

The Path to Realization

Predictive Service Execution for Professional Services Firms

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Predictive Service Execution for Service Firms

"By using the system across our legal entities, we can take a single view of any project we're doing for a customer. This means that we can take the customer's view of all of the services we're delivering. With Oracle Projects, we can now have staff working on the same project in different countries and charge to the project in local currencies. We can also send out invoices in whatever currency the customer requires."

— **Brian Bodsworth, CIO**
Capgemini

EXECUTIVE OVERVIEW

The lifeblood by which executives in Professional Services companies (organizations that deliver people's time and expertise) manage their businesses has traditionally centered on the concept of realization. The principle of realization was borne in the accounting profession. This principle has two key conditions: that there is reasonable assurance that a business will collect the payments due to it, and that there is substantial completion of a transaction.

However, the notion of realization was often further extended into the management and operations of the business. In particular, Professional Services companies borrowed on the accounting principle and took it one step further. This was very evident in the latter part of the twentieth century as accounting firms expanded their businesses to include management and IT consulting in addition to traditional tax and audit services.

At its core, realization—for Professional Services companies—is akin to what is commonly known in product companies as margins. But since it was thought at the time, that people resources could not be measured on margins (as products could), the proxy metric for an entire industry became realization.

The formula for this metric is relatively simple. Basically, engagement managers' utilized internal accounting systems that took the projected billing on an engagement, minus the total expenses required to execute that engagement and divided the result by the budgeted fees for the engagement.

$$\text{Realization} = \frac{\text{Projected Billing} - \text{Total Expenses}}{\text{Budgeted Fees}}$$

What resulted was the percentage of the proposed engagement fees that the project manager was committing to bring in as revenue for a particular project.

Today, this metric is a standard in nearly every professional service organization. However, its use and time as a stand-alone metric rooted in its accounting underpinnings is transforming. In the 21st century, successful businesses are searching for more than accounting and financial based metrics. What has become commonplace, is for companies to begin thinking about measuring their businesses along multiple and forward looking metrics (i.e. recruitment effectiveness or customer retention) rather than just on financial and typically rear-view metrics (i.e. gross profit or net margins) to measure benefits.

Oracle Corporation has been thinking about this concept strategically over the last several years. We've built business applications that cover all facets of business. We've expanded our enterprise application footprint and we've expanded our definition of realization. It is through this white paper that we introduce our vision for how Professional Services companies can experience realization across the enterprise service delivery lifecycle. We refer to this as Predictive Service Execution for the Professional Services industry.

INTRODUCTION

Realization, as a metric by which to measure the success of today's Professional Services, is a concept that must be extended from its accounting roots. Let's look at the dictionary definition from the Merriam-Webster Online Dictionary:

Main Entry: **re·al·i·za·tion**

Pronunciation: "rE-&l&-'zA-sh&n, "ri-&-

Function: *noun*

1 : the action of [realizing](#) : the state of being [realized](#)

2 : something [realized](#)

Source: <http://www.m-w.com/dictionary/realization>

This definition suggests a broader interpretation than the traditional accounting view and is in line with Oracle's concepts around realizing the benefits for every business process that takes place along the services lifecycle.

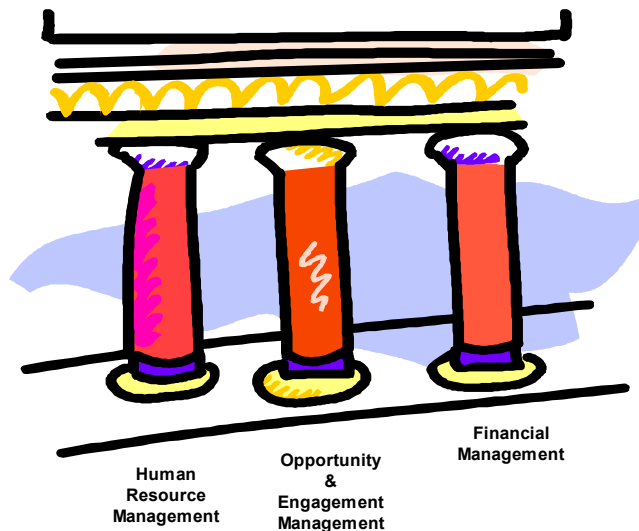
MULTIPLE PILLARS OF REALIZATION

The path to realization of business benefits in the Professional Services industries lies in creating a foundation the firm can use to "realize" benefits in multiple facets of its business, not just accounting. We believe that there are three fundamental pillars that form the foundation upon which businesses should capitalize. The pillars are:

- Human Resource Management
- Opportunity & Engagement Management
- Financial Management

These are illustrated in the graphic below:

THREE PILLARS OF REALIZATION



Source: Oracle Corporation, 2006

"Leveraging Oracle Financials and Human Resources along with Oracle Projects globally on a single instance has enabled us to consolidate our support team and thereby reduce overall support costs with the savings directly benefiting our clients."

— **Mark Livings, CIO**
Kanbay International

For every firm in this industry, coming to understand clearly and distinctively these three pillars will serve to jump-start and boost productivity to levels which have previously not been achieved.

Realization of Human Resources

With people-related costs averaging over 60% of total corporate expenditures, leading firms have begun to pay increased attention to the contribution made by their workers. Executives at these firms understand that people-process excellence is an important ingredient to an enterprise's overall success. Therefore, the definition of realization, in the context of human capital is:

- The ability for firms to optimize their consultants' talent and to optimize the deployment of that talent for each and every engagement the firm undertakes.

In the Professional Services industry, this means firms must leverage global talent and maximize resource utilization by:

- Hiring and retaining skilled professionals
- Forecasting project needs and improving workforce development
- Aligning professionals' skills and experience with strategic objectives
- Deploying professionals to ensure quality work on every engagement
- Maximizing global resource productivity and profitability, and
- Utilizing workforce analytics to examine workforce retention, performance, and compensation.

But many firms today suffer from the ineffective use of skilled resources. The causes can be many, including:

- Lack of integrated systems to view resource availability and schedules
- An inability to recruit for, and develop, needed skills in a timely manner
- Poor visibility to follow & forecast resource capacity needs
- Time required to align skills and knowledge to client engagements
- Managing a globally dispersed workforce, and
- Tracking consultant development and skill levels.

However, realizing the potential of your firm's human capital can be improved to eliminate and minimize these challenges. Oracle's HR and Project Resource Management solutions address the end-to-end business processes of hiring, assigning consultants to engagements and billing for time and expenses charged to engagements. These applications help you to leverage your resource's skills and experience by enabling forecasting of project needs, improving professional development to increase resource realization. And, to ensure quality work, our applications help you to align skills and deploy specific resources.

With Oracle HR and Resource Management solutions, resource and staffing managers have greater visibility into assignment schedules than manual systems can provide. With this visibility, your resource and staffing managers can reduce the time to assign consultants to engagements, minimize engagement risks associated with assigning unqualified or under qualified consultants, thus increasing customer satisfaction.

It is imperative that you place your best resources on the right projects. However, disconnected systems and processes make it difficult to easily identify and quickly deploy the right employees, contractors, or even materials and equipment—especially if they are not centrally located.

The Oracle Suite for Professional Services gives you visibility across your entire enterprise, so that you can optimize resource utilization by rapidly matching project resource requirements to enterprise skills. You can look across the requirements of all your projects and quickly determine the best match. You can further improve utilization by putting project placement capabilities directly into the hands of your own resources with personalized access to their own schedules and skill sets. And Oracle allows you to monitor utilization of resources at the project, program or client level.

Benefits our customers have achieved include:

- Reduced consultant scheduling time from days to real-time decisions through increased visibility on all consulting planning/calendars. (Business Objects)
- Real reduction in personnel costs in the first year of operation, with 8% fewer people involved in the monthly close process. (Capgemini)
- Improved visibility of resource management data; acquired ability to forecast on specific projects; increased utilization; ability to match consultant's skills to projects. (Kanbay International)
- Training time has been reduced from seven hours to four. (Remy Corporation)

Firms committed to realizing human capital excellence must understand the concept of realization as it applies to human capital and strive for a continuous closed-loop measurement and feedback system that will integrate seamlessly with other project management investments. Understanding this first pillar of realization is the first step.

“Since using Oracle Enterprise CRM, CedarCrestone’s Sales organization has forecast and sales pipeline information that is accurate, current and provides insight to resource demands and skill set trends in our Professional Services market. We track hundreds of opportunities and thousands of contacts remotely and reliably. Our ability to generate and distribute meaningful reports with opportunity and market analysis is on demand; no longer requiring hours to create. Having doubled in size during 2005, Oracle Enterprise CRM 8.9 proved to be scalable and flexible to meet the demanding requirements of our growing organization.”

— **Mike Skaggs, VP of Sales**
CedarCrestone

Opportunity and Engagement Realization

The discipline of looking at the management of business processes was popularized in the latter part of the previous century by business gurus such as Peter Ducker, Michael Porter, Tom Peters and many others. In particular, in the book *Reengineering the Corporation*, published in 1993 management luminaries, James Champy and Michael Hammer, advocated businesses reorganize around "processes," such as selling or order-to-cash rather than around administrative stovepipes, such as the purchasing, credit or receivables departments.

Business processes are simply a collection of related activities (or workflows) that an organization undertakes to serve its customers, shareholders or its constituents, as in the public sector. The result of this reorganization has been a big push by many businesses to not only define, but optimize and integrate all the processes across a company in order to achieve decreased costs, improved revenue and increased efficiency. The approach requires a fundamental shift from function-centric to process-centric thinking. And, for most organizations, it has been difficult to achieve.

Therefore, the definition of realization, in the context of opportunity and engagement realization is:

- The ability for firms to optimize the administration of their sales pursuits (or opportunities) and streamline the process from identification to deal closure including all financial aspects, execution and collaboration.

In the Professional Services industry, to achieve business process realization in this portion of the service delivery lifecycle firms must master three key concepts: opportunity management, engagement management and collaboration.

Opportunity Management

Opportunity management is the process of pursuing each revenue opportunity through the sales cycle, using a common and structured methodology for identifying, analyzing and closing complex sales situations that revolve heavily around the use of human capital to deliver the end result. Though opportunity management has been around since the mid 1990s, Professional Services firms have suffered from the lack of adoption and have run into obstacles that create business pains such as:

- Limited data to estimate the booking value of current pipeline opportunities
- Limited data to understand and plan engagement backlog
- An inability to make accurate revenue projections due to fragmented and disparate opportunity information
- Long bid and proposal cycles

Oracle Sales Applications enable information-driven selling by using consistent, accurate enterprise information and advanced selling tools for accelerating the sales cycle. These applications provide a comprehensive solution for forecasting sales, managing sales pipelines, developing bids and proposals, managing service contracts, and executing upsell and

“We expect that with Oracle’s PSA solution, we can improve KPMG gross margin by 1.5% through more accurate reporting on customer and contract profitability and an operating expenditures decrease of 3% through the implementation of simplified and well controlled processes”

— **Peter Van Essche, COO**
KPMG Belgium

cross sell marketing campaigns. Oracle Sales Applications increase selling effectiveness by using consistent enterprise information in every phase of the sales process.

The integration we provide between sales and projects enables you to track all costs associated with proposals. With Oracle, you will have at your fingertips the types of work and associated costs that will help you better plan and price potential engagements. Information from prior engagements can be used for future bids, thus increasing your ability to competitively price engagements to win more profitable engagements.

Engagement Management

Another critical component for realizing benefits for Professional Services firms is directing and managing service delivery. As engagement work becomes more global, it requires greater coordination of team members, partners, and clients across multiple geographies.

Engagement management is about project execution that entails:

- Understanding which engagements are profitable and why
- Tracking issues and change orders to limit (or prevent) scope creep
- Accurately producing progress reporting and billing because of an inability to monitor task-level assignments
- Avoiding scope creep and proactively manage time & cost associated with change
- Mitigating cost overruns and schedule slippage
- Managing project budget and cost to increase engagement profit margins
- Driving cost out of the engagement delivery lifecycle with better visibility & control with enterprise project management.

Unfortunately multiple systems and business processes increase inefficiencies and reduce both margins and client satisfaction. Utilizing common opportunity and engagement delivery methodologies and tools enables every professional a consistent view of the engagement.

Collaboration

In addition to common opportunity and engagement management systems, everyone on a project team should work with the same information, systems and complete work using standardized methodologies, tools and deliverable templates. The third and final component revolves around collaboration. With increasingly disbursed project teams, team members must be able to regularly communicate and work together no matter where they are physically located. Collaboration in Professional Services firms takes place on two key fronts:

- Engagement Management—the process of facilitating day to day collaboration between team members
- Engagement Delivery—the process of managing project deliverables at the task level via a personal, role-based portal

Engagement Management

The Oracle Collaboration Suite enables customers to effectively manage the day to day engagement teams' communication. For example, to

manage an engagement, meetings take place either face-to-face or via the internet, calendaring and critical documents are shared across team members. Engagement managers must collaborate with team members and monitor all facets of an engagement in order to ensure that the project can be completed on time. A unified and secure workspace creates a common foundation for every team, while providing everyone with their own personalized project view

Engagement Delivery

Oracle's Project Management enables teams to easily determine deliverable due dates, define and schedule task-level resources, create and manage budgets, and collaborate on issues and changes—so that issues and problems can be quickly resolved. Team members can effectively post accomplishment of tasks and estimate percent to complete.

By leveraging a shared and structured workspace for the entire project team, firms gain collaboration and communication through the engagement lifecycle. Ultimately, this increases client satisfaction, through personalized delivery of timely project information.

Our customers have experienced significant benefits in opportunity management, engagement management and collaboration. Examples include:

- Deals are closed in 12 hours instead of 24 hours. (Remy Corporation)
- Standardized business processes deliver a consistent, enterprise-wide view of project definition and progress. (Die Bahn)
- Doubled to tripled, the number of calls a sales representative makes per day. (EMC²)
- Manage contracts from inception to close. (BAE Systems)
- Ability to generate and distribute meaningful reports with opportunity and market analysis is on demand; no longer requiring hours to create. (CedarCrestone)

Firms committed to streamlining the opportunity and engagement management processes and their ability to entice consulting professionals to collaborate will master opportunity and engagement lifecycle realization.

Financial Realization

As companies look to improve operating margins and revenue performance, they must also look at the processes by which they generate and collect revenue in order to manage their businesses more effectively. This means they must reengineer their ability to book engagements won in their financial systems all the way through the billing and collections processes to become leaner and more efficient.

"PeopleSoft Enterprise Service Automation gives us a single source of real-time information to control project costs and optimize the management of our global consulting workforce."

— **Patricia Murphy, Senior Director,**
Worldwide Professional
Services
Business Objects

The third pillar of realization then is the ability to achieve benefits by streamlining activities such as billing, collections and dispute resolution and transition their processes to support:

- Improving working capital
- Reducing cycle times for billing and collections
- Accelerating collections
- Lowering DSO and receivable balances, and
- Adhere to new compliance regulations such as Sarbanes-Oxley.

When the commitment-to-cash processes become a strategic priority to improving the bottom line, and the resulting transformation and solutions are put into place and integrated with the other pillars of realization, firms will begin to see improvements in their business. Sample benefits our customers have realized include:

- Reduced invoice processing time by 33%; cutting outstanding receivables by 8 million euro (Capgemini)
- Enhance delivery tracking and integration with deliverable-based billing events (BAE Systems)
- Billing and payroll records available 24/7 worldwide; Avoided hiring a total of nine staff in IT, billing, and accounting (Charles Marcus Pty Ltd)
- Integrated business processes reduced days sales outstanding (DSO) by 10 percent; reduced time to process an expense, bill clients, and pay consultants by 80 percent. (CedarCrestone International)

Many Professional Services firms suffer from the fact that it often takes weeks to collect all of the time and expense information from professionals executing engagements in order to create a bill. Often, significant amounts of billable time are not captured, thus reducing margins. Inaccurate and or incorrect billings can lead to client confusion and dissatisfaction. It also affects the realization (or margins) of engagements.

With Oracle Applications, Professional Services firms can improve cash flow by reducing invoice cycle time through integration between project execution and project billing. All time and costs are captured as soon as professionals enter them. This information is immediately available for review and invoicing. The information is also centralized and available for analysis and review. Due to tight integration, invoices reflect the work completed and can be easily reviewed if disputes arise.

The Oracle Footprint for Professional Services

Oracle provides a suite of applications that enable Professional Services firms to master the three pillars of realization. Oracle's business is information— how to manage it, use it, share it, protect it. Oracle applications deliver the information foundation and complete functionality firms need to grow their business.

The solution map depicted below, portrays the key functions, metrics, Oracle products and partner software associated with each key process executed in the Professional Services industry. Oracle provides a complete solution for all aspects of a firm's business. In some cases, we

partner with leading industry providers to ensure a complete solution is available.

Professional Services Industry Solutions Map

	Oracle Technologies	PeopleSoft Technologies
Streamline Opportunity Management	<p>Sales</p> <ul style="list-style-type: none"> • Field Sales • Project Costing • Quoting <p>Customer Data Management</p> <ul style="list-style-type: none"> • Customer Data Hub • Customer Data Librarian 	<p>Marketing & Sales</p> <ul style="list-style-type: none"> • Sales • CRM Portal Pack • Project Costing • Proposal Management • Program Management • Resource Management <p>Customer Data Mgmt</p> <ul style="list-style-type: none"> • Customer Data Hub • Customer Data Librarian
Drive Proposal and Project Efficiency	<p>Proposal Management</p> <ul style="list-style-type: none"> • Proposals • Quoting • Project Management • Project Collaboration • Project Costing • Project Contracts 	<p>Proposals</p> <ul style="list-style-type: none"> • Proposal Management • Program Management • Project Costing • Contracts
Leverage Resource Skills and Experience	<p>Resource Management</p> <ul style="list-style-type: none"> • Project Resource Mgmt • Project Management • iRecruitment • Human Resources • Self-Service HR • Learning Management • Online Learning • Tutor 	<p>Workforce Management</p> <ul style="list-style-type: none"> • Resource Management • Program Management • Talent Acquisition Mgr • Candidate Gateway • Human Resources • ePerformance • eDevelopment • Learning Mgmt • Services Procurement
Control Project Changes and Enhance Execution	<p>Projects</p> <ul style="list-style-type: none"> • Project Management • Project Collaboration 	<p>Projects</p> <ul style="list-style-type: none"> • Program Management • Project Costing
Improve Accounting Accuracy and Project Profitability	<p>Accounting</p> <p>Project Costing Time & Labor Internet Expenses Payroll Advanced Benefits Project Billing Financials iReceivables</p>	<p>Accounting</p> <p>Project Costing Expenses Mobile Time & Expense Contracts Billing Receivables Program Management</p>
Enablers	<ul style="list-style-type: none"> • Enterprise Infrastructure: • Procurement, Finance, Human Resources • Performance Management: E-Business Intelligence, Balanced Scorecard, Enterprise Planning & Budgeting • Corporate Governance: Internal Controls Manager, Financials, Tutor, iLearning • IT Infrastructure: Database Server, Applications Server, Systems Management, Development Tools, Collaboration Suite • Services: IT Outsourcing, Education, Support 	

Source: Oracle Corporation, 2006

Whether you implement Oracle E-Business Suite, PeopleSoft Enterprise, JD Edwards EnterpriseOne, or JD Edwards World applications, Oracle applications enable information-driven business processes that connect and automate your organization.

“We don’t have to worry about the integrity of the data because of the full integration between our PeopleSoft Enterprise Service Automation, Financial Management, and Human Resources applications.”

— **John Beall, Executive Vice President**
eVerge Group

CONCLUSION

Oracle applications for the Professional Services industry enable firms to deliver consistent and timely services while maximizing cash flow, engagement profitability, and customer satisfaction. Capabilities included are:

- Opportunity management: Streamline opportunity management and drive proposal and project efficiency
- Resource Management: Leverage global talent and maximize resource utilization
- Engagement Management: Monitor and control project changes and enhance execution; collaborate with team members at both the engagement management and engagement delivery levels.
- Content Management: Securely manage all engagement content across all team members in a centralized repository.
- Billing Management: Minimize back office costs and improve cash flow

The applications are built on the three pillars of realization and are integrated to provide:

- A secure, single version of the “truth”
- The right information, when and where it is needed
- Adaptive business processes through the integration and seamless workflows and alerts between applications
- Lower total cost of ownership

Managers in Professional Services firms who capitalize on their understanding of the three pillars of realization and execute accordingly will enable Predictive Service Execution for their companies and will become the world-class leaders in the industry.



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