

EBOOK

# PSA Buyers Guide for Professional Services Teams

Easy-to-use best-in-class master list to help you compare Professional Services Automation tools



## WHAT'S IN THIS PSA BUYERS GUIDE?

- I. The top challenges faced by internal services organizations
- II. Checklist of functional PSA essentials to guide your search
- III. Tips to capture and communicate ROI
- IV. Example of a successful embedded services organization

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## Introduction: Top challenges faced by internal services organizations

In professional services, people costs are the single largest part of project costs. If you spend a considerable amount of time, care and attention monitoring how you utilize your employees, you'll be making a great contribution to keeping project costs in line with your and, more importantly, your client's expectations.

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## Who are these internal service organizations?

During a customer engagement, requirements often change or get added, so the ESO needs to manage those changes and continue to maintain customer satisfaction throughout onboarding and implementation.

Within product driven organizations, embedded services organizations (ESOs), are a rapidly expanding market that provide implementation, technical assistance and training to buyers of their products to add value to the relationship and help customers be successful. Therefore, ESOs are required to forecast what needs to be delivered based on what has been sold by the sales team and then create a plan to deliver on those promises to the customers. This process requires capacity planning that enables them to see resource needs and determine the best course of action to get it done, but also to manage the execution so the end result is aligned with the original expectations. During a customer engagement, requirements often change or get added, so the ESO needs to manage those changes and continue to maintain customer satisfaction throughout onboarding and implementation, and support continued success during the life of the customer.

## ESO vs. PSO

Service Performance Insight describes a differentiating factor between Professional Services Organizations (**PSOs**) and Embedded Services Organizations (**ESOs**) to identify functions within these specific groups:



Independent PSOs sell, deliver, and invoice for professional services to external clients.

ESOs operate much like PSOs; however, they are part of a product-driven organization.



### PSO

Independent PSOs sell, deliver, and invoice for professional services to external clients. Clients hire systems integrators, IT consultancies (SIs) and Value-Added Resellers (VARs) to implement or integrate technology based on their strategic competence or specialized industry or product knowledge. Clients hire management consultancies to provide strategic insight, guidance, facilitation and coaching. Independent PSOs typically provide expertise, knowledge, skills and business practices that are more specialized than those found within internal organizations.



### ESO

ESOs operate much like PSOs; however, they are part of a product-driven organization. The majority of ESO participants focus exclusively on their company's own technology but many of the largest ESOs like IBM and HP services provide global IT consulting, managed services and outsourcing not associated with their company's products. For the small to mid-size ESOs, their primary charter is to successfully implement their company's products. Increasingly the charter of embedded PS has expanded to include client adoption with a focus on reducing time to value. While they are focused on professional service revenue and profit, they are often asked to perform non-billable presales, proof of concept and customer satisfaction services at little to no charge. They enable external clients but must also support internal sales, support and engineering constituencies.<sup>iii</sup>

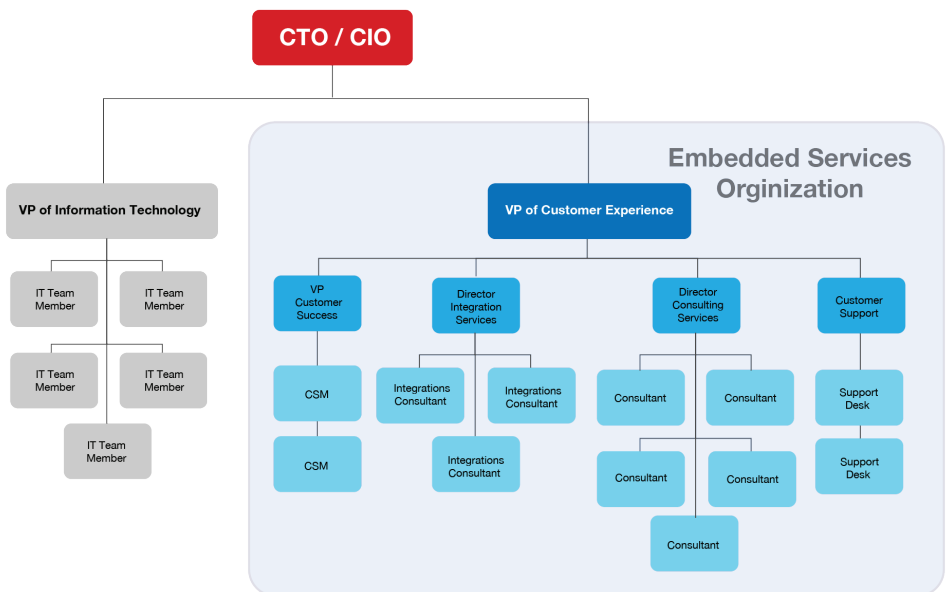


The right professional services automation (PSA) solution allows resources to deliver more value and positions your services team as a trustworthy business partner that creates significant business value.

Most organizations have a myriad of systems to manage the customer lifecycle – a CRM system like Salesforce to manage the sales process and forecast business in the door; an ERP or financial application that allows finance teams to keep a record of the revenue and expenses associated with customer projects; but for ESOs, the actual execution of those customer projects is often managed in nothing more than a spreadsheet, or a combination of tools that don't provide easy access to vital information.

But what if there were a system you could use to optimize employee utilization? What if you could avoid admin costs by automating key project planning elements such as resource planning? What if all that time and care and attention you need to invest in tight project management skills, process and people could be run through a centralized, easily updatable, always reliable core software system? Well...it can.

The right professional services automation (PSA) solution allows resources to deliver more value and positions your services team as a trustworthy business partner that creates significant business value. Your ESO can focus on strategic results instead of chasing the minutiae of hours, costs and activities using paper-based systems or outdated, non-collaborative processes that exist in silos.



# Challenges faced by ESOs

For a product-driven company, an embedded services team is a lynchpin for success. This team helps translate customer expectations into product and deployment realities. However, most ESOs face a number of challenging obstacles that make accomplishing their goal of customer success much harder than it needs to be. These challenges include:

1. **We can't effectively forecast our services revenue and resources.**
2. **We don't have one place to view the health and performance of our projects.**
3. **We have no visibility into the allocation and utilization of our resources.**
4. **Tracking time and expense in order to accurately bill our services is a tedious and manual process.**
5. **We are struggling to stay compliant with regulations like ASC 606.**
6. **Keeping clients up to date on projects is an inconsistent process that leads to a lot of firefighting.**

ESO leaders who face one or more of these six challenges will find tremendous efficiency, productivity and profitability gains by implementing a PSA solution.

## PSA AT A GLANCE:

IF YOU HAVE THESE CHALLENGES:	YOUR TOOL SHOULD DELIVER:
Forecasting problems with revenue/resources	Easy ways to forecast/run scenarios
Unconnected systems and spreadsheets lack transparency	One place to access project updates/health and performance
Resource and revenue planning issues	Easy to use and change resource allocations; revenue recognition
Problems tracking billable hours	Adoptable, adaptable time and expense system with mobile access
Regulatory and compliance issues	Templates that captured regulatory data, audit-ready
Can't consistently communicate status to customers/handle incidents	Dashboards and PPM functions handle incidents and deliver best-practices communication with customers

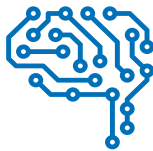


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### Revenue forecasting against resource utilization

Across industries, PSAs must accurately analyze projects to see if the work can get completed in the right timeframe within the budget. Costs and risks make some services delivery agreements more expensive than they're worth, but the projects must be completed nonetheless. Some embedded services leaders become adept at finding a way to cut corners and use the least experienced resources to come in under budget, but that can leave teams with a reputation for poor quality, and executives lose trust in the team's ability to become an innovative partner in business strategy.



### Creating a "single version of truth" for all stakeholders

You need to get the granular, task-based progress and user-friendly interface adopted and including exactly what you need, not more than you can use. However, your stakeholders will be happiest when you can communicate timelines and budgets using customizable dashboards and business intelligence reporting to let them see how everything your ESO does rolls up to a different definition of "success" in each business unit. Once your one-stop repository begins to gather data, you will have the value definitions that help them control costs. And, when new entries in the form of projects or services contracts are proposed, ESO leaders easily pull up status reports that enable conversations with stakeholders based on strategic imperatives—not a first-in, first-out mindset. With a centralized, real-time tool to identify value prior to contract, and templates that allow you to score projects against budget, time, resource capacity and other key bellwethers of success, you can not only manage work more effectively once you start, but team members can collaborate and maintain one version of the truth. This single version can be structured so that when there's trouble, you know right away. Then, you can act to alleviate the pressure on the budget or against irrevocable harm to client relationships in the form of sticker shock in billing cycles or in missed deadlines.



### Gaining visibility into allocation and utilization of resources

According to industry research firm Service Performance Insight (SPI), when a PS team lacks visibility into its resources, those resources have 1½ fewer billable hours each week. For 100 resources billed at \$150 per hour, you could potentially be leaving \$22,500 on the table every week, or nearly \$1.2M per year, just because of a lack of resource visibility. What do you think? Do SPI's findings seem realistic in your experience?

What if instead of your current approach to resource allocation and utilization, you could have the ability to know, in real-time, if you have the right human or capital resources to accomplish your work? Non-integrated systems or paper reporting methods don't effectively capture work management units of time, such as the billable hour. And they certainly can't share dashboards, task management and top-down resource capacity scenario planning functionality, which will help resources work more easily together and allow ESO leaders to allocate them to the best effect.



Your PSA solution must be easy to learn and use because if your resources aren't consistent in documenting everything in one platform, you can't gain a clear picture of what's happening.



### Easy time and expense management

Many of us could agree that too much time in professional services organizations is spent updating or billing time. Freeing up this time means freeing up bandwidth for additional high-value projects and allowing you to demonstrate your value as a business partner. Commoditizing your entire value to the company into a unit of time (the billable hour) instead of exhibiting collaborative, strategic project delivery remains an undiscovered country for most embedded services departments.

Your PSA solution must be easy to learn and use because if your resources aren't consistent in documenting everything in one platform, you can't gain a clear picture of what's happening. Gaining transparency and control of your projects in one place fosters a culture of accountability and lets you replicate success by eliminating the same old costly mistakes. Armed with this 360-degree resource knowledge, you can plan better and make better decisions for everyone involved.





According to consulting firm McKinsey, when a services organization lacks integrated systems to automate reporting, employees spend 9.3 hours each week – essentially an entire day – just searching for information, such as the project data required to comply with ASC 606.



### Regulatory compliance

Many of us are required to meet regulatory requirements while fulfilling contracts. It's important to understand that the constant scramble to gather progress, milestones and other compliance data isn't just a headache: It will have a significant negative impact on your business. Regulations like ASC 606 can put a significant operational strain on professional services teams, as they try to manually compile the data needed to recognize revenue based on the percentage of work completed.

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For 100 resources billed at \$150 per hour, even just 1/3 of that time equals \$2.3M in lost revenue each year, not to mention the higher risk of non-compliance because of human error thanks to redundant data entry. What do you think? Do McKinsey's findings seem realistic in your experience?

The right PSA solution allows you to track against these in a way that's meaningful for your industry, clients and resources alike, as well as giving auditors exactly what they need to protect your operations and your external customers, too.



### Incident tracking and customer connection

According to a research study conducted by services firm New Voice Media, nearly 1/3 of customer churn can be directly tied to poor customer communication. Even if your embedded services client is a "captive audience" so to speak, there is still the very real danger of poor-quality services forcing executives to outsource your entire operations to contractors or to an external PS partner that promises better results.



A services organization with poor or inconsistent client communication practices is at risk of damaging its reputation among stakeholders; whereas fixing services delivery with even just one problematic customer contract can preserve the relationship.

A services organization with poor or inconsistent client communication practices is at risk of damaging its reputation among stakeholders; whereas fixing services delivery with even just one problematic customer contract can preserve the relationship and provide the confidence your ESO needs to become a true business partner.

If your PSA lets you create practical and sustainable ways to connect and correct, stakeholders learn to trust you. So, when budget or timeline trouble arises, you can work on solutions together, armed with hard numbers about what has and has not worked in the past. The facts help everyone decide together on the best course of action based on the resources at hand and the delivery times requested.

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## Checklist of Functional PSA Essentials

If you're seeking a tool to support a strategy-led embedded services organization, be sure it allows you the visibility to forecast, talk intelligently to the customer about progress and use resources effectively. In addition to being a great project management system ([see PPM Buyer's guide](#)) with onboarding, tracking, collaboration and risk management, your best choice in PSA tools will include these essential functions.

This checklist encompasses the best practice functionality your high-performing PSA needs.

## CHECKLIST FOR PSO SUCCESS

### USE THIS BEST-IN-CLASS MASTER LIST TO COMPARE PSA TOOLS.

REVENUE FORECASTING	Vendor 1	Vendor 2	Vendor 3
Demand-based forecasting by role and skills			
Period-end revenue and margin projections			
Revenue by department, role and time horizon			
Demand and budget estimates for resources and expenses			
Scenario modelling for what-if scenarios, risk/reward assessments			
SINGLE VERSION OF TRUTH			
Revenue Insights - Prebuilt analytics provide visibility in to current and end of period projections of billings, revenue, cost, and margin for any slice of the business			
Visibility into real-time financial impact of WIP and A/R for any set of projects			
Dashboards - Configurable drillable visualizations of project health & financials such as revenue, bill rates, costs, utilization, and margin			
Customizable to each role and user to maximize ease of use and actionability			
Support for mixed billing types, e.g., T&M, fixed fee, weighted milestones, etc. within a single project			
Real-time visibility into project financials and health			
RESOURCE ALLOCATION AND UTILIZATION			
Understand planned and actual resource utilization by role and time period, e.g., week, month, quarter			
View billable, total, and custom utilization metrics per your corporate standards			
Drill down to task and day			
View capacity side-by-side with demand (confirmed and provisional) for select departments, roles, time periods and more			
Drill up, down and across organizations to fully understand capacity and constraints			
View and manage resource pools and allocations for select departments, projects, roles, and users			
Drag-and-drop UI supports reassignment of tasks to better balance workloads across resources			
Resource matching - automatically suggest appropriate resources for requests based upon availability, roles, skills, and more			

## CHECKLIST FOR PSO SUCCESS

### USE THIS BEST-IN-CLASS MASTER LIST TO COMPARE PSA TOOLS.

EASY TIME AND EXPENSE MANAGEMENT	Vendor 1	Vendor 2	Vendor 3
Personalized work space by individual or role			
Quick access to assigned projects, tasks, risks, issues, timesheets, approvals, and more			
Time capture - User-configurable layout, content, and color-coded data notifications			
Familiar weekly timesheet – UI construct very familiar to delivery individuals for billable, non-billable, travel, project and non-project work, non-work (PTO, sick, holiday, bereavement)			
Time entry controls - Permissions model can limit entries to assigned projects and tasks to improve capture accuracy			
Collaboration and approvals - Submit button automatically routes timesheet entries to appropriate approvers			
Expense capture - Optional and mandatory expense details such as type, currency, reimbursable, chargeable, notes, and more			
Flexibility to integrate with potential existing 3rd-party systems such as SAP Concur and expensify			
Limit dropdowns based upon project and user settings to improve user productivity and expense accuracy			
Access, gather, and update critical project information via smartphones or tablets while on-the-go			
Collaborate in content; capture time & expenses and approvals from anywhere			
Mobile camera and off-line support - Native mobile applications for Android and iOS ensure responsiveness, off-line usage, and adoption			
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Resource matching - automatically suggest appropriate resources for requests based upon availability, roles, skills, and more			

<b>CHECKLIST FOR PSO SUCCESS</b>			
<b>USE THIS BEST-IN-CLASS MASTER LIST TO COMPARE PSA TOOLS.</b>			
<b>REGULATORY COMPLIANCE</b>	<b>Vendor 1</b>	<b>Vendor 2</b>	<b>Vendor 3</b>
Integrated system of record - Source system of record for services operations			
Integration with CRM, G/L, HCM and more			
Robust security model			
Change tracking and audit trails - Understand project effort to granular detail with audit trails to support compliance efforts			
Define client-specific types and categories for time & expenses to facilitate compliance reporting			
Track deliverables and milestones through contract line items			
Automatically capture percent complete through actuals capture			
Maintain multiple contract types within a single project			
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STATUS REPORTING AND ANALYTICS	Vendor 1	Vendor 2	Vendor 3
150+ prebuilt reports plus native UI-drive report-writer capability for unlimited custom reporting			
Self-service custom reporting - Support for variety of formats, including graphical and tabular with drilldowns			
Support for automated scheduling and email distribution			
Easy-to-use reporting wizards			
Flexible output formats - Saved filters & flexible output formats, e.g., PDF, XLS, CSV, & more also includes templates and custom branding			
Invoice for completed time & expenses at the summary or detailed levels			
Integrated invoices or T&E detail with 3rd-party G/L or ERP applications			
Compliance and regulatory reporting capabilities (ASC 606 etc.)			
SYSTEM INTEGRATIONS			
Effective integration with JIRA, Intacct, CRM, ERP etc.			
Cloud-based flexibility			
Secure and accessible			
Backup and restore is automated			
Buildable implementation with phased integration			

# Capturing and Communicating the ROI

A word about return on investment (ROI): You need to be able to prove that you are spending your PSA budget wisely to get executives to cut a check for your new tool.

As you progress along your journey of evaluating PSA solutions, investigate ROI numbers and use your own data to decide what the value will be well before the contracts are signed. Forrester Research Total Economic Impact™ (TEI) found that a comprehensive PSA tool for any project delivery services organization can provide an ROI of more than 250%. Quick Start options often deliver value quickly—and any vendor worth their salt will be able to show you ROI over time, as more users and projects come on board. Getting to these numbers requires that you drive adoption among users, so the data they're inputting is delivering accurate, actionable reports; so make sure your prospective PSA tool is vetted among your tough-sell resources to nail down this requirement.

**The graphic on the left demonstrates how a best-in-class PSA solution can deliver a powerful ROI.**

IMPROVE UTILIZATION		
	Baseline	Increase
Resources	100	100
Utilization	68%	76%
Hourly Rate	\$150	\$150
Revenue/Yr	\$21,216,000	
Revised	\$23,712,000	
<b>Gain</b>	<b>\$2,496,000</b>	

REDUCE MANUAL EFFORT		
	Baseline	Increase
Time	9.3	4
Employees	100	100
Hourly Rate	\$150	\$150
Cost/Yr	\$7,254,000	
Revised	\$3,120,000	
<b>Savings</b>	<b>\$4,134,000</b>	

A primary goal of your PSA solution should be to help you improve utilization. According to SPI, an integrated PSA solution can increase utilization by as much as 8%. But even just a modest 1% increase in utilization would more than cover the cost of your PSA investment.

Another key benefit is to significantly reduce the amount of manual effort required to run your business – allowing the team to focus on the work they were hired to do. According to the McKinsey report referenced earlier, employees spend a full day every week searching for and gathering information. Automating even a portion of that effort – by integrating systems, creating a single source of truth, etc. – will create significant savings for your business.

COMPLIANCE REPORTING
Does your firm have the tools in place to be able to track project completion in accordance with the latest revenue recognition rules?

The final area to consider is compliance reporting. While this effort is a little harder to quantify, a top-flight PSA will give you the tools and data you need to accurately bill clients and to recognize revenue efficiently, and as quickly as possible, in your ERP.

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## Conclusion: PSA in Action

What does a truly successful project look like to your professional services team? At Keyedin, we have worked with dozens of ESOs to identify the right PSA solution. We've received great feedback over the years that provides insight into how Keyedin Projects has improved their day-to-day project, program and services delivery processes.

As one example, MEDHOST, a provider of healthcare IT solutions, went from a patchwork of spreadsheets, scheduling and project tools to a single platform and thus immediately improved project control and visibility. Today, MEDHOST uses Keyedin Projects to manage a growing tally of over 600 active projects. They report improved resource management, efficiency gains and added flexibility in aligning contractor resources in response to rapidly fluctuating client demands in a highly regulated industry. These benefits have allowed MEDHOST double their services profit margin from 20 points to 40, and improve forecast accuracy by reducing forecast variance by 60%.

To gain executive support and user adoption for a new PSA solution, you must prove to everyone that your software will provide exactly what you need to fulfill your specific, strategic objectives. Keyedin creates a clear path for user satisfaction and business empowerment from the vendor review phase through implementation and rollout. Taking it past status and progress reporting into the impactful, analytical power that protects your relationships with customers and enables you to work to a higher level of accountability than ever before.

“Improved resource management has driven better efficiency across our organization.”

**Dave Sanders**  
VP Operations and Reporting

**MEDHOST**<sup>®</sup>

## Sources

- i <https://www.marketlinks.org/good-practice-center/value-chain-wiki/embedded-services#book-anchor-1>
- ii <https://www.newvoicemedia.com/blog/the-multibillion-dollar-cost-of-poor-customer-service-infographic>
- iii 2017 Professional Services Maturity<sup>TM</sup> Benchmark, February 2017





## About KeyedIn™ Projects

KeyedIn Projects enables your PMO to be more strategic, more efficient, and deliver greater business impact by allowing you to easily forecast and allocate resources, create and analyze portfolios, gain visibility to all your projects, and discover new insights through dynamic PPM analytics.

Visit <https://www.keyedin.com/keyedinprojects> to learn more.



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