

Loyal Employees, Loyal Clients: Building Your Business The Old-Fashioned Way In The New Cut-Throat Market

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The Great Recession hit the design and construction industry hard. Many companies have gone out of business or trimmed back their operations to the bare bones. Those still afloat are frequently competing for fewer jobs and are up against more fierce competition – often large offshore firms – in markets long considered home turf. Once-loyal clients are now considering new partners and demanding ever-lower fees, switching from design-build or other negotiated delivery methods to the traditional design-bid-build option. Many contractors across the country are giving in to pricing pressures and are seemingly willing to work for zero return on equity (ROE), choosing to live off their healthy balance sheets in hope of a better tomorrow. But competing on price alone is a losing game for all who play: customer expectations will inevitably be undershot and the quality of product compromised. We know that most loyal clients will stick with a firm even when price is a differentiator, but how do you inspire that kind of loyalty in a fiercely competitive landscape?

Many design and construction firms have shifted their focus toward business development and customer retention, which have increasingly become a central concern of companies in the architecture, engineering and construction (AEC) industry across the country. According to FMI's recent business development survey,¹ nine of out 10 contractors in the United States have made business development a focus in recent months (86 percent of survey respondents). Indeed, some view it as the cornerstone of their organization. "I see business development as the strategic piece to our future," says the president of a large electrical contractor.² Likewise, companies are moving to formalize their customer retention tools, opting for sophisticated customer relationship management (CRM) technology. However, the return on investment (ROI) in powerful CRM systems and other related business development technologies is not guaranteed, as FMI's business development survey confirmed: four out of 10 contractors stated that they were either flatly unsatisfied with the ROI or were uncertain about whether it had been achieved.

In FMI's experience, what's regularly missing is the necessary vision, value system and corporate culture required to build a comprehensive business development program focused on establishing long-term, trust-based client relationships. Companies with a strong culture have greater success driving out positive relationship-building behaviors to frontline employees, and reaching those who have an opportunity to impact a client's experience. Further, having a very clear strategy in place for targeting the right clients in the right markets is essential to a successful business development program. In this paper, we present thoughts and insight based on interviews with more than a dozen executives who have established best-in-class programs encompassing business development, customer loyalty and employee engagement

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principles. Most of these companies are still negotiating work with their clients and circumventing the low-bid game altogether. Discussions focused on what it takes to cement existing client relationships and how companies are reaching out to new customers in these challenging economic times.

The Oldest Trade Around: Customer Relations

The advent of CRM systems formalized something business leaders had always known: maintaining customer relationships even when they're not buying is crucial to maintaining loyalty. Following a substantial investment, CRMs allow companies to categorize and track clients, monitoring their experiences on a job and targeting them for certain marketing materials. The avalanche of targeted advertising and multimedia we shovel into our spam folders each day is the result. But customers on the distant end of newsletters and email blasts may detect the lack of a personal touch. It's easy to forget that clients aren't meant to be "managed," but engaged – a CRM is merely a tool for keeping tabs on a relationship.

At its most basic level, a customer relationship starts with a balanced transaction: you provide a service and receive funds in return. Satisfying your client requires you to understand their goals, values and expectations, and adapt your product and service to their needs. Provided each party is pleased with the result, there is every reason for that customer to seek out your services in the future.

However, today's market is more competitive than ever, and simply satisfying expectations isn't likely to stop a client from going next door if the competition can rival you on price. If you are able to exceed their expectations – going the extra mile to deliver more value, respond to questions and resolve complaints in a timely manner – you are likely to induce some loyalty in your client. If they believe that your service offering is better than every other shop, then they are far more likely to choose your firm again, even where price is a differentiating factor.

Having demonstrated your value-added service to a client, you must give them an opportunity to demonstrate their loyalty to, and association with, your company. Engaged customers will want to share their feedback and participate in the evolution of your company. To facilitate this relationship:

- 1) **Welcome formal and informal feedback.** Include a customer satisfaction survey at the conclusion of a project and gauge project milestones against client expectations. Check in on progress during a project with a personal phone call. You can even solicit a client's input long after project completion – by demonstrating that you value their opinion, you are building trust and showing your commitment to continuous improvement. Respond to queries in a timely manner.
- 2) **View negative feedback as an opportunity.** Customers who complain or offer negative ratings on a satisfaction survey have nevertheless taken the time to offer you that feedback. If your firm can handle complaints or dissatisfaction well, and demonstrate the importance of customer satisfaction to the firm, you may likely win over that customer for the future. Additionally, timely negative feedback may stave off later project issues or compromised performance, allowing the team to address an issue and refocus on the job at hand.

- 3) **Use customer satisfaction data to improve your business.** Systematic evaluation of the feedback you receive from customers can alert you to weaknesses within the design and construction process – all the way from preconstruction through to operations and management. Determine what actions you can take to have the greatest impact on quality of product, price and customer satisfaction.
- 4) **Create opportunities to keep in touch with clients.** In the age of austerity, leisurely interactions with clients have been diminished. But information nights, project celebrations and client appreciation events are all great opportunities to reinforce the ties between you and your clients. Likewise, attending client events will demonstrate your commitment to their success.

What Best-In-Class Firms Are Doing To Strengthen Customer Loyalty

Gilbane: Differentiation and added value are key

As the competitive field became more crowded, Gilbane found it was crucial to differentiate itself from the competition. To best leverage its experience base, resources and technical competencies, one strategy employed by Gilbane was to create “Centers of Excellence” (COE). The COE’s include a group of technical and operational specialists for select key market segments. “Whether the market segment focus is health care, higher education, mission critical or K-12, Gilbane assembles specialized technical teams that can leverage best practices and lessons learned to add value to our clients. Select individuals within these COE’s are personnel that have come from the owner’s side of the table and understand the nuances and business aspects of a client’s needs,” says Dennis Cornick, senior vice president and national director of sales and marketing at Gilbane.

Gilbane has also developed a formalized customer satisfaction process, which involves performance surveys that are tailored to each client and project, and encompass all elements of behavioral and operational performance. Elements of these surveys specifically address and seek feedback on what is important to an individual client on a particular project. “Customer engagement and loyalty are a key part of Gilbane’s culture and are reflected in the core values of the company,” says Cornick. “These values are driven throughout the organization by William Gilbane, Jr., our president and chief operating officer. Bill was honored several years ago by Engineering News Record for innovation in customer satisfaction.”

Gilbane is also relentless regarding continuous training of its staff through its in-house education vehicle, Gilbane University (GU). GU utilizes an extensive best practices and lessons-learned database as one of the catalysts for evolving its educational curriculum.

A current focus at Gilbane is the formulation of an operations-based sales approach to supplement and complement its existing business development team. These doer/sellers comprise a group of 2,300 employees who have the mind-set that it is part of their everyday job to solidify relationships with existing customers, industry professionals and community members as well as identify potential new opportunities for the organization.

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Dennis Cornick, Senior Vice President and National Director of Sales and Marketing, Gilbane

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Jay Leopold, Regional Manager, DPR

Summary of key strategies:

- Be able to adapt your niche capabilities to your clients’ specialized needs, while always seeking to add value.
- Drive to create mutually beneficial relationships with your clients, industry professionals and community members.
- Create a structured internal process for gathering and responding to customer feedback and link it to employee compensation and advancement.
- Develop a “doer/seller” mind-set, which is driven throughout all levels of the organization.
- Focus on continuous improvement and always being strive raise the bar on customer satisfaction.

DPR: Land work in the “red zone”

DPR is very strategic about the work that it pursues, adapting its style of play to projects that complement its strengths and values. Before pursuing work, management evaluates whether an opportunity meets a trio of criteria it calls the “red zone”: solid financial returns; a match with DPR’s expertise and core market specialties; and things DPR is passionate about. “We try to be disciplined about the type of customer we choose to work with,” explains Jay Leopold, regional manager at DPR. “Exceeding customer expectations starts with picking the right clients and asking, ‘Do they place value on what we bring?’” Moreover, he explains, DPR’s passion is “working with owners whose values overlap with those of DPR.”

Getting field and office staff to follow the same playbook is paramount, as “construction is a team sport,” says Leopold. For that reason, the company has focused on ingraining the same client-focused values at all levels within the company since its inception. Not only are management involved in building lasting relationships with clients, checking in on projects from preconstruction all the way through to closeout, but project staff at all levels are also encouraged to build trust with peers outside the company. “We really encourage project managers and others to build those same relationships at the right level, so there is an alignment of layers,” says Leopold. “A young 30-year-old project engineer might be building a relationship with someone of like-kind. The face of DPR to our customers isn’t the head honcho, it’s the guys on the front-line that are building their particular project.”

Leopold also credits a strong internal culture for the company’s enviable “work without competition” statistics – repeat business earned without contest. Leopold explains that the company builds trust with clients on a platform of competency-based achievement. “We build trust by doing what we say we’re going to do. Building our relationships with clients is also a key factor,” he remarks, noting that one reinforces the other, and that employee performance underpins the results. “Camaraderie is a contributor, and functionality is a contributor, to exceptional results,” Leopold stresses. “And so we created an internal culture, which has no walls, no titles on the business cards, a wine bar in every office, all as expressions of our commitment to building trust and relationships with each other. And in doing that, I think you would just naturally do the same thing with clients, architects and engineers and others.”

Summary of key strategies:

- Pursue work more likely to score you a home-run: pick the right match and play to your strengths.
- Create employee-client relationships at all levels of the organization.
- Encourage and foster camaraderie in support of our competencies to create a cooperative, trust-based culture that attracts clients and partners.

The Norwood Company: Know your customer base and prioritize accordingly

Knowing and understanding your client needs doesn't begin to cover the market research that The Norwood Company puts in. Tim Kelly, vice president of Norwood, described the process by which management look at potential clients as an inventory. Once potential clients are identified, Norwood performs a slot analysis on them, based on a financial health, bid or negotiated contract style, shared contacts, existing relationships and so on, grading them in terms of how good a match they make with Norwood and how likely it is that opportunities are upcoming.

To build on those relationships when an "A" or "B" client is identified, Norwood focuses on being far upstream and immersing the company in their market segments. In a similar vein, Norwood encourages its employees to share knowledge about upcoming opportunities with the company. "We are looking for that five to 10 percent [of projects] that we wouldn't otherwise know about. And then the Holy Grail is to get us in the boardroom."

When an opportunity arises, staff are ready to mobilize and demonstrate "like kind" experience with similar projects or clients, and begin building relationships with the decision makers at that organization. "We are not selling construction, we are selling relationships and specialized insight into that specific building or project type. We have to have the ability to be a resource beyond just building a building," says Kelly.

Norwood makes sure to demonstrate their commitment to the client as early as possible. Then, once they have developed a history with a client, they are willing to invest significant resources and make concessions, when necessary, to demonstrate their faith in that client. "We place tremendous value on each and every loyal client and are therefore always open to doing whatever is necessary, within reason, to help our clients further their mission," says Kelly.

Summary of key strategies:

- Evaluate and rate potential clients in terms of suitability for your strengths, and prioritize time and resources accordingly.
- Develop your contacts upstream to identify opportunities early on.
- Be prepared to show-case past heroics and woo decision makers with expertise and insight.
- Demonstrate good faith in, and loyalty to, your clients.

The Magic Number

While many executives appreciate the need to gauge and track customer satisfaction, finding the right question to ask can be daunting. For example, a client's feedback on whether they got value for their money can offer insight into the client's experience. But "value" scores are not necessarily a strong predictor for the future; moreover, making sense of the data that comprehensive client satisfaction surveys produce can be futile.

Frederick F. Reichheld,³ a researcher at Harvard, discovered that simply asking clients, "On a scale of one to 10, how likely is it that you would recommend us to a friend or colleague?" was a strong predictor of future business growth. The reason is straightforward. When a client has a very positive experience, they are not only likely to use your services again, but they are highly likely to promote you to people they know, acting as unsolicited marketers, and putting their own reputations on the line. If you can achieve a 9 or 10 from a client on a job, you can be sure that they will have a positive effect on your future business growth. If you achieve a 7 or 8, the client will be passive: they might be satisfied, but they will not go out of their way to find you or refer you business. Clients who score with a 6 or below, are likely to hurt business growth, broadcasting their discontent. Reichheld's findings reinforce the importance of dealing with client queries and complaints respectfully and in a timely manner, and also give companies a bull's-eye to aim at. On every job, project teams can ask themselves, "How can we earn a nine or 10?"

³ Reichheld, Frederick F. "The One Number You Need to Grow." Harvard Business Review. December 2003.

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Tim Kelly, Vice President,
The Norwood Company

Programming Customer Loyalty Into Your Work: Ten Approaches

Today’s business environment is very different than that of three years ago when the pace of economic progress at both the national and global level seemed unstoppable, with opportunities continually presenting themselves. With fewer prospects for growth and expansion, today’s design and construction companies are forced to fact-gather and research their markets, existing and potential customers, as well as competitors, ever-more carefully – failure to pay attention to changes in old markets or new opportunities could cost them their existence. Understanding client behavior – what makes them tick, how they make decisions, how they buy work and so forth – has become a critical element in today’s business dealings, particularly in the AEC industry where people and relationships play a key role. The following recommendations describe crucial, practical steps toward building a solid foundation for a successful customer loyalty program. This information was gathered from interviews with both industry executives as well as senior FMI associates.

Find the right match. Building a long-term relationship starts with identifying the right match. If a client’s culture and values match with your company’s culture and values, the chances for establishing a mutually beneficial and long-lasting relationship increase immediately. As part of this reconnaissance phase, it is also important to consider whether a client’s work matches with your company’s core competencies and whether they complement your working style (e.g., Are they collaborative? Do they place value on what you bring to the table?). Evaluating opportunities through this kind of filter can set the stage for a successful relationship in the long term.

Learn everything about your clients and their business environment. As one study participant pointed out, “There is no end to the amount of research and advanced preparation you can do in regards to understanding a client’s organization.” Several interviewees talked about how they attended their clients’ trade conferences and industry meetings to get a better understanding of what is happening in their client’s “ecosystem.” Knowing what is on their minds and what keeps them awake at night helps you tailor your proposals, services and products more specifically to their needs. This makes a client feel understood, which in turn helps build confidence, trust and loyalty.

Connect the right people with one another. Some executives we spoke with underscored the importance of going beyond just knowing what their clients needed and introducing them to the right industry stakeholders and partners. Kelly states, “We go all the way upstream. For example, we introduced a COO of a hospital in Pennsylvania to a CEO of a hospital in New Jersey, which resulted in the formalization of a patient transfer agreement between the two hospitals. The PA hospital now enjoys a new revenue stream through that introduction and as a result, we cultivated a strong bond with them that was big a factor in securing a substantial amount of fully negotiated work.” Taking on this kind of networking or facilitator role can help leverage your client’s position and provide you with a critical competitive advantage through bringing the right people together at the right time.

Set very clear expectations right from the beginning and track progress continuously. Each client has their own intrinsic criteria that they are assessing your firm with – they will be comparing you to prior contractors/designers, and to the outcomes they expect

from the project. Getting these expectations down on paper in explicit language – right from the beginning – will both reassure the client that their needs are understood, and also provide a platform for negotiation and conflict resolution if they are displeased with progress. Make sure to evaluate everyone’s expectations and level of satisfaction at key project milestones even if things appear to be going smoothly. If a problem does arise, timely resolution of the issue itself and the client’s concerns in tandem will stand you in good stead for the future.

Collect feedback and build your client knowledge base. Once you are conducting work for a client, it is immensely important to gather feedback from them on a continuous basis. The majority of study participants survey their clients in some manner (online, written surveys, phone calls, face-to-face interviews) at key milestones throughout the project, from preconstruction all the way through to project closeout. Some companies such as Gilbane use client feedback not just to fine-tune operations, but also to build their internal best practices knowledge base, which serves as a foundation for in-house universities and other client-related training programs. The information collected also informs management about regional client behavior patterns and helps employees tailor their responses to client specific needs and characteristics.

Incentivize the workplace to encourage positive behavior. A touching speech by the CEO at a company-wide meeting may go a long way toward hitting the reset button on employees long dis-engaged. Likewise, when senior management acknowledges the good work of an employee, it may spark a desire to do well for the company among employees. But creating an environment in which these cues are constantly encouraging employees to connect with their work will see more consistent performance. Building financial and non-financial incentives into an employee’s work and recognizing solid performances either on annual reviews or in more informal monthly shout-outs is crucial to getting employees to switch on. In the same vein, giving employees access to performance gauges (from clients and otherwise) will drive home the message that “what you do counts” and can engender greater cooperation in a team.

Make it mean something. Management may have reached a consensus over the importance of certain cultural values and employee behaviors, but unless field employees are committed to upholding them, they will not register with clients. For many clients, employees on the front-line leave the strongest impression, as they are directly involved in the day-to-day client interactions and are often the first staff members to receive complaints. As we have mentioned, an upset customer is not a lost customer. Rather, the moment when a client is emotionally invested in the outcome offers unique insight into their mind-set – harried by a delay in the schedule, for example, their true feelings are revealed. The relationship can either suffer from the setback, or actually deepen. If employees on the front-line believe in what they are doing and care about the client, then the actions they take during “moments of truth” can enhance the client’s view of the company. Unfortunately, bulletin-board kernels of “employee behavior” will not influence someone who does not feel motivated in their job. Getting an employee to invest in their job and see their role as intrinsic to the organization will induce them to behave in the best interests of the company.

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Formalizing mentor relationships within the organization can focus employees on developing their knowledge and skill sets by modeling themselves on senior staff, as well as create a sense of aspiration and desire to achieve among up-and-comers.

Provide your team with necessary tools and training. Creating learning opportunities for staff at all stages of their career will not only keep them flush with leading practices and occupational guidelines, but will encourage them to view their job as evolving – as a role that gives them something in return for their efforts. Boredom or insecurity rather than malice is often the cause of dissatisfactory interactions with clients. By investing time in training your staff so that they are equipped to deal with client queries, you are creating an opportunity for them to contribute meaningfully to the success of the organization – this in turn can motivate them to perform in the future. On-the-job training often stops once an employee is comfortable with their duties. However, you will elicit greater performance from employees who have received follow-up training that identifies moments of interaction with clients and offers more specific direction on how they can maximize the opportunity, and better anticipate client needs.

Enlist frontline leaders and mentors. Giving employees a sense of ownership over their work at lower levels can extend positive cultural behaviors out to the front-lines. While some employees will be motivated by their progress through the pipeline, other employees will be satisfied with the position they have, and seize on greater responsibility at their current level. Appointing shift leaders or rotating team organizers can bring employees into the fold, where they might otherwise have felt indifferent about their efforts. Creating front-line leadership positions also opens the door to increased transparency and honesty at lower levels, where misconduct can be common, and demonstrates to lower-level leaders that the company has shown trust in them. Further, formalizing mentor relationships within the organization can focus employees on developing their knowledge and skill sets by modeling themselves on senior staff, as well as create a sense of aspiration and desire to achieve among up-and-comers.

Break down the barriers between different silos within your company. As sales employees and operations employees focus in on doing their jobs well, they will likely not even think about the work that other departments perform. But the face time an operations manager has with clients out in the field is invaluable for developing a rapport and getting leads on other jobs. Likewise, sales staff may not understand the actual work their operations counterparts perform, and could leverage greater knowledge of the workings of their company in sales discussions. Breaking down the barriers between siloed departments can facilitate the sharing of ideas and encourage cohesiveness among employees. Occasionally, it may even garner a business opportunity.

The Power Of Emotionally Invested Employees

What kind of employee will go the extra mile to find an answer for a client? What kind of employee will take the trouble to walk a client through an issue, rather than pass them along the bureaucratic chain? What kind of employee demonstrates intricate knowledge of the company's strengths, expertise and history? The answer is any employee, provided they are motivated about their role within a company. But how do you get employees to engage, particularly in a time of flux where labor force movement is volatile and personnel are often spread thin?

Begin by focusing employees on the notion that in a hyper-competitive field, the best get-work approach is simply to act as a cohesive team. The micro-dynamics within a company's project teams can already be stressful, added to which you have a strained labor market and fears

about job stability. So getting your employees to work with and for each other, rather than for themselves, is step one in helping to build and reinforce your company's culture. You will need to earn their trust even as they fear for their jobs.

Once a solid work ethic is established among the many employees of a company, then that cooperative outlook can be used positively to create meaningful client relationships. Communicating to employees the importance of maximizing their contact with clients, and motivating them to act for the client of their own volition, will ingrain in them the beginnings of many long-term relationships. No amount of huffing and puffing from marketing departments can match the sheer firepower of having switched-on, knowledgeable, can-do employees on the front-line, to reinforce the company's brand strengths and values. Moreover, at the bid table, a last-ditch effort to convince an owner that your company is worth paying a premium for will never compete with an impression of hard work and diligence built up over many interactions.

Once you have established a working relationship with a client, never lose an opportunity to find out how you can go one step further for them – successful leaders do not view their clients as cash cows, but as collaborators who can both inform the evolution of the company and facilitate change. This is, loosely, a definition of business development, and a far more profitable definition than a vague notion of investment in pursuit of “better” clients – it is important to note that while people come and go, companies endure. Relationships struck up between junior design staff on a project in year one may pay off in year 10 when those individuals are in management and have come to wield power in the decision-making process. Although the market is volatile, companies are still built and broken over the course of many years, and it is the day-to-day performance of your most visible assets – your employees – that offers the greatest opportunity for return on investment. ■

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About FMI

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- Mergers, Acquisitions and Financial Consulting
- Strategy Development
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