



Service Compass: Charting the Course
to Professional Service Excellence

Best Practices of the Leading Service Organizations

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Service Performance Insight

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INTRODUCTION

- When it comes to running a professional service organization what separates the “best” from the “rest”?
- Are there key attributes and best practices that differentiate top performing service organizations?
- Do integrated applications improve performance?

The PS Maturity Model was designed to answer these questions.

After more than two years of research using the PS Maturity Model and countless interviews, common characteristics of top performing service organizations have started to emerge. The most successful service-based organizations demonstrate excellence across a variety of key performance dimensions.

This whitepaper explores the best practices that separate the “best” from the “rest” including an in-depth case study of Accruent, (a pre-public software solution provider), a consistent top performer year after year. We reveal the secret sauce that enables the best of the best to outperform their rivals and the PS Maturity benchmark average.

INTRODUCTION TO THE PS MATURITY MODEL

The PS Maturity Model benchmarks, segments and analyzes a PSO into five distinct areas of performance that are both logical and functional.

The five Service Performance Pillars which form the foundation of all service-oriented organizations are:

1. **Vision, Strategy and Culture:** (CEO) a unique view of the future and the role the service organization will play in shaping it.
2. **Finance and Operations:** (CFO) the ability to manage services profit and loss — to generate revenue and profit while developing repeatable operating processes, IT applications and management controls.
3. **Human Capital Alignment:** (Human Resources) the ability to attract, hire, retain and motivate high quality employees and subcontractors.
4. **Service Execution:** (Engagement/Delivery) the methodologies, processes and tools to effectively schedule, deploy and measure the quality of the service delivery process.
5. **Client Relationships:** (Marketing and Sales) the ability to communicate effectively with employees, partners and customers to generate opportunities and win deals.

Each of these pillars defines core functions and operating processes within a billable professional services organization. For each service performance pillar, we have defined approximately thirty-five key performance measurements as the basis of the PS Maturity Model.

SERVICE MATURITY LEVELS

In order to determine the relative operational effectiveness of each pillar, SPI Research created five maturity level definitions:

- Δ **Level 1 — Initiated "Heroic"**: The PSO is in its early stages; operating processes are ad hoc and fluid. The business environment is chaotic and opportunistic, and the focus for the PSO is primarily new client acquisition and reference building. Employees wear many hats and serve many roles. The primary goal is growth.
- Δ **Level 2 — Piloted "Functional Excellence"**: Core operating processes have become repeatable. The company may demonstrate best practices in separate functional areas or geographies, but they have not yet been documented and codified for the entire organization.
- Δ **Level 3 — Deployed "Project Excellence"**: The PSO has created a set of standard processes and operating principles for all major service performance pillars, but renegades and hold-outs may still exist.
- Δ **Level 4 — Institutionalized "Portfolio Excellence"**: Management uses precise measurements, metrics and controls, to effectively manage the PSO. Each service-performance pillar is supported by a detailed set of operating principles, tools and measurements.
- Δ **Level 5 — Optimized "Collaborative"**: The PSO focuses on continual improvement of all elements of the five performance pillars. A disciplined, controlled process is in place to measure and optimize performance through both incremental and innovative technological improvements. Management has established quantitative process-improvement objectives, and continually revises them to reflect changing business objectives.

The maturity level definitions allow PS firms to discover areas where they are underperforming compared to their peers. In some cases this performance may be a result of the organization's strategy, for instance, de-emphasizing service margin to accentuate product sales. Regardless of the motives, understanding each pillar's relative maturity can help PS executives implement an operational improvement strategy to move their organization forward.

WHAT THE LEADERS DO

In the 2009 PS Maturity Model benchmark, out of 170 participating organizations, seven firms significantly outperformed the benchmark average by scoring "4's" and "5's" (on a scale of 1 to 5 with 5 being the most mature) in most service performance pillar dimensions. We interviewed the top seven "Best of the Best" firms to discover their best practices and reasons for their superlative performance. Although each firm had a different business model and operated in different industries, we discovered fascinating commonality in several key areas:

1. **PS Maturity excellence starts with leadership** – The leaders of the top seven firms had significant prior experience creating and running PS organizations. Many of them started as consultants with the Big 5 or within PS for large technology companies. Based on years of experience, they have brought with them to their current leadership role deep business process and consulting domain knowledge.

A clear differentiator between the “best” and the “rest” organizations is that Professional Services has a seat at the executive table. PS is an integral part of the company’s strategy, regardless whether the PS organization is embedded within a product company or run as an independent service business. For the embedded PS organizations, the PS executive has moved into a quasi-COO role and has taken on additional responsibilities for Support, Engineering or Alliances.

2. **Finance and Operations** – each of the top seven organizations have made an investment in integrated Front and Back-office applications. They all have a dedicated Professional Service Automation (PSA) application integrated with their core financial systems for time, expense and billing. The majority of the top seven are independent systems integrators who depend on PS revenue and margin. Integrated PSA with their core financial applications is the lifeblood of their business.
3. **Human Capital Alignment** – the top firms reported very low attrition despite the fact their employees average over 1,400 billable hours (and higher) per year. They focus on hiring “A” players and pay significantly more both in base and leveraged compensation than the benchmark average. Because of the quality of their staff, they are able to command higher bill rates resulting in much higher revenue and margin per consultant. Consultants have a vested interest in their own revenue generation and up-selling. Most of the firms provide at least one week annually for training and skill development.
4. **Service Execution** – the leading firms invest in consistent methods and tools. They have made a significant investment in a consistent, published methodology. Many of them provide published best practices, tools and templates for both their consultants and clients. They have a constant focus on quality service execution and delivering projects on-time and on-budget and follow-up each engagement with a satisfaction survey. They use their back office and PSA systems to help reinforce this process consistency.
5. **CRM** – the most dramatic difference between the “best” and the “rest” is the focus on a dedicated solution-selling force. The top firms reinvest almost 20% of their service revenue in sales and marketing. The embedded service organizations use the product sales force for lead-generation but also invest in dedicated PS business development experts and arm them with effective

domain knowledge, proven implementation success, and track record of customer commitment.

One of the key reasons Accruent has been named to the Deloitte and Touche “Technology Fast 50” list for seven consecutive years (besides achieving triple digit revenue growth) has been its strong professional service organization and reputation for delivering successful projects on-time and on-budget. With a PS staff of only 38 full-time employees, the PS organization and its partners are able to bring a new client “live” every ten days – quite an amazing feat!

Providing customers with solutions – bringing people, processes, and technology together to solve real problems – is truly what drives Accruent’s success. New clients are often wary of the time and costs involved with software implementations. They are more likely to partner with a company that has a strong services offering that can help them articulate their vision and accurately prioritize business objectives and goals to accelerate their time to value. Existing clients are continually looking to drive new value from their solutions, particularly in challenging economic times. Through lessons learned and best practices gained from implementing solutions and supporting customers across every industry, the Accruent services organization can direct clients to new or enhanced offerings that will help them make their organizations more successful.

As Senior Vice President of Customer Solutions, Carey Bettencourt is responsible for the delivery of complete solutions to Accruent customers worldwide. Carey’s group has end-to-end responsibility for client success. The 80 person Support, PS and Engineering teams are responsible for operational best practices, change management, implementation, contract services, customer support, product development and client services. Carey’s small but mighty PS team leads with a customer-specific “Business Value Assessment” engagement to generate a business case for improved real-estate performance and profitability through the use of Accruent solutions. The Business Value Assessment is basically a profitable presale project which paves the way to justify an Accruent solution by demonstrating strategies to reduce capital and operating expense.

Table 4: Accruent’s PS Profile

- Δ Embedded PSO ~ 38 employees~ \$12M in annual PS revenue
- Δ Accruent is a true solutions provider - the percent of total company revenue from PS is 31% and from Support is 33%.
- Δ Clear focus for PS – generate revenue and profit to fund R&D
- Δ Very Profitable PS business
 - > \$320K revenue per person per year
 - High bill rates averaging over \$200 per hour
 - High utilization > 1,600 billable hours per person

With over 6,500 customers, NetSuite Inc. (NYSE: N) is the leading provider of web-based business management software. Since 1998, NetSuite has provided growing and mid-sized businesses with one on-demand business application to run their entire business, including Accounting / Enterprise Resource Planning (ERP), CRM, Inventory, and Ecommerce. In 1998, with the acquisition of OpenAir, the leading provider of web-based professional services automation software, NetSuite introduced NetSuite Services Resource Planning (SRP), the world's first solution to help professional services organizations run their entire services project lifecycle with one seamless system—from marketing and sales to project management, services delivery, billing, accounting, revenue management, and renewals / upsell. To learn more, please visit www.netsuite.com.

About Service Performance Insight



Jeanne Urich, Service Performance Insight Managing Director, is a management consultant specializing in Service organization improvement and transformation for small to large technology companies. She has been a corporate officer and leader of the Worldwide Service organizations of Vignette, Blue Martini and Clarify, responsible for leading the growth of their Professional Services, Education, Account Management and Alliances organizations.

She has a Bachelor's Degree in Computer Science from Vanderbilt University. She serves on the Advisory Board of

www.psvillage.com, a preeminent on-line community for Services executives.

She is co-author of the ground-breaking new 2009 benchmark "Service Maturity Model" www.spiresearch.com

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Dave Hofferberth, Service Performance Insight Managing Director has over 20 years experience in information technology (IT) serving as an industry analyst, market consultant, and as a product director at Oracle. Hofferberth is focused on the services economy, and in particular, on white-collar productivity issues and the technologies that help people perform at their highest capacity.

Hofferberth's background includes the management of application development teams and analytical tool development to support business decision-making processes. Hofferberth earned an MBA from Duke University and a BS in Industrial Engineering from the University of Tennessee. He is also a licensed Professional Engineer (PE).



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Service Performance Insight (SPI Research) is a globally-focused research and consulting firm specializing in the services sector. The firm closely follows professional services organizations (PSOs) — both Embedded and Consultants/Systems Integrators — and the independent software vendors (ISVs) that develop business solutions to make people more productive and profitable. SPI Research pays particular attention to the integration of the three key assets of a PSO: its people, (business) processes and capital, and how technology can help optimize their use. SPI Research has developed the definitive business model that shows how PSOs can improve organizational performance by improving five core aspects of their business. They include: 1) Vision, Strategy and Culture; 2) Finance and Operations; 3) Human Capital Alignment; 4) Service Execution; and 5) Client Relationships.

Visit www.SPResearch.com for more information on Service Performance Insight.