# Proactively tracking value

## Pamela Hackett

*Our research on the topic of value has suggested that one of the biggest challenges firms face—and one of the key reasons that so many clients express scepticism that they are getting value for money—is that consulting is an industry where value is exceptionally difficult to quantify. Projects can have effects both subtle and profound that can be felt across a client's organisation; it is inherently difficult to find a set of measurement metrics capable of capturing the full scope of that impact.*

*Founded in 1946, Proudfoot is a firm that understands this challenge more than most. The firm has spent considerable time and energy developing processes that enable it to proactively monitor the value it is generating for clients, and to express that value in ways that are easy for buyers to grasp. We spoke to Pamela Hackett, the firm's CEO, about what these processes look like and what benefits the firm gets from them.*

**Can you tell our readers a little about the history of Proudfoot, and where your approach to value comes from?**

Our company was founded by Alexander Proudfoot in 1946. The reason he created it was that he felt the big consulting firms, at the time, spent too much time on creating strategy and writing reports, and not enough time on implementation. He recognised that the best way to create value for clients was to go beyond just showing them a solution and a set of recommendations, and instead to actually help them turn those recommendations into action. So that's what we've been doing for the last 70 years: Implementation capability is absolutely core to our DNA, and has traditionally been our most important differentiator.

The rest of the consulting world has now woken up to the importance of implementation. All of the big firms are talking about it, and every country that we've worked in now has its own set of 'Proudfoot clones'—often started by people who used to work for us. We might be the most cloned company in the world. But despite that, we've distinguished ourselves in the market because value isn't just something we talk about: We have a 73-year track record of creating real, tangible value for our clients.

**And how successful has the firm been at turning that philosophy into actualised value for your clients?**

Research suggests that 70% to 80% of all client projects fail. So we've been preoccupied with figuring out how we prevent those failures from happening. That's why we've tracked the results of our last 1,000 engagements: We measure our results weekly based on KPIs that have been agreed on upfront, and then the client audits those measurements. 621 of those projects were assessed based on financial data, and for the rest we used a variety of other indicators (such as measures of cultural change). We don't try to make approximations of the value that we're adding: We want to be able to precisely measure it.

We're so confident in our track record of generating value that we offer our clients a one-to-one guarantee: No matter what, we'll give you a dollar-for-dollar return on your investment. We prove that by putting real-time client-audited statistics on our website—any potential buyer can go on there and see exactly what return we've generated for the clients we've worked with.

**So how would you go about measuring and tracking the value of an individual project?**

We spend a lot of time up front with our clients agreeing the most appropriate indicators of project success. But then we try to go a level deeper as well. We want to understand how we can observe the progression towards those indicators: Are people adopting new behaviours? Are we hearing new language being used? What's happening to employee retention? It's very important to us that we're not just measuring short term financial returns, but that we're actually creating sustainable change in the client's organisation.

There's an art and a science to measuring value. We set up our projects so that the client will be able to see the hard monetary returns irrespective of the 'softer' value-add. That short-term financial ROI is calculated based on things like throughput increases, quality improvements, customer growth, and so on. But also we want to talk to the client about other areas they'd like to see improvements in. That comes down to a very personal conversation with the executives, where we try to figure out what the pain points are in their organisation that might, ultimately, be filtering down into negative customer experiences.

We have to make sure the science behind our measurement metrics is robust. The client sees them every week, and they need to be confident enough in them to say, 'Yes, I can see how the project is having this much revenue impact right now, and in eight weeks we'll start seeing improvements in employee retention.'

**Can you give some examples of metrics you've used in the past?**

There are a lot of different metrics you can use to measure value, and it depends a lot on the client's sector. We were working with an insurance company recently, and we tracked three things: employee engagement; customer retention; and cost savings. That's very different from working with, say, a mining company—where you might be focusing on community engagement. You might look, for example, at how many complaints you get per week from the local community.

**How easy is it to bring clients around to your way of thinking about value? How would you deal with, for example, a client who isn't interested in anything other than immediate financial return?**

You do sometimes run into clients who don't see the value of the softer metrics you might use. In those cases, you may have to do some work educating them so they understand how these metrics ultimately relate back to financial ROI. For example, one of the big debates in customer service ten years ago was about the role that employee satisfaction played. Back then, lots of people didn't accept that how you treated your employees had an impact on customer retention. But now it's widely accepted that if you don't have good employee engagement scores, you won't be able to maintain a good Net Promoter Score.

When we need to educate a client and show them the merit of our way of thinking about value, we'll start by sitting down with them and establishing a business case based on where they are now, where they want to be, and the value of closing that gap. After that, the first few weeks of the engagement is all about helping them to see things through a new lens. The way to do that is to get out there on the floor, so to speak. We'll start rapidly prototyping, making changes here or there based on what we can observe and what we find when we talk to people about employee engagement. We'll sit through interactions between managers and frontline employees, and identify the little things that can be changed quickly and will result in an immediate uptick against the metrics we're tracking.

We're interested in the full aerial map of a business, and how all of its elements fit together to produce a result. And that's why we're able to bring clients around to our way of thinking about value. We don't have the name recognition of a McKinsey, but we have a 70% repeat business rate, and we can see that clients' trust in us increases exponentially when they start working with us. And it's because they see the value of our approach. Consulting, in general, has a reputational issue; clients aren't used to having their project results tracked for them. But as soon as they see it for the first time, they immediately get why it matters.

**Can you talk me through the process of setting up and monitoring those metrics?**

Most of the time, we're trying to set up our value tracking activity while the car is in motion, so to speak. It's normally not a case of setting up a whole measurement team from scratch. Most of the time, the data that we need is already available somewhere in a client's organisation: Our job is to figure out what data matters and to put it together in the right way.

On a typical six month engagement with a new client, we'll spend the first five or so weeks setting up our evaluation methodology. During those five weeks, we'll have one person on the team dedicated to this: They'll work with the CFO to agree a measurement framework, and then they'll go into the business and collect the data we need. They'll have to figure out how reliable that data is, and whether it answers the questions we need it to. If not, they'll need to figure out what additional data collection activities will be necessary to fill in the gaps, again working with the CFO.

After we've set up our evaluation methodology, we'll have a weekly tracking meeting for the lifespan of the engagement. What we generally find is that by week eight, we start to see changes in the operational indicators we're looking at. At this point, the change is not sustainable, but we're seeing enough results to demonstrate the success of our approach. The next few weeks are about continued implementation. By the time we get to week 14, we'd expect to see evidence that the positive results are starting to stick as a result of behaviour changes we've enabled.

In the last month of a project, all we do is talk about coaching. Our priority is to use the data we've collected to show the client how they can manage their business differently and turn the improvements we've made into real sustainable change. A typical project lasts six months; the six months after we leave are all about testing whether that sustainable change has been achieved. Over that time, we'll go back to the client and do regular sustainability audits to help keep them on the right course.

**Proudfoot has obviously worked hard to distinguish itself in this area. But other firms are increasingly aware of the value problem in consulting and are implementing measurement processes of their own. As the market gets more sophisticated in this respect, how do you plan to maintain a competitive edge?**

Right now, we're thinking a lot about how we scale our business, and how we make sure that we stay ahead of the market in terms of adding value for our clients.

I was recently speaking to a large mining company that we've worked with, and they told us they chose to work with us for two reasons. The first was our robust measurement analytics. But the other reason is the way in which we engaged with their people.

When they're assessing a firm, clients want to know whether you'll work well with their people; whether you'll really change their culture; whether you actually know what you're talking about. But the most important thing they're looking for is a partner who will help them develop their own capabilities. They want their people to have learnt something at the end of the engagement.

Going forward, we plan to make sure we maintain our two key differentiators: robust measurement and absolute passion for bringing clients along with us as we develop their capabilities. Our philosophy is that when we leave, the client should be able to do everything that we did. And we're able to do that because we don't spend all of our time in the client's boardroom. We put on hard hats and safety boots and we work with frontline supervisors and middle management: the type of people who are critical to get on-side if you want to build real, sustainable change.

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