

Service Performance Insight, LLC

2024 Project-based Enterprise Resource Planning



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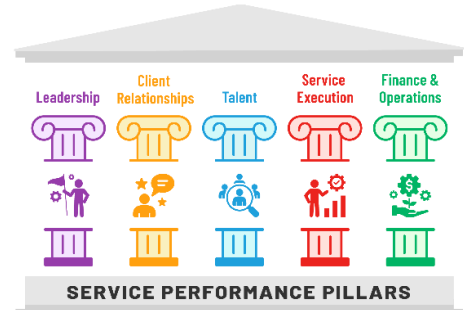
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Service Performance Insight (SPI) is a global research, consulting, and training organization dedicated to helping professional service organizations (PSOs) improve their productivity and profit quantum. In 2007, SPI developed the PS Maturity Model™ as a strategic planning and management framework. It is now the industry-leading performance improvement tool used by over 50,000 service and project-oriented organizations to chart their course to service excellence.

The core tenet of the PS Maturity Model™ is PSOs achieve success through the optimization of five Service Performance Pillars™:

- △ Leadership
- △ Client Relationships
- △ Talent
- △ Service Execution
- △ Finance & Operations



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Service Performance Insight provides an informed and actionable third-party perspective for clients and industry audiences. Our market research and reporting form the context in which both buyers and sellers of information technology-based solutions maximize the effectiveness of solution development, selection, deployment, and use.

The SPI Advantage – Consulting

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Chapter 1



Executive Summary

EXECUTIVE SUMMARY

The technology market has significantly changed in the past decade, especially in the Professional Services (PS) market. Not too long ago, Software-as-a-Service (SaaS) solutions came to market, along with the Cloud, offering excellent value for enterprise solutions. Every leading vendor sells SaaS now, which provides greater automation, more timely updates, and better security and helps lower the total cost of ownership (TCO). Artificial Intelligence (AI) was recently reintroduced and is considered the next wave of computing. These two market dynamics drive every industry, especially Professional Services.

Another significant change to professional services organizations (PSOs) is that they have increased their adoption of Project-based enterprise resource planning (ERP) solutions, which are now built on an integrated AI platform to gain greater insight and analysis. A Project-based ERP solution is an integrated information management system that manages the capture and flow of information across departments and functions. It includes a common enterprise-wide database and application modules to support fundamental business activities, such as planning, sales, marketing, human resources, resource and project management, accounting, and finance.

Project-based ERP standardizes business processes and provides reports, insight, and control for revenue and costs. Such a system's value enables critical information to be analyzed and shared across PSOs for more insightful and timely decision-making. SPI Research considers Project-Based ERP solutions to have several modules that include:

- ◇ **Planning (PL)**: The assembly and use of information to improve organizational analysis and planning.
- ◇ **Client Relationship Management (CRM)**: Automating client relationship processes to improve sales and marketing efficiency and effectiveness.
- ◇ **Human Capital Management (HCM)**: Talent management solutions for recruiting, hiring, compensation, goal setting, and career and performance management rely on integration with and extracts from the employee database.
- ◇ **Professional Services Automation (PSA)**: The initiation, planning, execution, closing, and control of projects and services through the management and scheduling of resources that include people (both internal and partners), materials, and equipment.
- ◇ **Corporate Financial Management (CFM)**: The fundamental solution required to accurately collect and report financial transactions.

Every Project-based ERP vendor in this report offers a platform for greater integration coupled with an AI engine behind it. Each also offers Corporate Financial Management, but not necessarily all the other four modules. The benefits increase as more of these modules are integrated within Project-based ERP (Table 1).

Project-based ERP is different from traditional Enterprise Resource Planning. Traditional ERP solutions were built for manufacturing with multiple components like Project-based ERP, but they were more focused on the supply chain and automating and optimizing continuous manufacturing processes.

SPI Research’s principal analyst has tracked business applications for the Professional Services market for over a quarter of a century. Until recently, business applications were dominated by best-of-breed providers that focused specifically on a certain aspect or aspects of the PSO. The ERP vendors have been around much longer, but there was very little traction in the Professional Services market – typically less than 20% of market penetration. Now, the market is changing. There will always be a need for best-of-breed providers, but now Project-based ERP solutions are beginning to take over. Everyone knew in theory Project-based ERP would be good for the

market, but in the past, specific capabilities other than financials were not necessarily world-class. Several of the leading vendors have rearchitected their solutions with strong financials, but based on both people and projects, the centerpiece of any service organization.

The purpose of Project-based ERP is not just to achieve higher levels of performance but also to help PSOs attain their stated goals (Figure 1). Typically, PSOs break down their major goals into four key areas:

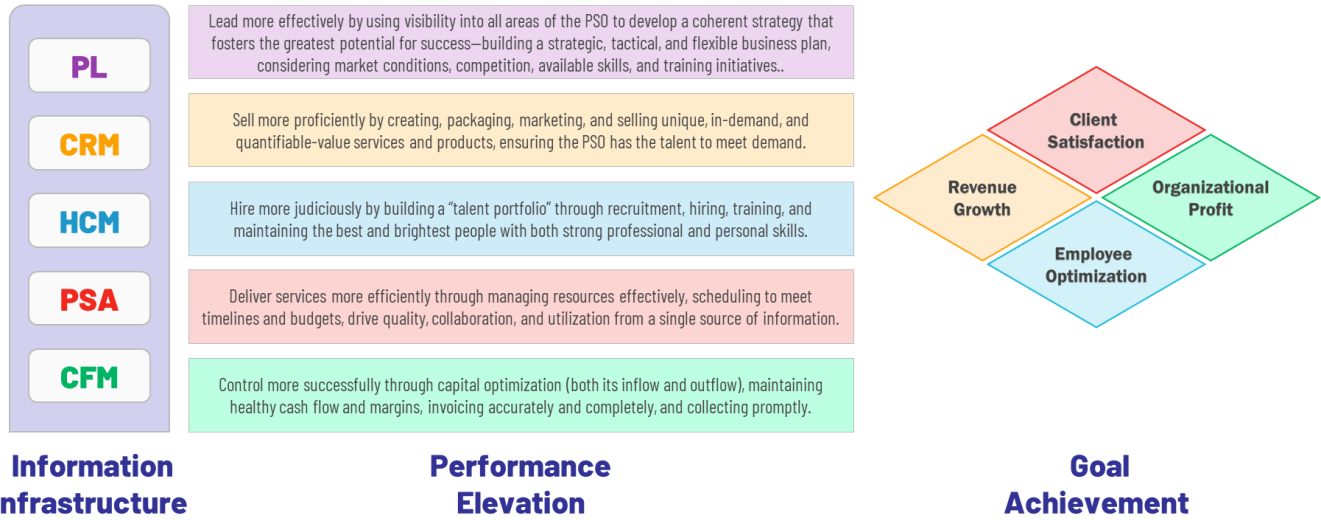
1. **Revenue Growth:** PSOs typically average 10%–20% annual revenue growth. The goal is always to exceed prior levels and stay ahead of the competition.
2. **Organizational Profit:** PSOs typically average approximately 15% annual profit (EBITDA). PS executives strive to achieve much higher levels.
3. **Client Satisfaction:** Client satisfaction is critical for long-term growth and profit. Achieving financial goals is important, but without high levels of client satisfaction, PSOs won't grow for long.
4. **Employee Optimization:** Employees are the core asset of any services-based organization, and the ability to effectively hire the right personnel and train, compensate, and retain them is critical to success. High levels of billable utilization are highly correlated with high levels of profit and client satisfaction.

Table 1: Project-based ERP Integrated Module Use

Key Performance Indicator (KPI)	Two or more	One or less	▲
Size of PS organization (employees)	1,037	300	245%
Year-over-year change in PS revenue	10.2%	9.5%	7%
Year-over-year change in PS headcount	7.7%	7.5%	3%
Deal pipeline / quarterly bookings forecast	179%	167%	7%
% of quarterly revenue target in backlog	47.8%	42.9%	11%
Project duration (man-months)	36.4	25.3	44%
Use a standardized delivery methodology	68.3%	64.9%	5%
Annual revenue per billable consultant (k)	\$211	\$203	4%
Annual revenue per employee (k)	\$172	\$165	4%
Percent of annual revenue target achieved	94.4%	92.3%	2%
Percent of annual margin target achieved	90.0%	89.3%	1%
Profit% (EBITDA)	16.8%	15.1%	11%

Source: SPI Research, 2024

Figure 1: Project-based ERP Must Support PS Goals and Strategic Objectives



Source: SPI Research, 2024

This report is provided by Service Performance Insight (SPI Research), an organization dedicated to improving operational efficiencies in services-driven organizations. SPI aims to optimize the three main components of these organizations: their people, (business) processes, and (financial) capital. Information technology is a great enabler, but only when used by organizations dedicated to and equipped for its success. SPI Research analyzes key performance metrics and studies how software solutions like Project-based ERP can impact organizational management and service delivery.

Chapter 2



Foreword

FOREWORD

The Professional Services Market Is Changing

The Professional Services sector is undergoing a profound transformation that demands improved quality, transparency, and timeliness to achieve first-rate execution at price points that ensure repeat business that comes from ongoing relationships. Add increased global competition from larger, established firms and smaller, nimble firms, and few would doubt that the Professional Services market is under intense pressure from conflicting demands.

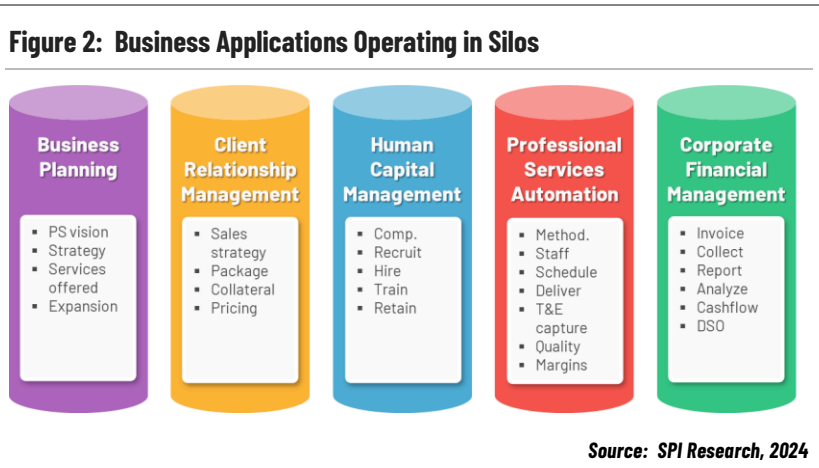
To succeed, professional services organizations (PSOs) must, at a bare minimum, sustain initiatives to perform at the highest level possible. However, they must also innovate in both market-facing and internal systems. Transformation begins with building the internal excellence that is foundational to the quality of services delivered externally. PSOs must continue hiring, training, and retaining the most talented employees available as they create innovative services with far-reaching demand. These ongoing initiatives require that PSOs have the capital necessary to invest and the informed ability to invest that capital wisely in areas that show the greatest promise for increased profitability.

Market change is always present – especially in technology. Over the past several years, SPI Research has seen PSOs adopt information technology business solutions faster than ever. It could be a move to the Cloud that has precipitated this change or just the need to increase organizational performance. Regardless, changes are here. SPI Research has found it especially interesting that PSOs are moving to Project-based Enterprise Resource Planning (ERP) solutions. Project-based ERP takes the best of what is available. It combines them into one seamless, integrated solution to help professional services organizations better plan, sell, hire, deliver, and collect for their work.

Transformation begins with building the internal excellence that is foundational to the quality of services delivered externally.

Years ago, solutions were not integrated, and many PSOs purchased them piecemeal, some integrating them, most others not. Unfortunately, this situation has led to silos within PSOs where the general

directive of each was to optimize their own specific area, but not necessarily concern themselves with the overall organization (Figure 2). Project-based ERP was developed to help professional services organizations view everything as one holistic price. The benefits of increased visibility, greater automation, and the ability to continually improve or at the foundation of Project-based ERP.



SPI's Professional Services Maturity™ Model

The Professional Services Maturity Benchmark is designed to give professional service organizations (PSOs) a reliable basis to view their performance relative to a well-established benchmark of peers. It provides visibility into critical business processes and key performance metrics. PSOs can easily compare their performance against these findings to understand, analyze, and improve business outcomes.

A hallmark of this benchmark is SPI Research's **Professional Services Maturity Model**, first introduced in 2008. Adopted by more than 50,000 organizations, their collective experience has enriched the model over time. The benchmark guides users to locate their organization on this maturity model and provides prescriptive advice to formulate practical steps to advance to the next level. This report will use the Professional Services Maturity™ Benchmark to better understand the performance benefits of Project-based ERP.

The Professional Services Maturity Model segments and analyzes PSOs into five distinct performance areas that are logical and functional. SPI calls the five underpinning elements **Service Performance Pillars™** because they form the foundation for all professional services organizations:



Leadership – Examines where and how PS executives most effectively offer a clear and compelling strategy to provide a unifying focus for organization and action.



Client Relationships – Concentrates on effectiveness in sales, marketing, and partner relationship development.



Talent – Focuses on recruiting, hiring, compensation, and retention of people who are the core asset in every project- or services-driven organization.



Service Execution – Details all aspects of project delivery from planning through resource management, project management, delivery methods & tools, time and expense capture, and collaboration.



Finance & Operations – Considers managing all financial information – revenue, margin, billing, and collections.

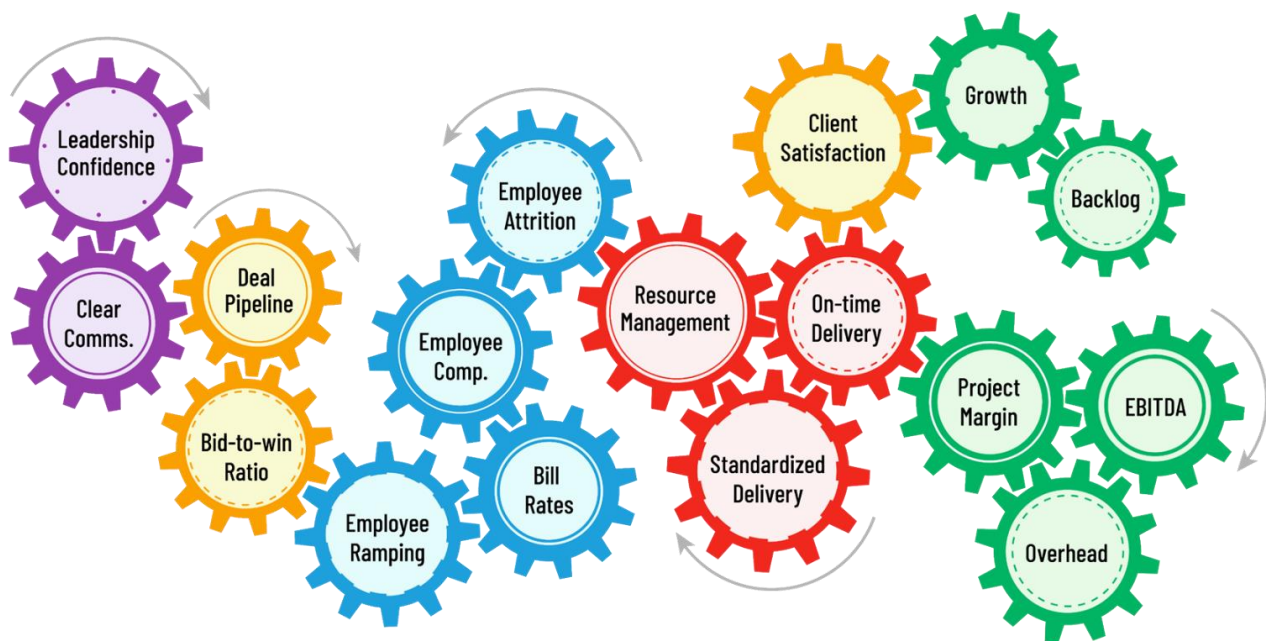
Within each of the five service performance pillars, SPI Research determines the relative operational effectiveness of each pillar with **five maturity levels** as follows:

- 1 Level 1 – Initiated "Heroic":** The PSO is early, so operating processes are ad hoc and fluid. The business environment is opportunistic and primarily focused on new client acquisition and reference building. Employees wear many hats and perform multiple roles.
- 2 Level 2 – Piloted "Functional Excellence":** Core operating processes are repeatable but unenforced. The company may demonstrate best practices in some functional areas or geographies, but those practices are not documented or codified for the entire firm.

- 3 **Level 3 – Deployed "Project Excellence"**: The PSO has standard processes and operating principles for all major service performance pillars. However, renegades, holdouts, and outliers are tolerated where they persist.
- 4 **Level 4–Institutionalized "Portfolio Excellence"**: Management uses precise measurements, metrics, and controls to manage the PSO effectively. Detailed operating principles, tools, and measurements support each performance pillar.
- 5 **Level 5–Optimized "Collaborative"**: The PSO focuses on continual improvement of all five performance pillars. A disciplined, controlled process measures and optimizes performance through incremental and innovative technological improvements. Management has established quantitative and qualitative process improvement objectives and continually revises them to reflect changing business targets.

The model is a strategic planning and management framework that quantifies performance relative to the performance of similar organizations. It is based on the correlation of all KPIs and how each can and does influence others (Figure 3). This model serves as guidance and a check for PS executives. It is especially instructive to those executives who believe that their firm operates at a high level when the numbers tell a different story. Numbers don't lie, and PSOs need better solutions to capture, track, and analyze performance.

Figure 3: Success Depends on Everyone Working Together

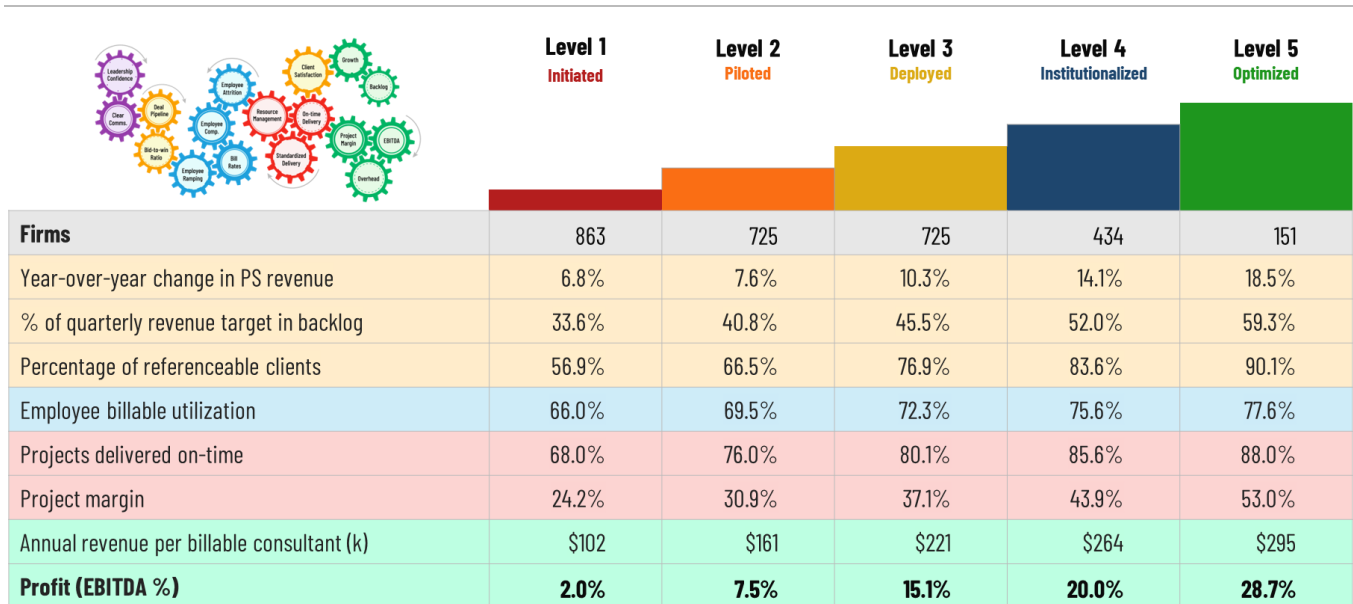


Source: SPI Research, 2024

SPI Research’s Professional Services Maturity Model demonstrates that increasing levels of business process maturity results in significant performance improvements. This quantifiable finding is based on in-depth surveys of 2,898 service organizations over the past five years. Figure 4 highlights major key performance measurements by maturity level. These numbers alone are reasons for PS executives to

investigate using it to increase profits. Many executives look to the bottom row of this figure to see just how important achieving higher performance levels can make their firms. Still, without improvement across the PSO, high levels of profitability will never occur.

Figure 4: Performance Maturity Equals Financial Success



Source: SPI Research, 2024

Technology is a Driving Force for Change

Over the years, various solutions have come to market that have improved many operational aspects of professional services organizations. These solutions tended to target specific departments within the PSO, each with its own set of challenges addressed by nonintegrated applications that specifically focused on one aspect of the organization. Unfortunately, this approach to solving one set of business problems created another – organizational fragmentation (silos). PS executives soon realized that to optimize performance, profitability, and client satisfaction, they needed solutions that provide visibility into the entire business: from planning and budgeting through marketing, sales, project execution, closure, analysis, and reporting, PSOs need to operate as a synergistic whole, or they will devolve into the friction-laced inefficiency of well-intentioned, organizational fragments.

Many PSOs have attempted to integrate these disparate applications. However, as any PS executive knows all too well, this process can quickly spiral in both cost and elapsed time. Often, the result is a modest operational gain at significantly increased costs to the internal IT organization.

Project-based ERP

Spurred by awareness of these systemic inefficiencies with a concurrent rise in services-specific applications, PSO executives have moved toward integration at a more fundamental level. SPI Research has seen a change in the types of applications purchased in the Professional Services market. In less than

a decade, many PSOs have moved from manual or spreadsheet-based systems to individual process-specific applications and now onto Project-based ERP solutions.

Project-based ERP for the Professional Services market has a much broader definition than in manufacturing. Because human capital is the primary revenue driver in PSOs, Project-based ERP solutions are now being sold, including Human Capital Management (HCM), Professional Services Automation (PSA), and other applications that improve workforce performance. SPI Research sees Project-based ERP as the integration platform for PSOs. Integration drives visibility, visibility drives performance, and performance drives profits. The Service Value Chain is alive and well.

Business applications in the professional services marketplace have run at full stride. Over the past year, SPI Research has seen a strong movement towards planning applications, which has been a cornerstone for professional services. Planning solutions have excelled in the marketplace due to so much uncertainty in all industries. This uncertainty amplifies the need for accurate and agile planning. In 25+ years of research on professional services organizations, SPI knows one thing remains constant: *those organizations that meet their plans succeed in every area, from sales through hiring, delivery, and financials.*

AI within Project-based ERP can now go across enterprise applications and find and analyze information to better prepare the PSO for what lies ahead.

ERP solutions sold to PSOs have been around for decades, but 2023 might have been a turning point for the market. SPI Research has analyzed and written about the products and suppliers over the past three decades, and last year saw an acceleration in the use of Project-based ERP. Software-as-a-Service (SaaS) and the Cloud helped these suppliers. Coupled with the need for greater security and integration and better process automation across PSOs, Project-based ERP became a strong preference for many PSOs. Best-of-breed solution providers also flourish by offering additional functionality. After all, ERP can't do everything for everyone. SPI Research has seen leading PSA vendors grow capabilities and market share over the past five years, as their laser focus on everything associated with resource management and service delivery has helped their customers achieve greater productivity and profit.

What do Project-based ERP Solution Providers Offer?

Project-based ERP solution providers normally break down their applications into various core product modules. The more popular modules include:



Planning
(PL)

Planning (PL) / Business Intelligence (BI): The assembly and use of information to improve decision-making, extensively used in analysis and planning. In prior reports, SPI Research termed this application "Business Intelligence (BI)," but the market has become more planning-oriented.



Client Relationship
Management (CRM)

Client Relationship Management (CRM): Automating client relationship processes to improve sales and marketing efficiency and effectiveness.

Human Capital
Management (HCM)

Human Capital Management (HCM): Solutions for talent recruiting, hiring, compensation, goal setting, and career and performance management, which rely on integration with and extracts from the employee database.

Professional Services
Automation (PSA)

Professional Services Automation (PSA): The initiation, planning, execution, closing, and control of projects and services through the management and scheduling of resources that include people (both internal and partners), materials, and equipment.

Corporate Financial
Management (CFM)

Corporate Financial Management (CFM): The fundamental solution required to collect and report financial transactions accurately.

Project-based ERP sits on a platform like Microsoft Azure, Oracle, or Amazon Web Services. Some Project-based ERP vendors have bought their own platforms. This is an important infrastructure because it offers integration with external business solutions such as:

- ◇ Payroll
- ◇ Banking
- ◇ Regulatory reporting
- ◇ Training

The goal is for PSOs to have all the information necessary to successfully perform at the user's fingertips without opening and closing additional applications, which could lead to errors.

Artificial Intelligence (AI)

Artificial Intelligence (AI) was reintroduced as a true “game-changer” in 2023, even though it has been around for decades. AI's mission is extensive – to enhance visibility, growth, client and employee satisfaction, productivity, and profit. It holds enormous potential for every industry but is especially important to the Professional Services market. These organizations will both use AI and sell AI and related services to their current and future clients. The technology has already made an impact on professional services:

- ◇ Leading solution providers for PSOs began embedding AI in their solutions several years ago to help the professional services market with everything from planning through sales, talent acquisition and training, service staffing, and delivery to financial governance. It will only get better as time goes on. AI within Project-based ERP can now go across enterprise applications to find and analyze information and better prepare the PSO for what lies ahead.
- ◇ PSOs have begun offering services to their clients around AI. Although proven in many industries, this generation of AI is truly the beginning of the next wave of computing. SPI Research realizes AI can be confusing and has some negative associations. There is a good chance it will be regulated, but its benefits should far outweigh its risks.

The AI strategy must align with business goals. SPI Research expects PSOs to begin their AI initiatives in a few areas or processes to establish experience and ensure they achieve the desired results. There are so many initiatives in AI going on right now from all the major software suppliers PSOs will probably standardize on a few technologies originally and wait for the market to mature.

Chapter 3



Professional Services Markets

PROFESSIONAL SERVICES MARKETS

Service Performance Insight's sole research focuses on the Professional Services market and how PSOs accelerate productivity and maximize profitability. The term "Professional Services" includes an extremely diverse set of organizations. These companies range from high-level strategic consulting firms, where key individuals bill at over \$1,000 per hour, to the more traditional blue-collar work, such as maintenance and janitorial services, where hourly billing rates average less than \$20.

This report specifically focuses on the upper end of the professional services market, with substantially higher billable rates than the business services sector (break/fix, maintenance, etc.). Professional Services is almost 100% a knowledge- and people-based industry, unlike other industries. The developed regions of North America, Europe, and Asia-Pacific are rich in this resource. Growth in this segment depends on concentrated efforts to attract and deploy skilled talent in the most proven, efficient, and profitable ways to sharpen the business performance of professional services firms.

SPI Research defines each professional services market using the North American Industry Classification System (NAICS). However, many of the concepts and uses of technology described in this report also exist within traditionally product-driven organizations. Leading markets include:

- ◇ **Management consultancies** with over 7 million employees
- ◇ **IT consultancies** with nearly 6.5 million employees
- ◇ **Architects and engineers** with 5.7 million employees
- ◇ The **staffing** market, as well as the managed services market, have taken off over the past several years. This is true of professional services organizations in both **SaaS** and **software** firms.

Professional Services is one of the fastest growing segments of the global economy because companies in all other industries increasingly outsource and out-task their non-core business functions, processes, and technology to specialized service providers. Today, the global professional services industry comprises over 25 million firms with more than \$8 trillion combined annual revenues. It is also highly fragmented, as the top 500 largest firms (each with over 5,000 employees) account for less than 5% of the revenue. This finding has positive implications for the growth potential of professional services firms. There is room in the market for innovative and effective newcomers who can effectively harness skilled talent to provide specialized insights, knowledge, and client outcomes.

SPI Research uses the North American Industry Classification System (NAICS) to analyze the U.S. services market. The primary Professional Services designation is NAICS 54xx, which defines PS sub-verticals as follows: "Those in this subsector engage in business processes where human capital is the major input. These establishments provide the knowledge and skills of their employees, often on an assignment basis, where an individual or team is responsible for delivering high-value services to the client. The individual markets of this subsector are defined based on the services provider's expertise, training, and credentials." Some of these service providers include:

- ◇ Software
- ◇ Data
- ◇ Legal
- ◇ Computer Systems Design & Related
- ◇ Employment
- ◇ Management, Science, and Technical Consulting

- ◇ Accounting/ Tax Prep/ Bookkeeping / Payroll
- ◇ Architecture/Engineering and Related
- ◇ Specialized Design
- ◇ Scientific Research and Development
- ◇ Advertising and Related
- ◇ Other Professional, Scientific, Technical

There are also many other types of services providers such as those supporting product-based organizations (Embedded Services Organizations), Internal Services Organizations and Field Service. These organizations also have individuals with specialized skills and experience who need the necessary tools to operate efficiently.

For this report, SPI Research used data from 2,898 organizations surveyed in the past five years in a variety of PS markets (Table 2). SPI Research has analyzed the movement toward Project-based Enterprise Resource Planning (Project-based ERP) solutions in Professional Services Organizations (PSOs) in the Professional Services market. Companies hire PSOs because of a strategic competence or specialized industry knowledge that does not exist or is not currently available internally. They typically have expertise and business practices that are more efficient than can be found internally. Companies in every market need the help of professional services. Technology is just one of the ways in which they can improve performance and maximize revenue per employee.

Market Differences

Each year, growth and profitability in the Professional Services market ebb and flow. During 2020 and 2021, advertising agencies took off at the height of COVID-19 and were highly successful. At the end of COVID-19, the agencies slowed in growth and profitability. This can be said of most professional services markets. Economic trends, regulatory changes, talent acquisition, and other areas positively or negatively impact growth and profitability on an annual basis.

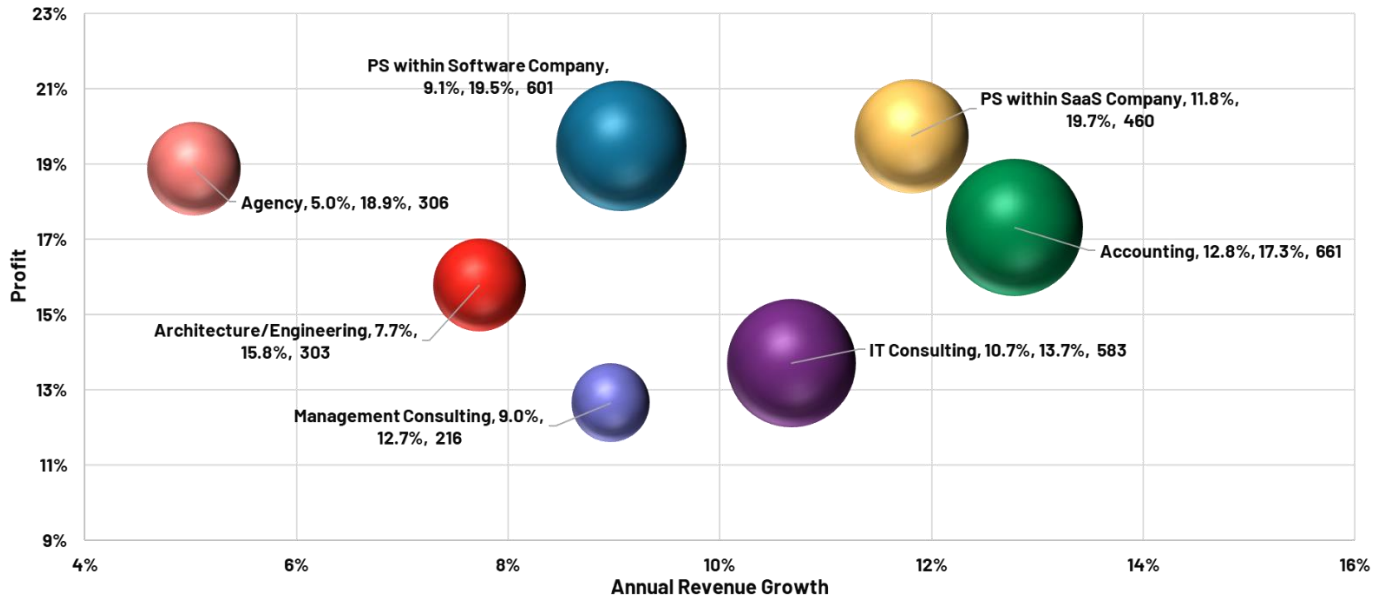
Figure 5 shows just how different professional services sub-markets are. While SPI Research did not have extensive surveys from healthcare professional services organizations, the others showed just how distinct growth rates and profitability can be (the size of each circle is related to the organization's size in terms of employees). While the figure highlights just how different each market's operational characteristics are, they all operate somewhat similarly. Each typically begins with a well-educated and brilliant talent base. The goal is to sell the services most in demand with the highest margin. Keeping consultants billing and not idle (sitting on the bench) is critical for success. This goal is not as easy as it seems.

Table 2: PS Markets Analyzed

PS Markets	Percent
IT Consulting	25.0%
Management Consulting	15.0%
PS within SaaS Company	10.9%
PS within Software Company	10.9%
Architecture/Engineering	8.5%
Agency	5.9%
Accounting	2.5%
Healthcare	2.4%
Value-added Reseller (VAR)	2.3%
Staffing	1.5%
Government Contracting	1.4%
Other PS	13.6%
Total	100.0%

Source: SPI Research, 2024

Figure 5: 5-Year PS Average Annual Market Performance - Revenue Growth, Profit, and Employees



Source: SPI Research, 2024

PS executives must understand their market and conduct a thorough analysis to drive the organization forward. Marketing and sales must be dedicated to the long-term goals of growth and profit, and the organization must hire the appropriate people with the appropriate skill sets and costs to ensure the organization grows profitably. Once the organization begins delivering services, these services must be delivered efficiently and with high levels of quality to drive client satisfaction at an acceptable margin. Successful project or service delivery is not easy. Project plans change, clients change, employees come and go, and other factors come into play. These are just a few reasons why professional services are not easy.

Professional Services Directives

Despite changing economic conditions and ongoing obstacles facing PSO executives, they continue to move toward greater productivity and profitability. To succeed, these executives have targeted several key areas for performance improvement. SPI Research has observed that most PSOs consider the delivery of high-quality services, improvements in business processes, and client satisfaction as keys to success going forward. There is a critical need for PSOs to improve a variety of areas within the organization, and therefore, executives have targeted the following areas:

- ◇ **People:** Improve hiring strategy to create a global workforce that meets changing business demands, expand knowledge management and training, increase collaboration across the service delivery lifecycle, and increase billable hours and utilization.
- ◇ **Process:** Increase standardization, repeatability, predictability, and implemented quality of business processes,
- ◇ **Capital:** Improve cost control, reduce revenue leakage, and improve billing processes.

- ◇ **Technology:** Increase application integration for greater visibility and transparency of operations, improve process automation, and reduce IT costs as a percentage of revenue.

Executive Challenges

Because many PSOs operate in silos, PS executives have a difficult time aligning the organization around the overall mission and strategy. Executives have many challenges, some of which include:

- ◇ **Chief Executive Officer:** Stalled revenue growth, lackluster financial performance, low utilization, dissatisfied clients and losing deals, lack of planning and operational visibility.
- ◇ **Sales Vice President:** Not meeting targets, few client references, sales/marketing mismatch, high sales cost, uncertain margins, lack of sales visibility.
- ◇ **Chief Resource Officer:** Lengthy recruiting process, skills mismatch, insufficient training, high employee cost, employee dissatisfaction, high attrition, no career path,
- ◇ **Professional Services Vice President:** Project staffing, skills imbalance issues, low billable utilization, resource cost, reactive and lots of surprises, scope creep, late project completions.
- ◇ **Chief Financial Officer:** Poor predictability, declining margins, poor forecasting accuracy, long DSO or cash flow issues, lack of visibility.

While this list is not extensive, it highlights the need for PS executives (and other managers) to examine their organization's deficiencies to better understand how they should prepare their workers for the challenges.

Chapter 4



Market Trends

MARKET TRENDS

Some change is ever-present, but every industry has seen significant change over the past five years. COVID kicked off in the 2020s, leading companies in every industry to move their workforce remotely. While the movement has subsided, plenty of people still prefer to work remotely and are more productive working remotely. 2023 was a year in which growth was hampered by high interest rates, uncertain economic conditions, and geopolitical conflict, which also slowed hiring.

Table 3: Key Performance Metrics 5-Year Trends

Key Performance Indicator (KPI)	5-year avg.	2019	2020	2021	2022	2023
Number of firms surveyed	2,898	513	561	540	709	575
Year-over-year change in PS revenue	9.6%	10.6%	8.7%	10.6%	10.4%	7.8%
Deal pipeline relative to qtr. bookings forecast	171.1%	181%	179%	183%	162%	154%
Total attrition	13.0%	13.2%	11.6%	14.0%	13.8%	12.5%
Employee billable utilization	71.2%	71.7%	71.4%	73.2%	70.7%	69.3%
Onsite service delivery	39.5%	47.5%	40.8%	33.9%	35.4%	41.5%
Projects delivered on time	78.1%	79.3%	79.7%	80.2%	76.2%	75.7%
Project margin	35.5%	35.9%	36.0%	36.5%	35.0%	34.4%
Annual revenue per billable consultant (k)	\$205	\$207	\$203	\$206	\$204	\$207
Percentage of annual revenue target achieved	93.0%	93.6%	92.1%	96.2%	92.7%	90.6%
Percentage of annual margin target achieved	89.7%	89.7%	90.3%	92.1%	88.8%	87.7%
Profit (EBITDA %)	15.4%	15.2%	15.6%	15.7%	16.1%	15.4%

Source: SPI Research, 2024

As shown in Table 3, many of the most important Professional Services metrics went down in 2022, and then in 2023, went down even further! 2023 was a difficult year to navigate, which sets the market up for a rebound in 2024. SPI Research believes interest rates will begin to decrease, although not at the speed they went up in 2023. This stability should lead to investment in every market. Professional services organizations should do very well as the market changes and AI becomes more established. Also, because the PS market saw such a low level of revenue growth in 2023, SPI Research expects these organizations to concentrate heavily on sales during the coming year. In general, 2024 should be a good year for professional services, but there is always a level of uncertainty with US elections looming.

Artificial Intelligence (AI) Takes Over

Artificial intelligence (AI) is impacting every industry's digital transformation. The market has just begun to see the value and potential issues with this technology, which could revolutionize computing on the same level the Internet had 30 years ago. Of course, AI significantly impacts the professional services market,

as they will both use AI and sell it to their client base. There is also much confusion, and it will take truly trusted experts in the field to improve operations. Fortunately, the AI mania has brought deep interest to the professional services market and the firms that support it.

AI will be a major force in employee productivity and client strategy initiatives in the Professional Services market. And this is just the beginning! AI will enhance new platforms, approaches, models, processes, and support. AI must show a demonstrable Return on Investment (ROI) and convince skeptics that its benefits far outweigh its risks. It seems this issue always arises with new technologies. PSOs cannot afford to let fear cause them to fall behind.

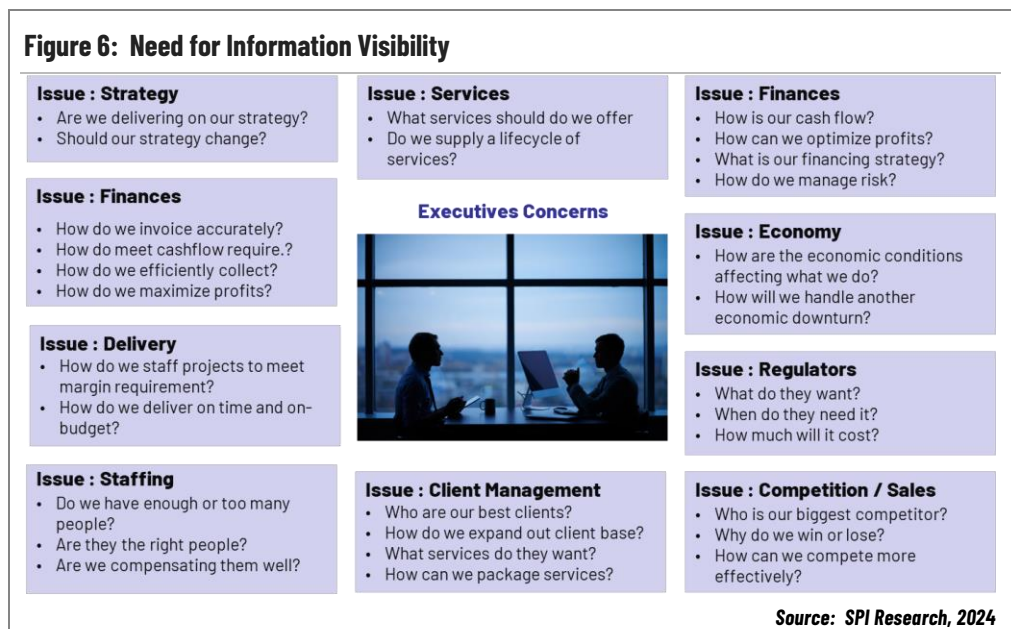
Professional services organizations will be at the center or forefront of AI as they will both implement the technology internally to improve many aspects of their organization and work with their client base on an AI-centered strategy and practical ways to use it. Of course, talent and data are at the core of most industries, especially Professional Services, and the efforts made to improve both are a big part of the market’s success.

Artificial Intelligence will be a major force in employee productivity and client strategy initiatives in the Professional Services market.

SPI Research anticipates a very strong professional services market in 2024 driven by AI. But, of course, change happens. Leading firms will hope for the best and prepare for the worst as the market enters a critical year. AI, like Cloud computing and the Internet before it, should be an exciting chapter in the technology revolution.

Digital Transformation and Data-driven Performance

Few would argue that the capture and use of information has helped drive improvements in every industry. The informational demands necessary to effectively compete continue to increase at a seemingly exponential rate. A single, centralized source of corporate information should be the goal as executives and other management require more complete information about ongoing issues and operations (Figure 6). Information is also the centerpiece of an effective financial governance infrastructure.



Information comes from so many directions that its capture, storage, use, and reuse are of continual concern to PSO executives. Having the information is one thing – using it effectively is another. All software application vendors are pushing for greater business intelligence. Having information at one's disposal and being able to use it makes for better business decisions.

Project-based ERP Comes at the Right Time

Over the past five years, SPI Research has observed a significant shift in the percentage of Corporate Financial Management (CFM) solutions, moving towards Project-based ERP from best-of-breed. In early SPI studies, the best-of-breed financial management solutions averaged around 80% of the market. Now, it is rapidly moving to 50% (Figure 7). This shift is driven by the understanding that utilizing one common database and user interface for the other core modules provides greater efficiency across the organization. It also makes it easier to understand better how one area of the firm impacts the others. This transition to Project-based ERP solutions enhances performance and empowers the organization to operate as one, with the information infrastructure playing a critical role in this transformation.

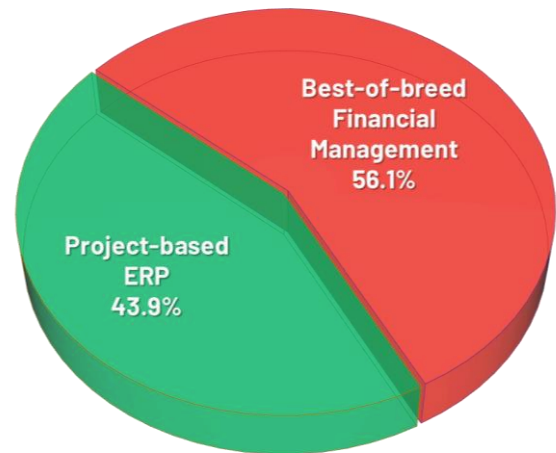
The market for Project-based ERP for the Professional Services market continues to grow impressively. However, it faces challenges that are not seen in the manufacturing sector. Whereas products have a value that can be determined by their selling price and a cost component that is determined by the labor, material, and equipment necessary to produce the product, services have an intrinsic value that can be difficult to quantify. For instance, what is the value of one hour of IT support or one hour of research and development? While one might calculate the cost of downtime in an organization because of the lost hour of IT support or the delay of a new drug, these results are difficult to measure. This uncertainty can stall PSO executives' purchase decisions.

As the world grows smaller, it has become imperative that businesses of all types work harder to improve product or service differentiation, quality, and efficiency. There just is no other choice. These trends have meant that businesses are increasingly turning to professional services providers to do just that – making the Professional Services market more critical than ever for driving innovation and prosperity. But this increased demand for high-level professional services has come at a price.

Increased Pressure on Organizational Performance

The professional services industry has become more dynamic and complex as the global economy has evolved. Like their manufacturing counterparts, professional services firms face global competition,

Figure 7: Project-based ERP vs. Other Financial Mgmt.



Source: SPI Research, 2024

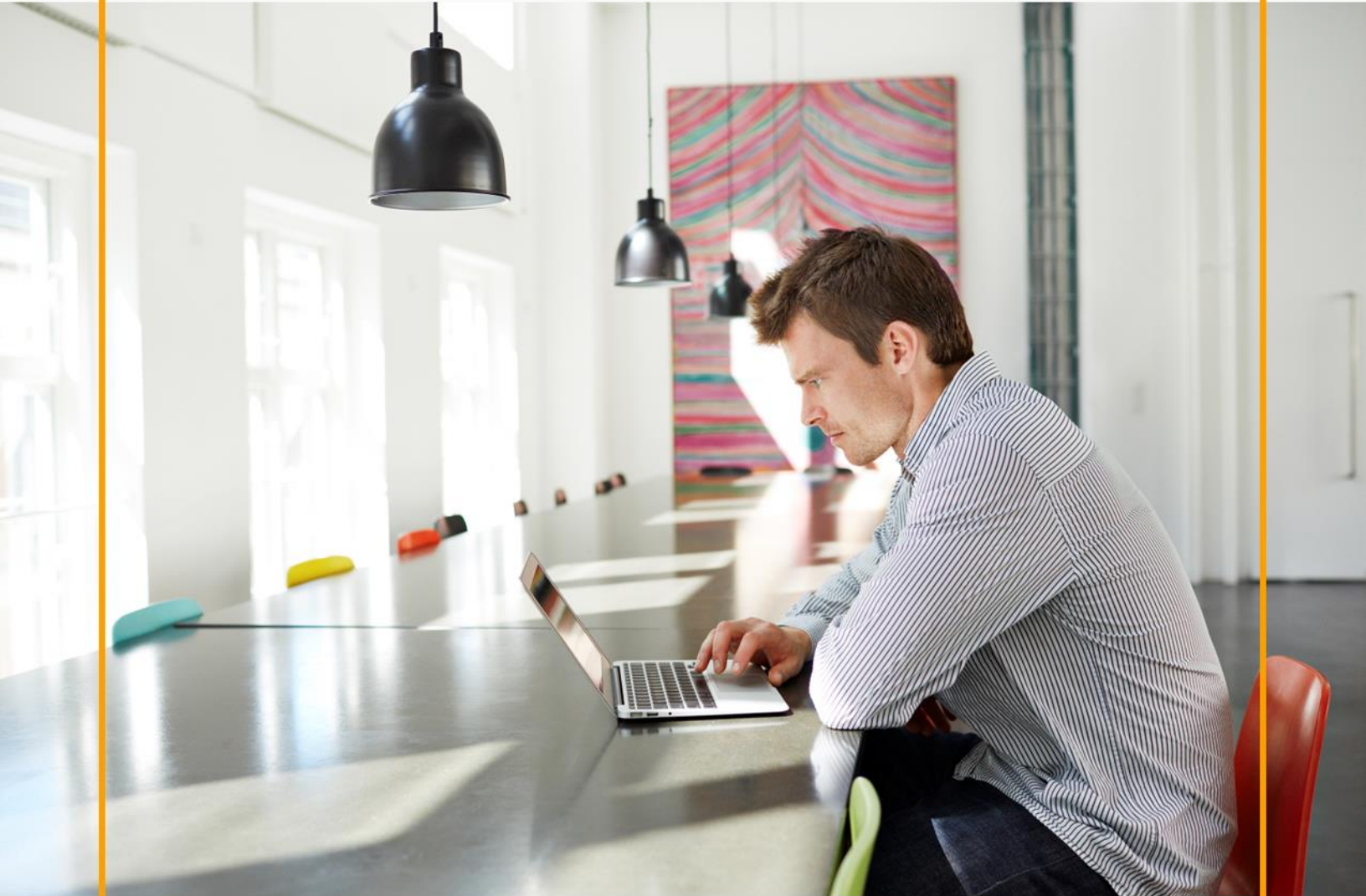
reduced pricing, and the need to offer greater value to their clients. This situation has placed a greater need on information visibility, transparency, and operational efficiency.

As the market becomes more competitive, many PSOs have worked to improve core areas of expertise while partnering with other PSOs in other areas. The collaborative environment in which many PSOs live requires the tools to collect, share, and report information to improve overall effectiveness.

PSOs have been compelled to quantify the value of their work to charge a premium while fueling growth. To reach a higher level, these organizations must perform at their utmost capacity in every phase of their work. SPI Research believes these phases are categorized into five distinct areas that include:

1. **Service Planning:** Building a strategic, tactical, and flexible business plan, taking into account market conditions, competition, available skills, and training initiatives.
2. **Sales Execution:** The creation, packaging, marketing, and selling of services and products that are unique, in demand, and have a quantifiable value.
3. **Talent Management:** The building of a “talent portfolio” – recruiting, hiring, training, and keeping the best and brightest people with both strong professional and personal skills.
4. **Operational Excellence:** Services execution is a complex discipline that involves many factors, including innovation, quality, collaboration, utilization, and timing for performance at an optimal level. Delivering high-value quality services on time, on budget, and at a market-acceptable price is foundational to success.
5. **Financial Performance:** Assurance that the organization optimizes both its inflow and outflow of capital – maintaining healthy cash flow and margins, invoicing accurately and completely, and collecting promptly.

Chapter 5



Project-based ERP Defined

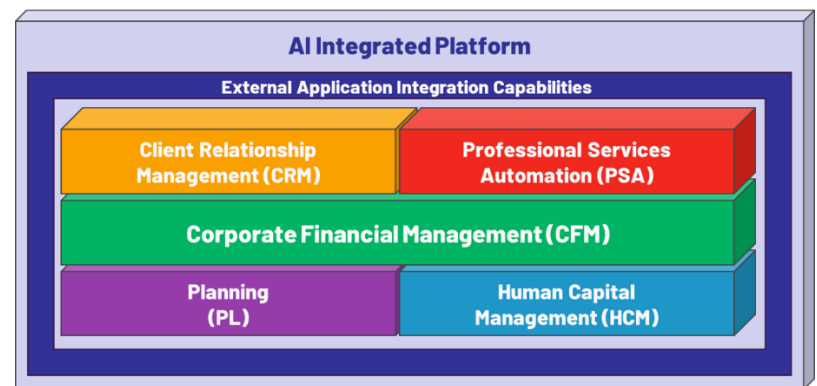
PROJECT-BASED ERP DEFINED

Enterprise Resource Planning (ERP) solutions have been around for decades. Some of the leading vendors provide project-based capabilities for their clients. Over the past decade, the market has demanded that ERP be built around projects and service delivery, thus the recent birth of Project-based ERP. SPI Research has tracked this market since its inception, and finally, there is sufficient data to show the true benefits of Project-based ERP.

SPI Research defines Project-based ERP as a solution specifically designed for project-based businesses where people are the primary input, and organizational goals can be attained by optimizing people and projects. Ideally, Project-based ERP includes the five core solutions that PS uses to run its business efficiently and effectively. They include: 1) Planning (PL), 2) Client Relationship Management (CRM), 3) Human Capital Management (HCM), 4) Professional Services Automation (PSA), and 5) Corporate Financial Management (CFM).

A point to note is that **Project-based ERP must include financial management, as it is the first and most important solution that** PS executives implement. Several providers offer a platform that includes the core solutions in professional services besides financials, such as Client Relationship Management (CRM), Human Capital Management (HCM), Professional Services Automation (PSA), and Planning (PL). These five make up the base of Project-based ERP (Figure 8). But there are so many other solutions developed by independent software vendors that must be able to be integrated with a Project-based ERP solution. Therefore, the platform is critical when decision-makers go to make a purchase.

Figure 8: Project-based Enterprise Resource Planning Platform



Source: SPI Research, 2024

Primary Professional Services Business Applications

The fundamental financial requirements of service-based businesses are quite different from classic manufacturing and supply-chain-focused ERP applications as they must include functionality for managing resources (people) and projects (tasks). Increasingly, Project-based ERP application providers added rich talent management capabilities to support recruitment, onboarding, compensation, and rewards for the employees - who are the core asset. As globalization evolves, PSOs need the tools to help

them operate more efficiently and effectively. The primary business applications used by Professional Services organizations include (Figure 9):



Planning (BL)

Planning (PL) / Business Intelligence (BI): The assembly and use of information to improve decision-making, extensively used to plan and analyze. In prior reports, SPI Research termed this application as Business Intelligence (BI), but the market has moved to be more planning oriented.



Client Relationship Management (CRM)

Client Relationship Management (CRM): The automation of client relationship processes to improve sales and marketing efficiency and effectiveness.



Human Capital Management (HCM)

Human Capital Management (HCM): Talent management solutions for recruiting, hiring, compensation, goal setting, and career and performance management, which rely on integration with and extracts from the employee database.



Professional Services Automation (PSA)

Professional Services Automation (PSA): The initiation, plan, execution, closing, and control of projects and services through the management and scheduling of resources that include people (both internal and partners), materials, and equipment.

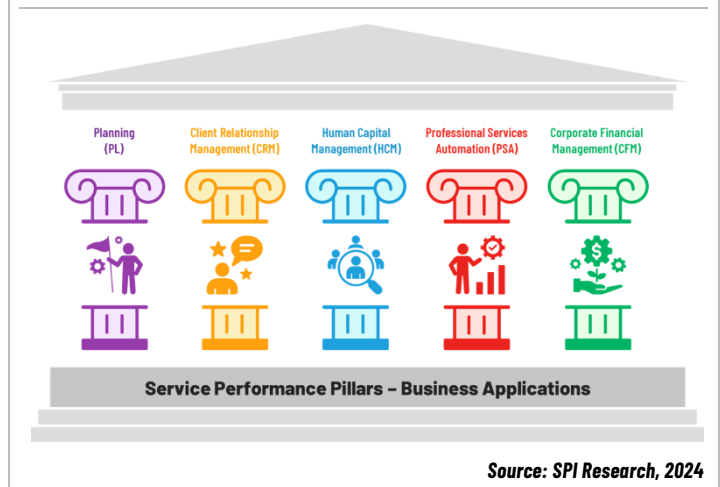


Corporate Financial Management (CFM)

Corporate Financial Management (CFM): The fundamental solution required to collect and report financial transactions accurately while meeting regulatory requirements.

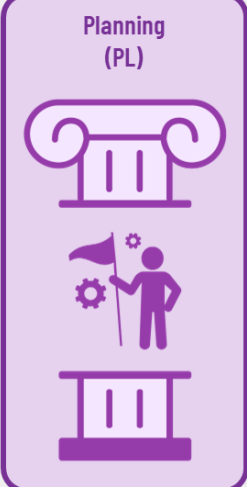
Both embedded and independent professional services organizations require similar functionality. The service industry's use of technology has typically lagged the manufacturing sector. Still, today's service businesses' global size, complexity, and growth have accentuated the need for specialized applications and an increased demand for real-time information.

Figure 9: Primary PS Business Applications



Planning (PL) / Business Intelligence (BI)

**Planning
(PL)**



- Activity Based Management
- Balanced Scorecard
- Business Intelligence
- Demand Planning
- Financial Analysis

Planning / Business Intelligence integrates information from core business applications to improve strategic analysis, demand and capacity planning, budgeting, forecasting, and financial planning. Planning (PL) and BI solutions continue to increase adoption in PSOs, whether offered as stand-alone tools or part of integrated business applications for reporting and analysis. As professional services organizations mature, PL/BI becomes a more critical tool to provide real-time visibility into all aspects of the operation – allowing executives to spot trends and take corrective action early. It is an important solution for annual planning, as PS executives try to uncover areas where additional growth and profit can be extracted. Table 4 highlights a few examples of how PSOs with Project-based ERP improve performance through integrated planning.


Table 4: Project-based ERP Planning Use

Key Performance Indicator (KPI)	w/PB ERP	w/o PB ERP	▲
Survey %	8.8%	91.2%	
Size of PS organization (employees)	1,140	433	163%
Year-over-year change in PS revenue	10.6%	9.7%	9%
Year-over-year change in PS headcount	8.7%	7.5%	15%
Project duration (man-months)	36.7	27.1	35%
Annual revenue per billable consultant (k)	\$213	\$205	4%
Annual revenue per employee (k)	\$174	\$166	5%
Percent of annual revenue target achieved	95.1%	92.6%	3%
Percent of annual margin target achieved	90.2%	89.4%	1%
Profit (EBITDA %)	18.3%	15.5%	18%

Source: SPI Research, 2024

Client Relationship Management (CRM)

Client Relationship Management (CRM)



- Client Analytics
- Marketing
- Partner Relationships
- Proposals
- Sales
- Service
- Quote-to-Cash

Table 5: Project-based ERP Client Relationship Management Use


Key Performance Indicator (KPI)	w/PB ERP	w/o PB ERP	▲
Survey %	15.0%	85.0%	
Size of PS organization (employees)	534	499	7%
Year-over-year change in PS revenue	10.3%	9.6%	7%
Deal pipeline / quarterly bookings forecast	181%	171%	6%
Project duration (man-months)	34.0	26.9%	26%

Source: SPI Research, 2024

CRM supports the management of client relationships and is designed to improve sales and marketing effectiveness. CRM automates lead, contact and campaign management, sales pipeline, territory and contract management. Many CRM applications also provide powerful call center functionality for issue management; call handling; trouble ticketing and problem resolution. CRM allows PSOs to track clients through the engagement (bid to bill) lifecycle, and to specifically target customer segments and offers by understanding details of the relationship. CRM supports analysis by sales representative, client, geography, and portfolio. CRM is the system of record for client contacts, relationships, and contracts. Table 5 highlights some of the benefits of CRM integrated with Project-based ERP. The integration helps drive growth as PSOs better understand resource capacity to sell projects where skills are available.

Human Capital Management (HCM)

Human Capital Management (HCM)



- Workforce Planning
- Recruitment
- Skills Tracking
- Compliance
- Payroll
- Rewards
- Career Development
- Performance Management
- Workforce Management
- Reporting and Analytics

Human Capital Management (HCM) solutions (also known as Talent Management solutions) give employers the tools to effectively recruit, hire, onboard, train, evaluate, and compensate employees. By tracking performance, skills and progression, HCM helps PSOs create and maintain a high-performance workforce.

HCM benefits PSOs by maintaining a database of skills, benefits and pay rate information for resource scheduling, recruiting and performance, and career management. HCM solutions provide rich applications that allow consultants to manage their own careers and skill development (training) and bid on the projects of greatest interest to them. They may

also include workforce management functionality for time capture, time off and time and attendance tracking including workforce forecasting, budgeting and scheduling. Employee and manager self-service are now embedded roles in HCM business processes. Mobile access has become a fundamental component of HCM to support virtual operations, approvals and reporting. Table 6 highlights some of the benefits of HCM integrated with Project-based ERP.

HCM solutions, in conjunction with Professional Services Automation (PSA), drive greater billable utilization, which results in higher revenue and profit per employee. Most of the new breed of cloud-based HCM applications offer mobile access from anywhere, making it easy for employees to keep their profiles and time-off requests up to date. Several vendors have added rich predictive analytics, providing visibility into levels of employee engagement that provide early warning for employees who are likely to quit. Their recruiting tools are very powerful with out-of-the-box integration to all the top job sites.

Although HCM satisfaction lags other core PS business applications, the benefits are significant for those organizations that fully exploit HCM to enhance recruiting, skill building and compensation. Increased user satisfaction is also correlated with a higher percentage of employees in billable roles, more engaged workers who would strongly recommend their company as a great place to work, and higher performance in both completing projects on time and meeting annual revenue goals.


Table 6: Project-based ERP Human Capital Management Use

Key Performance Indicator (KPI)	w/PB ERP	w/o PB ERP	▲
Survey %	19.1%	80.9%	
Size of PS organization (employees)	1,406	291	383%
Annual revenue per billable consultant (k)	\$211	\$205	3%
Annual revenue per employee (k)	\$174	\$166	5%
Percent of annual revenue target achieved	94.5%	92.6%	2%
Percent of annual margin target achieved	91.2%	89.2%	2%
Profit (EBITDA %)	18.2%	15.1%	21%

Source: SPI Research, 2024

Professional Services Automation (PSA)

Professional Services Automation (PSA)



- Collaboration
- Invoicing
- Practice Management
- Project Accounting
- Project Analytics
- Project Costing
- Project Management
- Resource Management
- Time & Expense

PSA solutions provide accurate time and expense capture, and most offer billing modules with some level of revenue recognition by type of billing method: time and materials, work in process, or fixed price. PSA extensions for the construction industry include modules for material costs and procurement. Although PSA is still focused on enabling project- and services-driven organizations to better plan, staff, execute, and collect all relevant project information, it has become much more than that. It has become a core solution for business planning with a view of the best services, best projects, best clients, and the best people to translate the business plan into reality. Table 7 highlights some of the benefits of PSA integrated with Project-based ERP.

PSA solutions help match the right resources and the right skills at the right time for the right projects. **PSA solutions yield several core benefits to PSOs, but most executives only need to look at the relative 10% (from 64.6% to 71.0%) increase in billable utilization as a primary reason for selecting PSA. For a 100-person PS organization, 6.4% translates to 12,800 more billable hours per year. With average bill rates of \$200 per hour, the PSO can produce \$2.5mm in incremental revenue!** Almost all key metrics improve with PSA adoption. PSA pays for itself with substantially higher consultant revenue yields, better project margins, and more bottom-line EBITDA profit.

Professional Services Automation provides the systems basis for initiation, planning, resource management, scheduling, execution, closing, and control of projects and services. PSA provides a resource and project dashboard that includes the demand forecast. It helps manage service delivery by overseeing opportunities, staffing, project management, and collaboration. PSA is typically the system of record for resource skills, competencies, and preferences, which are integrated into the employee and contractor database. It is used to collect time and expense by project and resource down to the task level, so it is the system of record for resource utilization and project cost and estimating.

Table 7: Project-based ERP Professional Services Automation Use


Key Performance Indicator (KPI)	w/PB ERP	w/o PB ERP	▲
Survey %	13.6%	86.4%	
Year-over-year change in PS revenue	10.4%	9.5%	9%
% of quarterly revenue target in backlog	49.1%	43.7%	12%
Percentage of referenceable clients	72.7%	71.5%	2%
Project duration (man-months)	36.0	27.2	32%
Use a standardized delivery methodology	69.1%	65.4%	6%
Annual revenue per billable consultant (k)	\$214	\$205	5%
Annual revenue per employee (k)	\$177	\$166	7%

Source: SPI Research, 2024

Because the delivery of services is where PSOs make their money, and because PSA is the primary solution used by project managers and others responsible for service delivery, it is easy to understand why the operational and financial benefits are so significant. SPI Research has always recommended organizations with more than 20 employees use PSA. With the affordable cloud-based solutions now available, PSA should also be considered by even smaller organizations.

Corporate Financial Management (CFM)

Corporate Financial Management (CFM)



- Activity Based Mgmt.
- Asset Management
- Cash Management
- Collection Management
- Contract Management
- Financial Analytics
- General Ledger
- Internal Controls
- Lease Management
- Payables
- Planning and Budgeting
- Property Management
- Receivables
- Revenue Management
- Risk Management
- Treasury

Table 8: Project-based ERP Financials Use

Key Performance Indicator (KPI)	w/PB ERP	w/o PB ERP	▲
Survey %	43.9%	56.1%	
Size of PS organization (employees)	758	308	146%
Annual revenue per billable consultant (k)	\$208	\$203	2%
Annual revenue per employee (k)	\$167	\$166	1%
Percent of annual revenue target achieved	93.7%	92.2%	2%
Percent of annual margin target achieved	89.7%	89.4%	0%
Profit (EBITDA %)	16.3%	15.1%	8%

Source: SPI Research, 2024

Corporate Financial Management (CFM)

Finance and Accounting is the primary application required to collect, invoice, and report financial transactions accurately. CFM collects and manages all financial information (expenses, invoices, etc.) to provide management reporting and visibility into total service revenue, cost, and profitability. Project-driven, human capital-intensive businesses, like professional services, have unique financial management requirements, including support for complex contract types and billing arrangements, and this is one reason why so many PSOs have moved to Project-based ERP. Revenue recognition is also complex and must conform to local accounting and taxation rules while supporting multicurrency, multilingual transactions for global firms. Seamless integration between the system of record (PSA) for managing resources and projects and the financial management solution for payroll, expense management, invoicing, revenue recognition, and project accounting is critical.

Project- and service-based extensions to enterprise ERP applications started to appear in the late 1990s. At the same time, stand-alone Professional Services Automation solutions supporting resource scheduling and time capture and billing became available. Over the past 25 years, project accounting, resource management, and time capture and billing modules have been added to many ERP applications. Now, most Project-based ERP providers also add Human Capital Management or talent management extensions to accentuate the important role of recruiting and engaging a talented workforce in today's economy.

Support for specialized billing methods and complex revenue recognition rules for subscriptions, time and materials, work-in-process, deliverables-based or percentage completion are important Project-based ERP extensions. Architects, Engineers, and Government Contractors require purchasing modules and cost-plus accounting for materials and labor pricing as well as support for DCAA and FARS compliance. With the advent of COVID in 2020 almost all organizations were forced to move to virtual operations, making mobile access to financial systems mandatory. In 2021 and 2022 even more firms took advantage of virtual operations including mobile cash management. Interviews with CFOs reveal top selection criteria for business applications include powerful yet easy to use reporting capabilities with mandatory mobile access. In 2023 PSOs began to move work back to their clients' sites when needed but embraced remote service delivery where possible.

Every organization surveyed with over 20 employees uses a CFM solution. Most PSOs now use Project-based ERP, and most are cloud-based. Cloud-based financials provide significant benefits compared to legacy on-premise solutions. They make it easier and less expensive to stay current on new releases; they provide greater adoption and ease of use; they provide support for new digital capabilities, including artificial intelligence, machine learning, and robotic process automation; and faster introduction for advanced billing, revenue recognition; multi-entity; multi-lingual and multi-currency accounting and taxation. They also provide much greater security for PSO information, which is becoming of greater concern every year.

Many organizations still consider (Project-based) ERP to be core Financials. However, this definition has evolved over the past several years because of continued platform development by Project-based ERP solution providers and their M&A activity. Now, Project-based ERP means much more.

Project-based ERP is Used in Every PSO Department

The letter "E" in Project-based ERP stands for "enterprise," which truly reflects the broad spectrum of usage within PSOs. The information held within a Project-based ERP solution allows various departments to accurately plan and execute initiatives to meet the organization's strategic objectives. While each department listed below does not necessarily exist within every PSO, they highlight some critical information that could be utilized to perform work more efficiently and effectively.

The fact is that Project-based ERP solutions offer every department within a PSO the information necessary to become more productive (Table 9). Project-based ERP also allows PSOs to efficiently deliver accurate proposals with the appropriate personnel and ensure delivery schedules are met. Executives can use the solution to optimize business processes and create the structure and standardization necessary for personnel to perform at their maximum capacity – essentially embedding best practices within the workflow. All this information helps PSOs more effectively price and sell services.

Table 9: PSO Departments and Information Needs

Department	Core Applications	Core Needs
Executive & Administrative	Planning / Business Intelligence	Strategic planning, operations
Human Resources	Human Capital Management	Hiring, training, compensation
Legal	Case Management	Patents, lawsuits
Finance & Accounting	Financials	Financial management, operations, planning, forecasting, budgeting
Marketing & Sales	Client Relationship Management	Marketing and sales programs, sales force automation, client relations, pricing
Procurement	Purchasing	Material, equipment, and external services procurement
Service Delivery	PSA – Project Management, Resource Management, Time & Expense Management, Collaboration	Project delivery, quality, time, and expense management
Information Technology	Application Lifecycle Management, Project Portfolio Management	Project scheduling, technology evaluation, systems development, and implementation
Research & Development	Knowledge Management	New service development

Source: SPI Research, 2024

Core Business Processes

The power of modern Project-based ERP solutions is that they provide workflow, rules, alerts, and reporting that mimic best practices in business management. Decades ago, services businesses had few viable options as they were forced either to build their own or substantially customize manufacturing-oriented ERP applications to handle projects and resources. The Project-based ERP providers highlighted late in this report provide modules supporting essential business processes such as Plan-to-Profit, Quote-to-Cash, and Recruit-to-Retire.

Project-based ERP solutions are designed to integrate core business processes across the organization so that each department clearly understands its specific goals and measurements and how they impact the organization’s ability to succeed (Figure 10). Success can be defined in many terms, such as growth, profit, quality, streamlined operations, or reduced administration and rework. Regardless, results tend to improve when everyone works with the same information set and is focused on the critical path to complete project-based work.

Figure 10: Primary Business Processes Cross Multiple Departments



Source: SPI Research, 2024

The Benefits of Project-based ERP

Professional Services Organizations have turned to Project-based ERP solutions for three high-level benefits that include:

- ◇ **Operational Visibility** into core business processes and other work-related activities that impact the company's financial performance.
- ◇ **Financial Transparency** of capital transactions to ensure capital is spent, collected, and accounted for properly.
- ◇ **Management Control** to ensure that as work activities change, executives are alerted and can make informed decisions such as accepting, postponing, changing, or discontinuing the work. This is a critical component of a sophisticated financial governance infrastructure.

Project-based ERP enables PSOs to operate more efficiently. The following sections highlight these tactical benefits and show how Project-based ERP can improve the three high-level benefits mentioned above and support the PSO directives.

- ◇ **Agile Planning:** Planning is no longer an end-of-the-year exercise. The market changes too fast for PSOs to rely on one plan. Executives must continually use all the information from Project-based ERP solutions to better understand where their organization is heading and areas that need immediate attention.
- ◇ **Streamlined Opportunity Management:** Project-based ERP helps executives and sales management plan, forecast, and track opportunities. The information collected within Project-based ERP gives executives a better understanding of the types of services sold and which services had the greatest impact on their bottom line. It also gives them the information necessary to understand their most profitable clients, what services are most popular, and at what price points they can win business.
- ◇ **Optimized Talent Pool:** Project-based ERP enables PSOs to plan better and recruit, hire, and retain resources as HR managers better understand organizational needs, cost, and training. This holistic view of the workforce reduces over- or understaffing, typically resulting in lower morale and higher attrition.
- ◇ **Increased Project and Service Productivity:** Project-based ERP enables project managers to select the most qualified personnel based on their capabilities and costs. It also allows improved staff scheduling that optimizes utilization. Once a project is staffed and work begins, Project-based ERP solutions help control the scope of work throughout the service delivery lifecycle. An added benefit is that risk can be identified and mitigated given the wide visibility provided by Project-based ERP.
- ◇ **Enhanced Collaboration:** Project-based ERP can help employees to collaborate more efficiently. It provides the foundation and infrastructure for teams to work on projects as a virtual team. Each

team member has access to a structured work environment with all the relevant documents, spreadsheets, presentations, and other notes to keep them informed and up to date with project activities. They also can communicate in real-time within the workspace, allowing each team member to contribute and succeed as part of a team rather than working in isolation.

- ◇ **Improved Financial Management and Governance:** Project-based ERP solutions provide the necessary foundational platform to support corporate operations. They manage every financial transaction within the PSO and can allocate costs by client, project, employee, or any other necessary parameter. This information is also used for shareholder and regulatory reporting as part of a financial governance initiative.
- ◇ **Reduced IT Costs:** Project-based ERP helps reduce IT costs as it reduces the need for PSOs to support the wide variety of disparate legacy applications through extensions and other types of integration. With fewer disparate applications, integration support costs can be minimal, and user training costs are reduced. The IT staff then has more time and resources to incorporate additional capabilities in the application, such as business process support or more analysis to improve overall operations. Moreover, with fewer integration, maintenance, and support requirements to concern themselves with, PSOs need less headcount to run the application. The net effect is reduced total IT cost and greater user efficiency due to a consistent user interface and process flow.

Project-based ERP Business Process Visibility Improves Performance

As stated earlier, one of the primary benefits of Project-based ERP is business process visibility. PSOs utilize various modules within Project-based ERP to better understand the current and future workload, the staff available to do the work, and its cost and revenue. This integration provides an in-depth financial, personnel, and process perspective of organizational performance.

The information gleaned from Project-based ERP can then be used to improve business processes and implement quality and audit checks along the way. The net result for clients is a more cost-effective service with greater assurance that the work will be done in a standardized and structured way, and all costs will be captured in detail to ensure financial compliance (Table 10).

PSOs engage in several distinct processes required to plan, sell, hire, deliver, and collect for work. Project-based ERP solutions provide the

Table 10: Project-based ERP Integrated Module Use

Key Performance Indicator (KPI)	Two or more	One or less	▲
Size of PS organization (employees)	1,037	300	245%
Year-over-year change in PS revenue	10.2%	9.5%	7%
Year-over-year change in PS headcount	7.7%	7.5%	3%
Deal pipeline / quarterly bookings forecast	179%	167%	7%
% of quarterly revenue target in backlog	47.8%	42.9%	11%
Project duration (man-months)	36.4	25.3	44%
Use a standardized delivery methodology	68.3%	64.9%	5%
Annual revenue per billable consultant (k)	\$211	\$203	4%
Annual revenue per employee (k)	\$172	\$165	4%
Percent of annual revenue target achieved	94.4%	92.3%	2%
Percent of annual margin target achieved	90.0%	89.3%	1%
Profit% (EBITDA)	16.8%	15.1%	11%

Source: SPI Research, 2024

foundation for business process adherence and present the necessary visibility to assure cost compliance. The following steps highlight several of the key high-level processes and show how Project-based ERP provides the information necessary to succeed.

Executives begin managing the service delivery lifecycle by conducting an in-depth analysis of the budgeting and forecasting of the projected work. This information assists them in capacity planning and works to reduce the potential for lower utilization rates and income when, in fact, that demand is not there for specific skills.

As these organizations work to plan for the long term, they can avoid cycles of hiring and layoffs, as they are better able to prepare their existing workforce for the projects that lie ahead. While this benefit appears at the surface to minimize hiring costs, it also benefits the PSO by keeping a more consistent and energized workforce.

Client satisfaction translates into profitability for PSOs. Every employee who is exposed to clients must have the information available to both meet and exceed client expectations. In addition, nowhere is this more important than in the selling of services. Account executives that have information to better understand their clients, their issues, and their needs, have a much better chance of making the sale. However, this information alone is not enough to guarantee client satisfaction going forward.

Account executives also require information that enables them to sell services the client needs and that their firm has staff available to do the work. Unfortunately, many PSOs have an excellent sales force, but lack available staff to do the services. The net result has been project cancellations, delays or failures, cost overruns and ultimately dissatisfied clients, which leads to a low client retention rate and reduced profits.

As projects are staffed and work is initiated, the PSA (project and service delivery) module of Project-based ERP assures that all staff on board understand the scope of the project, delivery times and dates, and project costs, and provides a collaborative infrastructure from which to work as a team. This team can be extended to both partners and the client, creating a destination where all on board have the timely and relevant project information to assure project success. As issues arise, each team member receives notification and, therefore, will have the ability to solve problems before they grow out of control.

Plan-to-Profit

The most important reason why project-based organizations purchase integrated ERP solutions is their ability to support and streamline business processes across the entire organization. Figure 11 highlights the Importance of these solutions to optimize operations from annual/continual planning through achieving high levels of profit, what SPI Research calls the **Plan-to-Profit (P2P)**.

The importance of business applications supporting the Plan-to-Profit process is that information in one phase (for example, *Plan*) must be passed on to the next phase (*Sell*) so that the individuals responsible for marketing and sales understand what is expected of them. They can create plans and tools to sell professional services more efficiently and effectively. Likewise, sales plans don't work well without

qualified people. Therefore, information must then be passed on to the group responsible for hiring talent, so they understand the skills required and the cost of those skills.

This process continues. With the optimal talent pool, PSOs can staff and deliver projects at a price that meets timeliness, quality, and margin requirements. Finally, PSOs can invoice and collect from their clients. This process is difficult enough to begin with, and without the necessary real-time information, it is extremely hard for PSOs to meet both revenue and margin requirements.

Project-based ERP solutions help professional services organizations optimize business processes through greater automation and visibility. With it, they can both plan to sell higher delivery and control the work more successfully. But at the end of the day, optimizing business is not why organizations choose Project-based ERP (Figure 12). They do so to meet and exceed organizational goals. That is why visibility into business processes helps achieve the highest client satisfaction levels while growing revenue and maintaining a healthy profit.

PS Goals

The purpose of Project-based ERP is not just to achieve higher levels of performance but also to help PSOs attain their stated goals. Typically, PSOs break down their major goals into four key areas:

1. **Revenue Growth:** PSOs typically average 10%–20% annual revenue growth. The goal is always to exceed prior levels and stay ahead of the competition.
2. **Organizational Profit:** PSOs typically average approximately 15% annual profit (EBITDA). PS executives strive to achieve much higher levels.
3. **Client Satisfaction:** Client satisfaction is critical for long-term growth and profit. Achieving financial goals is important, but without high levels of client satisfaction, PSOs won't grow for long.
4. **Employee Optimization:** Employees are the core asset of any services-based organization, and the ability to effectively hire the right personnel and train, compensate, and retain them is critical to success. High levels of billable utilization are highly correlated with high levels of profit and client satisfaction.

Figure 11: Applications Must Support the Plan-to-Profit Business Process

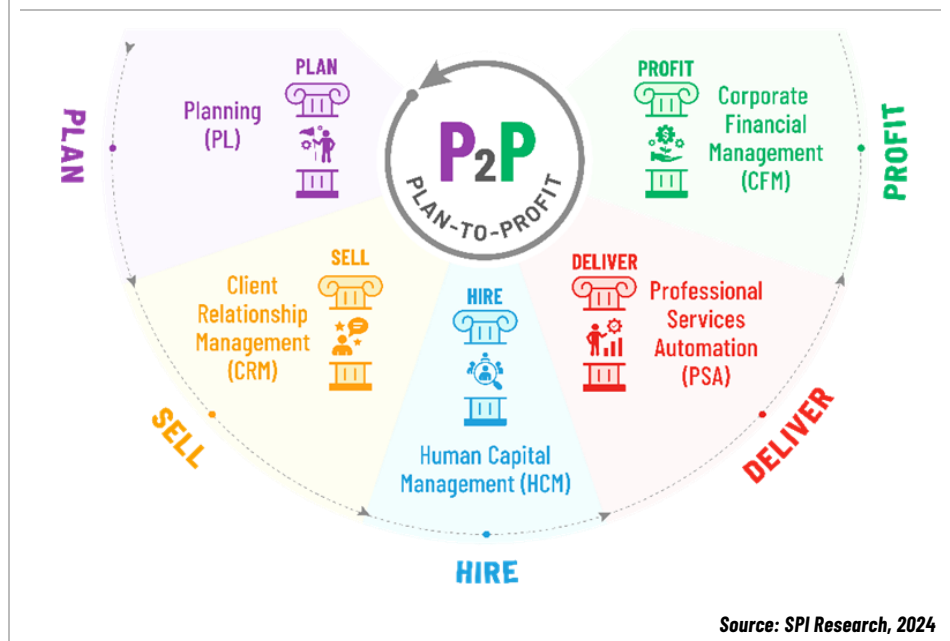
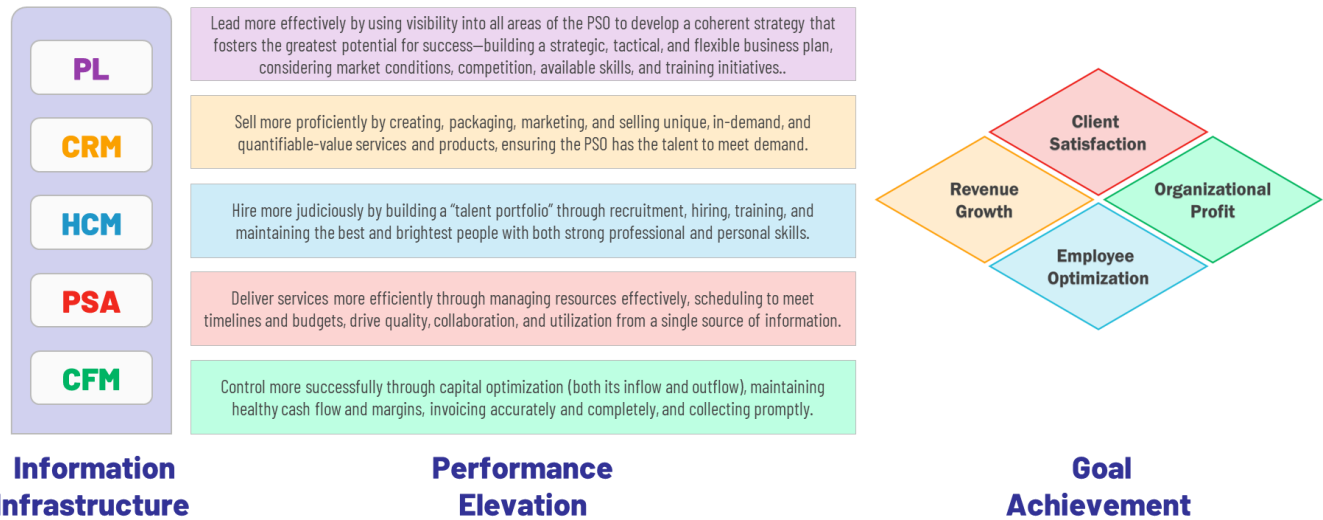


Figure 12: Project-based ERP Must Support PS Goals and Strategic Objectives



Source: SPI Research, 2024

The Movement to Project-based ERP is Significant

Many PSOs today are still very fragmented in using integrated technology. Executives of these firms preach the value of integration to their clients, but in many cases, they still have not invested the capital necessary to run their organization with true integration. However, times are changing, and the needs of PSOs have made the necessity of integration real. SPI Research expects that over the next decade, PSOs will continue to adopt integrated solutions to run their business at a much faster pace than singular-focused point (non-integrated) solutions.

Project-based ERP solution providers now offer a comprehensive suite of integrated applications out of the box. They will work to convince potential buyers that this infrastructure is far superior to purchasing a variety of applications and spending the time and money to integrate them. While ERP providers will preach complete integration across the enterprise, many still do not deliver true integration despite offering various applications. This paradox is predicated on the fact that there is just so much integration necessary with the variety of applications ERP vendors offer, and they have primarily focused their integration efforts on solutions targeted to the manufacturing sector.

As PSOs broaden their geographic reach, creating virtual teams that work 24-by-7, they will turn to tools that help them manage projects and reduce the risks associated with these disbursed teams. As the projects become more complex, Project-based ERP will provide an infrastructure platform to deliver work efficiently and timely, increasing client satisfaction and maximizing profitability.

Project-based ERP solutions offer a rule-based engine that promotes standardization, visibility, and efficiency. They enable PSOs to automate core processes with visibility into the resources and capital necessary to run their business. Project-based ERP’s core focus has always been on financial management. However, these solutions have recently broadened the spectrum to capture client,

resource, and service delivery knowledge and disseminate information in the form of sophisticated business intelligence.

Project-based ERP has also enabled PSOs to collaborate across the service value chain. Many Project-based ERP vendors offer both partners and clients the capability to access critical and timely information, which helps ensure work is completed on time and costs are kept under budget. Five years ago, this capability was a selling feature for Project-based ERP vendors, but today, it is mandatory as clients demand increased access to the work delivered.

While Project-based ERP solutions continue to integrate core functionality and other applications, it is becoming apparent to SPI Research that they must also integrate with the core personal productivity applications used by most employees. This integration will enable workers to utilize Project-based ERP for customized reporting and analysis efficiently. Personal productivity applications are used by a wide variety of information workers to help them perform better. These applications include email, spreadsheets, word processing, presentation, database, computer-aided design, statistical analysis, and others. Most of these applications are part of the Microsoft Office suite or Google Apps. These two have become central to organizational productivity and, therefore, should be part of the Project-based ERP solution providers' plans.

Chapter 6



Project-based ERP Solution Providers

PROJECT-BASED ERP SOLUTION PROVIDERS

SPI Research has tracked the ERP market and Project-based ERP market for decades. Many solution providers claim to have a Project-based ERP solution. Still, SPI Research only sees a handful with demonstrated value and open architecture that allow greater automation insight and control of PSOs. SPI Research breaks these vendors down into leaders and other significant players. Why does SPI Research highlight just a few providers? That is because dedication to the professional services market is critical. Most ERP solution providers offer capabilities built for project- and services-driven organizations. However, only a few have designed a solution for these organizations. Besides the financial management system, Project-based ERP must have both human capital management (HCM) and professional services automation (PSA) to be legitimate. Many PSOs use Salesforce.com as their core CRM solution, and Salesforce.com is the market leader. Others may bolt on or use Excel to manage their planning processes. However, a professional services organization's core is its people, delivery processes, and financial capital to ensure it runs effectively over many years. Planning is an integral part of their success.

Much Has Changed in the Past Decade

Over the past decade, the Project-based ERP market has begun to take shape. Now, a host of Project-based ERP solution providers have built solutions specifically for Professional Services Organizations. While PeopleSoft now resides within the confines of Oracle, vendors such as Deltek, Microsoft, NetSuite, SAP, and Workday have gained a significant market presence.

Rapid growth and change in the Professional Services (PS) industry and other project-based businesses demand a comprehensive information infrastructure. SPI Research's 17 years of PS Maturity™ benchmarking has shown increasing adoption of business solutions and other analytic and collaboration tools to improve operations, effectiveness, and cash flow. Both small and large project-based organizations have embraced Cloud solutions as they are a good fit for the mobile, virtual world of services.

Born-in-the-Cloud ERP providers like Workday, NetSuite, Certinia, and Sage Intacct aggressively focus on project-based businesses. Each leads with differentiating capabilities: Workday specializes in enterprise-class companies with a penchant for talent management; NetSuite supports complex multi-currency and revenue accounting rules prevalent in global businesses and the technology sector; Certinia has worked closely with Salesforce.com and development on the Force.com platform, while Sage Intacct is a favorite of smaller organizations and accountancies. Deltek is the leader in the AEC market and with government contractors, organizations that work with the federal government, and organizations within the federal government supply chain, based on its support for complex project completion and Federal Acquisition Regulations (FAR). Unit 4's ERP solution, with its roots in the Netherlands and Norway, is a strong competitor in Europe and is one of the few mature vendors to have successfully transitioned its line of on-premise solutions to a multi-tenant cloud solution.

Table 11 shows the core modules each of the leading Project-based ERP solutions offers. Most have Client Relationship Management capabilities but also provide out-of-the-box integration with Salesforce.com,

the leading provider. Each vendor gives Corporate Financial Management, Professional Services Automation, and Human Capital Management (the colors highlight core modules in each solution).

Table 11: Project-based ERP Modules by Vendor

	Planning (PL)	Client Relationship Management (CRM)	Human Capital Management (HCM)	Professional Services Automation (PSA)	Corporate Financial Management (CFM)
Certinia		Through Salesforce.com			
Deltek			Separate Deltek product		
Microsoft					
NetSuite					
Oracle					
Sage Intacct		Through Salesforce.com			
SAP					
Unit4					
Workday		Salesforce.com and other CRM solutions			

Source: SPI Research, 2024

Table 12 highlights (in green) the core markets in which each Project-based ERP solution provider excels. While most have customers in the non-shaded markets, they have a significant presence in each shaded market. This chart underscores the importance of professional services executives looking for solution providers that understand their business and have well-mapped their business processes. The expertise of these providers instills confidence in their ability to cater to specific market needs.

Table 12: Project-based ERP Vendor PS Markets

	IT Consulting	Management Consulting	Software PS	SaaS PS	Arch/Engr	Agency	Accounting	Government Contracting
Certinia								
Deltek								
Microsoft								
NetSuite								
Oracle								
Sage Intacct								
SAP								
Unit4								
Workday								

Source: SPI Research, 2024

While understanding the specific professional services market is crucial, it's equally important to consider the size and region of the organization. Table 13 provides insights into where each Project-based ERP supplier sells the highest percentage of its solutions (highlighted in green), giving readers a clear idea of its market focus. However, it is worth noting that these providers also cater to other sized PSOs outside of their primary target (highlighted in yellow). This information can be instrumental in guiding professional services executives toward solution providers that best understand their business and have well-mapped their business processes.

Table 13: 5-Year Organization Size (employees)

	31 - 300	301 - 700	701 - 1,500	1,501 - 5,000	Over 5,000
Certinia					
Deltek					
Microsoft					
NetSuite					
Oracle					
Sage Intacct					
SAP					
Unit4					
Workday					

Source: SPI Research, 2024

Table 14 provides URLs for PS executives to begin their search for a Project-based ERP solution. Each of these providers sells both Project-based ERP and Manufacturing-based ERP to various industries. Starting in a specific Professional Services market will help decision-makers better understand what the solution provider offers and how it works as a whole solution that supports the entire organization.

Table 14: Project-based ERP Solution Providers Website URLs

Provider	URL
Certinia	https://certinia.com/erp-cloud-software/
Deltek	https://www.deltek.com/en/erp/vantagepoint
Microsoft	https://www.microsoft.com/en-us/dynamics-365/solutions/erp
NetSuite	https://www.netsuite.com/portal/industries/services.shtml
Oracle	https://www.oracle.com/professional-services/
Sage Intacct	https://www.sage.com/en-us/industry/services/
SAP	https://www.sap.com/industries/professional-services.html

Provider	URL
UNIT4	https://www.unit4.com/industries/professional-services-software
Workday	https://www.workday.com/en-us/solutions/industries/professional-and-business-services.html

Source: SPI Research, 2024

Each vendor listed in the table has a strong presence in Project-based ERP. A few have separated them from the rest due to their commitment to the professional services market and their comprehensiveness and capabilities in providing solutions. They include:

- ◇ **Deltek:** With over 35 years of commitment to project-based organizations, Deltek is the Leader in the AEC market and with government contractors, organizations that work with the federal government, and organizations within the federal government supply chain, based on its support for complex project completion and Federal Acquisition Regulations (FAR).
- ◇ **NetSuite (Oracle):** A small / mid-market leader with end-to-end Project-based ERP capabilities, it is very strong in consultancies.
- ◇ **Workday:** Leader in enterprise consultancies (over 1,000 employees) with the leading Human Capital Management (HCM) and Planning (PL) solutions.

Vendor Differentiation Matters

SPI Research has followed and analyzed Project-based ERP suppliers for over two decades (except Certinia, which came into the market recently). While each offers a comprehensive Project-based ERP business solution, they differ in various ways, from the depth and breadth of their solutions to the languages and currencies offered, as well as in other areas, one of which is price.

With the variety of solutions offered today, PSOs must limit their selection focus to those that meet their specific needs. Project-based ERP ISVs have core differentiators that make an informed selection process practical, albeit still somewhat complex. However, for every PSO, SPI Research expects there will always be three to five solutions that can sufficiently meet their needs. The goal is to find the most effective solution.

Not every supplier offers the same core modules. Some Project-based ERP solution providers might package the modules together differently based on how they were originally developed for the manufacturing sector. Few offer complete integration into every module. For example, there may be little integration from the CRM to the PSA modules, eliminating potential benefits from the direct move from sales opportunities to a project. Additional software suppliers partner with horizontal or vertical market-specialized applications such as banking, Computer-Aided Design (CAD), or statistical packages. Table 15 lists some of the differentiators to be considered.

Table 15: Project-based ERP Core Differentiators

No.	Differentiator	Description
1	Heritage	Where the ISV began developing solutions (Normally, they began with Financials)
2	Solution Breadth	Depending on how the ISV counts its core modules, it could supply hundreds to PSOs. At a high level, most offer Financials, HCM, and PSA.
3	Solution Depth	Some ISVs offer in-depth functionality in one or several modules, while some offer minimal functionality. This functionality can change rapidly over the course of a year.
4	Internal Integration	Despite the number of modules, it has become increasingly clear that not all solutions offer complete integration across all their core modules. This situation is particularly notable when the ISV has undergone a series of acquisitions.
5	External Integration	Does the ISV offer a robust set of APIs that will enable PSOs to easily integrate critical functionality with the Project-based ERP solution? Project-based ERP solution providers will most likely never offer every piece of functionality demanded by PSO, so it is important that they have an open architecture that supports integration.
6	Organization Spectrum	Some ISVs develop for the entire PSO, whereas others sell to specific back-office organizations. This dynamic is changing as the Project-based ERP suppliers realize they must support the entire PSO with integrated functionality.
7	Vertical Market	Some ISVs sell to various professional services vertical markets (as well as many in the manufacturing sector).
8	Customer Size	Most ISVs would prefer to sell to large organizations. However, considering most PSOs are mid-sized or smaller, it is critical that the solution can meet the needs of smaller organizations at an acceptable price point and without extensive support requirements.
9	Delivery	Most vendors now have changed their business model to selling software as a service (SaaS). This trend will continue to develop, keeping the price of the solution down while providing up-to-date releases for the installed base.
10	Platform	The platform has become less of an issue over the past several years due to stronger integration tools. Microsoft Azure and Amazon Web Services (AWS) are the two primary platforms used. However, the platform issue could become important depending on the organization's platform for all its other enterprise applications. Some PSO platforms include a database, which could be Microsoft, Oracle, IBM, or others.
11	Geography	Many North American-based ISVs have significantly increased operations overseas, while several international ISVs have minimized their presence in the North American market. What is most important is that ISVs provide local support wherever their solutions are sold.
12	Language / Currency	Many PSOs support operations in multiple countries. Therefore, it has become important that the solutions support a variety of languages and currencies. Many solutions support three or more languages with currency support for over 20 currencies.
13	Cost	Cost is still an important factor when considering the purchase of Project-based ERP. SPI Research typically sees the total deployment cost of the solution (hardware, software, services) ranging between \$1,000 and \$3,000 per seat. It is also important to consider annual maintenance and upgrade costs. These normally run between 20% and 30% of the initial license cost.
14	Services	Every ISV offers implementation services, but some work much closer with their customers to ensure the solution meets their needs and attains the desired benefits. Others spend significant effort up front conducting business process reengineering, benchmarking, and training to assure their customers understand how to take full advantage of the solution and can quantify the benefits quickly.

Source: SPI Research, 2024

Chapter 7



Project-based ERP Selection

PROJECT-BASED ERP SELECTION

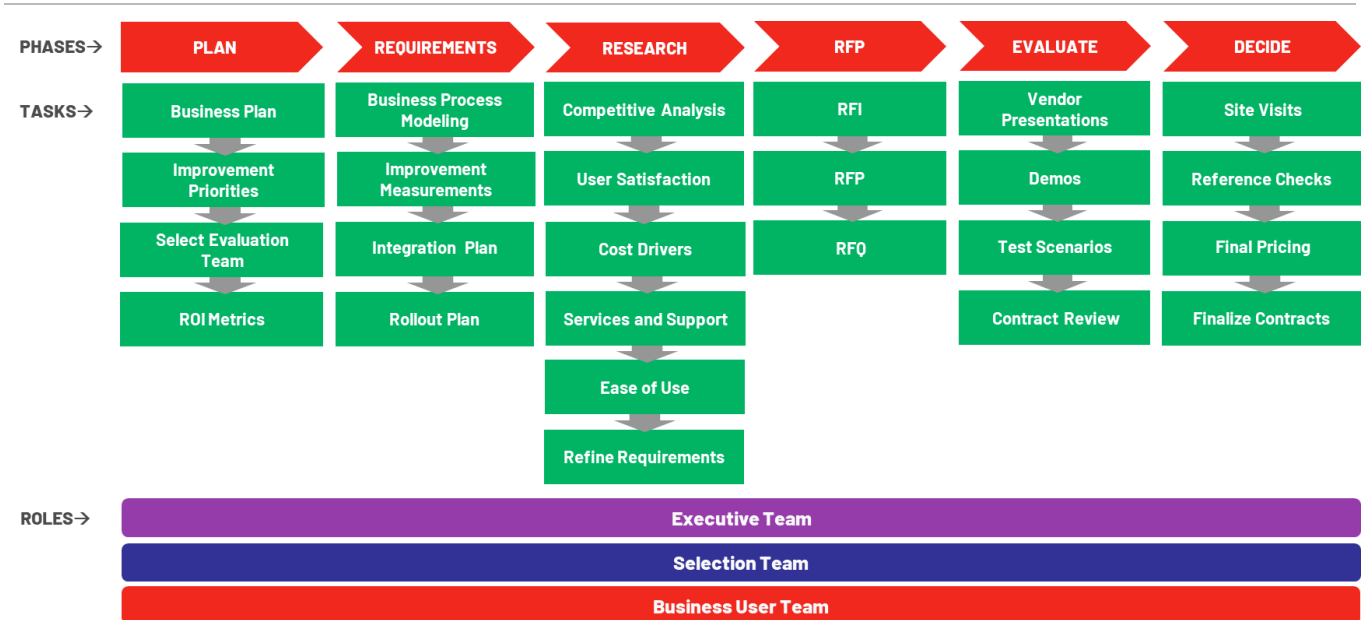
Implementing a Project-based ERP solution is not a simple process. Because Project-based ERP touches virtually every aspect of a professional service organization, the activities with which to deploy it are important. Beyond the initial selection and testing, the PSO must have a strong plan with an executive commitment to deploy it successfully. SaaS solutions introduced over the past decade have reduced the implementation time and provided PSOs with much more timely updates.

Some organizations purchased solutions in the early years of Project-based ERP without understanding the up-front commitment and ongoing support, regardless of the cost. Many never utilized the solutions in a way that improved organizational effectiveness. These purchases resulted in a low level of customer satisfaction. Organizations often “ripped” the software out altogether and either replaced it with another Project-based ERP solution or abandoned it altogether and returned to single-function applications or manual methods.

Project-based ERP Evaluation & Selection

Once the organization understands and is committed to using Project-based ERP, it must evaluate and select the solution that best meets its needs. While no solution is perfect, many provide over 90% of the required functionality. Figure 13 highlights the steps to be taken, while Table 16 provides more detail.

Figure 13: Project-based ERP Selection Process



Source: SPI Research, 2024

Table 16: ERP Selection Process

Step	Description	Team
1.	Business Plan: Identify growth opportunities and key improvement initiatives. Assign initiative owners. Identify “organizational must-haves” and success criteria. Determine the ERP selection team, timelines, and budget. Which executives will oversee selection and deployment? What specific benefits are planned, and how will they be measured?	Executive Team
2.	Requirements: Develop requirements, including core business processes that need to be automated. How will business process and behavioral change be managed? Develop current state metrics and improvement targets. Develop improvement priorities and measurements. Identify operating unit subject matter experts (SMEs) who must be involved or consulted. Determine budget and ROI metrics to justify purchase. Identify priority application integration points and data to be migrated. How will the system be rolled out (entire company, by department, other)? Which features will be deployed immediately, and which can be phased in over time? How will groups transition to the new system? Who needs to be involved and trained? Establish selection process, decision criteria, and timelines.	Core selection team including IT, Bus. Owners, Finance and Operations
3.	Research: Analyze research reports, industry blogs, competitive analysis, installed base, user satisfaction ratings, vendor websites, and cost of ownership information. Review demos, webinars, case studies, product guides, and specifications to determine “must haves” versus “nice to haves.” Identify deployment options, including a preference for cloud, hosted, or on-premise solutions. How are solutions maintained and upgraded? What is the process for new releases? Support for business processes – process modeling tools, workflow, alerts, and approvals. Ease of use – user interface, standard reporting, and custom reports and analysis support. Determine and prioritize decision criteria and evaluation methods.	Core selection team
4.	Develop RFI, RFP, or RFQ: Determine whether you will use outside consultants to help with the selection process. Determine if you will develop a multi-step or single-step requisition process. In a Request for Information (RFI), a broad list of vendors is asked to provide general information, background, and strengths. A Request for Proposal (RFP) includes detailed required functionality, decision criteria, and weighting. Determine which vendors will be involved in the selection. Establish timelines. A Request for Quote (RFQ) is the final step in the process, which includes detailed pricing and proposed contract terms and language.	Core selection team
5.	Evaluate: Depending on your requisition process, you may have already whittled down the list of potential vendors from dozens to a short list. Detailed evaluation should be limited to 5 or fewer vendors as it is time-consuming, exhausting, and can be confusing. Evaluations should include in-person meetings with each vendor team to discuss requirements and how the vendor will handle them. The next meetings will be for the vendors to propose their solutions. Presentations may include detailed demos with priority target user groups to evaluate functionality, ease of use, business process change, and user acceptance. How does the solution handle core business processes? Or should business processes change to mirror the solution? How much customization will be required? What services will be required? How long will it take to convert and deploy? Does the vendor provide data migration tools and services? Key to the evaluation are the level of support the vendor will provide, who will implement the system, the customization required, ongoing support, and the upgrade schedule. Make sure to evaluate the implementation team as carefully as you do software functionality, as a successful implementation will determine ultimate success or failure. Cost analysis must include implementation, data migration, integration, customization, training, purchase price, and ongoing maintenance.	Core selection team, Target User Groups, Implement. team
6.	Decide: Site visits and reference checks with the preferred supplier. Review contracts and terms. Determine implementation process, timelines, and teams. Performance guarantees. Negotiate pricing.	Core team, legal team, finance

Source: SPI Research, 2024

Optimize the Solution to Energize the Organization

Like any business solution, Project-based ERP will provide significant value if the information is used fully. The solution must provide accurate and actionable information to accomplish a PSO's goals. Increased use of business analytics and additional staff to analyze the information will ultimately support business performance improvements.

It is a point of justifiable pride for PSO executives to assume that their organizations contain all the expertise needed to implement any enterprise solution. However, SPI Research advises executives to align their organizations with their Project-based ERP supplier, creating a strong partnership rather than merely a sales relationship.

No magic solution can be deployed and left to hum along over time. Like any critical asset, Project-based ERP must be maintained. Project-based ERP solution providers regularly improve and advance their solution capabilities and support services—cloud solutions make this process easier. When they have been involved with implementation, they cannot only help maximize the use of their solutions, but they are better positioned to serve the PSO's interests from an informed vantage point of partnership down the road.

SPI Research advises executives to actively plan and budget to establish meaningful metrics and benchmarks and involve the Project-based ERP supplier in that process. It is in the mutual interest of both parties to assure, ascertain, and promote the value of the Project-based ERP solutions in action. Benchmarks and ongoing monitoring of key performance indicators provide a solid platform for modifying software and processes. When the need for change can be clearly documented, organizations tend to respond more positively and proactively than when change appears as a whimsical diversion from the business. Because Project-based ERP is a strategic journey, it will never end. The best approach is to plan for the long term and execute for the short-term gains.

Chapter 8



Conclusions & Recommendations

CONCLUSIONS AND RECOMMENDATIONS

The movement toward Project-based ERP for Professional Services has just begun to take shape. While every leading Project-based ERP solution provider has an extensive base of customers in the Professional Services market, their sales have primarily been relegated to Financials (CFM). Professional Services executives have seen their counterparts in manufacturing begin to exploit the value proposition of increased integration across the enterprise. With competitive pressures mounting, along with an increased need for greater visibility and transparency across transactions, the logical next step is for PSOs to expand their Project-based ERP platform footprint to run more efficiently and effectively, especially taking advantage of the new AI tools.

This move provides PSOs with the tools to make them more productive today and position them to respond with agility to the uncertainties that lie ahead. While the Project-based ERP is not the only choice for these executives, it is the approach that most closely mirrors the cross-functional reality of complex and conflicting business requirements.

The Market is Wide Open and Growing

No dominant Project-based ERP solution provider exists in the Professional Services market. While several of the vendors named in this report are household names, each has its area of expertise and has also differentiated itself in ways that make it a major player in each industry. The big push going forward will be in the mid-market, where PSOs have a much greater choice of solutions, given suppliers that traditionally sell to much smaller or larger markets have seen the enormous potential of the mid-market.

The large Project-based ERP vendors will continually enter this market by offering solutions with a more general purpose than their flagship offerings. Smaller PSOs may find these Project-based ERP-light solutions more cost-effective and easily deployed than their market elders. Suppliers primarily selling to smaller PSOs have also moved upstream to reach the midmarket and do so at a very competitive price.

Solution cost and faster deployments have never been a significant issue with traditionally small market Project-based ERP providers, but convincing midmarket executives that their solution can manage large organizations is a continual battle they fight. However, the vendors listed in this report have an excellent record of accomplishment in supporting the midmarket, and while some lack name recognition, their market presence continues to rise.

SPI Research urges PSO executives to take a fresh inventory of existing applications with a keen eye toward any informal processes or systems that have arisen to bridge those solutions. This inventory should aim for any inefficiencies, duplication of effort, or dark holes of information that result from the existing portfolio. The next step is to determine at which points a free exchange of information would address inadequacies and to what degree of financial or functional benefit. Then, executives have the foundation from which to investigate integrated solutions. As with any serious undertaking, the cost/benefit analysis will involve both tangible and intangible costs and gains.

The bottom line is that SPI Research considers that Project-based ERP is rapidly becoming the core solution for leading professional services organizations. The “new” Project-based ERP solutions are more than just financials; they are more than manufacturing solutions made attractive with services terminology. Instead, they form a platform to manage the entire organization, provide one version of the truth, and enable executives to run their business better – improving productivity, profitability, and client satisfaction in every business process.

ABOUT SERVICE PERFORMANCE INSIGHT



R. David Hofferberth, Service Performance Insight's founder and Managing Director, has nearly 40 years of experience in information technology (IT), serving as a consultant, industry analyst, market consultant, and product director with firms including the Aberdeen Group and Oracle. He is focused on the services economy, white-collar productivity issues, and technologies that help people perform at their highest capacity.

Dave, with his former business partner, is the co-author of the **Professional Service Maturity Model™** benchmark, now used by over 50,000 project-oriented organizations to diagnose and improve their performance. He is a frequent speaker at key industry events on information technology around the world and has provided advisory services to project- and services-driven organizations.

Dave's background includes developing applications and analytical tools to support business decision-making processes, beginning in the early 1980s. In 1999, he introduced the solution area to the market, which is now known as Professional Services Automation (PSA), when he published the seminal report **Professional Services Automation: Increasing Efficiencies and Profitability in Professional Services Organizations**.

Dave earned an MBA from Duke University and a BS in Industrial Engineering from the University of Tennessee. Earlier in his career, he was a licensed Professional Engineer (PE).

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Service Performance Insight (SPI Research) is a global research, consulting, and training organization dedicated to helping professional service organizations (PSOs) make quantum improvements in productivity and profit. In 2007, SPI developed the PS Maturity Model™ as a strategic planning and management framework. It is now the industry-leading performance improvement tool used by over 50,000 service and project-oriented organizations to chart their course to service excellence.

SPI provides a unique depth of operating experience combined with unsurpassed analytic capability. We not only diagnose areas for improvement but also provide the business value of change. We then work collaboratively with our clients to create new management processes to transform and ignite performance. Visit www.SPIresearch.com for more information on Service Performance Insight, LLC.