

HIGHPOINT ASSOCIATES: INSIGHTS

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HighPoint
Associates

Sumeet Goel Discusses HPA's Business Model with Jason Sanders

SUMEET GOEL, HPA'S FOUNDER AND FORMER MCKINSEY CONSULTANT, DISCUSSED HIS COMPANY'S HISTORY, FUTURE AND CURRENT BUSINESS MODEL WITH IVY EXEC'S EXECUTIVE SEARCH PRACTICE LEADER, JASON SANDERS

HighPoint Associates utilized a unique approach to the delivery of high value management consulting services. The company manages a network of over 500 experienced, independent professionals from diverse industry and functional backgrounds providing best-of-class, customized advisory services for growth-oriented companies.

Sumeet Goel, HPA's founder and former McKinsey consultant, discussed his company's history, future and current business model with Ivy Exec's Executive Search Practice Leader, Jason Sanders.

Jason Sanders: *Thanks very much for taking the time to speak with me today. Your firm, HighPoint Associates (HPA), uses a unique business model to deliver consulting services. Can you tell us a little about what makes HPA stand out from other firms?*

Sumeet Goel: Our go-to-market model is unique. Traditionally, you would hire a consulting firm in only one way, by engaging a Partner who knows your industry. That Partner would send a standard configuration team of really smart, but most likely inexperienced generalists to work on your project. The engagement is usually costly, and the billing relationship lasts indefinitely as the first project is usually followed by any number of successive projects, as the unwritten goal of the team is to remain entrenched in your operations, maintaining that revenue stream.

Our model is different on every level. First, we engage the client by scoping out the issues to be addressed. This is done by the HPA professionals who will be actually doing the work on a day-to-day basis, so the credibility and scope of our engagement is reliable, attainable, and has a start & an end point. Second, our HPA Professionals are highly experienced because they are often former Senior Consultants or Principals from an industry practice at a big consulting firm; a significant difference from using a typical project team of smart, yet inexperienced people. Third, the HPA 'team' doesn't need to be a team - it can be one person or many, depending on your specific need. Fourth the timing can be highly variable - part time for two weeks, full time for nine months, or anything in between. Finally, while clients often ask us to do additional work, our goal is not to find additional projects or to prolong our presence, rather it is our goal to complete the task we were hired to do and to address a specific need.

We're able to make all of these distinctions because of our lean operating structure. On the "supply" side we have people focused full time on screening resumes,

interviewing, conducting reference checks and background checks, etc., so that we are fully confident of the independent consultants that we are engaging. We bring them into HPA on a project-specific, as-needed basis. As such, we don't need to manage utilization or carry high overhead costs and yet we have a pool of 500 professionals that we've thoroughly vetted and can put to work for our clients. This fundamental difference allows us to price aggressively. Rather than a traditional consulting model where the fees billed to the client are six to ten times what a consultant earns, we invert that model and the consultant takes home the majority of the client fee. When you invert the equation, you end up being able to bill our a former BCG Partner at a rate of a current BCG Case Team Leader - without having to pay for an entire \$500,000-per-month team when what you really need is just one highly experienced individual. That is a huge value that no other firm can offer.

Jason: *What drove you to found the firm in 2001 at a very difficult time in the market?*

Sumeet: My wife. I left McKinsey during the internet bubble - actually my timing couldn't have been worse - I left in late March 2000. Two weeks later, the market crashed and yet the venture fund I left to join had raised its money and I forged ahead. After 18 months of trying to find and invest in early stage deals in that environment, we rolled the balance of the fund into an acquisition of a niche sports league, and while that was exciting, I didn't want to be involved in that long term.

While I figured out what I wanted to do next, I started consulting independently. It went so well that six months later my wife pointed out that I was turning away work because I was operating at capacity. At the same time, she pointed out that I had a lot of former B-School and McKinsey colleagues

who were looking for work and shouldn't I be staffing them on engagements that I couldn't handle? So I didn't have any epiphany about the model - my wife simply pointed out that I was turning down work that I didn't need to turn away.

Jason: *What types of clients are most interested in HPA's services and in the services of independent consultants generally?*

Sumeet: I'd put our clients into two general buckets, with some sub-buckets. The first bucket, is Private Equity firms, which engage usually in two ways. First, private equity firms who will request short-term diligence subject matter experts. This does not mean the big diligence teams that they will often engage with from companies like Bain, McKinsey, BCG or targeted players like Parthenon or LEK, but rather our role is to supplement those teams (or their own internal teams) with an HPA consultant who has 20 years of experience in the specific industry that they're considering. The second way we help is with portfolio company execution - for many mid-sized portfolio companies (defined very broadly as \$100mm-\$1bn in revenue), there are targeted needs where a traditional "Engagement Manager plus three" consulting team just won't cut it. This can run the gamut from interim CxOs to Lean experts to Project management experts, and others. The key for the PE firm and their portfolio company management team is, "I have a specific need in a certain area and I don't need a team to analyze it, rather I need a specific type of person to come in and address it." The second bucket is our Corporate Clients, which range from companies in the higher end of that mid-size range, as well as divisions of larger F500 companies. We don't typically work with the F500 on their overall company strategy work - that's the realm of the Big Three strategy firms. We have often been asked to propose on that work because we can pull together a team of alumni from those consulting firms at a much lower cost, but have shied away from it because we've been used as a stalking horse to drive down pricing.

However, at the divisional level, where budgets are tighter and needs are better defined, we have found our sweet spot. Oftentimes, we have come in after the traditional consulting firms have done their work, to help drive and execute on their recommendations. The clients like this because instead of a team, they get an individual who will have not only the consulting experience (often from the same firm that we're following onto), but also operating experience in the industry and thus we have instant credibility with the client executives.

The other area within our corporate client base where we've seen a lot of demand is in the corporate function. When the recession hit hardest in 2008 and 2009, many corporate teams were scaled back dramatically. As we went thru 2010 and even more so in 2011, the demands on those teams

have increased to pre-recession levels, but they don't have the capacity to deal with those demands. They have often turned to use for three to six month flex capacity - grabbing HPA Professionals with industry and consulting expertise that can jump in without a learning curve, and take on projects from day one. The client has the option of releasing us when the demand ebbs, or if they so desire, to take the HPA Professional "native" if there's a strong mutual connection and ongoing need - the so called "try-to-buy" scenario.

Jason: *How can independent consultants define their competitive advantage to help companies address those issues?*

Sumeet: Anytime I interview ICs, especially those that are new to this type of work, I look for three things.

Focus: Especially important for those that come out of 'traditional' consulting where they were generalists. Figure out where you're strongest and focus there. It can be within an industry, or in a functional area (sales, strategy, operations, financial analysis, etc.) You may think that it limits your options to focus like that, but on the contrary, I think it opens them up. We've found that clients are increasingly looking for targeted expertise, and if you try and be a jack-of-all-trades, you end up being the proverbial master of none, and it's harder to sell yourself.

Pricing: Figure out what the market will bear for your time or what you feel is your bogey and stick to it. Of course there can be a little flex in that rate when billing directly, and if you're working thru a firm like ours, there is a significant amount of flex because of our value add and the margin we place on top; but as a rule, don't go charging one client \$1000 per day and another one \$2000 per day. It's a small world and that will come back to you in two ways; clients find out about the discrepancies and will not be happy, and if you are giving a client a lower price to get in the door as a first project, you've now set your price point. Don't kid yourself that you can move that up, no matter what you and the client have agreed to - they will always assume that price, and even worse, when they refer you to other potential clients, those new clients will assume that lower price too.

Presence: It takes five minutes to get your LinkedIn profile to a professional level. It costs very little to have someone create a professional website with five html pages of basic information about your 'single shingle' firm instead of having a Go Daddy landing page. It takes five more minutes to spell check your resume, ensure formatting is consistent and correct, read it with a critical eye, and make sure that it's easy to understand (and not four pages long!). These are simple things that go a long way.

Jason: *Your firm has been around for about ten years and is now beginning a significant hiring program, particularly at senior levels. What is driving growth in your business?*

Sumeet: The demand in our business is tied strongly to economic conditions. When the market turned down a few years ago, amongst the first things that companies cut was 'outside spending' regardless of whether it made sense or not. What we're seeing in the last half of 2010 and thru 2011 are the effects of the pent-up demand from those two years. The hiring we're doing at the senior levels is to help manage and adequately respond to that demand, and be proactive by seeking out and identifying other potential clients. The latter is extremely important because we are a small firm and not a household name. In this business, no matter how technology-enabled you are, it's still about getting in front of clients, and for our firm to grow, we need to expand our geographic footprint. That is why we are hiring Principals in different US geographies to target companies in those markets.

ABOUT HIGHPOINT ASSOCIATES, LLC

HighPoint Associates is a management consulting firm that employs a unique service model based on a carefully screened network of highly qualified, independent consultants from diverse industry and functional backgrounds. HPA staffs projects for clients ranging in size from several hundred million dollars in sales to very large international conglomerates and Fortune 500 companies.

The mission at HPA is to provide best-of-class, customized advisory services for growth-oriented companies through functional experience, industry expertise and a trusted vetting process. Its unique operating model, which leverages a network of 500+ carefully vetted independent consultants, allows HPA to place carefully chosen professionals on the ground with clients in advisory and operational roles.

HPA has offices in Los Angeles and New York.

To learn more about HighPoint Associates, call 310-616-0100 or visit them at www.highpoint-associates.com.

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