

Sales and key account management of professional services firms

– Conference paper –

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Abstract:

Little is known about marketing and sales activities in professional services markets, e.g. management consultancy, audit, tax or legal advisory. This paper examines how professional services firms (PSFs) might organize their sales and key account management. The characteristics and challenges of selling professional services – for example long sales cycles and a “persona-oriented” quality perception – will be explored. Three main aspects of sales and key account management will be identified and described, 1) Building the account (client) team, 2) Interacting with the client and 3) Administering the account.

Note: There is little academic literature on the specific subject of sales and KAM of PSFs.

Therefore, the thoughts and ideas presented here are mainly based on the authors’ long-term working experience in the professional services industry.

Key words: sales, key account management, professional services firms

1. Introduction

Key account management (KAM) is one of the most important marketing and sales functions (Homburg, Workman Jr., and Jensen 2002). Professional KAM leads to enhanced customer relationships triggering revenue and profit increases with targeted customers (Capon, 2001, Arnett, Macy, and Wilcox 2005). However, KAM – i.e. serving and managing important customers – has received only little attention in the literature. This is especially true for the professional services industry. Very little is known how professional services firms (PSFs) manage their key customers. PSFs include e.g. management consultancies, law firms, accounting firms. One characteristic of PSFs is that their offering might span heterogeneous services. *Deloitte Touche Tohmatsu* for example, one of the biggest professional services firms¹, is offering services in the areas of audit, tax, consulting and corporate finance. This paper aims to explore which sales challenges PSFs with a diverse services spectrum are facing and how they might set up their sales and key account management.

2. Sales characteristics of professional services markets

PSFs can be characterized by 1) knowledge intensity, 2) low-capital intensity and 3) a professionalized, highly educated workforce (von Nordenflycht , 2010). Outputs of PSFs are “intangible services encoded with complex knowledge” (Greenwood et al., 2005). Due to their dependence on single personas professional services markets are frequently described as “people’s business”. This colloquial description indicates that the sales (and delivery) of professional services is closely linked with the individual persons selling and delivering the work. Due to their intangibility, professional services (e.g. management consulting) cannot be

¹ Deloitte had in fiscal year 2008/09 a turnover of 26 bn USD and almost 170.000 employees (Deloitte, 2010)

inspected before delivery. Even afterwards it is sometimes difficult to judge whether the PSF provided its services comprehensively and accurately (e.g. legal advice). Hence the quality of professional services cannot be identified in advance or only at prohibitively high costs.

Potential buyers of professional services try to anticipate the quality by the individuals which represent the PSF. It is a “persona-oriented” quality perception. In most PSFs the ‘sales representatives’ are also the ones who deliver the work. In other words, the sales representatives of PSFs embody their firms’ “product”. In management consultancies, for example, the firms’ directors are usually strongly engaged in both, the sales and also in the delivery process.

The persona-oriented quality perception gives more weight to ‘sympathy’ or ‘trustworthiness’ of PSFs’ sales representatives. Established personal relationships play an important role in professional services buying decisions. This is different to most business markets where rationale purchase decisions based on functionality and performance prevail (Anderson, Narus, and Arayandas, 2009).

PSFs typically face long sales cycles which can range from a few weeks up to several months and even years. This is especially likely when the PSF and its prospect don’t know each other through previous transactions. Buyers expect from PSFs profound functional and/or industrial expertise. Therefore, sales success in professional services markets requires to establish a constant dialogue with prospects and customers. This makes it important to interact and communicate regularly and on a long-term basis with each customer or prospect. By this, the PSF has the opportunity to demonstrate the demanded expertise.

The previously mentioned characteristics make clear that account management is one of the primary sales functions for PSFs. Business relationships between buyer and seller of professional services tend to span a very long time (e.g. auditors usually remain in a single

source position for several years due to high switching costs for the buyer). A highly efficient and professionalized KAM is therefore becoming a critical success factor for PSFs.

3. Key account management for PSFs

A consistent and deliberate account and opportunity management is prerequisite for building relationships with new clients and expanding relationships with existing ones. In the following the paper identifies and describes three main aspects of sales and key account management for PSFs, 1) Building the account (client) team, 2) Interacting with the client and 3) Administering the account.

1) Building the account team

Account team building as first step is especially important for PSFs with a diverse spectrum of offerings. Deloitte Touche Tohmatsu for example has different and autonomous business units in e.g. 1) audit, 2) tax, 3) consulting and 4) corporate finance and operations in 140 countries. It becomes clear that identifying the members of the account team is a critical as well as a difficult task. Due to the heterogeneity of its services these PSFs need to install an account *team* instead of a single key account *manager*. Nevertheless it is necessary to dedicate a 'lead engagement director' (figure 1). For designated key prospects/clients she is the PSFs' primary contact, responsible for leading the client relationship and coordinating the delivery of all services throughout the global network of member firms. The team lead should have a director (partner) level, a thorough understanding of the client and ensure members of the engagement team are appropriately knowledgeable. Through her role, her behaviour as well as her actions, the lead engagement director personifies the PSF. To fulfill this role it is necessary that the engagement director has deep insights of the industry in which the client operates. Even better would be a particular knowledge of the client's organization itself through previous projects and/ or work experience. It might be also considerable that the lead

engagement director is located in the same country as the client's headquarters to ease access to the client's key personnel. (e.g. lead engagement director of electrical engineering and electronics firm *Siemens* might be located in Germany).

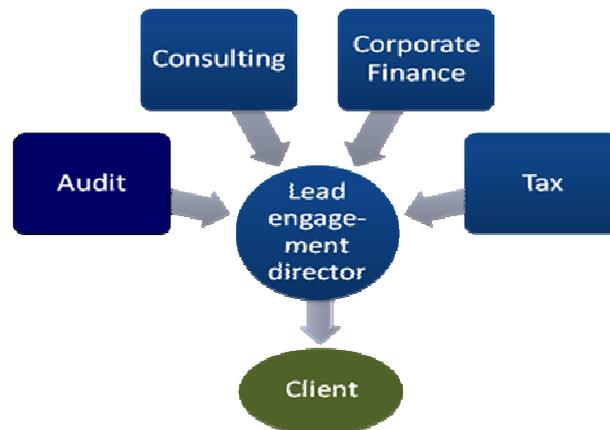


Figure 1: Example for an account team within a PSF

2) *Interacting with the client*

Communication plays a very important part in KAM (Schultz and Evans, 2002). Based on a comprehensive and insightful industry and company analysis the account team is required to develop an account and client interaction strategy. It consists of a strategic plan (Ryals and Rogers, 2007 underline the importance of key account planning) as well as an action plan stating overall objectives, opportunity identification and pursuit as well as 'contact maps' i.e. who of the account team contacts whom of the clients' company (e.g. monthly calls between lead engagement director and the clients' CEO). The most important part of client interaction takes place when the PSF won an assignment. While parts of the sales team might not be directly involved in the delivery work (e.g. the account team member representing the 'audit' business unit is not involved in a consulting project et vice versa) it is important that the lead

engagement director is participating and engaging actively in the delivery process. She is also responsible to anticipate, identify and settle problems and conflicts.

Overall the lead engagement director has to demonstrate a strong commitment and desire to establish and foster the relationship with the client. Beyond that the entire account team has to maintain contacts and pursue opportunities in other parts of the client's organization.

Administering the account

As mentioned before, PSFs might have a heterogeneous organization spanning different services and countries. The key accounts targeted by PSFs also tend to have a complex business structure. Therefore, PSFs need to support their sales and KAM by appropriate IT systems. These help to manage the entire account management workflow and ensure that all key account team members are up to speed. These systems should be able to administer e.g. opportunity identification and pursuit, contact maps and contact history between account team members and client personnel as well as information material and sales/ delivery presentations.

4. Summary

This paper aims to identify and describe the main sales and key account management challenges for PSFs. First, PSFs with a complex services offering and business structure have to identify and install a key account management *team* instead of a key account *manager*. The account team should be headed by a 'lead engagement director' who personifies the PSF and is perceived as a peer by the client firms' board members. The KAM team is the primary point of contact and interaction for the clients' organization. The account team is especially responsible for opportunity identification and pursuit. Third, an IT system is needed which supports the entire sales and KAM process and makes it transparent to all sales and key account management team members.

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