

How to Build a More Successful Consulting Business

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We diligently study the inner workings of small and mid-sized consultancies. Many are high-performing firms, while others struggle. This experience has allowed us to zoom in on how successful consultancies operate and identify patterns that enable firms to grow and become successful. In this article, we'll discuss performance characteristics we've observed in incredibly successful consultancies. We'll also discuss why others fail—those who are stuck in a never-ending loop of chasing prospects, seeing low marketing and business development ROIs, and struggling to grow their revenue and profit.

#1. Showcase Your Expertise

Trust is a paramount factor for consultancy service buyers. They want to maximize the value they receive from a consultancy and minimize risk. That's why consultancies that stand out are the ones that showcase their expertise not by saying how expert they are but by showing it through audience education-driven marketing. High-performance consultancies we've enjoyed working with or observing have impeccable reputations in their niche market for deep expertise.

The most successful consulting firms communicate that expertise through a consistent flow of thought leadership pieces by their owners and leaders: case studies that show the outcomes of their work, blog articles that generously share advice and observations, outcome-based testimonials from past clients, etc.

All of this educational content is created within the parameters set out by their laser-sharp positioning. As such, it goes to the heart of the pain points of their target audiences. The result? **Their leads are >90% inbound!** This exponentially improves the predictability of the new project pipeline and significantly reduces the costs of new client acquisition, fueling profitable growth.

#2. Define Your Niche & Focus on Repetition

We are always amazed at how effective and efficient new client onboarding and project delivery processes are in high-performance consultancies. There are documented processes (SOPs) for 70-80% of what these two functions entail. There are perfectly synchronised tech solutions that automate most of the repetitive work. Client projects are executed with almost surgical precision. No wonder their clients are happy with the outcomes! Such levels of efficiency and predictability in outcomes result from these consultancies' narrow focus. The formula here is straightforward:

1. A narrow focus means strict parameters for the type of projects and prospects that a consultancy takes on.
2. In turn, this invites repetition: repetition in processes, the types of resources required, how the resources are allocated, etc.
3. Repetition over extended periods leads to more robust expertise depth.
4. Over time, repetition and expertise depth result in developing a signature methodology – a unique and proprietary approach developed by a consultancy to solve specific problems or address particular challenges their clients face.

Now, a signature methodology is the secret ingredient of consultancies' success. It's what allows them to be impactful in client work. At the same time, through repetition, the consultancy can eliminate the most significant inefficiencies and reduce costs.

#3. Not all New Business is Good: Follow the 70/30 Rule

Yes, all consulting firms will need new customers to grow! However, about 70% of revenue comes from existing clients for the most successful firms. This 70/30 split makes revenue highly predictable and stable (client development) while leaving plenty of room for growth and expertise sharpening (new clients).

Establishing long-term relationships with existing consulting clients provides stability and the opportunity to deepen consulting expertise. Additionally, existing clients make excellent case studies and generate referenceable work. Due to the depth of the relationship, it's also a prime opportunity for cross-selling and multi-threading within the client organisation.

We've narrowed down my observations on the success factors of sustained existing client relationships to these four pillars:

- Ensuring ongoing value delivery through project execution: To develop longer-term relationships with clients, it is essential to keep them happy with transformational outcomes that expertly address their pain points.
- Proactively fostering client engagement: From setting up round table discussions and subject-specific webinars to scheduling regular check-ins, consultancies that pay attention to their clients regularly and continue to deliver value significantly increase their chances of maintaining that client for a longer time.
- Designing service offerings accordingly: Additional value-added services or solutions that closely align with the core expertise of the consultancy provide clients with something tangible to commit to for a more extended period.
- Growing trust through key account management: I encourage consultancy owners and leaders to take on the task of KAM and build trust-based relationships with C-level executives at client companies.

Typical outcomes of seeing these strategies through include revenue per FTE growth, better margins, and improved revenue reliability.

#4. Achieve Strong Profit Margins with Non-Linear Revenue Growth and Process Optimisation

We've seen many small and midsize consultancies try to grow their revenue by adding new services to their portfolio – linear growth. They either hire talent to cover these new service offerings or re-distribute within the team. Often, these consultancies end up with positioning erosion and diminishing profit margins. Why? Because the resources could be utilised more efficiently, and the value provided to the client needs to be stronger to justify premium pricing. The average firm we work with has a project profit margin of around 20-30%. On the other hand, the high-performance consultancies that I've audited post outstanding **gross (project) margins of 50-60%**!

Smaller consultancies struggle to achieve sustainable results through linear growth because they try to compete on the *variety of services* against larger firms. Instead, We urge boutique firms to compete based on their depth of expertise and scale of impact. This necessitates

adopting non-linear growth strategies that enable growth without necessarily expanding services or increasing staff proportionally. Of course, new services can be added over time as the team grows. However, before they do that, we strongly encourage boutique consultancies to focus on increasing profitability by narrowing the focus (trimming the buffet of services), engaging in repetitive processes, developing a signature methodology, and optimising and automating as much as possible for maximum efficiency.

Bonus: Keep More Talent!

Running and maintaining a successful consulting business is rarely smooth sailing. When we talk to the owners and leaders of high-performance firms, I still hear a fair share of frustrations and complaints. However, we seldom hear about difficulties in attracting and retaining talent. There are many reasons, but most can be narrowed down to these consultancies' unwavering commitment to their strategy: being the absolute best in a narrow domain.

- The reputational footprint of these consultancies is attracting prospects and talent.
- Onboarding new employees is effortless thanks to documented processes and clearly outlined jobs and responsibilities.
- Remuneration is significantly higher than at similarly sized consultancies.
- Predictability in project pipelines means there are no periods of highs or lows, so employees are never overworked or underutilised.
- Such consultancies place enormous value on their employees' continuous learning and development to constantly deepen their expertise.
- Co-owners and leaders are aligned in their vision, which means there is internal cohesion.

In conclusion

High-performance consultancies are not born out of thin air. They are carefully designed and painstakingly executed. Owners and leaders at such consultancies whom we've spoken to share the same trait – they ruthlessly protect the parameters of their work and have no problem saying no to projects outside their well-defined expertise scope. Collectively, the characteristics we describe here are a form of a blueprint for boutique consultancies seeking sustainable success. By focusing on depth of expertise, cultivating long-term client relationships, and continuously refining their processes, boutique consultancies can establish a solid foundation for growth and profitability, achieving remarkable success in a competitive industry landscape.