

## Professional Services Automation

If, like me a few years ago, you have not heard of PSA, you may find the data and processes of your firm are a combination of spreadsheets, apps, Office documents, and a few storage platforms like Drive or DropBox. If you're technologically minded, you may even have connected some of these with clever software such as Zapier or IFTTT to ensure that at least some of these processes are connected. Yet, you (like me) may also have noticed that some integrations are unreliable or impossible, that manual interventions take up an increasing amount of time as you grow, and that the cost of all these disparate apps seems to grow ever skywards.

A growing consultancy has an increasingly large, and increasingly complex, ecosystem of data which is needed to manage effectively if it is going to be efficient, timely and maintain minimal operational costs. Importantly, most, if not all, of these data are interdependent: an upcoming project needs resourcing, planning, reporting and managing, and each of these might trigger other processes such as recruitment, investment or sales.

In the early stages of growth (say 1- 5 employees), the major questions around profitability, pipeline, forecasts, and project progress, can often be answered from the heads of the founders. But soon after an increasing number of disparate, stand-alone apps can create data silos which are neither connected with each-other nor easily analysed and presented to the right people. A number of problems often arise:

- Partners do not have quick and accurate answers to major strategic questions
- Directors spend too much time answering questions which should be provided automatically
- Data is inconsistent and updated in different ways at different times
- Data security is a threat as access by different people in different places is not controlled
- The dependencies between pipeline, people and profit are not always clear and quantified
- Clients have limited visibility of the project data that is important to them.

If this sounds familiar, you may be surprised to know that you can buy an integrated system, specifically designed for professional service firms, to manage the processes and data for everything from tasks and communication, through to resourcing and billing. Many consultants that have left large companies may be thinking *'yes, we had one of those, it was called ERP, and it cost us £60m to roll-out'*. Fortunately, Software as a System (SaaS) means that the pricing of PSAs is cheap. Avaaza, for example, (see p. XXX) offers a free PSA service for an individual, followed by adding on additional users for around \$5 a month.

PSA software aims to provide better visibility, interconnectedness and efficiency of data and processes across organisations and their clients. In both my sample, and in other research, PSA has been shown to be correlated to better outcomes for the consultancy firm. In my own sample, those consultancies which used PSA achieved lower operating costs and faster growth (though the sample size was not large enough for a significant relationship). In other research, SPI (2019) found that the use of PSA was correlated with:

- 17% higher revenue growth due to better staffing
- 50% higher revenue per project
- 31% increase in revenue from new clients

When interviewing owners of PSA firms, the mechanisms for achieving these became clear. Behram Kahn, co-founder of Avaza told me:

*'an improvement of 5-10% in utilisation is not unusual due to better resource planning; there are fewer status meetings because the data is there for everyone to see, there is less use of email because all collaboration happens on the tasks in the system, and there is less time taken up trying to work out project finance'.*

The obvious advantage to PSA, especially for the ex-consultant founder who may not be an expert in forecasting, data management or financial planning, is that it supports these administrative and management tasks to be more integrated, more efficient and more accurate than using disparate systems. However, there are other advantages. First, you know what data and processes you *should* be defining: PSA companies have developed and refined their systems on the basis of their experiences at hundreds of not thousands of PSFs. Their architecture has therefore good claim in being 'best practice'. Whilst every PSF is different, the basic requirements of finding, resourcing, completing, and billing for projects are pretty much the same, and a good PSA will also be able to provide excellent advice (see it as free consultancy!) on the best metrics to capture for a growing firm. Second, the use of a PSA also provides advantages to stakeholders outside the firm. For example, clients can be given access to your PSA to see the progress of projects, the management of risks, and even to sign off time-sheets. Moreover, for buyers, PSA data provides clear, unambiguous and detailed metrics on the company which firms without PSAs would spend months collecting.

Four final pieces of advice when it comes to the sourcing and use of PSAs: First, it is definitely worth speaking to PSA providers early on, so that you have an idea of the type and format of data that would be useful to capture. This is important because you may develop systems that are not best practice or begin to build 'electronic concrete' that makes it difficult for you to transition. Second, and relatedly, now that many PSAs are so cheap there is little to be lost by using them early on, before you migrate from one spreadsheet and your head to thirty different incompatible apps. Third, all the PSA CEOs that I interviewed warned against the dangers of amending their systems too much:

*'we often bump up against firms who want us to build around the data that they already capture. The problem with this is that what they capture is often inadequate to the task. Although every PSF is unique in terms of content, the process should be very similar. It's worth bearing in mind that we've developed our processes with hundreds of companies and what we have now is best practice'.*

Finally, PSAs are much more powerful when integrated with any other systems your company runs such as financial management or CRM systems. The SPI survey mentioned above found an uplift in all performance metrics if a PSA is integrated rather than stand-alone. Of course, some PSAs have these built in, but a standalone CRM system such as Active Campaign is likely to be superior to anything that a PSA could hope for. Integration is relatively straightforward for most PSAs, but an additional cost is likely.