

## **Coping with the peaks and troughs of consultancy**

*Responding to ebbs and flows in market demand presents a continuous challenge for consulting firms tasked with creating bespoke solutions for project delivery. Client extensions, change requests and other project 'peaks and troughs' also make managing resources across multiple bids and engagements a complex task.*

*Dean Lewis of Retain International Australia examines how consultancies can improve customer satisfaction, project delivery and profitability.*

Having the right people in the right place at the right time is critical in people-focused businesses such as consultancy firms. Demand for professional services is tied to the shape of the economy and ongoing market development, making it extremely challenging for consulting firms to be able to plan with certainty in the face of an unpredictable new business pipeline. What's more, project requirements are subject to alteration once delivery has commenced, making the ability to both flex and rationalise resource allocation crucial in meeting moving targets and, ultimately, satisfying client expectations.

The uncertainty created by external market factors makes efficient planning and organisation-wide visibility essential for consulting firms internally. Today, many use spreadsheets or enterprise resource planning (ERP) software to plan project delivery and allocate resources, meaning visibility across the business can be difficult to achieve. Conventional spreadsheets tend to create 'silos' of information specific to individual business units and/or different functions, an issue that scales in line with the size and geographic scope of the firm. Most spreadsheets also lack forecasting and reporting functionality.

Meanwhile, ERP systems are designed to address the needs of the entire enterprise, but don't necessarily allow users to marry specific skill sets and business processes to individual project requirements. Here, staff planning software can provide a solution for professional services firms, but many systems lack scalability and are unable to integrate with other business systems serving functions such as finance and HR.

### **Visibility is vital**

Three major external factors drive the peaks and troughs in consultancy: the economy, market development (e.g. technology evolution and/or business transformation), and the new business pipeline. Although these are inter-dependent to a certain degree, the most significant factor is the economy. Businesses only invest in new technology or a transformation project if they know it will lower cost, enable efficiencies or expansion into new markets – all of which depends on how the business is performing in respect of the economy. When faced with a downturn or recession for example, organisations are quick to shelve planned projects and slash consultancy budgets. Similarly, many are quick to bring in additional resources to support new projects once a recovery or upturn is underway.

For consulting firms, this elasticity in demand and the uncertainty it creates in the sales pipeline serves to highlight the importance of ensuring full visibility across the firm. Without it, consultancies struggle to identify exactly where they have excess capacity if the economy shrinks, or a certain skill set is no longer

in demand due to technology evolution or a business transformation trend in a specific sector. Aside from needing to ensure that staff utilisation targets are met and that individuals do not spend too long 'on the bench' or in training, it is also important that the most valuable employees can be identified and retained if redundancies do become necessary.

Visibility is also crucial when the economy is recovering and organisations gear up for growth. Consulting firms need to establish a clear idea in advance of the types of individuals and skill sets required to perform specific processes within a project, otherwise they find themselves having to recruit under shorter lead times than they would usually. Firms will most likely have to pay more when recruiting individuals at short notice, whereas being able to flag potential skill shortages early on and actively push staff in specific directions allows firms to build the capacity to manage peaks in demand more effectively. Moreover, by being able to continually monitor resource utilisation, firms can identify where employees might need up-skilling, or re-skilling to meet growing demand in other areas.

### **Avoiding a fire-fight**

In this increasingly globalised and competitive market, it has become even more important that consulting firms have complete visibility across disparate sites and business units if they are to plan effectively and drive profitability via more efficient use of resources. When demand is peaking, firms with complete visibility can rationalise the deployment of individuals across multiple projects, meaning more clients can be satisfied simultaneously. Without this visibility, resource planning and the costing of projects based on averaging of billing rates and hours allocated tends to be 'hit and miss', impacting on both the accuracy of the bids submitted and the ability of the consultancy to deliver on them. All too often, the result is a 'fire-fighting' scenario in which it becomes increasingly difficult to meet resourcing challenges as an increasing number of projects flow in. Staff become overworked, recruitment costs rise and margins drop.

However, having a clear, simple and scalable resource planning tool that is focused on people and has the flexibility to marry a number of specific business processes provides consulting firms with the confidence that they can deliver projects on time and on budget as the sales pipeline grows. It also enables firms to set client expectations from the outset. By being specific on the structure of the project, how it will be resourced and the time it will take to deliver, realistic timescales can be agreed and cost estimates become more accurate. Having full insight on the scope of a project also allows consulting firms to spot areas where costs and/or timescales can potentially be reduced, and that any potential issues are identified early on so that more resources can be deployed to address them. In the same way, firms with multiple engagements can use a resource planning system to re-shuffle allocations in order to create space for a project delivery they might not otherwise have been able to meet or bid for. They can also flex the allocation of staff to absorb client- or project-driven extensions, change requests and other new requirements.

### **Delivering with confidence**

Given that even the best-laid plans can go awry, many consultancies can find themselves falling into a fire-fighting mentality if too many projects are running at the same time. The peaks and troughs of consultancy call for a better understanding of the elasticity of demand, more efficient planning and

accurate forecasting for projects, and global visibility of the enterprise. Only with full visibility can a consulting firm ensure that they have the necessary resources and headroom to deliver a project should it come in. Efficient planning from the outset also ensures they have the capacity to be able to move staff around more easily, with reporting functionality delivering an instant overview of the impact on revenue and cost for each project. This allows firms to maximise on delivery and still meet client expectations should project requirements change or issues arise.

It is also possible to improve productivity from the perspective of empowering staff to put themselves forward for projects, or flag the skills they wish to acquire, ensuring that their career aspirations are being met. This keeps valuable knowledge and skill-sets within the business and helps consultancies to retain staff. This is particularly important as skills-sets become more complex and particular employees become more expensive.

Furthermore, with a better handle on the skill sets and level of staff available, consulting firms can be certain they have the most cost-effective resource allocated to a project and that staff utilisation targets are met. It can be costly if poor planning forces the allocation of a senior manager to a task that should have been performed by an analyst, for example. Similarly, firms can save money if they are able to identify where permanent staff could be bolstered by contractors, or smaller parts of a project allocated to outsource providers with timescales for completion attached.

With the vision that advanced resource planning software provides, consulting firms can minimise their opportunity costs and maximise profitability. They also have the business intelligence at their disposal to easily ramp-up and ramp-down a project on demand. This flexibility is especially important for business-critical engagements and can also give consulting firms the headroom to potentially win projects they otherwise would have missed out on.