



BOOK REVIEW

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EDITOR

Developing Knowledge-Based Client Relationships: The Future of Professional Services

Ross Dawson (Butterworth-Heinemann, Boston; 2000; ISBN 0-7506-7185-8) \$19.95

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Ross Dawson is CEO of Advanced Human Technologies, an international consulting firm based in Sydney, Australia, that specializes in developing the information and knowledge capabilities of professional service firms. In this book, he argues that three trends are driving change in professional services: convergence, unbundling, and digitization. By *convergence*, he means the blurring of boundaries between the services provided by professional services firms—for example, accounting firms providing consulting services, law firms providing technology services, and other crossovers. *Unbundling* describes the maneuvers of professional services firms to separate and bill for services that had previously been combined, such as training and implementation. As to *digitization*, mere data and information can be digitized and made available to all at low cost, whereas knowledge is specific to and possessed by people. As digitization confronts all consultants with constant downward pressure on the market value of information, it presses us to rely more on knowledge-based client relations.

These three forces lead a powerful, accelerating trend to commoditization, making it increasingly difficult for professional service firms to differentiate their offerings and earn a good living. “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.”

Dawson argues that consulting firms can survive this onslaught only if they rely on the quality of the knowledge held in their firm, their ability to apply that knowledge, and the ability to learn and generate new knowledge. Knowledge, which he defines quite broadly as “the capacity to act effectively” presents opportunities to differentiate our services. One key source of differentiation is greater expertise than our competitors. A second stalwart of differentiation is closer and deeper relationships with clients. Third, Dawson urges more knowledge-transfer to enhance client decision-making and business capabilities. We must constantly strive to add value to information, provide context for it, and apply it in the client’s situation. Fourth, we typically charge clients for the time we spend working on a project, irrespective of the quality of the knowledge going into the engagement and the value of the work to our clients. Dawson recommends that we rethink that habit, and price commodity services differently from differentiated services.

He also stresses that the value we offer to clients will increasingly be the sharing of knowledge with them. He argues that knowledge can only be transferred to people, so relationships become crucial. This means that one of the most worthwhile activities of consultants is conveying what we know to clients and doing so in ways that enable clients to become more effective in making decisions. One corollary of this proposition

is that much of the value from a consulting project comes from training clients. In his words, “client skill development is intrinsic to developing effective capabilities, and should be built into all professional service relationships.” He maintains that a key element in achieving effective knowledge transfer is establishing and agreeing on specific knowledge transfer outcomes with the client.

Training clients may appear risky. We may worry that if we make our clients more knowledgeable, we’re giving away our key asset, which is knowledge. Dawson counters: “Ultimately, however, refusing to transfer knowledge to clients is an unsustainable position. In professional services, the far greater risk is that competitors will offer more value to your clients than you can, [and] you . . . lose all their business.” The best way we can survive in this keenly competitive world is to create and transfer knowledge, not every now and then, but continuously. Even more, Dawson argues that the co-creation of knowledge with clients presents us with tremendous opportunities.

In the context of managing and marketing knowledge, Dawson discusses a cluster of tools for consultants—cognitive styles, mental models, scenario planning, concept visuals, mind mapping, and brainstorming. A 28-page appendix amplifies his explanation of each of these tools as well as of how knowledge is acquired and conveyed.

Some of the most insightful discussions in the book deal with cognitive styles, which are distinctive ways each of us process information. According to Dawson, “an understanding of cognitive styles should be a core skill of all professionals who communicate with clients.”

Training in cognitive styles should include exercises that allow us to adapt our communication of recommendations and concepts to clients with different styles. In Meyers-Briggs terminology, for example, Sensors like concrete examples; Intuitors are comfortable with abstract concepts.

Part of our cognitive style consists of mental models. *Mental models* mean our understanding of a pattern of facts as well as the linkages between those facts. (*Cognitive style* is a broader term that encompasses how a person gathers and evaluates facts.) Dawson believes that all decisions are made on the basis of the decision maker's mental models, so we should understand our own models as well as those of our clients. We can help our clients by making mental models explicit, by integrating mental models, and by enriching them.

Every few pages, the book offers what I term a "concept visual," which puts an idea in a nontext form such as a graph, icon, or diagram. Most of Dawson's concept-graphics are simplistic and add slight value to the text, but a few tables have valuable material. At the least, concept graphics suggest ways that we can convey information more clearly and rapidly than by the single-minded use of text alone. One noteworthy table shows knowledge-transfer capabilities for different communication channels, such as phone, e-mail, voice mail, letter, and presentation graphics.

One approach we should consider including in our repertoire is what Dawson calls "mind-mapping." Mind-mapping shows visually, often in a diagram, the relationships between ideas. For many people, that is a far easier way to represent their thinking and comprehend the thinking of others, as it allows all the key concepts of the given subject to be visible in one diagram. Dawson even includes a welcome mind-map of this book's key concepts.

Scenario planning is another tool for managing and marketing knowledge. It is

a process that develops narratives about the future that are plausible to decision makers, complementary in that together they cover the broadest possible scope of uncertainty in the organization's environment, and relevant to the key decisions the organization faces. The methodology usually involves getting broad participation to uncover the underlying trends and critical uncertainties in the organization's environment; building these into narratives; and using the narratives to generate, explore, and refine a cohesive and robust strategy in the face of uncertainty. I think all strategic planning should find room for some scenario development.

Brainstorming is another core tool in knowledge creation and transfer. Its principles are well known. They include putting forward all ideas, looking for quantity, not criticizing, and then combining and improving the initial suggestions. Generating a large number of ideas is the starting point of brainstorming, but the aim is finding new ideas by shutting down premature judgment, and bringing ideas together in new and different ways.

In addition to his framework for knowledge creation and transfer, and his repertoire of tools, Dawson enlivens his work with provocative statements. For example:

- "Each professional service industry has a tremendous opportunity to learn from the methods of all other professional fields. From now on the greatest innovation in professional service firms will come from that cross-pollination."
- "The return on investment in developing skills and behaviors is greater than incremental investment in technology."
- "The objectives behind initiatives should always be framed at the highest possible level."

- "Knowledge is almost always created in some form of collaboration rather than by individuals working alone."

Dawson does not footnote any of these grand statements nor back them up with other evidence. Even so, assertions such as these jump out and prompt fresh thinking.

The book suffers from some padding that has little practical use. For example, Dawson devotes seven pages to an abstract summary of the process of adding value to information. Elsewhere he devotes three rather useless pages to types of decisions. An 18-page chapter on channels for knowledge-transfer does little more than list obvious characteristics of ways to communicate. Dawson is stronger when writing about how his ideas apply to all professional service providers than when detouring into such abstract, high-level generalizations. For example, he includes at least 10 useful case studies from various professional services firms that have endeavored to apply the concepts he writes about.

I had high hopes for the chapter on how we should price knowledge. But Dawson offers mostly reheated material. He believes that consultants should specifically charge clients for knowledge transfer. Unfortunately, how to do that remains elusive. He concludes lamely that "a key objective of professional service firms is to implement ways of pricing which are based on the value added to clients. Some of the principles of value-based pricing include attempting to measure the value created, sharing both upside and downside risk with clients, agreeing on measurable objectives for engagements, and assessing client perceived value." Easy to write, but where is the practical advice on doing these steps?

Overall, this book usefully emphasizes what many consultants may not have fully accepted, namely the overriding importance of capturing, developing, marketing, and pricing knowledge.

Even more, Dawson makes the point effectively that knowledge management and transfer will help to bind clients to the consultants who succeed in this new world of digitized information and fast-paced competition.

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