

Business Process and Best Practices: A diagnostic checkup for your services organization

This white paper provides a framework for conducting an audit of your services business processes and your PSA solution configuration to optimize the performance of your business.

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Background

Whether your company is considering a PSA solution, recently deployed one, or has been using one for years, it is imperative from time to time to conduct a diagnostic checkup of your services organization and its processes. Every business changes over time and services organizations are no exception. Examples of change are changes in leadership, acquisitions and expansion of service offerings. Like any living entity, services organizations grow, change and require maintenance. Processes within the services organization may need to be “tightened, tweaked and changed” to ensure optimal performance of your services organization.

What is a diagnostic checkup?

A diagnostic checkup is a strategic process of examining the current needs of your services business to determine what (if any) process changes are needed in the configuration of your PSA application. When your PSA solution was first implemented you would have completed an equivalent exercise in order to configure PSA appropriately for your organization. But the policies and processes that were “right” then are not necessarily so today. The diagnostic checkup is a review of those policies and assumptions to determine how they may have changed over time and what might need to be changed in your PSA configuration.

Has your team expanded through organic growth or an acquisition? Have you moved into new markets or geographies? Have your operational reporting requirements changed? A yes response to any of these questions suggests the need to perform a diagnostic checkup.

Getting started

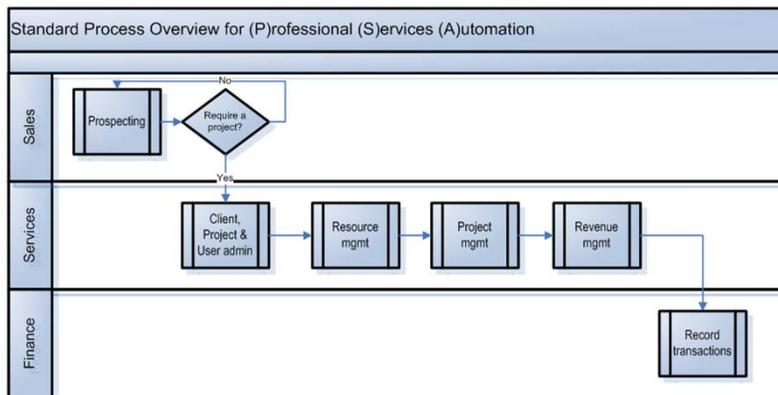
Before starting the diagnostic process, it is imperative to get the right people within your organization engaged in the process. There is no sense discussing potential changes to your policies and processes without directly involving those who have the authority to make decisions on these matters.

Determining who to engage in this process should not be a casual decision. Ideally your PSA system should be the joint responsibility of both the chief financial officer and the senior executive in charge of services. Certainly there are some decisions that do not require highest level input but initially it can be difficult to discern which topics fit this characterization. Therefore, direct engagement from the highest level of services and finance is essential to the efficiency and efficacy of the diagnostic review.

After ownership has been defined and engaged, the next step is to prioritize your points of analysis. OpenAir recommends an “80/20” approach; more specifically, work to define the areas of critical need (conceptually the 20%) that seem to result in the majority of problems your services business faces. For example, if your biggest pain point is the timely submission and approval of timesheets, then focus your diagnostic checkup on your timesheet submission policies and processes. Or, if you lack valuable project operations reporting, focus your checkup on the project set-up and management processes. Prioritization of your needs is essential to gaining the most impact from your diagnostic process.

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In order to fully evaluate your services processes, it is essential to start at the beginning of the workflow—typically the transition from sales to services. From there, work through the services processes that ultimately will lead to the approval and potential export of financial information (e.g., Accounts Payable, Accounts Receivable). You cannot appropriately evaluate services processes without considering prior and subsequent ramifications to other parts of your business.



Project creation process

Project creation is usually the first step in services operations. A thorough diagnostic checkup of this process requires answers to the following questions:

- “When” should the project be created?
- “Who” should create projects in your PSA?
- “What” level of detail is required in the project work breakdown structure?

When

The latest a project should be created is the point at which the contract is signed. Prior to this, consider pre-sales work. How much time does the services team spend in pre-sales? Are there lots of short engagements or fewer commitments that require longer at-risk commitments? Do you know which clients/prospects consume the most pre-sales labor and what the costs are to your services organization?

Additionally, consider resource scheduling requirements. Do you need to be able to forecast resource demand for “projects” that haven’t yet been sold? What if that (hypothetical) large opportunity in the sales pipeline closes next week? Do you know how many resources would be needed and/or when they would be able to begin work? In order to schedule a resource for a future commitment, the project to which they are allocated must exist in your PSA system. Consider how resource management and forecasting may impact the determination of when the “right” time is to create a project in your PSA.

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Who

Determining who the appropriate person is to create projects may necessitate breaking the process into smaller pieces. Often finance personnel are best positioned to confirm that all required supporting documentation (e.g. contract and/or SOW) has been obtained, but they may not know the detailed requirements for setting up the appropriate project tasks. Subsequently, validation and initiation of the project may be best fulfilled by one group and project details (tasks) by another.

Also, consider how projects will be created. Perhaps an integrated approach where opportunities from your CRM system are pushed into PSA will offer additional efficiency and control. Conversely, if the project creation process is highly customized and dependent on a complicated variety of factors, it may need to be a manual process.

What

The last project creation question to address is this: what information and level of detail should the project have? Resolution to this question is often best achieved by considering the three constituencies to every project.

1. The Client – What information are you obligated to provide the client regarding the respective project? Does the contract/SOW explicitly define categories or sub-budgets of work? Are there different rates for different services activity that need to be broken out in the invoice? Also, are there any implied reporting or analysis requirements? Aligning project set up with the details of the associated, governing contract is essential.
2. Management – Managerial responsibility for a services organization rarely focuses exclusively on customer-facing issues. Indeed there can be many managerial questions related to services activities that can only be answered if projects have been setup appropriately to capture required information. Example questions are: What are the most profitable projects? What activities are most often over budget? Which resources need additional training to improve performance? Why was that fixed fee project off budget? If you want to be able to compare 'like' projects and/or evaluate resource performance on similar tasks, projects have to be set up with deliberate knowledge of these additional requirements.
3. Employees – Consideration of the needs of the first two groups in this list can tempt some toward excessive detail in project setup. In some cases this may be appropriate and/or contractually required. However, consider the time and effort that will be required by services personnel to enter time to a given project plan. If, in a hypothetical example, employees currently pick from one of four tasks to charge their time to, imagine how much more time they'll need to complete a timesheet if there are 50 tasks from which to choose.

The "right" definition of what a project should look like will carefully consider the needs of these three groups which may, at times, have conflicting interests. After considering these points, you can then determine whether the use of project templates is appropriate for efficiency and/or consistency.

A company that successfully completes a diagnostic checkup of the project creation process will be able to:

- Clearly define the business rules that govern when a project should be created.
- Certify that project creation responsibility resides with a specified group (or groups) of employees who are uniquely positioned to ensure efficiency and accuracy of the process.
- Articulate what is required for each new project created in the PSA system and explain how these requirements tie directly to expected outputs.

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Resource management process

Once a project has been created, the next step is to staff the project with resources. The first question to be answered in this context is: who has authority to determine what projects people work on and when they are to perform that work? In some organizations, this process is self-evident because all resources work for one manager. Or perhaps resources only work on projects that are owned or managed by their manager. Conversely, larger services organizations often share resources across multiple projects and/or multiple project managers. These situations require deeper analysis to determine who rightfully has scheduling authority and under what circumstances.

In a distributed resource management environment (one resource works on more than one project and/or for more than one project manager) decision making authority is either centralized or it is shared. In the centralized model there is typically a resource manager (perhaps more than one) who is responsible for allocating resources. Project managers request resources which are then allocated to project(s) as determined by the resource manager. Shared resource management means that a larger group of people directly participate in the allocation process. Usually through recurring meetings and/or shared reports resources are scheduled as agreed by many parties.

Regardless of the staffing approach your group uses, the goal is to apply structure to the process so you can maximize efficiency and output of your resources. Typically resource management processes are proportionally complex relative to the size of the resource pool. Typically there is an inflection point when the resource pool grows larger than 40 or 50 resources where more process is required in order to reasonably keep track of related project scheduling details. Also, it's at this point when qualitative information about resources is usually needed in order to determine who the right resource is to work on a given project.

The second question to consider in the area of resource management is: what information is needed by those allocating personnel in order to determine who the right resource is for a project? The minimum requirement is knowledge about availability. Simply knowing who is available during a specified timeframe is often sufficient information to schedule resources at smaller organizations. As the resource pool grows and familiarity with the skills and abilities of resources diminishes, more information may be required in the PSA system. The kinds of information stored would address the following questions: How much experience does the resource have in a specified industry? Do they specialize in certain products? Does the resource have certain language skills or certifications? Determining if and when such skills information is required in your PSA system is a common objective of a diagnostic evaluation.

A company that successfully completes a diagnostic checkup of resource management processes is able to:

- Clearly explain who has responsibility for allocating billable resources to project work and why this is the "right" approach for their organization.
- Define what (if any) skills information is needed in PSA to support the process of determining the right resource for a project.

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Project management process

Project management is a broadly used term and with a wide variety of practical applications. Any organization intending to use PSA will need to determine what specific responsibilities are assigned to project managers and how those responsibilities will be carried out on a recurring basis. Following are three broad categories of project management functions to consider when defining or reviewing policy for your services organization.

Plan maintenance

Project plan maintenance includes the creation and editing of tasks and phases within the project. More specifically this can include changing planned hours for tasks, adding new ones or changing the duration of a project based on resource constraints or client requirements. The criticality of plan maintenance is determined according to client or internal management requirements. If the customer requires an updated project plan every week or if internal services management requires such a plan then keeping plan details current becomes critical. Some questions to consider are: will there be an off-line plan as well as one in the PSA system? What is the appropriate level of detail in the plan? Does there need to be a control mechanism to review plan changes? In PSA the project plan becomes the structure in which transactions are recorded. Careful consideration of policies governing these plans is essential.

Cost management

In PSA, the primary drivers of cost are time and expense entries made by your employees. Expense transactions have explicit cost value associated with them while time entries can be easily deduced using user cost functionality and submitted timesheet information. Given the ability to easily and accurately calculate costs, the obligation is then to ensure that costs are being recorded to the appropriate project within PSA. Management of these cost allocations typically involves project managers.

The high-level goal is to determine who the appropriate person is to approve a cost transaction (time or expense). Customers often define different approval rules for different types of projects (e.g. customer facing versus internal ones). Also, it may be appropriate to consider more than one level of approval in order to sufficiently fulfill all review and compliance needs. For time and materials based projects, approved cost data is the basis from which revenue transactions are generated and so the accuracy of this cost data is paramount. Reviewing and confirming the validity of cost approval policies is essential for effective PSA.

Budget management

The third high-level category of project management activities is budget management. This includes monitoring project progress versus target (budget) established at inception of the project. Also, this includes any change orders or modifications to project scope that will impact project cost and/or revenue. Defining who has responsibility for managing budget details is essential toward ensuring that accurate project status and performance data is readily available.

A company that successfully completes a diagnostic checkup of its project management processes will:

- Have a clear, consistent policy regarding on-going project plan management.
- Have defined cost approval processes that ensure accountability and accuracy of PSA system data.
- Have determined how project budgets are to be set and managed.

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Revenue management process

The last functional area within PSA to be evaluated is project revenue management. After work has been performed and cost transactions recorded, the next step is to “monetize” work so that invoices and revenue can be generated to complete the workflow. Some might assume that revenue management is a responsibility that belongs exclusively to the finance department. In fact there are organizations that use this approach but the cost of this limited thinking is an inability to easily generate project and client profitability reports for services work. The best practice approach is that invoice and revenue transactions are generated and validated within PSA and subsequently sent to (often technically integrated with) financial management systems. Determining how these transactions are generated and managed is the purpose of this section of the diagnostic review.

Because this data will be used for financial reporting purposes, finance resources typically take active roles within PSA during revenue management work. But finance resources may not know the details of project activities. In fact they often rely on services personnel for information about critical project milestones and deliverables that then trigger revenue transactions. Also, many organizations require services personnel to review and validate invoices before they are sent to the customer. Analyzing and reviewing the process and functional requirements of these processes is critical to ensuring accurate and timely closes to accounting periods.

Some questions to consider in this context are: Who are the ‘right’ people to have involved in this process? Are there opportunities to streamline or remove steps from current process flows? Can integrations help reduce manual data entry work and opportunities for user error? A thorough review of revenue management processes will trigger questions about finance policies and procedures. Including finance in the diagnostic review process will be especially critical for success at this stage of the effort as effective decisions will certainly require their cooperation and input.

A company that successfully completes a diagnostic checkup of its revenue management process will:

- Determine exactly which revenue data will be produced in PSA and at what frequency.
- Define who the appropriate personnel are to perform these functions.
- Define process controls to ensure accuracy of revenue data.
- Define process for validating (approvals) and correcting errors.

Administration process

The integrity of any enterprise software solution is tied directly to effective and capable system administration. PSA is no exception to this rule. Therefore, a diagnostic checkup also must include a thorough examination of the administration processes used to manage your PSA tool. Administration responsibility begins on day one of your PSA implementation and typically requires daily oversight. These responsibilities include:

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- Ensuring client list integrity and accuracy, including billing address(es) and contact(s).
- Ensuring project list integrity and accuracy, including the specification of budget(s), project manager, billing rules and other details.
- Ensuring user list integrity and accuracy, including the specification of user role and data access permissions.

Some companies underestimate the importance of the “system administrator” role. They either give the work to a junior member of the team or to someone who does not have appropriate time to take on this added responsibility. The ideal administrator is someone who is attentive to detail, familiar with services operations and finance, and respected by both departments. You may consider sharing administrator responsibilities either by geographical location or perhaps by functional area within the application. The ‘right’ approach lies in determining what will deliver the most value for your organization.

A company that successfully completes a diagnostic checkup of system administration will:

- Understand the responsibilities associated with this function.
- Determine who the right person(s) are to preserve and promote successful operation of the system.
- Define process rules considering changes to application configuration and testing of new functionality.

Conclusion

An effective, well-implemented PSA system is a reflection of the policies and procedures that deliver maximum value to a services organization. Over time, services businesses often change. Procedures that were ‘right’ at one point in time are not necessarily valid now. Subsequently there is a need to review services business procedural and policy needs in order to ensure that your PSA is appropriately configured to suit the current needs of the business. This should not be a one-time exercise but a recurring exercise in evaluating current services operations needs to determine if changes in PSA are required. Small misalignments can magnify over time to become serious and costly problems. Therefore it is critical that you “check under the hood” to make sure everything is running smoothly. This document provides an outline of processes and considerations to be made when performing this diagnosis. When selecting a PSA provider, consider more than software functionality. You need an expert team to guide and assist you with your recurring diagnostic needs.

About OpenAir

OpenAir, Inc., a NetSuite Inc. Company, is a leading provider of Software as a Service (SaaS) services automation software. OpenAir’s Professional Services Automation (PSA) solution gives project-based organizations and firms the tools they need to grow their businesses quickly and profitably. Providing enterprise-level functionality for businesses of all sizes, OpenAir has more than 42,000 active users at over 300 world-class firms who use the software to better capture billable time, manage projects and resources, and bill customers. Coupled with a team of highly experienced consultants from some of the world’s leading services firms, OpenAir PSA drives higher profits through improved utilization, visibility and data collection. To learn more, please visit www.openair.com.

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