Improving the Performance of Professional Services Organizations

June 2016

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Improving the Performance of Professional Services Organizations

A. Preface

This white paper describes challenges faced by services organizations as they grow, and how Professional Services Automation (PSA) software can help any services-driven organization. This includes consulting or professional services firms, internal services organizations (such as IT) within any corporation, or services teams within technology providers such as software companies.

The goal of PSA is to improve the operational efficiency of services organizations through eliminating unnecessary administrative effort, provide real-time visibility to managers at all levels of the status of work, and the capacity and availability of your resources. This is accomplished through functionality for skills management, resource planning, budgeting & forecasting, time & expense reporting, billing & revenue recognition, project management analytics and dashboards, and integrated financials with AR, AP, GL and cost pool calculations.

The paper is divided into three main sections:
• key challenges for services oriented businesses,
• how Professional Services Automation software helps mitigate those challenges, and
• how to get started.

B. Challenges for Professional Services Organizations

Founders of professional services organizations usually follow a common path; they start their business and, initially, it does very well. A few contracts with a few people, a part time bookkeeper, and a professional accountant are all that is needed in the early years. However, the business grows and, suddenly, the founder is overwhelmed by paperwork, contract administration, tax filings, supplier agreements, etc. At and above twenty-five employees, the challenges become greater. Managing paperwork consumes the organization’s leaders, rather than looking at the core business of servicing their customers! Adherence with government regulations becomes a greater concern. To ensure compliance with these government regulations and to cut out escalating overhead costs, organizations need to implement standardized and streamlined business processes.

Three common challenges of services oriented businesses are:
• paper or spreadsheet forms,
• legal/compliance requirements, and
• improving operational performance.
1. Paper Forms

In a services business, key forms support the services processes. These processes include expense reports, timesheets, project management work breakdown structure, and resource planning. Reports to run the business include revenue recognition, budget to actual, percent complete, and earned value. Paper reporting forms cause many problems. Running a services business on paper today is unnecessary when there are software solutions to help.

Collection of paper forms, for example, timesheets and expense reports, is a primary target for automation. With paper forms, the process begins when the controller sends a message for the forms to be submitted and approved. Of course, many messages and reminders must be sent as your employees have important services work to do! Completing timesheets and expense reports in a timely manner is not as important as doing the work, in the mind of your employee. Timesheets are faxed, collected by a real person, thrown on the controller’s desk or emailed. The controller needs to sort them and ensure that everyone submitted the appropriate forms. For a small company with less than twenty five employees, this is not a huge issue. For a large company this becomes an exponentially larger problem as more and more people send in forms in a variety of different ways.

Checking for errors can take days and hold up invoicing of customers, the source of revenue to feed your services organization. This checking occurs after the person, who knows the most about the costs they personally incurred, fills out the form. Error checking starts often weeks after the expense was incurred, when the controller’s office enters the data from the paper forms into an accounting system or a payroll application. Errors include reporting to unauthorized projects, reporting more than authorized, and reporting before or after a project has ended. For those companies with Per Diem expense schedules (daily rates for lodging, meals, and incidental expenses by geographic location), the checking is onerous. One company could have a full time person checking paper expense reports for the correct per diems. Questions and dialogue slow the process as the controller contacts the person and managers to ensure that all submissions are correct.

Electronic spreadsheets are slightly better than paper forms since they can ensure row and column totaling and minor other checks. But spreadsheets have many of the same issues of collection, error checking, and time to enter into the accounting application as paper-based forms.

As a work in progress, paper timesheets and paper expense reports aggravate the business operations enough. In addition, storing the paper forms for auditors and for the required length of time incurs storage costs and exacerbates the effort to help an auditor find a specific form.
As a consequence of these inefficiencies, paper timesheets and expense reports are detrimental to the growth of your business. Late and incorrect invoices to clients, late reimbursement to employees, late payroll, and exponentially increased costs as you add employees will divert your efforts from building the business to just holding operations together.

2. Legal Requirements

The list of government regulations grows year over year. We are presenting but a few of the many regulations that impact your services business. Professional Services Automation Software addresses specific parts of these regulations.

- DCAA (Defense Contract Audit Agency) DCAAP 7641.90

- Per Diem Rate Information:
  - DOD (Department of Defense) – CONUS, OCONUS with and without military rates, also has a file with all rates, all history:
    http://www.defensetravel.dod.mil/site/perdiemCalc.cfm

- GSA (General Services Administration) – CONUS (Continental US – Domestic), non-military schedule:
  http://www.gsa.gov/portal/category/21287

- DOS (Department of State) – Foreign schedule (Outside Continental US – OCONUS less Alaska, Hawaii, etc.), non-military:
  http://www.defensetravel.dod.mil/site/perdiemCalc.cfm

- SOX (Sarbanes Oxley)
  http://www.aicpa.org/advocacy/issues/pages/section404bofsox.aspx

- OMB Circular No. A.11 Planning, Budgeting, Acquisition, and Management of Capital Assets
  https://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s300.pdf

- ANSI Standard 748
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- National Defense Industry Association EVMS Intent Guidelines
  http://www.ndia.org/Divisions/Divisions/IPMD/Documents/Complements
  ANSI/NDIA_IPMD(Intent_Guide_Ver_C_April292014(a).pdf

DCAA governs the rules for charging of labor by a government contractor.
Here are a few key requirements:
- Accumulation of direct costs by contract.
- Time must be recorded on a daily basis.
- Changes in time must be signed with comments.
- All hours worked must be recorded. This is often referred to as “total time accounting, adjusted rate or time dilution.”
- The submitter must “sign” the timecard at the end of each work period.
- Policies must state that accurate and complete preparation of timecards is part of the employee’s job.
- The supervisor should approve and cosign all timecards.
- There are penalties for incorrectly charging labor.

Per Diem rate information for government contractors is specified in at least three agencies: the Department of Defense, the General Services Administration, and the Department of State. Per Diems are available for lodging and for meals and incidentals. Your employees need to use these per diems for travel expense for your government contracts. These rates vary by location and must be complied with if expenses are to be reimbursed.

Sarbanes-Oxley (SOX) centers around enforcing effective internal controls on company’s management, ongoing operations, and projects. Sarbanes-Oxley regulates public companies. Small companies can prepare for IPO or mergers by understanding the SOX regulations and building their business processes heeding the SOX regulations.

The Office of Management and Budget (OMB) Circular No. A11 addresses how to manage projects. Circular No. A11 refers to the ANSI/EIA 748 Standards for Earned Value Management System Reporting. Government contracts are now demanding Earned Value Management reports. Earned Value Management is a technique sponsored by the Department of Defense to help manage multi-year, multi-billion dollar contracts. There are many challenges in adopting Earned Value on small services contracts.

3. Operational Performance

Many services organizations are project-oriented. Planning, budgeting, assigning resources, managing costs and deliverables, and ensuring profitability of projects are all key aspects of a services business. Most companies plan projects with standalone project software and/or a set of spreadsheets. For a periodic basis, e.g. a semi-month, these
spreadsheets identify the individual, the labor category, the rate, and the project or project and task. Then the revenues and costs can be easily calculated. While this planning is fine for one or more projects, there are multiple problems. First, only the preparer has access to editing a spreadsheet and the spreadsheet in circulation is rarely up to date. Secondly, usually project managers create their own spreadsheets requiring one person to consolidate all the project plans. This consolidation can be a big effort, prone to error and immediately out of date once it is prepared. Uncertainty as to the latest version of the consolidated project plan represents a concern. Decisions made on incorrect data is a bigger problem. And wasted effort reworking a plan due to using the wrong version is both costly and frustrating.

A project manager can manage the costs and deliverables for a project using a simple spreadsheet. However, to understand the percent complete and remaining budget on a project, the project manager needs to post costs (from labor hours and expenses). Typically, this recording of costs is after the hours have been posted to the accounting system at the end of a period. With this delay, projects can easily go over budget. The project manager needs to manually review the dates in the project plan to ensure deliverables are completed on-time. While a spreadsheet and a project tool can make a project look good with lists and charts, real-time reports and notifications are lacking and can put any project in jeopardy. Furthermore, posted costs may not always provide the project managers with information at the level they need to analyze problems or overruns.

Poor operational management of projects will cause projects to go over budget, develop unhappy employees who need to work overtime to complete a project, late projects and, eventually, cancelled projects.

C. Improvements with PSA

Professional Services Automation (PSA) software helps companies overcome the challenges of paper timesheets and expense reports, address legal and compliance requirements, and improve operational performance. PSA software comprises the automatic collection of labor hour charging and expense reporting. Due to security and approval mechanisms built into the PSA software, many legal requirements are inherently or explicitly satisfied. Company operating procedures, such a certain number of hours worked per week, can usually be enforced automatically. With real-time reporting on any facet of the business, services organizations can closely monitor the pulse of the business, noting any deviation in order to quickly take corrective action.
1. Paper Forms – Improvements with PSA

Today’s web-based software offers tremendous opportunities to overcome the challenges of paper or spreadsheet-based timesheets and expense reports. Statistics show that companies can improve the costs of the paper-based process by over 90%. In one company, costs were improved by $100 annually per person, more than covering the cost of the software. Cost savings stem from ease of user entry, approvals, collection, error avoidance, and direct electronic entry into invoicing, accounts payable, and payroll systems. With the ability to quickly collect time and expense charges that are virtually error-free, services organizations can more rapidly invoice customers and pay and reimburse their employees. Typically, the time to invoice is ten times faster than with paper forms.

With PSA software, users can access the timesheet or expense report through a web browser. The web timesheet forms provide an easy to enter look that is configurable to the specific needs of the organization. For example, some organizations may want to have labor categories on the timesheet while others prefer to accommodate labor categories in the background. Timesheets can be any period: weekly, semi-monthly, monthly, etc. Because staff can access the timesheet easily, when they need it, staff typically record all their time, often leading to an increase in billable hours.

PSA software expedites the collection of electronic forms. The software can be used to automatically send reminders to people to fill out their timesheets if they have yet to complete them, to submit their timesheets and expense reports, and to ensure that the assigned approvers have approved the timesheets and expense reports. In the event the primary approvers are absent, approvers and administrators can easily nominate alternate approvers. Because timesheet and expense report submitters can see value in reporting time and expenses, they are more likely to do so on time. The value derives from the user’s ability to view items such as how many vacation hours they have or they can use at a future time, reviewing comments on time and expenses reported in the past to help them with the future work, and understanding their schedules in a calendar view. To better perform the work in collaboration with the project team, employees can access key project information including statements of work, project status reports, project issues, and important presentations to help better perform the work.

Web-based software helps avoid errors by making it difficult to enter bad data. Here are examples of how PSA software can accomplish this. Note that the software should be flexible enough to enable or disable these controls.

- Ensure that people entering time and expenses are explicitly assigned to the project and/or task and, if required, are assigned for the date range where they are booking hours.
• Ensure that the project is still open for charging costs and that people have remaining hours on the project.
• Provide tailored control procedures for special checking and enforcement of policies and procedures upon the submission of a timesheet or expense report.

Here is an example of a web-based timesheet:

![Web-based timesheet example](image)

When authorized by an administrator, the user should be able to make changes directly to the timesheet for adjustments after the time period has closed. In this way, the PSA software is the system of record and transfers the adjustments to the accounting system to ensure consistency.
Here is an example of an expense report:

2. Legal Requirements – Improvements with PSA

This section addresses how PSA software could, and should, address the legal requirements of DCAA, Per Diems, Sarbanes-Oxley, and Earned Value Management Systems.

DCAA

PSA software, specifically web-based software, helps services organizations comply with DCAA rules for labor charging. Auditors appreciate the on-line aspect of PSA software as it allows them to do their jobs quickly and efficiently.

- Accumulation of direct costs by contract:
  - Project managers assign people to report their direct labor hours to a project. The timesheet dropdown pick-lists will only contain authorized projects for that individual.

- Time must be recorded on a daily basis:
  - The PSA software can be configured to send automatic reminders to people to who have yet to enter their time for the day.

- Changes in time must be signed with comments:
Improving the Performance of Professional Services Organizations

- The PSA software can require comments on any changes to recorded hours.

- All hours worked must be recorded. This is often referred to as “total time accounting, adjusted rate or time dilution”:
  - The PSA software can accept all hours worked and then dilute the hours and the rate to ensure the salaried person is accounted with the actual salary. For example, if someone works 80 hours a week, their hourly rate would be half as much as if they worked 40 hours.

- The submitter must “sign” the timecard at the end of each work period:
  - Usernames and passwords are accepted as “electronic” signatures.

- Policies must state that accurate and complete preparation of timecards is part of the employee’s job:
  - This can be a notice on the PSA home page and/or the timesheet itself.

- The supervisor should approve and co-sign all timecards:
  - The PSA software should record all submissions, approvals, disapprovals, and adjustments in an “approval history” record.

- There are penalties for incorrectly charging labor.
  - With the many error avoidance mechanisms, it is much less likely that your organization will make errors.

**PER DIEM RATES**

Per Diem rate information for government contractors is specified in at least three agencies: the Department of Defense, the General Services Administration, and the Department of State. Per Diems are available for lodging and for meals and incidentals. Your employees need to use these per diems for travel expense for your government contracts.

By having these per diems in a table accessible to the expense report, users do not have to look up the appropriate amounts nor do accounting people need to verify the amount for a specific location.

**SARBANES-OXLEY**

Sarbanes-Oxley (SOX) centers around enforcing effective internal controls on a company’s management, ongoing operations, and projects. Sarbanes-Oxley regulates public companies. Small companies can prepare for an IPO (Initial Public Offering) or
mergers by understanding the SOX regulations and building their business processes heeding the SOX regulations.

Here are the specific sections of the SOX code that PSA software can and should address:

**Section 302**

CEOs and CFOs must confirm that:

1. Financial Reports are correct.
2. Any changes to existing reports are provided in a timely manner.
3. Internal Controls exist that facilitate management.

PSA software helps here by providing management *real-time* access to resource & project data. Further, management can approve/disapprove information, monitor audit trails, run real-time reports on project status, costing, employee utilization, etc.

**Section 404**

Section 404 is very similar to Section 302 in that it deals primarily with the efficacy of the internal controls. It goes a little further in regards to monitoring fraudulent, unapproved, or forbidden undertakings. An internal control report must be filed, and updated with quarterly reviews, to disclose any changes.

PSA software helps here by not only delivering the real-time reporting to management on actual vs. budget, percent complete, ETC, estimated total, Earned Value, etc., but also by enforcing business rules such as who can allocate time to a project, how much time they can allocate, and when they can allocate that time. Reports can run over any date range, allowing for quarterly updates.

**Section 409**

This sections deals with fast, relevant reporting mechanisms. It mandates full disclosure of any changes on a “rapid and current basis.” Section 409 also focuses on real-time reporting and project statuses.

This is where PSA software really helps by providing management with access to relevant information in a timely manner.
Section 802

Section 802 refers to the destruction, alteration, or falsification of information. It also calls for audit trails and retention of documents. Documents include reports, timesheets, expense reports, project information (budget, dates, percent complete, etc.), cost rates of employees, etc.

PSA software complies by locking down information in the database. Any changes can be restricted to an Administrator, and if changes are made, PSA software provides an audit trail showing what action was taken, who took the action, when the action was taken, and why the action was taken.

Section 906

This section describes the penalties, including imprisonment and $1,000,000+ fines that apply to those who do not comply. It basically connects the criminal code to what the company’s officers present as truthful material.

PSA software helps here by identifying questionable transactions and operations, and preventing problems with law enforcement before they threaten the project schedule.

EARNED VALUE MANAGEMENT SYSTEM


The following points illustrate how PSA software can assist services organizations in following Earned Value Management System Guidelines.

EVM Intent Guideline 1

Define the authorized work elements for the program. Tailored for effective internal management control, a work breakdown structure (WBS), is commonly used in this process.

PSA software should provide for unlimited tasks and subtasks under each project. Task level time reporting can be required if needed.
EVM Intent Guideline 2

Identify the program organizational structure, including major subcontractors responsible for accomplishing the authorized work, and define the organizational elements in which work will be planned and controlled.

PSA software should provide organization level management through Assignments. All tasks associated with a particular project can be assigned to specific people. Each person in the system is also assigned to particular “Home Organization.” Expenses by default are assigned to the person’s home organization, although the project manager can override that behavior on a case by case basis as needed. Reports can be generated at the person organization level to track actual versus budget data at both the project and task level.

EVM Intent Guideline 3

Provide for the integration of the company’s planning, scheduling, budgeting, work authorization and cost accumulation processes with each other, and as appropriate, the program WBS and the program organizational structure.

PSA software should provide the ability to plan and forecast future work and then convert a plan to a WBS when the project is won. Reporting at both the Project and Organization level provides a real-time view into project performance. All data resides in a single database and the data model is published, so reporting requirements that fall outside the scope of the PSA software provided reports could be accomplished with any common database reporting tool.

EVM Intent Guideline 6

Schedule the authorized work in a manner which describes the sequence of work and identifies the significant task interdependencies required to meet the requirements of the program.

Task scheduling should provide for enforceable beginning and end dates, and overall the scheduling component is flexible and allows for an unlimited number of tasks and subtasks. It is very easy to use PSA software with MS Project and doing so allows you to use the task dependency features of MS Project to enable critical path analysis, etc while maintaining a real time view of project performance in PSA software.
**EVM Intent Guideline 7**

Identify physical products, milestones, technical performance goals or other indicators that will be used to measure progress.

PSA software should allow project managers to manually set percent complete figures based on milestones or performance measures that may be outside the scope of billable hours and expense management. PSA software can also objectively calculate percent complete based on hours charged or budget consumed to date. PSA software also provides objective estimates to complete based on the inputs.

**EVM Intent Guideline 8**

Establish and maintain a time-phased budget baseline, at the control account level, against which program performance can be measured.

Initial budgets established for performance measurement will be based on either internal management goals or the external customer-negotiated target cost, including estimates for authorized but undefined work.

Budget for far-term efforts may be held in higher level accounts until an appropriate time for allocation at the control account level. On government contracts, if an over-target baseline is used for performance measurement reporting purposes; prior notification must be provided to the customer.

In PSA software, the project manager can set the initial PMB based on project guidelines and budgets. Project forecasts that served as the basis of the estimate can be easily converted into a project plan with WBS and task assignments.

PSA software can capture all costs via the PSA software user interface or through import files. Typically, all direct labor and direct expense costs are captured via the PSA software user interface. Other Direct Costs (ODC) and Indirect Cost amounts can be entered through the PSA software expense report user interface or imported from an accounting system. The EVM report can be run on the cost rate, ODC’s and Indirect Cost Amounts or on the bill rate (which can include indirect costs) and ODC’s. A multiplier for indirect costs (using percentage pools from an accounting system) can be used to establish this bill rate representing total costs (direct labor times the multiplier).

Project Managers can also set up automatic notifications based on a variety of factors related to percent complete, budget consumption, etc.
EVM Intent Guideline 16

Record direct costs in a manner consistent with the budgets in a formal system controlled by the general books of account.

PSA software will be your system of record for time and for time adjustments. Your accounting systems remains your system of record for project accounting data as the time details flow into the accounting system.

EVM Intent Guideline 22

At least on a monthly basis, generate the following information at the control account and other levels as necessary for management control using actual cost data from, or reconcilable with, the accounting system:

a) Comparison of the amount of planned budget and the amount of budget earned for work accomplished – SCHEDULE VARIANCE

b) Comparison of the amount of the budget earned and the actual (applied where appropriate) directs costs for the same work. – COST VARIANCE

Both of these reports should be available in PSA software.

Here is an example:

<table>
<thead>
<tr>
<th>Project Organization</th>
<th>CUSTOMER</th>
<th>Cumulative</th>
<th>Cost At Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Budgeted Cost Work</td>
<td>Actual Cost Work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Planned Work</td>
<td>Performed Work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7011.102</td>
<td>73,357.13</td>
</tr>
<tr>
<td>AFGHAN RECONSTRUCTION</td>
<td>80.00%</td>
<td>147,086.22</td>
<td>98,000</td>
</tr>
<tr>
<td>BA/DLL</td>
<td>37.50%</td>
<td>10,833.40</td>
<td>10,833.40</td>
</tr>
<tr>
<td>FIXED BOLL</td>
<td>30.00%</td>
<td>50,000</td>
<td>15,000</td>
</tr>
<tr>
<td>WORLD Cup</td>
<td>25.00%</td>
<td>253,226.52</td>
<td>138,000</td>
</tr>
<tr>
<td>Totals for CUSTOMER</td>
<td>100.00%</td>
<td>725,256.67</td>
<td>328,000</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100.00%</td>
<td>725,256.67</td>
<td>328,000</td>
</tr>
</tbody>
</table>

System generated estimates are displayed in light gray text.
**EVM Intent Guideline 27**

Develop revised estimates of cost at completion based on performance to date, commitment values for material, and estimates of future conditions. Compare this information with the performance measurement baseline to identify variances at completion important to company management and any applicable customer reporting requirements including statements of funding requirements.

PSA software Compliance: PSA software provides this data in real-time. Projects managers can see estimates to completion on a constant basis, and are better able to manage the project to on-time/on-budget completion because they have access in real-time to the direct costs related to their projects. Indirect costs can be pulled in from the accounting system as often as necessary to provide an even more complete picture of project status.

**EVM Intent Guideline 28**

Incorporate authorized changes in a timely manner, recording the effects in budget and schedules. In the directed effort prior to negotiation of a change, base such revisions on the amount estimated and budgeted to the program organizations.

PSA software Compliance: PSA software captures budget and schedule changes in the audit trail. Further, the real-time view for project managers provides the earliest possible recognition of potential problems and thus the best opportunity to mitigate those problems before they threaten the project schedule.

**3. Operational Performance – Improvements with PSA**

PSA software streamlines the process of services organizations. The process starts with planning resources and projects through to project accounting, project management, financial management, and project portfolio management. Real-time business intelligence and collaboration support teamwork for these major steps in the process. Integration with accounting systems forms the link to other services business processes.

This section outlines the major steps in the process and the supporting processes.

**Resource Management**

- Easily plan generic and real resources for candidate projects
- Find/reserve the right person to avoid hiring another resource
- Analyze resources—available, over-booked, or under-booked
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- Determine when resources are available
- Forecast revenues, cost, margins, hours by people, projects, or tasks

**Project Accounting**

- Project time tracking - flexible, intelligent, and easy to use timesheet, commented with estimated-to-complete (ETC) hours
- Project expense tracking - multiple projects, per diem’s, currency conversion

**Project Management**

- Project Dashboard - identify approvals, status of projects, quick access
- Project Health-check - review complete project schedule and metrics
- Project WBS (Work Breakdown Structure) - paint quick Gantt chart of task status

**Financial Management**

- Project Profitability - view profitability by project, person, and task
- Project Summaries - view high level summaries and drill down
- Project Revenue Recognition - recognize revenue for fixed price tasks

**Portfolio Management and Business Intelligence**

- Project Portfolio Analysis - analyze project portfolio with drill down
- Earned Value Management (EVM) - analyze earned value with drill down
- Ad hoc reporting - prepare analysis specific to a business

**Collaboration**

- Email Notifications and Reminders
- Work Comments
- Searchable Project Document Repository
  - Statements of Work
  - Text Status Reports
  - PowerPoint Presentations
  - MS Project File
- Workflow
  - Candidate Projects thru Project Selection
  - Resource Plan and Assignment Through Time and Expense Entry
  - Time and Expense Approval
  - Estimated to Complete Hours Collection, Review, Project Status and Percent Complete
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- Revenue Recognition Process

**Integration**

- Payroll
- Accounting Systems
- Project Management Applications
- ERP Applications

By streamlining your organization with Professional Services Automation software, you will develop happy customers, negotiate new and renewed contracts, and grow your company with profitability.

**D. Getting Started With PSA**

To initiate Professional Services Automation software at your services organization, here is a high-level roadmap to guide you:

- Select the champion, project manager, and team
- Identify key requirements and review processes to be supported
- Evaluate products
- Stage demonstrations for top 3 products
- Select product
- Establish pilot and roll out plan
- Configure software
- Train users
- Parallel process for each rollout

In our mind, the two critical success factors are a good evaluation team and a good set of evaluation criteria.

**1. Evaluation Team**

The evaluation team for PSA software is critical to the rollout and implementation success. As a cross-functional piece of software, PSA touches major areas of your organization. Each of these business areas needs to be represented on the evaluation team. Responsible for accurate collection of costs and financial management, the CFO or controller can represent the accounting department. A project manager should represent the key requirements for project management. The manager of professional services should represent the key requirements for resource management. Senior management, either the CEO or the COO, should represent the overall project portfolio management while the CIO should represent the technical architecture requirements.
2. Evaluation Criteria

Here are key questions upon which to evaluate a particular PSA solution:

- Does the PSA solution eliminate most needs for paper? What paper is still required?
- How does the PSA software support the legal/compliance requirements?
- How does the PSA software support the processes in your organization for project and resource planning, project accounting, project management, financial management, and project portfolio management?
- Does the PSA software provide real-time information and business intelligence without waiting for posting to an accounting system at the end of the month?
- Does the PSA software use one database and present one look and feel in the user interface for all modules? If not, what is the impact of reconciling transactions or managing access to multiple systems?
- What systems will need to be integrated? What are the data flows, and costs associated with administering these points of integration?
- What is the technical architecture of the software?
  - Is it web-based? Does it require only a browser and no downloads of extra software to the browser?
  - Do you want to host the software on your server or do you want to have it hosted for you?
  - Can the server software run on your technical platform? For example, does the software operate with a flavor of Unix, Linux or with Microsoft Windows Server? Does your platform support a SQL server or Oracle database?
  - What is the largest number of users, in production, supported by the PSA software? Will it scale to meet your needs?
- What is the support provided?
  - How frequently are enhancements added?
  - How responsive are questions and issues resolved?
  - What references can the PSA vendor give for your business process, accounting systems, and technical architecture type?

E. Summary

This white paper has reviewed the challenges of project-oriented services businesses in improving efficiency, complying with legal requirements, and effectively managing their projects and people. It also identified opportunities for improvements offered by PSA software, and how to get started. For more information please contact me using the e-mail address below, or visit us on the web at www.unanet.com.

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