Chapter 1

Business Vows

What Is a Proposal and Why It Is Necessary

What They Can Do and What They Can't Do

A proposal is a summation, not an explanation. It is a summary of the conceptual agreement you've reached with an economic buyer and not a negotiating document or an attempt to make a sale.

Therefore, it is formed only *after* conceptual agreement with the buyer has been completed. We talk more about this later in the chapter, but at the outset it's important to understand that I'm not talking about the generic or stereotypical proposal in this book. Proposals are a summary of what's come before, to which the buyer has already agreed, and constitute the connection (the synapse from the introduction of this book) to the launch of the project. Proposals are organic documents, which are used to guide and monitor the project, and are not immediately archaic fossils of the Pleistocene Epoch intended for dusty display cases and remote shelves.

Here is what an outstanding proposal can do:

- Summarize and convey formally the conceptual agreements reached in discussions to that point between you and the economic buyer.
- Detail the objectives of the project.
- Provide for the metrics of success.
- Describe the value that will occur once the objectives are met (both personally and professionally).
- Supply options from which the buyer can choose to determine the amount of value sought in return on the investment (ROI) committed.
- Stipulate fees, expense reimbursement, and payment terms.
- Enable immediate acceptance in writing.

My proposals serve as the contract as well as the offer of the contract. They are in plain English, without “third parties shall hold harmless,” because if you include boilerplate legalese, you will ensure that the proposal will wind up in the hands of your prospect’s lawyers, who are so conservative and protective that they’d prefer that the firm not even open the doors every morning in order to prevent any harm from befalling the enterprise.

Here is what proposals cannot and should not do:

- Enable a nonbuyer (gatekeeper, HR, or training person) to proceed to a buyer on your behalf.
- Establish your credibility.
- Establish a relationship with a buyer.
- Serve as a point of comparison for competitors’ proposals.
- Offer vague promises or results and outcomes.

Case Study: The Federal Reserve

I had submitted my normal 2.5-page proposal to the Fed in New York, the largest of the Federal Reserve Banks. I had been recommended by some of the banks they supervise, which were clients of mine.

It was mandatory to allow legal to review all proposals, and they took two precious weeks, returning a 32-page monstrosity. Once my buyer and I read it—a painful undertaking—we were shocked to find virtually no difference whatsoever, no changes in my aggressive fees or payment terms, but instead an additional 29.5 pages of language worthy of the Rosetta Stone to interpret.

Lawyers are hopeless at two pursuits: running a professional firm based on value, and using the English language to convey meaning.

- Include agreements that the buyer has not agreed to prior.
- Serve as a "take it or leave it" alternative.
- Cite legal provisions and covenants.
- Be valid and acceptable without time limits.
- Serve as an agreement for nonvalue relationships, such as pricing by day, participant, materials, labor, and so forth.[1]

What I'm telling you—and what will influence this entire book—is that proposals have traditionally been viewed incorrectly in professional services. They have been a gallimaufry of credibility, research, consultant's beliefs and mission, pricing, risk management, and competitive submission.

Glossary

Economic buyer: That individual who can produce a check in return for the value expressed in your proposal without any other approvals from anyone else.

Conceptual agreement: Concurrence with that buyer about the objectives for the project, the metrics that will measure progress and/or success, and the value to the organization and the buyer that will accrue as a result of meeting those objectives.

Gatekeeper: Any person who cannot say yes but can say no and sees it as his or her responsibility to keep you distant from the buyer. In most cases this will include the entire human resources, training, and/or learning and development areas.

All of that is wrong. Those issues need to be covered prior to the proposal being created.

I had been consulting with a pharmaceutical consulting firm in New York for a couple of years, right through a lucrative sale to a larger operation. The most important thing I accomplished was to persuade the firm to stop using a metric of "number of proposals issued per week"! Supposedly, this number was an indicator of sales success (e.g., "27 firms asked for our proposals") but the "hit rate" was dreadful and an entire back office of resources was wasted creating huge, assembly-line proposals.

Proposals are not the point of the arrow, they are the heft behind the arrow. The penetration and aerodynamics are based on other factors, and we turn to those now to put the positioning and creation of proposals in perspective.

Ironically, most people submit proposals far too early and far too often. They are actually at the conclusion of the sales process, just prior to a project's launch. When a proposal is accepted, you should be able to begin work immediately.

Their Place in Your Business Model

If you don't know what your business model is, then you have more problems than merely creating better proposals! A relationship with a client is a series of small yeses that culminate in a signed agreement—a proposal that's accepted. Figure 1.1 is an example of a simple but highly effective business model:

You begin with a common value system. I don't mean a spiritual or religious belief system, but an agreement about business.

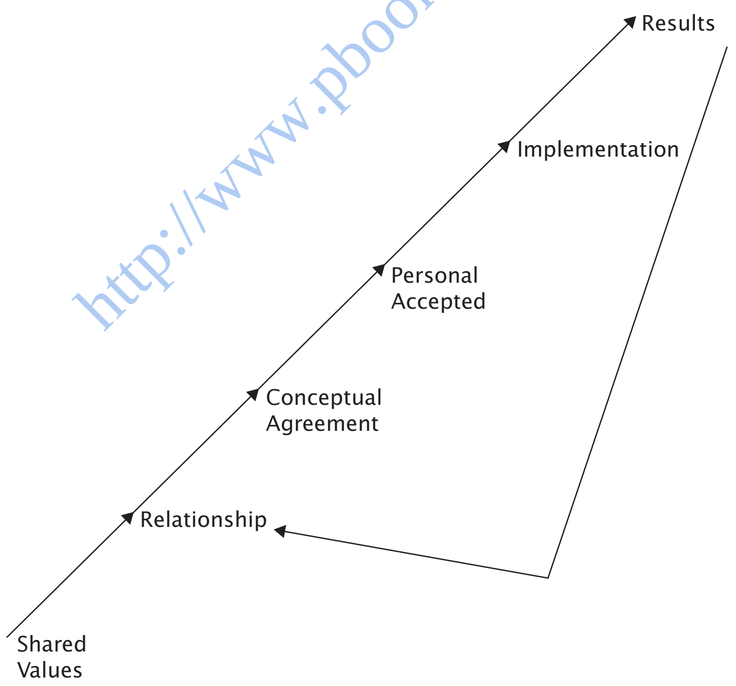

FIGURE 1.1 A consulting business model

For example, I've never performed downsizing or "rightsizing" (now *there's* a euphemism) because I believe that such actions are simply an attempt to atone for mistakes made in the executive suite. Getting rid of one or two executives who made poor decisions is far better than dumping hundreds of people who have been trying their best. (And experience shows that more than 90 percent of attempts to severely restrict costs and improve profits in downsizing fail to reach their goals.)

That's what I mean by shared values. If those are in place, you develop a trusting relationship with the buyer. This must be the economic buyer we spoke of earlier. That relationship may take 30 minutes or three meetings. (If it takes several months and you still haven't achieved it, assume that you two just weren't meant for each other.) That trusting relationship is essential in my model in order to ensure conceptual agreement.

How you know you have a trusting relationship:

- The buyer shares personal and nonpublic information.
- The buyer asks your advice.

Glossary

Trusting relationship: The buyer and you are comfortable volunteering, questioning, "pushing back," and sharing issues.

Conceptual agreement: Concurrence between the buyer and the consultant about:

Objectives: Outcome-based business results, not deliverables or tasks.

Metrics: Measures of progress, success, and/or finality.

Value: The impact on the buyer and organization in meeting the objectives.

- You and the buyer challenge each other's assumptions.
- You feel free to interrupt each other without ill feelings.
- The buyer does not allow interruptions when with you.
- The buyer admits to uncertainty or a welcome new view from you.

The purpose of the trusting relationship is to ensure that the buyer is honest about the next step—the conceptual agreement. This is where you and the buyer jointly frame objectives, metrics, and value.[2]

An objective is a business result, never a "deliverable" (a favorite word of nonbuyers, primarily in the human resources department). When someone presents you with an input, turn it into an output by asking, "Why is that important?"

Examples:

- Deliverable: Strategy retreat.
  - Outcome: New strategy to penetrate overseas markets.
- Deliverable: Coaching for senior vice president.
  - Outcome: Improved presence with media to improve company reputation.
- Deliverable: Focus groups.
  - Output: Gain customer contributions for best features that will improve sales in product reinvention.

A metric is an observable, detectable indicator of progress or final success.

Examples from above:

- Deliverable: Strategy retreat.
  - Outcome: New strategy to penetrate overseas markets.

  - Metric: All P&L leaders create support for strategy within two weeks.
- Deliverable: Coaching for senior vice president.
  - Outcome: Improved presence with media to improve company reputation.
  - Metric: More positive articles appear in trade press resulting from his appearances.
- Deliverable: Focus groups.
  - Output: Gain customer contributions for best features that will improve sales in product reinvention.
  - Metric: Five innovative ideas that both R&D and sales support with their budgets.

Finally, value is the impact of meeting the objective. It may sometimes be the same, because increased profit is an objective and it can also be considered as the value. But there is additional value from increased profit, such as the ability to reinvest in the business, pay higher dividends, pay down debt, improve credit rating, and so on.

Examples from above:

- Deliverable: Strategy retreat.
  - Outcome: New strategy to penetrate overseas markets.
  - Metric: All P&L leaders create support for strategy within two weeks.
  - Value: Global presence will improve profit, diversify exposure to volatile markets, and attract new labor pools.
- Deliverable: Coaching for senior vice president.
  - Outcome: Improved presence with media to improve company reputation.

  - Metric: More positive articles appear in trade press resulting from his appearances.
  - Value: Attract more talented candidates for key positions with less cost of acquisition.
- Deliverable: Focus groups.
  - Output: Gain customer contributions for best features that will improve sales in product reinvention.
  - Metric: Five innovative ideas that both R&D and sales support with their budgets.
  - Value: Early adapters will provide immediate boost and momentum for new product introductions, which will be fully supported by our two key departments.

Only at this point, after conceptual agreement, do we create a proposal that is a summation of that agreement (and with options and peripheral information that we cover a bit later). That proposal enables a partnership to be consummated, a project delivered, *and results generated that reinforce the relationship, creating the potential for additional business in the present and referral business for the future.*[3]

Why You Don't Provide Proposals for Just Anyone

A proposal with the wrong input and in the wrong hands is a ticking bomb waiting to blast you right out of the prospect. Don't fall into the trap of thinking that a request for a proposal is a green light and an open door. You may just be smashing into a wall.

Here's why anyone beneath the true, economic buyer cannot contribute to your proposal:

- They are generally unfamiliar with organizational strategy, do not have a broad view, and take a very narrow position.

- They will default to tasks, inputs, and deliverables. They do not tend to think in terms of outcome and results, where the real value for the project (and your fees) actually resides.
- They think small. They don't think globally or innovatively.
- They are afraid of being critiqued and tend to be highly conservative instead of prudent risk takers; they are risk averse.
- They will eschew accepting or assigning any kind of internal accountability because they are scared or they simply can't.

Here's why you can't submit a proposal, no matter if you actually obtained quality input somehow, to anyone less than a true buyer:

- They will not have your passion to represent it and evangelize about it.
- They will tend to see it as a negotiating position once any others raise any type of resistance.
- They have no authority to move ahead in any case, and are simply middle people.
- Their priorities will tend not to include the project and they will sacrifice it if there is resistance from superiors.
- They will not be able to answer even reasonable questions about implementation.

I could go on, but I think you get my drift. You're better off with no proposal than with a good proposal in the wrong hands. We talk in Chapter 3 specifically about how to identify, avoid, and mitigate the effects of gatekeepers, but for this overview let's establish that you *cannot* provide them with proposals.

If you believe and buy into my position that proposals should be summations of conceptual agreement and not explorations of "fit" and acceptability of work, then it shouldn't be a great leap to understand why nonbuyers can't be recipients of proposals.

Occasionally, there is a key recommender who *can* get you to a buyer, but even that person should be used to create the beginning of a relationship, preproposal, and not be the channel through which the proposal is launched. I've had the good fortune to work with a half-dozen (they are that rare) key recommenders over the years, people who are completely trusted by line buyers. They have positioned me in front of the right people at the right time. But I've never asked one to provide input for or be the purveyor of the proposal itself.

That is between me and the buyer.

You also have to be careful that your proposal is not used as a competitive calibration. I've seen some prospects—especially people at low levels in those prospects who are accustomed to dealing with "vendors"—use the proposals to try to gain lower fees or better features from competing firms. You should place a copyright on your client proposals, and include these lines: "This proposal is intended solely for Adam Avery, senior vice president of Acme Rockets, and is for the exclusive purpose of creating a partnership between Acme and Summit for the project described herein. It may not be distributed or shared with others without our express approval."

That may sound harsh, but a proposal is your intellectual property and not attempting to prevent others from seeing it is like leaving the back door open, the light on, and the combination to the safe taped to the window. You're asking to be robbed.

Most organizations have an assortment of what I call "feasibility buyers." They can't sign a check, can say no but not yes, and may actually advise the buyer. They may constitute expertise in matters financial, cultural, technical, sales, research, politics, and/or simply be a trusted sounding board. That's why you need your own direct relationship with the buyer, and not merely with those jockeying for position in the buyer's favor. I know how harsh this may sound, but it's the difference between placing the right bet on a favored horse and placing a bet on a losing horse whose race was already run.

Proposals aren't business cards. Don't hand them out to just anyone who wants one as if you have an unlimited supply.

The Role of Conceptual Agreement

Ironically, the longer one takes to gain a trusting relationship, the more quickly proposals for major projects are accepted. That sounds counterintuitive, but it's true.

Conceptual agreement is concurrence in theory about what will take place. Once you create this with a true buyer, the proposal will merely support and substantiate that agreement. You want to leave as little as possible open to confusion, resistance, and uncertainty.

In the model presented in Figure 1.1, you can understand why the trusting relationship must precede conceptual agreement (and why a logical and sequential business model is so important to create). The buyer is not going to share the components of conceptual agreement (and, therefore, your eventual proposal) without trust.

There are four basic objections you're going to encounter as you progress in this model, and three of them are specious:

1. No money.

   There is always money! The lights are on, the floors are clean, people at their desks are being paid. Professional services providers think that money is a *resource.* It is not. It's a *priority.* So the question is really not one of finding money but of moving money that already exists from something else to you.

2. No time.

We tend to immediately agree that "timing is tough" or "there's a better time" and agree to wait six months for an answer (which never comes). But time, too, is not a scarce resource, because we know that every day we have 24 hours. The question is how we invest it for ourselves and for others we direct. Therefore, time is also not a resource, *but a priority.* Are you important enough in terms of your value to demand a portion of existing time?

3. No need.

In this case the buyer doesn't see a need, which is almost impossible, because it's your job to *create need.* You do that by asking "Why?," or by identifying existing need (e.g., competitive inroads), or by creating need (e.g., marketing traditional services electronically), or by anticipating need (shouldn't you be making plans about the China market?). Your value distance, Figure 1.2, is your ability to listen to what the prospect wants and find the true, far more valuable, needs.

4. No trust.

This is the only valid area of resistance, and the preceding three are only subterfuges used to mask this one (which is more difficult to raise and talk about honestly, and is often subliminal in any case). If I don't trust you—that is, I haven't been convinced of your credibility, integrity, and quality—then all the other excuses take on artificial heft.

This is why conceptual agreement based on trust is so vital. I've had buyers say to me, "I've received so much value from this

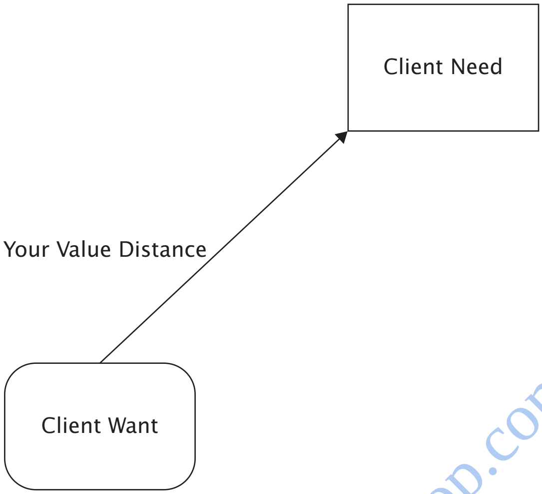

FIGURE 1.2 Value distance

conversation that I'm not sure how we can use you yet, but I want to pursue something with you because we need you around here!" That's an invitation to write your own ticket.

Conceptual agreement on the objectives (outcomes), metrics (measures of progress and success), and value (impact on the organization and the buyer) are the heart and soul of the proposal. You need to work on these for as long as required, but also learn to accelerate that process. Once the buyer is nodding in assent as he or she reads the details of the proposal, the buyer is far more likely to accept the "new" elements: options, fees, and terms.

The Concept of Value (Not Time and Materials)

The proposal philosophy, examples, and techniques you'll find in subsequent pages are all based on the premise that you and I work for a fee based on value, not time, materials, numbers of participants, or other commodity determinations. It's worth taking a few minutes here to dwell on this considerable distinction.

The value of your collaboration with a client is based on the contribution you make to improving the client's condition. The buyer and you agree to what you deem that to be in the conceptual agreement aspect of the proposal. Having established a trusting relationship, you both intend to partner to each reasonable objective with conservative value attached. (The questions for ensuring this appear in the next chapter.)

I have heard consulting "experts" claim that the formula for fees should be your monetary needs divided by the hours you have available to consult, providing you with an hourly rate. There are only 600 things gravely mistaken about this notion, but here are the most important:

- No one wants to work the maximum hours available in a business that demands physical presence and commensurate travel.
- Your presence is *not* your value in any case, because it's often irrelevant to the results (the objectives).
- Pricing by participant, time unit, or materials provided is a commodity mind-set that invites comparison to others, and you will never be the low-price provider (or at least not be the low-price provider and establish any kind of decent lifestyle).
- Wealth is discretionary time, so the idea is to maximize discretionary time through nonlabor intensive work, which is antithetical to hourly or daily fees.
- Your strategy should be one of markets served or services offered, but not production capability, as if you were a steel mill or a paper plant. The huge monolithic

consulting firms such as McKinsey and Deloitte are production-capability driven, meaning that they're paying people $350 an hour and must bill them out at $550 an hour to make a profit. That's why the "Big 8" of years ago is today about a "Big 3.5" and diminishing. It's an antediluvian business model.

- The client is best served (remember about "improving the client's condition") by a fast improvement or resolution, not a slow one. But time-based billing rewards sloth and lethargy. Billing by the hour or day is intrinsically unethical. That's right, I said it: *unethical.* Lawyers traditionally bill by six-minute intervals, and we all know how much we trust lawyers.[4]
- You don't want the client to have to make an investment decision every time your help may be needed, nor do you want to be seen as self-aggrandizing if you realize that you need to put in more time.
- Your value is in your advice, not your presence. Otherwise, why would anyone pay for a retainer, which is the ultimate relationship with a client. (Of no small irony is the fact that a lawyer's "retainer" is nothing more than a deposit against subsequent six-minute billing totals.)

I'll skip the other 592 reasons out of respect for your time and the length of this book, but I think you get the idea.

The value distance in Figure 1.2 shows how much we can demonstrate value when we adapt this approach. The worst position for a consultant is to be seen as a commodity, readily comparable to others.

This is why your initial approach to all prospects must be with a value-based mentality. That may take some reeducating

Glossary

Value-based fees are the remuneration you receive as your contribution to the value derived by the client as a result of meeting agreed-upon business results (objectives). They provide a dramatic return on investment for the client and equitable compensation for the consultant.

on your part with buyers, because they've been miseducated by countless consultants before you. But if you use the bullet points on the previous pages, this is easily accomplished. Here is the standard language I use when asked about my fee "basis":

> *My fee is based on my contribution to the value we have agreed should result from this project, representing a dramatic return on investment for you and equitable compensation for me.*

What is "equitable compensation"? It's based on that dramatic return. I've found that if you can provide a 10:1 return *with the involvement of the buyer in conceptual agreement about objectives, measures, and value,* the client is overjoyed. (Where else is the client getting that kind of return?) When I helped a manufacturing consulting firm shift to value-based fees, the owners told me that a 3:1 return for their clients was considered outstanding.

Value is in the eye of the beholder, which is why it is reached collaboratively with the buyer in conceptual agreement. However, you can suggest and propose additional value as you get to know the buyer and the organization, before creating the proposal. That's what the value distance is about. Remember, too, that behind every business objective is a personal objective, and this is equally important.

As a buyer, my wish to create better teamwork to avoid work duplication and establish a more seamless customer interface is a lofty organizational need. But behind that might well be my personal need to escape spending so much of my time "refereeing" among warring teams and committees. These personal objectives should be discussed because of the increased value they generate.

The total of tangible benefits (which are often annualized), intangible benefits (which have emotional impact), and peripheral benefits (valuable "extras") create a potent value equation. Money is a priority issue and not a resource issue, so the more ROI you present the more likely money will be moved your way. And because we are dealing only with economic buyers, the authority to move that money is present.

When you have a trusting relationship with a true buyer, there is no reason to go anywhere else, to conduct a needs analysis, or to interview bystanders. So let's make sure you know how that's best done.

Notes

1. If you're pricing by time and materials and intend to continue doing that, you don't need this book and I'm frankly surprised you can afford it. A simple letter of agreement can adequately address these relationships.
2. For examples of questions to ask throughout these steps see "101 Questions for Every Sales Situation" in the online appendix for this book.
3. Any current business has these two vital components. See my book, *Million Dollar Referrals* (McGraw-Hill, 2011).
4. Though I'm happy to report that even the legal profession is moving toward value-based fees, and I've had correspondence with the Chief Justice of Western Australia, who is a proponent of this approach. See my book from John Wiley & Sons, *Value-Based Fees.*