

The right business development goals (for you)

When you are developing business, are you trying to:

- Put yourself to work?
- Put other people to work?
- Get more money for each hour worked?

What are the right goals for you?

Measuring financial success

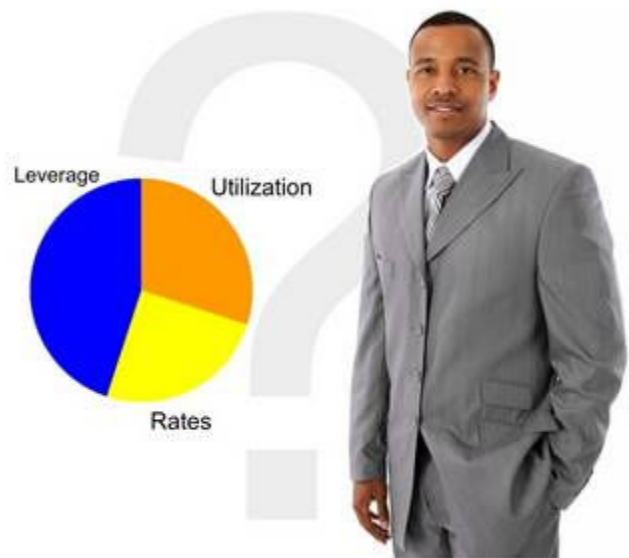
The standard financial measure for a professional services firm is profits per owner. This varies dramatically within a profession. For example, the largest 200 U.S. law firms ranged from \$250,000 per partner/owner to over \$3m per partner. Your profits per owner are determined in large part by:

- The *utilization* of your professionals -- how busy you or others in your firm are on paid work
- Your *rates* -- how much is collected for a billed hour of work, and
- Your *leverage* -- how many profit-generating people work on a typical project under the guidance of each senior professional.

People in firms with high leverage focus on keeping others busy

High leverage firms prosper by keeping many relatively inexpensive staff members very busy on paid work. The professional doing business development aims to keep the staff billing because the firm profits from each billing employee. At these firms, time senior people charge clients for doesn't significantly affect overall profits; what's important is keeping other people working. At large management consulting firms successful senior partners might bill 50% of their time. At large IT consulting firms senior partners might bill almost no time. But these senior owners keep an army of other profit-generating people working and spend time on business development to make it happen.

High leverage firms want as much leverage as they can get without excessively risking delivery quality. They'd rather have lots of junior people and work hard to keep them busy than shrink to get better utilization. They like and use leverage. They also like raising rates, which drop directly to the bottom line if clients aren't scared off.



People with low leverage focus on own utilization -- but can increase leverage

People in firms with low leverage (e.g., most law firms) try to keep themselves and 1-2 other people working. Owners profit from the work of their junior colleagues, but owners need to also bill for lots of their own time to bring in enough revenue. Professionals doing business development mostly worry about their own utilization because that's the source of most of their income.

If you are at a low-leverage firm, ask yourself why you have that structure. Perhaps you and your clients believe in low leverage: you all agree that senior people do better work and the clients want to pay for the most expensive people to do it. Or perhaps your low leverage results from senior people staying in their comfort zones. They'd rather do hands-on work themselves, because they are good at it. They avoid learning to sell and manage a larger group of lower-cost people, even though this approach would benefit both the clients and the professionals. At a low-leverage firm, you may have a big opportunity: face your temporary discomfort, learn to successfully manage more people and increase your leverage.

Sole practitioners need to think about rates and leverage -- not just utilization

Most sole practitioners focus on utilization. Every hour not billed to a client feels like lost money. Most would rather keep utilization high than do anything else.

However, sole practitioners' long-term success depends on a steady stream of work. That requires consistent investment in business development, even though it decreases short-term utilization. If you are a sole practitioner, you may need to reduce utilization in order to start, maintain, and convert relationships.

Sole practitioners also benefit from developing the ability to raise rates. Investing in developing your own skills enables you to create more value for clients and to charge more.

Sole practitioners can also add leverage to their model. By finding people they can oversee and deploy, a sole practitioner can morph into a small virtual firm, built on concrete opportunities to tackle more work than they can handle alone. By adding a network of reliable contractors you can sell more work than you can do, and can collect a margin on the people who help do the work. You can charge for the time spent supervising others, and profit from the work they do.

Something to try this week

Think about your own situation and your business development strategy. Ask:

- Does your strategy fit your firm's needs?
- Does your strategy fit what you are good at?
- Does your strategy fit what you want to do today and what you want to be doing in 5-10 years?

If your current strategy isn't right for you, think about how to re-orient yourself and your firm to a better path: increasing your own utilization, increasing the leverage you benefit from, or finding ways to raise your rates.

What are these tips?

These monthly tips are intended to help professionals create more business and enjoy their work more. We focus on how to start relationships, how to build relationships, and how to convert those relationships into sales.

Can you answer my questions about business development?

We'd be delighted. Please send any questions you have to questions@bridgewellpartners.com and we'll do our best to help you out. Or call us at 312-863-3489. Or visit www.bridgewellpartners.com to learn more about how we coach and train professionals to be better at business development and to enjoy it more.