5 MISTAKES PROFESSIONAL SERVICES TEAMS MAKE AND HOW TO AVOID THEM

Removing Barriers to Growth for a Professional Services Organisation

FINANCIALFORCE

There's never been a better time to be in the Professional Services industry

Over the past decade, a seismic shift has occurred from demand for "hard" services, such as manufacturing and production, to technology–and knowledge-based services. Against this backdrop, the professional services industry has escalated to more than $4 trillion in global revenues, with annual growth surpassing almost every other sector. With the global economy on the mend–and technology playing an increasingly important role–the growth trajectory for Technology businesses with a strong professional services organisation (PSO) is seemingly limitless.

Unfortunately, not all PSOs will be able to effectively take advantage of these circumstances. Why not? PSOs today face a number of challenges, from increased competition to lack of available skilled resources. Timeframes for project completion seem to be shrinking all the time, while market volatility can make it difficult to predict where the next project is coming from. And while these challenges may be universal for most PSOs today, the way that organisations address them can vary widely–and can mean the difference between succeeding and floundering.

To help navigate this promising but challenging environment, we've identified five common mistakes seen within the professional service industry, as well as practical strategies for avoiding them.

READ ON TO SEE IF YOUR BUSINESS COULD USE A TUNE-UP IN ANY OF THESE AREAS:

1 Siloed Teams

"Collaboration" may be a ubiquitous (and sometimes overused) buzzword these days, but smart organisations can't deny that a greater connection between disparate teams can produce amazing results. And yet, when it comes to connecting the Sales team with the Professional Services (PS) team, many PSOs fall short–particularly from a technology perspective.

When Sales and PS use different systems, everybody loses. The Services team receives limited information, preventing them from providing the most effective service possible. Meanwhile the Sales team may be under- or overpromising, since they're unable to see what's available to deliver. In short, the lack of visibility on both sides can translate to a sub-par experience for the client and a missed opportunity from a business perspective.

Professional Services Automation (PSA) software integrated with a CRM can be a clean and elegant solution to this transparency problem. With Sales and PS on the same system, they're better able to deliver what's been sold and sell what can be delivered. Sales can see problem areas and address them as they come up, as well as request additional resources based on what's available. Project managers gain pipeline visibility and can plan accordingly. And clients get what they need, when they need it. Everybody wins!

2 Using the wrong tools

In its early days, a PSO typically has to make do with a limited set of tools and resources. Because of this, many PSOs start out using IT or project management tools to manage professional services projects—and then neglect to upgrade several years down the road. It may be an imperfect system, but they've patched it together so far. As the saying goes, why fix it if it ain't broken?

While this "make-it-work" attitude is certainly commendable, it ignores an unfortunate reality about using the wrong tools to manage a specific task. For example, while some IT and project management tools may have bolted-on functionality to attempt to handle PSA needs, many are not specifically designed to handle things like billable hours—the lifeblood of any PSO. This means there's no flexibility in the way you bill, whether it's a flat rate, time and materials or other pricing models. This can adversely, and sometimes significantly, affect profit margins.

The beauty of using a PSA solution is that it's specifically designed for professional services. Because of this, PSA makes it easier to manage PS tasks and provides greater transparency into factors like client/project-level and utilisation, greatly improving planning and tracking. And since PSA can accommodate any number of billing methods, profit margins increase and billing becomes more of a breeze.

3 Not prioritising based on profitability

All professional services projects are not equal. It's a widely accepted fact, and yet one that many PSOs are woefully unequipped to deal with. Without a dedicated system, it can be difficult to measure the nuances of profitability that each client and project represents. And since profitability can be a moving target, it's also key to be able to see real-time updates to revenue estimates and costs related to a project.

If you can't quickly determine which projects are a priority from a profit contribution perspective, you're making planning decisions in the dark. If a client suddenly requests more resources, do you hire subcontractors or bring people in from other parts of the company? What if multiple clients make requests—how do you decide who gets what? Making the right decision can lead to faster growth, while making the wrong decision—especially on a repeated basis—can lead to profit margin erosion.

This is where PSA can really revolutionise an organisation. Rather than making an educated guess about where to spend money and resources, you can get comprehensive, real-time transparency into profitability by client, project type, region and more. Which means you can reduce the guesswork and make decisions with greater confidence, while also increasing your bottom line.

4 Ineffectively tracking metrics

The topic of metrics has been a huge focus across the professional services industry lately, and with good reason. Any PSO worth its salt understands the importance of tracking things like utilisation and billable/non-billable resources in an efficient and accurate manner. So why would an organisation abandon this crucial task to a tangle of manually updated spreadsheets?

Ineffective tracking and the inability to track multiple types of utilisation metric can limit your business in significant ways. A PSO needs to be able to adjust utilisation targets for individuals based on their situations—for example, a new consultant currently being on-boarded should be measured differently than a senior consultant who spends a lot of time training or helping Sales. PSOs also need a clear breakdown of credited hours versus goodwill hours, and how utilisation varies from what's been scheduled versus the team's ability to execute against the schedule. Accurate summary level reporting are also critical—PSOs need useful information at the team or regional level to make the right decisions when swings of utilisation as small as 1-2% can mean the difference between losing money and profitability.

A growing PSO needs a more tech-forward solution for managing the business that produces metrics as a natural by-product of doing the work. Here again, PSA improves planning by giving insight into variables like consultants' areas of expertise, planned vs. actual by project and different targets of utilisation for compensation vs. budgeting purposes. Rather than relying on disparate metrics used across the organisation in spreadsheets, PSA pulls it all together into one system, where it can be tracked, measured and viewed by all. This puts everyone on the same page when it comes to maximizing utilisation and measuring ROI.

5 Unprepared for growth

This may be the most ironic of all the mistakes listed here, since it often happens to organisations that actually deserve to be successful. The PSO is doing everything right–providing an excellent service, delighting the client, maintaining an efficient back-office process. Naturally word gets around and the client list grows (and grows, and grows). Pretty soon the organisation needs to turn business away because it can't handle the volume. Meanwhile, the existing clients are getting lost in the shuffle, and, well, you get the picture.

For some PSOs, the greatest barrier to achieving growth may be growth itself. This happens when an organisation is unable to efficiently and accurately plan for the growth they're seeking. When the tailwinds start blowing and new business is pouring in, the company needs to be flexible enough to change its processes in order to meet current demand–or risk losing what it's worked so hard to build.

This growth conundrum is probably the number 1 reason we see organisations upgrading to a Professional Services Automation (PSA) solution. Without a system that is tailor-made for the challenges of the professional services industry, a PSO is ill-equiped when it comes to planning for future growth. Because PSA can bring greater visibility into current and upcoming projects, it's easier to match and schedule resources. And having all billable resources in one place–rather than scattered throughout disparate spreadsheets–reduces the chances of system failure when volume increases.

There's no doubt about it:

The opportunity for a professional services organisation today is immense. But that doesn't mean that all PSOs will be successful. A key differentiator will be the way that these companies navigate the above challenges.

A recent study found that 47% of "best in class" professional services firms use a PSA software solution that is integrated with CRM. They also discovered that using PSA can lead to performance improvements such as delivering projects early and within budget, increasing project profitability and bolstering customer satisfaction and retention. And the organisations with integrated PSA software also boasted a 73% utilisation rate—which means they get greater value out of their employees and schedule them more effectively. And with the added view of financials, PSA gives the organisation a bird's eye view of the all-important profitability it needs in order to grow.

Challenges are inevitable in any industry, and professional services certainly isn't an exception. The mistakes listed here may be common, but they're also avoidable. And avoiding these mistakes may just be the difference between a PSO that thrives and one that simply survives—or doesn't.

About FinancialForce

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