

Juggling client expectations and internal ROI

Professional consulting firms today must deliver the service levels and added value demanded by clients while managing their own resources more effectively to drive profits, nurture the talent pool and gain a competitive edge.

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All businesses strive to manage their resources as efficiently as possible. But for a professional services firm where skilled staff such as Project and Engineering Consultants represent both their biggest cost and biggest source of revenue, effective resource management is critical to creating client value, enhancing profitability and maintaining a competitive edge.

Clients want to know that their investment will improve their business, whether by lowering costs, enabling efficiencies or expansion into new markets. They also need assurance that a project will complete on time, on budget and within the agreed parameters. If a deliverable does look likely to slip, then they expect to be informed as early as possible.

As such, professional services firms need complete visibility across their business. Projects must be planned, resourced and executed in a way that allows a firm to find the right combination of team members and skill-sets to maximise billable hours at lowest cost and achieve the best possible margin.

They also need to be able to bid for contracts safe in the knowledge that they have the headroom to deliver on what they have set-out within the tender. This is particularly challenging in the current economic climate, where headcounts have been reduced and recruitment programmes frozen. The more prospective projects there are in the pipeline, the greater the risk that resources will be overstretched.

Spreadsheet silos

Providing professional services is very different from operating a product-based business. Each project is unique and demands a bespoke solution combining specific skillsets, levels of experience and timescales for delivery. Although many professional services firms continue to use conventional spreadsheets to plan projects and allocate resources, they are finding it increasingly difficult to maintain visibility across their organisation and manage resources effectively. Some firms are running as many as ten or more

spreadsheets serving different service lines, offices and regions, which means potentially business critical data is being stored in silos.

Without a consolidated database or the means to report on the information stored within these silos, senior management has no way to identify where resources are being under-utilised or where spare capacity may exist. This leaves the business vulnerable to spikes in demand if more projects are won and it is unable to identify and analyse trends that would otherwise help to improve the business and plan for future work. And while spreadsheets provide the means to calculate actual billing revenue on a monthly basis, there is no way to accurately forecast future billing revenue or apply 'what if' scenarios.

Moreover, as clients become increasingly discerning and demand greater visibility into engagement pricing and project structure, it is difficult for professional services firms to provide this level of visibility if they don't have it readily to hand themselves. For example, both the supplier and the client will want to be able to track project progress against budget spend, yet many firms still rely on simply setting a budget threshold within the spreadsheet. The result is that clients are only made aware of a potential overrun once it is imminent or the threshold has already been reached.

Building bespoke solutions

Much of the success of a professional services firm hinges on its ability to provide a potential client with a competitive and bespoke solution. Planning the delivery team is the first and most basic requirement during the bidding stage and calls for assessment of the level of experience and skill-sets required, the staff necessary to deliver the project and confirmation of their availability. Here, the key challenge is to find the optimum combination of experience, skills and pay grade to ensure the most cost-efficient resources are allocated to the project. Thus the ability to visually mix and match resources based on these factors and book them in advance provides firms with the confidence they have the headroom to deliver. It also allows firms to identify and address any potential skills shortages in advance.

When looking to secure staff for a project, a major frustration is that senior management often request the same staff each time, because they know that certain employees have the experience and skills necessary to do the job. Aside from the obvious problem that these staff might not be available or become overworked, there is the wider issue of talent management at play. Whereas consultants have traditionally remained focused on specific areas, today they are keen to expand their knowledge base and experience. This means firms must provide opportunities for personal development and growth, especially since many are now operating with reduced workforces. Being able to use new projects to

expand the capabilities of employees and enable them to grow as individuals not only means they can be charged out for more in the future, but that staff remain motivated because they have the opportunity to diversify.

Similarly, improving overall visibility of the skills and available experience provides firms with the flexibility to plan for potential project wins by arranging staff transfers from other offices well in advance. This is particularly important for those with multiple offices serving specific regions. Often, larger firms find that a regional office will be maxed-out in certain service lines. But if they can identify early on that there are staff sitting on the bench at other offices in nearby locations, they can arrange for a transfer in a timely and less costly fashion while improving resource utilisation at a regional level.

Empowering staff with greater visibility of the new business pipeline is another area where business benefit can be realised. Given that most firms set utilisation targets for their consultants, with a performance bonus triggered once the target is met (typically around 80%), pipeline visibility ensures consultants are more proactive in putting themselves forward for new undertakings, notifying senior management when they expect to be rolling on and off of projects and booking time for holidays or training courses during quieter periods. It also allows staff to better prepare for future projects by seeing who else has put themselves forward and 'buddying up' with those that have already undertaken similar roles.

Delivering on client expectations

By operating a much leaner operation with optimum staff utilisation, professional services firms are able to maximise ROI in terms of allocating resources against a client's budget and ensure that a project is not being over-serviced and staff not over-worked. In other words, client expectations can be managed efficiently and delivered upon to agreed service levels, without being exceeded and thus impacting on profitability. At the same time, budget shortfalls can be identified early on when allocating resources, meaning terms are easier to subsequently renegotiate. This ensures that a high standard of client service is maintained.

Increasing visibility and planning capabilities

A growing number of services-based businesses such as advisory, IT consultancy and engineering firms use resource management and staff planning software to efficiently manage the distribution of client projects amongst their professional staff. Using purpose designed resource management and staff planning software to forecast future requirements assures firms that they have the headroom to deliver

on the projects they are bidding for and flag potential bottlenecks and skills shortages well in advance of a go-live date. By being able to mix and match skill-sets and experience, professional services firms not only benefit from allocating the most cost-efficient resources and the opportunity to further the development of staff, but ensure the long-term sustainability of their business in what is an increasingly competitive market.