Scaling Strategies for Global Professional Services Organizations

Navigating Challenges and Opportunities at an Enterprise Scale

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Introduction

Global professional services organizations (PSOs) have growth aspirations and objectives that require effective scaling to stay ahead of the powerful currents reshaping the industry. Internal or external challenges can quickly turn strengths into weaknesses, creating barriers that can threaten the viability of even the most mature PSOs.

This article will discuss how scaling a global enterprise differs from scaling a smaller business because of the unique challenges global PSOs face, as well as how businesses can address those challenges and scale to achieve desired goals.

How Does Scaling a Global Professional Services Organization Differ From Scaling a Smaller Business?

According to Justin Ferrabee's Forbes article, "Navigating The Unique Challenges Of Scaling Up," three growth phases, startup, scale-up, and grown-up, can present different challenges for the leaders of PSOs looking to scale businesses of varying sizes.

The Startup Phase:

PROVIDING A PRODUCT OR SERVICE

The startup phase is focused on building a product or service, getting customers to buy it, and generating a profit. This is typically how businesses with fewer than a dozen people look to scale. It typically requires minimal structure or processes to achieve.

The Scale-Up Phase:

MAKING THINGS REPEATABLE

In this phase, usually undertaken by mid-size businesses, it becomes important to make the delivery of products or services repeatable, increasing volume and accessibility for a broader client base. This requires more discipline and structure, with consistent, reliable processes that act as the foundation for future growth.

The Grown-Up Phase:

ACHIEVING CONTINUED GROWTH ONCE ESTABLISHED

Established global PSOs strive to ensure sustainable growth by identifying inefficiencies and establishing robust systems and processes to help them attain broader goals.

Global PSOs don't just have different scaling goals than smaller businesses; they also need to navigate scaling with much more patience. Due to the sheer size and sophistication of mature PSOs, change tends to be much slower, primarily due to concerns over the broader impact any changes might have on complex operations. Intricate processes, vendor and client relationships, advanced and integrated technologies, and extensive resourcing requirements are at play.

While a small business is like a speedboat, often able to turn on a dime when a founder or executive at the steering wheel mandates change, a large, multinational enterprise is more like a tanker. Any decision that changes the course of the business will require a wide berth, a good deal of time, and a lot of cooperation among leaders and team members, so changes should not be taken lightly. With that said, a global PSO that never changes course based on evolving market conditions will never reach its destination. Change is a constant, and large enterprises need to be constantly ready to scale their operations to stay ahead of the curve — a business is never too big to scale.

10 Challenges That Arise When Navigating the Scaling Journey as a Global Enterprise

Because they operate multi-nationally, with numerous products or services and a global workforce that is often managed out of multiple business units, subsidiaries, or legal entities, global PSOs are prone to the following scaling challenges.

01
Complex Operations

Complex global PSOs are difficult to navigate and often provide services to other larger organizations, which complicates decisions, changes, and scaling.

02
Bureaucracy

This is frequently a significant barrier to scaling success in more established PSOs. Decision-making is often slow and cumbersome, making it difficult to determine direction or pivot quickly or easily.

03

Leadership Gaps

As large PSOs scale, bridging leadership gaps is critical to an organization's survival in an ever-changing market.

04

Poor Client Retention

Clients' needs and expectations continually evolve as economic, political, financial, and other factors change. When dissatisfied, clients waste no time in seeking other PSOs.

05

Poor Talent Retention

Employee needs and goals continue to change, making it difficult for global PSOs to find and retain the necessary talent to maintain a stable, engaged workforce.

06

Inability To Predict Project Resourcing Needs

Identifying where to scale is key. As global PSOs grow and look for opportunities to scale, it's vital that people have the skills needed to meet changing client demands.

07

Limited Data and Visibility

Knowing which projects will require certain types of resources relies on having the right data when needed to increase organization-wide visibility. PSOs must leverage the power of real-time analytics to make effective and timely decisions.

08
Outdated Legacy Systems

Many mature PSOs are still working with older, outdated systems and may be reluctant to invest in newer, more flexible systems. This, however, is essential to keeping up with changing client expectations and the need for faster, more efficient service delivery.

09
Ineffective Change Management

Too often, the importance of managing change is often overlooked, and even when it is considered, change management in larger, more dispersed PSOs isn't always effective.

10
Decreasing Profitability

As clients and talent leave and processes and technology no longer meet global PSOs' changing needs, profitability also decreases, creating the need to scale more effectively to sustain future growth.

The majority of enterprises with over 1,000 employees struggle with these challenges

The table below illustrates how pervasive many of these challenges are, with the majority of enterprises with over 1,000 employees surveyed in a Forrester Consulting study commissioned by Kantata and Salesforce reporting that they are experiencing major challenges anticipating what's ahead, maintaining profitability, and retaining clients and employees.

62%	Inability to predict project resource needs in advance
60%	Lack of visibility into plan/baseline vs. actual performance of projects
58%	Lower-than-expected profits
55%	Lack of data/ insights needed to engage in robust forecasting
54%	Poor retention of employees
50%	Poor retention of clients

Source: Vertical SaaS For Professional Services Is Driving Material Benefits, September 2022. A commissioned study conducted by Forrester Consulting.

How To Address These Challenges and Maximize Your Global Workforce at Scale

For global PSOs, the priorities are clear: at least 8 in 10 enterprise business leaders say they will be focusing on growing and retaining their workforce (89%), creating loyal clients (88%), and maximizing profitability (87%) in the next year. For these enterprises, scaling means eliminating inefficiencies that stand in the way of workforce retention, client loyalty, profitability, and, ultimately, sustainable growth.

As the challenges outlined above highlight, one of the biggest areas of opportunity for global PSOs looking to increase efficiency revolves around the processes, practices, and tools used to align the services workforce with services work. When done right, resource optimization can have sweeping impacts on not just utilization and margins but also client and employee satisfaction. When done poorly — when managed in regional siloes with limited visibility, as is often the case in global PSOs — resource management processes present missed opportunities that lead to project delays, imbalanced resource usage, overreliance on contractors, and increased revenue leakage.

The percentage of assignments completed remotely rather than on-site has skyrocketed in the past few years. With the widespread acceptance of off-site work among business leaders and clients, it is now much easier to leverage a remote workforce that can tackle projects from anywhere in the world. This means there is greater potential than ever to manage resources on an enterprise basis rather than in local resource pools.

But many global PSOs still struggle with practices that keep talent siloed, making it difficult for business leaders to maximize their existing capacity and understand what capacity will be needed for upcoming work. To eliminate the barriers that keep resource managers from identifying the optimal resource for a project in time, business leaders should focus on these three needs.

Providing End-to-End Visibility of Supply and Demand

True global visibility of the services workforce delivers multiple benefits. When resource managers can utilize all suitable internal resources regardless of location, bench costs are reduced as resources who might otherwise be sitting on the bench are matched to available work in other regions. The business is less reliant on contractors, which often serve as a fallback when a local resource can't be made available in time — a decision that has implications on profitability as higher-cost contractors dilute margins. And the risk of putting an unqualified local person on a project is lowered as appropriately qualified talent is able to be sourced from other regions or practices.

> So what stands in the way of true end-to-end visibility of both supply (available resources across the globe) and demand (upcoming work)? In many cases, the limitations are related to technology, with regionally managed tools or data limiting the ability to create a real-time view of capacity across the organization.

But for many organizations, the barrier is also psychological. The fear for many business unit heads and line-of-business managers is that centralized resourcing, with resources being pulled onto projects in other regions, will be anarchic. Before they make their resources available for projects outside their purview, business leaders want to be sure there are workflows in place that ensure resource allocation is up to the business unit bearing the cost of a resource rather than the business unit owning the project. Until that is clear, many business leaders will push back against centralizing resourcing and operating as a truly global workforce.

Because of this, enterprise visibility of demand and supply needs to be tempered with governance over who can do the allocation. As well as the hard control of defined workflows, there need to be soft controls that allow easy collaboration between business units.

Scaling should always enhance rather than limit global resource visibility, workforce engagement, and adaptability to changing market conditions. This requires comprehensive visibility into "white spaces," which can be filled easily by leveraging global capacity.

Managing Complex Organizational Structures With Intercompany Accounting in Mind

International professional services companies achieve good market coverage and high utilization via complex matrix organization structures. Vertical Profit and Loss (P&L) business units are aligned with markets or industries, whereas horizontal business units develop skilled resources that can be utilized by multiple verticals.

Vertical selling requires a minimum viable presence in a particular market. Typically, not all propositions are sold in every country/office in which a global PSO operates. New propositions are constantly being developed, and legacy propositions are being retired, resulting in an ever-changing and fluid organizational structure that needs to adapt quickly to changing market conditions. This requires:

- The ability to change organizational structures at any time — and efficiently move all the underlying projects and resources owned by the different business units. In making these changes, project accounting needs to be seamlessly updated, ensuring the applicable revenue is allocated to the correct business unit for the right period.

- Establishing a set of internal transfer prices to ensure business units that need to borrow resources to undertake projects can predictably forecast cost, revenue, and margins.

- Enabling collaborating business units to engage with each other and agree on the transfer pricing for each assignment — overriding the standard rates if both business units agree.

- Providing a real-time view of project commercials — cost, revenue, margins, and more — at both a complete project level and from the perspective of each business unit participating in the project, at both the project level and at the portfolio or program level.

When these requirements can not be met, the intercompany exchange of resources and the agility of the business are both slowed. Scaling should increase the fluidity and agility of the organization, not reduce it.

Developing and Retaining Top Talent

When hiring and allocating talent in a global PSO, it’s easy for consultants to feel like mere “cogs in the machine” in a vast enterprise resourcing process, with junior consultants bristling at the expectation that they should “do what they are told,” and skilled consultants risking burnout as they are layered over multiple projects at once. When businesses don’t take over-utilization and the desired career path of their people into account, it quickly leads to disillusionment that pushes people to leave.

Combatting these risks and curbing employee turnover are key to sustainable growth. It takes a lot of management time to handle staff attrition — customer compensation, recruitment costs, and onboarding time are prohibitively expensive. Keeping someone happy is less costly than replacing them.

As global PSOs scale, they need to be diligent about tracking the health and well-being of their talent. Are people being burnt out? Are they being stretched across too many clients and projects? Are they taking vacation and training? Do they feel empowered and engaged? Businesses that can not proactively monitor and mitigate negative trends will be powerless to hold back the rising tide of attrition.

Also, key in retaining top talent is ensuring the voice of the consultant is heard during the resource allocation process. Millennial and Gen Z workers, in particular, don’t just view being able to guide which projects they are assigned as a bonus; they see it as essential. Consultants must be able to actively collaborate in the resourcing processes, either through self-nomination processes where they can raise their hand for assignments that interest them, or via clear consideration of stated focus roles and skills when resource managers make assignments.

Conclusion

Aligning Technology Investments With Scaling Objectives

As enterprises grow, even with dedicated procurement and IT teams, it can be difficult to stop various teams from acting in silos, with analogous teams using different technology in different parts of the globe. For instance, a US business unit might use the free tier of a popular collaboration tool to manage projects, an EMEA business unit might use a customized project management solution, and APAC might use something they've built in-house.

Global PSOs should prioritize aligning teams around common tools and processes that contribute to global visibility of supply and demand.

With that said, because enterprise organizations have mature tech stacks, new solutions should be evaluated based on their ability to fit into an already complex solutions landscape. Technology investments should be focused on closing key gaps, with an emphasis on how new solutions bring already existing data together into something more cohesive and streamlined.

Successfully solving scaling challenges for well-managed growth and consistent scaling in global PSOs requires a software solution that increases visibility and collaboration across the operations of business units and geographies. Purpose-built solutions like the Kantata Professional Services Cloud™ are proven to give global PSOs the insights and control they need to maximize resource capacity, improve client satisfaction and employee retention, grow revenues, and increase organizational profitability. Kantata works extensively with global PSOs navigating their scaling journey, and we've authored a new whitepaper collecting more of our tips for successfully growing and scaling in a changing industry.

READ THE WHITEPAPER →

About the Author

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