Resource management project on track to deliver 800 percent ROI in first year

***TechRepublic* -** December 16, 2002 **| by David Southgate**

Improving operational efficiency in a lackluster market is one way to keep a company's books healthy. With that in mind, Erik Dubovik, VP and director of IT at Boston-based Digitas, set about finding a Service Process Optimization (SPO) solution to increase billable hours by the company's consulting staff. The average Digitas consultant was already 73 percent billable, but corporate leaders believed the number could be improved.

And they were right. The company's move to SPO/Professional Services Automation (PSA) software will pay off handsomely, boasting an 800 percent ROI in its first year-based solely on improved utilization of its marketing and tech consulting staff.

For a first-year investment of just over $250,000, Dubovik signed up with OpenAir's hosted tool, called OpenAir, which is sold under a perpetual licensing agreement. Dubovik anticipates a 1 percent increase in consultant billability, to the tune of $2 million in additional revenue in the project's first year.

The ROI driver

Increased staff utilization is typically the metric that garners the biggest return when companies install SPO/PSA software, said Hams El-Gabri, a software industry analyst at Gartner Inc, an IT research firm. Another ROI yardstick is quicker turnaround in client billing and better employee satisfaction-both of which have a positive impact on an enterprise's bottom line.

SPO/PSA software allows companies to bill clients more quickly via a streamlined invoice review process that makes it easier for the accounting department to verify elements such as consultant rates. If employee skills data is included in the resource management component of a SPO/PSA, companies are more apt to put the right consultant on the right job-creating a happier, more motivated workforce and more satisfied customers.

Improvements over homegrown solutions

Before turning to OpenAir in January 2002, Digitas had different homegrown resource management solutions at each geographic location-a typical situation when companies expand. But supporting these systems can become an expensive drain on IT resources, as Digitas knew very well. As companies grow more complex, the homemade tools don't provide the operational visibility needed to predict demand on resources.

For example, within Digitas, the New York office handled resource management via a custom Microsoft Access database application, while the Chicago team used paper and Excel spreadsheets, and the Boston headquarters used a Web-based tool that had an Oracle back end. The systems allowed Digitas to put together reports on resource utilization for the previous week, but the company couldn't forecast staff utilization accurately because the systems couldn’t report in real time.

Just as challenging were the staffing choices. Before OpenAir was brought in, staffing managers held information about employees' skills in their heads or in notes they'd taken on individual workers. Sharing that critical information about 800 consultants was a time-consuming and impractical process. But failing to do so could prove wasteful. A staffing manager in one of Digitas' three offices might inadvertently hire an employee for a six-month project when an appropriate person could be sitting on the bench at another location, explained Dubovik.

Why Digitas chose OpenAir

With the goal of solving these challenges, Digitas began an extensive vendor review process. Since Digitas was already using Lawson's ERP, the product review included Lawson's Professional Service System, sold under a software licensing agreement. Competitors in the Web-hosted space include Portera (acquired by business process improvement vendor Exigen) and QuickArrow.

Price was a major factor in the product decision. Lawson's costs were significantly higher right out of the box, said Dubovik, who was concerned that Digitas would end up paying for software functionality that it wouldn't be able to use.

"We couldn't install 50 percent of the solution in year one, but we had to pay 100 percent of the price," he explained. OpenAir's solution retails at $75 a seat, with discounts for volume and long-term commitments. An appealing aspect was that the company would have to pay for only the components it integrated, supporting Dubovik's goal of a phased integration.

A friendly user interface was another influencer. "OpenAir has built its solution in such a way that there is essentially an administrative menu that allows you to customize the solution down to the lexicon," said Dubovik.

"Instead of calling something 'utility percent,' we could change the word to 'utilization.'" The adaptability of the software's UI has made it easier for people to pick up the application because it's been customized with familiar terminology.

Speed of implementation and zero IT maintenance requirements were also enticing to Dubovik. Because the system is Web-based and served from OpenAir's central server pool, only one code base exists. When OpenAir updates that code each month, customers get the latest version the next time they log in, according to an OpenAir spokesperson. The updates have gone seamlessly so far, according to Dubovik.

Due diligence

Because so much sensitive company data would be residing offsite on OpenAir's servers, concerns over OpenAir's sustainability and IT security surfaced during the product evaluation. Both issues are commonly raised around Web-hosted solutions.

"Web-based companies tend to be smaller and they tend to get eaten, acquired, merged, or just go under," said El-Gabri. "The CIO has to be comfortable with that notion."

To address concerns about OpenAir's viability, Digitas sent in the company's CFO, controller, and legal department to examine the stability of OpenAir's financial situation.

Digitas' security team put OpenAir's tech team through a rigorous review and evaluation as well, and came away convinced that OpenAir could establish a secure feed. The early discovery process, and buy-in from both finance and technology, clearly contributed to the project's success, added Dubovik.

Sailing through integration and training

Implementation began with a resource management component and integration with Digitas' Enterprise Resource Planning (Lawson) and Enterprise Reporting (Business Objects) systems.

The project, completed on schedule by last March without a technical hiccup, lets Digitas measure client profitability and employee utilization across all regional offices-eliminating the silos of information that existed before. In May, the company plugged employee skills data into the resource management component, making the task of assigning staff to client projects more efficient and effective.

The integration went well for several reasons, according to the company. First, the firm conducted a thorough needs analysis with the business users. Then Digitas assigned an in-house team from the security organization, programming staff, and a systems analyst/project manager to work with OpenAir's consulting group. Those groups set up a demo environment with real data and studied how the staff used the system. This research informed the customization team how best to tailor the interface to suit the business need.

With both development teams based in Boston, streamlined communications and face-to-face meetings also played into the successful integration.

Digitas has taken both formal and informal approaches to training users on the OpenAir system. Initially, 50 people in the staffing organization, including staffing managers from all three offices, sat through a day-and-a-half class at Digitas' Boston-based training facility to learn OpenAir's resource management component. Later, 50 senior managers were simply given IDs and instructions via e-mail on where to find the data they needed. So far, the training's been quite speedy due to the application's well-designed interface, said Dubovik.

Project implementation will continue as Digitas prepares to plug in OpenAir's revenue forecasting component next-providing yet another opportunity for better operational efficiency.