

A photograph of two women in a professional office environment. They are seated at a desk, looking at a tablet held by the woman on the left. The woman on the right is pointing at the screen. There are papers and a pen on the desk. The background is slightly blurred, showing office furniture and a window.

GROWTH IN PROFESSIONAL SERVICES TAKES MORE THAN SPREADSHEETS



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Read Time: 6 minutes

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Professional services companies of any size often face similar challenges in their pursuit of growth. Whether scaling from a start-up or a mid-sized business, there are impediments to growth both inside and outside the organization.

Inside the organization there are two technological inhibitors. The first is an over reliance on spreadsheets. The second is point solutions that were either developed in-house or brought in to solve specific problems. Finance, Operations, Sales and HR teams all find that their existing systems deliver fewer benefits than they were originally promised. Business leaders become frustrated that they are unable to view the business as a whole because of the lack of synergy between systems.

Outside the organization there are new challenges that can cause even greater problems. The availability of talent is at its lowest point in years for many sectors.

The importance of finding and retaining talent is more critical than ever. There is also an increasing compliance burden on organizations from new regulations such as ASC 606 and revenue recognition to GDPR—for those operating in Europe.

Some important questions to ask the organization to enable growth

For any organization to grow, it must first identify its strategic goals and aims; it must also identify risks and weaknesses. Staffing, technology and focus are the keys to success.

[What is the strategic focus?](#)

Strategic focus starts with vision. Vision should be framed as a destiny rather than a destination. Ahlstrand et al¹ said Winston Churchill's vision that Britain winning the Second World War was framed as a destiny rather than a destination. It was a vision he believed in, and in turn, so did the British people. All of Britain focused on that vision.

¹ Ahlstrand, B., Lampel, J. and Mintzberg, H., 2001. Strategy Safari: A Guided Tour Through The Wilds of Strategic Mangement. Simon and Schuster.

All the country's resources were focused on delivering that vision. Churchill did not say how he would win, but adjusted the strategy as circumstances dictated, always with a firm eye on that vision.

When fulfilling that vision, it is better to focus on one or two things that will achieve the vision rather than diluting the efforts of the business to attempt several objectives. Without focus, an organization will fail. Ahlstrand et al wrote: *“Without strategy to focus effort, chaos can ensue as people pull in a variety of different directions”*.

Had Churchill framed Britain's destiny as a destination, it might not have resonated as well and would probably have failed. Of course, Britain did not fight alone, in the same way that organizations today need partnerships to be successful in achieving their vision, Britain relied on its allies to help win the war.

Technology can assist professional services organizations (PSOs) in cementing those partnerships. Either through collaboration tools or even sharing of resources. The ability to share information and seamlessly integrate processes between organizations will become more and more useful as the complexity and depth of those partnerships grow.

How will the organization acquire new business?

This is not just about the sales and marketing strategy to attract new business. It is also how the company identifies white space in the existing customer base. Often that white space is identified by consultants on the front line, but how do they make account managers aware of such opportunities? Integrating and coordinating information feeds from the top of the marketing funnel through to insights drawn from consultants delivering projects can help to grow revenue.



In terms of sales and marketing for professional services, companies should consider a unified approach. Dibb and Simkin² highlighted the extension of the classic 4 P's of marketing adding three new ones: process, physical evidence (ambience) and people for service-centric organizations.

The more integrated systems are, the more unified and effective marketing campaigns can become. A customer journey that starts with an email marketing campaign is subsequently tracked through the sales process using CRM. It becomes an opportunity to which more information is added. The information in the opportunity then becomes the fundamental information for delivery of the project. Finally, or is it initially, it ends up with a customer advocacy engagement that feeds the marketing engine. Achieving this may seem like utopia but the technology is becoming increasingly integrated with fewer disconnects between the component parts.

Are you striving for operational excellence?

To define what operational excellence is for every organization is beyond the scope of this paper. However, there are some key metrics that organizations need to measure themselves against. Services Performance Insight (SPI) Research LLC identified six key financial metrics for improvement in financial maturity³:

- Annual revenue per billable consultant
- Annual revenue per employee
- Billable utilization

- Project margin
- Project over-run
- EBITDA

SPI identified that small firms could demonstrate high KPI values. However, as organizations start to scale, the metrics start to drop. When the organization is small, it can run the few projects and resources it has on a single spreadsheet. As the business grows, this strategy is no longer viable.

These are not the only important metrics for a PSA firm. Pipeline value, pipeline conversion rates, staff retention as well as both employee and customer satisfactions are also important; these metrics often feed each other. Understanding the correlations between them is helped by having a single source of data to analyze.

It is crucial for today's PSO to be able to measure these and other metrics. They range from project, financial, human resources, to sales and marketing. The minimum a growing PSO needs to do is to measure these KPIs accurately and in a timely fashion. That may not be enough though. Companies often focus on the past using reports and, where available, are merely looking at historical data. The modern PSO also needs to look forward, not just for financial planning but also for resource and talent planning. Predictive analytics is already playing a part in high performing organizations.

² Dibb, S. P. a. F., 2012. Marketing Concepts & Strategies. 6th ed. s.l.:Cengage Learning EMEA.

³ Five Key Performance Indicators for Greater Financial Success, Service Performance Insight, LLC, Dec 2013

How do organizations improve performance? Often through re-assessing processes, better automation and even through the application of AI. Approval processes become streamlined, only flagging to managers through sampling or exceptions. AI can learn and adopt parameters automatically, identifying outliers and flagging them for approval. AI can also help by flagging where projects are progressing at a below average rate. Managers will no longer need to trawl through figures to identify the issues, most of them will be flagged before the signals become visible.

Do you have the right people and supporting technology?

It is not just about having the right people, it is also about having the right team. Having the right team helps to achieve organizational success, and it is not always about being the most technically proficient. Skills need to be balanced with personality and attuned to culture, which starts from the top down.

Marcus Buckingham coined the phrase “Average managers play checkers, while great managers play chess.”⁴ His explanation was that in checkers players use pieces that are uniform in nature, in chess each piece is different and you need to know how to use each piece to play. It is similar to human capital management and human resource management. The former treats people as mere entries on a ledger, the latter as having different skills that will help complete projects. Having managers that understand this and systems to track and complement

that knowledge is a must for a growing professional services company.

Having the right people is also part of understanding the project pipeline and its resource requirements. What is in the sales pipeline? What projects are about to be signed off? What resources are required? The further ahead resourcing managers can see requirements, the more accurate their hiring decisions are. While companies can fill requirements using contractors, these are more expensive and cut profit levels.

The technology adopted needs to meet the requirements of not just the existing workforce but the future one. Cloud-based, mobile-enabled technology allows users to access from any location at any time. Ideally, the tech should have supporting apps that work offline when necessary to record time and/or expenses. The UI should be simple to use and intuitive, the new generation of employee expects a similar experience in business that they have enjoyed on their consumer apps growing up.

Is the organization prepared for growth and international expansion?

Today, it is easier than ever before for a business to expand internationally. The internet enables a business to export from its first day of operations. While professional services might once have concentrated on a single national market, now its customers might demand that they deliver services not just in their home country but abroad as well.

⁴ <https://hbr.org/2005/03/what-great-managers-do>

The challenges of internationalization are many. However, expansion through partnerships, acquisition or start-up requires processes and systems to cope with them. Some challenges include cultural differences, language barriers and financial/legal compliance.

It's not just about multi-currency. PSOs that need to operate in different locations need more than multi-currency. Localized tax and international and local accounting regulations need to be met. Historically achievable through implementing a local accounting system, a modern cloud-based ERP enables organizations to use a single system across all companies and territories. Consolidation is no longer achieved through spreadsheets and emails, but finance professionals can see across all financial data from countries and see the true cost of delivering multinational projects.

Cloud-based software also enables expansion both organically and through M&A. Deployment is rapid as new entities can be set up by the acquiring company and implementation is often far faster and less costly than attempting to integrate systems. Implementing uniform systems after acquisitions helps unify organizations into the same culture and processes.

Can technology solve everything?

No, but it can certainly help. Business leaders need to continually ask tough questions: Will our current systems and processes cope with our growth? Will they scale—both in size and complexity?

An organization that has its processes defined by spreadsheets will reach a point where processes start to fail. It will need to implement a solution that can automate processes to enable further growth. Some companies will already have point solutions in place. They may even be cloud-based applications. Even if they integrate, there is often still duplication of data entry, duplication of process and duplication of functionality. It can lead to a frankencloud of applications that is costly to maintain and is often poorly implemented in an organization.

Business today should no longer be built with siloed departments. Some companies are taking this to the extreme. The adoption of agile working methodologies such as BizOps means that departmental lines are broken down. Experts in different departments come together to form a single team. Companies like the Dutch banking group ING⁵ have taken on board agile working methodologies pioneered by companies like Netflix, Google and Spotify. They no longer have traditional departments, but rather they have a whole new vocabulary. Squads of nine people work on projects. Tribes of several squads work a group of projects that are connected. Traditional departments are replaced by chapters, which are loosely defined groups of experts working in many squads rather than together.

⁵ <https://www.mckinsey.com/industries/financial-services/our-insights/ings-agile-transformation>
Dibb, S. P. a. F., 2012. Marketing Concepts & Strategies. 6th ed. s.l.:Cengage Learning EMEA.
Harnish, V., 2014. Scaling up. s.l.:Gazelles.

Effectively traditional barriers are broken down. Information, once privy to only HR teams, is now available to every relevant person. Systems need to support this shift. Even if the organization does not move towards agile working, there is value in sharing information about both external and internal people, products, and services across an organization. It also enables a 360-degree view of the customer. In product-based industries, where servitization is increasingly common, it is that sharing of knowledge between maintenance engineers, sales, finance and production that can help improve products, increase sales and boost profits.

Is the right technology enough?

Software to support a PSO can take on many names. The most common in use today is professional services automation (PSA) software. The PSA software of today is nothing like the ones first promoted more than three decades ago. In the same way that today's ERP goes beyond what a traditional ERP solution was capable of, today's PSA goes beyond its predecessors. Best-in-class functionality doesn't just include time and expense reporting and project management, it should also include project accounting, resource management, CRM and HR.

Organizations should not believe that implementing an attractive PSA solution is the complete solution. It must be accompanied by a change project that looks at the processes within an organization. If the frontline never talks to sales teams, a new piece of software

will not resolve that. Such change projects must be driven by the business leadership and are probably more important than the implementation of the technology itself.

What should be the next generation of PSA?

It is not enough to concentrate on the specific functionality of a PSA. That is important, but each organization will have its own view on what is more important. It is the underlying architecture and strategy of the business that is delivering the PSA that is important.

The product should be extensible. Not just with additional modules but with specialist products. This is achievable through APIs or a native platform on which third party applications are built. A key indication of a PSA solution's maturity is the size of its application ecosystem.

The product should not just have the ability to add third party products, it also needs a roadmap itself. The vendor should be aware of and investing in the latest trends. Some of these are more important than others, for example the integration of HRM into PSA is increasingly important. Blockchain is still early in the hype cycle but there are uses, such as smart contracts that might be applicable to a PSO.

Are you stuck using spreadsheets or point solutions? Should you consider looking again at the software that is available? If you are not able to automate processes, measure KPIs or plan ahead within your current systems, it is time to look ahead. A new generation of PSA software awaits.

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