NETWORK OVERDRIVE

We Make I.T. Happen

5 Ways to Profit from Technology

With Profit Stacks

NETWORK
OVERDRIVE
We Make I.T. Happen ⋯⟩

'Strategic investment in IT allows you
to reduce costs in one area and redirect
those funds into money-making
activities or directly to the bottom line;
Then you can sell that efficiency and
innovation to your customers as a form
of value to them.'

Greg Clarkson

5 Ways to Profit from Technology

Do you sell professional / Consulting services?
Are you seeking profitable growth for your professional / consulting services through technology-driven productivity?

If you are, this handbook is for you.

We've designed it to meet the needs of the key decision makers in your business:
• Chief Executive Officer (CEO), Managing Director or business owner;
• Chief Information Officer (CIO) or Chief Technology Officer;
• Chief Finance Officer (CFO) or Financial Controller
• Board Director or Trustee

Your people are very smart. They solve problems for your customers. They cost you a lot of money. We know they need to be highly productive for your business to achieve your profit goals.

You have probably invested in an IT system that is the machinery of your business output, growth and profitability. However, the IT system is also a challenge and sometimes you wonder "is it worth it?".

This handbook will give you a framework to align your IT with your business to proactively drive profitability.

Contents

Top 7 Profitability Challenges

The professional services and consulting field is changing; that's one reason why maintaining and growing profitability has its challenges. A significant risk to any professional services firm's profitability is losing valuable consulting time due to underperforming IT systems.

Our experience tells us that the top 7 challenges our customers in this sector have are:

1. Secure regular, predictable and ideally recurring revenue to avoid boom/bust cycles
2. Keep the sales pipeline filled with qualified prospects
3. Find, develop and keep the right people in the right jobs
4. Keep staff fully productive and engaged in revenue generating activities
5. Reduce the effort in report generation and the management of huge volumes of data
6. Implement robust information transfer protocols to replace error-prone manual systems
7. Keep the business agile and responsive to market changes as it continues to grow

Profit from Technology

Network Overdrive has developed a new framework to enable the measurement of increased profitability as a direct result of IT investment, directly addressing the top 7 key challenges faced by professional services and consulting businesses.

For every $1 you invest in IT, it is possible to deliver and demonstrate a direct link to revenue generation and cost reduction outcomes. By both increasing revenue and reducing costs, increased profit is a given. Without the right approach, attempting to do so can easily drown a good management team in a sea of complexity. Where do we start? How do we prioritise necessary actions? How do we decide what investment will make the biggest difference?

Hidden value is almost certainly present in critical areas of your business and the right IT, optimised strategically and aligned with your business planning, will help you uncover and deliver that value to your customers and your shareholders.

Over the past 16 years in business, our customers in professional services and consulting have demanded something better. We share with you here an overview of the unique approach we have developed in order to meet that demand.

Introducing
The Profit Stacks

We have created he Profit Stacks to help you deliver IT/Business alignment in five ways. The Profit Stacks simplifies the challenge of uncovering hidden value in your business systems.

The Profit Stacks is a comprehensive inventory of the key IT tools in your business, broken down by function and then by activity inside each function. The Profit Stacks is then customised to allow for a critical assessment of each tool against your required performance outcomes. It is a tool designed to improve your business and its profitability.

Once this assessment is complete, your own IT personnel or contracter are able to recommend new tools and systems that deliver scalable, repeatable processes and structural efficiencies. There may also be ways to expand the use of existing IT tools to deepen efficiencies in other areas.

The 5 Profit Stacks

1. Sales Stack

2. People Stack

3. Production Stack

4. Finance Stack

5. Structure Stack

When we overlay the Profit Stack on business profitability imperatives, it looks like this:

Profit imperatives from technology		Technology Stacks
1	Win more business and save money on customer acquisition	Sales Stack
2	The right people in the right jobs and well supported	People Stack
3	Increase productivity and keep staff 'Off the Bench'	Production Stack
4	Be more 'Financial' with better informed decision making	Finance Stack
5	A structural foundation for market agility, risk management and cost efficiencies	Structure Stack

Sales Stack

Profit Strategy 1: Customer Acquisition Efficiencies
Profit Technology: Sales Stack
Outcome: *Win more profitable business and save money*

The Sales Stack includes all activities related to external communications and customer acquisition. This Stack helps you reduce the cost of customer acquisition and win more business with a range of technology tools:

- Increase in qualified leads
- Stronger sales conversion
- Enhanced industry profile, reputation and influence
- More effective staff collaboration
- Smarter sales and marketing automation
- Better informed decision making
- Reduce the cost of the bid process and win business at a lower cost than your competitors through technology efficiencies
- Stronger customer relationship management

A greater level of automation creates a more reliable and consistent experience for customers and potential customers, ensures staff are notified with flags for action when a new opportunity arises, and helps to move qualified prospects through the customer journey efficiently.

Sales Stack
There are at least nine distinct segments inside the Sales function that can be leveraged with a technology tool selected to suit your company's specific requirements. This list is flexible and can be customised to suit your needs.

SALES STACK	
Function	**Technology Examples**
Lead Generation	Prospect.io
Prospecting	Prospect.io, Segment
Inbound (Predictive)	Drip, Active Campaign
Outbound (Prospect Nurture)	Drip
Product Evaluations	Zoom.us
Proposal	Quosal
Sales Conversion	Close.io
Social Selling	sendible
Customer Relationship Management	connectwise

People Stack

Profit Strategy 2: The Right People Well Supported
Profit Technology: People Stack
Outcome: *Increase Productivity*

The People Stack covers internal communication and all the activities associated with recruiting, developing and supporting staff to be productive members of your team.

While there are many external factors that contribute to the supply of skilled and talented staff members that are outside your control, there are also many factors potentially inside your control that will help you meet your future HR needs.

It's these controllable factors that are the focus of the People Stack:
* Tools that aid stronger decision making around recruiting
* More effective on-boarding of new staff that makes them productive sooner
* Training and developing your staff to ensure they have the skill set to meet the future needs of your business
* Training your people to use your business systems the way they were designed for maximum outcomes
* The development and communication of more effective employee rewards and motivators such as salary packages and bonus structures
* Systems that streamline reporting and the management of performance against KPIs
* Retaining corporate knowledge through greater use of information systems and the management of exiting staff
* More engaging methods of embedding corporate culture, policies and procedures

People Stack
There are at least six distinct segments inside the People function that can be leveraged with a technology tool selected to suit your company's requirements. This list is flexible and can be customised to suit your needs.

PEOPLE STACK	
Function	**Technology Examples**
Utilisation Management	connectwise
HR - Training & Leadership	confluence
HR - Hiring & Exiting	linkedin
HR - KPI & Rewards	connectwise
HR - Policies & Compliance	intranet
Communications	Skype, Zoom, Yammer

Production Stack

Profit Strategy 3: Increase Productivity
Profit Technology: Production Stack
Outcome: Save money on service delivery

The Production Stack kicks in once you have secured a project and you are preparing to deliver it. There are multiple working parts at this stage, including the key resources of people and information systems. Value is easily lost in the process.

Even when you have the right people in the right jobs, and you are winning plenty of great projects, it only takes 1 job in 10 to fail at the delivery phase to have a strong negative impact on the business and your bottom line.

The Production Stack helps introduce the next level of control over your project budget, resources and timeline management:
- Increase efficiencies and reduce the cost of delivering each project
- Know location, utilisation and availability of your assets and resources
- Keep your consultants 'Off the Bench' with stronger visibility across staff and resource utilisation, enabling you to make stronger, earlier decisions about reallocating time and activities
- Identify daily who is billing and who is not and alert management to make agile decisions about the productivity of each individual
- Know if your customers are being billed on time and correctly
- Improve teamwork and staff collaboration
- Minimise the risk of reworked projects

A truly scalable solution will help you keep pace with the growing needs of your business and the changing needs of each project.

Production Stack
Some businesses have multiple products and service sets with distinct properties that require a separate Production Stack for each product set. This framework provides for that level of flexibility.

PRODUCTION STACK	
Function	**Technology Examples**
Requirements	connectwise
Resource Management	connectwise
Execution	kaseva
Analysis	kaseva
Reviewed	connectwise
Customer Feedback	customerthermometer
Closed or Reworked	Ticket close

Finance Stack

Profit Strategy 4: Better Informed Decision Making
Profit Technology: Finance Stack
Outcome: Stronger Profitability

The Finance Stack gives you greater visibility over the financial performance of each level of the business in real time wherever possible, allowing you to make better informed decisions.

All professional services firms will be billing either a Fixed Price or Time and Materials revenue model, or a combination of both:
- Strong automation of financial reporting and forecasting to meet the specific needs of the business
- Integration of key IT tools to ensure efficient and accurate transfer of data, linking job costing, time-sheeting and invoicing
- Innovatively automating processes and work flows
- Timely invoicing to ensure strong cash flow, and to avoid the need for costly debt to cover cash flow shortages
- Stronger cost controls at all levels of the business
- Streamlined receivables and debt management
- Timely reporting to enable key profitability levers to be accessed for more agile decision making
- Systems to enable effective financial planning and forecasting, with access to historical data

Finance Stack
There are at least six distinct segments inside the Finance function that can be leveraged with a technology tool selected to suit your company's specific requirements. This list is flexible and can be customised to suit your needs.

FINANCE STACK	
Function	**Technology Examples**
Revenue Raising	connectwise
Cost Control	connectwise
Collections	ezidebit
Debt	excel
Profitability	mspcfo
Forecasting	planguru

Structure Stack

Profit Strategy 5: Market Agility & Structural Efficiencies
Profit Technology: Structure Stack
Outcomes: Move Faster against Market Change, Mitigate Risk, Reduce Inefficiencies, and Operate Strategically

The activities covered by the Structure Stack are often not urgent, but are usually critical. We have categorised these activities into four segments:
1.   Innovation and Competitive Agility
2.   Strategic Planning and Implementation
3.   Risk Mitigation
4.   Structural Efficiencies

Innovation and Competitive Agility
If you are not developing a disruptive approach to product and service innovation that keeps your business ahead of the market, you are at risk of being a victim of disruption:
•   Use IT for new recurring revenue streams and avoid boom/bust cycles
•   Be more competitive in your product and service innovation and win more business through differentiation
•   Generate a higher value base through innovation and secure premium pricing from the market
•   Process large amounts of data into a valuable response for your client, and potentially do so for a lower cost than your competitor, launching your business ahead of the pricing game
•   Proactively gather market insights and customer feedback to feed innovation
•   Position your business as a company that is driving efficiencies for your customers through technology
•   Adapt more quickly to the competitive landscape through innovation and market knowledge
•   Adapt more quickly to the changing needs or your business as you grow, acquire more customers and bring on more staff members

Risk Mitigation
Not as immediate but equally important to long-term profitability and business continuity is risk management. If not appropriately addressed, any one of these challenges could mean the termination of a contract, loss of a client or even the closing of the business itself.
•   Protect the business from criminal and negligent actions such as ransom ware, data loss, data and financial fraud and negligence
•   Identify and replace antiquated systems that are no longer appropriate to the new phase of the business
•   Ensure business continuity in the event of an unexpected event, such as loss of a key person, fire or other issues

Structural & Administration Efficiencies

A lower cost base allows you to return a stronger bottom line, and choose to reinvest in ongoing innovation and service quality, while returning strong shareholder value.

As revenue grows, and more people join the firm to service the growth, existing information systems are stretched past the limit for which they were designed. Inefficiencies in communication and productivity are the result. Silos of data are created and data integrity becomes an additional burden:

- Integrate workflow for efficiency gains
- Increase your capacity through innovation and automation
- Find new ways to automate manual tasks, reducing duplication of data entry and mitigating entry-error risk
- Ensure your consultants are spending less time on handling data, and more time delivering value to your customers and your business
- Deliver stronger accountability, faster outcomes and more effective cost control with improved vendor management systems
- Greater mobility for your staff allows them to be operating remotely, and spending more time on productive activities rather than travelling back and forth to the office to access the information they need

Strategic Planning and Implementation

- Align the actions of your team with your strategic plan
- Help to build a culture of accountability
- Report performance against your strategic plan

Structure Stack

There are at least seven distinct segments inside the Structure Stack that can be leveraged with a technology tool selected to suit your company's specific requirements. This list is flexible and can be customised to your needs.

STRUCTURE STACK	
Function	**Technology Examples**
Innovation/Competition - Project & Market Analytics (KPI against competitors)	mspcfo
Innovation/Competition – Product Innovation	Idea drop
Strategic – Planning, Implementation, IT/ Business Alignment	Cascade
Structural Efficiencies – Cost efficiencies/cost of revenue transformation	Promapp
Mitigate Risk – Business Continuity & IT Alignment	Promapp
Mitigate Risk – Data Security	Risk Gap
Mitigate Risk – Financial Security	Risk Gap

Translating Profit Stacks to Profit

Every company has its own unique set of circumstances, and the ideal solution depends on a vast array of variables. We'll show you here the process we've applied successfully time and time again to increase profitability.

When we take a whole of business approach, the combination of all 5 Stacks can be visualised in the following way:

Profit Stacks for Professional Services Firms

SALES STACK	PEOPLE STACK	PRODUCTION STACK	FINANCE STACK
Lead Generation			
Prospecting			
Inbound (Predictive)		Requirements	
Outbound (Prospect Nurture)	Utilisation Management	Resource Management	Revenue Raising
Product Evaluations	HR - Training & Leadership	Execution	Cost Control
Proposal	HR - Hiring & Exiting	Analysis	Collections
Sales Conversion	HR - KPI & Rewards	Reviewed	Debt
Social Selling	HR - Policies & Compliance	Customer Feedback	Profitability
Customer Relationship Management	Communications	Closed or Reworked	Forecasting

STRUCTURE STACK			
Foundational Function			
Structural Efficiencies	Innovation & Competitive Agility	Strategic Planning	Risk Mitigation

IT as Cost of Revenue

From a financial perspective, the goal is to treat each of the first four Stacks as 'above the line' and part of 'Cost of Goods Sold/Cost of Revenue'. The fifth of the Stacks incorporating structural and strategic functions is generally considered 'below the line' and part of operational expense.

This metric is important because, once you know how to correctly measure the return on your IT investment, you can allocate that money to win more business.

The service industry often prefers to use the Cost of Revenue metric because it is a more relevant account of the various costs associated with generating revenue. These costs include direct labour, commission, materials, sales discounts and overhead allocated to a product or service. Cost of Revenue is similar to the term 'Cost of Goods Sold' (COGS) which is used when raw material is the largest cost.

Using the Profit Stacks, we can assess the performance of each technology tool, create a new level of clarity about the health of your business in terms of productivity, and then begin to prioritise and plan for action. If yours is like many other consulting firms, you have probably already pencilled in possible replacements or upgrades for many of these tools. You can also list these for evaluation.

Rating your Tool Set

So how do you work out the rating of your current tools? Of course, you can do it with gut feel and feedback from staff, however, if you want a more rigorous system, then the IT Capability Maturity Matrix Index (CMMI) becomes useful.

The Software Engineering Institute at Carnegie Mellon University developed the Capability Maturity Model (CMM) for software development projects. It has since been expanded to cover IT Service Management for large Enterprise and called the Capability Maturity Model Integrated (CMMI). There is a large body of academic research on how CMMI has saved money for big business. https://en.wikipedia.org/wiki/Capability_Maturity_Model_Integration

Over the last 10 years, Network Overdrive has created its own version of the CMMI to make it relevant to small and mid-size professional consulting firms. Our version describes five levels of IT capability that relate directly to productivity outcomes.

The simplified model allows us to ask one very significant question:

At what level do you place your IT Operations?

This is useful to rate your IT Department, but now armed with the Profit Stacks we can use the same rating to evaluate how IT profits the business in 5 ways. This new methodology will uncover hidden value or highlight a tool that might be hampering the creation of value.

IT Capability Maturity Matrix Index (CMMI)

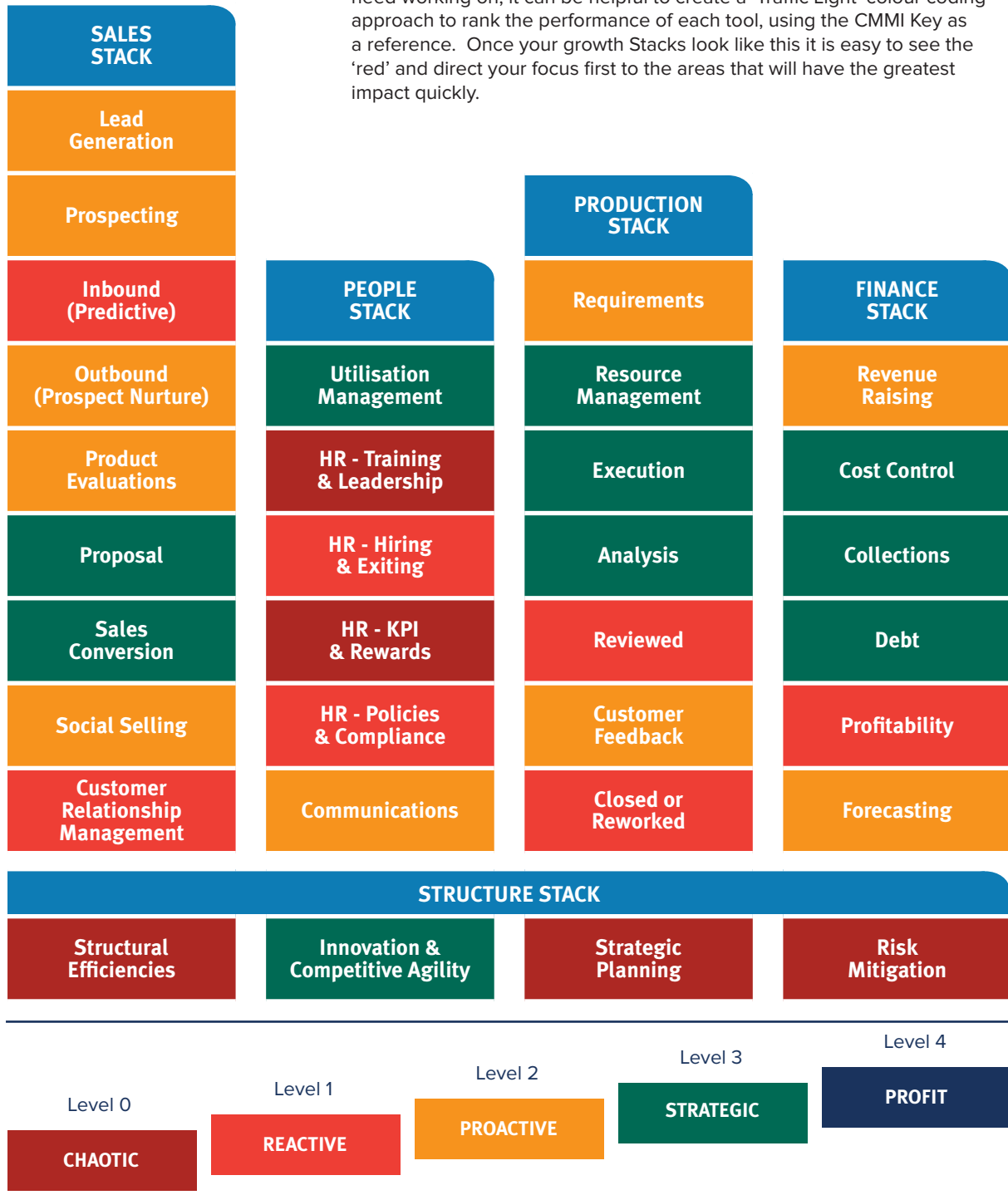| Rating		Description
0	Chaotic	Causes more problems than it fixes
1	Reactive	A lot of effort going in for insufficient return
2	Proactive	Sufficient for now, but barely keeping pace and not adding significant value. It's about maintenance of the status quo.
3	Strategic	Adding some value, but leaving important value gaps and opportunities unaddressed, and potentially exposed to risks
4	Profit	Generating tangible and measurable value for the business. A truly strategic investment, aligned and supporting business vision and strategy.

Initial Analysis Example

Using the Sales Stack as an example, the rating could look like this. We have added columns for the assessment of potential new tools, and then also rated those.

Function	Tool	Rating	Potential Tool	Rating
Lead Generation (pre-contact)	prospect.io	2	Hubspot	3
Prospecting/Segmenting	prospect.io	2	segment	4
Inbound (Predictive)	Business Catalyst	1	Hubspot	3
Outbound (Nurturing/Messaging)	drip	2	Active Campaign	3
Product Evaluations (Demo)	zoom.us	2	idio	3
Proposal	quosal	3	quoteworks	2
Closing/Coverting	close.io	3	Hubspot	3
Social Selling	sendible	1	Social Port	3

Rating your Tool Set

To see all the Stacks in one place and to clearly identify what issues need working on, it can be helpful to create a 'Traffic Light' colour coding approach to rank the performance of each tool, using the CMMI Key as a reference. Once your growth Stacks look like this it is easy to see the 'red' and direct your focus first to the areas that will have the greatest impact quickly.

SALES STACK

- Lead Generation
- Prospecting
- Inbound (Predictive)
- Outbound (Prospect Nurture)
- Product Evaluations
- Proposal
- Sales Conversion
- Social Selling
- Customer Relationship Management

PEOPLE STACK

- Utilisation Management
- HR - Training & Leadership
- HR - Hiring & Exiting
- HR - KPI & Rewards
- HR - Policies & Compliance
- Communications

PRODUCTION STACK

- Requirements
- Resource Management
- Execution
- Analysis
- Reviewed
- Customer Feedback
- Closed or Reworked

FINANCE STACK

- Revenue Raising
- Cost Control
- Collections
- Debt
- Profitability
- Forecasting

STRUCTURE STACK

| Structural Efficiencies | Innovation & Competitive Agility | Strategic Planning | Risk Mitigation |

Level 0 — CHAOTIC
Level 1 — REACTIVE
Level 2 — PROACTIVE
Level 3 — STRATEGIC
Level 4 — PROFIT

Your 7-Step Action Plan

Here is a summary of how to translate the Profit Stacks to Profit, transforming your business challenges into opportunities with this simple 7-Step approach:

Step 1
Use the Profit Stacks framework to identify which tools you are currently using for each of the five key functions of the business, and each segment of activity inside those five functions.

Step 2
Use the CMMI with a colour-coded rating system to rank the effectiveness of the tool or process from 0-4.

Step 3
Acknowledge where you are doing things well and shine a spotlight on opportunities for action.

Step 4
Decide where you want to focus your attention first, choosing one of two strategies:
- Address one function at a time, bringing the selected function up to a certain level, such as all segments rate at least at the (3) Strategic Level, anticipating that the other functions will be positively impacted at the same time, OR
- Bring all five Profit Stacks up to at least a minimum level, such as (2) Proactive across the board.

Step 5
Have your IT support team or IT Managed Services vendor research, recommend and source the best solutions to meet the needs of each segment of your analysis.

Step 6
Create a Project Plan outlining Return on Investment.

Step 7
Implement.

Technology Solutions

The scope of this handbook does not allow for a detailed description of all the technology solutions available for each Profit Stack and function. These details are addressed after the initial Profit Stack analysis (Network Overdrive normally workshops this with our clients' senior management teams), and then appropriate solutions applied to meet your specific situation.

The Profit Stack approach allows for a more sophisticated and independent method to find the right IT solution for each unique business.

Solutions could be sourced from the following:
1. Scalable, cloud-based solutions (best of breed for each business function)
2. Enterprise Resource Planning (ERP) solutions (the integrated management of core business processes)
3. Extension of existing technology tool or software to address additional needs in the business
4. Bespoke software written specifically for the task

Solutions for Mergers & Acquisitions

Mergers and acquisitions present a more complex challenge, and many firms will at some point take on M&A as a growth strategy. In this case, we apply the Profit Stacks analysis to both businesses, choosing the best solutions available from the mix. We then develop a strategy for consolidation and integration of the whole, and sourcing more sophisticated tools to meet the needs of the SME business.

Responding to Change

In this Handbook, we've defined the main challenges facing professional services businesses in generating sustainable profitability and we've outlined methods to overcome them. The next question is, how will you implement them?

Option 1 – Maintain the status quo, but be ready to act

If you're confident about your prospects for profit growth with your current technologies, you may choose to do nothing. Or you might see the next level of market changes ahead, but be reluctant to increase your level of investment in IT because of the focus and commitment required for sustainable results. For that reason, doing nothing may be a better option than cherry-picking partial activities and being disappointed with patchy results.

From either point of view, this is a high-risk decision because the ramifications of failing to act could be dramatic. It will still be prudent to do the necessary preparation work so you can act quickly if required and it is often better to engage a third-party organisation to do this work, rather than distract your team from current priorities and core business.

Option 2 – Develop an in-house solution

This bespoke approach can be successful if you are prepared to hire the several specialists to cover the range of skills needed to complement the skills and focus of your Board. Determining what skills and expertise is required will depend entirely on the situation.

Responding to Change

Option 3 – Use external contractors

You could consider contracting specialists if you don't want to hire new staff. This option allows you to bring them in as required, and it won't increase your permanent staffing overheads. However, it also won't necessarily provide a strategic approach, and it's more difficult to ensure the right methods are applied to achieve your specific goals.

It's also helpful to keep in mind that this approach can leave you exposed to contactors shifting the blame if results don't meet expectations.

Option 3 is for you if your business has the capacity to develop your own technology profitability strategy, select and manage a range of specialists, agree on metrics and accountability for each, and then oversee and manage each of them to ensure the desired results.

Option 4 – Hire a Managed Service Provider (MSP) that knows how to deliver profitability from your technology

This option is for you if you want your investment in IT to produce profitability, rather than have your IT be a cost to the business.

If you are a small to medium sized consulting firm with plans to grow, and you haven't yet fully outsourced the management of your technology, you can now ensure your investment in technology produces profitability in a way that it hasn't previously been able to do.

If it's your preference not to hire staff or manage external contractors, you could consider using a specialist technology service provider who delivers profitability through technology for the professional services sector.

This option provides some unique spin-offs: a company with this expertise will enable you to....
- not waste time and money on the unknown
- create a new organisational framework for more informed decision making
- Have access to in-depth knowledge of technology, profitability, market agility, sophisticated, proven processes and assured results.

If option 4 appeals to you, find out more about Network Overdrive to see if we are a good fit for you and your business.

About the Authors

Greg Clarkson

Greg Clarkson rode the Internet wave in the early 1990's with Internet Service Provider (ISP) start-ups. Through the disruptive technology of the internet he helped many businesses to operate 24/7 for the first time.

As Managing Director of Network Overdrive since 1999 he has guided his clients through this new business paradigm, helping them adapt, adjust and stay ahead of changing market and customer expectations. He continues to stay ahead of the market with strategic insights and managed IT support and solutions for his clients, and his wealth of experience translates into real business outcomes for those clients.

Mario Vecchio

Mario Vecchio is an Australian entrepreneur in IT and professional services consulting with significant expertise in guiding high growth B2B companies to success. He has worked with Cisco Systems, Siemens and Juniper Networks during his 25 years in the information technology related markets.

Mario has been able to succeed where many other Australian entrepreneurs have not. He started a small consulting firm called Progility and guided its growth to generate revenues in excess of $100m, then listed the company on the London Stock Exchange.

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