

Professional Services Strategy



BY JIM ALEXANDER, ED.D.

Strategy drives (or should drive) all aspects of the organization. Strategy establishes marketplace focus, creates organizational priorities, and determines what gets funded and what doesn't. Therefore, a well-thought-out, market-appropriate strategy is vital to organization success.

Yet, many managers and executives aren't happy with their current professional services strategy. A recent survey* I conducted showed that only about one in eight survey participants felt that their current professional services strategy was fully effective. So either the majority of survey participant organizations were not successful in implementing their strategy or they had chosen the wrong strategy to begin with.

The following information is taken from the above-mentioned survey and addresses this important topic. First, we will look at the current professional services strategy of survey participants, then their anticipated strategy in the future, and finally, their evaluations of strategy effectiveness.

Survey participants were given five choices to best describe their professional services strategy as it stands currently and what they feel it will be in three years. The first three choices come directly from

Porter's seminal work on strategy and differentiation¹. In any market segment there is only one low-cost provider whose main emphasis is to continually improve efficiencies to keep costs down. Low-cost providers differentiate from their competitors on price. The value-adders are those organizations that strive to provide something perceived by their customers as being both different and better than their competitors. Finally, the niche players focus on a very select portion of the market and use their superior knowledge and experience to differentiate themselves from less-specialized competitors.

Type of Strategy

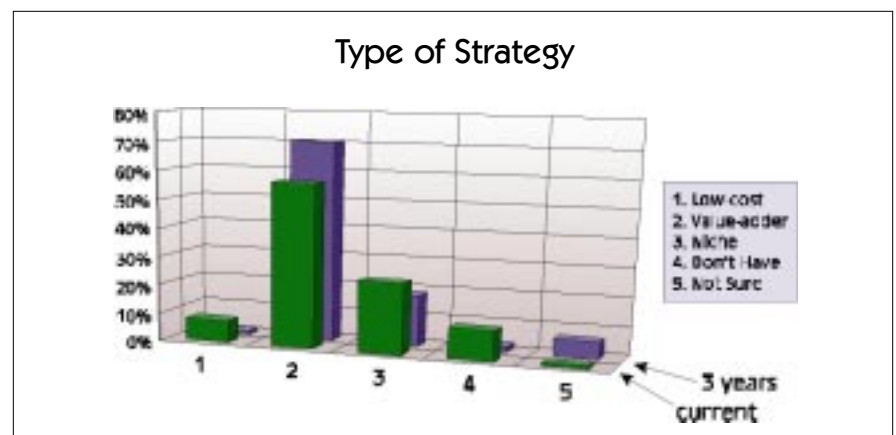
Figure 1 shows in the foreground that currently eight percent of participants

felt that their professional services organization pursued a low-cost provider strategy, 57 percent a value-adding strategy, and 24 percent a niche-player strategy. Ten percent said that their professional services organization did not have a strategy and one percent were not sure what their organization's strategy was.

The columns in the background of Figure 1 display participants' estimates as to what their organization's professional services strategy will be three years in the future. If correct, almost three-fourths of participant professional services organizations will be pursuing a value-adding strategy, one-fifth a niche-player strategy, and almost none pursuing the role of low-cost provider.

This comparison shows a considerable growth in value-adding strat-

Figure 1



egies with a decline in both low-cost provider and niche-player strategies.

Strategy Effectiveness

Figure 2 shows that 12 percent felt that their current professional services strategy was fully effective while 67 percent said it was partially effective. Fourteen percent felt their current professional services strategy was not effective and seven percent were not sure.

Comparison: Type of Strategy and Strategy Effectiveness

Figure 3 builds from the previous two figures to compare participant responses by both the type of professional services strategy being pursued and their perception of strategy effectiveness. For example, none of the respondents that said their organization was pursuing a low-cost strategy (left-hand column) felt that strategy was fully effective, while 80 percent thought it was partially effective, and 20 percent felt it was not effective at all.

In this comparison, the value-added strategy seems to be the most effective with the greatest propor-

Figure 2

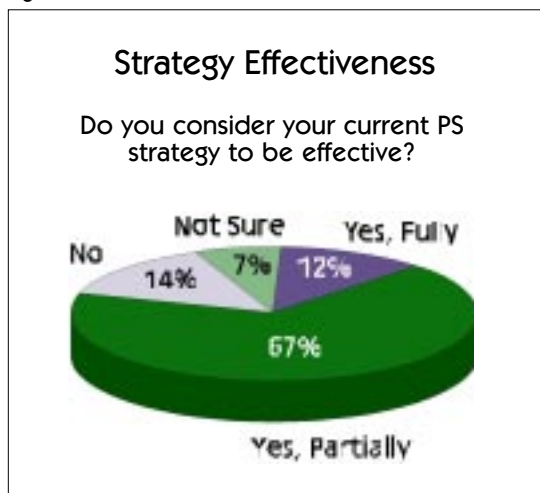
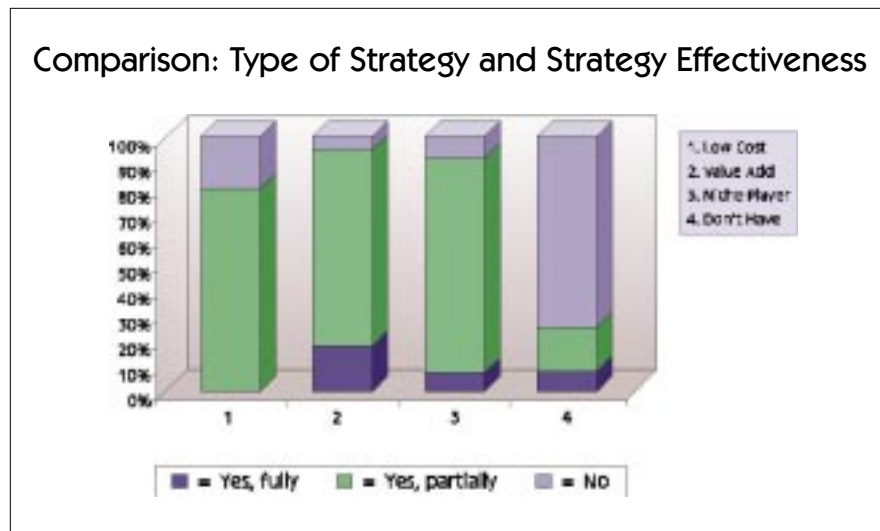


Figure 3



tion of responses in the fully effective category and the least proportion of responses in the not effective category. The next effective strategy appears to be the niche-player strategy followed by low-cost provider. Not surprisingly, those who said their professional services organization didn't really have a strategy thought their strategy was the least effective.

Based upon these findings, the majority of high-tech professional services leaders should reevaluate their existing strategic intent in light of the current and expected marketplace and their internal capabilities. Just defining a strategy helps to provide organizational focus and clarity to employees and other stakeholders and could, to a large part, address current perceptions of ineffectiveness.

More, not less, high-tech professional services organizations should give strong consideration toward following a niche-player strategy in the future. Although growth potential is limited by defini-

tion and overall risk is higher, this strategy offers the possibilities of higher profitability through specialized expertise that builds formidable barriers to entry for possible competitors. This approach becomes increasingly more valuable as markets mature and clients' perceptions of commoditization put pressure on pricing. ▼

** I recently conducted a comprehensive survey of 139 AFSMI members whose organizations were engaged in high-tech professional services. Visit afsmi.org/psi or call 941-275-7887 to purchase the report or to receive a free executive overview.*

¹Porter, Michael (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.

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