Ensuring your PSA/SPO Solution Delivers Real Business Benefits

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Briefing Paper

Introduction
The briefing was opened by David Derham of Agresso who set the scene by introducing the speakers who were:

- Ted Kempf, Principal Analyst, Gartner Dataquest
- John Dear, UK Finance Director & Project Sponsor, DTZ
- Paul Woodhouse, Director, Havas Shared Services

Presentation 1 - SPO: A Competitive Necessity in the Services Economy

The first speaker, Ted Kempf, is a principal analyst and program manager in Gartner Dataquest's IT Services group. He is responsible for covering emerging IT professional services providers worldwide that specialize in the delivery of the following four services: business strategy consulting, information technology consulting, application development and systems integration.

Ted presented a fascinating opening keynote that focused on Service Process Optimisation (SPO) and how it has become a competitive necessity within the professional services sector. Using the IT Services sector as an example, Ted firstly put the debate in historical context. In 1998 PSA was developed for professional services providers, and by 2000 the concept had expanded into internal IT departments and embedded service divisions. By this stage, it had incorporated some concepts from traditional project management and had been renamed SPO. Now in 2002, there are numerous names for what is essentially the same process and it remains for time to decide which term will gain universal acceptance (Along with PSA and SPO, current terms include: Business Process Automation, Enterprise Process Optimisation, Enterprise Service Automation, Human Capital Management, Services relationship Management, Strategic Workforce Optimisation).

Ted moved next to explain the key drivers for SPO and why services organisations needed resource planning. He outlined six areas where, in most service organisations, there are currently costly inefficiencies:

1. Opportunity management
2. Proposal creation
3. Resource scheduling
4. Project management
5. Time & expenses/accounting

6. Reporting

There are various different solutions on the market to address each of these inefficiencies, but Ted's next point was that SPO addresses all these issues. He defined SPO as:
"Service Process Optimisation (SPO) software is designed to track and allocate the major resources of services companies or departments, namely people, intellectual capital, and time, to their output (proposals, contracts, projects and reports)"

To emphasise this point, Ted explained the current difficulties organisations were having with resource management. Without SPO organisations have to spend time contacting numerous managers to assess resource availability, skill set, interest and approval. This can result in a lead-time of days with numerous meetings and conference calls. With an SPO Skills Database in place, resource interest is known, capabilities and availability is visible and resource hoarding by managers is automatically removed. The result is that the lead-time for resource allocation can be reduced to a matter of hours. The increase in efficiency is so marked that Gartner have predicted that by 2005, 80% of all IT professional organisations with over 100 billable consultants will replace current project management and other software applications with SPO or similar. The same is undoubtedly true of other professional services organisations to a greater or lesser extent.

One of the key reasons for the rapidly growing interest in this software from the professional services sector is the downturn in the economy whereby weaker markets create introverted organisations that are focused on cost control, process reengineering and optimisation. Ted then went on to outline one of the crucial benefits of service process optimisation, which was that better decisions can and are made across the organisation. The integration of business intelligence, knowledge management and other business process efficiencies such as resource management and procurement can have untold impacts at both a corporate and project level:

Corporate Level Metrics
- Better portfolio management
- Improved data accuracy
- Reduced delivery time
- Reduced delivery cost
- Improved customer satisfaction

Project Level Metrics
- Improved resource allocation
- Improved resource reallocation
- Greater resource utilisation
- Improved strategic sourcing
- Project cost savings
- Leveraged expertise

Again, using IT services as an example, Ted expanded on the concept of Portfolio Management to give a clear picture of the way in which SPO can reduce the amount of time necessary to make a portfolio management decision and how a manager can obtain an accurate measure of the utilisation rate of each worker. This can help in understanding the cost of internal sourcing and gives a clear picture in measuring the efficiency of internal sourcing against external service providers.

Ted concluded his presentation with a list of questions and answers, that had been asked to users of SPO in IT services organisations. The most interesting of these looked at the top reasons why SPO had been purchased, asked whether the software had met their expectations, asked if it had provided competitive advantage and what improvements they would like:

1. Why did you purchase SPO?
- Managing growth – operationally and financially
- Utilisation, time & expense capture, projects
- Rapid/informed decision making
- Improved customer satisfaction

2. Has SPO met your expectations?
- 80% are satisfied

3. Has it provided a competitive advantage?
- 83% said Yes
- Primarily resource management
- Today a competitive necessity

4. What improvements would you like?
- Reporting
- Functionality to match vision
- Enterprise application integration
- Scalability – nationally and globally

And finally, Ted gave delegates an insight into the software hype cycle with a Gartner estimate that at the present time SPO had reached maturation and we could expect to see a future focus from the vendors on verticalisation, portfolio management and services procurement. His final market observations concluded that the professional services sector has seen a huge demand for software and consultancy to improve business process efficiencies. The software, which was heralded in 1999/2000 has now arrived and with skilful implementation, professional services organisations can now achieve substantial cost reductions throughout the business through the optimisation of service delivery and management. However, SPO is not a panacea and must still be viewed as a cost of doing business.

Presentation 2 - PSA at DTZ, one of the world's leading property advisory companies

The next speaker was John Dear, who is UK Finance Director & Project Sponsor at DTZ where his responsibilities include the UK accounting and reporting function for one of the largest property advisory companies in the world with a turnover of approximately £100m in the UK.

John's presentation was billed as a case study of how and why DTZ had implemented a PSA solution within their business. He began with an outline of what DTZ currently used in terms of management information and reporting tools that could help to inform decision-making. The current tools were not satisfactory as they were disconnected, individualised, ad hoc, inflexible, not integrated and could not be rolled out across Europe.

DTZ currently has a people-centric business with 200 directors running their clients, loosely controlled by an under-informed management. So, DTZ knew it had to improve the quality and timeliness of information that was fed to the senior management team. They were looking for a financial system that was part of their overall management information strategy so that senior management would be making decisions based on accurate up to date information. They wanted to introduce a mechanism to drive profitability into the culture of the company and a system that would become simply part of the environment in which the professional people worked.

Their drivers for change were the classic ones outlined by Ted Kempf earlier, in that DTZ had not needed to have such strict cost control in a "booming" economic environment and had been small enough for all the directors to know what was going on. Now they have implemented a business information strategy, which includes: the Agresso business information management system, an HR system and CRM information.

One of the main issues DTZ had when introducing the new tools was that they also needed to change the culture and the way the staff worked. They needed to instil into their consultants the fact that knowing how the business is doing would help the business to improve. Key to this culture change were four critical administrative knowledge points: revenue prediction and faster billing, better credit control, cost analysis and measuring profitability by business unit, skill type and client.

DTZ established a Core User Group to aid the culture change and also an additional Wider User Group and Board involvement that worked on defining their key objectives. These were that the system had to:

- be simple and intuitive to use
- have drill down capability
- be fully integrated with all other systems
- have flexible reporting with online management information
  - by geography/skill/client
  - internally and externally via client portals
- support business restructuring
- have the ability to become a pan European system
- be web enabled with seamless access

Their primary success measures were also identified at this stage as:

- Reports which help to run the business better
- Client profitability is understood and used
- Staff find the timesheet system easy and intuitive
- Billing is better controlled:
  - it becomes a pleasure to raise fee notes
  - our billing profile improves
- Become a tighter, more focused business

DTZ then had to select a software solution which would help them meet their objectives and after short listing and assessing references, reach, stability and team friendliness, they settled on Agresso. For implementation a DTZ team was established comprising a project manager from IT, an accounting project manager from Accounts and senior accountants from around the UK. An Agresso team was also established giving DTZ day-to-day contact with consultants.

One key issue was training in which a number of different formats were developed to suit all staff from a PowerPoint show for timesheets to a detailed invoicing roadshow.

The "go live" for DTZ with the new system was 1st May 2002 and so far things are running smoothly. John was keen to point out the pitfalls that he would have preferred to have avoided on the way such as underestimating the data load and the staff training needs. He felt that the whole exercise had taken some time and that what was now needed was a “charm offensive” to get people enthusiastic and excited about it again.

John was willing to share the lessons DTZ have learned so far which included: being forced to face issues previously fudged, the importance of having full commitment from a well established team and of keeping the business involved.

The final part of John’s presentation took a frank look at whether, to date, DTZ’s reasons for investing had been justified. In terms of making the business work better, they certainly now had immediate information, fewer queries, worldwide client data and at meetings they now discussed issues instead of arguing about the numbers which was definitely a step forward.

In terms of developing a culture of profitability and accountability, John seemed happy with their online management accounting system with automated cost v budget monitoring. They could now evaluate client profitability easily and accurately and the same with time utilisation. It was immensely useful also to be aware of unbilled work and disbursements and they were able to focus heavily on debtors and cash collection in a way they never had in the past.

In terms of saving costs across the business, John felt they had been very successful. They definitely made a more efficient use of time and had reduced unbilled disbursements. There was also a greater focus on and analysis of other P&L items such as marketing costs, travel and entertaining and discretionary spend generally. All of this has been achieved by changing fundamentally the way that DTZ work. They now have reports which help to run the business better. Client profitability is understood and used. Staff find the timesheet easy and best of all, billing is better controlled so that it has become a pleasure to raise fee notes.

John concluded with two key points that they had drawn from their experiences at DTZ, firstly, what works for accountants may not work for business generators and secondly, you need to drive information into the business and this will result in making better decisions and generating higher profits.

Presentation 3 - Creative solutions: PSA in the marketing services industry

The next speaker was Paul Woodhouse who is Financial Director of Havas Shared Services, a top six global marketing services agency with a turnover of over 2billion Euros. The marketing services sector is one of the fastest moving in the world and is extremely sensitive to economic change. Havas has a wide range of organisations of diverse size and requirements under its wing.

Paul, like John, presented an interesting case study of how and why they had decided to implement PSA technology within their business, which again is a very people-centric one. Paul’s implementation has progressed somewhat further than the DTZ experience so he was able to share his wider lessons with the delegates.

Paul began with a brief overview of their selection process which began five years ago when they realised they needed to update their old non-integrated legacy systems with a group accounts solution. They were looking for something that was modern, flexible, scalable, right for a people-based industry and capable of working in a group environment. In addition, Paul was keen to buy from a solid vendor and was looking for “something special”.

They issued RFIs in May 1997 to the top nine vendors (excluding SAP and Oracle due to cost), and a final decision was made 7 months later with the contract being signed a further 2 months after that. The implementation progressed rapidly after that with the first go-live after only 5 months. A further six companies in the group have gone live since then.

During the selection process Paul focused on some key requirements such as people-based, flexibility, standard tools and interface with other systems, but he also used his intuition and gut feel to determine whether the vendor was the right company for Havas to work with. He discounted four of the vendors on the list on this basis.

To make his final decision, Paul used reference sites, mini workshops and technical audits as well as the all important cost calculations. At this stage he also discovered that the existing technical infrastructure of Havas was simply not sophisticated enough to support any of the PSA solutions he was looking at. He then had to take a serious career risk and convince the board that budgets would have to be increased substantially to achieve what they were looking for.

After his second appraisal only two vendors were left in the running, and his final decision appointed Agresso. The reasons that Paul gave for this were that it scored more highly than the others on their functional criteria test, the overall cost of the project was lower, the implementation team was very committed and experienced and finally – it felt right!

Paul then went on to appraise the success of the initial project. He deemed it a success in terms of both budget and timing - and also in terms of his career, since he was not only still in a job, but had been recently promoted!

He then went on to assess the benefits that the group had had since taking the risk in implementing the new PSA software. He summarised the main benefits into four key points for the delegates:

1. Instant changes in reporting which meant that new divisions could be added in seconds and, in terms of client analysis, they ceased to overservice, they had WIP analysis at the touch of a button and managed to increase substantially the speed of billing to clients.
2. Consistent data meant that changes were simple so analysis was easy. The relational database structure was available to all.
3. They were able to do real-time analysis on all client-related information including: time, expenses, WIP, cashflow and billing which resulted in management reporting within hours, not weeks!
4. Multiple views of the same data meant that different staff (executives, management, HQ, front and back office) could view the same data in the format that they wanted.

The final section of Paul's presentation picked up on some of the areas where he felt Havas had learned some valuable lessons that he wanted to share with the delegates. The first of these looked at ease of access issues. Initially they believed that since information was power, it should be made available to all. However they quickly realised that not everyone knew what they were looking at and they had to spend some time working on presenting the data in a format that everyone understood. They found that web-based screens were a good solution and also that graphical presentation was good for the big picture. Not surprisingly, they found that non-accounting staff benefited the most from the system since they now had, on their desktops, all the information there was on their current job. These staff suddenly understood that the information could only be as good as they made it (as it was now real-time).

For the senior staff there were again huge benefits in terms of information available. They could now see unbilled costs, job history and budgets, orders outstanding, invoice plans, debtors positions and much much more. And all of this was viewable in different customised formats. Planning was also made more accurate with instant updates on job level budgets, HR issues and skills allocation.

Procurement, which in many devolved groups can be a nightmare, was brought under control with central buying from preferred suppliers. Web-based requisition made requests simple for all and a licence structure enabled total rollout.

Everyone hates timesheets, yet in a people-based industry it is the largest cost, though often the most neglected. Paul and his team recognised early on that timesheets should be easy to complete with both on and off-site entry. They are the key to a profitable agency and while they do not have to be the basis for billing, they must be used in client P & L. The solution they identified was to use web-based timesheets.

Expenses again can be a large bone of contention in people-based service organisations. At Havas, like most agencies, they had a large volume of small amounts, mostly rechargeable to the client. It was an administrative nightmare of P11D, VAT and authorisation issues, and was very costly to administrate. Again, their solution was a web expenses tool with workflow.

Client billing needs to be very flexible in format and also needs to be perfect from an “image” aspect. At Havas they allowed the executives to design and issue invoices, rather than the accounts department, thus reducing complaints to nil. Outstanding debts are also tracked by executives.

Paul hoped that by outlining these issues and solutions, delegates would be able to avoid similar ones in their own organisations. He added that, at Havas they have a continuous change policy which means that the project is constantly evolving to meet new needs. The system is very flexible and can develop as users request and as technology moves on.

Paul concluded by highlighting a key point from his comprehensive presentation. The main benefit of PSA software is the major improvement in information management. It is not just an accounts system – it helps run the agency. For the future, they have plans for further rollout across the UK and more automation of processes (which saves people costs and therefore overall costs).

His final words took us back to his selection of Agresso five years ago. According to Paul, a good system has to get the fundamentals right, it has to be adaptable, be able to develop and be designed for its purpose.

Questions

At the end of the three presentations delegates were invited to ask questions of all or any of the three speakers, before delegates moved on to coffee and an informal discussion amongst themselves and one to one with the speakers.

An interesting question was: Is it usually the finance discipline that drives the implementation of PSA solutions? To which the answer was a resounding yes from all three speakers. When asked about how the information generated by PSA solutions can be used, speakers gave various examples, including Dave Derham from Agresso who mentioned that the information flow is highly adaptable and so can be used in the best place for the organisation. Ted Kempf took us back to his key metrics slide in which he outlined the corporate and project level uses of information generated through these solutions.

The briefing was then concluded. Feedback from the event was extremely positive with 100% satisfaction rating.

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