Driving Growth (and Profit) at Professional Services Organizations

How Professional Services Automation (PSA) software gives business leaders the insight to plug revenue leaks, optimize resources, deliver for clients, and plan for the future.

BIGTIME

Table of Contents

Illuminating the Path to Profitable Growth

A Letter of Encouragement to Leaders of Professional Services Organizations

> " *"From the outside, we look like we're so successful, so why do I feel like we're out of control?"*

In our many years of working with the leaders of professional services organizations, we've often heard versions of the above question. Companies reach a phase when it seems (at least from the inside) that progress halts and it's difficult to see a clear path ahead. The organization has grown but has not yet achieved the momentum and rigorous operating processes of a mature operation.

Leaders notice telltale signs that the pieces of the growing organization are not working together smoothly. Perhaps they failed to deliver an important project as promised. Or billable hours inexplicably have declined even as some consultants risk burnout working around the clock. And nobody seems to know how much business there will be next quarter and whether the organization should hire more people or cut back.

We remember a conversation with the CEO of a marketing organization who described this phase well. "All of our financial forecasting was done with a Ouija board," he said. "We couldn't see the impact of what work was in the pipeline. Our managers wanted to make hiring decisions because we believed we were growing, but I didn't have data to back that up. We were counting on cash flow, but there was no way to track or manage it."

We can assure you that your organization can emerge from this struggle stronger than ever, with delighted clients, well-utilized staff, and healthy margins. First, though, you must resist the temptation to address the symptoms rather than your organization's underlying problem. For example, if you face a revenue shortfall, your first reaction may be to upgrade your billing system or lead-generation engine. If client projects are behind schedule, you might be inclined to consider reworking your approach to project management. And while these instincts are understandable, they almost always prove limited in their ability to produce sustainable solutions.

If the systems (or spreadsheets) you use to manage your business haven't kept up with growth, software designed to upgrade a single function is unlikely to restore or maintain momentum. This approach is like driving on unfamiliar country roads using only a flashlight for illumination. If you want to drive safely and with confidence, you need a set of headlights that can reveal the road ahead.

For professional services organizations, those headlights come in the form of Professional Services Automation (PSA) software. Modern PSA software are delivered as cloud services with a suite of interlocking capabilities that empower an organization to optimize its resources, improve its profit margins, and deliver high-quality work for its clients:

Project management designs the blueprint for each job, organizes the work to be done, and tracks it to completion.

Resource management is air traffic control for professional staff, ensuring the right people are on the right job at the right time.

Project accounting keeps a separate tally of the time and expenses of each assignment, billing the client according to the contract terms.

Business analytics reports on project profitability, resource utilization, and other metrics essential to managing a services organization.

Upgrading any of these capabilities will enhance an organization's efficiency and flexibility. Unifying them in a single system turbocharges these benefits, eliminating the delays and errors that come from moving information between disconnected spreadsheets and applications.

The true transformative power of PSA software comes from the holistic view of the entire organization's activities and how they work (or don't work) together. Armed with these powerful insights, leaders can identify problems, make course corrections, and plan with confidence.

If all this sounds too good to be true — or you're just not sure if your organization needs PSA software — this guide is for you. In a few short pages, we've distilled our experience in professional services to show:

#1 Why the performance of professional services organizations degrades as they outgrow their information systems and manual processes.

#2 What PSA software is and how it works with the other systems that companies use?

#3 How PSA software improves the effectiveness of nearly everyone in the organization, from front-line consultants and functional managers to top executives.

When you decide to explore PSA software further, we look forward to showing you our platform solution, BigTime Software. We'll show you how our customers are seeing nearly 91% of their invoices paid on time compared to the industry average of 61% of invoices paid on time.

For now, though, let's explore why any good PSA software can cut through the fog and illuminate the path to profitable growth.

Sincerely,

Brian Saunders

CEO & Founder of BigTime Software.


Steve Chong

Head of Strategy of BigTime Software

Why Professional Services Organizations Lose Control

Take a quick look through your organization's current list of projects. Whether your specialty is architecture, consulting, or engineering, the odds are that many of these engagements are meant to help your clients through better use of data and analytics. Yet many professional services organizations have deprived their own managers and professional staff of the data and tools they need to do their jobs well.

The Black Hole of Service Delivery

This gap becomes painfully evident if you map the flow of information through a typical organization and the stack of systems used to process it.
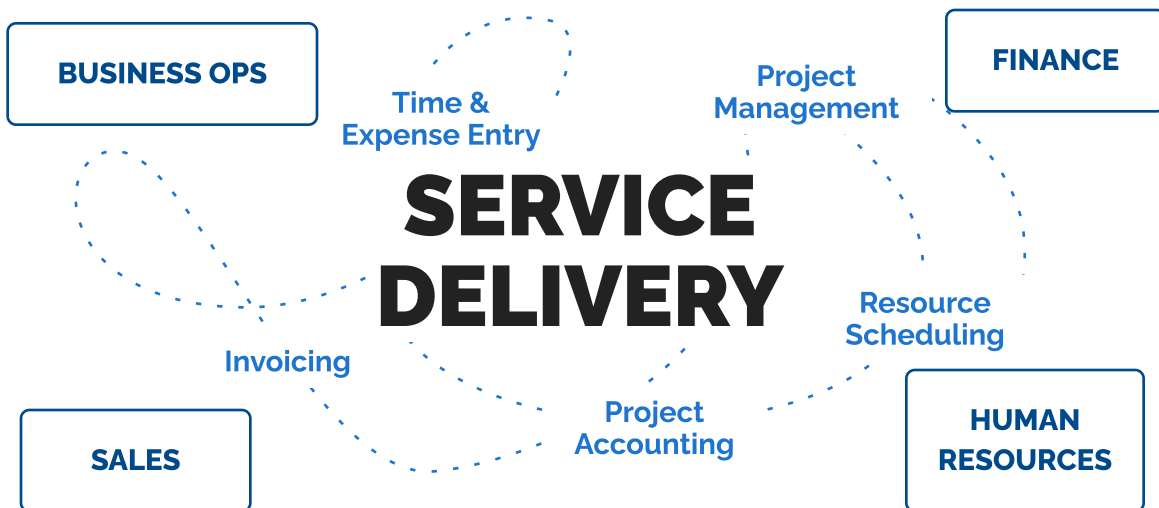
Most professional services organizations have invested in:

#1	**#2**	**#3**
Marketing Automation & Customer Relationship Management (CRM) systems to bring in and manage projects.	**Payroll or Human Capital systems** to reward the people who do the projects.	**Accounting or Enterprise Resource Planning (ERP) systems** to tally up the profits from those projects.

What's in the center of the map — where the projects are executed and delivered to clients? A void that's been filled by schedules written on whiteboards, expenses tracked in spreadsheets, and a hodgepodge of narrow applications, purchased or homemade, to handle functions like scheduling and invoicing.

Sometimes, out of frustration, management will even add Business Intelligence (BI) software to this makeshift stack to try and get insight into what's really happening. Often that doesn't help much. The operations of these businesses are effectively black holes from which meaningful information cannot escape.

The Dire Consequences of Inadequate Information

When you look at the execution challenges that growing organizations face, most roadblocks can be traced back to data. A person in one part of the organization doesn't have up-to-date visibility into the budget, schedule, or plans of another group or team. They just guess, and too often they make costly mistakes.

Some common costly mistakes growing organizations face:

Project overruns and delays

When spending and progress for projects are not tracked in real-time

→ project managers won't identify and correct problems before they get out of hand.

Utilization

When schedulers can't see the resource needs of projects over time

→ some people go underutilized while others burn out working 80-hour weeks.

Revenue leaks

When time and expenses are not entered or are trapped in disconnected spreadsheets

→ work in progress accumulates and may never be invoiced.

Mispriced contracts

When project planners can't see which past projects were profitable

→ they can't guide sales on the appropriate rates and terms for new business.

Inefficiency

When managers and back-office staff must shuttle data between disconnected systems

→ overhead increases and the share of total hours worked that are billable falls.

Revenue stagnation

When leaders can't assess the new-business pipeline

→ they aren't able to adjust staffing levels to support growth.

PSA Software Explained

Simply put, PSA software replaces the jumble of manual and ad hoc solutions with a unified system that handles all the functions needed to deliver billable work to clients.

The core modules of PSA software are:

- Resource planning
- Project management
- Financial management
- Business optimization

Some also integrate additional functions such as collaboration, and knowledge management.

PSA software gives everyone the accurate and consistent information they need to make smarter decisions. This single source of truth, in turn, generates accurate forecasts of project outcomes, staffing requirements, and the overall financial performance of the organization.

The Heart of an Efficient Services Machine

Look at the tech stack of a professional services organization with PSA software in place, and you'll see clear paths for information to flow. The CRM system feeds the pipeline of prospective new jobs to the PSA software so tentative plans and resource assignments can be made.

As work is done, the PSA software sends revenue and expense data to the financial system. PSA software can also integrate with the HR system, providing time-use information for payroll and drawing details about resource management and qualifications to use in scheduling.

Instead of the black hole from which no information emerges, PSA software becomes a shining star of consistent data and useful insight.

How Organizations Benefit From PSA Software

PSA software is a powerful tool because its design reflects the way work is done in professional services organizations. It organizes information around the two things that professional services managers most obsess about: people and projects. It understands the interdependencies between functional areas. And it has a sophisticated way of analyzing the ways in which resource allocation over time affects cost, revenue, and profit.

A well-designed PSA software makes every team in a professional services organization more effective: consulting, project management, resource scheduling, sales, finance, and executive leadership. They each get tools that simplify routine tasks. They see the information they need in the right places without extra effort. And they are instantly alerted if something important changes.

Here are just some of the ways that a PSA software can improve the functions of a professional services organization:

Consultants

Consultants and other delivery experts want to spend as little time as possible on paperwork. They also want assignments that challenge them and broaden their skills but with a minimal amount of "drudge work" and less chance of burnout.

PSA Software Benefits for Consultants

- A simple way to enter time and expenses on any device.

- Clear real-time view of assignments and schedules.

- Tools to collaborate and communicate with their teams.

- A workload in the sweet spot between burnout and boredom.

- Assignments that take into account their skills and interests.

Sales

Sales professionals require accurate information about what work can be done at what cost in order to write proposals that win business.

PSA Software Benefits for Sales

- Solutions architects can provide more accurate estimates of effort and time needed for proposed projects using real-time data about available resources as well as historical information of similar projects.

- Data on the profitability of past projects can inform the scheduling, billing rates, and terms for fixed-rate contracts.

Staffing

Resource managers are in many ways the heart of a top-performing professional services organization. They must assign the right people to staff each new project while making sure that resources will be available to staff projects in the pipeline. They need to be aware of the skills, interests, and personalities of each individual contributor, understanding how to combine the most effective project teams. They are also responsible for ensuring the appropriate utilization rate for individual contributors and for the staff as a whole.

PSA Software Benefits for Staffing

- An up-to-date inventory of people, their experience, and capabilities.

- Tools to assign resources to each project, optimizing delivery commitments, resource availability, skill level, and budget constraints.

- A forecast of future staffing needs, drawn from the sales pipeline in the CRM system and detailed project management plans.

- Automated systems for getting appropriate approvals and for informing staff and project managers of new assignments.

- Ability to track the interests and objectives of consultants to enhance their career development and job satisfaction, thereby reducing turnover.

Project Management

Project managers are responsible for delivering what the client wants, when the client wants it, and at the cost the client agreed to pay. PMs need to negotiate with the resource management department for staff assignments and must balance client needs with the organization's utilization and profitability targets.

PSA Software Benefits for Project Management

- ✓ Tools to plan projects that identify discrete phases, appropriate milestones, and needed resources.

- ✓ Integration with resource management to specify the mix of skills, experience, and billing rates needed to staff the project at each phase.

- ✓ Real-time view of work done, milestones achieved, and expenses incurred.

- ✓ Updated forecast of project completion dates and estimated final costs. These projections serve as an early warning that a project is going off track. The project manager can then fix the problem (if possible) or alert the client (if necessary).

Billing

The task of billing clients for the work done on their behalf (and no more) is spread among many people at most organizations, creating a myriad of potential errors. Consultants must first accurately enter their time and expenses, then this data must be collected, checked, approved, and incorporated into invoices.

PSA Software Benefits for Billing

✓ The entire billing process — from collecting time entries to generating data for invoices — is part of one system, so nothing gets lost.

✓ Each interaction that requires human involvement is designed to be maximally fast and convenient.

✓ Delays are flagged by the system, reducing unbilled work in progress and slashing revenue leakage.

Finance

Accounting teams must adhere to a broad set of compliance demands, including ASC 606, the recently revised international standard that governs how companies, even private ones, must recognize revenue.

PSA Software Benefits for Finance

✓ An updated view of the progress made on each project and how it fits into the milestones specified in the client contract. This information allows the company to comply with regulations and report revenue when it is earned.

✓ Revenue and expense data from the project accounting system is translated into general ledger entries and fed to the organization's accounting system. In complex organizations, PSA software provides information to support accounting across multiple affiliates and currencies.

Leadership

Many of the challenges for leaders of professional service organizations involve balancing competing objectives. There are inevitable trade-offs to manage between delivery quality, utilization rates, and profit margins. And over the longer term, faster revenue growth can come at the expense of profitability.

PSA Software Benefits for Leadership

- A dashboard with live readings on the health of every part of the organization — the flow of new business, deliverables to clients, resource utilization, and project profitability. This allows leaders to intervene when problems arise and to fine-tune the operating model for efficiency.

- Feedback on the revenue impact of discounts, fixed-price contracts, spec work, etc. that can be used to optimize pricing strategy.

- An accurate forecast of future revenue and resource utilization, based on historical data, current projects, and the sales pipeline, adjusted for varying contract terms. These predictive analytics enable precise control of staffing levels and the use of subcontractors.

- Insight into the profitability of clients and project types, allowing the organization to fine-tune its business model and sales priorities, maximizing its profitable growth.

Choosing the Right PSA Software for your Organization

With a well-implemented PSA software, a professional services organization runs tighter. In the Professional Services Automation Software Benchmark Report that surveyed 400+ professional services businesses, the following was revealed:

86%	**81%**	**48%**	**57%**
of PSA software customers say their employees see the value in their respective PSA software.	of PSA software customers saved time completing administrative tasks since implementation.	of businesses using PSA software allocate resources to a project in 1 hour or less.	of PSA software customers say it takes less than 1 month to get paid. Of those customers, 13% report receiving payment in as little as an hour.

If you're a growing organization struggling with inconsistent performance, you may be attracted by the benefits of a PSA software yet overwhelmed by the complexity of evaluating, buying, and implementing a new software package. BigTime Software is here to help.

Start with our helpful Buyer's Guide: How to Choose the Best PSA Software for Your Business. It explains the options and features that are available, helps you determine what your organization needs most in a PSA software, and arms you with some tough questions to determine which vendors will deliver what you need.

As you learn more, we're confident you will see why so many organizations like yours have chosen BigTime and have continued using it for years.

Have any questions?

We'd love to tell you about our software, of course, but even more, how to identify the challenges your organization faces that can keep it from achieving consistent profitable growth.

BOOK A TIME TO CHAT

About BigTime Software

BigTime helps professional services businesses operate more effectively to better plan, manage and get paid for client work. Our award-winning Professional Services Automation (PSA) software enables better project, finance, and resource management backed by robust analytics and reporting.

Thousands of professional services businesses use BigTime to deliver exceptional results for their customers, ensure teams are able to focus on the work that truly matters, and operate their businesses efficiently.

See how BigTime can move your business forward.

Visit bigtime.net and book a demo today.

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