Velosio

How Flexibility and Speed Can Give Professional Services Firms a Competitive Advantage

Organizational agility—defined loosely as a combination of flexibility, nimbleness, and speed— is increasingly regarded as a source of competitive advantage in today's fiercely competitive and fast changing markets. The ability to transform information into insight in response to market changes is critical to success. Companies who want to compete successfully in the global marketplace must think of ways to respond quickly and make their processes more flexible.

What's Driving the Need for Flexibility and Speed?

Regardless of location, size or industry, most companies face unparalleled pressures in today's fast moving marketplace.   Continuous change is increasingly the new normal rather than the exception. The same forces that have disrupted so many businesses, from manufacturing to publishing, are creating challenges and driving change in professional services. However, many firms may be unprepared to respond to the emergence of new and non-traditional competitors or rising customer demands – putting themselves at a competitive disadvantage.

According to Consulting on the Cusp of Disruption, an October 2013 article in Harvard Business Review, professional services and consulting has been immune to disruption, for two reasons: opacity and agility. Clients find it very difficult to judge a firm's performance in advance, because they are usually hiring it for specialized knowledge and capability that they themselves lack. Price becomes a proxy for quality. And the top professional services firms have human capital as their primary assets; they aren't constrained by substantial resource allocation decisions, giving them remarkable flexibility. Indeed, professional services firms have gone through many waves of change—from generalist to functional focus, from local to global structures, from tightly structured teams to virtual distributed workforces. However, in recent years, firms are seeing their competitive position eroded by technology, alternative staffing models, and what the authors call the democratization of data.

Some examples of disruptive trends in the professional services industry include:

Client Sophistication: Companies' have become increasingly sophisticated about professional services. Many C-suite executives have come from the consulting ranks and understand how professional services firms operate. These executives are intent on reducing scope and cost of work they outsource and adopt a more activist role in selecting and managing the resources assigned to their projects.

Project Modularization: More and more, work is done anywhere by anyone who can do it better, cheaper and faster. Companies are discovering how to break a project down into mostly decoupled, atomized work components that can be performed by small independent teams scattered across the globe. These work components are then put together by an integration team to create the final product. Companies can choose to locate these modules inside or outside the enterprise, knowing they integrate easily with other critical business activities and can be reconfigured as needs change. The rapid and continued modularization of business processes means that companies must focus on and invest in only those world-class processes that create a competitive advantage.

Project Delivery Innovation: A variety of forces shape the professional services industry – from fierce competition and globalization to the modularization of business processes and technology. Clients want professional services

Are You At Risk?

■ Are you formally tracking the evolution of your clients' needs and how well you continue to serve them? Has it recently become harder to win clients and to satisfy them? Are you losing your small clients or your large ones?

■ Are you being forced downstream in the proposal process with established clients, responding to rather than shaping requirements? Are clients having their procurement departments vet your proposals or monitor your progress?

■ Are you competing against new rivals for business, even with established clients? Are these rivals increasingly specialized?

■ Are your clients asking that you partner with nontraditional firms or use their work products? Are these firms leveraging automation, databases, and other technical assets?

■ Are you revising your business model in order to manage smaller projects at acceptable profit?

Source: Consulting on the Cusp of Disruption, Harvard Business Review, October 2013

firms to deliver cost-effective services in smaller, fixed price contracts, but at the same time want to retain highly seasoned professionals equipped to address their most challenging industry-specific process needs. To succeed in this environment, professional services firms must continually improve their service delivery methods to increase client value and profitability and lower cost. PMI's 2012 Pulse of the Profession In-Depth Report: Organizational Agility maintains that companies with a high degree of organizational agility are more successful in delivering projects on time and on budget with superior results and ROI (see chart).

Productization of Services: Professional services firms can deliver services in an ad hoc manner for every client or package them in structured yet flexible ways. An example would be a

packaged offering including templates, defined methodologies, work plans, and how-to guides. By packaging, pricing, and marketing these mature service offerings, a professional services firm gains a streamlined sales process for both new and existing clients, more predictable outcomes, and higher profitability.

Value-Oriented Billing: The basic source of revenue for professional firms remains hourly billing, but value billing is a growing trend. Currently, value-oriented billing is easiest to apply for services where the value is explicit, such as tax savings, damage awards, ad placements, or the size of an acquisition or merger. However, more applications of value billing can be expected as professional service firms become "advisors" rather than just hourly workers.

Blending of Industry Lines: Until 1995, Fortune magazine maintained separate Fortune 500 lists for industrial and services companies. However, it became increasingly difficult to distinguish between the companies offering products and those offering services. Product companies now sell services, while services companies sell products.

In today's market, no organization can avoid coming to grips with the rapidly changing market and the evolving behavior of customers. The voice of the customer is more powerful than ever before in leveling the competitive landscape – making it more important than ever to have a strong customer centric strategy that responds to customer needs. Delivering on these customer focused initiatives requires a high-performance culture focused on innovation and customers, the
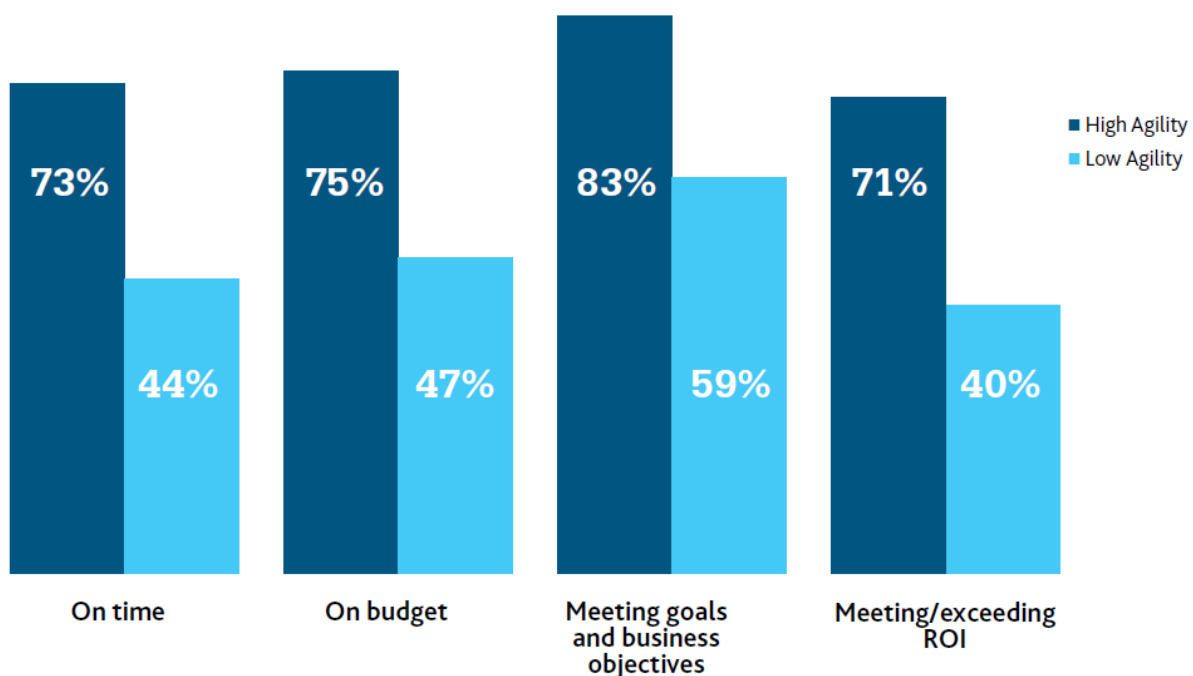
ability to access the right information at the right time and accountability for delivery and results.

So, how can companies respond quickly and nimbly to the changing environment?

For most companies, the path to organizational agility involves transformation and the ability to eliminate inefficiency and focus on what is truly core to the business.

- PMI's 2012 Pulse of the Profession In-Depth Report: Organizational Agility focuses on how organizational agility impacts success and how to increase that agility. According to the report, successful organizations are aggressively

PROJECT SUCCESS METRICS BY LEVEL OF AGILITY

	High Agility	Low Agility
On time	73%	44%
On budget	75%	47%
Meeting goals and business objectives	83%	59%
Meeting/exceeding ROI	71%	40%

reshaping their culture and business practices on a three-pronged front:

- Rigorous change management to better adapt to shifting market conditions
- More collaborative and robust risk management
- Increased use of standardized project, program and portfolio practices

The report reveals a clear payoff: Highly agile organizations are twice as likely to see increased success with their new initiatives as their counterparts with low agility.

While the task may appear daunting, there are a number of practical steps that management can consider to ensure a customer centric culture and ease the burden of change:

Optimize core processes. Companies can't change their infrastructure to meet the whims of the marketplace. What they can do, however, is streamline, simplify and integrate the processes that support their true engine of growth. We found that the firms with a higher degree of process and technological standardization are more agile." Agile companies focus their time on standardizing the processes that won't change, freeing up resources to develop value-added features that do respond to changing customer needs. By minimizing excess spending and non-core programs, companies can better direct limited resources to satisfying customer expectations, activities that position a company well not only during times of recession but also for long periods of growth.

Minimize information silos. Barriers to change include conflicting departmental goals and priorities, a culture of risk aversion and silo-based information. By reducing silos, business leaders can improve collaboration inside and outside their enterprise and better align departmental goals and performance measures with overall strategy.

Integrate and automate to build collaborative knowledge-sharing processes. Because technology underpins nearly every business process today, it can help professional services firms improve their use of critical data. Knowledge management and collaboration systems can play a key role in enabling organizational agility and innovation. Such integration also enables IT to advance an organization's ability to problem-solve, improve decision-making and convert information into insight.

Turn data into knowledge. Professional services firms that use technology to better manage their own business and provide value to their clients. In addition to ERP and CRM applications that enable optimization of core processes and serve as a foundation for data integration; predictive analytics and performance dashboards can help firms make faster, more informed decisions in response to market changes.

Professional services organizations that are best able to anticipate market changes, will be better able to innovate and continue to develop value added services that meet customer needs. However, doing so requires flexibility and speed to respond to customer's rapidly changing needs.

Velosio is a new leader in cloud, that simplifies *your* journey to NEXT. We guide you, deploying best-fit business applications that keep you ahead of the competition in today's digital-first business environment. We balance visionary ideas with pragmatism, delivering an exceptional client experience that drives business value faster. www.velosio.com