

# Building the **CLIENTS FOR LIFE** Organization

*A Series for Leaders*

## **How the Right Client Selection Strategy Can Transform Your Business**

**Is Your Client Base the Result of an  
Intentional Strategy or Happenstance?**

**by Andrew Sobel**

**Number 2, January 2015**



# Welcome to Building the **CLIENTS FOR LIFE** Organization

This quarterly series is designed exclusively for a small group of my senior-level clients, contacts, and friends who can influence strategy and create the organizational enablers that help individual professionals excel and build trusted client partnerships.

All the very best,

A handwritten signature in black ink that reads "Andrew Sobel". The signature is fluid and cursive, with the first name clearly legible and the last name written in a more stylized, connected script.

Andrew Sobel  
President  
Andrew Sobel Advisors

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Here is an infallible rule:  
A prince who not himself  
wise can never be well  
advised.

—*Niccolò Machiavelli*

## How the Right Client Selection Strategy Can Transform Your Business

By Andrew Sobel

Every year, there is a flurry of corporate activity aimed at winning new clients and getting more growth out of existing relationships. Companies invest in training programs, launch new marketing strategies, re-jig their sales incentives, and re-organize in an attempt to become more market-centric. But often, the most fundamental strategy—becoming more strategic about client selection—is all but ignored.

Even the most skilled relationship manager, if assigned to the wrong client to begin with, won't produce the results you seek.

Think about your own business: What percent of your most vexing problems are created by just a small handful of your clients or customers? It's probably a high number. How many small clients do you have that take up time and resources that are out of proportion to what they contribute to your bottom line? Quite a few, I'm guessing.

Let me put this more positively: Have you noticed that if you start with the right client, and the opportunity is in your sweet spot, everything is easier? The sale goes faster. The client is more trusting. You partner well together. Like a sailboat pushed by a steady, gentle wind, the relationship grows naturally over time. And often, your margins are higher because

you're matched with a client who values what you do.

There are three main factors you should consider in selecting clients:

1. **Is it the right client (company)?**
2. **Is it the right issue?**
3. **Are you working with the right executive?**

Let's look at each one of these criteria. At the end of this article, I'll give you suggestions for how to institutionalize a more effective client targeting strategy.

A lion cannot live on a diet of mice alone—he'll eventually starve.



## The Right Client (Company)

Here are seven criteria you should consider when accepting a client. An attractive client:

1. *Has a history of building productive, long-term relationships with external providers.* Wouldn't you prefer a client that has a healthy relationship orientation?
2. *Possesses strong leadership.* Do the executives make firm decisions and follow through? A highly ambitious, well-led client is usually a pleasure to work with, but a client that is disorganized, politicized, and lacks coherent leadership at the top can be a nightmare.
3. *Has a good reputation.* Your own reputation is strongly affected by your clients' standing in the marketplace. If you find a client taking ethical or legal shortcuts, head for the door.
4. *Is large enough to support your ambitions.* Small clients can be valuable in a number of ways. They can be fun to work with, they can give younger professionals valuable experience in the c-suite, and you might get in on the ground floor of what could become the next Google or Facebook. But a small client with limited growth potential can also represent a poor use of your time.
5. *Uses firms like yours.* Does the company tend to perform your services in-house, or are they accustomed to using external providers? If not, it doesn't mean they can't be a good client. But you need to go in with your eyes open.
6. *Fits your particular strategic criteria for size, location, industry, and so on.* For example, there can be stiff costs associated with working with a client that is in a remote location 2,000 miles from your nearest office.
7. *Will not prejudice other client relationships or prevent you from working with other important clients.* One of my clients had a \$50,000 a year relationship with a company. After an environmental disaster, due to a legal conflict it was precluded from earning what might have been between \$5m and \$10m in fees with a competitor!
8. *Is aligned with or at least not in conflict with your core values.* I advised a company that prided itself on treating employees extremely well. The firm had super-high levels of engagement and commitment. Occasionally they discovered that a client did not value their own people, and was in turn treating my client's professionals in a disrespectful, exploitative manner. This always re-

sulted in an escalation and (figuratively) reading the client the riot act.

## The Right Issue

You might have the right company as a client, but if you're not working on the right problem for them, your relationship could be relegated to the most recently promoted manager who is a few years out of college. And, they may discount you to death because what you're doing isn't viewed as strategic or having high value.

What constitutes the right issue? Here are five criteria that you should consider. Obviously their importance will vary depending on what type of business you're in:

1. *The client has already tried to address the issue internally.* If not, what is the motivation to hire someone to fix it? A client usually goes outside when it finds that it lacks the skills to successfully deal with the problem or doesn't have the capacity to do so. A simple question—"What efforts have you already made to address this?"—can tease this out.
2. *The issue is either causing serious pain or represents a significant unfulfilled opportunity.* If your engagement is not going to address a meaningful problem or a growth opportunity, why would the client pay a lot of money to you?

### Clients who are on a mission

"In order to build a broad-based, institutional relationship, you have to have a client who is intent on accomplishing his goals but who also sees himself as part of a larger mission. The client has to realize he is on a bigger stage. One of my early clients was a three-star general who ran two different national agencies. One of them really did not have a strong profile with key government leaders, and he earnestly believed that it should. He worked hard, over a long period of time, to get it onto the President's agenda and elevate its stature. We became his partner in helping to accomplish this, and as a result this became a long-term, institutional relationship."

*Ralph Shrader, Chairman and CEO,  
Booz Allen Hamilton*

3. *The issue is complex, requires sophisticated judgment, and/or affects multiple functions.* If so, then it's going to really leverage your and your firm's capabilities, and command a premium fee. If it's none of the above, chances are the client will buy on price and think of the solution as a commodity. Some law firms, for example, have made an explicit decision not to undertake low-margin, commodity legal work for insurance companies.
4. *The issue plays to your "sweet spot" as a firm.* The bedrock of trusted partner relationships is superb quality work, and if the issue at hand is not one you are well equipped to handle, you should take a pass.
5. *There is clear executive ownership of the issue.* If you're not talking to the person who can buy your services and is empowered by their organization to do something about the problem, you're not going to get very far.

## The Right Executive

There are two aspects to picking the right executive: the first has to do with organizational clout and decision-making; the second with chemistry and interpersonal compatibility.

From the organizational perspective, the right executive is someone who has the organization's respect and the authority to support and sponsor you and your company. Ideally, they are the economic buyer—the person who makes the final decision to buy your services—but they don't have to be as long as you have an additional, strong connection to the ultimate economic buyer. The right executive is also someone who is a competent manager and strong leader. They know how to connect the solutions you provide to the organization's broader strategic agenda, thus elevating your importance.

It's also critical to have the right personal chemistry with the individual. This does not necessarily mean sharing the same interests and hobbies, or growing up in the same part of the country. Rather, it has to do with whether or not you "get on" together. Do you have a similar way of looking at the world? Do your communications styles work well together? Alternatively, do you complement each other's strengths and weaknesses nicely? Do you enjoy each other's company?

I don't know what all the ingredients are—I'm not sure anyone does—but you'll understand pretty quickly whether or not it's working. If you don't hit it off, but the client is otherwise important to your firm, you always have the option of finding a colleague who might be more compatible with the executive.

## Client Types you Should Avoid

Here are three of the most common client personalities that can make your life difficult:

- *Insecure executives.* This is usually the worst kind of client. They micromanage you, don't trust anyone, and have a hard time giving others credit. Be careful: They can turn on you in a flash.
- *Executives who can't stay the course.* Some people get excited about an idea, but then quickly move on and drop their commitment. You may get paid, but you'll be disappointed and potentially even burned because you invested so much in getting something off the ground.
- *Arrogant, know-it-all executives.* Arrogant people usually aren't very curious and they may not think they have anything to learn from you. You'll struggle to be a trusted advisor to them.

## What Clients Should You Be Working For?

I believe deeply in the premise that your existing clients are your best and most immediate source of new business. But it's essential to add new clients on a regular basis if you want to have a vibrant, growing business.

Look at the industries or geographic areas you focus on. Are there some companies you ought to have as clients? Here are some types you should look closely at:

- *Marquee names.* It's powerful to be seen as working for the top companies in your industry.
- *Innovators.* If the smartest, most creative companies (of any size) are hiring you and your firm, that speaks volumes about your capabilities.

"We learned that saying yes to the wrong business slowly but surely kills morale. Employees become exhausted and confused; very talented people leave...Today, every time new work comes in the door, everyone in the firm is encouraged to ask, 'Should we take it?' We refer to our mission statement and values frequently, and on a daily basis we discuss what it means to be a 'right' client."

(From "The Strategic Power of No" by Susan Bishop, HBR, November 1999)

- *Healthy companies in healthy industries.* Working with a client in crisis can, of course, also be very rewarding. But companies that earn good margins are often more willing to pay premium fees for a top provider.
- *Clients who will push and accelerate your intellectual capital development.* These engagements can be worth their weight in gold.
- *Small companies that are on the up-and-up.* Become the trusted partner or a strategic supplier to a small company that is on a rapid growth trajectory, and you may have an invaluable client for life.

What is your plan to acquire some important, new client names each year?

## Saying “No” More Often

It’s hard to say ‘no’ to an opportunity, especially if you don’t feel you have enough business. But every time you turn down a low-potential sale you free up time and resources to invest in more attractive clients.

How many RFPs do you respond to each year? It’s likely your total revenue would rise if you ignored a third of them and then doubled-down and invested more in trying to win the most attractive two-thirds.

An inability to say no is rooted in insecurity and organizational pressure not to lose any business. The best companies spread the risk of making these decisions, and don’t put the blame—if the decision turns out to be wrong—on a single rainmaker.

When you are strategic about saying no, it can open up the door to much bigger and more interesting opportunities. And sometimes, the same client you say no to will come back to you later with a much more appealing proposition.

## Conclusion: Institutionalizing Your Client Selection Strategy

Every business needs to craft a statement about the kinds of clients, issues, and executives it is targeting. In a small company, it’s relatively easy to arrive at this type of shared consensus. In a large organization, you have to provide general guidelines at the top and let different business units or practice areas flesh out the detailed, practical criteria for their particular market. Here are the steps you need to take:

- Agree and write down your ideal client profile and client targeting strategy, and communicate it internally.
- Have a clear process for client acceptance. Who

## Five Options to Deal With Small Clients and Small Relationships

1. **Keep them** if they are nicely profitable and not taking time and resources away from your core strategy.
2. **Renegotiate your pricing**, which may make them more attractive to you or spur them to leave you.
3. **Renegotiate the relationship**, if you’re getting little revenue from a good-sized company that has strong potential. They may agree to work with you towards developing a more meaningful and impactful relationship.
4. **Drop them** and possibly refer them to another provider.
5. **Have someone who is younger and less experienced manage them.** Treat them as valuable opportunities to develop your staff under lower-risk circumstances.



can sign off on bringing a new client on board, or accepting a new piece of business from an existing client?

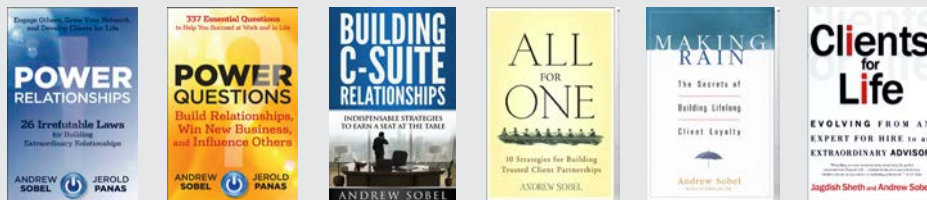
- Reward the right behavior and sanction the wrong behavior. For example: One of my clients created a list of 1,000 companies that were legitimate clients/prospects. Any sales to companies not on that list did not count towards earning a bonus.
- Lead by example. When you’re mentoring younger professionals, talk about your ideal client profile, about your culture and values, and why you need to say no sometimes.
- Syndicate the risk of saying yes and no. If you penalize individuals for saying yes to a high-value prospect that doesn’t pan out for reasons outside of their control—or for turning down an opportunity that isn’t promising, but that creates a short-term gap—you’ll create a culture of deep risk aversion.

Reflect on your own client selection strategy and process. It will be time well spent.

## About Andrew Sobel

Andrew Sobel is the world's leading authority on the strategies and skills required to earn lifelong client loyalty and build trusted business partnerships. He is the most widely published author in the world on this topic, having written eight acclaimed, bestselling books on client relationships including *Power Relationships*, *Power Questions*, *All for One*, and *Clients for Life*. His books have been translated into 12 languages and sold hundreds of thousands of copies worldwide.

Andrew's comprehensive programs for building clients for life, which integrate training, coaching, and eLearning, are now available globally through certified partners on four continents.



## About This Series

*Building the Clients for Life Organization* is published four times a year. It offers practical articles for leaders on how to build and lead a client-centric organization that steadily grows client relationships and revenue.

If you would like a PDF of this article to share with your colleagues, write to Andrew or simply go to this private web page where you can download a copy:

[andrewsobel.com/leaders-only](http://andrewsobel.com/leaders-only)

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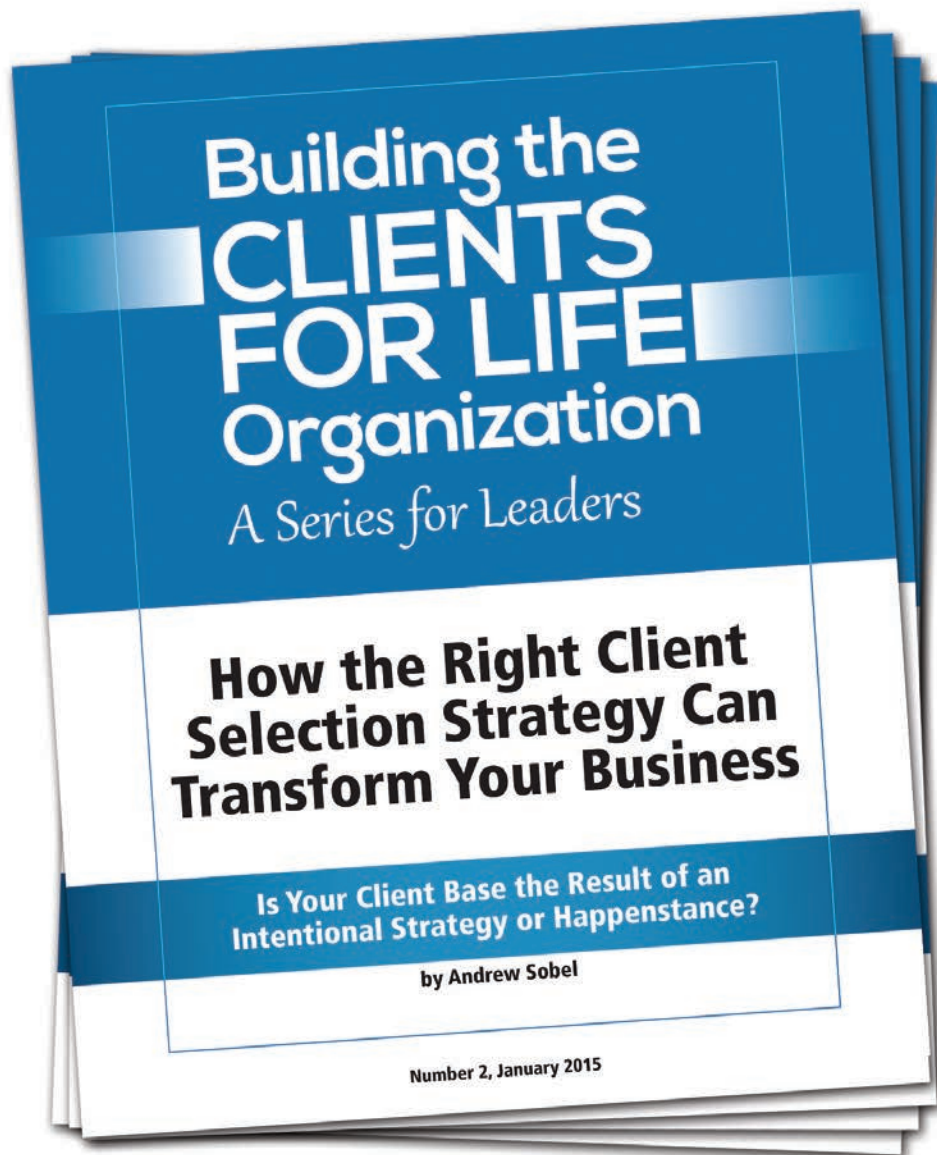
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