

50 TIPS

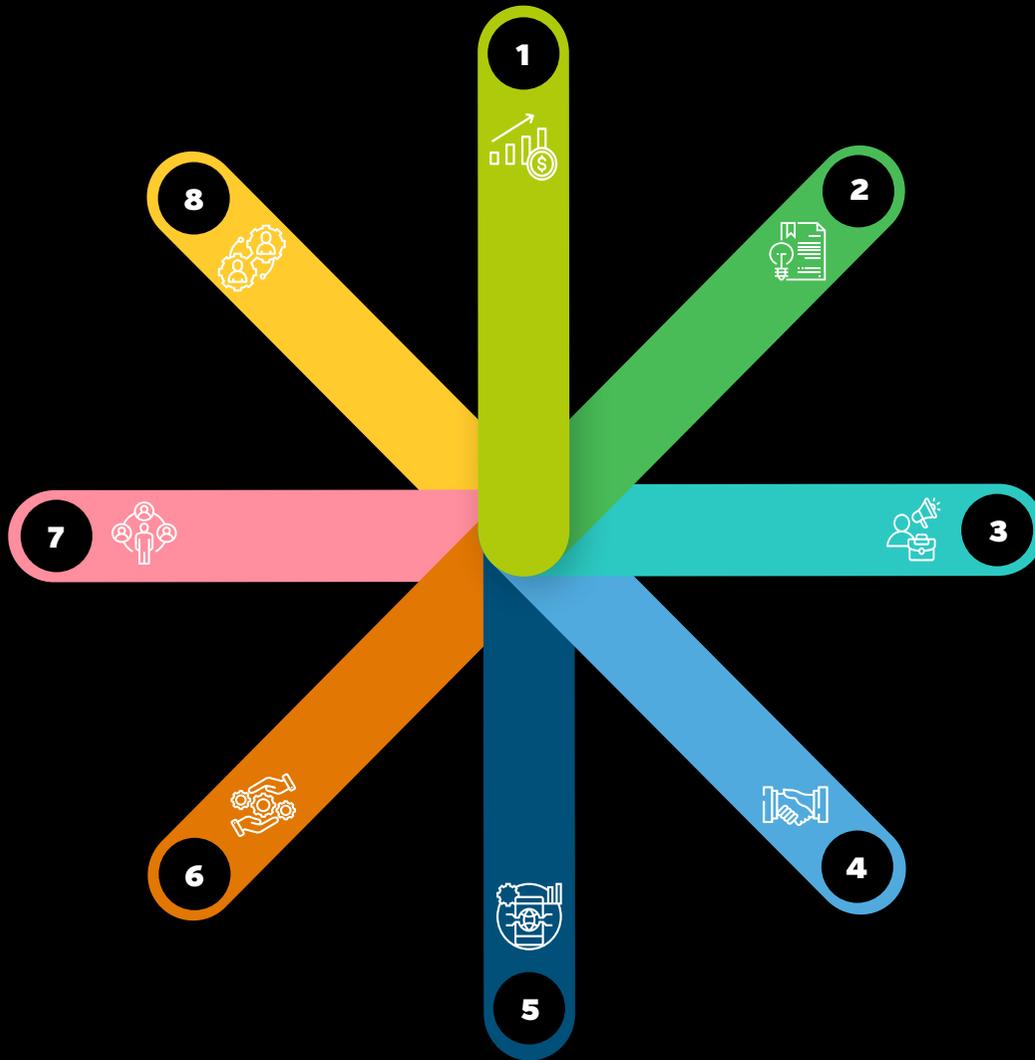
For Owners of Consulting and Technology
Services Firms to Maximize Value



Growing equity, realizing value



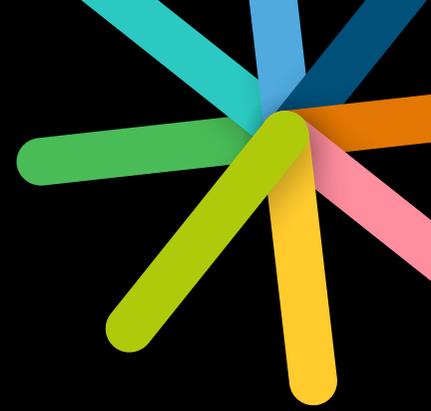
The Eight Levers of Equity Value



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The Equity Growth Wheel

A proven model for profit and equity growth in consulting and technology services firms



Equiteq has been working exclusively with consulting and technology services firms since the early 2000's. We engage with our clients to help them grow their value and realize that value through successful transaction events – finding the best buyer, or investor, at the best price to ensure the best future for their company. As you can imagine, we have engaged with thousands of firms, and thousands of buyers and investors, so we have a pretty good idea of what consulting and technology firms need to look like to be as attractive as possible to buyers, and to be confident of having the best possible chance of a successful transaction.

We have distilled much of this knowledge into the 50 Tips contained within this little book. Each tip gives you

a valuable insight into how a buyer will see your firm, and what good will look like to them. As always, there will be exceptions to the rule but, in general, if you implement the tips you can be sure that a buyer or investor is more likely to see your firm as an attractive acquisition.

The tips are organized into our eight levers of equity growth – a model we have been successfully using and refining for many years.

We hope you find the tips useful and that they will contribute to the growth of your firm. If you are sure that you do want to sell your company in the future then you will want to know who might buy you, what they will pay for you, and how likely a sale will be to succeed.

Equiteq has run many hundreds of strategic reviews with consulting and technology firms which answer these exact questions. Integral to our reviews, which are inclusive, interactive events, is a benchmark based on the eight levers of equity growth. If you like the tips, but feel you are ready for a deeper look at your transaction strategy, then please contact us – we'd be delighted to talk.

Meanwhile, good luck, and let us know how you get on.





Growth Strategy

It's easy to say your goal is to grow the business, but difficult to achieve without a strategy. To be effective, your growth strategy will be thoroughly researched, fact-based, written down and communicated. It will align the business around a common purpose, with a clear vision of the future, and inspire your people to deliver it.

For buyers, a good growth strategy gives confidence to their business case and provides direction for future business success.

1

01

Purpose of the Business

Why does your business exist?

According to research from EY and Harvard Business Review, nine-in-ten executives recognize the importance of having “an aspirational reason for being which inspires and provides a call to action for an organization.”

In other words, it’s essential to develop a strong purpose - or reason for being - that underpins your business strategy and decision-making.

Having a clear purpose provides a ‘north star’ that aligns and motivates your business, facilitating higher productivity, greater trust, increased revenues, and faster innovation.

Yet articulating your purpose can be challenging, which is where books such as Start With Why by Simon Sinek can help. If you’re not convinced that everyone in your organization could clearly articulate why your business exists, then work with your management team to define a purpose that everyone can align behind.

And remember, for your purpose to truly matter and be effective, it needs to be lived throughout the organization - not just used as a catchphrase on your website.

1 Growth Strategy

TOP TIP

Look for inspiration in examples of purpose that are clear, concise, and communicate value can further support your efforts:

- We exist to help open the doors of finance to all and to protect those who enter
- We help governments and social impact organizations turn ambitious goals into everyday reality for people all over the world
- We help entrepreneurs achieve the reward for their innovation and sacrifices

02

Business Strategy

You wouldn't leave home on a journey without an idea of how to reach your destination, so think of your strategy as the map that leads you to your business objectives and outlines how you'll grow.

A well-articulated strategy aligns your service offerings, market sectors and geographies to those where you have a real 'Right to Win'. Focusing your business is integral to driving growth and creating future value. Once you have defined your areas of focus, be careful not to let reactionary initiatives drive you off course.

An effective strategy will be thoroughly researched and articulated, coherent, succinctly documented, and informed by market research, competitor and market share analysis. It will define the realistic future state of your business to meet stakeholder requirements within a defined timeframe, typically the next three to five years.

Where appropriate, detail your inorganic growth strategy, identifying the types of firms to buy, the value they will bring to you, and the benefit you will bring to them.

1 Growth Strategy

TOP TIP

Use a strategy framework, such as the Business Model Canvas, to refine your thinking and kick-start productive conversations internally. Here are a couple of sources that will help:

- › **'Business Model Generation'**
by Alex Osterwalder
and Yves Pigneur
- › **'The Corporate and Strategy Toolkit'**
by former McKinsey, Deloitte
and BCG Strategy Consultants

03

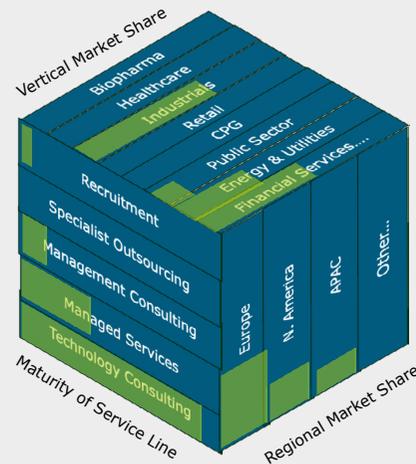
Addressable Market

Identifying your addressable market helps you understand what a market is worth and what return you'll get from investing in it. It also helps buyers decide if they should invest in you!

Defining your market enables better decision-making, more dynamic targeting, and acts as a critical data point when deciding on new ventures. The data it provides can play a critical role in roadmap prioritization, marketing, and deciding future strategic goals.

A best-in-class understanding will provide a clear quantification of the size of both your existing and target addressable markets, and offer a detailed diagnosis of competitor capabilities.

It should factor in current market share, growth rates, and attractiveness of markets; as well as a potential market share based on your 'Right to Win'.



The example above shows an addressable market cube comparing Vertical Market Share, Regional Market Share, and Maturity of Service Line.

1 Growth Strategy

TOP TIP

Create a total addressable market cube to quickly visualize and compare different data points from your market research, enabling more effective decision-making on future ventures.

04

Competitive Understanding

There will nearly always be strong competitors in any market, and you need to know who they are, how you might counter (or copy!) their strengths, and exploit their weaknesses.

This also requires a good explanation of your own competitive commercial models, competencies, and positioning.

Try to actively monitor and understand the strategies of significant competitors: subscribe to newsletters, follow social media feeds, keep an eye out for market activity, and always ask clients that choose competitors over you why they did so.

These insights can enhance your own strategy, protect your current and future market position, and better inform operational tactics (e.g. targeted recruitment, pitching against specific competitors, etc.).

1 Growth Strategy

TOP TIP

Research and map relevant competitor characteristics, data, and insights in a framework, then distill this into a list of top five to ten competitors that identifies their strengths and weaknesses.

You can then make an explicit connection between your strengths and competitor weaknesses at a tactical level, and use this to inform your marketing and conversations with prospects and clients.

05

Business Planning

'Fail to prepare, prepare to fail' goes the old adage. Whether personal goals or business objectives, the future needs planning or it is unlikely to be as successful as we would like it to be.

Despite what consultants may tell their clients about the importance of planning, in Equiteq's experience consultancies and tech services firms don't always have effective business plans for their own organizations - beyond perhaps a budget and an optimistic sales plan!

A good business plan outlines key business actions for the next 12 months, linking the strategic objectives of the company and the personal objectives of the leaders at an appropriate level of aggregation. It will be capable of supporting ongoing Management Information dashboards and analysis to ensure it is executable and will take your business where it needs to go in the next year.

1 Growth Strategy

TOP TIP

Not convinced that you have a satisfactory plan in place? Then use Equiteq's Business Plan Template to create a planning document that is comprehensive, relevant, concise, and useful.

[Download your template](#)

06

Equity Participation

There are two main reasons for increasing equity ownership beyond the founders:

- To incentivize and reward those who helped you grow your business beyond a value you could have reached without them
- Buyers normally expect key people to own shares in order to tie them into the business with a post-transaction earn-out

Share options often provide a flexible approach that is beneficial to both the recipient (no investment needed, no tax to pay until a sale takes place) and the business (no complications if the recipient leaves prior to a deal). Giving options, rather than shares, should always be considered.

The degree of equity participation that you decide to implement should be based on a well-understood clarity of purpose that supports both your business and transaction strategy.

Ultimately, of course, equity sharing will be strongly influenced by the philosophy of the owners and how they perceive the best way of delivering a balanced and fair set of outcomes for all shareholders.

TOP TIP

Look to address equity participation sooner rather than later, and make sure you have appropriate legal and tax advice when designing a scheme.

In Equiteq's experience, leaving it late can result in key people leaving or shareholder tensions at the time of transaction, which is complicated enough as it is!



Market Proposition and IP

Having a clear, valuable, differentiated, focused proposition enables you to be clear about who your clients should be, where to concentrate your marketing efforts, and what IP you should develop to train your staff to deliver high-quality, high-margin services.

For buyers, a clear proposition will allow them to understand where your business will fit in their portfolio; and strong IP gives them confidence they will be able to scale the business.

2

07

Type of Proposition (Overarching)

A strong proposition catches the eye of prospective clients and compels them to act.

Built upon credibility and value, an effective proposition outlines the client problems that your business is solving, how you solve them, and the value that you deliver.

The more you can link your proposition to this value the better because clients ultimately want to hear about benefits and outcomes - they want to know that your service will deliver more than it costs!

This means that your proposition needs to be more compelling than your competitors.



TOP TIP

Develop a proposition that clearly communicates client value and emphasizes how that value is delivered. A great example of such a proposition is: “we help our clients grow revenues and profits through better pricing.”

Why is this so strong? Because it addresses a key client problem [growth], concisely describes how the problem will be solved [‘through better pricing’] and highlights the value this delivers [‘grow revenues and profits’].

08

Value and Relevance to Client (C-Suite Agenda)

Propositions that command the highest fees are those that solve the most compelling, most important, and most urgent problems that your clients' C-suite face.

It's easier to unlock funding for those interventions that have bigger impacts on a client's business, than those that address business as usual.

Buyers of consultancies and tech services firms like such propositions as it gets them influence at the top table, opens the door to provide other solutions, and ensures longer-term security of revenue.

 **TOP TIP**

Stay on top of the industry trends and challenges that are strategically important to the C-suite, then map out how your service offering propositions link together to meet their needs.

09

Uniqueness and Differentiation

Standing out in the market can be difficult if potential clients can't differentiate your offering from the competition's.

At Equiteq, owners often tell us that it's their people that are unique and that that's why clients buy from them. Whilst it's obviously true that people are unique it's not enough of a differentiator, because it's true for everybody! So, by all means talk about how good your people are, but make sure that's not the only differentiator you describe.

What should really differentiate your firm is the way you solve client problems and the value you deliver. The more unique your data, methodology, analysis, technology [all codified in Intellectual Property (IP)], and the more value you deliver, the more differentiated your proposition will be.

This will make you attractive to clients, as well as to buyers and investors.



For each of your service lines articulate what differentiates your methodology from the competition.

10

Segmented, Focused Propositions

A compelling proposition is a focused one. An inch-wide, mile-deep focus can unlock big benefits for both your business and your clients.

Focusing your efforts in a specific direction makes it easier to develop IP, become well known in your market, and to build a strong brand reputation. It also makes it easier to train people and bring them up to speed so they can begin adding value more quickly with better results.

And when it comes to it, focused propositions make it easier to sell your business: strategic buyers will know exactly where to put you in their portfolio service offerings while private equity buyers will have a simpler story to buy into.

It is imperative then to ensure that propositions provide clear solutions to the needs of clients across your different markets.

This demands a razor-sharp focus on your business niches and an ability to resist diversification that might dilute your focus.

TOP TIP

Clearly articulate where your propositions are focused – what you do and what you don't do – and check how many of your employees, and clients, know this. If everyone isn't singing from the same hymn-sheet, you have work to do!

11

Support to Long-Term Client Retention and Expansion

Does your proposition enable you to grow your revenue with existing clients?

Winning new business is essential – but what happens when an engagement ends?

The growth of your business depends upon developing propositions that enable long-term revenue streams from your existing client base.

Recurring revenue can be unlocked in a number of ways:

- Develop propositions that naturally lead from one of your offerings to the next. In other words, create your own space and move into it.
- Create a strategic envelope up-front with your clients that describes a long-term plan. Prove your value at each stage before moving on to the next phase.
- Establish a dependency by embedding technology and data collection that you are best-placed to manage.

Landing and expanding is the key to growing revenues in existing clients. The most effective propositions will enable your business to establish long-term relationships that lead to multiple high-value engagements; long-term, recurring revenue; continuous delivery of benefit; and client longevity.

TOP TIP

It's much easier to sell to an existing client, so look to develop propositions for them that include a long-term vision showing clear benefits over time.

Start by examining how effective your current propositions are at leading from one phase to another. If there isn't a logical flow then you need to develop one.

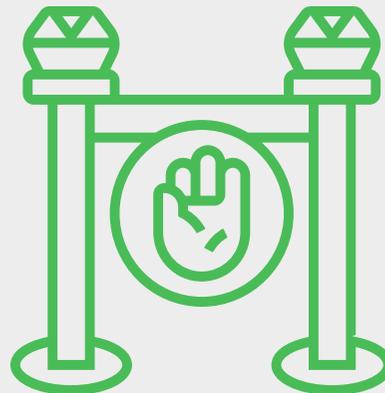
12

Barriers to Entry

Barriers to Entry reduce the risk of competitors entering your segments and stealing your lunch. Once you're in, make sure no one can come and kick you out!

To establish strong Barriers to Entry, your business will need to clearly and consistently display brand strength underpinned by domain expertise; unique, proprietary IP; and scale [size, geographic coverage, services].

With these in place it is much harder for a disruption within the client, such as a change of CEO, to result in you being replaced by a competitor.



 **TOP TIP**

Imagine a new CEO has just been appointed in one of your major clients. The new CEO has a strong relationship with one of your competitors. What would stop them replacing you with the competition at the next opportunity? (The answer, by the way, can't just be that lots of people in the client like you!)

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Strategic Brand Development

As your business grows, it is essential that your brand develops with it and doesn't get left behind to become tired-looking, out of date, and unattractive.

Active board-level ownership of the brand is essential to ensure that it predisposes prospects to buy, reaffirms their decision to engage, and establishes the business as an attractive enterprise to wider stakeholders, including current staff, potential recruits, business partners, suppliers, and future investors.

Effective brand development is far reaching. It articulates the uniqueness, identity and relevance of your business and its solutions/services to your target audience; it aligns the brand to your purpose, vision, mission, and values; and delivers consistency to your brand tone of voice and design.

TOP TIP

Challenge yourself on the freshness and relevance of your brand – does it convey your purpose, direction, strategy, and capability? If not, make sure you have individual, C-level accountability who get it up to date and keep it there.

14

Strategic Innovation

Your IP is what changes you from being simply a collection of clever individuals into a scalable business that delivers better quality solutions at lower cost, more reliably, and with greater benefits than your competitors. Buyers and investors also love IP because it means they can scale the business more easily.

IP includes structured methodologies, technology accelerators, data and trade secrets.

If you're only developing IP for clients then you will be missing out on the opportunity to solve similar problems in efficient, effective ways (and the problems will be similar if your proposition is focused!). You need to capture the knowledge and expertise that you develop with your clients and turn it into something modular that you can sell elsewhere.

Those at the forefront of strategic innovation will have a well-developed process in place, with C-suite level accountability, to develop and manage the lifecycle of IP to support business strategy.

TOP TIP

Create a library of your IP containing the delivery methodologies, templates and processes you have codified as a business. Work out the gaps and put someone senior in charge of filling them.



Sales and Marketing

Business growth requires new clients, and you don't get new clients very easily without a strong sales and marketing operation that creates a flow of high-quality leads. Developing a strong strategic brand also helps you attract future employees, and future acquirers.

Buyers like to see effective sales and marketing processes that underpin future growth and demonstrate scalability.

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Territory Management

Clear territory management enables better focus on integrating sales and marketing to drive sustained growth. It also helps minimize wasted time, avoid duplicate effort, and enable better collaboration.

Effective territory management demands a clear segmentation of your target market in line with your business strategy. Your ideal clients will be defined and there is a clear accountability for sales and business development in each territory.

This should be updated regularly to optimize your ongoing focus and activity.



 **TOP TIP**

Clearly define your ideal clients and precisely who is accountable for each segment of the market to avoid missing opportunities or wasting resources.

16

Content Marketing

Telling a complicated story in a simple and compelling way is a core skill for any consultant.

Paradoxically, although consultants use this skill in their day job, getting them to deploy it to create marketing content nearly always proves difficult.

Creating and sharing high value content that addresses the needs of your prospects is a vital part of any effective sales and marketing machine. It demonstrates your expertise, builds credibility, and enables better engagement with prospects.

To be successful you need to properly resource and plan this activity: don't hope that one day your consultants will finally get round to writing that dazzling case study - they probably won't!

TOP TIP

Create a plan of the marketing content you want to create in the next three months and allocate resources to make it happen. This plan needs to be overseen by a senior member of the team (to make sure it happens), include consultants (to provide the content), and maybe a journalist-level copywriter (to make sure it's interesting!). And don't stick to written material - short, punchy videos are often even better.

17

Outbound Marketing and Lead Generation

Without effective outbound marketing you may end up being the industry's best kept secret, which is not somewhere you want to be!

Using outbound marketing to generate high quality leads requires coordinated, multi-channel programs that deliver value-adding content aligned to the needs of prospects in your target segments.

Get this right and you'll be able to deliver relevant and engaging content to the right prospects at the right time, engaging them at multiple touchpoints along their buying journey and converting them into clients.

TOP TIP

It's hard to overstate the importance of targeting when it comes to outbound marketing. The ability to send the right content to the right prospect at the right time is vital to successful lead generation.

Clearly define who you are trying to reach and what kind of content would be valuable to these individuals at different stages of the buying cycle.

A focused approach to outbound marketing will keep your content engaging and your pipeline of leads full.

18

Inbound Marketing (Execution)

When prospects respond to your marketing efforts you want to make sure that you manage the lead effectively and respond quickly and appropriately. This means routing the lead quickly to the right team and qualifying-out those responses that you don't want.

The most effective inbound marketing systems are underpinned by robust, technology-enabled processes that effectively research and qualify the company and contact against defined criteria, initiate effective engagement, and subsequently route the lead appropriately.



TOP TIP

Create a system that allows you to automatically score inbound leads using pre-defined criteria. Once the lead reaches a threshold value make sure that a notification is sent to the relevant team so that they can follow it up immediately.

19

Digital Presence

It goes without saying that you can't afford a lackluster online presence if you want to stand out from the crowd.

In order to catch the attention of your target audiences and convert them into leads, take an integrated approach that projects your brand into the marketplace across key channels.

Think through the important touch points in your sales cycle and then connect these dots using your website and social media technology. In other words, use social media and digital content to get in front of your audiences and build rapport, then funnel interested parties back to your key conversion points.

Be open minded about what may or may not work because different customers will want to engage in different ways.

Market leaders will have a website built upon digital best practice principles (e.g., UX, SEO, etc.) that is optimized for inbound lead generation, integrated with digital sales channels, and enhances brand recognition.

TOP TIP

Map out the shortest possible digital journey a prospect can take that covers these essential steps:

- Understanding what you do and the value you provide
- Getting evidence of that value in their hands
- Capturing their data and who they are

For example, if someone lands on a service page from a social post, how do you convince them to show further interest and part with their data?

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Sales Processes and Enablement

Every person in your business who interacts with clients is in effect a “salesperson”, so it’s vital that people are continually trained and coached on how to sell your services in a compelling way.

All client-facing practitioners must be able to explain in an engaging manner what you do, how your services solve client problems, and the benefits you deliver.

The most effective sales processes are built upon a defined playbook that outlines how to convert qualified leads into business engagements. Solutions will be clearly mapped to the needs of prospects, highlighting points of differentiation and the value they bring.

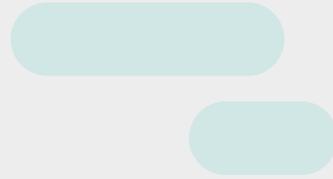
To make the most of the sales process you must ensure everyone engaged in selling is well-equipped, trained, and coached.

TOP TIP

Extract the knowledge and experience of your leading sales practitioners and package it up to create a best-practice sales playbook. Make sure it’s practical, focused and easy to use – you’re not trying to write War and Peace!

Train all your client-facing practitioners in this sales playbook and provide frequent, regular, and effective coaching to turn yourselves into a selling organization.

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Opportunity Management and Conversion Performance

Arguably, there are few things more important to growth than the effective management of your sales pipeline, yet consultancies and tech services firms can often be quite poor at a critical part of this: measuring and analyzing their win/loss ratio.

How often do you dig into the reasons as to why you've lost a proposal, or even why you've won?

The best consulting firms will have a clear understanding of what constitutes a good lead and have a reliable, effective, and efficient process in place that ensures the on-going qualification of opportunities against precise definitions to ensure resources can be properly allocated, and not wasted.

They will have a clear understanding of why the business wins or loses opportunities, which informs and enables ongoing improvements to the process.

TOP TIP

Clearly define what a good lead looks like and manage leads against your specified criteria. Don't be afraid of saying no!

Make sure you always ask prospects why you won or lost an opportunity. Collect the data and use it to improve your hit rate.



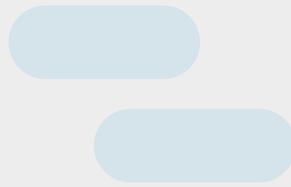
Client Relationships

Winning new clients is hard and expensive, so once you have them, make sure you keep hold of them and develop them. Client longevity, especially with large, well-established organizations, adds stability and predictability to your revenue.

Buyers value firms with long-term clients, especially blue-chip clients, because that represents less future risk and provides better opportunity for growth.

4

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Client Base

Buyers love it when a target acquisition has got blue chip companies as their clients because it represents more predictable and stable revenue, as well as the opportunity for greater growth and cross-selling

Current and future employees often find the prospect of working for well-known clients much more appealing too, which keeps your staff happy and boosts your recruitment success.



TOP TIP

If you're not working with the strongest brands, then identify how the client engagements you currently have can be used as leverage to move up the value chain and win work from bigger, more established businesses.

23

Sponsor Position

The more senior your relationship - and the stronger that relationship is - the greater your sponsorship will be within a client and the safer your position will be.

But senior sponsorship is not just about safety. Strong relationships with those at the top can improve your access to expansion opportunities [and this is true too if a CEO moves company and takes you to their new company!].

Buyers are big fans of strong relationships with the C-suite as it provides the right access point to explore strategically important, large programs of work.

The most successful consultancies and tech services firms will look to build relationships with the strongest sponsors in the business - the CEO, CFO, and other members of the C-suite.



TOP TIP

Meet regularly with your C-suite sponsor and explain the benefits you are delivering to the organization, and listen to their needs.

24

Account Planning and Management

It's usually easier to sell to people you already know, and who trust you, than to people you haven't worked with before. So, manage your existing clients carefully in order to be able to keep on delivering value for as long as possible.

Focus your account management on those clients with the most growth potential and the best strategic fit.

Best-in-class account management relies on having effective, well-executed action plans in place, based on client classifications, and a clear strategy for each account. This requires clear accountability for client management, both for delivery quality and revenue generation, as well as having clear mapping and appropriate management of stakeholders.

 **TOP TIP**

The largest consultancies tend to be very effective at stakeholder management, so copy what they do. Identify the key stakeholders in your strategic accounts, then develop robust plans to manage your relationships with these influential people.

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Client Success

How do you gauge your clients' experience of working with you?

Understanding how you perform qualitatively from a client's perspective is vital because if clients don't enjoy working with you, then they're less likely to continue the relationship even if you deliver impressive results! Conversely, if they love the experience, they are more likely to refer you elsewhere.

Those with the happiest clients have a clear process in place that is always deployed to measure value delivered and client experience. Metrics will also be used proactively to enhance future engagements and propositions.



 **TOP TIP**

Consider layering your engagement with clients by ensuring senior members of your business are available to speak to them independently of project teams. This can be a powerful way of measuring a client's satisfaction of their relationship with you.

26

Referrals

Referrals are the most underused, lowest cost, and most effective tool in your marketing toolbox. It's as simple as that.

The work you do should turn clients into advocates who can introduce and recommend you to people that need your help. (This is much more proactive than asking for a reference – it's a positive introduction to someone you don't yet know!)

If the outcomes of an engagement are successful, there should be no reason not to ask for a referral.

In a best-case scenario, you'll be asking more than **90%** of your clients to provide a referral, and they'll be happy to oblige.



TOP TIP

Don't be afraid to ask for referrals as soon as a client is emotionally invested in a project, or at the first signs of success. Lock this into your client management process so that you don't fail to do it.

It's worth considering if you can also offer value in return, perhaps an introduction to a potential partner, to ensure mutual benefit.

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CRM

Every client interaction your business has should be an asset that you can capitalize on.

Each nugget of information captured in a Customer Relationship Management (CRM) system should inform, augment, and underpin all collaborative selling and operations across your business.

A good CRM system allows you to track all client interactions, analyze where marketing is successful, identify targets, and build and manage your pipeline. In our tech-enabled world, not having a well-used CRM system in place is not only unthinkable - it's unforgivable!

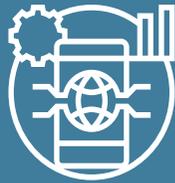
To ensure relevancy, a CRM database should be reviewed, cleansed, and updated in an ongoing manner, driven by a proactive culture of consistent usage.

CRM workflows should be aligned to wider business processes to enable maximum value to be extracted from the data and insights in the system.



TOP TIP

As a senior manager in the business, champion the CRM cause. Set the culture to be one of maximum compliance to the CRM, and maximum benefit from its use.



Delivery and Technology

The efficient delivery of high-quality services, with sustainable, high levels of utilization, leveraged with IP and expertise, supported with appropriate technology, is key to maximizing profitability. And with profitability you can drive further growth and increase equity value.

For buyers, efficient delivery supports profitability and demonstrates scalability.

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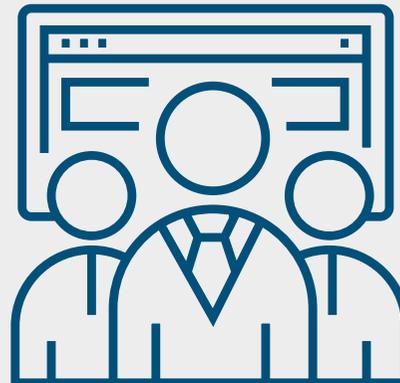
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Operating Model

An operating model pulls together the costs of your delivery resources, the rates you charge for them, and the utilization levels they need to reach in order to deliver your target margins.

Buyers love it when you can get the balance of junior and senior people on a project right as you'll avoid diluting your margin, while also upskilling critical delivery people, further future-proofing your success.

The best operating models will ensure that the right blend of resources is always deployed on client projects and contracts.



TOP TIP

Make sure you've got an operating model in place that is informed by your fundamental financial drivers, and actively use it.

This model should be designed to generate a level of gross margin that balances resources and affords some wiggle-room in case unforeseen challenges or risks arise.

Ask yourself these three questions when interrogating your operating model:

- › How can you cost your projects / services effectively?
- › How can you better balance your resources?
- › How can you ensure you deliver your target margin?

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Delivery Assurance

In order to ensure you deliver the outcomes (and benefits) you've identified to your clients, it's essential to have strong project management in place, with clear accountability, throughout the lifecycle of an engagement.

While slippage can sometimes be unavoidable, it's your responsibility to identify it, tell your client about it, and get it fixed. Paradoxically perhaps, some of the best experiences your clients can have are by working with you to rescue a difficult project, so don't try to hide bad news – ultimately your client won't thank you for it.

To ensure contractual obligations and outcomes are delivered, look to implement a formal framework that enables positive client engagement and experiences, from mobilization through to post-completion.

TOP TIP

Review the project plans for your last five engagements and check the quality of them. Key questions to ask are:

- › Were project plans in place?
- › Were they being used throughout the project?
- › Did they identify slippage?
- › Did they identify risks and was the necessary risk mitigation in place?
- › Did you adapt and still deliver on time?

30

Leverage Model

Using a leveraged delivery model is key to scalable profitability. You need it, and buyers will want it too.

If most of your services are delivered by senior, experienced people, you will struggle to scale, and your margins are likely to come under pressure.

It's far more preferable for senior people to train up and coach junior colleagues, who can then be charged out at higher margins while still delivering high quality outcomes. There is a natural evolution needed here, with your most senior, experienced people moving from delivering the projects themselves, to training and managing others to do so.

Establishing this kind of leverage model not only improves margins, but creates more opportunities for junior staff and enables greater growth and scalability.

An effective leverage model will ensure that all services are delivered with optimum use of your lowest-cost resources, guided by experts, and supported with good internal IP.

TOP TIP

Ask yourself what would happen if experienced, senior employees were unable to directly run or deliver a project - how would it get completed? The answer has to be that more junior staff would take over. If that would be easy, you can leverage them more. If it would be very difficult, you have work to do!

Make time to analyze previous projects for those aspects that can be made repeatable - whether processes, methodologies, or something else. Extract these and standardize them as codified IP that can then be used across the business by junior employees to deliver the same results but at a much higher margin.

31

Employee-Contractor Model

Most buyers get nervous around businesses with a high usage of subcontractors. It's a fact that has emerged year-after-year in Equiteq's annual buyers report. If your subcontractor usage approaches or exceeds **30%** of your workforce, then your business is likely to interest fewer potential investors.

A stable employee base is important for buyers because they want to feel confident that the business they're investing in can hold on to the talent that made the company attractive in the first place. If you use a lot of subcontractors, what's stopping them moving on to somewhere else as soon as the deal closes?

Not only that but you make more money from deploying your own employees than you do from contractors, and it's easier to develop your own culture and sense of belonging among your teams if they're your own employees.

For the majority of buyers, the most appealing businesses are those where the vast majority of services are delivered by employees, with subcontractors used only for rare, specialist work, or for minor capacity balancing.

There are companies with a different business model whereby the vast majority of services are delivered by specialist subcontractors who are part of a well-qualified and well-managed pool of experts, who behave like employees, and who are well versed in the company methodology and IP. Such companies can be valuable, but will not appeal to such a broad range of buyers.

TOP TIP

Challenge why you're using contractors rather than full-time employees. Review your contractor base and see if you can get half of them on the books within the next 12 months.

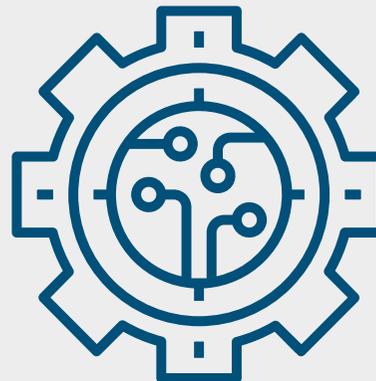
32

Management of Technology

As your firm grows the need for technology to support that growth will change, and the value that technology can add will increase.

Proper management of technology is key, so be proactive in planning and deciding what you need and what tech would be most effective. Don't be afraid to rationalize and simplify your tech stack over time.

The best technology management processes will be fully documented, meet business needs across all key areas, and identify future technology requirements that can be translated into a clear roadmap.



 **TOP TIP**

Look at the bigger picture and factor technology into your ongoing strategic business planning.

Distill this thinking into a roadmap that clearly communicates the proposed lifecycle management of technology across the business.



Operations

You need to control the business, both by understanding what has happened to revenue and profitability, and what will happen. Managing and developing resources is essential to maximizing performance.

Buyers will dig deep into the engine room of business controls and will be confident if they discover effective control where past and future performance is well understood.

6

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Business Performance Management

In controlling your business there are few things more important than ensuring you have a clear and up-to-date view of your consolidated management accounts and business-critical KPIs.

Without this, how would you know what's going on in the business and act to address issues while there's still time?

Core to the consultant's skill-set is being able to analyze and use data to tell a complex story in a clear and compelling way, but consultancies and tech services firms often fail to use this skill for their own company's benefit.

Yet doing so is an excellent way of building a clear and compelling business performance narrative, both for yourself and to demonstrate to a future buyer how well you understand and control your firm.

The best consulting and tech services firms use their monthly management report to tell themselves a story of their performance against targets, to understand what they need to keep doing and what they need to change to constantly drive performance improvements.

TOP TIP

Have a look at your monthly management report, which should be a single document in presentation format, and ask yourself: if you presented it to your most recent employee, would they understand how well the business is doing against its targets and what are the key actions needed to improve? (You can test this by asking them!)

If they can't, then maybe an interested buyer won't. Come to that, maybe not everyone on the leadership does either!

Look to include key financial (monthly, year to date, compared to budget), commercial, and people KPIs in your reporting narrative to ensure maximum engagement.

34

Cost and Profitability Tracking

Effective cost and profitability tracking is a fundamental part of running a successful business, enabling you to track which projects you're making money on and which you aren't, and take corrective action if needed.

Furthermore, transaction due diligence will become very uncomfortable if proper tracking isn't in place as buyers will want to know where your financial performance is at the project, client and business unit level.

Leading consultancies and tech services firms will understand variances and optimize their profitability throughout engagements by employing a robust and reliable process to record, track, and predict revenue and gross margin. This will be done at the project/contract level, and aggregate at the reconciled levels of client, business unit, and company.

TOP TIP

Create your own profitability cliff.

As shown in the image below, map your 'cliff' by plotting margin [y axis] against projects [x axis], placing the highest margin projects at the start. Done correctly and you'll quickly visualize which projects are earning the least or making a loss. Make this a standard part of your monthly management KPI set and drive profitability upwards.



35

Forecasting

Accurate forecasting is essential to the running of any sound business because you need to know what your workload is going to be in order to match your resources to it.

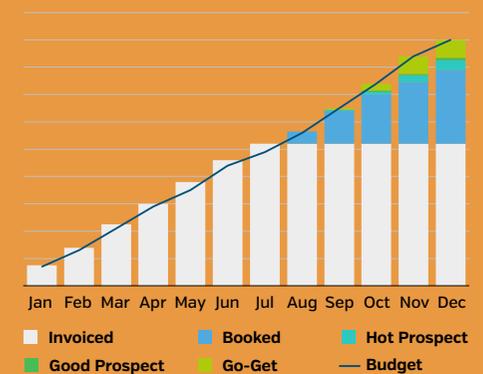
It's equally important for a buyer because they're investing in the future. Due diligence dictates that they pay close attention to your forecast to assure themselves that your growth plans are real and based on credible evidence.

Buyers will be most confident in those firms that can demonstrate a robust, real-time, and integrated forecasting process.

Clear measurement of booked future work and discounted prospects (showing delivery of revenue over time and estimated margin), will help you to create a quantified pipeline (versus budget/target) that can be used to focus sales activity and optimize resource management.

TOP TIP

Be proactive in revisiting and verifying the accuracy of data in your CRM system with regards to the discounts you give to each element of the sales cycle. Make sure you represent the forecast graphically, per month, based on when revenue will be recognized, not on when you expect to close the deals.



36

Resource Management

Utilization of delivery resource is one of the main levers that a consulting or tech services business has to control its level of profitability.

However, when the pressure is on to deliver a program of work, project managers quite understandably prefer to work with colleagues they know, perhaps other senior people, as they focus on client delivery rather than project margin. Of course, they have to deliver both.

A good resourcing process will balance utilization across the consulting pool (with targets set at each level), provide opportunities for learning and development, and deliver high quality client outcomes at or above target margins. This requires a robust, data-driven process, with senior management overlay to ensure the difficult or unpopular decisions are made.

TOP TIP

Review the utilization performance of your delivery team – paying particular attention to those at the extremes. Review your project profitability too. Could you have made more money by deploying under-utilized resources onto those projects that have lower margins?

Make this a regular process, part of your continuous improvement, and make sure you have a senior person with enough clout to push for more balanced, profitable resourcing of programs.

37

IP Content Management

The management of IP is a perennial problem for consultancies and tech services firms.

The more sophisticated your IP becomes, the more important it is to have systems in place that don't just store content but actively recommend related and relevant assets.

Market leaders will embrace expert systems that enable the categorization of IP and that prompt users with related content.

The goal should be to use a system that provides all the information needed to consistently and efficiently deliver your services, as well as run your internal processes.

Buyers look favorably on these types of systems because it reinforces the fact that your IP is being actively used and improved across the business.

TOP TIP

Test a learning management system or equivalent technological solution that enables access to delivery, sales, and training-related IP and the proactive sharing of related materials.

Tools like SharePoint can be useful in helping people access IP, but to take things up a notch, look to consultant-focused IP content management systems like **Method Grid** or **Hive Learning**, the latter of which can house your IP and help deliver contextually recommended supporting materials to users in real-time.

38

Knowledge Sharing

How do you pass on the expertise stored within your business?

Having a robust onboarding program in place that gets people up to speed when first joining the business is key, but knowledge sharing needs to be ongoing.

Internal IP should be shared regularly so that people know what has been developed and how to proactively find it. Developing your own academy can be a powerful way to scale knowledge-sharing within a business, running recruits through standardized IP modules.

When it comes to knowledge sharing, best practice should coincide with common sense: make sure all client-facing staff acquire, understand, deploy, and improve your company's proprietary IP on an ongoing basis.

Put in place a process to measure how much of your company IP is being used. Drive up the use by communicating frequently about its existence and encouraging regular knowledge-sharing events.



Leadership

The strength and depth of the leadership team needs to grow as the business grows, with more expertise and specialists needed as the requirements become necessarily more sophisticated.

The quality of the management team is consistently seen by buyers as one of the most critical factors in ensuring future success.

7

39

Balance and Completeness of Leadership Team

There's always the temptation among leaders - and especially founders! - to continue doing too many roles for too long and not bring in the right people to fill the C-suite.

Founders should focus on building the business, not running its functions. It's also worth bearing in mind that transactions can also be time-consuming and will need plenty of attention from leadership teams once a process has begun.

Forward-thinking firms will actively seek to build leadership teams around highly qualified and experienced individuals that are experts in the C-Suite roles required by the business based on its size, ambition, and business model.



It's never been easier to take advantage of fractional expertise, especially for the CFO, CMO, and CHRO roles.

Holding a mirror up to yourself can be hard but be realistic about the capabilities of your current leadership team and don't be afraid to embrace fractional expertise to free up people to focus on what they are strong at and on what the business needs to grow.

40

High Performing Leadership Team

Buyers invest in the leadership of a business as much as in the business itself. Of course, it's important to have high performing leaders for the growth of the business in the first place, and buyers look very carefully at the leadership team in which they plan to invest.

They will want to be confident that the leaders of the business - or those who are staying - are competent, high-quality leaders that can drive performance and potentially address their own talent gaps.

Buyers need to trust that the leadership team can deliver. Leaders can win this trust by working together cohesively and constructively to achieve the best outcomes for the business.

7 Leadership 

 **TOP TIP**

Cooperation is key for the C-suite.

Look to implement a quarterly session in which the leadership team can reflect on how well they are working together and address any issues that might be preventing cohesion and cooperation.

These reviews should set the tone for wider business behaviors, so lead by example and communicate to the business how your leadership team is working together better.

41

Organizational Design and Development

A robust organizational design aligns your strategic and tactical goals to get your business from point A to point B.

Mapping each individual person's role within that journey ensures everyone works in tandem to successfully make the journey together, while also flagging potential gaps.

Just as your technology process needs to be aligned, so do your people structures.

The best consulting and tech services firms have a clear organizational structure in place that defines job roles, promotes effective collaboration, and informs a strategic development plan to close key gaps through recruitment, development, succession planning etc.

7 Leadership 

 **TOP TIP**

Draw out the organizational design that you envision having in three years' time based on your three-year strategy.

When you've visualized where you are and where you want to be, look to identify the gaps on your roadmap, including the teams, talent, and roles that you need to start recruiting for.

42

Management of Inspiring Culture

Does your leadership team actively manage and improve your culture, or do they let it take its own course?

Your culture is like a living organism and will emerge whether you develop it or not. However, without proper management, you'll struggle to develop a culture that inspires your people to build the business and deliver success for clients.

Establishing such a culture can have wide-ranging benefits, making it easier to attract and retain talent, ensuring the delivery of a great service, and helping you to catch the eye of high-quality buyers and investors.

Senior management must lead by example when it comes to establishing a consistently outstanding organizational culture. Get it right and you'll have a culture that aligns with desired behaviors and practices, attracts and engages talent, and supports wider strategic goals and values.

7 Leadership 

 **TOP TIP**

One of the best ways to direct your culture is to exemplify it. Set out the key values and principles that you think will underpin an inspiring culture for your business and challenge yourself to stick to them every day.

43

Inspiring Communications

As leaders, you need to think about the impact of how you communicate to the team. The way you communicate can have a huge impact on company culture, so think carefully about what you say and the way you say it, as well as the impact of not communicating.

It can be easy to be inadvertently curt or ignore emails when busy, but leaders must exemplify the culture they wish to develop. No-one likes to think they are being ignored, so it's vital that senior leaders work to develop their communication skills to keep people engaged.

Effective communication requires leaders to be exceptional, proactive, and frequent communicators. They will display high levels of engagement and empathy that help to win people over and get them on board with strategic decisions.

7 Leadership

TOP TIP

When it comes to communicating, leopards absolutely can change their spots.

Get someone to audit the way you as leaders communicate and test for active listening, engagement, and empathy.

Challenge yourself to develop a better understanding of how you listen and communicate, so that you can identify areas in need of improvement.



Talent Development

All businesses depend on the quality of their people, none more so than consulting and technology services firms. The way you recruit, develop, retain and motivate your staff will have a significant impact on your ability to deliver sustained growth.

Buyers understand that attracting and retaining the best talent is key to a stable and reliable investment.

8

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Diversity, Equity and Inclusion

Is your business diverse, equitable, and inclusive in its recruitment and treatment of employees?

If not, you're potentially risking the engagement, motivation, and retention of your staff.

Everyone should feel like they belong without having to 'conform' in an overbearing manner. Having a clear and robust Diversity, Equity and Inclusion (DE&I) program can help employees feel welcome, valued, and rewarded.

Equally, it's important to do more than the bare minimum. Employees are savvy and will see through gratuitous efforts, so try to exceed minimum levels of compliance to develop a truly inclusive culture.

Ultimately, it's something that buyers love too, because DE&I metrics are increasingly factored into their investment requirements and due diligence processes.

For maximum impact, DE&I best practice must be fully integrated into all people processes (recruitment, talent development etc.). The best consultancies and tech services firms will create evidence of their exemplary performance by visibly hitting internal and external benchmark targets, winning awards, and positively impacting Employee Resource Groups.

8 Talent Development 

 **TOP TIP**

To achieve an award-winning level of DE&I initiatives, challenge your organization to go beyond industry benchmarks and all legal requirements to truly recognize, accept, integrate, and celebrate the differences of your people.

45

Recruitment

An effective recruitment process needs to address the talent gaps identified when mapping your organizational design structure and three-year plan **(see Leadership lever, Tip #3, Organizational Design and Development)**.

It also needs to be tied into a reliable forecasting process **(see Operations lever, Tip #3, Forecasting)**, to ensure you don't recruit too late, and overstretch the organization, or miss out on revenue; or recruit too early and build in too much cost.

In order to attract the best talent, you will need to have a clear Employee Value Proposition (EVP) that sells your business and demonstrates to prospective employees why your business is a great place to work for the people you want. And, because it's about selling, the EVP needs to be prominent on your website and on your social media postings.

The firms that are most effective at attracting talent will have a reliable, efficient, and effective recruitment process in place that wins over talent and delivers the right people with the right skills at the right time.

TOP TIP

Develop a clever and compelling EVP around the following pillars: Work, environment, culture, growth, and reward.

Once developed, make sure it's easy to find on your website and across your social media estate, is frequently refreshed, and sells the benefits of working for your company.

46

Learning and Development

Don't leave the development of your people to chance.

Be deliberate and intentional in developing robust, personalized learning and development (L&D) plans for all employees that address the current and future skills needs of your business.

L&D is one of the most important tools in your toolkit, enabling you to develop the exact capabilities - both technical skills and soft skills - that you need without going through resource-intensive recruitment channels.

Upskilling your people enables them to add ever greater value and is vital in successfully growing your business. The most effective L&D programs will be efficient, ongoing, and tightly aligned with developing capabilities that meet the needs of the firm.

8 Talent Development

TOP TIP

Create a skills matrix that cross-references job roles with essential skill requirements. Be proactive and map your people to this matrix on an ongoing basis to identify potential gaps in their abilities that you can address with individual learning and development plans.

Don't over complicate your skills matrix. Keep it simple using a traffic light system (or similar) to keep actions clear and concise. If you get too granular the whole process will become unworkable and skills development will dry up.

47

Career Progression

Nearly all employees want to know what they need to do in order to progress in their career. Without a documented and actionable plan agreed with the relevant manager, you risk employee discontent, de-motivation, and - in the worst-case scenario - people leaving the business altogether.

Career progression should be tightly aligned to your organizational culture as it is inherently linked to employee motivation. No matter how motivated your teams are, without a clear line of sight for what's next, employees will ultimately look elsewhere, taking their skills and talent with them.

Buyers also care about your career progression plans because they reflect on the company's ability to successfully develop its own pipeline of talent, and on its ability to grow and scale.

The consultancies and tech services firms that are most effective at developing internal talent will have a reliable, efficient, and effective career progression process in place. This will incorporate an effective Personal Development Process for individuals that helps to establish a consistent pipeline of talent at all levels of the business.

TOP TIP

Be proactive in documenting a process for employee career progression that you are happy to commit to. Keep it simple and transparent to ensure employees know what it looks like, what they need to do to progress, and how it benefits them and the business.

48

Motivation of Staff

You would expect many consultancies and tech services firms to have highly motivated staff because they are generally recruiting bright people to do interesting work.

If this isn't the case, then there's something badly wrong and you're likely to see greater employee churn as a result.

The benefits of a motivated workforce are clear. Research from Gallup shows that highly motivated and engaged teams experience **41%** less absenteeism and a **17%** rise in productivity.

Now assuming your people are paid fairly, then what usually matters most to them are autonomy, mastery, and purpose in their work. Staff should feel empowered to act without micromanagement, feel like they are equipped with the skills to do their job to the best of their abilities, and feel like they have a sense of purpose aligned to the values of the business.

The most successful firms are proactive in making employees feel valued, establishing a culture in which employees love working for the business and remain strongly committed to its future.

TOP TIP

Create a set of KPIs to predict likelihood of employee churn. These could include each employee's attendance at training events, creation of IP, workload, time away from home, project interest, and teamworking.

You could supplement these measures with regular, light-touch, pulse surveys that assess employee happiness and motivation. Acting to address concerns raised in these surveys can have a hugely positive impact on the motivation of your workforce.

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Compensation Strategy

Imagine you are trying to sell your business to a bigger, more established acquirer. In this scenario, how easily do you think your compensation scheme will align to the one utilized by your buyer?

If your compensation strategy is wildly different, or excessively complicated, then this can become a pain point during a transaction when trying to align structures, T&Cs, rewards, progression paths, etc.

It's important to keep your compensation plans simple, straightforward, and aligned to the market you operate in.

A well-designed compensation strategy should appropriately link rewards to results, business objectives, and culture. Levels of compensation should be competitive to support recruitment and retention, while good governance should clearly define salary structure and bonus awards. More than anything, the best compensation schemes will be seen as fair and transparent.

TOP TIP

Don't try to be too clever. While implementing a unique compensation strategy may seem to be useful in driving growth and motivating employees in certain situations, more often than not it will only complicate things with a potential buyer down the line.

Try to design a compensation scheme that aligns with the broader market, but that remains competitive and helps to attract and retain talent.

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Compensation Benchmarking

You've got to stay abreast of market trends when it comes to employee compensation and rewards, or you'll be left behind.

If you are struggling to recruit talent it may be that your compensation levels have slipped below market standards.

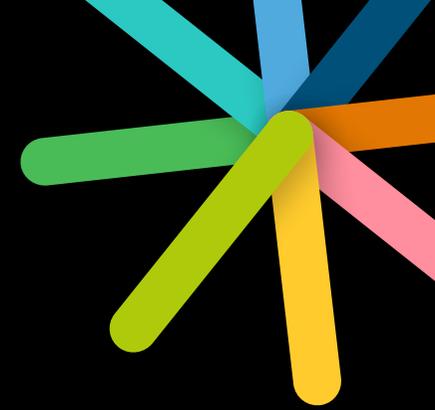
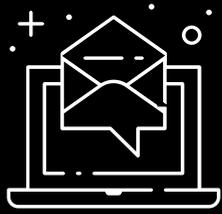
Similarly, without a clear benchmark, you may be just as likely to overcompensate and eat into your profits as you are to under-compensate and miss out on talent. It's an easy mistake to make, so be extra vigilant in avoiding it!

Buyers care about competitive benchmarking in order to confirm your margins are reasonable, and to facilitate post-acquisition integration.

Those with most effective benchmarks will have a detailed and regularly updated understanding of market rates that can be used to set target earnings appropriate to business goals for all roles.

 **TOP TIP**

Don't skimp on the details. Continuously review multiple sources to develop a clear, competitive, and market-appropriate compensation benchmark.



If you have found these 50 tips useful and would like to talk further about how to grow and realize your equity value, contact us today!



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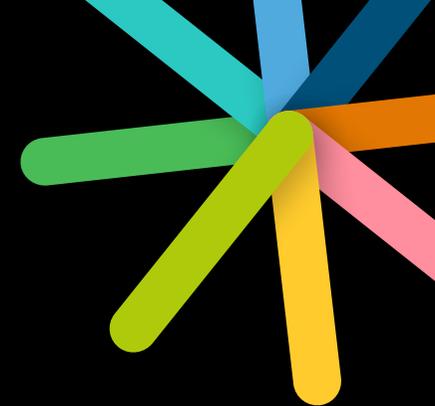


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About Equiteq



We are the leading global investment bank for the Knowledge Economy

Equiteq is the leading specialist in Knowledge Economy investment thanks to our first-hand insight and research, our close relationship with the key acquirers in the sector, and through the deals we complete.

Who are we?

Equiteq is a fast-growing, global M&A specialist. We sell the world's smartest knowledge-based and technology firms. Being close to active buyers and investors helps us to understand their acquisition needs and this informs how we can add value to founders and shareholders who want to sell their businesses.

Why Equiteq?

We are the recognized specialist advisor in the Knowledge Economy where intellectual property has historically been delivered through people in consulting firms, but more and more is delivered in combination with technology.

Our benchmarking studies – produced for the last 15 years – have become the industry standard and are supported with detailed insight reports on a range of disciplines within our sector.

Our aim

It's simple - our goal is to bring you to the smartest deal.





Growing equity, realizing value

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