

Service Performance Insight, LLC

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

NetSuite Powers the Best-of-the-Best



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Service Performance Insight

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NetSuite Powers the Best-of-the-Best

Based on results from the twelfth annual Professional Services Maturity™ benchmark survey, [SPI Research](#) has named the [2019 Best-of-the-Best](#) professional services organizations (PSOs). SPI's extensive annual survey, the [2019 PS Maturity™ Benchmark](#), revealed top performers are far more likely to deliver projects on-time to satisfied clients than average firms. The Best-of-the-Best delivered 88.2% of their projects on time compared to 76.3% for average firms.

This past year, the top 5% of firms out of 622 organizations who participated in the survey, outperformed their peers and the benchmark average with not only more reference customers, but also significantly higher profits and superior revenue and headcount growth. The Best-of-the-Best grew revenues by 14.5% compared to 9.4% for average firms.

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 details the best practices of the leading service providers. 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 for their financial [ERP](#), and [PSA](#) (Professional Services Automation) applications. This year was no exception with 5 of the final 18 **Best-of-the-Best** organizations like [Cherwell](#), [IFS Aerospace and Defense](#), [Pariveda Solutions](#), [RevGen Partners](#) and [TOP Step Consulting](#) relying on cloud applications from NetSuite to support their superlative performance.

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

Measurement	Top 30 Firms	All Others	Advantage
EBITDA	26.5%	17.6%	51%
Size of PS Organization (employees)	441	635	-30%
Year over year revenue growth	14.5%	9.4%	54%
Year over year PS headcount growth	11.0%	7.5%	46%
Average revenue per project (k)	\$278	\$145	91%
Annual revenue per employee (k)	\$213	\$163	31%
Projects delivered on-time	88.2%	76.3%	16%
Reference clients	84.0%	71.3%	18%

Source: SPI Research, March 2019

Rise of the Services Economy

The world has become services driven. The service sector is both the largest and the fastest growing component of the U.S. economy. Fifty years ago, services accounted for 60% of U.S. output and employment. Today, the service sector's share of the U.S. economy has risen to 80%. Look under the hood of almost any industry and you will find traditional healthcare, financial services and manufacturing companies looking to grow services as a predictable and profitable revenue stream.

This unprecedented growth in the service sector is not without its own set of challenges as new business models and buying preferences emerge. Service providers are exploring subscription, usage based and managed services pricing and billing models, hoping to secure annuity clients and predictable revenue streams.

Although professional service industry growth continued, revenue growth slowed from its zenith of 10.2% in 2015 to 9.7% in 2018. Underlying top level year over year revenue growth, we see uneven sector performance (Figure 1) with organizations focused on the cloud, software, management and IT

consulting experiencing significant growth while more traditional segments like hardware and networking are seeing consolidation and price pressure. Now is the time for all PSOs to carefully evaluate their markets and positioning to ensure they stay ahead of the curve to seize emerging market opportunities before they become mainstream and commoditized.

Overall PS sector net profit climbed to its highest ever reported peak of 18.5%

(Figure 2). Buoyed by cloud consulting net profits of 26.2%, more and more service providers added cloud consulting and managed services competencies to grab some of the fairy dust.

Figure 1: Annual Revenue Growth by PS Industry Segment

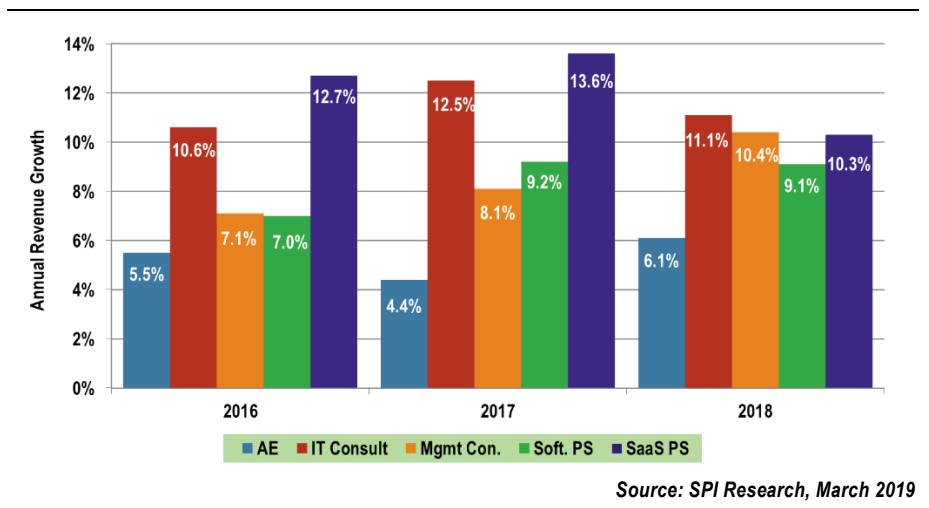
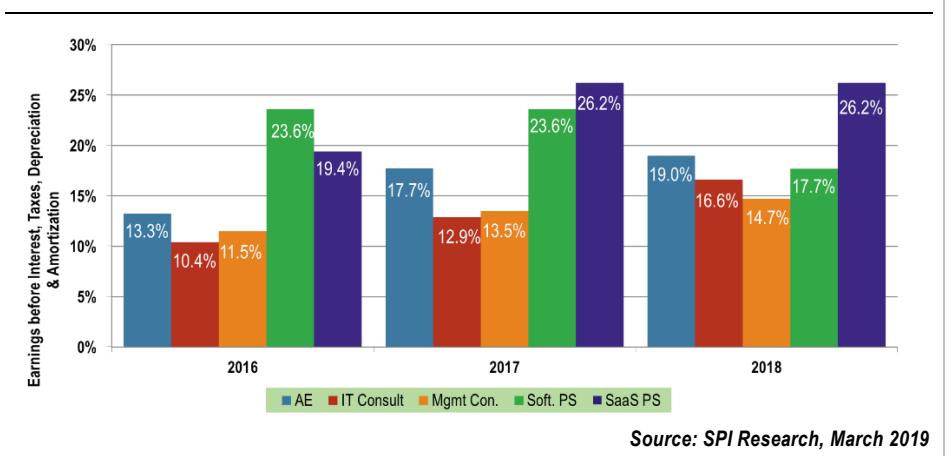


Figure 2: Net Profit Comparison by PS Industry Segment



Best Practices of the Best-of-the-Best

Why Maturity Matters

SPI Research believes wide support for the PS Maturity™ model is due to its holistic approach to measuring performance. **Maturity is determined through alignment and focus both within and across functions.** For example, although financial measurements are of primary importance, they are equally weighted and correlated with leadership and sales and quality measurements to ensure organizations improve across all dimensions, not just in terms of financial performance. However, if the organization is profit-motivated (which most are), increasing maturity levels do show up in significant bottom-line profit. Figure 3 highlights major key performance measurements by maturity level and should alone be an important reason why PS executives should look deeper into using it to increase productivity and profit.

Figure 3: Professional Services Maturity™ Progression

	Level 1 Initiated	Level 2 Piloted	Level 3 Deployed	Level 4 Institutionalized	Level 5 Optimized
Confidence in PS leadership (5 pt. scale)	3.26	4.00	4.27	4.81	5.00
Year-over-year change in PS revenue	5.3%	9.1%	11.1%	14.0%	16.4%
Bid-to-win ratio (per 10 bids)	3.50	4.66	5.45	5.82	6.88
Deal pipeline relative to qtr. bookings forecast	110%	157%	196%	249%	309%
Employee billable utilization	56.7%	65.7%	76.0%	79.5%	87.4%
Projects delivered on-time	65.2%	75.1%	80.6%	83.9%	91.4%
Annual revenue per billable consultant (k)	\$74	\$160	\$219	\$268	\$296
Annual revenue per employee (k)	\$78	\$129	\$170	\$224	\$252
Profit (EBITDA)	5.0%	8.3%	17.8%	21.8%	32.5%

Source: SPI Research, March 2019

NetSuite Powers Five of this year's Best-of-the-Best

SPI Research annually nominates the Top 5% of survey participants as “Best-of-the-Best” candidates. After a careful review and discussion with their lead service executives, 18 of the 30 nominees were selected to receive the “Best-of-the-Best” award in 2019. NetSuite business applications powered the most (5) Best-of-the-Best winners in this year’s benchmark.

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.

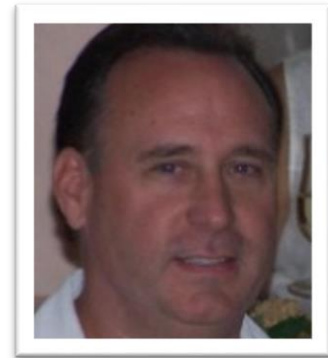
Best Practices of the Best-of-the-Best

This year's top performers are experiencing tremendous growth. 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.

5 of this year's top firms, [Cherwell](#), [IFS Aerospace and Defense](#), [Pariveda Solutions](#), [RevGen Partners](#) and [TOP Step Consulting](#) 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:

[Cherwell](#) – Rick Toth – America's Professional Services Leader

Cherwell empowers organizations to improve service experiences and automate workflows using data that stretches across contexts and business units. The result is meaningful and measurable digital service transformation, delivered faster.



Please tell us about your firm's top accomplishments in 2018.

- △ Investment firm KKR made an investment of \$172 million in Cherwell, a historic amount for a Colorado Springs-based company.
- △ Named a Leader by the 2018 Forrester Wave for the Enterprise Service Management Category.
- △ Named a Challenger in the 2018 Gartner Magic Quadrant for Enterprise Service Management.
- △ We opened our eighth office and first international R&D center in Dundee, Scotland in July 2018.

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

Cherwell's vision is to create meaningful and measurable digital service transformation, delivered faster. We've created an intuitive, flexible software platform to automate service experiences across the enterprise and make work easier for small to mid-sized organizations across all industries. Service is at the core of all we do, both with our products and customers. We offer our employees unlimited PTO, work from home options for flexibility, fully stocked snacks in our offices, and office environments that are conducive for collaboration and innovation.

Additionally, we have a community program called *Cherwell Cares*, in which we organize multiple volunteer events and allow our employees 8 hours of PTO a year to volunteer for a cause they're passionate about. Our employees exemplify a constant desire to do good for each other and the community. Our teams are backed by dedicated, customer-centric teammates who fully embody our core values of heart, humility, honesty, and hunger in everything they do. Below, some of our teammates say it best on why Cherwell is a great place to work.

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“My favorite thing about the Cherwell culture is the people. I am fortunate to be surrounded by smart, talented people who provide a great work environment and unlimited learning opportunities.” – Jessica Bell, Software QA Manager.

“Cherwell culture means having the freedom to be yourself, and having the space to bring your whole self to the organization. I’m responsible for ensuring that our global Cherwell events take into account the values and experiences we’re creating for such diverse groups of people so that they feel welcome and know that they are an important part of our community.” – Ida Pennymon, Senior Manager of Global Events.

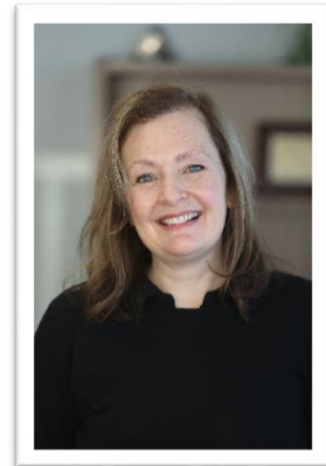
“When you spend half your waking hours on the job, it’s that much more important to be surrounded by people you respect, admire, and draw positive energy from—and when I power down my computer at the end of the day, all that goodness flows into the other areas of my life.” – Debra Brandt, Marketing Director.

Please tell us about the top challenges your firm is facing in 2019.

We are a fast-growing company in a fast-growing space and in the midst of transitioning from Founder-led to outside C-Level leadership. Our challenges are to scale quickly and effectively, onboard many new clients, while maintaining our dedication to existing customers. With our new CEO Sam Gilliland now setting the course, new strategy and processes are settling in that will help us tackle these challenges. We are confident that 2019 will be a pivotal year for us as we continue to grow.

[IFS | Aerospace & Defense](#) – Laura Cline – VP of Services

IFS is a globally recognized provider of both enterprise-wide and best-of-breed software solutions designed specifically for the global aerospace and defense market, including airline and fleet operators, A&D manufacturers, defense in-service support organizations and independent Maintenance, Repair and Overhaul (MRO) providers.



Please tell us about your firm’s top accomplishments in 2018.

- △ Met or exceeded key business targets for the year while transforming the former Mxi technologies into the Global Aerospace and Defense business unit for IFS
- △ Expanded our consulting resource pool with the addition of 30 global resources in Sri Lanka
- △ Kicked off 2 new multi-year projects for airline clients
- △ Began subcontracting local consulting resources to other IFS region-led projects
- △ Invested in new internal tools to accelerate implementations and data migration
- △ Consulted to other IFS professional services groups on the adoption of Professional Services best practices
- △ Rolled out a new rewards and recognition program (Kudos) that allows for us now to be able to recognize our people globally

Best Practices of the Best-of-the-Best

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

- △ Co-workers in Consulting share a genuine interest and passion for the Aerospace and Defense industries as well as a commitment to make our clients successful in transforming their businesses
- △ We provide opportunities to travel the world and to build lasting relationships with customers from different cultures
- △ We group our consultants into functional pools led by dedicated resource managers. Resource Managers provide guidance and develop the skills and careers of their people. For our consultants, this had led to high rates of utilization as well as high levels of employee engagement
- △ With our new business unit within IFS we now provide opportunities for people to work and build new relationships with consultants from other countries and in other industries across the globe
- △ We continue to build strong relationship with universities to build the growth capability of our co-ops, co-ops often return for repeat terms
- △ Ongoing commitment to giving back to the community (Food Bank, Community Harvest, Habitat for Humanity, Blood Donor); company provides 2 paid days to support volunteer initiatives

Please tell us about the top challenges your firm is facing in 2019

- △ Manage successful projects that are now being led by Global offices and partners within the Aerospace & Defense market. Adapt to a new decentralized, matrix type of organization
- △ Integrate Professional Services best practices into new global operational processes
- △ Support a global governance structure
- △ Resource and Skill Management for a broader global pool of resources (2000+)
- △ Implement a partner training program enabling them to deliver successful projects to our clients

Pariveda Solutions – Kerry Stover – COO

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. Pariveda is a five-time Best-of-the-Best winner.



Please tell us about your firm's top accomplishments in 2018.

- △ Celebrated our 15-year anniversary in October 2018
- △ Launched new divisions for software offerings and alumni relations
- △ Implemented Holacracy company-wide
- △ Promoted our first VP who had joined us as a college hire

Best Practices of the Best-of-the-Best

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

- △ Dedicated to growing the individual towards their highest potential
- △ Transparent career path and promotion review cycle
- △ Mentorship program that provides the insight, motivation and direction to move forward in one's career
- △ ESOP (Employee Stock Ownership Plan) which instills an ownership mentality in our people

Please tell us about the top challenges your firm is facing in 2019.

- △ Expanding into Toronto, our first international office
- △ Growing and diffusing new service lines across offices
- △ Nurturing culture at our new scale
- △ Maturing our use of Holacracy

[RevGen Partners](#) – Jason Hansen President

We help clients navigate today's disruptive business environment and create a path to thrive with consulting services that span analytics and insights, customer experience, and digital enablement.

Please tell us about your firm's top accomplishments in 2018.

In 2018 we celebrated our 10th birthday! We continued on a steady growth trajectory through sales to existing accounts – including our very first client – and the most new clients we've ever added in one year! We increased our market awareness and expanded our geographic footprint with strategic hires to support clients across the country. And we launched an innovation challenge internally to inspire what's next for our clients' future.

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

We do challenging work that makes an impact on the business of our clients, and we do it with great people. We are a values-driven business which enables us to attract and retain both employees and clients who are aligned with our values - respect, integrity, stewardship, enjoyment. That all fits into our **why statement**: we believe in empowering people – employees, clients, and those within our communities – so that we may all aspire to be more. Giving back through in-kind work, volunteering, and financial contributions is in our DNA.

Please tell us about the top challenges your firm is facing in 2019.

We are focused on two challenges in 2019: (1) growing market awareness beyond who we are to what we do and the value we deliver, and (2) hiring the right people to support our growth without compromising on our commitment to our values.



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[TopStep Consulting](#) – Ron Breaux – President and CEO

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 a nine-time Best-of-the-Best winner.



Please tell us about your firm's top accomplishments in 2018.

- △ Successfully transitioned to new ownership from Jodi Cicci to Ron Breaux
- △ Continued focus on a single PSA solution (NetSuite) with all related integrations
- △ Grew the revenue for PSA services 117% in 2018 over 2017. Beat our target revenue for 2018 by 10%!!!
- △ Named in 2018 one of top NetSuite top partners in Insight Success magazine
- △ Named as one of the 10 PSA Solution Providers in 2018 by CIO Review
- △ Named Best-of-the-Best by SPI Research in 2018 for the 9th straight year!

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 every challenge
- △ Strong sense of team – if someone needs help or coverage or backup, we're always willing to jump in and 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 2019.

Continuing to grow our PSA consulting business focused on NetSuite PSA tools. In addition to Alliance Partnership with Oracle NetSuite, we have also become a Solution Provider partner to Oracle NetSuite as of 2019. With our new Solution Provider partnership, we are developing a license selling practice within TOP Step that will provide recurring revenue income which will enable us to continue to invest in the company and our employees. As we continually add new team members, maintaining customer focus and high-quality work standards that continuously have set TOP Step apart. Continue to grow our brand through consistent marketing and focused public messaging via our website and social media. Take care of and promote our team members because they are the reason for TOP Step's success.

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Pillar Performance

The following sections highlight the results of this year's Best-of-the-best professional services organizations (PSOs) and compares their results with the rest of the survey participants.

Demographics

Table 2 compares the top performing PSOs to the other 592 in this year's survey. Best-of-the-Best organizations tend to be more specialized than the average firm in the benchmark. This year's top performers are slightly smaller than average firms, with 441 PS employees compared to 635 for the rest.

This year's Best-of-the-Best are characterized by high growth, profit, and high levels of client satisfaction. Every year we find the best firms are also the fastest growing. **On average, they grew year over year PS revenue by**

14.5%; 54% more than the revenue growth of average firms (9.4%). Year-over-year employee headcount growth was also impressive at 11%. For these fast-growing firms one of their top challenges is finding and growing the talent they need to sustain their dynamic growth while maintaining a culture of excellence.

The Best featured a much higher percentage of billable employees, and depend slightly less on third-party resources, preferring to recruit and deploy their own talented resources without heavily relying on subcontractors which translates to higher levels of employee and client satisfaction.

Leadership

The leading firms are highly specialized. They concentrate on specific high-growth technology or IT segments or vertical industries. The executives of top-performing firms are seasoned professionals – often with a track record of founding and growing multiple prior consulting organizations.

Leaders at the best firms foster a work environment that is fair and well-managed with ample rewards and career progression. Because employees understand and share in the success of these organizations, the atmosphere is one of collaboration and loyalty.

A recurring theme from this year's leaders is their strong sense of community. The leaders of the top firms are seen as visionaries within the markets they serve, they see their role as one of truly helping improve the lives of their clients and employees. They select clients and projects because they share the same values, whether it is a love of transformational change or desire to make a difference through

Table 2: Best-of-the-Best Comparison – Demographics

Key Performance Indicator (KPI)	Best	Rest	▲
Number of firms	30	592	
Size of PS organization (employees)	441	635	-30%
Annual company revenue (mm)	\$171.7	\$231.2	-26%
Total professional services revenue (mm)	\$94.0	\$92.7	1%
Year-over-year change in PS revenue	14.5%	9.4%	54%
Year-over-year change in PS headcount	11.0%	7.5%	46%
% of employees billable or chargeable	81.0%	72.4%	12%
% of PS revenue delivered by 3rd-parties	8.7%	11.8%	-26%

Source: SPI Research, March 2019

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leading edge programs. Their sense of pride and commitment comes through in the organizations they have developed.

Leaders discussed the importance of building a unique, employee-centric culture which in turn becomes a source of differentiation. In today's competitive talent market establishing a strong reputation as a great place to work is paramount to building brand awareness. While each leader discussed the importance of client success, they also discussed the importance of creating engaged employees to carry

Table 3: Best-of-the-Best Comparison – Leadership Pillar (1 to 5 Scale)

Key Performance Indicator (KPI)	Best	Rest	▲
Ease of getting things done	4.63	3.76	23%
Goals and measurements in alignment	4.6	3.74	23%
Well understood vision, mission and strategy	4.6	3.8	21%
Employees have confidence in PSO's future	4.63	3.91	19%
Embraces change - nimble and flexible	4.5	3.8	18%
Innovation focused	4.4	3.74	18%
Effectively communicates w/employees	4.43	3.78	17%
Confidence in PS leadership	4.67	4.01	16%

Source: SPI Research, March 2019

on the culture and position the firm for the future. A key area of differentiation is that top firms significantly invest in employee development. **On average, they provide 12.7 days of employee training compared to 8.5 days for average firms.**

Table 3 compares the leadership metrics of the highest performing organizations with the remainder of the survey. The two highest differential scores are ease of getting things done and goals and measurements in alignment with corporate strategy. Leading PSOs cultivate egalitarian, non-hierarchical, flat organizations in which all employees are vested in the success of the firm as well as their own well-being. Their focus on innovation means they strive to continually stay ahead of the pack, investing in new technologies and ideas long before they become mainstream. Their clarity of purpose provides a powerful foundation for their unique cultures which support and accelerate market differentiation, in turn leading to strong employee confidence in the future.

Client Relationships

The independent IT and management consultancies depend on their regional practice leaders to be the chief rainmakers in their region or domain. Although practice leaders are charged with developing a book of business, they are also goaled with personal billability targets to underscore the important role they play in client success. Independent Best-of-the-Best firms expect their practice leaders to be consultants first, able to truly add value to client relationships. Repeat business and referrals are the primary source of new business, a strong testimony to superlative client relationships and results. **Their percentage of reference clients is 84% compared to only 71% for average firms.**

The embedded PSOs primarily rely on the product sales force. They have forged a strong partnership with product sales and have built sales tools and service packages to guide and shape consulting engagements. These service packages enable the product sales force to position and quote services,

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leading to higher product and service attach rates.

PS is regarded as a significant and growing source of top-line company revenue, not a necessary evil. In many cases, their lead services executive is also responsible for global support, professional services and account management with the title of Chief Customer Success officer, acknowledging the important role services plays in ensuring client success. A relatively new set of metrics has emerged for embedded PS, focused on customer adoption. The cloud PSOs measure not only the number of licenses, seats and recurring revenue but also the depth of client adoption and engagement by building dashboards and scorecards which depict client usage, adoption and churn.

Table 4: Best-of-the-Best Comparison – Client Relationships Pillar

Key Performance Indicator (KPI)	Best	Rest	▲
Deal pipeline relative to qtr. bookings forecast	290%	175%	65%
Annual number of active clients	2,166	1,328	63%
Bid-to-Win ratio (per 10 bids)	5.97	4.86	23%
% Revenue from new logo clients	35.8%	29.5%	21%
Percentage of referenceable clients	84.0%	71.3%	18%
Service sales effectiveness	3.9	3.51	11%
Solution development effectiveness	3.9	3.62	8%
Service marketing effectiveness	3.5	3.24	8%
Average service discount given	6.3%	6.7%	6%
Sales cycle (days: qualified lead to contract sign.)	97	88	-9%

Source: SPI Research, March 2019

Survey results revealed the percentage of revenue from new clients was 35.8% for Best-of-the-Best firms compared to 29.5% for average organizations. New client expansion is a key ingredient of their high growth and profitability. Leaders give higher marks for sales, marketing and solution development effectiveness. Interviews revealed leaders do not have the schism between sales and service delivery which is so apparent in many PSOs. Sales and delivery collaboration produced higher win ratios, larger sales pipelines and more reference customers.

Human Capital Alignment

Talent is a primary focus and hot topic for all service firms. In an increasingly competitive talent market, top performing firms are becoming laser-focused on their employment brand. Organizations are embracing technology to help reinvent the workplace with knowledge-sharing, team-building, transparency and collaboration at the core of their continuous learning cultures.

Table 5 compares Human Capital Alignment pillar key performance indicators between the Best-of-the-Best organizations and the remainder. The table shows employees receive higher levels of training investment; they are more likely to understand and take advantage of career advancement opportunities; and more of them would recommend their firm as a great place to work.

Billable utilization targets of the best firms average 75% or higher compared to 70% for average firms. This means top performing consultants bill 100 more hours per year than those at average firms.

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Their employees are paid more plus they receive a host of additional benefits including investments in giving back to their communities; generous healthcare and parental leave policies; flexible work schedules; health and wellness programs; significant investments in employee training and career development and a consistent focus on fun, team-building, collaboration and communication.

Top performing firms place a premium on high quality recruiting and on-boarding programs resulting in faster recruiting and ramping times combined with higher billable utilization. They hire “A” players. They invest a lot in them and expect a lot from them.

Several firms invest over 90 days in teaching new hires both the industry and technology. This strategy, although initially expensive, results in qualified consultants who can hit the ground running after their on-boarding program has been completed. Several firms are starting specialized programs to attract and groom the next generation of female consultants. In an industry dominated by males, savvy firms realize the vast potential from attracting and growing a diverse workforce.

Table 5: Best-of-the-Best Comparison – Human Capital Alignment Pillar

Key Performance Indicator (KPI)	Best	Rest	▲
Guaranteed annual training days / employee	12.67	8.62	47%
Well-understood career path (1 to 5 scale)	4.1	3.23	27%
Recommend company to friends/family (1 to 5)	4.83	4.39	10%
Employee billable utilization	74.5%	69.4%	7%
Days for a new hire to become productive	59	57.4	-3%
Employee annual attrition - voluntary	8.8%	8.5%	-4%
Days to recruit and hire for standard positions	65	59.6	-9%
Employee annual attrition - involuntary	6.2%	5.4%	-15%
Annual fully loaded cost per consultant (k)	\$140	\$121	-16%

Source: SPI Research, March 2019

Just finding talent is not enough. This year’s Best-of-the-Best firms focused on ramping and employee training to develop a qualified workforce. With young millennial consultants, continuous learning is a prerequisite which means top firms understand employee career and knowledge aspirations and ensure top performers are assigned to the projects, clients and geographies they are most interested in. Some create rotational assignments to give their employees greater exposure to other technologies and clients. Several of the smaller firms are 100% virtual – in other words, they don’t invest in expensive facilities but keep morale high with in-person weekly and quarterly meetings to enhance communication and team-building.

Service Execution

Table 6 compares service execution metrics between the Best-of-the-Best organizations and the remainder. **High quality service execution is what really sets top performing PSOs apart.** They tend to be highly disciplined in all facets of service execution. The table points out the leaders deliver larger projects with superior project and subcontractor margins. When they do have overruns, they do a better job of minimizing them through project governance and change orders. They deliver projects with quality and integrity and are far more likely to use a standardized delivery methodology which results in

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more projects delivered on-time, fewer project overruns and fewer project cancellations. Because most of them rely on a commercial PSA application they are able to staff projects faster. The Best firms deploy the best consultants and effectively use PSA to exceed client expectations, making all facets of their projects more profitable.

They make a lot more money on both time and materials and fixed price projects; but they also excel in the judicious use of subcontractors, only using the best outside resources. Leaders focus on all aspects of quality service delivery, with higher marks for resource management, estimating; change control processes and knowledge management processes.

Because the leaders rely on a PSA application, they can build and reinforce project delivery standards which result in precision execution and high levels of quality, productivity and profitability. They credit their PSA with improving resource, project management, time and expense capture and billing, leading to higher levels of billable utilization and on-time project completion. This year's Best-of-the-Best were uniform in their commitment to developing standardized methodologies. In addition to repeatable processes and templates, they are focused on measuring quality and client satisfaction. Most estimates, proposals and changes go through a rigorous evaluation to ensure proper risk management and margin analysis.

Finance and Operations

Despite their altruism and spirit of giving back to their employees and communities, the Best-of-the-Best know how to make money! They are focused on financial success as a means of growth. But hey – if you deliver superlative services that provide significant business why shouldn't you get paid for them? The Professional Services Maturity Model™ scoring over-weights financial success; meaning the leaders in this survey were much more profitable than their peers. Table 7 shows their enviable financial results. ***They produced substantially more net profit (26.5% compared to 17.6%) than average firms in the benchmark.*** This high level of profitability is derived from more revenue per employee, project and consultant.

Table 6: Best-of-the-Best Comparison – Service Execution Pillar

Key Performance Indicator (KPI)	Best	Rest	▲
Average revenue per project (k)	\$278	\$145	91%
Project margin for fixed price projects	50.50%	33.40%	51%
Project margin for time & materials projects	50.00%	34.00%	47%
Average project margin — subs, offshore	34.70%	25.10%	38%
Average project overrun	5.40%	8.80%	38%
Average project staff (people)	5.08	4.31	18%
Projects delivered on-time	88.20%	76.30%	16%
Projects canceled	1.80%	2.10%	14%
Use a standardized delivery methodology	72.70%	65.70%	11%
Average project staffing time (days)	8.28	9.18	10%
Average project duration (months)	6.08	5.69	7%
Concurrent projects managed by PM	5.92	6.04	-2%
Number of projects delivered per year	554	890	-38%

Source: SPI Research, March 2019

Best Practices of the Best-of-the-Best

The leaders enter each quarter with considerably more revenue in backlog (57.8%), which creates greater financial stability and predictability. The Best-of-

the-Best can be characterized as running a very tight financial ship as they are appropriately metrics driven and have real-time visibility to all facets of the business.

The Best-of-the-Best make money on every aspect of the business with 31% more revenue per employee and 24% more revenue per consultant. If they must write-off work, they make sure to keep write-offs and revenue leakage to a minimum. **Top performers plan their work and work their plan with 100% achievement of their annual revenue and margin targets.** They run a well-

planned and predictable business as they use integrated front and back office business applications to gain a 360-degree view of prospects, projects, people and revenue.

The Best-of-the-Best PSOs Use and Integrate PS Applications

All of this year's top performers have deployed a commercial finance and accounting solution which is partially integrated with their PSA application for billing and revenue recognition. Table 8 depicts the level of commercial business application use and integration

Table 7: Best-of-the-Best Comparison – Finance & Operations Pillar

Key Performance Indicator (KPI)	Best	Rest	▲
EBITDA	26.50%	17.60%	51%
Quarterly revenue target in backlog	57.8%	43.8%	32%
Annual revenue per employee (k)	\$213	\$163	31%
Executive real-time wide visibility	4.43	3.5	27%
Annual revenue per billable consultant (k)	\$251	\$203	24%
% of billable work is written off	2.2%	2.9%	24%
Revenue leakage	3.38%	4.35%	22%
Percent of annual margin target achieved	100.00%	89.70%	11%
Percent of annual revenue target achieved	100.30%	93.30%	7%
Days sales outstanding (DSO)	45.3	46.4	2%
Quarterly non-billable expense per employee	\$1,900	\$1,586	-20%
% of inv. redone due to error/client rejections	3.10%	2.20%	-41%

Source: SPI Research, March 2019

Table 8: Best-of-the-Best Comparison – Business Applications

Solution	Best	Rest	Delta
Corporate financial management solution (CFM)	100.0%	95.0%	5%
Satisfaction with financial solution	4.27	3.82	12%
Commercial CRM solution	86.2%	83.4%	3%
Satisfaction with CRM solution	4.33	4.01	8%
Commercial PSA	96.4%	75.2%	28%
Satisfaction with PSA solution	4.36	3.82	14%
PSA is integrated with CFM	57.4%	56.9%	1%
Level of CRM and PSA Integration	55.2%	49.6%	11%
Commercial HCM solution	80.0%	60.1%	33%
Satisfaction with HCM solution	3.84	3.63	6%
HCM is integrated with CFM	34.8%	32.0%	9%

Source: SPI Research, March 2019

Best Practices of the Best-of-the-Best

for top performing organizations versus the rest. In all dominant business applications categories, top performers invest more in business applications and do a better job of integrating them. Because they use these applications to run the business, they are much more satisfied with their application infrastructure. ***On the financial side of the business, they rely on NetSuite. One of the secrets to success of the Best is that a much higher percentage of them use a commercial PSA. They use NetSuite OpenAir or SRP as their PSA solution.***

Best-of-the-Best Conclusions

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.

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.

A few of this year's Best-of-the-Best have been winners' year-after-year, both throughout the great recession and now again when the consulting market is hot. The independents have aligned themselves with the latest and greatest technologies. They are constantly reinventing themselves to ensure they are on the cutting edge of the best technology solutions for their markets. The leaders of the embedded PSOs have a seat at the executive table – PS is seen as a critical element of the business and a major source of revenue, profit and client product adoption.

Excellence is within the grasp of all PS organizations – but it takes hard work, determination and constant vigilance. SPI Research finds it gratifying that leading organizations rely on the PS Maturity™ benchmark to guide their investments and performance. “You get what you measure” so reference the superlative results of this year's Best-of-the-Best to build your own organizations for the future!



About Service Performance Insight



R. David Hofferberth, PE, Service Performance Insight founder, 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 25,000 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.