RTM Consulting

The How-to Guide to Optimizing Your Professional Services Organization

Driving Success Throughout the PS Organization

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INTRODUCTION

As consultants, we all spend considerable time thinking about our clients' businesses. We can discuss key elements of their strategy, business model, and most importantly, how the work we are performing for them will positively impact their business model. Pre-sales and sales activities generate a significant amount of information about the client's goals / problems / needs. Proposal documents point out how our services will address the goals / problems / needs. In delivery, project status reports and conversations with clients stress the importance of the project to achieving the client's objectives. Once project delivery is complete, as we look for that "killer client testimonial," we follow up with the client looking for feedback on what results have been achieved.

These activities represent a great deal of work and demand considerable attention.

Additionally, these activities do not account for the time that the professional services (PS) executive team spends on managing the tactical and operational activities of the PS organization:

- Participating in client meetings – both new business development and delivery reviews

- Overseeing a portfolio of projects that require checkpoints and reviews

- Managing the annual process for employee reviews, promotions, salary adjustments

- Interviewing candidates for the organization

- Managing utilization and the resource management process

- Meeting with Finance to explain and justify the PS business model.

With only 24 hours in a day, these activities can consume a significant amount of time, leaving little to no time for the PS team to think about the PS business model:

> *What contribution do we want the PS business to make to the overall organization?*
>
> *How do we effectively align the PS go-to-market model with the overall organization?*
>
> *How can we accelerate revenue growth and resource utilization?*

In this paper, we will address these questions by laying out a framework for PS Business Optimization. The article will:

- Lay out the PS Business Optimization framework

- Identify key drivers for success for each element of the framework

- Define actions that the PS organization can take to impact the drivers

- Provide a foundation for how a PS executive can move from tactical PS activities that maintain the status quo to strategically driving the PS organization to new levels of success.

PROFESSIONAL SERVICES (PS) OPTIMIZATION FRAMEWORK

At the highest level, optimizing PS profitability can be summed up with the old adage, "buy low, sell high." That is, get good quality resources at the lowest cost possible and sell those services higher. For years, the Big 6 consulting firms exploited this model:

- Hire young, eager college graduates at salaries they thought were great but were low relative to more experienced industry consultants

- Create highly leveraged teams, primarily made up of low cost consultants, and sell those resources at high margins.

In the early days of the consulting / PS industry's heyday, this strategy worked. It also worked in the wireless industry when they were able to charge $1+ per minute. At that time, while competition existed, it was nowhere near as intense as it is today. In shopping for wireless service, you can get an "all you can eat" plan of voice, data, and text for $109/month. I used 4,000 minutes on my wireless phone last month – at $0.025/min. A 98% decrease in price. Fortunately, it is not that bad in the consulting and PS industry.

Managing a PS organization today requires putting together a more focused, differentiated strategy and employing advanced tactics to manage that strategy. Fortunately, there are analogs in other industries that PS executives can adopt, adjust, and exploit.
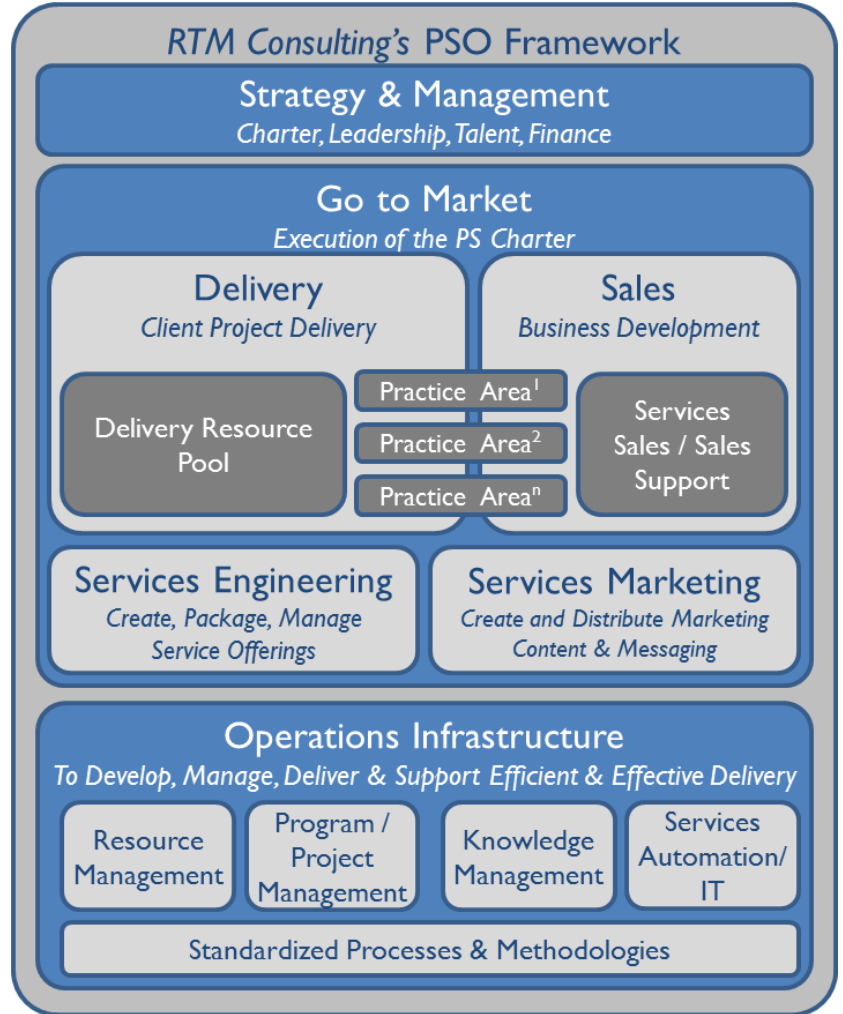
RTM Consulting's PS Optimization Framework decomposes the key components that the PS executive needs to focus on to drive success.

Strategy & Management

The PS Organization (PSO), embedded within a larger company, must define its strategic charter. Will it be focused on:

- Revenue generation / customer acquisition

- Product installation

- Customer service / support?

This is not to say that the PSO will not attempt to achieve all three objectives at different times; however, it must define its primary purpose as there can be competing interests across the three strategies. The following table lays out three typical strategies the PSO can adopt and the implications of adopting those strategies on performance metrics, sales and go-to-market approach, and service offering portfolio definition.

RTM Consulting's PSO Framework

Strategy & Management
Charter, Leadership, Talent, Finance

Go to Market
Execution of the PS Charter

Delivery
Client Project Delivery

- Delivery Resource Pool
- Practice Area^1
- Practice Area^2
- Practice Area^n

Sales
Business Development

- Services Sales / Sales Support

Services Engineering
Create, Package, Manage Service Offerings

Services Marketing
Create and Distribute Marketing Content & Messaging

Operations Infrastructure
To Develop, Manage, Deliver & Support Efficient & Effective Delivery

- Resource Management
- Program / Project Management
- Knowledge Management
- Services Automation/ IT

Standardized Processes & Methodologies

	REVENUE GENERATION / CUSTOMER ACQUISITION	PRODUCT INSTALLATION	CUSTOMER SERVICE / SUPPORT
Strategic Charter	PSO is created to drive profitable revenue growth in support of the overall company's growth	PSO is created to support sale of product; primary focus of the organization is to install product as efficiently and effectively as possible	PSO is created to support customer satisfaction and retention
Implications of the Strategies			
Key Metric(s) for PSO Management	• PSO revenue • PSO profitability • Customer acquisition	• Product revenue • Product profitability	• Customer satisfaction • Customer retention
Sales	• PSO an active participant in sales process; may have own sales / sales overlay function	• Product sales drives most sales activities, pulls in services (e.g., practice lead) for sales support on complex deals	• Little to no involvement in sales process
Key Attribute(s) of PS Personnel	• Consultative / creative • Broad base of knowledge related to overall PSO focus • Focused on developing value propositions	• Operations driven • Depth of product knowledge; the "experts" on the product	• Customer service focused • Willing / able to spend considerable time with clients to "make them happy"
Offerings	• Breadth and depth of PS offerings that both complement and drive the sale of the company's products (e.g., revenue assurance consulting for a telecommunications billing software vendor) • Multiple "practices" that offer compelling capabilities	• Offerings, if defined, are focused on the core product • Most, if not all, work is systems integration work structured to support product installation	• Typically more "customized" service to support customer "as needed" • May be some emphasis on developing repeatable approaches to supporting customers

So, the PSO must decide "what it wants to be" and then develop the compelling value proposition and tactics required to succeed with the chosen strategy.
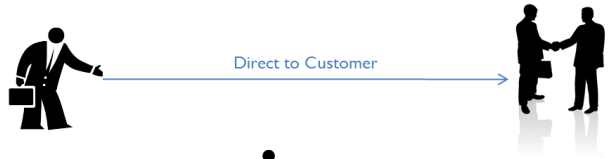
Go-to-Market: Sales

Optimizing the go-to-market structure / approach for a PSO is a critical step to enabling success. First, the go-to-market structure should align with the overall strategy; for example, there is no need to have a direct services sales force in a PSO with a customer service / support strategy.
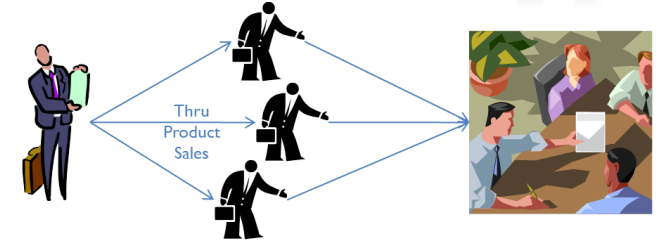
Some key go-to-market structures include a:

- Direct services sales force

- Services sales support (e.g., sales engineering for services)
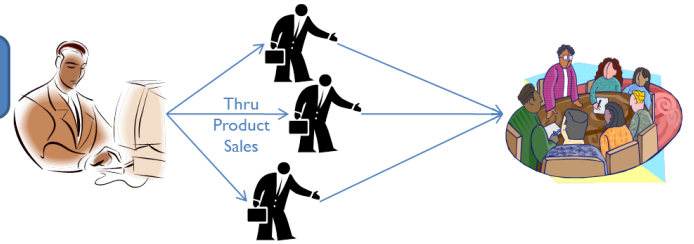
- Practice lead model

As with any choice, there are trade-offs and costs that need to be considered. The following table summarizes the three go-to-market approaches depicted here – including key factors / objections that will need to be managed – and offers guidance on how to make each model work.

	BENEFITS	THINGS TO WATCH OUT FOR	HOW TO SUCCEED
Direct Services Sales Force	• Allows PSO direct connection to the end customer (i.e., "control your own destiny")	• May create confusion with customer and/or competition with product sales force (Note: IBM Global Services can pull this model off due to size and scale; smaller PSOs may not be able to due to costs of multiple sales forces)	• Create communication mechanisms between sales organizations • Conduct joint account planning sessions to align opportunities and coverage • Create incentives for each sales force to sell the other sales force's offerings
Services Sales Support	• Provides PSO with a dedicated sales team that works with and through the company's overall sales channel	• Overall sales channel may not be comfortable with bringing in "sales support" personnel – may see it as internal competition or "lost product revenue"	• Hire services sales support personnel who 1) understand client wins are the key objective and 2) can check their ego at the door • Be proactive in identifying how the function can support services sales AND not get in the way of product sales • Pre-define services offerings to help overall sales channel better understand what the PSO is selling • Identify (and publicly praise) the sales reps that successfully partner with services sales support to generate new revenue
Practice Lead Model	• Product sales organizations like this model because they get a subject matter expert to sit in front of the client	• Practice leads are generally also responsible for delivery – getting dragged to every sales call can spread them too thin • Practice leads may not be well versed in other practices within the PSO – lessening their effectiveness in front of the client if the sales rep brings the wrong practice lead	• Develop clear pre-qualification criteria before a practice lead visits a client • Create a pool of resources under the practice lead that can also participate in client meetings • Identify (and publicly praise) the sales reps that appropriately use the practice lead in sales pursuits

Go-to-Market: Services Engineering & Marketing

The Product & Services Portfolio is one area in which PSOs can create significant differentiation and accelerate profitable services delivery. In consulting and professional services, the answer "it depends" rolls quickly and easily off the tongues of almost every practitioner. We are accustomed to the uniqueness of each and every project.

Our product brethren, on the other hand, strive for that perfect day when their software can be shipped on a CD, inserted in the CD drive, a button pressed, and presto – the software is up and running. While they may not have reached this destination, the marketing, documentation, and sales tools that are created are quite often centered on the concept of "repeatability." The idea is to create a core product (software or hardware) that meets a preponderance of market needs. Ideally configuration is the desired method to tailor the product to the individual customer's needs; customization addresses the very particular needs.

When dealing with PSOs, product sales reps get particularly upset with every "it depends" answer. They are accustomed to being able to tell the customer, "If you buy this many products, it will cost you $XX." With services, since so much "depends," they cannot have that conversation and hence tend to shut down on services sales.

Leading PSOs have recognized this fact and have packaged up "repeatable solution offerings" to enable sales to "sell services like they are a product" and to drive improvements in delivery and profitability. From the sales side, packaging repeatable solution offerings includes defining the problem / situation addressed, a standardized approach and timeline, representative scope, and indicative pricing. With this information, your product sales organization (with and without the assistance of your chosen go-to-market structure) can introduce your services and engage in client conversations, use the packaged offering as a starting point to tailoring a solution to the client's particular needs, and ultimately operate more self-sufficiently with respect to services sales.

In a nutshell, product sales reps get more comfortable with selling services when they can "touch and feel" them like they are a product. Packaging can be done on both consulting and systems integration offerings. On the consulting side, you are packaging up the consultation you will provide; on the systems integration side, you are defining a standard implementation approach for a particular problem / scope area and giving representative timing and pricing (based on the pre-defined scope assumptions).

On the delivery side, the benefit of repeatability is the wealth of information that can be captured and analyzed to improve performance. The more you deliver the packaged offerings, the more information you will have to see how to do it better, faster, and cheaper. With improvements you can either lower customer price to drive demand and / or maintain pricing and drive improved profit margins. Additionally, by defining the workplan and resource load of given projects, the PSO can better manage utilization of its resources.

Operations Infrastructure: Resource Management

My firm and I have written extensively on the importance of focusing on the key assets of a PSO: the people. From skill and career development to effective resource management, there are many levers to pull that will positively impact PSO performance across key metrics of customer satisfaction, retention / up-sell, utilization, and profitability. RTMC has developed numerous whitepapers on this topic.

Three key suggestions for driving improvements in this area include:

Deploy Just-in-Time Resourcing® (JITR)	• Getting the right person, in the right place, at the right time is critical to driving utilization improvements • JITR facilitates the movement of resources across the organization to areas of need and provides forecasting information to enable the PSO to proactively address future resourcing needs – before they become a problem
Deploy Warm Recruiting Techniques	• The Big 6 SIs – and now the India-based SIs – all deploy a college recruiting program, going after scores of new hires every spring • For those organizations that do not have the luxury (i.e., budget) to bring people on in this fashion, warm pool recruiting techniques enable you to identify probable candidates for your organization while also timing their hire to coincide with real demand
Consulting Skill Development	• PSOs hire strong technical resources and train them on the details of the PSOs particular product; customers recognize and appreciate these capabilities • However, many PSOs leave to chance the skills required to successfully interact with clients, including communication skills, issue management, identifying value capture opportunities • Deploying a comprehensive "soft" or consulting skills development program can go a long way toward improving customer satisfaction with your people and ameliorate or avoid many potential issues

As mentioned, there is much that can be written on this topic. Please visit www.RTMConsulting.net to learn more about the techniques described above and other ways you can positive impact Human Capital Management.

Operations Infrastructure

Continuing along the lines of "repeatability," it is critical to PSO success for the organization to put in the appropriate process definition and automation infrastructure to support the organization. As PSOs, many of us work with our clients to implement the software AND we stress the importance of engineering / re-engineering processes to support use of the software. We need to do the same with our own PS organizations.

Key process and infrastructure requirements within a PSO include:

Key to Success	Explanation
Knowledge Management	• Capturing and documenting your own "best practices" and "things to look out for" goes a long way to driving delivery improvements and creating opportunities for both competitive differentiation and increased project profitability
Delivery Methodology	• Many PSOs grow through acquisition and / or hire consultants from a variety of firms; individuals approach delivery in the same manner they "did it before" • Deploying a standardized delivery methodology enables resources to move from project to project without having to learn "how this project manager does things" – speeding up delivery and improving on-time / on-budget performance
Resource Management Office (RMO) and an RM Methodology	• Deploying an RMO can have dramatic improvements on utilization as supply of resources is more accurately aligned with actual and forecast demand. A supporting methodology to guide RM operations is imperative. • An RMO operates a sort of "air traffic controller" facilitating the movement of available and appropriately skilled resources to areas of need; additionally by forecasting future resource needs, RMO can identify training and development opportunities for existing resources and reduce the need to hire / contract additional resources

Professional Services Automation (PSA)	• A comprehensive PSA tool can help with everything from time and expense tracking to project management
	• The benefits of successfully capturing and analyzing this type of information has direct bottom line impact
	   o Successful T&E capture can improve cash flow through faster and more accurate invoicing
	   o Analysis of time booked to projects enables PMs to proactively manage project profitability
	   o An integrated project management workbench creates visibility to the portfolio of projects enabling management to proactively address project situations before they become issues or cost overruns
	   o Timely information on resource utilization and planning

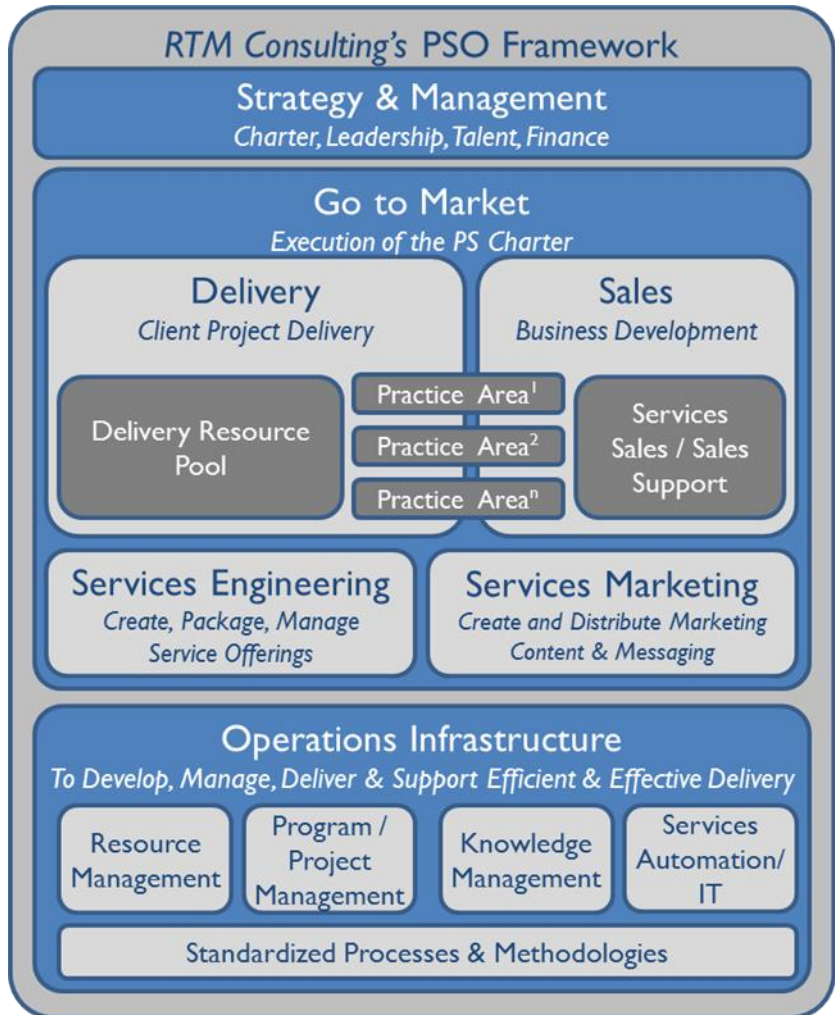*Operations Infrastructure: Effective Execution & Governance*

Up to this point, the steps laid out have been about strategy and planning, designing go-to-market structures, packaging products, and laying out the appropriate processes and infrastructure. It is now time to execute. Many PS executives spend a majority of their time "fighting fires," dealing with tactical issues. By laying the foundation of the previous steps and implementing a comprehensive execution and governance process, PS executives can free up time to spend on strategic activities.

This is not to say that tactical activities do not occur; however, by focusing on key interactions and reviews, the PS executive can accomplish the objective without spending undue amounts of time digging into project details. Key governance meeting / processes would include:

Regular Reviews of Project Portfolio Status	• Over budget / off schedule projects can consume considerable executive time dealing with both the project team and the client • Create regular (weekly, bi-weekly) high level reviews of project status; do not spend much time on the green projects and focus energy on the red and yellow – identifying what needs to get done by when by whom to correct the situation • Over the course of just a couple of months, I have seen the number of red / yellow projects drop by 50% as the overall organization learns how to correct issues before they arise
Service Offering Reviews	• You created the service offerings (or, at least you are considering it after reading this whitepaper) – now measure and monitor them • Meet monthly to quarterly with your service offering owners (e.g., practice leads, services engineers) to review progress: revenue (booked and forecast), pipeline, competitive landscape, opportunities for improvement • Putting the appropriate management attention in this area, you can drive considerable profit improvement across your portfolio
Quarterly / Semi-Annual Succession Planning	• Let's face it – attrition happens in the PS industry – it's a key metric many of us are measured on • Don't be caught flat footed when your best people leave – create a plan for who will step up when someone unexpectedly leaves • Do this at your direct report level and have your direct reports cascade the process down the organization structure
Resource Management Interlocks	• Review forecasts of resource supply / demand over a 1-6 month period • Discuss steps to address forecast resource gaps, surpluses, skills mismatches • Assign responsibilities for addressing these gaps
Quarterly Ops Reviews	• Bring your management team together on a quarterly basis to review progress against the organization's key metrics • Do deep dives in areas of success (to share best practices) and areas of issue (to get the collective wisdom of the team addressing the situation) • Creating cross-organization visibility into the key metrics of your team will push them to focus on improving their metrics prior to the next review – healthy internal competition can be a good motivator

CLOSING

This paper has identified a series of actions to take for PS Business Optimization. Some of the recommendations provided here may be new – many of them may be things you say, "I knew that." Think of this list like an exercise program – you know what you need to do to get in shape: eat well, cardio, lift weights to burn fat and build muscle. However, you may not always do them. This document represents key aspects of your PS management routine that will help streamline your focus and heighten your ability to execute.

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Operations Infrastructure
To Develop, Manage, Deliver & Support Efficient & Effective Delivery

Resource Management

Program / Project Management

Knowledge Management

Services Automation/ IT

Standardized Processes & Methodologies

ABOUT RTM CONSULTING AND THE AUTHOR

Cincinnati-based RTM Consulting provides strategic and operational advice to assist technology companies with increasing revenues and margins by leveraging services more effectively. Specializing in Resource Management and Services Business Optimization, RTM Consulting helps IT hardware, software and pure consulting businesses achieve the benefits associated with successful services portfolios. With its unique Just-in-Time Resourcing® solution and Business Acceleration Services, RTM Consulting helps large, medium and small firms move beyond theory to practical application of industry best practices and achievement of exceptional results in the shortest possible period of time.

Mark E. Sloan is the COO of RTM Consulting. Mark is an industry pioneer with respect to defining and deploying Global Resource Management processes for Consulting and Professional Service Operators. Mark is a frequent speaker at industry events and has served as an Advisory Board Member for the Technology Services Industry Association (TSIA). Prior to his current role as COO and Senior Founding Partner of RTM Consulting, Mark held a number of executive consulting and entrepreneurial roles with Accenture and Convergys.