



A Service Performance Insight
White Paper Sponsored by FinancialForce.com



Service Compass: Charting the Course
to Professional Service Excellence

The New Growth Engine – Sales and Service Alignment

May 2011

Service Performance Insight

6260 Winter Hazel Drive
Liberty Township, OH 45044 USA

Telephone: 513.759.5443

David.Hofferberth@SPIresearch.com

25 Boroughwood Place
Hillsborough, CA 94010 USA

Telephone: 650.342.4690

Jeanne.Urich@SPIresearch.com

www.SPIresearch.com

TABLE OF CONTENTS

Abstract	1
Common Breakdowns in Sales and Service Business Processes	1
Mature Sales and Service Delivery Organizations Focus on Aligning Core Business Processes.....	3
The Impact of Sales and Service Alignment – 2011 PS Maturity Benchmark Results	4
Business Process Requirements for Sales and Service Alignment	5
Requirements for Sales and Service Alignment – Technology and Information Flows	6
Force.com – A Leading Cloud Platform for Professional Services.....	7
FinancialForce.com is a Key Driver of Business Process Alignment	7
Recommendations and Conclusions	9
About Service Performance Insight	11

FIGURES

Figure 1: Benefits of Force.com as a Platform for Services Management.....	7
Figure 2: FinancialForce PSA End-to-End Business Process Integration	8
Figure 3: FinancialForce PSA Links Sales to Service	8

TABLES

Table 1: Client Relationship Business Process Maturity	3
Table 2: Integration Improves Visibility, Revenue, Margin and Satisfaction	5
Table 3: Defining Business Process Roles & Measurements	6
Table 4: FinancialForce PSA Drives Higher-Level Performance	9

ABSTRACT

Based on four years of Professional Service industry benchmarking and responses from over 600 professional service organizations, Service Performance Insight has discovered that few professional service organizations (PSOs) are satisfied with the relationship between sales and service delivery. According to the 2011 PS Maturity Model Benchmark report, sales effectiveness was given a poor score of 6.2 out of 10; marketing effectiveness was even worse at 4.6 out of 10.

While sales and service disconnects can occur in a number of different areas, SPI Research found that four of the most prevalent divisions take place in the areas of *proposals, pricing, forecasting and service execution*.

According to the survey, 74% of PSOs use commercial Client Relationship Management (CRM) applications. Salesforce.com is the dominant provider used by 33% of the organizations, but most often the sales solution is not integrated with the Professional Service Automation (PSA) solution. *With the emergence of FinancialForce Professional Services Automation, a powerful cloud-based PSA solution developed on the Force.com platform, true integration between Sales and Professional Services is finally a reality.*

The winning formula for sales and service delivery collaboration is based on a combination of aligned business processes reinforced by a supporting technology platform. This white paper examines the root causes underlying dysfunctional sales and service delivery relationships and identifies common business process breakdowns.

SPI Research depicts the service sales maturity model and how mature organizations have bridged the sales/service divide by aligning and codifying core business processes. Process integration is supported and reinforced by integrated business applications. Results from the 2011 PS Maturity Benchmark report demonstrate the benefits of integrated CRM and PSA applications.

Force.com provides the powerful application development underpinning for the FinancialForce PSA, service resource planning application. Based on the shared Force.com infrastructure, FinancialForce PSA offers unparalleled, real-time integration with Salesforce.com CRM.

COMMON BREAKDOWNS IN SALES AND SERVICE BUSINESS PROCESSES

Given the dramatic growth and global competitiveness of the services industry, rifts between sales and service delivery can be disastrous, causing client dissatisfaction and missed opportunities. Nowhere are breakdowns between sales and service more evident than in product driven organizations, where the service sale is typically subordinate to the sale of products.

In many instances services are an afterthought; the service team is not involved in the sales process, or brought in too late to properly set client expectations and adequately scope projects. Success of the engagement is compromised because pricing does not reflect the actual work required; or impossible timelines and deliverables have been promised. Commitments to future functionality, excessive customization, or named, over-scheduled resources, lead to scope issues and project overruns. Without proper review and approval, excessive discounts may be pledged or difficult terms accepted which compromise profit and increase risk.

Gulfs between sales and service typically emerge in the choppy waters between functions – where the overly optimistic sales tide meets the risk-averse services shore. Who, and which function is in charge of piloting client opportunities through these brackish seas? Typical sales and service breakdowns occur in the following areas:

- **Proposals** – PSOs often demonstrate a lack of clarity around which opportunities to pursue, or how to create a winning proposal, or who ultimately is in charge. Ambiguity can lead to procrastination; excessive bid costs; acceptance of egregious terms and not enough time, tools or resources to bring all the pieces together into a compelling value-based proposal.
- **Pricing and Scoping** – in many cases who has authority for discounting and contract terms is unclear. Poorly defined or unknown requirements; weak estimating tools; unclear discounting limits and inadequate or no pricing or contractual reviews contribute to mediocre financial results and unacceptable levels of risk.
- **Forecasting and Staffing** – many PSOs are deficient in what it takes to move a suspect to a high probability deal, or how the sales forecast is translated into the resource plan. A lack of alignment and trust are exacerbated by non-congruent sales booking and service margin goals. Unreliable sales forecasts lead to disconnected sales and resource planning processes and a lack of functional interlock regarding opportunities and required staffing. The end result is a lack of integration between sales, staffing and recruiting and not enough or too much service delivery capacity.
- **Service Execution** – there is often inconsistent communication between service delivery and sales regarding project status. No project dashboards; improper planning and execution of scope changes and change orders lead to project overruns, nasty surprises and unhappy clients.

MATURE SALES AND SERVICE DELIVERY ORGANIZATIONS FOCUS ON ALIGNING CORE BUSINESS PROCESSES

SPI Research tracks organizational maturity across five functional areas (or pillars) of PSOs. The “Client Relationship Pillar” focuses on all of the activities associated with business development and client management. Professional service organizations are in business to provide knowledge and expertise. Their sales and marketing organizations must define target clients and craft solutions. The job of service sales and marketing is to generate awareness and identify and close opportunities. Services are intangible and must be experienced before value is created so the job of service sales and marketing has the added difficulty of creating concrete proof of the firm’s knowledge, experience and reputation.

The following table highlights the five levels of maturity in the Client Relationship Pillar for the most important cross-functional business processes: *proposals; pricing; forecasting and staffing and service execution*. As sales and service delivery processes mature, organizations move from selling anything and everything to anyone, to a more careful and selective approach to client selection; solution creation and capture and project execution.

Table 1: Client Relationship Business Process Maturity

	Level 1	Level 2	Level 3	Level 4	Level 5
Proposals	Opportunistic, ad hoc, one-off. Anyone can generate proposals. Limited or no proposal content reuse. Crisis management.	Reusable proposal boilerplate. Some level of review & approval. Informal proposal roles and self-governing proposal teams.	Standard contracts & statements of work. Clear roles, responsibilities & timelines. Quality control.	Centralized proposal factory provides high quality proposals. Standard proposal development methods, tools, content and roles.	Continual review and improvement based on real-world results and feedback. Efficient, timely, high quality, winning proposals are the norm.
Pricing and Scoping	Ad hoc pricing and contract reviews. No defined criteria for types of clients to pursue or bid/no bid decisions. No bid cost tracking.	Standard price list. Developing standard estimating tools. Some level of pricing and contract review & approval.	Defined solutions. Deal, pricing and contract reviews & approvals. Consistent estimating and risk evaluations. Bid/no bid criteria.	Bid & Opportunity Reviews. Risk Reviews reflected in pricing. Bid costs are known & managed. Bid tracking & win/loss measurement.	Pricing and bid processes are standardized and constantly evaluated and improved. Fluid communication. Congruent goals & measurements.
Staffing & Resource Mgmt.	Ad hoc forecasting using spreadsheets or stand-alone customer management. Word of mouth integration with service delivery. Reactive or no resource demand forecast or plan.	Standalone customer management and resource forecasting. Limited visibility into resource schedule or available skills. Centralized resource mgmt.	Integrated management of customers and projects. Start forecasting future resource and skill requirements by engagement. Capacity planning ensures high utilization.	Integrated management of customers, projects and financials. Excellent forecast accuracy. Ability to dynamically and automatically map the sales forecast to resource requirements.	Optimized, integrated management of customers, projects and financials. Sales visibility into resource availability and skills. Strong analytic and query tools. Multi-disciplinary resource management.

	Level 1	Level 2	Level 3	Level 4	Level 5
Service Execution	Ad hoc project execution using MS project & spreadsheets. No consistent project delivery methods or tools.	Skeleton methodology in place. Initiating project mgmt. standards. Starting to measure project satisfaction and harvest IP.	Project dashboard. Global Project Management Office, project quality reviews and measurements. Effective change management.	Constant methodology & portfolio improvements. Global Knowledge Management. Global resource management.	Integrated solutions. Continual checks and balances to assure superior utilization and bill rates. Complete visibility to global project quality.
Business Applications	No or standalone CRM or PSA. The business is run by spread-sheet, email and word-of-mouth. No formal business rules or defined handoffs between sales and delivery.	Standalone CRM. Standalone PSA. Manual integration between CRM & PSA. Sales process exists but not consistently measured or reinforced.	CRM & PSA integration. Formal solution selling methodology, roles & handoffs measured & reinforced in CRM & PSA.	CRM, PSA, Financial integration provides 360 degree view of client relationships. Clear Sales & Delivery roles & handoffs with aligned goals & measurements.	Seamless business process automation across all business processes provides bidirectional information flow. Real-time visibility & control. Continuous, real-time feedback & improvement.

Source: Service Performance Insight, May 2011

The effectiveness of the organization’s sales and marketing efforts determines the quality and size of the pipeline; bid/win ratios; discounts; client satisfaction and the length of the sales cycle. Effective Sales and Marketing organizations continually uncover new opportunities while ensuring existing customers continue to buy and refer. Today’s successful PSO, whether embedded or independent, is increasingly taking charge of its own destiny by investing in Sales and Marketing.

THE IMPACT OF SALES AND SERVICE ALIGNMENT – 2011 PS MATURITY BENCHMARK RESULTS

To better understand how the integration of sales and service delivery processes increases organizational performance, this year SPI Research analyzed 120 billable service organizations with between 30 and 700 employees, which is the sweet spot of PSOs. These organizations are large enough to need and deploy business applications such as CRM and PSA.

In the following table SPI Research segmented these organizations into three different categories and analyzed several of the key performance indicators:

1. PSOs that have neither CRM or PSA;
2. Those that have purchased both CRM and PSA, but have integrated neither; and,
3. Organizations that have integrated both CRM and PSA.

The analysis shows improved levels of visibility and effectiveness with integrated PSA and CRM applications. Sales effectiveness improves while sales and marketing costs go down because increased clarity means all elements of the organization are aligned around must-win opportunities. The length of the sales cycle decreases while bid/win ratios go up because the firm is pursuing the right opportunities with the

right resources. Increased productivity shows up in higher revenue per consultant, improved project margins and higher bill rates.

Table 2: Integration Improves Visibility, Revenue, Margin and Satisfaction

Key Performance Indicator	Core Process Impacted	Without CRM or PSA	Non-Integrated CRM & PSA	Integrated CRM & PSA
Bid/Win Ratio	Proposal Development	5.00	5.58	5.65
% of Annual Revenue from New Clients	Proposal Development Pricing and Scoping	21.0%	26.9%	30.6%
Solution Development Effectiveness	Proposal Development Pricing and Scoping	5.4	6.3	6.9
Project Margin	Pricing and scoping	30.0%	39.2%	39.4%
Direct PS Revenue (mm)	Staffing & Resource Management	\$10.5	\$11.0	\$13.0
Utilization	Service Execution	62.0%	70.8%	73.5%
% of "Referenceable" Clients	Client Satisfaction	69.0%	75.8%	83.5%

Source: Service Performance Insight, May 2011

Firms with greater alignment and collaboration between Sales and Service are better prepared to focus on the types of clients and projects that best fit their capabilities. Inefficiencies, redundancies and missed communication are minimized so both the sales and service delivery organizations are able to devote more time to productive client-facing, activities and less time to non-productive internal meetings and rework. The “right” resources are assigned, leading to higher bill rates. The net result of improved organizational alignment and communication is a more satisfied workforce, which ultimately shows up in a more satisfied client base.

BUSINESS PROCESS REQUIREMENTS FOR SALES AND SERVICE ALIGNMENT

A lack of agreement around key business processes that cross organizational or functional boundaries is at the heart of dysfunctional sales and service delivery relationships. Issues are typically the result of differing views of the processes themselves, unknown or misused levels of authority and ambiguity around decision-making and measurements.

Clear business process understanding and ownership tied to congruent goals and measurements are the foundation of all high performing organizations. The following table illustrates how a simple method of assigning ownership and measurement of cross-functional business processes provides clarity and enhances performance.

Table 3: Defining Business Process Roles & Measurements

Business Process	Responsible	Accountable To	Supporting Responsibility	KPI's	Tools Needed
Name of Process	Ultimate Single Owner	Who is owner accountable to?	Who shares responsibility for success?	How is success measured?	What tools are needed to support the process?
Proposals	Sales / Sales Engineering	Management	Professional Services	Bid/Win ratio Bid Cost Proposal Quality	Proposal Factory Proposal Boilerplate Contract Boilerplate
Pricing & Scoping	Price Desk / SVP	CEO / CFO	Sales, PS, Finance	Revenue & Margin	Estimating Tools Discount Approval Matrix Price Book
Staffing & Resource Management	Resource Manager	Project Manager	Sales, Finance	Bill Rate Staffing time Utilization	PSA
Service Execution	Project/ Practice Management	CEO	Sales, Finance	Utilization On-time delivery Margin	PSA

Source: Service Performance Insight, May 2011

REQUIREMENTS FOR SALES AND SERVICE ALIGNMENT – TECHNOLOGY AND INFORMATION FLOWS

Breaking down the barriers between sales and delivery by providing access to accurate client and project information throughout the entire client lifecycle is a critical success factor for Professional Service organizations. Running a knowledge and skill-intensive business like Professional Services with disconnected applications, spreadsheets and email is no longer a competitive option. Efficient execution of core business processes demands visibility, transparency and control.

Ideally, information flow mirrors and illuminates core business processes, beginning with client prospecting, and extending through the entire client lifecycle. Time, cost, engagement progress and quality are critical elements which must be tracked throughout the client lifecycle. Integrated applications provide visibility, alerts and workflow to ensure proper steps are followed, approvals are secured and variances are flagged.

Executives and other involved personnel should be able to track information from the initial bid through project completion and invoicing. With this information both management and consultants alike can monitor client engagements to assure high levels of client satisfaction with acceptable revenue and profit margins.

The integration of Professional Services Automation (PSA) and Client Relationship Management (CRM) enables the sales organization to better understand the entire client relationship and discover opportunities to sell additional products and services. Both Sales and Service can work together to decide whether or not work should be bid, and at what price to both win the bid and meet margin requirements.

Both organizations can share information to be included in the proposal, with the appropriate staffing plan and financial forecast as backup.

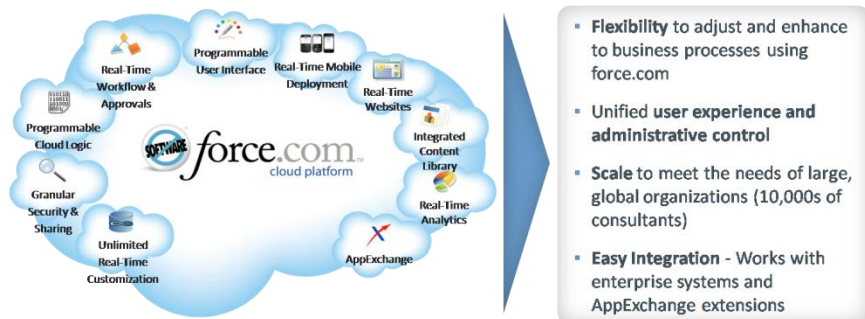
Accurate information enables the service delivery team to proactively plan and staff projects with the right resources while supporting the sales team in closing opportunities. The executive team is armed with real-time visibility into revenue and costs to support effective decision-making.

FORCE.COM – A LEADING CLOUD PLATFORM FOR PROFESSIONAL SERVICES

The Salesforce.com Force.com cloud platform offers a simplified application development platform and cloud-based run-time environment that enables developers to build and run applications significantly faster than using traditional software platforms. It includes a number of productivity-enhancement tools such as database, security, workflow and user interfaces that speed the development of business applications, while reducing hardware and software acquisition costs.

The benefit of Force.com for developing applications specifically built for project-driven PSOs is significant. The professional services market has traditionally been underserved, with very few development environments offering out-of-the-box integration of the business processes that are critical for this labor and skill-intensive industry.

Figure 1: Benefits of Force.com as a Platform for Services Management



Source: Salesforce.com and FinancialForce.com, May 2011

FINANCIALFORCE.COM IS A KEY DRIVER OF BUSINESS PROCESS ALIGNMENT

FinancialForce.com provides products and professional services to help service organizations successfully adopt cloud applications such as Salesforce.com CRM. One of the FinancialForce.com flagship products, FinancialForce PSA, is a fully integrated Professional Services Automation solution, built on the Force.com platform.

FinancialForce.com's PSA goes beyond traditional PSA solutions in that it offers out-of-the box integration to Salesforce.com, the leading CRM solution in professional services. It also provides core PSA functionality for resource planning, on boarding, skill-tracking, learning and performance management previously only found in the most expensive

enterprise applications. A critical aspect of FinancialForce PSA is that it was designed from the ground up on a single (Force.com) sales and service development platform; sales and service integration is natural and seamless since both applications share the same DNA.

Both Sales and Service can share proposal information, assuring that projects are created with understood resources, costs and schedules. Accurate information supports effective pursuits, proposals and wins. If the PSO decides to bid a project, the information seamlessly flows into project pricing. Deals can be analyzed for win probability, and associated revenue and margins given any pricing scenario.

Figure 2: FinancialForce PSA End-to-End Business Process Integration



Source: FinancialForce.com, May 2011

The information shared between Salesforce.com and FinancialForce PSA also allows the PSO to staff projects, looking at availability and highlighting potential scheduling risks. As projects are executed both Service and Sales can be alerted if the scope or schedule changes — keeping all informed to better manage client expectations.

Figure 3: FinancialForce PSA Links Sales to Service



Source: FinancialForce.com, May 2011

FinancialForce PSA provides the necessary infrastructure for PSOs to better plan, price, sell and execute services. Table 4 highlights several of the benefits of integrated CRM and PSA that FinancialForce PSA provides.

Table 4: FinancialForce PSA Drives Higher-Level Performance

Business Process	Requirements for Level 5	PS Enterprise Enablement	KPIs Impacted
Proposals	Continual review and improvement based on real-world results and feedback. Efficient, timely, high quality, winning proposals are the norm.	Native use of salesforce.com Content, featuring tagging, subscriptions, easy search, popularity ratings, and drag-and-drop editing, used by both sales and services teams. Native use of salesforce.com Chatter, enabling real-time collaboration between sales and service teams on proposals.	Bid/Win Ratio Reduced Bid Cost
Pricing & Scoping	Pricing and bid processes are standardized and constantly evaluated and improved. Fluid communication. Congruent goals & measurements.	PS Enterprise features project templates and use of native price books for standardized pricing and bids, native approval workflow for standardized bid processes, and native reporting/dashboards for continuous improvement, all used by both the sales and services teams.	Bid/Win Ratio Reduced cost Improved Sales Results
Staffing & Resource Mgmt.	Sales visibility into resource availability and skills, services visibility into opportunity pipeline and resource requirements. Multi-disciplinary resource management.	PS Enterprise features the ability for sales to request and soft-book resources (internally and externally), directly from opportunity management, and gives services operations full, real-time visibility into the opportunity pipeline. For example, the PS Enterprise skills capacity planner helps manage supply and demand of different resource skills.	Utilization Revenue Margin Employee & Client Satisfaction
Service Execution	Real-time visibility from sales into project execution to maximize revenue, margin & customer satisfaction and re-order rates and capture follow-on business.	PS Enterprise features real-time tracking, reporting, and alerts based on project quality, budget status, project profitability, and progress against milestones for both the sales and service teams, native use of salesforce.com opportunity management to maximize capture of follow-on business, and native use of salesforce.com Chatter for ad hoc collaboration around project execution between service and sales.	On-time, on-budget. Revenue & Margin. Improved employee & client satisfaction

Source: FinancialForce.com, May 2011

RECOMMENDATIONS AND CONCLUSIONS

Effective sales and service delivery collaboration is at the heart of performance in the services industry. Unfortunately, in many instances these two groups lack the formal communication and application infrastructure necessary to effectively identify, price and deliver services.

Professional service executives have started to realize the integration of sales and service delivery business processes are paramount to their future success. Both sales and service teams must be able to see the entire sales- delivery process so they can efficiently staff projects, and make and keep client promises in terms of time, cost and quality.

Salesforce.com has emerged as a market leader in billable services organizations with its Force.com cloud platform and CRM solution. FinancialForce PSA, a rapidly emerging PSA provider, built on the Force.com cloud infrastructure, provides PSOs with the necessary

visibility to manage the entire client lifecycle from suspect through delivery, billing and collection. This integration improves proposal management, provides greater control over pricing and scoping decisions, project forecasting and staffing, and service execution. The net benefit is a more efficient and profitable organization, with heightened levels of client satisfaction. Both sales and service are able to make and keep promises when they operate in the seamless FinancialForce.com cloud environment.

About Service Performance Insight



Jeanne Urich, Service Performance Insight Managing Director, provides strategic consulting, research and operational advice to improve and transform service and project-oriented organizations. She is a thought leader and recognized expert in Professional Services.

She is the co-author of the ground breaking Professional Service Maturity Model benchmark used by over 4,000 project-oriented organizations to diagnose and improve their performance. www.spiresearch.com. She is a featured speaker and author for major software solution providers and industry associations.

She has a BA in Math and Computer Science (Magna Cum Laude and Phi Beta Kappa) from Vanderbilt University and completed Executive Management programs in Marketing and Finance at Stanford and Brown University.

Contact Jeanne at jeanne.urich@spiresearch.com
Phone: (650) 342-4690.

Dave Hofferberth, Service Performance Insight Managing Director, has over 25 years experience in information technology (IT) serving as an industry analyst, product director and consultant. Hofferberth's research is focused on the services economy, and in particular, on white-collar productivity issues and the technologies that help people perform at their highest capacity.

Hofferberth's background is extensive in services performance beginning in the early 1980's, where he conducted studies on white-collar productivity in the banking, technology, energy and construction sectors.

Hofferberth earned an MBA from Duke University and a BS in Industrial Engineering from the University of Tennessee. He is also a licensed Professional Engineer (PE). He serves on the advisory board of rightERP a UK-based research organization.

Contact Dave at david.hofferberth@spiresearch.com
Phone: (513) 759-5443



Service Performance Insight (SPI Research) is a globally-focused research and consulting firm specializing in the services sector. The firm closely follows professional services organizations (PSOs) — both Embedded and Consultants/Systems Integrators — and the independent software vendors (ISVs) that develop business solutions to make people more productive and profitable. SPI Research pays particular attention to the integration of the three key assets of a PSO: its people, (business) processes and capital, and how technology can help optimize their use. SPI Research has developed the definitive business model that shows how PSOs can improve organizational performance by improving five core aspects of their business. They include: 1) Leadership; 2) Finance and Operations; 3) Human Capital Alignment; 4) Service Execution; and 5) Client Relationships.

Visit www.SPResearch.com for more information on Service Performance Insight.