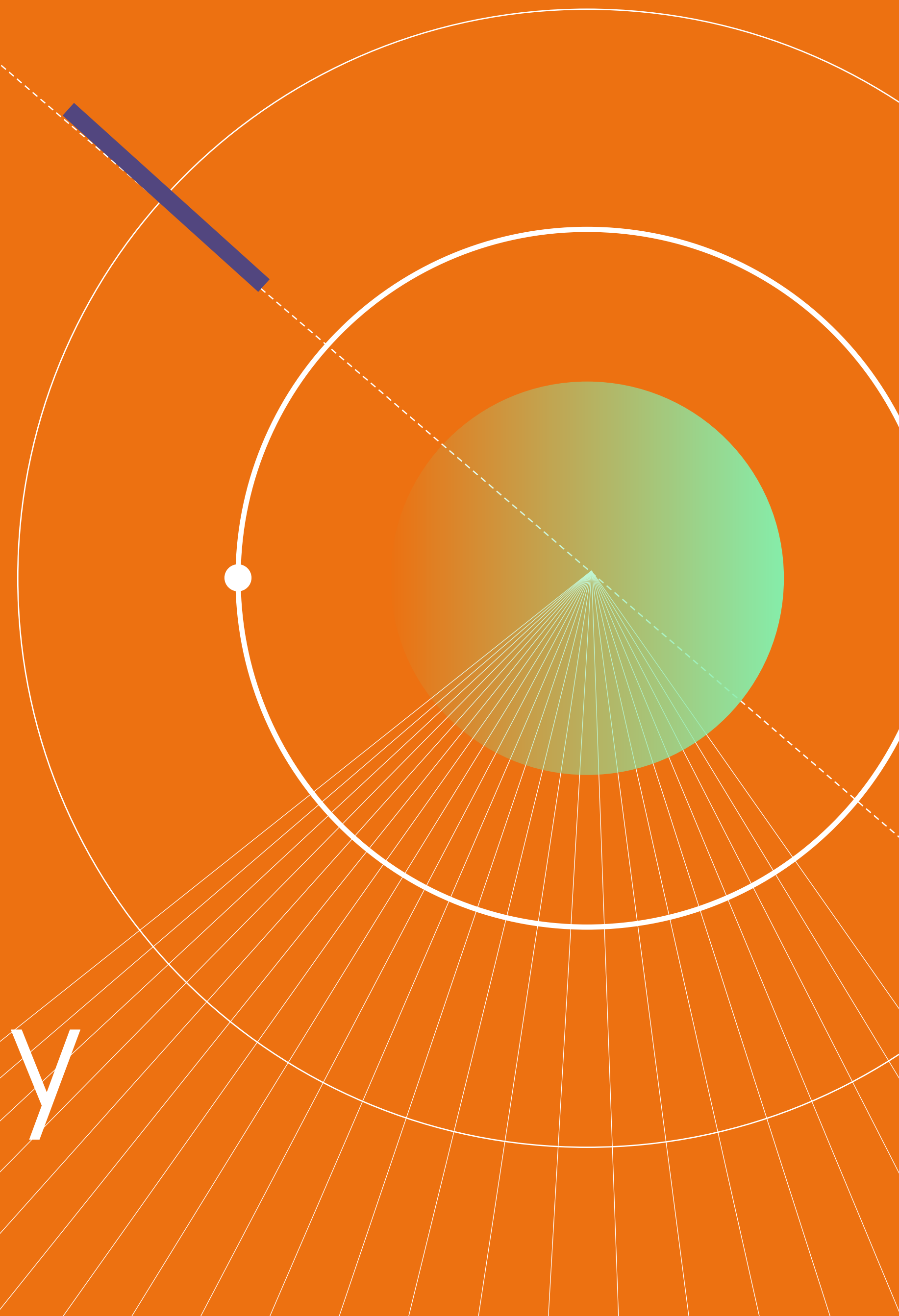


Kantata



Kennedy
M&A

Strategic Guide to Scaling Professional Services Firms Effectively & Sustainably



Kennedy M&A, Kennedy Intelligence, and Kantata have come together to provide this perspective, combining Kennedy M&A's deep experience analyzing and advising professional services leaders with Kantata's world-class professional services automation platforms. In today's new consulting era, professional services firms are facing a range of new challenges and opportunities, most notably from the rapid proliferation of artificial intelligence.

We produced this guide to serve leaders navigating the complexities of growth and building long-term sustainability in today's rapidly evolving professional services landscape. The guide follows our five-part podcast series "The Professional Services Pursuit" where Kantata's Brent Trimble interviews Ramone Param (Kennedy M&A), as well as Tom Rodenhauser and Alex Klein (Kennedy Intelligence).



Kennedy M&A observes four distinct phases of a boutique professional services growth journey — **start-up, scaling, growth, and high performance**. A high performance consulting firm typically exceeds \$25 million in revenue, building the infrastructure to generate sustainable value for its stakeholders, and a premium valuation multiple upon exit or investment.

Scaling a services business comes with a unique set of challenges, accentuated in today's disrupted marketplace. Margins are under pressure, talent is increasingly mobile, and growth often feels unpredictable. Unlike product companies, services firms depend on people, relationships, and expertise. These factors are both their greatest strengths and their biggest risks.

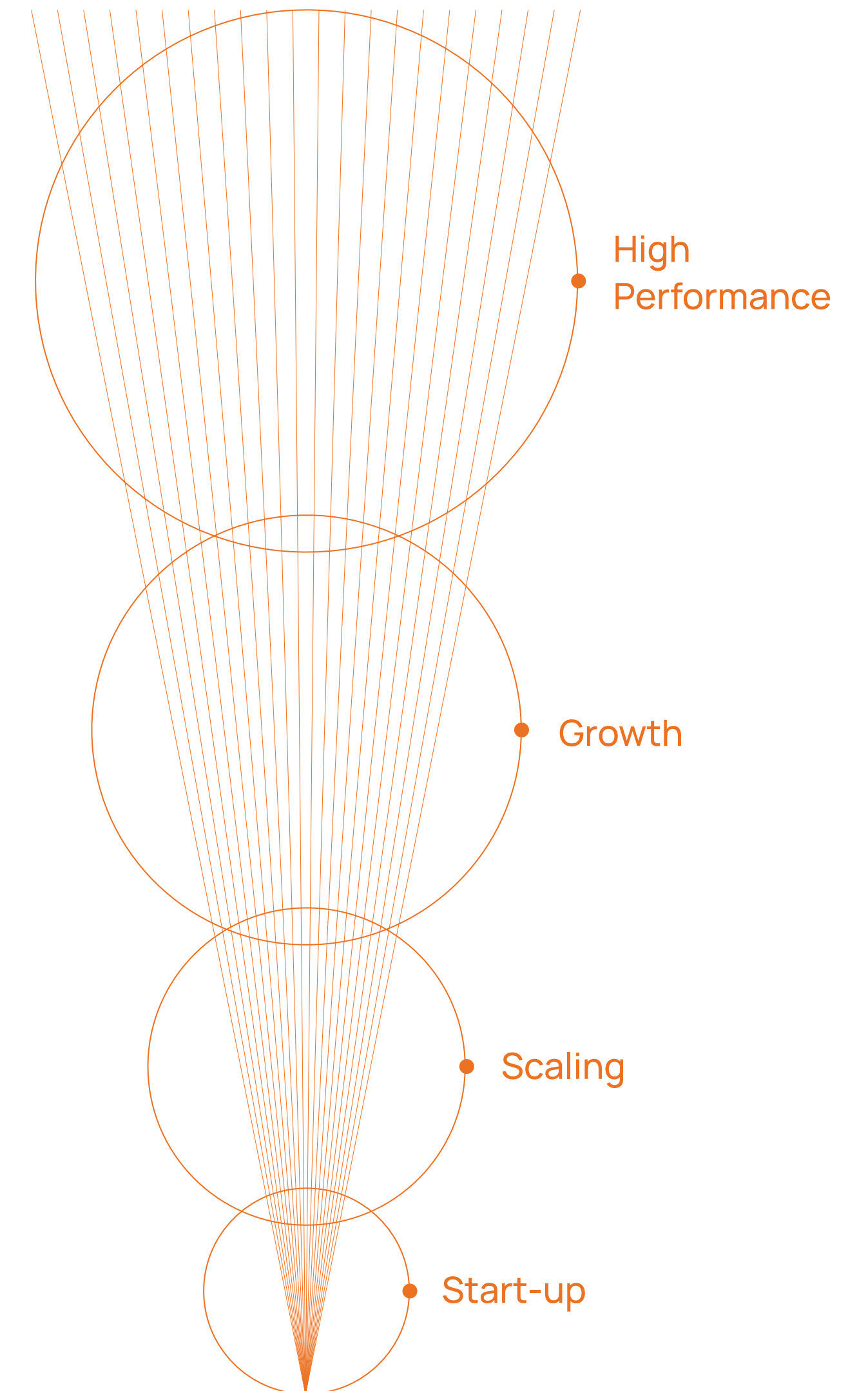
While no two firms grow in exactly the same way — size, market focus, and client base all shape the journey — there is a common set of building blocks that we observe separating firms that scale profitably and sustainably from those that stall. The most successful firms we have observed mastering these fundamentals, turned growth into durable equity value rather than chasing revenue at all costs.

This guide walks through some of those building blocks. We connect strategy, operations, and culture into some of the roadmaps that leaders apply, whether their goal is to accelerate near-term performance, improve margins, or prepare for long-term equity growth.

“There is clearly infrastructure that high performance professional services firms put in place through the different stages of their growth journey to scale effectively and overcome the various hurdles that most consultancies stumble on stifling value creation. In today's AI era, there are opportunities to be even more effective scaling through this journey.”

Ramone Param, Managing Director of Kennedy M&A

Kennedy M&A finds that less than 1% of professional services firms scale beyond \$25m in revenue and even fewer do so generating sustainable value for their shareholders.



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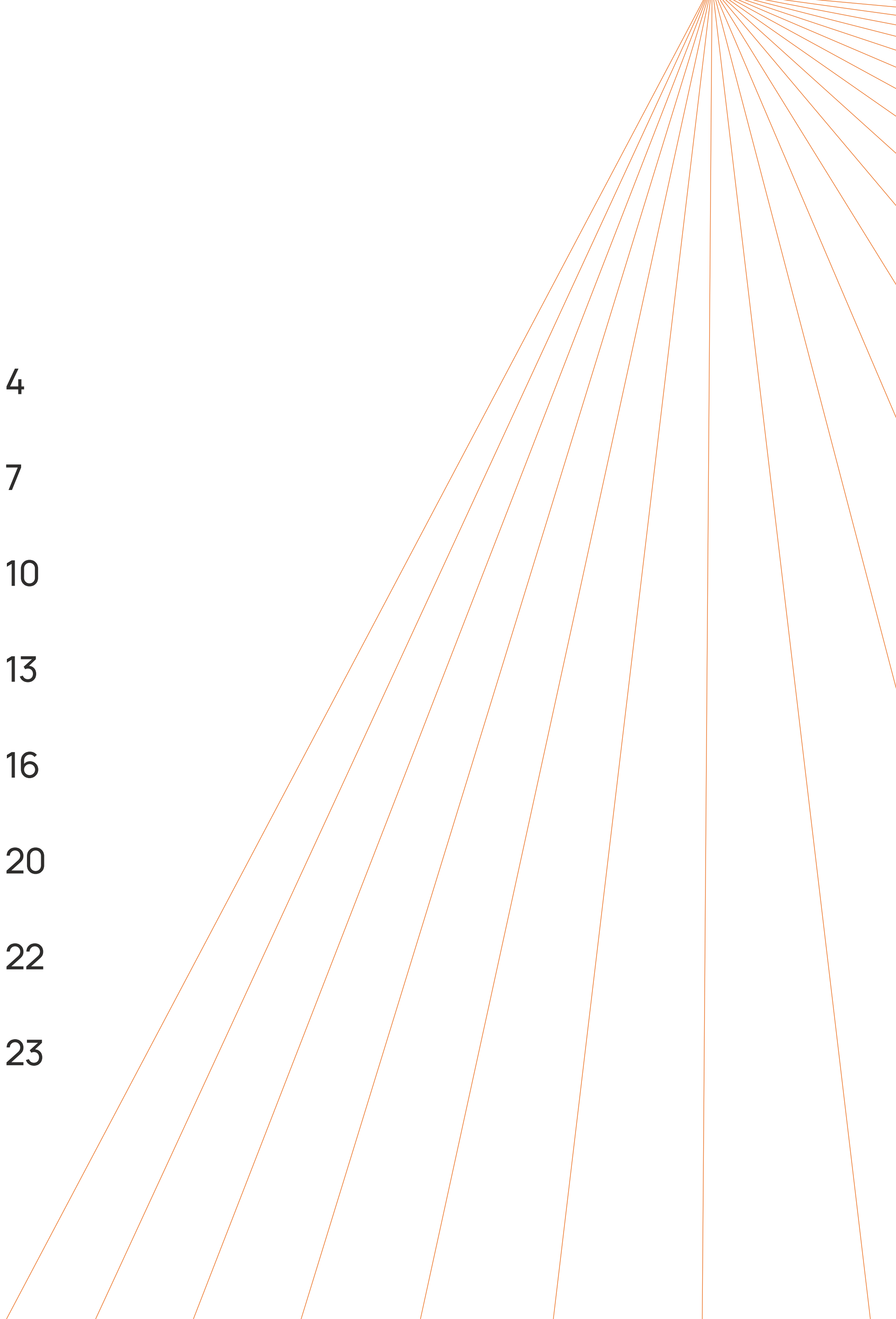
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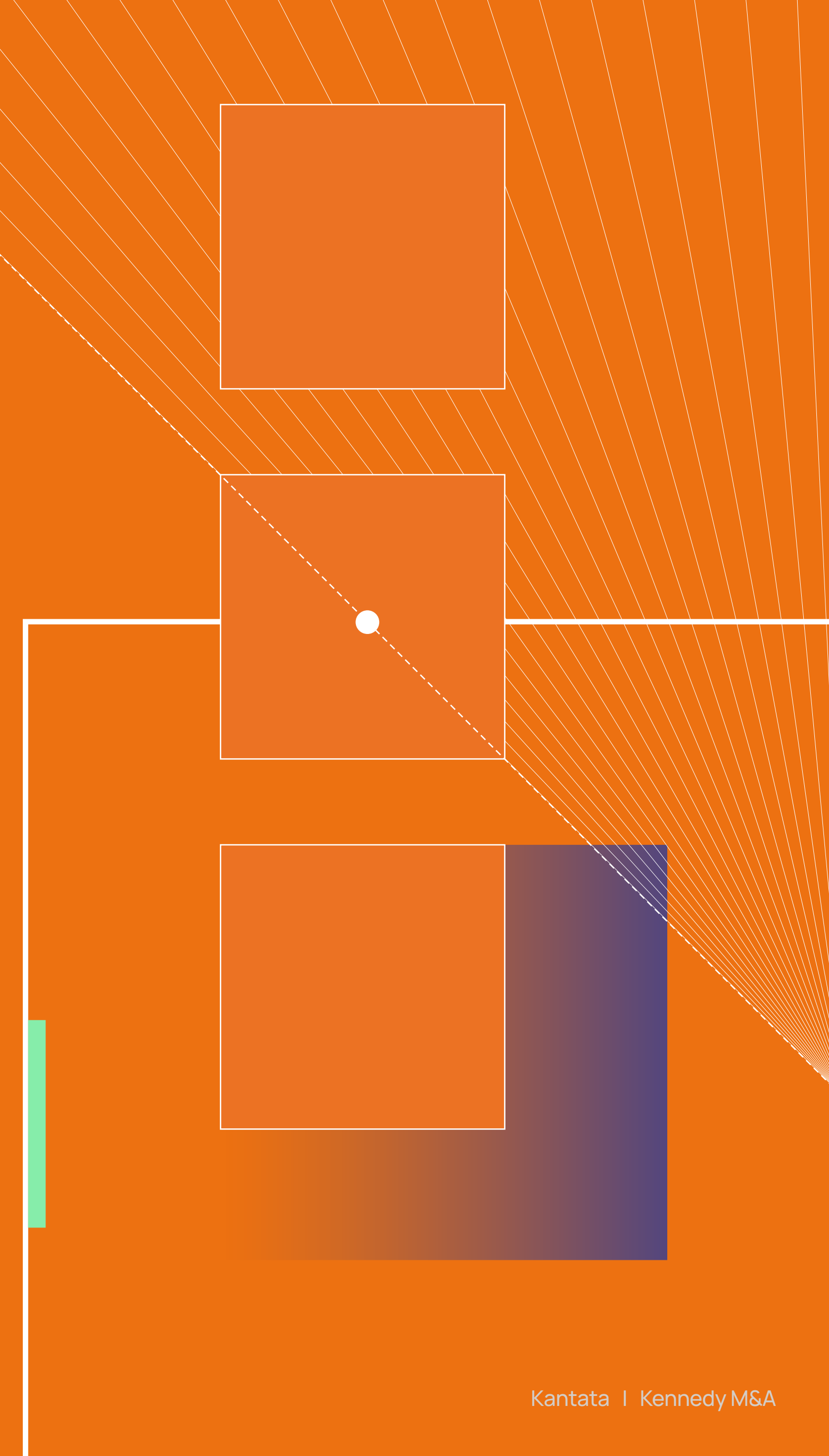
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The 3 Ps to Profit: Proposition, Positioning, & Pricing for Growth

“Most smaller firms are great at delivery, but weak at articulating a focused value proposition and differentiating themselves in the market. This, in turn, restricts their ability to price appropriately.”

Alex Klein, Lead Growth Advisor at Kennedy Intelligence



Value Proposition

At its core, a value proposition is the promise a firm makes to clients about what it delivers and why it matters. We see many professional services firms struggle here: they are excellent at delivery but poor at articulating their value in a way that resonates with the market. Too often, firms try to be all things to all people, resulting in broad, unfocused propositions that don't clearly convey impact.

Successful firms sharpen their propositions around measurable outcomes. In fields like procurement consulting, for example, value can be tied directly to bottom-line savings: tangible, evidence-based results. In areas like leadership development or culture change, impact is harder to quantify, but firms must still identify credible metrics. These can include culture shift indicators or employee engagement scores, which demonstrate real progress. Without a strong, focused value proposition, firms lack clarity on the value they create and struggle to differentiate.

Positioning for Differentiation

“Consulting firms often confuse capabilities with differentiation. Clients hire you to play a role — domain expert, change agent, project leader — not because you can do everything.”

Tom Rodenhauser, Managing Partner of Kennedy Intelligence

A firm's positioning defines its role for clients and sets it apart from competitors. The challenge we see in many consulting websites and collateral is a blur into a sea of sameness, filled with generic statements like “we put clients first” or “we deliver the best solutions.” These aren't differentiators — they're table stakes.

True differentiation comes from clarity on the specific problems a firm solves, the industries or functions where it excels, and the role it plays for clients (e.g., domain expert, change agent, project leader). Clients hire firms to fill a role, not just for “capabilities.” The firms that stand out are those that not only declare their expertise but also

back it up with social proof, such as case studies, measurable client outcomes, and a clear track record of impact. Without this, firms risk being interchangeable, competing only on relationships or price.

Pricing Strategy

Pricing is where proposition and positioning must translate into commercial success. Yet many firms chronically undervalue themselves, stuck in an underdog mentality that dates back to their founding. Even firms with strong propositions and differentiation often lag in pricing, charging far less than what the market would bear.

The industry is shifting from the billable hour to value-based pricing. To make that transition, firms need the courage and discipline to tie fees to measurable outcomes, not inputs. This is challenging — especially in less tangible areas of consulting — but increasingly necessary. Firms that can clearly evidence their value can and should command prices closer to premium players, rather than defaulting to discounting against larger competitors.

Once you've defined what you stand for, the challenge becomes sustaining that growth beyond the founder's Rolodex.

Key Takeaway

Firms that scale profitably know exactly what they stand for, why they're different, and how to price with confidence. Proposition, positioning, and pricing must align. The presence of all three factors can contribute to the potential for growth, but it's not a guarantee against stalling or commoditization.

The Potential to Turn Growth Into Sustainable Profit

“Networks get tapped out. You need a real business development engine that runs through the organization’s core to deliver sustainable value creation.”

Ramone Param, Managing Director of Kennedy M&A

Sustainable growth in professional services firms cannot rest solely on founder relationships and personal networks. Those sources of business eventually plateau, leaving firms without a reliable pipeline. A true business development engine — with dedicated sales, marketing, and lead-generation processes — ensures growth continues regardless of who’s in the room. Firms that invest early in a repeatable business development function reduce dependence on principals and create a foundation for scale.

Consultants often view themselves purely as delivery experts, but scaling requires commercial literacy across the organization. Training delivery teams to understand pricing, margins, and project economics fosters better decision-making in day-to-day client work. When consultants see how scope creep, discounts, or low utilization erode profit, they’re more likely to protect the firm’s financial health — and contribute to growth.

When considering account management, it’s tempting to lean heavily on a handful of anchor clients, but concentration risk can stall growth and deter investors. If revenue comes from a few key clients, the firm’s options become limited — and its valuation from a potential acquirer or investor vulnerable due to the risk this presents. A diversified client portfolio creates flexibility to turn down low-margin work, withstand industry downturns, pursue opportunities that align with the firm’s strategy, and higher valuations upon exit.

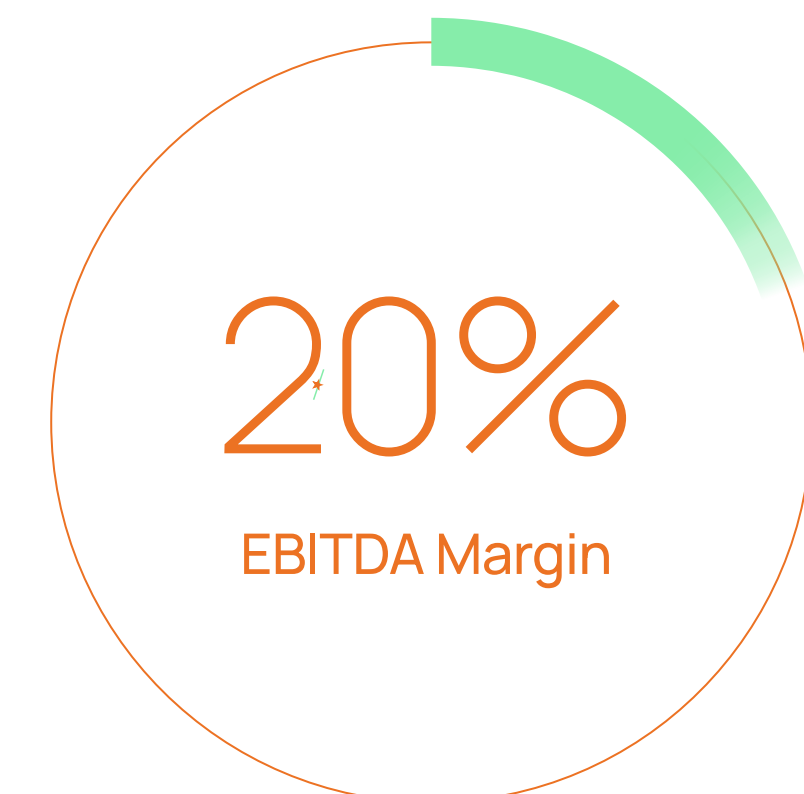
According to Kennedy M&A, high performance consulting firms achieve over 50% gross margins and over 20% EBITDA margins, whilst generating double digit revenue growth. There are increasing opportunities to go beyond these margin benchmarks with AI enabled efficiencies.

“Celebrate revenue milestones, but margins tell the real story. And margins are driven by pricing and utilization, both of which need to be (and are often not) managed with discipline”

Alex Klein, Lead Growth Advisor at Kennedy Intelligence

Many firms celebrate revenue milestones; but without profitability discipline, those numbers tell an incomplete story. Margins — not top-line revenue — ultimately define sustainability and valuation. Over-hiring, underpricing, and excessive discounting can erode profit even as revenue climbs. High-performing firms monitor utilization, pricing discipline, and scope control relentlessly, ensuring growth adds value to the bottom line.

According to Kennedy M&A, high performance consulting firms achieve over:



Furthermore, traditional consulting’s project-based model creates lumpy cash flow and valuation ceilings. Introducing recurring revenue streams — through managed services, licensing, subscription models, or repeatable project programs — provides predictability and resilience. Even a modest percentage of recurring revenue can significantly increase investor confidence, valuation multiples, and the firm’s ability to weather downturns. For firms eyeing exit or investment, recurring revenue is often the single most powerful lever for long-term value creation.

Key takeaway

Top-line growth is only half the story. Firms that build a true business development engine, diversify clients, train teams in commercial acumen, and introduce recurring revenue streams create durable, profitable growth that investors reward.

According to Kennedy M&A, for high performance boutique consulting firms with a strong business development engine:

More than 75% of clients are retained for over two consecutive years



Client concentration is limited, so no single client accounts for more than 20% of total revenue



Why “Client Love” Isn’t Enough

“Client satisfaction is encouraging, but without commercial discipline it hides margin erosion.”

Tom Rodenhauser, Managing Partner of Kennedy Intelligence

Client satisfaction is essential, but it cannot be the sole measure of success for a growing professional services firm. Many consultancies reach a \$15 to \$30 million plateau believing that happy clients guarantee sustainable growth. In reality, overreliance on “client love” often masks structural weaknesses in profitability, scalability, and risk management.

Risks of Client Satisfaction Emphasis

Positive feedback is encouraging, but it rarely tells the whole story. Most firms will work endlessly to solve a client’s problem, meaning client surveys tend to confirm effort, not efficiency.

What is often missing is a commercial postmortem: What discounts were given? How many overruns were absorbed? What was the realized rate and gross margin at the end of the engagement? Without this discipline, client happiness may hide value erosion.

The Friends-and-Family Trap

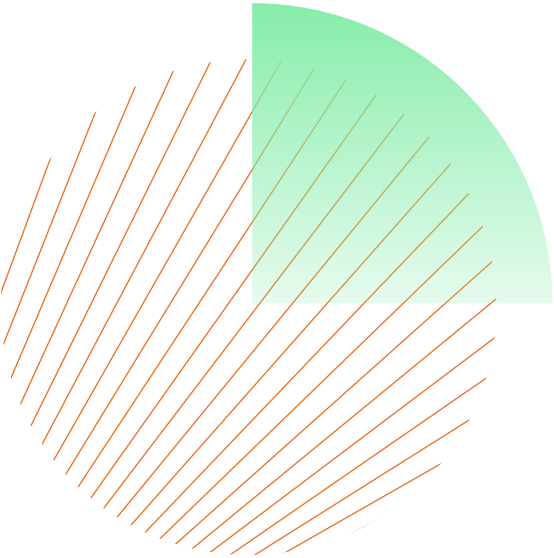
Early clients often come through personal networks. While these “friends-and-family” engagements are critical in the beginning, long-term overreliance becomes dangerous. Firms that cling to legacy clients at outdated rates or with narrow project footprints risk concentration, low margins, and stalled expansion.

Research shows that sustainable growth depends on reaching beyond the founder’s immediate circle via initially identifying referrals of referrals, strategic partnerships, and alliances, to developing sophisticated internal business development systems.

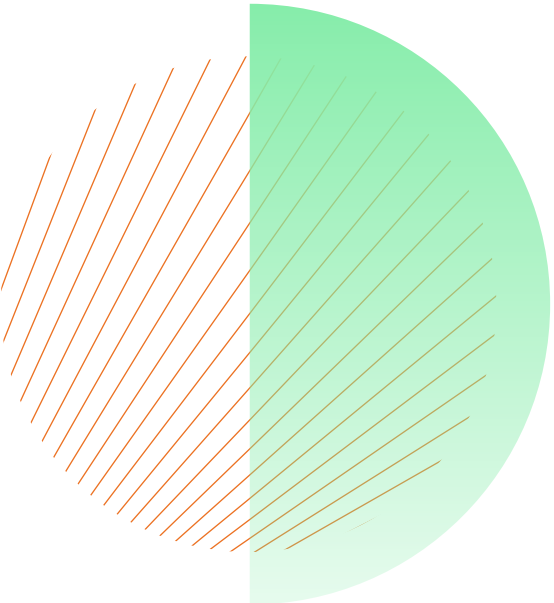
Profit-First Client Management

Scaling firms must learn to put their own needs on equal footing with clients. This means enforcing scope discipline and setting clear limits on discounts or free work. Many successful firms centralize pricing power through a pricing committee, giving partners cover to maintain healthy rates without damaging relationships.

According to Kennedy M&A, for high performance boutique consulting firms:



Over 25% of clients are new each year



Aim for over 50% revenue backlog

As Kennedy Intelligence’s insights highlight, buyers are more price-sensitive than ever, and firms that fail to maintain pricing integrity undermine their long-term equity value.

Tackling Risk Before Growth

Client concentration is inevitable in a firm’s early years, but it should not define its future. Resilient firms grow their way out of concentration risk by actively building new logos and diversifying revenue streams across industries, functions, and geographies.

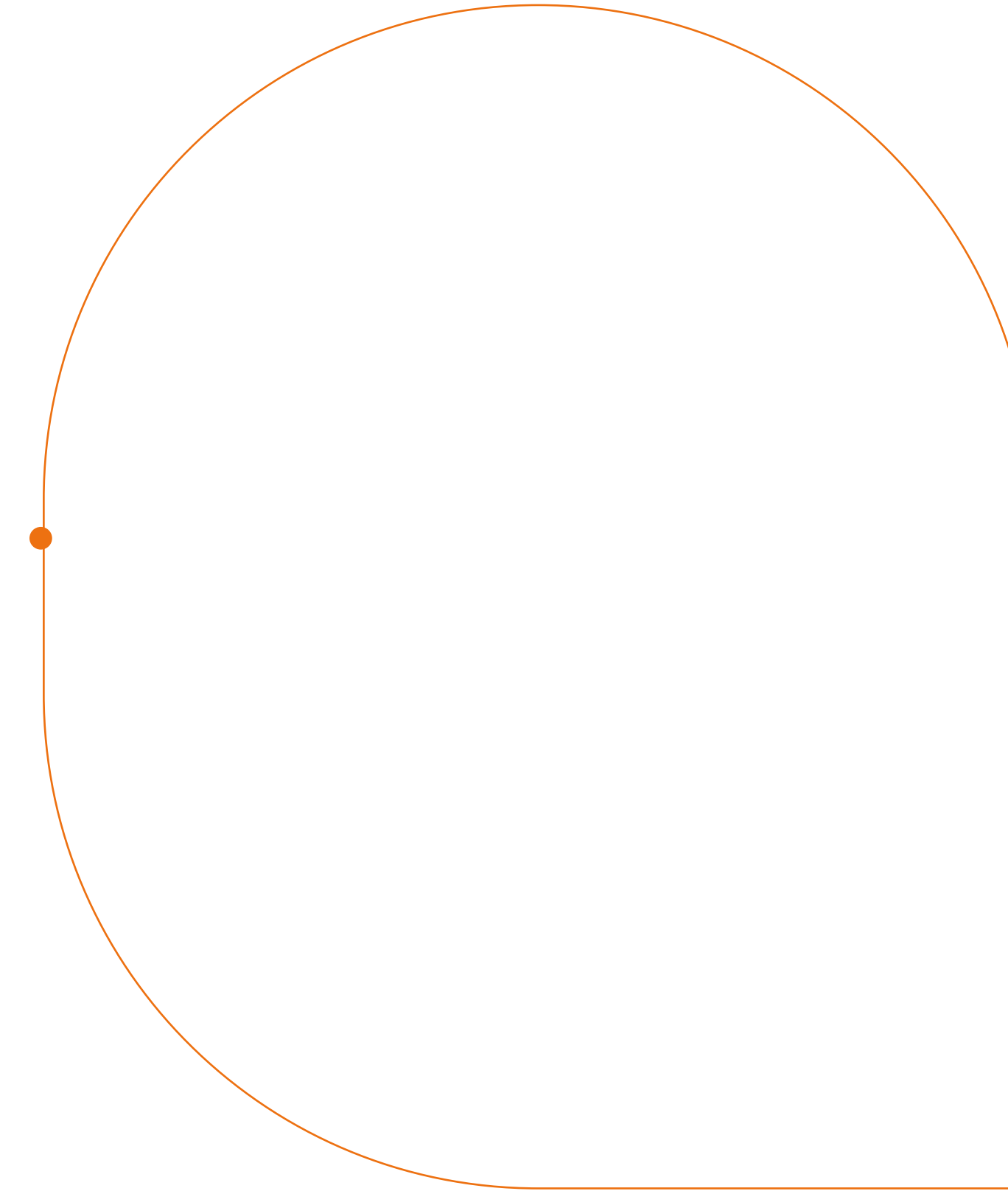
Equally important is ensuring top accounts rotate over time, so the firm’s fortunes are not tied to the same three clients for a significant period. The goal is to have a blend of long-term client relationships and growth from new client wins driving sustainable growth.

Measuring What Really Matters

Firms that scale effectively go beyond client satisfaction scores to track lifetime value, share of wallet, margin contribution, and retention rates across their client base. Investors and acquirers place premiums on firms that can demonstrate recurring, diversified, and profitable revenue, supported by codified intellectual property and repeatable delivery models.

Key takeaway:

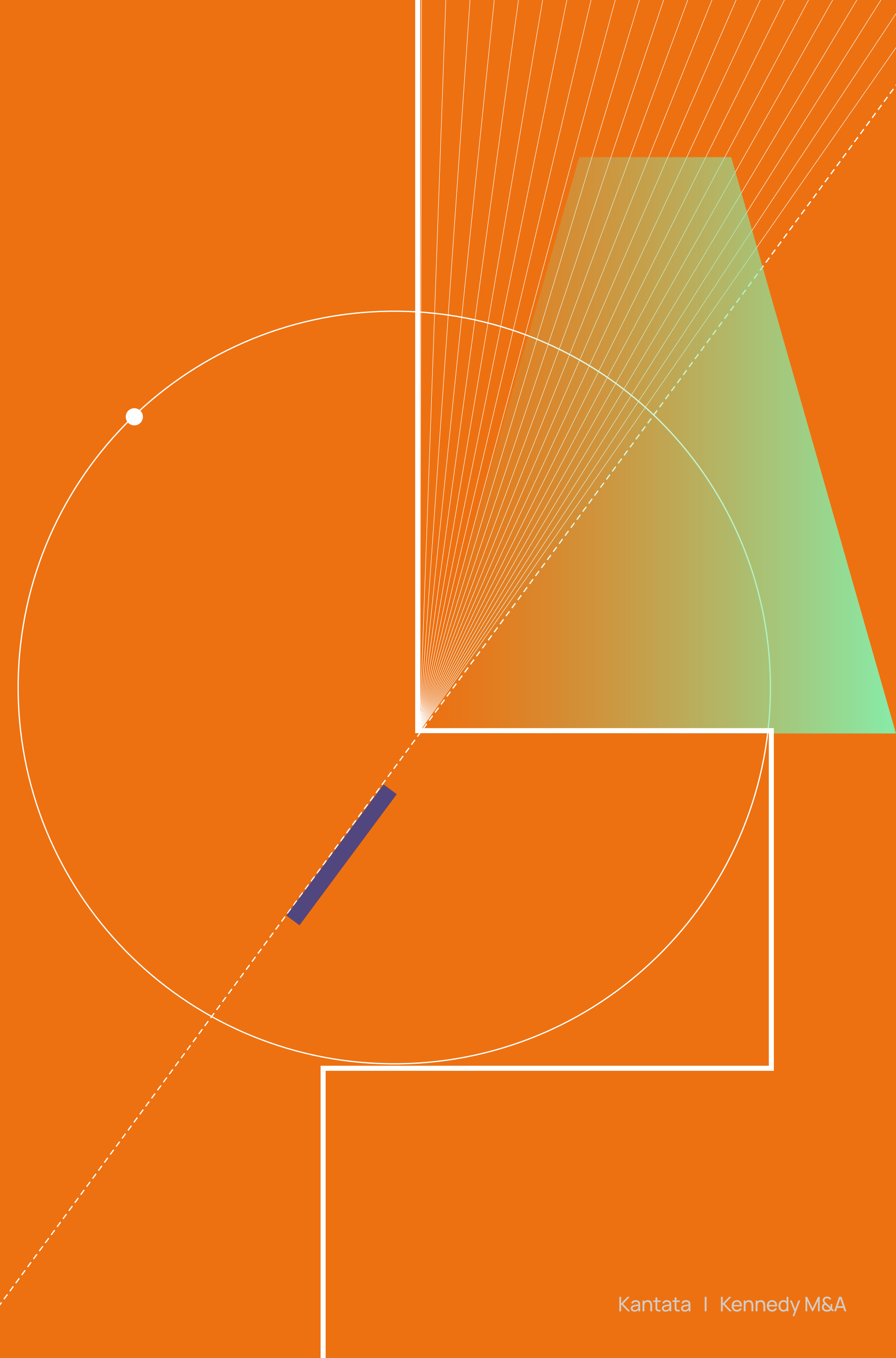
Client satisfaction is the beginning, not the end, of value creation. Firms that scale successfully treat client management as a commercial discipline — anchored in profitability, risk diversification, and measurable growth — rather than relying on goodwill alone.



Hiring Stars vs. Building Systems

“Rainmakers bring big resumes and Rolodexes, but they rarely scale. Systems and repeatability do.”

Alex Klein, Lead Growth Advisor at Kennedy Intelligence



For many professional services firms, the temptation is to believe that a handful of star performers or high-profile lateral hires can drive growth. These rainmakers often bring big resumes, prestigious credentials, and the promise of opening doors to their client relationships. But as both experience and market evidence show, betting growth on individual rainmakers often creates fragility, not scale.

The Talent Illusion

Stars matter, but they cannot carry a firm alone. They also often expect outsized salaries or equity for boutique firms, and their book of business often proves less portable than assumed.

We observe firms that rely too heavily on rainmakers leave the organization more exposed to churn and client loss. The additional risk is cultural: parachuting in a star can unsettle teams and erode collaboration if the firm lacks strong systems and a cohesive value proposition to integrate them.

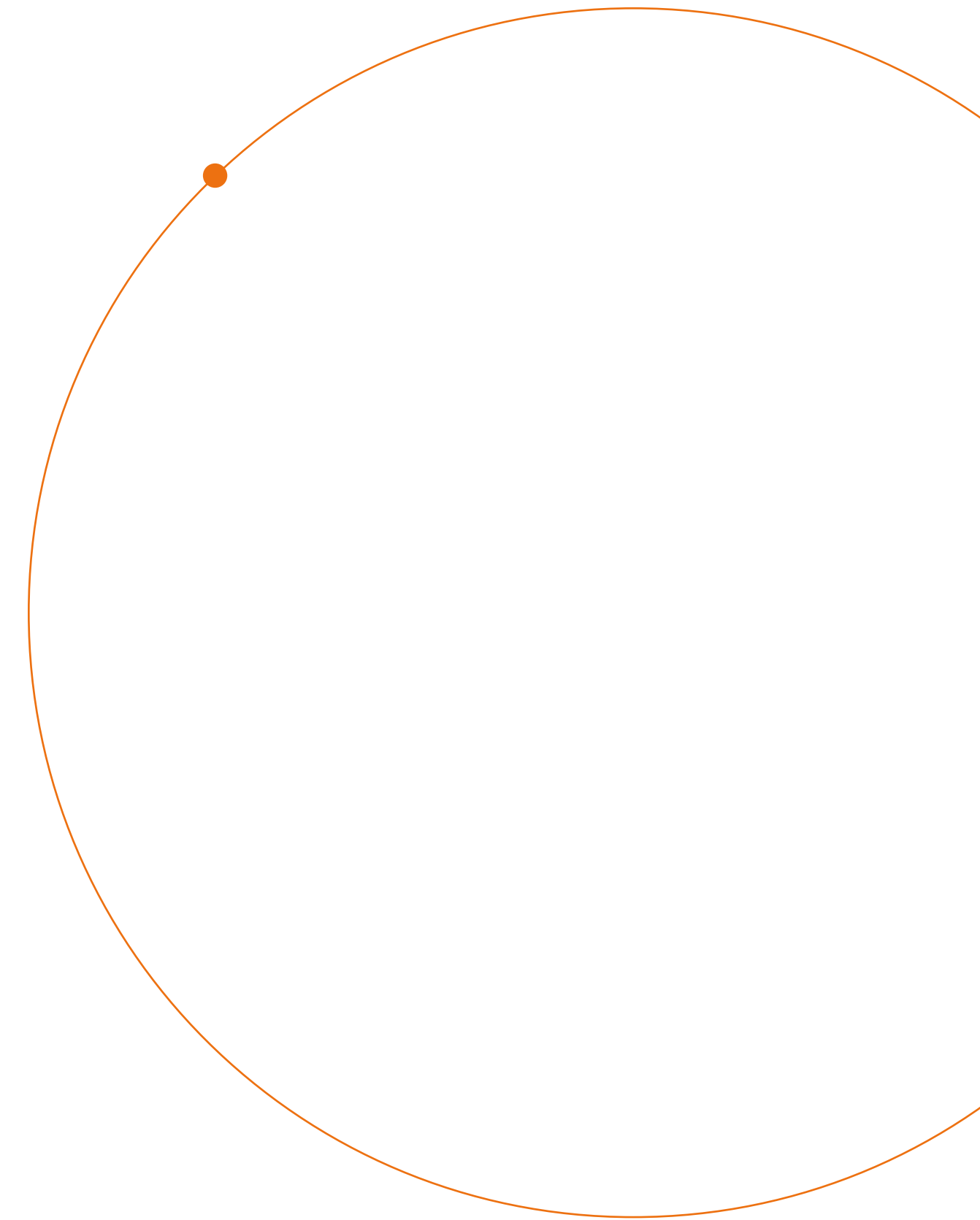
Systems That Lift Everyone

Scaling comes not from a few extraordinary individuals, but from institutionalizing the right talent and operational systems. Firms that build repeatable offerings, standardized pricing, proven methodologies, and compelling proposal collateral empower every consultant to succeed. They also develop strong talent models around hiring, retention and training.

In this model, stars still matter, but their role shifts. Instead of single-handedly carrying revenue, they become coaches and mentors, spreading best practices and helping elevate the broader team. The goal is leverage: a team of consultants generating value consistently together, rather than a few delivering heroics.

Career Paths for Everyone

A major bottleneck for mid-sized consultancies is the “missing middle.” Firms often fail to build a strong principal or director layer, leaving partners overextended and junior talent underdeveloped. Although artificial intelligence



is removing some of the bottom end of the pyramid, the middle remains critical to leverage the latest tools to deliver work. Without structured progression, senior staff plateau, partners remain trapped in day-to-day delivery, and business development capacity stalls.

Firms that scale successfully invest early in career pathways for every level — setting learning goals for early-career hires, developing mid-management into true client leaders, and ensuring there is a pipeline to partnership. Not only does this build capacity, it improves retention of high-potential employees who otherwise see no path forward.

The Value of Culture-Building

At the core of scalable talent is culture. A clear and compelling value proposition — one that defines what the firm does, why it matters, and how it creates value — acts as connective tissue across teams. When everyone is aligned to the same mission, language, and expertise, collaboration flourishes.

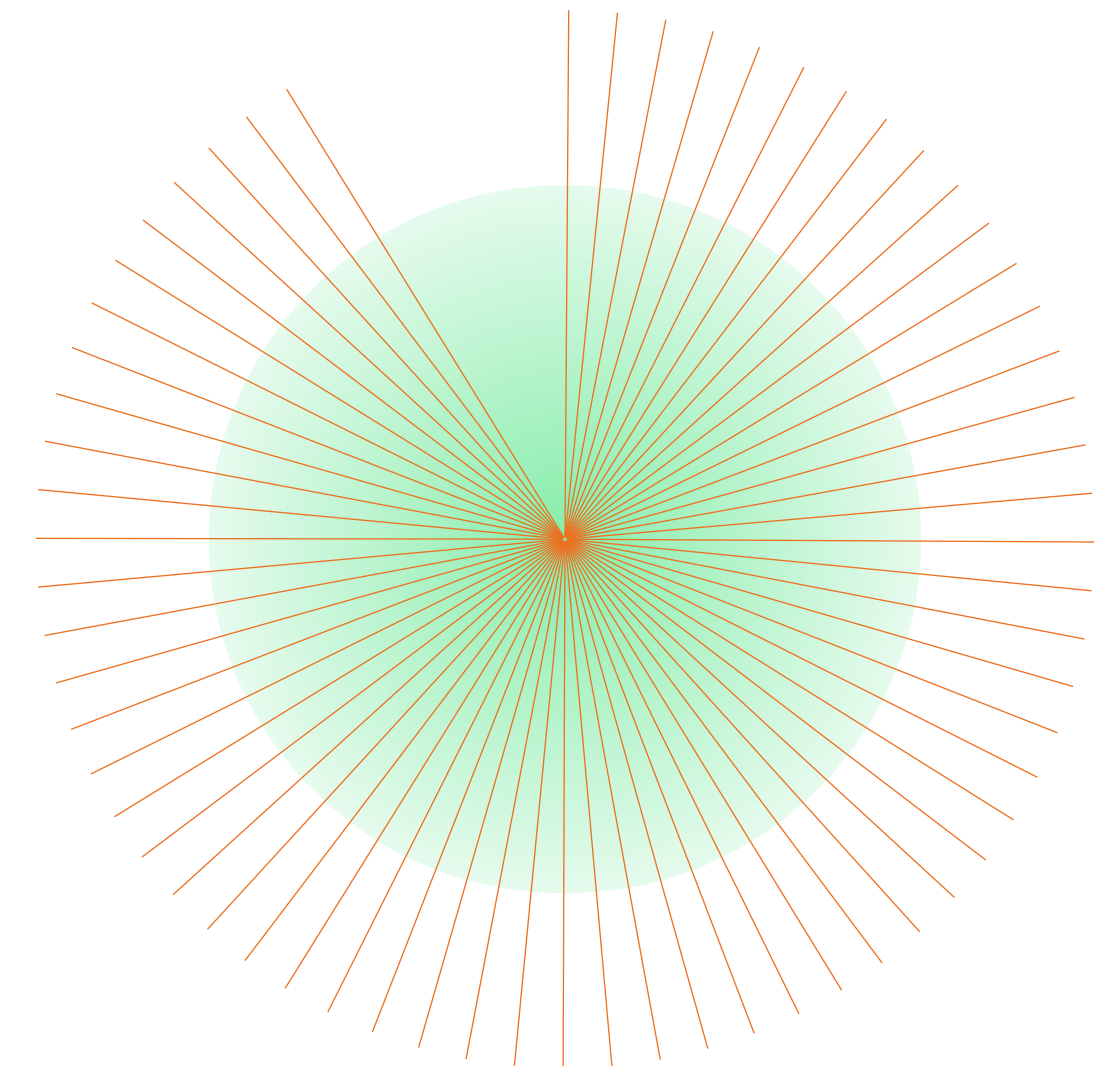
As Alex Klein (Kennedy Intelligence) discussed in The Professional Services Pursuit episode in which he drew from his experience scaling Efficio, repeating the same proposition across many client engagements creates a virtuous cycle of deeper expertise, stronger IP, and easier training for new staff. Over time, this compounds into a culture of shared knowledge, pride, and credibility that no individual star can replicate.

Key takeaway

Firms don't scale on the shoulders of a few; they scale on systems, culture, and career pathways that make everyone more effective. Stars are valuable, but their greatest contribution is when they multiply capability across the firm, not when they act as a single point of growth.

According to Kennedy M&A, high performance consulting firms aim for annual consultant retention rates of

90%



The Need for Optimized Operations

“The back office isn’t glamorous, but it’s the silent engine of growth.”

Brent Trimble, Kantata

Back-office functions are rarely the headline of a professional services firm's growth story. Yet they are the silent engine that determines whether scale is possible — or whether growth stalls under the weight of inefficiency. Pricing integrity, cashflow discipline, quality control, and governance may not sound as exciting as client wins or marquee hires, but without them, margins erode, staff morale declines, and valuation suffers.

According to Kennedy M&A, a healthy boutique consulting firm will spend 25 to 30% of revenue on overhead, comprising a healthy balance of sales & marketing, business management, and operational expenses. The latest PSA tools are presenting opportunities to enable these investments to be much more effective.

The Often-Ignored Growth Engine

Founders often underestimate how crucial the back office is in building long-term value. Quality control, for example, is typically informal in early-stage firms, but becomes a defining factor as scale increases.

Many firms have institutionalized “blue team” and “red team” reviews on every proposal and project, ensuring consistency in methodology, pricing, and delivery. This not only improves quality but also anchors culture, creating a unified way of working rather than a patchwork of individual styles.

Don't Wait to Streamline

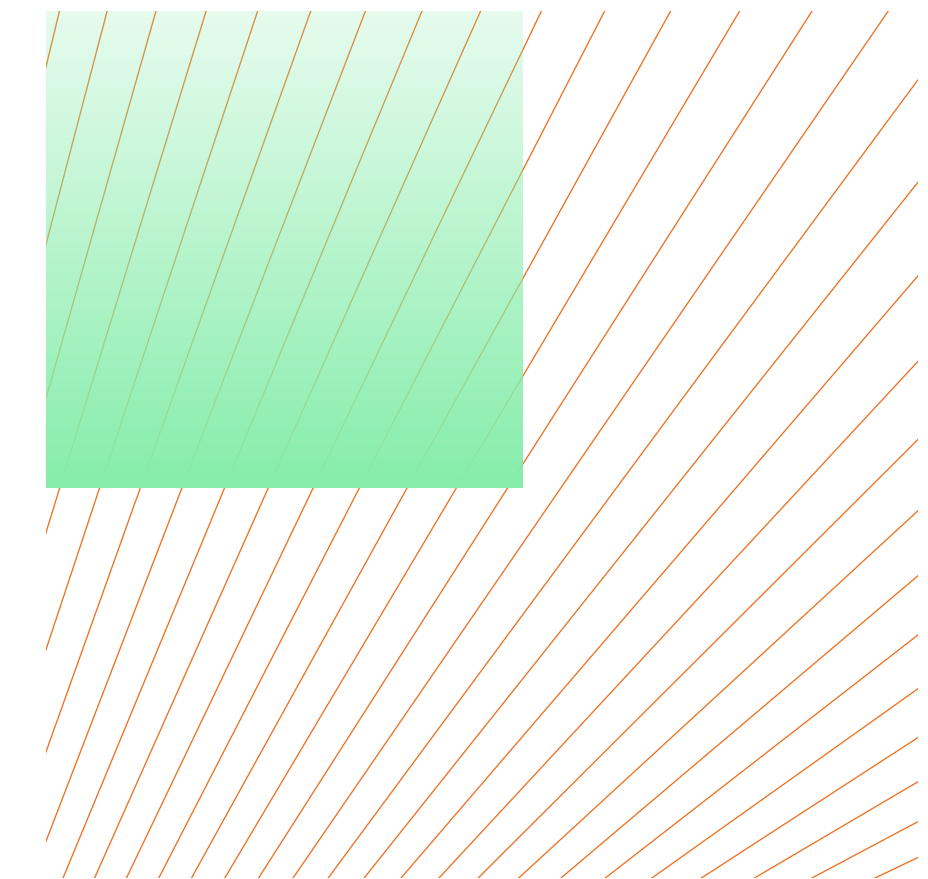
A common mistake is to fix operations later. By the time a firm develops beyond scaling, they often discover layers of embedded inefficiency that remain — wildly inaccurate budgeting, ineffective collection systems, and uncontrolled project write-offs — that drag margins and complicate exit readiness in the growth phase of their journey.

Discipline around working capital, project governance, and cost monitoring must be established early. Otherwise, inefficiencies compound, eroding EBITDA and undermining credibility in front of potential investors or acquirers.

According to Kennedy M&A, a healthy boutique consulting firm spends:

25–30%

of revenue on overhead (sales, marketing & operations)



Better Data for Better Decisions

High-performing firms operate with real-time dashboards that track utilization, margin contribution, pipeline, cash, and days sales outstanding. This transparency gives leadership the data needed to act quickly. This is critical in the AI era, where quality, structured data is the fuel to enabling success from the latest tools.

Quality data also makes the firm more attractive to external buyers. For those firms considering an exit, we observe businesses that scramble for data during due diligence invite price chips, delayed timelines, or failed transactions. Predictability in forecasts and disciplined KPI monitoring are not just good practice; they are valuation drivers.

“We’re seeing quality, structured proprietary data being a critical input for consulting firms in the AI era, enabling effective returns from their investments.”

Ramone Param, Managing Director of Kennedy M&A

Leadership for Where You Are

Operational complexity increases with scale. What begins as a founder-managed back office quickly becomes unmanageable as the firm grows across geographies, complex business structures, teams, and service lines.

Bringing in dedicated executive leadership — such as a fractional or full-time CFO, COO, or both — becomes transformational. These leaders bring rigor to cash conversion, resource staffing, and knowledge management, enabling founders to focus on growth and client relationships. Importantly, they also help reduce “key person risk,” ensuring the business is not dependent on one or two founders for critical functions.

Governance for Growth

Governance is the final lever that converts good operations into a true growth platform. Effective governance means structured cadences of board, management, and functional meetings, underpinned by data-driven decision-making. For investors, good governance signals resilience and scalability; for the firm, it builds repeatability. Independent non-executives, ethics policies, and developing incentive structures tied to latest strategy and value creation can transform governance from an administrative task into a competitive advantage.

Key takeaway:

Operations may not be glamorous, but they are the infrastructure of growth. Firms that professionalize early — through disciplined back-office processes, data-driven decision-making, and governance structures — scale more predictably, retain talent more effectively, and command higher valuations at exit.

Even the best strategy falters without an operational backbone — and this is where Professional Services Automation (PSA) becomes essential.

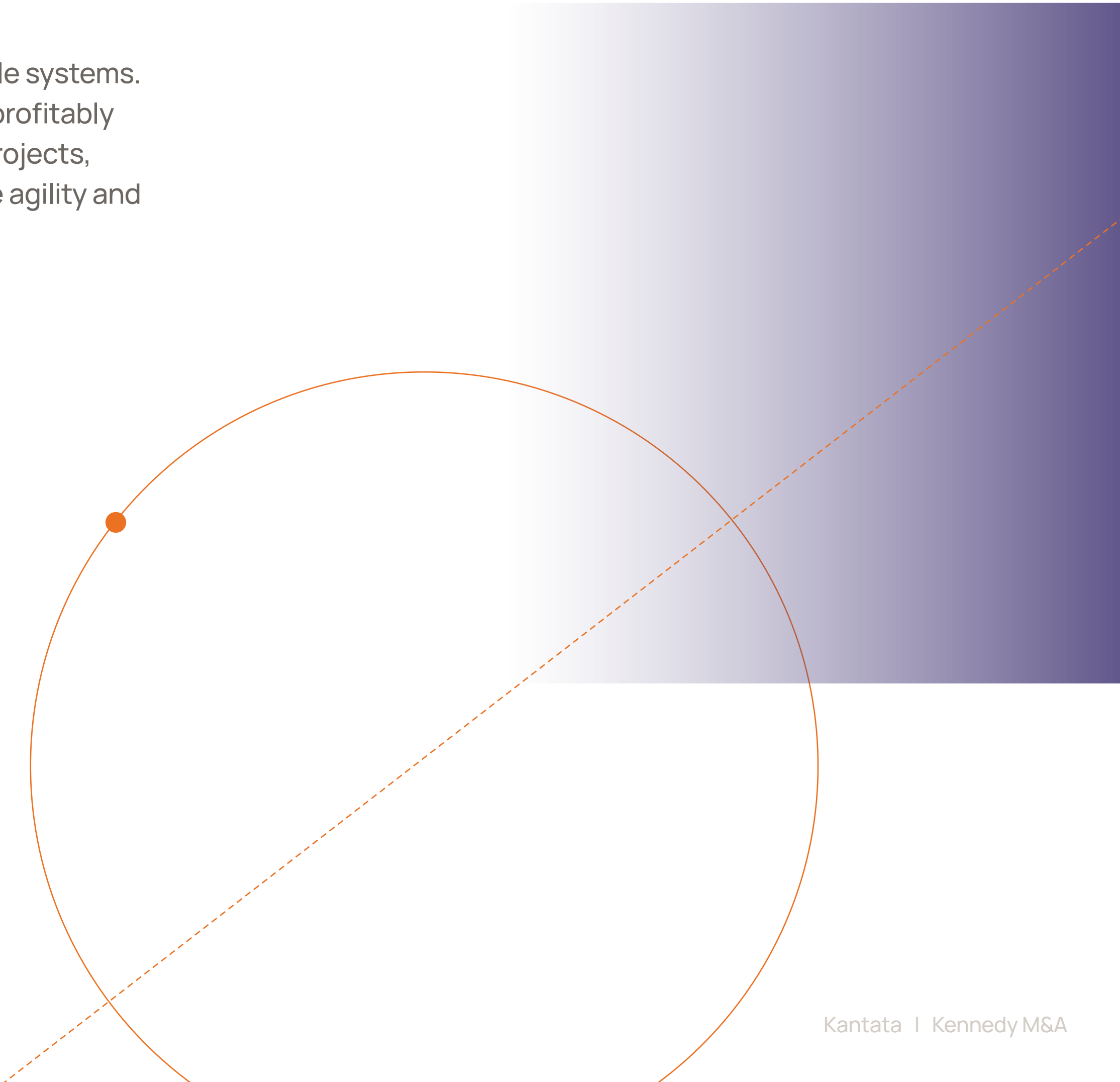
How a PSA Comes Into Play: Why You Need Professional Services Automation

“At a certain scale, spreadsheets and ad hoc reporting collapse. PSA is the infrastructure that turns good intentions into scalable systems.”

Brent Trimble, Kantata

At a certain point in the growth journey, firms reach the limits of spreadsheets, manual reporting, and ad hoc processes. This is where a Professional Services Automation (PSA) platform becomes essential. A PSA system integrates resource management, project delivery, financials, and performance metrics into a single source of truth, enabling leaders to manage the entire business with greater clarity and precision. It streamlines operations, improves utilization, strengthens margin visibility, and provides real-time insights that support smarter decisions at every level.

For professional services firms, this is the infrastructure that transforms good intentions into scalable systems. Kantata stands at the forefront of PSA solutions, purpose-built to help services organizations grow profitably and sustainably. By embedding best practices and offering the visibility firms need to align people, projects, and profitability, Kantata enables leaders to confidently scale their businesses while maintaining the agility and culture that make them unique.



Taking Action: How You Can Scale Smarter

Scaling a services firm requires not just the right tools, but the right insights. Kennedy Intelligence and Kennedy M&A's leadership are recognized as the professional services industry's trusted provider of data-driven research and strategic advisory support to help leaders navigate inflection points in their growth journey. Leveraging decades of experience as consulting industry experts, they work with global major firms, as well as boutiques on a growth journey.

To put this guide into practice, Kennedy works through a simple checklist with its growing consulting clients:



Sharpen your value proposition and pricing discipline now.



Build or strengthen a dedicated business development engine.



Diversify your client portfolio and introduce recurring revenue streams.



Invest in intellectual property and standardized systems to reduce reliance on individuals.



Establish governance and back-office processes that enable scale. In the near term, these steps help improve margins and reduce risk.

Longer term, they build durable equity value and prepare firms for investment, acquisitions, exits, or other strategic milestones. With Kennedy M&A as your partner in strategy and Kantata as your partner in execution, you can scale smarter, faster, and more sustainably.

Conclusion

Scaling a services business is both an art and a science. The most successful firms don't rely on chance growth or heroic individual efforts; they build deliberate systems around proposition, positioning, pricing, profitability, talent, and operations.

The key takeaway is that growth alone is not enough: it must be profitable, predictable, and supported by infrastructure that can scale. Kennedy M&A works with leadership teams to advise on measuring what matters and align leadership to create long-term equity value.

The right Professional Services Automation (PSA) solution becomes indispensable on this journey, by unifying resource management, delivery, financials, and reporting. And the right PSA platform gives leaders the visibility and control needed to sustain performance at every stage of growth. Kantata's purpose-built PSA solution provides that foundation you need, empowering services organizations to manage complexity, protect margins, and unlock new value.

If your firm is ready to move beyond ad-hoc systems and build for lasting success, now is the time to act. With Kennedy M&A guiding the strategy and Kantata providing the platform, you can scale smarter — and position your firm for the profitability, resilience, and valuation multiples that define tomorrow's industry leaders.

Kantata

Learn More at Kantata.com



Learn More at kennedymanda.com

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