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NETSUITE

A Service Performance Insight White Paper

Service Compass: *Charting the Course to Professional Service Excellence*

Best Practices of the Best-of-the-Best Professional Services Organizations

NetSuite Powers the Best-of-the-Best

2018 Best-of-the-Best
Professional Service Organizations
SPI Research

ORACLE® NETSUITE

April 2018

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INTRODUCING THE 2018 BEST-OF-THE-BEST PROFESSIONAL SERVICES ORGANIZATIONS

Based on results from the eleventh annual Professional Services Maturity™ benchmark survey, SPI Research has named the top twenty 2018 Best-of-the-Best professional services organizations. SPI's extensive annual survey, the 2018 PS Maturity™ Benchmark, revealed top performers grew both revenues and new jobs at more than twice the rate of average firms. To support their expansion, the *Best-of-the-Best* augmented their consulting workforces by 19.8% compared to 8.7% headcount growth for average firms.

This past year, the top 20 firms out of 456 organizations who participated in the survey, outperformed their peers and the benchmark average with not only significantly higher profits, but also more projects delivered on-time and many more satisfied clients. These firms generated 26.3% in net profit compared to 16.1% 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. Each year SPI meets with leaders from the Best-of-the-Best PSOs to gain insight into what sets them apart and the best practices that drive their exemplary performance.

This white paper examines how leading service providers succeeded despite global 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 performance through the use of integrated front and back-office business applications.

Increasingly, when it comes time for IT investments, companies are turning to NetSuite. Every year a significant number of the *Best-of-the-Best* run NetSuite

Table 1: Best-of-the-Best Performance Advantage

Measurement	Top 20 Firms	All Others	Advantage
EBITDA (Net Profit)	**26.3%**	**16.1%**	**63%**
Size of PS Organization (employees)	490	340	44%
Year over year revenue growth	19.4%	7.5%	159%
Year over year PS headcount growth	19.8%	8.7%	126%
Average revenue per project (k)	$193	$169	14%
Annual revenue per employee (k)	$221	$155	43%
Projects delivered on-time	90.2%	79.2%	14%
Reference clients	88.8%	74.0%	20%

Source: Service Performance Insight, April 2018

for their financial ERP, and PSA (Professional Services Automation) applications. This year was no exception with *Best-of-the-Best* organizations like Cloudera, Pariveda Solutions, TOP Step Consulting and Vision Solutions relying on cloud applications from NetSuite to support their superlative performance.

2017 WAS A VERY GOOD YEAR FOR PS

In 2017 the people-based professional services industry transcended looming changes in healthcare, taxation and the ability to employ non-resident workers with ease, producing the highest net profit yet recorded. Tech companies seem to have adapted to new security and accounting standards without a hiccup. Hybrid business models and billing models have not dampened the productivity or profit of Professional Services organizations; in fact, many firms reported 2017 as their best year ever. Based on a surge in hiring, the PS sector is poised for another record year in 2018.

Productivity improvements are critical in professional services. As the global economy picks up steam, organizations in every industry are having to work harder to achieve higher productivity, without

Figure 1: Annual PS Revenue Growth vs. Headcount Growth

Source: Service Performance Insight, April 2018

adding substantial cost. ***For the first time, PS headcount growth exceeded revenue growth, indicating firms are feeling confident enough in the future to hire in advance of sales (Figure 1).*** This is really a big deal as it means firms are poised for growth in 2018. To combat the shortage of skilled consultants, PSOs are using a host of creative recruiting and skill-building strategies to squeeze ever higher levels of productivity from their workforces.

Although professional service industry growth continued, top line revenue growth slowed from 10.2% in 2015 to 8% in 2017 This is the second year in a row that overall PS sector revenue growth has dipped below 10%.

Underlying top level year over year revenue growth, we see uneven
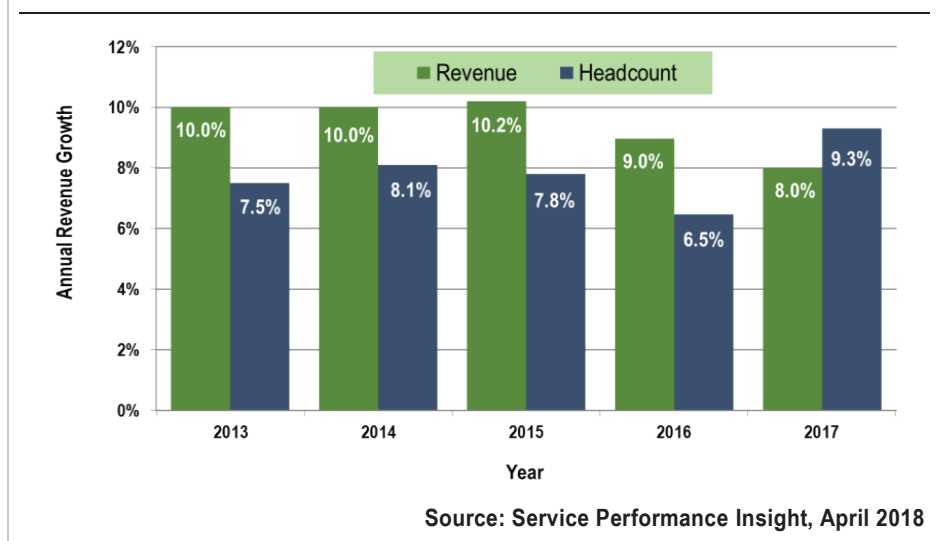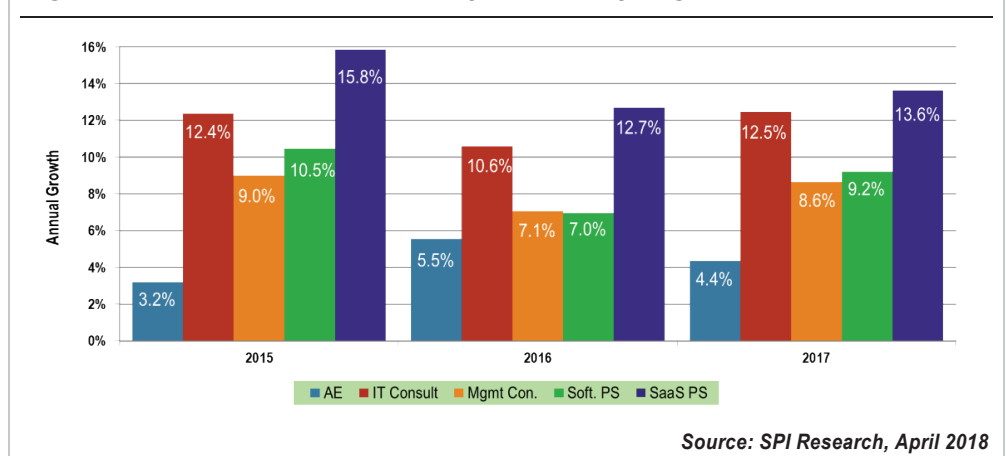

Figure 2: Annual Revenue Growth by PS Industry Segment

Source: SPI Research, April 2018

sector performance with organizations focused on the cloud, security, IOT, analytics and artificial intelligence experiencing significant growth while the more traditional segments of accounting, architecture and networking are seeing consolidation and price pressure (Figure 2). Now is the time for all PSOs to carefully evaluate their markets and market positioning to ensure they stay ahead of the curve and to seize emerging market opportunities before they become mainstream and commoditized.

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.

MATURITY MATTERS!

SPI has spent the past eleven 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 3 itemizes key performance measurements by maturity level and demonstrates the benefits of investing in a program to assess and advance maturity.

Figure 3: 2018 PS Maturity™ Benchmark Progression – 456 firms

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institutionalized	Level 5 Optimized
Confidence in PS leadership (5 pt. scale)	3.28	3.98	4.31	4.83	5.00
Year-over-year change in PS revenue	3.0%	5.7%	9.7%	13.8%	22.2%
Bid-to-win ratio (per 10 bids)	3.40	4.11	5.21	6.39	7.58
Deal pipeline relative to qtr. bookings forecast	125%	147%	182%	243%	275%
Employee billable utilization	60.3%	69.2%	74.8%	81.4%	84.6%
Projects delivered on-time	72.7%	78.1%	83.3%	82.7%	90.8%
Annual revenue per billable consultant (k)	$104	$169	$215	$247	$291
Annual revenue per employee (k)	$77	$130	$175	$208	$253
Profit (EBITDA)	**4.7%**	**7.8%**	**15.2%**	**22.6%**	**35.2%**

Source: Service Performance Insight, April 2018

NETSUITE POWERS 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**. Twenty out of 456 participating organizations were selected for this prestigious honor, becoming the 2018 Best-of-the Best.

One of the characteristics that differentiates this year's top performers is the emphasis they place on building unique, employee-centered cultures. Whether it is parental leave for all employees or providing employee ownership or career opportunities regardless of gender, these firms have built collaborative cultures in which continuous growth and teamwork are prized. Their emphasis on building an open and ethical work environment manifests in low levels of attrition and high levels of employee satisfaction and referrals.

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, they have built strong consulting and leadership development programs, emphasizing and supporting accountability at all levels.

Four of this year's top firms, Cloudera, Pariveda, TopStep Consulting and Vision Solutions have adopted NetSuite's solutions to provide visibility and management control across all aspects of the business. Following are excerpts from interviews with the PS leaders of these firms.

Cloudera

At Cloudera, we believe that data can make what is impossible today, possible tomorrow. We empower people to transform complex data into clear and actionable insights. We deliver the modern platform for machine learning and analytics optimized for the cloud.

Greg Marron, Director of Professional Services Operations at Cloudera

Please tell us about your firm's top accomplishments in 2017.
Net expansion rate of 135%, software revenue grew 51%, professional services delivered successful engagements to over 400 customers.

Please tell us about the aspects of your firm that you are most proud of.
We were the first commercial provider of Hadoop and continue to be the market leader. We have continued to innovate and are now positioned as leaders in Machine Learning and Advanced Analytics solutions, on-premise and in the Cloud.

Please tell us why your firm is a great place to work.
We have a great culture with great people. We also have a great opportunity as we are competing in a market that is expected to expand at 21% per year over the next 4 years.

Please tell us about the top challenges your firm is facing in 2018.
Improving leverage and productivity out of our sales stack. We will also need to innovate rapidly in order grab market share that is shifting to the cloud.

Please tell us how you plan to continue to be a Best-of-the-Best professional service organization.
We deliver value to our customers by providing the best and brightest resources. We will continue to invest heavily in training and in our college hire program, which has proven to provide a great source of talent. We are also investing in our asset management program, so that we can harness and reuse tools and best practices. We have also acquired a machine learning PS practice and will look to leverage that practice to drive innovation across our customers.

Pariveda Solutions

Pariveda Solutions is a technology strategy and solutions firm focused 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, collaboration, CRM, custom software and enterprise integration.

Kerry Stover, Chief Operating Officer, Pariveda Solutions

Please tell us about your firm's top accomplishments in 2017.
2017 was a year of many accomplishments and achievements for Pariveda. We surpassed the $100M revenue level in 2017 as we increased revenue 11% to $109M and we expanded our national footprint by opening an office in Philadelphia, our 10th major U.S. market. Internally our processes expanded and deepened with the use of Holacracy. This gave us further capabilities to provide a safe career and respect for the individual while increasing adaptivity in our organization. We deployed our new methodology across all offices to formalize the common language of our work. Our brand was brought to life through the production of a new public website which showcases our work and the passion behind it.

Central to our organization is the tenet of talent development, an area in which we achieved significant milestones this year. Highground, a performance feedback system, was chosen and deployed across the entire firm in support of our commitment to developing people to their fullest potential. In addition, a new Manager School was deployed to improve entry into the role and increase engagement across the level. Two Vice Presidents and nine Principals were promoted internally. OpenAir PSA was also able to assist in the growth of our people as we implemented generic resources to improve the matching process and increase visibility to our backlog. This now helps our management team place employees on the best projects for their career growth.

Please tell us about the aspects of your firm that you are most proud of.
We are very proud of our commitment to long-term relationships with our clients. 94% of our revenue in 2017 came from repeat and referral clients. Our employee feedback this past year earned us recognition in numerous local awards as well as high rankings in national awards such as Glassdoor and Consulting Magazine. Furthermore, seeing the success of our mission to develop people with 60% of employees being promoted in 2017 gives us pride as we watch them grow their careers.

Please tell us why your firm is a great place to work.

Pariveda, at its core, believes each person has the potential to grow. We establish policies, procedures, frameworks and guides around the central idea that this growth is essential and important in a person's career. This is not only found in our transparent career path and promotion review cycle but also in the daily interaction between our associates. When this level of care and thought goes into a person's career growth and work life they discover a safe, respectful, open and caring environment prime for learning. Yes, there are challenges along the path for our employees, but these are met with support and guidance that helps them extend similar support and guidance to others in the firm.

Please tell us about the top challenges your firm is facing in 2018.

2018 will continue to be a year of growth for Pariveda. We need to deepen our delegation of authority and the accountabilities within our firm along with implementing tools and processes that provide visibility to and promote the rapid escalation of issues. We need to effectively diffuse the skills and processes to sell and deliver new capabilities in business and product consulting across our offices. Our brand will also be challenged as we work to extend it to support not only the new capabilities but also in the new cities we take our solutions.

Please tell us how you plan to continue to be a Best-of-the-Best professional service organization.

A continued corporate focus to increase our operational excellence will allow us to remain highly effective in areas distinctive to our architecture. In addition, we will increase rigor on internal operations needing to scale. We are adding an executive level position focused solely on client relationships to deepen that commitment to this distinct component of our architecture. Finally, we will continue to be excellent in our talent development processes so that our mission of developing our people to their highest potential will remain the same, enabling our ability to co-create value with our clients.

TOP Step Consulting

TOP Step Consulting improves business efficiency and productivity for Professional Service operations by providing consulting and implementation services for Professional Services Automation software. TOP Step Consulting is an eight-time Best-of-the-Best winner.

Jodi Cicci, President and CEO TOP Step Consulting

Please tell us about your firm's top accomplishments in 2017.

- Δ Refocusing the company to support a single PSA vendor and all related integration technologies
- Δ Becoming an official NetSuite Alliance Partner
- Δ Making the Inc 5000 list for the 3rd year in a row
- Δ Making Consulting Magazine's fastest growing companies list the 3rd year in a row
- Δ In a 'refocus' year, still reaching 97% of revenue target
- Δ We celebrated our 10-year anniversary in June 2017!

Please tell us about the aspects of your firm that you are most proud of.
∆   Customer support and loyalty
∆   Our strong reputation amongst the OpenAir Community, partners, and customers
∆   A solid team of colleagues driving the company goals and vision
∆   Giving back to customers each month in our newsletters

Please tell us why your firm is a great place to work.
∆   Team members enjoy solving customer problems – happy customers / happy team!
∆   Always new things to learn with every customer and challenge
∆   Strong sense of team - if someone needs help or coverage or backup, we're always jumping in
    to help!
∆   Flexible schedules and working from home
∆   Internal training on a bi-weekly basis (brunch n learns)

Please tell us about the top challenges your firm is facing in 2018.
∆   With a focused PSA practice now, the challenge will be to ensure we have a steady pipeline
    and new opportunities to build on experiences/technologies related to OpenAir
∆   Staffing and ramping people up quickly on our expertise
∆   New executive management in place – maintain customer base and reputation (luckily our
    new CEO has been with the firm 9 of the 10 years so his reputation precedes him)

**Please tell us how you plan to continue to be a Best-of-the-Best professional service
organization.**
∆   Continue to build the team knowledge base and 'sense of team' with company vision
∆   Focus on cost control
∆   Continue to promote a spirit of learning and knowledge transfer within our team and to our
    customers
∆   Become a key partner to NetSuite
∆   Set realistic revenue goals that support company growth while allowing for the inevitable
    unplanned hurdles that come with running a company year after year.
∆   Listen to our customers!

Vision Solutions

*Vision Solutions is a premier provider of software solutions
designed to protect data, minimize downtime and maximize
resources for the modern data center. Vision Solutions® delivers
workload migrations, high availability, disaster recovery and data
sharing — across any hardware and any physical, virtual or cloud-
based environment.*

Terry Plath, Vice President Global Services, Vision Solutions

Please tell us about your firm's top accomplishments in 2017.

In 2017, we witnessed a 63% revenue growth of our Managed Service practice, and surpassed the
$2 million revenue and 100 customer mark just 2 ½ years after launching the offering.

Additionally, we achieved an all-time high 39.2% EBITDA for PS while maintaining 93% customer satisfaction on projects and no escalations resulting from delivery quality issues.

Overall, one of the biggest highlights of 2017 was the $1.26 billion acquisition by Centerbridge Partners that merged Vision Solutions and Syncsort under the Syncsort name. This acquisition set the stage for many more that enabled Syncsort to carve out its own niche and establish itself as a leader in the "Big Iron to Big Data" market. We also oversaw the successful sale of Double-Take Software to Carbonite, renewing our focus on data protection, high availability and IT automation software to our customers.

Please tell us about the aspects of your firm that you are most proud of.
The Vision Solutions team is comprised of team members that are truly experts in business resilience and high availability/disaster recovery. We pride ourselves on being the go-to source to, literally, to prevent major system outages and mass data loss at many of the world's premier corporations. Since I joined the team in 2014, our consulting team has experienced only one voluntary departure proving our positive work environment and complete commitment to our line of work. As the leading experts in the "Big Iron to Big Data" space we are continuously expanding our capabilities and the breadth of our capacity to help our customers through data and server security, data quality, data integration and system infrastructure optimization

Please tell us why your firm is a great place to work.
Syncsort is a company with limitless opportunities and each employee can expand his or her skillsets to new product areas. Despite Syncsort's quick pace of growth, the company provides flexible work arrangements coupled with a very reasonable work/life balance and travel requirements. All our consultants work from their home offices and flex their hours to meet the needs of our customers. Additionally, over 90% of our projects are delivered remotely. Syncsort is also proud to have several women in senior technology roles – our R&D team is 40 percent women and our engineering team is close to 50 percent women, something of a rarity at tech companies. In fact, our Chief Technology Officer is among a small number of women in such roles in comparably sized tech companies. She started in several engineering roles, and then was promoted to management roles and then to our executive leadership team as a General Manager role for a business unit, and then to CTO.

Please tell us about the top challenges your firm is facing in 2018.
Looking ahead to 2018, there are two top challenges we face. The global services organization under Syncsort has nearly doubled in size and we are now tasked with the role of integrating this organization into a much larger corporation. Additionally, maintaining the continued growth and renewal of our Managed Service customer subscriptions will be a priority.

Please tell us how you plan to continue to be a Best-of-the-Best professional service organization.
Our plan to continue to earn the recognition as a Best-of-the-Best professional service organization is to assess implementing a new PSA system with stronger resource scheduling/optimization and forecasting capabilities, and to continue to improve customer satisfaction via delivery quality. But, most importantly, we will continue to reward our service professionals for their consistent, high-quality performance and their dedication to the company.

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 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 PS revenues more than twice as fast as average firms. Despite tempting distractions, they were able to stay focused on their core competencies and markets while still expanding their reach by garnering a high percentage of new logo customer wins.

Table 2: Best-of-the-Best Client Relationships Comparison

Key Performance Indicator (KPI)	Best	Rest	▲
Number of active clients	178	299	-41%
% revenue from current clients	56.8%	76.8%	-26%
% revenue from new logo clients	43.2%	23.2%	86%
Win ratio (per 10 bids)	68.1%	47.0%	45%
Deal pipeline relative to qtr. bookings forecast	295%	168%	76%
Average service discount given	5.1%	5.0%	-3%
Solution development effectiveness	3.90	3.51	11%
Service sales effectiveness	3.85	3.40	13%
Service marketing effectiveness	3.76	3.17	19%
Percentage of referenceable clients	88.8%	74.0%	20%

Source: Service Performance Insight, April 2018

The new name of the game is "ecosystems". Top firms are active participants in fast-growing ecosystems. They understand how to maximize partnerships and cultivate loyal, win-win relationships. They often create their own client ecosystems, fostering knowledge sharing and collaboration. They do a particularly good job of sales and marketing, leading to more robust sales pipelines, higher win ratios and lower levels of discounting. Across the subjective areas of solution development and sales and marketing effectiveness, the Best-of-the-Best give higher effectiveness marks.

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. Best-of-the-Best PSOs excel at recruiting and engaging top talent; they pay more and expect more from their employees.

Table 3 shows Human Capital Alignment metrics and points out why the leading organizations pride themselves on building a culture of excellence. The table shows more employees would recommend their firm as a great place to work; they receive higher levels of training investment and are more likely to understand and take advantage of career advancement opportunities. Employees are paid more plus they receive a host of additional benefits including family leave; sabbaticals; excellent medical coverage; employee ownership; company trips and time and money investments in giving back to their communities. The Best not only invest in recruiting top talent but also provide loads of employee training, so 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

Table 3: Best-of-the-Best Human Capital Alignment Comparison

Key Performance Indicator (KPI)	Best	Rest	▲
Percentage of workforce that is male	68.6%	64.7%	6%
Employee annual attrition - voluntary	8.0%	7.5%	-6%
Employee annual attrition - involuntary	3.5%	4.9%	28%
Recommend company to friends/family (1 to 5)	4.81	4.36	10%
Days to recruit and hire for standard positions	60.7	60.8	0%
Days for a new hire to become productive	47.9	52.7	9%
Guaranteed annual training days / employee	10.36	7.64	36%
Well-understood career path (1 to 5 scale)	3.62	3.18	14%
Employee billable utilization	78.3%	71.2%	10%
Annual fully loaded cost per consultant (k)	$111	$108	3%

Source: Service Performance Insight, April 2018

pipeline of interesting projects, consultants are far more likely to recommend the firm as a great place to work. Employee referrals are a great recruiting tool.

Superior billable utilization enabled top performers to bill 142 more hours per consultant per year than average firms. As shown in Table 5, higher utilization, combined with premium bill rates, meant the Best-of-the-Best firms generated $73,000 in additional revenue per consultant.

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 means 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 to teach new recruits about client industries and business problems in addition to technical skills.

Service Execution

Service execution is where the *Best-of-the-Best* always outperform the rest in SPI Research's annual benchmark survey. Table 4 demonstrates just how much more effective the leading firms are, as they are able to deliver more projects on-time, with fewer overruns and cancellations. 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, their project margins are vastly superior to those

produced by average firms. Top performers also excel in generating better subcontractor margins as they have better visibility to resource demand and are able to attract a stable of qualified subcontractors.

The leading firms use 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.

Table 4: Best-of-the-Best Service Execution Comparison

Key Performance Indicator (KPI)	Best	Rest	▲
Number of projects delivered per year	286	405	-29%
Average revenue per project (k)	$193	$169	14%
Average project size in man months	18.38	27.66	-33%
Projects delivered on-time	90.2%	79.2%	14%
Projects canceled	1.7%	2.0%	16%
Average project overrun	5.1%	8.4%	39%
Use a standardized delivery methodology	75.7%	69.4%	9%
Project margin for time & materials projects	50.0%	30.7%	63%
Average subcontractor margin	41.8%	22.0%	90%

Source: Service Performance Insight, April 2018

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.

Most NetSuite *Best-of-the-Best* winners use the powerful NetSuite finance and accounting application to streamline, simplify and automate financial operations and measure the profitability of operations. They all use NetSuite's PSA and credit the integration between their PSA resource and project management application with their ERP billing and accounting

Table 5: Best-of-the-Best Finance and Operations Comparison

Key Performance Indicator (KPI)	Best	Rest	▲
EBITDA	26.3%	16.1%	63%
Annual revenue per billable consultant (k)	$265	$191	39%
Annual revenue per employee (k)	$221	$155	43%
Quarterly revenue target in backlog	66.9%	44.9%	49%
Percent of annual revenue target achieved	102.4%	92.4%	11%
Percent of annual margin target achieved	102.9%	88.2%	17%
Revenue leakage	2.64%	4.50%	41%
% of inv. redone due to error/client rejections	1.7%	2.2%	23%
Days sales outstanding (DSO)	46.2	48.3	4%
Quarterly non-billable expense per employee	$1,536	$1,620	5%
% of billable work is written off	1.26%	2.85%	56%
Executive real-time wide visibility	4.10	3.64	13%

Source: Service Performance Insight, April 2018

solution as a catalyst for growth and profitability as they are able to measure and improve utilization and project profitability in real-time.

Table 5 shows the enviable financial results from this year's **Best-of-the-Best**. They produced significantly more net profit (26.3% compared to 16.16%) than average firms. This high level of profitability is derived from 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, with more planning and forecasting accuracy and far fewer write-offs and leaks because they are able to quickly and efficiently capture and bill for their services. Executive real-time visibility is a key success ingredient as they have instantaneous visibility and control across all aspects of the business.

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. 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.

"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. 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 of the twenty **Best-of-the-Best** organizations used both a commercial financial management (ERP) and client relationship management (CRM) solution (Table 7); all but three use a commercial PSA application. These organizations leverage their business applications via the cloud, giving them greater visibility and access regardless of physical

location. Integration gives them vital real-time information to support decision making, which in turn increases organizational efficiency and profit.

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.

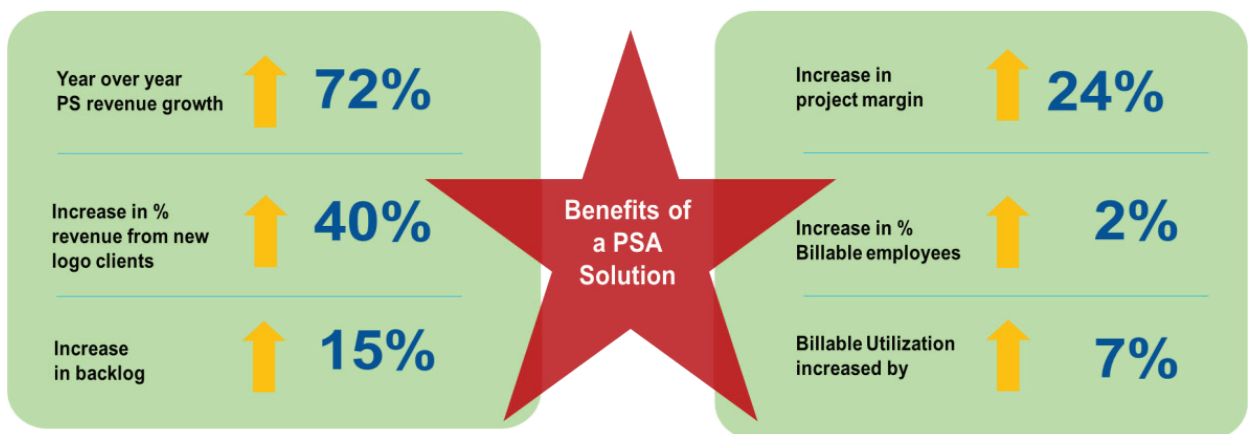**Table 6: Best-of-the-Best Application Adoption, Integration, and Satisfaction**

Solution	Best	Rest	Delta
Commercial financial mgmt. use	100.0%	94.9%	5%
Satisfaction with financial solution	71%	79%	-10%
Commercial CRM solution use	100.0%	75.4%	33%
Satisfaction with CRM solution	83.2%	77%	8%
CRM is integrated with ERP	23.5%	42.4%	-44%
Commercial PSA	85.7%	66.4%	29%
Satisfaction with PSA solution	84.8%	77.4%	9%
PSA is integrated with ERP	50.0%	63.1%	-21%
Level of CRM and PSA Integration	52.4%	30.4%	72%

Source: SPI Research, April 2018

The Power of PSA

Figure 5 provides a powerful example of the impact Professional Services Automation has on performance. For this analysis, 304 firms who use a commercial PSA were compared to 146 organizations who do not use PSA. PSA provides a powerful foundation for growth through efficient resource and project management, time capture and billing. Project margins are enhanced through real-time visibility to project budgets to actuals which facilitates prompt remediation. More employees are in billable roles because PSA reduces the churn and contentiousness of resource planning via spreadsheet and whiteboard. Increasingly, organizations

Figure 4: The Power of PSA: Comparison of 304 PSOs with PSA to 146 without

Year over year PS revenue growth ↑ **72%**

Increase in % revenue from new logo clients ↑ **40%**

Increase in backlog ↑ **15%**

Benefits of a PSA Solution

Increase in project margin ↑ **24%**

Increase in % Billable employees ↑ **2%**

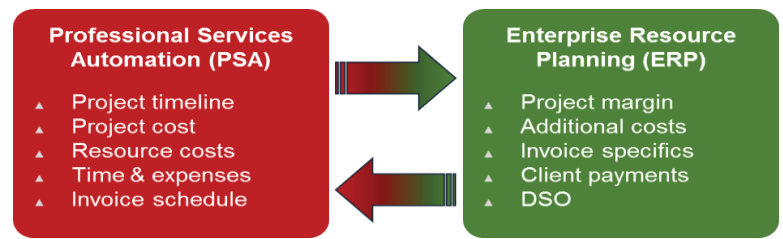Billable Utilization increased by ↑ **7%**

Source: SPI Research, April 2018

are integrating PSA with their CRM applications, enhancing sales and service delivery collaboration which results in improved forecasting accuracy and larger backlogs. Because consultants can see their assignments in advance, they are able to handle more projects and quickly transition to new assignments, resulting in significantly higher billable utilization.

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.

Figure 5: Integrated PSA Helps Improve Profit

Professional Services Automation (PSA)
- Project timeline
- Project cost
- Resource costs
- Time & expenses
- Invoice schedule

Enterprise Resource Planning (ERP)
- Project margin
- Additional costs
- Invoice specifics
- Client payments
- DSO

Source: Service Performance Insight, April 2018

Information-sharing enables all relevant employees to 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.

CONCLUSION

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.

Each year it is inspiring to meet with leaders of the Best-of-the-Best organizations. They are justifiably proud of the unique Professional Services organizations they have built, but their pride is focused on their employees and client results, not on themselves. An area that sets the leaders apart is their in-depth knowledge of their markets and solutions. They understand and have visibility to all aspects of the business.

Excellence is within the grasp of all PS organizations – but it takes hard work, determination and constant vigilance. Congratulations to this year' Best-of-the-Best – your hard work has paid off! Thank you for setting a great example for the Professional Services industry!

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 and consulting 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 20,000 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.