

What people are saying about
Developing Knowledge-Based Client Relationships

"Ross Dawson's book offers a meticulous analysis of all key drivers which define successful business relationships. Highly topical, *Developing Knowledge-Based Client Relationships* is a must read for all whose survival hinges on their ability to successfully convert transaction-based interactions into comprehensive long-term partnerships with their clients."
—**Marcel Kreis**, Managing Director, UBS Singapore

"Ross Dawson has delivered a powerful and comprehensive view of the future of professional services—and the role that knowledge will play in that future. He recognizes that the introspective days of corporate strategists are over. Success starts with with one's external relationships—with customers, partners, and suppliers. The ability to capitalize on knowledge to build effective enterprise relationships has become critical. This book captures that reality and thus serves as a valuable field guide to success in the unfolding knowledge economy."
—**Britton Manasco**, Editor and Publisher, *Knowledge Inc.*

"'Guns don't kill,' the saying has it, 'People do.' Likewise, information doesn't confer competitive advantage. Knowledge does. And knowledge is always someone's knowledge. This book cuts through the cant about the value of data and information and shows that relationships with living, breathing people are crucial to putting knowledge profitably to work."
—**Jay Ogilvy**, Managing Director, Global Business Network,
and co-author of *China's Futures*

"Nowadays almost every consultancy company will claim to be in the business of knowledge management. Yet how many really deliver value through managing relationships with their clients that enhance their clients' knowledge? For those managers and organizations who seek to achieve this elusive goal there is no better guide than *Developing Knowledge-Based Client Relationships* by Ross Dawson. No professional in the business of delivering services to client organizations can afford to ignore this book."
—**Stewart Clegg**, Professor, School of Management,
University of Technology Sydney, and co-author of *Changing Paradigms*

"Dawson's book should be required reading for anyone in a professional services firm. Developing value-added relationships requires that we not only solve our client's business problem, but also make them more knowledgeable. His book will help professional services organizations to rethink how knowledge can most effectively flow within and outside the firm."
—**Peggy Parskey**, Functional Manager, HP Consulting
Global Knowledge Management Initiative

"The mediation of knowledge across cultural boundaries (national, industrial, professional, organizational) is not well understood, let alone practiced by many

professional groups. This is why Ross Dawson's lucid book is such essential reading for professionals operating in the emerging e-service economy."

—**Bill Ford**, Adjunct Professor, Southern Cross University,
and OECD/CERI Consultant

"Ross Dawson has identified precisely the area which offers the most promise for future success in organizations—the intersection of knowledge and relationships. Addressing these two key aspects of value-creation in the 21st century, Ross Dawson's intelligent new book offers a practical guide to those who must lead their organizations through turbulent times to an unknowable future."

—**Jan Lee Martin**, Director, The Futures Foundation

"Ross Dawson breaks new ground by providing a methodology enabling professional service firms to translate abstract theory about knowledge management into strategies to improve the depth and quality of their interactions with clients. This book brings fresh insights into management of professional service firms, with best practice examples from sectors as diverse as law and advertising."

—**Peter Leonard**, Technology Partner,
Gilbert & Tobin Lawyers, Sydney, Australia

"Ross Dawson's book integrates the two central concerns of every business enterprise today: managing its knowledge and managing its relationships in order to create a sustainable competitive advantage. By showing how the sharing of knowledge is deeply interwoven with the development of relationships, Dawson calls for nothing less than a reinvention of the way organizations think about client or customer relationships, and how these relationships may be redesigned as knowledge-enabled and knowledge-enabling partnerships. Dawson presents a set of sound principles and helpful practical advice that can guide professional service providers and their clients to jointly amplify value creation through mutually beneficial knowledge-based relationships."

—**Dr. Chun Wei Choo**, Associate Professor, University of Toronto,
and author of *The Knowing Organization*

"In this insightful and comprehensive exploration, Ross Dawson has skillfully woven together both classic and new thinking about organizations, learning, and knowledge. This book sharpens the focus on the role of knowledge in building customer relationships through numerous examples and comprehensive listings of possibilities. The result is a useful and provocative handbook that can help guide consultancies and professional service firms in developing business offerings, deepening strategic relationships, and identifying innovation and service opportunities. A foundational book for anyone offering knowledge-based services."

—**Verna Allee**, author of *The Knowledge Evolution:
Expanding Organizational Intelligence*

"*Developing Knowledge-Based Client Relationships* is a book that provides a clear understanding of a complex but important area."

—**Göran Roos**, Chairman, Intellectual Capital Services

“Dawson is to be congratulated on opening up this new subject area in knowledge management. The examination of the different types of professional services and their characteristics is very useful both to buyers and to sellers of these services. I will certainly use this as a reference book when planning client interaction or collaborating with another provider.”

—**Victoria Ward**, former Chief Knowledge Officer, NatWest Markets, and founder of Spark Knowledge

“Ross Dawson has written an important book. Its all too easy to view service industries as compliant advisors. Now there is a need to see the value in cooperative knowledge generation and a requirement to learn how to give freely and learn fast. Truly thought-provoking.”

—**Andy Law**, Chairman, St. Lukes, and author of *Creative Company*

“Dawson’s book delivers an excellent perspective on the knowledge transfer process and its impact on business decisions and results. It’s a must-read for any professional services executive who is serious about winning and keeping customers.”

—**Cameron A. Lochhead**, Managing Director, Links Securities LLC

“After all, our customers are our real employers, and the currency of knowledge enlivens the relationships and makes it possible to co-create wonderful new opportunities for all involved. Ross Dawson has put his pen on a key pressure point of tomorrow’s economy, and we are all so much better for his knowledge, because now our professional knowledge takes on new meaning and value.”

—**Dr. Charles Savage**, author of *Fifth Generation Management*

“At last! A book that talks about the practical challenges and difficulties we all face in applying knowledge management principles in a professional services environment. Ross does an excellent job of describing how knowledge is applied and used in context. He outlines how business knowledge has value in a business relationship, and how that value can be unlocked. This book should be required reading, not only for professional services knowledge workers, but also for aspiring content dot-com entrepreneurs.”

—**John G. Peetz**, Chief Knowledge Officer, Ernst & Young LLP

“If the Knowledge Economy means anything, it means that knowledge has become, more and more, what sellers sell and what buyers buy. Few companies have even begun to think through how this fundamental fact changes the nature of customer relationships. Fortunately for them—and for all of us—Ross Dawson has done a brilliant job of examining how all businesses (not just professional services, though that is where he focuses) can build knowledge-based relationships to create new, immensely lucrative ways of doing business.”

—**Thomas A. Stewart**, author of *Intellectual Capital*

“If you wish to see the future of business, learn from the professional services firms! Professional services firms have more experience in how to leverage knowledge and in how to create value from ‘invisible assets’ than any other industry. By focussing

on how professional services firms leverage client relationships, Ross Dawson addresses a void in the ocean of books on 'Knowledge Management.' He shows how client relationships can contribute in all areas of knowledge creation. It is an essential read for managers in all organizations, and I'd particularly recommend managers of internal service departments to study its ideas carefully."

—**Dr. Karl-Erik Sveiby**, Principal, Knowledge Management, and author of *The New Organizational Wealth: Managing & Measuring Knowledge-Based Assets*

"A much-needed guidebook for all who seek to add value through knowledge, and get paid for doing it."

—**Keith Reinhard**, Chairman/CEO, DDB Worldwide Communications Group

"Knowledge resides in people, but the processes of developing and sharing knowledge can be vastly accelerated by digital technology. Ross Dawson explains how this changes the entire landscape of client relationships. Those who share will prosper; those who don't will die. It is not a choice. It is the difference between today and tomorrow."

—**David Shannon**, Global Technology Partner, Baker & McKenzie

"Truly knowledge-based businesses succeed by creating and applying knowledge not only within, but also beyond their own organizational boundaries. This book offers exactly the sort of guidance needed to make such interorganizational relationships powerful and beneficial to all involved. Dawson's advice should be carefully heeded not only by traditional professional services firms, but by any organization hoping to successfully participate in the knowledge economy. It definitely increased my own 'capacity to act' in this extremely vital aspect of today's business environment."

—**Rudy Ruggles**, Ernst & Young Center for Business Innovation, and editor of *Knowledge Management Tools*

Developing Knowledge-Based Client Relationships

Developing Knowledge-Based Client Relationships

The Future of Professional Services

Ross Dawson




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Preface

I believe that the future of professional services—which is itself much of the future of differentiated business—is all about people, knowledge, and relationships. In my various careers in systems sales and product management, international stockbroking, financial market analysis and reporting, and management consulting, it has always seemed obvious to me that the greatest value provided to clients has been in making them more knowledgeable. The task for my team and me has always been to help clients to know more, to make better decisions, to have greater capabilities. I have experienced developing relationships and the fruits of building mutual trust while working in a number of different countries and cultures. I observed in practice that adding value to corporate and institutional clients is deeply tied to knowledge, relationships, and developing ongoing rich interaction. At the heart of each of the industries in which I have worked the same basic issues existed, and each one was ultimately centered on interactions among people.

Since my youth I have been profoundly interested in the nature of knowledge, including how the mind works, and how it can function more effectively. Fairly early on I came across the field of neurolinguistic programming (NLP), which draws on the principles of cognitive and behavioral psychology, however, it is eminently practical in that it is framed to answer the question, “Is this useful?” For more than a dozen years I have engaged in extensive study and training in the field, and have had the good fortune to study with some of the founders and leading thinkers in the field. From there I extended my study to the more academically accepted field of cognitive psychology, and also found that extremely practical in its business applications.

When I started to develop my ideas on knowledge and relationships, I came across the nascent field of knowledge management. Here

were people who recognized that valuable knowledge is about people and interactions among people, and that technology is an enabler for that process rather than an end in itself. But somehow everyone always seemed to be talking about knowledge inside organizations. Knowledge is the primary asset of the organization, so if it is made more productive, it will provide better products and services to clients. This way of thinking appears to me to be substantially missing the point, as it seems to be implicitly based on holding clients in low esteem, and thinking of them as consumers. I have sought those who had thought or written about enhanced knowledge as the source of value to clients, and found just a few scattered allusions to the idea as something important, but with no further development of the theme. It strikes me that this represents an enormous gap in current thinking about knowledge in business, and about the whole nature and future of professional services, so with this book I am hoping to begin to remedy this oversight. Perhaps others will build further on what I have begun.

The book is intended primarily for practitioners—professionals in all industries who are in the frontline of adding value to clients. Professional services are more a way of doing business than a group of industries. Therefore, while I expect consultants, investment bankers, accountants, lawyers, and the like to see immediately the relevance and value of these ideas, I hope professionals—that is, all knowledge specialists—in every sphere of business recognize that these issues are also directly applicable to their industries.

The book is designed around the theme of client relationships, however, knowledge sharing and transfer is equally important inside and outside organizations, and this book is intended for everyone interested in the issues of dealing effectively with knowledge in business. I also anticipate that graduate students of business and related disciplines, especially those who intend to work in the field of professional services, will find this book extremely useful in understanding the underlying nature of these businesses.

Acknowledgments

Many thanks to all those who provided valuable input in conversations and feedback on draft chapters. There are too many to mention, but in particular I would like to thank Sally Andrews, Lesley Brydon, Stewart Clegg, Martin Crabb, Bill Ford, John Grinder, Alan Hocking, Greg Joffe, Sally Jones, Michael Katz, Julia Kirby, Peter Leonard, Cameron Lohead, Iain McGregor, Tony Morriss, Greg Rippon, Michael Ross, Rudy Ruggles, David Shannon, Tom Stewart, Kees van der Heijden, Stuart Westgarth, and Steve Weber. Forgive me to those I have overlooked!

I would like to thank all the people who kindly gave me their time to discuss their organizations' approaches and initiatives in developing knowledge-based client relationships. These include Christine Burns of Blake Dawson Waldron; Martin North of Booz•Allen Hamilton; Margareta Barchan of Celemi; Keith Reinhard of DDB Worldwide Communications Group; Rick Collins of EDS Australia; Greg Reid and John Petz, Jr. of Ernst & Young; Valarie Eiland of Fannie Mae; Renee Johnson and Matt Nolker of Giant Step; Nancy Murphy and Sean Baenen of Global Business Network; Peggy Parskey of HP Consulting; Göran Roos of Intellectual Capital Services; John Scott of ksbr Brand Management; Mark Bunke of Manpower; Stuart Roden of Mercury Asset Management; M. T. Rainey of Rainey Kelly Campbell Roalfe; Victor Grijalva and Reid Smith of Schlumberger; Andy Law of St. Lukes; Ian Battye of State Street Bank; Don Creswell of Strategic Decisions Group; Tony Cole of William M. Mercer; and many others.

It has been a delight working with Karen Speerstra, Rita Lombard, Jodie Allen, Michael Abenante, and Scott Rousseau of Butterworth-Heinemann—special thanks in helping make it a reality. Thanks to Angela Fehringer and Andreea Impeciati for the photograph and laughs. And special thanks to Oliver Freeman, Sally Jones, Tony Morriss, and Verna Allee for their support and faith during the early stages of building my business.

Introduction

Normann and Ramírez were right on target when they stated that the essence of strategy is the way companies “link together the only resources that really matter in today’s economy: knowledge and relationships,”¹ in their classic *Harvard Business Review* article, “From Value Chain to Value Constellation.” Together, knowledge and relationships are the only true sources of sustainable competitive advantage. Moreover, knowledge itself is all about relationships—between people and organizations.

The twin themes of knowledge sharing and relationships are deeply entwined, and ultimately inseparable. Becoming more effective at both sharing knowledge with clients and developing enduring and profitable client relationships establishes a bedrock foundation for achieving sustainable competitive advantage in times of dramatic, ongoing change.

It is now widely acknowledged in the business community that knowledge is the most valuable resource of organizations. The evangelizing work of business people and writers such as Tom Peters² and Tom Stewart³ has helped companies to understand the fundamental importance of knowledge to their sustained profitability in a rapidly changing business environment and the foundations of how to leverage their knowledge to achieve better business results.

Until recently, however, the emergent field of knowledge management has focused almost exclusively on how firms can make their knowledge more productive in their internal processes. This strong internal focus reflects more generally how clients often seem to be regarded as something separate and distant to which services are provided, and from which revenue and perhaps feedback ultimately return. There has been much talk of the “extended enterprise,” which

includes not only clients, but suppliers, partners, and alliance members. Yet organizations still often do not act in ways that reflect a belief that the flow of knowledge and interaction should freely include their clients and other stakeholders. Knowledge is not just an internal issue; every facet of it is deeply tied to external relationships. And professional service firms are increasingly realizing that sharing knowledge with clients is at the very heart of their business.

Professional service firms can either try to hold onto their knowledge, and perform “black-box” services for their clients, or they can proactively share their knowledge, working with their clients to create value. Both of these models have a future; however, the powerful and accelerating forces of commoditization mean that those who are not prepared to work with rather than for their clients will find that the fees and margins they are able to command will gradually wither away. In today’s economy the distinction between commoditized offerings, which are driven by price and cost, and differentiated offerings, which are driven by greater value to the client, is becoming ever clearer, and differentiation is ever more fleeting and tenuous as the undertow of commoditization pulls down.

This book is about professional services in business-to-business relationships because it represents a model for the future of differentiated business. An enormous proportion of business in the future will be commoditized, with many players fighting for advantage, which proves very ephemeral. Here our theme is specifically how to achieve lasting differentiation and premium pricing. Any business that achieves sustainable differentiation will be based on knowledge and relationships; as these are at the very core of professional services it represents a model for almost all differentiated business. The same principles can apply in any industry, but I argue that any business based on knowledge and relationships, that makes its clients more knowledgeable, is in effect a professional service firm. And the common foundation of knowledge specialization in professional services means that every professional service firm has much to learn from others, even those in apparently quite different industries.

What is most valuable to clients is making them more knowledgeable, helping them to make better decisions, and enhancing their capabilities. If a company chooses to outsource a given function by getting an external service provider to do it better or more cheaply than it can, it has implicitly decided that this function is not part of its core and differentiating competencies. This strategy can never add as much value as having a service firm assist the company in enhancing its core compe-

tencies, and improving the functions that are its primary source of differentiation and value creation. Adding value to clients at this level can only be done with a highly interactive approach that draws on and develops relationships. Linking and building knowledge and relationships in this way puts professional service firms in a situation that creates superior value on a sustainable basis, and is highly differentiated.

These management trends are being accentuated by the increasing sophistication of clients. The clients of professional service providers are demanding not only real added value, but also respect. They already have ready access to a wealth of information, and they are increasingly telling their service providers that they want not only knowledge transfer, but also self-sufficiency. While this may alarm some professionals, it in fact represents an enormous opportunity to move to a higher level of value creation and partnership with their clients.

Knowledge and relationships are about people. Only people hold knowledge, and all relationships are ultimately about individuals interacting. As such, greater effectiveness in developing knowledge-based client relationships must be based on understanding the nature of knowledge, how people acquire and develop their understanding of the world, and how people can learn to interact more effectively. Rich interaction among people is at the heart of knowledge sharing.

This is certainly not to imply that technology is not a critical factor in the effective delivery of professional services. Technology issues will be fundamental to the future of professional services in three ways: in helping to bring people together in more effective ways, in developing ways of interactively developing people's knowledge rather than simply dumping information, and in contributing to the commoditization of many offerings.

While our focus is firmly on client relationships and knowledge sharing across company boundaries, many of the principles are equally applicable within organizations. Effective knowledge transfer inside organizations, in situations ranging from within small teams to between different operating divisions across continents, is the pivot for leveraging the knowledge assets of an organization. Studying how to transfer knowledge to clients can also provide very valuable lessons for those who focus on developing the internal knowledge capabilities of their organizations. Clearly the issues that confront professional service firms are equally relevant in internal consulting; the boundaries within organizations can be almost as rigid as those between organizations. All issues covered in this book can be applied within companies.

In *Developing Knowledge-Based Client Relationships*, we begin by establishing the foundations on which we will build throughout the course of the book. The first two chapters are perhaps a little drier than what follows, but they provide the crucial building blocks and definitions that will enable us to develop a practical understanding of the changing nature of business. This book is intended to be eminently useful—a practitioner’s manual—and one of the primary tools to achieve this usefulness is a wealth of case studies, as well as examples of excellent, innovative practice in a wide variety of industries. There is nothing more practical than seeing how other organizations have successfully addressed the same issues.

In Part I we examine the foundations of developing knowledge-based client relationships. Chapter 1 looks at how knowledge sharing is becoming an increasingly important part of the value added to clients, and introduces the basic terms and definitions we will use throughout the book. Chapter 2 examines the nature of professional services, along with the forces driving change in these industries.

Part II addresses adding value to clients with knowledge. Chapter 3 examines the processes of adding value to information that will be used by clients, and how to develop organizational information and knowledge capabilities. Chapter 4 covers adding value to client decision making, while Chapter 5 discusses adding value to client capabilities. This section provides a number of cases and examples of organizations taking innovative approaches in these areas.

Part III is about implementation—making it happen—and draws more extensively on examples of leading practice in the field. Chapter 6 describes how to manage the portfolio of communication channels with clients. Chapter 7 builds on this strategy to look at effective approaches to structuring client contact in firm-wide relationship management. Taking relationships a step further, Chapter 8 deals with issues involved in co-creating knowledge with clients, while Chapter 9 examines new pricing models that can be used for knowledge-based services. Chapter 10 draws together the various strands developed throughout the book to look at the practice of implementing these approaches, and how to enhance knowledge and communication skills.

The Appendix draws on the field of cognitive psychology and related disciplines to examine the nature of mental models, and how people acquire knowledge. An understanding of these issues is becoming central to the ability to add greater value to clients with knowledge. Here we provide a practical framework for understanding the nature of

knowledge, based on contemporary research and understanding, for those interested in an introduction to the field.

The book covers a broad spectrum of industries and perspectives on business, so I must rely on you to relate the ideas and examples presented here to instances directly relevant to your industry and situation. I hope that rather than simply taking the ideas at face value, you will integrate them into your own circumstances and ways of thinking to develop innovative, useful approaches that go well beyond the scope of ideas covered in this book.

NOTES

1. Richard Normann and Rafael Ramírez, "From Value Chain to Value Constellation: Designing Interactive Strategy," *Harvard Business Review* (July-August 1993): 65-77.
2. See for example Tom Peters, *Liberation Management: Necessary Disorganization for the Nanosecond Nineties* (New York: Fawcett Columbine, 1992).
3. See for example Thomas A. Stewart, "Your Company's Most Valuable Asset: Intellectual Capital," *Fortune* 130, no. 7 (October 3, 1994); and *Intellectual Capital: The New Wealth of Organizations* (New York: Doubleday, 1997).

