



**THE  
NEW NORM  
OF CLIENT  
TRANSPARENCY  
IN THE SERVICES ECONOMY**



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# THE NEW NORM OF CLIENT TRANSPARENCY IN THE SERVICES ECONOMY

Delivering transparency is becoming increasingly important across different industries. The food industry has to meet legal requirements to record where ingredients in food are sourced. Compliance requirements also means that food purveyors have to show exactly what is in food on the packaging. For some, it has become a competitive differentiator.

In professional services, clients are also increasingly calling for transparency. In a January speech to the IAB<sup>1</sup>, Marc Pritchard, Chief Brand Officer at Procter & Gamble, promised to “vote with our dollars” if the company’s media partners do not improve transparency.

Digital marketing is just one area where being transparent with operations can lead to growth. For decades digital marketing has been a dark art, capturing budgets, offering lots of data in return but with little accountability or even results. Companies like Forthea, one of Houston’s fastest-growing private companies, are changing that by adding transparency to their operations. Forthea is doing this by using its ERP system to track budgets, costs and hours. It now focuses on transparency and is able to demonstrate exactly what each team is doing for each client. It works.

<sup>1</sup> <https://www.campaignlive.co.uk/article/transparency-equality-why-p-g-marc-pritchard-nominee-global-marketer-year/1454990> accessed August 20th 2018

## What is Transparency?

Done correctly, transparency can build trust—both between individuals and the organization, and between different organizations. Trust is a key factor in business relationships. The more trust between organizations, the more likely that contracts are agreed to and renewed. It also increases customer advocacy.

While transparency is becoming the new norm, it is not a new concept. Pacioli<sup>2</sup> was effectively advocating for it in his treatise on accounting in 1494. More recently Bernstein<sup>3</sup> identified four measures of transparency:

1. Upward transparency (from the front line to management).
2. Downward transparency (from management to the front line).
3. Enforced transparency (the degree to which systems or policies force transparency).
4. Discretionary transparency (the degree to which individuals or groups choose to share transparently).

We'll focus on the fourth point in this white paper as it helps determine client transparency. Why is it so important? Eggert and Helm<sup>4</sup> discovered a direct correlation between transparency, customer satisfaction and then, more importantly, the intention to repurchase and word-of-mouth intention.

Transparency can be demonstrated in two forms, physical and digital. While the focus of this paper is on the way in which firms can improve transparency through digital means with clients, they should not forget the physical which also includes emotional transparency.

## Physical Transparency

Transparency should begin with the values of the business. If a company lives and breathes transparency internally, then it will become easier to project the honesty of that value externally. This does not mean everything is open. Data privacy concerns and the existence of silos to avoid conflicts of interest are still required. But these barriers are not hidden. They are visible to all and their purpose is open and honest.

Santiago Iniguez Dean<sup>5</sup> of IE Business school recommends three strategies for improving transparency internally:

1. Increasing internal communication between all levels of staff.
2. Introducing recognition systems for innovation, not just those delivered but for the ideas themselves.
3. Operating in an open plan office environment to break down barriers between departments.

<sup>2</sup> Pacioli, L. 1494. Summa de arithmetica, geometria, proportioni et proportionalita. Venice: Paganini

<sup>3</sup> Bernstein, Ethan. "Making Transparency Transparent: The Evolution of Observation in Management Theory." Academy of Management Annals 11, no. 1 (2017): 217–266.

<sup>4</sup> Eggert, Andreas & Helm, Sabrina. (2003). Exploring the impact of relationship transparency on business relationships: A cross-sectional study among purchasing managers in Germany. Industrial Marketing Management. 32. 101-108.

<sup>5</sup> <https://www.weforum.org/agenda/2015/04/how-transparent-should-your-company-be/> accessed 24 August 2018

Fostering a culture of transparency within the business is also visible to outsiders. Displaying these physical manifestations of transparency will influence other stakeholders, including clients. Professor Sumantra Ghoshal gave an iconic speech about culture known as “The smell of the place” to the World Economic Forum. He describes exactly how companies need to portray themselves. If the atmosphere is secretive internally, then it is likely to permeate to their customer relations. If the internal culture is transparent then it is far easier to become transparent in customer relationships.

## Delivering Digital Transparency

How can a firm become digitally transparent? There are four key components

### 1. Start with goals.

In professional services organizations, understanding where the destination is for projects delivered both externally and internally is vital. Shane Anastasi<sup>6</sup> defined the second principle of professional services as “always know what done looks like.” Define the ultimate objective and measure progress towards it as change happens.

Equally, there is no point in committing to a strategy of digital transparency without understanding the end goal. For example, a 2018 report<sup>7</sup> by WARC, a marketing intelligence service, found that, “51% of brands believe there is a crisis of trust between brands and agencies.” That loss of trust will impact revenues. Is trust between supplier and client the ultimate goal?

How do you measure complete trust? Measuring trust between businesses is hard. Measuring trends in revenues, renewals and referenceability is easier. They will signal that trust is improving if they increase but it is only a factor. One way to find out if the trust goal is being achieved is to improve communication with the clients.

### 2. Communication, Communication, Communication.

It is a mantra that is repeated by many and yet it is rarely accomplished with complete success. It is not just about “what” is communicated to clients. There are four more questions that are also important:

**How is it communicated?** How communication is delivered is important. Behavioral science is increasingly being applied to some communications. Luca and Hauser<sup>8</sup>, writing in HBR cited the UK Tax Authority changing the wording of letters to delinquent tax payers to improve collections. As they say, it is worth experimenting with language, listening to responses and watching results. For example:

- Systems can help deliver communication. Customer portals provide access to information in real-time that previously would have required an organization to generate a report and send an email.
- Consider all mediums of communication, written, visual, audio and whether physical proximity is needed.

<sup>6</sup> Anastasi, Shane. The Seven Principles of Professional Services: A field guide for successfully walking the consulting tightrope (p. 61). PS Principles. Kindle Edition

<sup>7</sup> <https://content.warc.com/warc-toolkit-2018-marketing-trends-digital-transparency> accessed 24 August 2018

<sup>8</sup> <https://hbr.org/2016/02/good-communication-requires-experimenting-with-your-language?autocomplete=true> Accessed August 20th 2018

- Use technology to prepare and automate the transfer of information, especially if it is needed regularly.

**When is it communicated?** Timing is everything. Sending reports to a client five minutes before the next project meeting is worthless. In fact, it can have a negative impact on the relationship. Some information needs a regular cadence of delivery while some needs immediate attention and should be flagged as a priority. Ask:

- Is the information flow pull or push?
- Can the client access the information when they want to?

Client portals can deliver access in real-time to information around projects. However, this is only valuable if the information on the portal is up to date.

**Who communicates it?** This is not just about who initiates the communication outbound, but who is it communicated to. Building a relationship between companies is about building a matrix of personal communication channels between employees. While senior individuals need to be part of that matrix, they should not be the ones handing out the day-to-day updates. Nor should they be receiving them in most cases.

The project team should have their finger on the pulse of the project, the steering committee should consider higher level questions. These could include:

- Is the project team working?
- What external risks are the business leaders aware of that might influence the project?
- Is the project actually achieving the objectives set, or the client's new objectives?

Why is the communication happening? The most important thing is to understand why the communication is happening. What is the purpose of delivering the information? Think about what action is initiated as a result of the communication. If an action is needed, who initiates it and how is it initiated. Rarely should information be sent without some purpose, otherwise it risks drowning out the important information.

For example, when a project update is delivered:

- Is it an indication that a milestone is achieved or is no longer achievable?
- What is the point in letting the client know how many hours the team is spending on their account?

It should not be about self-aggrandizement but an indication of the effort expended. Does the amount of effort expended on one campaign outweigh another? Why is that happening? Is there a lesson to be learned in how a campaign was progressed?

Answering these questions means listening to the client. Only they can tell or at least confirm the answer to those questions.

Too often businesspeople communicate in a single direction, outbound. True communication is two-way and each message is influenced by what has gone on before.

### 3. Information: What is communicated?

Transparency does not mean communicating everything. Consider the information to share, and also what not to share. A professional services firm has intellectual property they need to retain about their processes. The client needs to understand these at a certain level but they are more interested in understanding the impact of the project on their business.

It should be enough that the clients understand the work that is done for them and they can gain a better understanding of its value. This may mean inefficiencies are exposed, but listening to critical feedback from clients is an opportunity to learn. Either the professional services firm has an insight on how to improve, or they can educate the client about why their methodology delivers a better result. These communication channels need to be always open at all levels. Honest communication is vital to build trust. Hiding issues is rarely the best approach.

However, too much data can drown people. Consider what should be shared, and importantly what shouldn't be shared. Share what is important, exceptions and summaries, and allow people to investigate.

Information that companies should communicate about include:

- Project status reports, risk registers and change requests are useful but only if they provide the client with something of use. A risk register needs to contain the detail around how a risk is mitigated or avoided. This may mean a decision needs making outside of the project scope that impacts cost, time or quality.
- Change requests are only requests, they can be rejected, shelved or delivered. Identifying the costs and risks associated with them needs to be communicated as soon as possible.
- Decision-making support information. If a decision needs to be made, provide the information relevant to that decision.
- Validation of work is also important. A client wants to understand what effort is expended in achieving their objective. Sharing costs, hours of effort makes invoice acceptance easier and builds trust.

When working with clients though, it is not just the professional services firm that updates information around projects, the clients also need to be able to do so. That requires collaboration.

### 4. Collaboration

Collaboration is the next step for companies. Two-way communication is fine but organizations should look to implement a communication channel that allows real-

time collaboration between all members of a project team, both internal and external. Functionality can include:

- Access to project documents that allow all participants to update them.
- Tracking of hours spent on a project for all members of a project team, not just the professional services team.
- The ability for all parties to view/update service incidents where relevant to the engagement.
- Enabling instant messaging between all parties to ensure that the right communication tool is used for the right occasion.

Document sharing, email, voice, instant messaging and even face-to-face meetings all enhance the capability to collaborate. Collaboration is a step beyond communication, does your organization do it effectively? Do they have the tools to do it easily?

### **The Risks of Transparency**

Too much transparency can create different issues. Highlighted in a recent HBR article<sup>9</sup>, these include blame culture, distrust, increased cheating and resistance.

Whatever is shared needs to be trusted. Version control and tracking of changes are all methods that can help deliver that trust. In the future, technologies such as blockchain may introduce further validation through smart contracts to self-execute agreements.

Customer portals that allow clients to access the same project information as internal staff are a good idea. However, internal consultants should be cautioned during training that what they enter onto systems may be seen by clients. This does not mean avoiding the truth but it should prompt consultants to have the hard conversations with customers as soon as practical.

### **What are the Benefits of Transparency**

Transparency is not the goal but it is a means to reach the goal faster and more effectively. It can also deliver better outcomes. A recent Bedford Group survey<sup>10</sup> stated that only 39 percent of agencies met client expectations. It stated that successful business partnerships contain: “trust, confidence, understanding and open communication.” Transparency is a necessary to build trust. It will help deliver the project, but other factors such as skills and knowledge are required.

Transparency also works both ways. It is not just about measuring the progress of the project. Client satisfaction should also be measured. Open and constructive feedback will help to keep a project on track.

Six benefits that transparency can deliver:

1. Clients trust you more as a partner.
2. Dynamically improve a project outcome during its life.
3. Increase the chance of customer satisfaction at the conclusion of the project and therefore an increased chance of customer advocacy.

<sup>9</sup> De Cremer, D., 2016. When Transparency Backfires, and How to Prevent It. Harvard Business Review.

<sup>10</sup> <http://bedfordgroupconsulting.com/marketing-insights/agency-relationship-sustainability/> Accessed 1st August 2018

4. Increase the chance of identifying opportunities within the customer for more business.
5. Increase employee engagement and team morale due to transparency inside an organization.
6. Increase the opportunity of business from third parties involved in the project.



# CONCLUSION

Having a single solution that allows all internal departments to see the relevant information about customers and their projects reduces overhead. Conversations about customers become informed. It moves the conversation from no longer having to ask for information to agree on actions that benefit the firm and customer alike.

Customers should also have visibility into the relevant information about them that is stored within these systems. This includes CRM, through project details to financial transactions. Customer portals should not be the place where they have to go to just log a call, update their information or acknowledge an invoice query but an area where they collaborate constantly. Selecting a single application to deliver such functionality makes sense. In a single data repository, business leaders can see what is happening within their organization. Employees and clients can see information that is relevant to them and that information sharing will help to build the trust that transparency promises.

Transparency is becoming increasingly important across businesses. To fully embrace transparency means building a culture and values to support it. It also needs systems, processes and technology that make it easier to deliver. The selection of those systems is important. Companies need to select a platform that can enable transparency within and outside the business. As a single ERP solution on a platform rich with add on components, NetSuite is not just the heart of a company in finance and operational systems. It also delivers the mouth and ears with customer portals and add on applications from its SuiteApp ecosystem that enable companies to become transparent from within and without.

# ABOUT THE AUTHOR



## **Steve Brooks, Editor, Enterprise Times**

Steve Brooks worked as an IT leader for more than 25 years. He has a wide experience within industry verticals including professional services, finance, manufacturing, recruitment and retail. Beginning his practitioner career as a communications developer, he has worked in most roles in IT. He spent 17 years at Savills PLC where he was appointed CIO. He left in 2012 to complete an MBA at Henley Business School. His dissertation was on the procurement of converged telecommunications solutions.

In the last four years, he has worked as a journalist, analyst and consultant. He was sub-editor at Business Cloud, and is now a joint editor at Enterprise Times. His specialist areas are ERP, HCM, IT strategy, IT procurement business strategy, cloud computing and collaboration. He is a principal analyst for ERP at Creative Intellect Consulting. Steve has also been a guest speaker at several vendor events.

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