Accelerating Profitable Growth as a Professional Services Organization

What's the secret to profitable growth for organizations in the Professional Services space? New research from The Service Performance Insight's (SPI) study, 2017 Professional Services Maturity™ Benchmark says that Professional Service Organizations (PSOs) that integrate these three key business processes have much higher performance and profitability:

- Customer Relationship Management (CRM)
- Enterprise Resource Planning (ERP)
- Project Management with Services Management

In this brief, we explore the findings of the SPI survey and help you compare your own PSO's performance by answering the following questions:

- How can my organization gain a better view across the entire business?
- How can my business rely less on spreadsheets and paper-based data?
- How can my firm deliver projects and services profitably?

Common Challenges Facing Professional Services Organizations (PSOs)

PSOs include consulting firms, law or doctors' offices, IT service providers, or any other business that offers knowledge based services to customers. A 2017 Aberdeen Group survey found that over 20% of PSOs struggle with excessive manual paperwork that clogs processes. They also experience difficulty with capturing, applying, and managing ongoing project costs and expenses.   Similarly, the PAC-CXP Group found that more than 66% of responding PSOs said that their project value chain was supported by various non-integrated systems, making it challenging to get a complete view of business projects.

Making Technology Work for Professional Services Organizations

According to SPI Research, there has been a gradual increase (over the last ten years of surveying) in the use of information technology to run individual departments in PSOs. When these systems are integrated with a core financial management solution, PSOs gain additional insight and value, improve organizational data integrity, increase department collaboration, and see higher profitability.

To be successful, PSOs must embrace integrated technology systems. PSOs operate in an especially competitive business climate driven by changing technology, evolving client needs, mergers, and skilled talent shortages. An effective use of technology to access unified information from multiple departments is a competitive point of difference that can increase a firm's flexibility, performance, and profit.

Application Integration is a Key Enabler of Business Performance and Success

Running multiple best-of-breed applications that aren't integrated, or using a paper or spreadsheet-based processes, can be time consuming and inefficient. By integrating applications to manage business systems, firms can gather deeper and more thorough insight into projects, service delivery, and overall business operations, allowing for more informed and strategic decision-making.

For example, CRM systems that are directly integrated with ERP, provide PSO executives with the insights necessary to develop a pricing strategy, maximizing the chances of winning a project, with potential for maximum profit. Without integration, conducting this type of analysis would be difficult.

22%
of Professional Services Organizations (PSOs) struggle with excessive **manual paperwork**.

66%
of PSOs are inefficiently supported by various **non-integrated** systems.

15%
of PSOs use **integrated systems** to manage their business.

Top PSOs Use Integrated Business Applications to Drive Profitability

For the past eight years, SPI has conducted in-depth analysis of the top 5% of participants in the Professional Services Maturity™ benchmark to understand reasons for their higher performance, including significantly higher profit and more satisfied clients than their peers. SPI found that these top 5% excel in all five service performance dimensions – Leadership, Client Relationships, Human Capital Alignment, Service Execution, Finance and Operations.

The top performing PSOs in the 2017 report shared several characteristics, including:

- Higher growth, profit, and levels of client satisfaction

- Increased revenue growth by more than 20% vs. revenue growth of 8.4% for average firms

- Larger projects, with more rigorous quality processes

- Fewer project overruns and fewer cancelled projects

What are these top performing organizations doing that sets them apart from the competition? They are investing in integrated solutions and business applications.

These winning organizations deployed integrated business applications across all aspects of their businesses. With the integration of financials, customer management, project management, and more, these PSOs gained broader and deeper insight from multiple departments for improved, real-time decision making.

Top
5%
of PSOs excel at leadership, client relationships, human capital alignment, service execution, finance, and operations.

Professional Service Automation Solutions and Applications

While focused on financial success and stability, top performing firms are more likely to have implemented a commercial business application and much more likely to have integrated with the core financial application. The excerpted table below from SPI highlights the difference in usage and integration of some commercial applications by best performing PSOs compared to others, illustrating the increased benefit of integration.

For example, 95.2% of best performing firms have integration with Professional Service Automation (PSA) applications for billing and revenue recognition.

These best performing organizations are also more likely to have integrated their CRM (53.3%) systems with their ERP applications to provide real-time visibility and tracking between sales and the costs associated with service delivery.

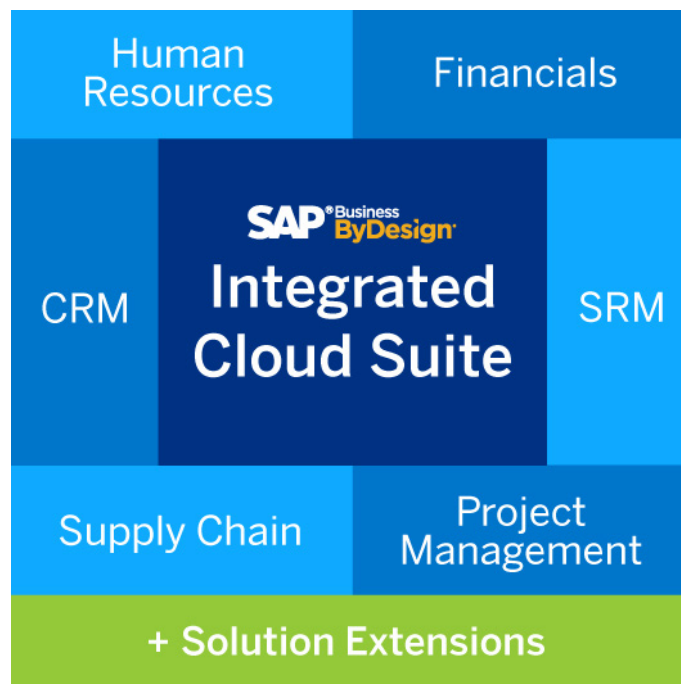| Solution	Best	Rest
Commercial financial management solution	95.2%	90.8%
Commercial CRM solution	90.5%	84.5%
Commercial PSA solution	95.2%	79.1%
CRM integrated with ERP	53.3%	39.1%
PSA integrated with ERP	84.4%	52.1%

With the help of integrated PSAs, top performers can manage client communications and engagement throughout the entire project lifecycle – from creation of the sales opportunity to the closing of the deal to the allocation of resources to deliver the work. In addition, the combination of tight integration between the CRM and PSA systems was credited by several top performing PSOs as a catalyst in building collaboration between sales and service delivery. These organizations saw improved resource and project management, and improved time, expense capture, and billing leading to higher levels of billable utilization and on-time projects.

Summary: Integrated Business Applications Greatly Benefit PSOs

Per SPI, integrated business applications provide PSOs more visibility across their businesses, enabling greater insight into customer information and promoting the sharing of customer information which enhances both sales and service delivery effectiveness.

That's where SAP Business ByDesign can help. Business ByDesign is a fully integrated cloud-based ERP solution providing a 360-degree view of clients and projects that can help professional service firms become more profitable. SAP Business ByDesign seamlessly integrates CRM, sales data, project and service management, financials, analytics, and more. The solution provides a holistic view of operations to enable PSOs to effectively plan projects during the sales cycle, allocate resources once the work is won, and control costs over the duration of a project to ensure profitable outcomes.

To learn more, contact your SAP Partner.