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This PSA Buyer’s Guide was written by Service Performance Insight

Service Performance Insight (SPI) is a global research and consulting organization dedicated to helping professional service organizations (PSOs) make quantum improvements in productivity and profit. In 2007, SPI developed the PS Maturity Model™ as a strategic planning and management framework. It is now the industry-leading performance improvement tool used by over 25,000 service and project-oriented organizations to chart their course to service excellence.

The SPI Advantage – Research
Service Performance Insight provides an informed and actionable third-party perspective for clients and industry audiences. Our market research and reporting forms the context in which both buyers and sellers of information technology-based solutions maximize the effectiveness of solution development, selection, deployment and use.

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The Professional Services Marketplace

In a business climate driven by technology, disruption and skilled talent shortages, professional services (PS) organizations must themselves become technology-enabled. In the past, PS technology use was confined to operations and service execution. It now has become mandatory, extending virtual workspaces, enhancing collaboration and knowledge sharing, providing the basis for effective recruiting, hiring and employee engagement, and furnishing the tools for planning, budgeting, forecasting and analyzing. High-performing services organizations have deployed integrated business applications across all aspects of the business, giving them unprecedented visibility and control to see and take advantage of business opportunities in real-time.

In the services sector, technology use has become a strategic imperative to exploit globalization and drive market growth. Barriers to entry are being lowered as faster, nimbler, more technology-savvy firms seize top clients and markets. In this climate, new entrants focused on niches, specific functions and underserved constituents can quickly grow and make an impact on larger, more entrenched players. At the same time, consultants are demanding easy-to-use, contextual, socially aware systems which mimic the applications they use in their personal lives. Mobile is no longer a nice to have, it has become a strategic imperative to reach an increasingly global and virtual client base and workforce.

The growth engine of the world’s economy has shifted from manufacturing to project-based, people-centric services businesses. These businesses rely on Professional Services Automation (PSA) solutions to manage service execution. These solutions automate core business processes such as quote-to-cash, resource management, project management, time capture and billing, and provide the real-time visibility necessary to improve organizational efficiency and effectiveness.

This PSA Buyer’s Guide provides an overview of important trends, business processes, selection criteria and the business impact of PSA to help project- and services-based businesses evaluate and choose PSA applications, which will provide the level of insight, management and control needed to improve productivity and profitability.
What is Professional Services Automation?

Project and services-based organizations are uniquely people-driven organizations. They depend on the knowledge and skills of a talented workforce to sell, staff and deliver a range of services typically on a project or contract basis. The fundamental application requirements of service-based businesses are very different from classic manufacturing and supply-chain focused ERP applications as they must include functionality for managing resources (people) and projects (tasks).

For project-based organizations, Professional Services Automation (PSA) provides a platform to plan and staff projects, manage resources, projects and project profitability, collect time and expense and invoice clients. PSA provides a resource and project dashboard including the demand forecast. It helps manage service delivery by overseeing opportunities, staffing, project management, and collaboration. PSA is typically the system of record for resource skills, competencies and consultant preferences with integration to the employee and contractor database. It is used to collect time and expense by project and resource down to the task level so it is the system of record for resource utilization and project costs and estimating. Most PSA solutions now offer billing modules with some level of revenue recognition by type of billing method – time and materials, work in process or fixed price. PSA extensions for the construction industry include modules for material costs and procurement.

PSA solutions include a common enterprise-wide project and resource database with various application modules to support fundamental business activities, such as resource scheduling, project management and project accounting. A PSA solution is used to standardize business processes and provide reports, insight and control in real-time for resources and projects. The value of such a system is to enable critical information to be analyzed and shared across the organization for more insightful and timely decision-making. PSA is sold as either a stand-alone solution, with integration to accounting, Client Relationship Management (CRM) and payroll applications, or as part of a project-based Enterprise Resource Planning (ERP) suite, often referred to as Services Resource Planning (SRP).

Minimum functionality required to be considered as a Professional Services Automation solution:

- Allow users to record and allocate resources based on requirements, skills and availability
- Provide project management and control for projects and tasks
- Track time and expense on a client or project level
- Provide visibility into the operations of projects
What Problems Does PSA Solve?

Without PSA, organizations operate in a heroic manner with few standard operating procedures. Resource management is a time-intensive and contentious process with the best sales teams demanding the best resources by name, inhibiting the growth of new consultants, and limiting the organization’s ability to quickly and effectively staff projects.

The catalyst to make the move to a modern, cloud-based PSA solution is to streamline and enhance service planning and resource management. The following figure highlights typical issues with legacy systems and processes:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Running the business by spreadsheet</td>
<td>• Out-of-date, non-cloud-based legacy systems</td>
<td>• Non-standard sales, delivery &amp; finance processes</td>
</tr>
<tr>
<td>• Disconnected sales, service and finance processes</td>
<td>• Expensive to maintain</td>
<td>• Non-standard measurements with limited reporting</td>
</tr>
<tr>
<td>• No visibility to upcoming projects, resource needs</td>
<td>• Hard to use with poor user interfaces &amp; reporting</td>
<td>• Processes are not streamlined or efficient</td>
</tr>
<tr>
<td>• Inaccurate information, data redundancy &amp; reentry</td>
<td>• Static, out-of-date reports</td>
<td>• Expensive to maintain, enhance &amp; upgrade</td>
</tr>
<tr>
<td>• Time-consuming and inaccurate time &amp; expense capture</td>
<td>• Limited to no project accounting</td>
<td>• Limited ability to change or modify to reflect new org &amp; policy changes</td>
</tr>
<tr>
<td>• Manual and error-prone</td>
<td>• Limited to no resource management &amp; scheduling</td>
<td>• Don’t take advantage of modern UI &amp; reporting</td>
</tr>
<tr>
<td>• Key person dependent</td>
<td>• Inaccurate information, data redundancy</td>
<td>• Limited mobile, virtual capability</td>
</tr>
</tbody>
</table>

Manual daily and weekly time and expense capture and rollup requires too much effort and is prone to inaccuracies and rework. Invoicing is a manual, time-intensive, error prone nightmare. Real-time analysis is virtually impossible, requiring countless analyst hours to roll-up and cross reference reams of spreadsheets. In this immature environment, project success and repeatability often come down to project team heroism and overtime, which ultimately lowers profit.

The bottom-line is it is almost impossible to run, scale and grow a high-quality professional services business without an integrated Professional Services Automation platform.
There are several important challenges faced by organizations that have not yet implemented an integrated PSA solution:

- Disconnected spreadsheets and legacy applications cause manual rework leading to inaccuracies and lost billable time and expense.
- Manual time and expense collection and re-entry for financial reporting causes delays in billing and invoicing inaccuracies which contribute to delayed payments and cash-flow issues.
- Lack of visibility to budgeted versus actual project time and expense causes client dissatisfaction and contributes to runaway projects.
- Silo’ed regional or practice databases prohibit sharing of critical resources and client and project information.
- No reporting or real-time information on project status means no visibility to project profitability or the timely ability to request change orders.
- Poor user interfaces impede mobile consultants from entering time and expense leading to lost productivity, non-billable time and expense and employee dissatisfaction.
- Inadequate visibility to current and future projects causes poor resource utilization resulting in substandard billable utilization and below market revenue yield per person.
- Lack of visibility to required resources impedes recruiting and ramping of new consultants.
- Because resources have no visibility to planned or future projects they have no control over their schedule or the types of assigned projects leading to employee dissatisfaction.

The primary driver of PSA selection is real-time visibility and control of the financial aspects of the business. If the answer is “yes” to the following questions it may be time to consider a PSA purchase:

- Do you have more than 20 employees and have you outgrown your current systems?
- Have you or are you planning to expand globally? Can you support multinational currencies, regulations and taxes?
- Do you have visibility to the sales pipeline and project backlog to quickly and accurately forecast demand?
- Do you know “most in demand” skills and can you forecast demand to begin recruiting?
- Do you look to improve service sales and service delivery consistency? Are you ready to adopt consistent sales and delivery methods?
- Has assigning resources and managing projects by spreadsheet and email become overwhelming?
- Are your current project management and time and expense capture applications outdated and expensive to update and maintain?
- Is it important to have access to information in real time?
- Do departments need to share information to better plan and execute?
- Does it take too long to manually collect time and expense to bill clients?
- Do you have low utilization levels (or do you even know your billable utilization)?
- Do you know your project margins (by client, practice, region and consultant)? Are they acceptable?
- Are invoices inaccurate making it hard to collect?
- Does it take several days to manually close the books?
Who Needs PSA?

Firms in the professional service industry provide accounting, advertising and marketing, architectural, management consulting, engineering, IT, technology, legal, and research services. These companies provide the knowledge and skills of their employees, typically on an assignment basis, where an individual or team is responsible for the delivery of high value services to the client.

Today, the global professional services industry is made up of over 10 million independent and embedded professional services organizations with combined annual revenue of more than $4 trillion. It is also highly fragmented as the top 200 largest firms (each with more than 5,000 employees) account for less than 5 percent of that revenue. The service industry is dominated by small and midsize firms; their growth has consistently outpaced the overall market.

Globalization, centralization, modernization and streamlining operations are the key drivers for PSA investment among project- and services-based organizations. According to Service Performance Insight’s (SPI Research) extensive service economy research, the majority of more than 3,000 organizations surveyed have invested in a PSA solution. Yet all organizations still rely on texts, email and spreadsheets to manage some aspects of the business. Firms of all sizes are buying new PSA solutions to replace legacy, on-premise solutions and to consolidate a hodge-podge of point solutions, spreadsheets and email schedules onto a single platform.

The following figure depicts the primary buyers and influencers for PSA purchase decisions as well as the challenges PSA solves:
The Benefits of PSA

With almost 80% of the PS cost structure predicated on people; it is imperative that PSOs utilize personnel to their fullest capacity. Although PSA solutions have the greatest impact on billable tasks and personnel, the effect on non-billable resources can also be significant. Non-billable personnel support strategy, sales and marketing, operations, recruiting, quality management and finance and administration. These individuals must have the tools to understand, support and improve the delivery of high-quality services. PSA can improve productivity for non-billable personnel in many ways, some of which include:

- Trend analysis to support planning, forecasting, budgeting and decision-making.
- Estimating, proposal generation and service packaging.
- Operations including resource, capacity management and project planning.
- Recruiting, hiring on-boarding and training.
- Knowledge capture and sharing to improve delivery effectiveness.
- Project quality management, engagement satisfaction and improved customer satisfaction.
- Accurate time and expense capture to improve and better assess project profitability.
- Project, revenue and cost analysis to determine which types of projects and clients best fit the organizational strategy and objectives.
- Reduced finance and administration time for data input, cleansing, invoicing, analysis and reporting.

While many firms look to more tangible benefits such as improvements in utilization and decreased revenue leakage, it is the increase in visibility that allows management to better analyze the organization to determine improvement priorities. PSA provides “one source of the truth” around project health and resource assignments to all constituents including sales, service delivery, finance and operations. Professional service profitability relies on a consistent balance between demand and supply; **PSA’s primary benefit is providing organizational visibility to support assigning the right resources at the right time for the right type of projects.**

The implementation of PSA also helps consolidate and reduce the total number of enterprise systems (time and expense capture, project management, resource and project scheduling, etc.). This consolidation aids the organization in a variety of ways:

- PSA reduces the cost to maintain multiple applications.
- Reduces integration costs and increases enterprise visibility “out of the box”.
- Provides consistent templates and definitions to support key performance measurements and improvement.
- PSA reduces the amount of training required for individuals to become competent and productive with multiple information systems.
- One-source of the truth – real-time information visibility, constantly updated.
The figure below compares PSOs using PSA solutions to those that do not. The results in this table are very powerful. With PSA, organizations can grow faster and more profitably. Due to automation, fewer non-billable administrators are required, increasing the percentage of billable employees. A clear benefit is a 4% improvement in billable utilization which translates directly to higher per person and per project revenue yields, better project margins and higher net margin. Based on these improvements, it is easy to see why PSA applications tend to produce a positive payback in less than six months.

![Benefits of a PSA Solution](image)

Source: SPI Research 2017 PS Maturity™ Benchmark

When it comes to PSA solutions, project- and services-based organizations now have a range of attractive cloud-based choices – systems that are designed to support the needs of the always-on, virtual, mobile service economy by providing several key benefits:

- Project revenue and cost data is contained in a central database.
- The user interface is consistent across all applications.
- Costs and deliverables reside in the same place so productivity can be measured, analyzed and improved at the territory, account, project and individual resource level.
- Reporting and analytics are embedded within the application, alerting decision-makers to issues before they become problems.
- A more seamless audit trail to better identify success and failure points.
- Enhanced support for global operations with multicurrency, multilingual applications, which conform to local regulations and taxes.
- Lower administration costs due to fewer manual, error-prone spreadsheets and costly data re-entry.
- One-source of the truth – real-time information visibility, constantly updated.

Professional Services Automation solutions drive significant operational performance benefits, which ultimately yield higher revenue and profit for professional services organizations. The use of PSA is on the rise due to the need to better manage projects and resources, especially in more technical disciplines, as it has become increasingly difficult to find, hire, retain and deploy talent. PSA solutions help match the right resources, with the right skills at the right time to the right projects.
PSA Modules

PSA vendors segment their products into application modules that emphasize the management of costs, clients and resources:

- **Opportunity Management**: The management of client information, sales activities, proposals, and contracts to improve sales effectiveness. Some PSA solutions let a CRM tool handle opportunity management; and instead focus on resource demand management and forecasting functions based on the opportunities tracked in the CRM application.

- **Engagement Management**: The management and control of the overall set of project deliverables.

- **Resource Management**: The management processes associated with resources (people, material, equipment, etc.) used during the services delivery lifecycle. Includes capacity planning and resource scheduling.

- **Project Management**: The initiation, planning, execution, close and control of projects.

- **Project Accounting**: The tracking of project-related costs to determine budget to actual costs and profitability.

- **Time and Expense Management**: The capture and tracking of project-related time and expense information.

- **Invoice Management**: The preparation and presentation of invoices based on information captured from the time and expense module or from pre-assigned time or project completion milestones.

- **Practice / Management Reporting**: Core reports include project dashboards, resource management and utilization dashboards, capacity planning and forecasting, project profitability.

Additional Modules

While every PSA solution is unique, some have expanded their capabilities through additional modules including:

- **Social**: The ability to easily incorporate social channel information from LinkedIn, Facebook, Twitter, etc. along with social collaboration to facilitate knowledge sharing.

- **Collaboration Management**: The management of information used to create effective communication and iterative knowledge sharing during the services delivery lifecycle.

- **Knowledge Management**: The centralization of information improves operational efficiency. This information can be anything related to the ongoing business and includes information on resources, projects, tools, templates, methods and clients.

- **Revenue Management**: PSA solutions provide deferred revenue and work in progress tracking and revenue reporting to automate revenue reporting for time and materials, fixed bid, milestone-based and term engagements.

- **Performance Management**: The use of information to determine effectiveness and budget to actual performance for different aspects of the organization. Why is PSA Integration Important?
PSA Integration is Important

Although standalone PSA solutions provide significant benefit, the rewards are amplified when PSA is integrated with the organization’s financial management application (or other applications). PSA financial integration enhances visibility and management control. It supports “open books” to give all team members one source of the truth so they are empowered to ensure their actions have a positive impact on the bottom-line.

Each year SPI Research’s Professional Services Maturity™ benchmark quantifies the benefits achieved by services organizations with solutions that integrate Client Relationship Management and financial processes, Human Capital Management and financial processes, and Professional Services Automation and financial processes. Of course, the systems themselves are only part of a broader firm-wide commitment to behavioral change that fosters collaboration and enhanced communication, coordination and quality management.

The table highlights the benefit of integrated PSA versus standalone PSA. The results demonstrate integrated PSA enables organizations to operate at higher levels of efficiency. Perhaps most notable in this table is the increase in the percentage of billable employees and project revenues as PSOS move from spreadsheets to integrated PSA.

Integration enhances visibility and makes the firm more agile because decisions are based on fact, not intuition. Fact-based decisions help align firms around the types of projects, clients and markets where they excel while helping to standardize and streamline operating processes.

```
<table>
<thead>
<tr>
<th>Key Performance Indicator (KPI)</th>
<th>PSA Not Used</th>
<th>Used, Not Integrated</th>
<th>PSA Used, Integrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of employees billable</td>
<td>72.2%</td>
<td>74.4%</td>
<td>75.2%</td>
</tr>
<tr>
<td>Annual change in PS revenue</td>
<td>7.8%</td>
<td>8.6%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Average revenue per project (k)</td>
<td>$112</td>
<td>$146</td>
<td>$199</td>
</tr>
<tr>
<td>Projects delivered on-time</td>
<td>77.5%</td>
<td>78.7%</td>
<td>79.8%</td>
</tr>
<tr>
<td>Use a std. delivery methodology</td>
<td>67.5%</td>
<td>73.2%</td>
<td>74.0%</td>
</tr>
<tr>
<td>Project margin</td>
<td>34.8%</td>
<td>36.0%</td>
<td>36.1%</td>
</tr>
</tbody>
</table>
```

Integration enhances visibility and makes the firm more agile because decisions are based on fact, not intuition. Fact-based decisions help align firms around the types of projects, clients and markets where they excel while helping to standardize and streamline operating processes.
The Case for PSA

Service Performance Insight research, highlighted in the 2017 Professional Service Maturity™ Benchmark, provides an example of how PSOs have improved performance in all areas when Professional Services Automation has been deployed. PSA provides the necessary visibility to efficiently run projects with fewer overhead resources, resulting in better resource management and profit. PSOs can manage the business with less administrative overhead and deliver more projects on time, driving better financial performance. The bottom line is that organizations that use a PSA solution grow faster, are much more profitable, and simply operate far more efficiently.

As organizations grow, fewer non-billable administrative roles are required.

Additional qualitative benefits include: Better visibility facilitates faster, fact-based decision making. All members of the team have visibility to the same information which is constantly updated and accurate. One source of the truth helps foster collaboration and knowledge sharing so all team members can provide accurate client updates, resulting in fewer project overruns and more timely change orders. Consultants have more control over their schedule and can bid on upcoming projects in line with their career goals and aspirations. Projects start and end on time resulting in improved client satisfaction. Ability to harvest project plans and artifacts to improve future project delivery. More accurate and timely invoices conforming to contract and purchase order guidelines, so clients are more likely to quickly pay, resulting in better cash management.

The following chart shows the impact on productivity and profit from enhancements in service delivery effectiveness. PSA impacts all aspects of service delivery effectiveness, resulting in enhanced alignment, better visibility and management control combined with better reusability and consistency in service delivery. Service delivery effectiveness translates into significantly higher levels of productivity and profit with higher project and consultant revenue yields.
As shown below, PSA directly improves financial performance through improvements in billable utilization; enhanced project and subcontractor margins; higher revenue growth and fewer project cancellations.

### PSA Financial Benefits

<table>
<thead>
<tr>
<th>PSA Financial Benefits</th>
<th>Level 1 Initiated 30%</th>
<th>Level 2 Piloted 25%</th>
<th>Level 3 Deployed 25%</th>
<th>Level 4 Institutionalized 10%</th>
<th>Level 5 Optimized 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A standardized delivery methodology is used</td>
<td>70.0%</td>
<td>71.0%</td>
<td>64.5%</td>
<td>76.1%</td>
<td>77.5%</td>
</tr>
<tr>
<td>Average project staffing time (days)</td>
<td>8.85</td>
<td>11.63</td>
<td>11.77</td>
<td>8.65</td>
<td>7.50</td>
</tr>
<tr>
<td>Employee billable utilization</td>
<td>60.9%</td>
<td>70.1%</td>
<td>73.3%</td>
<td>82.9%</td>
<td>81.7%</td>
</tr>
<tr>
<td>Projects delivered on-time</td>
<td>66.3%</td>
<td>67.7%</td>
<td>78.8%</td>
<td>85.0%</td>
<td>90.6%</td>
</tr>
<tr>
<td>Average project overrun</td>
<td>14.2%</td>
<td>10.7%</td>
<td>8.2%</td>
<td>7.3%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Project Management Effectiveness (1-5 scale)</td>
<td>13.0</td>
<td>15.6</td>
<td>17.8</td>
<td>18.5</td>
<td>20.6</td>
</tr>
<tr>
<td>Project margin</td>
<td>30.9%</td>
<td>31.5%</td>
<td>33.3%</td>
<td>41.3%</td>
<td>38.4%</td>
</tr>
<tr>
<td>Annual revenue per billable consultant (k)</td>
<td>$110</td>
<td>$182</td>
<td>$212</td>
<td>$232</td>
<td>$239</td>
</tr>
<tr>
<td>Annual revenue per employee (k)</td>
<td>$75</td>
<td>$136</td>
<td>$160</td>
<td>$192</td>
<td>$192</td>
</tr>
<tr>
<td>Profit (EBITDA)</td>
<td>1.5%</td>
<td>4.2%</td>
<td>11.8%</td>
<td>13.3%</td>
<td>35.1%</td>
</tr>
</tbody>
</table>

**Increased employee billable utilization**: PSA helped increase billable utilization from 68.3% to 70.9% or by 52 hours annually per consultant. At an average hourly bill rate of $170 this increase yields $8,840 per consultant in additional billings. With 100 consultants, PSA helps increase revenue by $884,000 annually!

**Increased project margin**: PSA helps improve resource staffing and service delivery, resulting in the lower staff costs and faster completion of work. PSA solutions help drive project margin from 34% up to 36%.

**Increased PS revenue growth**: PSA helps work get completed faster and therefore PSOs can begin new projects quicker. PSOs using PSA solutions grew revenue at 9.2% versus 7.8% (a 17% improvement) versus those that did not use PSA.

**Reduced project cancelation rate**: PSA helps work begin and end on time, reducing the potential for projects canceled.

PS organizations have two primary levers to improve profitability: higher billable utilization or higher realized bill rates. PSA impacts both profitability levers. Higher realized bill rates are produced by better estimating and fewer project overruns so PSOs are able to reduce non-billable project time.

At the same time, effective resource planning and management ensures resources are quickly assigned to projects and tasks, propelling higher levels of billable utilization. The following figure models the impact of increasing bill rates versus the impact of higher
utilization on a 100 person organization with a loaded cost of $135,000 per employee. As the chart shows, both efforts result in significant profit improvement. This organization will break even at an average bill rate of $100 per hour if consultants achieve billable utilization of 70% (1,400 hours per year). Conversely if the average bill rate improves to $150 per hour, consultants must achieve billable utilization of 50% (1,000 hours per year) for the organization to break even.

PSA improves all aspects of operations by increasing revenue and reducing costs. Proven strategies simultaneously focus on capturing more revenue through better resource utilization and bill rate realization while reducing labor and administrative costs by streamlining business processes. Organizations are “right-size” to achieve revenue, growth and margin targets.
What to Look for from a PSA Provider

Well over 50 software solution providers claim some level of PSA functionality, but very few demonstrate the comprehensive functionality required to support all aspects of a professional services organization. The leading vendors provide strong resource and project management capabilities. They all target both independent and embedded professional services organizations while providing integration tools to leading CRM and ERP applications.

So, what should you look for in a PSA provider? Here are some of the important considerations when evaluating PSA solutions:

- First and foremost, a good PSA solution will accurately model your business in the way that you think about it, rather than forcing you to change your business to fit the system.
- A good PSA provider should be a proven expert in integration, because PSA should work with existing on-premise and cloud-based information systems.
- It should provide powerful and flexible reports and dashboards to provide a variety of reports for better decision-making and analysis. Also, it should be easy to modify and build your own reports.
- A PSA solution that uses technologies and tools you are familiar with to reduce training time and costs and ensure that you have access to the expertise that is required to roll out and fully leverage the PSA solution and its reporting capabilities.
- It must provide automated and easy-to-use time and expense capture that supports mobile and offline access. Integration between time and expense capture and billing to produce timely and accurate invoices is mandatory.
- For global organizations, support for multiple currencies and languages conforming to local revenue accounting and taxation rules.
- It should support complex billing rules for time and materials, work-in-process, milestone and fixed-price work that conform to your revenue recognition policies.
- Cloud-based PSA reduces the cost of implementing and maintaining the application while reducing the reliance on overburdened in-house IT staff.
- Cloud-based PSA providers continually improve the application so it tends to be more responsive and does not require expensive upgrades.
- Vendor partnerships like the Salesforce AppExchange and Microsoft Dynamics certification ensure the PSA application will easily support integration to market-leading CRM and financial applications.

PSA Differentiators

There are a variety of considerations in selecting a PSA solution. These range from technology infrastructure, to organization size, location and support for specific functionality. Just like no two project- or services-based organizations are alike, nor are PSA solutions. The following table highlights some of the most important aspects to consider. Each organization places a different emphasis on these criteria, so it is important the vendor you choose builds solutions to match your priorities.
<table>
<thead>
<tr>
<th>No.</th>
<th>Differentiator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Heritage</td>
<td>Origin of PSA solution – vertical market focus, size of organization, languages, currencies, etc. Frequency of updates. Use of modern UI, mobile and reporting.</td>
</tr>
<tr>
<td>2</td>
<td>Solution Depth and Breadth</td>
<td>There are scores of modules and applications for project- and services-based organizations. Several ISVs offer all, while some offer a subset. Some ISVs offer in-depth functionality in one or several modules, while some offer minimal functionality.</td>
</tr>
<tr>
<td>3</td>
<td>Integration</td>
<td>Despite the number of modules, ease of integration is an important consideration both to other enterprise applications and devices. What integration tools does the vendor provide? Whose responsibility is it to develop, implement, manage and maintain integration?</td>
</tr>
<tr>
<td>4</td>
<td>Organization Spectrum</td>
<td>Some ISVs focus primarily on billable service organizations, while others sell to internal service departments that support both internal operations and external customers. Many of the fastest growing cloud providers specialize in supporting embedded PSOs within technology companies with support for complex revenue recognition rules. The ability to capture time and support multiple billing models including time and materials, fixed price and work-in-process with support for leading accounting standards, are also key decision considerations</td>
</tr>
<tr>
<td>5</td>
<td>Vertical Market</td>
<td>Some ISVs sell to a variety of vertical markets, some are more focused on particular verticals such as AEC (architects, engineering and construction) or government contracting each with complex project accounting rules.</td>
</tr>
<tr>
<td>6</td>
<td>Customer Size</td>
<td>The largest PSA suppliers focus on the largest, most complex enterprise organizations by targeting features needed by global enterprises. Newer, cloud-based suppliers focus primarily on the small to mid-market. The critical consideration is cost, complexity, depth of solution and total cost of ownership.</td>
</tr>
<tr>
<td>7</td>
<td>Delivery</td>
<td>Most enterprise suppliers have moved to port their PSA solutions to the cloud – they now offer on-premise, hybrid (managed service), private cloud and multi-tenant cloud-based applications. A key consideration with legacy PSA providers is their support for a true multi-tenant cloud solution that offers economies of scale and typically lower costs of ownership and support.</td>
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<tr>
<td>8</td>
<td>Platform</td>
<td>Platforms matter! The choice of database and development tools and platform is an important one although most of the major suppliers do offer standard integration tools. The two primary database platforms are Microsoft SQL Server and Oracle. SAP now offers its own high-performance database, HANA. Choice of database and development platform is important as Salesforce.com also offers its own development tools and platform. Database and development platform interoperability and integration tools are all important considerations.</td>
</tr>
<tr>
<td>9</td>
<td>Geography</td>
<td>Many North American-based ISVs have significantly increased operations overseas. What is most important is that the ISV provides local support wherever their solutions are sold.</td>
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<tr>
<td>10</td>
<td>Language / Currency</td>
<td>Many organizations manage operations in multiple countries. Multi-currency, multi-language and support for country-specific accounting rules and taxes are important considerations for global organizations. Support for Asian double-byte characters may not be offered by domestic suppliers. Service organizations operating globally must carefully confirm language and currency support for the countries in which they do business.</td>
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## 2019 PSA Buyer’s Guide

<table>
<thead>
<tr>
<th>No.</th>
<th>Differentiator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Vendor Viability</td>
<td>New vendors come to market regularly, so it is critical to analyze their long-term viability. If they appear to be acquisition targets or were just recently acquired, be wary, as solution development may have an uncertain future. Carefully review the vendor’s track record, long-term support, growth, level of solution investment and customer references.</td>
</tr>
<tr>
<td>12</td>
<td>Cost</td>
<td>Cost is an important factor when considering the purchase of PSA. SPI Research typically sees the total deployment cost of the solution (hardware, software, services) ranging between $500 and $1,500 per seat. It is also important to consider annual maintenance and upgrade costs. Support costs average between 18% and 25% of the initial license price. One key, but often forgotten cost consideration is the cost to make changes to the system after the initial deployment. Different architectures can make the on-going cost of system enhancements and changes many multiples of the cost of the initial deployment.</td>
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<tr>
<td>13</td>
<td>Service and Support</td>
<td>A good product must be paired with an ability to provide excellent service and support for the product. A key consideration is whether the vendor has particular expertise in the professional services industry, or whether professional services is just one of a multitude of markets it serves. Equally important is how knowledgeable, accessible, and efficient the vendor’s support capabilities are. Does the support team truly understand the product and the business needs of a PSO, or is it an outsourced or off-shore group with only a peripheral understanding?</td>
</tr>
<tr>
<td>14</td>
<td>User Satisfaction</td>
<td>Perhaps one of the best ways to gauge how well a particular PSA solution addresses the needs of its target audience is to measure referenceability of its clients and satisfaction of its users. The 2017 Professional Service Maturity™ Benchmark, shows vendor user satisfaction ratings.</td>
</tr>
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</table>

### Additional Considerations

The abundance of high quality, affordable cloud-based solutions has enabled greater numbers of PSOs to adopt commercial business solutions, yet a surprisingly large number of firms still rely on antiquated homegrown applications and spreadsheets. SPI’s discussions with the leading application providers shows that cloud-based applications are outselling non-cloud by a factor of greater than six-to-one. Cloud solutions are especially important in the professional services sector, as today’s virtual consulting organizations may have skilled employees located across the globe, not co-located in physical offices. The cloud has enabled workers at all levels greater mobile access to the information they need to improve visibility and management control of resources and projects.

Additional selection criteria should include consideration for: mobility - mobile access to allow consultants and operations mobile access; a clean, intuitive user interface which allows easy customization; strong out-of-the-box reporting with a rich selection of canned reports as well as the ability to quickly and easily generate custom reports: support and integration with most major social networking tools to facilitate collaboration and information sharing.
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<thead>
<tr>
<th>No.</th>
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<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mobile</td>
<td>Support for mobile time and expense entry application access from all major mobile devices.</td>
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<tr>
<td>2</td>
<td>User Interface</td>
<td>Clean, easy to use user interface with ability to easily modify and customize screens and reports.</td>
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<tr>
<td>3</td>
<td>Reporting</td>
<td>Strong reporting and analytics including a rich set of standard reports as well as the ability to easily create and modify custom reports.</td>
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<td>4</td>
<td>Social</td>
<td>Support and integration with major social and collaboration tools such as LinkedIn; Facebook and Chatter.</td>
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<tr>
<td>5</td>
<td>Global</td>
<td>Able to support multiple languages, currencies and international accounting policies and regulations.</td>
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<tr>
<td>6</td>
<td>Professional Services</td>
<td>Vendor-supplied consulting, training and integration as well as a strong partner community.</td>
</tr>
<tr>
<td>7</td>
<td>Business Process and Workflows</td>
<td>Vendor-supplied best practice business process workflows and business requirements to facilitate streamlining and improving business processes as part of the PSA implementation.</td>
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**PSA Selection Process**

The selection of a PSA application is one of the most important investment decisions most organizations will make. Not to be taken lightly, the evaluation should include both current and future business requirements along with an understanding of market conditions and technology trends.

Professional Service Automation solutions are no longer a “nice to have”. They have become mission-critical applications for PS providers who are serious about improving resource and project management while effectively capturing and billing time and expense. Interviews with leading firms that have implemented PSA provide these recommendations for selection and implementation:

- △ Build a business case for PSA with specific deliverables and expected outcomes;
- △ Make sure there is a PSA executive champion who can work to assure the solution is used to its fullest potential;
- △ Have a team responsible for benchmarking and improving organizational capabilities. The data coming out of PSA is useless unless executives act on it;
- △ The PSA provider you choose should share your enterprise software strategy and vision. For example, if you have Salesforce.com as your CRM and Microsoft Dynamics as your financial tool; how does this vendor work with and connect to your existing systems and investments?
- △ Select a solution with core vertical expertise and consider a cloud-based solution if the PSO does not have the infrastructure or personnel to support on premise; and
- △ Thoroughly examine and streamline business processes prior to or in conjunction with PSA deployment.
All key stakeholders must be “kept in the loop” as to the progress of PSA selection, implementation and rollout. In the end, PSA is an enabler; it is the PS management team that must enable it. With executive commitment and the right solution, the organization will become more competitive, productive and profitable – achieving excellence along the way.

Once you have decided your organization will move to a PSA solution it is time to develop a selection process. While cost is one of the most important considerations, there are many other factors that should be part of the selection process. The following table outlines a six-step selection process.

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<tr>
<th>Step</th>
<th>Description</th>
<th>Who is involved</th>
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<tbody>
<tr>
<td>1</td>
<td><strong>Business Plan:</strong> Identify growth opportunities and key improvement initiatives. Assign initiative owners. Identify “organizational must haves” and success criteria. Determine PSA selection team, timelines and budget. Which executives will oversee selection and deployment? What specific benefits are planned, and how will they be measured?</td>
<td>Executive Team</td>
</tr>
<tr>
<td>2</td>
<td><strong>Requirements:</strong> Develop requirements including core business processes to be automated. How will business process and behavioral change be managed? Develop current state metrics and improvement targets. Develop improvement priorities and measurements. Identify operating unit subject matter experts (SMEs) who must be involved or consulted. Determine budget and ROI metrics to justify purchase. Identify priority application integration points and data to be migrated. How will the system be rolled out (entire company, by department, other)? Which features will be deployed immediately and which can be phased in over time? How will groups transition to the new system, who needs to be involved and trained? Establish selection process, decision criteria and timelines.</td>
<td>Core selection team including IT, business owners, finance and operations</td>
</tr>
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</table>
### Step 3: Research

**Description:** Analyze research reports, industry blogs, competitive analysis, installed base, user satisfaction ratings, vendor websites, and cost of ownership information. Review demos, webinars, case studies, product guides and specifications to determine “must haves” versus “nice to haves”. Identify deployment options including preference for cloud, hosted or on-premise solutions. How are solutions maintained and upgraded? What is the process for new releases? Support for business processes – process modeling tools, workflow, alerts and approvals. Ease of use – user interface, standard reporting and support for custom reports and analysis. Determine and prioritize decision criteria and evaluation methods.

**Who is involved:** Core selection team

### Step 4: Develop RFI, RFP or RFQ

**Description:** Determine whether you will use outside consultants to help with the selection process. Determine if you will develop a multi-step or single step requisition process. In a Request for information (RFI) a broad list of vendors are asked to provide general information, background and strengths. A Request for Proposal (RFP) includes detailed required functionality, decision criteria and weighting. Determine which vendors will be involved in the selection. Establish timelines. A Request for Quote (RFQ) is the final step in the process including detailed pricing and proposed contract terms and language.

**Who is involved:** Core selection team

### Step 5: Evaluate

**Description:** Depending on your requisition process you may have already whittled down the list of potential vendors from dozens to a short list. Detailed evaluation should be limited to 5 or fewer vendors as it is time-consuming, exhausting and can be confusing. Evaluations should include in-person meetings with each vendor team to discuss requirements and how the vendor will handle them. The next meetings will be for the vendors to propose their solutions. Presentations should include detailed, customized demos targeted at your specific needs and use cases, rather than generic presentations devoid of any understanding of your business.

Discussions should include target user groups to evaluate functionality, ease of use, business process change and user acceptance. How does the solution handle core business processes? Or should business processes change to mirror the solution? How much customization will be required? What services will be required? How long will it take to convert and deploy? Does the vendor provide data migration tools and services?

Key to the evaluation is the level of support the vendor will provide, who will implement the system, customization required, on-going support and upgrade schedule. Make sure to evaluate the implementation team as carefully as you do software functionality as a successful implementation will determine ultimate success or failure. Cost analysis must include implementation, data migration, integration, customization, training, purchase price and on-going maintenance.

**Who is involved:** Core selection team, target user groups, implement. team

### Step 6: Decide

**Description:** Site visits and reference checks with the preferred supplier. Review contracts and terms. Determine implementation process, timelines and teams. Performance guarantees. Negotiate pricing.

**Who is involved:** Core team, legal team, finance
OpenSymmetry Upgrades to NetSuite for Integrated ERP, PSA and CRM

OpenSymmetry, a fast-growing global technology consulting firm specializing in sales performance management solutions, deployed FinancialForce ERP and PSA in 2013, replacing QuickBooks and NetSuite OpenAir. OpenAir had been working well, but FinancialForce made sense at the time because OpenSymmetry simultaneously signed on as a FinancialForce implementation partner, along with a then-new Salesforce consulting practice.

Need for a more robust solution prompts a switch

A lack of essential out-of-the-box functionality in FinancialForce and desire for greater value prompted OpenSymmetry to look for a more robust, integrated solution better suited to its long-term needs. The 200-person company has implemented NetSuite OneWorld for global financials and NetSuite OpenAir for PSA, as well as NetSuite CRM (replacing Salesforce). With NetSuite, OpenSymmetry is poised to streamline financial reporting, resource management, billings and revenue recognition that had been challenging.

Critical Visibility for Professional Services

With NetSuite live in early 2017, OpenSymmetry has saved several hundred thousand dollars a year in what would have been steep licensing fees. Moreover, the 14-year-old company is confident that NetSuite’s fully integrated ERP, PSA and CRM will provide superior visibility and control across the quote-to-cash lifecycle amid strong double-digit annual growth in recent years. With NetSuite, OpenSymmetry can easily manage fixed fee, milestone and time and materials billings regardless of complexity.

OpenAir opens growth opportunities for OpenSymmetry

Upgrading to NetSuite is a growth catalyst for OpenSymmetry, which has served more than 500 clients in 17 countries. OpenAir gives OpenSymmetry flexibility and insights for project-level profitability reporting and resource allocations. NetSuite OneWorld delivers real-time financial reporting across subsidiaries in the UK and India and seamless multi-currency transactions. Named in 2016 to the Inc. 5000 list of America’s fastest-growing private companies for the sixth consecutive year, OpenSymmetry is positioned to continue its growth trajectory with NetSuite’s integrated platform.

“NetSuite gives us 90 percent of what we need out of the box versus a bunch of customizations we’d need in FinancialForce and the risk of still not being happy with the product.”

Aaron Mudry, Controller OpenSymmetry
Conclusions and Recommendations

Competing in the 21st century brings new challenges for professional services organizations. PS employees are working more hours, with tighter budgets, and firms are dealing with greater uncertainty than ever before. The global economy is rapidly changing with countless organizations being left behind because they are not up-to-speed with technology innovation. While many PSOs are meeting these challenges through mergers, acquisitions and virtual partnerships, the bottom line is that they need to improve in the areas of innovation, speed, efficiency, and quality — in order to survive.

These organizations must have the tools to prepare them for the uncertainties that lie ahead, as well as make them more productive. The professional services industry has begun to transform from an era where problems could be solved with specialized, nonintegrated applications to one where integration — and the visibility it provides — are paramount to success. This integration is necessary for executives to make informed market-winning decisions promptly that improve their ability to compete and win.

The decision to implement a new Professional Service Automation solution is one of the biggest decisions your organization will make. A modern PSA solution should improve usability, conform to best practices in business operations, and ensure compliance with regulations and taxes. The fact is most organizations adopting PSA have seen dramatic improvements in efficiency, collaboration and quality and most importantly, workforce enthusiasm.

Solutions such as Professional Services Automation focus on all the specific processes necessary to effectively plan, deploy resources, collect project specific information, and manage projects. This information is invaluable to the rest of the organization, as it enables executives to better plan for the best types of services to be sold and the resource requirements going forward. PSA’s tangible benefit is higher levels of billable utilization and profitability, but the collaboration the solution provides does so much more to enhance employee personal success and retention.

Replacing multiple legacy systems and a mountain of error-prone spreadsheets frees up management, finance and operations to focus on running the business, not reacting to the business. Accurate and timely information is not only critical for regulatory reporting but also for operational performance improvement. Real-time visibility can mean the difference between low and high profitability for project- and services-based organizations. The ability to anticipate and respond to changing conditions can both make and save a lot of money.

| Organizations achieved 5% higher margins (relative) improvement when using PSA |
|-----------------------------|-----------------------------|
| **35.6%**                  | **With PSA**               |
| **34.0%**                  | **Without PSA**            |
About Service Performance Insight

R. David Hofferberth, PE. Service Performance Insight managing director and licensed professional engineer has served as an industry analyst, market consultant and product director. He is focused on the services economy, especially productivity and technologies that help organizations perform at their highest capacity.

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