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WHAT DRIVES THE BEST-OF-THE-BEST PROFESSIONAL SERVICES ORGANIZATIONS

NetSuite Powers the Best-of-the-Best



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THE BEST-OF-THE-BEST OUTPERFORM

Based on results from the tenth annual Professional Services Maturity™ benchmark survey, [SPI Research](#) has named the top twenty-one [2017 Best-of-the-Best](#) professional services organizations. SPI’s extensive annual survey, the [2017 PS Maturity™ Benchmark](#), revealed top performers grew both revenues and new jobs at more than twice the rate of average firms. The top performers had year-over-year service revenue growth that far outpaced the growth rate of the other consulting organizations in the benchmark. To support their expansion, the **Best-of-the-Best** augmented their consulting workforces by 16.9% compared to 5.9% headcount growth for average firms (Table 1).

This past year, the top 21 firms out of 416 organizations who participated in the survey, outperformed their peers and the benchmark average with not only significantly higher profits, but also larger projects and more satisfied clients. These firms generated 19.2% in net profit compared to 13.6% in net profit for average PS organizations.

The Best-of-the-Best excel across five critical service performance dimensions: leadership, client relationships, human capital alignment, service execution, and finance and operations. The **Best-of-the-Best** recognition is significant because it measures PSOs not only on bottom line financial results such as profit margins but also on a breadth of leadership metrics to reveal exceptional, holistic performance.

This white paper examines how leading service providers succeeded despite overall market turbulence. It highlights results in each of the five Service Performance Pillars™ by comparing the **Best-of-the-Best** to all of the other organizations in the survey, and offers suggestions on how to improve organizational performance through the use of integrated front and back-office business applications.

Increasingly, when it comes time for that investment,

companies are turning to NetSuite. Every year a significant number of the **Best-of-the-Best** run NetSuite for their [ERP](#), PSA [professional services automation software](#), and [services resource planning](#). This year was no exception with **Best-of-the-Best** organizations like [Centrify](#), [Pariveda](#)

Table 1: Best-of-the-Best Comparison to Average PS Organizations

Measurement	Top 20 Firms	All Others	Advantage
EBITDA	19.2%	13.6%	41%
Size of PS Organization (employees)	315	509	-38%
Year over year revenue growth	20.4%	8.4%	143%
Year over year PS headcount growth	16.9%	5.9%	186%
Average revenue per project (k)	\$255	\$157	62%
Annual revenue per employee (k)	\$206	\$160	29%
Projects delivered on-time	89.3%	77.4%	15%
Reference clients	81.7%	70.9%	15%

Source: Service Performance Insight, April 2017

[Solutions](#), [Aspect Software](#) and [Box](#) relying on cloud ERP applications from NetSuite to support their superlative performance.

PS MARKET GROWTH IS SLOWING

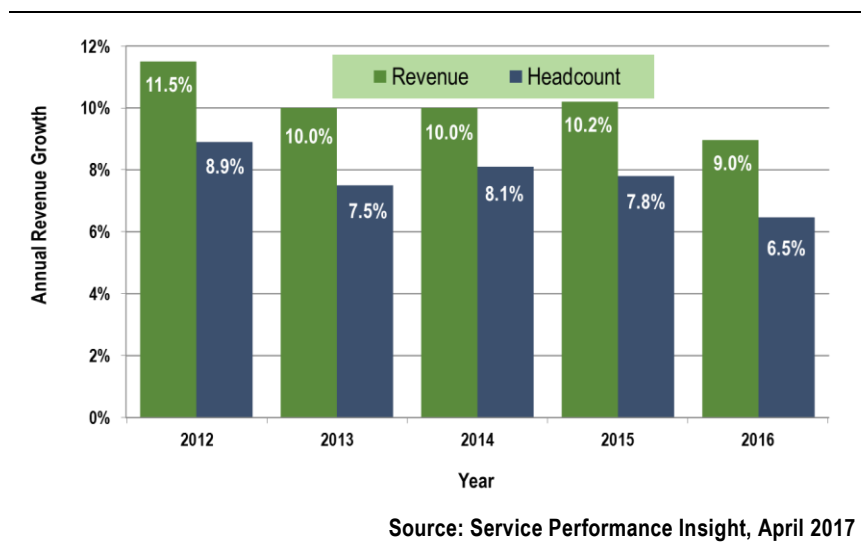
Based on input from 416 PS firms from around the world, for the first time since the great recession, year over year PS revenue growth dropped below 10%. Matching slower revenue growth, PS job creation also dipped to its lowest point since 2009 at 6.5%. At the same time, voluntary and involuntary attrition rose to 13.5%, the highest level we have seen in ten years. Across the benchmark, firms reported lower year over year earnings with average net profit moving down from 15.5% in 2015 to 14.2% in 2016.

One factor that stands out in the benchmark is the fact that revenue growth (averaging 10% per year) consistently exceeds headcount growth (averaging 7.6% per year). This trend has not been driven by services firms raising their pricing structures, which have remained flat or even shown a slight decline over the past 10 years. Rather, the dynamic is driven

by organizations' ability to become more and more efficient over time. These productivity gains are primarily propelled by lower levels of non-billable staff as productivity enhancing business applications have enabled management, finance and operations to do more with less. Several **best-of-the-best** describe doubling headcount and revenues without the addition of more finance and operations personnel.

Despite lower revenue growth and profits, many leading indicators improved in 2016. Revenue per consultant, project backlog, the size of the sales pipeline and the number of projects delivered on-time all made positive gains. In the face of turbulence, the overall fundamentals of the Professional Services industry remain strong with PSOs making tremendous strides in improving productivity. Today far less time and cost are spent on administration and travel as PS-specific business applications have enhanced productivity and virtual consulting delivery has reduced the burden and cost of travel.

Figure 1: Annual PS Revenue Growth vs. Headcount Growth

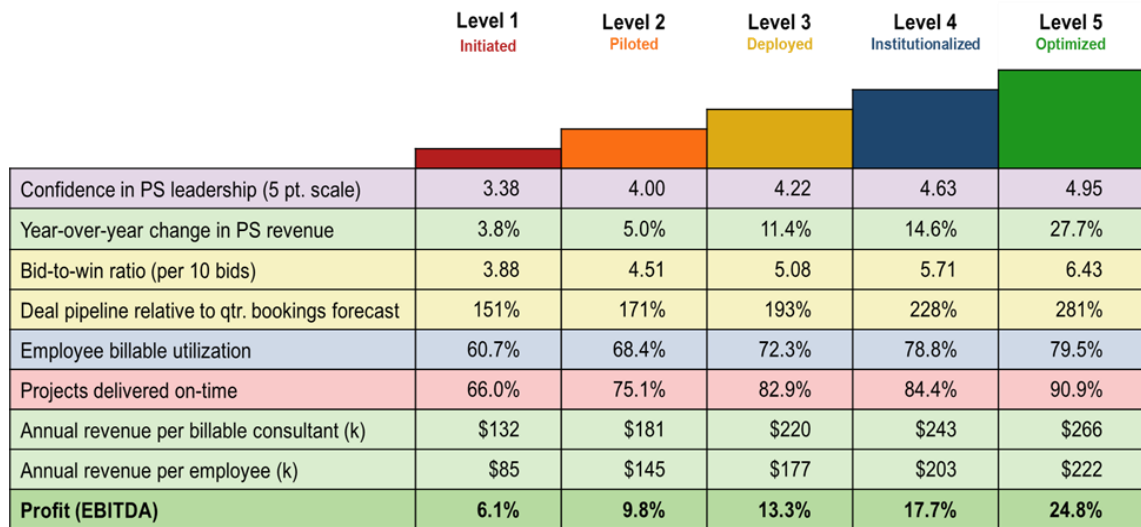


The PS success formula going forward means leading edge firms must continually reinvent themselves, always on the prowl for “the next big thing,” all while delivering exceptional projects today to ensure a rich stream of repeat and referral business. Firms cannot stand still or rest on their laurels – they must continually stay ahead of the markets they serve while intentionally harvesting and repurposing current consulting assets to be able to deliver future projects better, faster – and if need be, cheaper.

PROFESSIONAL SERVICES MATURITY MATTERS

SPI has spent the past ten years benchmarking varying levels of operational performance or maturity to determine the characteristics and appropriate behaviors for PSOs based on their organizational lifecycle stage. Figure 2 itemizes key performance measurements by maturity level, and demonstrates the benefits of investing in a program to assess and advance maturity.

Figure 2: 2017 PS Maturity™ Benchmark Progression – 416 firms



Source: Service Performance Insight, April 2017

FOCUS ON FOUR OF THIS YEAR’S BEST-OF-THE-BEST

Each year Service Performance Insight conducts in-depth analysis of the top 5% of PS Maturity™ benchmark participants to uncover the reasons for their superlative performance. After a careful audit of their survey responses and in-depth interviews with lead service executives, the top performing organizations are named **Best-of-the-Best**.

Four of this year’s top firms, [Centrify](#), [Pariveda Solutions](#), [Aspect Software](#) and [Box](#) have all adopted NetSuite’s ERP solutions. In addition, Pariveda and Aspect Software have integrated NetSuite ERP with NetSuite’s OpenAir PSA application to provide visibility and management control across all aspects of the business.

Centrify

The [Centrify](#) Identity Platform protects against the leading point of attack used in data breaches — compromised credentials — by securing an enterprise’s internal and external users as well as its privileged accounts. Trusted by more than 5,000 customers, including half of the Fortune 50, Centrify secures identities across hybrid, cloud, mobile and on-premises IT environments.



“To build a truly exceptional company, providing great service is not enough. From the beginning, every aspect of Centrify has been focused on the customer. We have built a culture of customer service which is reflected in the longevity, respect and trust we establish with our clients. Our service professionals have walked a mile in the shoes of the clients we serve so they can relate to the issues they face everyday. That is why we have one of the highest satisfaction and retention rates in the industry and why we are perennial high performers in Gartner and Forrester rankings. We are honored to be recognized as one of this year’s Best-of-the-Best service organizations and feel it is an accurate portrayal of the quality and commitment we put into every customer engagement.”

Dean Thompson, VP of Global Technical Services and OEM Sales, Centrify

Pariveda Solutions, Inc.

[Pariveda Solutions](#) is a technology strategy and solutions firm focusing on developing exceptional people to solve our clients’ most complex and valuable business problems. We are multifaceted problem solvers who provide strategic consulting services and custom application development solutions for mobility, cloud computing, data, portals and collaboration, CRM, custom software, enterprise integration and the user experience needs of our clients.



“Among the many firms in our industry, we are honored to be recognized as a “Best-of-the-Best” services organization three years in a row. Our consultants are diligent in their daily efforts as they grow to their fullest potential while creating and providing value for our clients through innovative solutions.”

Kerry Stover, Chief Operating Officer, Pariveda Solutions

Aspect Software

For over 40 years, [Aspect](#) has been driven to help enterprises and customers better communicate and collaborate around the customer experience. Aspect’s contact center, self-service and workforce solutions work together to deliver better outcomes for those on either side of the

conversation. Our approach makes the engagement technologies consumers prefer (text, chat and social) fundamental and harmonious to the overall customer experience. It also lets consumers do more for themselves through self-service solutions that address the preference for text as a simple and central entry point to the entire customer experience, which results in intelligent, two-way automated conversations powered by natural language understanding.



“I am extremely proud of the ongoing transformation of our professional services organization and the dramatic performance gains we have made. By developing a consistent, repeatable service delivery framework we have been able to reduce our client’s time to benefit and total cost of ownership, all while improving utilization, quality and consistency. The changes we are driving are both qualitative and quantitative. We believe that our inclusion in the Best-of-the-Best professional service organizations is testimony to our focus on helping our clients and employees align to their goals and objectives – at the start of their contact center journey and in the long term as they grow and evolve.”

Kenneth Ewell, Senior Vice President, Worldwide Professional Services, Aspect Software

Box

[Box](#) is an enterprise content management platform that solves simple and complex challenges, from sharing and accessing files on mobile devices to sophisticated business processes like data governance and retention. Since 2005, Box has made it easier for people to securely share ideas, collaborate and get work done faster. Today, more than 41 million users and 59,000 businesses—including 59% of the Fortune 500—trust Box to manage content in the cloud.

“Box Consulting is the professional services arm of Box, helping customers realize the value of transforming the way they work and maximize the benefits of their Box deployment. Box Consulting offers implementation packages for customers ranging from 50 employees to hundreds of thousands of employees and collaborators globally. Additionally, Box Consulting helps customers optimize existing deployments, move legacy ECM solutions to Box, and build custom business applications on the Box Platform. Meeting our customer’s objectives requires running an excellent professional services operation and as such we are pleased to be recognized as one of this year’s Best-of-the-Best Professional Services organizations.”



Tim Smith, VP Consulting, Box

BENCHMARK DEMOGRAPHICS

Over 70% of this year's benchmark respondents are focused on some form of technology consulting. Approximately 30% operate service organizations within software, hardware or cloud technology companies with the remaining 70% representing independently managed firms providing a variety of technology, management consulting, advertising, accounting and engineering services. A snapshot of the demographics of the four largest PS vertical market segments is shown in Table 2. IT consultancies and embedded software support the largest PS workforces and generated the most PS revenue. In 2016, embedded software and management consultancies reported almost no new job creation.

Table 2: 2017 PS Maturity™ Benchmark Demographics

Demographic	IT Consult	Software	Mgmt. Consult.	SaaS	2017 Benchmark
Number of firms reporting	133	57	46	41	416
Average Size of PSO (employees)	476	558	323	213	499
Annual company revenue (\$mm)	\$152.0	\$380.5	\$120.7	\$162.7	\$197.9
Professional service revenue (\$mm)	\$78.1	\$86.9	\$61.1	\$26.8	\$85.8
Year-over-year change in PS revenue	10.6%	7.0%	7.1%	12.7%	9.0%
Year-over-year change in PS headcount	8.3%	2.9%	1.6%	10.6%	6.5%
% of employees billable or chargeable	75.2%	75.0%	76.4%	72.7%	74.6%
% of PS revenue delivered by 3rd-parties	13.5%	9.1%	11.1%	11.0%	11.4%
M&A over the past 3 years	0.73	1.83	0.49	1.59	1.02

Source: Service Performance Insight, April 2017

In the people-based PS industry headcount growth is intimately intertwined with revenue growth and profit as the addition of new consultants precedes and drives revenue growth. IT consultancies reported the highest level of subcontractor use while embedded software PS organizations reported the least.

The entire PS sector is starting to experience consolidation, with over 3,000 PS acquisitions reported globally. The table shows software and SaaS solution providers are undergoing a high level of merger and acquisition activity as the software industry titans – Facebook, Google, Microsoft and Oracle, among others, look to acquisitions as a way to penetrate hot new markets while building new competencies.

This year's top performers are experiencing tremendous growth. Many have both acquired and been acquired, as larger firms seek to grab some of their magic. A top challenge is maintaining their esprit de corps as they grow. To ensure their cultures of continuous learning are passed

down to newcomers and the next generation of leaders, many have built strong consulting and leadership development programs, emphasizing and supporting accountability at all levels.

To support their growth, top performers expanded their workforce at a much higher rate than average firms. They also had a much higher percentage of billable employees, and depended less on third-party resources. They prefer to recruit and deploy their own talented resources without heavily relying on subcontractors which in turn translates to higher levels of both employee and client satisfaction.

SERVICE PERFORMANCE PILLARS™

In this year’s benchmark, SPI Research found the best performing firms operated better than their peers across every one of the Service Performance Pillars™. The following sections show how they achieved these results by highlighting four winners who rely on Cloud ERP applications from NetSuite.

Client Relationships

As one might expect, this year’s *Best-of-the-Best* firms were much more successful in the marketing and sales of services than their competitors. Given their focus on high-growth markets, these organizations grew revenue more than twice as fast as average firms. Despite tempting distractions, they were able to stay focused on their core competencies and markets.

They did so through better partnering, bid management and building a robust deal pipeline. This level of focus

eliminated the need to heavily discount services or take on services that were not aligned with organizational strategy.

Table 3: Best-of-the-Best Client Relationships Comparison

Key Performance Indicator (KPI)	Best	Rest	▲
Year over year PS revenue growth	20.4%	8.4%	143%
Sales pipeline relative to quarterly bookings forecast	275%	184%	49%
Win ratio	66.2%	47.5%	39%
Average service discount	6.0%	7.8%	-23%
Percentage of revenue from new logo clients	36.1%	29.4%	23%
Percentage of referenceable clients	81.7%	70.9%	15%

Source: Service Performance Insight, April 2017

At **Centrify**, a singular focus on the customer binds sales and service to a common mission, ensuring both teams are focused on helping the customer. This synergy is supported by equal sales compensation for products and services, cementing a natural equilibrium between discovering client requirements and fulfilling them through high quality service delivery. Centrify offers a variety of professional services programs to help speed deployment, optimize internal resources and maximize customer investments. Centrify professional services regularly reduces deployment times by over 50% — a direct savings to the bottom line.

At Centrifly, client relationships are built through continuous interaction between the professional services teams and customers. Many software vendors try to automate and pre-package services at the cost of personal relationships. Centrifly believes that human interaction is important before, during and after the engagement, and it starts by learning what customers are trying to achieve and what success looks like to them — before any services are recommended. The management team also spends significant time on the road meeting with customers in person to ensure they are achieving their goals.

Human Capital Alignment

Among the most interesting comparisons in this year’s benchmark is the Human Capital Alignment pillar. One of the reasons it is so difficult to stay on top in the professional services market is that the best employees are continually recruited away with promises of greater responsibility, more interesting projects, and better compensation. This dynamic makes it difficult to find and keep great talent in order to maintain leadership status. This is where the high cost of recruitment and training comes into play, which can negatively impact a PSO’s profitability.

Table 4 shows Human Capital Alignment metrics. The table points out why the leading organizations pride themselves on building a culture of excellence. They experience lower

voluntary attrition but are more effective in weeding out non-performing employees with higher levels of involuntary attrition. Because they heavily invest not only in recruiting top talent but also in providing loads of employee training, they are able to bring new hires on-board and get them up-to-speed far faster than average firms. By reducing the time to productivity, combined with a rich pipeline of interesting projects, consultants are far more likely to

Table 4: Best-of-the-Best Human Capital Alignment Comparison

Key Performance Indicator (KPI)	Best	Rest	▲
Year over year increase in PS headcount	16.9%	5.9%	186%
Percentage of workforce under 30	32.1%	21.4%	50%
Employee annual attrition – voluntary	7.3%	8.1%	-10%
Employee annual attrition – involuntary	7.1%	5.5%	30%
Annual training days / employee	11.50	8.15	41%
Days for a new hire to become productive	45.0	56.0	-20%
Recommend as a great place to work	98.0%	84.8%	16%
Employee billable utilization	79.3%	69.9%	14%

Source: Service Performance Insight, April 2017

recommend the firm as a great place to work. Superior billable utilization enabled top performers to bill more than 188 more hours per consultant than average firms. This figure translated into over \$53,000 in additional revenue per consultant as shown in Table 6.

A shown in Table 4, a key differentiator for the **Best-of-the-Best** is the level of training and mentoring offered to employees. To support their growth, Best-of-the-Best firms are always on the lookout for top talent. Increasingly, they are focused on developing a millennial generation of consultants which mean they focus on recruiting from top universities and bring cohorts of college hires through a rigorous on-boarding process which includes elements of consultant charm school in which fresh young hires learn about client industries and business problems in addition to technical skills.

In 2003 **Pariveda** was founded to answer a simple question. Could a technology consulting firm be successful by focusing first on growing the individual to their fullest potential? Now, fourteen years later, the answer is abundantly clear as Pariveda has grown to over 400 consultants and \$100 million in revenue all based on an unwavering commitment to developing people. At Pariveda’s core is a true desire to help the individual grow through learning, coaching and giving to others to achieve their fullest potential. The individual is defined as Pariveda’s people, clients, recruits, alumni, and communities. Pariveda’s unique culture, based on empowering individuals, is clearly evidenced by a client repeat/referral rate of 85%.

It is through this belief in helping the individual, that Pariveda has grown revenue each and every year since 2003. Pariveda believes in providing for the security and well-being of its people and their families through an ESOP where stock is earned from the very first day of work, along with 401k matching, paid sabbaticals and 100% paid medical. This year Pariveda moved to provide 6 weeks of paid parental leave for all employees, one of only a handful of consulting organizations who provide this benefit. Pariveda’s consistent ranking as a great place to work shows up in industry-leading retention combined with high levels of employee and customer satisfaction.

Service Execution

Service execution is where the **Best-of-the-Best** always outperform the rest in SPI Research’s annual benchmark survey. Table 5 demonstrates just how much more effective the leading firms are, as they are able to deliver much larger projects with fewer overruns, cancellations and more reliable on-time delivery. Project staffing is a breeze based on the resource management capability provided by PSA. Based on streamlined sales and service delivery processes combined with better project controls and enhanced use of standardized delivery methods, project margins are vastly superior to average firms.

Table 5: Best-of-the-Best Service Execution Comparison

Key Performance Indicator (KPI)	Best	Rest	▲
Average revenue per project	\$255	\$157	62%
Average project overrun	4.5%	8.6%	-48%
Projects canceled	1.3%	2.0%	-35%
Project staffing time (days)	6.79	8.79	-23%
Project margin for time & materials projects	41.5%	35.2%	18%
Use a standardized delivery methodology	81.0%	70.7%	15%
Projects delivered on-time	89.3%	77.4%	15%

Source: Service Performance Insight, April 2017

The leading firms utilize the combination of PSA with their core financial solution (ERP) to provide greater visibility into the delivery processes, costs and revenues necessary to deliver high margin services. Part of this visibility entails resource management, which is for all firms, at a premium with a constrained talent supply. Leaders consistently improve their methodologies, tools, templates and education to deliver high quality services. Quality reviews, Project Management offices, knowledge capture and continuous improvement are all components of superlative service execution.

In 2012 Aspect Software began rethinking both its product direction and the role of services with an eye to transitioning products and services to the cloud. Now in its fifth year, this transformation has resulted in significantly greater cloud product and service revenue and margin contribution to the bottom-line combined with greater consistency and quality.

Through a laser focus on enhancing service execution metrics, methods and tools, billable utilization has improved from 60 to 69% while the amount of “free” work has been cut in half. The PS organization has been fine-tuned and reshaped with a higher percentage of subcontractors and investment in an India-based global Center of Excellence to take advantage of collocating a large, multi-talented workforce. Now 40 to 50% of work is delivered virtually with greater attention to methodology development and the use of consistent frameworks. Despite downsizing and restructuring, Aspect has kept workforce attrition to a minimum through an emphasis on open communication and frequent job performance feedback and recognition. NetSuite financials and PSA have been part of Aspect’s transformation, providing enhanced visibility and management control, underpinning significant improvement in the amount of PS revenue generated per employee accompanied by higher levels of PS contribution margin.

Finance and Operations

The Professional Services Maturity Model™ scoring over-weights financial success; meaning the leaders in this survey were much more profitable than their peers. The **Best-of-the-Best** are focused on financial success, predictability and repeatability.

All four NetSuite **Best-of-the-Best** winners use the powerful NetSuite finance and accounting application to streamline, simplify and

Table 6: Best-of-the-Best Finance and Operations Comparison

Key Performance Indicator (KPI)	Best	Rest	▲
Quarterly revenue target in backlog	64.0%	44.3%	45%
Revenue leakage	2.65%	4.41%	-40%
% of billable work written off	1.63%	2.66%	-39%
Annual revenue per employee (k)	\$206	\$160	29%
Annual revenue per billable consultant (k)	\$255	\$202	26%
Executive real-time wide visibility (1 to 5)	4.19	3.46	21%
Percent of annual revenue target achieved	101.7%	91.5%	11%
EBITDA %	19.2%	13.6%	41%

Source: Service Performance Insight, April 2017

automate financial operations and measure the profitability of operations. For those that use NetSuite's PSA, they credit the integration between their PSA resource and project management application with their ERP billing and accounting solution as a catalyst for growth and profitability as they are able to measure and improve utilization and project profitability in real-time.

Table 6 shows the enviable financial results from this year's **Best-of-the-Best**. They produced significantly more net profit (19.2% compared to 13.6%) than average firms. This high level of profitability is derived from larger projects, higher revenue per employee and consultant, with a larger project backlog. All of the **Best-of-the-Best** can be characterized as running a very tight financial ship. They are frugal with non-essential expense. In particular, they don't invest in fancy offices and non-billable travel, preferring to fund the skill and career development of their employees.

"Fiscal 2017 was a milestone year as [Box](#) achieved record revenue with growth of 32% year-over-year to \$398.6 million while generating \$10 million positive free cash flow for the first time in the fourth quarter," said Aaron Levie, co-founder and CEO of Box. "Box is raising the bar in cloud content management. We've consistently delivered innovative new products, set the standard for security and compliance, and helped customers in every industry move to the cloud with confidence. We are driving towards a \$1 billion long-term revenue target, and this year we plan to invest for scale while continuing to drive operating leverage." The top challenge for Box professional services has been keeping up with torrid revenue, headcount, new customer and partner growth along with constant portfolio expansion. Attention to practice-level metrics for bookings, revenue and utilization targets by role have ensured predictable and profitable service growth.

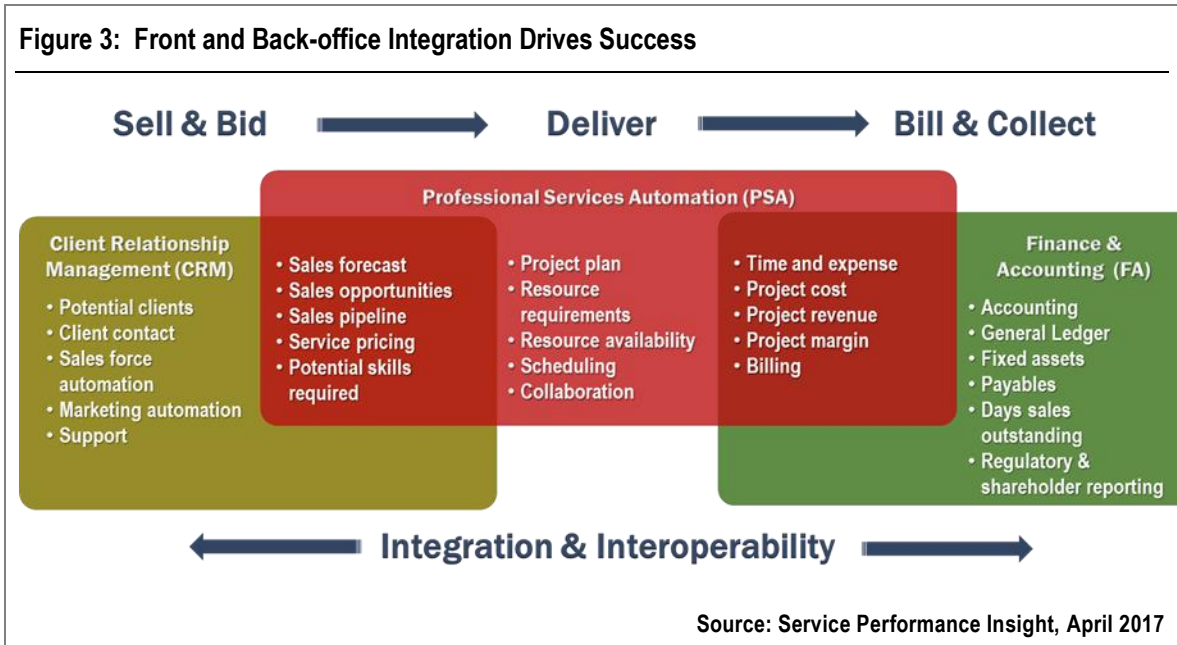
FRONT AND BACK-OFFICE ALIGNMENT IS CRITICAL FOR SUCCESS

One of the defining characteristics of this year's Best-of-the-Best is their intelligent use of integrated cloud-based business applications to manage all facets of operations. All four NetSuite winners rely on NetSuite's Enterprise Resource Planning (ERP) to manage financial business processes in the cloud. They take advantage of NetSuite's sophisticated revenue management and billing solutions to handle complex multi-element billing and revenue recognition. Intelligent decision-making is enhanced by built-in business intelligence with real-time reporting and analytics which provide a single version of the truth to ignite better, faster decision making. The powerful combination and integration between ERP and PSA improves resource utilization, streamlines time capture and billing, while elevating on-time project delivery and profitability.

Accurate information helps leaders estimate, quote and price engagements that meet cost, margin and time requirements, which in-turn improves client satisfaction because expectations are properly set and deliverables and timelines are met. In the professional services market, real-time insight into resource demand and availability is critical as it can take up to six months to find, hire and train the right resources.

The obvious way to gain greater visibility is to take advantage of an integrated information infrastructure. As shown in Figure 3, leading PSOs operate more efficiently and effectively – *and of course more profitably* because their information systems are integrated so each area of the PSO understands how their work impacts others.

“Quote-to-cash” is at the heart of the sales/delivery/finance process. It is a series of interrelated processes supported by CRM, PSA and ERP modules (Figure 3). To optimize these fundamental business processes, top performing PSOs rely on the integration of these essential business applications to provide visibility, transparency and control. Although each of these applications are offered on a stand-alone basis, the true power of managing the complete quote-to-profit business cycle is best accomplished by an integrated suite of applications.



Information Technology Use

The use of information technology and integrated business solutions, increases every year in SPI Research’s benchmark. This year all but one of the twenty-one **Best-of-the-Best** organizations used both a commercial financial management (ERP) and Professional Services Automation (PSA) solution (Table 7). These organizations leveraged the technologies via the cloud, giving them greater visibility and access regardless of physical location. Integration gives them vital real-time information to make decisions more rapidly, which in turn increased organizational efficiency and profit.

Service Performance Insight’s research has shown the highest performing organizations excel in their use of integrated information technology solutions. While most PS organizations use some form of financial management, CRM and PSA solutions to efficiently plan, sell and execute services, those that perform the best drive even better results through the integration of these core solutions. Table 7 clearly shows the **Best-of-the-Best** organizations are far more likely to

integrate their CRM and PSA applications with each other as well as with their core financial solution, driving improvements in productivity and profit.

Buy PSA to Improve Performance, Integrate PSA to Improve Profit

Stand-alone PSA increases project margins, which impacts profit. But the rewards are amplified when it is integrated with the

organization’s financial management application. PSA and financial integration enhance visibility and management control, enriching the bottom-line.

Information-sharing enables all relevant employees to better understand high-demand skills, cost, availability and profitability. Recruiting and subcontracting can be turned on and off to ensure the right resources with the right skills are available at the right time. Finance can ensure revenues and costs are aligned while service delivery can focus on productivity and quality (Figure 4). Integration enhances visibility and makes the firm more focused and agile because decisions are based on real-time service performance, not intuition.

SPI Research asked whether PSA was integrated with the core financial management solution. Table 8 shows the benefits of PSA are amplified when it is integrated with core financial management solution. Integration improves visibility across all facets of the organization, further driving alignment and collaboration. With this integration, decisions are based on the same, continually updated fact base, not best guesses, guaranteeing proactive oversight. This integration provides a 360-degree view of the client.

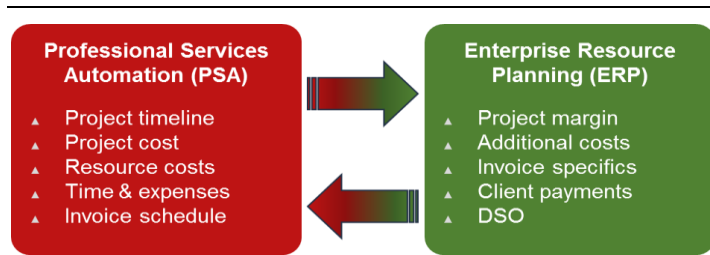
As Table 8 shows, PSOs that have integrated PSA grow revenue faster, and have a higher percentage of billable employees, with reduced administration overhead. Revenue per project increases due to better project visibility, with fewer project overruns and higher levels of use of

Table 7: Commercial Business Application Use

Key Performance Indicator (KPI)	Best	Rest	▲
Use a commercial financial management solution	95.2%	91.2%	4%
Satisfaction with financial solution (1 to 5 scale)	4.19	3.64	15%
Use a commercial CRM solution	90.5%	84.5%	7%
Satisfaction with CRM solution (1 to 5 scale)	4.21	3.88	8%
CRM is integrated	53.3%	39.1%	36%
Commercial PSA solution	95.2%	79.1%	20%
Satisfaction with PSA solution (1 to 5 scale)	4.45	3.77	18%
PSA is integrated	84.4%	52.1%	62%

Source: Service Performance Insight, April 2017

Figure 4: Integrated PSA Helps Improve Profit



Source: Service Performance Insight, April 2017

standardized methods. Better project execution shows up in higher project margins and more revenue per consultant.

CONCLUSIONS

One of the characteristics that differentiates this year’s top performers is the emphasis they place on building unique, employee-centered cultures, supported by integrated business applications. They run predictable, profitable businesses because they

have visibility to all facets of operations, ensuring collaboration around client opportunities. More than average firms, they are truly passionate about building an exceptional organization, not just for today, but for decades to come. They are willing to honestly look at themselves and the business and make changes to ensure they continue to be the premium firm. Their sterling reputation for delivering high quality results is a key ingredient in their success as most often new business comes from referrals.

This year SPI Research analyzed over 400 professional services organizations to determine the **Best-of-the-Best** (the top 5%). Being the **Best-of-the-Best** requires that firms operate efficiently and effectively in all aspects. Front and back-office alignment is a critical component. In order to achieve **Best-of-the-Best** status, PSOs must be tightly aligned and integrated so that each area of the organization helps the others achieve both operational and financial goals. This year was no different, as the leading providers continued to focus on talent optimization and their ability to deliver highly profitable services while achieving high levels of client satisfaction.

In order to succeed, these organizations overwhelmingly utilized their information infrastructure and the visibility it provides to more effectively communicate and collaborate both internally and externally with employees, clients and partners. As the market continues to grow and talent becomes increasingly scarce, workforce optimization through the use of integrated business solutions will become even more critical for long term growth and profit.

Table 8: The Value of PSA Integration

Key Performance Indicator (KPI)	No PSA	Non-Integrated PSA	Integrated PSA
Number of organizations	83	80	138
Year-over-year change in PS revenue	7.8%	8.6%	9.8%
% of employees billable or chargeable	72.2%	74.4%	75.2%
% of PS revenue delivered by 3rd-parties	9.7%	10.9%	12.1%
Revenue per project (K)	\$112	\$146	\$199
Projects delivered on-time	77.5%	78.7%	79.8%
Use a standardized delivery methodology	67.5%	73.2%	74.0%
Project margin for time & materials projects	35.0%	36.3%	36.9%
Annual revenue per billable consultant (K)	\$204	\$205	\$206

Source: Service Performance Insight, April 2017

About Service Performance Insight



R. David Hofferberth, PE, Service Performance Insight managing director and licensed professional engineer, has served as an industry analyst, market consultant and product director. He is focused on the services economy, especially productivity and technologies that help organizations perform at their highest capacity.

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Service Performance Insight (SPI Research) is a global research, consulting and training organization dedicated to helping professional service organizations (PSOs) make quantum improvements in productivity and profit. In 2007, SPI developed the PS Maturity Model™ as a strategic planning and management framework. It is now the industry-leading performance improvement tool used by over 15,000 service and project-oriented organizations to chart their course to service excellence.

SPI provides a unique depth of operating experience combined with unsurpassed analytic capability. We not only diagnose areas for improvement but also provide the business value of change. We then work collaboratively with our clients to create new management processes to transform and ignite performance. Visit www.SPIresearch.com for more information on Service Performance Insight, LLC.