PART ONE

BREAKING THROUGH AS AN EXPERT

1 The Loyalty Equation

Three Factors That Determine Your Client's Loyalty

Several years ago, I was in the midst of a long-term project with a CEO who suddenly received an attractive offer to sell his company. After several weeks of negotiations, it appeared the deal would go through. That morning my client pulled me into his office for a talk. I was, in truth, a bit nervous. The company owed me some money for past work, and we had a signed contract for consulting services that extended several months into the future. A change of ownership could throw my arrangements into disarray, delaying or putting into question the payment for my past services and possibly resulting in the abrupt cancellation of the current assignment I was working on.

"Andrew," the CEO began, "I just want you to know that if this deal goes through, I've arranged for you to be paid for the work you've already completed—I don't want that to fall through the cracks, which it might; I'm going to ensure that you are treated fairly." He then added, "I have already spoken to the chairman of our new potential owners about how much you've helped us and suggested he meet you to see if you could be a resource for the combined entity." I breathed a sigh of relief and thought to myself, "Wow, this guy is sticking up for me—he's loyal!" It was a wonderful feeling.

This is, certainly, the kind of loyalty we wish all of our clients demonstrated toward us. We'd like them to keep our legitimate interests in mind, use our services year after year if appropriate, and recommend us heartily to others if they have no further need to engage us.

But what is client loyalty, really? The word "loyal" shares with "legal" a common root: In medieval times, citizens were legally bound to their lord or king through a formal declaration of allegiance. Unfortunately, despite my best efforts, very few of my clients have made legally binding professions of undying loyalty to me!

Today, loyalty has a less strict meaning. Although the term is bandied about rather loosely, it implies faithfulness to somebody or something: We talk about employee loyalty, brand loyalty, customer loyalty, and client loyalty. The conventional wisdom about what inspires loyalty for products or companies, however, isn't all that relevant for professional-client relationships. The reasons why we're loyal to a brand of toothpaste or to an employer are somewhat different from those reasons that compel a client to demonstrate loyalty to a professional who is providing a complex service or sophisticated product. A recent best-selling book on leadership and loyalty, for example, asserts that employees are loyal to a company when the top management is perceived as having integrity and when they feel empowered.[1] *Client* loyalty, however, is based on more than just integrity and empowerment, although certainly both are important ingredients.

I have conducted hundreds of interviews on this subject with both senior corporate executives and individual advisors, and it is clear that there are three main drivers of client loyalty:

1. The value you add.
2. The degree of trust you develop.
3. The extra mile you are willing to go.

Although something as complex and subtle as loyalty cannot be reduced to a science, these three factors can be combined into a client loyalty "equation," as suggested in the following illustration:

Client Loyalty = [Value-Added] + [Trust] + [The Extra Mile]

Let's look at each of these in turn.

The Value You Add

A client's loyalty is tempered by how much value you've added. Generally, adding value means improving your client's condition: helping her solve problems, achieve personal and business objectives, and get critical work done. A client's perception of value-added, however, will vary enormously depending on the client. Robin Bidwell, an experienced client advisor who is the chairman of the global consulting firm Environmental Resources Management (ERM), sums this up very well: "Different clients value quite different things. One client of ours most valued our ideas and intellectual capital and was constantly spending time with our consultants and sitting in on workshops. Another wanted to feel important, and we had to treat him like a V.I.P. Yet another wanted personal coaching and was constantly asking us for feedback and suggestions. You've got to figure this out right at the start if you want to be successful."

Holding a meeting or writing a memo does not, in and of itself, constitute value to clients. Rather, you have provided value when your client perceives that his business or personal condition has been improved.

Although value can be created in many ways, it's useful to think about three broad types of value that build loyalty:

1. *Core value.* The core value you offer will be the result that you have agreed to deliver to the client. A client wants to reduce costs, develop a new strategy, conduct due diligence on an acquisition,

launch a new product, or install a major telecommunications system—and you help him do it. These outcomes are often referred to as "deliverables." The ability to offer or assemble a bundle of integrated services, by the way, can also be an important component of core value for some clients.

2. *Surprise value.* You truly distinguish yourself when you go beyond the agreed-upon value and add "surprise value." This means raising critical issues, providing insights, or making suggestions about how to fix problems that you haven't been asked to address and which the client perhaps wasn't even aware of. You surprise the client by adding value to her business in unexpected ways.
3. *Personal value.* Every client has personal objectives and ambitions, and if in the course of your work with her you are able to further these, you start adding personal value. Personal value could include getting a promotion, leaving a legacy, or just learning from the relationship with you and your firm.

Tom Taggart is managing director for corporate communications at Barclays Global Investors, the world's largest fund management company, and he has hired a variety of professional service firms during his long business career. Alluding to these additional elements of value, he told me, "This value-added could be an introduction to someone who could benefit my goals or perhaps a heads-up about something they learned that could blindside me. They would do this as a value-added for our relationship, without billing me. The real secret is that when professionals do this on a regular basis, they end up making more money from the client anyway, because the relationship is strengthened."

In my research into professional-client relationships, I have found that a common set of attributes and strategies form the foundation for this ability to add value. These include empathy, big-picture thinking, keen judgment, and others, which are discussed in the next chapter.

The Degree of Trust You Develop

The trust a client places in you depends on several important factors. First of all, do you have integrity? Integrity exists when you consistently adhere to a set of sound values or ethics, you are honest, and there is a wholeness or an "integral" quality to your behavior. Integrity also implies reliability and discretion—you follow through on what you say you'll do, and you assiduously keep client confidences. Second, trust is based on a client's perception of your competence to do a particular job. I might trust a babysitter to take care of my children for an evening, for example, but not to take them on a three-day rafting trip. Similarly, a client has to feel that you or your company has the skill to effectively tackle the job at hand. Trust is also based on knowing each other personally—on some degree of intimacy and "face time." We need first-hand experience with an individual to sense whether there are shared values, personal chemistry, and mutual respect.

Dan Scharre, the CEO of telecommunications equipment supplier Larscom, highlighted this element of trust when I asked him about his loyalty to various professionals: "I look at their ethics," he told me. "The professionals I'm loyal to demonstrate the highest standards of ethical behavior. Yes, they have to do a very good job, but if they don't have integrity, it doesn't matter. They have to honestly represent their capabilities to me and follow through on what they say they'll do, every single time."

As individuals, can we be loyal to someone we don't entirely trust? It's possible, but this only occurs in very particular situations, and usually the result is very narrow and transient loyalty. Within a corporation, you might have an alliance with someone, with an agreement to support each other's agendas (a kind of loyalty), but there might be little or no trust in other spheres. In wartime, similarly, one nation might be loyal to another by virtue of a formal treaty, but trust in the true sense of the word might be very limited. An example of this was the United States' alliance with the Soviet Union during World War II, which fell apart as soon as the war was over.

The Extra Mile You Are Willing to Go

When you set aside your own interests and do something *extra* for a client—when a client perceives that you have helped him in some out-of-the-ordinary way and gone the extra mile—the result is often loyalty. A client of mine, for example, went through some financial difficulty and had to implement a major layoff. Over lunch one day he explained that his company was cutting back on all its professional services. Despite the fact that I had an ironclad contract signed with the company that did not allow it to simply cancel the planned work without adequate notice, I turned to the executive and said, "How can I help? Do you need to eliminate or scale back my work with you? Let me know what is best for the company." He was enormously relieved, and we agreed to refocus my work on just a few high-impact issues with a corresponding reduction in budget. The amount cut actually turned out to be pretty small, but my willingness to voluntarily put my head on the chopping block instilled an immense amount of loyalty.

The extra mile can be represented by many different gestures and acts, and sometimes they have little to do with your formal contract with a client. As Steve Pfeiffer, chairman of leading law firm Fulbright & Jaworski says, "If you leave your vacation a day early to help a client meet a critical deadline, it shows you're dedicated and you care, and this builds loyalty. On the other hand, I have counseled several clients' children on the college application process, and helped them find and get into the right school—this has nothing to do with the business aspects of the relationship but everything to do with the human side. It's appreciated and valued."

Going the extra mile builds loyalty because it enhances trust—it shows that you are focused on your client's interests rather than your own agenda. There is something else behind going the extra mile, however, and it's called *reciprocity*. The development of reciprocity as a fundamental practice in our society dates back to primitive cultures. The survival of the larger group was ensured by the willingness of individual members to trade off tasks and favors. In his book, *Influence: The Psychology of Persuasion,* Robert Cialdini cites some extraordinary examples of this reciprocity principle. After the Mexican earthquake in 1985, Ethiopia, a country that could hardly afford to give foreign aid, sent Mexico $5,000 to help with relief efforts. No one could figure out why Ethiopia, a country with millions of its own starving people, had done this. A journalist, sensing a good story, investigated and learned that in 1935 Mexico had sent $5,000 in aid to Ethiopia to help relieve the famine there. Over 40 years later, its government found the right opportunity to return the kindness![2]

With sophisticated clients, reciprocity has to be genuine—both sides will quickly sense contrived giving and back away. For example, presenting clients with lavish gifts, or doing them "favors" that smack of ingratiation will most certainly backfire. In 1510, Niccolò Machiavelli commented on this insincere motive at the very start of *The Prince,* his famous book on princely power and leadership:

> Men who are anxious to win the favour of a Prince nearly always follow the custom of presenting themselves to him with the possessions they value most . . . so we often see princes given horses, weapons, cloth of gold, precious stones, and similar ornaments worthy of their high position. . . . I value as much as my understanding of the deeds of great men, won by me from a long acquaintance with contemporary affairs and a continuous study of the ancient world.[3]

Ideas and insights, Machiavelli tells us, are far more valuable to clients than schmoozing. How little human nature has changed in five hundred years!

When clients feel that you are willing to go beyond the written contract, to go beyond the normal call of duty—and that you have no expectation of getting something back—that's when this "extra mile" principle kicks in and reinforces a client's loyalty to you.

Some clients are less inclined than others to develop long-term relationships. In the early 1990s, General Motor's head of purchasing, Jose Lopez, achieved significant cost savings for the automaker by extracting large, across-the-board price cuts from all of GM's suppliers. It was a Draconian move that immediately improved GM's faltering bottom line. It also touched off a highly public firestorm of protest that created terrible publicity for GM, and Lopez's strong-arm tactics poisoned many of the company's most important vendor relationships. Ever had a client like Jose Lopez?

Most of us, unfortunately, have had to work with people like this. These clients don't want advisors—they want experts for hire whom they can beat down on price and pit against each other. They don't believe in the value of long-term relationships. Their sense of loyalty—to the extent they have any at all—is fleeting and mercenary. I think these types of clients represent, fortunately, a small minority.

There are several factors that influence the degree to which your client has a relationship orientation. First, the corporate (or family) culture within which your client has to work will strongly influence how you're dealt with. Some organizations have put in tough policies and procedures, for example, to ensure that no outside provider develops "favored nation status." Second, your client's time frame for the relationship will temper his attitude toward you. For whatever reason, a client may view your relationship as a one-off transaction that doesn't merit any investment. Bob Frisch, a managing partner at the leading management consulting firm Accenture, puts it this way: "Sometimes, relationship-building is a bit like game theory. Your client, for example, will act very differently depending on whether or not he thinks there will be another round."

I think it is possible, ultimately, to build a relationship with the vast majority of clients if you can figure out what their needs are and help them solve their problems. Alan Weiss, a well-known client advisor and author, puts it this way: "If you can connect with a client's vital interests and meet his needs, you can build a relationship. It's that simple."

If you can add great value, build both professional and personal trust, and go the extra mile for your clients, your reward will be long-term client loyalty. Loyalty doesn't mean that a client will do business with you when she doesn't need your services, or choose you over others she thinks are more qualified for a particular task. Dan Scharre, the CEO at Larscom, says this about what loyalty *does* mean: "For many years, I've had a good relationship with a very effective sales trainer. Recently, he's spoken to me several times about doing some work for my company, but it's really not the right time for the kind of service he offers. I feel loyalty to this guy, but that doesn't mean I'm going to hire him when I don't have a real need. In the last few months, however, I have *strongly* recommended him to three or four other executives at other companies. Later this year, when the timing is better, I will probably hire him to do some work with us."

What more could you ask for?