



Maximizing Performance and Profitability in Billable Services Organizations

A NetSuite White Paper for the Professional Services Community

November 2006

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Introduction

Companies that provide services account for over 55% of the US economy today — a percentage that is growing rapidly. Whether these businesses are organized to provide intellectual expertise, such as financial consulting, or provide tangible services based on a particular skill set (provision of IT services, for example), these companies have very different business requirements than manufacturers or retailers. They are often project-based and bill by the hour rather than counting products shipped or items rolling off an assembly line. As such, these companies need a business management solution tailored to the specific business processes that underlie the way they conduct their businesses.

This NetSuite White Paper explores the business processes underpinning companies that derive their revenue from the provision of services — whether they are standalone service-providing businesses or parts of a larger organization. Many of these companies are centered on their intellectual property and provide advice or consulting services across industries — for businesses, the public sector, and personal or home related services.

Four primary business processes are discussed here:

- Accelerating the time from lead through the contract
- Managing the project from contract through completion
- Improving profitability in the delivery-to-cash cycle
- Managing professional services accounting

The Business of Service

Industry experts have defined business processes and procedures that consistently differentiate successful service companies from the competitive pack.¹ These critical areas include the overall management of the business itself (internal to the company) and three that are external, customer facing processes: client acquisition, project management, and client re-engagement.

Unified, tightly coupled business processes are necessary in a services business to ensure clear lines of visibility throughout the entire organization. This is especially the case in today's service organizations which leverage personnel around the world, with teams providing 24/7 client care in remote call centers, or development teams allowing companies to “follow the sun” round the globe. Even if a company is not multinational, services providers often have consultants or teams spread out over a large area in geographically disparate sites, thus requiring access to information in a variety of locations. Indeed, services companies have increasingly embraced technology to create virtual organizations that do not require physical infrastructure which contributes to profitability and the ability to be more nimble than their competitors in a rapidly changing economy. The value of applications

¹ Gartner Group. 2005.

supporting such integration and visibility is a differentiating best practice for a service provider: fragmented business processes cause inaccuracy, inefficiency, and added cost.

Client Acquisition

The path to revenue for service providers is winning the client, successfully completing the project, and retaining the client. Whether the service provided is management consulting to a business or home renovation contracting to a private party, the cycle is the same. And key to keeping all company resources working and revenue flowing is to have a steady pipeline of clients.

The dilemma today is that many businesses lack a corporate-wide strategy for winning new clients, relying on rather haphazard measures to learn about business opportunities and locating areas for new first-time business. Whether the means of reaching new prospects is through print ads, the Internet, cold calling on the telephone, or multi-faceted campaigns, all service providers need to have a consolidated way to locate, target and build their client base, and have the metrics to evaluate which marketing means were actually best tied to successful client acquisition. Knowing what means of reaching a new lead best correlates with the advancement to a prospect and to a client under contract not only optimizes the ROI from a company's allocated marketing dollars, but also decreases the time to a client under contract, and lowers the total client attainment costs through focusing only on programs that actually yield new clients.

Maximizing visibility is accommodated electronically by keeping track of the sources of leads and by campaign management that targets, locates and builds the client base desired. Use of keywords in web campaigns and the necessary on-line lead capture of the ensuing leads are pivotal in successful lead management.

With the goal, then, of accelerating the conversion of leads to actual contracts, what processes and procedures need to be integrated for success? After all, there are multiple parties involved: the Marketing VP responsible for building the lead chain, the Sales Representative who works the opportunity and ultimately closes the deal; and the Project Manager who has to accurately scope the engagement for the proposal and the contract.

The business requirement is for an integrated view of the prospect, allowing each involved party visibility into the same information in realtime, so the data one reviews is never out of date

Consulting and professional services firms with an integrated suite rely on the smooth workflow-based business applications specifically designed for project-based companies. From the sales through scoping through any approval processes, the project can move from initial proposal to final proposal in contract form to the client. The automated system can ease communication with clients as well as the internal communication with the various parties involved in multiple aspects of the project.

NetSuite's client dashboard allows all concerned with the project to have a total view of the client at all times — from proposal through completed project. This supports a single view of the past association with the client, including total payment history or previous service issues, and the ongoing view of status throughout the upcoming project.

In addition, NetSuite's client portal can be used to grant the client access to milestones and the like that give visibility to status of the project back to the client. The client can also register and view status on any issues or concerns that may have been raised.

Managing the Engagement

Unlike vendors who sell products, the real work for a professional services organization is AFTER the solution is actually sold. Delivery is king, and firms providing services often struggle to keep all the players, tasks, and the commitments made and expectations to be met in focus and on schedule. NetSuite provides visibility across all business processes from both a project management and a cost /revenue perspective with real-time KPIs (key performance indicators). It provides invoicing common in services firms, and helps estimate job profitability by comparing projected loaded labor cost against expected billings.

Financials for Services Firms

NetSuite accounting includes full General Ledger, Accounts Payable and Receivable, multiple budgets, multi-currency, online bill pay, allocations, and multi-company consolidations all with real-time reporting. However, for service professionals, it is NetSuite's **Advanced Billing** that is deemed key. NetSuite automates complex billing schedules, providing professional services firms with complete visibility into future billings and cashflow. Once contract terms are set up in NetSuite, invoices are automatically created based on those terms. Advanced Billing supports multiple billing models including milestone, time and expense, percent complete and fixed fee. Greater efficiency from integration, real-time tracking and reports, and auditing tools reduce the overhead that typically burdens services companies.

Professional services firms are often challenged by issues of revenue recognition: clients may pay for services or year-long retainers in advance, yet the payments cannot be recognized as revenue until the work is actually completed. NetSuite supports broad revenue recognition capabilities, important to many services companies, including percent complete allowing companies to recognize revenue in conjunction with the completion of a project. Companies can also manage both GAAP revenues and billings separately — a critical operation for many companies. Professional services companies also need to recognize deferred payments within regulations and guidelines, all of which is accomplished within NetSuite financials. Deferred revenue reports deliver detailed data on both posted and forecasted revenue, with access to detailed historical and future views for more accurate business management and planning.

There is often a lot of guess work in the revenue forecasting of sales and consultants themselves in firms that bill by the hour or project. With all aspects of revenue management handled in NetSuite, and not offline in spreadsheets and third party systems, revenue forecasts are based on consolidated, real-time data for accurate, confident forecasting. Unlike standalone CRM solutions, NetSuite lets professional service providers see revenue from both their sales pipeline and existing client base.

Standard PSA tools do not provide the budgeting tools for the real-world financial planning complexities professional services firms face. NetSuite's budgeting tools address those needs with multiple budgets for tracking different scenarios, the ability to easily create new budgets from existing budgets or even from actual results and more customizable budget reports. And in order to provide maximum flexibility, firms can work on their budgets offline in a spreadsheet and import the results into NetSuite.

As a single application with a complete set of audit trails, NetSuite makes it simpler to maintain compliance with GAAP, FASB, SEC, and AICPA regulations and standards. NetSuite facilitates

Sarbanes-Oxley Section 404 compliance by supporting internal controls, providing accurate, timely reporting and supporting individual accountability through a complete audit trail of all processes and every transaction.

The Value Proposition for Professional Service Firms

NetSuite automates the complete order to cash lifecycle with integrated order management serving as the critical pipeline between client facing CRM, PSA and back office ERP and financials. It is a business process-centric application that operates in real-time. The business processes are derived from best practices realized from hundreds of implementations in firms like yours. It has been built from the ground up as a single integrated suite of applications that is highly modular. Integrated order management, for example, is integrated with Advanced Billing to allow service firms to accurately account for projects. It also provides histories for inquiries, support and upsell and cross-sell of products and services.

But it also provides another benefit to professional services firms: it is an On Demand solution, removing the need for expensive hardware, professional IT staffing, and a complex infrastructure. All the user needs is access to the Internet for complete round-the-clock use of solutions that are both sophisticated and easy to use. Deployment time is faster, and the long-term cost of ownership far less than expensive on-premise applications that require integration, maintenance, upgrades, and eventual replacement.

Conclusion

Research demonstrates that professional service firms are plagued by the same issues, despite the wide variety in the nature of the services provided. They have difficulty scheduling and managing their resources; and they lack of visibility into the status of their projects, hence cannot accurately forecast their revenue. They are challenged to accurately capture of all client-billable time and expenses, often leading to lower project profitability. And they lack the means to ensure timely payment for work completed or milestones met.

To be successful, service-providing businesses require a business management solution that is designed exclusively for the billable services industry, one that supports the core business processes of services-centric organizations to more efficiently utilize people and streamline the project lifecycle to save time, cut costs and increase revenues.

To learn more about NetSuite's Professional Services Edition, please visit us at: www.netsuite.com/services or call a dedicated Professional Services representative for a demonstration at: 1 877-638-7848.