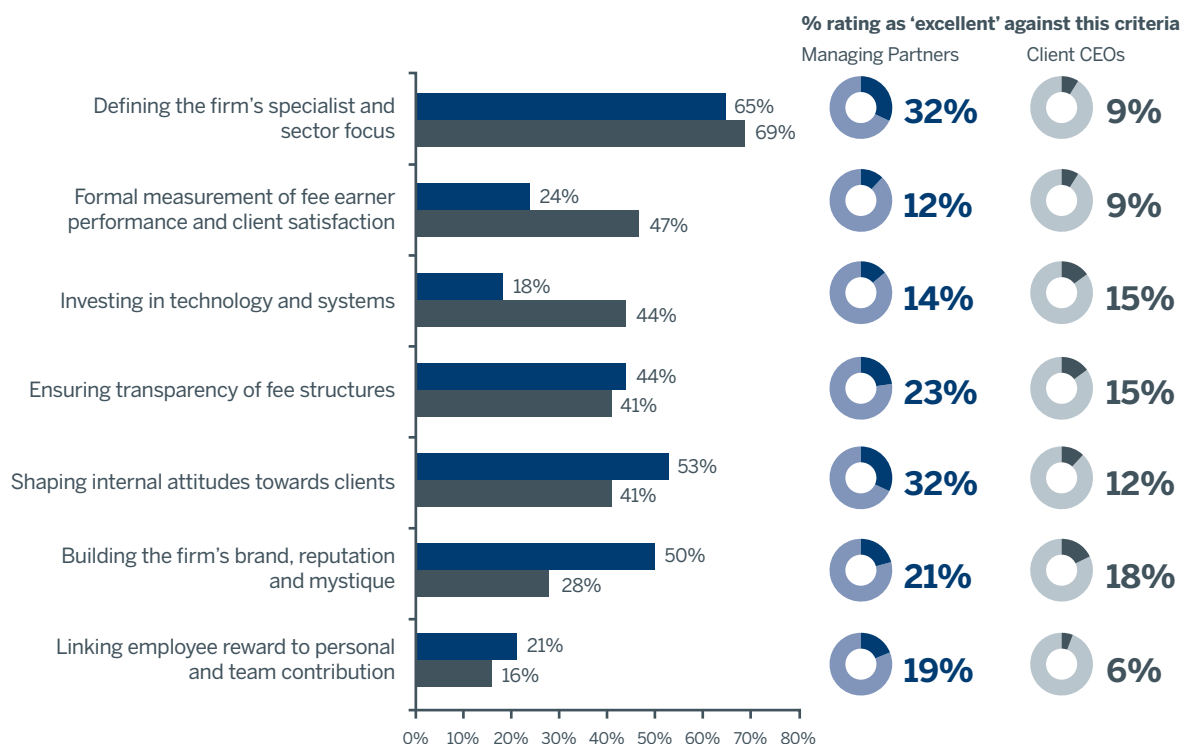
Clients in our study agree that management’s primary role is to embed consistent client service. Management’s responsibility is to facilitate a culture where mutually beneficial client-adviser relationships can flourish, and to equip fee-earners with the right tools, frameworks and training to allow this to happen. For Boyden’s Trina Gordon, consistency of client service is a priority that needs to be embedded in the culture at every level of the organisation:

*“Clients have a very good eye when a professional advisory partner walks into a room in their office, sits down, and engages with them. That individual represents the quality, consistency and professionalism of a firm. You are only as strong as your weakest link. Consistency requires a personal commitment as well as organisational investment.”*

**Trina Gordon**, Boyden

When asked about the aspects of management that are most important to the client-adviser relationship, MPs of advisory firms prioritise building the firm's brand, reputation and mystique (50% cite that as among top three priorities), see Exhibit 6. In contrast only 28% of clients believe that to be a priority.

For clients the priority of management should be to define the firm's specialist and sector focus (69%), to formally measure fee-earner performance (47%), and to invest in technology and systems that will enable advisers to deliver a more consistent service (44%).



**Exhibit 6. A disconnect emerges between advisers and clients on the priorities for management which are most important for the client-adviser relationship.** (Which of the following three aspects of management would you see as being the most important to the client-adviser relationship? How would you rate the contribution of management at your main adviser to the client experience?)

■ Managing Partners/Senior Partners ■ Client CEOs/Chairman/MD/President

### How does management perform?

The worrying news for firms is that on the whole clients perceive management is not performing well. When asked to rate management's contribution on a series of key priorities, clients say management performs best in building the firm's brand, one of the areas that is of least importance to them, see Exhibit 6.

**In the two areas that clients really value – defining the firm's specialist and sector focus and formal measurement of fee-earner performance – only 9% of client CEOs describe management's contribution as excellent.**

# Gain insights on sector developments, risk and regulatory issues with FT.com [www.ft.com/clientadviser2012](http://www.ft.com/clientadviser2012)

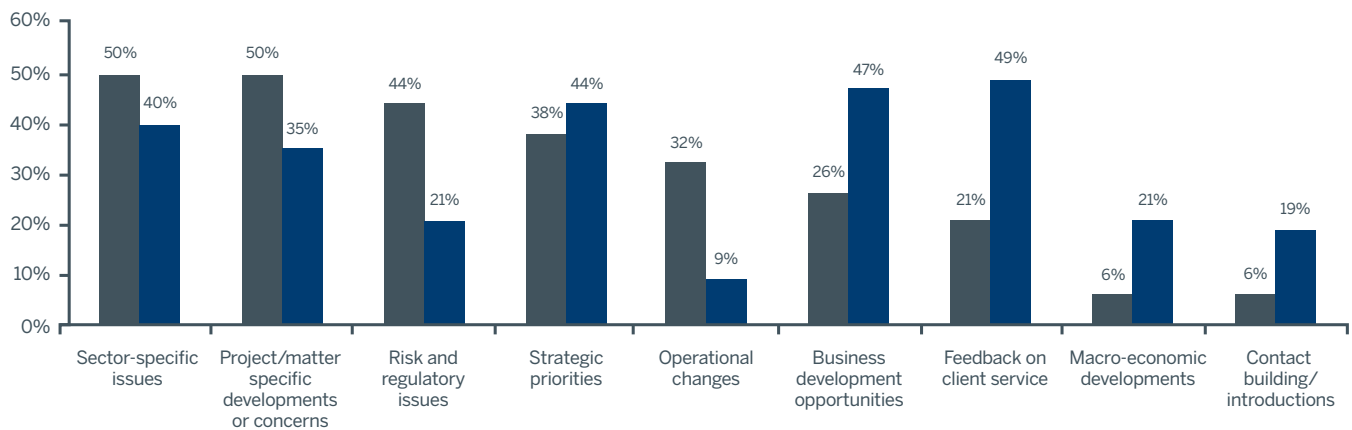
## Greater dialogue with management is critical

Too often client-adviser relationships extend only to fee-earners and client contacts at the coalface without deepening and extending these relationships to include C-suite members on both sides. Such contact is welcomed by the CEOs and MPs in our online poll, 68% of whom say regular conversations are 'very important'.

These conversations will be more fruitful when there is broad agreement about the agenda. When asked what they thought client CEOs would most like to talk about, MPs identified feedback on client service and business development opportunities (cited by 49% and 47% as among the top three priorities), see Exhibit 7. However these discussion points are only

seventh and sixth on the CEOs priority list respectively. Instead CEOs wish to gain insights on sector developments, risk and regulatory issues; they are keen to discuss with advisers how issues such as the potential break-up of the Eurozone will impact business planning.

For Charles Kovacs, Chairman of Hid Radio Zrt, regular meetings with the senior partner at his advisory firms is very valuable: "We have regular meetings and from my point of view they are a way of keeping an ear to ground when there is something operational going on. Our advisers often bring us helpful leads in terms of potential acquisitions or new business."



**Exhibit 7. An "agenda gap" emerges between client CEOs and MPs.** (What three issues do you see as priorities for the agenda in your conversations with management at advisory firms?)

■ Client CEOs ■ Managing Partners

## Chapter 3

### Knowledge and commercial awareness.

One of the greatest frustrations cited by clients is a lack of commerciality on the part of advisers. There is a consensus among clients interviewed that the commerciality of advice received has actually deteriorated over the last decade, perhaps as a result of more restrictive regulation or increased risk-aversion.

The advisers in our study acknowledge this shortcoming: 87% say they need to develop a more commercial skill-set in addition to their technical competencies. Yet “commerciality” is a nebulous term that is difficult to define. What exactly do clients mean when they say they are looking for greater commerciality? This chapter unpicks that definition to explore some of the ways advisers are seeking to deliver more commercial advice.

#### **Understanding a client’s business strengthens relationships**

The starting point for delivering really commercial advice is an in-depth understanding of the context in which a client operates. In-depth understanding drives selection: when looking to instruct advisers for complex work, **40% of clients cite an understanding of their business as among their top three selection criteria and 36% cite an understanding of sector-specific issues. Genuine commercial understanding could therefore be the difference between winning and losing client work.**

A lack of understanding about clients and their business can jeopardise relationships: 52% of clients cite a lack of understanding of their business as the biggest factor that could damage a client-adviser relationship. Lack of understanding is cited ahead of provision of inappropriate advice (45%) and slow response to communication (45%).

#### **Get under the skin of a client’s business**

Understanding a client’s business is important because it sets the tone for the entire client-adviser relationship.

Responses by clients to our online study indicate that reading financial statements and annual reports is no longer sufficient to demonstrate an in-depth understanding of a client’s business. Instead 75% of clients say they expect their advisers to know about their organisation’s strategy and business plan, and 67% expect knowledge of industry sectors and trends, see Exhibit 8.

Advisers can obtain this level of granular insight in two ways. First, building a relationship based on trust and mutual information-sharing. Neil Barbour, a specialist agricultural property lawyer at Thrings LLP tells clients who are purchasing agricultural land that advising them on the basis of paperwork alone is inadequate – instead he recommends that he walks the boundaries of the land with the client. “In the past I’ve saved money for clients by visiting the land as issues affecting the property’s value can be picked up which may not be apparent in the paperwork supplied by the vendor’s solicitors ” he says.

Second, advisers need to immerse themselves in information about business issues and sector trends.

*“It is crucially important that you understand your clients’ businesses. You need to spend your life understanding as much as you can about as many businesses as you can. Whether that means you read the FT every day or you read management text books, you must constantly educate yourself otherwise you can’t deliver successful advice.”*

**Mike Strong**, CBRE



What advisers need to know	Proportion of clients citing it as important to deliver successful advice
Business strategy / business plan	75%
Industry sector issues and trends	67%
Key client personnel / senior management	55%
Financial statements	45%
Recent deals – e.g. M&A, JVs	32%
Information about client competitors	29%
New product launches	16%

**Exhibit 8. Business strategy and industry sector issues and trends emerge as the most important areas of know-how that advisers need to grasp.**  
(Which of the following do you think it is essential for professional advisers to know about your organisation in order to deliver successful advice?)

### Building affinity with clients pays dividends

55% of clients cite an in-depth understanding of the key personnel and senior management in their business as a crucial area of know-how. For Andy Haxby, Managing Director of Netherlands-based IT firm Competa, it is important to develop a long-term relationship with an adviser who understands both his business and personal ambitions well: “They should understand the context of what I’m doing, understand our company’s history, understand my style of doing business, and understand me as a person” he says.

Building affinity with clients requires time and effort but rewards advisers willing to make that investment. Many advisory firms, particularly those organised as partnerships, are highly politically-charged environments. One of the quick wins for advisers is to turn their acutely tuned political radar to work on their clients’ organisations. Developing affinity in this way can often make the difference between advice which is actioned and advice which is warmly-received but never fully implemented.

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### Clients want a more commercially-savvy view of future risks

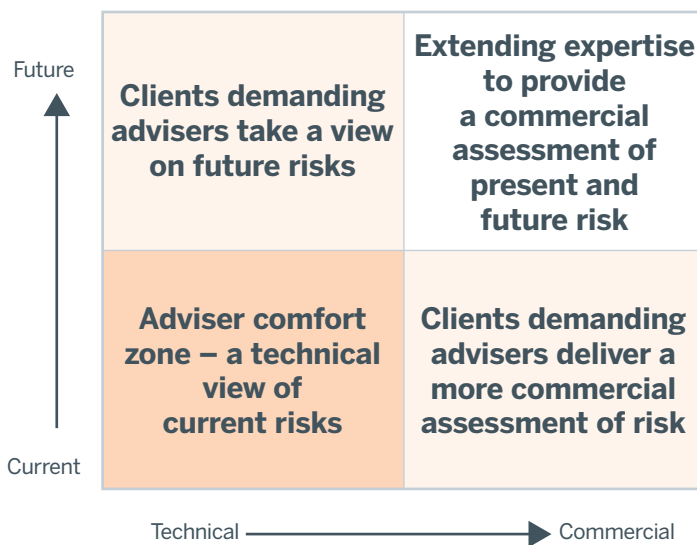


Exhibit 9. Clients demand more commercial and future-looking insight from advisers.

When clients talk about commerciality, they often refer to an adviser's ability to assess risk, see Exhibit 9. This has four components:

- More commercial rather than technical advice. Clients are looking for advice that is not solely technical but takes into account the wider issues and risk faced by their business.
- Forward looking assessment of risk. Clients don't just want advisers to give a view of the here-and-now but to proactively approach them with information on future risk and regulatory issues.
- Benchmarking. The ability to benchmark a company's performance or strategy against its peers is incredibly useful added-value for clients.
- Delivery of advice. Adapting the way advice is delivered, for example by using colour-coded matrices and visuals and one page executive summaries.

To give one example: a business wanting to implement cloud computing may approach a legal adviser for an opinion on the data protection and IP issues involved. A really commercial adviser would consider the wider implications for the business: assessing the risk to reputation, advising how future compliance regimes may need to change in the light of upcoming regulation, or sharing insight on how similar companies have approached their technology strategy.

# Chapter 4

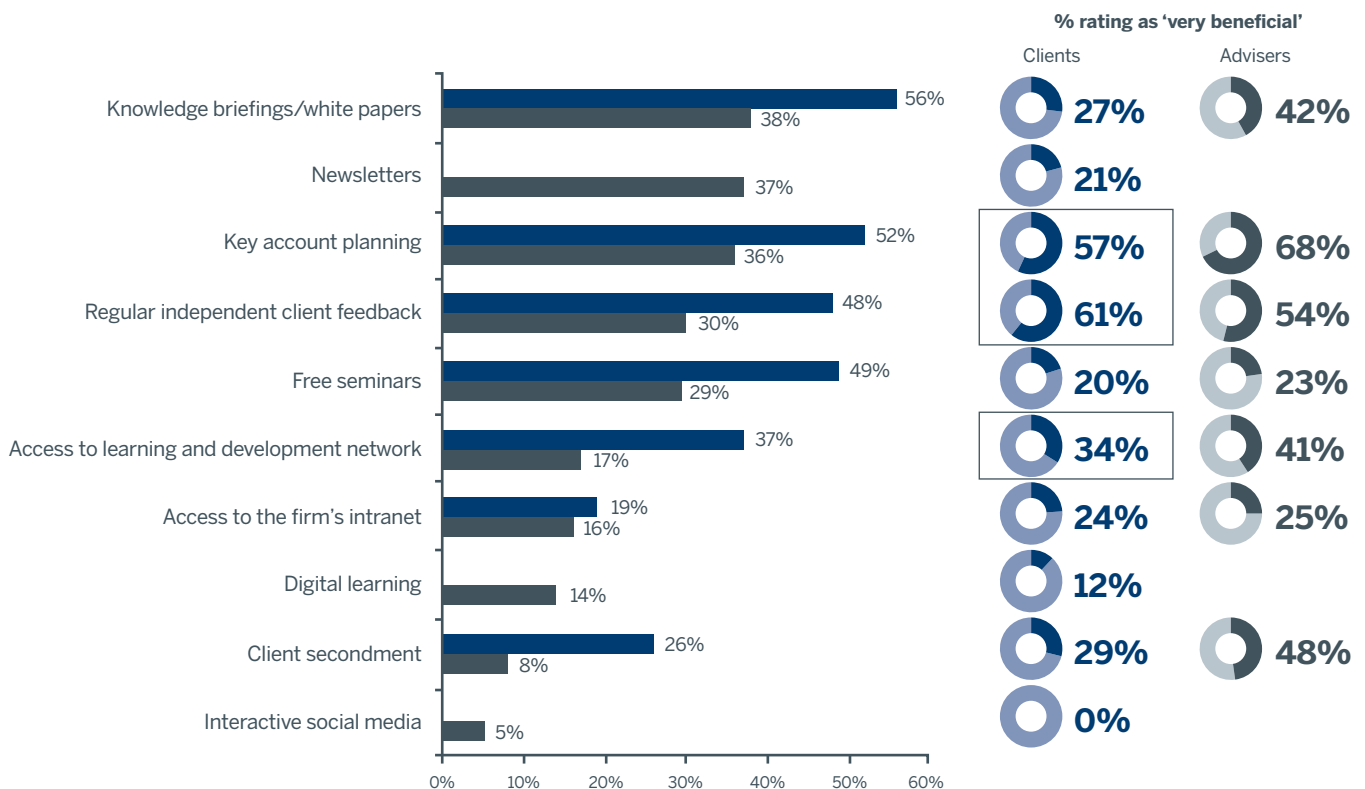
## Added-value services.

Given the majority of client organisations are looking to achieve more with less resource, it should come as little surprise that **almost three-quarters of CEOs (74%) say they expect more added-value extras from advisers.**

This trend poses a difficult conundrum for advisory firms. How should advisers respond to price-conscious clients without giving too much away for free and thus impacting profitability? This chapter explores the areas of added-value that clients see as most beneficial, and how leading firms are using added-value services to enhance their value proposition, undertake more sophisticated account management and strengthen client relationships.

### Firms need to better articulate their added-value services

There is an awareness gap between the added-value services that firms offer and those that clients know about, see Exhibit 10. For example, although 56% of advisers offer knowledge briefings and white papers, only 38% of clients are aware of these. Clients' awareness levels were consistently lower than the actual availability levels cited by advisers, with an average awareness gap of between 15 and 20%.



**Exhibit 10. Regular independent client feedback, account planning and access to learning and development networks are really valued by both clients and advisers.** (Does your organisation/your main adviser have any of the following tools or services in place? How beneficial do you think each of the following are at improving the quality of advice /service you receive from your main adviser/deliver to clients?)

Of these various added-value offerings, regular independent client feedback, account planning and access to learning and development networks are cited by clients as being most beneficial to improving the quality of advice or service received. The value of these tools is also recognised by advisers who regard them as 'very beneficial' in similarly high numbers.

### **Clients want more sophisticated account planning and feedback mechanisms**

Account planning and client feedback empower clients to shape the strategic direction of the client-adviser relationship. They are also essential tools for helping advisers understand what clients most value. Account management in advisory firms is becoming more structured, with regular account reviews being scheduled to take stock of recent work and plan for future assignments.

Clients also value having a single point of contact with oversight of the wider relationship. This view is shared by Thierry Delmas, Asia-Middle East COO Managing Director at Grupo Ormazabal, a Spanish-based energy distribution company:

*“With legal advisers I prefer to talk with a consistent account manager rather than to constantly have to pick new project leaders. It is better to have a small team dedicated to us who know our company and the way we work internally.”*

**Thierry Delmas**, Asia-Middle East COO Managing Director at Grupo Ormazabal

Simon Ward, Corporate Occupier and Investor Services partner at Cushman & Wakefield recently created a simple tool to help his account management team understand the Cushman & Wakefield business better. “We created an A3 placemat,” he says, “which articulated in a deliberately visual way all the areas where we could help clients and how some of those services could be integrated.”

On the back of the document was a very simple guide as to how corporates could enhance the value of their real estate.

“It was a simple tool that account managers could put in their briefcase or even load onto their iPad” says Simon, “and it gave them the confidence to sit down with a client and talk about how we can help them save money and get things done.”

### **Insight-led added-value**

Technical updates – such as details on tax code changes, occupancy rates, or legal briefings – are useful but no longer sufficient to differentiate a firm's added-value proposition. 90% of clients say white papers, business briefings and thought leadership are 'somewhat beneficial' or 'very beneficial'. To maximise their impact white papers and thought leadership should contain a stronger firm point of view about the issues that matter to clients.

Philippe Burke, Managing Partner of Apache Capital welcomes this kind of insight from his advisers:

*“Every once in a while we'll receive a real gem, a thoughtful, balanced report, or a nuanced opinion piece that is really well researched and written, and that delivers original insights in a provocative way. We love to reward work of this calibre.”*

**Philippe Burke**, Managing Partner of Apache Capital

Less-structured insight is valuable too: keeping in regular contact and directing clients to recent publications of interest is welcomed. For those firms looking for a more structured approach, online resource such as benchmarking and diagnostic tools can offer great return on investment. These tools are a great way of focusing business development efforts for fee-earners by generating unique collateral to share with clients.

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### Priorities for investment

Given the value that clients see in account planning, client feedback and learning networks, it is not surprising that they would encourage their advisers to invest further in these areas, see Exhibit 11. Access to a learning network is the key priority for over half of all property clients, whilst regular independent client feedback emerges as the priority for investment for accountancy, legal and consulting clients.

Accountancy	
1. Regular independent client feedback	51%
2. Key account planning	41%
3. Knowledge briefings/white papers	33%
4. Access to learning and development network	32%
5. Free seminars	29%

Legal	
1. Regular independent client feedback	44%
2. Knowledge briefings/white papers	40%
3. Key account planning	34%
4. Free seminars	30%
5. Digital learning	30%

Property	
1. Access to learning and development network	55%
2. Key account planning	45%
3. Knowledge briefings/white papers	36%
4. Regular independent client feedback	27%
5. Access to the firm's intranet	9%

Consulting	
1. Regular independent client feedback	66%
2. Knowledge briefings/white papers	42%
3=. Key account planning	38%
3=. Access to learning and development network	38%
5. Digital learning	32%

**Exhibit 11. Where legal, accountancy, property and consulting clients want their advisers to make further investments.** (Which of these tools or services would you actively encourage firms to invest in as a priority over the next three years?)



## Chapter 5

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### Supporting people: training, tools and frameworks.

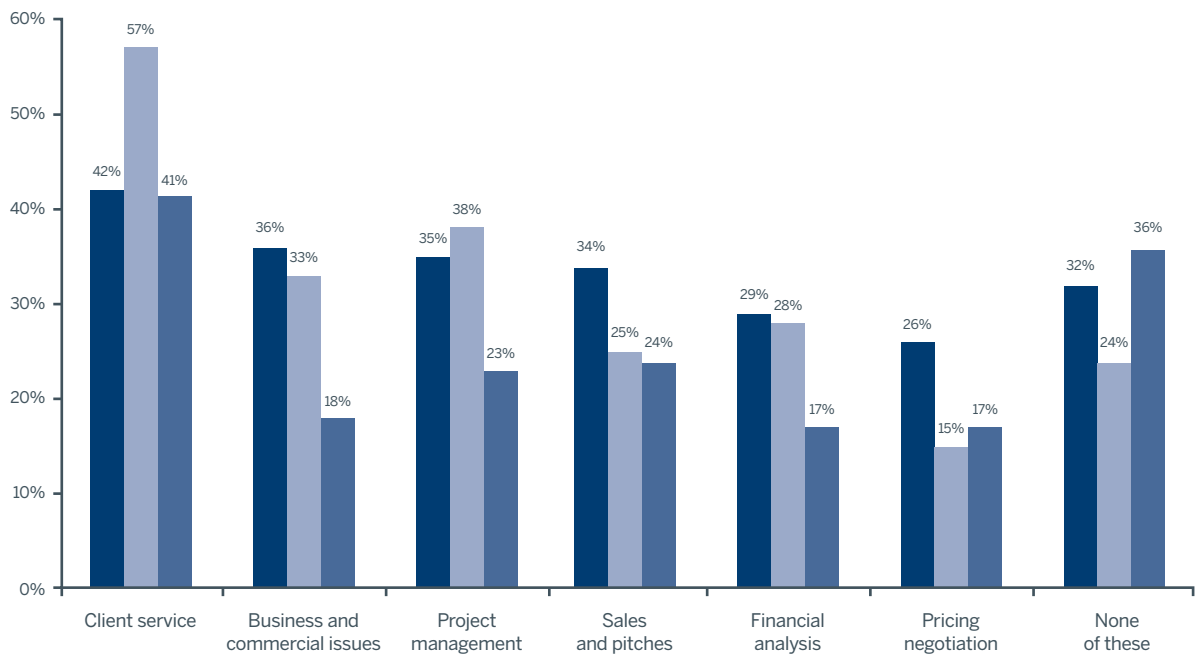
*“Are advisers equipped with the right skill set? Many still rely heavily on technical excellence for success. What’s emerged is the need for a more rounded skill set: relationship skills, selling skills, negotiation skills - a combination of wider business skills in other words, and the ability to switch between them. In Olympic terms, professional services is now the pentathlon, not a single event sport.”*

**Andrew Smith**, Director and Owner, Agendum Ltd.

The professional mindset can be a barrier to change. Increasing client demands often take advisers outside of their traditional comfort zone, which understandably makes some resistant to embrace new ways of working. This chapter explores how firms can best support their people to make the changes required through greater training, tools and frameworks to work with, rather than against, the adviser mindset.

#### **The skills gap**

It is unfair to expect advisers to change behaviours without the right support or incentives. **Given 87% of advisers acknowledge they need to develop a more commercial skill set, it is surprising that only 36% receive training on business and commercial issues**, see Exhibit 12. Furthermore a third (32%) of advisers say they receive no training in client service, business or commercial issues, project management, sales and pitches, financial analysis or pricing negotiation. The proportion of advisers receiving training increases for the largest organisations in our sample (those with over 1000 employees), but even then only two-thirds (65%) of advisers in the largest organisations say they receive training on client service and less than half (46%) on business and commercial issues.



**Exhibit 12. Advisers acknowledge the need to become more commercial, but only 18% are remunerated based on business and commercial issues.**  
 (Does your organisation provide you with training in any of the following areas? / Is competence in any of the following areas explicitly part of your formal appraisal process? / Is competence in any of the following areas explicitly linked to your remuneration?)

■ Training    ■ Part of formal appraisal process    ■ Explicitly linked to remuneration

### Invest in client-centric training for fee-earners

Exhibit 12 shows a greater proportion of advisers are formally appraised on their client service (57%) than receive training (42%) in this area. This suggests firms are not taking a sufficiently client-centric approach to learning and development. For Stuart Dey, Business Development Director of Shipleys LLP, many firms make the mistake of taking a 'sheep-dip' mentality towards training:

*“Often, somebody in a firm will decide that everybody should be trained in a particular area. A note is made that all staff members have now been on a training course, but there’s not much connection between what they’ve learnt and their ongoing work.”*

**Stuart Dey**, Business Development Director of Shipleys LLP

Firms benefit from focussing in on the client-centric competencies that individual advisers need to develop at different stages of their career. Successful firms invest in training and create a culture where training is viewed by fee-earners as an opportunity to strengthen client relationships rather than a necessary evil.

When Neil Barbour, a Partner at Thrings LLP, joined the legal profession there was a different approach to training for young lawyers. Now trainees at Thrings LLP are supported with a comprehensive training programme that includes sessions on understanding the finances of a law firm. “Junior staff very quickly get to understand about cashflow and its interaction with lock-up and debt days,” he says. “The FD explains to junior fee-earning staff how the finances of the firm operate so that they fully understand what is required from them in the conduct of their client work.”

### Provide ongoing support through intuitive tools

As the pressures on advisers’ time multiply, and the amount of work delivered to fixed fee quotes increases, advisers are required to become better project managers. Enhancing project management and client service capabilities necessitates having the right tools in place to enable advisers to put relevant training into action. **A surprisingly small proportion of advisers say their organisation provides tools such as high quality templates (41%), project management tools and protocols (37%) or project scoping and pricing tools (27%),** see Exhibit 13. Even amongst the largest firms, where the need for tools to support consistent firm-wide client service is even greater, just over half of advisers (54%) say their firms provides project management tools and protocols.

Advisers are very effusive about the benefit of project management tools and frameworks with almost half agreeing that high-quality templates and project management tools and protocols are ‘very beneficial’ (48% and 47% respectively). According to one partner interviewed, such tools instil advisers with the information and the confidence to have awkward conversations with clients without feeling horribly English about it.

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### Tools offered to advisers by their organisations



**Exhibit 13. Advisers cite project management tools as being very beneficial for improving the quality of advice to clients.** (Does your organisation have any of the following tools or services in place? / How beneficial do you think each of the following are at improving the quality of advice you give to clients?)

### Embracing technology

To maximise the impact and take-up rate of any tool it must be simple and intuitive to use. Andrew Woolfson, Director of Knowledge Management at law firm Reynolds Porter Chamberlain, was responsible for designing and implementing a firm-wide social platform for facilitating knowledge flow across the firm.

“We created a platform in which every single person has their own dashboard that captures their own specific RSS feeds and news feeds coming in,” he says. “The platform can link to Twitter, and if there’s a news story on a particular blog that I am following I can see that.” The platform also aggregates client feedback and key account plans and then links that information back to the firm’s CRM system.

# Chapter 6

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## Regional spotlights.

This report offers a global perspective on the changing nature of the client-adviser relationship. The key findings hold true irrespective of the location of client or adviser: there is often no statistically significant variation when answers are analysed by geography of respondents.

This final chapter highlights some of the implications of the findings at a regional level, by exploring where statistically significant differences emerge between participants from North America, Europe, and Asia-Pacific.

### **North America: strong on incentives, weaker on support**

- **Participants.** 146 participants originate from North America: 96 advisers and 50 clients.
- **Active senior management relationships.** The CEO has a greater influence on selection of advisory firms in North America, with 42% of CEOs being the main decision-maker for routine work and 50% for complex work.
- **Training is a weakness.** 45% of advisers in North America say they receive no training in any of the six client-centric competencies, compared with 32% globally. Only a quarter (26%) of advisers receive training in business issues and commerciality compared with 36% globally.
- **Good at linking remuneration.** North American firms, however, fare better at incentivising their people to deliver client-centric competencies: over half (51%) of advisers say their remuneration is directly linked to their client service skills, the highest of any region.
- **Account planning is a priority for investment.** The priority areas for North American firms to invest in are: account planning (41%), knowledge briefings and white papers (36%) and briefings on business issues (36%).



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## Europe: a more challenging environment

- **Participants.** 99 participants originate from Europe: 58 advisers and 41 clients.
- **Market conditions more challenging.** Difficult macroeconomic factors in Europe (such as Eurozone instability and low GDP growth) are reflected by almost three-quarters of European clients (74%) who are trying to achieve more with less resource.
- **Discounting commonplace.** As a result of external pressures, a greater number of clients in Europe say advisers are discounting fees to win work: 73% in Europe compared to a global average of 59%. Firms need to be aware that Europe-based clients are particularly price conscious, and so advisers need to place greater emphasis on articulating value.
- **Regular management conversations.** One solution is to hold regular C-suite conversations. These are more important in Europe than elsewhere with 70% of clients citing them as very important. For clients, sector-specific issues emerge as the main agenda item of interest in these senior-level conversations.
- **Project management is a priority for investment.** The priority areas for European firms to invest in are: project management tools and protocols (34%), knowledge briefings and white papers (33%) and regular independent client feedback (31%).

## Asia-Pacific: a greater emphasis on people

- **Participants.** 51 participants originate from Asia-Pacific: 23 advisers and 28 clients.
- **Attracting and retaining talent.** As businesses look to Asia-Pacific for growth, attracting and retaining the right people will be critical. Hiring the right people is cited as the biggest challenge facing clients in Asia-Pacific (65% compared with a global average of 37%). Improving the skills of existing talent is also a greater priority, cited by 38% compared with 29% globally.
- **Training best practice.** Advisory firms in Asia-Pacific place a greater emphasis on training than firms in other areas of the world. In each of the six client-centric competencies tested, advisers in Asia say they receive more support than their counterparts elsewhere. For project management, 61% of advisers say they receive training compared with only 35% globally.
- **Opportunity to better link with appraisal and reward.** However fewer advisers in Asia-Pacific say their appraisal and remuneration are linked to sales and pitching skills, pricing negotiation and quality of client service.
- **Knowledge briefings and white papers are priorities for investment.** The priority areas for firms in Asia-Pacific to invest in are: knowledge briefings and white papers (48%), client secondment (43%) and regular independent client feedback (39%).

# Conclusions

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## No single client-adviser relationship is the same.

Yet a clear consensus has emerged in this report: the need for advisory firms to rethink their approach to client-adviser relationships is now more important than ever. The results of this study should give pause for thought for any advisory firm and encourage advisers to be more inquisitive about what their clients actually want.

To this end we conclude with a series of key considerations for advisory firms. We invite firms to discuss these questions at a future management board meeting or partner retreat to debate the implications of this report for their firm.

### **The contribution of management**

- Are your management priorities aligned with the things that matter to clients?
- Is your firm sufficiently considering the influence of client CEOs and key decision-makers for selection, especially for complex work?
- Are your firm's C-suite level conversations falling into the "agenda gap"?

### **Knowledge and commercial awareness**

- How can your firm improve the way it "gets under the skin" of clients' businesses?
- Is your firm investing enough in developing the commerciality of its advisers?
- Should your firm be doing more to demonstrate a deep understanding of sector trends and issues?

### **Added-value services**

- Does your firm successfully articulate the added-value it provides for clients?
- Does your firm orchestrate learning and development networks for clients?
- Has your firm invested in key account planning and independent client feedback?

### **Supporting people**

- Is your firm paying enough attention to client service and project management training?
- Is your firm investing in the right types of tools and frameworks to support excellent client service?
- Are your people appraised and incentivised on their client service and commerciality?



## Want to find out more?

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For more information on any of the topics covered in this report, local workshops to discuss the implications of the report, or additional resources from the FT and MPF, visit the Financial Times client-adviser relationships website at: [www.ft.com/clientadviser2012](http://www.ft.com/clientadviser2012)

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## Survey demographics

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Effective Client Relationships 2012 is a report commissioned by the Financial Times in conjunction with the Managing Partners' Forum and produced by Meridian West.

The report draws on insight from an online study completed by 569 respondents. 64% of participants are management and fee-earners at advisory firms across four sectors: law, accounting, property and consulting and 36% are owners, and senior- or mid-level executives at client businesses. 22% of advisers are senior partners or managing partners, and 16% of clients are CEOs or chairmen.

Participants originate from across the globe: 45% from the UK; 26% from North America; 18% from Europe; 9% from Asia-Pacific, and 3% from elsewhere. 26% of participants are employed at organisations with more than \$100m turnover and 21% are at organisations which have more than 1000 employees. The online study was conducted during May 2012.

Findings from the online study are supplemented by 18 in-depth interviews with representatives of senior management and partners at both advisory firms and client organisations. These interviews were conducted by Meridian West between June and August 2012.

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Insight-led consultancy Meridian West works with financial institutions and advisory firms to develop and implement client-centric strategies and global thought leadership campaigns. By combining market insight with client feedback, financial and data analytics, Meridian West helps firms to target and win clients, strengthen existing relationships and improve client profitability. Find out more at [www.meridianwest.co.uk](http://www.meridianwest.co.uk)

## *Acknowledgements*

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We would like to thank all those who took part in our online study.

Special thanks are given to those 16 clients and advisers who generously offered their time and insight during in-depth interviews, including:

- **Neil Barbour**, Partner, Thrings LLP
- **Philippe Burke**, Managing Partner, Apache Capital
- **Thierry Delmas**, Asia-Middle East COO Managing Director, Grupo Ormazabal
- **Stuart Dey**, Business Development Director, Shipleys LLP
- **Jonathan Fox**, Managing Partner, Saffrey Champness
- **Trina Gordon**, President & CEO, and **Gray Hollett**, Chief Marketing Office, Boyden
- **Andy Haxby**, Managing Director, Competa
- **Charles Kovacs**, Chairman, Hid Radio Zrt
- **Andrew Smith**, Director and Owner, Agendum Ltd.
- **Mike Strong**, Chairman, CEO & President, EMEA, CBRE
- **Richard Thorby**, Executive Director, Matrix Consulting
- **Simon Ward**, Partner, and **Nigel Pyke**, Marketing Partner, Cushman & Wakefield
- **Andrew Woolfson**, Director of Knowledge Management and Capability, Reynolds Porter Chamberlain
- **Richard Punt**, Managing Partner, Growth and Markets, Deloitte.

*“The factors which make for a successful professional services firm are constant: getting under the skin of your clients’ business, understanding and anticipating their needs, and investing in the technical and commercial skills of your people to ensure you consistently deliver quality and value. What this timely report underlines is that clients are increasingly demanding of their advisers; only those fully in tune with their clients will prosper.”*

**Simon Davies**, Firmwide Managing Partner, Linklaters.

*“MPs should spend more time personally in relevant conversations with client CEOs. It is crucial that they understand the business of their clients and their needs. The report shows a big disconnect between what clients want and what firms think are valuable.”*

**Michael Strong**, Chairman & CEO – EMEA, CBRE.

*“The research findings really resonate with me, particularly in the area of understanding a client’s business and therefore its issues. At the end of the day clients want insights and solutions not a pre-packaged product. Understanding their business and the industry is the first step to being able to do just that.”*

**Scott Barnes**, CEO, Grant Thornton UK.

*“No business can thrive without satisfied customers – and the same goes for advisers. MPs must ensure their entire organisations are shaped around what their clients need and want. Quite simply, the word ‘service’ needs to be reinforced at every level. It can never just be a marketing strategy; it needs to be in the DNA with everyone in the firm passionate about delivering. Firms who fail to align their service levels with the clients’ needs risk losing business.”*

**Simon Michaels**, Managing Partner, BDO.

*“Managing partners cannot spend too much time with client CEOs.”*

**Ian Powell**, Chairman and Senior Partner, PwC.

*“Almost all client opportunities and challenges revolve around geography and technology and demand focus on the top line. Growth is the key to prosperity and employment. Yet growth is difficult unless everyone at a professional service firm is business-like and consistent in their dealings with clients. This report confirms the critical role that advisory firm managements have to play in making this possible.”*

**Sir Martin Sorrell**, CEO, WPP.