



The *Experts* in Enterprise Project Portfolio Management <sup>SM</sup>

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# Automating Project Operations for Embedded PSOs

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# About Project Partners, LLC

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- Founded in 1997 by former chief architect of Oracle Projects
- Former Oracle developers, consultants, support technicians and marketing personnel



- ~275 successful customers
- Expert services
- Products to extend Oracle and Primavera solutions

# Our Services

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- Implementation
  - Full Projects Suite
  - Financials & Projects
- Extensions
  - Library of proven successes for E&C, Govt Contractors, Prof Services industries
- Conversions
- Upgrades
- Training
- Premium Support

# Our Products

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- User Interface Applications

- User Interface Apps: MS-Excel based UI and Reporting
- Reporting: Custom Dashboards and Reporting
- Invoicing: Invoice Consolidation and Printing
- Used by PBS&J, DAI, ASRC, Abt Associates and more...

- OP3

- Pre-packaged bi-directional integration between Primavera and Oracle Projects
- Used by USACE, Iraq PCO, Enbridge and more....

# What are Embedded PSOs?

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- **PSO: Professional Services Organization**
  - Consulting/Implementation/Installation Services
- **Embedded PSOs?**
  - **Primary** Business is Product Development / Manufacturing
    - Software, Technology/Engineering Products, etc.
  - **Secondary** Organization – Services to supplement products for Implementation, Installation, Maintenance, etc.

# Typical Scenario for Embedded PSO's

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## ■ Products

- Well Defined Product Manufacturing Operations
- Using ERP Apps for running manufacturing
- New Orders start with Order Entry/Management applications
- Demand into Manufacturing initiates from OM

## ■ Services (Small organization)

- Orders bundled with Products and captured as a line item on product order
- Services managed using the BASS system

# Issues with Typical Scenario (Oracle)

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- **Using OM/BASS for Services**
  - Need to setup Services as Products
  - 1-time billing using OM-AR integration – No support for T&M or % Complete
  - Revenue Recognition is as billed
  - VSOE issues with bundled services
  - Spreadsheets used to manage projects
    - Decentralized data storage
    - Reporting is very time consuming and not timely
    - Coordination with product delivery difficult

# Next Steps for Embedded PSOs

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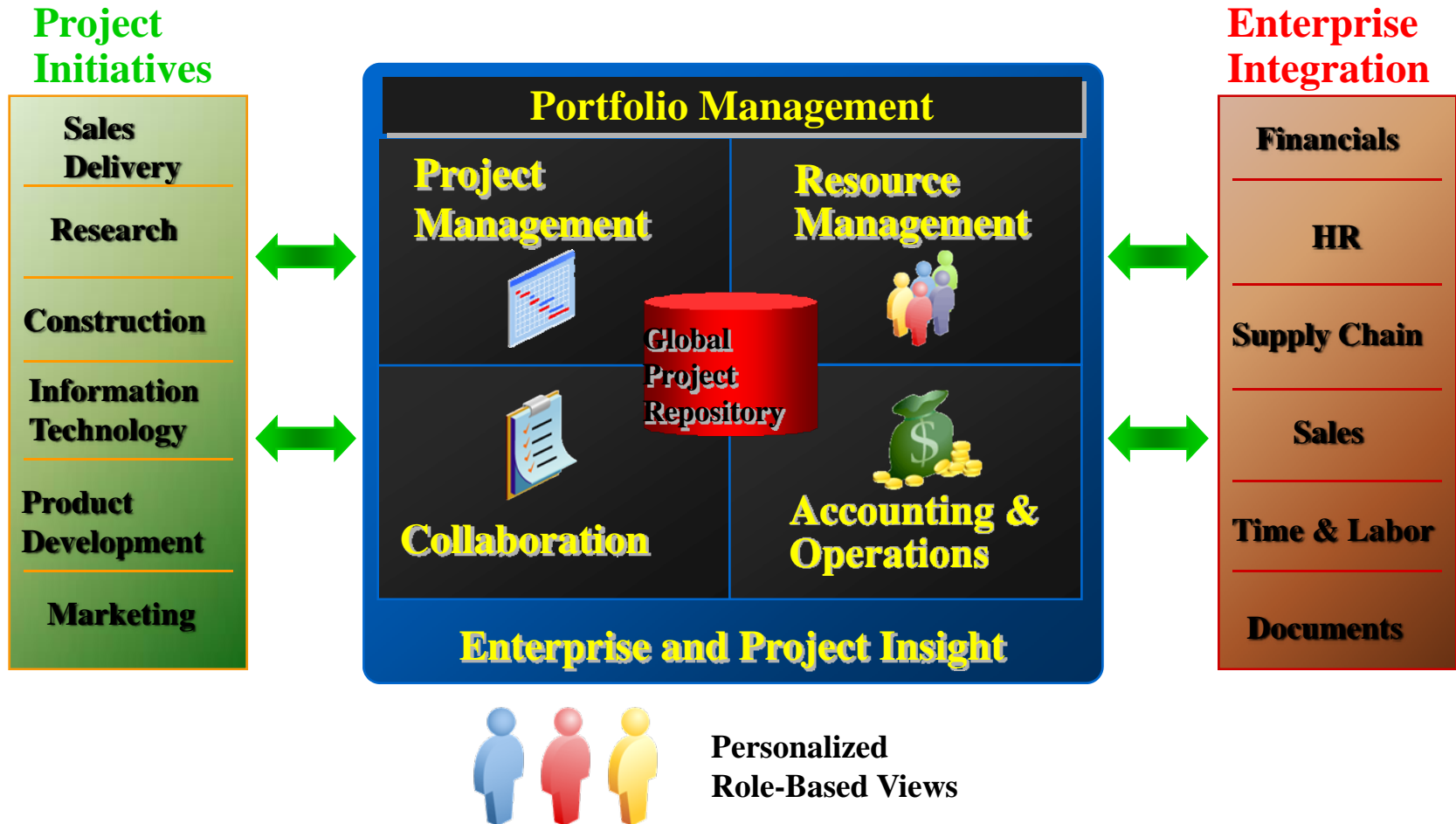
## ■ Services Profitable and Growing

- Need business applications to manage services
- Project Accounting and Management System

## ■ Pros and Cons

- Services Delivery managed in specialized app
- Enables Billing based on contract terms
- Manage revenue to meet VSOE requirements
- Centralized data: Easy/Timely reporting
- Need to integrate to product systems for Order capture and logistical coordination

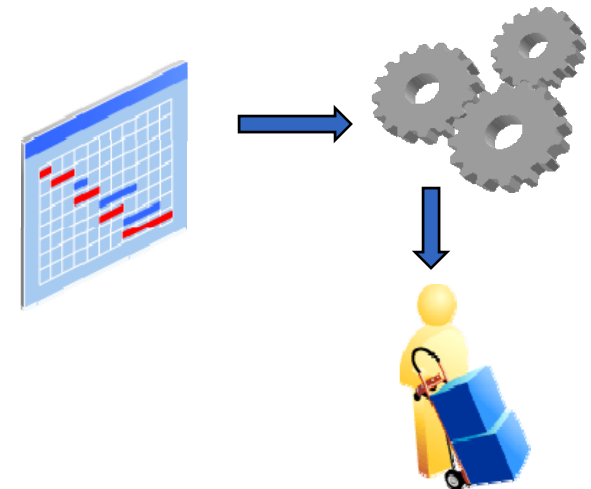
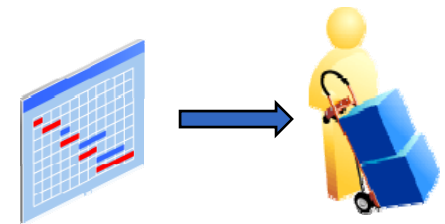
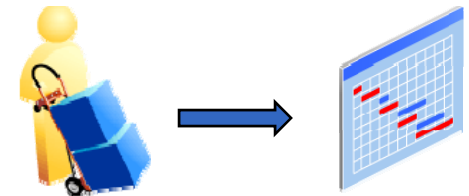
# Oracle Enterprise Project Management



# Options for Integrating to OM

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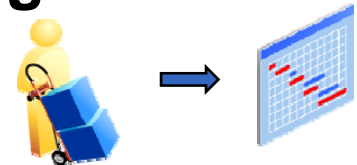
1. Capture Services on Order and use APIs to create Project for Services
2. Capture Order in Oracle Projects and use APIs to create order for Products
3. Capture Order in Oracle Projects and use Project Deliverables to initiate demand in MRP



# Option 1: for Integrated Systems

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- **Capture Services in OM and Create Project**
  - Typical first step as staff is familiar with OM Apps
  - Still need to maintain Services as Products
  - Capture needed Project Data in DFFs on Order Line
    - Order line is not shippable or billable
  - Use Batch Program to call Project API to create project using data on Order Line
  - Stamp project data back on Order Line
  - Send Email notification to Project Accountant / Admin for new project
  - Project Admin to assign Project Manager and schedule work



# Option 1: Requirements / Advantages

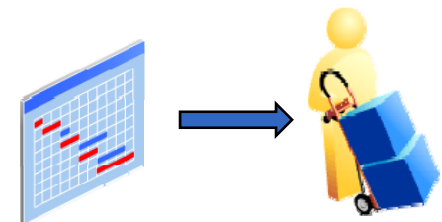
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- **Capture Services in OM and Create Project**
  - **Requirements**
    - **Implement Project Costing, Billing and OTL**
    - **DFFs defined in OM to capture Project Data**
    - **Custom Batch Program to Create Project from Order**
  - **Advantages**
    - **Order Entry Staff continue to use familiar systems**
    - **Systematic financial processes for Project Services**
    - **Services Revenue recognition based on Company Policy**
    - **Billing (Invoicing) based on Customer Contract**
    - **Ability to track Actual Costs to Budget and Project Margin**
    - **Services Reporting from centralized source**

# Option 2: for Integrated Systems

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- **Capture Product/Services order in Projects**
  - **Create Project for all Orders and capture product info in Project Deliverables / UDAs / Tasks**
  - **Use Custom Batch Program to call OM API to create Order for Products**
  - **Send Email notification to Operations manager for new Order and Project Accountant/Admin**
  - **Key Issues:**
    - **Need to retrain Order Entry staff to use Projects**
    - **Will still need to use OM to initiate demand, shipping, billing**
    - **This flow is counter-intuitive as services drive products**



# Option 3: for Integrated Systems

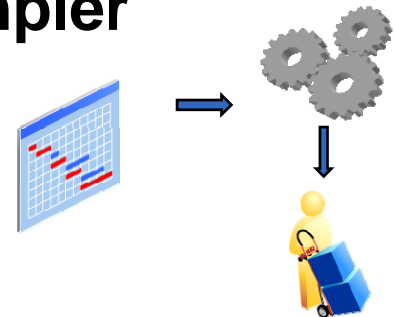
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- **Capture Product/Services order in Projects**
  - **Create Project for all Orders and capture product info in Project Deliverables**
  - **Use Standard Oracle Project Management Function to initiate demand into MRP for Products**
  - **Use Standard Oracle Project Management Functions to initiate shipping when products are ready**
  - **All Revenue and Billing thru Project Billing**
  - **Key Issues:**
    - **Need to implement Project Mgmt and Project Manufacturing**
    - **Need to retrain Order Entry staff to use Projects**
    - **Cannot use Pick Ship function – shipping items to be manually identified**

# Option 3: Key Advantages

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- **Capture Product/Services order in Projects**
  - **Projects drive Product and Services Delivery**
  - **Manage all costs through Oracle Projects – Better control thru project budgets**
  - **All Revenue Recognition through Project Billing – Makes Handling VSOE easier**
  - **All Billing Thru Project Billing – makes consolidated invoicing possible**
  - **Single POC for entire Order – Project Manager – Makes overall Logistics coordination simpler**



# Options Comparison

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- **Option 3 – Best option**

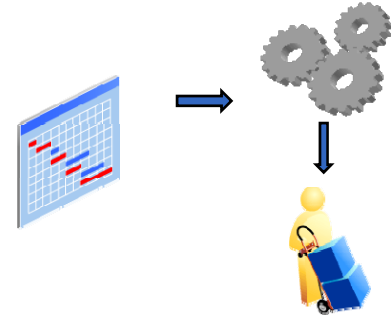
- Project as central source

- **Option 1 – Easiest option**

- OM as initiator and Projects used for Services

- **Recommendation**

- Start with Option 1 (With Project Costing, Billing)
- Stabilize operations and then implement Project Management
- Retrain and transition to Option 3
- Key Issue
  - Custom Integration in Option 1 is throw away



# Other Issues to be addressed

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- **VSOE - Vendor Specific Objective Evidence**
  - Deals with rules for Revenue Recognition when multiple LOB's are involved
- **Coordination Logistics**
  - How is product delivered to client?
  - When to schedule start of services?
- **Billing/Invoicing the client**
  - How to bill for Products and Services?
  - How to provide client with consolidated invoice for products and services?

# Other Items - VSOE



## ■ Vendor Specific Objective Evidence

- A requirement for public companies to report revenues from different lines of business separately
- Specifies that each LOB should get it's fair share of revenue – cannot lump revenue from one to the other
- Examples:
  - Services given away free/at a discount with Product
  - Services bundled with product
- Required that although Contract with Customer is as described above, Revenue recognition must be divided fairly between 2 LOBs – so as not to overstate revenue for 1 at the expense of the other

# Meeting VSOE Requirements



## ■ When Using Option 1 or 2

- Use appropriate billing options in Project Billing to recognize contracted services revenue
- Use “pair of reversing” billing events to allocate revenue from Products to services (or vice versa) to even out revenue between LOBs

## ■ When using Option 3

- Establish separate product “billing” top task
- Allocate total funding between product and services based on VSOE requirements
- Recognize Revenue normally in Project Billing using Billing deliverables for products

# Other Items – Coordination Logistics

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## ■ Coordinating Product and Services Delivery

- How to keep services group informed of product delivery schedule and mechanism in order to schedule service start
- Delivery Scheduling With Options 1 and 2
  - Ideally an automated email keeps the services PM informed of delivery schedule and shipping process informs of actual delivery
  - Can be achieved with custom alerts based on update of schedule dates in Mfg for Orders linked to Projects.
- Delivery Scheduling With Option 3
  - PM of source project can track all schedules thru Project deliverables and is responsible for initiating shipping – Hence can easily coordinate services delivery



# Other Items – Coordination Logistics

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- **Coordinating Product and Services Delivery**
  - **Delivery Mechanism With Option 1**
    - Will need to manually coordinate with Services to determine if products to be delivered directly to client or to be hand carried to client site. Based on this Shipping instructions will be needed
  - **Delivery Mechanism With Options 2, 3**
    - Appropriate shipping mechanism can be determined by Services PM and entered into project along with product info
    - Option 2 can then create the order in OM appropriately
    - With Option 3 Shipping info in Project deliverable can be appropriately maintained by the PM to ensure correct delivery mechanism all the way till they initiate shipping



# Other Items – Billing

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- **Billing Client for Products and Services**
  - **With Option 1 and 2**
    - Products Billed from OM to AR
    - Services Billed from Project Billing
    - Consolidated invoicing of Products and Services – Manual
    - Use PIC Invoicing from PP to generate Single Document for Client
  - **With Option 3**
    - Products and Services both billed from Project Billing
    - Straightforward to present client with consolidated invoice for Products and Services
    - Use PIC Invoicing from PP to consolidate invoices across projects by Customer, Agreement, Program, etc



# Warranty Services

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- **Managing and Accounting for Warranty Services**
  - **Requires Option 3 – for all costs (incl Mfg) to be charged to Project**
  - **Allocate % of Client Funding for Warranty**
  - **Establish standard Warranty task on Projects**
  - **Task is enabled on delivery – managed through project status Controls and Workflow**
  - **Accrue warranty costs to a Warranty accrual account at the time of final revenue recognition – amount to accrue will be based on % established above**
  - **Configure AutoAccounting rules in PA to offset warranty costs against the Warranty Accrual account**

# In conclusion

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- **Oracle Projects can be the foundation on which you can grow your services business to complement your products**
- **All info here is based on actual implementations**
  - **Engineering firms**
  - **Security installing (construction) firm**
  - **Hi-Tech firms**

# For More Information

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