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THE ROI FROM USING PSA SOFTWARE

A white paper that discusses the Return-On-Investment that companies realize from using Professional Services Automation (PSA) to automate the operations of a project-based services

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The ROI Delivered from PSA Software

Background

The effectiveness of a professional services organization (PSO), whether a professional services firm or an internal service organization, depends on its ability to fully leverage its collective skills and expertise to efficiently generate business and deliver work product of the highest quality. Irrespective of their specific mission, PSOs across a range of industries are governed by similar economic drivers, and there are a few key areas, such as resource utilization rates, that have a profound impact on profitability. Professional Services Automation (PSA) software is designed to measure performance in these key areas and provide the tools that lead to performance improvement. PSA generates a rapid and substantial return on investment (ROI) by improving operational efficiency, employee effectiveness, and management visibility.

What is Professional Services Automation?

Project-based service organizations have turned to Professional Services Automation (PSA) solutions to automate their processes and streamline their operations, including new business generation, service delivery, and administration. PSA software automates these functions with an integrated suite of solutions for:

• Resource planning
• Project management
• Project Accounting including time and expense tracking
• Client billing and/or integration with accounting systems
• Collaboration and knowledge management
• Reporting

What are the benefits of PSA?

Professional Services Automation (PSA) generates a rapid and substantial return on investment (ROI) by improving operational efficiency, employee effectiveness, and management visibility through project management, resource management, project accounting, time and expense tracking and revenue recognition capabilities. Companies that utilize a PSA tool benefit from:

• Automated, scalable workflows that reduce cycle time, administration and errors
• Real time, actionable performance metrics to ensure projects are delivered on-time and on-budget
• Tools to effectively allocate resources and improve utilization
• An integrated platform to ensure consistent, accessible data
• Ubiquitous accessibility through SaaS infrastructure

However, the true benefits that matter to companies that either use a PSA tool or are considering one are quantifiable increases in revenue and decreases in cost that drive to the bottom line of the companies P&L.

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Benefit #1: Using a PSA solution will increase the utilization of your billable resources

- The utilization rate for a client-facing professional services organization most often measures the number of total billable hours as a percentage of total hours worked. In an internal professional services firm, such as IT departments or in-house consulting groups, the utilization metric is less a gauge of profitability than productivity by measuring their efforts against projects. Regardless, PSA increases utilization rates in two major ways:

• By conducting forward-looking utilization reports in a PSA tool, staffing managers will benefit from greater insight into project status, resource utilization and staffing needs, leading to less idle time between projects and less "on the bench" time. These employees can be rapidly deployed to billable activities or other efforts of more significance to the firm, such as supporting business development efforts.

• Your employees will spend less time on T&E processing due to a PSA's automated, electronic submission and approval processes for timesheets and expense reports.

Let's assume that by using a PSA solution, your company can decrease your bench time per billable resource by one (1) day per year. This decrease in "on-the-bench" time will generate an additional eight (8) hours of billable time per resource per year. Assuming your average bill rate is $150 per hour, your company will realize $1,200 per year in additional revenue (and profit) per billable resource. In addition, let's assume that using a PSA solution will save each billable resource 15 minutes per week on T&E processing; this time savings allows them to capture an additional 780 billable minutes per year, or 13 hours per resource. Assuming your average bill rate is $150 per hour, your company will realize $1,950 per year in additional revenue (and profit) per billable resource.

Benefit #2: Using a PSA solution will increase the number of billable hours that are captured by your resources

- Using a PSA tool will automate your time capture process and thereby minimize revenue leakage from missing timesheets and manual data entry. Billable employees are ensured of capturing a higher percentage of actual billable hours. For example, if your billable professionals can capture an average of 30 additional billable minutes per week per professional, your company will realize a revenue (and profit) uplift of $3,900 per year per billable resource, assuming your average bill rate is $150 per hour.

Benefit #3: Using a PSA solution will reduce the amount of time your employees spend on administrative work, such as writing reports or doing work in excel

- Most PSA solutions offer a web native, robust reporting
engine, which allows real time access to data and is highly configurable to your specific needs. Additionally, using a PSA tool to centralize your data collection and reporting ensures that all people are working with the same data. Let's assume that the use of a PSA solution leads to five (5) less minutes per week that each of your billable resources needs to manage reports in excel; this time savings will translate into a revenue (and profit) uplift of $650 per year per billable resource, (again, assuming your average bill rate is $150 per hour).

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Benefit #4: Using a PSA solution will lead to significantly improved profit margins

- By providing tools to ensure that project bids are accurate, by managing projects more effectively, and by providing executives with analytic tools to identify and focus on the most profitable projects, PSA helps ensure high margins.

• With PSA, a company is able to continually refine the project estimating process. When bidding on a project, the business development team can use the knowledge management system to find relevant past project plans and use the actual costs to create an accurate new bid. Most PSA tools like OpenAir also include tools to conduct
scenarios and see the impact on projected profitability.

• The best PSA systems include a comprehensive project management system that is accessible online. Web access means project plans can be continually updated and reviewed with real-time information on status relative to milestones and budget. Project managers are thereby able to identify and address issues early to minimize absorption.

• Since employees track time back to specific projects and clients, managers and executives can conduct detailed
profitability analysis to ensure the company is focused on the most profitable engagements.

Therefore, using the real-time project and task level information available through a PSA tool, managers can reallocate resources across projects, thereby leaving to fewer days per year of non-billable work per billable resource as well as fewer days per year of re-work per billable resource. Assuming only a half-day improvement on non-billable work per billable resource and another half-day improvement in re-work per billable resource, your company will generate an additional eight (8) hours of billable time per resource per year.

This improvement translates into $1,200 per year in additional revenue (and profit) per resource for your company, (again, assuming your average bill rate is $150 per hour).
In addition to the quantifiable benefits, the use of PSA solution for your company will yield benefits that are more difficult to quantify, such as:

• Reduced employee turnover costs— PSA solutions help companies both reduce employee turnover rates and lower the costs associated with turnover. Staffing managers who use PSA effectively are able to weigh employees' interests and development goals when assigning them to projects, ensuring a high level of satisfaction and motivation.

Also, PSA systems often include an objective, easily accessible record of employee accomplishments, so the best performers can be identified and rewarded. Finally, when an employee does need to be replaced, having a standard PSA system facilitates the integration of new employees into project teams, thereby reducing the costs of incorporating new employees into the organization.

• Improved client retention — PSA enables teams to deliver higher quality client product and to collaborate more effectively with clients, thereby improving customer satisfaction and retention:

– By drawing on prior project plans a project manager can develop an accurate ingoing plan to set realistic client expectations at the project outset.

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– With an online, real-time project management system, project managers have early insights into project risk, so they can take corrective action and ensure delivery on time and within budget (or else set client expectations appropriately).

– Project quality is further enhanced through project collaboration functionality, through which project teams can bring to bear state-of-the company expertise on each client project.

– Finally, the most flexible PSA systems enable clients to become more involved with the project teams by creating fully customized project roles that grant them access to selected information.

• **Faster cash collection through an automated invoicing/billing cycle**

— PSA systems that include strong billing and invoicing functionality accelerate customers' billing cycle in several ways: – Billable information gets loaded into the system sooner if the PSA tool allows allow data entry through any Internet connection, PDA or WAP-enabled phone

– The billing cycle is be automated (if the PSA system includes sophisticated billing engines), allowing both Time and Material (T&M) and Fixed Fee charges to be created as time is approved and dates/milestones are triggered, respectively

– Invoices are automatically created based on approved timesheets, expense reports and purchases

– Integrating your PSA solution with your financial system ensures billing information is inputted into your existing invoicing system faster

ROI calculation

Now that we have discussed the benefits of using a PSA tool to manage and automated your services business, let's calculate the return on investment (ROI). Assuming an average bill rate of $150 per hour and the improvements to utilization, time capture and profit margins, a company will realize $8,900 in additional revenue (and profit) per employee per year. A 100-person company paying our standard rates for OpenAir Professional Edition and incurring standard services fee to deploy OpenAir will realize a 3-year ROI of 401% and a payback of less than three months. Increasing the average bill rate to $200 per hour improves the 3-year ROI to 568% and decreases the payback period to two months. Across a 500-person company, the return is even more impressive.

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Return on Investment (ROI)

	# of billable resources		
	100	**250**	**500**
$100 per hour	234%	316%	510%
$150 per hour	401%	524%	816%
$200 per hour	568%	732%	1121%
$250 per hour	735%	940%	1426%

average bill rate

Payback period (days)

	# of billable resources		
	100	**250**	**500**
$100 per hour	119	92	62
$150 per hour	79	61	41
$200 per hour	60	46	31
$250 per hour	48	37	25

average bill rate

Conclusion

The use of a Professional Services Automation (PSA) tool will have a significant impact on your business. For most services organization, the cost of the PSA solution is often recouped through just a few additional minutes of billings or increased productivity per resource each month. However, when PSA is deployed effectively across the entire services project life cycle, including project management, resource management, time and expense capturing and invoicing, PSA generates a rapid and substantial return on investment (ROI) by improving operational efficiency, employee effectiveness, and management visibility.

About CrossConcept Continuum

CrossConcept is a multi-award winning Canadian based leader in professional services automation (PSA). CrossConcept was founded in 2010 by system engineers, who have been developing and implementing PSA software for leading Professional Services Automation software vendors since the segment emerged in the 1990s. CrossConcept has over one hundred years combined experience helping service organizations automate processes.

For More information, visit - continuumpsa.io

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