

# Competitive Differentiation in Professional Services

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By Nick Anderson

## Who's got the best mouse trap?



This month's topic looks at [Competitive Differentiation](#) in the Professional Services Sector. This sector typically includes accountants, lawyers, bankers and financial services, like planners etc. All these professionals offer very similar services due in part to regulations, certifications, disintermediation and the power of technology.

Go to any law firm's web site like Varnum and Clark Hill, or large consulting firms and they look the same. They apparently have the same mouse trap.

Why did you choose your....attorney, accountant, financial planner etc?

### ***So, how do professionals differentiate themselves?***

On the basis of their expertise and their ability to develop **Trusted Advisor** status. David Meister asks: What benefits would you obtain if your clients trusted you more? For example, the more they will:

- Treat you as you wish to be treated
- Lower the level of stress in your interactions
- Be comfortable and allow you to be comfortable
- Involve you early on when their issues begin to form, rather than later (Open up) Share more information that helps you to help them, and improves the quality of the service you provide
- Be inclined to accept and act on your recommendations
- Bring you in on more advanced, complex, strategic issues ( You are in the board room *not waiting in the corridor awaiting instructions*)
- Refer you to their friends and business acquaintances

## ***What characteristics would you look for in selecting your trusted advisor?***

Here are some of David Meister's traits that **Trusted Advisors** have in common. Clients say they:

- Make us feel comfortable and casual personally (but take the issues seriously)
- Seem to understand us, effortlessly, and like us
- Act like a person, not someone in a role
- Are reliably on our side, and always seem to have our interests at heart
- Don't try to force things on us
- Help us think things through (but emphasize that it's our decision)
- Criticize and correct us gently, lovingly
- Don't pull their punches: we can rely on them to tell us the truth
- Are in it for the long haul (the relationship is more important than the current issue)
- Give us reasoning (to help us think), not just their conclusions
- Give us options, increase our understanding of those options, give us their recommendation and let us choose.
- Are always honorable: they don't gossip about others (we trust their values)
- Help us put our issues in context, often through the use of metaphors, stories and anecdotes (they recognize that few problems are completely unique)

***You said he listed "traits" as in a person's character? So for example the advisor who is not honorable can't be trained to be more honorable, right?***

It's a good point, in last month's blog I made the distinction. Candidly, Meister's list is a mixture of Competencies and Traits. "So what?" you must be thinking," I said, "Bottom line, **you hire traits and develop competencies!** Remember:

**Competency:** *"The ability to do something successfully or efficiently."  
"Having the necessary ability, knowledge, or skill to do something successfully."*

**Trait:** *"A characteristic or quality of a person." (They are wired that way)*

For all intents and purposes professional advisors reading this should focus on what they can learn and develop to be ***competitive differentiated***

**trusted advisors.** But, here is the rub. Developing trust is not well defined. For example, research I did with Linda Marsh into [Mortgage Loan Advisors](#) we found that the customers trusted those who used more “Transitional Structuring” WHAT! (Some people call it sign posting). Like,

***“We have now covered David’s Trusted Advisor traits and we are now looking at Advisor Competencies...”***

We and others have identified observable and trainable behaviors that impact those traits that David mentioned like making the client “feel comfortable”. Now, here’s the fundamental point about developing trusted advisor status:



***How do you balance helping potential clients feel understood while ensuring they understand the issues and options available?***

That’s difficult because if they don’t feel understood they aren’t really going to retain what they are told **AND** won’t likely see you as a trusted advisor. It takes me back to the most fundamental process of when people make a decision to change. They have to be sufficiently disturbed or concerned about their current condition that they look for a solution that enables them to resolve their negative condition. If Advisors, don’t know how to locate where

a client is in this process and help them through **at their pace** any residual trust will be eroded.

***What competencies have you and PDS identified to help develop competitive advisors?***

In the world of Professional Services regulations dictate levels of certification – so **the expertise playing field is level**, for the new client looking for an advisor. So, we at PDS isolate **“Competitive Competencies”** which:

- Make a disproportionate contribution to customer’s perceived value
- Are “competitively unique” or superior
- Are extendible: providing “gateways to tomorrow’s markets”

## The Value of Effective Competencies

- **Greater objectivity** – less biased by the manager’s interpretations of what happened but what actually happened
- **More Useful** – less dependent on the manager’s judgment, more on the Advisor’s assessment (crucial if they are to learn)
- **More focus** – less overwhelming as it encourages managers to match the feedback to the Advisor’s ability and their willingness to receive it
- **More quantifiable** - greater understanding what of works and what doesn’t under defined conditions and allows people to compare themselves against a standard
- **More effective** – less guess work about how outcomes are achieved. ([How you Win and Lose](#))

### ***It suggests that Advisor needs someone to coach them?***

Yes, it is essential. All those firms we have worked with try to get people effective coaching to secure and retain clients from their competition, like, Ernst & Young, who I helped develop their Relationship Management Program, Watson Wyatt, Royal Bank of Canada, JP Morgan Chase

### ***In your experience, what traps do advisory firms fall into?***

To put our recent study in context, most professionals we work with love to do a great job. As one senior advisor said to me ***“I treat my clients as my children...”***

But, being a trusted advisor today is not enough. We surveyed advisors to see how they were competitively differentiating themselves. In summary:

1. Most do not truly understand what a competitive Client strategy is.
2. People don’t understand the difference between Competitive Value Discovery and Differentiation.
3. They do not understand the difference between preparation and planning.
4. They do not understand the difference between offense and defense
5. Because any strategic plans were not common amongst the troops, the plan is not maintained or advanced.

## ***Can you explain the difference between Competitive Value Discovery and Differentiation?***

Competitive Value Discovery helps you increase value potential. The idea of finding value that Clients had never thought of before is competitively differentiating. So, we can introduce clients to ideas they may never have thought of and help them see the competition as ***"not on the ball"***. Whether it's your client or you are trying to secure a new client, they always weigh your value against the competition. What we have more control over is what they weigh, how they weigh it. Additionally, we need to plant what the competition plants in the client's mind. Then, we have far better intel and a better sense of the client's changing priorities to influence their Decision Guidelines both offensively and defensively – ***Competitive Differentiation***. ***"Given the same amount of intelligence... timidity will do a thousand times more damage than audacity" "The best form of defense is attack."***  
***Karl von Clausewitz***

### ***What else did you find out?***

1. Their language is predominately about reacting to clients' needs with no language of competitiveness.
2. No sense of doing things in a relational way ***but with competitive intent***.
3. They see the activity of competing as separate from looking after the client.
4. The idea of decision guidelines and working to putting value behind them is a language that is foreign to them.
5. They don't have a competitively strategic context for their day to day client interactions.
6. Largely, they have a passive position without having a strategy to extend the services they offer outsourcing.

### ***What did you say to them about these findings?***

- How much profit are you leaving on the table because you are not managing our relationships with competitive intent?
- So why are you not purposely discovering client value that will allow us to "Differentiate the Firm?"

- How much more intent and purpose can we build if we [develop our competitive competencies?](#)

### **Tip of the Month:**

#### ***What can Advisors start doing to differentiate themselves?***

Get Competitively Aligned. For example:

- In your firm, are you Competitively Aligned?
- To what extent does management understand how to think and act competitively ... with competitive intent?
- How well aligned are your competitive account strategies with other parts of your firm
- How many of your top client plans have an offensive element to their strategies?
- Where do you see the main *competitive* misalignments within your practice or firm?

Then develop ***Clear Competitive Expectations***

- Validating & agreeing about what people expect of each other competitively
- Developing effective deliverables that will demonstrate offensive or defensive actions against *selected* competitors

### **Competitive Accountability**

- Accepting responsibility for agreed competitive expectations for tasks performed & results achieved
- Accepting that Win/Loss Reviews are not personal but are a natural process of getting more competitive

### **Evidence-Based Change**

- Gaining & maintaining competitive differentiation must show measurable proof to the firm and its clients.
- Proving differentiation requires constant change & must be "evidenced" to:
  - Management
  - Organization
  - Customers

#### ***What evidence of change do we show?***