

## Realizing the Benefits of Professional Services Automation with the Fastest ROI

A white paper that analyzes how Internet Business Services use new technologies – the Web, open source software, and the emergence of XML as an integration standard – to enable companies to gain the benefits of professional services automation with targeted investment of dollars and internal resources.

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## Background

Software has been available for several years to help professional service organizations (PSOs) increase asset utilization, reduce operating costs, and improve cash flow by automating core processes like business development, resource planning, and project management and integrating them with accounting and billing. Known as professional services automation (PSA) solutions, these systems allow the professional services firm to move beyond e-mail and spread sheets and realize the benefits of systems automation to improve ROI and increase top-line revenue growth.

These IT systems have traditionally taken the form of highly customized, proprietary software that costs hundreds of thousands of dollars, takes several months to implement, and requires extensive ongoing maintenance. Often, a firm will attempt to build a firm-specific solution either through an internal IT Department effort or through an outsourced arrangement with an IT consulting firm. As a result, it has been a practical investment only for the largest PSOs. Moreover, because of the difficulties of upgrading and customizing PSA systems, high initial investment often failed to keep pace with the changing needs of the business without large additional investment of both time and money. In the worst cases, large firms have decided that it simply is not worth the effort and have made do with improvised systems that fail to satisfy anyone.

Several technological changes have converged to dramatically reduce the investment required for PSOs to reap the benefits of these systems, while enhancing the ability of the PSO to maintain a scalable solution that grows with the business. This paper identifies some of these changes and discusses how they enable companies to benefit from PSA with targeted investment of money and staff time.

## Changing Technologies

Three technology trends are primarily responsible for the dramatic reduction in the cost of enterprise software systems: The broad availability of the Internet leading to the rise of Internet Business Services, the acceptance of XML as an industry standard, and the rapidly improving viability of open source systems.

### The Internet Achieves Universal Access

At the end of 2000, there were over 135 million Internet users in the US alone. As Web access has become ubiquitous, the options for software delivery have expanded from the traditional product model to a service model. Traditional software products can now be hosted and managed remotely through Application Service Providers (ASPs). The ASP model removes the initial upfront software investment, greatly reduces ongoing maintenance costs, enables faster implementation, and provides more convenient access to the systems, but it is only a small first step toward harnessing the power of the Internet for software delivery.

The far more profound shift is embodied by the subset of APSs known as Internet Business Services (IBSs). Unlike traditional ASPs – which simply allow an existing client server application to be provided by an outside data center, IBSs are built from the ground up for Web delivery.

An IBS centrally hosts and maintains a single version of the software that is accessed by multiple customers through the Web. These next-generation services can be designed with a sophisticated switching architecture, making it possible to turn features on and off almost effortlessly. The result is that an IBS system is far more easily configured to match the specific workflow and feature requirements of individual customers and subsequently modified to grow with the business or accommodate changes in business process – all without the high costs and lengthy timeframes associated with writing custom code. The central code base also allows for rapid improvement in the underlying application, allowing a corporation to avoid inconsistent systems because of a failure to upgrade across an enterprise.

IBSs have grown over the past three years, such that robust solutions now exist to enable companies to run virtually every aspect of their business, from Sales Force Automation to Accounting.

### Open Source Comes of Age

Since Linus Torvalds introduced the first version of Linux less than a decade ago, the evolution of open source software has proceeded at a pace that is completely unprecedented in the history of software development. This is true not just for the Linux operating system, but also for databases and programming languages. As a result of the collective efforts of an estimated 100,000 programmers worldwide, open source code now offers software developers a reliable underlying technology base, which improves constantly by virtue of the constant interaction and contribution of the community. One key open source database has been MySQL – considered one of the fastest databases in the world today.

There has been a dramatic increase in the mainstream acceptance of open source as a competitive enterprise solution, as evidenced by recent events:

- November, 2000
  - Shell orders supercomputer from IBM of 1,024 eServer 300s in 32 racks running on Linux
  - NASA's Marshall Space Flight Center completes transition from Oracle to MySQL
- December, 2000 - IBM announces it will invest \$1B in Linux in 2001
- March, 2001
  - Boeing buys 96-processor Linux supercomputer for launching satellites into space
  - Oracle announces migration kit from MySQL to Oracle

## XML Becomes the Standard for Integration

A critical offshoot of the Internet's pervasiveness and the rise of open source code is that industry standards are starting to emerge for how different systems exchange data with one another, with Extensible Markup Language (XML) leading the way. XML, which has seen a 48.6% increase in usage among developers in the past six months, provides a set of rules and semantics that allow complex data structures to be exchanged between servers, enabling tight, real-time integration among various systems, independent of their architectures.

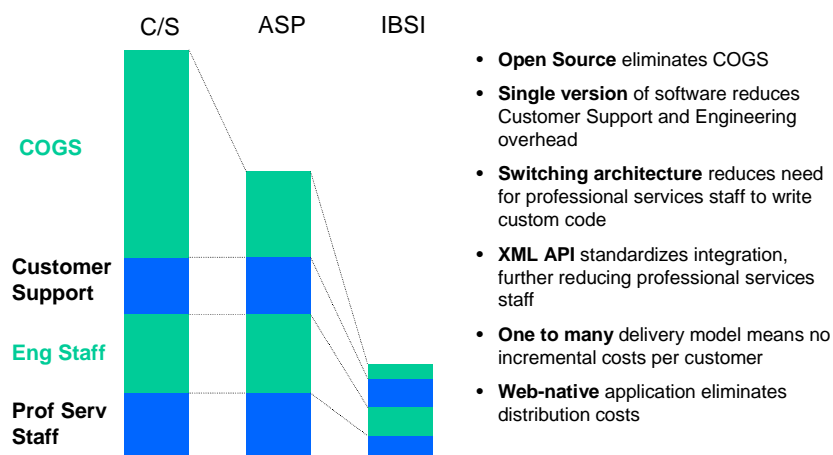
By publishing an XML/API (application programmers interface), software manufacturers grant their customers access to a wide range of command and data sets that let them define, transmit, validate and interpret data between applications and between organizations. Thus, the internal IT department can perform extensive integrations writing only a minimal amount of custom code.

## The Dramatic Reduction in Software Costs

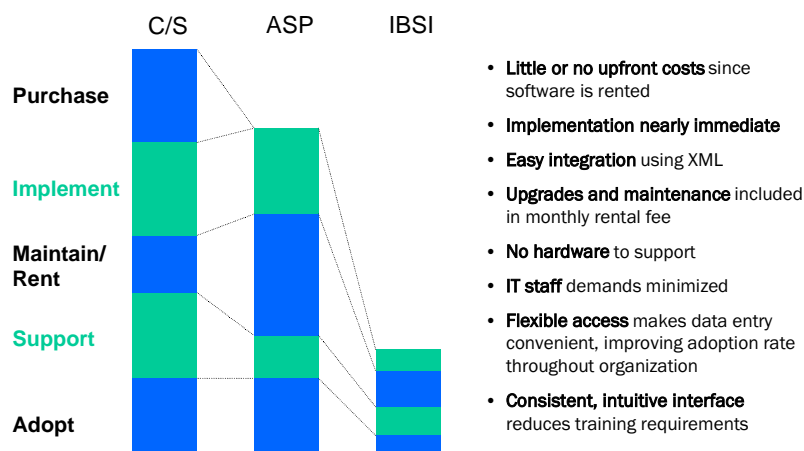
The most obvious impact of the three technologies is that the cost of attaining software has declined dramatically. A software manufacturer that develops and delivers software through an IBS model, using open source tools, and taking advantage of XML standards has a fundamentally different business model from a traditional manufacturer of enterprise software.

As a result, these companies are able to deliver software to customers at a total cost of ownership that is orders of magnitude below client/server software and well below even “traditional” ASPs.

### Sustainable, Low-Cost Business Model ...



### ... Means Lower Total Cost of Ownership



## Professional Services Automation as an IBS

These technologies, then, enable companies to derive the benefits of sophisticated enterprise software at a fraction of their traditional cost. One area of software that is available through this model is professional services automation (PSA).

### What is Professional Services Automation?

PSA is a set of tools that helps a professional services organization (PSO) manage resources, projects, and finances. These include generating new business, delivering services, and managing administration. PSA software automates these functions with an integrated suite of solutions for:

- Sales force automation and proposal development
- Resource planning
- Project management
- Time and expense tracking
- Client billing and/or integration with accounting systems
- Enterprise reporting

These solutions help companies increase profits in three major ways. First, they enable tighter resource management, so managers can boost employee utilization rates. Second, by streamlining administrative tasks, billable employees are able to reduce their non-billable time, freeing them up for more meaningful work. Third, they facilitate accurate project profitability analysis, so companies can focus on the most lucrative engagements. While estimates of productivity gains vary widely, most PSOs report a gain of 3 – 5% in net income by implementing a PSA solution.

### The IBS Model Reduces Investment

The investment in a software system is measured in both human resources and capital. The IBS model dramatically reduces both.

The upfront investment in an IBS is virtually eliminated. Since the software is rented, there is no initial purchase price. The systems are also pre-deployed, slashing the implementation timeline. At the extreme, a company can go to the Web site of an IBS, open an account, and provision the software immediately. Although the typical deployment will be more involved, it will likely be measured in days or weeks, not in months or quarters, as with traditional software solutions. This not only frees the IT department from a lengthy implementation project, it also minimizes professional services fees, and lets the PSO start realizing the efficiency gains sooner. Another benefit is that a business can incrementally implement an IBS solution without scrapping legacy systems that do still meet business needs and without shutting down the workflow of an enterprise during a solution implementation.

With virtually no upfront costs, the decision to implement a PSA solution is no longer made on a traditional ROI basis. Rather than estimating expected efficiency gains, translating them into monthly or annual savings, and calculating the payback period, the decision can be made simply by estimating whether the efficiency gains compensate for the monthly rental fee. In many cases, the fee is recouped through just a few additional minutes of billings per user each month. Moreover, the risk is eliminated. If the software does not produce the expected gains for any reason, the PSO can simply stop using the solution without having to write down the initial investment or fulfill a long-term contract.

The ongoing investment is similarly reduced. An IBS maintains hardware and software and manages upgrades remotely, so companies can take advantage of the latest version of the software without the internal IT department having to spend time installing new software on in-house servers and individuals' machines. All maintenance costs are included in the rental fee, which is often comparable to the maintenance and upgrade fees of traditional software.

As PSA adoption becomes more widespread, it will quickly become a competitive necessity for PSOs to implement these systems. The technology shifts described in this paper now enable PSOs to do so quickly and without risk.

## About OpenAir

OpenAir is a leading provider of Professional Services Automation solutions and a Top 20 Global ASP. Leveraging new technologies, OpenAir has developed an extremely powerful, flexible, easy, and affordable solution, which it has delivered to over 50,000 professionals. OpenAir is offered through an Internet Business Service model and through its Onsite Deployment option, a Linux-based server preloaded with software.