

Arcspan

Evaluating PSA Suppliers



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What To Look For When Evaluating PSA Suppliers

There are seven criteria that prospective buyers of PSA solutions should consider as they choose a PSA solution and a PSA business partner (business partner being defined as the seller/licensor of a PSA solution; and/or the provider of PSA hosted services).

These seven criteria are:

- 1. Breadth and Depth of Product Line**
- 2. Human Interface**
- 3. Ability to Integrate with Existing Business Systems**
- 4. Flexibility – The Architecture and the Rules Engine**
- 5. Pre-defined Templates, Ad-hoc, and Customized Reporting Capabilities**
- 6. Access to Customization/Integration Services**
- 7. Access to Application Solution Provider (ASP) Services**

The Seven Criteria – A Closer Look

These criteria, and the decision-making drivers that influence them, are described in greater detail throughout the remainder of this section.

1. Breadth and Depth of Product Line

Depending on your organization's requirements (as a potential buyer of a PSA solution), the breadth of a PSA solution may or may not be an important buying criteria.

For instance, an internal IT department may have needs for a PSA solution that would help it manage its human resources more effectively and manage projects more effectively – but it may not have the need to track hourly time and expenses related to projects. In this case, product depth in the areas of project management and human resource management are paramount – other PSA modules may be secondary in importance or totally un-needed.

Conversely, some PSOs may recognize that running the administrative and IT portions of their businesses is not necessarily an effective use of billable professional services consulting time. Instead, these PSOs may choose to outsource their entire operation – thus making product breadth extremely important to the overall operation of the enterprise. In this case product breadth (and quite likely product depth) is extremely important to the PSO organization.

Evaluating PSA Suppliers

2. If breadth is important to your organization, pay particular attention to:
 - a. The level of integration between products. For instance, look for time/expense applications to be integrated with an “approval” workflow application. Look for human resource data to be integrated with project planning applications. Look for client relationship management to be integrated with project management software. And so on...
 - b. How data is captured throughout the product line. Time and attendance data, personnel data, project management data, client relationship data, and other data sources all combine to help create a composite picture of project status, or resource utilization, and other information that can be invaluable to executive managers as they seek to run their respective companies. Avoid PSA solutions suppliers that furnish “solutions” with isolated pockets of data that cannot be integrated with other applications or that can not be used to create On-line Analytical Processing (OLAP) reports.

Depth of a product line is, for many professional service providers an extremely important consideration. Consider that many professional services providers are not able or not willing to abandon existing systems and processes – but are willing to substitute a deep, feature-rich package as a replacement for a weaker or tough-to-support home-grown package. If your company is considering purchasing only one or a few modules provided by a PSA supplier, look closely at the ability of your prospective solution supplier’s ability to help you integrate their software with your existing business applications and processes.

3. **Human Interface**

Human interface characteristics and the intuitive look-and-feel of a PSA offering is very important in influencing how individual contributors and managers will make use of the PSA product offering. For PSA to work really well, enterprises quite often have to ask their employees to input more data than those employees currently input into existing applications today. Employees will find that they will need to input time/attendance, skill-set, project, and other sorts of data such that PSA programs can generate the kind of insightful reports that line and executive management as well as customers need to see. One way to ensure employee resistance to the idea of inputting additional data is to provide those employees with cumbersome, non-intuitive, and graphically-confusing human interfaces to a new PSA product set.

To avoid employee resistance, look for PSA products that are designed around a Web portal concept – the kind of interface that we have all become accustomed to when searching the Web or using well designed applications. Yahoo-like screens that provide access to most used applications as well as provide news and other forms of information should be the design-point that prospective PSA buyers should seek. (Note: few PSA suppliers today offer such an approach – most use a “tab-and-tree” approach. Ask your prospective PSA supplier what plans they have to develop a portal-like interface).

Evaluating PSA Suppliers

4. Ability to Integrate with Existing Business Systems

For the past several years professional service suppliers have been buying “packaged” products to streamline enterprise accounting, human resource, and sales/distribution systems. These “Enterprise Resource Planning” applications have helped many professional services suppliers to improve overall company efficiency while also helping to reduce Sales, General and Administrative (SG&A) costs.

PSA software has the same cumulative effect – it streamlines business processes and integrates applications – leading to reduced costs for SG&A. But, PSA software also has two interesting side effects: 1) it reduces the administrative overload on professionals (for instance, professionals will no longer need to track where expense reports or project approvals are in the approval cycle; most PSA software provides such information) thus enabling professional to produce more billing time; and, 2) PSA software enables line and executive managers to gather important operational and forecasting data, providing managers with more and in-greater-detail information than ever before (which can be used to make wiser – or at least more informed -- business decisions).

In order to “get-the-most” out of a PSA solution, it is likely that PSA applications will need to be linked to existing ERP systems (for instance, PSA time and attendance systems should be linked to existing accounts receivable packages in order to generate customer invoices). If this type of integration is important to your company, examining the ability of your PSA supplier to provide technical resources to perform PSA-to-ERP integration (or at least advise your company’s technical staff on how to accomplish such integration should also be important). Therefore, pay particular attention to the number of professional services personnel your PSA supplier has at its disposal as well as the experience level with your particular brand of ERP software that your PSA supplier can offer.

5. Flexibility – The Architecture and the Rules Engine

Most of today’s PSA packages have been designed using various elements of Microsoft Windows and distributed networking architecture. These packages make use of “objects” that allow for easier application integration, great design flexibility (as objects can be easily combined and integrated to create the desired application result), and for object reusability. Some (but few) PSA products have been designed using application object that run on Sun-oriented architectures (Solaris/SPARC). Finally some PSA products have been designed using Java object components that allow for applications to be run across multiple, different server/operating system environments.

Chances are that your company already has a bias on which operating environments and what application development environments it wishes to embrace. Your PSA choice should be consistent with your company’s existing information infrastructure.

But, also consider this – application design and integration is only one piece of the PSA design puzzle – PSA buyers should also examine the business and workflow rules engine that compliments the object-oriented design of a particular PSA solution. Questions that prospective PSA buyers should ask themselves include: 1) does the PSA

Evaluating PSA Suppliers

rules engine allow me to adapt the PSA product to my company's way of doing business?; 2) Can the rules engine be easily modified to allow my company to implement new processes?; and 3) Is this product flexible enough to meet my current needs and yet be easily adapted to my needs in the future?

Most of today's PSA products are based on an object model of design – but look for products that are not and consider avoiding such products if flexibility is a major decision-making criteria for your product.

6. Pre-defined Templates, Ad-hoc, and Customized Reporting Capabilities

Today, some professional services firms manually search through databases and then manually calculate and tabulate data – resulting in wasted administrator's time as well as risking introducing errors into reports due to potential human errors. Well designed PSA products can automatically search through data that has been captured by diverse applications and automatically generate reports for individual contributors, line managers, and run-the-business executive managers – thus eliminating the need to manually build reporting documents.

Further, because PSA programs capture a lot of useful accounting and performance data, PSA buyers realize a huge (but sometimes intangible) payback by using automated reports to track aspects of their businesses that they are currently not tracking efficiently. And any improvements in an enterprise's efficiency serves to help lower SG&A costs – costs that are subtracted directly from a company's bottom-line cost of doing business (thus directly contributing to profitability). The potential to improve an enterprise's operational efficiency by more effectively using data at the company's disposal is why prospective buyers of PSA suites should look closely at the data capture, cross-application data sharing, and data “drill-down” capabilities of any PSA package they are considering using.

When evaluating PSA suites, prospective buyers should ask themselves questions like:

- a. Can time/expense/resource utilization/program management and other data be mixed- and-matched to create ad hoc reports for the management team?
- b. Does the PSA supplier provide any “industry-specific” templates that would help a law firm, an accountancy, or an IT organization gain new insights into the efficiency of their respective organizations?
- c. Does the PSA supplier provide easy-to-use “decision support” tools that make it possible for non-technical managers (not programmers or highly-skilled administrators) create their own custom reports?

Remember, all PSA applications capture data. A good PSA application suite will feature well integrated applications that allow for application capture and analysis across the entire product offering.

Evaluating PSA Suppliers

7. Access to Customization/Integration Services

Most professional services organizations, internal professional support organizations, and R&D organizations have their own desired flow of work, and usually have already established accounts receivable/payable and other business systems to which they must supply data.

Prospective PSA buyers who wish to tailor their PSA programs to match internal workflow and rules should not only examine how flexible a PSA suite is, but also:

- a. Whether their PSA suite provider offers customization services that allow a PSA solution to be tailored to meet the existing business workflow conventions of the prospective buyer; as well as
- b. Whether the PSA suite supplier offers business application integration services that enable the PSA suite to be integrated with the prospective buyer’s back-end run-the-business applications such as accounting, human resources, and sales.

8. Access to Application Solution Provider (ASP) Services

Many professional services organizations do not have the time nor expertise needed to deploy PSA solutions, nor the staff needed to perform ongoing maintenance for PSA products. This is where Application Solution Providers come into the picture. For those professional services groups that do not wish to design, deploy, maintain, and manage a PSA solution suite, many PSA suppliers as well as ASPs offer hosting and integration services.

For prospective PSA suite or module buyers, buying ASP or hosted-by-the-PSA-vendor solutions may enable the buyer to realize the best of both worlds – gains in organizational efficiency without the need to install and manage PSA applications and systems.

One point to consider is that some business case analysis reveals that the costs of ASP or vendor-hosted solutions versus the increased revenue stream (from better individual contributor utilization) as well as reduced administrative overhead actually enables some PSA programs to pay for themselves starting on day one. The logic of this argument looks something like this (see Figure 2):

Figure 2 – PSA Cost Justification (Time and Expense Module Only)

400 Individual Contributors		
• Use of time/expense/approval system	400 ICs X	
• Billable hours saved per month through reduced administrative tasking and automated approvals	1hr/month	x\$75/hr.= \$30,000
• Typical cost for PSA time/expense/approval model hosted by PSA supplier or ASP	400 ICs x	\$20/head = \$8000
• Cost difference		\$22,000

Evaluating PSA Suppliers

Although the above argues strongly in favor of using a PSA module and having it hosted by an ASP or PSA solution provider, prospective PSA solution buyers need to recognize that this model is an over-simplification of savings to be had using PSA products. Remember, for PSA programs to be really effective they may need to be modified and adapted to a particular business workflow model that exists within the buyer's information infrastructure, or PSA programs may require additional integration work to be performed in order to unite captured PSA data with existing business applications and business systems.

Still, by streamlining workflow, and by enabling data that has been captured to be manipulated and analyzed in new and different ways, PSA products tend to pay for themselves in rapid fashion.

Measuring PayBack

All professional services entities – whether they be dedicated management/IT consultancies, law firms, internal IT departments, architectural/-engineering firms, media publishing, research and development, or government organizations, or internal support groups or research and development organizations – base their businesses on providing or selling professional expertise. However, measuring payback on an investment in PSA software differs by the type of business entity that purchases a PSA solution -- take a closer look at two types of different services organization and you'll note that the payback results are somewhat different:

- For Professional Services organizations, “profit” is derived by subtracting the cost of doing business (salary, travel and expense, sales/general/administrative support, benefits) from the amount of billable time accrued on strategic or tactical consulting/development projects. Any activity that reduces non-billable time or that reduces sales, general, and administrative (SG&A) costs increases the profitability of a PSO.
- For Internal Professional Support Organizations, efficiencies gained using PSA software can result in faster time to market for internally developed products, or faster response time to customer needs, or the need to hire fewer workers (because existing workers are made more efficient).

But efficiency gains due to improved workflow are only one way to measure payback. Much harder to quantify is the fact that organizations can use PSA data to create reports that measure the health of an organization, its resource utilization, or dozens of other aspects of the professional services business. There is certainly payback in more efficient use of resources – but there is also hidden payback in the ability to better direct the utilization of resources within a company, or the ability to better satisfy a customer through better project management, or the ability to share information amongst employees such that employees no longer have to reinvent-the-wheel every time they take on a new engagement. Integrated reporting and collaboration tools may be the “hidden gems” in the use of PSA solution suites.