

Why PSA Matters

Drive efficiency and excellence in your services organization with Professional Services Automation (PSA)

certinia

Table of Contents



Read time: 7 minutes

What is PSA?	3
Why PSA has become a business imperative	4
The business impact of a PSA solution	5
The multiple business benefits of PSA	6
The key features and functions of PSA software	10
The two main types of PSA software	13
How to build and implement a PSA solution	15

What is PSA?



3


First things first. Let's define our terms. What is Professional Services Automation (PSA)? PSA refers to the automated management of core business processes by professional services organizations in management consultancies, software, cyber security, internet information services, and other services providers.

A PSA solution can efficiently optimize multiple business processes to enhance delivery execution and overall profitability. By offering a single source of certainty, PSA cloud software consolidates management of the entire lifecycle of service engagements—everything from initial point of contact with clients and creation of proposals to project delivery, billing, and analysis. This comprehensive view of delivery provides valuable insights and improves business agility.

32%

Companies that deploy an integrated PSA typically realize a 32% higher EBITDA than those with a standalone PSA.

(Source: Service Performance Insight, 2024)



TODAY'S MUST-HAVE:

Why PSA has become a business imperative

4

In a world where remote and hybrid work is now a reality for the long term, many services businesses still try to manage services delivery and resource management using legacy, custom-built applications and spreadsheets. PSA offers a superior alternative.

A central system for managing the end-to-end lifecycle of service engagements, PSA is a modern solution for business planning, offering a consolidated view of the best services, projects, clients, and people to translate a business plan into reality.

While PSA began as a tool largely focused on enabling project- and services-driven organizations to better plan, staff, execute, and collect relevant information related to projects, it has evolved into much more than that. From multinational professional services firms to rapidly growing technology companies, today's PSA solutions help organizations fill gaps in business processes.

Integrating CRM and PSA, for example, improves visibility and alignment for sales and delivery teams, leading to higher margins, accurate customer expectations, increased satisfaction, and improved cash flow.

\$2.5M

For a 100-employee services organization, with average bill rates of \$200 per hour, a PSA solution can produce \$2.5 million in incremental revenue annually.

(Source: Service Performance Insight, 2024)

BOTTOM-LINE BOON:

The business impact of a PSA solution

5

An effective PSA solution can drive significant operational performance benefits, reducing operational costs and yielding higher revenue and profit for professional services organizations. It can pay for itself in the form of substantially higher consultant revenue yields, better project margins, and more bottom-line EBITDA profit.

Cost savings from PSA productivity enhancements

\$450,000

for project and resource managers*

\$225,000

for reporting and billing functions*

* Actual results from a publicly traded U.S. software company with 1,000 employees

As this chart indicates, nearly all key performance indicators (KPIs) can improve with PSA adoption.

Key Performance Indicator (KPI)	PSA Used	PSA Not Used	▲
Survey %	74.3%	25.7%	
Year-over-year change in PS revenue	7.9%	7.0%	14%
Deal pipeline / quarterly bookings forecast	161%	137%	17%
Employee billable utilization	71.0%	64.6%	10%
Project duration (man-months)	31.1	25.0	24%
Annual revenue per billable consultant (k)	\$213	\$193	10%
Annual revenue per employee (k)	\$175	\$159	10%
Project margin	35.7%	31.3%	14%
Profit (EBITDA %)	15.9%	12.4%	28%

Source: SPI Research, February 2024

The multiple business benefits of PSA



6

PSA systems offer a wide range of business benefits that can significantly impact the efficiency, profitability, and client satisfaction of services organizations. A well-oiled solution can improve:



Billing and revenue. Automated time and expense tracking ensures that all billable work is accurately captured and invoiced, reducing revenue leakage. And the ability to analyze profitability by project or client helps in making informed decisions about where to focus business efforts.



Client relationships. By combining CRM functions, a PSA solution can help in managing client interactions, from sales and contract management to services delivery and post-delivery support. This can lead to improved client satisfaction and retention.



Decision-making. Comprehensive reporting and analytics capabilities provide insights into various aspects of the business—such as project performance, resource utilization, and financial health—to enhance strategic planning and operational adjustments.



Financial management. By integrating with financial systems and providing real-time access to financial data such as costs, revenues, and profitability by project, a PSA solution can improve financial planning, budgeting, and forecasting. This supports more strategic decision-making around pricing, investments, and cost control.

The tell-tale signs of a superior PSA solution

How do you know you're choosing a first-class PSA solution for your services organization? Start by making sure it checks these three boxes...

- Is it complete?** It should facilitate a seamless handoff from sale to delivery, provide guided scoping, convert won opportunities into billable projects, balance resource demand against pipeline and capacity, and forecast future capacity supply and demand.
- Is it transparent?** It should build predictability into your team by providing a unified, continuous lens across the customer lifecycle. This makes your business more transparent, data-driven, and easier to forecast.
- Is it adaptable?** It should evolve with your business needs and expectations by supporting multiple business models such as time and materials (T&M), usage-based and subscription-based contracts, and fixed-fee services.



Operational efficiency. Automating routine administrative tasks and streamlining processes like time tracking, expense reporting, and invoicing, PSA solutions free up valuable time for employees to focus on client-facing and revenue-generating activities.



Project management and delivery. PSA tools provide comprehensive project management features, including project planning, resource allocation, and progress tracking. This enhances the ability to deliver projects on time and within budget, while also improving project visibility and control.



Resource optimization. A more virtual workforce has driven the need to better manage projects and resources, especially since it's become so difficult to find, hire, and retain talent. A PSA solution helps match the right resources with the right skills at the right time to the right projects.



Scalability and flexibility. PSA solutions can scale with the growth of the organization, so more projects and resources can be managed without a proportional increase in overhead. Cloud-based PSA solutions offer additional flexibility, allowing access from anywhere, at any time.



Standardization and compliance. Standardizing processes and workflows across the organization leads to more consistent services delivery. Also, PSA solutions can help ensure compliance with industry standards and regulations, particularly regarding financial reporting and data security.



The organizational roles that benefit most from PSA

PSA software offers a broad array of benefits across multiple roles in professional services organizations. The people that can benefit most from PSA include:

- Professional Services Leaders
- Project Managers
- Resource Managers
- Delivery Leads
- Finance and Accounting
- Business Leaders and Executives
- Operations Leaders
- Sales and Business Development
- Client Services and Support
- Consultants



DOING IT ALL:

The key features and functions of PSA software

10

At the heart of its functionality, a PSA solution can help professionals **manage projects** effectively, with the means to plan, execute, and monitor projects with precision. Features such as time tracking, task allocation, and progress monitoring are integral, ensuring that projects are delivered within their allocated time frames and budget.

That is, of course, a critical driver of successful Customer Relationship Management (CRM), because it enhances management of interactions with clients and prospects by meticulously tracking opportunities, proposals, and contracts. This not only improves client relations, but also supports the growth and development of business opportunities.

Another critical functionality of PSA software is **resource management**, assigning personnel to projects based on a comprehensive understanding of their skills, availability, and appropriateness for specific requirements. This kind of workforce optimization both enhances the efficiency of current execution and facilitates better pipeline planning for future resource needs.

On the topic of resource management, a PSA solution can streamline the tracking of time and expenses through features that improve monitoring of project-specific resources. This precision plays a crucial role in facilitating accurate billing and expense management, ensuring transparency and fairness in financial dealings.

Financial management is also a key component of PSA, enabling organizations to maintain a firm grip on their financial health. With functions for budgeting, financial forecasting, and integration with existing accounting software, a solution can ensure that both project-specific and organizational finances are well managed.

Under the financial management umbrella, invoicing processes further exemplify PSA software's utility. By supporting various billing models—including hourly, fixed fee, and retainer-based billing—it simplifies and streamlines the process, reducing the margin for error and enhancing efficiency.

The 3 primary components of a world-class PSA solution

Resource Management

- Resource allocation and scheduling
- Skill tracking, forecasting, and suggestions
- Matching ranked employees with assignments
- Work aspirations
- Budget burnup and cost tracking
- Forecasting and capacity planning
- Utilization and productivity analysis
- Real-time visibility and collaboration
- Reduction in administrative burdens
- Improved project outcomes and customer satisfaction
- Data-driven decision making

Project Management

- Project planning and scheduling
- Resource allocation
- Time tracking and expense management
- Collaboration and document management
- Project monitoring and reporting
- Risk management
- Client management
- Billing and invoicing
- Quality assurance
- Change management

Project Financials

- Budgeting and cost tracking
- Time and expense management
- Billing and invoicing
- Revenue recognition
- Financial reporting and analytics
- Forecasting and financial planning
- Resource cost management
- Contract management
- Automated alerts and notifications
- Integration with accounting and ERP systems

Overarching these components is valuable business intelligence. Through advanced analytics and reporting tools, a PSA solution can offer deep insights into project performance, profitability, resource utilization, and other key performance indicators (KPIs). This analytical capability can be a boon to strategic decision-making and help organizations navigate the complexities of the services landscape with confidence and clarity.

In conjunction with these insights, PSA software is a powerful tool for business planning and forecasting. It provides a comprehensive platform that integrates various aspects of the business, from project management and resource allocation to financial management and reporting.



A family of four (a man, a woman, a child, and another child) are hiking on a mountain trail. They are wearing backpacks and jackets, suggesting a cool environment. The background shows rugged mountains and a valley with some trees.

WEIGHING OPTIONS:

The two main types of PSA software

13

When services organizations shop for PSA software, they generally analyze and choose between two main types: standalone and integrated.

Standalone PSA software is a specialized solution that is characterized by its focused functionality, offering features specifically for project management, time tracking, billing, and other tasks. It operates independently from other business management tools or systems like CRM (Customer Relationship Management), ERP (Enterprise Resource Planning), and accounting software, which may necessitate manual data entry or data transfer processes to maintain synchronization across systems.

Because it doesn't require integration with existing software, adopting and implementing standalone PSA software can be simple and cost-effective.

Integrated PSA software is either part of a broader suite of business management tools or designed to be seamlessly integrated with an organization's existing CRM, ERP, and financial software.

It provides a comprehensive solution that covers all aspects of PSA while facilitating direct data exchange (ideally sharing the same customer record) and integration with other business management systems.

As a unified platform, integrated PSA software reduces the need for multiple standalone solutions. It streamlines operations with a single source of certainty for project and business management, so it can:

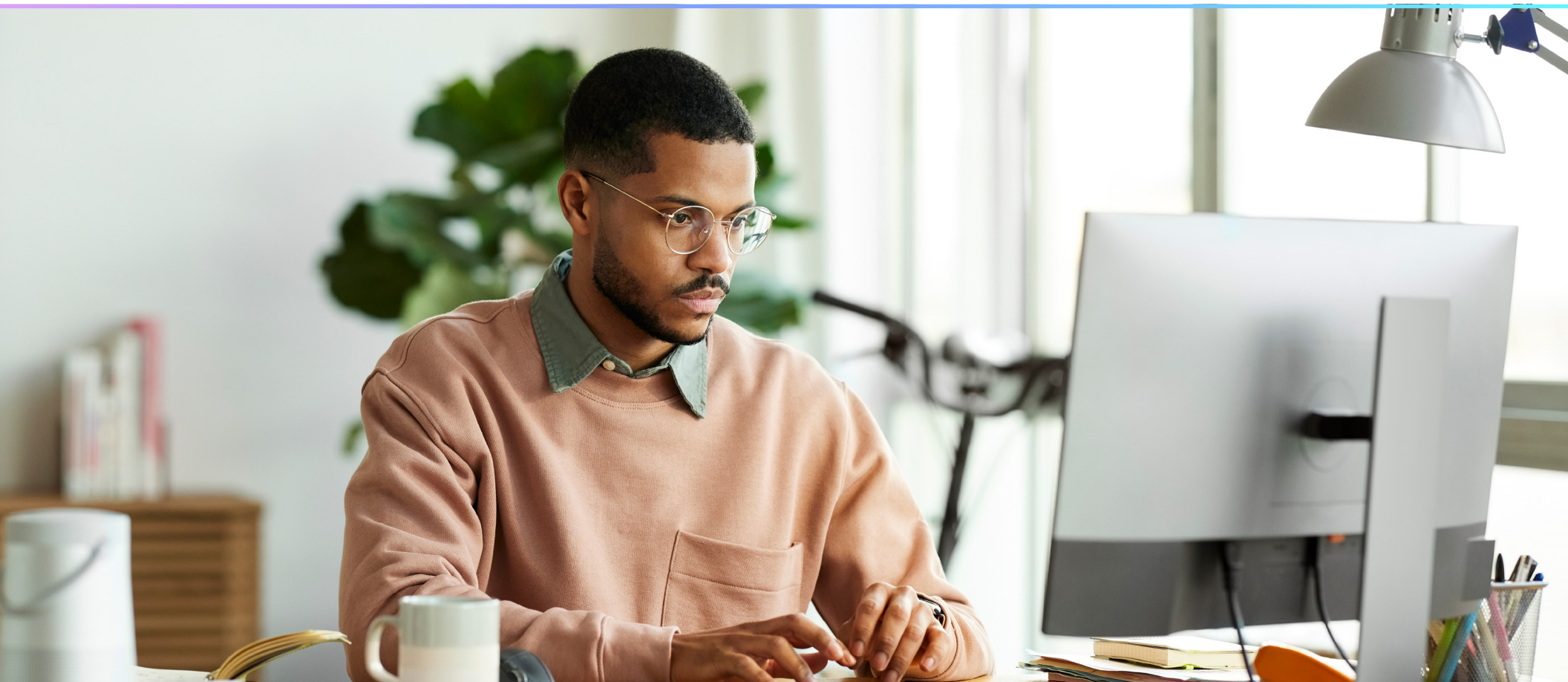
- Eliminate data silos and enhance workflow and data consistency across departments
- Fit within the broader ecosystem of business tools
- Improve efficiency and accuracy in billing, reporting, and resource management
- Support strategic decision-making with comprehensive insights across projects and business operations.

Standalone vs. integrated PSA

Ultimately, the choice between standalone and integrated PSA software depends on an organization's specific needs, size, and existing software ecosystem.

PSA is integrated	Survey	Revenue growth	Billable utilization	Project margin	% of ann. margin target	Profit (EBITDA %)
No	52.1%	7.6%	69.3%	34.1%	87.8%	12.8%
Yes	47.9%	7.8%	70.6%	35.5%	87.8%	16.9%
Total / Average	100%	7.7%	69.9%	34.8%	87.8%	14.7%

Source: SPI Research, February 2024



How to build and implement a PSA solution

Implementing a PSA technology solution requires careful planning, a structured approach, and the engagement of all stakeholders to ensure success. Here is a proven successful roadmap to planning and implementing a successful PSA solution:

Step 1: Define your objectives

- Identify pain points to understand the specific challenges and inefficiencies your organization faces
- Set clear, measurable goals for your PSA solution (e.g., reduced administrative time, improved project profitability)

Step 2: Assess your needs

- Evaluate current processes, mapping out your current workflows to identify what's working and what's not
- List the features and capabilities you need in a PSA solution to meet your goals, considering future growth

Step 3: Research and select a solution

- Research PSA solutions available on the market
- Evaluate vendors based on their product features, integration capabilities, customer support, and cost
- Request tailored demonstrations to understand how an optimal PSA solution can help you achieve desired outcomes in your environment

Step 4: Implement your plan

- Develop a detailed plan outlining the implementation process, timelines, and responsibilities
- Ensure that all key stakeholders are involved in the planning process to secure their buy-in and support
- Determine the resources (e.g., personnel, time, budget) required for a successful implementation

Step 5: Migrate and integrate data

- Cleanse and prepare your existing data for migration to the new system
- Plan for integration of the PSA solution with other business systems (e.g., CRM, ERP)

Step 6: Conduct training and change management

- Develop comprehensive training programs for users based on their roles and interactions with the PSA solution
- Keep people informed about the changes, highlighting the benefits and how it will affect their work

Step 7: Go live and monitor

- Consider a phased or pilot rollout to minimize disruptions and identify any issues in a controlled environment
- Go live with the solution across the organization
- Continuously monitor the system's performance and user adoption, and collect feedback to identify any issues or areas for improvement

Step 8: Review and optimize

- After the implementation, measure the outcomes against the objectives you defined in step 1
- Identify areas for improvement and optimization, and adjust your PSA solution as your business needs and technologies evolve

Step 9: Maintain and support

- Ensure ongoing technical support from the vendor
- Stay current with system updates and upgrades to leverage new features and improvements



Deploy. Automate. Optimize.

This “Why PSA Matters” primer was created by Certinia, which delivers a Services-as-a-Business platform that powers and connects all aspects of services operations, from estimation and delivery to customer success management and services financial planning and accounting. Certinia’s Professional Services Cloud solution helps you deliver services with certainty by managing resources, projects, and financials in the same application as your customer interactions.

For more information and to discuss your own service organization’s needs, please contact Certinia.

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