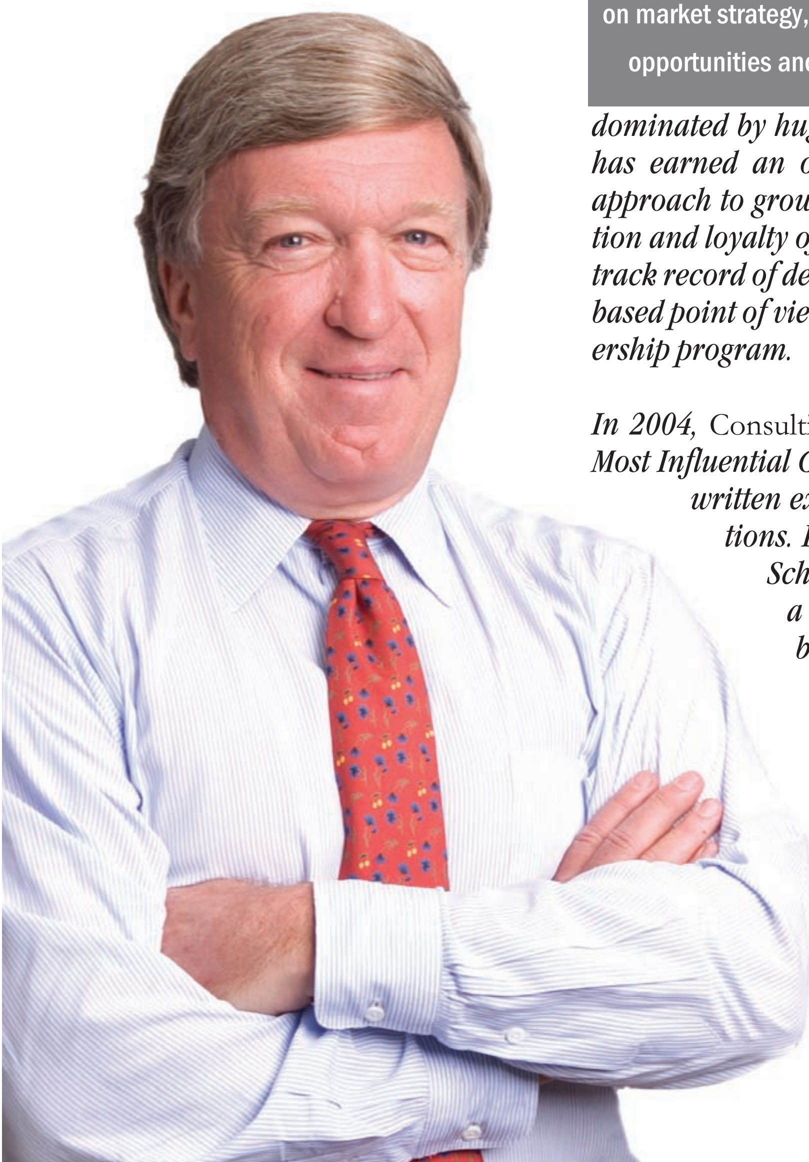
One · on · One

with Jim McTaggart *of* Marakon Associates

Broderick's *One-on-One* series features interviews with leaders at top professional services firms around the world. Discussions focus on market strategy, best practices, opportunities and challenges.

As a co-founder of Marakon Associates, a leading strategy and management consulting firm, Jim helped pioneer the concept of managing for value – an approach that remains central to Marakon's service offerings. In his nearly 30 years with the firm, he has been instrumental in building Marakon into a highly respected global consultancy in an intensely competitive field dominated by huge players. Under Jim's guidance as co-chairman, Marakon has earned an outstanding reputation as an innovator with a unique approach to growing customer and shareholder value. It has won the attention and loyalty of a world-class clientele through a powerful combination: a track record of delivering fresh advice and lasting impact, a consistent value-based point of view, an agile market strategy, and an aggressive thought-leadership program.



In 2004, Consulting Magazine *named Jim as one of the industry's "Top 25 Most Influential Consultants." He co-authored* The Value Imperative *and has written extensively on business strategy for a wide range of publications. He has also served as an advisor on strategy to MIT's Sloan School of Management. Prior to co-founding Marakon, Jim was a Vice President of Wells Fargo, where he helped launch the bank's corporate finance department.*

Today, Marakon has more than 30 partners who operate from a network of offices in New York, London, Singapore, Chicago, San Francisco, and soon Zurich. For more information about Marakon, please visit their web site: www.marakon.com.

Broderick

"Our brand is a projection of our identity, our reputation, and our client experience."

an interview with Jim McTaggart of Marakon Associates

Would you talk about what brand means to Marakon?

Brand is crucial. In professional services, you build a brand through your reputation for high-quality work and by communicating innovative ideas. Our brand is a projection of our identity, our reputation, and our client experience. Brand enables the guy on the other side of the table to say, "We know who these people are, they've done good work before, we're in safe hands if we bring them in." It reduces anxiety and makes the buying decision easier.

What are the biggest challenges around branding for Marakon?

It's taken us 28 years, our cumulative time in business, to build a reasonable brand. It's hard work! We want our brand to be known by the senior executives of large multinational companies – primarily the Global 500. This is a small group of people who are bombarded from all different directions by service providers. There's a huge amount of noise. The hardest part is just breaking in and getting attention.

What role does thought leadership play in brand building?

Look at the Big 3 in strategy: McKinsey, BCG, and Bain. McKinsey has a big established brand and client list. Its job is just maintaining its reputation. BCG and Bain were basically built on thought leadership; their reputations spread, in part, by word of mouth. To break into the market, they had to be perceived as offering something fundamentally different.

> *"You have to continually invest in innovation in order to be fresh in the marketplace."*

When we launched in '78, we came at the market from a completely new perspective. Our whole consulting framework is anchored in value and the process that we use to engage clients is really distinctive. But thought leadership around one idea decays really quickly. Once it permeates the market, it gets commoditized. You have to continually invest in innovation in order to be fresh in the marketplace. For example, we recently undertook a series of research initiatives that resulted in four articles in the *Harvard Business Review* over a 19-month period.

How do you create brand consistency and embed it in your organization?

We all talk the same language. One partner may emphasize organization work and another will focus on strategy. But it's all connected to the same body of intellectual property (IP) and centers on how to increase both customer and shareholder value. This concept is embedded in our reward mechanism; bonuses and promotions depend, in part, on how well people really understand and practice our core economic framework. We also do a lot of information exchanges among our partners, either in offices or regions. And once a year we organize a major meeting to reground our partners and managers on core concepts, what's working in the marketplace and best practices so that people get ideas and reconnect.

How do you keep your finger on the market's pulse and share the knowledge around the firm?

With respect to the market's pulse, we're good at identifying needs. When our firm was four or five years old, we brought in sales trainers who used a variant of the old Xerox approach, which emphasizes asking questions so that you can understand what a prospect's needs are and then present your offer in the form of the benefits it will deliver. Before that, we used to go out and show our pots and pans. The prospect had hardly said anything before we started telling them how great our products were. At the end of the day, you'd say, "Hey, that was a great presentation." But then you'd realize that you had no clue as to what was on your prospect's mind. Today, all our senior people are well schooled at determining client needs.

With respect to sharing knowledge, email is a marvelous tool and we use it



heavily. Several times a week, I'll get emails from a case team saying, "We've just run into the following issue with a client, does anyone have relevant experience?" Then there will be a cascade of emails with decks attached, saying, "We had something similar with a client out on the West Coast or we did this in Europe." This approach really works in an open culture like ours.

How do you decide to upgrade a service offering or add something new to your mix?

Most of those decisions are pulled by the market. We don't look at our offerings and say, "This is getting outdated, it needs to be tweaked." Instead, we ask, "What does the market seem to be looking for and what responses have worked?" Our offerings evolve. You have to get out, see what works and what doesn't, then leverage whatever does work very efficiently. That's what we tell our clients: test market, then take the ideas that work and ramp them.

How do you deepen client relationships and build loyalty?

First and foremost, we make sure that the work we do exceeds expectations. Second, we've worked hard to try to understand clients as individuals – to get to know them as people: what their ambitions are, what their hobbies are. Doing great work is necessary for these relationships to exist, but you have to get to know people outside a narrow consulting project if you really want relationships with clients to endure.

"You have to get to know people outside a narrow consulting project if you really want relationships with clients to endure."

Do you have a rough rule of thumb for the best mix of clients?

In some relationships, we are the primary advisor to the client. The relationship is strong enough so that when needs emerge, these clients tend to call us first. Then there's a second tier where we are a preferred advisor. We know we're always on the short list. For a third tier of clients, our work is project-related. The top tier is probably 50% to 60% of our client base, the second tier is 20%-30%, and the balance is project work.

You need repeat work to make the whole engine go. For example, you want 70% to 80% of your billings in '06 to come from '05 clients. But you don't want that percentage to be too high. We've had years when close to 90% to 100% of our clients were repeat. In this situation, you're not bringing enough new clients into the system. On the other hand, if your percentage of repeat business is too low, you're always scrambling to fill gaps.

Do you have a formal program for measuring client satisfaction?

There's a huge difference between attitudes and behavior — between what people say and what they do. Customer satisfaction surveys can be useful, but you should never depend on them. In a retail bank, you'll get high scores on customer satisfaction from a customer group and then see huge attrition. They're really happy until there's a better offer and then they switch.

We look at behavior rather than surveys. When a piece of work ends, is a client friendly to us and willing to reengage or do they want to pause? If they're pausing, that's a signal that something's not right and we need to go find out what that is. I think there is a lot more information in studying the client's actual behavior than in sending them a survey.

How do you distinguish between marketing and business development at Marakon?

Marketing is about building awareness and sending ideas out through multiple channels. Business development is more individual. It's networking, asking for referrals, and responding to needs efficiently and effectively. They're two sides of the same coin. You want the marketing engine to create brand awareness and surface opportunities. Business development also generates opportunities, but on a one-on-one micro basis. So, there is

continued on back

continued from inside

a set of activities associated with marketing and a different set with business development and still a third set associated with practice development and innovation. We've tried to bridge the gap in these three areas by moving toward a model of marketing focused on campaigns. In a campaign, we take a specific piece of IP that we have developed and try to run it through multiple channels to create maximum impact and awareness in the marketplace.

What are the keys to growing a profitable and successful professional services firm?

In today's marketplace, you've got to have something distinctive to say. You've got to invest in building IP – that's the *sine qua non* in the consulting business. Second, it's all about talent. To grow the business, you have to identify and bring in talent and then nurture

"Once you have the ideas and the talent, you have to build a marketing and selling engine around the two."

it. That has a lot of implications for a firm's culture. You have to be willing to share ownership. A lot of firms haven't grown because their founders essentially kept all the equity. Once you have the ideas and the talent, you have to build a marketing and selling engine around the two. If you can get those three things going, you have a shot.

What's at the top of your agenda? As co-chairman, what's keeping you up at night?

At this point in our journey, I'm not worried about IP because we've developed so much. I worry mostly about marketing and business development. Are we getting that right? Are we investing enough? Are people out hustling and networking? Next, I worry about talent: keeping the talented people we've got and finding new talent.

Expansion is another big concern. If you look at our footprint, we have three offices in the U.S., a London office, and a small office in Singapore. We're planning to open an office in Zurich this year, and may open a second office on the Continent in the future. Asia is a big potential growth area for us. Our Singapore office now deals primarily with North American and UK-European clients. Ultimately, we're going to want something much bigger and more ambitious. The question is, how do we get there? Right now, we have to continue to push really hard and not get complacent. 1on1

ABOUT BRODERICK

Broderick works exclusively with professional services firms to develop and implement market strategies that grow key markets, build brand awareness, and generate business. Our clients include some of the world's leading professional services firms. For more information, please visit our website at www.broderickco.com.

Broderick & Company

In the United States
100 Tiburon Boulevard
Mill Valley, CA 94941
Tel: 415–388–0313
Fax: 415–388–0667

In Europe
Alcalá 44
28014 Madrid, Spain
Tel: +34 91 523–7420
Fax: +34 91 523–7401

Broderick