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# Challenges in Creating Professional Services in a Software Development Organization (Part I)

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# Is there an issue?

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**Yes.**

Companies are increasingly finding it difficult to build in added value services to their organizations because of perceived costs, lack of available staff, difficulties with scaling, and most importantly a customer base that more and more devalues these services.

Companies also struggle with how to build viable teams once a need has been determined.

In this presentation, you'll learn about service options, and the base for team growth for services.

Additional presentations discuss building a services team.



# Setting cost/benefit expectations

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**Determining your value to the customer is the starting point.**

From my experience with services, there are a number of important factors to consider as part of this determination process. These factors include the following:

- 1) Will the customer value the service on its own?
- 2) Will the customer value the service as part of a larger offering?
- 3) Is there an ability to grow the overall marketplace and community? Or, to create a new marketplace for the service?

These factors will help guide you to the route that gives you the best chance of providing value while keeping costs low.

Without a business plan devoted to the services component of your business, the costs will undoubtedly increase. The question is whether new clients, new markets or a greater value beyond the costs will validate this additional expense.



# Options in Professional Services

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## Select your service type or types.

The selection of a services type is important as the first step of the process. Although there is always flexibility to add and subtract services, the general model of team building is dictated by the identification of a model and once identified, leveraging the key components of that model to allow for growth.

The following slides discuss these models and placement of services with product, since regardless of the option chosen this discussion is salient for all services teams.



# Options in Professional Services

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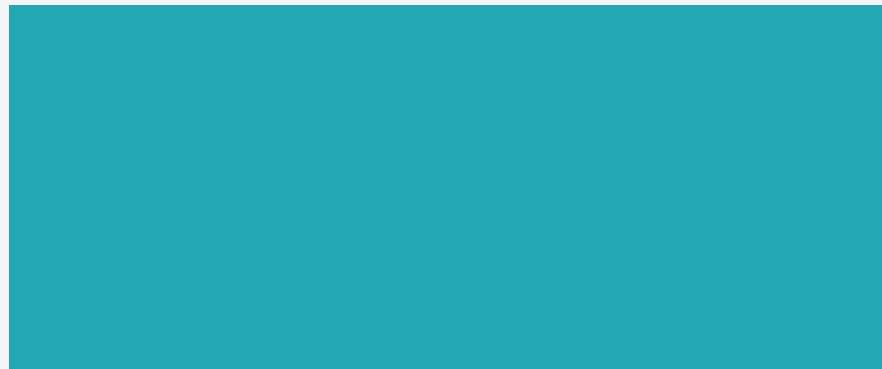
## Understand your company's structure.

Understanding a company's product offering and expansion is important in forming a professional and managed services operation.

Services and products are normally, but not always, linked to each other based on the need to maximize resources, control costs, and to increase efficiency of delivery.

Finding the shared value for clients that also achieves growth is part of making tough decisions about product expansion and retraction and growth of services.

Ultimately, selection of the product and services employed is based on the client and company goals matching each other.



# Options in Professional Services

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Product and Services have logical delineations.

Services (Professional / Managed)

Unique code/ operations required

Integration (Systems / Products)

Enables use of existing products or code

Product (Custom / 3rd Party)

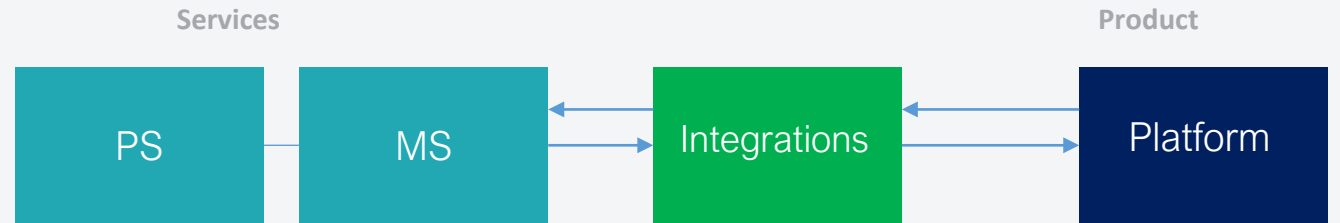
Existing reusable products or code



# Options in Professional Services

Separation of services and product is one important choice.

Linked = Free flow of Services Development with Product



Unlinked = Independent Services and Product Development



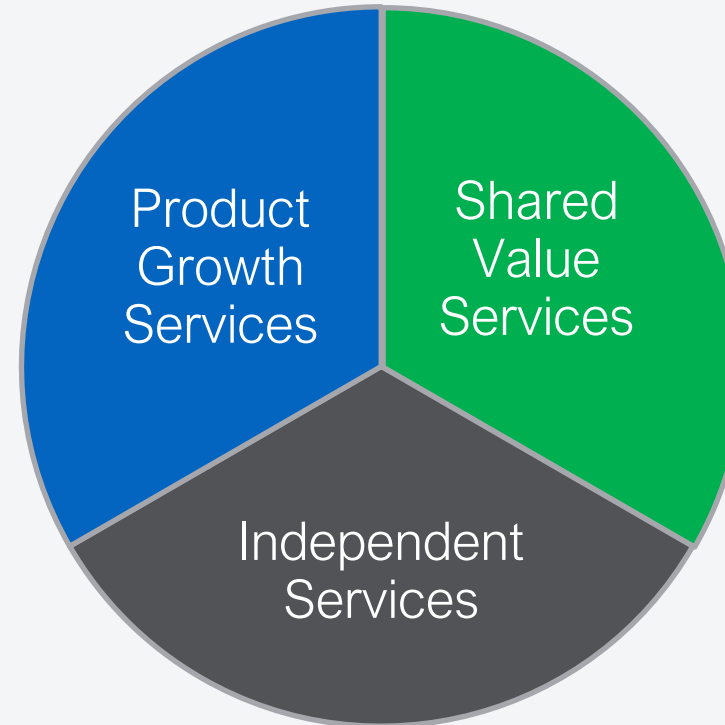


There are 3 predominant types of services.

# Options in Professional Services

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- 1- **Product Growth Services** – Marketing / Sales Extension
- 2- **Independent Services** – Separate Profit / Loss
- 3- **Shared Value Services** – Greater Good / Long Play



# Options in Professional Services

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Product Growth Services value the product over services.

Success measured by product sales.

Services are used to promote and support clients.

Feedback loop on product feature enhancements is improved.

Services are **not** responsible for high independent growth.

Margin for services may be lower using a marketing loss leader approach.

# Options in Professional Services

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**Independent Services use services as their own business.**

Unique intellectual property (IP) is built for each client and oftentimes each project.

Reusability of intellectual property (IP) is usually less.

Profitability is valued more than efficiency when reusing components is not possible.

Overall deal size and revenue can be higher per opportunity.

Ability to keep costs down is reduced.

# Options in Professional Services

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**Shared Value Services value growth of the sector or industry to enhance overall growth.**

Growth is tied to customer need, the ability to effect social change and growth beyond the company.

General community growth fuels good will, and grows the industry at large.

Although the open source movement has fueled this type of growth, companies which value IP can also participate.

The key to growth is looking at the big picture of the industry and allowing for building teams that help promote it.



# Options in Professional Services

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The “Shared Value Principle” is the crucial component of Shared Value Services.

“The purpose of the corporation must be redefined as creating shared value, not just profit per se. This will drive the next wave of innovation and productivity growth in the global economy.”

-- Michael Porter, Harvard Business School



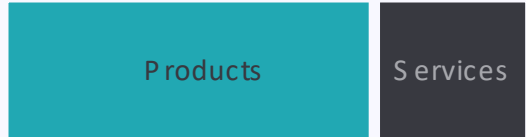
Sources: <https://www.sharedvalue.org/partners/thought-leaders/michael-e-porter>  
<http://www.3pillarsnetwork.com.au/blog/shared-value-and-the-3-pillars-network>

# Balance of Product and Services

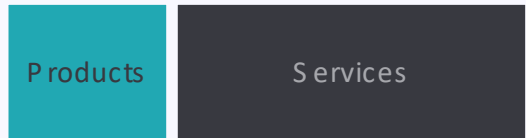
The root of balance is reusability. Reusing code from product or from previous services development.

Third party development, primarily through acquired software, further adds to the reusability equation.

Each business needs to find its right balance.



Product Centric

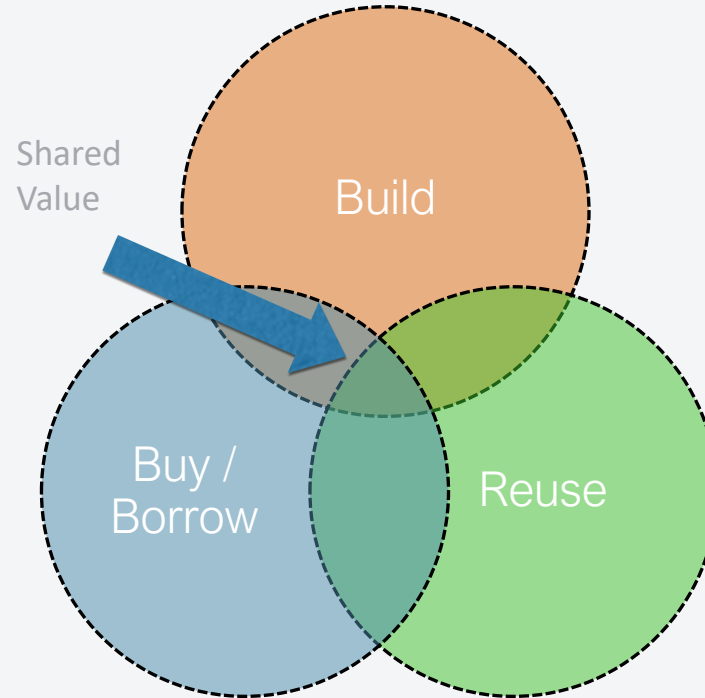


Services Centric

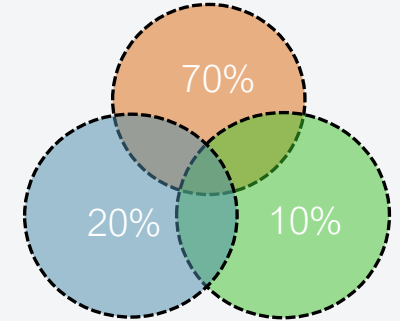


# Balance of Product and Services

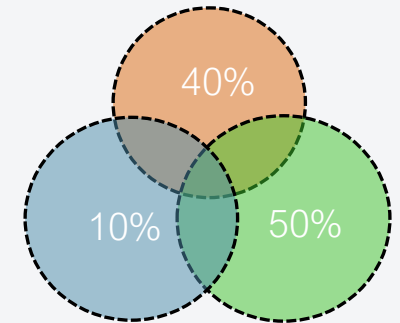
Determine reusability by finding a software development balance.



## Examples



In-house Product / Limited Reuse



In-house Product / Heavier Reuse

## What is your balance?

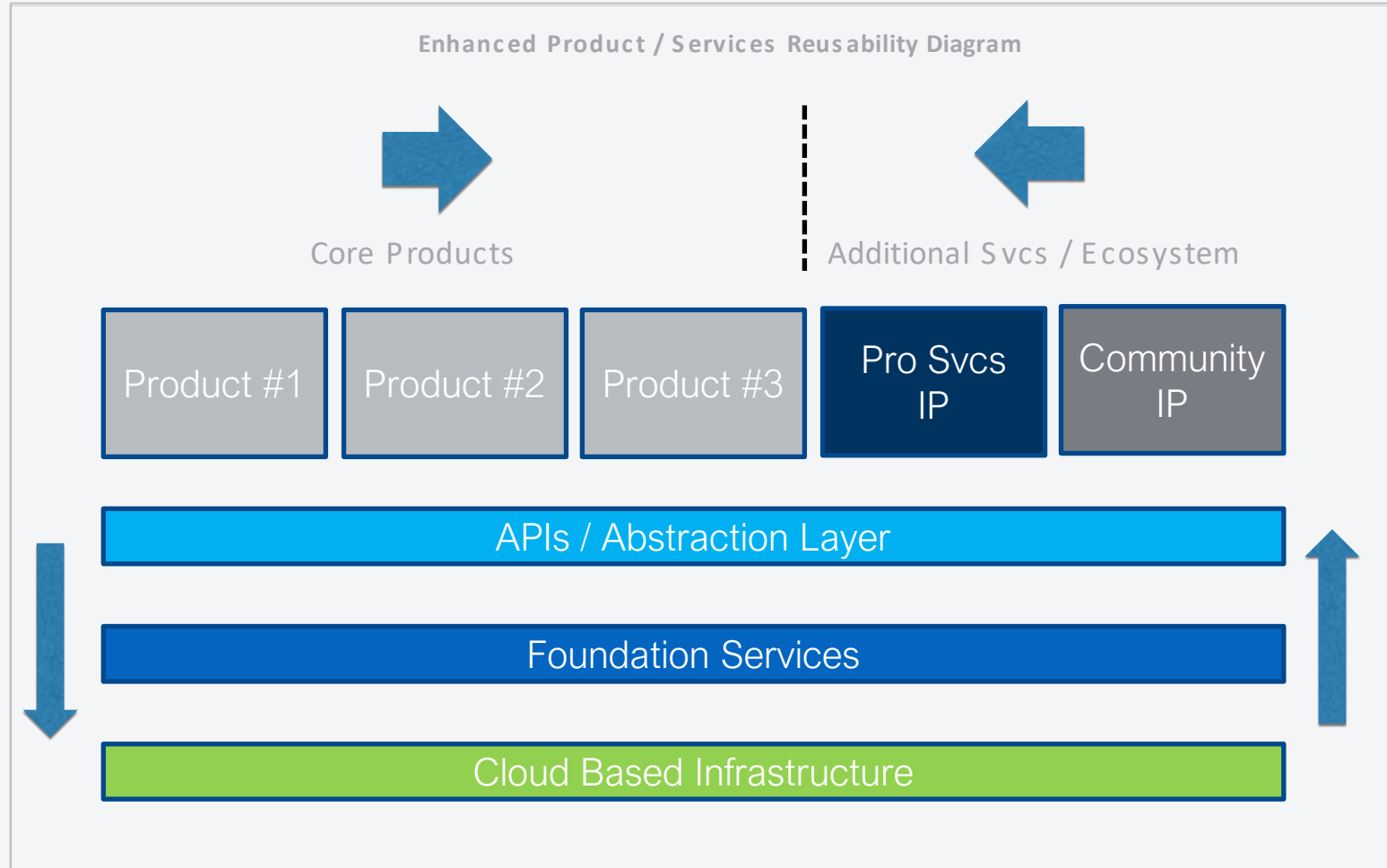
**Build** – create unique / new IP

**Buy / Borrow** – use open source, or other tools

**Reuse** – use existing code / IP

Integrate inputs from products, services, and the community.

# Balance of Product and Services





# What is the next step?

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## Look towards building a team.

Once you have selected a model or models, you need to build teams appropriate for those models. Although the primary team structure is very similar, the handoffs and execution of the team are different for each model.

Using these tools related to product and services and balance, you are ready to build the services team.

Follow the Part II slides to see my view on building a services team.



## About

Senior executive with over 17 years' experience driving results in complex, multi-vendor technology initiatives for some of the world's largest and most challenging digital technology companies. Practical experience leading teams in IoT, new media, Out-of-Home, telco, cable and streaming media sectors. Proven success in developing and executing strong product and service offerings that improve technical teams and engender loyalty and productivity in both large and small enterprises.

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