Professional Services Estimates

Executive Presentation Credibility

John Chambers
JCC Executive Partners

Contents

Introduction

"We can implement it in about 90 days, less if you do the SaaS model."

This is the typical response when the account team is asked how long it will take to get an enterprise software capability deployed. And this is also a number that barely stands up to scrutiny in the sales cycle.

It's not that ninety days is unachievable or wrong. Rather, software license sales have often failed because the team was unable to present the Professional Services (PS) dependency in a clear, confident and credible fashion. That dependency is the "resource structure."

Account teams will insist that a Statement of Work (SOW) was created and delivered to the prospect. But often, that SOW is 50 pages of legalese with resources smattered about, hours associated with the pricing, and confusing tasks and generic caveats -- extensively bulleted sections that look like a giant requirements specification with ambiguous references to *project phases*.

Further, there is no reference to the client side resource dependencies. Most executive prospects will dwell on this, to the point of no sale.

With every SOW, packaged with the software license deal, there must be a commensurate PS executive summary for the cost <u>and timeline</u> -- brief, yet thorough; clear and specific. The numbers presented to the executives are derived through a stepwise and thorough process. Most importantly, these estimates must include both supplier <u>*and*</u> client resource needs.

In this guideline, we cover JCC Executive Partners' key ingredients and critical success factors for *sizing an engagement and preparing a PS executive summary for enterprise software implementations.*

Building the Estimate – Ease of Calculations and Modularity

Our PS Estimating tool captures PS supplier effort as well as client effort. Although we want to arrive at a calendar view of the implementation, particularly for the executive summary, we must <u>start with a view of</u> <u>*project phases.*</u>

By employing a phased construct, the estimates can be made with more rigor and justification, and the forecast can be seamlessly transferred to a project manager, once the SOW is signed and the project is imminent.

As the executive summary is shaped in terms of resource, schedule and cash flow perspectives, the summary must be traceable to a number of key variables (embedded in our PS Estimating tool):

   a) Job categories
   b) Days
   c) Labor rates
   d) Deliverables
   e) Deliverables Timeline
   f) Phases (for later alignment to project activities)

Drive returns that last

It's the sales consultant's job to build the foundational resource forecast, ultimately creating an implementation summary that captures executive concerns and adoption questions – what level of resources, and what costs, over what time period.

In a project implementation, a standard project lifecycle will often include several standard phases:

a) Planning   d) Build
b) Analysis   e) Validate
c) Design   f) Deploy

Using these phases as a stepwise guide, implementation assignments and job category estimates are less ambiguous; certain job categories with specific Roles and Responsibilities (R&R) shall be allocated to different phases in varying degrees, depending on need and expertise.

As stated earlier, we will later move this into a monthly impact statement, but a prerequisite to robust estimates are alignment to project phases.

In Figure 1, Supplier Resource Estimate for Principal Consultant, the sales consultant steps through the phases of each solution being deployed, then considers the daily contribution of each Job Category; in this case, the Principal Consultant role.

PS Supplier Resources	Roles/Responsibilities	Module --> Phase	Data Mart Days	Application Portfolio Management Days	Services Financial Management Days	Budget Management Days	
Principal Consultant	Provide program consultation and executive level guidance.	Planning	0.45	0.90	1.20	0.60	
	Provide expertise on business processes, best practices, and application design.	Analysis	0.15	0.30	0.40	0.20	
	Educate team and sponsors on application/solution capabilities.	Design	0.30	0.60	0.80	0.40	
	Direct Data Mapping efforts and resources.	Build	1.05	2.10	2.80	1.40	
	Ensure that design will align to Client business processes.	Validate	0.60	1.20	1.60	0.80	
		Deploy	0.45	0.90	1.20	0.60	Total Pr. Consultant
Enter total Days per App; Decomposition applied to phases automatically, from Phase sizing module			Total Days for DM 3.00	Total Days for APM 6.00	Total Days for SFM 8.00	Total Days for BM 4.00	21.00

Figure 1, Supplier Resource Estimate for Principal Consultant

The PS Estimating tool was employed to calculate the required days, by phase, for one of the Supplier resources. The supplier resource numbers will be automatically applied to costing calculations. Ultimately these calculations will be assigned to Monthly Cash Flow figures for executive consumption and review.

Estimator tools should reference Roles/Responsibilities (R&Rs), such that the sales team can easily consider (and explain) days within phases on a job category basis. **Translating Phase-days to Monthly impact will then be derived later.**

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Our tool is structured such that R&Rs are *summarized and transparent* (encircled in the snapshot), visible to the sales consultant who is working on the sizing. The consultant steps through the time required of that resource for each application and each phase.

In an enterprise software or business management software implementation, resources might be applied against several solutions within the overall application suite (similar to the solutions in the Figure – Data Mart, Application Portfolio Management, etc.)

We shall arrive at the all-important monthly schedule for client adoption review, but "estimates per phase" provide a foundation not only in the sales process, but also to the project team who assumes implementation responsibility down the road.

The yellow cells in our tool are sales consultant entries. Based on complexity of engagement, current state of the client's environment, understanding of the client's transformation roadmap and schedule (which we discuss in the next section), the consultant has identified the overall days required for each solution.

Our tool then automatically allocates the level of effort for each phase, based on solution complexity and the R&Rs of the resource being viewed.

Another module in our sizing tool decomposes the days into a monthly schedule, based on client and supplier agreed timeline, realistic adoption rates and strategic milestones or compelling events.

Client Contributions

An implementation is not very useful to a client if the client's own resource impact is not defined. Reaping consistent returns demands that the client become expert in the application suite, expert in the software capabilities and its business value.

In our next example below, the sales consultant is also conducting the exercise for one of the required Client resources. *Figure 2, Estimates Based on Role, Phase and Application Solution*, highlights the contribution estimate, in days, of the Client's Business Analysts – customer resources who will ensure that the software is going to align to the company's workflow and business processes.

The extracts shown here, from our PS Estimating tools and methodologies, are among the earliest stage building blocks in creating an executive summary that is credible and robust.   These tools also assist the sales consultants in modifying the overall project requirements based on prospect feedback.   During the sales cycle, a potential customer may determine that fewer or greater capabilities ought to be included in the deliverables and the sales consultant needs to rapidly adjust estimates accordingly.

Your executive summary can now be constructed with confidence, reflecting the PS engagement in high level, yet specific terms – *the expected resource demands from the client; the overall timeline reflected in value path deliverables; the monthly cash flow.*

And you are prepared to articulate the expected client time investment.

Client Resources	Roles/Responsibilities	Solution --> / Phase	Data Mart — Days	Application Portfolio Management — Days	Services Financial Management — Days	Budget Management — Days	
Client Business Analysts	Assume ownership of Client Process model	Planning	1.25	1.25	1.50	1.50	
	Support Principal Consultant Process foundation modeling	Analysis	0.25	0.25	0.30	0.30	
	Ensure design accomodates Client requirements	Design	0.50	0.50	0.60	0.60	
	Help document Use Cases	Build	1.25	1.25	1.50	1.50	
	Identify critical success factors for design	Validate	1.00	1.00	1.20	1.20	
		Deploy	0.75	1.00	1.20	1.20	Total Bus. Analyst
Enter total Days per App; Decomposition applied to phases automatically, from Phase sizing module			Enter Days for DM 5.00	Enter Days for APM 5.00	SFM 6.00	BM 6.00	22.00

Figure 2, Estimates Based on Role, Phase and Application Solution

Software implementation estimates are made for not only the supplier's Professional Services resources, but also the Client participation. Screen capture above shows estimates for the Client Business Analyst role.

A sales consultant must be prepared to identify the client's resource time investment, such that a collaborative implementation is not disrupted. This is also a necessity in a credible sales proposal.

Roadmap Summary of Deliverables

As the *phased estimates* considered the projects stepwise construction, we want to adjust the angle. An executive summary should view the journey in terms of the calendar – months or quarters.

An executive summary will highlight the cost and delivered transformational capabilities <u>on a monthly or quarterly basis</u>.

Project phases can overlap, they can be ambiguous for the audience, and the client's larger concern is forecasting appropriate internal resources, as the company's present work streams will be impacted. Setting the client resource expectation will assist both the client and the project team when Project launch commences.

The time window (or monthly view in our example) also is critical for <u>the cash flow</u>, another expectation of your executive prospect. Whether some supplier efforts are capitalized or not, Finance must plan the outlays for the PS expenditures. During project implementation, when billable time is recorded and invoices are sent, neither clients nor suppliers wish to have any surprises.

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How is a roadmap constructed?

During the sales cycle, the sales consultant has been capturing the executive needs of the software solution, and based on the customer requirements, culture and timeline, the consultant illustrates the high level gains and corporate changes that are promised in a roadmap perspective.

We also employ this strategic view, Figure 3, Roadmap of Deliverables, in order to consider monthly labor estimates and costs. The capabilities are visible as value path objectives, aligned to the prospect's strategic plan for this transformation initiative.

Capabilities	Feb	Mar	Apr	May	Jun	Jul
Data Mart Construction	Normalization; Foundation Data Model Design	Validation; Downstream process cleanup				
Application Portfolio Management	APM Modeling; Standardization on Lifecycle processes	Business Process to Portfolio reconciliation	TCO Analysis of Portfolio	Analytics: Optimize / Sunset / Enhance		
Services Financial Management			Service Architecture Creation	Service Catalog Modeling; TCO analysis	Customer Consumption Tracking	Service Analytics: enhancement / pricing / removal...
Budget Management			GL Mapping; Procurement Mapping	Budget Actuals Mapping; Variance Analysis	Alternative Financial Scenario Development	Delegation of accountability to Cost Center owners

Figure 3, Roadmap of Deliverables

The executive level value path is recognized in this figure as a monthly set of deliverables. Each set of deliverables is reconciled to one of the solution capabilities.

This image is useful not only in presenting the expected achievements to the executive prospect; the same data is used to build the resource requirements for a monthly view.

Developing the Monthly Cash Flow

The combination of road-mapped deliverables and the resource day requirements (from Figure 1) will generate a monthly cash flow. Our PS Estimating tool derives pricing based on job category (supplier PS role and daily rate), number of required days, *and a monthly pace*.

From this, a summary view is created, such as Figure 4, Professional Services Cash Flow for Supplier Resource.

While the cash outlays in a graphical format can be useful to some finance professionals, others prefer a standard table, reflected in Figure 5, Professional Services Cash Flow in Tabular Form. Depending on prospect, the sales consultant may want to present the cash flow in terms of a graph or traditional table.
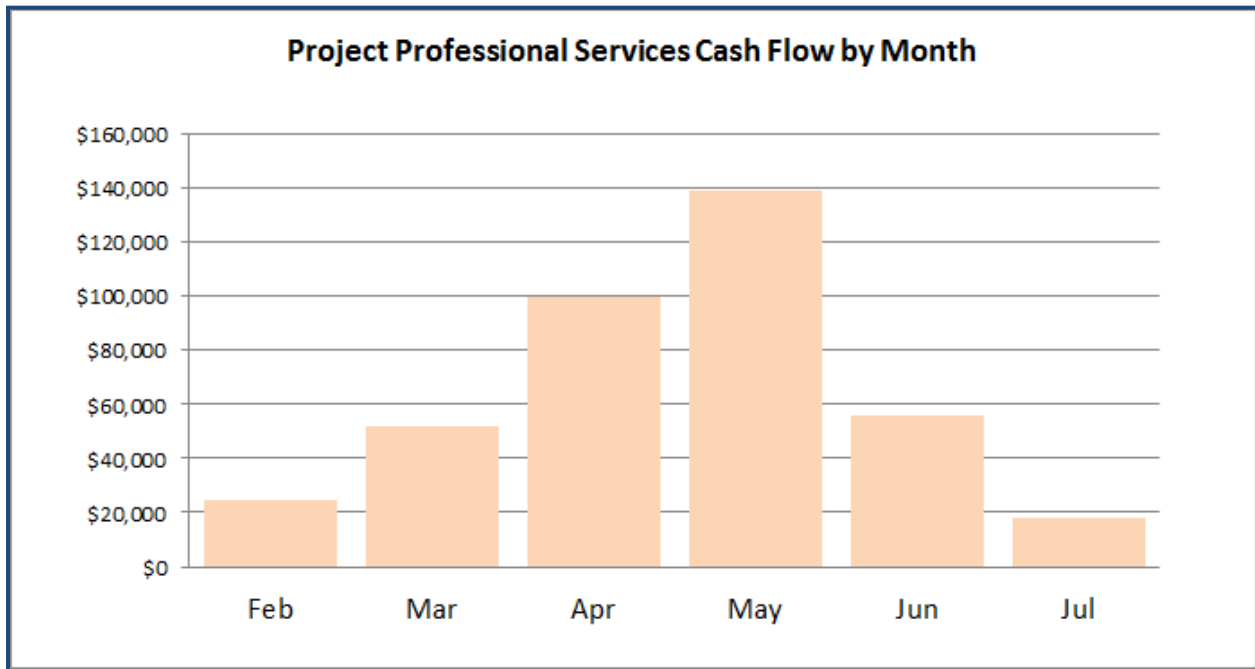
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Figure 4, Professional Services Cash Flow for Supplier Resources

	Feb	Mar	Apr	May	Jun	Jul	Totals
Data Mart Construction	$24,905	$37,357	$0	$0	$0	$0	**$62,262**
Application Portfolio Management	$0	$14,752	$54,092	$29,505	$0	$0	**$98,349**
Services Financial Management	$0	$0	$26,172	$45,801	$45,801	$13,086	**$130,860**
Budget Management	$0	$0	$19,711	$64,061	$9,856	$4,928	**$98,556**
Incremental Cost to Client	$24,905	$52,110	$99,975	$139,367	$55,656	$18,014	
Total Cost	$24,905	$77,014	$176,989	$316,356	$372,013	$390,027	

Figure 5, Professional Services Cash Flow in Tabular Form

Depending on prospect, the sales consultant may want to present the cash flow in terms of traditional table rather than bar chart.

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A decomposition of the cash flow, _distinguishing among solutions_, is valuable in providing transparency concerning strategic investments.   In our example, we have presented an enterprise platform, which delivers a foundational business Data Mart, Application Portfolio Management, Services Financials and Budget Process enhancements.   Figure 6, Professional Services Associated to Enterprise Platform Solutions, provides a view of the _resource focus in terms of capability, in terms of the solutions_.

Our professional services estimators can compartmentalize as well as summarize these solutions.   A prospect may not have the operational, cultural, or financial bandwidth for accommodating the entire implementation at once, or the client wishes to space solutions farther apart.

The sales consultant should be prepared to view professional services costs in terms of a phased rollout, a calendar rollout, and the specific solution sets that may start at various times.
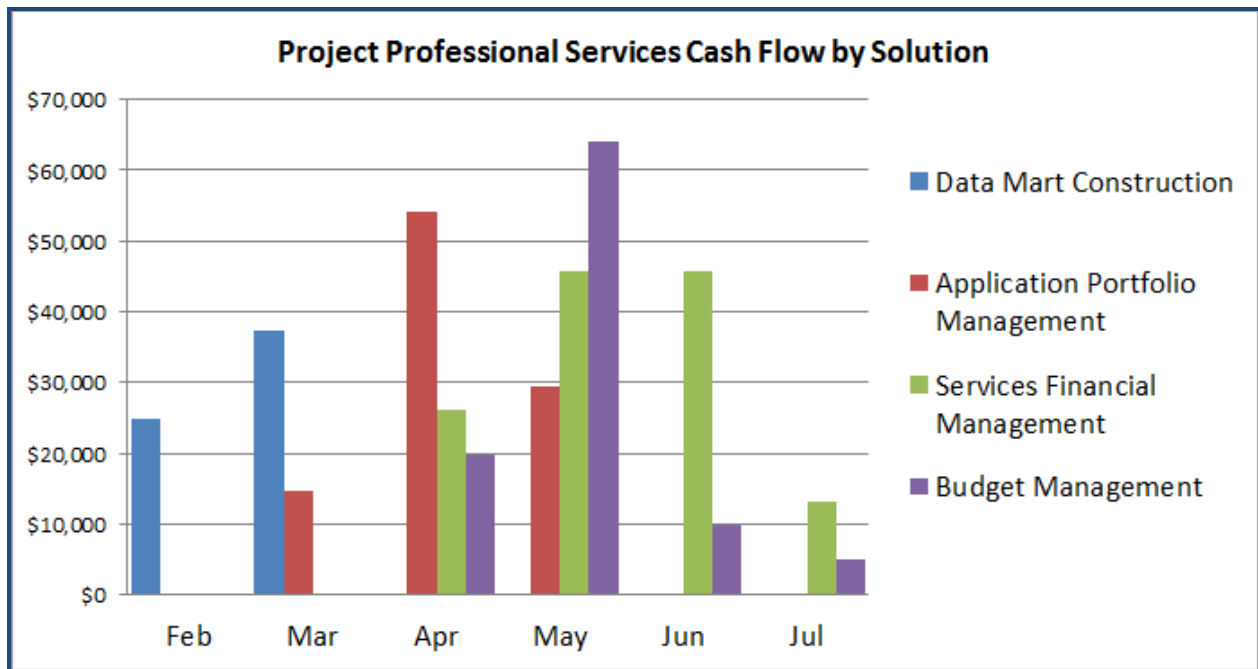

Figure 6, Professional Services Associated to Enterprise Platform Solutions

Client Resources – Required but probably not part of Executive Summary

Of the various components in a license and PS executive proposal, the most controversial is often not the price. It is the client's contribution.

As far as the implementation goes, the executive wants PS to "get in and get out."   Once that final invoice is paid, the executive assumes that the company's resources have fully adopted the capabilities and processes.   (A SaaS model will demand payment for robust software and updates but not an open checkbook for PS.)

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Therefore, the client must take ownership of the enterprise capability, the application.   Client project support and involvement are critical pieces of the implementation project.

Figure 7, Client Resource Summary, specifies the monthly impact to the client's team.   This image will not become part of the executive summary, but it is a required calculation for vetting with the prospect sponsor.
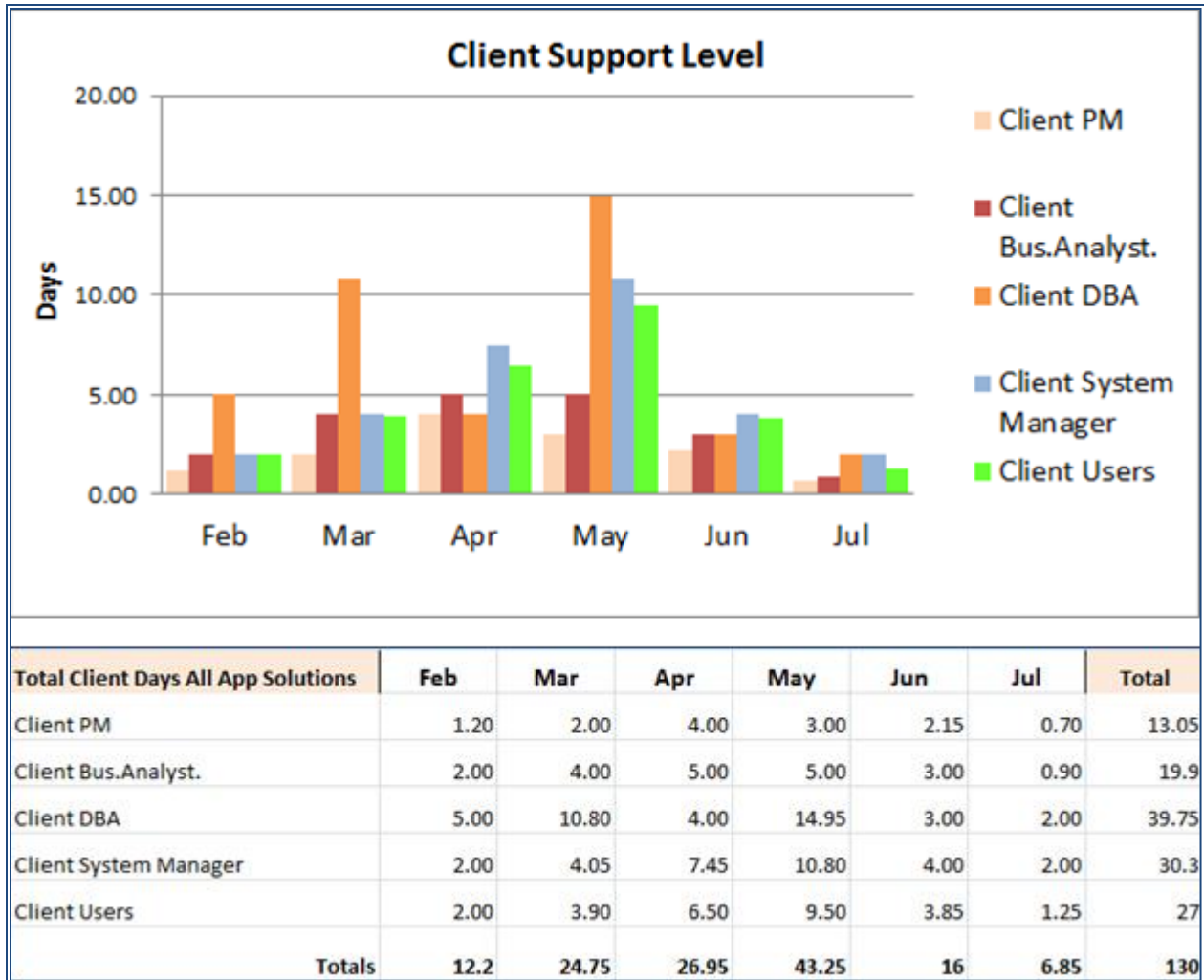

Client Support Level

Total Client Days All App Solutions	Feb	Mar	Apr	May	Jun	Jul	Total
Client PM	1.20	2.00	4.00	3.00	2.15	0.70	13.05
Client Bus.Analyst.	2.00	4.00	5.00	5.00	3.00	0.90	19.9
Client DBA	5.00	10.80	4.00	14.95	3.00	2.00	39.75
Client System Manager	2.00	4.05	7.45	10.80	4.00	2.00	30.3
Client Users	2.00	3.90	6.50	9.50	3.85	1.25	27
Totals	12.2	24.75	26.95	43.25	16	6.85	130

Figure 7, Client Resource Summary

These figures should have been vetted with the executive sponsor or PMO prior to the final stage or final presentation proposal.   A serious prospect is one who is concerned with implementation rollout and adoption.

In an executive level sales presentation, the client resource level summary may be extraneous.   In fact, it may instigate unnecessary conversation. So is it important to identify the client time investment?   The answer is yes, but usually with the directors or internal champions. Vetting the project needs from a resource perspective is not a nice-to-have. It is a requirement. In the final sales presentations, the senior executive will certainly ask about this. "Can we adopt? Is the timeline realistic?" And the executive will depend on the PMO or chief of staff to "yea or nay" the adoption/deliverable plan.   We don't want any nays.   Thoroughness in the client support level and *project participation should be addressed during the sales cycle*.   And these calculations and estimates are derived from the sales consultant's rigorous assessment and analysis, first discussed in this guide.

The Basics in the Executive Presentation

Following the sales consultant's diligent requirements assessment and ongoing analysis of the customer's needs (roadmap, resource sizing, cash flow, client resource estimates), the executive summary is easily and quickly structured.

The executive summary we have developed will *be one of the "chapters' in the overall software sales proposal,* as it represents the high level PS sizing, costs and dependencies. It is a supporting chapter or the overall Sales presentation and software value summary.
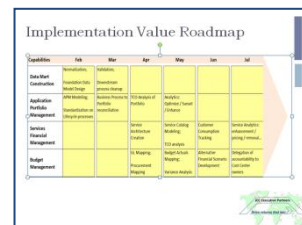
For the PS overview, five content slides (plus title slide) is often sufficient:
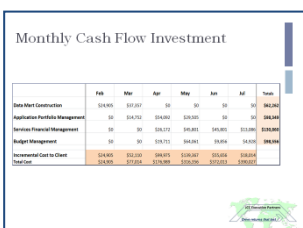

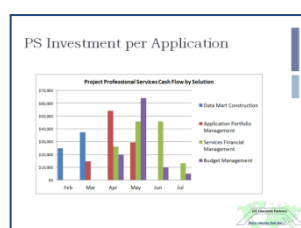**Professional Services Title Slide**

Program Objectives

Implementation Value Roadmap

Monthly Cash Flow Investment

PS Investment per Application

PS Summary Critical Success Factors

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Appendix or Reference slides

The appendix will include another half dozen or so slides, which will be backup, drill-down into the R&R elements, the rates, the task-by-task decomposition. You will not require all these in an executive summary, but having them in your "back pocket" ensures that you can speak to the questions.

These detail/backup slides should have been shared/discussed with the sponsoring team, such that the prospect's champions are confident of the sizing summary. These will include:

a) Supplier engagement Model
   - Phases slide
   - Key Tasks slide
   - Management approach slide

b) PS Rates and R&R slides
c) Client resource impact decomposition

Summary

For a customer to be "referenceable," a requirement of sales professionals who seek to exploit their success and leverage previous sales with new ones, an implementation must be expeditious and controlled.

Implementations are joint accountabilities – the PS Supplier, the Client team, *and the Account Management team.* Otherwise, there is a high risk that the sales team sold the customer some shelfware.

Further, when does sales team discover the shelf-ware problem? It is usually when they are embarking on a new sale with a new customer. Suddenly that new customer wants a reference, and the team is stuck in an awkward position.

Sales and PS proposal thoroughness does not imply lengthy diatribes and task-by-task project management reviews. But it does require an organized and compartmentalized summary of the PS resources, the client's own resources, the cash flow *by timetable, and the value that is delivered in a stepwise but expeditious fashion.*

For enterprise software, the PS executive summary (derived from rigorous work of the sales consultant) is a critical factor in successful license sales.

And the PS Estimating tool should deliver multiple views of the implementation forecast.

About JCC Executive Partners

JCC Executive Partners provides consulting to C-level and upper management executives in deriving *and sustaining* greater returns from their business, IT, operational, and strategic investments. Via a trust-based and collaborative approach to assessing a firm's environment and IT strategy, JCC Executive Partners streamlines teams and operations and promotes technology alignment to drive sustained returns.

JCC Executive Partners' practice principal is John Chambers, whose 25 years of professional experience spans diverse IT systems and business management disciplines, project methodologies, quality management techniques, and technology development. Chambers has championed and steered multiple global programs and cross-cultural technology implementations for small and large enterprises.