

# Why A Cloud Practice Fails

## *...Or Any Technology Services Practice*

By David Chao, Director, Business Development - AI COE



# About Practice Builder

A proven framework, Practice Builder equips partners globally with tailored support to strategize, differentiate, and develop go-to-market plans in areas such as AI, Cloud, Security, Data/Analytics and IOT, focusing on generating predictable revenue streams for your business. Partners embark on a *personalized journey* with Practice Builder, starting with an assessment to uncover insights and actionable recommendations for maximizing the growth potential and evolution of their business.

As we understand that everyone learns differently, our role-based learning offered through Practice Builder is as diverse as you and your business. Our engaging learning experiences include self-paced, one-to-many and one-to-one experiences – all focused on providing partners with an established method they can apply to thoroughly evaluate each new opportunity, technology and partnership.

# About TD SYNEX

TD SYNEX is the world's leading distributor and solutions aggregator for the IT ecosystem. With over 22,000 co-workers, we unite compelling technology products, services and solutions from 1,500+ best-in-class technology vendors. We are an innovative partner to more than 150,000 customers in 100+ countries that want to maximize the value of technology investments, demonstrate business outcomes and unlock growth opportunities.



As a lead consultant with Cloud Practice Builder, I have directly led over 50 engagements and participated in close to 70 partner engagements at TD SYNEX as a strategy, financial and/or marketing subject matter expert. I have participated in hundreds of hours of calls with partners as small as 1 person to multi-billion-dollar companies. In addition to owning my own consulting practice for 10 years helping businesses grow, I have observed businesses across multiple sectors grow while others fail. Based on my experience, I have a few thoughts I want to share on why services practices fail. Also, for this article I'm going to abandon the often circular, consultant, business school jargon and cut right to it. If you aren't comfortable with straight talk... stop now.

## **You Lack Strategic Differentiation**

I've seen businesses state differentiations in various and less than meaningful ways. Saying you treat your customers "with white glove service" is not a strategic differentiation. Everyone says that they have great customer service because that's an expectation, not a differentiation.

Here's another one we see: "We have the best people." This is subjective at best. There are still arguments of who is the G.O.A.T., Michael Jordan or LeBron James. It's an unwinnable argument because there isn't data to back it up. So, how do you prove you have the "best" people?

"We have been in business a long time and are experienced." This isn't always indicative that you're doing things the right way. If you are experienced but are still doing the same thing using the same technology the same way you have for the past 10 years, then you are stuck. You haven't adapted to what is currently happening and hoping the buggy whip comes back into vogue.

Selling cloud is not leading edge or even dull edge. Looking at new areas such as FinOps or observability is. So, don't say you are a leading-edge firm if you are not.

So, how do you differentiate yourself? Simon Sinek has a great quote: "People don't buy what you do, they buy why you do it." He has a very popular Ted Talk that should be watched by every single company that wants to effectively communicate its purpose and remain relevant. So, let me ask you, do you really understand "why" you are in business?

I once had a friend tell me that he was in business to provide jobs. Great reason to be in business. He quickly grew to a few million dollars in services and had lots of employees. I met with him and asked him how business was. He said it was going well, but that he had to dip into his 401K and take a loan to make payroll. "How is that doing well?," I asked, "if you aren't making money and are actually losing money?" Well, he had employees, wasn't making any money and he didn't stay in business long. He didn't know his numbers, and the number one number to know is profit... He wasn't making any.

Differentiation is taking a look at what everyone you compete against is doing and doing something else. We use Blue Ocean Strategy and Value Creation Curves in our practice to do that. But too many organizations don't spend the time they need to create something that is different. They simply do what they have always done. Take the time to look at competitive

factors your business competes on. Is it knowledge? Rate? Expertise? Methodology? Experience? Success? Does your competition excel in one of these factors? What can you create that is different?

Once you have self-assessed, create a differentiated strategy. It's important to understand that a business plan is NOT a business strategy. A business plan is a series of actions and activities you think you have to do. A business strategy is a framework by which you make the decisions of what actions and activities you NEED to do. Don't confuse one with the other.

## **You Do Not Understand Your Numbers**

Quick, what was last month's utilization rate for your services? How many billable resources do you have vs. non-billable? How many of your consultants are 80% utilization or higher?

Assuming you have multi-million-dollar service engagement. How accurate are you in your estimate? How many people, at an average rate of \$200 an hour, assuming an 80% utilization do you need to deliver the work? How many people do you have on staff that can deliver, or do you need to hire (at what lead time) and for how much?

If your utilization is below 60%, you are going to lose money...unless, you charge more. Are you in a commodity service or are you a high demand, rare knowledge service provider?

In 1991, the famous firefighter Red Adair was tasked with putting out fires at the oil wells that were started in Kuwait by Iraq. When it comes to putting out fires, you don't really ask how much it will cost, you need it done. You don't shop around. Here is his quote: "Kuwait was easy... we put out the fires with water, just went from one to the other." And when asked about the sizeable fees his team commanded in doing so, he infamously remarked: "if you think it's expensive to hire a professional to do the job, wait until you've hired an amateur!"

There are market considerations in how you set your rate, but that's if you have no strategic differentiation. So, "me too services" equals "same pay." If you are doing commodity service work, work that is not differentiated, then make sure you hire at a commensurate pay. Don't expect to compensate all technical resources the same, especially if they have different levels of certifications and experience.

If you are providing services that are highly sought after, then don't compete on an hourly rate. If your utilization rates are constantly above 80%, then maybe you need more people, or maybe you need to charge more. Either way, you must know your numbers. Some bold practices go to market with fixed fee offerings and tightly scoped engagements, assuring they get paid multiples of the margin vs. getting paid just for their time.

## **You Hire Salespeople With A Rolodex**

We used to call salespeople with a “rolodex” (some people don’t even know what that is) - rainmakers. Theoretically, they have experience in the industry, have large networks, and have historically been great salespeople. They were hired with a big salary base and huge total targeted comp because they could “make it rain” with new business. But often times you quickly discover that they can’t deliver. They can run up huge expenses for travel and entertainment and have great tans from golfing with their contacts. Six to nine months later, you don’t see revenue and they are gone. I would submit that the day of “rainmakers” is gone unless they are willing to work on 100% commission.

The new customer journey today is intricate and complex. *You must be able to build a scalable and repeatable sales process.* That is, one where you are able to generate a lead because of why and what you do, versus who you know. So, is a CEO – with all their relationships – really the magic bullet for sustainable business? How far can you scale that sales process? Salespeople need to be able tell a compelling story of the why and what of your business to generate and convert leads. Today, the customer is typically as knowledgeable or more knowledgeable about their problem and possible solutions than the salesperson. They have done the research and maybe have even reached out to people on LinkedIn that they trust to get feedback. They have done the research!

I’m not saying cold calling is dead, but I would say that your timing will have to be amazing to 1) have someone answer the phone 2) know exactly where in the research cycle they are and 3) know if they have the appropriate Budget, Authority, Need, and Timing. So, if TOFU, MOFU and BOFU sound like food to you, then you need to understand the marketing funnel and how TOFU, MOFU and BOFU relate to these other acronyms, MQL and SQL. If you don’t know these, you might want to brush up on modern selling and marketing and forget the pipe dream that one salesperson, with the right rolodex, will change your revenue trajectory.

## **Your Salespeople Are Not Confident In Delivery**

This one is tricky. We have seen many organizations say that their sales teams need more training. Partners tell us that their salespeople are familiar with selling features like speeds and feeds but are not use to selling “solutions.” The cloud is too new to them, or they have always sold hardware and that’s all they know.

I would say that if a salesperson knows that they can make money, they will talk about it. I have been in sales at various times in my life. I think I’m still the all-time top chocolate bar salesperson for my Cub Scout troop! But what salespeople need is confidence in talking to their prospect about how your company can help. They need to trust that 1) You have someone at your company that can talk the talk and 2) You can deliver.

When I was selling, I leaned heavily on my Sales Engineer. He and I were great friends because we brainstormed every opportunity and he helped me to understand what the client was really asking for, how we could deliver it, the contingencies and risks, and the

level of effort required. I was the front man, I arranged the meetings, set the agenda, and handled complaints. My Sales Engineer was the super star that came into the room, didn't have to have great manners (like I do...) but told the client what the client needed to hear.

Pre-Sales Engineers may be the hardest people in the world to hire for. They need to be technical, but more importantly, they need to exhibit confidence, smarts and be able to communicate. If you don't have someone specifically focused on bridging technical requirements with business requirements, your organization will lose.

Your Pre-Sales Engineer will be able to provide the confidence to the salesperson that you can deliver what you have been discussing. We often see technical people in a "shared" role between delivery and pre-sales. That is great if your delivery people have the right people skills to articulate the solution. Keep using them because I can guarantee they won't promise what they can't deliver.

However, I have seen it backfire as well. Perhaps it is a new service, or you are just building your muscle around a particular technology. You bring your delivery person in, and they basically say "Oh, we've never done that before." And you die a little on the inside as a salesperson. Be careful here. Make sure your Pre-Sales Engineer can talk the talk, knows what can be delivered and what can't, but also is aware that a sale is on the line and may require them to stretch a bit.

## **Still There?**

So, are these the only reasons why we see Cloud Practices or other service-based practices fail? Of course not. But through our engagements, we have found that those service organizations that haven't focused on differentiating themselves will often compete for the scraps thrown to the market. It is strategy-oriented service providers that have made specific choices about where they play and how they win that show the most sustainable growth. Their formula for success includes an accurate understanding of their numbers with a realistic value of their services or offerings and an enabled salesforce who grasps the B2B buyer's journey and can confidently tell the story of why and what they do.