

Building the Resilient Professional Services Firm

Part 2: Optimizing Your Service Portfolio and Strengthening Client Relationships

Introduction

[In Part 1 of this series](#), we explored the foundational elements of building a resilient professional services firm: conducting a brutally honest assessment of your current position and implementing robust financial management practices. Now, we turn our attention to two critical areas that can significantly impact a firm's resilience: service portfolio optimization and client relationship management.

Professional services firms must continually evaluate and refine their service offerings to remain competitive and profitable. Simultaneously, they must nurture and expand client relationships to ensure a stable revenue base and opportunities for growth. Let's explore how firms can excel in these areas to build greater resilience.

Optimizing Your Service Portfolio

A well-balanced and strategically aligned service portfolio is crucial for long-term resilience. It allows firms to adapt to changing market conditions, mitigate risks associated with over-reliance on specific services, and capitalize on emerging opportunities. Here's how to approach service portfolio optimization:

Conduct a comprehensive portfolio analysis using REVI

[The Resource Efficiency Value Index \(REVI\)TM](#), introduced in a previous paper, is a powerful tool for evaluating the profitability and strategic value of not only projects but of service lines. However, applying REVI at the service line level requires a thoughtful approach. Here's how I would suggest conducting a REVI analysis for your service portfolio:

- Calculate Project-Level REVI: For each project, calculate its REVI using the formula: $REVI = (Total\ Revenue / Project\ Duration) * Number\ of\ Resources$

- Calculate Service Line REVI: To avoid potential bias from overemphasizing revenue, use a simple average of project REVIs within each service line: $\text{Service Line REVI} = \frac{\sum (\text{Project REVIs})}{\text{Number of Projects}}$

Alternatively, you could use a weighted average based on project duration or resource utilization: $\text{Service Line REVI} = \frac{\sum (\text{Project REVI} * \text{Project Duration})}{\sum (\text{Project Durations})}$
 OR $\text{Service Line REVI} = \frac{\sum (\text{Project REVI} * \text{Project Resource Count})}{\sum (\text{Project Resource Counts})}$

- Consider additional metrics alongside REVI. These additional metrics provide important context for interpreting the REVI scores and making strategic decisions.
 - Total revenue for the service line
 - Number of projects completed
 - Average project duration
 - Total resource hours utilized
- Assess Strategic Importance: Evaluate each service line's strategic importance based on factors such as market growth potential, client demand, alignment with firm capabilities, and competitive positioning. Score this on a scale of 1-10.
- Create a REVI Matrix: Create a 2x2 matrix with Service Line REVI on the Y-axis and Strategic Importance on the X-axis. This will help you categorize your services into four quadrants:
 - Stars: High REVI, high strategic importance. These are your core services to invest in and grow.
 - Solid Performers: High REVI, lower strategic importance. These services generate good profits but may have limited growth potential.
 - Question Marks: Lower REVI, high strategic importance. These may be newer services with potential but need optimization.
 - Phase Outs: Lower REVI, lower strategic importance. Consider phasing out these services or dramatically reinventing them.

For example, a firm may find that their cybersecurity consulting service line has the following profile:

- Average Project REVI: 7.2
- Total Revenue: \$2,500,000
- Number of Projects: 15
- Average Project Duration: 4 months

- Total Resource Hours: 12,000
- Strategic Importance Score: 9

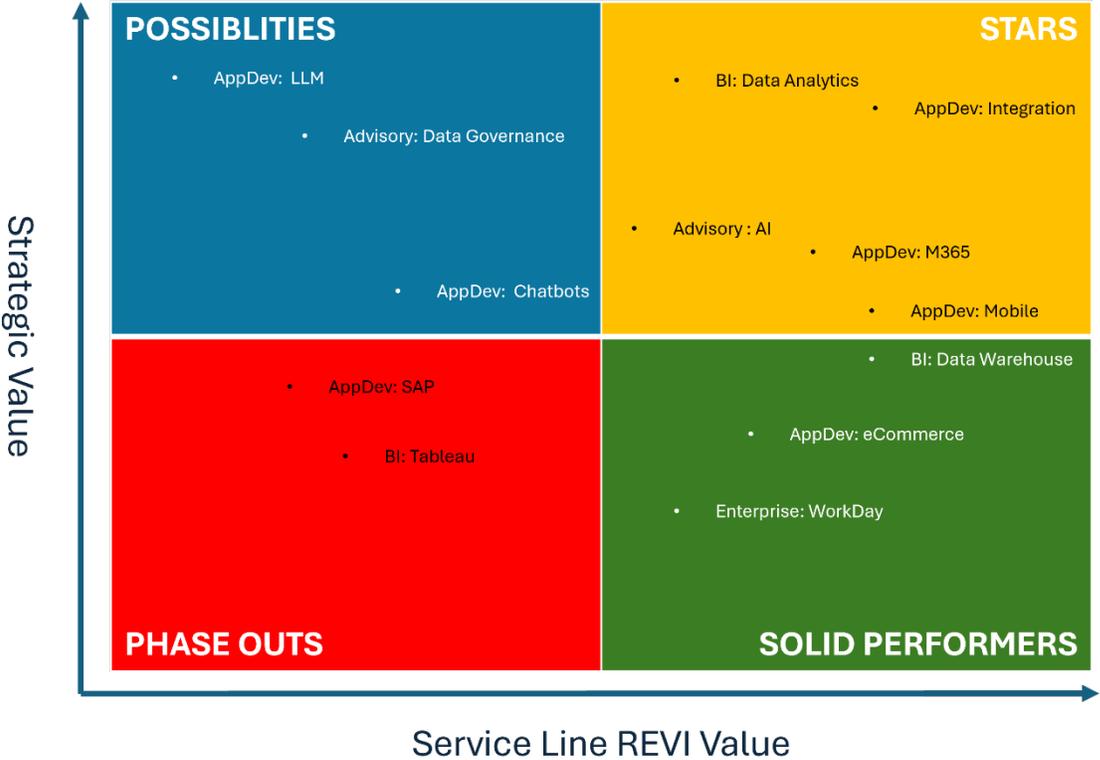
This service line would likely fall into the "Stars" quadrant, indicating it's a high-performing service with strong strategic alignment.

In contrast, another service line might show:

- Average Project REVI: 5.1
- Total Revenue: \$1,000,000
- Number of Projects: 8
- Average Project Duration: 3 months
- Total Resource Hours: 5,000
- Strategic Importance Score: 4

This service line might fall into the "Phase Out" quadrant, suggesting it needs significant improvement or should be considered for phasing out.

REVI SERVICE LINE MATRIX SAMPLE



By analyzing your entire service portfolio in this way, you gain a clear picture of where to focus your resources and how to optimize your service mix for both current profitability and future growth.

Remember, REVI is a powerful tool, but it shouldn't be used in isolation. Always consider it alongside other key performance indicators and qualitative factors to make well-rounded strategic decisions.

Identify and develop adjacent service opportunities

Look for opportunities to expand your service offerings into adjacent areas that leverage your existing capabilities and client relationships. This can help diversify your portfolio and create new growth avenues.

For example, an HR consulting firm might identify an opportunity to expand into change management consulting, a natural adjacency to their core services. They could develop this new offering by upskilling existing staff, making strategic hires to bring in specialized expertise, piloting the service with long-standing clients, and refining their methodology based on pilot feedback before full launch.

Regularly reassess and refine your portfolio

Service portfolio optimization is not a one-time exercise. Make it a habit to reassess your portfolio at least annually, or more frequently in rapidly changing markets. Be prepared to make tough decisions about sunsetting underperforming services or doubling down on emerging opportunities.

Strengthening Client Relationships

Strong, deep client relationships are a cornerstone of resilience in professional services. They provide a stable revenue base, opportunities for growth, and can be a buffer during economic downturns. And, no matter how good your client relationships are, there is always room for improvement. Here some ideas on how to strengthen your client relationships:

Implement a tiered client classification system

Not all clients are equal in terms of their strategic value to your firm. Implement a tiered classification system to ensure you're allocating your resources effectively:

- Tier 1: Strategic partners. These are your most valuable clients, offering significant revenue, growth potential, and strategic alignment.
- Tier 2: Growth opportunities. Solid clients with potential for expanded relationships.
- Tier 3: Transactional relationships. Important for revenue but with limited strategic value.

For each tier, define clear engagement strategies, service levels, and growth targets.

Develop comprehensive account plans for top-tier clients

For your Tier 1 and high-potential Tier 2 clients, develop detailed account plans that go beyond just tracking revenue targets. These plans should include:

- Deep understanding of the client's business, industry trends, and strategic challenges
- Mapping of key stakeholders and decision-makers and their relationships with individuals in your firm
- Inventory of current services provided and identification of cross-selling opportunities
- Specific strategies for expanding the relationship and delivering greater value, starting with quarterly executive reviews
- Regular cadence of strategic conversations and relationship-building activities, both internally and with the client.

I understand that creating client plans and strategies is not exactly a breakthrough concept. In fact, I'll bet that every firm spends time on this effort, typically when planning for the next year

or early in the first quarter. Meetings are held and plans are built – and then they fall to the wayside, never to be looked at again. The value here is not in creating a plan – it is in setting the expectation that they will be delivered on, reviewed and updated on a regular basis

Create an "early warning system" for at-risk clients

Develop an honest and systematic approach to identifying and addressing potential client issues before they escalate:

- Monitor key indicators like changes in engagement frequency, scope reductions, or shifts in stakeholder sentiments
- Conduct regular relationship health checks through formal and informal channels
- Empower front-line staff to flag potential issues early
- Develop rapid response protocols for addressing client concerns
- Executives should be aggressively involved at the first sign of a project issue or client complaint, no matter how trivial it may seem in the moment.

The Executive Review

The single best way that I have found to keep projects on track and clients happy is the Executive Review. On every project of significance, a regular meeting should be set up that ideally only includes the client executive sponsor, a partner or principal from the professional services firm and the sales account owner. (If the client wants to include a project manager that's fine as well). The purpose of the review, as I explain it, is "to have open and honest conversations around that state of the project and the people involved in it." The timing of the meetings should be appropriate for the length of the project. Every other week for projects under three months in length. For longer projects, they could be held monthly, but keeping to every two weeks is never a bad thing.

For these meetings to be effective these things need to happen:

- The Professional Services Executive must do a recap with their internal team the day prior to the Executive Review. The Professional Services Executive needs to be fully up to speed on the status of the project and any issues. If you are caught off guard or need to "get back to your team for the details", the meeting loses its value for the client.
- In each meeting, set the stage by reminding the client of the purpose – it is for the project to go smoothly and for your firm to be able to improve through constructive feedback
- Give the client honest feedback. When projects stall or begin to go off the rails, it is not always on the Professional Services Firm. We should assume that the Project Sponsor for the client wants it to run smoothly, and you should be open and honest in giving them feedback about their team. Usually this will have to do with delayed decision-making or

client employees assigned to the project not having enough dedicated time. But whatever the issues are – cover them during this call and follow up on them.

- Push for points to improve on. In my experience, clients are typically very happy with the performance of the Professional Services Team. And it is tempting to bask in the glow of positive reviews from your client. However, you should take the opportunity to press the client on things that could be better – no matter how small.
- Follow up with your team immediately afterwards and relay all of the client feedback

Foster a client-centric culture across your firm

While Executive Reviews are an excellent start, building strong client relationships isn't just the job of partners or account managers. Foster a client-centric culture throughout your organization:

- Incorporate client feedback into employee performance evaluations
- Implement a firm-wide CRM system to capture and share client insights
- Encourage non-billable time spent on relationship building and client research
- Recognize and reward employees who go above and beyond in serving clients

Conclusion

Optimizing your service portfolio and strengthening client relationships are not just best practices—they are critical elements of building a resilient professional services firm. By regularly evaluating and refining your service offerings using tools like REVI analysis, you ensure that your firm remains relevant, competitive, and profitable in a changing market. This data-driven approach allows you to make informed decisions about where to invest resources, which services to grow, and which to potentially phase out.

Equally important is the continuous nurturing and expansion of client relationships. The implementation of tiered client classification systems, comprehensive account plans, and regular executive reviews creates a structured approach to client management that can weather economic uncertainties and fuel long-term growth. The "early warning system" and emphasis on fostering a client-centric culture throughout your organization further strengthen these relationships, turning them into true strategic partnerships.

Remember, these are not one-time efforts but ongoing processes that require consistent attention, honest assessment, and regular refinement. The Executive Review process, in particular, stands out as a powerful tool for maintaining project health and client satisfaction. By

committing to open, honest conversations with clients and internal teams alike, you create an environment of continuous improvement and mutual success.

Firms that excel in portfolio optimization and client relationship management are not just positioned to survive challenges—they're poised to thrive and capture new opportunities as they arise. They demonstrate the agility to adapt their service offerings to market demands and the depth of client understanding necessary to provide true value.

As we move forward in this series on building resilient professional services firms, remember that resilience is built on a foundation of strategic foresight, data-driven decision making, and unwavering commitment to client success. In our next installment, we'll explore strategies for creating a resilience-driven culture and fostering innovation within your firm, further enhancing your ability to navigate an ever-changing business landscape.

The journey to resilience is ongoing, but by implementing the strategies outlined in this paper, you're taking significant steps towards ensuring your firm's long-term success and sustainability.

About the Author

John Quirk has over 30 years of experience leading successful professional services firms. John has a proven track record of building high-performing teams, fostering award-winning cultures, and delivering exceptional client value. His previous white papers have explored innovative approaches to talent management, metrics, and organizational success. You can read those at [Quirk's Next Thing](#). You can reach John at john.quirk@gmail.com.