Resource Management as a Service (RMaaS)

The Case for Outsourcing Resource Management

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Overview

Every professional services and consulting organization understands the need to run its delivery operations effectively and efficiently. Yet the reality is many professional services organizations (PSOs) underachieve in keeping operating costs in line with industry standards. The most common reasons for this include: 1) lack of disciplined practices 2) poor tools and infrastructure 3) underinvestment or 4) some combination of all three.

The largest lever for impacting PSO operating margins (outside of project margins) is utilization of human capital. Setting the right utilization targets and consistently achieving them is paramount to achieving financial success. The math is simple: for a 100 person organization, 5 points of utilization equates to approximately $1 million to the bottom line. Not surprisingly, PSOs that do not consistently achieve target utilization levels are usually plagued by the reasons listed above. Regarding project margins, our own research and other industry studies also indicate that resource management leading to getting the right person in the right place at the right time, has a major impact on project performance.
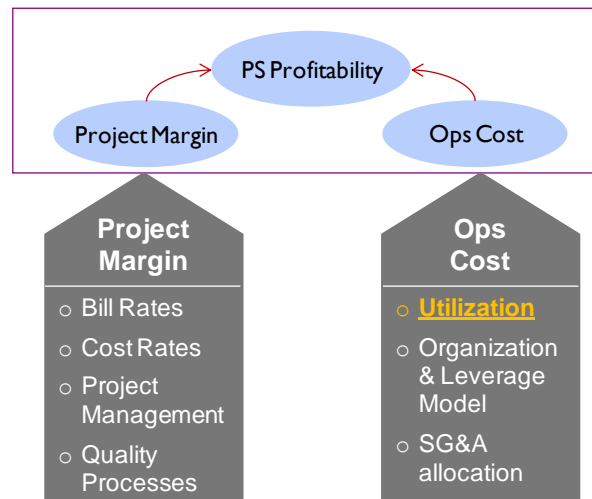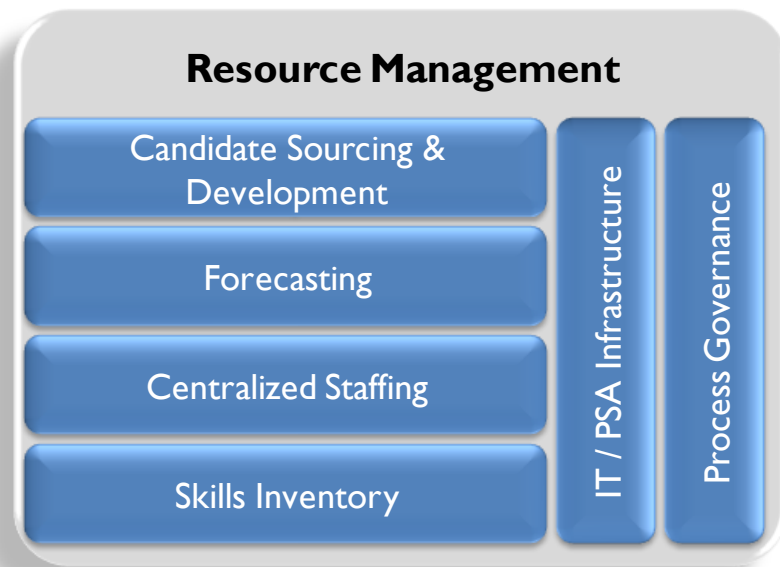
There is, however, a new solution emerging that can provide PSOs with consistent and effective resource management. It is called Resource Management as a Service, or RMaaS. This paper explores why this new form of business process outsourcing can bring your organization the benefits of predictable utilization and improved project performance at a manageable cost.

RMaaS Defined

RMaaS is simply a newer form of business process outsourcing (BPO), targeting what is arguably the most important support process of a consulting or professional services organization – resource management. Resource management is not simply the process of staffing projects (i.e. forecasting, skills development, balancing supply and demand, 3rd party sourcing). Done correctly, resource management extends its impact beyond services operations. The following diagram illustrates the typical scope of a centrally managed resource management function.

Resource Management

Candidate Sourcing & Development

Forecasting

Centralized Staffing

Skills Inventory

IT / PSA Infrastructure

Process Governance

Skills Inventory: It starts with knowing what and where the capability and capacity of your delivery team is and keeping this information current and accurate. The skills inventory is ideally enterprise wide, unlocking any potentially silo'd resources.

Centralized Staffing: Staffing is the continuous process of matching available delivery resources for all active and potential projects. This process is in lieu of all too common decentralized approaches which are labor intensive.

Forecasting: What is the resource requirement outlook for the next 30 days? How about in the next three to six months? Lead times for recruiting, hiring and retraining human capital do not always coincide with project needs. Forecasting is essential to proactively preparing for future business cycles.

Candidate Sourcing & Development: A logical extension of forecasting. Once the resource needs are defined, now the organization can target the right actions to recruit, hire or contract the *right* resources. With a detailed centralized view of resource needs over a given time horizon, strategic sourcing analysis and planning can occur to gain control over longer term labor costs.

IT/PSA Infrastructure: For organizations larger than 50 - 75 resources and distributed across multiple geographies, automation is essential, and can be highly beneficial for organizations under 50 as well.

Governance: Resource management information drives strategic planning and management decisions, and tactical project performance and financial results. Like any other mission critical business process, the establishment of metrics, dashboards, corrective action and continuous improvement processes are necessary to achieve consistent and predictable results.

RMaaS is the outsourcing of the resource management function and associated business processes. RMaaS takes the more traditional BPO model and adds the "as a Service" structure to it. Resource management, by its nature, lends itself to be delivered "as a Service." First, it requires a highly specialized skill based on a repeatable methodology and is inherently usage-based, the common unit

being the number of delivery resources. Second, it needs to scale or contract rapidly to adapt to the business cycles. Finally, it is a highly virtualized function, not requiring people or systems to be in any one location.

The RMaaS should provide all the functional scope of resource management as indicated above. In addition to day-to-day support and interactive support for the delivery team, the RMaaS vendor should be providing management with reporting and analysis of resource activity and future needs to support future planning in the areas of capacity growth/contraction, skills development needs and financial forecast inputs.

Resource Management: Core vs. Context

Conventional wisdom on outsourcing is to target processes that are not core to your business model. In Geoffrey Moore's words, core activities "are those that increase the sustainable competitive advantage and create value in way that is hard to replicate." For PSOs, core activities are the direct project delivery work. Project work is where the experience, skills and practices of the individuals and teams create the unique value differentiation for any delivery organization.

Context activities are the antithesis of core. While they serve a necessary function, they drive no market differentiation. Despite its close relationship to service delivery, resource management is a context process for PSOs. According to Moore, "when context activities compete with core activities for resources, the company loses." Often times, delivery organizations use delivery personnel and even practice leaders to execute staffing and resource management. Whether it is 'in the margins', a temporary job rotation or embedded in their job description, one can argue against this practice. What seems like a workable solution actually draws delivery talent and focus away from the core activities of client delivery.

The natural conclusion to Moore's analysis of core vs. context is for companies to invest more in core activities, and seek to reduce costs and outsource context activities.

The Value Proposition

When considering the question of outsourcing your resource management process to an RMaaS model, you should ask yourself two questions:

1. Am I consistently achieving the right levels of utilization and project performance throughout the organization?
2. If not, do I have the resources, time and expertise to address the problem in the next 1-2 business quarters?

Any hesitation in answering both questions positively would suggest that there is considerable benefit and value to be gained by getting things corrected immediately.

Let's first look at the benefits of resource management. The primary driver of benefit is closely managing utilization targets. Unplanned bench time for your resources is revenue not being earned and cost being burned. Refer to the following table to see how it impacts your organization.

Annual Increase in Marginal Revenue and OI from Utilization Improvement

	MARGINAL REVENUE IMPROVEMENT Increase in Utilization by (pts):					MARGINAL OI IMPROVEMENT Increase in Utilization by (pts):			
# of Consultants	1	5	10	15	# of Consultants	1	5	10	15
50	$208,000	$1,040,000	$2,080,000	$3,120,000	50	$104,000	$520,000	$1,040,000	$1,560,000
100	$416,000	$2,080,000	$4,160,000	$6,240,000	100	$208,000	$1,040,000	$2,080,000	$3,120,000
150	$624,000	$3,120,000	$6,240,000	$9,360,000	150	$312,000	$1,560,000	$3,120,000	$4,680,000
200	$832,000	$4,160,000	$8,320,000	$12,480,000	200	$416,000	$2,080,000	$4,160,000	$6,240,000
250	$1,040,000	$5,200,000	$10,400,000	$15,600,000	250	$520,000	$2,600,000	$5,200,000	$7,800,000
325	$1,352,000	$6,760,000	$13,520,000	$20,280,000	325	$676,000	$3,380,000	$6,760,000	$10,140,000
375	$1,560,000	$7,800,000	$15,600,000	$23,400,000	375	$780,000	$3,900,000	$7,800,000	$11,700,000

Assumptions			Assumptions	
Billable Hourly Rate	$200		Billable Hourly Rate	$200
			Loaded Hourly Cost	$100
Gross Revenue	$200		Gross Margin	$100

The impact of poor or inconsistent utilization performance cannot be overstated enough. There are additional benefits to consider as well:

- Agreement to Project Start Interval: Each week a project is delayed due to not having the right resources available is lost revenue. Pacesetters can start projects usually one, occasionally two weeks from the agreement. Each week of delay pushes out revenue capture and substantially increases the risk of project budget and schedule overruns.

- Lower Turnover: Delivery staff is more satisfied. Good planning allows them to perform the roles they want, and are typically not stretched as thin. This results in lower hiring and development costs, and stronger knowledge depth of the organization.

- Management Time: Senior delivery managers often spend too much time in staffing meetings and making staffing decisions. This is a significant opportunity cost to the business. This time can be largely reallocated to business and practice development activities.

So now that you understand the value of addressing your resource management process, what is the benefit to outsourcing it via an RMaaS model? The short answer is speed, expertise and flexibility.

Speed

In my experience, implementing or improving service operations processes internally take time, especially when automation is involved. These projects span a minimum of three to four business quarters, and tend to be incremental in nature. In an RMaaS model, you can expect to have the majority of the capability deployed in two quarters. Using the same 100 resource organization, the speed to value of two quarters is worth $500,000 to the bottom line.

Experience

There are a number of vendors in the market place promoting leading practices and capability in many aspects of delivery operations. Too often, firms do not take advantage of this and try to develop their own approach and solutions. Often these solutions are not scalable and incomplete. Outsourcing allows you to take advantage of best in class processes and technology in the marketplace. And vendors are continually improving upon these areas as the industry evolves. Resource Management is a very specialized discipline, and an outsourcing entity has the advantage of being able to train, retain and focus on career development for resource management professionals.

Flexibility

A delivery organization is never static. There are continual periods of growth and contraction. The service operations functions should adapt to these changes in operational scale in order to maintain operating margins. An RMaaS model allows you to increase or decrease your coverage needs based on the current state of your business and maintain the right cost structure for the core business.

Conclusion

The key to a healthy and profitable delivery organization begins with effective resource management. Too often, organizations are underperforming in this area, significantly hurting operating margins. Resource Management as a Service provides a fast, flexible and highly functional turnkey solution for PSOs. With RMaaS, your organization can put more focus on the core business of client delivery while having more predictable staff utilization and operating costs. With the short timeframe to implement and significant ROI through incremental utilization improvement, this can be an ideal way to impact your margins in the current fiscal year.

About RTM Consulting and the Author

Cincinnati-based RTM Consulting provides strategic and operational advice to assist technology companies with increasing revenues and margins by leveraging services more effectively. Specializing in Resource Management and Services Business Optimization, RTM Consulting helps teams responsible for professional, consulting and support services achieve the benefits associated with successful services portfolios. With its unique Just-in-Time Resourcing® solution and Business Acceleration Services, RTM Consulting helps large, medium and small firms move beyond theory to practical application of industry best practices and achievement of exceptional results in the shortest possible period of time.

Marc Lacroix is a Managing Partner of RTM Consulting with a proven track record in achieving Professional Services organizational growth and operations improvements in a variety of companies. Marc has specific expertise in delivery methodology development, resource management and balanced scorecards.

Prior to joining RTM Consulting, Marc was Vice President of Consulting and Professional Services for Convergys Corporation. Prior to Convergys, Marc was Senior Director of Customer and Professional Services for Cygent, Inc., a telecommunications-centric customer care and order management software company. His professional experience also includes management consulting at Ernst & Young (now Cap Gemini), where Marc managed a variety of process improvement and IT implementation projects for top tier financial services and telecommunications clients.

RTMC

We Help Services Organizations Get Better At What They Do

Our mission is to help consulting, professional and support services organizations get better at what they do

The Challenge

Technology service providers and other human capital intensive service organizations including hardware, software and consulting companies, internal shared service organizations and outsourcing entities all know that efficient management of human capital, project processes, and other service delivery and go-to-market related processes are key to market success.

Today's challenging business environment makes running a services business highly dependent upon having lean and proven business and operational processes designed for peak performance.

The Solution

Our unique combination of decades of services and outsourcing operational experience coupled with solutions targeted to the services organization allow us to work with large, medium and small firms to move beyond theory to practical application of industry best practices and achievement of exceptional results in the shortest possible period of time.

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Who We Are

RTM Consulting provides strategic and operational advisory services to technology companies and other industries to assist them in increasing revenues and growing margins by leveraging consulting, professional and support services more effectively.

What We Do

Our unique and services specific strategic frameworks and transformation models, combined with talented consultants, help accelerate time to value in everything we do to help you gain competitive advantage. We cover the entire services domain spectrum including consulting and professional services, technical support, field support, education services, managed services, and services automation tools. Some of our services include:

Strategic Planning Services - We use our extensive leadership experience to help services organizations build the right strategy and operational model to make value creation and delivery a reality.

Services Business Optimization - Our skilled practitioners help you identify and implement best practices necessary to transform your services business into the most efficient and effective operation possible.

Resource/Workforce Management - We help you focus on *'Getting the Right Person in the Right Place at the Right Time'* with our Just-in-Time Resourcing® (JITR) solutions.

Project and Portfolio Management - Our unique PMO/PM frameworks will help your organization efficiently run projects on-time, on-budget, with consistently excellent quality.

Channel Optimization - With a unique 'Shift to the Left' strategy based on our advanced support model frameworks, we can help your company lower costs while improving service quality moving more support from on-site to on-call and on-line.

Skills Development/Training - We enhance the soft skills of your services personnel to complement their product, business and technical knowledge with services specific curriculums in consulting soft skills, resource management and project management, services selling and more.

PSA Consulting - We provide an objective third party assessment and assistance in choosing the right automation solution for your needs – and assist you with implementation to achieve the benefits of your investment.

Services Revenue Generation Consulting - Turning services into an engine of growth is a growing priority for every technology company. We understand how to help you better market and sell your company's solutions with more focus on value and outcomes to meet changing marketplace dynamics.

How We Do It

Our highly disciplined management consulting and operational services include:

Rapid Diagnostics to identify opportunities to improve business performance.

Implementation Services to make solution implementation fast and effective.

Business Planning Services to turn your vision into a realistic operating plan.

Business Acceleration Services to accelerate your time to value with RTMC solutions.