

Enabling Accurate, Useful Benchmark Comparisons



The Service Leadership Index®
Predominant Business Models™

Why Predominant Business Models?



Billable utilization is the key to Solution Provider profitability.



Different services have different utilization characteristics which result in different business cultures and best practices — different S-L Predominant Business Models (PBMs).

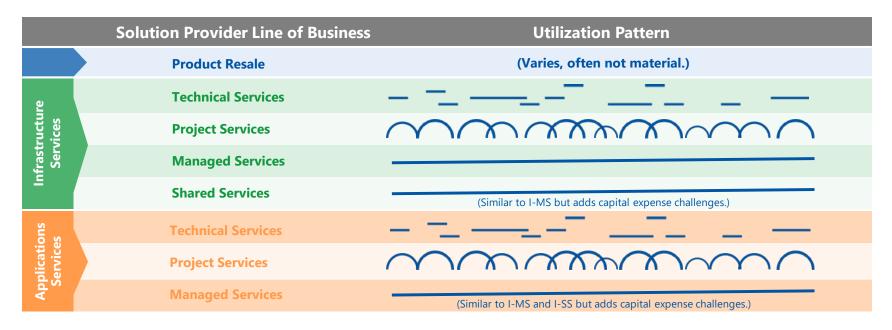


Once you have identified the Predominant Business Model™, you can fairly compare results and identify appropriate best practices.

Predominant Business Models enable accurate benchmarks, making it possible to determine which management techniques produce the best results.

Distinct Technical Labor Utilization Patterns





Each line of business responds to distinct best practices, which are either ineffective or counterproductive in the others.

Each also has different profit potential, and different stock valuation multiples in the marketplace.

10 Predominant Business Models



	S-L Predominant Business Model [™]	Business Culture
	Product-Centric	Attaining product volume commitments paramount. Services margin sometimes sacrificed to win/keep product deals.
	Technical Services	Ad hoc time & material services, staff augmentation, block time, and other billable hour services where efficiency is not directly rewarded.
ture	Project Services	The engagement is defined by a scope of work with a clear beginning and ending, and the SP is committed to a successful implementation.
Infrastructure Services	Managed Services	Services which are strictly billed on a scalable (unit based) flat fee and governed by a service level agreement. Efficiency yields higher GM%\$
Infra	Shared Services	Managed Services in which the SP makes a capital investment in equipment which is then fractionally leased to customers: data center, hosting, etc.
	Infra-Balanced	This business model applies when the SP does most or all of the above and none are materially bigger than the other.
10	Apps-Balanced	This business model applies when the SP does most or all of the below and none are materially bigger than the other.
ations	Technical Services	Ad hoc times & material services, staff augmentation, training, documentation, and other billable services; efficiency not directly rewarded.
Applications Services	Project Services	The engagement is defined by a scope of work with a beginning and ending, and the SP is committed to a successful construction or implementation.
4	Managed Services	Software-as-a-Service (SaaS) in which the SP owns the Software.

Identifying Your Predominant Business Model

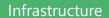


No, product >=60% of total Revenue.



What is the Solution Provider's Total Revenue?

Are Services > 40% of Total Revenue?





Is Infrastructure or Applications Larger?



Applications

Which of these is at least 10% bigger than the others?

If none is 10% bigger than the others, Balanced

Which of these is at least 10% bigger than the others?

Product-Centric

Technical Services

Project Services

Managed Services

Shared Services

Infra-Balanced

Apps-Balanced

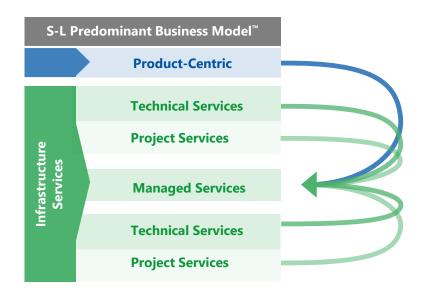
Technical Services

Project Services

Managed Services

Your Path to Your Next PBM





Your Starting Point Determines Your Path to Your Desired PBM

For example:

- Most Infrastructure-Centric Solution Providers are pursuing a path to the Managed Services Predominant Business Model (PBM).
- Their starting PBM determines the path they take, and the best practices they require.
- Even two Solution Providers starting with the same PBM, will take differing amounts of time and have different levels of success.

Enabling True Comparison and Risk-Mitigated Improvement



S-L Predominant Business Models



Normalized SP Chart of Accounts™



Operational Maturity Levels™



Fair and Accurate Benchmarking



Risk-Mitigated Best Practices

Recognizing Predominant Business Models enabled us to establish a Normalized Solution Provider Chart of Accounts™ and identify each PBM's Operational Maturity Levels

Typical SP Chart of Accounts (CoA)



Example: Unhelpful Chart of Accounts

Product Revenue

Service Revenue

Total Revenue

Product COGS

Gross Profit

Payroll (Sales, Service, Admin)

Other Expenses

Total Expenses

Profit

Gross Profit
Performance of Product
and Services obscured.

Efficiency and effectiveness of SG&A spending obscured by Service payroll.

Lack of transparency makes it difficult to evaluate or hold any department or Line of Business accountable.

Normalized SP Chart of Accounts (NSPCoA)



Normalized SP Chart of Accounts™

Product Revenue

Service A Revenue

Service B Revenue

Total Revenue

Product COGS

Service A COGS (payroll, etc.)

Service B COGS (payroll, etc.)

Total COGS

Product Gross Profit

Service A Gross Profit

Service B Gross Profit

Total Gross Profit

Sales & Marketing Expense

Other Expenses

Total Expenses

Profit

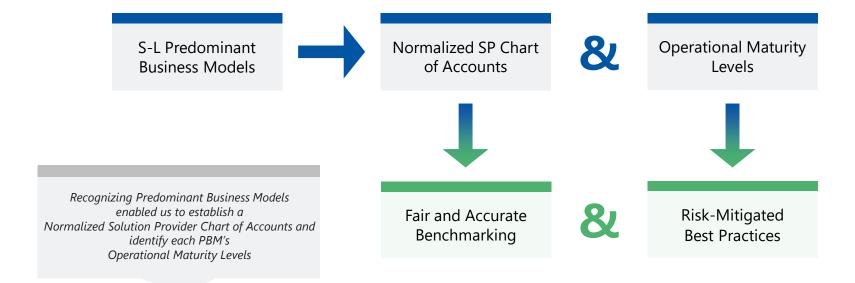
Gross Profit
Performance of Product
and each Services LOB
now visible.

Efficiency and effectiveness of Sales and G&A spending now visible.

Each department and Line of Business can now be fairly evaluated and held accountable

Enabling True Comparison and Risk-Mitigated Improvement





Operational Maturity Levels



The first objective benchmark of Solution Provider management methods and practices.

Decompose SP
Management
Methods into
Detailed Descriptions



Ask Each SP to Identify Their Method from the Descriptions



SPs with Good
Financial Results
Tend to Pick the
Same High
Performance Choices



All Can Perform Better by Adopting the Choices of the Top Performers

SPs with *Poor*Financial Results
Tend to Pick the
Same *Low*Performance Choices

About Service Leadership, Inc.



Advisor to leading global IT vendors and distributors on channel sales product and services strategies and partner enablement.

The leading IT Solution Provider consultancy, enabling owners and executives to drive shareholder value. Publisher of the Service Leadership Index[®] financial benchmark service, and SLIQ[™], the Operational Maturity Level[™] progression system.



