

## **The Corporate Game of Musical Chairs**

by Joseph H. Blumberg

Children know the game well. Chairs are arranged in a circle facing out, with one fewer chairs than children. When the music plays, the children walk around the circle of chairs until the music stops, and then they run to take a seat. Of course, one child will have no seat and is eliminated. Finally, the game comes down to two children and one chair. Each child strategically tries to stay in position close to the seat side of the chair. When the child is in front of the chair, he or she has the best chance of taking the seat and winning the game.

What happens, however, when the child behind the chair grabs the back of the chair and pulls it away, claiming it for himself, or pushes the other child out of the way? Then we cry foul and if responsible parents are in charge, they award the game and the prize to the injured party. If, however, the parents don't see the foul, the prize goes to the more aggressive child.

In the world of IT services, the music has played loudly for the past several years. There were more requirements to fill and projects to complete than there were available resources. In other words, there were many more chairs than players. But in the last two years and especially in 2001, the music has stopped. Now there are many more players than chairs.

To make matters worse, corporate buyers of IT services are eliminating vendors of IT services by using the same rules of musical chairs. There are many reasons to eliminate a vendor, but one of the best is that the vendor has not placed any people or filled any requirements for some period of time. Considering that many IT staffing companies are drawing their resources from the same well, the eliminated firm might well cry foul, especially if the buyer always claims that the resume the vendor submitted came in later than another.

Another way to eliminate vendors is to arbitrarily reduce the number from 20 to 10, eight to two. There is usually some process to rebid or requalify on the new vendor list, and the selection is at best arbitrary, because most IT services vendors look pretty much the same to the buyer, and technical skills are now in the classification of a commodity.

Then there is the VOP (vendor-on-premise) rationale, which allows the client to deal with a single vendor for services. All others are subcontractors to that vendor, and this action presupposes that the VOP is vendor neutral. Again, we might well cry foul since there is almost always some bias in the process. A variation on this theme is for the buyer to decide to do business with one of the IT services exchanges, which are much the same as an electronic VOP. These are designed to match technical resources with IT skill requirements, but the issue is that the search and match engine may be flawed.

Vendors are strategically trying to position themselves not to be eliminated when the music stops again. The strategies are conceptually easy to understand but very difficult to implement correctly. Thus, for reasons other than the ability to meet the needs of the buyer, many vendors have been eliminated. The basic idea is still the same. The

more exposure you have to the seated side of the chair, or face time in front of the client, the better your chances of having a seat when the music stops.

The objective of client relations is to build a relationship with the client such that there is a level of trust that you will be there for them regardless of economic or market conditions. Such relationships are not built through meetings or phone calls to ask the client for new requirements. These relationships are built through regular discussions about performance issues of the consultants and status reports on the progress of IT activities.

To have meaningful discussions with the client, several preliminary activities are required. First, the vendor must understand the client's industry. The vendor must know who the client's competitors are and what differentiates one from another. In addition, the vendor must know the key elements of the client's business, especially the dynamics that influence how the client transfers revenue to the bottom line. Any systems or ideas that enhance the client's ability to decrease costs or increase profits will command an attentive audience. When the vendor discusses solutions to the client's problems, the client will devote face time to that vendor.

#### 9/11's Effect

Over the last 15 years, Specifics has interviewed thousands of buyers of IT services through our client satisfaction and win/loss studies, and we have measured the importance of many factors in the selection and repetitive use of IT services firms. The importance has changed over time, but never as much as it has changed in the last two years, and especially since the tragic events of 9/11. Two years ago, the two most important attributes (see chart) for a primary contact from a vendor firm were *the ability to find and assign staff with the right skills* and *the effective resolution of problems and concerns* (most often not enough skilled resources). *Courtesy, professionalism, and ethics* always ends up in the top three as well. This is a reflection of the many requirements and too few resources. The music was playing long and loud.

In 2001, prior to 9/11, *commitment to a long-term relationship* and *sensitivity to costs and budgets* were the two most important attributes. This was a reflection of the economic conditions trending down in 2000, and more so in 2001. The volume of the music had been turned way down and clients wanted firms to be more responsive to their budget cuts.

<b>TOP FIVE PREDICTORS OF CLIENT SATISFACTION</b>
January – April 2001
1. Commitment to client and a long term relationship
2. Sensitivity to cost and budget
3. Courtesy, professionalism, and ethical behavior
4. Understanding the client’s industry
5. Assigning staff with the right skills

After 9/11 the most important attributes are *staying aware of what’s going on in the client organization* and *understanding of the industry*. The client today wants a primary contact who practices customer intimacy. The successful or surviving firms will have primary contacts who know as much about the client’s business and organization as the client. The ability to get close, to “hug” the client, and to be a true consultant is the survival strategy that gives firms the greatest opportunity to take one of the remaining chairs as the music stops. This is not to say that attributes like *assigning staff* or *sensitivity to costs (billing rate reductions)* are no longer important; it only makes a point that the emphasis has changed and other attributes are better predictors of clients’ overall level of satisfaction with a vendor.

<b>TOP FIVE PREDICTORS OF CLIENT SATISFACTION</b>
September to December 2001
1. Staying aware of what’s going on in the client’s organization
2. Understanding the client’s industry
3. Courtesy, professionalism, and ethical behavior
4. Effective resolution of problems and concerns
5. Assigning staff with the right skills

The ability to get and stay close, to maximize time with the client, requires that the primary contact have something meaningful to talk about. Unfortunately, when the music played so loudly, most primary contacts only learned how to ask for requirements or to make excuses for the lack of resources, in essence, to take orders. They've never experienced this type of economic downturn and consequently do not understand how to survive in this environment.

There is no substitute for doing the homework necessary to satisfy the client's expectations. Other firms' representatives will continue to talk only about requirements, but the client probably doesn't have any. With nothing more to talk about and client boredom with the same old theme, those firms' superficial relationships will most likely not survive. When the music stops again, the survivors will be firms that have the client's ear. Research is important and the knowledge gained can be verified with the client. Validating what you know is a topic for discussion and there is no mention of requirements until a need is verified and the client has a compelling reason to act.

Other topics that have no or limited risk are:

- ~~///~~ Performance of the consulting staff
- ~~///~~ Observations about the client's organization that affect performance
- ~~///~~ The IT response for strategic competitive issues facing the client
- ~~///~~ The introduction of new technologies or services
- ~~///~~ The economy and its impact on budgets
- ~~///~~ The client's expectations for the work being done.

These topics represent three to six months of discussions and they only accomplish one goal—getting to know the client better. The side benefit is that the process builds the respect of the client for the primary contact and the vendor firm. The result is client intimacy and differentiation. It is this close relationship that will likely take the last chair, even when the music stops for a long time. It is also this relationship that will be the first to realize the benefits of growth and better margins when the music begins again – and it seems to have started.

Will this strategy work forever? Maybe not. The market will change and client priorities will change. However, it works in today's market and it certainly won't hurt the development of long-term, committed relationships. Clients appreciate the vendors who are there for them in tough times.

Learn to survive when the music stops, have meaningful business discussions with clients, use creative pricing, help them fight their dragons, and when the music plays again, it will be a "cake walk" and you will win.

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