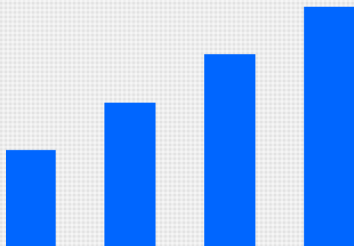


PROFESSIONAL SERVICES PRODUCTIZATION

Ascendive



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What is Professional Services Productization?
What is the value from productizing professional services?
How do you productize professional services?
What are the stages of productizing professional services?
Lessons learned.
Conclusion.

What is Professional Service Productization?

For several years now there has been much conversation around Professional Services Productization (PSP) with many differing opinions about what it is, how it is done and the value derived from PSP. This article is an attempt to clearly address each of these important questions and provide you with a plan that will enable you to initiate the generation of a value proposition through the Productization of your Professional Services.

Firstly, what is PSP? To begin with, let's clear up some misconceptions. Being a product, the deliverables from a PSP process should be something that your clients can buy. For example, you can buy a BMW, a bag of candy, or an iPad. These are tangible physical products procured by a customer for a negotiated price. So the attributes of a product are as follows:

- a) It is physical
- b) It has a price
- c) Professional Service Organization's (PSO) sell it
- d) Clients buy it

While this seems pretty straight-forward, there has been a lot of confusion around PSP in recent times. Applying this simple and straightforward definition we can quickly see what PSP is not. It is not:

- a) An on-line project management tool
- b) A time and expense system
- c) A billing and collection application
- d) A resource allocation and planning tool
- e) A forecasting model

While these are important technologies for any PSO, they are not products that the typical PSO sells to their clients. They are tools that the PSO uses to manage and automate their business. They add little, if any value to the PSO's clients. When was the last time you had a client who was excited about your new billing system?

So what are the products, created from services, that a PSO can sell to their clients? To better understand this, we will elaborate with an example. Here is a brief list of some of the products, created from services previously rendered, that your typical SAP consulting practice could sell. Note that they have the attributes of a product that we have defined (physical, price, sell and buy):

- a) Test Scripts
- b) Project Plans
- c) Training Material

Obviously the list is much longer, but you should be getting the idea by now. So, in a nut shell, PSP is the process whereby you gradually create a product from the previous work you have completed.

We are not suggesting that you merely sell these products at the expense of consulting services. Quite the contrary. These products should constitute an integral part of your consulting value proposition, and if done right, can be a clear differentiator between you and your competitors.

Another important aspect of a product is its presentation. When you go to the BMW showroom to decide if you want to buy the BWM or the Volvo, you are hoping that the salesperson does more than give you a glossy brochure, right? If the glossy brochure was the total summation of your evaluation experience the chances of you buying that BMW are pretty marginal. There are certain behaviors that all buyers associate with buying products. They want to see the product, not just glossy brochures or PowerPoint slides. They want to touch it and test it out, or in the case of our potential BMW buyer, take it for a spin around the block, not just talk about the statistics and read those nice customer references pinned to the notice board outside the restroom.

From this simple example we can see that PSP requires the PSO to have a product that clients can see, test drive, and immerse themselves in on day one. It has to be physical and something that they purchased from you as part of the engagement. Ideally, it has significant value for your prospect and is so inextricably linked to your consultants and methodology that the value can only be fully gained with your complete participation. Your prospect sees it, they really want it, and they can only have it if they engage your firm for the project.

What is the value from productizing professional services?

We have now seen what PSP is and how you might possibly contemplate creating and introducing a PSP program in your organization. However, before you undertake such a journey, we should carefully evaluate the value that you plan on deriving from PSP.

PSP Value Proposition One – INCREASED PROFITABILITY: PSP will equip your engagement managers with a tangible product to differentiate you from the pack, enable you to close more opportunities and justify above market rates as your prospect in investing in product and services, not just services.

Going back to our BMW analogy, PSP will empower your front-line engagement managers with a significant competitive advantage. It is the difference between the Volvo salesperson who shows glossy brochures (i.e.: PowerPoint) and notes on the wall (i.e.: references) against the BMW sales person who lets you see the actual vehicle in the show room, lets you get behind the driver's seat and take it for a test drive. Let's face it. It is much easier to sell something that is physical, tangible and your prospect can see. If you have a PSP offering and your competitor does not you are half-way home. Not only do you look better, it makes your competitor look like all they have to offer is a deck of slides with pretty chevrons all pointing to the right with original words like Discover, Design, Build, Test, Deploy or Diagnose, Analyze, Propose, Develop and Go-live.

PSP Value Proposition Two – INCREASED QUALITY: PSP that engages your consultant's active and willing participation will increase project and deliverable quality thereby increasing your project profitability through fewer credits.

We have all seen the situation where a consultant is struggling to get some application functionality working correctly. After many futile attempts, with the client watching, the frustrated consultant sends out the infamous “all-employee” e-mail. Sure enough, with an hour or two the answer comes back in and progress is made. There is a better path. At the beginning of the project, consultants withdraw IP from the bank, use it, improve on it and then deposit it back to your IP bank. As more and more projects are completed the quality of your IP increases and is used and leveraged on future projects. Mistakes are not repeated, tricks of the trade are passed on and excellence permeates your IP bank. PSP done right, with a closed-loop feed-back mechanism and incentives, or sticks, in place to entice adoption and usage by your consultants, creates a product life cycle enabling continuous improvement. This can significantly improve project deliverables and overall project quality. What does this do for your bottom-line? How about fewer credits, happier clients (i.e.: lower DSO) and fewer frustrated consultants (i.e.: lower turnover).

PSP Value Proposition Three – RISK REDUCTION: Used with a closed-loop feed-back mechanism, PSP will enable your team to evolve your products resulting in more accurate estimates and significantly reducing project risks like project over-runs, neglected assumptions, unfulfilled client deliverables, and many other potential project liabilities.

Predictability comes in several fashions. We have briefly touched on the aspect of quality above. Another aspect of predictability is project estimating (duration and work-effort), converting the estimate into a baseline and then executing against the baseline. After you have productized your project plan you can monitor effort required to perform certain activities through the use of time-sheets. Over time your team builds an accurate repository of actual effort for certain activities generating realistic data points that go back into the productized project plan and over time making the baseline plan much more accurate. Project plans become a reflection of work actually done and not just the optimistic aspirations of an engagement manager keen, and under pressure, to close the opportunity. The more accurate your estimating, the less risk you take on.

PSP Value Proposition Four – INCREASED MARGINS: PSP can condense the learning curve for new and junior consultants reducing your fiscal investment to get them fully utilized. PSP also enables you to leverage your mature IP with junior consultants to deliver the same content to your client while providing you with a higher margin.

Yet another valuable facet of PSP is the simple reality that new or junior consultants can get productive, and fully utilized, much faster. All other elements being the same, if the best IP that your organization has to offer is easily found and quickly accessed, new and junior team members will use existing content and learn faster. Utilizing junior talent more, leveraged with mature IP, results in higher margins for the same deliverables.

PSP Value Proposition Five – IP PROTECTION: With the right tools and technology a mature PSP process harvests IP as projects are being performed and activities are being completed. As employees and contractors say good-bye, the IP remains.

Finally we come to the important consideration of retaining your IP. Again, I am sure that we have all, perhaps far too often, had to wave off an employee just wishing that somehow all their experience and knowledge could stay behind. In a similar manner we have all used contractors to perform certain activities that we did not have the skills internally to perform within our organization. Too often when these contractors finish their assignment and employees move on to other pastures, we are left with a knowledge vacuum. Having a PSP process and using the right tools and technologies, you can harvest this IP as the project is being executed. When completed, you will have a blue-print ready and available for the next time a similar scenario arises.

PSP is not an all-or-nothing offering. We should not see PSP as something that we either position to or insulate from a prospect. We may be fortunate enough to be in a market where we undertake many repeatable projects, like upgrading clients to the latest version of Oracle E-Business. Here a fully developed productized offering is very appealing. On the other end of the spectrum, all our engagements may be developing custom and one off applications. Even here we can use Productization as a competitive advantage. We can productize aspects like a) methodologies through workflows, b) meetings, and c) client reporting. We can start small, modularize, and build over time. For example, we may productize the format of test scripts. Next we productize the methodology to execute test scripts and finally, over time, we productize the test scripts themselves.

As a “take-it-or-leave-it” attitude can miss the mark, so too can only associating productization with a vendor’s software. If we view productization solely as pre-packaged “rapid-start” of “accelerator” engagements we can easily overlook the real inherent value of productization, which is not decreasing client costs, but increasing the consultant’s value proposition. Viewing productization as a way to reduce costs and win on price is a downward spiral of ever diminishing returns. Productization should be positioned as justification for a higher consulting rate, not a lower one.

What is important to remember here is that PSP is not a take-it-or-leave-it value proposition. There are varying degrees of applicability and associated value, not to mention the effort required to get there. However, it would be a rare organization that would not benefit from some form of PSP somewhere in their service offerings.

How do you productize professional services?

PSP requires some understanding of what and how the process unfolds. Before we delve into the details of this, it is valuable to remind ourselves that productization is not an all-or-nothing endeavor. This applies not only to scope, but also to degree. For example, a PSO committed to PSP does not need to productize every service offering nor do they need to productize 100% of a specific service offering. In practice, some services lend themselves to a high degree of productization and others a very low level. Done right, every service offering can benefit from some level of productization. Few services, if any, can really be 100% productized.

The first phase of the PSP process is to harvest the existing IP in your organization. In the beginning the process used to accumulate your organization's IP does not really matter. The most challenging environment is the organization that has neither a central location for IP, like a SharePoint site, or does have it but participation is voluntary, sporadic or non-existent. If you have no central repository at all and all the IP is on employee's laptops, you should see if you can extract the IP from a centralized corporate backup system. Failing that you will need to figure out some method to get employees to transfer files from their PC's to a central location.

In parallel with this harvesting you will want to give some thought to the process you will use to categorize, tag and store your IP. Whatever method you use, great planning up front will ensure that you will have to touch each piece of IP only once. So plan well and do it once. We briefly mentioned tagging. This is an important aspect of harvesting IP. Tags are specific data elements associated with IP content to enable searching and retrieval at a later time. For example, if you were a PSO focused on implementing and upgrading Oracle E-Business, you may want to create tags like Module (Accounts Payable, General Ledger, etc.), Type (Test Script, End User Training, etc.) and Industry (Oil & Gas, Government, Hi-Tech, etc.). This will enable consultants at a later date to narrow their search. Using a generic search tool like Google Desktop, while useful, can return so many results as to render the search unproductive. However, in conjunction with these tags, you can right up front limit the search for Accounts Payable Test Scripts used in a Federal Government implementation of Oracle E-Business.

After the initial collection, categorization and storage of your IP you will still need some more capabilities to really harness and leverage the power of this IP. Firstly, it would be great to have a process to ensure that the IP is actually being used. No point in collecting all of that IP if your consultants are out in the field reinventing the wheel on every project. You will also need a closed-loop feed-back mechanism so that as IP is used and improved upon it is deposited back into your IP bank for others

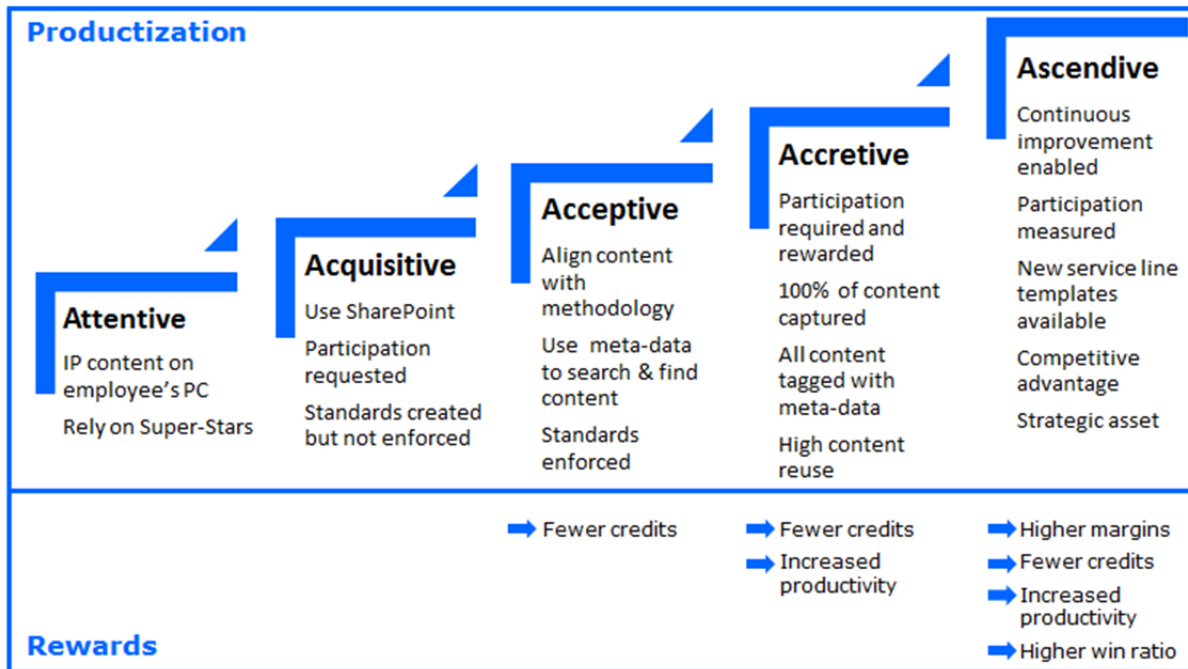
To ensure that your team embraces this collection, usage and continuous improvement life cycle of your IP, you may want to consider measuring their participation and linking that measure to some of their variable compensation. After all, having a great system that nobody uses really defeats the purpose.

What are the stages of productizing professional services?

We have now reviewed, at a high level, what PSP is, how it is undertaken and the value to be derived. Now let's take a quick look at the stages of PSP. We will use the Productization Development Index (PDI) as a guide to measure where we are positioned on the road to a mature PSP process and product.

The following chart is the basic PDI.

Service Productization Development Index (PDI)



We can see that there are five stages towards creating the most mature PSP processes and products. Let us take a closer look at each of them individually.

PSP Stage One - Attentive: We were all here at one point in our careers, perhaps some still are. Consultants act like islands of knowledge, have super-star status and while generally very accommodating and friendly, rarely volunteer their trade secrets. How many times in your career did you see one of these super-stars, unprompted, co-coordinating a conference call to let everyone else in your organization know how they pulled off a miracle? Now of course, when asked, they will oblige, but, really, how often do we ask and how often does this valuable knowledge get broadcasted. More typical is the company meeting where the super-star is exalted even more, thus reinforcing the behavior for the super-star to keep the best practices to themselves. And where is that IP that you have invested in? Most likely on the super-star's PC and in their minds, both of which walk out the front door of your organization when they leave. So, everyone is attentive. We start with the organization where we are aware but do little about it.

PSP Stage Two – Acquisitive: Having been burned by past experiences, the next level on the PDI is where, most likely out of sheer frustration, we ask team participants to load their deliverables up to a file server or SharePoint site. Typically, at this stage of the PDI, compliance is not regular and also most likely not monitored and certainly not rewarded through compensation. Perhaps the project manager asks all consultants to load up all their documents at the end of the project. Yeah, right. At this level of the PDI we also typically see some brave soul attempting to create standards around document templates, naming conventions, meta-data and other types of deliverables and information. However their usage, while encouraged and talked

about, is minimal or worse, simply ignored, and each consultant continues to use the document formats that they used from their last employer.

PSP Stage Three – Acceptive: At this stage of the PDI path we start to see our consultants using our organizational standards as second nature. There is a high degree of consistency across projects, clients and employees with the deliverables. Not only that, but we have a reasonable degree of certainty that the content in these deliverables will also adhere to predefined patterns. Consultants make the effort to ensure that naming conventions are observed and that meta-data is attached to content as it is loaded into the central IP bank. At this stage of the PDI we start to reap some rewards and attain some value.

PSP Stage Four – Accretive: This is where the PSP becomes institutionalized in your organization. The growth of your IP is organic and becomes just part of the way your organization does business. Everyone deposits IP and naturally gravitates to the existing IP as the starting point for any activity they are contemplating. There is a high utilization and reuse of existing IP. Consultants are rewarded for contributing and participating. Productivity increases and the new breed of acknowledged super-stars are the team contributors who authored the most valuable content. Your organization has now truly transformed from a group of individual super-stars that just happen to share the same logo on their business cards to a collaborative team.

PSP Stage Five – Ascendive: We finally reach the apex of PSP. We have put into place processes that enable the reuse of IP and also to review IP after it has been used. We can then compare the latest version of the IP against the existing IP and determine what IP is best practice and use that IP going forward. We value participation in this process highly and therefore measure and reward it. Our IP has been productized, is easily demonstrable, prospects clearly see the value and now we have a strategic asset for years to come. We are closing more opportunities and leveraging junior consultants more and more.

Are there lessons learned from productizing professional services?

If you can relate to the value proposition outlined in this white paper and are considering embarking of a productization journey be assured that you are not going to be the first to put your toe into this pond. Getting some experienced counsel is always a good idea but here are some general pointers learned from previous experiences.

At a high level and as a minimum recommendation, you would be well served by these pointers:

- a) Executive sponsorship – this cannot be a “check it out” and see if you like it affair
- b) Required participation – This is not a “if you like it, use it” program
- c) Realistic objectives – Walk before you run and start with achievable goals
- d) The right tools – Using inadequate technology will only frustrate the team

Let’s review each of these challenges one at a time:

Executive Sponsorship: While there are numerous times for the leadership of a PSO to introduce ideas into the organization and see if they stick, PSP is not one of them. If done incorrectly, the introduction of a PSP program may intimidate and threaten team members. Therefore this needs to be well thought out, planned and marketed into the PSO. All this requires a strong Executive Sponsor with the authority to implement this. If you are in a matrix organization that just makes it all the more important to get the right sponsor.

Required Participation: If only your weakest consultants participate in depositing IP into your bank, the value of your IP bank will not attain its full potential. It should be a requirement that all consultants involved in the current scope of the PSP process participate. This may require some realignment of the compensation plan to ensure that the incentives in play outweigh the possible perceived threat to some members.

Realistic Objectives: Start small and grow. Even with the initial vision impartation to the team, it may be an idea to start small. For example, just productize your Change Order process, or perhaps something a little more challenging like your project plans. Over time you will learn what works and what doesn't in your PSO. Resist the temptation to take on too much. Remember that you want to make your consultants more productive, not inundate them with busy-work and diminish their utilization.

The Right Tools: Ever tried to use a screw-driver to hammer in a nail? Research the tools, technologies and solutions available in the market today and see what will work best for you.

IN CONCLUSION

Over the past decade we have surmounted the hurdle of Professional Service Automation (PSA) and the evolution of the PSO is now getting ready for the next wave of innovation, PSP. This unstoppable trend will provide the early adopters with a significant competitive advantage, both in their win rates and their margin percentages. So, get on the train early, start small, have the right sponsorship, sell the value proposition to your team, motivate your consultants correctly, and get some visible content that you can put in front of prospects and prosper.

About the Author

Vincent Hancock is Executive Director of Ascendive, a leading provider of SaaS solutions to assist Professional Service Organization's to productize their services. Vincent has over 20 years of experience in the services and productization industry, working for both software companies and consulting firms. He has delivered enterprise solutions to many Fortune 500 companies in the Americas, Asia, Europe and the African continent. During his career, Vincent has provided direct consulting expertise to customers such as Amgen, Freeport-McMoRan, General Electric, Standard Pacific Corp, The Clorox Company, W.W. Grainger, Wal-Mart Stores, Weyerhaeuser Company, Whole Foods Market and YUM Brands. He and his wife emigrated from Australia, have four grown children and live in Seattle, Washington. You can reach Vincent at vincent.hancock@ascendive.com or (425) 773-1125.