



## Think Integration — Eliminate Frustration

Integrated Business Solutions Offer  
Productivity, Performance and Profits  
to Services Organizations

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## ABSTRACT

Services Organizations (SOs) perform efficiently and effectively when the workforce is well-trained, business processes are well-defined, and employees have the information necessary to maximize productivity. For many SOs, business applications help define and automate business processes for specific functions, and they operate in a way that is both logical and consistent. However, most SOs have several applications in use — many of which have different data structures and are dissimilar in terms of their user interface, and how and in what format data is retrieved. As the number of applications increases, so does the need for extensive training and integration, which adds cost while reducing productivity.

As these organizations search for “just the right tool for the job”, they often look to best-of-breed applications that offer the specific functionality required to get the job done. While this logic makes sense on a departmental or divisional level, the real issue is how the application fits into the greater corporate information infrastructure, and if its value is also critical to other divisions within the company. This scenario, played out across tens-of-thousands of SOs, warrants the need for integrated business solutions that provide comprehensive information visibility with the ability to easily analyze data to improve organizational performance.

This SPI Research White Paper analyzes some of the factors SO executives should consider prior to analyzing their business solutions and determining their future vision of the applications necessary to run their organization.

## INTRODUCTION

The services marketplace has become increasingly complex, as it has both grown and changed considerably over the past decade. Global competition, economic uncertainty and regulatory scrutiny are only partially responsible for this complexity. The challenges placed on SOs by clients have created an environment that mandates improved execution and control at all levels of the organization.

While the term “services” conjures up a variety of types of organizations, for purposes of this White Paper SPI Research will segment SOs into two major categories:

1. ***Consulting Service Organizations (CSOs)***: Firms that sell and deliver services with no specific “product” attached. Generally, these organizations provide specific guidance or advice to clients (that may include a report), but are not used to in conjunction with the purchase or installation of material or equipment; and,
2. ***Embedded Services Organizations (ESOs)***: Organizations that operate much like CSOs, but are usually part of a “product-driven” concern and may (or may not be) involved in the original sale of a product. They ultimately support external clients, but their focus is on services delivery. For example, in many cases when hardware, software or even a large piece of capital equip-

ment is purchased, a contract for support services is also sold. ESOs can also provide consulting, and ongoing operations and maintenance support services.

The new services marketplace relies more on an expanded workforce — encompassing employees in other regions, partners, and even sometimes competitors — to provide quality services that can be delivered on time and on budget. While the need to continually recruit, train and keep the best possible employees will always be paramount to success in services, it is the uncertainty and cost associated with keeping staff on board who will not be highly billable that create a strain on profitability. Services executives need improved (current and future) visibility of their workload so they can maintain both an internal workforce, as well as an expanded external workforce, to meet the needs of their current and future clients.

One significant change in the marketplace is the increased emphasis on quantifying the value to the client. Clients not only want value out of the services they receive, but also want the SO to assume some of the risk associated with the work. The market has seen a shift toward fixed time, fixed fee pricing with a specified list of deliverables. This new pricing model mandates a much more controlled and exact record of service deliverables than the services market has ever seen before. A significant error in pricing can create a financial nightmare for the SO — resulting in financial losses as well as a diminished brand.

### **IMPROVEMENT REQUIRES COHERENT INFORMATION VISIBILITY**

The challenges facing service executives mandate the need for greater information visibility. This visibility provides executives with the knowledge necessary to develop innovative solutions to organizational needs. This information should show them areas where they can improve in terms of client acquisition, pricing, service delivery, and collections, as well as many other areas that impact the overall health of the service organization.

For years, services executives have depended on business applications to manage their workforce, services and capital. Financial management has been the core solution used by virtually every SO with over ten employees. This solution is primarily utilized by accounting and finance personnel and has minimal visibility outside of the executive suite. However, core Financials alone are not enough to give firms a competitive advantage in the marketplace.

### **Departmental Applications Provide Limited Benefits**

Services executives also utilize business-specific applications to efficiently track personnel and work (Table 1). Key divisions use applications that include: Human Capital Management (HCM), Enterprise Project Management (EPM) and Client Relationship Management (CRM), and others to make their division more proactive, and to improve productivity, quality and client satisfaction.

Table 1: SO Departments and Information Needs

Department	Core Applications	Core Needs
Executive & Administrative	Business Intelligence	Strategic planning, operations
Human Resources	Human Capital Management	Hiring, training, compensation
Legal	Case Management	Patents, law suits
Finance & Accounting	Financials	Financial management, operations, planning, forecasting, budgeting, flexible billing
Sales & Marketing	Client Relationship Management	Marketing and sales programs, sales force automation, client relations, pricing
Purchasing	Procurement	Material, equipment and external services procurement
Service Delivery	Project Management, Resource Management	Project delivery, quality, time and expense management
Information Technology	Application Lifecycle Management, Project Portfolio Management	Project scheduling, technology evaluation, systems development and implementation
Research & Development	Knowledge Management	New service development

Source: Service Performance Insight, June 2008

These applications help define the business processes for specific departments, and they operate in a way that is both logical and consistent. Some of the key departments utilizing systems include:

- △ **Sales and Marketing:** CRM to gain insight into the client needs, purchases, sales, past history and potential future needs.
- △ **Service Delivery:** EPM to assure projects are completed on time and on budget with an emphasis on cost control.
- △ **Human Resources:** HCM to understand current and future staffing needs, in order to develop recruiting, training and incentive programs to keep the staff at an optimal level.
- △ **Purchasing:** Procurement that help manage inventories and minimize both acquisition and inventoried carrying costs.

Generally, other departments have their own specific applications as well. However, despite the departmental benefits gained through the use of business applications, the service organization as a whole cannot generally take advantage of the wide array of information.

For instance, if purchasing has visibility into the work sold, they could negotiate better agreements for subcontractors or outside services, as well as plan, purchase and maintain inventories to minimize carrying costs. If sales had insight into practice areas with lower utilization they could create a discounting strategy that would increase utilization and ultimately optimize profits. Equally important, groups with extremely

high utilization could mandate a price increase that would keep utilization at an acceptable level while improving profit margins.

### **BUSINESS HAS OUTGROWN ITS APPLICATION INFRASTRUCTURE**

With disparate solutions it is easy to input information, and in many cases get the information out. The inefficiencies and frustration begin when executives require critical information from more than one system to improve performance, or answer important cross organizational questions, some of which include:

- Δ What is the optimal pricing for a specific service given prior bids (those both won and lost), as well as the costs associated with completing the new service?
- Δ What modifications should there be to pricing or collections based on a client's past payment performance?
- Δ What is target range for utilization that takes into account workforce attrition based to too much or too little work?
- Δ How can project costs, such as travel, be minimized while still maintaining high levels of quality and client satisfaction?

The real issue to SO executives is how the individual applications fit into the greater service information infrastructure, and if their value is critical to other departments within the organization.

Finally, as the number of applications increase, so does the need for extensive integration and training, both of which add cost and complexity to the organization.

### **Integration Initiatives Can Be Costly and Time-consuming**

Many firms have gone through the laborious and costly processes associated with integrating disparate applications to improve organizational visibility. While this integration has provided many benefits to the organization, the ongoing cost and support required has minimized the integrations' return on investment. However, without integration employees have different sets of data which results in different "versions of the truth" and hampers decision making

Many times they are forced to manually manipulate information, oftentimes re-keying data to provide the critical analysis necessary for executive decision making. This process is rife with potential errors. Re-keying of data takes time away from the analysis of the information and often leads to typing errors, which make the analysis useless. This scenario, played out across tens-of-thousands of SOs warrants the need for pre-integrated business solutions that provide comprehensive information visibility, with the ability to easily analyze data.

### **SOS SHIFT TO COMPREHENSIVE SOLUTIONS**

Over the past five years leading software solution providers have begun to offer pre-integrated suites of applications that seamlessly give SOs the information necessary to improve operations companywide, rather than

on a departmental basis. While the term and Enterprise Resource Planning (ERP) is commonly used to describe these applications, and has been around for over a decade (albeit less time in the services sector), it has only been recently where the applications have moved beyond core Financials to support greater numbers of employees with integrated information.

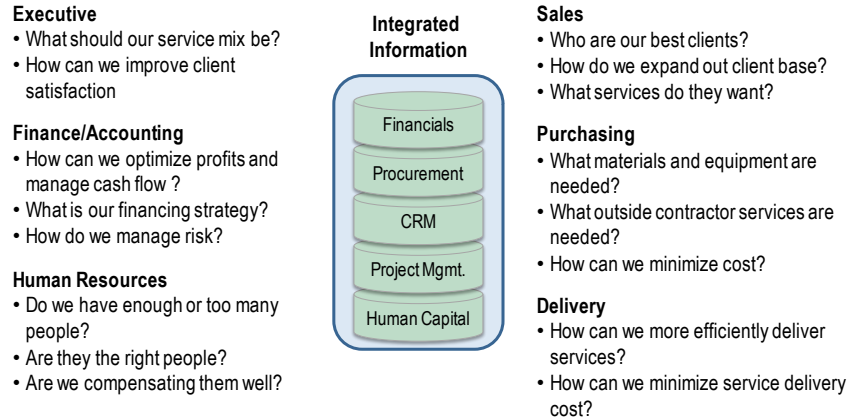
These solutions provide a wide variety of benefits throughout the organization. While every SO selects integrated solutions to meet their organizations' unique needs, SPI Research believes that it is undertaken to increase operational visibility throughout the organization. This visibility is used to improve organizational processes, which increases efficiency across the organization. Some of the areas usually cited by SOs include:

- Δ ***Streamlined Opportunity Management*** — Improvement of the organization's ability to efficiently price and sell services, as well as a provide a more complete understanding of each client's specific needs;
- Δ ***Improved Staffing*** — Increase the SO's understanding of the workforce required, so that both hiring and training processes can be implemented;
- Δ ***Increased Project and Service Productivity*** — Deliver work in a structured, timely and efficient manner — minimizing excess costs while delivering high quality work;
- Δ ***Improved Financial Management and Governance*** — Provide greater visibility and transparency to project costs and revenues;
- Δ ***Enhanced Collaboration*** — Enable the workforce to share project-related information that will help them perform at a more efficient level, while not having workers reinvent work; and,
- Δ ***Reduced IT Costs*** — Eliminate unnecessary integration efforts that could potentially never end, and provide a consistent user interface that enables more workers to rapidly become productive across other areas of the organization.

Executives who have seen their organization grow up with increased amounts of information realize that the information is not valuable or useful when it cannot be consistently analyzed. To impact operations these executives know that activities in one department could affect the performance of others. Moreover, when executives have visibility into their entire organization through one integrated solution they can spot trends early on, rather than wait and react when problems arise later.

From a strategic standpoint, with one integrated solution these executives will have the insight into their organization to more effectively set service strategy, pricing, human capital requirements, and procurement. Employees in every department would also have the ability to answer questions that span across multiple departments that typically involved different databases (Figure 1).

Figure 1: Departmental Questions Answered



Source: Service Performance Insight, June 2008

A comprehensive business solution enables greater control over all processes both within the service delivery lifecycle, as well as other organizational processes to more accurately and efficiently manage operations. With integration to all major information sources, the visibility provided creates significant insight into how the organization is run, and in areas that can be analyzed further for improvement.

All of the information obtained both prior to, during, and after services are delivered will be critical to future service offerings. This information can be analyzed to show practice areas, clients, or geographical regions that are either performing exceptionally well or poorly. Executives will then have the information available to analyze why such disparity exists and potentially find ways to improve or eliminate issues that negatively impact performance altogether.

SPI Research doubts that any solution provider will ever build every application used in every business division. Therefore it is also important that the solution has the capability to easily integrate with specialized packages that are core to business. Examples include: computer-aided design (CAD), computer-aided manufacturing (CAM), building information systems (BIM), comprehensive statistical and analytical tools, as well as other specific applications.

For instance, in architecture and engineering firms' computer-aided design (CAD) programs could easily be integrated with the project accounting system to show the specific costs of building plans. This information would be used by purchasing to procure the right materials, project managers to understand the materials being used, project accounting to track the cost of the building, and sales to better understand the price necessary to sell.

### Consistency Fosters Productivity

An often overlooked benefit of using one integrated solution to run individual business units is that users can be more productive as they expand outside of their core area of expertise. For instance, accountants can re-

view information in CRM to determine projected revenue and cost by client. They can also review existing project work within Project Management to see when the next milestone will be met, and what the associated cost and revenue components of the milestone will be. These examples merely highlight a much broader set of productivity-enhancing benefits for the organization.

Consistency in terms of the user interface will also benefit those professionals providing services. It will be much easier for them to review their current workload, and also review other potential work for their existing clients. Because of this consistency there will not be significant additional training required to enable these professionals to delve into the system to increase their knowledge and understanding of the work.

The core business applications are utilized through the Services Delivery Lifecycle (Figure 2). Their integration helps SOs reduce cost and more effectively manage and control business operations. Without this integration the SO most likely would be unable to optimize the staff, projects and finances required to maximize profitability and client satisfaction.

**Figure 2: Solution Use throughout the Service Delivery Lifecycle**

	Plan	Execute	Close
<b>Financials</b>	Create budgets & forecasts, evaluate capital require.	Manage cash flow, accurate and flexible services billing	Determine profitability, Margins, cash flow, invoice
<b>Human Capital Management</b>	Develop staffing needs, hire staff	Evaluate, re-staff, compensate	Evaluate work, determine future needs
<b>Client Relationship Management</b>	Evaluate prospects, create programs	Sell, write contracts	Determine client satisfaction, invoice
<b>Procurement</b>	Determine material, equipment and labor needs	Schedule and procure	Calculate waste, eliminate
<b>Project &amp; Service Delivery</b>	Determine staffing, pre-plan, time and cost est.	Execute project, collect costs and time	Determine profitability, improve processes
<b>Business Intelligence</b>	Create information needs, target metrics	Collect information, evaluate and improve	Determine future needs and costs

Source: Service Performance Insight, June 2008

### Integration Offers Cost Reduction

Executives continually look to reduce costs not directly billable to clients. The Information Technology (IT) department is an area that continues to be under pressure to reduce cost while providing both strategic and tactical benefits to the SO. An integrated service solution achieves many of the desired benefits of both executives, which include the CIO.

One comprehensive service solution requires fewer administrative personnel because of pre-integration and familiarity with the various modules. This situation also benefits employee training, as one solution requires less training than several, again due to the consistency of the applications. Because the solution is purchased from one vendor there is less integration support required, either internally or externally. In many cases solution providers offer lower pricing due to pre-packaging of the

core modules. One solution eliminates the re-keying of information which not only reduces time and cost, but also eliminates the errors associated with re-keying of information.

### **WHICH SOLUTION MAKES SENSE?**

Application integration as a necessity for SOs is here to stay. The real question is how and when these organizations will accomplish it. Services executives should not only consider the time and cost of purchasing or integrating applications, but also the effect it will have on their workforce in terms of visibility, accuracy and productivity in their everyday work. They should also ask questions as to the strategic value of integrated information, some of which include:

- Δ Is the competitive environment changing so much that we need additional information to compete more effectively?
- Δ Does the organization significantly benefit from real-time organizational visibility?
- Δ Do we have insight into future work, and the knowledge that we have aligned our work with hiring and training plans?

SPI Research believes in most organizations their answer to these and many other strategic questions is “yes”, and SO executives should develop plans as to their integration strategy.

The debate will continue on whether it is more prudent to acquire one comprehensive business solution to run the SO or acquire best-of-breed applications and integrate. SPI Research has investigated this issue for over a decade and realizes that executives will continue to support both alternatives. However, this research also tends to show that small- and medium-size business owners have rapidly moved toward one integrated solution because they have neither the time nor the financial resources to continually integrate as new releases come to market.

Many of these same executives also concur that the additional bells and whistles provided by application point-solution providers are not necessary for their organization. They are most concerned with data integration, workflow automation and a consistent user interface, as they have employees who must be able to understand several business applications in their day-to-day operations.

Training and user productivity degradation (enter data into multiple systems, rekeying information, manually assembling information for reporting, etc.) are important reasons to use one comprehensive business solution, but executives must also consider other issues. Making a transition to a new business suite could create change management issues that must be addressed immediately, as to not impede the rate of adoption and negatively impact day-to-day operations. It is imperative that all employees understand the need for change, how it will impact their work, as well as how they can improve performance and expand their organizational knowledge by embracing the new solution.

## RECOMMENDATIONS & CONCLUSIONS

The pace of change will continue to grow as the market continues its shift toward a services-economy. These changes will demand that SOs continue initiatives focused on competitive positioning, business process improvement and financial management. They must align their workforce to meet the growing challenges associated with the competitive marketplace, as well as manage the geopolitical issues that affect their ability to grow and prosper. Flexibility and adaptability are paramount to success now, and are a normal part of a SO's operating life.

SOs will continue to increase their use of information-based solutions with the goal of increased visibility, greater transparency and higher productivity — driving the firm's ability to compete. Greater integration and automation will provide the necessary infrastructure to keep firms competitive. The real question associated with information systems is “Will the SO adopt pre-packaged integrated solutions or will it purchase best-of-breed and integrate?”

SPI Research shows that the market has definitely begun its shift to comprehensive pre-packaged business solutions that automate and optimize the delivery of services. This shift in thinking is due to traditional ERP vendors that emphasize the building and integration of their own applications as demanded by the marketplace.

SPI Research recommends that services executives seriously consider the movement toward a comprehensive business solution for their service organization. The implementation of these critical applications can be done over time and will provide greater visibility and productivity at a reduced cost when compared to other alternatives.

The movement toward solution integration is a process that will take some time. The sooner the organization begins this project, the better. Initially, executives should map out the integration strategy and acquisition plan. They should also meet with their strategic solution providers to gain a much better understanding of the proposed rollout of new solutions and functionality.

The purchase of a comprehensive business solution also establishes the potential for a long-term partnership with a solution provider. This event can be significant for the service organization as the solution provider can offer strategic guidance into new ways to take advantage of the application infrastructure that will help improve overall company performance. The fact is, a strategic application infrastructure establishes a baseline from which executives can improve sales, service execution and financial management — each of which increases the service organization's ability to successfully compete and prosper in an ever-changing marketplace.

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