

# Do PSA solutions deliver a significant Return on Investment?

Being led up the garden path?



A white paper that discusses why project based Service organisations continue to earn low margins, even after investing heavily in professional services automation solutions.

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## WHAT MAKES A BUSINESS PROFITABLE?

I have written this White Paper to discuss why project based service organisations continue to earn low margins, even after investing heavily in professional services automation solutions.

## WHAT MAKES A BUSINESS PROFITABLE?

A profitable services business should be relatively straight forward to achieve. Surely if you strip it back to the basic principle it is all about making sure you can charge enough for the service you are providing to cover the costs you are incurring. It makes sense therefore everything should be good if you have customers who are happy to pay for the service and you do not waste too much delivering it.

If only operating a business were that simple, there would be no need to measure and balance many essential principles. Until recently I belonged to the crowd who was excited about the prospect of professional services automation tools, the silver bullet to delivering the perfect project.

Hordes of slick sales people from various PSA software vendors all talking about the infinite value of implementing their solutions to streamline billing, show your Revenue in rainbow coloured bubble charts, deliver sooner using black belt project prioritisation features and of course getting the right resource in the right location using their amazing automated resource management functionality. If you are not convinced by the end of their demo, then you probably still live in a wood panelled office and drive a 1972 Ford Cortina.

## WHAT IS PROFESSIONAL SERVICES AUTOMATION.

Professional Services Automation is software designed to assist organizations that deliver professional advice and or consultancy services, such as lawyers, auditors, and IT consultants. The software delivers capability to help manage the following functions:

- Project Management - the primary challenge of project management is to achieve all the project goals within the given constraints. This information is usually described in a user or project manual, which is created at the beginning of the development process. The primary constraints are scope, time, quality and budget. The secondary, and often more ambitious, challenge is to optimize the allocation of necessary inputs and integrate them to meet pre-defined objectives.
- Resource Management- the primary challenge of resource management is the efficient and effective deployment of an organization's resources, usually using techniques and philosophies to best allocate resources across the load. The secondary challenge is to ensure that, there are employees with specific skills, experience and availability to perform the duties in the appropriate location.

This is accomplished by developing metrics to quantify and qualify basic business processes that can then be used to streamline and improve those processes. PSA Solutions usually provide capability to manage:

- Prospecting
- Lead to order
- Scope to delivery
- Resource engagement
- Manage Change
- Supply resource
- Subcontractor self-billing
- Financial performance
- Order to cash

Features are often integrated with accounting, CRM systems, and payroll systems to improve the efficiency of other internal operations.

PSA software suites allow users to integrate industry-appropriate metrics to better understand operations and, in turn, improve efficiency and profitability and provide visibility into project profitability throughout the projects life cycle, 'cradle to grave'.

## WHAT DOES A CUSTOMER EXPECT?

Running a professional services business isn't that different to running a good shop. What happened to making sure you deliver what the customer wants, in a timeframe they want, at a price they can afford? For me the realization moment occurred few years ago when I arrived at my customer's office to talk about the progress my company were making on the implementation of their shiny cloud-based ERP solution which was set to digitally transform their entire business.

"Your project manager appears to be managing your margin and not my project and I appear to be paying him two thousand pounds a day. He sits in the office fiddling with his spreadsheet and adds zero value to what we are trying to achieve!"

Before going back to my boss and his bosses boss, the Executive Sponsor, I took the time ask some questions about the what they needed. The answer curt and short.

'Value for money and a single collaborative plan between your company and mine, that shows me how I'm going to keep my job and potentially sleep over the next year!'

You may be surprised but he didn't ask for capability to make sure his invoices were accurate, an analysis on how much money we were making, the skills my team were not using. The fact was the entire subcontractor's functionality we had was not going to encourage him to pay our bills on time and believe me, the likelihood was he'd quibble about every expense line. What we were forgetting was simple and, whilst it can be dressed up in a hundred powerpoint decks, the only thing he needed was to be sure that he still had a job at the end of the project. Other than managing his personal risk and the financial status of his company whilst he adopted our 'Digital World' all he needed was Value.

Shortly after that meeting I left the company I worked for and then spoke to the CEO of another and the idea of 'Execution Management' was born.

## ALL GOOD BUSINESS PLANS START BY ANALYSING

I have researched the marketplace and reviewed software offerings for more than 10 years, and I did a pretty good job in selling some of them. What is noticeable there is not a single reliable study on correlating either PPM or PSA use with companies' business success (share value growth, market share gain, or customer satisfaction improvement. Of course, the exceptions are the PSA and PPM vendors themselves are growing and according to Gartner, the \$1.2 billion project and portfolio management market has grown strongly over the last five years.

In the following sections I will describe the most common assumptions that both PSA and PPM vendors do not tell you, or would downplay in their sales literature. Paying attention to these assumptions can make the difference in successfully delivering business value, measured either in time-to-market reduction, increased resource productivity, improved cost containment or increased customer satisfaction. All will help you on the journey to increase customer satisfaction and improved margins and as some of our customers believe it's possible to gain increases in Gross Margin by more than 20% it is worth considering.

## FALSE ASSUMPTIONS:

In the following list I have spent time trying to identify areas that unfortunately PSA & PPM suppliers allow their unsuspecting customers to assume will be present in their solutions once you install the system and meet the team implementing your solution.

- Consultants have unlimited time and know what the best way to deliver results is
- Experience and knowledge is shared across a team and always available
- A clear path to excellence has been established and new joiners are as efficient as the rest of the team.
- It doesn't take all that long to get new joiners up to speed because we've implemented on-boarding solutions, online training and now a PSA.
- Projects are all equally important
- Service delivery is usually the same in time, quality and cost
- Risks are always unique and consequently it is impossible to have robust mitigation plans that will work.
- Putting too much faith in and assigning too much authority to reports reduces critical thinking and permeates incorrect project assumptions. For brevity, call it learned artificial un-intelligence.
- Customers have Mature Processes - most of them don't.
- Customers will require minimal customization, configuration, adaptation, business process mapping, data mapping, data exchange interface development, report development and training.
- One Click Out-Of-The-Box Reports will be all you need.

## REAL CHALLENGES:

If you are in the process of choosing a solution it might make an awful lot of sense to ask your potential supplier how they help resolve some of these problems:

- Errors and issues always occur – it's just part of life – how do you deal with them?
- Operations - productivity lost because utilisation is poor or mistakes are reported too late
- Executives can make project decisions based on factual data and not on vague speculative metrics. Let's not kid ourselves. When a project is initiated, most of the parameters (costs, timelines) are order of magnitude, estimates based on anecdotal evidence.
- Project Managers spend too much time composing schedules, budgets, risks, issues and resourcing, wasting time, when you need them focused on dealing with client, team and deliverable related issues.
- Wasted management time putting out fires rather than leading the way
- No consistency of service experience, no best practice
- Quality and standards are down to the individual so performance varies
- NPV, ROI, payback calculations, timelines, budgets and resource plans are still only as good as their originator's crystal ball.

## THE ACID TEST

If I still have not convinced you, I will make one more attempt and after that will rest my case. I recently discussed a scenario with the project manager for a leading PSA software at one of the most famous project and portfolio management solutions. He deployed the PSA application which has consistently been ranked for years in the visionary & leader section in Gartner's Magic Quadrant report. The company is US based and their Professional Services Project Manager, Bob (not his real name), came to talk to me about delivering a major project.

'Bob,' I asked after we a couple of beers, 'are you guys using your PSA application to track these client implementation projects?' 'No, we are not there yet,' he answered with a smirk on his face. Bob's honesty was refreshing; however, I am

still amazed at his answer. Why on earth is a leading PSA software vendor not using its own product for their Professional Services division? I will let you figure it out!

## CALL TO ACTION

If you would like to understand how the Hydra Service works, please contact us and we will arrange a demonstration for you. You will hopefully see how we have delivered a 20% Gross Margin Increase to many of our customers, who are just like you!