The Guide to Handling Difficult Clients

Author's Foreword

Clients — we love them. We need them. And sometimes when they ask for so much, we wonder, "Is this still worth it?"

It's important to always consider a client relationship as a partnership, and this implies equal value. In your gut, you can sense when a client might be costing you more than they're worth. You also know your gut isn't always enough to go on. So, you have to step back and ask the hard question, "How can I determine if my client is worth the extra effort?"

In this ebook, you'll learn how to assess the health of your client relationships. We'll help you understand how to identify the value of your clients, as well as accurately track the costs of delivering your services. Learn to identify the types of clients who may be difficult, as well as the tactics for addressing your most challenging clients, before you get to that final hard and sometimes necessary step:

Firing your client.

Build a Healthy Portfolio

Understanding the value a client contributes to your organization is the first step in handling a challenging client. This is the lens with which you will use to evaluate the partnership, and ultimately it will help you determine what actions to take.

While highly profitable clients will make up the core of any healthy business, other types of strategic clients are often worthy of considering in exchange for the future value they will provide to your business.

There are many great reasons for taking on a new strategic client: credibility, capability development, passion. And yet priorities, markets and timing can all change. Yesterday's highly-strategic client may be today's low priority, challenging client.

Consider assigning a category type or classification to each of your clients so that you and key team members are reminded of your intended goals and margin targets with each relationship.

Assign each client a role in your portfolio to regularly remind you of goals and margin targets.

There are Three Types of Strategic Clients

1. Brand Clients
   Clients whose brand adds recognition and trust to your portfolio.

2. Highly Profitable Clients
   Client work you deliver and invoice at or above your target margins.

3. Breakthrough Clients
   Clients whose projects will help your staff develop skills and break into a new service area (e.g., a new industry, new service offering, new region, etc.)

Pinpoint the Issue

As your relationship with a client extends beyond the initial engagement, your business strategy may shift, or the value of the strategic client once provided may dissipate. Your journey with a client may even go down the undesirable road to "challenging" status.

Challenging clients — those that give your team and profits heartache — burden your business with myriad hidden and obvious costs. Before you blame your client, though, make sure the issue lies with them. Did you put the right people, with the right skills on the project? Did you put enough people on the project? Did you do a good job managing the schedule? If you've matched the right people to project and scoped it properly, the issue most likely lies with the client.

Challenging clients usually come in one of five flavors — Jump-Through-Hoops, Burnout, Aggressive, Moocher, and simply Unprofitable.

Challenging Client Types

Jump-through-Hoops Client
Constantly modifies and/or micromanages deliverables; very particular and not always clear.

Burnout Client
Demands a large volume of work with tight timelines (often requiring late nights and weekends), causing undue stress.

Aggressive Client
Treats your staff poorly; reducing morale across the team serving the client.

Moocher Client
Negotiates add-ons ad nauseam, finds ways to suck non-billable time from your staff.

Unprofitable Client
Costs your business more than what they're paying you. This status may not be mutually exclusive from those above.

Once a challenging client is identified, you have a decision to make.

Are Challenging Clients Worth Your Time?

Eventually, all companies must become profitable to have a sustainable future. So unless there is a very clear strategic reason for the partnership, determining if a challenging client is worth all the pain and effort starts with examining your margins.

If margins for a challenging client are near or below your minimum watermark, a continued relationship may be unjustifiable.

In a services-centric business, margins are largely determined by your cost of labor and fees you're collecting against your staff's time. So when evaluating effort versus value, ask questions including, how often does this client require excess work beyond the original scope? Are we tracking what work is being done outside of the scope? How much of that are we recovering through change orders, and how many hours are simply stacking up as non-billable?

Answers to these questions are key to understanding client margins and the opportunities to improve them. To have this level of visibility into your business, it's critical that all of your resources track and document the time they're spending on each client — without exception. Otherwise you will suffer from murky information, guesstimates, and assured margin leakage.

When hours are tracked and recorded diligently for a given client, you can analyze the costs of delivering projects and measure how they compare against your targets for other similar clients.

Extra! Extra!

Track project "extras" to calculate your true cost of doing business.

Business Development

Proposal Drafting

Promotion

Lead Generation

The "Yes! How High?" Cycle

Should you always say, "Yes," given that your customer is always right?

Almost. There is a better option for your business — offer a "Yes, conditional" instead. This approach sets forth an agreement to meet the client's need, if the client agrees to your conditions. An example looks like this: "We'd be happy to do that, and it occurs to us we'll need another two weeks of two resources, so we'll have to work that into our agreement."

Often you'll be met with a positive response, and a better understanding from the client that there will be costs associated with the new request. With this approach, you can maintain your margins while also saying yes!

Pro Tip:
Three Ways To Control Your Costs

✓ Track and compare scheduled and actual costs throughout each project.

✓ Anticipate resources moving mid-project, knowing your cost and bill rates may change.

✓ When faced with a "Jump! How high?" request, use a "Yes, conditionally" response.

Should you always say **"yes"** to clients?
Try a **"yes, conditional"** response instead.

Paying The People Price

Great clients make collaboration a positive experience.

On the other hand, a challenging client is often the source of negative experiences for your team. The result is that your staff can grow weary and lack motivation to continue working with them. In the worst case scenario, they may also grow weary of working at your organization.

In this case, you want to ensure your talent does not burn out. Reduce the likelihood of this happening by cycling some of the resources serving the client over time.

Also empower your people with insight on teaching clients how to be treated. Use discussions at the beginning of the relationship or project to set the stage for how to collaborate, and where you'd like each type of feedback directed. In addition, use the Statement of Work (SOW) to explicitly outline communication workflows. Once the project begins, schedule regular check ins. This process may mitigate any issues before they arise.

Do you know how profitable you are?

Mavenlink can help. Services providers across industries choose Mavenlink to gain greater control over their margins. Visit **www.mavenlink.com** to learn more today.

Are your people paying the price for your difficult client?

Protecting your people, will protect your business.

Client Relationship-Saving Tactics

Continuing to serve a difficult client that is no longer providing strategic or financial value to your business risks more than bringing down team morale. It risks bringing down your business.

Before you do consider firing your client, though, see if you can help the situation. These five tactics can help you save your client relationship. →

5 Relationship-Saving Tactics

Start a Dialogue

Tell your client your concerns. Emphasize what solutions they could employ to improve the situation, and say what you will do as well.

Cycle Your People

Rotate resources who work with your most challenging clients. This helps you avoid burnout.

Set Clear Expectations

From the start, your clients should know what you expect of them, including collaboration, equipment, and how you will handle requests that fall outside of scope. For an unruly client, you may need to remind them of the way you'd like to work.

Strengthen Your Tools and Processes

Find the right tools that strengthen communication between you and your client. Be sure you have tools that help you speak transparently about your fees. Make your processes explicit, so everyone on your team and theirs knows how you will be getting work done together.

Audit Yourself

Is there anything your team could be doing to make your client relationship better? It's easy to assume the fault lies with a challenging client. You may be able to identify ways to improve the relationship and results through small tweaks in your approach.

Time to
Fire Your Client

If those tactics don't change the situation, it may be time to fire your client. You've done the analysis, and employed relationship-saving tactics to no avail. You've taken reasonable steps, and now it's clear the client no longer provides a positive value proposition for your team and your firm.

When you've reached this point, it's time to part ways.

The good news is this does not have to ruin the relationship — it's possible to leave on good terms. Here are a few tips for handling the discussion:

Give your client a chance to improve.

No one wants to be blind-sided with bad news. If things are not going well, let them know how you feel before you have made the decision to end the relationship. Give them a chance to respond or help rectify the situation.

Provide evidence.

Show your client the proof – how the profit versus cost of delivery are not working in your favor, or point to specific examples of how they caused unnecessary stress.

Be rational, not emotional.

Never respond in the heat of the moment.

Mavenlink is Built for Services Providers

Build lasting, profitable client relationships with Mavenlink, a services platform for the new age. With projects, financials, collaboration, resource management and business intelligence in a single unified environment, teams using Mavenlink are able to connect, collaborate, execute, and thrive like never before. Know more, do more, make more, with Mavenlink. Learn more at **www.mavenlink.com**.