

Managing Your Professional Services Providers

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The Innovation Centre's 2010 Boardroom Briefing Marketing Series provides a marketing tool box over six sessions with insights from expert speakers.

The first session on 'Managing Your Professional Services Providers' was presented by Terry Bethke, Principal – Munro Thompson.

Managing Your Professional Services Providers

No matter what business you are in it's likely you will have dealings with professional service providers.

This could include engaging the services of accounting firms, lawyers, marketing consultants, human resources, web development or information technology (IT) companies.

To ensure you receive the service you are prepared to pay for it's important to understand that doing business with service providers is a two-way street. This article will discuss how you can put in place a process to develop strong working relationships and avoid disappointment, whether as a customer or a service provider.

The article will also discuss the areas a good service provider should address such as their value proposition, listening to client needs, managing expectations, scope of work, costing and communication.

Why are Professional Services Providers Different?

- Purchasing a service rather than a product
- Services are harder to define
- Professional services firms are staffed by professionals with different levels of experiences/skill sets
- Professional staff are generally characterised as autonomous

What this all means is that it is often times difficult to measure the quality of the service. Once you understand this you are better able to appreciate the types of questions you should ask before you engage your professional service provider.

How Do I Find The Professional Service Provider That Fits?

1. “Scatter Gun” approach

If you are looking for an accountant/lawyer/town planner/architect or any other professional services firm you may be tempted to Google it or look it up in the Yellow Pages. These sources are useful in a sense of having a list of professional services firms that are servicing a geographic area.

You still however need to sift through the list to eliminate the ones that are not relevant insofar as they may have different expertise to what you may require.

You can probably eliminate on that basis by looking at the websites’ advertisements to see what they say they specialise in. Once you have done that you could randomly select a few, call them and interview them to see whether you can find one you are comfortable engaging.

2. Peak Bodies/Professional Associations

One way to get down to a smaller list straight away is ringing up their peak bodies, such as the Law Society or relevant institute such as the Institute of Chartered Accountants etc. They may have a referral system to get you a more condensed list of services providers.

3. Referrals/“Word of Mouth”

Perhaps the most effective way, and certainly from our personal experience, the source of most of our new clients is word of mouth.

What you can do to also locate a trusted service provider is to ask your associates, friends etc who they use for each particular service that may be relevant.

Of course, you need to still check that you are asking for a service provider relevant to the service you require, e.g. you are not going to ask someone that you know has been through a divorce who they used when you are after an intellectual property lawyer.

4. Previously Used the Firm

5. The Firm/Individual has demonstrated Expertise in the area you are seeking advice

In 2007, the Economist Intelligence Unit carried out a US study sponsored by Google of 220 executives on ‘engaging professional services firms’. When researching professional service providers nearly two-thirds of respondents stated that peers and colleagues (65%) were among the three most useful sources of information which also included asking existing clients of the firm (43%), followed by search engine enquiries (38%).¹

Picking The Right Firm – How Do I Choose The Right Professional Service Provider?

The tricky part about choosing the right service provider is the intangible element of services when compared to products. How you judge the quality of a service you have received can be very subjective. Also, the service delivered can differ from previous dealings with the service provider and variations may leave you dissatisfied.

As the research discussed earlier shows, talking to people whose opinion you can trust such as friends and colleagues or asking the existing clients of the firm about the service they have received are two ways you can gain confidence in your decision to select a service provider.

The Economist Intelligence Unit study also highlighted that the three sources most likely to influence opinions of a service provider's reputation included one on one contact with staff (74%), online information from the company's website (41%) and white papers or case studies (39%).

The saying that 'you can judge a business as soon as you walk through the door' has its relevance here. Now with the importance of having an online presence it's increasingly more common that a company's website could be the first point of contact for customers.

As a service provider, it's vital to ensure that every aspect of your business projects the right image when your potential customers make initial contact. This could include the professional appearance of all staff, the office facilities and the design and ease of access to useful information on the company website.

To measure the quality of the service delivered by a firm an instrument called 'SERVQUAL' identifies five main dimensions that customers use to evaluate service quality. ²

SERVQUAL

- Tangibles - "appearance of physical facilities, equipment, personnel and communication materials"
- Reliability - "ability of the organisation to perform the promised service dependably and accurately"
- Responsiveness - "willingness of organisation's staff to help customers and provide them with prompt service"
- Assurance - "knowledge, competence and courtesy of employees and their ability to convey trust and confidence in the customer towards the service firm"
- Empathy - "caring, personalised attention the firm provided its customers"

Outline A Clear Scope Of Works

Once you have selected a service provider it's important that both parties are very clear on the scope of work that will be carried out.

To get the most out of your service provider you should make sure that they understand exactly what you are after from them.

The responsibility of this falls on both the customer and the service provider. When meeting with the firm this is your chance to outline your problem and what you would like achieved. A good service provider should use this opportunity to ask relevant questions and listen to the customer's needs.

At this point it is also helpful for the customer to clearly state their expectations. This ensures that the service provider understands these and allows them to determine whether they are able to match these expectations based on their experience, skills and resources.

One of the biggest mistakes a service provider can make is to over-promise. When building a relationship and managing customer expectations never give a response that you are unsure of.

By being honest and admitting 'I don't know' and opting instead to actively research and find the correct answers for your customer you can avoid any disappointment.

If the service provider representative that meets with the customer, e.g. Account Manager, is different to the person/s that deliver the work, e.g. creative team such as graphic designers, good communication of the clients expectations and needs is vital.

It is also important that the staff dealing directly with customers are properly trained on the company's capabilities to avoid over-committing resources.

Problems could arise if the sales representative promises the world to a customer, however, when the company is not able to deliver everything that was promised this leads to the customer feeling short changed.

Having a well defined scope of works provides certainty to both the service provider and yourself on the costs expectation and the value of the service.

To narrow down the scope of work a good service provider could ask you to fill out a questionnaire or hold a facilitated meeting. This should allow the customer to list exactly what they would like delivered and what time frame they need it delivered by.

When you 'interview' your professional service provider you should gauge the level of questioning that they ask you as it generally reveals the depth of understanding of that particular service provider. It is often times that this drilling down with the initial questioning by the service provider will let you know how good they are in their ability to meet your needs.

Negotiating Costs

Do you get what you pay for? As a rule of thumb I would say that you get what you pay for in terms of your engagement of a service provider.

It is however sometimes difficult to make that judgment because often times it is difficult to compare apples with apples, especially when the expertise and experience of the service provider you are considering engaging have differing levels of skill and experience.

Be prepared to pay for the service that you require. Whilst cost is always a concern you should be realistic about what a service costs and whilst I have said that you generally get what you pay for it does not always follow that the more expensive it is the better the service.

A good service provider must be able to explain why a fee is being charged and the value associated with it.

The cost of a service will depend on a number of areas, including;

- Value proposition
- Hourly rate

- Fixed fees
- Time frames – urgency commands

How a service provider values their work should take into account how it is viewed by the customer. The service provider must answer – what is the value worth to you? This may be difficult to answer and vary among customers seeing as the value in one person’s mind will be different to another’s.

Also, the value may differ greatly depending on how urgent it is to the customer and how much notice they have given. If the customer expects a service provider to drop all other work to fit in a last minute request it is because it is of great value to them.

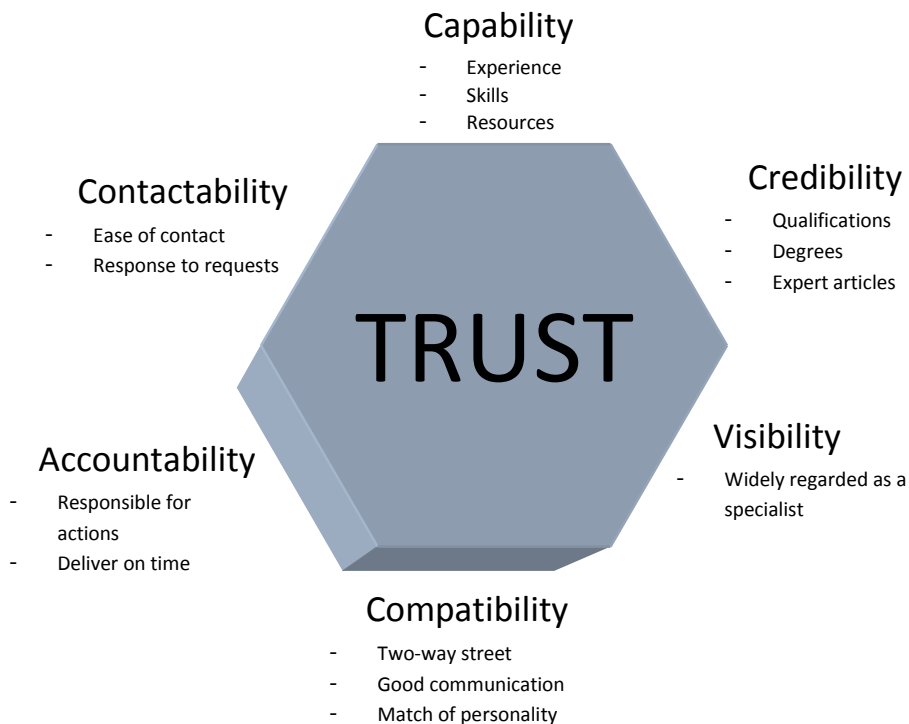
I venture to say that if your service provider is any good they will be able to communicate that value to you. For example, if your lawyer saves you \$200,000 on a deal or a tax liability what is the worth or value to you? What would you pay for that advice?

A cost agreement should include:

- An itemised breakdown of the costs associated
- Charges for any variations to the work by the customer
- Confirm this in writing and have both parties sign off

A Trust Relationship

Bringing the discussion together, I submit to you that the above elaborates on what essentially is a trust building exercise. See below the diagram regarding trust and the six “abilities” that we would suggest creates the level of trust enabling the best out of the relationship with your professional service provider.



Source: “Marketability – 1001 Tips” by Mark Vincent of Insight Plus

I would suggest that these are key questions you would be asking yourself throughout the engagement of your professional service provider, namely:

- Capability – Do they have the experience and skills to do the job for you?
- Credibility – Is the professional service provider an authority in that practice area?
- Visibility – Is your professional service provider known to have the expertise?
- Compatibility – Is your professional service provider good with forging strong relationships with clients? Can you both get on to get what is needed done?
- Accountability – Do they take responsibility for the service that they have provided? Do you pay on time?
- Contactability – Are they easy to get hold of or do they live in an ivory castle? Are you easy to get hold off to provide clear instructions.

The first 3 “abilities” above are for the service provider to fulfil. The last 3 are mutual obligations between the service provider and client

Once you have engaged a service provider you cannot just “set and forget”. You need to take an active interest in the outcome to get the best result. The inputs you put in (i.e. the parameters of the scope of works) will determine the quality that comes out. I suggest that you should also monitor progress of the work. This may come by way of reports to you from your service provider, which will allow you to gauge the progress. If you don’t get –ask for it.

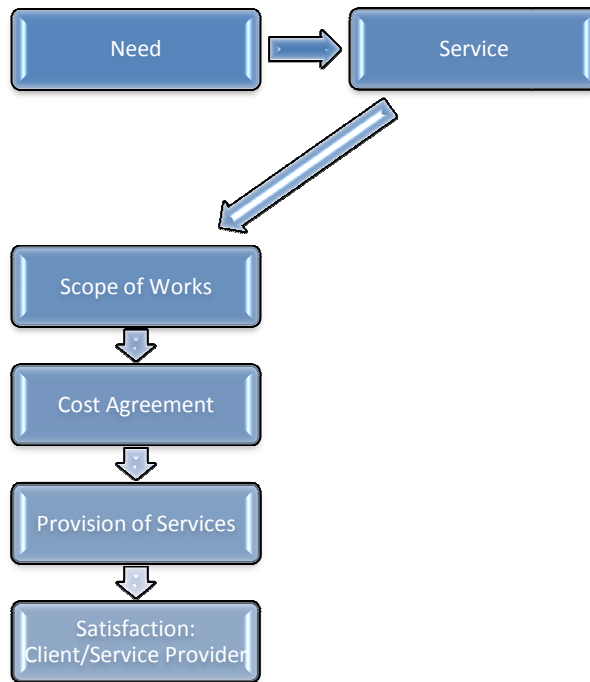
The corollary of the trust relationship is a mutual respect of each other’s position in the professional engagement. Where there is the trust/respect element, the engagement of the service provider will work.

Conclusion

As you can see, there is no science to the discussion. To a large extent it all makes intuitive sense. You need a service. You have sought the service provider.

Don’t be intimidated by the degrees, diplomas hanging on their walls or letters after their names.

To enable the coming together of the two parties with minimum tension your needs must be communicated clearly from your end and the ability to meet those needs must be reciprocated from the professional service provider’s end at a mutually agreed price so that expectations from both sides are met and a relationship of trust can be established and built in time.



- 1 The Economist Intelligence Unit 'Engaging Professional Services Providers'. Nov, 2007.
<http://a330.g.akamai.net/7/330/25828/20080324194908/graphics.eiu.com/upload/Google.pdf>
- 2 Zeithaml, V. A., Parasuraman, A and Berry, L.L. 'Delivering quality service: Balancing customers' perceptions and expectations.' 1990. The Free Press; New York.

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