

A New Approach to Business and Knowledge Management for Professional Services Firms

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THE PROFESSIONAL SERVICES FIRM

The Professional Services Firm operates through projects, i.e., through discrete engagements for external or internal clients, delivered according to an agreed-upon scope, schedule, fee, and set of deliverables. Some specific examples of project-based organizations include IT services businesses, architectural and engineering firms, design and planning firms, management consulting firms, systems integrators, accounting firms, research organizations, and government contractors.

In the supply chain of a services organization, people and time are the most important resources when delivering on a project or engagement is paramount. Professional services firms must manage information and work to achieve success, in spite of project complications.

The term “Project Portfolio Management” (PPM) has been coined by industry analysts to describe the functions and activities that professional services firms must engage in to be successful. As the leading provider of PPM solutions to project-based businesses, Deltek views PPM as a comprehensive, universal, transparent, collaborative and knowledge-enhancing approach to managing information and work in professional services firms.

Success Factors for Professional Services Firms

There are certain time-honored success factors that can make or break a professional services firm. Short-term success comes with bringing projects in the door, having the resources and capacity to execute them, keeping tight reins on projects, and knowing how to evaluate and manage underlying drivers of financial performance. In the long term, successful project-based firms concentrate on external factors (relationships, reputation, and a market-sector focus) and on internal factors (communication, staffing, and knowledge management).

In addition, professional services firms are currently faced with powerful changes in their industries. These changes include a robust market environment and its associated pains, hopes and fears surrounding the impact of the Internet and ecommerce, historic shortages of key professionals, industry consolidation and spin-offs from mergers and acquisitions, and increasingly sophisticated clients.

At the same time, the issue of technology has risen to the boardroom. Top executives are increasingly aware of technology as a basic requirement for doing business, as well as a market differentiator and competitive advantage, and they worry about the costs of falling behind the curve.

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Current Practices and Existing Business Systems in Professional Services Firms

Automation of professional services firms has progressed steadily over the last 30 years, beginning with production and accounting systems, then expanding into project management, marketing, and, more recently, communication and collaboration. Yet, for all their progress, firms have stopped curiously short of fully automating and integrating their key business processes. This section reviews the current state of affairs in most professional services firms and identifies important issues to be addressed.

Many project-based businesses have implemented an industry-standard solution for accounting, timekeeping and, in some cases, project management. Yet the picture that emerges is of many “islands” of automation, but no integrated enterprise-wide automation.

Even an organization that has adopted all industry best practices — and few have gotten this far — would still have significant holes in the system. These holes include an enterprise-wide client relationship management system, a robust project resource planning tool, automation in the identification of project resources, and a collaboration solution for client interaction. Also, many of the solutions that firms implement are available only in a single location, for a single or limited group of users. Their greatest weaknesses are the lack of integration and a coherent interface to shared knowledge. This results in redundant data entry of information and in inconsistent or inaccurate data. This fosters inefficiency and drives up costs while reducing effectiveness. It places the burden of integrating information for different sources on the professional. The organization also fails to capitalize on opportunities, learn from mistakes, or make effective reuse of ideas and information.

Key Components of Professional Services Automation

In contrast to these prevailing practices in project-based businesses, Deltek promotes an enterprise-wide system that ties together all business functions. It is a system that uses an intranet and the Internet to provide people inside and outside the organization with a single, manageable window into all relevant data surrounding projects, clients, employees, sub-consultants, opportunities, recruits and any other key business entities.

This section outlines the specific components that Deltek supports, including data management and business process automation that cover each of the following processes:

- Opportunity and lead tracking
- Proposal automation
- Resource planning and forecasting
- Recruiting and partnering
- Client relationship management
- Project planning, budgeting and management
- Employee time and expense entry and processing
- Project and financial accounting
- Billing and receivables
- Human resource management
- Document and knowledge management
- Business intelligence and practice management
- Project websites (e-business)

After examining each of these areas in detail, it becomes clear that PPM needs to be comprehensive in its automation of the professional services firm, touching on every aspect of a firm’s operations. At the same time, PPM must be universally adopted in the organization in order to succeed, since so many of its capabilities depend on providing a complete and correct view of all business activity. To be widely adopted, it must be transparent—that is, it must overlay easily into each business process, without creating a bulk of additional work for users, even enabling them to do their

jobs more efficiently. The user interface to a PPM solution must be user friendly and designed to support and encourage collaboration. Finally, it should be knowledge-enhancing — meaning that the system enables ideas, best practices, and intelligence to spread more quickly up, down, and across the organization and to be preserved for a longer time.

Comparing and Contrasting Project Portfolio Management with Enterprise Resource Planning, Client Relationship Management, Project Management and Collaboration Systems

As comprehensive a solution as Project Portfolio Management is, many will wonder how it relates to other types of enterprise and project-based systems, including Enterprise Resource Planning (ERP), Client Relationship Management (CRM), project management tools, and project collaboration/project Websites. In this section, we explore how PPM fits into this landscape.

We conclude that it encompasses some features of an ERP solution; but is more appropriately scaled to the typical professional services firm, while extending an ERP-like functionality into the hands of a broader community in a more useful context. And while it includes CRM capabilities, it's far more powerful for project-based businesses than stand-alone CRM applications because of its integration with project management and accounting functions. PPM encompasses the budgeting and scheduling tools currently used today for project management (i.e., Microsoft® Project) and includes an integration of these tools into the PPM solution. Finally, PPM provides much of the same collaborative possibilities as today's project websites, but in a way that more efficiently integrates the internal work processes and management systems with those of its partners.

While all offer benefits to the professional services firm, all fall short of realizing the benefits promised by PPM. It is best to think of PPM as offering the best aspects of each type of

application, combining all of them in an integrated way that makes the whole more effective.

Project Portfolio Management in Action

Perhaps the only way to grasp the full impact of PPM is to dramatize it with lifelike examples. This section describes PPM from the perspectives of the various participants in a project. It uses a fictionalized case of Crescent Architects designing a laboratory for Gold Pharmaceuticals to illustrate the benefits of PPM to each player in a project situation. "PPM" refers both to the concept of Project Portfolio Management and, in this fictitious example, the integrated system that fulfills that concept.

In this fictional story, the events in the project and specific benefits from PPM are considered from nine different perspectives:

- Marketing and sales
- Business unit manager
- Recruiting and human resource manager
- Project manager
- Finance and accounting personnel
- IT staff
- Client
- Partner or subcontractor
- CEO, managing partner, or principal

Return on Investment from Project Portfolio Management

Deltek expects firms to find tangible and intangible returns in four critical areas — increased productivity, higher quality of work performed, preservation and transfer of knowledge within the organization, and stronger relationships with clients. These returns help firms to achieve two key goals of PPM — increased profitability and reduced costs. This section explores the advantages in each of these areas. Some of the specific areas of return include:

- Faster delivery of project-sensitive information to all team members and reduced project turnaround times.

Deltek expects firms to find tangible or intangible returns in four critical areas for a professional services firm...



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Deltek (NASDAQ: PROJ) is the leading provider of enterprise applications software designed specifically for project-focused businesses. For more than two decades, our software applications have enabled organizations to automate mission-critical business processes around the engagement, execution and delivery of projects. More than 12,000 customers worldwide rely on Deltek to measure business results, optimize performance, streamline operations and win new business.

- Improved project resource planning and fine tuning of the marketing and recruitment pipelines.
- Better application of time and materials to the right tasks and the ability to make adjustments, due to faster and more accurate delivery of project cost and budget information.
- Less time wasted on low probability sales efforts and a more efficient marketing effort.
- Reduction or elimination of redundant work efforts due to a single instance of data items like client records, project files, employee profiles, and so on.
- Reduction of costly errors and omissions.
- Reduced billing cycles leading to an increase in cashflow.
- Reduction of expenditures on recruitment fees due to better communication among hiring managers and access to a database of potential candidates.
- Reduction in the time spent looking for information an employee needs to do the job at hand and resulting increase in available billable hours.
- Better retention of client relationships and information even as individual client managers come and go.
- More far-reaching and cost-effective direct marketing and client awareness programs due to an improved client contact database.

Implementation Strategies for Professional Services Automation

Lessons learned from implementing other enterprise-wide applications will be helpful for the forward thinking firms that make the

investment in PPM. This section outlines some important guidelines for implementing PPM, as well as possible pitfalls to avoid. In brief, Deltek's recommendations are:

- Take advantage of the "first-mover" advantage for early adopters.
- Avoid waiting too long to get started or trying to solve every business problem simultaneously.
- Build the proper infrastructure, including strong Internet access.
- Don't underestimate the importance of integration with existing financial, communication, and project management tools.
- Make sure your firm commits to the cultural change that may be necessary for success.
- Don't move ahead without top management support.

CONCLUSIONS

Today's challenging business climate highlights the absolute necessity of implementing a PPM solution. Those firms that invested in PPM in the late 1990s are the same firms that are positioned for growth, even in the current economic climate. Firms that embrace the efficiencies and streamlined business processes that result from PPM are the ones with a significant competitive advantage against their competitors. The forward thinking leaders among these companies will understand that a better time may never come to make a significant investment in PPM. And the firms that succeed will be those that enjoy strong support from the CEO, and can bring all factions of their management to the table to make a commitment to this common goal of integrating business and knowledge management.