



# Maximizing Technician Proficiency for Solution Providers

*Drive front end sales while maximizing back end support*

## Optimizing Services

Once the deal is done from the sales side, it is your services relationship which can often determine the long-term value of a client relationship. Sales people may come and go, but it's your technician who helps you out in a jam!

Some companies take an "installation only" sales philosophy with respect to services delivery, opting not to perform break fix. They farm out such services to a vendor or another solution provider. Some businesses can be quite profitable, especially with vendors offering reasonable maintenance sales incentives. The downside however, is that you wake up each day and need to produce with lower recurring revenue. You rely on having "top sales" teams or a loyal (and large) clientele and market. For the majority of companies, technical optimization is a key factor in the long term success and profitable growth of your company. If well managed, it can also create a very high trust level with your clients.

## Billable Services (defined)

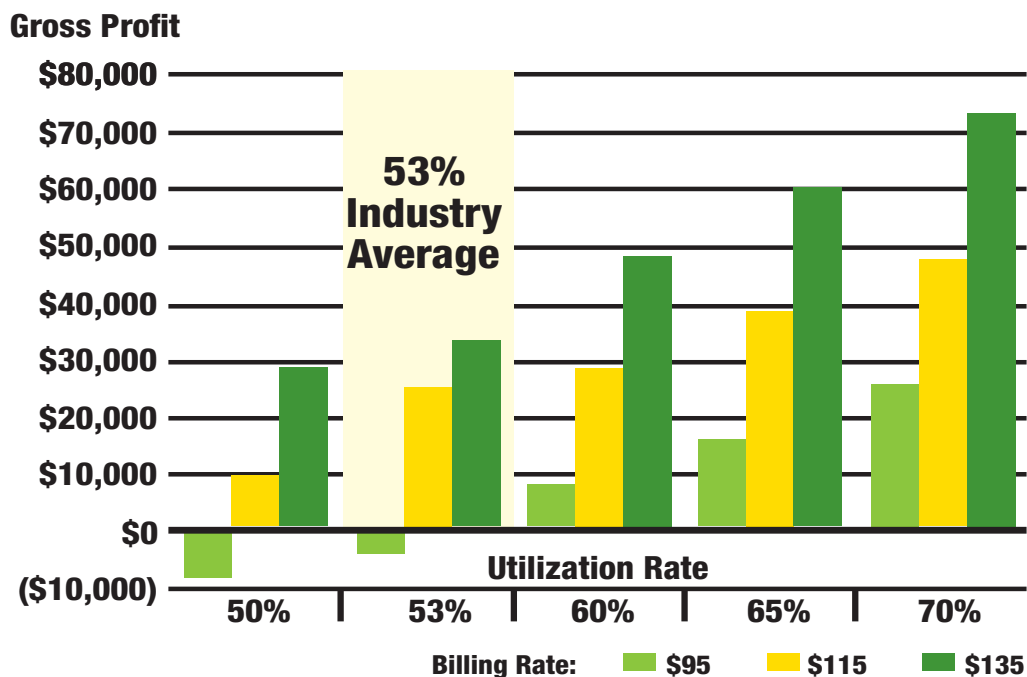
Before we begin a discussion about services, let's create a definition. We'll define "billable services" as all revenue generated as either consultative, installation or break fix performed by a technician. We'll confine our discussion to those companies that have an installation component to their offering performed by technicians either directly or as a component of the product sale.

## Utilization

Utilization proficiency is the key metric for measurement of service technicians. It has a direct and very significant impact on maximizing profitable growth. The following chart indicates the industry average as well as profitability based on utilization and rate charged. The time and materials "gross profit" example below is just one means of billing for services and certainly not always the preferred option for maximizing profitability.

In the following example, on a pure T&M basis, raising rates from \$105 to \$115 per hour yields almost \$9000 in net profit per technician. Suppose your technicians averaged 50% utilization charging \$105 – essentially break-even (direct cost only). If you could increase utilization by just 10% and charged an additional \$10 per hour (to \$115), you would gain almost \$30,000 in profit per technician, annually (gross)! Not only does this allow for far more profit, you also won't require as much manpower which is getting harder to source.

Based upon a \$75,000 salary (\$86,000 fully loaded)



**Utilization may be defined in various ways:**

1. \*Percent of hours worked against an annual standard. It's prudent to reduce 2080 annual hours available for sick, vacation, training, yielding, etc. We use 1780 hours.
2. Ratio of billed to unbilled time
3. Ratio of technician salary to billed time (add training costs to salary to determine technicians total company expense). As an average, 2.5 to 2.75 billable time to annual salary is very good performance. Large consultancies with employees in long term engagements may reach 4.0 or higher

\* Most widely used

Whichever method you adopt for your performance metric, be consistent between technicians inclusive of overtime, training, and vacation adjustments accordingly for comparison, benchmarking or incentive purposes. Also be conscious of work availability both within and outside their skill sets and control.

**Billable versus Non-Billable**

While this is not a paper on sales practice, “pre-sales” and “post-sales” technician time is a key area of opportunity. In some projects, pre-sales are quoted hourly for design, others charge a fee to be applied to the job upon acceptance. Others combine services into the total quote depending upon the type of client and competitive bids. Some merely eat such costs or incorporate them into COGS (Cost of Goods Sold). Clearly, from a profitability and leverage position, the first option is most preferred. Such companies have generally created a strong market position and solid differentiation strategy to be confident to charge fairly for their design efforts. The more complex the installation or perceived complexity, the more highly valued is the service component. Some companies lose significant, direct and opportunity costs for technicians chasing deals. Additionally, clients sometimes call technicians directly and receive non-contracted post-sales support at no cost.

### **Utilization Tracking**

Before you can determine your productivity in pre-sales and post-sales (in excess of contracted work), you need a tracking system that efficiently allows you to track time - without being perceived as micromanaging. There are many variants in use, depending upon your billing practices. Be conscious of administrative workload. Some use the web or PDA, or other practices that are more labor intensive such as calling in hours each day.

Be conscious of a few considerations in your tracking. Technicians by nature and personality profile are change averse. While they tend to score high on compliance once accepted, you may need to sell your changes carefully. In practice, having a quality and industry experienced service manager or operations manager with knowledge of a technician's role is preferred. Technicians don't generally make good people managers. If technicians are below average, use industry benchmarks and performance appraisal. If they are above average, incentive may be more prudent. In any event, utilization tracking is key to a variety of business functions including training, customer satisfaction, dispatching and outsourcing purposes.

### **Optimizing Service Related Sales**

No discussion on services would be complete without considerations for effective services sales. An important criterion to monitor is the confidence levels of sales to sell services. This is an issue that routinely comes up for leadership. It is up to you to determine whether there is merit in the discussion or whether excuses are masking sales performance.

- Can and/or will sales team sell it? (do they have the training to sell it?)
- Does your sales team respect your services team?
- Who is responsible for services growth? (what metrics are being driven?)
- Who owns the client? company, sales rep or the technician?
- Is services operated as a profit center? Does someone on staff manage outsourcing?
- Do your clients look to you for services? (do you track services leads?)
- Does technician receive adequate incentive to refer / cultivate add-on work?
- Do technicians receive sensible incentives (see example) for exceeding performance?

### **Technician Considerations**

- What does your organization chart look like today? Tomorrow?
- What does your *people plan* look like to meet future goals?
- What people are in house today? Which employees won't fit?
- What new technologies might aid productivity? Do I still need a full hire?
- Is outsourcing a consideration? Where? What about off shoring?
- Can you charge an experience driven "project rate" for certain technicians versus hourly?

**Technician Metrics (examples)** – target areas of performance weakness in your company

- Utilization by company and technician (% or hours billed versus unbilled)
- Services % of sales revenue target (installed base and new customer) – sales metric
- Account penetration % for service(s) – sales metric
- Maintenance profit versus T&M profit (including billing costs)
- Call backs
- Bench time management
- New install quote versus actual hours (benchmark with comparable technician) for pre-sale and post-sale
- Study core and non-core sales volume versus margin per sale on service(s)
- Profitability of in-house technicians versus outsource (assuming you outsource)
- Consider job profitability (job costing) to fully determine technician performance

### **Best Practices**

- Drive recurring revenue where possible to “smooth” services revenue
- Retention is key - salary at or better than market (especially in competitive hiring market)
- Average profile is “change averse”
- Strong sales can often mask services problems - maintain sales but actively manage profit creep
- Drive and track certifications – pay technicians accordingly, charge clients appropriately and proactively – make it easy for technicians to report billable time
- Efficiently manage project status / milestones / tracking
- Consider full time versus part time and outsourced employees
- Consider a position to manage partnerships for outsourcing technical resources
- Use top level reps on top level work
- Carefully manage and schedule for travel time (especially in tertiary and also highly congested travel regions)
- Create Internal Service Level Agreements to clearly define roles between departments
- Customer satisfaction (quarterly)
- Conduct customer satisfaction training as well as opportunity identification best practices (share case studies in communications about successful projects identified by technicians)
- Non-competes
- CRM Systems for technician notes and billing advice
- Some companies have successfully chosen a piece work or more appropriately “per ticket” technician compensation strategy to drive incentive

### **Conclusion**

Some companies do an excellent job keeping technicians gainfully employed with adequate work levels, charging adequately for their time. Other companies, typically those whom are highly sales-driven, don't do quite as well. Add in a legacy technical crew with aging skill sets and you may have some significant challenges. Clearly, a sales and customer focus is most important as a company. But a strong and focused technical team provides many advantages, not the least of which is profitability. Strong technicians will be continually harder to find. In our recent research with Gartner, 4-Profit determined that 93% of solution providers seek technical assistance. Yet in the last 3 years, respectively, technical degrees have decreased by 10% each year. Strong services also allows for confidence in selling maintenance and other recurring revenue streams – a huge component of sustainable companies. If you're committed to providing services in house, the earlier you develop a strong technical practice, the stronger your company will be.