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Hot PS Tips for Small and Medium Businesses

'Five Moves You Can Use'

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Preface

This article describes how the small and medium sized technology consulting and professional services provider can turn perceived competitive weaknesses relative to much larger companies into competitive strengths. Small and medium businesses (SMBs) that offer professional and consulting services find competing with large multi-national service providers a challenge given the economies of scale, and the depth and breadth of resources that larger businesses have compared to the SMB organization. Finding and managing affordable resources, marketing and selling effectively with limited budgets, differentiating their services, building the right infrastructure and responding to diverse project needs all are examples of how SMBs must find creative ways to compete. This article will provide the technology services SMB reader with helpful and actionable information by sharing proven methods and techniques to more effectively compete.

With a focus on five different aspects of the PSO’s business operations, this article will provide answers to the following:

Elements of Competitive Advantage	Key Question(s)
Strategy	<ul style="list-style-type: none"> How do we compete with much larger firms which presumably have more resources, both people and money?
Services Portfolio	<ul style="list-style-type: none"> How do we use services to grow the pie, as opposed to just supporting the product sale?
Go to Market	<ul style="list-style-type: none"> How do we provide the right support for the enterprise product strategy and actually add value to the sale, while growing distribution capacity / capability?
Human Capital / Resource Management	<ul style="list-style-type: none"> How do we create and work a real ‘virtual bench’ to give us the reach and breadth of the larger PSOs?
Process & Infrastructure	<ul style="list-style-type: none"> What’s the real role of process and PSA when it comes to building out our infrastructure?

An Introduction to Hot Tips for SMB’s

Do any of these situations sound familiar?

- We were so close to the deal but then that big company with all the offshore resources offered to do the job at half the price – we don’t have an offshore operation.

- The job required some really unique skills and we simply don't have those kinds of people in our company. Those big companies have lots of depth and breadth.
- They needed the job to start right away and we just could not pull people off our existing projects. It must be nice to have all those people.
- They cut prices to the bone and we just cannot compete at those price levels.

These may sound like competitive disadvantages if you are the smaller company. Or they may be your opportunity to out distance the competition.

Some Context For Understanding How to Beat the Big Guys

Most people would agree that as a business grows in size, the economics for most get better. However, some aspects of running a business also become less advantageous with size:

- Size reduces speed
- Size turns specialists into generalists
- Size increases complexity

In the automobile world, while bigger cars provide increased comforts and carrying capacity, they are typically more sluggish, consume more fuel, and take more to maintain due to their weight, complexity and poor aerodynamics.

Not to say that there are not ways to deal with each of these unfortunate byproducts of size, although many companies don't seem to deal with these aspects well. The bigger companies do take advantage of their economies of scale, broad footprints, and wide geographic coverage; however seem to ignore or deal poorly with the negative impacts of size.

In the end, I believe most buyers in the end want the best solution to their business problem at a fair price – not necessarily the lowest price. It is really about getting the right person in the right place at the right time, with a differentiated solution that in the client's mind is the best fit for their needs. In my experience, I have observed five moves that help the SMB thrive when competing with larger firms.

Key Move #1 – Have a well thought out strategy that plays to your strengths as an SMB.

There are many elements of your strategic plan that will be relevant to your success. Having the right business model, the right target markets, competitive and differentiated offers, great people, and a plan for excellence in execution will all be important.

In addition, to be able to offset the larger companies' strengths in depth, breadth,

and economies of scale, consider a strategy that will enable your firm to:

Key Differentiator	Description
Think Fast / Act Fast	<ul style="list-style-type: none"> • Big companies are often burdened by complexity due to their size. Excess layers of management and bureaucracy impede the ability to respond rapidly. • This creates an opportunity for the SMB to act and close the deal while the big guys work through their internal processes. • Set tough but realistic goals to turn around client proposals rapidly to get your prospects engaging you long before the competition does.
Think Value (not price)	<ul style="list-style-type: none"> • Do NOT focus on the price; rather, focus on the return. • If you have a good solution, do the work to figure out how much ROI the client will experience. • Few big companies do this well. It will set you apart from the crowd.
Think Differentiation	<ul style="list-style-type: none"> • As previously mentioned, size turns big companies into generalists. • SMBs target a niche – and have a depth of knowledge to support that focus. • Leverage your specialists to drive incremental value for your clients. • See Key Move #2 for more details on how to take advantage of this differentiator.
Think Automation	<ul style="list-style-type: none"> • Larger companies certainly invest a lot in information technology, as you will read about later in this paper. • However, those investments are not always sufficient to get the job done. • SMBs have an advantage in that new automation can be implemented quicker – and adopted faster. • See Key Move #5 for more details on how to take advantage of this differentiator.
Think Process and Quality	<ul style="list-style-type: none"> • Process and quality are pre-requisites to long term success. • SMBs can leverage well honed processes to offset perceived strengths of larger more entrenched competitors: <ul style="list-style-type: none"> ○ Excellence in project management will produce better quality and on-time, on-budget project performance. ○ Excellence in resource management will help you get the right person in the right place at the right time. (The articles I published in the March and April Service Line News on Just-in-Time Resourcing should provide lots of ideas on how to build world class resource management processes.)

Key Move #2 – Differentiate by packaging your services portfolio to create competitive advantage.

No doubt about it the larger firms will take advantage of their size and scale by letting every prospect know that they can put affordable resources on the job quickly and just about anywhere. So how do we deal with that? Most of us in small business know we all got our start by being good at something. Specialization helps create differentiation. I have observed that many SMBs do a good job of promoting their brands around some specific specialized area of expertise, but they typically stop short of extending that specialization to how they package the service. Doing this they could extend the brand value to a packaging strategy that further accentuates their differentiation.

To get started with productizing your portfolio, follow the steps that a product manager would:

- a) Identify/research where there is an intersection of client need and your perceived core competency
- b) Define and qualify elements of a unique service (like a product plan) to solve the business need and find a beta client to test/refine the idea
- c) Forecast and plan your resource needs
- d) Train/enable your distribution channel, and market/launch the service
- e) Build a closed loop feedback mechanism to keep improving the offer.



Companies that have learned, or are learning to package services, are realizing the benefits of this approach that go well beyond the advantages of differentiation including:

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- Generating more product pull-thru, and larger overall (revenue) deals
- Opening new doors with an expanded or more compelling value proposition
- Achieving improved predictability of resourcing needs (you know what it takes to deliver, therefore you can more accurately forecast demand) leading to higher utilization and lower costs
- Delivering better quality through consistency and repeatability (when the packaged services are delivered using a process oriented methodology)
- Higher margins

Key Move #3 – Leverage Professional Services (PS) to enhance your companies’ go-to-market capability.

Many readers of this article will be technology service providers – companies which sell a hardware or software solution supported by a PS operation. Normally the charter of the PS group is at a minimum to support the sale, implementation, and provide for ongoing support of the client. The key is whether the investment in the PS organization is fully leveraged, and you can gauge this by asking three simple questions:

Key Question	Comments
Does PS contribute to the differentiation of my overall solution?	Packing knowledge with products to form unique solutions is powerful. See Key Move #2 for ideas on creating differentiation via packaging.
Does PS actually <u>drive new sales</u> vs. provide support for the sales process?	If you are building proactive and consultative capability, the PS portfolio and your people should be helping to find new accounts with a more attractive value proposition for the company.
Would PS be a profitable enterprise without the hardware/software?	This is a good litmus test. Take away all other dependencies and see if the PS business can stand on its own. If you are truly adding unique value, the answer will likely be yes.

Key Move #4 - Human Capital / Resource Management

Big companies have seemingly endless pools of people, and in many cases this is true. With the ability to build offshore capacity to supplement domestic resources, these companies can be quite bold in making resource promises.

I have written many white papers on this very important subject for PS providers – how to manage human capital and deal with effective resource management. As the SMB has more limited resources at their disposal, the need for access to a ‘virtual’ bench is critical. The steps for creating your virtual bench are as follows:

Key Step	Comments
Identify / Define the Need	<ul style="list-style-type: none"> ○ Capacity – how many people will I need? Your PSA system should help with this. ○ Mix – what skills do I need and where? ○ Experts – where are my anticipated expert bottlenecks?
Locate Sources	<ul style="list-style-type: none"> ○ Contractor firms ○ Partners ○ Independent contractors
Define the Type of Arrangements	<ul style="list-style-type: none"> ○ Seek longer term deals – blocks of time – and negotiate better rates. ○ Factor in your own cost of hiring and underutilized time into your justification ○ The independents in particular realize that longer term deals help them eliminate both uncertainty and the cost of doing business development work to find the next deal, something few really enjoy. That translates to better rates for you.
Assess Off-Shore Capabilities	<ul style="list-style-type: none"> ○ Many firms exist today that will provide offshore contract labor, and many offer attractive temp-to-perm arrangements. These arrangements are frequently used by companies to build their presence in offshore locations – a way to get a start and learn from the locals.
Execute as ONE Team	<ul style="list-style-type: none"> ○ Enter these resources into your PSA system categorized as contractors. ○ Treat these resources just as you would your own when constraints exist in your on-board labor pool.

Key Move # 5 – Create competitive advantage with rapid transformation to a modern infrastructure and processes enabled by CRM/PSA solutions.

There are many aspects of building the right infrastructure to effectively and efficiently operate a PSO, however for purposes of this article there are two primary elements that this article will focus on. First, integrating demand and resource forecasts, and second, the use of a good PS automation tool.

In my most recent service line news article on Just-in-Time Resourcing, I discussed the importance of getting a line of sight into future resource needs. Getting this line of sight with some level of precision (capacity and skills mix) are critical since acquisition or the retraining of resources takes time. Big companies have been slow to adopt a well defined process for linking their demand views with resource planning. This is due to the nature of their size creating disproportionate complexity when compared with most SMBs. This complexity is compounded not only by size, but the assimilation of different processes and tools from companies that have grown through acquisitions, and changing strategies brought about by seemingly frequent reorganizations and leadership changes characteristic of many larger firms.

Correspondingly, for all the same reasons described early, bigger firms are normally burdened with poorly equipped PS automation systems comprised of custom built legacy systems, COTS (Commercial Off-The-Shelf) packages that are rarely integrated well with existing legacy systems, and individually built spreadsheet tools.

The opportunity for the SMB is the growing choices for modern PSA solutions that integrate PS processes like timekeeping, project tracking, resource management, and project cost accounting, with modern CRM and Accounting solutions. The combination of these capabilities provides tremendous advantage to the SMB to better predict resource needs well in advance of when needed; creating time advantage that neutralizes the larger firms' ability to reach into what sometimes look like bottomless pools of resources. Also encouraging is the fact that these modern PSA systems can also be purchased with the SaaS delivery model shortening time to implementation with attractive economics.

Your automation system environment will need to be implemented in conjunction with the right operational processes so plan for necessary business transformation in parallel with your automation changes. Again, the SMB simply due to smaller size and scale should be able to effect these changes much more quickly than the typical large firm.

Summary

Competing in our ever changing economy is and always will be challenging. Finding new ways to compete is a continuous process that requires creative minds, action orientation, and some element of risk taking. For every strength of a competitor, you can usually find some corresponding weakness. The PS world is no exception.

	Big Company	SMB
Size – Who’s advantage is it?	○ Reduces Speed	○ Nimble / Adaptable
	○ Resources are often Generalists	○ Niche focus creates Specialists valued by clients
	○ Internal complexity with getting things done	○ Can be easier for clients to do business with

I hope these ‘five moves you can use’ are helpful. Good luck with beating the big guys!

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