

*RTM Consulting, LLC*

# Maximizing Your Services Business in a Down Economy

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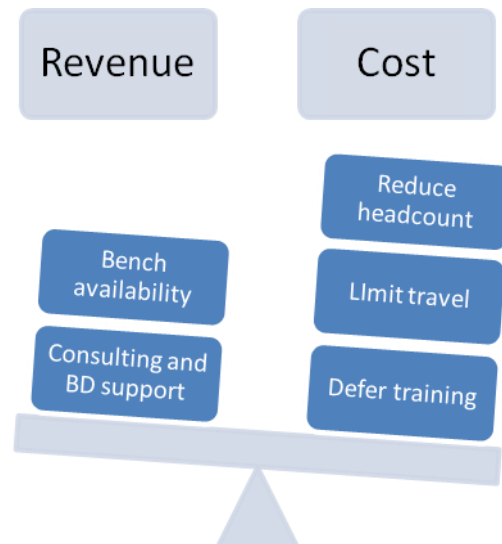
## Introduction

The economy is going through one of the most tumultuous periods in modern times. Services providers are under enormous pressure to help drive improved top and bottom line performance. Given the overall state of the economy, how can the consulting and professional services team turn the weakened economic situation into an opportunity to leverage services as a business lifesaver and competitive weapon? In this paper I will discuss creative ways the service organization can contribute to both sides of the business ledger: increasing tactical revenues while lowering ongoing costs.

## The Challenge for People Intensive Organizations

During difficult financial times, services organizations are under enormous pressure to justify their existence, particularly in product companies where conventional thinking is that the services organization exists to support product sales. I do not believe there is a right or wrong answer to why a services organization exists. It's a matter of the enterprise's strategy for use of services capabilities, including but not limited to: drive product sales, support product sales, sell incremental revenue, stand alone profit center, provision solutions, or some combination of these.

Irrespective of what your strategy for services might be, in challenging times few companies will turn down a good idea from their services organization to help drive tactical revenue to prop up the top and bottom lines. Look at this tough economic climate as your opportunity to help your company while at the same time giving the services team an opportunity to 'test drive' new ideas. Finding ways to drive down ongoing business costs is always an expectation, but the choices are not always clear given that shedding people costs is the easy choice on paper, but certainly is not easy or clear from a strategic human capital point of view.



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When it comes to **sales**, during economically depressed times no matter what you are selling, an overarching theme is that few buyers are going to spend money unless there is a clear path to return on that particular investment. The substance of your solutions will be measured and judged substantially, if not entirely through that business lens. Since consultants and professional services personnel are typically closely involved with their clients, they are many times in the best position to collect pertinent financial information necessary for estimating ROI. This is a good time to refresh the team's knowledge of how, where, and why they can help with contributing to the determination of financial benefits of your solutions. For those not well versed in this area, this exercise will make them better consultants, and raise their prospects as the trusted advisor to clients.

### Ernst & Young IT Buyer Survey

- 80% of companies expect IT vendors to quantify the value proposition of their solution, and
- 61% rate this as a critical part of the vendor selection process.

On the matter of **cost** reduction and containment, the typical knee jerk reaction is to cut staff without fully considering the longer term implications of these choices. At times the cost of reacquiring this very same resource as the business starts to grow, and potentially lost opportunities due to future labor shortages may outweigh or substantially diminish the anticipated benefit of staff reductions. Loss of productivity due to staff reductions is also a typical byproduct further complicating the decision to reduce staff. I am not suggesting that staff reductions are not at times the right choice, but I am suggesting it should not be the first consideration before other alternatives are considered.

## **The Opportunity: Raising Your Game in a Recession**

Good consulting and professional services teams can contribute in many different ways to creatively growing the top and bottom lines of their company. While the ideas presented below are certainly not all that can be done, they do represent some creative ways to help drive greater revenues and lower costs.

### Focus on Revenue

Aside from the obvious aspects of using billable resources to deliver billable services for whatever sales you do have, there are many creative ways to use your services capabilities to enhance your revenue performance including:

- ✓ Commercialize what you know – consulting! And using consulting as a door opener!
- ✓ Conduct client tune-ups – the process of revisiting past projects to see how the client is doing, gauging customer sat while looking for fresh opportunities
- ✓ Sell skilled resourcing – not to be confused with body shopping; a hidden asset in most companies is using your on-board skills to fill specific project oriented needs of clients on a selected and temporary basis
- ✓ Up-sell – the tried and true method of using the trusted advisor position of your consultants to solve new and bigger problems for your clients
- ✓ Reduce unbilled time – sometimes the easiest solutions are right in front of us – let's capture and bill for work we are already doing
- ✓ Re-skill – using the opportunity in a slow economy to double down on training in preparation for coming out of the recession

The great news about each of these revenue enhancement actions is that in most cases you can get started with only a minimum of preparation and little or no additional expense. Think ROI in each case as you decide how to present each problem solving solution to your clients.

➤ Commercialize What You Know

For the pure services provider, using consulting as a door opener is standard practice. But for many product companies the go-to-market strategy revolves around selling the benefits of their product vs. the business process knowledge of your services department. Depending on the complexity of the sale, there is enormous value the knowledge your services teams have around the client's business processes that can be monetized. Solutions architecture, streamlining of processes (with or without technology), issue/problem diagnostics, best practice application, etc. are all examples. As you think about your industry, perhaps you can visualize some of the ways you can apply your knowledge of the client's domain to solving new problems for them.

During tough economic times, companies are trying to solve business problems, and will pay for skilled consultants who can bring unique knowledge and creative ideas to expedite business improvements. Package up your best ideas and work with the sales team to see if you can open some new doors selling your ideas where the client's interest in the product pitch is stalled. Get relevant ROI data together to support sales proposals. Your PSA tool may provide a good repository of information about historical usage of skills, types of projects, and the specific resources you have to support these types of consulting engagements.

➤ Conduct Client Tune-ups

Early in my career helping support the sale and installation of IBM IT solutions, I had the opportunity to watch some of my counterparts in what was at that time the IBM office products division responsible for selling word processors, copiers, and other office equipment. They were masterful in using a technique whereby they would visit a client site, and literally clean up the equipment, help answer questions about operations and address any problems the client might be having. More often than not, through these tune-up visits they became aware of a new need, a problem to solve, or competition that might be threatening their position with the client.

A great opportunity we have in the IT services space is to revisit with our clients past projects to gain insights on how things are going, issues to resolve, shortcomings the client might have felt were just part of the current solution. In any case, real opportunity is out there to drive some tactical work that helps your client maximize an already sunk investment. At a minimum your client will appreciate the attention to client satisfaction.

➤ Sell Skilled Resourcing

During these tough times when your clients have had to cut back on staff, there arises a shortage of needed skills that may be able to be filled by someone on your staff. While the sale of people time on short projects unrelated to some product sale may sound like body shopping to some, presented properly it can and should look more like something we call skilled resourcing – selling skilled resource time at a premium. This does presume you have premium skills to sell. In every services team I have ever encountered, those real pros exist that clients believe walk on water.

Getting face time with clients and using good questioning techniques is often all it takes to identify where these needs exist, providing your team the opportunity to plug the gap with skilled resources driving up revenue and utilization at the same time. Use your PSA system to help identify availability of the right resources, and to help with reassignment of skills necessary to continue projects while freeing up resources that can be redeployed for a skilled resourcing opportunity. Take your inventory of sellable skills to the sales team to enlist their help and focus on selling into the available inventory of skills.

➤ Up-selling

Perhaps nothing new here for the skilled consultant or PS professional, but there has never been a better time to dust off these skills and dedicate more effort to the process of up-selling on your current projects. Are there additional functions that would benefit the client? Can we add another division or department to the current planned users? Does a training opportunity exist?

➤ Reducing unbilled time

One of the easiest things to solve for is looking for signs of unbilled time within your current projects. Your PSA system should provide quick access to data that will allow you to identify any disparities between total labor deployed to a given set of projects and actual billed time related to the same set of projects. Work we have done with our clients nearly always turfs up signs of revenue leakage due to a variety of factors such as but not limited to: poor controls over timeliness and accuracy of time reporting; or lack of awareness of what should be billed to a client, typically associated with the newbie who just does not know that certain work they thought was part of their job is billable to the client. Retraining or reminding the team of what is billable is easy to do and a quick way to capture some extra revenue.

➤ Re-skilling

Reviewing and adjusting your skills mix is probably the least tactical of the possibilities I have suggested so far. I do believe during tough economic times an opportunity exists to re-examine our strategic skills mix, and using any available bench time to re-skill existing resources as necessary to help with short term needs, and better prepare the organization for long term prosperity.

Focus on Cost Reductions

Beyond the obvious possibilities of eliminating unnecessary spending on discretionary matters like non-client related travel or deferring investments that can wait, there are a few big categories of spending that should garner most of your attention. They include:

- ✓ Manage utilization – assessing your current situation and taking concrete steps to address root causes for poor utilization (beyond the obvious matter of weak sales and resulting over-capacity)
- ✓ Adjust the labor mix – rethinking your use of sub-contracted labor and finding the best balance of cost vs. utility
- ✓ Automate manual tasks – certain automation investments, particularly those where software as a service solutions are available provide tactical ways to reduce costs and improve overall business performance

From adversity we are forced to re-evaluate the status quo, looking for ways to adjust and improve from how things have been done in the past.

➤ **Managing utilization**

When is the last time you took the time to really dissect how your resources are being deployed? Are you really as efficient as is possible? Are you allowing departmental barriers or expert shortages to keep your utilization below where it should be? Getting to a Just-in-Time Resourcing (JITR) environment requires planning and discipline for optimal deployment of billable resources. Centralization of the resource allocation process, implementing a PS Automation tool, or building/updating your skills database are all components of a JITR solution. More on this can be found at the RTM Consulting web-site at <http://www.rtmconsulting.net/whatwedo/justintimeresourcing.html>.

Every time we have helped our clients with assessing resource utilization, we have found 'quick hit' solutions that are usually substantial in their ability to lower costs via improved resource utilization.

➤ **Adjusting the labor mix**

Planning for peak-load business needs also means planning for the troughs, like the economic one we all find ourselves in. Over time we build reliance on certain partners or contractors, who by the very nature of our relationship were intended to be temporary relationships. Now is the time to rethink how many permanent resources you have vs. contracted resources, and pare back the contracted resources where possible. Typically

companies are spending a premium for third party resources so this is usually an easy decision to make.

This is also a good time to work on moving more commoditized work to lower cost labor markets. It's a great way to improve your margins, and reduces your bench costs during slower demand periods.

➤ Automating manual tasks

Implementing automation doesn't have to be costly or overly time consuming if done correctly. Some of the best PSA tools are available in the Software as a Service (SaaS) model, whereby the vendor stands up the system enabling users to begin gaining value from the software in the shortest period of time. You don't need to implement a full blown capability either. Just look for the places where the rewards are highest. One of the simplest areas we see that is often overlooked is in time capture technology. It may sound simple, but we frequently see companies using outdated technology that literally consumes an hour or more of a week of a valuable consultant's time for the simple task of time recording. Worse yet some systems are so cumbersome that consultants frequently make the choice not to record time where the effort is just too great in the overall scheme of their busy day.

## **Summary**

No doubt about it – these are extraordinary times for all industries, and those of us who make a living in the consulting and professional services industry are not immune.

The best managers during these times will not simply accept the 'let's cut staff' as a first choice solution, when so many good alternatives exist to help your company both increase revenues while reducing the cost of doing business.

Good luck!

## **About the Author**

Randy Mysliviec leads RTM Consulting, providing high impact advisory services for technology companies' professional and consulting service businesses. RTM Consulting provides strategic and operational advice helping technology companies increase revenues, grow profits, and deliver best-in-class solutions by leveraging professional and consulting services more effectively. Acknowledged by industry sources as an expert in Global Resource Management (GRM) and author of the Just-in-Time Resourcing<sup>SM</sup> (JITR) solution, Randy helps multi-national companies with the complex challenge of operating professional services teams serving the global market.

Prior to establishing RTM Consulting, Randy was SVP, Consulting and Professional Services for Convergys, successfully managing and growing a multi-hundred million dollar business with 1600 employees in 31 countries across six continents. Randy began his career with 18 years at IBM, serving in a variety of sales, marketing, and general management roles. Randy was also President and CEO of a successful start up services firm in the Carolinas. He is a founding member of the Technology Professional Services Association (TPSA) and served as a member of the TPSA Advisory Board. Randy is also an active and contributing member of PSVillage, and a member of the International Association of Outsourcing Professionals (IAOP).

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