

Why Your Office Space Could Be a Competitive Disadvantage

Working from Andersen Consulting's palatial West Coast offices, it was easy for Jim Hodge, Tim Jenkins and Darran Littlefield to see excess in the firm's operating structure.

Jenkins worked out of the firm's Seattle office, lined with dark mahogany paneling and pricey artwork. Not once in the five years he worked there did he know of a client who stepped foot into the office, Jenkins tells CN.

Similarly, Hodge and Littlefield worked for years out of the San Francisco office, which had "killer views of the Bay. But neither ever saw clients walking through the office," Jenkins says.

In 1995 the three managers launched their own firm, designed to both fill a void in the market being abandoned by the then Big Five and do so with as little of the overhead of the global firms as possible.

A decade later, the three men have built Point B – a fast growing, \$45 million, 220-consultant firm. Despite its size, it competes most aggressively with BearingPoint, Accenture, Deloitte, and legacy PwC consultants now within IBM. The firm has recruited heavily out of Capgemini, but doesn't run into it in many competitive client situations.

The biggest difference between Point B and a traditional consulting firm is that it operates largely without offices.

All of the client work is done at the client's site and most off-site teamwork is done at Starbucks and other coffee shops.

Even back-office functions are taken care of virtually. "Our bias is to outsource anything routine. We have a CIO, and he has an assistant, but all of our servers and network support is outsourced," Jenkins explains.

Point B's Seattle-based controller told firm leaders he wanted to move to Sweden, where his wife is from. The firm accommodated the move and it worked fine, with no more than five visits to the States a year. "Physical proximity is not important to us," Jenkins says.

While staff work independently, a lot of resources are aimed at preventing consultants from feeling isolated. "We spend a lot of money on building our culture, which includes monthly outings of 10 to 20 people at local watering holes and annual three-day firm outings for the entire firm plus significant others," Jenkins says.

Based on his experience at a big firm, Jenkins says firm culture wasn't necessarily any stronger when all employees were in the same office. "Now, when we get together, it's deliberate. There's not a lot of wasted time spent on informal hallway meetings."

What's also unique about Point B is its sole focus on local clients. Almost all of its work is for clients within a short

drive of four practice areas: Seattle, Portland, Denver and Phoenix.

The only work not done in those geographies occurs on the rare occasion in which a client wants a consultant to visit another of its offices. In those circumstances, the visit rarely lasts more than a few days, Jenkins says.

Working close to home has several advantages. First, consultants tend to build personal relationships with clients. Firms that fly in a team from out of state for a project can still do a quality job, but there's a greater sense of trust and accountability when consultants and clients have kids in the same school and attend the same church, Jenkins explains.

Moreover, a focus on local clients differentiates Point B from its Big Four competitors. "Big firms abandoned the local model in the 1990s. Instead of focusing on local markets, they built practices with a national and/or global focus or realigned vertically," Jenkins says. The result was a huge vacuum for firms like Point B who have Big Four-type talent in quantities that make sense for local markets, he adds.

"We also saw that big firms were abandoning middle-market clients – community hospitals, middle-market manufacturers. These companies had consulting needs but couldn't afford a team of 20 people, which is the smallest the Big Four like to use," Jenkins says.

Second, Point B's local focus radically improves a consultant's ability to achieve work/life balance. The firm's consultants are typically home for dinner and able to spend more "family time" than do consultants at more traditional firms that require three to four days of out-of-town travel per week.

Case in point: On the firm's Web site (www.pointb.com), two of the three founding partners list coaching their children's sports teams as hobbies, an activity we suspect few senior partners at other firms could claim.

The ability to consult and maintain a semblance of family life has helped to keep voluntary attrition to a minimum. Six months ago, when CN found many firms were experiencing a spike in voluntary attrition, Point B's turnover was probably no more than 10%, Jenkins estimates.

"We lost some people due to personal reasons: desire to change careers, retire, move, etc.," Jenkins says. The firm tends not to lose its staff to other consulting firms.

Commitment to work/life balance has also helped Point B recruit veteran consultants, another huge challenge for firms with more traditional business structures. To drive home the advantages of its business model to well-traveled consultants at other firms, Point B bought advertising space in the Seattle-Tacoma International Airport.

A typical ad pictures a room service tray in an empty hotel hallway, with the caption "Less Travel. More Life. Our consultants don't have to travel to get where they're going."

Despite being highly selective with its hires, the firm is on pace to grow its revenue by more than 40% in 2005 (up from \$31.8 million in 2004 to approximately \$45 million in 2005). "We could grow faster, but we're turning down some work because of capacity constraints," Jenkins says. "We could have lowered the bar on recruits [to handle the demand], but we know that's not a good long-term strategy."

The typical Point B consultant has 10 to 15 years of consulting experience. The firm is bringing in some younger talent, recruiting from MBA schools for the first time this year.

Another competitive plus is Point B's willingness to serve only as the project leaders, rather than staff and lead projects – another key difference from most traditional consulting firms.

As CN has reported the last several months, buyers of consulting services have significantly increased the size of their internal consulting operations and can do more in-house. While most firms see this as a competitive threat, Point B has embraced the change and built its firm around the trend.

The bulk of the firm's work is serving as a leader of in-house staffed projects. Jenkins says that over the last 10 years, his firm has found many companies that already have salaried staff that can implement a change. What they are seeking from external consultants is someone at the helm to steer the change and/or serve as a sounding board to internal practice leaders.

"Bigger firms have struggled with how to serve companies [with large in-house consulting units] because their business model is built on a pyramid in

which they employ more junior people. Clients can provide much of the block and tackle themselves. What they want is a small number of very expert people," Jenkins says.

"Clients want to own the project themselves, they want to own risk management," Jenkins says. "We don't insist on taking over."

Also in contrast to more traditional consulting firms, "we don't worry about getting toeholds on the next project. It's an original tenant of how we operate. We were called naïve at the time," Jenkins says. "All of our work is sold by word of mouth by line consultants, and usually it's the clients that approach us." The firm has no sales team.

Because demand is currently outpacing supply, the firm is able to increase its fees at a time when most firms' billing rates are still stagnating. Jenkins suspects his fees are comparable to the Big Four, but rarely does his firm bill hourly.

"We are increasingly looking at outcome-based pricing," Jenkins says. "We talk to clients in terms of total project costs. We think we can do most projects faster. And we pass along no travel costs and have little overhead."

Point B is doing just fine now. But as the firm grows, the question facing Jenkins and his partners will be whether it can continue to find enough work in its core, local markets. While the firm isn't ready to announce new offices today, Jenkins says his firm is looking at new West Coast markets. "Look at a map and you'll see the areas we're considering." 