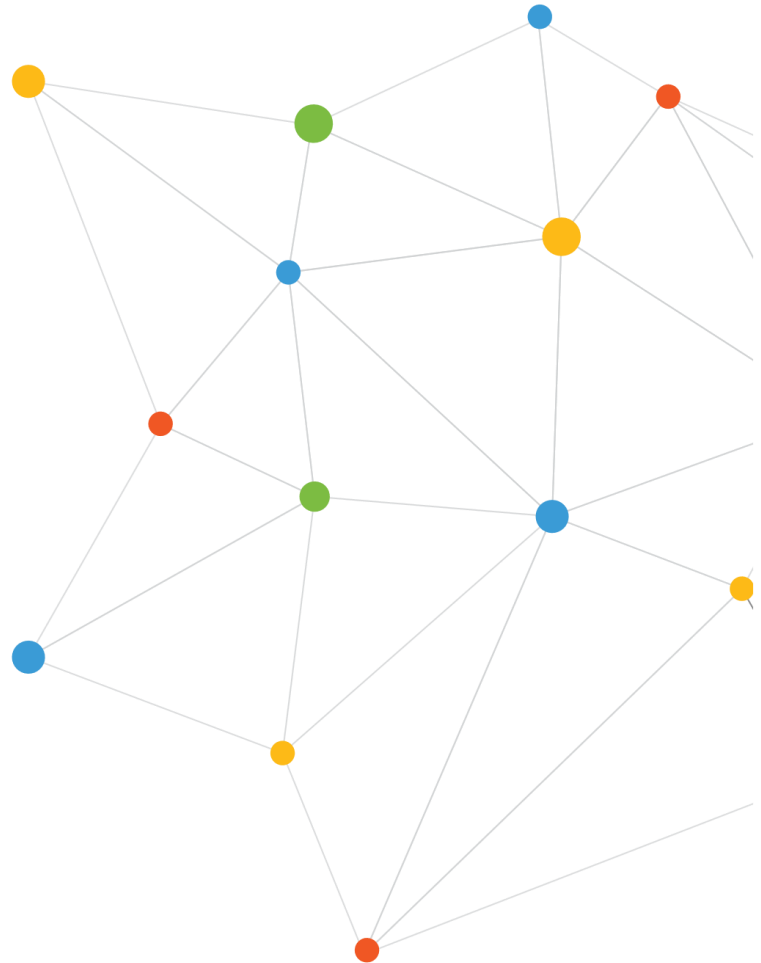


Your Guide to

INCREASING SERVICES
PROFITABILITY,
SCALING YOUR TEAM,
WHILE **DELIGHTING**
CUSTOMERS.



INTRODUCTION



PACKAGING



MANAGING



MEASURING



INTRODUCTION

As B2B software companies have shifted to subscription-based pricing models, buyer expectations have also shifted. Your customers are expecting risk mitigated deployments, cost assurances, and services packages that are better matched to their overall product investment.

For many B2B software companies this almost always means a shift to fixed price implementation packages. In this guide we will discuss the three steps your service organization needs to take to:



**INCREASE PROJECT
PROFITABILITY**



**SCALE YOUR
SERVICES TEAM**



**DELIGHT YOUR
CUSTOMERS**

1. PACKAGING

Successful implementation experiences make for sticky products. Sticky products make for high retention rates. The implementation experience also sets the tone for your long-term relationship with the customer. A well-defined implementation package is also critical to the sales team's success. Implementation costs are often seen as a barrier to adoption as there is price elasticity with nearly all B2B software categories.

Defining your Packages

To take some liberty on a familiar saying, *perfect is the enemy of great*. The quickest way to package your services offering is to simply start from your last successful project, creating a Statement of Work template with the following components.

Standard Statement of Work	
Project Objectives	What is the business objective of the customer?
Project Scope	Using plain language, what business requirements are included? Include reporting, features, customizations, data migration.
Project Exclusions	Using plain language, what business processes are excluded?
Project Assumptions	List assumptions related to customer resource commitments, onsite/offsite expectations, project management efforts, reporting, data migration, etc.
Project Plan	Identify project delivery phases, timing, delivery milestones.
Responsibility & Obligations	Ensure the customer understands what they need to do to have a successful result.
Change Order Process	Its important to establish a process for change control, and set an expectation that change happens.
Billing Milestones	Amount and timing for each milestone. List any conditions for payment.
Authorization	Signature block turns the SOW into an agreement.

Create T-Shirt Sizing

T-Shirt Sizing (S, M, L) is the best way to visualize your services bundles and also gives the sales team the credence they need to create conversations around value, and the services team an escape hatch if they get sucked into scope conversations.

Once a standard SOW is created, create a second scope with a simplified 'entry' offering, and a third scope that offers complexity. Translate those scopes into a simple chart that is easy to digest. The result is a three-tiered services packaging. Here is an example of how to approach:

Packaged Offering			
	Quick Start	Professional	Enterprise
Scope 1	●	●	●
Scope 2		●	●
Scope 3		●	●
Scope 4			●
Scope 5			●
Price	\$X	\$3X	Call

Each T-Shirt size should have its own Statement of Work and project template. The incremental scope on each of the larger packages should be exclusions on the smaller package.

Create Project Templates

Once scope and timeline are defined and reflected into SOW documents, its time to create a Project Template. Project Templates give your PMs a standardized approach to managing a project. By having 90-100% of the project defined in advance, PMs can turn around proposal estimates very quickly. Quick turn-around keeps your sales team happy and set a positive impression for your buyer. A project template combines several important elements.

Project Tasks	Tasks that need to be completed. These tasks can be nested and have predecessors and dependencies.
Checklists	Not everything on a project needs to be a task. Checklists are a great option to identify customer or resource team 'to-do's'.
Start/End Dates	These drive the project's duration. When tasks are mapped to predecessors, they drive the project's overall start and end dates.
Effort	This is different than duration, and the most important element in measuring your fixed price project. The unit of measure is best reflected in hours.
Resources	This identifies the role of the resource who will carry out a task. For templates, you don't need to answer the 'who' question yet. That can be done when you schedule a project. But the role can be used for scheduling and putting labor costs against a project.
Milestones	These could be key delivery milestones, billing milestones, or customer happiness milestones.

2.MANAGING

When we say ‘managing’, we are talking about two things. First, giving your Delivery Team tools they need to do their job. Second, providing the P&L manager visibility they need to run a team. Creating predictable outcomes is the key to scaling your services teams.

Working from a single project plan

Often, this becomes the first point of failure. A project is signed, based on a SOW, but then a project manager creates a new project plan, not connected to the approved scope or effort. When in fact, the project plan should have already been created, and used for the SOW. The reason this is usually the case is that PSA tools don’t provide project managers the tools they need to execute the project, forcing them to work in a disconnected tool. Also, most PSA tools are disconnected entirely from the sales and order process.

Manage Changes

Change will happen. Change can come from new scope requirements, or from internal issues, like product defects, or resource turnover. The most important part of change is how you deal with it. Projects need to be baselined. Right at the start, and ideally every time you recognize revenue. Its important to see how changes to project tasks impact the project’s timeline and effort/cost. If a resource needs more time, or deliveries slip, an approval structure to manage task overage is the best smoke alarm.

Maintain constant communication with your Stakeholder

In addition to more frequent project team meetings, schedule Stakeholder meetings around each major delivery milestone (ex. Kick Off, Dev Complete, UAT, Training, Go-Live), providing a status report in advance that covers the following items:

- Progress (% complete), timeline and budget;
- Identify any decisions that need to be made.
- Identify any high-risk items that require attention.
- Provide a traffic light status (Green, Yellow, Red)

Tools to Manage Projects

The key part of all of this is giving your project managers access to the tools to do their job. Your PM needs ready access to the following information:

Project Manager's Checklist	
Do I have a clear list of projects I'm accountable to?	✓
For each project, do I know the Progress %, Start and End Dates, Budgeted Effort, Actual Effort, Estimate at Completion?	✓
Do I know which resources are assigned to tasks?	✓
Do I know the planned sales associated to the project? What are the billing milestones? Do they have acceptance criteria?	✓
Do I know my customer's net promoter score results for the project?	✓
Do I have a project plan that can be shared with customers?	✓
Do I have a place to share risks, actions, issues, and decisions?	✓
Does my customer have self-service tools like portals to get up-to-date information including document sharing?	✓
Can I quickly generate project status reports for stakeholders?	✓

Tracking Project Efforts

Project Managers should have access to effort and labor cost at a project and project task level. The following metrics should be tracked as frequently as your time entry cut-off.

Budget	The number of hours and cost dollars given to complete a task. These hours and costs roll up to a project total.
Actual	The number of hours and dollars recorded against a task.
Estimate at Completion	The number of hours to complete. This should be available at a task and project level. The same EAC should be available for labor costs.
Variance	The difference between the budget and actual effort. For inflight projects, its best to look at the variance estimated at completion.

Of course, not all resources delivering a task are created equal. An experienced resource might take less time to complete a task, but they may also cost more to the organization, or may be unicorns in the wild. A more intermediate resource may

take longer, but they could be more easily found, and more easily onboarded. When you apply effort against resource cost, you can start to see the impacts on project gross margin, of using more expensive resources versus less expensive resources.

Time Entry

Project resources should enter time, at minimum, on a weekly basis. Time entry should not be an arduous task. Ideally a person's time is imported based on their assignments. There should also be controls put in place for late time entry as this delay has an impact on the organization. The longer a resource waits, the foggier their recollection of the work that was done. It can also delay project revenue or invoicing. Time Entry requires an approval process. You should allow resources to enter time against internal projects, sales support efforts, and customer support cases.

Feedback on Task Progress

Equally important, your project resources should also be looping back feedback for a given task. If a project task required 40 hours but they need an additional 10 hours, this needs to be captured. This feedback impacts percentage completion at the task level, which rolls up to the project; it also allows the organization to learn over time where the variances are. That progress as a percentage completion also impacts revenue recognition. Perhaps there are ways to reduce the effort through new product features or limiting scope. Perhaps there is a training element. Without that feedback, you'll never know.

Scheduling

Scheduling Resources is critical to your team's success, as well as your customer's. Resources should be matched to the role and skill requirements of the tasks they are assigned to. Resources should have a target utilization measured in hours (not dollars). Under utilized and over-utilized resources should be easily identified. Bookings should provide visibility on utilization into the future, actuals should show utilization in the past.

Resources	Booking Requirements
<p>What roles can they perform (ex PM, Developer, Consultant)?</p> <p>What skills do they have? (ex. Azure, AWS, JS)?</p> <p>What is their work day schedule (days of week, hours per day, days off, time zone)?</p> <p>What is their target utilization (%)?</p> <p>What is their availability to take on more work?</p>	<p>Which Projects require assignments?</p> <p>What Roles and Skills are required for when?</p>

Your team needs to have full visibility on what a resource is currently working on, and what capacity is available to take on new work. That capacity needs to be mapped to the outstanding project requirements. Availability of this information is critical to getting the most out of your team. The transition to fixed price services models puts even more emphasis on the need to manage utilization.

3.MEASURING

Measuring occurs at two levels. The Project Level as well as Team Level.

Measuring your Projects

This list should readily be available to your Project Managers, for each project they deliver.

Project Level	
Progress	Expressed as a %, at project and project task level
Effort	Track budgeted, actual, proposed, and estimate at completion.
Labor Costs	Track budgeted, actual, proposed, and estimate at completion.
Project Profitability	Gross Margin, taken at baseline, and showing actual.
Project Tasks requiring more time	A list of tasks requiring more time than budgeted, with reasons
Added Scope	New tasks, scope change.
Billing Milestones	Amounts, status, how they are broken out, if they are conditional on customer approval
Invoices	What is the total value of the project, how much has been invoiced, what is the invoice status
Cost Consumption	Expressed as a %, ideally in line to progress %
Customer NPS	What is the customer thinking? Tie NPS survey results to the project. Identify survey results based on customer's role.

Measuring your Team

This list should readily be available to your team's manager so that they can be accountable to their targets and communicate the impact the services team is having on the business.

Team Level	
Resource Backlog	The number of hours contracted (approved) but not yet assigned to a resource. Should be broken out by project, by role, and by project type.
Revenue Forecast	What is the planned revenue? Should only include work that is assigned to resources.
Team Gross Margin	Earned Value over Actual Labor Costs. Can be expressed as a %. Should be compared against planned revenue and expected costs. Compare this against the financial statement gross margin.
Earned Value	How much work was completed in a period of time by the team? How does that progress translate into revenue?
Recognized Revenue	Ideally the same as Earned Value but building conservatism into revenue recognition is important in case you get behind on invoicing or projects are at risk.
Utilization	What was the utilization, represented as a %? Utilization is the amount worked on projects over the total capacity of the resource. Ideally you can look at this by role, by team, or at a resource level. How did the utilization booked compare against actual? What is my booked utilization in future periods?
Upcoming Billing Milestones	What billing milestones are coming up? How are those projects fairing? Billing Milestones drive invoice and cash collection, they don't impact revenue recognition, but its good to make sure everything lines up.
Customer NPS	Are your customers happy? What is the NPS per project? How does that break out by customer team role (ex. Exec sponsors, project manager, user)? Is my customer NPS going up or down post implementation? Is my general trend positive over time?

Customer Profitability	Accounting for the annual recurring revenue, what is the cost of supporting a customer post-go-live?
Late & At-Risk Projects	Simply a ready list of projects that are at-risk, late, or over-budget (actual effort variance)
Task Category Variance	Which task categories does my team struggle with? (ex. Analysis, configuration, testing, UAT, go-live support, project management)
Resource Variance	Which resources are habitually over budget on assigned tasks? How do they compare against like resources?
Impact of Internal Projects	What impact do other internal projects have on my team's utilization? (ex. Customer events, sales, etc)
Impact of Support Tasks	What impact does customer support task assignment have on my team's utilization?

Learn & Iterate

Once you baseline your team's performance (having data you trust is key to this!), the real opportunity for improvement is in process iteration and team coaching. Here are some recommendations:

- After every project, capture a customer's NPS. Perform a project post-mortem. What were the key learnings based on the customer feedback? Capture key learnings at the project level for future reference.
- Perform an internal post-mortem. Analyze time entry. Identify tasks that took longer than expected.
- What was the impact of 'tech debt'? Are there things you can build into the product that could save 2,5,10% of your efforts by building?
- If you had to deliver the project in 10% less time, where would you carve out the scope?
- Was there an opportunity to increase the project value through change management?
- Are your teams equipped to have 'change request' conversations? Do they need coaching on how to deliver? Often, they just lack the information to have the conversation in the first place.

SUPPORTING TOOLS

Provide your team with access to the following capabilities in order to maximize your performance on fixed price projects. Don't forget, delivering packaged services is not the same as T&M based projects. There is more risk on your team's performance. Measurements and invoicing are more complicated.

Tools to Enable Project Delivery Success	
Ability to generate a revenue and project gross margin at the time of quoting	✓
Auto-generate Statement of Work document for a project	✓
Tie sales order to project to automate invoicing	✓
Automatically create projects from a project template to ensure consistency.	✓
Provide a project plan document that can be shared with customers	✓
Manage resource assignments and scheduling	✓
Ability to manage internal and external change requests	✓
Approval process for project changes	✓
Analyze key project metrics	✓
Provide simple and easy time entry & approval	✓
Ability to tie time entry to support cases and internal projects	✓
Track project labor costs	✓
Provide resources a clear list of task assignments	✓
Request and capture feedback on task progress (ex how many hours remaining)	✓
Generate project status reports for stakeholders with one button click	✓

Provide customers with a self-service portal for projects and support cases	✓
Manage documents from a central library, share that library with customers	✓
Collaborate with team members about project progress	✓
Track project labor costs. Actuals against budgeted.	✓
Release billing milestones for invoicing	✓
Generate invoices for billing milestones and email to customers	✓
Send customer NPS and CSAT surveys storing results	✓
Track and manage backlog of work	✓
Forecast revenue, compare forecast against actual for past months	✓
Recognize Revenue	✓

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TekStack helps B2B SaaS companies scale. Our integrated CRM package is built specifically for SaaS companies and provides a view of customers from a single pane of glass. In addition to PSA capabilities we manage subscriptions and renewals, as well as customer support. The entire customer lifecycle from a single system. All powered by Microsoft Dynamics 365. To learn more about TekStack visit www.tekstack.com