service smarts

By Susan Scrupski, partner, Arc Consulting

The Foundation For Service Profits

This strictly for-profit advice comes from one who has seen the best and the worst of what service firms can be.

Over the years I've made some mental footnotes about what it takes to be successful in IT services. Of course there are exceptions to every rule, and I don't offer these as a sure-fire recipe for all, but I've found that where these principles are applied, "success" is usually present. It nets out to four key ingredients:

Vision

The executive team or founder of the company has Vision (yes, with a capital V). Now, cynics often scoff at the notion of vision. But, as it turns out, vision matters indeed.

It serves as a kind of psychological road map for the company. Someone has a keen view of the future and is molding the company around it—subconsciously or overtly. The vision is well understood by management and employees, and there is agreement on its essence. It might consist of a desired market position or level of customer satisfaction, for example.

The vision of the company takes on a life of its own: It becomes the "soul" of the company and permeates every strategic decision. I've witnessed several companies that otherwise appear as though they are doing well, but they complain that something is missing. In most cases, these companies lack vision.

Low Executive Turnover

Very successful IT-services companies are managed by the same core team, year after year. Usually it's a founder and a handful of key management. These individuals hang together through thick and thin. Oftentimes they're friends as well as colleagues. It's a team sport.

Very rarely do you see executives at successful companies change teams. In today's market, it's just not done. I have seen executives leave big companies to start their own firms, but to make a lateral move? No. I've seen this practice regularly among management consultants but not among officers or key partners of IT-services firms.

Wealth Sharing

A corollary to low executive turnover is the willingness to distribute company wealth to all employees. Whether this is done through stock grants or cheap options for a public company, or handsome bonuses and profit-sharing for a private company, the most successful companies reward employees financially for their hard work and loyalty.

The benefits are obvious. The nightmarish skills shortage in the technology business affects everyone. Sharing the wealth not only increases employee loyalty but also provides the sense of "ownership" a valued employee needs to perform to his or her fullest every day.

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Ambition, Not Greed

Ah, there's the rub. There's something potentially damaging—even lethal—in IT services that isn't present in other segments of the technology business: the vulnerability of basic human nature.

An IT-services company's product is *people*. Whereas a hardware company can fail tremendously with a noticeable manufacturing glitch, or a software publisher can stumble on a buggy release, the core value an IT-services company delivers should change little. In services, there are very few breakthroughs or serious flops, which means senior management is rarely distracted from the basic task of winning new business and keeping existing customers happy. What does get in the way are the human defects.

Successful IT-services companies tend to be wildly ambitious. And they win more than they lose. It's a certain "fire in the belly" that drives the business to reach new heights. Within the maelstrom of all that positive energy, it's important to keep perspective.

The ambition worm will turn, and turn badly, if not kept in check. Ambition rewarded time after time breeds arrogance. And arrogance is the unruly adolescent of greed. Arrogance can hurt a company, but greed will kill it every time.

I'm not sure I have a solution, but I can offer these words of advice: Don't forsake the values you had when you started, and resist the temptation to let "personal" decisions cloud your judgment for corporate decisions. You are only one stockholder, regardless of your personal stake.

Susan Scrupski is a partner with Arc Consulting in Tinton Falls, NJ, and editor of www.IT-ServicesOnLine.com. She welcomes your feedback at sscrupski@arcomm.com.

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