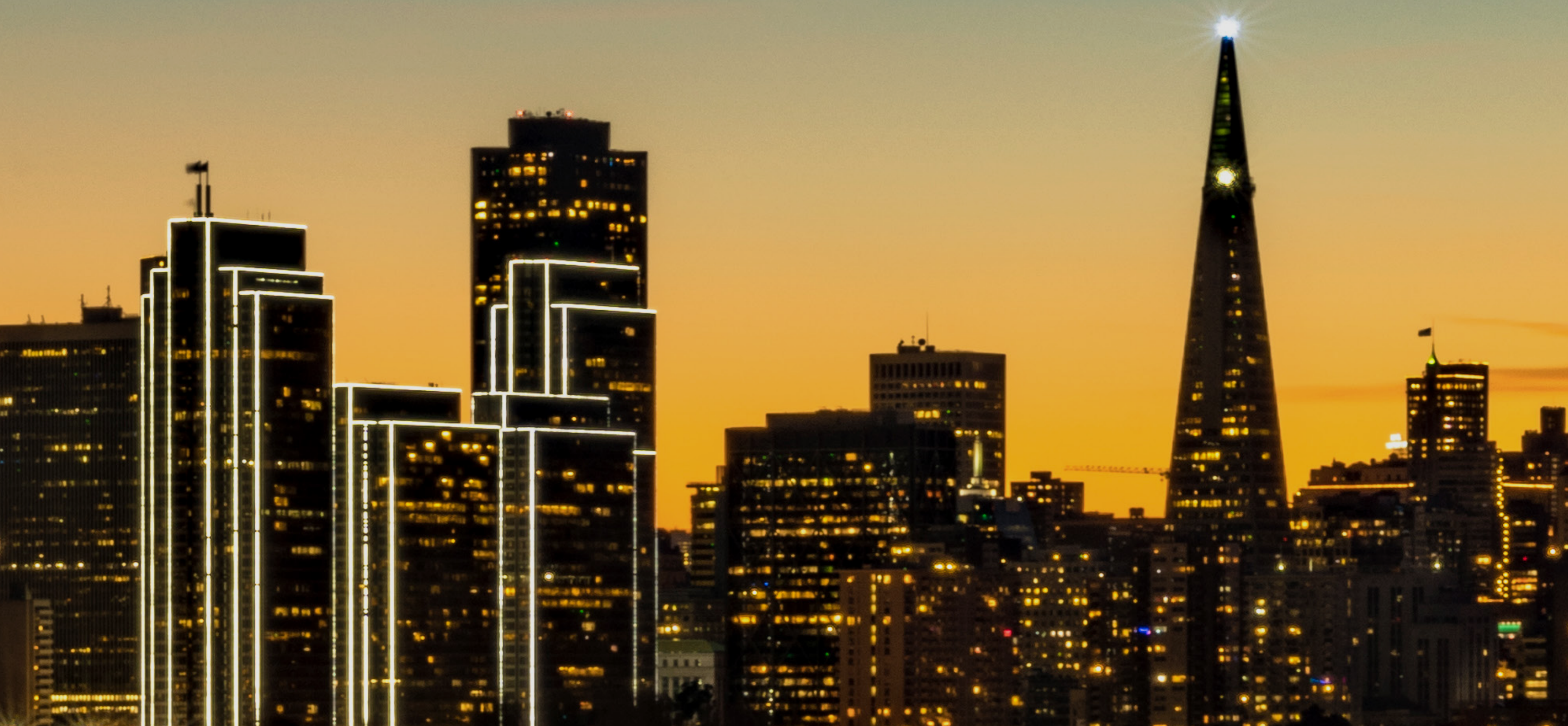
The Service Leader's Guide to Maximizing Utilization

Tapping into the enormous impact of 1%



IN THIS EBOOK, WE'LL FOCUS ON HOW TO MAXIMIZE UTILIZATION—NOT JUST IN THE CONTEXT OF ASSIGNING RESOURCE TARGETS, BUT ALSO IN OPTIMIZING UTILIZATION ACROSS INTERNAL AND EXTERNAL RESOURCES.

Utilization is more important than ever. In today's transformed services economy, the most successful service leaders will be those who can go beyond traditional professional services models to stay competitive and win more business.

Every services leader should know how to calculate utilization, and most professional services automation (PSA) solutions help calculate it. But once you know your organization's utilization, how do you improve it?

THE IMPACT OF 1% UTILIZATION

1% utilization increase in an organization of 500 billable employees at an average rate of $200 per hour → 10,400 additional billable hours and approximately $2M additional revenue

Utilization is key to growth

Top industry analyst firms - Gartner, Service Performance Insights (SPI), Technology Services Industry Association (TSIA) - all emphasize how important it is that services leaders focus on utilization. In the SPI Research 2019 Professional Services Maturity Benchmark report, lead analyst Jeanne Urich says that service organizations now have unprecedented opportunities to grow revenues and expand their portfolio — but picking the right growth strategy must be backed up by the ability to execute.

Today's most successful services leaders must think beyond day-to-day project management, and be able to plan for tomorrow, the next six months, and even the next two years. You will need to access data once unattainable and be able to use that data to make decisions based on predictability. You must also be equipped to properly staff, execute, and track utilization across multiple projects and service delivery models, while staying profitable and keeping customers happy. In addition, you will need to evaluate your current systems and business processes to make sure they're helping you maximize utilization.

“Effective resource management is more critical than ever before as suppliers must correctly anticipate and staff for unpredictable demand.”

JEANNE URICH
MANAGING DIRECTOR, SPI RESEARCH

HOW TO MAXIMIZE UTILIZATION

1

Establish utilization targets for every resource

The new services economy offers a huge opportunity to expand your portfolio and develop new revenue streams. It also comes with challenges, particularly for embedded services organizations that depend on both external and internal resources for service delivery. All too often, utilization targets for outside resources do not get established or applied because they don't report into your own consulting group.

The best practice for this is establishing a utilization target for every resource, even when they are outside your organization. It does not have to be a billable utilization target; it can also be a productive utilization target where any realistic target percentage you assign will help deliver more predictive, accurate utilization data.

2

Account for all partner activity

Working with external partners poses major challenges for tracking time and utilization. Spreadsheets are too slow and clunky and disconnected PSA systems pose integration problems, so what's the best way to track utilization data when working with partners?

The best solution is to have partners manage their time via a portal or community (that is an extension of your PSA solution) where they can input, share, and document all project activities. You will then gain the visibility to assign utilization targets to those resources as well. For example, if the partner isn't dedicated to a specific project for an extended duration it makes sense to assign them a utilization target that will roll up to your overall capacity. Not only will this provide a better view into what you can deliver via partners, but it will also ensure you're not under- or over-allocating either partner or internal resources.

“Having a community platform enables an incredible degree of flexibility and agility for our business model that we didn’t have before.”

CHARLES RATTAY
DIRECTOR OF AMERICA SERVICES, SPLUNK

3

Track demand against capacity

Now that we've established staying on top of targets and time, let's talk about tracking the utilization lifecycle properly so you can identify gaps between supply and demand before they occur. First, make sure you have the correct buckets established to allocate the time for all of your resources. No matter what service model you're delivering - time and materials (T&M), fixed-fee, XaaS, managed services, etc. - it needs to be established at the opportunity level and tracked through to delivery. Second, make sure you've assigned targets properly to outside resources to establish true capacity values.

The lifecycle should look something like this: The opportunity is closed/won, moved to backlog, assigned to resources, charged, billed, and tracked using the appropriate buckets. If accounted for properly, this lifecycle data creates your "demand vs. capacity" data to ensure you can always deliver what you're actually selling.

4

Make every hour count

To successfully track the hours it takes to deliver a project, you need to make sure every hour is tracked whether billable or not. Too many organizations today only track consulting time sold against a project, ignoring time not scoped for resources outside of professional services (e.g. development). The typical reasoning? "We didn't build the outside resources' level of effort (LOE) into the project because it's just a cost center." But making this mistake means you'll never identify "true" project margin and you'll never know if you're efficiently utilizing the resources outside of consulting. Instead, services leaders should establish productive utilization targets for these resources with a realistic percentage figure tied to specific projects.

5

Stay on top of project burndown

Visibility into project burndown is key to utilization tracking – indicating if the project is trending correctly or is at risk of running over budget. To track this, your project managers must have clear visibility into all project hours that have been budgeted, charged, planned, and unplanned. To be accurate, project burndown must include any and all assigned resources that further the scope of project, billable or not. This is all made easier with the help of a modern PSA solution, going so far as to predict the results of a project based on assignments and actuals. If you can add analytics to the mix, you can also predict project results based solely on hours that have not been scheduled.

6

Improve your real-time realized rates

High utilization rates are great, but if your realized rate per hour (RRPH) is low, then your margins will be low and your employees will be overworked. To avoid this, it's important to know how to calculate your RRPH:

- Take the services revenue for a period and divide by the number of productive utilization hours in that period (billable hours plus write-off hours): this is your RRPH.
- Compare your RRPH against the average contracted rate per hour and/or what you typically sell at to determine the difference.

For example, if your average contract hour is $200 and your RRPH is $125, you may not be selling the correct scope, you may not be delivering efficiently, or you may have too many write-offs. Your goal is to keep the delta as small as possible—in this case, that means closing the gap between the $200 contracted rate and the $125 realized rate.

Improved utilization is just the beginning

By following the steps above, services leaders can continually maximize utilization. But that's just the beginning. With appropriate utilization targets set and key processes defined, you will achieve even more for your services business:

- Resources outside your services organization will understand their commitments.
- Internal resource managers will have visibility into capacity and know how to schedule it.
- Teams can set client expectations upfront, leading to higher customer satisfaction.
- It will be easier to identify and justify additional resources when needed.
- Margins and RRPH will be calculated more accurately.
- Every hour of delivering scope will be tracked and cost allocated whether you're billing the client or not.

Infrastructure drives success

While maximizing utilization may seem straightforward, it is extremely difficult to execute and manage with just spreadsheets or limited PSA software. Services leaders serious about improving utilization and the overall business must empower their teams with a solution that automates key processes and offers full visibility into important metrics. Here are some practical tips to consider when evaluating a new PSA solution.

Connect to your CRM

When it comes to boosting utilization, connecting PSA and CRM is a no-brainer. SPI Research reports that organizations with a PSA solution integrated to their CRM achieve 4% higher utilization versus organizations that don't have the same system in place. Unifying data related to your customers, projects, resources, and financials on one platform not only makes it easier to calculate and improve utilization, but also helps accounts for every detail, including calendars, target rates, supply, demand, forecasting revenue, protecting margins and more. Connecting your CRM with a modern PSA system is the single best path to automating and streamlining your core services delivery processes from opportunity to renewal.

Integrate with widely used time tracking tools

Tracking non-billable time is important, so why not make it easy? Developers are a great example of non-billable resources that often contribute to projects, but many are already tracking their time in a separate system like Jira. Instead of asking developers to track time in two tools, connect this time tracking tool to your preferred PSA solution. This not only keeps developers logging their time in their day-to-day solution, but it also brings in PSA information they need to deliver the correct effort on the project side. A bidirectional integration like the one between FinancialForce PSA and Jira saves employees from having to log time in multiple places and helps surface the true effort involved in projects.

Invest in real-time data analytics and predictability

Instead of manually cobbling together best guesses based on past events, take advantage of real-time analytics to see what's happening now and in the future. Always know what is going in and out of professional services (e.g. resources, projects, partners), how much capacity is left by skill, and how to manage it all to deliver on customer expectations. Furthermore, cutting-edge analytics powered by Salesforce Einstein can tap into scenario-based formulas and delivery curves specific to your organization to accurately predict utilization, backlog, and capacity for your business over the next 12 months. The right PSA solution won't just offer these insights at the broader departmental and business levels, but also at various resource levels as well, such as practice, geography, or role.

Top requirements for a modern PSA system

Native integration with CRM	●
Flexibility to support multiple services delivery models	●
Predictive analytics and reporting	●
Master customer database and record	●
Support for diverse billing models	●
Automation from opportunity to revenue recognition	●
Built-in customer and partner communities	●
Configurable and extensible	●
Seamless connection to other apps	●
Validated by the industry	●

Want to see the #1 PSA in action?

SCHEDULE A DEMO