RTM Consulting, LLC

What They Don't Teach You At The Services Business School

Enabling the highly effective service operation via Integrated PSA (IPSA)

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Introduction and Context

As the pace of technology accelerates, we continue to see tremendous advances in what is possible for capturing, analyzing, reporting, and using information to better manage our businesses. Information is power, and successful businesses are those who are able to leverage that power to their advantage. Correspondingly, we are seeing a strong and growing demand for skilled people to design, build, test, implement and maintain information technology solutions. As the technology labor pool continues to grow, the importance of effectively managing that labor pool is also growing.

The past decade has seen tremendous growth in research and methodology in the Professional Services (PS) and consulting world. Many colleges have begun offering courseware and in some cases curriculums focused on the PS profession. In the past five years, professional and industry associations have also sprung up catering to the unique needs of PS professionals. Today many companies implementing better discipline and process methods in their PS operations are beginning to see the benefits of knowledge and information capture, consistency, predictability, and repeatability.

Coinciding with the growth of services research, many new vendors have come into the market with PSA, PPM, ERP and other solutions designed to automate the business of professional and consulting services. These vendors offer diverse approaches to solving the automation needs of PS firms or operations. Licensed software, Software as a Service, PSA, PPM, ERP, modular designs and fully integrated designs form just some of the many choices available to PS operators. The robustness of choice has made competition a friend of the buyer, but the choices can sometimes be confusing, particularly for most companies that have developed legacy applications over time.

In spite of the progress made on so many fronts, too many firms still struggle with the basics – maintaining high utilization, and effectively managing projects. Working with many firms to resolve these issues, I have found one critical and consistent roadblock that keeps these firms from achieving their goals in PS – the lack of disciplined fusion of process methodology and integrated services automation tools like PSA. While both the processes and tools are extremely important, one simply will not work without the other.

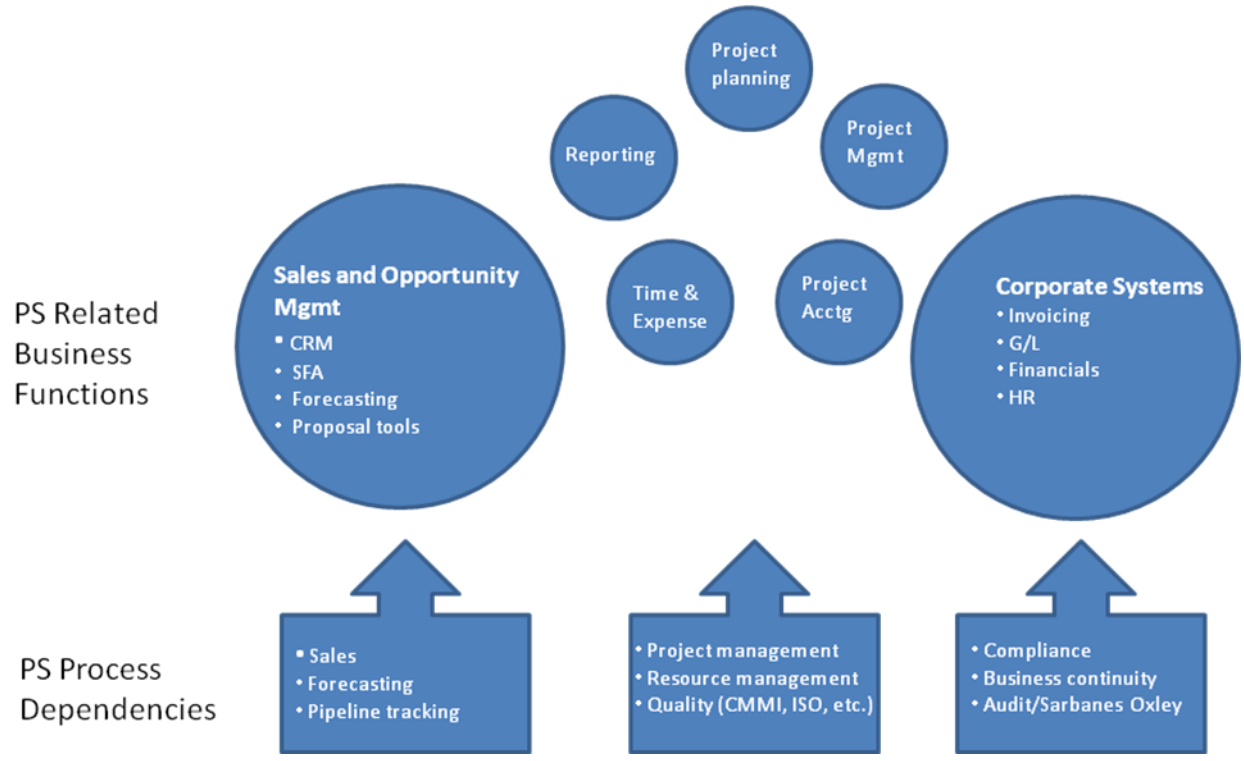
The state of the PS industry is similar to where the manufacturing industry was in the 1970's - not enough process discipline tightly integrated with automation tools. First came the tools for material requirements planning, production planning, inventory control, and more, but process disciplines lagged behind. Over time, as process and quality methods became more available along with the tools to teach people how to use them, the industry finally recognized the need to marry technology to process, and real progress in the form of just-in-time manufacturing became a reality.

In the PS world, there has been very little written on the need for holistically tying services automation tools to services processes. This white paper will discuss the often

misunderstood aspect of services business operations effectiveness – the marriage of application integration, automation, and process discipline, to achieve extraordinary gains in effectiveness and competitive advantage. In this paper I also introduce a new industry term – Integrated Professional Services Automation (IPSA) in order to highlight the importance of the integration of process methodology and PS information management tools. In the opinion of the author, IPSA will become mission critical to PS and Consulting business operations.

The following exhibit illustrates the complexity of **today's PS ecosystem.**

Exhibit 1



- Legacy and off-the-shelf 'island' applications
- Disconnected or sub-optimized processes
- Lack of end-to-end service process and workflow

The Challenges of Integrating Today's PS Operations

Whether your company is global or domestic, large or small, many obstacles remain to achieving true Integrated PSA. Some of the most common challenges include:

Technology

- Investment in legacy systems – over many years, companies have built or purchased software solutions to solve a particular need of their operation. Timekeeping, invoicing, project tracking, forecasting, and pipeline tracking are all examples of disparate systems that have typically been adopted. Mergers and acquisitions have added additional complexity to the many applications that over time have been cobbled together to solve information needs. Changes in hardware, operating systems, database and reporting utilities, and middleware further compound the struggle to get timely, useful data from information systems.

- Time and cost required to effect needed change – IT budgets, which once consumed several percent of a typical companies' overall budget are under extraordinary downward pressure, making the decision to improve legacy applications, or adding/building new ones more compelling, but often difficult to justify financially. Time constraints also encourage more piecemeal solutions to solve tactical needs, further compounding the strategic problem. Many companies have gravitated to Business Intelligence (BI) solutions and Software as a Service (SaaS) solutions as a way to solve for time and cost issues.

Process

- Resistance to transparency of information – right or wrong, everyone has encountered territoriality in their jobs. People fear the facts because sometime it exposes problems that threaten careers. Process oriented organizations tend to try and move past these fears by institutionalizing the need for transparency of information.

- Turnover of key personnel – creating documented processes and knowledge libraries, two important elements of a strategy to deal with business continuity challenges, are well known, but not widely implemented in an effective manner.

- Failure to recognize need or value to integrate – as discussed in my introduction, I believe the largest remaining obstacle to progress is the simple recognition that process and technology only work when viewed and implemented in a holistic manner.

Organizational

- Resistance from IT – while there certainly are some forward thinking IT executives who practice continuous improvement from an enterprise support perspective, many view application change with a healthy apprehension due to cost, risk, and workload implications. Collaboration with IT is fundamental to making positive progress.

- General organization resistance due to the extent of change – make no mistake about it, transforming PS business process and replacing automation tools is no small undertaking. A good plan will take into account the need for a planned transition, breaking the implementation into logical pieces that can be consumed in the least disruptive manner possible. Chances are the company has probably survived with a less than optimal solution for some time, so it is likely that a stair step approach to a desired end state will be acceptable, and likely more desirable.

Opportunities and Benefits

Highly effective PS operators enjoy many benefits of an Integrated PSA environment including:

- Consistent achievement of benchmark levels of resource utilization
- Lower costs
- High quality project delivery and associated high customer satisfaction
- Higher gross margins
- Improved product pull-thru enabling larger more profitable deals

These critical business measures/goals are well known, but rarely achieved by PS businesses on a consistent basis. Here are some examples of where effective integration of PS operations can make a difference:

- ***Single point of data entry.***
  Many legacy environments that hobble together numerous operations have at their heart an inherent need for duplicate data entry of project, time and expense information, HR and other operational data. From the moment a sales person or consultant enters information into a Sales Force Automation (SFA) tool, opportunity exists to reuse that data for many later stages of the project when sold and delivered. The same is true for project execution, and information relevant to resources which may be needed for other projects, financial data for billing, cost information for accounting, and more. Most enterprises have processes around many of these areas, especially where compliance issues are relevant, but are the workflow processes complemented by their PSA solutions? Clearly elimination of duplicate entries makes the entire process more efficient, reduces cycle time, improves accuracy, and makes the job of providing an audit trail much easier.

- ***Forecasting and resource management***.
  While there are many dimensions to the job of keeping a PS workforce fully utilized on a consistent basis, a major factor in doing so is dynamically linking the view of future demand to the resource plan. The forecasting process in most companies is a multi-functional task with implications for sales, finance, operations, and HR. Meanwhile many companies try to fit their existing process to a new technology (usually producing a less than optimal result), or they try to customize the technology to fit their existing processes, which normally takes too long and costs too much. Unfortunately, by the time a company realizes neither approach really solved the problem, the blame game begins and nobody wins. The exhibit below provides a vivid reminder of the value of effectively managing your resources.

Utilization Impact

# of Billable resources at $150/Hr.	Annual Revenue from 1% Increase	Annual Revenue from 7.5% Increase	Annual Revenue from 15% Increase
1	3,120	23,400	46,800
25	78,000	585,000	1,170,000
100	312,000	2,340,000	4,680,000
750	2,340,000	17,550,000	35,100,000

Table 1

- ***Business continuity***
  Planning for disaster is a growing discipline in companies, and is critical in many respects to regulatory compliance. The complex environment many companies operate in with a marriage of legacy systems and processes, to new processes and automation solutions is simply overwhelming to manage from a business continuity point of view. Creating the documentation, training, and testing required for business continuity are easier when the process and automation solution were developed and implemented in tandem.

- ***Improved ability to be proactive and lead the market***
  It was mentioned in the opening that information is power. The more timely, accurate, and complete your information is about sales, projects, resources and costs, the better prepared you will be to deal with the dynamics of your business. I find too often that senior management seems more interested in simply getting the process in place, and running the business, than gaining real competitive advantage from the integration of their PS operation. To achieve real competitive advantage requires a fundamentally different approach to business transformation of the PS operation and how that operation integrates with other parts of the company e.g. products.

Critical Success Factors and Best Practices

Advice on how to implement IPSA naturally will naturally vary between firms of different sizes and with different goals, but there are a few critical success factors and best practices that I have found to be applicable in most situations.

- Define clear management objectives and gain senior management commitment to a collaborative business transformation plan. No matter how you slice it, PS operations have an effect on most parts of any technology services company. They affect sales' ability to sell, the finance department's ability to report and forecast financial results, HR's ability to support operations necessary for talent acquisition and management, and the PS operation itself. Yet many PS transformation decisions are defined as something very myopic, such as 'automating PS' or 'fixing that broken PS operation/system'. Starting with such objectives in mind is a recipe for disaster. Companies who successfully make this transformation follow these fundamental steps:

  - Educate the management team on PS and how it is part of the enterprise ecosystem and solutions
  - Identification of a clear set of enterprise goals
  - Establishment of a business transformation plan to align the end to end service process with enterprise processes and IT capabilities

- Providing complete transparency of ongoing business transformation progress
- Develop a plan for governance of the project

The IT operation can be your biggest ally or obstacle, depending on how collaboration with IT is approached.

- Take a holistic view of the PS operation as it relates to itself, and all other company functional dependencies and interlocks. The picture drawn in exhibit 1 provides some context for this.

- Make your PSA choice simultaneously with your process transformation effort. There was a time when conventional thinking was to never allow technology to drive your process. The IT team was frequently asked to customize the solution to the process and rarely the other way around. Times have changed. Functionality available in today's systems is generally robust, with a wide range of delivery models and modular components. Some recommendations on prioritization when picking a PSA solution/vendor:

  - Prioritize the company with a strong track record for customer support over today's product features and functions – there are many choices, and the best PSA vendors are introducing new functions all the time, so chasing function is much akin to not buying a PC quite yet because you want the latest and greatest. My own informal survey of more than 100 users tells me that a support track record is top of the list for most. The vendors' insights and awareness of the need for process transformation will help separate the application vendors from the true solution providers.

  - From a functionality point of view, pick a specialized PSA solution that has strong integration of mission critical PS applications, one that provides for easy integration of popular front and back end applications, a well thought out and flexible workflow approach, compliance with audit requirements to meet regulatory demands, and one that will facilitate the least disruptive approach during transition to a new environment. The vendors' commitment and track record of continuous investment in function is certainly important as well.

  - Look for customization flexibility mainly in the form of flexible reporting capabilities, open APIs and toolsets to allow integration of other modules or applications, and the ability to use Business Intelligence tools to gain access to data and perform analyses that may not be part of standard functions. Configuration tools to better align the application function, workflow, and business processes can also be very helpful.

- Delivery models – The bottom line is sometimes IT can be the barrier to progress, or is the barrier and does not want to be. Your choice of a license or SaaS implementation is important in this respect. While each delivery model has its' advantages, one key advantage of the SaaS model is the ability to have the vendor responsible for standing up the application and keeping it up. In my experience, rapid time of implementation and low up-front cost normally afforded by a SaaS model can enable you to achieve the benefits of effective PS operations more quickly making this choice potentially compelling.

- Forget the forklift! Relieving organizational angst over taking on too large a project, while achieving some demonstrable benefit early on will help maintain momentum of the project and provide the tools needed to garner senior management commitment to the transformation. Break the project down into logical components or steps that can be implemented in a non-disruptive fashion.

A common objection to some of these best practices is simply 'all that will take too long and cost too much.' In reality these best practices, while they at some level may appear cumbersome, actually accelerate the process by improving communication and focusing efforts on things that are truly important. Further, these best practices help equip the team with a common view that is necessary to maintain momentum and a commitment to a process that is fundamental to success.

Desired End State

Knowing when you have accomplished the mission of IPSA comes down a few simple and measurable business goals:

1) Are PS operations predictable from both cost and quality perspectives?
2) Are PS results consistently achieving financial goals for revenue and margin?
3) Are PS capabilities responsive and highly adaptable, and providing a fundamental tool to make the business more competitive?

A full IPSA implementation as shown in exhibit 2 brings together and seamlessly marries process methodology, requisite enterprise applications and PS automation tools.

IPSA Ecosystem

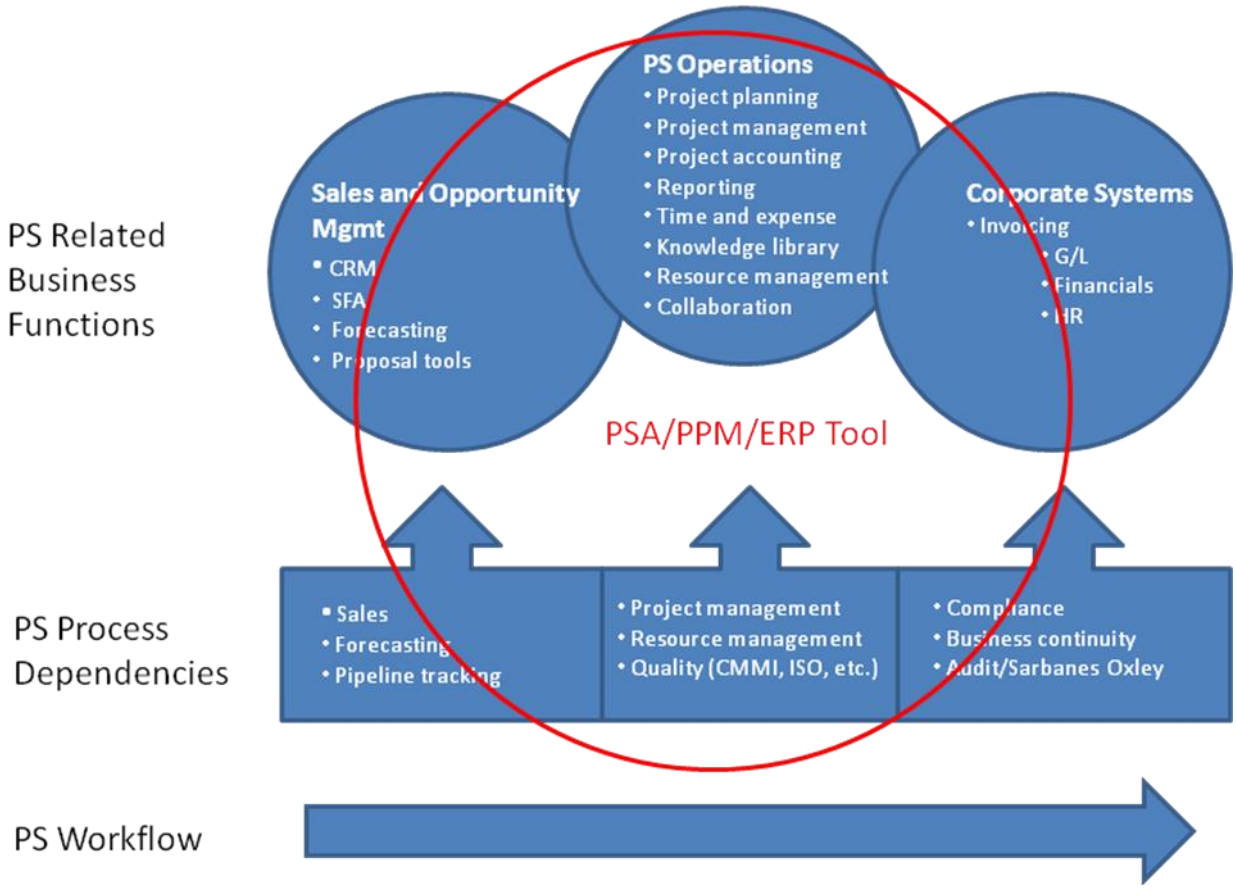


Exhibit 2

- Effective integration of PS and Enterprise applications
- Streamlined enterprise processes
- Enterprise optimized workflow

Conclusion

Integrated PSA (IPSA), combining process methodology and requisite enterprise applications with modern PS automation tools is the next wave of innovation necessary to compete in the PS space of the future. While IPSA is still young, the knowledge required to be successful at it exist now. Careful planning and simultaneous execution of both business process transformation and automation to re-engineer PS workflows can and will produce substantive economic and other competitive benefits for the enterprise.