

## Lessons from the Trenches

### Part One: Leading the Transition to Professional Services

*By James A. Alexander Ed.D.*

Last October at the AFSMI S-Business Education Summit and Expo in Reno, Nevada, Jim Alexander had the opportunity to moderate a panel of services executives who were personally involved in helping their organizations make the transition to professional services. Participants were: Carol Vega, senior vice president of client services for Timberline Software; Rick Welch, vice president of professional services for RSA Security; Dan Wiersma, senior vice president of Sony Professional Services; and Bob Yopko, vice president of global services for Emerson Electric.

Here are some critical issues, best practices, and personal challenges from the many gems of wisdom shared. Learn from their years of experience.

#### **Executive Commitment**

First you must define and negotiate your charter. The best time to make your case and to define and negotiate your mission is in the early stages of the game when senior management interest is high and you (hopefully) have some leverage prior to accepting the position. Here you must take the lead by explaining the different role choices, the pluses and minuses of each, and the role you propose. It is vital that there are clarity and commitment around the professional services mission and its role in supporting the overall strategy of the business. Driving product sales is fine as long as your task is to grow the service business as well. Service must be a business unit—not a cost center. Furthermore, this is the best time to explain that professional services must be looked upon as an investment that probably won't make money for the first year (or two, or maybe three), and give the reasons why. This expectation must be understood from the get-go. Also, in order to maintain control of the bid process (which will define your success), you must have the CEO telling the sales vice president that "you can't do that."

Even if you've done a great job up front, always be prepared. The following three examples point this out:

- Scenario One: At first, the CEO was a great supporter of professional services. He actively made the business case to the other executives and intervened when appropriate. However, with a downturn in the overall business, the CEO suddenly lost interest in professional services as he shifted his focus toward product revenues. The vice president of professional services had to go underground and work with other execs. He rallied around building great customers that became great references. Surround your CEO with other professional services supporters, especially the vice president of sales. If you can't forge a positive relationship with him, you probably should have your resume up to date.

- Scenario Two: In this scenario, executives flip-flopped their view of what the professional services charter was. One week it makes a lot of money; other times it prevents us from getting sued. Under these conditions, just continue making the case, asking the questions and explaining the ramifications of a constant change of focus. Lots of patience also will help.
- Scenario Three: In this situation, the vice president of professional services never had senior commitment. What he thought he heard was a mandate to “grow the business,” but what the CEO actually meant was “make productivity gains.” This is the cold reality in some situations. You won’t always get the top person to embrace services. You continually have to look for some results and demonstrate your value. Get your customers to help you by building upon your successes.

### Starting from Scratch

Starting from zero is a major undertaking. You have to do everything at once—rapidly grow while maintaining the quality of services.

Realities:

1. **Customers will be skeptical.** In some situations, you will be asking them to pay for what was free in the past. In other situations, you may be asking them to buy high-level professional services to be delivered by the same people who do break/fix—what made them so smart all of a sudden? Customers will rightly question your capabilities. It is vital that you clearly define your value proposition, market message, and selling approach.
2. **You must have an adequate budget.** Building a business on the cheap just won’t work.
3. **Enthusiasm for professional services will waiver.** You will make mistakes. Your people will make mistakes. Results never come as quickly as people would like. Realize that, prepare your people for it, and constantly look for early wins.

### Best Practices in Start-Up:

1. **Do a great job with the customer first.** If not, the sales force will abandon you. Everyone is watching your organization under the microscope for the first 90 days. Do what it takes to create some “showcase” accounts.
2. **Put a major focus on defining, finding, and developing a core leadership team.** These people may be really hard to find, but they represent about 80 percent of your risk—they are doing the bidding and managing, and they are dealing with the tough issues. You need people who have been there. Of course you will want to tap any existing talent, but you will have to go outside for some core experiences. You will make enough mistakes on the tough situations—you don’t need to make mistakes on the easy ones.
3. **Layer in project management, processes, and systems right away.** Without strong project management, you quickly will find

- yourself in a death spiral. You need to define common processes early in order to control consistency and generate efficiencies.
4. **Constantly communicate/sell your organization that the way to build customer relationships is with the professional services interventions.** If you do this right, you can have customers for life. Get key people in your organization to realize that professional services are a key part of corporate success.
  5. **Everybody needs training.** Of course they do. You are asking people to do new and different things. Have a training and development plan (and budget) in place from the beginning. Invest in high-quality, professional-services-specific training.

### **Speed Bumps on the Path to Success**

Here are some specific challenges that were shared by the panel members:

- “Once we got going, the engine needed to be fed with new deals. There is a lot of pressure from the practice leaders and the CEO to do what it takes to keep people off of the bench. We ended up taking deals just to keep people busy. The answer is that you must have enough methodology and experience in place to know when to say no, or when to say yes, to taking business, realizing that it may be a big money loser. (Sometimes there are business reasons to do this.) You have to understand what it takes to deliver something before the deal is accepted.”
- “We have not been very successful at getting the product salespeople to sell services. We have tried it all—from incentive plans to threats. Getting people to really understand how to sell services beyond the traditional is not trivial for anyone. Our best approach was using the technical people to upsell.”
- “After spending a lot of time and money defining a common engagement model and training all of the consultants on what to do, I had a big wake-up call. We had 30 people in the field doing something completely different from what we thought they were doing. Consultants liked being able to do things their own way. We were amazed at the lack of control and the risk exposure. The solution was to monitor compliance regularly and to put some negative consequences in place.”
- “Our challenges included getting the sales reps to sell professional services instead of giving it away, working with marketing to develop materials that the sales force could use, and trying to sell a values-based package instead of charging by the hour.”
- “Our assumption was that the delivery people we had in place would be doing some pretty heavy-weight consulting. This was wrong. They didn’t have the skill level, and we needed to train them and bring in some outside expertise.”
- “Sales was our speed bump. Everybody should sell services. When we moved to professional services, we used our same salespeople. The concept wasn’t clicking with most. We provided everyone with generic training and thought the problem was solved. It didn’t work. We woke

up and realized that we needed consultative selling. To use Alexander Consulting's terms, we were moving from a vendor to a total solutions provider—but our customers weren't buying it at all. We struggled for a year and a half. Now we are doing it the right way. We held a seminar with the all of the top folks, addressing what it takes to run a services business that was extremely well accepted. It opened up some eyes. Now we are taking it to the next levels, and then to the sales force."

Part two of this column will address questions from the audience on topics such as working with channels, developing a professional services mindset, and dealing with the revenue recognition issues.

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