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CONSULTING

M A G A Z I N E

Getting

“IT”

By Alan Radding



Be it a whack on the side of the head, or some other form of inspired enlightenment, firms of all sizes are finally leveraging the powers of application software.

The recent downturn wasn't fun for consulting and professional services companies. The dot-coms and e-business upstarts were doomed by the relentless laws of profit from the beginning. As one of their consultants, if you didn't get paid before they imploded, there was nothing to collect on except cubicle dividers and empty office chairs.

Maybe even more painful were the corporate clients. When they stopped chasing the dot-coms, IT investments dried up. They reined in spending. Consulting firms found engagements scarce, and those that turned up paid a fraction of the rates the firms had commanded during the boom times. It was a prescription for disaster. That's when most consulting firms went into survival mode.

You have two choices when it comes to weathering a severe downturn like the one the consulting industry recently went through. You can batten down, pare back, and reduce expenditures to the barest minimum until engagement revenue starts to turn back up. Or, you can invest selectively in the things that will help you stretch the resources and revenue you have or leave you in a position to grow once the economy turns around.

“The good news is that the industry is starting to come out of the recession,” says David Hofferberth, senior product strategy director working on professional services automation at Oracle Corp. So, what do you do now? Is your firm ready to grow? Consulting and professional services firms that invested in professional services automation (PSA) find themselves prepared to capitalize on renewed demand for consulting services now that interest in consulting and professional services is growing again.

Of course, professional services firms have long used PSA. However, the consulting and professional services market that is emerging from the downturn is substantially different from that in the glorious days of the boom years. Customers are more savvy and demanding. They want visibility and transparency, and they expect to have input into the process. And the fee structures are not nearly as generous, which means that consulting managers will have to exercise much tighter financial control to ensure profitability.

This new environment requires a new type of PSA — not the old PSA, the kind that simply helped professionals capture and track time and expenses or schedule resources on projects. Today, firms need tools to help optimize revenue and cultivate

the customer relationship to generate a steady stream of new business. Time and expense tracking and project management certainly aren't going away, but consulting firms need PSA to do more today.

“We used to have a big white board to manage all our projects and resources,” says Dane Womble, director of client services at Tyler Technologies' Incode division, Lubbock, TX, a company that provides software and professional services to local governments to help them manage their operations. The big white board — PSA the old way — gave management an at-a-glance view of the projects it was engaged in, but it couldn't scale to accommodate the kind of growth the company envisioned, and it provided no insight into what really counted, the money flow.

Using Epicore's PSA product in conjunction with Epicore's back office suite, Incode managers can now manage revenue and “know how much revenue and how many fees are coming,” Womble says. The PSA product will give managers effective insight into how much time was spent on any given project and track profitability, a critical capability when you are trying to deliver professional services at a fixed price. The product also lets the company assign and schedule resources based on skill sets as well as availability.

The first-generation PSA certainly had some basic financial capabilities. Specifically, the tools captured time and expense information, although they did not necessarily integrate on any level with the firm's billing system and general financials. The new PSA products not only track time and expenses but also integrate with existing financial systems and provide sophisticated analytics to do such things as manage cash flow and

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monitor profitability by consultant, project, or client.

“One reason we bought Deltek is that we wanted performance transparency,” says Michael Meltzer, COO at Sirota Consulting LLC, Purchase, NY. To deliver performance transparency, the PSA product needs to track and highlight key performance metrics using integrated financial data. “We want to see what’s going on in real time or close to real time, and we want our managers to see,” he continues. Previously, top managers relied on the company’s core financial package, in which expenses were collected manually and then put into the system. “We were always looking backward,” he adds.

QAD, Carpinteria, CA, turned to Changepoint get the same kind of financial management. “We needed metrics around time and cost and we needed all the information in one tool so that we could combine invoicing,” says Stephen Sawicki, director of operations for QAD’s global consulting services. The company deployed Changepoint in 19 countries where it operates, and now it is able to capture time, expenses, and travel costs in a single system, which allows it to match expenditures against budgets. The PSA tool allows it, for the first time, to have standard processes worldwide for expense reporting, invoicing, and other tasks.

Another key difference between the earlier generation of PSA and the latest products is how they address the firm’s customers. In the past, the tools typically offered some kind of contact manager that, when combined with ticklers and other rudimentary automation, helped consultants track new business prospects and keep up contact at the appropriate level throughout the sales pipeline. Some of the early PSA provided centralized contact managers and even offered rudimentary customer relationship management capabilities.

Professional services customers today are different. They too learned the lessons of the boom and bubble economy. They are no longer willing to write blank checks for professional services. They want flexibility when it comes to deliverables, terms, and rates. They want to keep tighter control of a project, watching progress every step of the way. And they are more willing to question invoices.

Consulting firms need to deliver a different level of service to these proactive, demanding customers. To help them, PSA products are providing external, Web-based access and portal capabilities. The firms increasingly are allowing customers to access data that previously remained internal and was doled out very carefully as part of the consulting firm’s control of the project.

“We see this as a strategic capability. It allows relationship transparency,” says Meltzer. The company uses the Web-based connection to allow customers to share in project plans, change the plan, and share expense and budget information.

QAD hasn’t gone quite that far, although it could. However, it has extended its PSA capabilities to external contractors, who access Changepoint to submit time and

expense information. “Now they can get into Changepoint and do direct entry, which saves on clerical work and speeds the process,” says Sawicki.

At the same time, the consulting firms recognized another critical lesson about customers learned from the downturn — the great value of a customer. Once the firm has acquired a customer, the relationship must be cultivated and managed for maximum profitability and repeat business. To do this, the firm needs to collect much more data about the customer than name, address, and phone numbers. In addition, it needs to collect, track, and correlate more data about the consultants themselves.

With that in mind, the new generation of PSA products has moved beyond simple contact managers to provide sophisticated sales management and CRM capabilities. “You want to have good information and combine it with information about people you know to bring in more business from existing clients and new clients,” says Barry Solomon, executive vice president, Interface Software, Oakbrook, IL.

West Monroe Partners, Chicago, originally a spin-off from Andersen’s Advanced Technology Practice, turned to Interface’s Interaction PSA to bolster its customer-building opportunities. “We realized that 90 percent of our clients result from a relationship. As a professional services firm, we live and breathe on relationships,” says Ross Freedman, customer solution service line leader.

The firm looked at conventional sales tools from a variety of vendors, but concluded that they weren’t right for the kind of selling that service professionals do. “Most tools are geared for a sales force, but we’re not sellers. We’re professional consultants. Everything we do is very consultative,” Freedman continues. Features such as Interface’s who-knows-who function provided exactly the kind of selling the firm’s partners prefer to do. One partner, for example, chased a potential prospect for months without making headway. Finally, the who-knows-who capability led him to a better introduction, and now the man is making headway.

Given the new requirements of the post-downturn consulting landscape, it is not surprising that firms are looking beyond the rudimentary PSA of the past. The products themselves are evolving into what amounts to professional services ERP systems combining financials, CRM, and business analytics with traditional PSA capabilities.

PSA is not for every professional services firm. “When we were a small company and all in one office, we didn’t need this. Things were simpler,” says Meltzer. Now that the company has doubled in size, added two offices — including one in London — and intends to continue to grow, “not having a system like this would be an impediment.” The message seems clear: Consulting firms that hope to grow in the today’s consulting environment need modern PSA. **■**