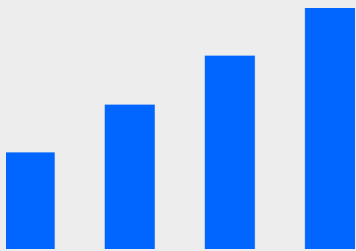


ASSET BASED CONSULTING

ASCENDIVE



A brief overview of the progression of consulting enterprises using tangible assets for a competitive advantage and protection against rate erosion.

Like all competitive human endeavors, consulting is an evolving enterprise; changing, embracing experimentation, and allowing the marketplace to select and reward the winners while the underperformers are left behind.

In his book *The Management Myth* (Norton, 1999) Matthew Stewart tells the story of how Fredrick Winslow Taylor pioneered modern day management consulting. Taylor applied his observations and analysis to implement incentives that optimized the manual movement of pig iron. He demonstrated that in commercial activities, the intellectual insights of one person can result in change producing a significant financial benefit. And so began the business of smart people gathering into organizations to provide business acumen to those willing to pay.

As consulting evolved, it fragmented into niche markets like strategy, systems integration, marketing, etc. As demand grew, having smart people alone was not a competitive advantage. It was also not quickly scalable. So the consultancies started to embrace proven processes for their people to use. When these consultancies undertook an engagement they could say to their consultants, "Look, here is the road map of what you need to do", and therefore the learning curve was significantly reduced. A simple example is a systems integration consultancy developing a methodology to implement an accounting system. They create a process to define, design, develop, test, and go-live. Once the process is documented it becomes a competitive advantage to use against those consultancies who also have smart people, but not a road map.

We started with people over 100 years ago, and then added processes after the Second World War. That is still where most consulting enterprises are today. A new day is dawning in the maturation of consulting. It takes more than just people and processes to be a leader in today's fiercely competitive marketplace for consulting services.

Enter into the foray "assets". In the constant search for adding more value for their clients, consulting enterprises are embracing assets to gain an advantage. These assets are products used in consulting engagements to add value. Although this model is in its infancy, the rate of acceptance and investments being made are staggering. Let's look at a few examples. But first we shall quickly review the different approaches which are:

- a) Build – Develop technology that you then sell to your clients
- b) License – Use another company's products in your consulting engagements
- c) Buy – Acquire a technology company to use in consulting engagements

Firstly, Build. KPMG is a global accounting services partnership with over 137,000 employees.

KPMG, the audit firm that serves 24 of the FTSE 100 companies, is fighting to win business from faster-growing small and medium sized enterprises – by offering a cloud-computing accountancy service for a fraction of its normal fees. It has spent £40m to develop cloud-based software that can allow businesses to go online and prepare their accounts, do their bookkeeping, administer their payrolls, and file VAT and corporate tax returns¹.

¹ Financial Times, October 21, 2014

Secondly, License. Infosys is a global IT consulting company with over 165,000 employees, \$8bn in revenue and operates in more than 50 countries. Tableau is a fast growing, loss making, software company based in Seattle with products to analyze data.

Infosys announced a strategic partnership with Tableau Software, a global leader in rapid fire, easy-to-use business analytics software. The partnership will combine the global talent pool and client reach of Infosys with Tableau's breakthrough analytics technology. As per the partnership, Infosys will integrate Tableau's software into the solutions it deploys to help clients unlock the power of big data².

Thirdly, Buy: IBM Global Services consists of two divisions, Global Technology Services (GTS) and Global Business Services (GBS) with a combined revenue of nearly \$57bn³. In early 2014 IBM purchased Cloudant, a provider of an integrated data management, search, and analytics engine designed for web applications.

The Cloudant acquisition is part of IBM's \$1 billion plan, in which the vendor acknowledged it is "betting big" on mobile, cloud and Web development, and is addressing issues its customers face in dealing with the high volume and variety of data required for next-generation apps⁴.

The assets from these three examples are being used by consulting companies to increase their revenue by providing accounting software (KPMG), big data analysis (Infosys), and a web development platform (IBM). The common theme here is that the largest consultancy companies in the world are spending big on investments in assets that complement their professional services. Another interesting fact is that the vast majority of these assets are based on "cloud" technology. Each of these assets has the following attributes:

- a) Hosted somewhere other than the client's internal data center
- b) Licensed by subscription, not by a perpetual software license fee with maintenance
- c) Accessed over the internet using nothing more than a browser

By providing these assets to their clients as "value add", consulting companies not only gain a competitive advantage, they more importantly protect against rate erosion in the competitive pursuit for business.

What is simply striking here, and across the vast expanse of consulting, is the absence of the realization that the services these companies have offered for decades could be turned into an asset and leveraged in the same way. Productize professional services and turn consulting Intellectual Property (IP) into a tangible asset, then use this asset as a competitive advantage to win more business and increase the Balance Sheet.

This productization is the natural progression of fully matured and proven consulting organizations. Sure, use the process, but productize the content, or IP, gathered during the consulting engagement. Turn that into an asset. Not only will that asset help you generate

² Business Standard, November 7, 2014

³ Forbes, December 5, 2014

⁴ Gartner, March 1, 2014

greater revenues, it becomes one of the few tangible assets of your Balance Sheet and could significantly increase the value of your Professional Services Organization should you be contemplating an exit strategy.

In summary, smart people and proven processes alone are not a sustainable model for the professional services organization of tomorrow. Asset based consulting will become a competitive advantage. The most valuable asset to obtain, and ironically the quickest, is to productize the IP of your consultants and leverage that. This is what Ascendive does.

About the Author

Vincent Hancock is a Managing Director at Ascendive, a leading provider of SaaS solutions and consultative offerings assisting Professional Service Organization's productize their services. Vincent has over 20 years of experience in the services and productization industry, working for both software companies and consulting firms. He has delivered enterprise solutions to many Fortune 500 companies across the Americas, Asia, Europe and the African continent. During his career, Vincent has provided direct consulting management expertise to customers such as Amgen, Freeport-McMoRan, General Electric, Oracle, PepsiCo, Procter & Gamble, Standard Pacific Corp, The Clorox Company, W.W. Grainger, Wal-Mart Stores, Weyerhaeuser Company, and Whole Foods Market.

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