



**PROFESSIONAL SERVICES**  
Research Publication

# The State of Professional Services 2021

## Tracking the Impact of XaaS

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# The State of Professional Services 2021

## Tracking the Impact of XaaS

By **Bo Di Muccio**

### Introduction

TSIA has been producing research practice-focused, annual “State of” reports for over a decade. Each year in each practice and cross-functionally, the papers serve as both a look back at the year just completed, a response to the big trends taking place, and a look forward at what’s probably next. But it occurs to us that we have never really issued a clear message regarding the “STATE” of professional services in our annual paper.

As we review the past remarkable year, consider current industry trends, and survey the landscape for the upcoming year, we can confidently say that the state of professional services in 2021 is strong. Details behind this assessment will follow in the pages below.

But this is not for lack of challenges to PS fundamentals as we have known them. According to Thomas Lah’s “The State of the Technology Industry 2021,”<sup>1</sup> we entered 2020 with two trends in how enterprises consume technology and that were already disrupting traditional technology business models:

1. A pivot from caring about product differentiation to caring about value realization and business outcomes.
2. Preference for purchasing XaaS offers versus owning technology assets.

In that paper, Lah further observes that COVID-19 merely proved to be an accelerator for both of these trends. This acceleration has shined an even brighter light on the chasm that is opening between technology providers positioned to succeed in the post-COVID environment, and those that are falling behind by running traditional technology business models.

In the TSIA Professional Services research practice, we take these observations on board entirely. For at least the last seven years, we've been tracking the industry's movement toward customer outcomes and business value and monitoring the closely associated trend in the direction of XaaS. The goal in all of this has been to monitor the impact of these massive developments in technology professional services and suggest ways that PS organizations need to consider adapting.

Another goal in all of this is to make sure we're carefully monitoring developments in professional services to sense and anticipate PS trends that might be portending bigger, more fundamental changes in PS more generally. That is, we need to make sure that we're comparing fiction with fact and that we're being clear about what is what for the benefit of leaders and decision makers in the industry.

Why do we have this concern about fact versus fiction? The answer is that there's an awful lot of fiction out there and not enough facts. Since the beginning of the digital transformation of technology, practitioners, observers, executives, and many others have been assuming that big changes in professional services operating and business models would soon be forthcoming. Based on an increasing emphasis on value realization and business outcomes and a massive shift in tech buying to XaaS versus technology assets, the thinking goes, shouldn't the result be a pretty radical change in what the PS gear looks like? For example, shouldn't the up-front PS engagement increasingly be included in the subscription? Shouldn't a focus on outcomes cause us to radically change our PS offers and/or how we price them? Shouldn't the desire to create a seamless customer experience around the "total offer" and customer outcomes cause us to radically change our organizational and operating models for professional services?

And these are just a few assumptions that people have had regarding the expected impact of industry transformation on professional services operating and financial models. What's the common theme? For years there's been an expectation of...well...**"radical"** change in the nature, structure, performance, and profile of PS inside of technology companies. So, it makes sense to survey known facts about the industry to assess the extent to which such expectations and predictions are or are not actually materializing. This is the main purpose of "The State of Professional Services" paper this year. A solid answer to these questions will provide PS leaders with a solid foundation from which to plan for this year and beyond.

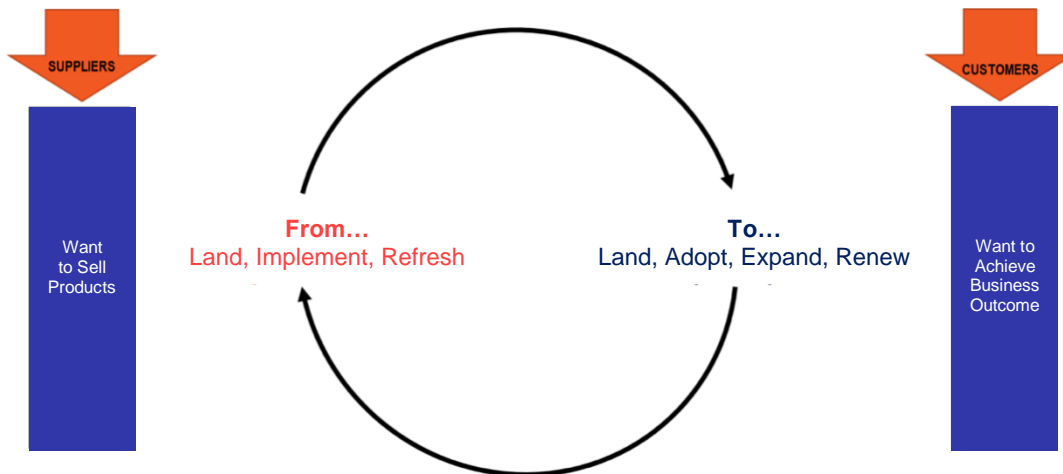
## Testing for “Radical” Change in PS: XaaS versus “XaaA”

To help us tackle these objectives, we’re fortunate to have several years of benchmark data allowing us to thoroughly look deeply into the broader technology industry with the peer group that should be displaying the most “radical” change: the XaaS peer group.

It’s not without reason that Thomas Lah highlights the XaaS transformation as one of the top factors disrupting the technology industry overall. XaaS is different from traditional technology in fundamental ways and, more to the point for current purposes, forces providers to engage with customers very differently to drive very different sorts of company and customer outcomes. Said differently, XaaS provides a much better promise and opportunity to close the gap between products and their functionality on the one hand, and customers and their desired business outcomes on the other hand.

As seen in *Figure 1*, “Land, Implement, Refresh” is simply a different operating model from “Land, Adopt, Expand, Renew.”<sup>2</sup> For the XaaS business model to work, suppliers have to do the latter not the former, as TSIA has thoroughly documented, including in our most recent book, *Technology-as-a-Service Playbook*.<sup>3</sup>

*Figure 1: The Gap*



Source: TSIA Research.

XaaS, or technology as a service, is a benchmarking peer group that TSIA was able to stand up five years ago due to the massive influx of XaaS companies into the PS membership and heavy participation of those companies in our core PS benchmark study. Over time, we’ve built a solid, valid, and actionable compliment of companies that deliver technology primarily through an as-a-service model. As a result, we can usefully compare the PS profiles, behaviors, and performance of XaaS companies to those who deliver technology primarily through a “technology as-an-asset” (XaaA) model.

For the purposes of this analysis, we will compare the two primary revenue engine peer groups in the PS benchmark study data set: “Services Engine” and “XaaS Engine.” Revenue engine categorization gives us a good window into very different core business models and product consumption models. Both peer groups are heavily dominated by software companies. Software companies make up 90% of Services Engine companies and 96% of XaaS Engine companies. However, their core technology delivery/consumption models are mirror images of one another. While XaaS Engine companies report that over 80% of their total company revenues come from technology subscriptions, the Services Engine group’s corresponding number is approximately 5%. For this reason, the latter peer group is an excellent approximation of the XaaS, or technology-as-an-asset, business and operating model.

In short, comparing these two groups will give us a highly useful view into the “state of professional services,” especially in a context dominated by the XaaS transformation. To structure these views, we’ll compare XaaS Engine and Services Engine peer groups along three dimensions:

- Overall PS Profile
- Core PS Practices
- Key PS Metrics and Results

These categories correspond roughly to the three major components, or question types, inside of the TSIA PS benchmark study. For each of these topics, we’ll be exploring a simple question: How different is XaaS Engine-embedded professional services from Services Engine-embedded professional services? In other words, we’ll be assessing the extent to which reality matches the narrative?

## Overall PS Profile

How different are XaaS Engine and Services Engine (XaaS) companies? What is the basic shape, structure charter (i.e., the “overall profile”) of PS inside of XaaS Engine versus Services Engine technology companies?

These are key questions. If such fundamental characteristics as these are radically different between the two groups, you’d expect to see radically different core PS practices and radically different performance on key PS metrics and results as well. We’ve already established one big profile difference: Services Engine companies make their money from selling technology as an asset, while XaaS Engine companies are selling technology as a service; true by definition. How do the groups compare on other aspects related to overall profile?

For starters, Services Engine and XaaS Engine companies certainly differ. Some basics include:

- 90% of XaaS Engine companies have fewer than 5,000 employees, versus 60% for Services Engine companies.

- 0% of XaaS Engine companies have more than 10,000 employees, versus 26% of Services Engine companies.
- The median total company revenue for XaaS Engine companies is \$150 million, versus nearly \$800 million for Services Engine companies.
- The median total PS revenue for XaaS Engine companies is \$20 million, versus nearly \$500 million for Services Engine companies.
- The median PS project size for XaaS engine companies is \$44,000, versus \$110,000 for Services Engine companies.

You get the point. The typical XaaS Engine company is a good bit smaller than the typical Services Engine company and has a much smaller PS business that is doing much smaller engagements. Relatedly, the typical XaaS Engine PS organization has been in existence only about half as long as the typical Services Engine PS business (10 years versus 19 years).

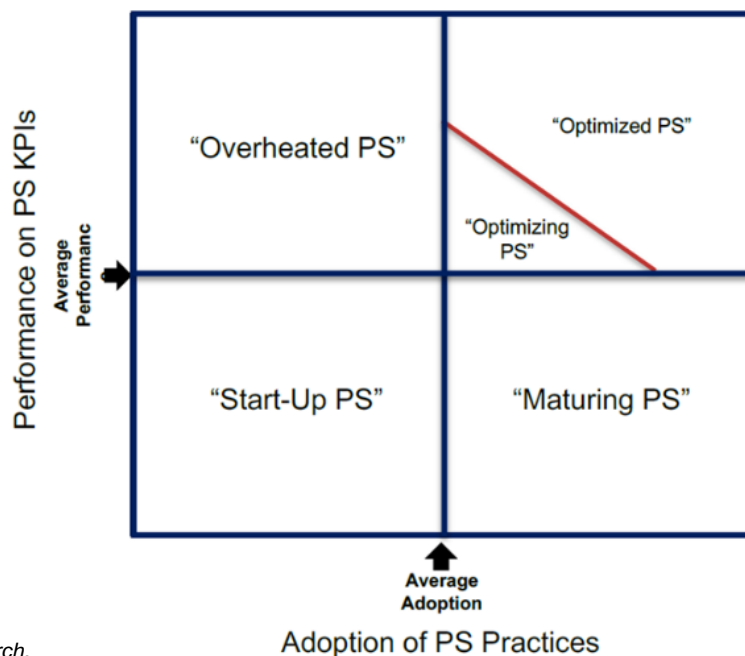
There are other useful, quantitative ways to demonstrate that the overall profiles of Services Engine and XaaS Engine companies are very different:

- PS makes up 93% of all services revenues for XaaS Engine companies, versus 22% for Services Engine companies.
- Product growth rates for XaaS Engine companies is 22%, versus 6% for Services Engine companies.
- Median number of PS engagements annually for XaaS Engine companies is 350, versus nearly 900 for Services Engine companies.

Based on these comparisons alone, we have every reason to expect to see a lot of differences when we look at practices and metrics. Larger, more complex PS businesses that have been around much longer and that support totally different product consumption models (XaaS versus XaaS) are bound to display very different performance on metrics and should have very different overall maturity levels. Is that true?

Well, the first and highest-level way to determine this is to look at each peer group's placement on the TSIA PS maturity matrix (*Figure 2*). Looking at this matrix and the current industry and peer views also gives us a useful glimpse into the state of professional services.

Figure 2: The TSIA PS Maturity Matrix

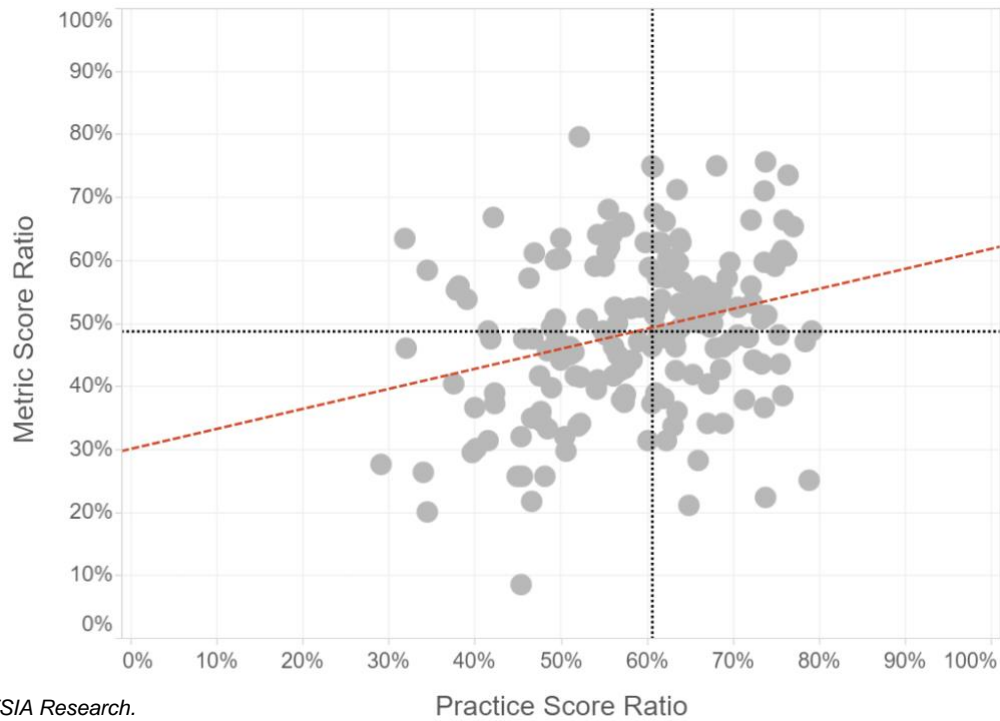


Source: TSIA Research.

The matrix represents the way we think of PS maturity. PS maturity is a function of how individual organizations compare to industry and peer practices, as well as industry and peer metrics, results, and KPIs. We further assert that there is a correlation between the two factors, and we believe strongly that PSOs need to be high-performing, mature organizations overall to execute any charter at scale, including highly customer- and company success-focused charters. The underpinnings of how we at TSIA think of PS maturity is much more fully explained in last year's "The [State of Professional Services 2020](#)"<sup>4</sup> paper.

Figure 3 includes every PSO in the most recent snapshot (1H 2021) of the PS core benchmark study. Every gray dot is an actual company. Notable are the two median on-target scores at the industry level—49% for metrics and 61% for practices. The orange-dotted least squares regression line indicates a moderately strong positive correlation between the two variables. There is noise in the system, however, since, of course, it's possible to have high practice maturity and poor outcomes on metrics, and vice-versa. However, in general, the more on target you are around PS practices, the more on target you tend to be in terms of metrics.

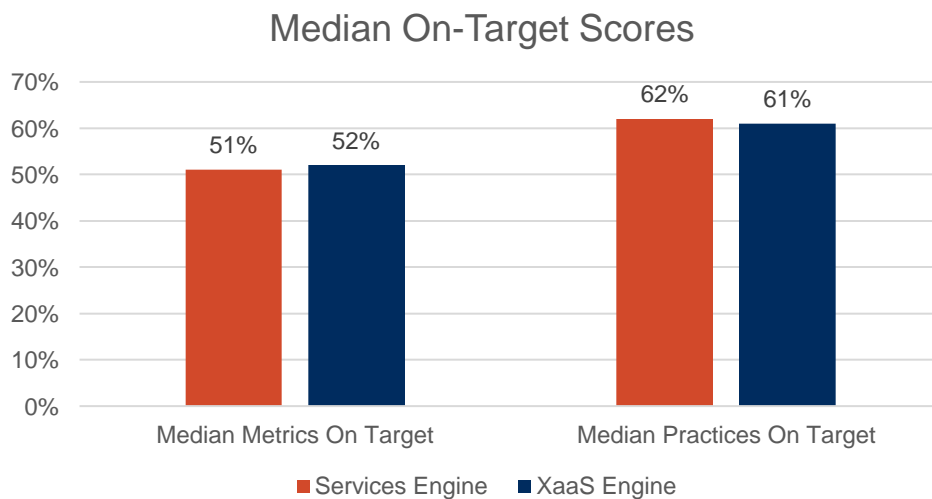
Figure 3: Industry PS Maturity Distribution



Source: TSIA Research.

So how do the XaaS Engine and Services Engine peer groups compare on overall maturity? See Figure 4 for the answer.

Figure 4: Comparing On-Target Scores



Source: TSIA Research.



What's striking in *Figure 4* is how similar the results are. The Services Engine and XaaS Engine peer groups are virtually indistinguishable, with nearly identical median on-target scores for both metrics and practices. This is a critical first finding in this analysis. XaaS Engine peer group PSOs display roughly the same level of overall maturity as Services Engine peer group PSOs, despite many vast differences in size and tenure.

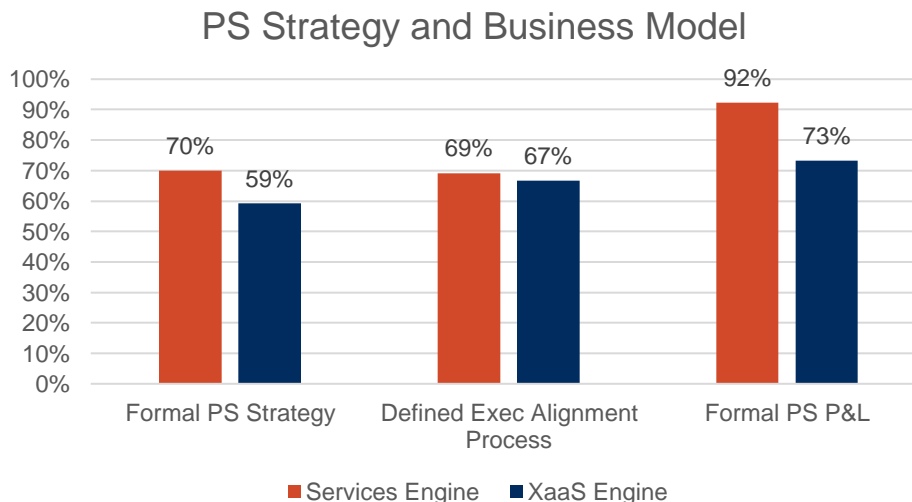
## Core PS Practices

The devil, as always, is in the details. Let's look at some more specifics on practices and metrics. First, let's compare frequency benchmarks from each of the seven pillars of professional services: Business Model, Sales and CRM, Delivery, Operations, Services Engineering, Services Marketing, and Partner Management. Below is a selection of 27 key practices that we test for in the PS benchmark. How do the Services Engine and XaaS Engine peer groups differ in terms of their uptake of each of the 27 practices?<sup>5</sup>

### Business Model

Both Services Engine and XaaS Engine take PS strategic alignment, strategy definition, and financial performance seriously. Strong majorities have the proper basic practices in place (*Figure 5*).

*Figure 5: PS Strategy and Business Model*

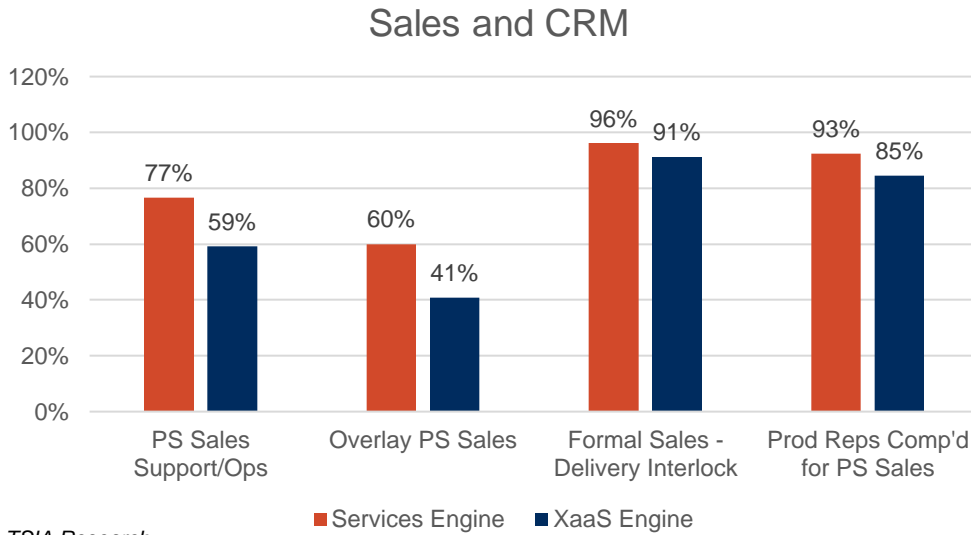


Source: TSIA Research.

### Sales and CRM

The basic selling practices that you would expect from a mature PSO are present on both peer groups, with one exception: overlay or dedicated PS sales, reported by a majority of Services Engine companies, but only by 41% of XaaS Engine companies (*Figure 6*). The thing to look for is whether, and to what extent, this difference is evident in sales performance outcomes.

Figure 6: Sales and CRM

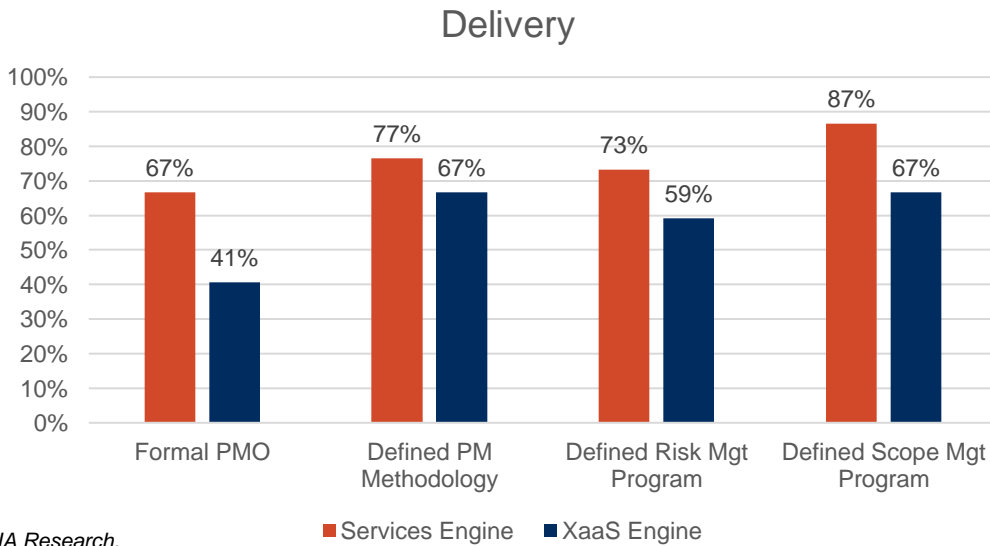


Source: TSIA Research.

### Delivery

There's a similar result here. Of the four practices tested for here, three are shared majority practices between the Services Engine and XaaS Engine peer groups (Figure 7). Only 41% of the XaaS Engine companies report having a formal PMO in place. This is a gap that could very well have downstream performance impacts that could be evident in the KPI data.

Figure 7: Delivery

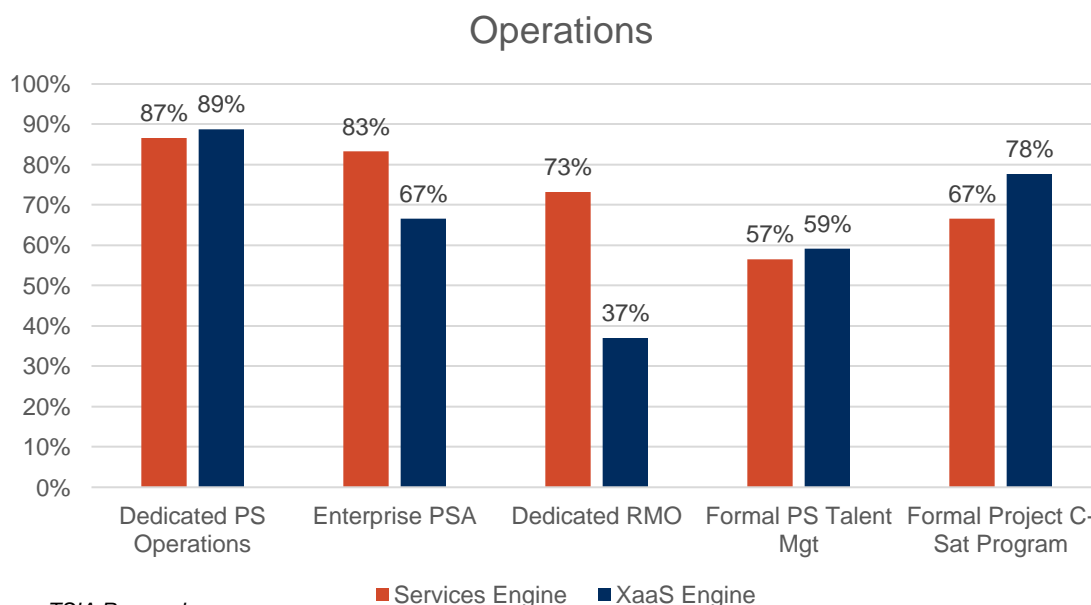


Source: TSIA Research.

## Operations

There's a similar story emerging around key operations practices. Of the five we're looking at here, four are common majority practices. There is an exception. While the vast majority of Services Engine companies report having a dedicated RMO, only 37% of XaaS Engine companies report the same (*Figure 8*). Lack of RMO doesn't mean lack of good RM practices. But this is another gap within the XaaS peer group that needs to be monitored for downstream performance impact.

*Figure 8: Operations*

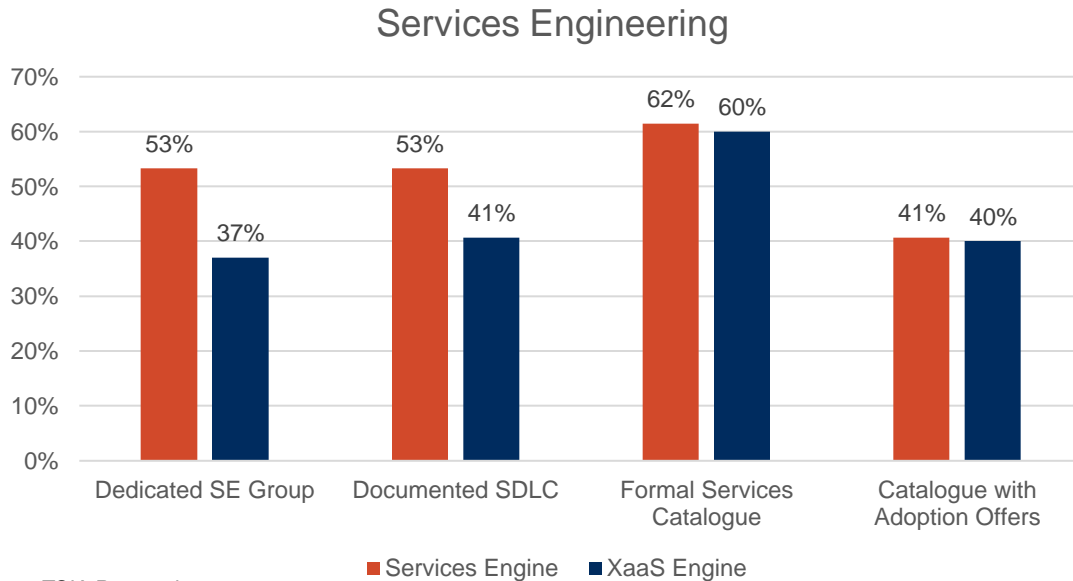


Source: TSIA Research.

## Services Engineering

Services engineering is a mixed bag when comparing the Services Engine and XaaS Engine peer groups. Both peer groups have good uptake (majorities) of a formal services catalogue, and poor uptake (less than majorities) of formal adoption offers (*Figure 9*). This latter one is a surprising miss for XaaS Engine peers, who, by definition, are more dependent on the LAER (Land-Adopt-Expand-Renew) model,<sup>6</sup> that is, the need to drive adoption and renewal for the overall company business model to work. In terms of overall investment in basic services engineering practices (dedicated services engineering and defined service development life cycle), there is a majority-minority practice split between the two peer groups.

Figure 9: Services Engineering

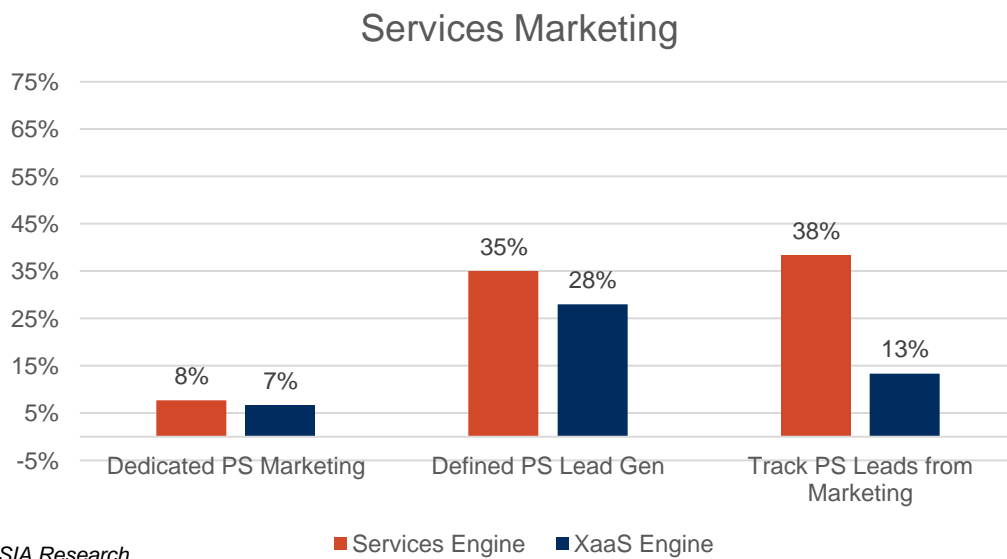


Source: TSIA Research.

### Services Marketing

Services marketing has been and remains a poor, immature capability within technology professional services. This is evident by the frequency data in *Figure 10*. Neither group reports majority uptake of the three basic marketing practices that we test for in the core PS benchmark.

Figure 10: Services Marketing

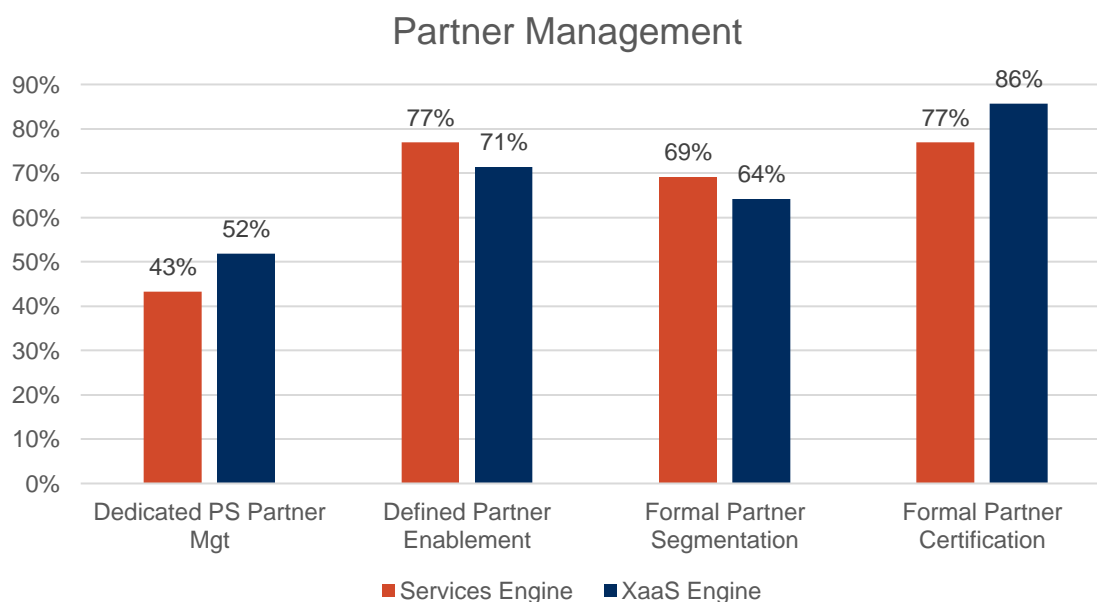


Source: TSIA Research.

## Partner Management

Another traditional low maturity area of PS is partner management. However, tech companies have been taking on new capabilities in this area over the last few years, to the point where strong majorities are reporting uptake of most basic partner management practices. Interestingly, when it comes to the basic presence, or not, of a dedicated partner management group, the XaaS Engine peer group is the one with a majority frequency reported, not Services Engine (*Figure 11*).

*Figure 11: Partner Management*



Source: TSIA Research.

So how to summarize all of this? Essentially, what we want to arrive at is a general assessment of how similar or different Services Engine and XaaS Engine companies are from the perspective of adoption of key PS practices. *Table 1* offers some summary insights on the above.

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**Table 1: PS Practices Summary**


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Practice	Majority Practice?	
	Service Engine	XaaS Engine
Formal PS Strategy	Green	Green
Defined Executive Alignment Process	Green	Green
Formal PS P&L	Green	Green
PS Sales Support/Ops	Green	Green
Overlay PS Sales	Green	Red
Formal Sales – Delivery Interlock	Green	Green
Product Reps Compensated for PS Sales	Green	Green
Formal PMO	Green	Red
Defined PM Methodology	Green	Green
Defined Risk Management Program	Green	Green
Defined Scope Management Program	Green	Green
Dedicated PS Operations	Green	Green
Enterprise PSA	Green	Green
Dedicated RMO	Green	Red
Formal PS Talent Management	Green	Green
Formal Project C-Sat Program	Green	Green
Dedicated SE Group	Green	Red
Documented SDLC	Green	Red
Formal Services Catalogue	Green	Green
Catalogue with Adoption Offers	Red	Red
Dedicated PS Marketing	Red	Red
Defined PS Lead Gen	Red	Red
Track PS Leaders from Marketing	Red	Red
Dedicated PS Partner Management	Red	Green
Defined Partner Enablement	Green	Green
Formal Partner Certification	Green	Green
Formal Partner Segmentation	Green	Green

Source: TSIA Research.

The green shaded boxes indicate that a majority of the peer group reports having the associated practices in place; red shaded boxes indicate that the frequency uptake is less than 50%. Generally, judging from this set of criteria, XaaS Engine PSOs are slightly less mature than Services Engine PSOs, not reaching majority frequency on 5 out of 27 practices that do have majority uptake by Services Engine PSOs. The script flips around one of the practices, dedicated partner management, and red cells occur in both peer groups for 4 out of the 27 practices.

## Summarizing...

- Services Engine Majority Frequencies: 82% of the practices
- XaaS Engine Majority Frequencies: 67% of the practices
- Match on Majority/Minority Uptake: 78% of the practices

In terms of behavior around key PS practices, the Services Engine and XaaS Engine peer groups are not identical, but they are pretty similar...78% similar to be exact. The 22% lack of fit is mostly caused by Services Engine companies taking on practices at a majority frequency level, but with XaaS Engine companies taking those practices on with a frequency that is south of 50%. Of these, we would highlight four investments in the dedicated functions that most Services Engine companies have made, but which most XaaS Engine companies have not:

- PS Sales
- PMO
- RMO
- Services Engineering

These are key PS functions, all required to drive the LAER engine, accelerate customer time to value, align offers to customer outcomes, and ultimately drive company and customer value at scale through the PS gear. Are the XaaS Engine PS models creaking and groaning as they try to scale up to meet demand in a way that drives LAER? Let's take a look at performance metrics and see.

## Key PS Metrics and Results

Practices are supposed to drive measurable results. We've already established that there's a correlation between practice maturity and performance on key indicators. We've also established that while XaaS Engine and Services Engine companies have similar levels of overall maturity, as measured by our benchmarking methodology, there is a greater, more common uptake of some key practices and functions among the Services Engine cohort. So, we have very different overall PS profiles and some key differences on practice uptake. What differences will these factors produce when we turn our attention to look at measurable metrics and results?<sup>7</sup>

### Financial Performance Metrics

*Table 2* is the "money chart," if you will. TSIA gets a lot of questions about how XaaS Engine and traditional revenue engine PS activities and profiles differ. But we get, by far, the most questions about the PS business model in the context of the XaaS transformation. This is part of the rationale for the theme of this paper, as discussed in the introduction. Presumably, financial performance is what ought to vary the most, judged based on industry perception and the fact that the overall profiles of XaaS Engine versus Services Engine companies differ so much.

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**Table 2: Financial Performance Metrics**


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<b>Metric</b>	<b>Services Engine</b>	<b>XaaS Engine</b>
PS Growth Rate	4%	15%
PS Percent of Company Revenue	14%	14%
Project Gross Margin	49%	54%
Delivery Gross Margin	34%	35%
Field Gross Margin	30%	28%
Net OI	16%	14%

Source: TSIA Research.

But if you look at *Table 2*, you actually see pretty similar PS financial profiles. The main difference really is PS revenue growth rate, where the XaaS Engine peer group reports 3X faster median PS growth than the Services Engine peer group (aligning with a similar comparison between product growth rate, as shared previously in this paper. Essentially, the business models compare very favorably. XaaS Engine PS has considerably higher project margins but somewhat lower NOI, so there's a higher level of overhead and other costs to support services delivery in the XaaS Engine PS business model (40% of cost, versus only 33% of cost between delivery, field, and OpEx costs). Nevertheless, the financial models are pretty similar.

Financial Model Comparison: High Similarity

### Sales and CRM Metrics

Until we get to the point where customers can choose and buy professional services almost exclusively via self-selection, the services have to be sold. There has to be a go-to-market model that helps the company and the PS organization achieve overall goals.

Here again, the sales metric comparisons between the XaaS Engine and Services Engine peer groups are remarkable and surprising. In fact, by many of the measures shown in *Table 3*, the XaaS Engine peer-group companies perform better than Services Engine companies. They have lower discounting, better deal and revenue attach rates, and shorter sales cycle times. In fact, the Services Engine peer group beats the XaaS Engine peer group only (and only marginally) at proposal hit ratio.



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**Table 3: Sales and CRM**


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<b>Metric</b>	<b>Services Engine</b>	<b>XaaS Engine</b>
Percent Average Discount	15%	13%
Deal Attach Rate	44%	50%
Revenue Attached Rate	25%	31%
Proposal Hit Ratio	59%	57%
Business Days ID to Quote	24	21
Business Days Quote to Closure	48	30

Source: TSIA Research.

So, the sales performance profiles are pretty similar between the two groups of companies. If you're looking for confirmation of an assumption that the groups should be radically different, you won't find it in *Table 3*.

Sales and CRM Comparison: High Similarity

### Delivery Metrics

Delivery is the meat and potatoes of every PS organization however mature or immature it is. If you do nothing else, you deliver services to customers in some way or another. Therefore, how productively and efficiently that delivery engine performs is pretty key. Judging from the selection of performance metrics displayed in *Table 4*, the delivery engines of Services Engine PS versus XaaS Engine PS are pretty comparable, though there are some differences.

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**Table 4: Delivery Metrics**


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<b>Metric</b>	<b>Services Engine</b>	<b>XaaS Engine</b>
Billable Utilization	65%	59%
Productive Utilization	80%	79%
Revenue per Consultant	\$242,500	\$229,279
Revenue per PS Employee	\$201,873	\$154,321
As-Delivered Hourly Rate	\$145	\$140
Project Duration (Days)	119	75
Percent of Projects Reviewed	10%	15%

Source: TSIA Research.

Most notable in *Table 4* is Billable Utilization, Revenue per PS Employee, and Project Duration. Differences in these areas are significant but not massive, and they are expected based on other things we know about the two groups. Projects are smaller, so they are shorter. When you deliver shorter projects, it's more difficult to manage utilization to higher utilization targets with higher and more frequent churn between engagements. We've seen in the business model that XaaS Engine PSOs are more overhead cost laden, so you'd expect to see a lower revenue per total PS employee.

Delivery Comparison: Similar Profiles, Predictable Differences

## Operations Metrics

PS is about Strategy > Build > Sell > Deliver. But except for the smallest, most nascent PS organizations, delivery can't take place—or it can't take place with any hope of repeatability, visibility, or governance unless there is an operational infrastructure behind it.

Judging from the metrics in *Table 5*, Services Engine and XaaS Engine PSOs have highly similar operational performance. Other than the fact that the XaaS Engine companies can source projects in a shorter period of time, in general, the profiles are nearly identical.

*Table 5: Operations Metrics*

Metric	Services Engine	XaaS Engine
Days to Onboard	46	45
Days to Source Projects	15	10
Voluntary Attrition Rate	8%	9%
Percent of Projects C-Sat Survey	14%	15%

Source: TSIA Research.

Operations Comparison: High Similarity

## Services Engineering Metrics

The “build” phase of professional services is increasingly critical and becoming more so every day. There's no way for PS to be a LAER engine or to have any hope of operating in a way that is focused on customer value or customer outcomes if everything is custom scope, T&M, cost-obsessed. So, it falls to the services engineering function (or professionals engaged in services engineering-type activity) to perform the “build” phase to better align to LAER and overall company objectives.

The mixed bag on the practice comparison is joined by a mixed bag on the metrics comparison. XaaS Engine PSOs take longer to develop new offers, however, they are leveraging productized offers and

IP at nearly DOUBLE the rate. Consumption of value-based offers ought to be much higher in the LAER engine-enabled XaaS Engine peer group, but the Services Engine peer group outperforms it (Table 6).

Table 6: Services Engineering Metrics

Metric	Services Engine	XaaS Engine
Days to Launch New Offers	75	90
SE Staff Target Utilization	0%	0%
Percent Revenue from Packaged IP	18%	30%
Percent Revenue from Consulting Offers	10%	10%
Percent Revenue from Value Offers	4%	0%

Source: TSIA Research.

#### Practices and Metrics: The “Missing Correlation”

Let us bottom-line this comparison. XaaS Engine and Services Engine PSOs are generally pretty similar both in terms of practices and metrics. But they are actually MORE similar in terms of performance metrics. Frankly, some of the differences between XaaS Engine and Services Engine PSOs from the perspective of adoption of key PS practices are significant and ought to produce rather different metrics and results. To review, there is a mismatch between the two peer groups in terms of four key practices:

- PS Sales
- PMO
- RMO
- Services Engineering

That is, strong majorities of Services Engine companies have these four capabilities, in contrast to the XaaS Engine group. Typically, and in principle, investment in key dedicated functions should lead to better performance in the metrics and results associated with those practices. In terms of this comparison, the correlation is not holding. What is going on here?

Well, we can do little more than take some educated guesses. Our belief is that the pattern we’ve detected here comes down to scale. The smaller XaaS Engine PSOs are, for the time being, able to produce solid outcomes without some of the required capabilities because they are generally smaller, their solutions are simpler, and they have yet to outgrow their ability to execute. However, fast growth and ability to execute are likely to collide sooner rather than later. We believe that is why we’ve taken on so many XaaS Engine members in the PS research practice in the last couple of years. These

companies understand that they are reaching a scale and maturity inflection point and they need our help to manage that.

Fortunately, we can validate and verify, and any and all reports of the death of professional services are, paraphrasing the famous words of Mark Twain, greatly exaggerated. In some ways, professional services has never been healthier. If the canary in the coal mine is the XaaS Engine company, the canary is looking good, healthy as can be. The state of professional services is, indeed, strong.

## 2021 Professional Services Research Agenda

The “The State of the Technology Industry 2021,”<sup>8</sup> by Thomas Lah, includes a detailed list of all TSIA studies and reports for the upcoming calendar year. For the PS discipline, the research agenda is summarized in *Table 7*.

*Table 7: 2021 Major PS Research Studies and Reports*

Report/Study Title	Timing
2021 The State of Professional Services (Report)	Q1
2020 Professional Services Market Rates Study Summary (Report)	Q1
2021 Professional Services Compensation Study (Study)	Q1
2020 TSIA Member Technology Spending Report: Professional Services (Report)	Q2
2021 Professional Services Market Rates Study (Study)	Q3
2021 Professional Services Compensation Study (Report)	Q3
2021 Professional Services Technology Stack (Report)	Q4

Just a few comments about the major research studies for this year in professional services: First, while this year’s studies likely appear to be rather Level 2 focused, ALL of them will include significant focus on, and benchmarks for, folks interested in gearing up for LAER, organization transformation, a shift to the cloud and, especially, accelerating customer time to value. The core benchmark study is giving us a better and better pulse on revenue mix and is now offering a XaaS peer group reflective of the fact that so many of our members are either born in the cloud or making a hard shift in that direction.

And while the Market Rates Study and the Compensation Study, for example, have grown up out of hardcore product services concerns, both will be stretching beyond their traditional confines more and more this year. We’ve already begun “B4B-i-fying” the rates study by including technical account manager (TAM) services in the mix and residency delivery types. We’ll find other ways to push both studies even farther in that direction this year.

## Closing Comments

As we enter 2021, TSIA continues to believe services will increasingly find itself at the epicenter of company success. Nothing that happened in the remarkable year that was 2020 changes any of this. On the contrary, as stated, the pandemic merely accelerates and exacerbates trends that were already underway.

So, echoing last year's comment, we continue to believe that PS organizations will specifically find themselves being key drivers of services growth and success, regardless of the overarching organizational model in which they find themselves. PS maturity will continue to be a requirement. High-performing PS should be a standard feature of any effective technology enterprise. And that is true whether you're in the XaaS or XaaS business. XaaS Engine companies should beware. They undoubtedly need to step up their investments in core capabilities to continue seeing the good performance on metrics and results.

The need for the PS function to define and maximize its role in the customer journey, in general, and in accelerating customer time to value, especially, will only increase this year and for the foreseeable future. The task for PS leaders is to figure out how much of a business they need to be in order to fulfill their charters and missions inside of their companies. We encourage you to explore ways of doing this in your organization and propose that you can learn from the collective wisdom of the technology industry. Documenting this collective wisdom is precisely what TSIA is in business to do.

## Hot Topics

There are, however, some hot topics that we want to keep an eye on this year and perhaps do some digging through our benchmarking and crowdsourcing platforms. Of the many topics that are popping up, we think two warrant mention and a bit of commentary:

1. **Scaling partner delivery.** Remember *Table 2*? It shows that XaaS Engine PS business are growing at 3X the rate of Services Engine PSOs. So, scaling the entire PS engine is a particular problem in the XaaS space, and among those problem areas, scaling the partner delivery engine is especially thorny. We're getting inundated with member questions about optimizing PS partner management. This has always been a top 10 business challenge, but gradually it's become a top three or top five among business challenges, and there's no sign of that changing.
2. **Moving to a subscription model for PS.** In contrast, the recent increase in member inquiries about moving to a subscription model for PS has been dramatic. Suddenly, we're getting slammed with questions about some form or fashion of this topic. The motives are easy to understand: subscription offers represent renewable revenue that can potentially be recognized ratably. Who wouldn't want that over lump-sum, one-time, transactional offers? What we'll be watching for on this one are recognizable patterns and any evidence of clear best practices.

Look for new content on both of these topics in the coming year.

## How TSIA Can Help

At TSIA, our mission is to leverage industry data to document best practices for optimizing technology business models. Specifically, we encourage member companies to leverage the following TSIA capabilities:

1. **TSIA Conferences.** TSIA brings industry professionals together twice a year to share and learn. For more information on conferences, visit <https://www.tsia.com/conference>.
2. **Industry Performance Data.** Benchmark your company performance against best-in-class performance. TSIA currently tracks over 32,000 industry performance metrics and financial results related to optimizing technology business models. For more information on TSIA data sets, visit <https://www.tsia.com/research/benchmarking.html>.
3. **TSIA Business Challenge Navigator.** Based on the specific business challenge you are working on, use the TSIA Business Challenge Navigator tool to find relevant research and content that can help your company with this challenge. For more information, visit <https://www.tsia.com/members/research/bc-navigator>.
4. **TSIA Outcome Chains.** Accessible from within TSIA's Member Resource Center,<sup>9</sup> each outcome chain is centered on a specific desired target outcome, such as "grow customer adoption" or "define profitable XaaS offers." For more information, visit <https://www.tsia.com/tsia-membership/tsia-outcome-chains>.
5. **TSIA Workshops.** Having trouble getting folks aligned? Or looking for ways to jumpstart a team working on a new initiative? Invite a TSIA research expert to help accelerate the discussion. Workshops can last from two hours to two days. They can be delivered on site or virtually. For more information, visit <https://www.tsia.com/solutions/tsia-advisory-services>.
6. **TSIA Outcome Sprints.** Finally, TSIA can work with your company in a series of touchpoints designed to achieve specific outcomes you are targeting. For more information on TSIA Outcome Sprints, visit <https://www.tsia.com/solutions/tsia-advisory-services>.

## Endnotes

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<sup>1</sup> Lah, Thomas. January 2021. "The State of the Technology Industry 2021: The Haves and the Have Nots." TSIA. <https://www.tsia.com/resources/the-state-of-the-technology-industry-2021>.

<sup>2</sup> LAER stands for Land, Adopt, Expand, Renew, as defined in the *Technology-as-a-Service Playbook*, by Thomas Lah and J.B. Wood. 2016.

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<sup>3</sup> Lah, Thomas, and J.B. Wood. 2016. *Technology-as-a-Service Playbook: How to Grow a Profitable Subscription Business*. San Diego, CA: Point B, Inc.

<sup>4</sup> Di Muccio, Bo. March 2020. "The State of Professional Services 2020: Tracking PS Maturity in a Transforming Tech Industry." TSIA. <https://www.tsia.com/resources/the-state-of-the-technology-industry-2021>.

<sup>5</sup> The charts provided summarize frequency of "yes" answers to the core practice questions, indicating the respondent company affirms that it was the associate practice in place; such that 69% refers to the percentage of respondents in the peer group that said "yes" to the item in question.

<sup>6</sup> LAER stands for Land, Adopt, Expand, Renew, as defined in the *Technology-as-a-Service Playbook*, by Thomas Lah and J.B. Wood. 2016.

<sup>7</sup> For this analysis, we will use the median results for a series of key measurements. We also use the medians as our primary benchmarking standard, since averages are far more affected by outliers.

<sup>8</sup> Lah, Thomas. January 2021. "The State of the Technology Industry 2021: The Haves and the Have Nots. TSIA. <https://www.tsia.com/resources/the-state-of-the-technology-industry-2021>.

<sup>9</sup> TSIA Member Resource Center, <https://www.tsia.com/members>.



TSIA is the world's leading research organization dedicated to helping technology companies achieve profitable growth and solve their top business challenges. Services, Sales, Product, and Channel organizations at technology companies large and small look to TSIA for world-class business frameworks, best practices based on real-world results, detailed performance benchmarking, and exceptional peer networking opportunities. TSIA's membership community consists of over 40,000 executives from 96 countries and represents 80% of the Fortune 100 technology companies.

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