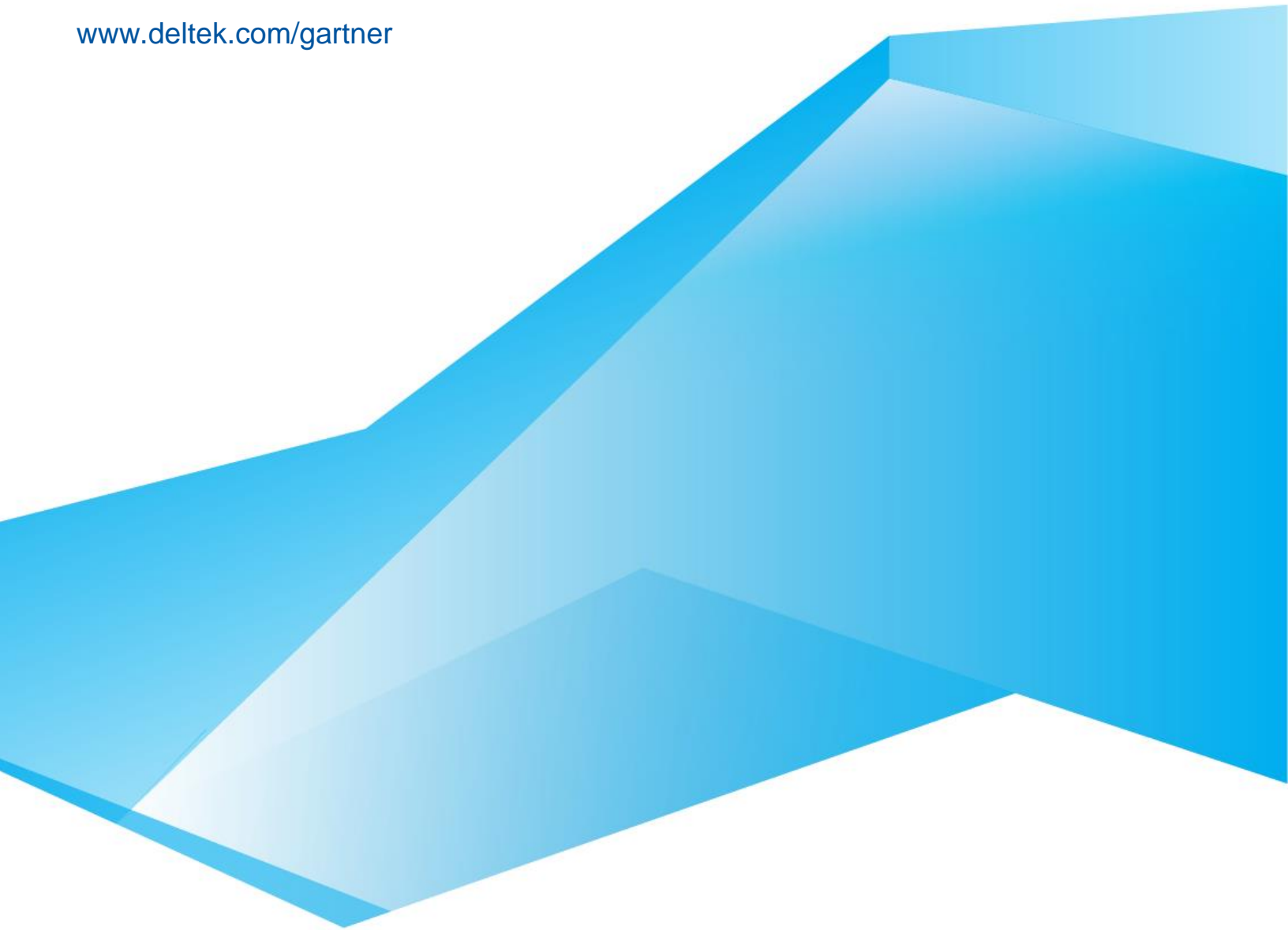


Gartner Video Transcription

Deltek Know more.
Do more.™

The Tide is Shifting to Project-based ERP and PSA

www.deltek.com/gartner



The Tide is Shifting to Project-based ERP and PSA

Following is a transcript of the Gartner video found on www.deltek.com/gartner that features Robert Anderson, Gartner Analyst and VP, and Warren Linscott, Deltek VP of Product Strategy and Cloud Operations.

NARRATOR: A square peg and a round hole, that's the situation many professional services firms have found themselves in when choosing enterprise software systems to run their businesses. These firms were forced to choose systems built for manufacturers and distributors or generic solutions with a host of bolt-on applications that were never truly integrated. Clearly, that's not the ideal solution for services firms that prosper by delivering on-time, on-budget projects, and engagements for clients.

We're here to tell you that the world has changed and that you can have it all—purpose-built PSA and ERP solutions built for your unique world, for your industry, with project and people at the very core.

In this program, we introduce you to a new world of solutions built especially for professional services firms. You will hear from Bob Anderson, Gartner Research vice president, and Warren Linscott, Deltek vice president of Product Strategy and Cloud Operations, who will go in depth on the full scope of solutions available for services firms, the business problems they solve, and how they will greatly improve your business performance.

Gartner Research

What defines a services firm?

ROBERT ANDERSON: While every business is client-focused, service firms can be broadly defined as those that are people-, project-, and finance-centric. In service industries, people are typically the key asset as opposed to a bunch of repetitively manufactured widgets or goods making their way along some assembly line somewhere. In service industries, you typically have people creating and delivering high-quality services, often in the form of projects, and a pretty fluid, constantly changing, and difficult environment to predict and manage.

So, at one end of the equation, you have your people, and on the other end, your customers. In between, you have the services you deliver, your specialized IP, which is the key element behind every deliverable.

What industries do "services" represent?

ROBERT ANDERSON: Service industries include professional services firms in areas like IT consulting, media advertising, management consulting, architectural engineering, government contracting, legal, and accountancy. But it's not limited to that. It also includes the public sector, education, financial services, not-for-profits, and a host of others, where people providing services are the key deliverable.

These day, I'm spending a lot of time in project-based industries because it's an area experiencing significant growth that can really benefit from new technologies like Software as a Service and things like mobility, social media and collaboration, and real-time analytics that are directly embedded within the business applications.

What are the trends in today's services world?

ROBERT ANDERSON: I think service industries today are the hottest, most exciting segment on the planet. In mature markets, service industries are beginning to dominate the economy. Today, there are more service businesses joining the global economy than at any other time. There are more services-centric firms on the Fortune 500 today than at any time previously, and not just that. Even product-based firms are introducing services. In fact, it's the fastest-growing segment of their business and quickly becoming the most profitable. So service industries are the place to be.

Of course, all this also equates to growing global competition, the war for talented resources, and the potential for innovative newcomers to jump into the game and disrupt traditional industry leaders and markets.

Gartner clients and project-based professional services are leveraging technology to bolster their value proposition and to prepare for that future competitive onslaught. We expect rising customer standards and the available of improved technology to drive transformation across the entire project and services life cycle. In order to succeed in business today, you need granular visibility across the business, extending outward, even to your customers. Services firms need to begin to understand that the tools, processes, and technology that got them where they are today probably won't get them where they need to be, competitively speaking, in 2020. New technology can help you get there, and if you want to lead in your market today, you simply need to have it.

What challenges must services firms overcome to achieve strong business performance?

ROBERT ANDERSON: Really, there are three key areas that services firms need to focus on if they're going to compete in the future. For many, this will require quantum leaps from their current capabilities.

First, they will have to become more adaptive and agile in order to outflank competitors and be more responsive to their customers. Next, they will have to be more efficient and productive. In these businesses, there are lots of manual, error-prone, time-consuming tasks that take away from adding business value. Many of these can be automated. Finally, they will need to improve the quality of their decision-making. This is going to be a challenge because good decision-making means leveraging all the appropriate resources of the business to gain that level of visibility that's required. It's a big challenge because most businesses are time constrained and are being asked to make more and better decisions quicker than ever before.

There are new purpose-built business processing technologies to help them address all three areas, but at the end of the day, it's all about empowering people. People are the key asset of most businesses in any service industry. Services firms need to put the right people on the right projects at the right time while improving knowledge sharing and collaboration. They also need to hire and retain the best and brightest talent and make smarter decisions in order to steer the business toward innovative and profitable services. It's a lot to ask, but it's exactly these characteristics which will define winners and losers in the days and years ahead.

How have services-centric industries that deliver projects traditionally been served?

ROBERT ANDERSON: Traditionally, this segment has had to either manage with multiple point solutions, modified product-centric applications, or generic administrative ERP systems that have offered limited support for the unique business requirements. In many cases, they have had to integrate and piece together these systems themselves, which as you can imagine becomes quite consuming over time.

Central to their requirements, generally speaking, has been the need for a strong professional services automation solution as well as a back-office administrative ERP with strong project accounting. Because these firms are project-based, having a strong PSA is often critical, and it's an area where they are always looking for best-in-class capabilities. More and more, they are looking to ERP providers that can deliver an integrated solution that includes a strong PSA, but there are still many others that prefer taking a more federated approach for a variety of reasons. It's great when you have a vendor that can work with you from either direction.

Of course, there's been a few ERP vendors like Deltek that have a rich heritage of completely focusing on selling ERP solutions to project firms, incorporating things like professional services automation, and more and more, because of the current growth of this market, we're seeing a handful of relative newcomers emerge focused on services and project businesses. Likewise, a host of multi-vertical and product-centric vendors are starting to reemphasize and strengthen the services side of the ERP equation.

For me, personally, this is exciting to see and especially gratifying because I believe project-based businesses delivering professional services have traditionally been underserved with respect to ERP, especially given the amount of emphasis and investment vendors have made addressing the needs of product-central organizations. So it's great to see the tide shifting toward these businesses, and my opinion, their time has arrived.

What types of solutions are project firms seeking?

ROBERT ANDERSON: Well, let me start by saying this. Services firms, such as project businesses, are demanding a lot more from their ERP and business solution providers than a decade ago when they had to kind of make do with what was thrown over the wall to them. Remember back then, only a few vendors really took them seriously.

Today, vendors must respect their growing buying power. Services-centric firms are leading the charge to Cloud ERP as opposed to product-centric businesses. Within that, professional services firms appear to be outpacing everyone else.

Additionally, while many ERP user evaluating new solutions will need to remain on premise for the foreseeable future, they still want to be able to leverage the power of a great user experience, collaborative capabilities, mobility, embedded analytics, and the like. So even if they have a legitimate reason for staying where they are for reasons of control, compliance, regulations, customization, or whatever, they are still demanding all the cool capabilities found in a cloud native solution. That is why having the ability to deploy a cloud native solution on premise in the private cloud or in the multi-tenant public cloud without compromise is really a big benefit. You're just going to have all the advantages of a modern system and still deploy it their way.

So if ERP vendors want to sell software, they better start taking seriously the demands of project-centric businesses that have grown weary of being treated as second-class citizens. They are no longer impressed by basic generic administrative ERP systems. Those systems no longer cut the mustard with them, and finally, if the ERP doesn't deliver on the vertical dimension, it is often the quickest to fall of the list of those to be evaluated.

Are ERP vendors stepping up to the needs of services firms?

ROBERT ANDERSON: The great thing is that vendors that really understand the needs of specific subsectors within project businesses have either developed or acquired or integrated solutions to address the full-value proposition that buyers are looking for.

Some are further ahead than others. Some do a better job at some things than others, and some have more experience in the specific markets than others. Of course, the key to all this is having ERP providers that really deliver and understand the industry context so that business outcomes can be achieved without a lot of additional customization and expense.

While we're seeing these solutions start to come together, it's really up to users to evaluate which providers have made the right investments, have taken the right approach, and have the rich industry experience to make the proverbial Christmas tree light up and take them into the future. Those evaluating these systems should look for depth of vertical capability and commitment today, vision for the future, and the financial wherewithal of the provider to deliver on what it says it will.

What should these solutions do and what value should they deliver?

ROBERT ANDERSON: Probably, first and foremost, they need to deliver greater agility because project businesses are pretty fluid. Things tend to shift quickly. There's always new projects to be addressed, organizational changes that need to be made, demands for new innovation and new service introductions, and on and on. This is where traditional ERP systems have often fallen short. Project-based businesses need solutions that conform to the way they do business, not the other way around. The system should work for you, not against you. You shouldn't have to perform a series of unnatural acts to get the system to behave the way you need it to. So the agility of the underlying platform or architecture is critically important.

Additionally, next-generation systems typically provide a much more empowering visual experience that's easily tailored to the specific needs of each user. That experience should be equally engaging and fun to work with on any device, whether in the office, on the road, or at home. The system should also intuitively encourage collaboration with others and leverage real-time analytics to improve quality and responsiveness when making business decisions.

If you're in a business where people behind the projects are really your major asset, then you want everyone to love, embrace, and use the system, not run away from it. The more people you have actively engaging the system, the stronger you become.

Finally, because these solutions should offer integrated, purpose-built, best-in-class capabilities all business functions from sales, marketing, and customer support, to project personnel, HR, finance and procurement, the degree of new visibility provided across traditional functional siloes becomes extremely transformative.

For example, personnel and collections will now know and be alerted that they probably shouldn't be threatening to sue for not paying a few weeks past due, the same customer your sales team is currently bidding to win another multimillion-dollar project on. Strategic planners will have access to information on what types of projects are the most profitable and which ones can't be bid or typically fail because of a lack of certain types of resources.

HR can become a strategic weapon because they're able to profile which people and teams contribute the most to project success, leading to programs that recruit and train more of them and that ensure their best people are retained.

Project resource managers will be able to cut HR requisitions directly within the project resource management system, making the whole process less tedious and so on. With that level of integration of real-time visibility established across the business, delivered in the context of their industry vertical, project businesses are able to outpunch their way against even larger competitors. It amounts to a tremendous advantage.

That's the real value these solutions bring, and I believe businesses need to have these capabilities today. They need to begin to ask themselves: What if we can't compete in the war for talent? It's going to be really difficult to replace our top people. And what if we lose a series of big deals because one side of our organization doesn't have a way to effectively communicate and alert the other with real critical knowledge or information? So businesses really need to wake up and understand the level of urgency associated with embracing and leveraging these capabilities sooner rather than later.

Why should a services firm buy a purpose-built ERP and/or PSA solution?

ROBERT ANDERSON: The short answer is that while most generic ERP solutions have modules to handle the administrative areas of financial management, procurement, and HR, they often lack functionality to support the industry-specific processing requirements and the context associated with how a firm does business. And that dimension is very important because without it, ERP really can't live up to its full potential.

If you were in the architecture, engineering, or construction business, a government contractor or the advertising business or delivering some other type of professional services, wouldn't you want your ERP system to have specific features that were aligned to your industry? My thinking is that if you could, you certainly would. It really comes down to a choice between one-size-fits-all or having an ERP system tailored to your specific needs.

If you didn't have to compromise on vendor reliability or the strength of the underlying ERP platform and could have a system tailored closely to address your industry-specific workloads out of the box, it's a very tough proposition to fight against.

What we're seeing at Gartner is that more and more users are embracing cloud-based ERP solutions, which are certainly slanted more towards configurability than customization, and as they have done this, they have begun to look much more closely at how they will support their industry-specific requirements. They realize up front they probably only have one chance to get it right.

In the old days, there was this notion that you just needed a bunch of generic administrative features and functions and that that would be enough. More and more, the client inquiries that I am taking are moving toward industry specific questions when it comes to ERP. For example, ERP clients of ours will ask, "I understand Major Vendor ABC has tremendous financial capabilities, but what do they really know about consulting, government contracting, construction, or media and advertising?" So there's no question, more and more that vertical focus has become a central part of evaluations.

Why do generic solutions built for the mass market fall down for services firms?

ROBERT ANDERSON: Well, let me start by saying that both industry-specific and generic ERP systems typically provide essential functionalities for business processing. However, industry-specific systems are usually developed with the targeted users in mind, and as I just stated, I believe that makes a huge difference.

Let me tell you why. We found that for many firms, customizing or extending a generic ERP application, even when third-party solutions are sourced and integrated to fill vertical gaps, has simply become too time consuming and costly to implement and maintain. This is especially true as the pace of business change has speeded up. Dealing with multiple software vendors in order to meet your industry requirements is a headache that can quickly overwhelm services firms. So many are demanding vertical and purpose-built capabilities to be part of the overall ERP offering.

When an ERP solution has been developed specifically for their industry, it's more able to handle vertical business practices and specific processing requirements without a lot of customization, external third-party software, and acrobatic feats to fill the gaps.

The bottom line today is that customers are looking for ERP providers who know their industry well and who build their products to address industry challenges and the business outcomes they're looking for. They want to see evidence that product enhancements are being driven by a group of people who have expertise in their industry and that tangible investments and commitment are solidly in place. Vertical heritage is important to them.

And let me just say that Gartner clients evaluating ERP software have grown smarter about these things. They can tell pretty quickly when a vendor has taken a fundamentally generic ERP solution and then thrown a few industry-specific features in there to create a thin veneer of respectability. They are really starting to ask hard questions about industry knowledge and functionality when vetting their vendors.

Can services firms of all sizes benefit from purpose-built ERP and PSA solutions?

ROBERT ANDERSON: Absolutely. SMBs are increasingly looking for industry-specific purpose-built ERP or PSA solutions because they understand the power of verticalized work flows that span the key processing areas of their business. That kind of visibility when framed in the specific context of their industry is what creates competitive advantage.

SMBs, most with constrained IT departments, understand all too well from past years' experience that having to manually piece together all the industry capabilities they need from multiple vendors and then maintain the proverbial hairball of connections between them simply has become beyond their ability to keep up.

And SMBs have high standards. While they demand simplicity, the requirements are every bit as sophisticated as much larger firms. So just being a vertical or a purpose-built ERP vendor alone won't be enough to win their business. You've also got to be just as strong, rich, broad, and deep as all the leading multi-vertical or generic ERP offerings. If you want to win their confidence now, if you can combine vertical or purpose-built capabilities without compromising anything the big-name ERP players provide in the broader sense, then you really come up with a combination that's hard to beat.

Large enterprises are also increasingly looking for industry- and purpose-built solutions because they want an ERP that hits all the high notes in the music. They don't want an ERP that's good but offers a lot of functionality that's not needed or tailored to their business. I'm thinking of statistics that show that in large enterprises, up to half the ERP's capabilities still sit on a shelf unused. Guess what, though? Customers still have to pay for it, right?

So, increasingly, the areas that they are emphasizing the most in their evaluation is purpose-built orientation and processing support for key industry challenges and outcomes. They only want to buy what they need, and it better conform to their business realities and scenarios.

They also want to move away from intensive industry customization and integration, which has traditionally locked them into older versions of their software. It's like being stuck back in time and not being able to break free, and we know that most large businesses are moving so quickly, they don't have much of a stomach for that anymore.

Of course, they do have some prerequisites for purpose-built solutions from vendors. For example, vertical providers must have proven scale and experience to serve large enterprises. They want evidence that the provider already has a solid stable of similarly sized customers that are not only happily supported, but they're also listened to. There are lots of small vertical boutique ERP solutions out there that serve the needs of smaller businesses, but only a relatively handful that have the scale and experience of having served some of the largest firms in the industry.

So let me just summarize and simply say yes. The trend towards purpose-built ERP software is growing, and it's a litmus being used not only by SMBs, but increasingly by large enterprises as well.

Why is it important for services firms to take a people and project focus when they evaluate solutions?

ROBERT ANDERSON: If you're using people to deliver projects to customers, you've just identified the three most critical elements of your business, haven't you? Your ERP strategy better encompass all of them. Any ERP system that doesn't emphasize and support the integrative notion of all three areas will fall short.

Now, of course, the financial piece is important. You've got to mind your p's and q's to ensure you're able to perform accurate costing, correctly book project business, and manage the company toward profitability and growth. Right? But in all this, it's the project that is the core or center of the business.

I mean, what good is your financial module if you can't quickly understand your project profit margins and which projects are the most profitable? What about specialized support for complex billing methods and revenue recognition rules found in projects, such as time and materials, work in process, deliverable space, and percentage completion?

So the point here is that all roads lead through and in support of the project. If you're purchasing an ERP solution and it doesn't put the project at the center of everything, what are you going to do? Sure, you can always modify the finance software and then go get another third-party vendor to source a PPM or PSA and try to piece it all together, but then you are likely back where you started. Right? You've gained nothing, and now you have to integrate it at all the right places. You have introduced more vendors and complexity into the mix, and they all have to play nicely together now and forever in order to extract full advantage from the sum of the parts. For many, that's less than ideal.

So how better is it, then, when you have a choice of an ERP tuned for the project business that already comes pre-integrated with the best-of-breed PSA and project financials all from the same vendor? And guess what? These vendors really do exist.

And what about people? They're the lifeblood of your business. Without having the right people at the right time on the right projects, you don't stand a chance in this business. How are you going to recruit and retain the beset people? What about the talent wars that are heating up on the horizon? Will you be able to compete? Wouldn't it be great to have a project-centric HR with capabilities like talent management fused hip to hip with resource management in the PSA, finance, and even a CRM system?

So, in my mind, when people and project-centric firms are evaluating ERP solutions, they need to be looking at vendors to put the project at the center of everything and that emphasizes people as the most strategic asset of the business.

Add a verticalized CRM solution and tie it all together, and then you've really got the makings of something really great that can carry you into the future. You can then rest assured that your business system is able to bust through the siloes that have hindered past performance and could turbocharge synergies across all key capabilities, leading to a competitive advantage.

***What steps should a services firm take now to set themselves up
for success in the future?***

ROBERT ANDERSON: They need to start asking themselves today how much their business has changed over the last 5 years and understand that if they thought the change they've absorbed up to now has them spinning in their chairs, that pace is only picking up faster. They need to start putting in place the right ERP and PSA systems that are able to carry them the distance. Waiting 3 to 5 years could be too late.

As I've mentioned before, in many cases, the solutions that have brought project firms this far probably are not going to be sufficient in the world to come. In order to be more agile as a business, in order to become more productive by automating industry-specific tasks that are incredibly time consuming and take away from more valuable activities, and to ensure that the right people are put on the right projects, in order to become more customer- and people-centric, ensuring both customers and employees remain satisfied, as well as to ensure all employees are able to collaborate better and use real-time information and make higher-quality decisions at a faster rate than ever before—in other words, all the things firms in the next decade will need to compete and be successful, they simply need to start adapting today. They can't wait.

You don't want to go to bed on a Friday sometime in 2018, 2019, or '20 and wake up on a Monday morning and find out you've been marginalized and can't compete with the competition. By then, it's too late. So they really should start investing now.

Deltek

Who is Deltek, and why do you understand services so well?

WARREN LINSKOTT: Deltek is a software provider that got its start over 30 years ago by developing back-office accounting software to help professional services firms in government contracting account for costs at a contractor project level. This translated quickly into other professional services industries that needed to manage their book of projects across their portfolio. They needed to understand how to allocate labor, expenses, and material costs back to the project so they could report out on those costs and measure profitability at a project level.

Our solutions were built fundamentally from the ground up to solve this challenge, and there's also one other area: clients. Project-based businesses need to aggregate projects that they are working on for a particular client so they can have a client portfolio view. Our solutions were also built to address this problem. This is very different than other generic providers that were focused on accounts or organization or mass production facilities. We focus on what people need to be successful at managing their projects, to give them real-time information about their projects, and to ask fundamental questions about their businesses, what types of projects are profitable, what type of business should we go after that's more fundamentally aligned with the way that we do business and our core competencies.

Those are the things that Deltek has done to understand services firms, and from the ground up, over 30 years ago, were built for just that purpose.

What is the importance of projects for services firms?

WARREN LINSKOTT: Services firms are usually based on discrete work, and each opportunity that they chase turns into a project once they've won that opportunity. The aggregation of all those projects for a professional services firm really makes up its book of business, and it defines what kind of company it is. And being able to identify all the different types of work that's going on with those projects is key.

These companies need to operate on different types of projects at one time. It could be a time and materials project, where they have really minimal risk. It could be a fixed-price project, where they have a lot of risk, and they need tools that can help them tell them if they are on track or not. Really, the project is the lifeblood of any professional services firm, and being able to understand that portfolio of projects in aggregate is really fundamental to all professional services firms.

What are the types of services firms that use Deltek today?

WARREN LINSKOTT: Well, Deltek has been servicing services firms for over 30 years. Across the globe, we have more than 22,000 customers in a variety of industries. We mainly service consulting industries, such as management consulting, IT consulting, environmental consulting, but also engineering services firms, architecture and engineering, marketing agencies, advertising agencies, non-profits, research and development, and legal firms that specialize in services. All of these industries have one thing in common: They're centered around the project. And that's what's fundamental to services firms, and Deltek understands that.

What is the full scope of what Deltek offers?

WARREN LINSKOTT: Deltek solutions are centered around the project life cycle. This is really the life cycle that represents an opportunity identification all the way to a project close-out.

Our solutions help people identify new opportunities that they could win. It gives them tools to help them pursue those opportunities and close them out. Once they have closed them out, you need to develop a good project plan to help you execute against that new project. That's something that we provide and also tools that go beyond that to help you identify risks and manage them throughout the life of the project.

Once you have these projects in place, you have to staff them with people. People are often the most vital part of a services firm. Do you have the right skill sets? Do you need more engineers? Do you need to go higher? We provide tools that help you develop that talent and resource it across the projects that you have in the portfolio, and over time, cultivate that talent so it stays within your business and adds to your core competency.

At its core, Deltek was built around project-based ERP solutions. These solutions help you manage and aggregate transactions back to the project itself. This allows companies to report on all things project out of the box, without having to do customization.

One of the key things that we offer in the project life cycle is the ability to measure everything that's going on in the project life cycle. This is very important. If you think about it, you want to understand: Do I have enough pipeline to satisfy my backlog requirements to stay in business? Do I have the right hiring cycle so that I can bring people on board to the business and collect revenue in a timely fashion, and how does that affect my forecast? Having the right analytics to measure all these different elements of the project life cycle that usually cross departmental lines within a company is really key. Deltek's solution portfolio was built around this concept, and we continue to build it out over time, addressing specific areas that are only important to services firms.

Now that we've talked about the project life cycle and the key areas of winning new business, managing it, developing new people, and delivering on them, as well as measuring across the project life cycle, I wanted to talk about a fundamental concept that's really important for professional services firms, and that's professional services automation. That's really the subset of processes contained within the project life cycle that go from quoting to billing particular customers. This is something that's keenly of interest to practice leaders and professional services firms. They want to be able to quote a new customer very, very quickly with the right rates and the right information. Once they have done that and they win a new opportunity or follow-on work, they want to account for all the labor that's coming in on that project so that they can generate an accurate bill. They may not care as much about the back-office accounting and fundamentally how that affects other parts of the business because they're really interested in booking new business and burning through that business, and they need a solution that can fundamentally help them solve that challenge.

Deltek's portfolio encompasses the core elements of a PSA solution. We provide people with capabilities to do that quoting, to do the project accounting necessary to do fast and accurate billing. That's fundamental to our core solution, and some of our customers start just there and then expand to other areas, other parts of the project life cycle.

Why is being industry-specific so important?

WARREN LINSOTT: Today's professional services firm needs specific requirements met from solutions so that they can be competitive in the marketplace and so that they can accelerate their business. Deltek understands that, and we put extreme focus on developing solutions that are specific to project-based industries, and it goes beyond just the project life cycle and having everything that's necessary to do project accounting or billing. It goes to specific needs of specific professional services industries.

For example, in consulting, everything is an engagement and client-specific. You want to be able to aggregate everything that's going on from a client perspective and look at it from that view. A legal firm, everything is a matter, and they need matter management. They need solutions that can tie things back to the matter, be that documents, invoices, what have you, and be able to go through that matter from soup to nuts and report on it. These nuances are critically important to every industry that we serve.

For another example, non-profits, everything is about the donor and about how funding levels change over time and how they allocate them and get more funding. They don't work on profit; they work on fee. And that's fundamentally different, and having solutions that focus on these specific professional services problems in specific industries is at Deltek's core. Our solutions are built around that industry specificity, and it's very

important for our customers because it impacts their ROI for the solutions they have and their ability to accelerate in the marketplace.

We've been understanding those problems for more than 30 years, and we continue to build our solutions and have that industry-specific focus. Large generic providers simply don't do that. They simply don't care about some of these nuances in their solution sets, or they have a tool kit that customers can customize. Oftentimes, that comes with a hugely painful cost, and upgrading is a nightmare. You don't have that with Deltek solutions, where all these features and functions are built into our products out of the box, which enables that extremely fast time to value.

How does Deltek deliver their solutions?

WARREN LINSKOTT: Deltek deliver their solutions however the customers need. Oftentimes today, you have SaaS providers that only provide things in the cloud. Well, Deltek has the advantage of providing things both in the cloud and on premise. It's really the customer's choice. They can even purchase our software and take it to a hosting provider of their choice, and that's what Deltek is all about. We want to make things easy for our customers to adopt our solutions and to get the value that they perceive necessary.

Sometimes customers have strict requirements that mandate that they have solutions on premise, and we're never going to abandon that market. But we do recognize the need to be in the cloud, and we've made huge advancements over the last 7 years putting our solutions in the cloud all over the world. We have thousands of customers operating in the cloud, and it's a very viable offering for our customers.

Our solutions are all built on Web-based technologies so that they can access and users can access the solution anytime, anywhere they need. We also provide very specific mobile capabilities for things that you need to do on the go, like entering in a time sheet or putting in a note against an opportunity that you're following. These are all very specific use cases for when you're on a mobile device, and Deltek takes special care to make sure that we're putting solutions in the hands of our users that they can really use and that they really need.

What makes Deltek different than generic providers?

WARREN LINSKOTT: To understand that, first, you have to understand generic providers. Generic ERP providers got their start in the late '80s and early '90s when they were focusing on mass production companies, like automobile manufacturers, and if you think about it, there are fundamental differences between how they operate and how services firms operate. For example, that mass production manufacturing facility really only cares about allocating cost at the location level. All the labor that comes into the factory and all the materials cost

are divided by the output; in this case, cars. So you take all that labor and cost and you divide it by the number of cars that come out in a given month, and that's how the ERP solutions were designed, to allocate cost back to the accounts or the organizations. And they're missing a fundamental key component that services-based firms need: How do they allocate cost back to the project? How do you allocate specific labor and expenses back to the projects so you can create a bill and create a project status report that customers need to see? So these are fundamental differences between how generic providers were built. They didn't have the project.

But they are also missing another key elements, which is the client. The ability to aggregate all those different projects together into reports that clients need or to give you a portfolio view of a customer is very, very important, and fundamentally, Deltek understands these differences. Our solutions were built from the ground up to have project and client as part of the core transaction model. This is fundamentally different. The generic providers have to bolt on their solutions. They have to bolt on project accounting. They have to bolt on project management, and they have to reconcile them to the back-office accounting solution.

With Deltek solutions, you don't have to do that. It's fundamentally built in from the ground up, which enables us to do things like rolling up all of your projects in that portfolio into corporate finances, rather than having to reconcile between the two. This provides customers with much cleaner deliverables coming out of the solution.

Why do customers benefit from Deltek's industry focus?

WARREN LINSKOTT: One of the main reasons why customers benefit from our industry focus is they get solutions that are out of the box, built for their industry specifically, things like professional services automation solutions that can help them quote a new customer and book new business and then accurately bill those customers. That's a fundamental capability that every professional services firm needs and desires.

We build those solutions out of the box, so they don't have to customize or piece together many different solutions. Now, the great thing about Deltek is our portfolio goes well beyond a PSA solution. So we can take all that information on a project and have it roll up to corporate financials.

One of the other areas that our customers receive an ROI on is how quickly they can implement our solution. The time to value is incredibly different than a generic provider, where they have to do a lot of customization. We also provide capabilities for our customers to get unprecedented visibility into their project portfolio. They can look at profitability and other key KPIs and metrics around their projects, so they can fundamentally change how they do business.

This is all really geared around helping customers do things out of the box with our solutions so they don't have to be software developers, and they can focus on their core competencies, which is winning new business in the

space they're in and being competitive. Deltek provides all the fundamental tools to help enable that and really automate processes around the project life cycle and within professional services firms.

What are the common benefits Deltek customers can expect?

WARREN LINSCOTT: One of the common benefits is achieving an ROI from implementing our solutions. Because our solutions are out of the box, customers can fundamentally implement faster. That means the time to value is faster than with generic providers.

Also, there are key elements to our software that enable our customers to be more profitable, to get lower DSOs, to get their invoices out more quickly, and have them be more correct. We've built fundamental capabilities within our solutions that professional services firms need to handle and measure their key KPIs. Over time, customers that implement our solutions can receive these benefits.

Now, I'll tell customers, they don't receive automatic profits from implementing our solution, but what they do receive is unprecedented visibility and control over their program portfolio. They can look deep into each project and understand: Are they profitable? Where are their costs going? Who are my most productive and billable and utilized people on those projects? Who's my best project manager in the company? These are fundamental things you can answer with Deltek solutions, and those are benefits that can help the company manage in real time all the projects they have in their portfolio. If they need to take corrective action on a project, they can do that more rapidly with our solutions rather than waiting for a couple months to find out that that project is off the rails. These are all key core benefits that our customers can achieve when they implement Deltek solutions.

What does being a true partner mean long term?

WARREN LINSCOTT: Deltek is a customer-first organization, and we try to partner with our customers on many different levels. One of the key fundamentals for us is partnering with our customers in the software development life cycle. While my opinion is interesting as a product manager, it is really not that important. What's important is what customers want out of the software, so we engage them in a variety of ways. We have focus groups they can participate in, in the design process, so they can tell us what their requirements are up front, and we can design around those. We also allow them to participate throughout the development life cycle. We have an agile methodology here to develop software, which enables us to show customers software as it's being developed throughout the process. We also have client advisory councils, where executives from various companies can engage with our executives on what they think the future direction of the company should be.

We've always developed our solutions based on company needs, and we're going to continue to engage customers along the journey. You couple that with world-class and award-winning customer support, and you really have a winning combination. Not only do we want to partner with customers as much as possible in developing our solutions and maturing them over time, but we will never abandon a customer. We will never leave someone behind. When our customers have fundamental business challenges, we are right there with them to help them solve problems, get payroll out the door. Whatever it might be, we're going to be on the line with them and shoulder to shoulder with our customers to help them be successful.

Being customer first is in our DNA, and it's something that Deltek is very proud of and will continue to do.

We hope you enjoyed this program from Deltek. To learn more, please visit us on the Web at www.deltek.com. Thank you.

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