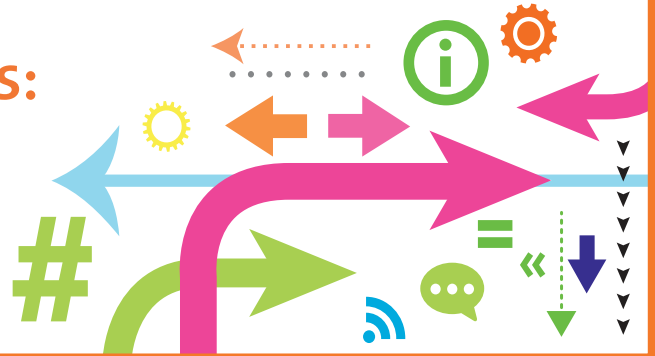


Perfecting the Pivot Series: Client Expansion



Pivot Imperatives

The clients of Architecture, Engineering and Construction (AEC) firms aren't what they used to be. Clients that were once highly coveted may now be more demanding, more fickle, less profitable and harder to keep. In our erratic economy, AEC firms must constantly enhance client relationships and grow "the pipeline" of new business or risk disappointing clients and falling financially flat. Client expansion and the ability to pivot a firm's client development focus have risen to the level of strategic imperatives.

A pivot, in business terms, is a rapid, significant and successful change of strategy – sometimes the shift is in the form of a fluid course adjustment and sometimes it is a radical new direction. The sporting world provides rich metaphors for the pivot.

In the sport of Cricket, for instance, a pivot refers to the body rotation of a spin bowler (in some ways, like a pitcher in baseball) who aims to deliver the cricket ball with extreme rotation on an angled axis so that when it hits the pitch in front of the batsmen it will bend from its expected path, making it tough to hit cleanly. The more that a bowler's body pivots on delivery, the greater the ball's rotational spin, the trickier the bounce and the greater the chance that the batsmen will be dismissed. The impact of a powerful business pivot is similarly embodied in its direction, spin and pace. The best AEC firms are pivot-ready.

On February 27, 2014, Avanade hosted a webinar panel discussion for AEC leaders titled Perfecting the Pivot held in conjunction with Engineering News-Record, FMI Consulting, Microsoft and Creative Growth Group¹. [Access the recorded webinar on-demand](#) if you have yet to view it. This document is the second in a series of four Executive Briefs emerging from that conversation and designed to help AEC firms perfect their ability to pivot especially through the use of technology.

Four trends are forcing AEC firms to shift strategies and tactics at a far greater pace than ever before. The four imperatives are:

1. Agile Adaptation:

This is a firm management and cultural imperative demanding an environment of measurement, transparency, and rapid, fact-based decision-making.

2. Client Expansion:

This is a revenue imperative based on the relentless pressure to grow existing client relationships and new client revenue in a marketplace defined by perceived scarcity.

3. Changing Workforce:

This is a people imperative linked to the disruption occurring due to a radically changing, multi-generational workforce increasingly dominated by the Millennial Generation of workers who are extremely tech savvy.

4. Collaborative Execution:

This is an execution imperative driven by a tsunami of collaboration technologies and by rising corporate interdependencies that are shifting how we work with colleagues and clients

This Avanade Executive Brief addresses the second of the four Pivot Imperatives: Client Expansion.

Client Expansion Options

The signals that alert your firm to the need for a client expansion pivot are often quite clear. The obvious red flags include a persistently meager revenue pipeline, extreme difficulty in gaining the interest of prospects and tediously long stretches of time required to bring new business opportunities to fruition. The path forward, though, is rarely as clear. The client expansion approach you choose depends upon the direction, spin and pace factors needed to succeed in your market and on the methods you select – build, buy or borrow - to pursue that growth.

Success Factors

As with a Cricket bowler whose success depends on the direction, spin and pace of his delivery, your successful client expansion pivot depends on those same factors.

Direction - In a business pivot it is hard to know with absolute certainty that your new client expansion approach is the correct one. At best, you can gather facts, establish an informed hypothesis and test it out. You need to be at least directionally correct but how accurate your aim is will only be revealed once you've obtained "real world" market feedback. Then you need to course correct and do it again. Pivoting on client expansion is a highly iterative process. It is a constant process of picking a direction and then redirecting as needed. Robert Boyd, the famed U.S. naval aviator who transformed air combat strategy, characterized the process in his O.O.D.A. loop methodology. Here's an AEC version: Observe what's happening in your client

and prospect pool. Orient yourself and your colleagues to the new revenue reality and to alternatives. Decide which direction you will head after quickly evaluating various hypotheses. Act with all due force. Then loop back and do it all again.



Spin - If the spin of a ball refers to its unique rotation while traveling forward, the spin of a client expansion pivot for an AEC firm refers to the uniqueness and boldness of the new approach selected. To what degree does success require significant spin? For example, must you carve a brand new market category for your firm or adopt offerings that have never before been presented to your client base? To what degree does success require subtle spin? For instance, are you better off pivoting just 1-degree rather 180-degrees? The amount of spin involved with your pivot – or, even, whether you end up pivoting at all – is dependent on your firm's culture and risk tolerance. For many AEC firms this tolerance is remarkably low and inertia takes hold unless or until outside forces – or smart advisors and board members – instigate more aggressive spin.

Pace - Pace refers to the speed of the pivot process and the client relationship and the revenue acceleration that the pivot enables. How quickly do you intend to make the change to your client expansion efforts? How quickly do you need those changes to pay dividends? How much faster than your competitors must your firm be to succeed? How aggressive must your marketing and business development efforts be to win? No matter how many numbers you crunch, there's usually no way to know for sure how fast you should make a customer expansion change. You need to gage the window of opportunity you have to capture the benefits of your pivot before your competitors shift in the same direction. You need to gage your colleagues' and your current clients' ability to hold up amidst the pace of change. As with spin, the pace with which your pivot occurs requires a watchful eye and iterative treatment.

Growth Methods

In professional sports, a general manager may choose to change the nature and performance of his team through a combination of cultivating existing players, acquiring new ones for a price in the Draft process or by trading for different players. AEC firm leaders have the same growth pivot opportunities. They may choose some combination of building, buying or borrowing the resources they need for growth depending upon the extent to which they have capital, risk tolerance and a clear pivot focus.

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Build – Building growth capacity refers to organic, do-it-yourself revenue generation. There are myriad ways that an AEC firm might pivot their organic growth efforts?

- **New Client Pivot** – Your client expansion pivot might emphasize “net new” clients and revenue. You might change or expand your new client development focus to address different:
- **Locations** – Expand or shift the geographic areas where you seek to serve new clients.
- **Segments** – Expand or shift the types of customers you choose to serve. Consider the demographics, psychographics and situations facing your ideal clients and what elements you need to pivot to improve your business development success.
- **Solutions** – Expand the types of services you deliver in order to capture new clients that you haven’t previously been able to attract.
- **Existing Client Pivot** – Your client expansion pivot might, instead, focus on making a dramatic shift in the relationships you have with your best existing clients. In addition to letting go of toxic clients, you may choose to initiate a Strategic Account Management & Client Experience program to super-please and do more business with your most profitable and high potential clients. This might include following your clients’ geographic expansions by locating new offices. It might include creating new offerings to address the specific needs of your best clients.

Marketing and Sales Effectiveness Pivot

Your client expansion pivot might first and foremost emphasize a major change in your firm’s marketing and sales efforts.

Positioning and Messaging: You may need to claim a more unique, untested market position to succeed in your firm’s shift. How might you alter the parameters upon which client decisions are made about firms like yours?

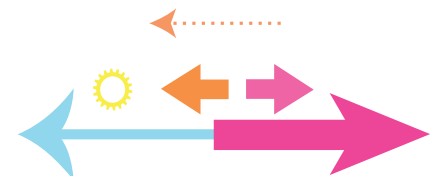
Leverage: In professional services firms in the AEC market, growth is a result of conducting more of the right conversations with more of the right connections more often and within more of the right context. More volume of activity and outreach matter but are hard to achieve when your best marketing assets (your professionals themselves) are deep in the midst of current client work. Finding a massive shift in leverage – the ability to get more revenue generation accomplished without requiring more of your expert professionals. Radical leverage increases can arise through activities such as content marketing in which you write or speak once but reach many, repeatedly. You can get more marketing leverage by tapping other people’s or organizations’ connections, brand credibility, and expertise – for instance, by making tremendous strides in your referral marketing efforts. There are many other ways to gain leverage but the question is, how might you make a major pivot in this area?

Buy – When you need and can afford to get big, add capabilities, fill their talent coffers or penetrate new markets fast, your firm may choose the primary path of pivoting through acquisitions. Publicly traded AEC

firms that have experienced big stock price increases over the past 12-months and whose need to demonstrate constant growth are motivated and equipped to buy competitor firms to build revenue. Firms fueled by private equity firms that expect rapid ROI results may also be highly motivated to acquire their way to growth. Firms seeking entrance into new international markets or even broader domestic markets often pursue the acquisition mode of pivot.

Borrow – “Borrowing” capabilities for a client expansion pivot means tapping Alliances, Joint Ventures, and other Strategic Partnering arrangements more aggressively or differently. We call this “borrowing” because you are temporarily gaining benefit from an integral advantage that your alliance partner brings (but you don’t yet possess) and which helps you shift direction.

- For instance, while AEC Joint Ventures are typically project specific, sometimes firms will use the JV approach to enter a new geography when the desired country requires majority ownership by a business that is native to the country. A good example of this is the Dutch-Thai engineering joint venture that was known for many years as Chuchawal – De Weger (CDW) and now called Chuchawal Royal Haskoning. This pairing has operated successfully in the Thai marketplace for nearly 40 years. Without this JV, the Dutch company (De Weger) may not have participated as profitably – or at all – in the Thai market which has a stringent 51% Thai ownership share policy.



- Alliances may provide a pivotal bridge to new markets or playing in the same market but at a much grander scale. In one example, several engineering firms with complementary skills, specific geographic strengths and relationships joined forces to compete against much larger organizations to better serve the oil and gas market in Alberta, Canada and the Gulf of Mexico regions. These alliance partners – Morrison Hershfield² and SSOE² – report positive results in collaboratively pursuing, penetrating and winning new oil & gas projects together.

- The Global Design Alliance (“GDA”) is an example of a consortium of AEC firms that have decided that it is better to monitor trends, to shift and to pivot as a team. In 2013, their website touted, “The GDA is an alliance of firms from the architecture/engineering and construction industry who are keenly aware that our world is changing. Integrated delivery methods, building information modeling, globalization and a desire for sustainability have dramatically shifted the eco-system in which we live. We believe trust-based teams are the key to thriving in this new world. As a living experiment in trust-based teaming for almost 20 years, the GDA represents over 2,500 employees with over \$425 million in design fees each year and over 50 offices in eight countries.”



| | Direction | Spin | Pace |
|---------------|--|--|---|
| Build | Pivoting to serve a new client segment through hiring, developing and supporting colleagues in their effort to penetrate that segment. | Pivoting by developing a highly innovative capability or service offering using the firm’s existing internal resources – which enables greater penetration of existing markets or which enables entry into new segments. | Pivoting organically but rapidly through major ramp up in hiring and training efforts; through building or retooling systems for better scalability; and/or through heavy marketing/sales spending. |
| Buy | Pivoting to serve a new client segment through acquisition of a firm already entrenched with that segment. | Pivoting by acquiring an organization with a highly innovative capability or service offering – which enables greater penetration of existing markets or which enables entry into new segments. | Pivoting quickly through a financial war-chest, a simplified M&A deal structure; and a streamlined integration process. |
| Borrow | Pivoting to serve a new client segment through partnering with others who are already entrenched with that segment. | Pivoting by partnering with an organization that has a highly innovative capability or service offering – which enables greater penetration of existing markets or which enables entry into new segments. | Pivoting quickly through a dedicated alliance team, faster/more-flexible partnering arrangements; and a vigilant partner accountability plan and process. |



Pivot-Ready Technology for Client Expansion

Prepare to pivot well ahead of your need to do so by equipping your firm with the right supporting technologies and the best expert advisors to implement them. The right business management and marketing systems, in particular, will allow you to most efficiently shift direction and will support scaling without derailing.

Shift - The right Enterprise Resource Planning (ERP) solution can provide the guidance system you need to spot trends and respond with agility; to manage your pivots and corrections. Is your current solution pivot-ready? How easily does it allow you to collect and decipher data from disparate parts of your firm? Does your existing ERP solution enable the professionals across your firm to make confident decisions about high-risk business situations based on data from multiple sources? The right Customer Relationship Management (CRM) system will provide ready access to client information that can help you emphasize faster-growth segments and, integrated with an agile marketing automation solution, lets you test your new client hypotheses and more quickly convert prospects to clients.

Scale - If you are planning to grow through acquisition, equip your firm now with an ERP system that can readily and smoothly integrate with the business systems of new or combined entities. If your pivot will be fueled through alliances, partnerships or joint ventures, you will need technology

tools that let you track key partnership performance metrics, ensure that all contract obligations are met and identify potential problems in the relationship before they become critical and support group-decision making and collaboration. If you will pursue an organic, do-it-yourself client expansion shift, a pivot-ready ERP system should efficiently expand to support new users, new locations, and new lines of business. It should help you manage organizational changes, maintain the right staffing levels and assignments as well as manage recruitment—including hiring en masse. Similarly, a pivot-ready CRM solution should easily scale to meet the demands of rapid growth – including big growth in your client data.

We have intentionally crafted Avanade’s pivot-ready service offerings and the Microsoft Dynamics AX and CRM systems that we implement to enable maximum agility for firms like yours. Our commitment to provoke your thinking on issues such as client expansion is an example of our dedication to AEC industry success. Stay tuned for two additional Executive Briefs on Perfecting the Pivot. In the meantime, consider this question: How pivot-ready are you? Contact Avanade’s AEC technology experts for a Pivot-ready Assessment and we will help you find the solution.

¹ The webinar, “Perfecting the Pivot: How AEC Firms Can Gain Agility through Innovative Technology and What Happens When They Don’t” occurred on Thursday, February 27, 2014.



About Avanade

Avanade helps customers realize results in a digital world through business technology solutions and managed services that combine insight, innovation and expertise focused on Microsoft® technologies. Our people have helped thousands of organizations in all industries improve business agility, employee productivity and customer loyalty. Avanade combines the collective business, technical and industry expertise of its worldwide network of experts with the rigor of an industrialized delivery model to provide high quality solutions using proven and emerging technologies with flexible deployment models—on premises, cloud-based or outsourced. Avanade, which is majority owned by Accenture, was founded in 2000 by Accenture LLP and Microsoft Corporation and has 20,000 professionals in more than 20 countries. Additional information can be found at www.avanade.com

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