



# INDUSTRY IN FOCUS

TECHNOLOGY/SOFTWARE/TELECOM



Spring 2016 Spotlight:

## The Changing Role of Software and IT Services in an Expanding Global Market

### About Us

Synergetics is a privately held New England-based Management Consulting firm established in 1975. With office locations in the US and UK, Synergetics operates internationally and employs over 150 professional analysts, consultants, project managers, and subject matter experts.

As one of the largest "Implementation Consulting" organizations, Synergetics has completed over 1,600 business process engagements across nine distinct verticals to build more than \$8B in bottom line profitability and improve overall operating efficiencies. Synergetics works with a diverse client portfolio of leading industrial and service corporations across Private Equity, Small and Medium Enterprises, and Fortune 500 Companies.

With customized services and solutions, Synergetics performs hands-on detailed management, financial, and operational assessments to develop and deliver specific cost savings and revenue enhancement initiatives.

Visit our website at  
[www.synergeticswww.com](http://www.synergeticswww.com)



*"Synergetics is a trusted partner for implementing global 'get fit' programs & aligning enterprise-wide operational plans and actions in support of our long-term strategy."*

Mike Lawrie  
Former CEO, Misys plc



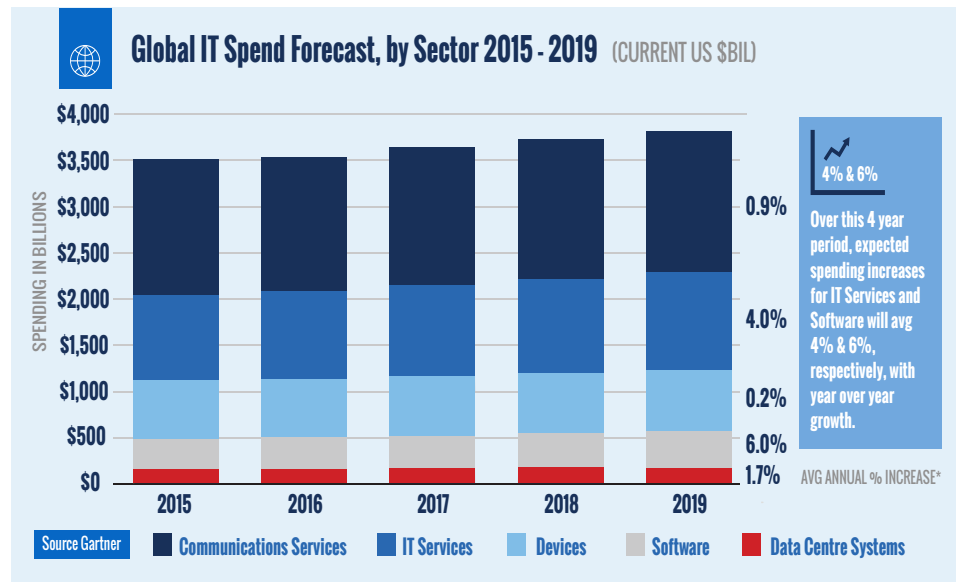
### INTRODUCTION

Technology / Software / Telecom is the third in a series of quarterly "Industry in Focus" updates that Synergetics is proud to publish in recognition of the company's 40th Anniversary. The Technology Sector is a fast growing business line among the nine industry verticals within Synergetics' portfolio. This overview highlights specific dimensions of Software and IT Services and how Synergetics' implementation projects have helped Tech companies identify and achieve strategic business objectives. Also included is a summary of three established IT companies and how they adapted their business practices to be successful in a changing landscape.

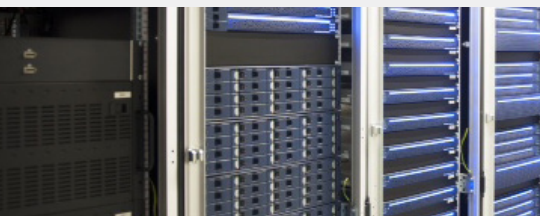


### INDUSTRY OVERVIEW

**Changes within Information Technology and associated applications are occurring at such a rapid pace and are so far reaching that they must be viewed from a global perspective.** Because these technologies affect every business in some capacity, the global economic impact and invested resources are immense. According to a recent Gartner report (Jan 2016), the highest annual percentage rate increases for IT growth / spending will be in the areas of Software and IT Services, which also correspond with the explosive growth in Cloud computing and online service solutions.



Unlike their earlier use mainly in supporting marketing functions or day-to-day operations, **Software Programs and Services are now integrated into all aspects of production and back-office operating systems.** Technology applications have become increasingly complex, and boundaries between Hardware, Software, and IT Services are more difficult to distinguish. To stay current in their respective markets, companies must continue to upgrade network technologies as more web-based and mobile solutions will originate through Cloud services.



# MAJOR CHANGES IN THE IT MARKET PLACE, CAUSING COMPANIES TO RETHINK THEIR STRATEGIC BUSINESS PLAN(S), ARE DRIVEN BY FURTHER DEVELOPMENT IN SOFTWARE & IT SERVICES

## Globalization of IT Services to Include Software

As hundreds of new IT applications become available, many companies are having to seek solutions from IT vendors outside of regional / national markets. The demand for custom Software abroad will play an increasingly major role within many technology based company business plans, to result in forming new relationships and market strategies.

## Transition from Traditional Licensing to Subscription Models

The shift in enterprise Software sales (from purchasing individual license agreements to that of contracting for Software as a Service (SaaS)) is a huge change for many companies. This change affects them from both a technical standpoint as well as a financial one, as companies must pay for services and resources while transitioning. The IDC predicts subscription revenue (including SaaS) will continue to grow at a near term rate of 18% vs. 4% for license revenue, as many companies make the decision to outsource Software Service needs.

## Use of 3rd Platform Technologies

According to the IDC, the traditional view of IT is becoming more like an "IT-as-a-Service" (ITaaS) concept with offerings based on the 3rd Platform that include:

- Cloud
- Mobility
- Big Data / Analytics
- Social Business

ITaaS would encompass leveraging these technologies to enable alignment of IT and business goals and for more precise competitive strategic planning, executing these plans, and producing positive results. IDC also concludes that ITaaS will form the basis of 65% of global competitive strategies as of 2016.

## Expanding Use of Data Analytics

Being able to incorporate "Big Data" and understand its impact on data analytics poses several challenges for companies. They will require help in designing Software solutions to analyze, interpret, and utilize internally. To fully utilize its value will require several ways to process data so that it provides business value in the form of information / company solutions. A company will have to decide whether it has the ability to create its own Software or would have to contract out for this service.



## Challenges of Recruiting and Keeping Talent

As changes in the industry occur and companies look to expand their service offerings / products, to find and attract experienced and innovative thinkers will become increasingly more difficult and costly. Large companies may choose to acquire and integrate smaller businesses for new technology and program engineers. Others may have to grow organically and make an investment in longer term education, research, and training programs. These investment decisions, either way, will greatly affect market direction and values.

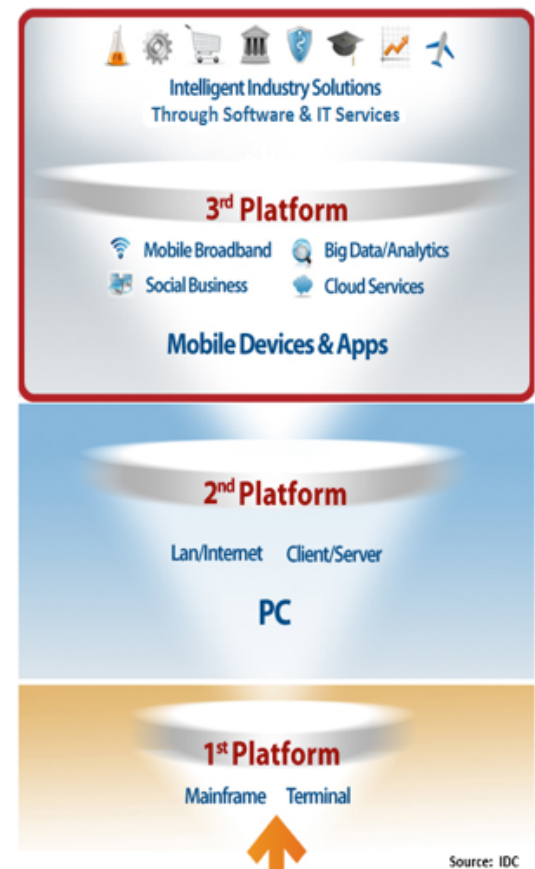
## Cloud Technology & Other Factors Supporting Software Services

The use of Cloud Technology has allowed many companies to combine different capabilities and create opportunities where platforms and Software Systems / Services can be integrated to gain more efficiencies. In addition to utilizing Big Data / Analytics and 3rd Platform Technologies, there are other points to consider in the global market around software licensure options, the ability to recruit/retain skilled staff, and the growing need to transcend international boundaries to form business relationships.








- ✓ Utilizing "Big Data" and Business Analytics to define new opportunities of investment, research, testing, and education
- ✓ Implementing SCM benchmarking measures to improve efficiency and cost savings initiatives
- ✓ Boosting sales through Marketing and Sales Effectiveness efforts
- ✓ Using Customer Optimization and CRM methodologies to drive loyalty programs and enhance customer experience
- ✓ Employing social media to promote consistent messaging and branding opportunities to keep companies out in front

## SYNERGETICS IN ACTION

Areas of opportunity such as those outlined above require applying Relevant Capabilities for successful implementation. Synergetics has an established track record within the IT Sector, especially within that area of Software & Services. Our engagement methodology is consistently effective and leverages a proven suite of tools, best practices, and subject matter experts.



## Synergetics' Relevant Capabilities for IT Environments

COST MANAGEMENT		Productivity & Process Improvement	Planning, assigning, executing and reporting of work to improve utilization and quality.
		Overhead Cost Structuring	Reviewing, measuring and benchmarking associated costs as being labor related and non-labor related and prioritizing greatest opportunities for cost optimization.
		Organization Design	Identification of management redundancies resulting in less-than-optimal labor costs.
		Sourcing, Procurement & Supplier Management	Optimization of demand forecasting, category management, supplier contracts, and planning to decrease cost.
REVENUE ENHANCEMENT		Sales Effectiveness	Driving better customer relationships and revenue through structured sales management practices.
		Revenue Leakage	Improving pricing, discounting, contract management, fulfillment / implementation, billing and collection practices to improve revenue attainment.
PRODUCT & CUSTOMER OPTIMIZATION		Strategic Investment Process (SIP)	Structured process approach to software development.

The following section showcases Synergetics' customized client-centric approach and the various implementation work streams that helped three Software Development companies effectively change their business practices and deliver significant, sustainable results.

### Three Distinct Technology Companies Share Common Efficiency Objectives

Synergetics was selected to do implementation projects for three established Software Development companies working across varied markets. While they differed in comparative size and operating budgets, they were each focused on optimizing workflow and gaining efficiencies in driving process improvement. Within each company, leadership recognized they lacked the necessary internal resources and capabilities to effectively improve financial performance under current conditions.

Existing senior executive relationships, built on previous engagements utilizing Synergetics at former companies, led to Board approvals for Synergetics to assess current operations.

Based on detailed findings and areas of opportunity, company leadership and Synergetics laid out specific objectives:

- Establish internal benchmarking and efficiency measures for dashboard reporting
- Better define organizational design / alignment and staffing requirements, revised management reporting, and on/off-shoring restructuring
- Improve procurement / sourcing reduction program, forecasting capabilities, and sales effectiveness
- Reduce revenue leakage via contract collections processes, capturing Software / IT design & support costs, and systems re-engineering



### THE RESULTS: Achieved through Teamwork and Committed Leadership

Critical to the success of implementing major process changes are having full commitment from the management team and for those assigned staff members to take ownership of their workstream initiatives.

## 1 FORTUNE 500 COMPANY: Banking / Professional Services

- Synergetics deployed 3 major work streams across Software Development, Procurement, and Revenue Leakage
- Each work stream realized cost savings and increased earnings totaling \$27M, or \$80M company-wide
- Average 2-year ROI of 17:1
- Over the corresponding 3-year period, **total amount contributed to a 93% increase in total company EBITDA**

## 2 MEDIUM-SIZED ENTERPRISE: Healthcare / Business

- Synergetics developed and deployed work streams that effectively:
  - Increased efficiencies & savings across the procurement process to deliver \$8M
  - Realigned professional services to deliver \$3M

– Installed comprehensive MOS for product support / SG&A to deliver \$3.6M

- **Savings efforts totaled \$15M**
- Overall ROI of 4.2:1

## 3 SMALL TO MEDIUM-SIZED BUSINESS: Technology Integration

- Quick win concept over initial 45-day period netted \$700K from a 15% savings gain from renewals business, which was then used to fund the additional 18-month project
- **Operating expenses reduced by 44%, or \$2.7M**
- On-time renewal rates improved by +10%
- Overall impact to the bottom line totaled \$4.7M with additional savings still in process
- ROI of 6.5:1

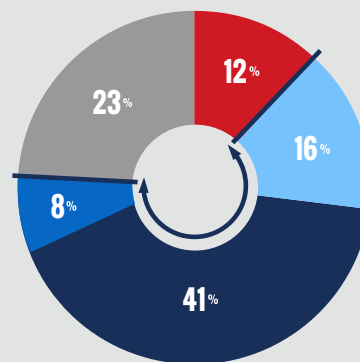
**By working together as a team that included committed client leadership, engaged staff, and Synergetics consultants, they were able to optimize operational efficiencies, increase profitability, and evolve their businesses to grow.**

## SYNERGETICS SUCCESS DASHBOARD

### Industry Classifications

TECHNOLOGY / SOFTWARE / TELECOM

65% of Synergetics' Technology engagements fall under the IT Services and Software Industries, key growth areas within the IT Sector where Synergetics implements best practices to improve overall business performance.



Source: Global Industry Classification Standard

## Synergetics: Key Highlights in Technology / Software / Telecom

TECHNOLOGY / SOFTWARE: 1 OF 9 INDUSTRY SECTORS IN WHICH WE EXCEL

Total Technology / Software Clients in Business Portfolio

51

Composition of Technology / Software Clients in Business Portfolio

10%

Average Number of Annual Major Engagements

3-4

"Major" typically applies to a duration of 6 mos or longer

EBITDA Improvements Through Project Implementation

> \$2.4B

3:1

Average Savings w/ Guaranteed ROI vs. Typical ROI

5:1

## A Three-Step Process for Guaranteed Results

Although individual business engagements may hold their unique set of challenges, Synergetics' approach typically follows a three-step process toward ensuring a successful client engagement

### PRE-ASSESSMENT

Purpose: Understand operations & challenges - at Synergetics' expense

### BUSINESS ANALYSIS

Purpose: Validate true opportunities through detailed analyses

### IMPLEMENTATION PROJECT

Purpose: Plan & execute the implementation of objectives - guaranteed ROI of 3:1

## FOR MORE INFORMATION

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