

THE ULTIMATE GUIDE TO  
Operational Efficiency within the  
Professional Services Industry



How accountants, advertising agencies, law firms, headhunters, & consultancies of all kinds can thrive

# TABLE OF CONTENTS

## Overview

Introduction .....3

## Sections | One - Five

**One.** Meeting Customer Demands.....4

**Two.** Project Delivery.....5

**Three.** Resource Allocation.....7

**Four.** Forecasting Accuracy.....9

**Five.** Cash Flow.....11

## Conclusion

Conclusion.....12

About Replicon.....12

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HOW ACCOUNTANTS, ADVERTISING AGENCIES, LAW FIRMS, HEADHUNTERS, & CONSULTANCIES CAN ALL THRIVE.



# INTRODUCTION

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## What do lawyers, architects,

financial advisors, software engineers, consultants, advertising professionals, and headhunters have in common?

While that question may sound like the start of a bad joke, the reality is that these careers have more in common than you might expect. All of these vocations fall under the “Professional Services” (PS) umbrella. While PS firms vary greatly depending on industry, the underlying organizational similarities become apparent when looking at common challenges.

Today, agility and adaptability are a necessity for running these types of service businesses as shifting dynamics in the workforce, frugal buying behavior, and disruptive technologies make things harder. Professional service firms need to evolve to deal with these current trends:

- ▶ Workforces no longer reside behind a desk or in traditional office space. The rise of on-demand and mobile workers, contractors, and part-time employees is causing a shift in the way organizations hire and staff. In fact, [50 percent](#) of the workforce is expected to work remotely within the next four years, which is not surprising when coupled with the fact that [millennials](#) will make up half of the global workforce by that time.

- ▶ Frugality is the name of the game as an uncertain global economic future looms. With uneven markets, unpredictable elections, and an unexpected Brexit outcome, organizations are holding tight to their purse strings and taking more lead-time before making decisions. [TSIA](#) reports that it takes about 112 days to get an agreement going, and [SPI Research](#) notes that it's taking 10 percent longer to close a deal year-over-year.
- ▶ Disruptive technologies... now there's a phrase that isn't hiding anything. With every new innovation or advancement, an existing market, firm, and/or product is often displaced. Recent years have seen Mobility, Cloud, and Internet of Things—just to name a few—change the way businesses run and the way we as humans work (and live).

These three dynamics necessitate a move towards lean operational efficiency, which equates to the need for change in many organizations. Meticulous management of clients, projects, costs, expenses, and resources is an absolute necessity. Otherwise, projects and profits are at risk when deadlines are missed, clients are unhappy, costs are overrun, and untracked billable hours equate to lost earnings.

This eBook highlights best practices to reduce the impact of these new challenges so that your business can keep pace and thrive.



## MEETING CUSTOMER DEMANDS

### SECTION ONE

#### Anyone who works in

the professional services industry knows that you are nothing without clients. In today's market, those same clients are also well aware that they wield the power, especially if a firm relies on any one client for [more than 15 percent](#) of the business. With a diversified list of clients, risk is more limited; however, other challenges arise with staffing and managing projects for multiple clients. Many organizations try to retain customers for repeat business in order to have continuity across engagements and see economies of scale.

#### The key to success is fluid communication.

Regardless of client mix, the key to success is constant communication with the client. That critical component lends itself to accountability and visibility, which goes a long way towards making customers feel comfortable and, ideally, loyal.

#### Frequent updates reduce the possibility of setback frictions.

With frequent updates, clients are less likely to feel perturbed when setbacks occur (as they often do) because they feel well informed about the project and have received consistent communication. Angry questions like "how did this happen?" shift to more congenial questions like "how are we solving this challenge to keep the project moving forward?" The challenge for many PS firms is accessing real-time and accurate information to share with clients.

With that in mind, let's look at the core competencies of professional services firms, and the issues they face today with project delivery, resource allocation, and forecasting accuracy. For each, we will present best practices for managing these challenges that lend themselves to communication and visibility.

# PROJECT DELIVERY

## SECTION TWO

### The challenges that professional service firms face can be broken down into three key items:

#### 1) Alignment between sales and delivery

If internal communication is lacking, projects are set up for failure from the get-go. Sales must be aligned with the delivery team during the bidding process in order to set realistic goals for timelines and project deliverables if and when the sale is made. Limited visibility into available resources means that sales may be made without the capacity to deliver.

Compounding the problem, sales teams are often incentivized to provide discounts in order to win business and projects. Per [SPI Research](#), the size of sales pipelines in comparison to the quarterly forecast is down to 172% compared to 199% last year. The attempt to hit revenue numbers exacerbates the problem in the long run, as the firm is then challenged to make a profit from this new business, which may not have been scoped properly.

#### 2) Visibility into project progress

With siloed information and out-of-date tracking tools, visibility into projects and resource utilization is lost. Status reports are difficult to create, especially when a project is midstream. Explaining delays and disruptions to clients becomes a huge hurdle, especially if communication has been lacking for the duration of the project.

Not only are firms challenged to give customers a heads-up on status and delivery, but firms also can't easily shift resources between projects or clients. Insight into potential impacts—financial or otherwise—are lacking without visibility.

#### 3) Manual processes

At a time when technology is causing so many disruptions to the way we do business, the use of manual processes may sound ironic. However, many firms rely on old school methods such as spreadsheets and Excel documents to track everything from billables and hours to project management. In addition to being inefficient, error-prone, and difficult to manage (think: versioning control), the administrative overhead introduces artificial delays into projects, communication, and billing.

These errors and delays aren't confined to administrators. Delivery teams and consultants may forget to enter time and expenses, which can lead to loss. Infrastructure issues can also lead to billable hours being written off due to lack of information to justify them. These challenges are not unusual when information needs to be collected manually from multiple systems for a united view.



**Delivering a project on time and on budget should be the norm in the professional services industry, right? ...Wrong.**

In fact, [IBM](#) found that only 41 percent of change projects meet their schedule, budget, and quality goals, and companies with "[poor business analysis capability](#)" have three times as many project failures as successes. Service-based organizations consistently run into operational issues that cause them to disappoint clients and lose profits.

# PROJECT DELIVERY

## CONTINUED



With these challenges in mind, the question arises: what best practices will help my PS firm deliver projects in a more streamlined manner?

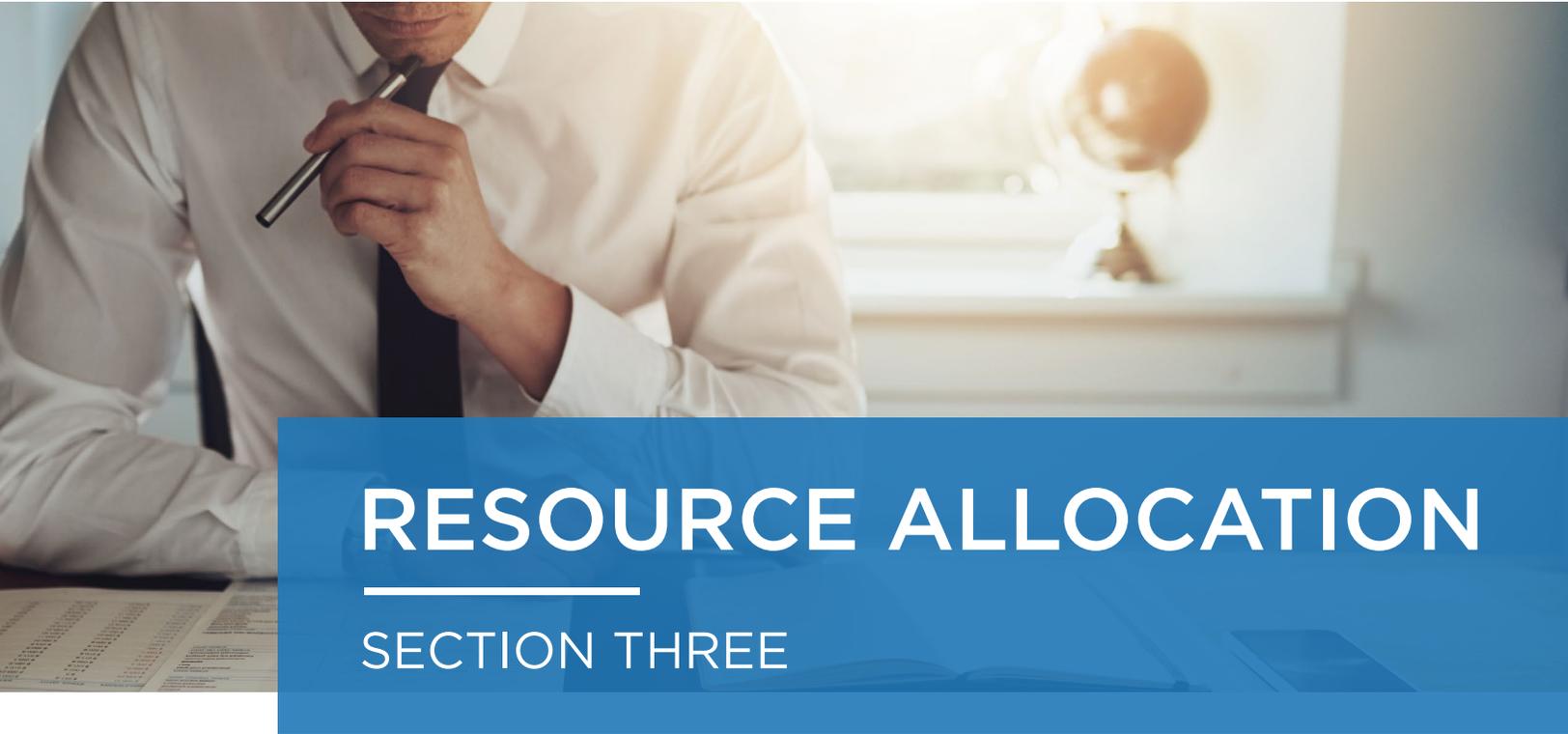
The answer lies in utilizing a tool that automates current and future planning activities.

### A holistic view of your projects allows for better decisions.

A holistic view of all project-related items—including time and expenses for each resource—provides full visibility so that you have complete oversight. At any time, you can see exactly who is working on what task, as well as the status of each and every project.

**The key component is time capture—anytime, anywhere—and tracking projects, budgets, and resources. These best practices answer each of the challenges above:**

- ▶ **Execute consistently:** Scoping standardized processes such as SOWs, change requests, and project escalations is easier when you can utilize your own data to estimate time and resources. Even better is that accurate data allows you to watch your project profitability and client satisfaction increase.
- ▶ **Make proactive decisions:** With real-time project visibility, you are empowered to make decisions. By utilizing detailed status reports to compare actual versus budget, you can shift gears when necessary to stay on target. If resources need to shift between projects, the impact can be anticipated before the decision is made. Bonus: any change or update can be communicated to the client with ease.
- ▶ **Reduce errors:** Everything works more smoothly when manual processes are removed and information lives in automated systems. Employees can track their time accurately, even when off-site, to ensure that billable hours aren't lost, and you save money with a reduction in administrative overhead.



# RESOURCE ALLOCATION

## SECTION THREE

### Optimizing resources is critical

for PS firms. Given that the majority of PS costs are people-related, decisions around hiring, deployment, and utilization of employees can be the make-or-break factor for financial success. While staffing the most critical projects with the right resources may be the goal, guesswork is often the go-to strategy when real-time oversight is lacking.

### Three major challenges emerge for PS firms when it comes to resource allocation:

#### 1) Poor visibility into project resourcing

Without capturing the skills and experience of your workforce in a trackable manner, it's impossible to compare resources to determine how to best deploy people against projects. Maximizing resource utilization and billable rates may sound great, but visibility into current and future projects is necessary to select projects and make decisions about staffing.

Hiring decisions are also challenging when you can't view the full project workload in order to see holes in your resource needs.

#### 2) Clouded decision making

When negotiation over resource allocation begins, is it based on data and objective decision making processes?

Or do team dynamics and politics come into play? Are there managers who like to work with the same people on all projects, regardless of fit?

Without a clear understanding of all skills and experience for each potential resource, decision making processes are based on factors that don't necessarily equate to the best outcome for the client or your bottom line, which means that operational excellence suffers.

#### 3) Employee attrition

Attrition results from overtaxing the available resources, which leads to lower morale and disengagement. When managers don't have visibility into available skills and experiences, employees may sense a lack of strategy around training and their personal development.

Sustaining a healthy growth trajectory is impossible if you struggle to keep your current employees happy and engaged and/or if you can't find talent to hire. According to [SPI Research](#), attrition in the PS industry rose for the fifth year in a row to 8.9 percent. That number is expected to increase as demand for talent continues to be higher than the supply.

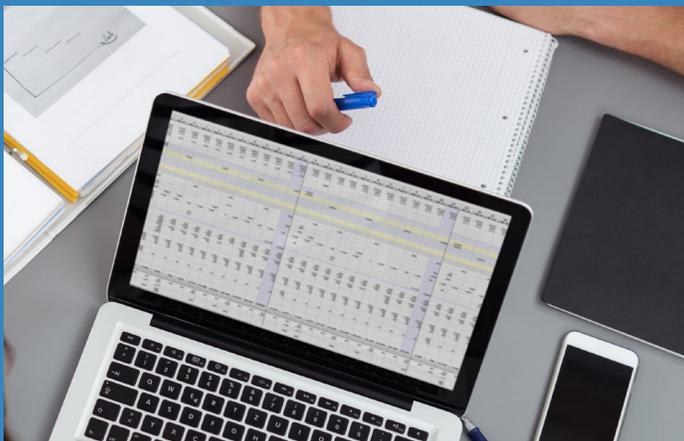


# RESOURCE ALLOCATION

## CONTINUED

The best way to stay on top of resources is to have complete visibility and to plan work directly from your sales pipeline through to project completion.

To streamline and optimize the resource allocation process, an investment in a comprehensive solution for project management and resourcing must be made. Once you have insight into who is working on what and the status of those projects, you have freedom to make improvements.



### These best practices help answer the challenges you may face:

- ▶ **Invest in visibility:** Start tracking employee skill sets and experience. With an apples-to-apples comparison across resources, staffing new and upcoming projects becomes more of a science and less of an art form. With consistent oversight of resource allocation, you'll know when and how to shift resources to maximize project outputs.
- ▶ **Introduce management discipline:** Replace manager negotiations and office politics with data- and scenario driven analysis. When decisions are made with impartial information, the benefactors are the resources themselves, the clients, and—three cheers - your PS firm's bottom line. High-value client projects receive the right critical resources, which means priorities are aligned with reality.
- ▶ **Create employee plans:** For a win-win, build and share employee plans that help you get the most from your resources while illustrating an investment in them as people. With comprehensive skill set tracking, you can see exactly what training to provide. Employee morale will improve when they see an investment and interest in their growth.

# FORECASTING ACCURACY

## SECTION FOUR

### Unless your crystal ball

is lucid, chances are that forecasting your pipeline and resources is a huge challenge for your business. When trying to figure out your hiring strategy, uncertainty is the name of the game. Not hiring ahead of time may mean project delays, but hiring in anticipation of a project that never materializes is costly.



### When it comes to managing project pipelines and resources, these three challenges tend to cause fogginess:

#### 1) Uneven demand

The reasons for an individual PS firm's boom and bust cycles are varied. Because revenue in the PS industry lags behind the performance of the rest of the economy, predicting demand on a macro-level is even more challenging.

For individual firms, different scenarios can lead to uneven demand. For example, if there are only a few customers who impact a large portion of the revenue, the loss of—or decrease in business from—one customer can have a devastating effect. Or if payments are tied to project completion, cash flow can be staggered and delayed.

#### 2) Unreliable work estimates

Estimating is hard. Without the use of real and historical data, you are once again talking about guesswork. To put a fine point on it:

- ▶ Without a compilation of historical data about project task level efforts, work estimates often miss the mark.
- ▶ Without visibility into future resourcing, go-live estimates miss the mark.
- ▶ Without a skill set catalog, execution resources miss the mark.

Those are a lot of missed marks. As fixed bid projects and shared risk models become more popular with clients, the need for PS firms to increase their accuracy in forecasting becomes a necessity, not a nicety.

#### 3) Inability to plan before proposal

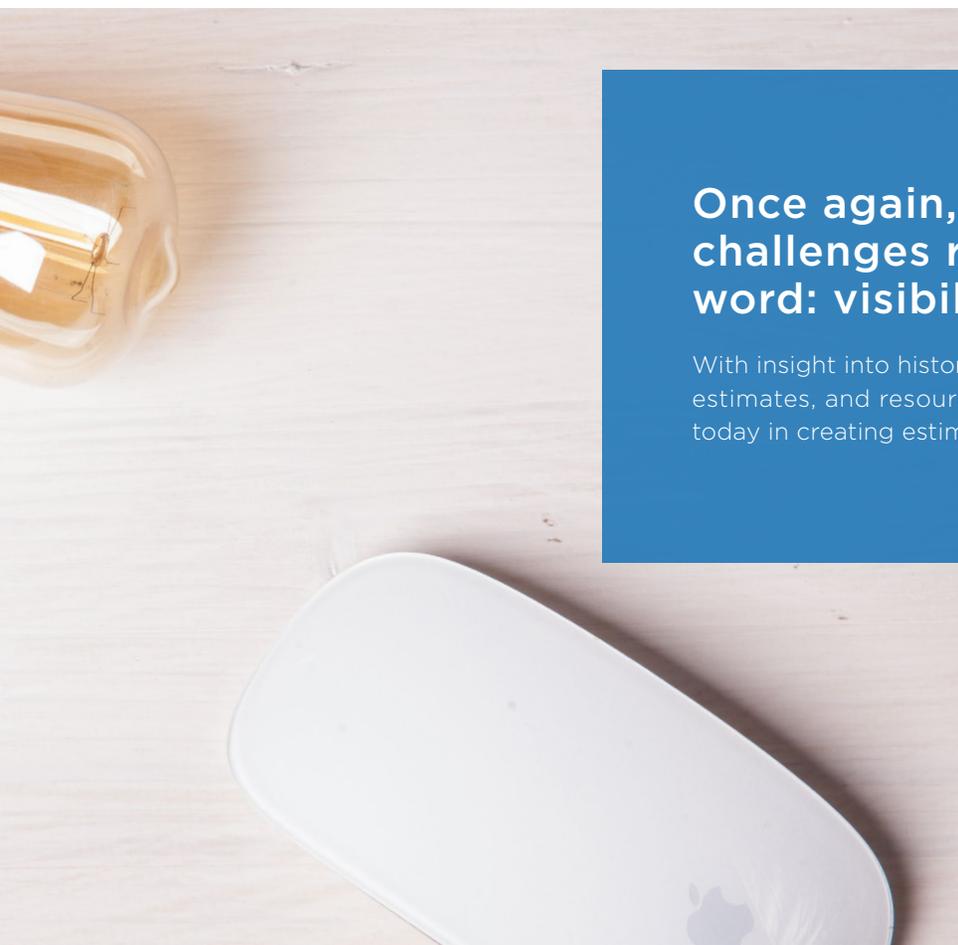
Because planning requires real-time visibility and management discipline, the process is not always smooth. For many PS firms, it's impossible to engage with confidence because of the two-headed monster: one head is Underpriced, the other Overcommitted.

When firms can't plan before accepting proposals, the pain is felt from the start to the project delivery as everyone plays a game of catch-up. The inability to prioritize clients and projects while making and accepting proposals means that resources are rarely utilized quickly or fully.

# FORECASTING ACCURACY

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Once again, the answer to these challenges rests in one powerful word: visibility.

With insight into historical behavior, previous project and task estimates, and resource allocation, the difficulties you face today in creating estimates become a challenge of the past.



Full visibility comes from enacting a few different feedback collection methods.

- ▶ **Use prior data:** Create estimates that are based on real numbers. By letting past realities be your guide, you will utilize the best predictor for future performance. The more data you gather, the better those estimate will be, too. By giving yourself these insights, you can figure out the best way to increase your profit margins on fixed price projects.
- ▶ **Institute a feedback mechanism:** Historical data is fantastic, but even better is utilizing today's learnings in order to continue to inform project estimates. Make sure to capture feedback so that each new project estimate is honed just a bit more. Create a holistic view of your project time and costs so that you can manage fixed price contracts better.
- ▶ **Hire needed skill sets:** As your firm grows, identify the needed skills that are missing and hire those people. During proposal development, make sure to scenario-out the resources so you can start to plan for staffing.



# CASH FLOW

## SECTION FIVE

### When it comes to cash

flow, there is no shortage of challenges that PS firms face. Visibility into where invoices are is necessary in order to know what's been paid and what's still outstanding. Understanding the budget versus actuals for a project is necessary to ascertain what level of cash flow can be expected and where financial challenges might occur.

### Billing/invoicing can be time consuming.

Billing and invoicing are blockades to cash flow as well. Sending out invoices isn't as easy as one might think, given that every client is likely unique in their rates, terms, and invoice submission processes. In addition, some clients may require various project expenses to be line-itemed with detailed information about who spent how much time on what tasks or activities. All of that information needs to be gathered and presented to the client, which takes time.

### To make cash flow easier to predict and achieve, try these best practices:

- ▶ **Streamline time capture and billing:** With a centralized and electronic time capture by project, employees have an easy time entering their hours, which makes billing faster and more accurate. Billable hours are never lost, which helps keep cash flowing.
- ▶ **Utilize an invoicing tool:** Invest in a solution that automates the process. With all of the time and expense information stored and ready to go, invoicing can be simplified. When work is completed, send the invoice! Delays in payment are inevitable, so don't let administrative overhead add to the problem. Reducing the administrative overhead of manual invoicing can improve the overall billing process by more than 75 percent.
- ▶ **Analyze profitability:** Track and analyze profitability by project and client. Your cash flow will improve when you leverage real-time data to make more informed business decisions moving forward.



# CONCLUSION

## **A flexible and custom solution is the best choice to meet differing professional service firms' needs.**

Professional service firms need a solution that caters specifically to their type of business and answers the challenges posed by the dynamic workforce, current buying behavior, and disruptive technologies.

Visibility into your business, projects, and resources is critical. With an automated solution that manages time, expenses, resources, billing, and invoices efficiently, you will achieve success. The happiness of your clients and your firm's ability to thrive are dependent on it.



## **About Replicon**

Replicon provides award-winning products that make it easy to manage your workforce. With complete solution sets for client billing, project costing, and time and attendance management, Replicon enables the capture, administration, and optimization of your most underutilized and important asset: time.

Cloud-based products and world-class mobile applications make our diverse customer base successful every day. From start-up organizations to Fortune 500 companies, Replicon customers experience boosts in productivity, improved project visibility, decreased revenue leakage, and adherence to labor compliance laws.

We support thousands of customers across 70 countries and span the globe with over 500 Replicon employees in the United States, Canada, India, Australia, and the United Kingdom. To learn more, visit [www.replicon.com](http://www.replicon.com).



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