



# Increasing Enterprise Visibility Provides a Competitive Edge in Professional Services

*Epicor for Service Enterprises* Survey  
Research Shows the Need for Greater  
Enterprise Visibility to Compete  
Effectively

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## **PREFACE**

The intensity of global competition in the professional services market has just begun. As the Internet takes its rightful place as the platform for communication and collaboration it also has increased the commoditization and competitiveness in services. This evolution has been profound, and will influence how services will be delivered for years to come.

To compete in this changing business environment many organizations have adopted integrated information platforms to gain enterprise visibility and improve operational efficiency. The vision for intelligent information integration is to provide the necessary decision support to effectively compete and win in the marketplace.

Service Performance Insight (SPI Research) spent two months surveying and interviewing 14 professional services organizations (PSOs) that have adopted Epicor Software Corporation's "Epicor for Service Enterprises" business solution to better understand the changing market dynamics, why they selected Epicor and the benefits Epicor for Service Enterprises has and will provide their organizations to effectively compete in the dynamic services marketplace.

On average, these global organizations had about 1,350 resources and billed approximately \$170 million annually — putting these PSOs squarely in the midmarket. The organizations surveyed grew revenues approximately 16% over the past year, which is more than double the 6.5% five-year annualized growth of the industry. Part of this growth has been organic, however, a number of these firms have been involved in acquisitions, which has increased their need for a comprehensive information strategy. Epicor for Service Enterprises showed benefits in a number of areas that will be discussed later in this paper.

## **PROFESSIONAL SERVICES IN THE NEW MILLENNIUM**

The competitive climate for Professional Services Organizations has changed significantly since the turn of the 21<sup>st</sup> Century. The effects associated with the changing geopolitical environment, business and regulatory climate, and economic globalization have created both opportunities and challenges for PSOs as they try to adjust to meet the new demands for services around the world.

Clients now demand greater and more demonstrable value for their investment dollar, and they want it faster and of higher quality than ever before. Factor in that these clients also want real-time information, 24-by-7 support, and are not willing to pay excessively for it, and there is little doubt why PSOs have had to change business models to meet these new challenges.

Respondents to this survey echoed these sentiments and showed how changes in the economic picture change their priorities. These organizations were asked to rate the issues about which they had the greatest concern on a scale of 1-10 (10 being the most critical). See Table 1.

Several firms stated that they had seen consolidation among their competition. In the past they might have seen four to six main competitors, but

now only see two. With these changes, their newly consolidated competition tends to be much bigger and better funded. This situation has forced these organizations to more rapidly implement their own merger and acquisition strategies — increasing the necessity for a standardized application infrastructure. Much of this growth has enabled them to offer both increased breadth and depth to their services strategy.

**Table 1: PSO Executives Five Most Pressing Issues**

No.	PSO Executives Five Most Pressing Issues	Rating
1	Executive liability is increasing the need for better information	7.69
2	Financial management has become more complex and inefficient	7.69
3	Pressure to get the job done faster	7.46
4	Compliance is more important	7.23
5	Client loyalty must improve	6.77

Source: Service Performance Insight, November 2006

Epicor for Service Enterprises has helped several of the firms to grow operations internationally by offering one standard solution without the need for application integration. The solution provides standardized toolkits that made customer deployments much cleaner. Some of these PSOs have had to change business models, requiring more fixed time/bid engagements, necessitating the need for greater predictability in operations, something Epicor for Service Enterprises has helped provide.

### Working in a Global Economy

Only 55% of the PSOs surveyed had their workforce located in North America, showing the growing distribution of resources globally. Respondents of the survey were a reflection of the marketplace in that these organizations are rapidly expanding overseas and are creating new business models to better capture and maintain market share as they expand.

Survey respondents were particularly concerned about increased executive liability given certain regulatory requirements. These requirements necessitate the need for more timely and transparent information. Information integration to their financial systems, or lack thereof, appears to be a source of much concern to these executives, especially as they increase the global scope of services.

These organizations also have concerns associated with the speed at which they can complete and invoice work. Client demands for faster and higher quality work have increased executives' focus on improving all aspects of the services delivery lifecycle. And while the global economy offers increased sales opportunities it also increases competition exponentially and the need to react and respond more efficiently. External factors such as competition and client demands have increased the need to become more efficient. Two critical areas include: increasing resource utilization and improving engagement win rates.

## **Dynamic Business Models**

The survey highlighted that respondents now conduct approximately 40% of their business on a fixed time/fixed fee schedule. This departure from a typically “time and materials” oriented business model shows that clients prefer value delivered on time and on budget, reducing their risk. The PSOs interviewed for this report discussed the importance of the need to track in greater details the engagements in progress to assure timely and cost-efficient delivery of services.

A major concern among clients was the need to quantify the value of the work delivered. This situation has forced the PSOs to both perform more efficiently but to also build in metrics that show the value of the work delivered. And project durations have become somewhat compact in terms of duration, requiring more rigorous risk management to be applied to the work performed. The net result is an environment where there is a greater emphasis on shared risk between PSOs and their clients.

The demands do not only come from external sources. PSOs have had to reevaluate organizational strategy, and realign the services offered in light of the changing economy. Several PSOs also noted that they have begun to offer additional services as requested by their clients, and these clients have begun to demand fixed time/ fixed price offerings. These clients can hedge project risk by keeping engagements shorter, with specific contractual completion dates and costs. While this situation allows PSOs to more accurately forecast engagement cash flow, it also forces them to operate more efficiently in order to maximize profitability. They have also had to organize and align their human capital management strategy with the services offered and provide an infrastructure where costs and revenues are continually visible to assure financial success.

## **EPICOR FOR SERVICE ENTERPRISES WAS THE NATURAL CHOICE**

The changing market dynamics inevitably led the PSOs surveyed to the conclusion that “business as usual” was not going to cut it. And while each organization had its own reason for selecting a business solution that could automate and optimize the operational capabilities of the firm, they all realized that they really needed increased visibility across the entire firm and a platform for greater transparency.

When looking for an enterprise solution, respondents overwhelmingly voted that cost was very important, and gave Epicor kudos for providing an enterprise-class solution that not only met most of their needs, but also did so without being cost prohibitive. Table 2 highlights these reasons (0-10 scale with 10 being a primary driver).

Epicor for Service Enterprises is used in a variety of departments and industries, ranging from external services delivery to Internal IT, Marketing and Advertising, Audit and Accountancy, Architecture, Engineering and Construction. Epicor for Service Enterprises was used in every department in the company in a number of organizations — truly making it an enterprise solution.

**Table 2: Reasons for Selecting Epicor for Service Enterprises**

No.	Reason for Selecting Epicor for Service Enterprises	Rating
1	Total Cost	8.33
2	Support for business processes	8.23
3	Breadth and depth of solution	7.92
4	Integration with Financials	7.92
5	Integration with other applications	6.23

Source: Service Performance Insight, November 2006

### The Movement from Tactical to Strategic Applications

Several customers noted Epicor for Service Enterprises helped them transition their application infrastructure from one of a tactical nature to one that is now more strategic. These organizations were inundated with data from a variety of sources making it nearly impossible to assemble the data and to gain greater visibility and information insight into where they could take their business. With Epicor for Service Enterprises these organizations now have the information cleanly integrated and therefore have the ability to look at data strategically and make decisions that will proactively affect their strategy going forward.

With Epicor for Service Enterprises these organizations can now quickly determine which services are most in demand and both the associated revenue and profit margins. This information can be extremely valuable in terms of their investment strategy in all facets of their organizations. Likewise, for services or geographic regions that do not provide acceptable returns, executives now have the information available to make changes to either improve service profitability, or eliminate the region altogether.

### IMPROVEMENT ACROSS THE ORGANIZATION

The survey showed that there is not just one specific area that PSO executives must improve to remain competitive and prosper. Every facet of their organization must go under the microscope for them to succeed. Table 3 highlights the five leading concerns for the PSOs surveyed and interviewed (0-10 scale with 10 being most critical).

**Table 3: Areas Addressed to Improve Performance**

No.	Areas Addressed to Improve Performance	Rating
1	Client satisfaction	8.23
2	Resource utilization	8.08
3	Staffing / Resource / Skill Requirements	7.62
4	Cash flow	7.31
5	Engagement win rates	7.23

Source: Service Performance Insight, November 2006

These organizations turned to Epicor for Service Enterprises because they keenly understood the value proposition associated with improving visibility across the enterprise, standardizing business processes and optimizing productivity as a means to improve quality and client satisfaction. The breadth and depth of the Epicor for Service Enterprises suite was a primary driver behind the purchase. They were also highly satisfied with the total cost of ownership — a critical component in determining the solutions return on investment.

Survey respondents were particularly impressed by how Epicor for Service Enterprises improved cash flow throughout the service delivery lifecycle. From the rapid and accurate collection of time and expense information, through the timely delivery of services, and on to invoice preparation, delivery and collection Epicor for Service Enterprises improved the use of capital. These improvements lower the cost of doing business for these PSOs and ultimately show a positive impact on profitability.

Epicor for Service Enterprises also received high marks for supporting a business processes. These organizations felt that this strong capability coupled with the powerful integration with corporate financials provided executives with the tools necessary to better understand their business and therefore reduce the complexities associated with financial transparency and governance.

Several of the PSOs interviewed stated that prior to the deployment of Epicor for Service Enterprises there was increasing vendor conflict as end-users began to demand greater integration, visibility and control from their enterprise systems. There tended to be too much finger pointing and not enough problem solving. Epicor for Service Enterprises helped to reduce the number of enterprise systems.

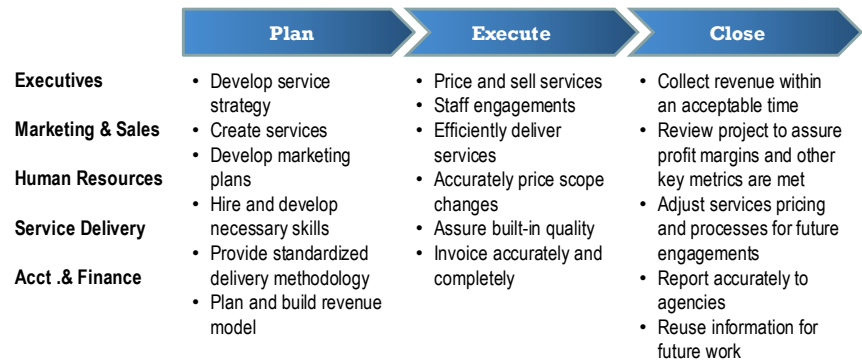
Users were also generally satisfied that they did not need to change their business process, in that Epicor for Service Enterprises was adaptable to their own processes. Several of the firms actually eliminated their processes and used the best practices supplied by Epicor for Service Enterprises. The solution also provided greater control at the project level, improving the accuracy of invoices while driving revenue leakage down from 6.8% to 4.3%.

### **Increased Executive and Enterprise Visibility**

Perhaps there is no surprise to the finding that Epicor for Service Enterprises provided a significant increase to the visibility of the work being done. Every organization surveyed and interviewed provided a variety of different improvements gained due to the benefits of integrated information available that was easy to access (Figure 1).

These decision makers were impressed that they had the information necessary to more easily assess the ongoing engagements in the services delivery lifecycle (SDL), and that Epicor for Service Enterprises provided them with the capability to assure services success and ultimately the timely payment of invoices. The survey respondents stated that they increased time spent on billable activities while reducing the hours associated with both staffing and billing.

**Figure 1: Integration Provides Visibility across the Enterprise**



Source: Service Performance Insight, November 2006

**THE VALUE OF BUSINESS PROCESS IMPROVEMENTS**

The survey provided insight into several key improvements in core services metrics. Some of the benefits worth mentioning include:

- A utilization increase of 5% from 71.3% to 76.3%;
- An increase in the percent of projects completed on time from 70% to 74%;
- Project ROI increased from 30.0% to 36.7%;

The survey showed benefits in every core process in the sale and delivery of services. And while each showed a noteworthy reduction in time (Table 4), two stood out as significant: project delivery and invoicing.

**Table 4: Business Process Improvements**

Processes Changed	% Time Reduction
Bid to Engagement	7.2%
Plan to Staffing	7.5%
Delivery to Billing	18.0%
Invoice to Payment	14.4%
Service Request to Delivery	9.0%
Plan to Project Budget	7.5%
Analysis to Project Closure	13.1%

Source: Service Performance Insight, November 2006

According to the respondents Epicor for Service Enterprises enables project managers to select the most qualified personnel based on their capabilities, as well as their cost. It also allows staff to be scheduled in a way that optimizes their utilization, as well as reducing bench time.

As projects are staffed and work begins, Epicor for Service Enterprises helped these organizations control the scope of work throughout the ser-

vices delivery lifecycle. During project execution, project managers have the resource visibility so they can best utilize personnel and other equipment, tools and materials. This visibility enables faster project completion and with fewer overall resources due to higher utilization rates.

Epicor for Service Enterprises enables these PSOs to maintain accurate and timely time and expense information, which is then used to invoice clients. Now this information no longer requires days or weeks to assemble. Epicor for Service Enterprises also improves project accounting and reporting — keeping both the PSO informed on the project status as well as providing the much needed information to calculate earned value.

There was also a number of areas where Epicor for Service Enterprises improved the organizations ability to deliver faster and more accurately. The following sections highlight these improvements.

### **Comprehensive and Dynamic Planning**

Enterprise planning is a core component of strategy in PSOs. In order to plan and budget effectively, executives must have the necessary information to determine where the business will go. Some of this information includes an understanding of:

- The economic conditions and how they will affect business;
- The portfolio of work in progress, prior work completed and their associated costs and profit margins; and
- Current and projected skills on staff.

These factors and others are considered in the initial planning phase, as well as in determining budgets and forecasts; however, they must provide the flexibility to change as conditions warrant.

Information visibility was a key driver behind the purchase of Epicor for Service Enterprises and one of the core benefits cited by a number of firms was that Epicor for Service Enterprises improved both the accuracy and time to generate budgets and forecasts, in addition to allowing them to dynamically change plans when needed. Epicor for Service Enterprises, with its tight integration with core business processes and Financials, enables these firms to more accurately forecast revenues, price, sell and deliver services in a more predictable environment — assuring stability in cash flow and profitable margins.

### **Improved Opportunity Management**

In many organizations there has traditionally been a disconnect between selling and delivering services. This disconnect not only impacts bottom line profit margins, but also has a negative impact on client satisfaction. Executives interviewed for this report stated that one of the key benefits of Epicor is its ability to help individuals selling services do so in a way that insures resources will be available when promised, and that they can more accurately project both project cost and delivery dates.

### Complete More Work Faster

The competitive marketplace dictates that not only costs must be better managed, but that project-based work must be completed faster and within specified budgets. Epicor for Service Enterprises provided users in this survey benefits on two fronts in this area, more efficient scheduling and increased utilization. With visibility into resources, organizations using the solution are better able to commit, plan and schedule resources to complete work faster. These PSOs were also able to increase utilization, thus relying on fewer overall resources to complete work. Many appreciated the centralized scheduling as a key factor in improving resource utilization.

Very few of the organizations surveyed were using the complete Epicor for Service Enterprises suite of products; while a small percentage of the organizations had purchased the complete set of products many were not using all of them. However, most of these organizations planned to deploy the modules they owned once their initial focus of Epicor for Service Enterprises was running. For organizations to truly optimize performance they must use the full capabilities of the Epicor for Service Enterprises suite.

### The ROI is Significant but Difficult to Quantify

While calculating a return on investment (ROI) proves to be difficult, as most organizations do not go through the process of calculating pre- and post-benchmark statistics,

in the case of the Epicor for Service Enterprises participants, there were some noteworthy statistics that go a long way into calculating ROI. The organization's that participated in this study had an increase in utilization of approximately 5%. This increase translated into approximately a 2% increase in capacity. This figure is consistent with other SPI research.

**Table 5: Key Survey Summary Statistics**

PSO Survey Information	Statistic
Average size of organization using Epicor for Service Enterprises (employees out of an average company size of 1,351 total employees)	708
Average size of billable resources using Epicor for Service Enterprises (employees)	471
Increase in staff utilization (71.3% - 76.3%)	5.0%
Decrease in revenue leakage (6.8% - 4.3%)	2.5%
Increase in projects completed on time (74.0% - 78.0%)	4.0%
Reduction in invoice preparation time (5.33 days – 2.17 days)	3.16 days

Source: Service Performance Insight, November 2006

Based on the information supplied, SPI Research estimates the ROI on Epicor for Service Enterprises is approximately 339% over a five-year period. This estimate is based on some of the factors shown in Table 5.

While ROI estimates are many times inaccurate due to the variability of the costs and revenue increases, SPI Research factors in that not all of the calculated benefits go directly to the bottom line.

SPI research also looked into other key metrics of these PSOs, which showed impressive results that included an increase on the percentage of projects completed on time and on budget, a reduction in the time taken to plan and schedule projects, the amount of time taken to generate invoices, and perhaps most importantly, a reduction in revenue leakage.

An important and often neglected statistic was the return on investment of projects completed. While this study only included fourteen participants, SPI Research found that after implementing Epicor for Service Enterprises, project return on investment increased to just under 37%, up from 30% according to the survey participants.

The market is moving toward greater integration of enterprise applications and Epicor's user base is no different. Every survey respondent utilizes Epicor Financials in conjunction with Epicor for Service Enterprises. Although less than 15% also utilize Epicor's Human Capital Management module, which lessens potential benefits. On the other hand, more than half of the respondents use the Epicor Procurement module, which improves the efficiencies associated with project material acquisition, and goes a long way to improving both project durations and costs.

## **CONCLUSIONS**

The new era of professional services has begun. PSOs have moved to globalize services offerings, hold off increasing competition, and improve the operational efficiency necessary to thrive in the changing marketplace. The organizations surveyed and interviewed by Service Performance Insight took a large step to improve their organizations with the purchase of Epicor for Service Enterprises.

The study participants were willing to share both the positive and negative aspects of their relationship with Epicor in the implementation of Epicor for Service Enterprises. Not every comment was positive regarding Epicor, as would be expected from any enterprise solution vendor. However, the general feedback was that if they had to do it all over, they would surely select Epicor for Service Enterprises again. Change management was also considered to be an issue in a number of the firms interviewed, and executives had to show their employees how Epicor for Service Enterprises was part of their business strategy and worked to assure that their employees utilized Epicor for Service Enterprises.

The executives interviewed see Epicor for Service Enterprises as a foundational enterprise solution necessary to manage both the strategic and tactical issues facing their organizations. It is seen as a strategic application that will provide the necessary information for their organizations to carefully plan and implement their strategic vision going forward. Epicor for Service Enterprises also provides them with the visibility to both improve operational capabilities as well as to efficiently develop, price, sell, deliver, invoice and collect for services — lowering costs and maximizing

revenue in every phase of work. The bottom line results of this research show that Epicor for Service Enterprises has provided quantifiable benefits to the organizations and yields a sound return on investment.

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**Service Performance Insight** (SPI Research) is a globally-focused research firm specializing in management issues regarding information technology (IT) use in the services sector. The firm closely follows professional services organizations (PSOs), independent software vendors (ISVs) and other technology providers, analyzing how organizations best use technology to make their people more productive and profitable. SPI Research pays particular attention to the integration of the three key assets of a PSO: its people, (business) processes and capital, and how technology can help optimize their use.

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